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The American University in Cairo
School of Global Affairs and Public Policy
Department of Public Policy and Administration

HIRING CHALLENGES FACING EMPLOYERS IN SMALL AND MEDIUM
ENTERPRISES (SMES) IN EGYPT'S TEXTILES SECTOR

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ABSTRACT

Understanding what the labor market needs from the perspectives of employers is crucial in solving the unemployment problem in Egypt. The purpose of this study is to voice the views of employers as they describe the challenges they face in hiring within the specific sector of the textile industry in Egypt. The study is based on semi-structured interviews with eight business owners and general managers running small and medium enterprises (SMEs) in the textile sector. Despite labor surplus in the country, employers speak of a serious labor shortage problem in this sector where labor is described as the number one challenge to business performance and growth. Factors identified in interviews include shortage of technical skills, low quality of learning among graduates of technical schools, employment termination due to marriage (among female workers) and the attractiveness of temporary work within the informal economy to some of these workers due to its higher pay. The study addresses issues pertaining to the culture regarding manual jobs and technical and vocational education as well as job quality and career path issues.

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Introduction:

Youth unemployment and the misalignment between the labor market demand and skill preparation is a major public policy issue in Egypt (Barsoum, 2015). The mismatch between what employers want in terms of skills and the education tracks that people choose to take result in employers suffering from labor shortage and workforce suffering from unemployment. To be able to address this structural problem, understanding employers' views and challenges regarding the labor market is of crucial importance because the employers are the ones who create jobs. Raikes & Davies (2015) state "In all countries, whether in growth or recession, employers are central to resolving long-term unemployment" (p. 1). The fact that there are businesses looking for labor, whatever their needs and opinions are, it constitutes an opportunity to resolve the problem of unemployment.

The purpose of this study is to investigate the hiring challenges faced by employers and search whether there is a mismatch between the demand for labor and the supply of labor and the underlying reasons in an attempt to solve the problem of structural unemployment. Literature on the topic of unemployment in Egypt is concerned more with the supply side presenting unemployment from the perspective of labor and presenting the problem of skills mismatch and job quality. Moreover, developmental efforts are directed towards increasing level of education and trainings; technical and vocational educational trainings (TVETs) centers are countless in numbers and higher education enrollments have been in an uninterrupted rise.

However and at the same time, there is hardly any recorded unemployment among the illiterate and those with lower than intermediate education (Hassan & Sassanpour, 2008). Another report by the Economic Research Forum, describes the post-secondary and university graduates as "the most vulnerable group towards unemployment" (Amer, 2007, p. 6). Comparing unemployment rates between secondary education graduates and university graduates (as for the year 2014), for males the rates are 20.1% and 34% respectively however, the rates though still high, among females, those with secondary education suffer more from employment than those with university degrees with 76% and 46.9% respectively (Abdel Ghafar, 2016). These facts point to a deadweight loss of public and private education investments (Angel-Urdinola & Semlali, 2010).

The problem of unemployment in Egypt is not limited to just a high rate which is 12.77% (CAPMAS, 2016), however, there is also a declining rate of labor force participation reaching

48% in 2014 (for the working age population (15-64)). Women represent only 23% and youth aged (15-29) represent 36.6%; with such figures the labor market in Egypt urgently needs effective and serious intervention (Fadl, 2015).

The above mentioned data show a defect in supplying the labor market with the adequate needed resources. Reasons for such a gap is not really clear, is it poor education, or is it skills mismatch, or is it that the market does not really need skilled workers and in fact needs unskilled workers which might be the reason behind the high unemployment rate among the educated youth who refuse to fill unskilled job vacancies. Research in this area is very short in Egypt. As a result of low labor market efficiency, poor education and training system performance, and skills mismatch between trainings and education offered for youth and the labor demand actual needs, Egypt ranked 81st out of 133 countries in the 2010/2011 Global Competitiveness Index (GCI). After the revolution in 2011, Egypt's rank even declined more to rank number 116 out of 140 countries in the 2015/2016 GCI (World Economic Forum, 2016). Moreover and unfortunately, out of 148 countries, Egypt ranked number 146 in terms of labor market efficiency in 2013-2014 (Creative Associates International, 2016). These data indicate a defect in the system of preparing people for the labor market. In an attempt to understand what the market actually needs and what employers want, the study focuses on the labor demands in one sector in Egypt which is the textiles sector in Egypt.

