

The Employment and Human Resource Services Industry

How can Egypt develop and attract private sector staffing firms to improve employment services?

Master's Project

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List of Abbreviations

ASA	American Staffing Association
BPO	Business Process Outsourcing
CAGR	Compound Annual Growth Rate
CIETT	International Confederation of Private Employment Agencies
CSR	Corporate Social Responsibility
HR	Human Resources
ICT	Information Communication and Technology
ILO	International Labor Organization
IT	Information Technology
ITIDA	Information Technology Industry Development Agency
KPO	Knowledge Process Outsourcing
MCIT	Ministry of Communication and Information Technology
MENA	Middle East and North Africa
MOMM	Ministry of Manpower and Migration
NDP	National Democratic Party
PEA	Public Employment Agency
POEA	Philippines Overseas Employment Agency
PrEAS	Private Employment Agencies
RPO	Recruitment Process Outsourcing
SMEs	Small and Medium Enterprise
UAE	United Arab Emirates
VOP	Vendor on Premise

Executive Summary

Egypt is one of the most populated countries in the Middle East and has the fourth largest economy in the region. The country has been struggling with structural unemployment especially among its educated youth and women. Unemployment among university graduates is estimated to be between 17-27%. The public sector has continued to be a major employer absorbing over 30% of Egypt's total labor force. On the other hand, local private firms have experienced difficulty in recruiting personnel and lack human resources management skills.

The unemployment problem is augmented by a lack of market mechanisms and institutions that facilitate the transition from education to work, effectively link labor supply to demand and provide career services. In other words, the private employment agency and human resources (HR) services industry is severely underdeveloped in Egypt. And while global private employment agencies (PrEAS), such as Manpower Inc. and Adecco have entered Middle Eastern countries such as Morocco, Tunisia and the United Arab Emirates (UAE), they have not entered Egypt.

The global HR and PrEAS' industry revenue is estimated to have reached \$431.8 billion in 2008. The global temporary staffing services industry reached \$310.4 billion in 2008 and is anticipated to increase to \$528.8 billion by the end of 2013. There are over 71,000 PrEAS worldwide that facilitate employment for millions of people on a daily basis. Employing workers through PrEAS has become a standard flexible hiring model that is adopted by most global companies. This model has helped firms respond to economic fluctuations and individuals find their first job. PrEAS complement the role of public employment agencies; play a vital role in contemporary labor markets; and have

become strategic partners to multinational firms that outsource and off shore production and services to emerging markets. PrEAS have effectively become the new labor market intermediaries in the recruitment, employment and management of workers.

The ILO Convention 181 provides policy guidance for countries, such as Egypt, on how to improve regulation, increase labor market flexibility and foster the development of private employment agencies. Countries such as the Philippines, Tunisia and France serve as models for collaboration between public and private employment agencies, and facilitating the operation of PrEAS to generate employment.

Key findings from the global value chain of the PrEAS industry

Analysis of the global value chain for the industry reveals the following key findings:

1. There is very little research, if any, which has been done on PrEAS. This paper provides the first value chain analysis that has been developed on the industry.
2. PrEAS have undergone several types of upgrading. The industry is driven by customer demand, is highly relational and is impacted by the regulatory environment. PrEAS have shifted from providing basic low skill short-term labor in their immediate local markets to high skill professional and specialized long-term manpower globally. The industry has experienced functional, process and product upgrading where firms have leveraged information systems and improved process to achieve economies of scale. Firms have developed a variety of products to capture higher value added services and are now providing a ‘one-stop shop’ solution for their clients that includes HR consulting, recruitment, staffing, and personnel management services.
3. Barriers to global firms market entry are primarily in the institutional and

regulatory enabling environment. Global firms have adopted a strategy for global growth similar to their multinational clients' strategy. The ease of doing business in one country versus another has been a major driver in investment decisions. Factors that determine global firms market entry include the rigidity of labor regulations, extent of trade unions' collective bargaining, rule of law and contract enforcement, the level of corruption, ease of business registration and legal requirements, complexity of tax systems and availability of local talent.

4. PrEAS are active in corporate social responsibility programs, policy dialogue and public private partnerships. Firms in the employment industry have acted as strategic partners in policy dialogue at the national level to improve labor market flexibility and promote industry representation. PrEAS have been active in corporate social responsibility programs and public private partnerships to promote job creation, transition to work programs, training and addressing issues such as employment among women and fair employment practices.
5. PrEAS are catalysts for economic development and a flexible labor market. PrEAS facilitate flexible employment contracts that allow private sector firms to respond to economic upturns and downturns. The contingent workforce is now a critical component of the organizational design of most transnational firms. PrEAS have become strategic partners in workforce planning and development to their client organizations and have become a preferred employment option to many job seekers.
6. PrEAS have developed instruments to self regulate. PrEAS developed industry institutions that work with the public sector, international organizations and other

stakeholders to promote regulation, industry standards and reinforce their status as key players in the labor market alongside public employment services. PrEAS have developed quality control measures and service level agreements to ensure regulatory compliance and fair labor practices.

7. Global firms have entered the Middle East market. Global firms have entered Morocco and Tunisia first and more recently have established presence in the Arabian Gulf countries. They have been active in an array of workforce development programs that target youth employment.

Key findings about unemployment in Egypt

1. Egypt is a country that has an underdeveloped private employment industry and would benefit if global PrEAS decide to enter its market. Egypt's transition to an open market economy has resulted in the successful development of its ICT sector. However, an undeveloped employment and HR services market and the absence of global PrEAS from the Egyptian market have undermined the job creation goals of the ICT sector. Egypt needs to promote itself as an opportunity location for global PrEAS and address institutional and regulatory barriers that hamper the development of the private employment services industry and private sector investments. PrEAS are critical players in the employment market and have been proven to more effectively link labor supply to demand.
2. Countries such as Egypt need to consider employment and HR strategies adopted by transnational firms. The contingent workforce that is recruited and managed by PrEAS has become a critical component of the HR design of international companies. Therefore, in order for Egypt to increase its share of foreign direct

- investment it needs to improve its labor market flexibility and attract global PrEAS while developing its private employment and HR services industry.
3. Egypt has vast opportunities for PrEAS and HR services. Egypt has an abundance of educated human capital and a fast growing ICT sector. Egypt is a strategic MENA country that offers local as well as regional opportunities for investors. In addition, the country has been the supplier of professional work force to oil rich countries in the region. Egypt has been recently named the top sixth destination for outsourcing and off shoring activities by A.T. Kearney. These are all conditions that should make the Egyptian market relatively attractive for global PrEAS.
 4. Egypt faces several barriers to developing PrEAS. Barriers to the industry are in Egypt's regulatory and institutional framework. Egypt needs to further improve its ease of doing business-enabling environment. Improving contract enforcement systems, simplifying business registration processes along with improving labor market flexibility are preconditions to attracting global PrEAS as well as other private sector investors.
 5. Egypt stands to gain by developing the HR field to develop its human capital. Developing MENA specific research and development in the HR field is greatly needed to develop sound HR practices that target investments in human capital. Egypt can become a regional leader by developing the educational and institutional framework for HR in the Middle East region.

Key policy recommendations

Based on the analysis of the PrEAs industry value chain and factors that underpin

the unemployment problem in Egypt, the report recommends the following policy action:

- Labor laws: a broader implementation of 2003 labor reform in Egypt, to continue with legal reform and to ratify labor law to include ILO Convention 181.
- Sector institutions: to create an independent agency for PrEAS, that would represent Egypt with international organizations, would promote Egypt as an opportunity location to global PrEAs and develop agency work regulation adapted from best practices.
- Education and training policies: to clarify the role of the Supreme Council for Human Resources, develop the human resources field curricula, research and development in universities, create university students career services, and include private sector representation among universities' advisory boards.
- Ease of doing business: increase anti-corruption efforts, improve contract enforcement and property registration, continue financial institutions reform, and lower trade barriers
- Strategic public private partnerships: develop existing partnerships and new innovative ones that augment employment outreach programs and improve job market information especially for the benefit of young people entering the labor market.

Introduction

The need to create jobs for new labor market entrants, predominantly the young and women has been a challenge to policy makers in the Middle East and North Africa (MENA) region. Regional governments have prioritized job creation and made it part of their economic development initiatives. However, these initiatives have focused on improving the enabling environment for doing business without giving sufficient attention to labor market policies and institutions. Unfortunately the labor markets in MENA have been some of the most rigid, regulated and segmented markets in the world. The main cause of this rigidity is the overwhelming role of the state in employment and labor markets. The public sector has been the regulator and primary employer. ‘The public sector employment share has been over 50% in Algeria and Saudi Arabia, 40% in Jordan, 30% in Egypt and Iran, and 20% in Morocco and Tunisia’ (Salehi-Isfahani, 2001). On the other hand, ‘the average in developing countries is less than 10% and in industrialized countries is 15%’ (Salehi-Isfahani, 2001).

Moreover, labor policies have been supply driven and are not orchestrated with other investment promotion and private sector policies. Countries that have shifted to an open market economy and are trying to attract private sector investment need to reassess their labor policies in order to attract investors. Job creation needs to be discussed in terms of the conditions that will persuade private capital investment to generate employment. These conditions are the enabling environment for doing business, the existence of a flexible labor market, the accessibility to a trained labor force, and the availability of well functioning private employment agencies (PrEAS).

In a global economy access to a flexible labor market and a qualified talent pool are key competitiveness factors for the private sector. The availability of professional private sector employment agencies, also referred to as staffing companies, plays a vital role in market economies to link the local and international workforce with the job market. Staffing companies provide private and public sector organizations with a flexible human resources' solution that meets their needs during times of growth and throughout business cycle fluctuations. PrEAs have evolved from being mere suppliers of low skill manpower to providing highly skilled human capital and acting as strategic workforce development partners to transnational companies. They provide services such as human resources consulting, permanent, temporary and contract recruitment; employee assessment and selection; training; outplacement; outsourcing and talent management consulting. However, PrEAs are underdeveloped in some countries, such as Egypt, that have taken steps to improve their competitiveness but are struggling in integrating job creation and workforce development to economic growth.

Egypt has been implementing economic reforms since 2004 that have led to economic growth; a fast growing technology sector; and being recognized as one of the top offshoring destinations for international companies. However, Egypt's economic development has been undermined by rigid labor regulation, an undeveloped private employment services sector and population growth.

Egypt's population is estimated to be about 75.5 million¹. Population growth is estimated at 2% annually and 37% of the population is in Cairo, Egypt's capital and

¹ WDI 2007 Egypt country data.

largest city. More than 30% of the population is under the age of 14² and only 6% is over 60³, which has put considerable pressure on the labor market and existing employment services.

Employment services are mostly provided by the public sector and have been inefficient and ineffective. Egypt's human resources development capacity and employment services lag behind its economic growth, which has led to a growing gap between labor supply and demand. Furthermore, global staffing companies are not operating in Egypt and local private temporary employment agencies are not developed to effectively link supply to demand.

Private employment agencies play a vital role in the functioning of contemporary labor markets in modern advanced economies. 'For the past three decades, the increasing need to provide workers and services to a rapidly growing and flexible labor market has led to the spectacular development of these agencies. Temporary work agencies allow enterprises to have more flexibility to increase or decrease their workforces, while ensuring for the workers sufficient security in terms of job opportunities and employment standards, including pay, working time and training'. (ILO, October 2009)

PrEAS complement the role of public employment services and help to improve working conditions. "The ILO Convention No. 181 sets the general parameters for the regulation, placement and employment of workers by these agencies. It also encourages ILO member states to establish clear policies, legislation and implementing mechanisms for effective registration and licensing, thereby facilitating their playing a constructive role in a labor market free from exploitative conditions.' (ILO, October 2009)

² Over 33% of Greater Cairo's population is under the age of 15.

³ 2008 Egypt Country Profile, The Economist Intelligence Unit.

“There are approximately 4 million people employed daily by temporary agencies in EU member states, representing about 2 % of total employment. Agency work has been the most rapidly growing form of employment in the EU since 1990.” (ILO, October 2009). Moreover, temporary agency work has become an effective stepping-stone for new labor market entrants, which increases job creation. PrEAS are now human capital managers and manpower suppliers. They are the “new intermediaries in the recruitment and management of both qualified and unqualified staff that offer employers an attractive alternative to traditional recruitment channels⁴” (ILO, October 2009).

PrEAS are presented in this paper as potential development partners in job creation and as catalysts for economic development and labor market flexibility. Egypt is discussed as a potential new market in the Middle East for PrEAS provided that the enabling institutional and regulatory environment improves. Egypt’s Information and Communication Technology (ICT) sector is recommended for global PrEAS market entry given recent investments by the government and transnational and local firms. This paper provides:

- A Global value chain analysis of the private employment agency industry and its enabling environment and institutions;
- A review of the reasons for the global firms’ presence in Morocco and of the employment agency policy framework in the Philippines;
- An identification of the institutional barriers that prevent global staffing companies from entering new markets such as Egypt; and
- Policy recommendations that would facilitate global PrEAs market entry in Egypt and the development of local employment agencies.

⁴ Examples of traditional recruitment channels are newspapers advertisements, word of mouth, community bulletins, and ministry of labor announcements.

Problem Definition

Private Employment Services are Underdeveloped in Egypt

Egypt has been facing difficulty integrating its workforce efficiently into the economy. This has been recognized to be partly because of a misalignment between the prevailing skills of the workforce and the skills required by the private sector. In order to address this problem, the Ministry of Trade and Investment, Information Technology Industry Development Agency (ITIDA) and the Ministry of Higher Education have been collaborating with international donors and institutes to improve the quality of formal education and offer more relevant training programs.

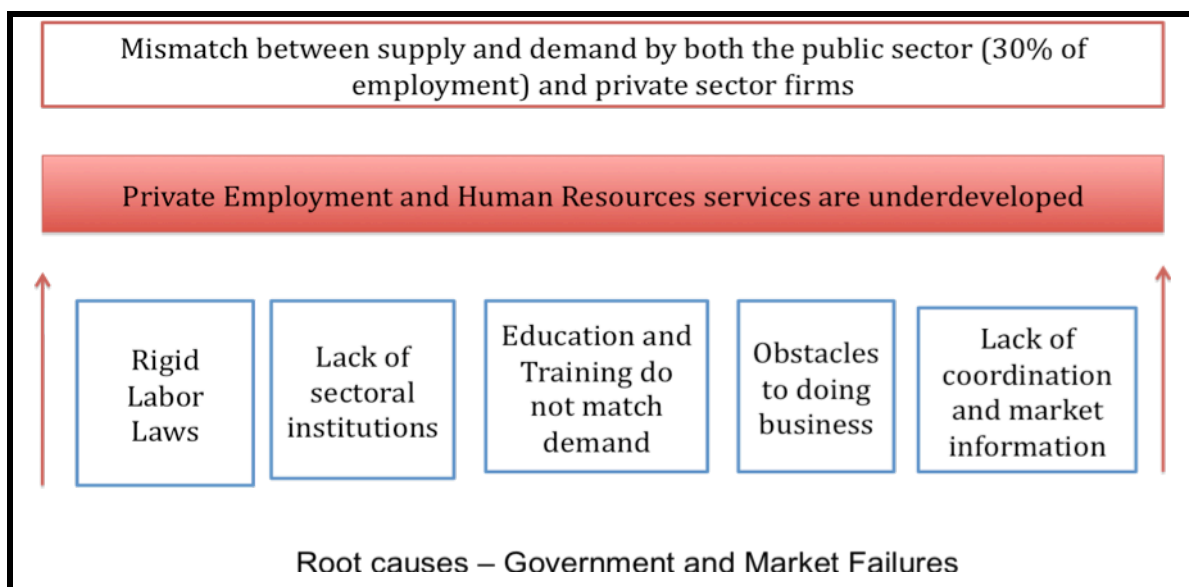
However, there is a host of other factors that drive unemployment in Egypt. Some of these factors include “the cost of labor tied to labor market policies and unrealistic wage expectations on the part of the first-time job seeker. Consequently, skills’ training alone is not sufficient and is not always the most cost-effective intervention. On the other hand, labor market programs that offer a wide array of services from counseling and job search assistance to remedial education and direct job creation are more cost effective.” (Adams, 2007)

In Egypt, entering the labor market is difficult. Complex labor laws burden the formal sector and private sector employers have had to develop ways to bypass them. In addition, favoritism in recruitment practices⁵, an inefficient public employment system, an underdeveloped private employment services market and lack of geographic and social mobility have further complicated job entry. Among educated people, status and job expectations greatly hamper labor market entry. Moreover, “urban employment is

⁵ In both the public and private sectors.

considered better than rural work, white-collar preferable to blue-collar occupations, and management positions are more prestigious than support work” (Eekelen et al, ‘InFocus Programme on Skills, Knowledge and Employability, Youth employment in Egypt’, 2003).

