

Workforce Development Strategies:  
Findings, Recommendations and Next Steps

USAID / Egypt

July 14, 1999

Contracting Vehicle: SEGIR / GBTI  
Contract Number: PCE-I-00-98-0017-00 T.O. # 800

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**WORKFORCE DEVELOPMENT STRATEGY: FINDINGS, RECOMMENDATIONS, AND NEXT STEPS**

*Prepared by: Workforce Strategy Team  
Prepared for: USAID/Egypt  
July 14, 1999*

**Background**

In Egypt, more than 500,000 people are coming into the workforce every year and only 370,000 jobs are being created. The current official unemployment figure of 8% may be as high as 15 to 18%. Unemployment this high and growing is potentially a political time bomb.

Studies abound that analyze the reasons for this situation. Labor markets are rigid. Skill shortages in a number of sectors, particularly middle management in outward looking industries, such as agribusiness exports, are widely quoted. The government funded vocational-technical school system is widely seen as ineffective, in terms of producing required skills for a knowledge-based, globally competitive economy. In summary, Egypt's workforce, by and large, lacks the skills necessary to support the dynamic requirements of a competitive economy.

The USAID Mission in Egypt has invested more than \$150 million in training and other workforce development activities in the last several years. It recognizes that workforce development is a critical element in its overall strategy for moving from aid to trade.

USAID/Egypt is presently exploring how to implement its workforce strategy more effectively, particularly in a context of dwindling resources. A Workforce Strategy Team was mobilized for its initial assignment from 27 June to 15 July. The team focused on assisting the Mission with **Workforce Strategy Finalization**. In particular, the Team was expected to:

1. Review existing Mission portfolio in SO2, and relevant parts of SO1, examining objectives and activities of the current and expected programs in these SOs.
2. Work with relevant Mission SO1 and SO2 teams to refine and finalize the workforce development elements of the Mission strategy.
3. Explore with SO1 and SO2 teams ways in which the Workforce Diagnostic can be used to support the implementation of Mission strategy and monitor progress. Outline expected results and timeframe required for implementation.
4. Identify studies and assessments that would be relevant to the implementation of the Workforce Diagnostic.

**Key Recommendations**

As a result of these activities with the Mission, the Workforce Strategy Team came to the following key recommendations:

1. ***The shared IR should focus on demand, supply, and the linkages between them.***  
The intermediate result (IR) shared between SO1 and SO2 focuses on improving knowledge, skills, and attitudes related to productivity. In order to foster this improvement and create greater competitiveness in Egypt, the IR should concentrate on the accurate articulation of

demand, supply's capacity to meet that demand, and the building of linkages between supply and demand to ensure that communication, information and ultimately partnerships flourish.

**2. Operationalize the shared IR through a cluster approach.**

A cluster approach to workforce development is a vehicle to identify workforce-related activities and begin to operationalize this shared IR. This holistic approach identifies human resource priorities within the context of cluster requirements for global competitiveness. It provides a way to focus Mission resources for maximum multiplier effect and ensures that resources spent on activities are responding to the priorities of cluster stakeholders. Ultimately, this stakeholder buy-in leads to a greater sustainability of activities.

**3. Equity concerns, specifically gender issues, should be addressed in the cluster approach.**

Within the context of the Mission's concern with equity in growth, issues related to quality of employment and workforce barriers based on social factors like gender should be explicitly addressed in the cluster approach for workforce development.

**4. Clusters should be pursued based on a set of workforce related criteria.**

Clusters to be analyzed should meet certain criteria that represent a potential for workforce development initiatives to improve productivity. If it is evident that workforce development is a major element in moving the cluster to competitiveness, the Team will continue the process and the remaining tasks in the cluster approach. If, however, it is discovered that workforce development is not a binding constraint or a cluster priority for competitiveness, then the Team will make recommendations in terms of stopping or redefining the process in this particular cluster.

At this time the Mission's initial list of chosen clusters to analyze includes: 1) food processing, 2) tourism, and 3) information technology. The Mission may choose to expand this list in the future as needed or desired based.

**5. A wide-range of workforce activities may result from the cluster approach.**

The menu of recommended activities that result from the cluster approach should focus on articulating demand, the capacity building of supply, and the creation of linkages between these demand and supply sides of the workforce development equation. This menu of activities could include a range of initiatives, including technical assistance, training, and strategy development.