Research Question:

The research question of this paper is: “*What are the hiring challenges facing employers in Small and Medium Enterprises (SMEs) in Egypt's textiles sector?*” The research aims at understanding the challenges faced by employers of SMEs in the sector of textile manufacturing and identifying whether there is a mismatch between the labor supply and labor demand through understanding the perspectives of the demand side. Therefore, other sub-questions under this research include: (1) what are the factors interfering in hiring and retention (2) what methods do employers follow in their recruitment process and (3) how employers manage their workers? The textile sector constitutes the third largest manufacturing sector (following petroleum products and food and beverages sector) (Egyptian Environmental Affairs Agency, n.d.) employing more than one million Egyptians (UNECA, 2013). When such a sector complains from recruitment challenges at both skilled and unskilled levels (Marello, O'Dell, & Salinger, 2009), it is highly

valuable to address these problems and incorporate them with other data to produce efficient developmental policies.

SMEs are essential for the development of economies (Savlovski & Robu, 2011) thus promoting the growth of these enterprises and understanding the labor challenges in such a labor intensive industry, will provide profound data on the situation of the labor market in this sector and help boost these enterprises to thrive. SMEs, while they enjoy advantages of being flexible and easier to start, they face more challenges against their survival especially versus large enterprise (Marek, 2014). The textile sector is dominated by SMEs and produce 80% of the knitted products and 75% of clothing in Egypt (El Helaly, 2003). Therefore, learning about employers who are running SMEs in this sector shall retain important material for the development of this industry.

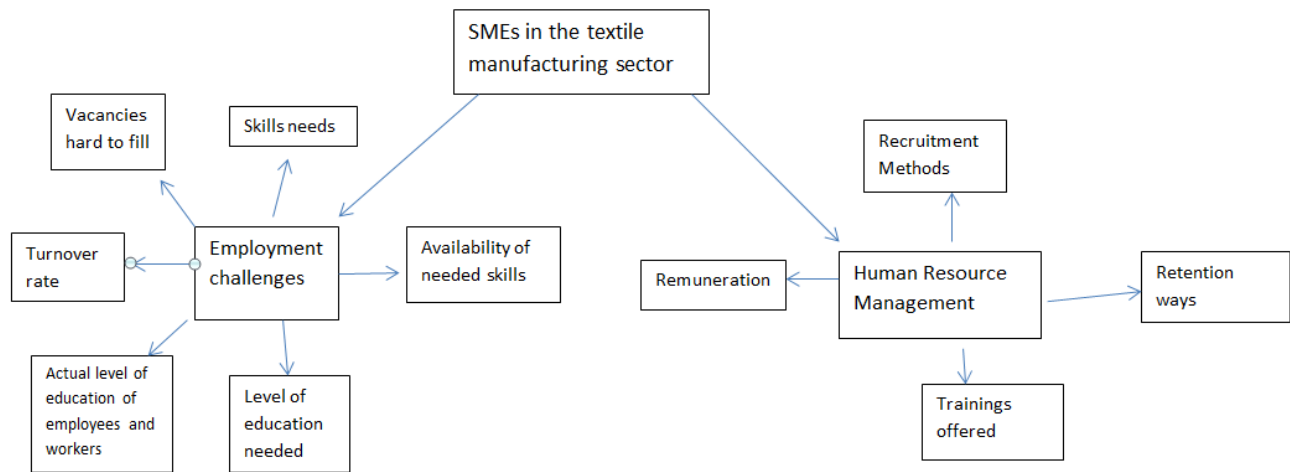
Conceptual framework:

This is an exploratory study that requires about what employers in SMEs are looking for in terms of labor and what are the difficulties they face in filling the job vacancies. The conceptual framework of this study is built on understanding the demand side of the labor market from the perspective of employers in SMEs, in an attempt to help solve the problem of structural unemployment in Egypt. Most studies addressing the unemployment problem point to the lack of proper education and skills mismatch between employers' demand and available skills and the rest are discussing how the young educated consider themselves over-qualified for available jobs. Therefore, this research amidst high unemployment rate is interested to know what employers of SMEs in the textile sector are looking for, what are the problems they encounter when hiring if any and what are the challenges in managing their employees.

As the main objective of the study is to understand the challenges regarding labor and hiring facing employers in SMEs in the textile sector, the conceptual framework of this study is fed by literature in two main areas as illustrated in figure (1), (1) hiring challenges and (2) Human Resource Management (HRM). Investigating hiring challenges provides direct answers to the research question through looking at and as the diagram below illustrates (1) skills needed by employers, (2) to what extent these skills needed are available, (3) the level of education needed, (4) the actual level of education of hires, (5) turnover rate and (6) which vacancies are most hard

to fill. Under the area of HRM, investigating (1) remuneration, (2) recruitment methods, (3) retention methods and (4) trainings offered, provide information on how SMEs manage their human resources to gain deeper insight into their hiring challenges not only pertaining to finding adequate skills but sustaining them as well.