Private sector employment services have been proven to be more effective and efficient than public employment services in addressing the unemployment problems mentioned above. However, Egypt’s private sector employment agencies are underdeveloped and do not offer flexible employment contracts such as temporary work. On the other hand, none of the global PrEAs have entered the Egyptian market. Consequently, lack of market competition has neither induced improvement in public employment services nor the development of locally owned employment agencies.



Source: Author

Figure 1 The Unemployment Problem in Egypt

Employment Sector

The labor force in Egypt has been growing at a higher rate than the number of jobs created. The overall official unemployment rate reached 8.8% in the last quarter of

2008, down from 9.1% recorded in the last three months of 2007 and then went up again to reach 9.4% in 2009. Of the 1.8 million unemployed in 2001, 97% had at least a secondary education. The public sector continues to employ more than 30% of Egypt's total labor force.⁶ With over 650,000 people joining the labor force every year, generating employment opportunities has become a major challenge. Unemployment estimates among university graduates are particularly high⁷.

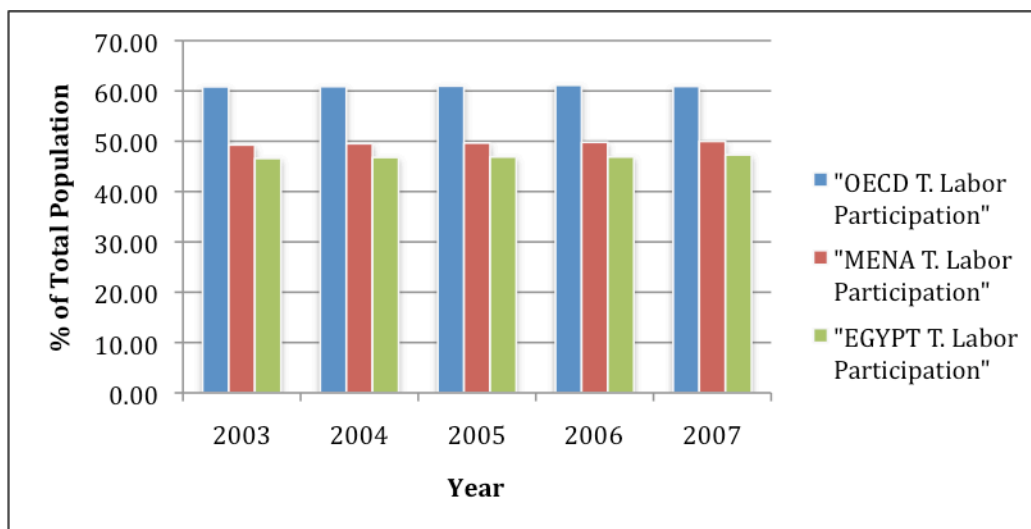


Figure 2 Employment Participation as % of Total Population⁸ in the Middle East and North Africa Region

⁶ Data Monitor Egypt Country Analysis Report, March 2009. This is a very high number. Civil service reform and e-government initiatives are expected to reduce employment in the public sector.

⁷ Unemployment among university graduates is estimated to be between 17%-27%.

⁸ Based on World Development Indicators

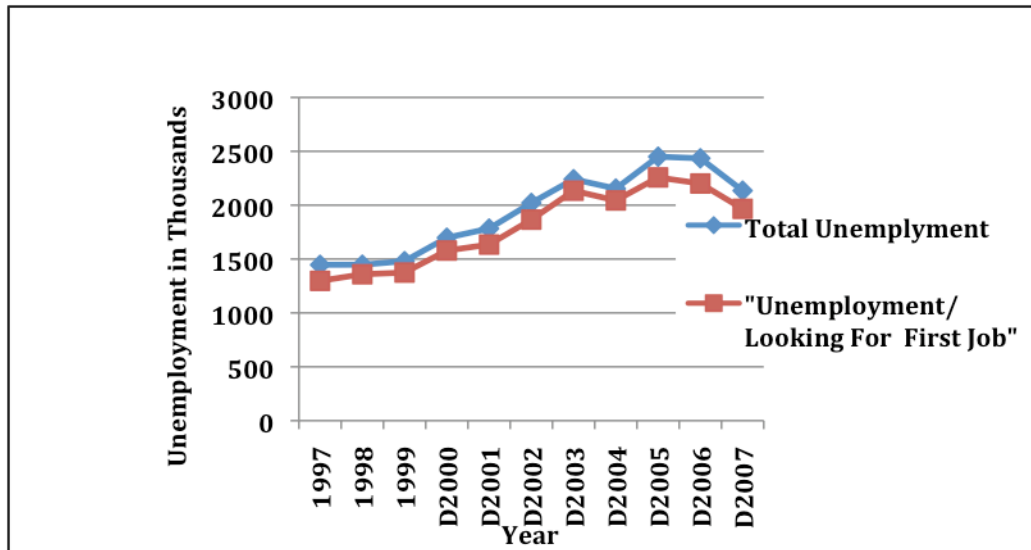
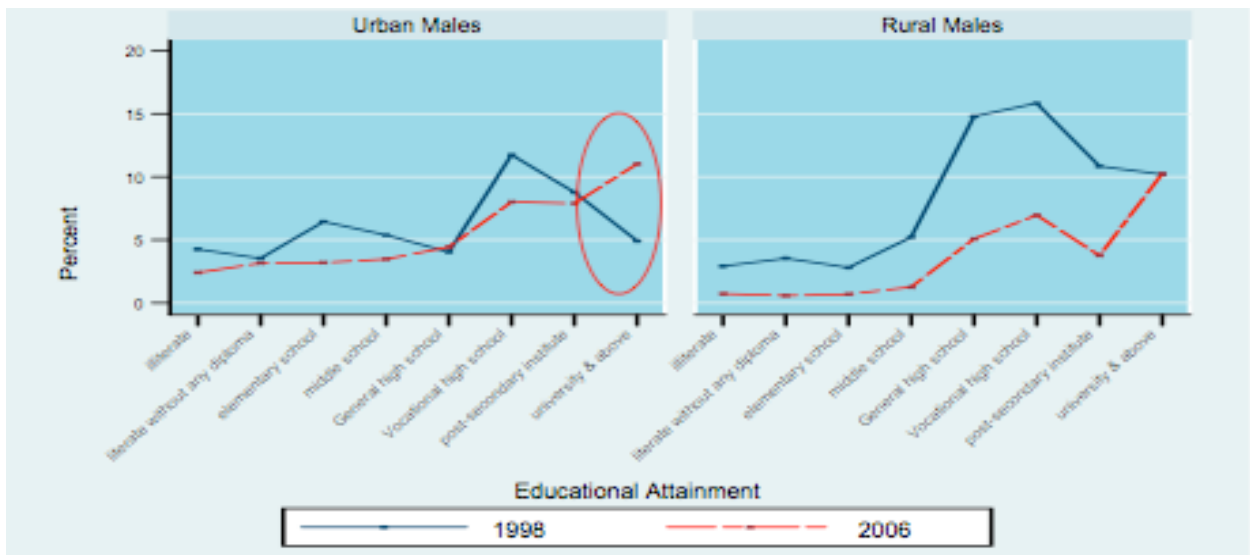


Figure 3 Egypt's Total Unemployment⁹

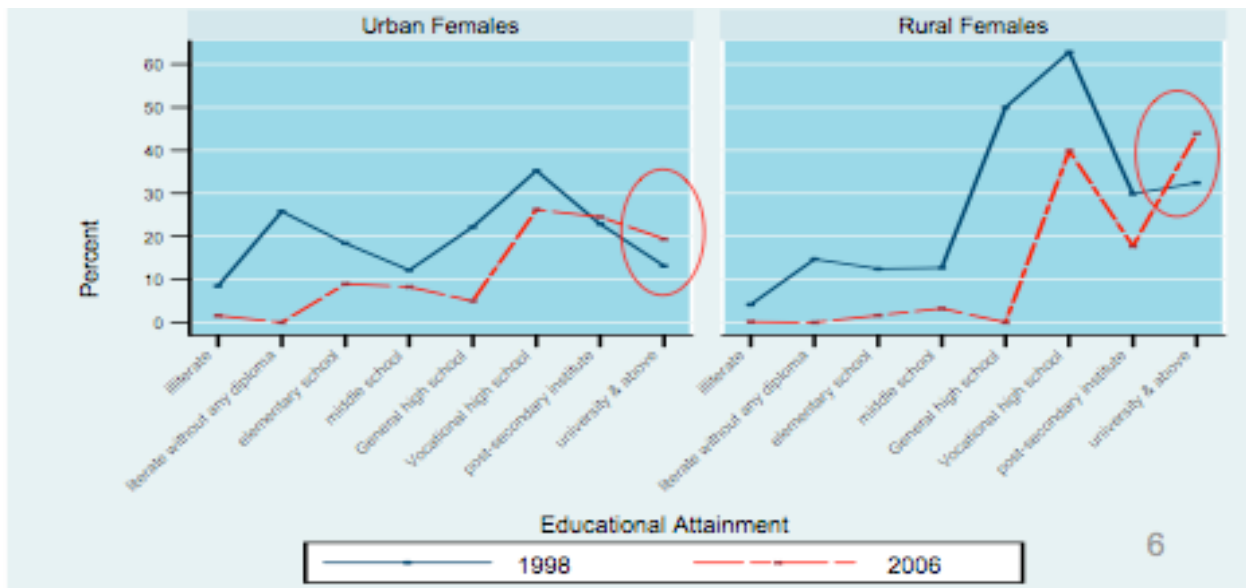


Source: World Bank 2008 Presentation¹⁰

Figure 4 Male unemployment is higher among University graduates

⁹ Based on ILO data

¹⁰ <http://info.worldbank.org/etools/docs/library/243377/day9EgyptTunisia%20Presentation.pdf>



Source: World Bank 2008 Presentation¹¹
 Figure 5 Female unemployment is higher among University Graduates¹²

Labor Crisis

“The labor crisis that plagues Egypt runs much deeper than mere unemployment.

The Egyptian workforce largely lacks the knowledge and technical expertise that the market demands internationally and locally. Though high unemployment persists, the Egyptian private sector continues to experience acute labor shortages, and, the market lacks the necessary mechanisms/ institutions (such as employment agencies) to fill the gap.”(www.egypttrade.org/trac/HR-RepJan2709.pdf)

The unemployment problem in Egypt is about labor market entry (finding the first job). “It is more about the educated youth than the illiterate and unskilled middle age workers. The problem is particularly acute among women and is worse in the urban areas.” (Hassan and Sassanpour, 2008)

An ILO survey in Egypt (Evans-Klock and Lim, 1998) identified human

¹¹ <http://info.worldbank.org/etools/docs/library/243377/day9EgyptTunisia%20Presentation.pdf>

¹² Even though employment data among females have improved, unemployment is considerably higher among females than males according to ILO and WDI data.

resource development¹³ as a critical factor in determining the ability of Egyptian firms to effectively compete in global markets and to make best use of new technologies. Egyptian local firms “ that face import and export competition have been experiencing difficulties in recruiting qualified personnel” (Leat and ElKot, January 2007). Difficulty in recruitment under conditions of labor abundance is a clear indicator of the misalignment between supply and demand. At the same time, private and public sector HR practices and workforce strategies are underdeveloped which impacts their abilities to recruit and retain qualified personnel during different business cycles.

Box 1 A local private employment case: JobMaster

JobMaster

Established as a technical recruitment agency in Cairo in 1995. The agency is considered one of Egypt’s leading agencies. Their core business is recruitment and permanent placement of candidates. According to their market surveys, “ HR type activities such as employee satisfaction are a relatively new concept for Egyptian firms. The local private sector focuses on business development but has not yet developed the human resources function. HR policies and procedures are a gray area. Being one of the few leading recruitment firms in Egypt, companies such as Hewlett Packard turned to us for help for local recruitment and HR. Recruiting qualified professionals that fit the organizational profile of international clients is a challenge. We are experiencing rapid growth due to expansions in the ICT sector.” (JobMaster, 3/3/2010)

JobMaster has been able to provide some HR consulting services yet unaware of flexible employment contracts that are normally used by multinational firms such as temporary staffing. For example, over 50% of Hewlett-Packard’s workforce is contingent (through temporary agencies) and labor arrangements are very progressive¹⁴ (Danna Shaw, VP, Staffing Analysts, 3/4/2010)

Source: Author

¹³ This is especially the case with talent management cycle: recruitment, career development, placement and retention.

¹⁴ A progressive labor arrangement here refers to contract arrangements with recruitment and staffing vendors that include temporary, contract, consulting and outsourcing. Arrangements vary in deal, contract and management structures.

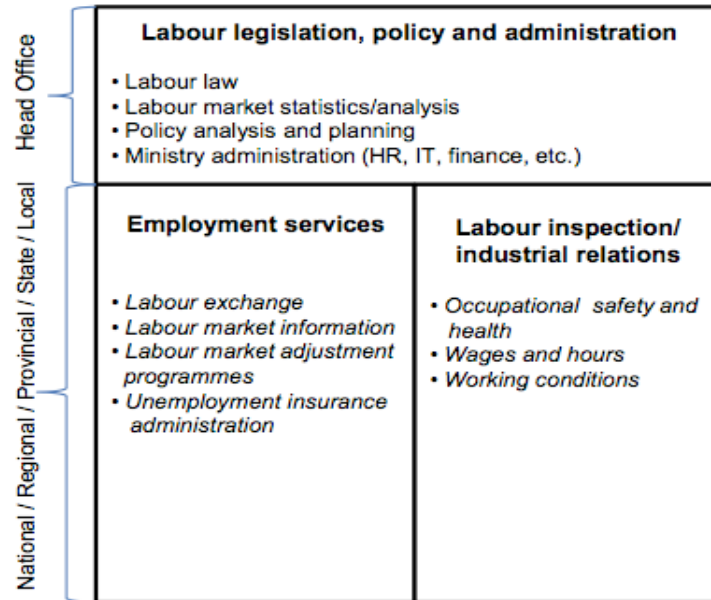
Public and Private Employment Agencies

The Role of Public Employment Agencies (PEA)

In Egypt, the Ministry of Manpower and Migration (MOMM) plans, develops, and monitors the employment market. The Ministry has seen its role dramatically change, especially over the last 10 years, as the national employment strategy shifted from the public sector employment guarantee to job creation in the private sector. MOMM is the primary institution that provides employment services in Egypt. (Annex A provides information on Egypt's Employment Institutions).