### **Key Findings/Observations**

Workforce development initiatives can be classified as

- Demand-side (skills development at the firm level) interventions
- Supply-side initiatives (creating better teachers, improving curricula, building new institutes); and
- Initiatives that develop the linkages between supply and demand

The importance of the last element—linkages—should not be underestimated. Linkages in Egypt are generally weak or non-existent. There is a considerable “disconnect” between what the training system is supplying (by way of skills), the orientation of the workforce participants (who continue to “demand” careers--such as law and medicine--in which there is already an oversupply), and the business leadership (who under-invest in skills development, who rely on

elements other than skills requirements and standards, such as family or community ties, to make hiring decisions).

What has caused this disconnect? To some extent or another the following elements have come into play:

- **Laws.** Labor laws and wage laws introduce a number of distortions and rigidities into the labor market. Operating in the formal labor market is risky and expensive. It is difficult to fire anyone. It is also very expensive to hire (given social insurance and other requirements). Additional laws (such as prohibition against having women work after dark) may make it even more expensive and burdensome to hire women, no matter how qualified. Given these risks and distortions, employers resort to a number of informal “rules of thumb” to reduce the risks of making the “wrong” hiring decision. They rely on family and community ties, and prefer not to hire “strangers.” Skills do not necessarily enter into the picture, at least as the major element determining hiring decisions.
- **Culture/religion.** Interviews suggest that technical jobs, at least in many service sector areas, tend to be undervalued. There is no pride in being a good technician; everyone wants to be a doctor or lawyer.
- **Tradition.** Business and education leaders acknowledge the “pharaonic” mentality of managers (“one-man-show” approach to leading or managing). Moreover, Egyptian managers still carrying the legacy of decades of central planning; decisions were made by the center, and middle level managers have little autonomy. This is a context that tends to undervalue the human side of management. It tends to undervalue investment in critical thinking and managerial decision-making skills. Employees are simple inputs, who take orders and follow instructions. All the orders come from above. No one is expected or encouraged to think strategically except for the top person.
- **Steering mechanisms.** Training suppliers do not link with employers in any systematic way. Many of them are centrally and publicly funded and do not have any incentive to become more attentive to what employers need, or to satisfying the students or participants, who are attending for free.

All these elements constrain the effectiveness with which trained and skilled people are used. It discourages making investments in skills by individuals or at the firm level. It also constrains the firm's ability to grow past a certain size (generally, the size that can effectively be managed by one individual).

If these issues are not addressed directly, the effectiveness of most of what we do at the firm level (management-technical or shop floor training) will be diminished and short-lived. Managers will neither value nor “apply” effectively these new skills. Likewise, what we do to improve the “supply side” of the equation (improving teacher training, curricula) will not necessarily lead to productive jobs or growth.

What are the types of activities that create these linkages? What activities can lead to changes in attitudes towards and values placed on training? Clearly, attention to the policy issues is critical. To the extent that distortions in the market place are reduced, improved links between demand signals and supply response should occur.

But working at the policy level will not be enough. Attitudinal barriers, on the side of providers AND employers, must also be broken. One way to do so is to get the employers and training providers in a productive dialogue. There are a number of platforms for conducting this dialogue

and/or improving communications and linkages between those providing the training and those demanding the skills:

- Educational Reform Councils with Private-Public Participation.
- Private-Public Curriculum Review Boards.
- Include Education and Training Providers in Annual Industry Conference.
- Placement Programs, provide a way for training institutions to hear what the industry is saying and use it as input for more relevant courses.
- Internships
- Extra-Curricular Activities, such as Junior Achievement Programs, 4-H Clubs and even the Boy Scouts and Girl Scouts are examples of extra-curricular activities that can inculcate attitudes, values and skills that are important for later employment in the private sector.
- Teacher-Manager “Swaps” and Revolving Doors. The temporary trading of teachers to industry or use of industry people in training is another example of building linkages.

The Mission has not dealt with the “linkages” problem directly in a broad or systematic manner. Its activities with the Alexandria Businessman’s Association, on curriculum review and the development of school-to work models are relatively small but bear watching.

A quick review of the Mission’s major activities that can be classified as workforce development shows that less than 6% of its funding in the workforce area has been directed at this level. This area needs to receive increased emphasis.

As a result of these factors, the Workforce Strategy Team recommended focusing the shared IR on the demand, supply, and linkage of the two. (*See attached presentation for the “Workforce Development Strategy Tree.”*) The question now becomes how can the Mission operationalize this recommended workforce development strategy?