In most countries, PEAs “provide national, regional, provincial and local employment services. They plan and execute many of the active, and sometimes passive, labor market policies traditionally used to help workers enter the labor market, to facilitate labor market adjustments, and to cushion the impact of economic transitions. Public employment services provide labor market information; offer job-search assistance and placement services; administer unemployment insurance benefits; and manage various labor market programs (worker displacement assistance, retraining, public service employment, etc.)”(ILO, 11/2009). However, in Egypt public employment services have been struggling and unable to provide these services.

Generic labour ministry functions



Source: ILO, 11/2009

Figure 6 A Generic Institutional Framework for Labor Policy and Public Employment Services

Egypt's public employment services have been under discussion. They have proven to be rather ineffective and disorganized. "The government's priority has been to upgrade and improve employment services to reduce youth unemployment. Currently, local employment offices collect information on job vacancies and MOMM advertises them. Vacancies are announced through a monthly bulletin issued by the Ministry. Jobseekers and vacancies are registered in a computerized system. The bulletin advertises both public and private jobs. Most vacancies are blue-collar, low paid positions." (Gobbi and Nesprova, 'Towards a new balance between labor market flexibility and employment security for Egypt', ILO, 2005)

"Enterprises have an obligation to report all vacancies and all changes in their staff to local employment offices. They are nevertheless free to either accept or refuse the candidate/s proposed to them as officials of local employment offices are reportedly lacking the skills for proper screening of jobseekers. As of March 2003, the placement

rate reached through the monthly bulletin was only 40 per cent due to mismatches between the jobs and available skills and the low salaries offered.” (Gobbi and Nesprova, ‘Towards a new balance between labor market flexibility and employment security for Egypt’, ILO, 2005)

Box 2 – CIDA Project Upgrading Public Employment Agencies in Egypt

Since 2002 The Canadian International Development Agency has been implementing a project on upgrading public employment services in Egypt. The project tries to create 25 pilot labor Offices, one per governorate. The Social Fund for Development is a partner in the project. Canadian technical cooperation is responsible for methodological guidance and training of officials. Egyptian institutions provide offices and computer equipment. The training component of the project has two modules: one for employment service officials and one for employers and managers. Initial training takes place in Canada and is followed by training for trainers in Egypt. The Government of Egypt has also allocated resources to modernize some employment offices.

Source: (Gobbi and Nesprova, ‘Towards a new balance between labor market flexibility and employment security for Egypt’, ILO, 2005

Private Employment Agencies (PrEAs)

The ILO’s Convention 181 defines private employment agencies as “any enterprise or person, independent of the public authorities, which provides one or more of the following labor market functions:

- Services for matching offers of and applications for employment;
- Services for employing workers with a view to making them available to a third party (“user enterprise”); and/or
- Other services relating to job seeking, such as the provision of information that do not aim to match specific employment offers and applications. Agencies cannot charge workers for finding work. ” (ILO, WPEAC/2009, October 2009)

PrEAs Global Market

PrEAs are part of the global human resources (HR) services industry. The global HR services market revenues are generated from temporary staffing, search and

placement (permanent staffing), and corporate training services. Global HR services are a component of the global commercial services and supplies industry.

The commercial services and supplies industry revenues for 2008 amounted to \$1,535.8 billion in 2008 (Data Monitor, Global Commercial Services and Supplies, 3/2009). The HR services sector has been the commercial services industry's most lucrative segment, generating \$431.8 billion in revenues in 2008. (Data Monitor, Global Commercial Services and Supplies, 3/2009)

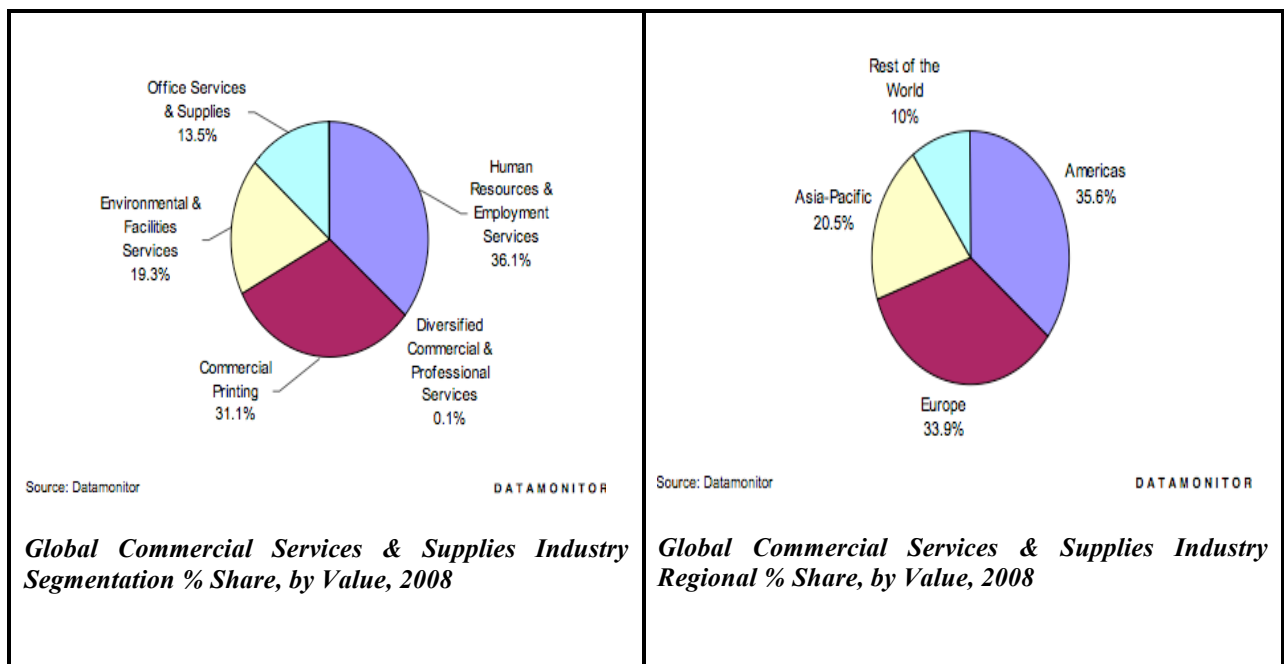


Figure 7 Global Commercial Services

In 2008, the global temporary staffing industry generated \$310.4 billion in revenues, equivalent to 71.9% of the global HR services overall market value (Data Monitor, Global Human resources and Employment Services 2009). Industry growth is forecasted to decelerate, with an anticipated compound annual growth rate (CAGR) of 4.1% from 2008-2013 and amount to \$528.8 billion in value by the end of 2013 (Data Monitor, Global Human resources and Employment Services 2009). The industry is used as an early indicator for aggregate and economic activity in some countries such as the

U.S. and Canada.

There are 71,000 PrEAs world wide, with 171,000 branches and 819,000 agency internal staff (CIETT, 'The Agency Work Industry Around the World', Economic Report 2010). The global market is fragmented and composed of small players and large international firms. There is little differentiation between firms. Barriers to market entry are fairly low and substitution is high. Global industry growth has been facilitated by labor market deregulation, mergers and acquisitions, outsourcing and off shoring activity, demand for talent and information technology. The market is highly competitive with increasing numbers of consolidation and merger activity.

PrEAs usually combine career counseling, training and placement of candidates categorized as 'job ready' or 'marketable candidates' who possess skills that are in high demand by client companies. These agencies provide a flexible contingent work force through multiple arrangements including temporary, contract, outsourced, consulting, and outplacement services. Competition has driven PrEAs to increase their competitive edge by providing value added HR services, improving efficiency of information systems, streamlining operations, training, and offering employee benefits (such as health, vacation, stock options, retirement and education).

Large firms benefit from significant scale economies in marketing, purchasing, recruitment, and back-office operations. Lead global firms are Adecco, Randstadt, Manpower, Inc., USG People, Allegis Group, Kelly Services, Radia Holdings, Hays PLC, Robert Half, and Staff Service. Total annual sales for the top 10 firms account for about 33% of the global agency work market (CIETT, 'The Agency Work Industry Around the World', Economic Report 2010). Japan and the USA are the global leaders

by total annual sales revenues, accounting for 21% of the world market each, followed by the UK [15%] (CIETT, ‘The Agency Work Industry Around the World’, Economic Report 2010). Europe is the leading regional entity (by total annual sales revenues) of the global market (CIETT, ‘The Agency Work Industry Around the World’, Economic Report 2010).

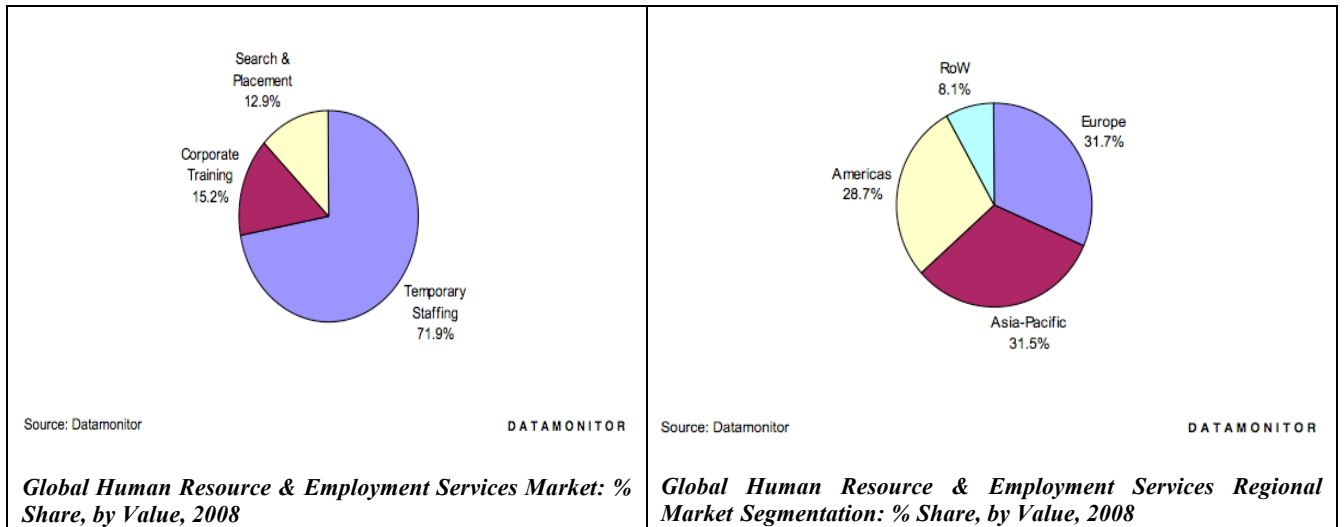
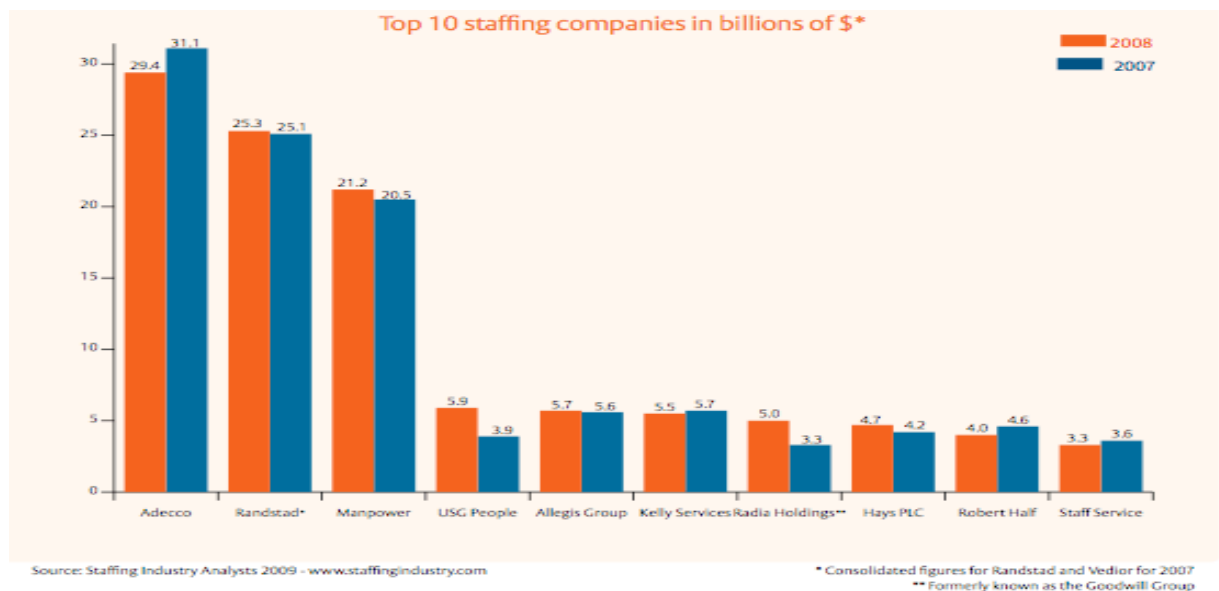


Figure 8 Global HR and Employment Services

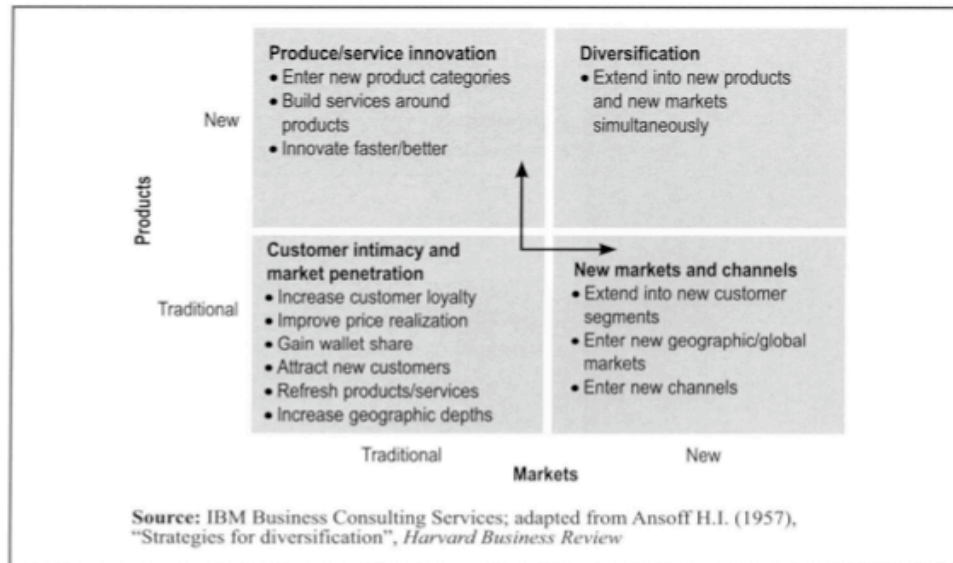


Source: CIETT, ‘The Agency Work Industry Around the World’, Economic Report 2010

Figure 9 Global Firms

The Global Value Chain (GVC) Framework

The GVC framework uses firm level analysis to determine stages of production of a good or service and the value of each component (Gereffi et al., 2005). Firms in the manufacturing, services and public sectors have been increasingly relying on specialized accounting, R&D, HR and IT service provision, and use suppliers of business-process outsourcing, including call centers (Meil and Flecker, 2009). Production processes, and increasingly also those of service provision, are no longer centralized in one location but are spread across primary and secondary labor markets in order to make use of low-cost and more flexible labor (Meil and Flecker, 2009, p.2). The ‘flexible firm’ (Atkinson 1984) combines an internal labor market with external employment and outsourcing arrangements (Meil and Flecker, 2009). Flexible firms focus on core operations while reducing cost through outsourcing and offshoring of non-core activities. The flexible firm model has provided an opportunity for temporary staffing firms to globalize and expand on their core activities as they followed their client companies into new markets. Figure 9 below depicts how some firms make the decision to enter new markets.



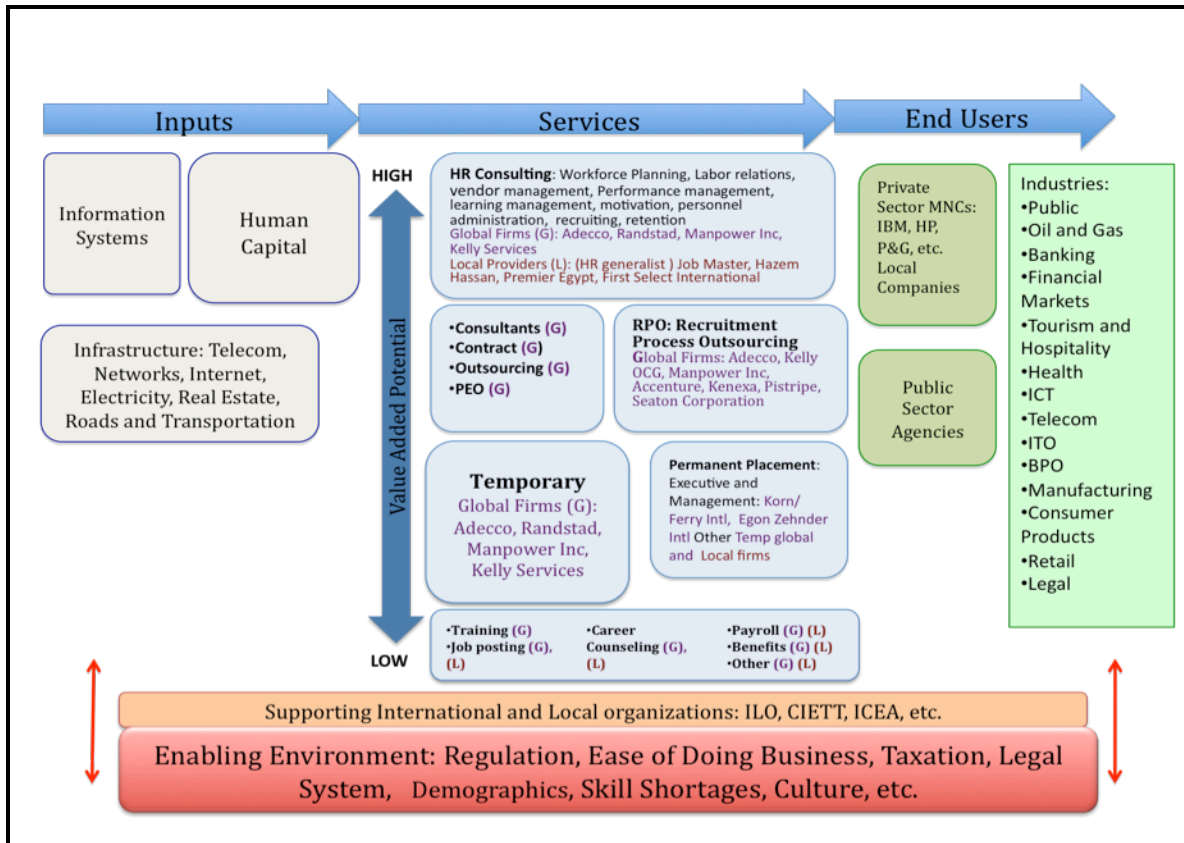
Source: Kapur et al, "The winning Formula for growth course, capability and conviction, *Strategy and Leadership*, Vol 34, No 1, 2006, pp. 11-23

Figure 10 Choosing a Growth Course for Multinationals

PrEAs Value Chain

The PrEA industry value chain (Figure 11) has three primary components: industry inputs, services provided and end users. Moving from left to right PrEAs' core business is about recruitment, selection and placement of human capital. The industry is driven by customer demand, is highly relational and is impacted by the regulatory environment.

The industry's primary inputs are human capital; information technology and local infrastructure and the end user are employers in the public and private sectors. Most important is the industry's enabling environment and supporting institutions, which constitute the fourth and fifth components of the GVC and have a significant impact on each stage in the chain, type and level of service and degree of market penetration. Thus, any analysis of the causes for the industry's underdevelopment in Egypt must take each of these components into account.



Source: Author

Figure 11 GVC Diagram of PrEAs¹⁵

PrEAs Upgrading – GCV Analysis

PrEAs fall under business process outsourcing (BPOs) HR services. There is little to no research on upgrading in the temporary staffing industry. Upgrading experience has been demand driven by large industry clients. Industry interviews, web research and literature review provide evidence (anecdotal and quantitative) that firms have undergone geographical, functional, product and process upgrading. It appears that early on geographical expansion came before other types of upgrading. However, upgrading has been mainly driven by demand and competition. The industry is quite competitive which drove firms to differentiate among themselves and improve their competitive edge through new product offerings, quality of service, technology, and

¹⁵ (G) Global firms. (L) Local firms are present and provide some of these services in Egypt.

geographical reach.

In addition, industry interviews reveal that the primary barriers to market entry of global firms or development of local industry firms are mostly in the enabling policy and institutional environments. The barriers to entry include:

- Labor regulations
- Extent of local collective bargaining – trade unions
- Rule of law
- Ease of doing business: contract enforcement, level of corruption, business registration, legal entity requirement for foreign firms and taxation
- Availability of local talent

From an economic value and development perspective PrEAs are potentially workforce development partners. They have been effective in countries that focus on attracting private sector investments, job creation and investments in the ICT and services sectors. Most importantly, they have been able to regulate themselves, effectively connect labor supply to demand and represent a sizable portion of transnational firms' hiring strategies. PrEAs send a signal to markets about labor regulations flexibility and are impacted by the enabling environment that restrict or encourage investment by firms in other sectors.

Geographical Expansion

Agencies expanded their operation beyond a single office location to multiple sites. Horizontal expansion occurred on global, regional, national and sub national levels. Global growth has not been organic. Agency growth requires large investment capital. Consequently, large global firms have developed a number of strategies in order to enter new markets. These strategies are demand driven and vary from simply opening up an

office in anticipation of demand such as in France; follow clients' expansion such as in Morocco; respond to clients requests to go to a certain location and to that intent decide to partner with a local firm such as in Angola; follow outsourcing and offshoring trends such as in India; or expand through mergers and acquisitions that gives access to new markets and new specializations such as oil and gas in UAE.

Functional Upgrading

Temporary staffing firms have moved from staffing gaps in low skill industrial and clerical positions to providing an array of value added HR functions. They now provide HR consulting services in strategic workforce development and planning; recruitment of professional medium and highly skilled human capital; training and “on boarding”¹⁶ of new staff; recruitment process outsourcing services; vendor management; and back office operations support such as payroll and benefit administration. In addition, global staffing organizations have partnered with government and local training institutions to facilitate workforce development and flexible employment policy making, transition to work programs, and job entry of first time job seekers. They have also developed a corporate social responsibility (CSR) agenda where they work with local communities in career development and skills upgrading. Furthermore, they have partnered with institutions to provide industry specific research and monitor employment trends.

Product Upgrading

As a result of functional upgrading, temporary staffing firms have developed new products where they bundled and unbundled their services to customize them according to their clients needs and budget. New products such as recruitment process outsourcing

¹⁶ Also known as new employee orientation.

(RPO)¹⁷, Offshore recruitment services, vendor on premise (VOP)¹⁸, training packages, outsourcing services and employee leasing programs have been developed.

Process Upgrading

PrEAS have been leveraging technology to improve processes and diversify recruitment methods. Staffing firms now use web based databases and candidate tracking systems; leverage online social networks; and use web based account management systems for order taking, monitoring, account management, billing, and payroll. Process upgrading has been particularly important for global staffing firms that offer services such as RPO services and therefore, have streamlined and integrated their processes with international client organizations.

Enabling Environment

Market entry of global staffing firms and/ or the development of a well functioning national temporary staffing market depends on the regulatory environment and the role of supporting institutions in policy making, reform and ensuring a tripartite dialogue.

Box 3 Institutions that determine and shape market entry and local staffing market

Institutional framework that impacts entry of global PrEAs and development of a national staffing market

- Alignment with international framework: Labor market reform in line with ILO's convention 181, country membership in the International Confederation of Temporary Work Businesses (CIETT), country's position regarding Foreign Corrupt Practices Act
- Country regulatory and role of supporting institutions: Labor regulations and

¹⁷ RPO - A human resource outsourcing function where an organization assumes all or partial responsibility for another organization's recruitment process of direct hire employees. (Staffing Industry Analysts, 'Lexicon of Global Contingent Workforce', 2010)

¹⁸ VOP - On-site coordination of a customer's temporary help services through an exclusive, long-term general contractor relationship with a temporary help company. The designated vendor on premise may enter into subcontracting relationships with other temporary help suppliers, or such relationships may be specified by the customer. (Staffing Industry Analysts, 'Lexicon of Global Contingent Workforce', 2010)

investment policy, Ministry of Labor, governmental and quasi governmental agencies that focus on job creation and HR practices, trade union/s, industry organizations (staffing, HR, and specialized private sector organizations)

- Access to educational institutions that prepare human capital: universities, community colleges, trade schools and training centers

Source: Author

Figure 12 depicts the range of actors and processes that create distinctive national markets for temporary staffing namely:

- “The influence of national/local state regulation in (i) direct regulation of temporary staffing agencies’ activities, (ii) the regulation of mainstream employment relations and the industrial relations system and (iii) the changing nature of welfare provision and state involvement in job placement activities;
- Lobbying by national and international industry trade bodies;
- Individual trade unions and national groupings of trade unions to influence and shape the expansion of temporary staffing;
- Domestic agencies’ growth and ability to compete locally with international agencies;
- International agencies’ growth and ability to achieve economies of scale and scope in the face of domestic competition;
- The geographic and sectoral composition of the economy and factors that shape demand for temporary staffing.”
(Coe et al, “Agents of Casualization? The temporary staffing industry and labor market restructuring in Australia”, 7/17/2008)

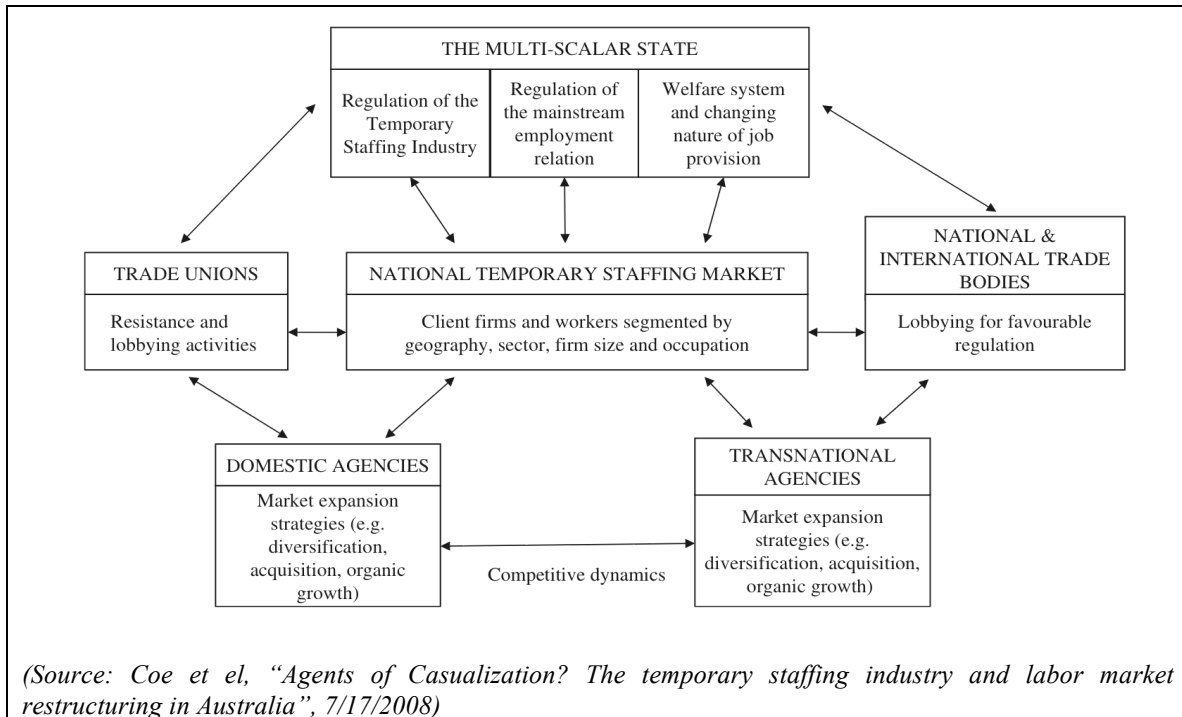


Figure 12 National Level - Actors and Processes that create a national staffing industry

Supporting International Organizations

ILO Convention 181

As mentioned earlier the ILO Convention No. 181 sets the general parameters for the regulation, placement and employment of workers by these agencies. The ILO regards temporary agency work as a potentially effective stepping-stone for new entrants into the labor market and a contributor to increased job creation (ILO, 'Sectoral Activities Program', WPEAC 2009). Dialogue and collaboration between the ILO and the International Confederation of Temporary Work Businesses (CIETT) has raised awareness about the role of PrEAs, led to the development of Convention 181, and development of ILO training workshops for member states on the industry.