### **The Cluster Approach to Workforce Development**

A cluster is a set of inter-related firms. The concept of a cluster captures the richness of economic relationships among specific industry sectors. It provides a powerful analytic and strategy development tool. Several types of inter-relationships and interdependencies are captured and form part of a cluster:

- Buyer-supplier relationships
- Competitor-collaborator
- Shared economic resources (firms that share human capital, financial, technological, information resources)

As an analytic tool, the use of the cluster approach will help capture the richness of the economic relationships between and among a set of industry sectors. It will help open the private sector eyes regarding how they need to act to compete effectively in the marketplace. As a catalyst for action, it is a powerful medium for improving communications between the training providers and the firms.

The cluster approach serves to establish or foster a coalition of inter-related firms and training providers with a common understanding of, a heightened sensitivity, and a shared commitment to the actions required to address workforce development challenges hindering their prospects for growth. The objectives of a cluster approach are to:



- Promote awareness of interdependencies among firms in terms of effects on productivity, including the role of skills development.
- Educate senior management in private sector firms regarding the need to invest in training by highlighting how such investments go directly into the bottom line.
- Identify common problems to improving productivity and workforce development solutions that can be adopted.
- Improve the knowledge of suppliers about employer needs.
- Upgrade training provider skills in diagnosing private sector needs, thus linking training directly to bottom line results.
- Serve as a forum for discussing and disseminating best practices in workforce development.

In summary, the cluster becomes the foundation for employers to effectively articulate their demand, for trainers to build their capacity to meet this demand, and to establish effective linkages between provider and employer.

### *What clusters should be selected?*

This cluster approach will not yield results, in terms of increased productivity and growth, in every cluster. Key criteria for selecting clusters include:

- Prospects for growth and employment. The objective is ultimately to create jobs. The cluster should be selected in part based on the overall prospects for labor-intensive growth.
- Whether human resource management and skills development IS the binding constraint to growth in that cluster, rather than policy or infrastructure.
- Equity. What is the capacity to affect directly or have positive multiplier effect on small and micro businesses, regional improvement and female employment?
- How well it leverages mission expertise and resources. Would many/most of the firms affected already form part of firms being assisted one way or another. Is there Mission/existing contractor expertise and way of providing assistance to the sector?
- How well might it leverage donor resources—are any donors already providing assistance to the sector? Additional research is required here.
- Political feasibility—is the Mission likely to run into US Government/Congress or GOE sensibilities that could derail the process?
- Data availability—does the Mission, projects, GOE have good data on the sector for analyzing, monitoring, and tracking purposes? Otherwise the analytic element of this process may end up taking too long and eating too many resources.
- Private sector commitment. The proportion of private sector participation in the sector and evidence of private sector interest in skills development issues; and or good sector associations.

On the basis of the above criteria, and through discussions with the Mission SO1 and SO2 Teams, the Workforce Strategy Team created a list of potential clusters and ranked them on the above criteria. The table below describes these clusters' rating.



CRITERIA	Prospect for growth	Employment Growth	Equity: Promotes	Leverage Mission	Leverage Donor	Political Feasibility	Good Data infrastructure	Private Sector Interest	GTG Score
<b>SECTOR</b>									
Horticulture	hi	hi	yes	yes		yes	yes	yes (HEA)	
Processed foods	hi	hi		yes	yes	yes	yes	yes	90
Perfumes/cosmetics	hi (lo base)	med/lo	no	no	no	yes	no	?	66
Textiles/garments	med/lo	hi	yes	yes	?	no/lo	yes	yes	88
Leather/Shoe	lo	lo/med	?	yes	?	yes	yes	yes	66
Software manufacturing	hi (lo base)	hi (lo base)	no	yes	no	yes	no	yes	84
Electronics	hi (lo base)	hi (lo base)	no	?	yes	yes	no	yes	80
Iron & Steel	hi	lo	no	no	?	?	yes	?	NA
Furniture	lo	med/high	yes	yes	yes	yes	yes	yes	68
Tourism	hi	yes	yes	no	yes	no?	yes	yes	NA

From this analysis, the Mission decided to begin the cluster approach in the following three clusters: 1) food processing, 2) tourism, and 3) information technology.