The following are excerpts from Convention 181:

Sectoral restrictions and conditions relating to private employment agencies' operations

"Under Article 2(4)(a) of the Convention, governments may exclude private

employment agencies from operating in respect of certain categories of workers or branches of economic activity, after having consulted the most representative organizations of employers and workers. Such exclusion may be appropriate in cases where malpractice by private agencies has occurred, and governments' view that workers are better protected by public employment services. However, exclusion of private agencies from recruitment activities requires that public employment services are actually capable of providing them¹⁹. If some jobseekers prefer private agencies to public services, it would be better to allow private recruitment agencies and regulate their participation in the labor market.” (ILO, ‘Sectoral Activities Program’, WPEAC 2009)

Agency workers’ rights and working conditions

“Articles 4, 5, 9 and 11 of the Convention deal with the protection of agency-recruited workers. These guarantees cover fundamental rights at work, such as freedom of association; collective bargaining; minimum wage; equality of opportunity and treatment; and eliminating child labor. Special protection for migrant workers is outlined in Article 8 to prevent migrant worker abuse. Articles 4 and 11 address freedom of association and collective bargaining, stipulating that legislation on private employment agencies should specify that agency recruited workers be offered these rights. They should also have adequate protection in relation to: minimum wages; working time and other working conditions; statutory social security benefits; access to training; occupational safety and health; compensation in cases of occupational accidents and diseases and insolvency and protection of workers’ claims; and maternity protection and benefits.” (ILO, ‘Sectoral Activities Program’, WPEAC 2009)

¹⁹ Relates to the States’ financial capacities and jobseekers’ perceived acceptance of using public employment services (ILO, ‘Sectoral Activities Program’, WPEAC 2009)

Existing regulation, monitoring and controls

“Leading private employment agencies have developed mechanisms of self-regulation that promote good business practice and reinforce their status as key players in the labor market alongside public employment services. However, self-regulation, does not replace the role of national legislators and law enforcement agencies. Legislation is a means of reconciling the protection of workers’ rights with the interests of the agencies, as set out in the Convention, and shapes the agencies’ role within the context of national employment and migration policies, local specificities of labor markets and levels of socio-economic development. Regulation should aim at ensuring that the agencies offer their services in the interests of their clients while supporting overall national development goals and improving the functioning of the labor market. However, it should not serve as a tool to restrain competition and create unnecessary burdens for the agencies.” (ILO, ‘Sectoral Activities Program’, WPEAC 2009)

Cooperation between the public employment service and private employment agencies

“Article 13 of the Convention promotes cooperation between the public employment service and private employment agencies to ensure labor market efficiency, with the national labor market authority retaining responsibility for formulating labor market policies. It specifies that a member shall, in accordance with national law and practice and after consulting the most representative organizations of employers and workers, formulate, establish and periodically review conditions to promote cooperation between the public employment service and private employment agencies.

Such cooperation must be based on the principle that the public authorities “retain final

authority” for formulating labor market policy [and for] utilizing or controlling the use of public funds earmarked for the implementation of that policy. The convention proposes:

- Pooling of information and use of common terminology so as to improve transparency of labor market functioning;
- Exchanging vacancy notices;
- Launching joint projects, for example in training;
- Concluding agreements between the public and private employment agencies regarding the execution;
- And consulting regularly to improve professional practices.

Joint activities can be non-commercial or commercial. Non-commercial cooperation could involve the exchange of information on vacancies, while commercial cooperation could include public resources being allocated to private employment agencies to carry out such activities as training of the unemployed. Cooperation can be facilitated through ongoing communication, clear regulation, developing good practices and trust.” (ILO, ‘Sectoral Activities Program’, WPEAC 2009)

Box 4 Case Study: Collaboration between public and private employment agencies

Information sharing between the public employment service (PES) and private employment agencies

Several countries have useful approaches to the PES–private agency cooperation. For example, in France, Pôle Emploi (the French PES, formerly ANPE) provides jobseekers with offers from temporary work agencies, and assists the agencies in finding suitable candidates. In Lithuania, the PES–agency cooperation also focuses on information exchange; the PES briefs agencies on a regular basis on the labor market situation and its development, while agencies can report on their activities through the PES offices. In Poland, the two services not only exchange databases on jobseekers, but also jointly organize job fairs and exchange information on hard-to-fill vacancies. In Slovakia, the PES publishes a list of all agencies on its web site and in all its offices.

(Source: ILO, ‘Sectoral Activities Program’, WPEAC 2009)

The International Confederation of Private Employment Agencies (CIETT)

CIETT is the global organization that represents the interests of the private

employment agencies and promotes the interests of the industry internationally. Founded in 1967, “CIETT consists of 41 national federations of private employment agencies and 6 of the largest staffing companies worldwide: Adecco, Kelly Services, Olympia Flexgroup, Randstad, and USG People” (www.ciett.org). CIETT’s objectives are:

- Improving the regulatory environment for its members;
- Promoting quality standards within the staffing industry;
- Improving the industry image and representation; and
- Representing industry members with international organizations.²⁰

In the last decade Argentina, Brazil, Chile, China, Japan, Morocco, South Africa and Uruguay have all become full members of CIETT. Each country has its own trade body that represents the views of its temporary staffing agencies.

“CIETT has created a special membership fee for Emerging Markets of \$100 to encourage membership from countries where the employment agency industry is not developed. CIETT ‘s members learn from well-established and larger trade equivalents in other countries; develop relations with industry associations such as the American Staffing Association (ASA) and the UK’s Recruitment and Employment Confederation (REC); and share ideas and practices through the CIETT network. It is in and through these diffusion networks, which act to transmit policies and practices from the more- to the less-liberalized economies, that work is performed to support the expansionary strategies of the largest temporary staffing agencies.” (Ward 2002b).

²⁰ <http://www.ciett.org/index.php?id=7>



Source: www.ciett.org

Figure 13 CIETT Member Countries

A Flexible Workforce

Client companies enjoy a flexible just-in-time workforce while saving on benefits' costs and reduce risks associated with full time hiring. A flexible workforce supplements the regular workforce and fills growth, project and skill shortages needs. PrEAs place candidates in an array of short term and long term, assignments.

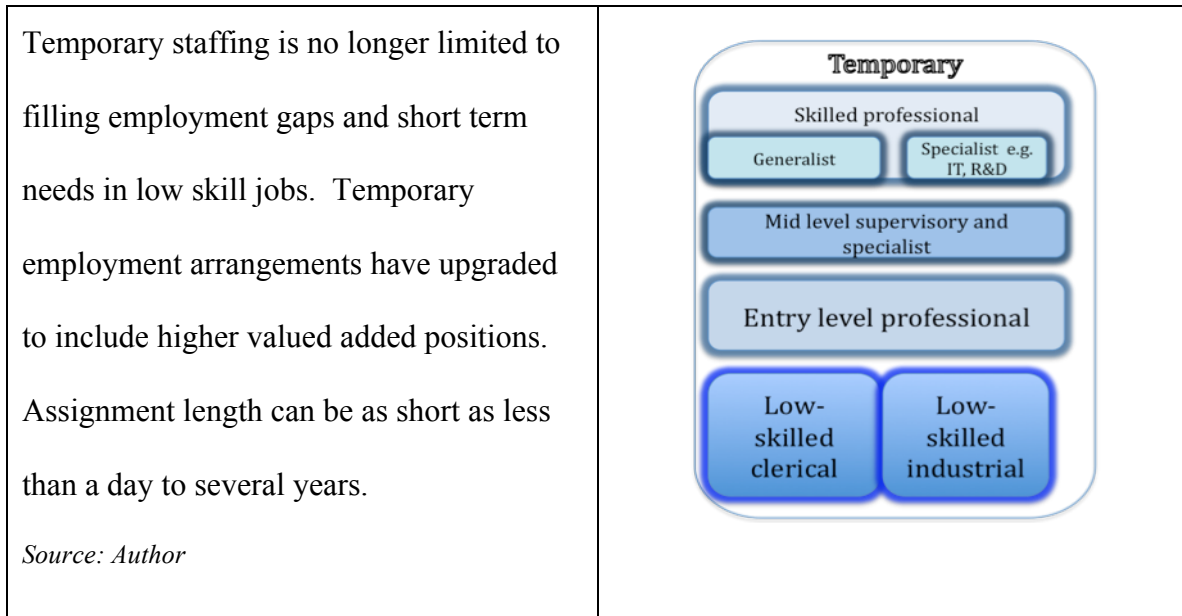


Figure 14 Temporary Staffing Value Chain

Temporary	Contractors	Outsourced Employees	Consultants
<ul style="list-style-type: none"> •Skilled, degreed and non degreed professionals •On-site •Short or long term assignment •Administrative, call centers, telemarketing, suveying, manufacturing, etc. 	<ul style="list-style-type: none"> •Higher Skilled, degreed professionals •On-site •Short or long term and/or project oriented assignment •IT, engineering, accounting and finance, medical, management, etc. 	<ul style="list-style-type: none"> •Skilled, degreed and non-degreed •On-site and off-site •Mainly long term •Is part of a larger outsourced service •Services include: outsourced facilities maintenance and management, travel, staffing, cafeteria, etc. 	<ul style="list-style-type: none"> •Highly skilled •On-site and/ or off-site •Assignment is project specific for a defined periode of time •Managment, IT, audits, medical, engineering, etc.

Source: Author

Figure 15 Employment Agency Contingent Work Arrangements – ‘Flexible Workforce’

PrEAs charge their clients an hourly bill rate for a set trial period, with a separation fee applying if the client company and the job candidate agree to transition to permanent employment prior to the end of the contract period. Some employees prefer temporary employment because of flexible work arrangements and schedules.

Table 1 Sector and positions that temporary staffing firms place candidates in

Sector	Position
Information Technology	Consultants, analysts, designers, installers and other computer science and communication positions. Fastest growing positions are: network systems and data communications analysts, software and hardware engineers, network and systems analysts and engineers, and database engineers.
Administrative	Back and front office operations including: office clerks call centers, receptionists, bookkeeping, and other office functions.
Industrial	Manufacturing, food handling, maintenance, assembly, machinists, delivery, and trade workers.
Healthcare	Nurses, physicians, pharmacists, medical technicians, medical scientists and other health care workers.
Other	Accounting and finance is the leading category. Management, sales and marketing, engineering, and legal.

Source: Author

Market Trends

PrEAs have been positively impacted by “the boom in technology, government’s efforts to reduce unemployment, the shift from corporate paternalism and life time employment to the independent portability of employment skills and the growing need for professionals on a short term basis”(Encyclopedia of American Industries, 4th edition). They have prospered in today’s high velocity labor markets and rapid movement of labor. Temporary staffing is cyclical and is directly impacted by changes in the economy. In a good economy, companies become expansive and turn to temporary staffing firms for help in hiring staff and filling in organizational gaps. On the other hand, in a recession, businesses contract and the first employees that face lay offs are temporary workers. Firms that offer outplacement services experience an increase in business activity as they assist employees with transitions during layoffs.

The industry has been consolidating immensely since the 1990s. The trend in mergers and acquisitions was driven by geographic competitiveness to continue to service international customers and new market entry (specialization and job function).

For example, Manpower Inc.'s acquisition of Right Management Consultants²¹ in 2006 provided it with the name brand and market access to HR consulting. On the other hand, Manpower's acquisition of Clarendon Parker Middle East FZ LLC in 2009 gave it access to new markets in the Middle East region (UAE, Kuwait, Qatar and Saudi Arabia).

Workers who have been locked out of the private sector – including inner city youth- benefited from growth in the temporary employment sector. Temporary employment agencies provide a door way into corporate jobs especially in technology related employment where job entry has been difficult. Consequently, a new generation workforce evolved who are “permatemps” and are, for all practical purposes, permanently employed through a temp agency to a business client²².

As temporary staffing companies grew and expanded they repositioned themselves to become strategic business partners to their clients and assume larger human resources functions and responsibilities. They evolved from offering temporary help to being ‘HR solutions’ or ‘workforce solutions’ companies that offer vendor on-site programs, managing clients’ global and local workforce suppliers and performing other HR functions.

Box 5 Kelly Services

Kelly does not really like to enter new markets as a labor provider. Kelly's strategic objective is to continue transitioning from being a global staffing to becoming a global solutions company. Kelly has been retrenching to be a key market player in solutions oriented activities . The new model for staffing is to provide HR outsourcing services and manage staffing vendors for client companies. (Rolf Kleiner, VP, Kelly Services OCG, 2/9/2010)

²¹ Right Management is a global provider of integrated consulting solutions across the employment lifecycle (manpower.com)

²² These working arrangements present an array of management and worker challenges that are beyond the scope of this paper.

Moreover, temporary staffing companies have become more active in employment market analysis, conducting industry research, understanding their clients' needs, and developing employment products that better serve their customers²³. Furthermore, they expanded on their use of technology to provide online services and became active in many corporate social responsibility programs²⁴.

Box 6 Adecco

We are no longer only providers of temporary help workers, but we have evolved to being business partners, providing a BPO type service to our international clients. We are actively working to help improve policy for our industry. We have developed corporate social responsibility programs to better connect people and youth with work opportunities. (Beygelman, Adecco, 3/2010)

In addition, large international firms have recognized the importance of engaging with government in policy and social dialogue to improve the regulatory environment. They have been leveraging industry organizations such as the American Staffing Association (ASA) and CIETT to engage with policy makers. PrEAs have effectively expanded on what they do, where they do it and how they do it.

Box 7 Case Study: Kelly Services and Policy Dialogue

Policy dialogue happens during the course of starting the business. Russia is a good example of Kelly's involvement in providing guidance on policy. Kelly has been engaged by the Duma in forging labor legislation. Kelly is willing to be involved in policy dialogue, especially where it has a high profile to ensure that labor practices are sound. For example, in Malaysia it has assisted policy makers with forging a cohesive national HR policy. Unfortunately, there is not any concerted effort by the industry at the moment to work with governments on policy. (Rolf Kleiner, VP, Kelly Services OCG, 2/9/2010)

²³ Companies such as Manpower, Adecco and Randstad are conducting market research and producing an array of reports.

²⁴ For example Manpower and Adecco have a social responsibility program.

Global expansion of the industry, especially in emerging markets, has been tied to the outsourcing and off shoring of products and service sectors including finance, healthcare, telecommunications, and information technology. Some of the largest organizations in the industry are now generating more revenues from global activity than they do from their home base operations. Also, there is a close relationship between firms' global expansion and choice of new markets with country specific regulatory conditions, talent pool and labor costs. Staffing industry's main markets are to be found in low-wage segments of high-wage, but liberalizing economies. Their strongest growth is to be expected in recently deregulated, large economies where there has been limited penetration of staffing agencies. (Coe, 2007)

Global firms are territorially embedded. Branch offices are dispersed and operations are highly decentralized. "Management hierarchies tend to be fairly flat and headquarters operations relatively small with marketing, IT and human resources as the key functions organized at a global scale" (Coe, 2007).

The Middle East is a New Frontier to Temporary Staffing Agencies

Temporary staffing agencies are quite new to the Middle East. There are two trends to the global temporary staffing firms' expansion in MENA. One trend is expansion to oil rich Gulf countries in the UAE, Saudi Arabia, and Qatar, Oman, and Kuwait. The other trend is expansions in Morocco and Tunisia, where global temporary staffing firms followed French transnational companies offshoring operations to North Africa. In addition, Monster.com, the primary online recruitment company established in 1994, has also expanded in the Middle East and established Monster Gulf. Table 2 provides a list of global PrEAS with offices in MENA.

Table 2: International Staffing firms with Middle East Offices

Firm	Overview	MENA Office	Service Sectors
Top Global Firms			
Adecco	\$33billion company with over 31,000 employees and 6,000 offices in 60 countries and territories. Co. has over 150,000 clients and 700,000 placements daily. Co. HQ is in Glattbrugg, Switzerland; has global operations in Europe, North America, Asia Pacific, Latin America, and Africa.	UAE (Dubai and Abu Dhabi), Morocco, Tunisia, Turkey and Israel.	Engineering, manufacturing, oil and gas, banking, financial markets, retail, logistics, hospitality, transport, and media.
Manpower	\$22 billion company with over 30,000 employees. HQ in Milwaukee, WI. Has a global network of 4,000 offices in 82 countries and territories. Co. has 400,000 clients per year (SMES and MNCs) in all sectors. Placed 4 million people in 2008. Trained 9 million people.	UAE (Dubai and Abu Dhabi), Kuwait, Bahrain, Qatar, Saudi Arabia, Morocco, Tunisia, Turkey, and Israel.	Engineering, manufacturing, construction, defense and aerospace, property and real estate, medical, administrative, banking, IT, telecom, sales, marketing, and human resources.
Kelly Services	\$5.5 billion company head quartered in Troy, MI, with 10,000 employees. Co. operates in 36 countries and regions and provides employment to over 650,000 people annually.	Turkey, UAE	Provides workforce management services and HR solutions. Offers temporary staffing, permanent placement, outsourcing, and consulting services. Provides industry specific services such as engineering, hospitality and government.
Randstad	\$23 billion company head quartered in Diemen, the Netherlands and employs about 386,770 people. The company operates in Europe, Asia and North America.	UAE (Dubai and Abu Dhabi), Qatar, Oman (Masqat), and Turkey	Accounting and finance, banking and financial services, retail, hospitality, media and PR, construction, engineering, HR and business support, IT, telecom, oil and gas, pharmaceuticals, and banking and financial markets, sales, and marketing.
Advantage Resourcing (Formerly Radia Holdings)	With main offices and operations in the U.S., U.K , Australia. Japan and China and satellite offices in Poland, and Dubai,	UAE (Dubai) (satellite office)	Provides global workforce recruiting and placement services. Operating with business units as Technical Resourcing, Staffing, Professional and Advantage

			BPO for Business Process, Recruitment Process and Workforce Management solutions.
Other Global Firms with operations in MENA			
Hays	United Kingdom	UAE (Dubai)	Accounting and finance, banking, retail, hospitality, media and PR, construction, engineering, HR and business support, IT, telecom, oil and gas, pharmaceuticals, and banking and financial markets, security, sales, and marketing.
Robert Half International	United States	UAE (Dubai)	Accounting and finance, banking and technology.
Michael Page	United Kingdom	Turkey and UAE (Dubai and Abu Dhabi), Tunisia, Algiers, Morocco, and Egypt. Recruits for jobs in other Middle Eastern countries: Saudi Arabia, Jordan, Lebanon, Kuwait, Yemen, and Bahrain.	Finance, accounting, banking, technology, engineering, manufacturing, legal, HR, marketing, administrative, supply chain, procurement, construction, sales, property and real estate, and retail
Hudson Highland Group	United States	UAE (Dubai)	Accounting and finance, banking and financial services, HR, IT, legal, sales, and marketing.
Brunel International N.V.	Netherlands	UAE (Dubai and Abu Dhabi), Qatar	Oil and Gas
Monster Monster Gulf	United States	UAE, Qatar, Saudi Arabia, Oman, Kuwait, Lebanon, Jordan, and Turkey	Online recruitment.
SThree	United Kingdom	UAE (Dubai)	ICT, accounting and finance, banking, engineering, and HR.

Source: Adapted by author from company websites

New presence in the Arabian Gulf

In 2008, Manpower Inc. expanded to the Middle East Gulf region by acquiring

Clarendon Parker. Manpower's acquisition instantly made it a major Middle East player

with offices in the UAE, Kuwait, Saudi Arabia, Bahrain, and Qatar. In addition, Robert Half, the accounting, finance and technology specialist firm, expanded by opening its first branch office in the UAE in 2009. European, especially UK, based firms have entered the Middle East Gulf market in the late 1990s by opening branch offices. Close trade relations between the Middle East and Europe, the proximity of the region and the presence of a large number of European expatriates are all factors that contributed to an earlier entry of European firms. However, regardless of the time of entry, global temporary staffing firms are considered new entrants to the region. They have not developed an Arab content to their regional websites. Developing an Arab content is going to be quite important to further establish themselves in the region, deepen their presence and effectively reach local talent pools.

Morocco and Tunisia

Global PrEAS entry of the Moroccan and Tunisian markets is connected with their operations in France and French companies presence in North African countries. Both Morocco and Tunisia have experienced a surge in call center activity by French multinationals. French companies that are investing in these countries have established relations with agencies such as Manpower, and Adecco (Figure 16). In addition, Morocco has been a member of CIETT, which has helped attract temporary staffing companies. Membership in CIETT has helped these companies improve the regulatory environment in Morocco and promote their presence.

Adecco	Manpower Inc.
<ul style="list-style-type: none"> • In Morocco since 1990 • 6 branches: Casablanca, Rabat, Meknes, El Jadida, Tangier and Agadir • Has over 3,500 temporary employees daily working for 150 companies in specialized professional and generalist low skill positions in IT, tourism, manufacturing and other sectors • Has partnered with schools and universities throughout Morocco • Is working to increase employment opportunities for the Berber population • (Source: http://www.adeco-maroc.com) 	<ul style="list-style-type: none"> • Has been in Morocco since 1997 • 9 branches: 5 in Casablanca, Rabat, Marrakesh, Agadir and Tangier • Has 60 permanent staff and is employing 4000 temporary employees in professional and industrial positions. Involved in all sectors including SMEs. Has over 300 client companies. • Has partnered with schools and universities across Morocco • CSR: Partnership with SOS Village: SOS Children's training techniques, job search, sponsorship and other village activities; Urban Initiative: training in job search; and Partnership with the detention center Oukacha for reintegration of former prisoners • (Source: http://www.manpower-maroc.com)

Figure 16 Adecco and Manpower Inc Profiles in Morocco

The Case of Egypt

Country Background

Egypt is the most densely populated country in the Arab world. It has the fourth largest economy in the region after Saudi Arabia, UAE and Algeria. Reform initiatives since 2004 have pushed growth from below 4% to a 7% rate, exports from \$9 billion in 2004 to \$24 billion in 2007 and trade from 46% to 66% of GDP²⁵. In addition, there has been a surge of foreign investment since 2005. However, as a result of the global recession, real economic growth slowed significantly. Real GDP growth is forecasted to be at 4.4% for 2009 and 4.0% for 2010²⁶. Corruption continues to be a major problem in Egypt, which made it rank 115 out of 180 countries in the 2008 Corruption Perception

²⁵ Unrest in Egypt, The Economist, April 10th 2008.

²⁶ July 2009 Egypt Country Report, The Economist Intelligence Unit.

Index²⁷. In addition, high unemployment, inequality, illiteracy, and poverty rates have resulted in the low ranking of 123 out of 182 countries in the 2009 Human Development Index.²⁸

Government Structure

Egypt has a multi-party system with the National Democratic Party (NDP) as the ruling party²⁹. President Hosni Mubarak is the head of state and supreme commander of the armed forces. He has the authority to veto legislation, and to appoint the prime minister, ministers, provincial governors, armed forces and security heads, major religious figures and high court judges. The president, in consultation with ministers and advisers, makes most important political decisions. Ahmed Nazif has been the prime minister since 2004 and leads aggressive economic reforms and privatization initiatives.(EIU, 2008)

The government is made of 26 administrative governorates that vary in size, population and resources. Governorates are financially and politically managed by the central government. The central government's regulatory and legal framework guides local governments operations.

Education

The education system is under considerable stress due to population growth. Public expenditure on education was less than 2% of GDP in 2002 and 2003, but has improved to 5% of GDP in 2004.³⁰ Egypt has 15 state universities, 8,674 private universities, the Islamic university of Al Azhar and 125 technical institutes. At the beginning of 2008,

²⁷ http://www.transparency.org/policy_research/surveys_indices/cpi/2008

²⁸ http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_EGY.html

²⁹ Established in 1978 by the late President Anwar Sadat.

³⁰ Data Monitor Egypt Country Analysis Report, March 2009

9.35% of the population held at least a university degree. The number of private universities, particularly international institutions, and private schools, is rising fast. The number of males and females enrolled in the period from 1996 to 2006 rose by 86% and 160%, respectively, nearly eliminating the gender gap in higher education. In addition, women outnumber men by several thousands in some of the largest state universities.³¹

Economic Sectors

An effective transition from a centrally controlled economy to an open market one requires integration into the global economy and deep investments from the private sector³². However, as economies transition, it is critical to manage and minimize the impact of employment losses in sectors that have become uncompetitive. International experience suggests that economic transitions are achievable if there is a macroeconomic stabilization program, a flexible exchange rate and a friendly business and investment climate (WB, 2004). Egypt, Jordan, Morocco and Tunisia strengthened their macroeconomic frameworks during the 1990s by bringing aggregate demand to sustainable levels and by reducing instability in prices and exchange rates (World Bank, 2004). By 2004, economic reforms in Egypt pushed GDP growth to 7%. Nevertheless, public debt as a share of GDP has risen significantly, indicating that sustainability will require further fiscal adjustment (World Bank, 2004). Egypt has implemented economic diversification programs to shift its economy from an agricultural based to an industrial and services one. The agricultural sector's share of GDP has been decreasing whereas the services sector has been undergoing fast growth. Growth in services has been driven by growth in key industries such as tourism, construction, ICT, and business services.

³¹ Economist Intelligence Unit 2008 Egypt Country Profile

³² Domestic and foreign.

Egypt's focus on transitioning to a knowledge-based economy has been accompanied with liberalization in the telecom and ICT sectors.

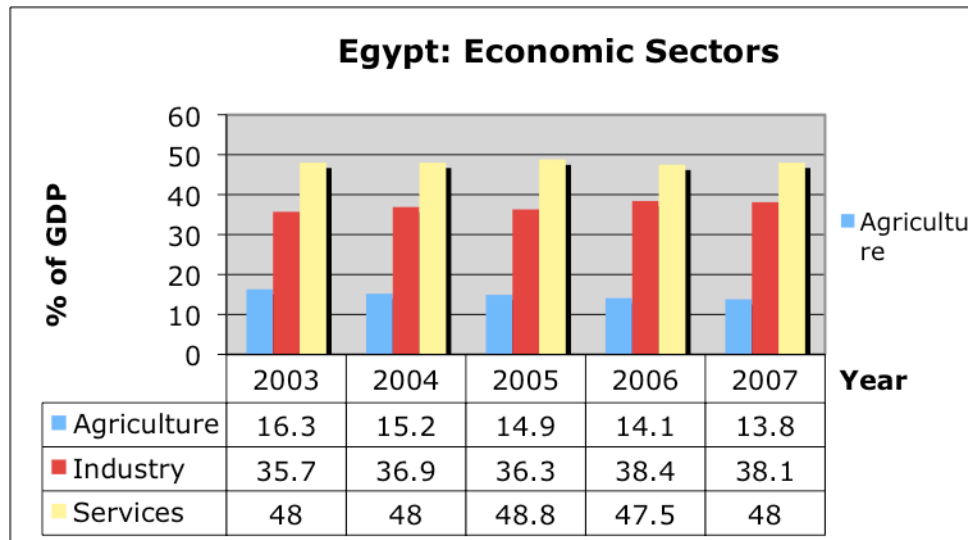


Figure 17 Services represent the largest economic sector.

ICT Sector

In January 2004 Microsoft opened its Middle East and Africa Support Center in Cairo, serving the continent from the Smart Village. More than 10 multinationals have expanded or outsourced business to Egypt in the past 12 months. IT services companies outsourcing to Egypt have included the likes of IBM and Tata, both of which announced new investments this year. In June 2009, US tech giant Cisco announced the establishment of a new contact centre in Egypt. The big three players in the IT services segment are Raya Integration, IBM and Giza Systems. There are also a substantial number of local integrators with a strong market presence. HP Services and Oracle all have subsidiaries in the market, as well as Deloitte, SAP and specialists like Schlumberger Oilfield Services.

Satyam is leading the way for the major Indian players. Egypt has also started to become more of a hub for international companies' regional services centers. Cisco

recently established an international contact centre for Cisco customer support. Nokia has opened a new regional maintenance centre in Cairo's Smart Village in partnership with a Raya Holding subsidiary. LG is also to open a regional technical support centre in Egypt to offer services to other countries in the region. Such investments generate IT spending and help to drive sector development. A table of the major firms operating in Egypt is provided in Annex B.

The ICT sector so far has resisted the global economic downturn. “MCIT indicates that the ICT sector's share of GDP rose to 3.98% in the fourth quarter of 2008 (October-December) from 3.48% in the fourth quarter of 2007, with the sector contributing 0.67 percentage points to real GDP growth. Over the same period the number of ICT companies operating in Egypt rose by 25% to 2,938. Total employment in the sector has risen to 175,100, which is also a measure of Egypt's growing role as a major outsourcing centre.” (EIU, 7/2009)

Table 3 Egypt's National ICT Plan Objectives

National ICT Plan Objectives
To create a vibrant and export-oriented ICT industry
To support the development of a modern national telecommunications network
To increase employment opportunities in the ICT sector
To build an information society that capitalizes on the emerging knowledge/technology revolution
To develop and upgrade ICT applications to improve the standard of living and support competitiveness in global ICT markets

Source: MCIT.eg.gov

Egypt was named outsourcing destination of the year in 2008 by the British National Outsourcing Association and is ranked first in the region and sixth in the world in AT Kearney's Global Services Location Index (Annex C provides a list of AT Kearney's top outsourcing destinations). “The number of people gaining specialized ICT training has grown to around 33,000 as employment opportunities have arisen from the

expansion in mobile phone and Internet usage. MCIT has indicated that total revenue for the ICT sector increased by 15% in 2008, to E£39bn (US\$7bn). With the MCIT and its affiliated organization, the Information Technology Industry Development Agency, has provided about E£400m (US\$70m) for new IT projects as part of the government's fiscal stimulus initiatives.” (EIU, 7/2009) The ICT sector is potentially a strong entry point for global PrEAS.

Ease of Doing Business

Most countries in the Middle East region have been able to implement macroeconomic stabilization programs and a flexible exchange rate. However, improving the investment climate has been slow and quite challenging, which has undermined the effectiveness of trade agreements with the U.S. and EU countries. Improving the business climate in resource poor Middle Eastern countries is crucial for their economic growth ([Annex D provides country groupings in MENA](#)). These countries need to strengthen interaction mechanisms between private sector firms, industry representation and government. Countries need to improve business licensing, customs administration, domestic taxation, employment regulation, and contract enforcement (World Bank, MENA Development Report, 2004). For example, Morocco has put in place a strong customs administration system, significantly reducing delays and costs for business (World Bank, MENA Development Report, 2004). Telecommunication liberalization in Morocco has been successful and has led to better access, higher quality and lower cost services and more employment opportunities³³ (World Bank, MENA Development Report, 2004). In the electricity reform sector,

³³ Morocco is slightly ahead of Egypt and Tunisia in ICT access but lags in ICT human capital skills (International Telecommunication Union, 2009).