**Objectives and Next Steps**

The objectives of the next piece of work include:

1. Demarcating the clusters to include segments that are part of the cluster supply chain, collect relevant data, and analyze the cluster’s competitiveness with regards to workforce development.
2. Identifying the key group of stakeholders (employers, training providers, support institutions like business associations) with whom we will work to identify needs and program activities. In working with this group we will establish priorities for workforce development, objectives and measures to evaluate impact of the activities to address these priorities.
3. Developing activities that will have an impact on firm productivity, to improve linkages, employer and training provider awareness and skills. This will include re-directing existing Mission program and perhaps some new initiatives.

The tasks, activities, and deliverables associated with meeting these objectives are explained in the “Cluster Approach to Workforce Development Scope of Work.” In summary, the process is divided into two parts. The presented scope of work covers Part I which includes the cluster analysis, stakeholder dialogue, and activity recommendations. In Part II activities are actually designed and implemented. Below is a summary of the elements included in the scope of work.

***Part I:***

1. Explore the cluster to answer the following questions:
  - How should the cluster be demarcated? What segments and issues should be included in the analysis.
  - Who are the key stakeholders? With whom can we work to identify appropriate interventions and implement them? It is important to ensure that the right folk are working collectively to develop a vision for the cluster and appropriate workforce strategies to support these.
2. Examine the demarcated cluster to answer the following questions:
  - What are workforce requirements necessary to gain and sustain competitiveness? Skills development, increased technology training, job creation, hiring equality?

- How does the labor force acquire the characteristics industry needs in order to sustain competitive advantage? In-house/continuing education in the workplace? Outsourced? To whom, under what circumstances, and how?
  - How do political, social, and economic factors help or hinder the competitiveness of the clusters?
  - How do present stakeholder relationships affect workforce development?
3. Work with stakeholders to envision a strategy for achieving competitiveness in the sector. Foster a shared understanding of the workforce development requirements for supporting that strategy. Through stakeholder strategic workshops, share information from the analysis of the workforce development elements. Work with the stakeholders to identify the strategic priorities in workforce development. Answer the following questions in order to agree upon actions for promoting workforce development in a manner that enhances competitiveness:
- What are the stakeholders' common strategic priorities?
  - Can we develop action plans to achieve common goals?
  - What actions will stakeholders commit to?
  - What is the institutional setting available to take development forward?

Answer the following questions in order to gain and confirm this stakeholder commitment:

- Who will be responsible for actions?
- How will actions be institutionalized?
- How will the stakeholders know when an action has been successfully implemented?
- How can external organizations support the process?

Output: Identified group of stakeholders with whom the Workforce Strategy Team will work; identified areas that will be tackled; identified desired impact and timeline, and level of private sector provider and donor commitment and support. This process will take approximately 2 to 3 months per cluster.

***Phase 2:***

Design scopes of work and deliver activities through such means as technical assistance and training.

**Decisions that Remain**

The key decisions that remain to be addressed pertain to:

1. *Management of the shared IR.*  
As the Mission finalizes its strategy and moves forward with the cluster approach, the management of the IR performance and monitoring will need to be decided and articulated. Although the team could provide a framework of pros and cons in making this decision, until the strategy is more complete, and the question of “what will be managed” is better defined, it is difficult to make any further recommendations on this issue.
2. *Timing of indicator development for the shared IR.*  
The Workforce Strategy Team recommended several potential performance indicators for the demand, supply, and linkage elements of the workforce development strategy. (*See attached presentation.*) In the short-term, these may serve as proxy indicators; however, the development of more specific indicators is dependent upon the results and actions taken from



the cluster approach. As a result, the development timing of these final indicators is yet undecided.

3. *Timing of the “Cluster Approach for Workforce Development”*

The Cluster Approach for Workforce Development Scope of Work outlines a tentative schedule of activities that should take place in a cluster process. This process will take approximately three months to complete. The timeframe leaves two outstanding questions: When does the Mission envision beginning this activity? By when does the Mission need final input into its strategy?