Morocco and Jordan have led regulatory reform and promotion of private participation (World bank, MENA Development Report, 2004). Morocco and Tunisia are considered to have the most diversified financial sector whereas Lebanon has a predominantly private banking system in place (World Bank, MENA Development Report, 2004). Furthermore, Morocco has improved its labor market flexibility, ratified its labor policies according to ILO's convention 181 and is a member of CIETT. This has enabled it to attract global workforce development firms such as Manpower and Adecco.

On the other hand, in Egypt, businesses have found application of standards³⁴ and inspections to be complex, time consuming and an impediment to imports (World Bank, MENA Development Report, 2004). Egypt and Tunisia have not yet adequately separated regulatory and operational functions to assure investors that policy developments and investment climate will stay competitively neutral (World Bank, MENA Development Report, 2004). Moreover, even though Egypt's banking system has been slowly reforming, privatization has been slow and the sector continues to be 'dominated by public banks with a weak lending portfolio (World Bank, MENA development Report, 2004)'. In addition, the labor market in Egypt is highly regulated. Egypt has recently improved its employment regulations, but has not yet ratified its labor policies in line of the ILO Convention 181.

In 2009, Egypt's reforms have ranked it among the "top 10 performers" in terms of improvement in the Doing Business Report for the fourth time. It moved up to 106 from its previous rank of 116 among 183 economies worldwide regarding overall ease of doing business. (World Bank, "Egypt Country Profile", 2009). Nevertheless, this is still a

³⁴ Standards on imports

pretty poor ranking as shown in the table below:

Table 4 Egypt's Ranking in Ease of Doing Business

Category	Doing Business 2010 rank	Doing Business 2009 rank	Change in rank
Doing Business	106	116	+10
Starting a Business	24	43	+19
Dealing with Construction Permits	156	165	+9
Employing Workers	120	119	-1
Registering Property	87	84	-3
Getting Credit	71	84	+13
Protecting Investors	73	70	-3
Paying Taxes	140	142	+2
Trading across Borders	29	27	-2
Enforcing Contracts	148	154	+6
Closing a Business	132	130	-2

Source: <http://www.doingbusiness.org/ExploreEconomies/?economyid=61>

Employing Workers

Middle Eastern countries have different labor market regulatory frameworks. North African countries, including Egypt, have significantly regulated their labor markets more than the Asian Middle Eastern countries. For example Jordan has not legislated a minimum wage; collective bargaining is absent; and private firms are not restrained in their hiring and firing decisions. On the other hand, Maghreb³⁵ countries and Egypt are characterized by strong labor unions that are effective players in collective bargaining; a legislated minimum wage³⁶; and private firms are strongly restricted from firing employees without substantial cause.³⁷(Salehi-Isfahani, 2001)

³⁵ Morocco, Algeria and Tunisia.

³⁶ However, minimum wage's effective implementation has been disputed in these countries because of high unemployment and a large informal employment sector.

³⁷ However, some private firms have gotten around employee dismissal regulations by having employees sign undated resignation letters.

Table 5: Difficulties that employers face in hiring and firing workers**Doing Business Report****2010 Egypt's rank: 120****2009 Egypt's rank: 119****Change in rank: -1**

Indicator	Egypt	MENA	OECD Average
Difficulty of hiring index (0-100)	0	21.3	26.5
Rigidity of hours index (0-100)	20	22.1	30.1
Difficulty of redundancy index (0-100)	60	30.0	22.6
Rigidity of employment index (0-100)	27	24.5	26.4
Redundancy costs (weeks of salary)	132	53.4	26.6

Source: <http://www.enterprisesurveys.org/ExploreEconomies/?economyid=61&year=2008>

Table 6 MENA Global Competitiveness: Labor Market and Use of Talent Efficiency

Country	GCI Rank Labor Market Efficiency	GCI Rank Efficient Use of Talent
Qatar	14	23
United Arab Emirates	16	38
Oman	33	86
Bahrain	35	78
Kuwait	59	81
Saudi Arabia	71	102
Tunisia	98	113
Jordan	106	128
Egypt	126	130
Algeria	127	131
Syria	128	132
Morocco	129	127
Libya	132	133

Source: Global Competitiveness Reports 2009-2010

Local Talent Pool

Egypt has a large number of more than 330,000 university graduates, with 63,000 graduating in commerce, 17,000 in engineering, and 14,000 emerging with scientific

degrees (ITIDA data). The pool of potential talent in the ICT field includes a large portion of students who have broad skills, are multilingual, achievement-focused, and should be uniquely suited to fill needs in the information and communication technology (ICT) industry (ITIDA, 2009). However, the Information Technology Industry Development Agency (ITIDA) along with other organizations such as the World Bank have been advocating capacity development in the HR field to effectively link employers with the labor market and vice versa. Staffing companies can play a vital role in assisting with job market entry, skills alignment, training, and fill in a HR function for employers and job seekers.

Labor Regulation in Egypt, Morocco and the Philippines

Box 8 Labor Regulation in Egypt

Labor Reform in Egypt

In April 2003 the Egyptian government passed Law 12 to address shortcomings in Egypt's united Labor code (Law 137), inflexible hiring and termination, and other labor concerns. Highlights of the new law include:

- **Contract Termination:** Law 12 allows repeated renewal of temporary contracts and allows companies to terminate employment during times of economic hardship or for negligence of duties. Previous legislation allowed term contract employment. However, upon contract renewal these contracts had to be turned into permanent employment. Termination of permanent employees was impossible regardless of their performance or economic conditions.
- **Right to Strike:** The new code allows peaceful demonstration only if mediation has failed. However, employees of strategic organizations, which are determined by the prime minister, are prohibited from striking. Previous legislation did not guarantee workers the right to strike.
- **Wages and Compensation:** Law 12 establishes a minimum wage for the first time. The National Council on Wages evaluates minimum wages every three years. Automatic annual increases of 7% are required for workers unless the council decides otherwise.

(Source: World Bank, 2004)

Box 9 Labor Regulation in Morocco

Highlights of Morocco's 2003 Labor Code

- Term Contracts: Nonagricultural sector firms, which are newly established or are producing new products, may set up 1-year term contracts. These contracts can be renewed once before becoming open ended. Agricultural sector firms may have 6-months termed contracts. These contracts are renewable up to three times before becoming open ended.
- Open-ended contracts: The new labor code allows a three-month probationary period for high-level employees, one and a half month for mid-level employees and fifteen days for low-level employees. Probation period is renewable once.

(Source, World Bank, 2004)

Best practices in Agency Work Regulation – The case of the Philippines

About 75% of the Philippines temporary labor force goes through a structured process, which is facilitated by the Philippines Overseas Agency (POEA); an institution specifically created for the regulation of temporary labor movement ('Human Resources in Egypt: Maximizing our Best Asset', Conference Notes, 1/2009). The ILO considers the Philippines policies around PrEAs, and especially those that specialize in cross border activities, as best practice. The Philippines has a large number of agencies including Manpower, Inc. and Kelly Services that provide specialized technical, management and generalist services. In the Philippines, Manpower Inc. partnered with Visayan Forum Foundation to end human trafficking and inspire global organizations to take action. Manpower is supporting an awareness campaign, will provide job training for victims and will develop a guide to finding safe decent work in the Philippines and abroad (manpower.com)

Box 10 Case Study: Philippines institutional employment agency arrangement

Incentivizing Ethical Recruitment Through Agency Licensing and Status

The POEA issues all licenses for the more than 1,000 legal employment agencies in the Philippines. The POEA operates a carrot-and-stick oversight approach to promote ethical recruitment practices. To incentivize good behavior by licensed employment agencies, the POEA conducts performance evaluations and confers awards of "Excellence" and "Top Performers" to top employment agencies. Such agencies have demonstrated

achievements in:

- Successful deployment and satisfaction of employer
- Foreign exchange generation
- Welfare programs for workers
- Development of quality labor markets
- Merit in technical capability

POEA has canceled licenses or banned operations of employers, agencies and workers who have committed contract violations, depending on the severity of the violation. For example, in 2007, 92 agency licenses were cancelled due to the collection of excessive placement fees. Licensed agencies are publicly accessible on the POEA website at: www.poea.gov.ph/agency/topAgencies.html.

Employment Agencies

The POEA regulates recruitment through standards and oversight:

- Strict criterion for agency licenses
- Standard Overseas Foreign Workers (OFW) contracts
- Fixed placement fees

Significant records are built around these standards to provide resource for companies and suppliers seeking to identify potential agencies for direct recruitment. Companies can utilize POEA resources to identify top-performing and canceled or suspended employment agencies. This process can mitigate the risk of using blacklisted or unlicensed agencies that are more likely to engage in violations such as contract substitution and maltreatment, and even cases of human trafficking and forced labor. Also, the POEA provides information to companies regarding destination country risks.

Source: (Business for Social Responsibility, 'International Labor Migration: A Responsible Role for Business', 10/2008)

Implemented Policies in Egypt

To improve the policy and institutional environment so as to better link the labor force with the employment market in general, the Government has already adopted the following measures that should also benefit private staffing organizations:

- Establishment of Smart City³⁸ and improving business conditions to become a number one destination for offshore activity. The Park is expected to host more than 500 companies and more than 100,000 employees by 2012 (smartvillages.com).

³⁸ Smart City is a science and technology cluster park

- Establishment of R&D centers: e.g. The Egyptian Academy of Scientific Research and Technology (ASRT) and Central Metallurgical Research and Development Institute (CMRDI).
- Investments in ICT to become a global and regional hub: e.g. development of an ICT national strategy and the establishment of ITIDA, Ministry of Communications and Information Technology (MCIT), Data Mining and Computer Modeling Center, Wireless Communication and Electronic Design Center and e-government systems.
- Formation of the Industrial Training Council (ITC) in 2006. ITC is a subsidiary of the Ministry of Trade and Industry, and was established in July 2006 in an effort to fill the huge skills gap in Egypt's large industrial workforce.
- Development of a new National Strategy for Education to address issues in quality assurance, reforms in teacher training and careers, curricula innovation, inclusion of career guidance elements, among others. One of the main elements of the reform is the shift from terminal vocational and technical schools to general secondary schools and the discussion about pathways between the various segments of the system, in particular the transition to higher education.
- Creation of the National Authority for Education Quality Assurance and Accreditation (NAEQAA) in August of 2007. NAEQAA supports more than 50,000 Egyptian educational institutes in fostering quality assurance measures and preparing them for accreditation. It is the accrediting body for all Egyptian educational society (higher education, pre- university, and Al-Azhar education).
- Revitalization and development of the Supreme Council for Human Resources in 2007-2008. The organization is the only platform that represents relevant stakeholders for

human capital and coordinates activities with the Ministry of Manpower to develop local human resources capacity (relevant line ministries, Worker's Federation, the General Federation for Egyptian Industries and the Federation of Commercial Chambers). The councils' overall framework of programs and strategy has been developed by MOMM and submitted to the council. MOMM put forward the council's top priority as the development of 'a science based systematic methodology which places the issues of training, education, development of human resources and training centers in one melting pot before a single body with a unified framework without the control of one entity over another but with full coordination between different entities' (Aisha Abdel Hady, Minister of MOMM, 'Human Resources in Egypt: Maximizing our Best Asset', Conference Notes, 1/2009)

- Creation of the Egyptian National Competitiveness Council in 2004 to monitor growth objectives and targets and competitiveness of the government and the private sector. The council has recently declared its interest in further investigating the links and relationships between human capital development, employment and economic growth. In addition, the council is working on new employment strategies including one on women's employment.

All the initiatives above have been steps in the right direction to improve the investment climate in Egypt, especially in the ICT sector. Nevertheless, Egypt has remained one of MENAs most rigid employment market. Egypt lags behind some of the Arabian Gulf countries, Morocco and Tunisia that have attracted the global PrEAS, which have become catalysts of global economic development and employment promotion.

Policy Recommendations

Government and development initiatives have focused on a ‘traditional’, supply oriented solutions to job creation. Policy actions that have been adopted to address employment problems in Egypt are centered on investment promotion and have more recently attempted to address skills gaps through training and improvements in education. These actions are critical to building the capacity of Egypt’s human capital. Nevertheless, creating linkages between private sector employment and the labor market needs have to be developed and strengthened. PrEAs have proven to be effective in advanced economies and emerging markets in linking labor supply to private and public sector needs. Their value added services and employment arrangements have become at the core of strategic workforce planning by multinational organizations. The roles that PrEAs have assumed allow their client organizations to focus on value added functions and out source HR related activities to them.

In addition, PrEAs have the experience to assist college graduates with career development, managing job seeker expectations, working with training institutions on skills and competencies needed in potential employees, and have been assisting private and public sector clients address skill shortages. PrEAs have been the job market intermediaries that work on behalf of the job seeker and the employer. Some of Egypt’s local employment agencies seem to have upgraded their services by offering some HR consulting services as a result of recent expansions in ICT and expanded geographically by opening an office in UAE.

Nevertheless, Egyptian local firms that have been reviewed in the course of this research did not offer flexible employment contracts such as temporary staffing, seemed unfamiliar with global staffing agencies and international organizations such as Ciett and were unfamiliar with the array of services that PrEAs can offer. On the other hand, global staffing agencies have not yet entered the Egyptian market. Consequently, local firms and public agencies have not had to face local market competition that would induce them to improve services.

Therefore, in order for Egypt to more effectively link its labor supply to demand while continuing to grow its private sector and investment promotion strategy, it needs to create the set of conditions that:

- Attract global staffing firms to invest in Egypt and enter the market;
- And grow its local private employment agencies

To that intent, Egypt has to take a number of steps to improve the enabling policy and institutional environment to doing business. The following policy recommendations target improvements in labor regulation, sector institutions and education and training policies, and lowering barriers to doing business.

Labor Laws

- Ratify employment regulation in accordance to ILO's Convention 181. The ratification provides guidance on policy development that promotes a balanced regulatory environment for private employment agencies. In addition, convention 181 is an internationally recognized labor policy standard that global PrEAs consider to be an important part of their enabling environment.
- Continue with legal reform and monitor broader implementation of labor law reform in Egypt. Labor law still includes major rigidities compares to other MENA countries

such as Tunisia, United Arab Emirates and Morocco. In addition, monitoring broader implementation of regulation while continuing negotiations with trade unions in Egypt is critical given the power of the unions.

Sector Institutions

- Develop agency work regulations that are adapted from best practices. The Philippines for example, developed a framework for industry regulation using a ‘carrot and stick approach’. The Philippines has an independent government organization that regulates agency work, tracks best practices, is transparent, audits agency work, and raises awareness among job seekers and employers. The Philippines provides HR representatives with information about the status of PrEAS, their compliance and supplies them with a list of the best performing agencies to do business with. A good regulatory environment for agency work will be consultative (with multi-stakeholders) and contain feedback loops that lower rigidity and promote self-regulation.
- Create an independent public-private agency that works on developing, monitoring and regulating private employment agencies. This organization will also develop a communication strategy to raise awareness and facilitate the transition to open market flexible employment arrangements. In addition, this agency will also be in charge of country representation with international organizations such as Ciett. Membership and participation in Ciett will give the agency access to global staffing firms and best practices from other countries. The agency can also coordinate with the ILO and Ciett study tours for Egyptian staffing organizations. Moreover, this agency will need to develop a tripartite program for dialogue between government, employment agencies/ employers and labor market representatives.