## ANNEX I

### Creating Linkages: Some Approaches

- **Educational Reform Councils with Private-Public Participation.** The formation of a transparent Education Reform Council with private sector and public sector participation generates visibility for efforts to improve the responsiveness of the educational system. The council acts as a kind of Board of Directors for educational reform efforts. They establish objectives, commission and approve selected initiatives, provide guidance and review progress. The inclusion of private sector leaders helps to introduce the concerns of that sector into the educational reform agenda. However, high-level boards do not guarantee effective change and can be a substitute for it.
- **Private-Public Curriculum Review Boards.** The involvement of representatives from the private sector on curriculum review is especially important for professional schools, specialized graduate school programs and vocational training programs. Vocational and professional schools are often out of touch with the evolving and rapidly changing needs of industry. The inclusion of the private sector on the curriculum review helps to ensure responsiveness. However, this must go beyond tokenism to incorporate systematic feedback. This may be a difficult area to tackle as many ministries of education regard this area as the exclusive domain of their particular ministry. It may be easier to sequence other initiatives first. USAID/Egypt is currently engaged in a relatively small activity in Alexandria that is seeking to create just this type of dialogue.
- **Annual Survey.** Associations can serve as a catalyst for creating better information about the job market. Information that can be used by both employers and job seekers. Such surveys can include:
  - ✓ New hiring (in which areas)
  - ✓ Anticipated new hiring needs
  - ✓ Satisfaction with existing educational system (primary, secondary, tertiary, specialized)
  - ✓ Satisfaction with existing specialized training providers
  - ✓ Annual spending on training (as percent of wages)
  - ✓ Areas of greatest training need
  - ✓ Gaps between skills required and current workforce performance.
- **Include Education and Training Providers in Annual Industry Conference.** Annual industry conferences are a venue for reflecting on the strategic challenges facing that industry. It is recommended that there be a sub-group or an afternoon session that includes education and training providers with the industry leaders and allows for a frank interchange of perceptions regarding how to better meet the education, training and human resource development needs of the industry. These conferences can also be an excellent opportunity for conducting a brief survey of education and training needs.
- **Placement Programs.** Placement programs among vocational schools, secondary schools and universities in emerging economies are usually woefully inadequate. For many schools it is a new idea altogether. This is sad. It is like building a bridge from one shore to the other but failing to finish the last 20 meters of that bridge. Many graduates spend a lot of time unemployed unless they already have special family or other contacts. Placement programs should help students prepare their c.v. School libraries should have on reserve the annual



reports of the major companies that hire. There should be a job bulletin board (physical if not Internet-based) where companies with jobs can be matched with candidates interested in jobs. It may or may not be possible to arrange on-site interviews but it is usually possible to do more to facilitate job interviews through good industry outreach programs.

- **Internships.** A part-time or summer internship, often for course credit, can help provide students with practical experience, enhance the relevance of their coursework and provide valuable connections that may lead to later job offers. It also provides a relatively painless way for companies to evaluate candidates with relatively little risk or commitment. Such internships may be paid but are often unpaid. They require effort from students, school and company to be successful. Schools can even offer such internships as prizes for the best performing students. This helps motivate effort while also serving as a quality control mechanism that is appreciated by firms.
- **Apprenticeships.** The best upholstery repair shop in South Africa is run by a Mozambican immigrant who learned his skill as a teenager by simply showing up and helping out at a repair facility in Maputo. He now has generated jobs for many others. An apprenticeship is somewhat different from internships in that it usually involves a mentor-trainee relationship and specific skill acquisition. It is more common among vocational than among professional schools. This is another linkage that helps students get jobs while also providing useful services to businesses.
- **Extra-Curricular Activities.** Junior Achievement Programs, 4-H Clubs and even the Boy Scouts and Girl Scouts are examples of extra-curricular activities that can inculcate attitudes, values and skills that are important for later employment in the private sector. Junior Achievement is of special note because it focuses on entrepreneurship and on the mechanics of starting, running and evaluating a business. Junior Achievement has been successfully adapted in different cultures and countries and involves private sector leadership in the life of a school, usually a secondary school.
- **Teacher-Manager “Swaps” and Revolving Doors.** The temporary trading of teachers to industry or use of industry people in training is another example of building linkages. A temporary placement of a teacher in industry can add to their experience base and enhance the relevance of their subsequent teaching.
- **Regional and Local Initiatives.** Attempting change at the national level may be a difficult task. At the city or province level it may be easier to find business leaders and government leaders unified by a common commitment and loyalty to their locality. This can result in businesses and industry groups “adopting” schools and taking close interest. This can express itself in financial and technical support. This too is being tried in Alexandria and bears close watching for potential replication.
- **Internal Development Programs.** Donor initiatives can also work with companies to develop their own workforce upgrading plans. Raising awareness of the importance of training can begin this process. This is followed by technical assistance to create internal human resource capacity building plans. Initial training programs can link international and local experts to provide on-site training and technical assistance; such as through the IESC program that provides retired executives with relevant experience as advisors to industry clusters in developing countries.