Education and Training Policies

- Clarify the role of the Supreme Council of Human Resources to turn it into a holistic forum for policy and strategic work and alliances in the employment sector. Create an ‘Alliance for Jobs’ forum within the council, with representatives from the private sector (employers), the Ministry of Education, the Ministry of Higher Education, MOMM, MCIT, ITIDA, National Competitiveness Council, entrepreneurs, and PrEAS. The forum will promote industry dialogue, participate in international events, and coordinate study tours and other activities that promote job creation, human capital development and better integration of labor supply with demand.
- Initiate a research and development HR program through universities to develop training programs and HR certifications. Promote research and development in human resources in the public and private sectors in Egypt. There is very little research on the HR practices in the Middle East. The study and development of Middle East specific HR is highly needed in Egypt and the MENA region. Developing Middle Eastern expertise in this field will provide guidance to labor and employment policies and regulation that promote human capital development and guide national and transnational firms in developing effective HR policies.
- Include private sector representation among universities boards to provide information on market opportunities and the human capital skills needed to meet market challenges. This information sharing and collaboration will help universities develop curricula that build the human capital skills that are in demand by the private sector. This in turn will improve the responsiveness of the education system to market needs and reduce the gap between labor supply and skills in demand.

- Establish career development offices inside universities to assist students with career counseling, facilitate internships and employment services. Public universities in Egypt do not provide any type of career services to their students or alumni. These services are critical to guide students on job searches, interviewing and provide them with information on skills that are in high market demand. University career services also interact with private sector firms and arrange recruiting events to facilitate job entry.

Doing Business

- Increase anti-corruption efforts by increasing transparency through communication of regulations, fees and policies and market competition that is performance driven.
- Improve contract enforcement and property registration processes to reduce lengthy wait periods.
- Continue with financial institutions reform and access to credit. Access to credit can help local staffing providers expand and improve their operations through technology upgrade, memberships in international associations and training.
- Promote Egypt as an opportunity location for global PrEAS. The ICT sector has tremendous local, regional and international potential and therefore, represents a good entry point for global PrEAS.

Public-Private Partnerships

There are already a number of successful public-private partnerships in Egypt and MENA that target job creation and human capital development. Egypt needs to develop existing partnerships and new innovative ones that would target job creation, training and improve job readiness of the job seekers. Partnerships that improve job market information, job entry and clarify job expectations are highly needed. Silatech in the

UAE is a good example of a public private partnership that include PrEAS to promote employment especially among youth. Silatech was established in 2008 to address job creation issues and promote youth employment in MENA. Silatech, which means connection, is a not for profit organization with strong connections to the private sector to create incentives for businesses to provide solutions to address employment issues. The organization has developed a range of projects that address employment through policy, improved access to jobs and information, and raise awareness among job seekers.

Box 11 Silatech Partners with Manpower

Manpower and Silatech established a one-year framework in September 2009 to exchange experience and practices through piloting innovative programs for young people. The pilot programs will draw on Manpower's global expertise, including the engagement of employers and measurement of employer needs, candidate assessment and training, job-readiness/soft skill initiatives, the creation of effective workforce development partner linkages and capacity building among service partners. Following the pilot, Manpower and Silatech will engage in a multi-year joint venture for on-the-ground service delivery across the region. It is hoped that over the long term, the initiative will increase the transparency of local labor markets and employment practices, helping young people overcome cultural as well as skills barriers to employment and entrepreneurship.

Source: Manpower Inc., "Manpower Inc. Enters Historic Partnership with Silatech to Connect Young People to Jobs Across the Middle East and North Africa", Mapower.com

Table 7 Policy Recommendations and Illustrative Impacts

Problem	Policy Recommendation	Illustrative Impacts
Rigid labor regulation	<ul style="list-style-type: none"> •Broader implementation of 2003 labor reform •Continue with legal reform •Ratify – ILO Convention 181 	<ul style="list-style-type: none"> •Improve labor regulatory environment •Support the operation of PrEAS •Allow flexible employment contracts
Lack of employment services	<ul style="list-style-type: none"> •Create an independent agency for PrEAS; international representation •Develop Agency work regulation adapted from best practices 	<ul style="list-style-type: none"> •A tripartite approach to industry development •Multi-stakeholder representation • Global exposure •Improvements in regulatory environment
Education system is not responsive to labor demand	<ul style="list-style-type: none"> •Clarify the role of the Supreme Council for Human Resources •Promote HR R&D in universities •Develop university students career services •Include private sector 	<ul style="list-style-type: none"> •Increased stakeholder representation and participation •Funding HR R&D and certification •Increased awareness •Narrowing the gap between supply and demand

	representation among universities' advisory boards	
Obstacles to doing business	<ul style="list-style-type: none"> •Increase anti-corruption efforts •Improve contracts enforcement and property registration •Continue financial institutions reform and access to credit •Lower trade barriers 	<ul style="list-style-type: none"> •Lower barriers to doing business •Improved enabling environment •Continued FDI flow •A supportive environment for development of local businesses and SMEs
Other barriers to entry: general lack of understanding about PrEAS	<ul style="list-style-type: none"> •Increase public private partnerships •Include employment outreach in communication policy •Coordinate study tours between local and global PrEAS •Promote Egypt as an opportunity location to global PrEAS 	<ul style="list-style-type: none"> •Improved awareness among target groups •Improved measurable performance of local PrEAS e.g. offering new services •Collaboration between public and private employment agencies •Market entry – global PrEAS

Source: Author

Conclusion

Egypt has been experiencing growth in foreign investment as a result of recent reforms, structural adjustments and economic liberalization programs. Successful initiatives in ICT have resulted in the sector's growth, increased investments by local and international firms and positioned the country to be one of the top 10 destinations for outsourcing and offshoring services. However, Egypt has continued to struggle with unemployment especially among university graduates. Linking the labor supply to the job market has been challenging, private employment and HR services have been underdeveloped and none of the global PrEAS have entered the Egyptian market. Egypt needs to create the set of conditions that would attract global staffing firms to invest in Egypt and grow its local private employment agencies.

PrEAS have been effective players in linking labor supply to the job market. Their value added services and employment arrangements have become at the core of strategic workforce planning by multinational organizations. The roles that PrEAS have assumed

allow their client organizations to focus on value added functions and outsource HR related activities to them. PrEAs have become the job market intermediaries that recruit and manage human capital.

Global PrEAS have recently entered the Middle East market and can play a role in developing a more flexible MENA employment market. To attract them, Egypt has to take a number of steps to improve the enabling policy and institutional environment to doing business. The ICT sector is a recommended entry point for global PrEAS. Policies that target improvements in labor regulation, sector institutions, education policies, lower barriers to doing business and promote public private partnerships will attract the global PrEAS.

ANNEXES

Annex A. Egyptian Labor market Institutions

1. **The Ministry of Manpower and Migration (MOMM).** Responsible for labor policy, managing labor supply and demand, increase the employability of the labor force, and monitor labor market demand. It runs its own training centers, which focus on training school dropouts and laid-off workers. MOMM leads an Employment Information Program, which prepares labor market statistics and publishes the Monthly Vacancy Bulletin. It also organizes an enterprise census once a year, to collect information on training needs from all enterprises with more than ten workers. The Ministry collaborates with employers and workers through the Supreme Council for Human Resources Development.
2. **The Supreme Council for Human Resources Development.** Responsible for coordinating training policies of all ministries. MOMM heads the council, which includes high-level representatives from all other relevant ministries. The Council meets four times a year and announces national training needs.
3. **The Information and Decision Support Centre (IDSC).** Is attached to the Cabinet of Ministers. It has formulated the National Youth Employment Program. IDSC is undertaking a labor demand analysis based on newspaper advertisements.
4. **Employment offices.** Are under the authority of MOMM and have a territorial structure.
5. **The Social Fund for Development (SFD).** A semi-autonomous governmental agency under the direct supervision of the Prime Minister. It was created in 1991, as a joint initiative between the Egyptian Government, the World Bank and UNDP with the task of mitigating the negative effects of the economic reform on the most vulnerable groups of people and promote economic development.
6. **National Council for Wages.** Responsible for setting minimum wages. The council is under the authority of the Ministry of Planning. It is composed of technical experts (half of the total number of members) and of representatives of employers and workers (one- fourth of total membership for each category).

7. **The Federation of Egyptian Industries (FEI).** FEI is the most representative organization of Egyptian employers and was founded in 1921. FEI is comprised of 15 industrial sectoral chambers representing a total of about 18,000 enterprises from the public and private sectors.
8. **Trade Unions.** There are 23 official trade unions, each representing a different industry or service. Total membership was estimated at 4.5 million in 2001, which represents 25 per cent of the total labor force. Almost 25 per cent of union members work in public manufacturing enterprises. Only 25 per cent are private sector workers.
9. **Egyptian Trade Union Federation (ETUF).** The only legally recognized trade union federation. Any trade union must be affiliated to the ETUF.

(Gobbi and Nesprova, 'Towards a new balance between labor market flexibility and employment security for Egypt', ILO, 2005)

Annex B. Lead Firms in the IT Services in Egypt

Table 8 Lead Firms in IT Services in Egypt

Company	Revenues	People	Services
IBM	\$34.7bn (rose by 14% in 2007, faster than Asia Pacific)	400	Private sector. Government: National ID numbers; Social and Pension Insurance; People's Assembly; Commercial Registry Authority; Ministry of Foreign Affairs; and the National Post Service.
Raya Holdings (Egyptian)	\$383.5mn in 2008	3,000	Finance, telecoms, government and education, oil and gas, manufacturing and hospitality
Giza Systems (Egyptian)	(Privately Held. No revenue data)	500 +	Supplies the Middle East market with IT services in: Telecom, Oil & Gas, Manufacturing, Utilities, Enterprise, Government and Financial Services sectors.
Xceed (Egyptian)	(No revenue data)	500-999	BPO. Government and private sector. Clients include: Microsoft, Oracle, General Motors, and many more. The largest BPO company, is the only customer operations performance centre to be certified in Africa, the Middle East and Southern Europe, indicating Egypt's strong geographic potential in the BPO and KPO sector.
Oracle	US\$6bn for the EMEA ³⁹ region in 2006, a 35% increase. Estimated US\$4.9mn locally derived IT services revenues in 2004.	70	Software development and services. Government, banking, oil and gas and SMEs. Had a number of prestigious contract wins in recent years: The Bank of Alexandria; Egypt's Social Fund for Development; and MCIT licensed a range of Oracle technologies to link up more than 5,000 financial units throughout the county.
HP	EMEA ⁴⁰ 2007 revenues \$43 bn	50	Technology services, consulting and integration: personalized service, SMEs

(Source: Business Monitor International, 2009)

³⁹ Europe, Middle East and Africa

⁴⁰ Europe, Middle East and Africa

Annex C. AT Kearney's Top Outsourcing Destinations

Global Services Location Index 2009

(Number in parenthesis indicates ranking in 2007 GSLI)

1. India (1)	26. Senegal (39)
2. China (2)	27. Argentina (23)
3. Malaysia (3)	28. Canada (35)
4. Thailand (4)	29. United Arab Emirates (20)
5. Indonesia (6)	30. Morocco (36)
6. Egypt (13)	31. United Kingdom (Tier II)* (42)
7. Philippines (8)	32. Czech Republic (16)
8. Chile (7)	33. Russia (37)
9. Jordan (14)	34. Germany (Tier II)* (40)
10. Vietnam (19)	35. Singapore (11)
11. Mexico (10)	36. Uruguay (22)
12. Brazil (5)	37. Hungary (24)
13. Bulgaria (9)	38. Poland (18)
14. United States (Tier II)* (21)	39. South Africa (31)
15. Ghana (27)	40. Slovakia (12)
16. Sri Lanka (29)	41. France (Tier II)* (48)
17. Tunisia (26)	42. Ukraine (47)
18. Estonia (15)	43. Panama (41)
19. Romania (33)	44. Turkey (49)
20. Pakistan (30)	45. Spain (43)
21. Lithuania (28)	46. New Zealand (44)
22. Latvia (17)	47. Australia (45)
23. Costa Rica (34)	48. Ireland (50)
24. Jamaica (32)	49. Israel (38)
25. Mauritius (25)	50. Portugal (46)

*Based on lower-cost locations in each country: San Antonio (U.S.), Belfast (UK), Leipzig (Germany) and Marseilles (France).

(Source: <http://www.atkearney.com/index.php/News-media/geography-of-offshoring-is-shifting.html>)

Figure 18 Global Services Location Index 2009

Annex D. Country Groupings in MENA

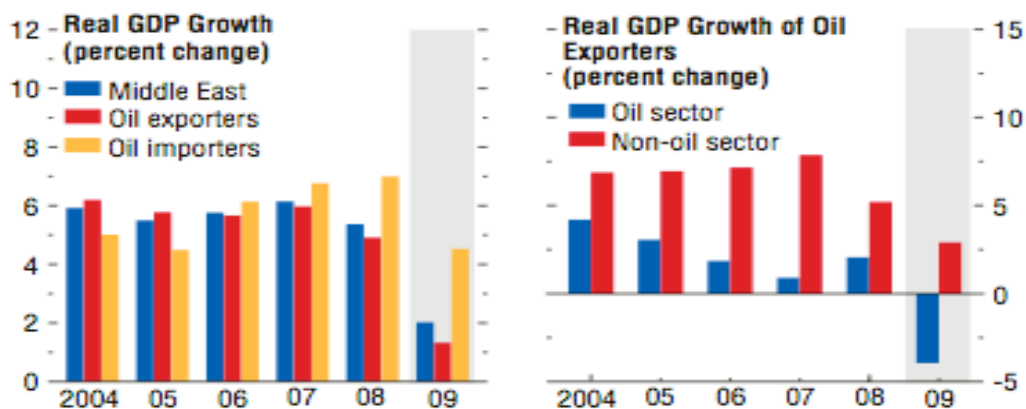
Table 9 MENA Country Groupings and their populations

Grouping	Resource Rich Countries	Resource Poor Countries
Labor Abundant Countries	Islamic Republic of Iran (66.4), Algeria (30.2), Syrian Arab Republic (16.6); and Republic of Yemen (18.0)	Egypt (67.8), Morocco (29.1), Tunisia (5.9), Jordan (5.0), Lebanon (3.5); and Djibouti (0.7)
Labor-Scarce Countries	Saudi Arabia (22.1), United Arab Emirates (2.8), Kuwait (2.2), Bahrain (0.7); and Qatar (0.6)	N/A

Note: Population (in parentheses) is in millions in 2000. Labor abundant countries are labor exporting countries with net inflows of workers remittances. Labor-scarce countries are labor importing countries with net outflows. Resource-rich countries are those with net oil exports. Iraq, Libya and West Bank and Gaza are not included due to lack of data.

Source: World Bank, *MENA Development Report "Unlocking the Employment Potential in the Middle and North Africa. Toward a New Social Contract"*, 2004

The growth prospects in the Middle East region have strengthened following an improvement in global financial conditions and a rebound in oil prices. Policies should remain supportive of economic growth after the drying up of bank credit and the collapse of asset prices, which weigh on the strength of the recovery.



Note: Oil exporters include Bahrain, Islamic Republic of Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates, and Republic of Yemen. Oil importers include Egypt, Jordan, Lebanon, and Syrian Arab Republic.

Source: IMF, 2009 *World Economic Outlook*

Figure 19 Growth Prospects by Country Groupings

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