Figure (1)



Author's conceptualization based on citations from (Abdallah, Barry, Beal, Said, & Vartanov, 2012) (Marello, O'Dell, & Salinger, 2009) (Angel-Urdinola & Semlali, 2010)

Globally the Textile industry is considered to be highly volatile with low profit margins (ILO, 2016). Finding the lowest labor costs has been a major factor for achieving competitiveness in a highly competitive market (Robertson et al., 2012). Asian countries are highest producers and exporters with the lowest wages and many are forced to work in sweatshop conditions with low pay and without minimum safety conditions (European Parliament, 2014). Despite technological advances the sector is considered among the highest labor intensive industries. Bringing costs down consequently is burdened by workers most of the cases (ILO, 2016).

In Egypt, the textile industry faces many challenges. Inefficient labor market and lack of skilled workers are on top of the challenges in the textile sector in Egypt followed by finding suitable locations and complexity of doing business through government procedures (Abdallah, Barry, Beal, Said, & Vartanov, 2012) (Marello, O'Dell, & Salinger, 2009). Moreover, women participation is inhibited by the culture which also negatively affects the availability of skilled labor since the textile jobs rely heavily on female labor (Abdallah, Barry, Beal, Said, & Vartanov, 2012). Other challenges include: break-down of machinery and equipment, the

increase of taxes on production related imported products like machines, spare parts, etc., that cannot be found in the local market and so the cost of production also constitutes a burden, the economic recession around the world and last but not least the lack of qualified employees in the fields of sales and marketing in this sector (El Helaly, 2003).

There is a skills shortage in the Egyptian labor market due to low quality of technical education in addition to a labor shortage despite the oversupply of labor enforced by negative perceptions associated with both technical education and manual jobs (ENID, 2013). The sector in terms of labor is also challenged with a high rate of turnover and absenteeism (American Chamber Egypt, 2009). With those educated characterized as the most vulnerable group to employment, there is a need to understand structure of unemployment to be able to curb its rate and at the same time respond to businesses' needs of labor demand. Supply and demand are not coherently matched resulting in unemployed youth and struggling businesses to grow in a promising sector (Angel-Urdinola & Semlali, 2010).

Furthermore, with high labor turnover rate and labor shortage, hiring foreign labor is perceived by employers as a sound solution as they display high commitment due to the fact that they leave their homes for the purpose of saving money which reflects on a very high job performance and commitment (Azmeah, 2014). These facts combined guide the study in investigating the hiring challenges faced by employers of SMEs in the textile sector. There is a need to bridge the gap between employers and labor supply through understanding the perspectives of employers whether they face shortages, how do they recruit, reasons behind turnover rate, how they deal with their human resources, what are the skills most hard to find, what are the jobs most hard to fill, how they respond to skills shortage and labor shortage and most importantly what challenges do they face when planning to expand their activity.

Thesis layout:

Main aim of the study is to understand labor market needs of employers in SMEs in the textile sector to help bridge the gap between demand and supply to solve the structural unemployment problem in Egypt and help develop SMEs in this sector as they play a major role in the economy especially in the third biggest sector for exports in the country. The study pursues its findings based on semi-structured interviews with eight business owners and general managers in SMEs

in the textile sector. The thesis first provides a background on the SMEs in the textile sector and challenges associated generally with SMEs and more specifically in the textile industry. Second, the literature review section provides a collective discussion about the different aspects related to the study including (1) employment challenges including the skills mismatch problem, quality of TVETs and factors influencing turnover rate and (2) Human Resource practices in SMEs which discusses recruitment methods and retention ways as well as methods of overcoming labor shortages. Third section states the results and findings of the study, where data is presented and analyzed. The fourth and last section of the paper provides a brief discussion summarizing the paper highlighting the main conclusions driven with a few recommendations. Accordingly the next section provides a background on the textile sector and SMEs in Egypt.

Chapter I: Background on SMEs and the textile sector in Egypt:

Background on SMEs in Egypt and challenges facing them:

In Egypt, enterprises with less than fifty employees constitute up to 80% of the total employment in the private sector. Only 15% is in the agriculture private sector while 85% are mainly concentrated in two sectors which are the manufacturing sector and the wholesale trade sector (Creative Associates International, 2016). The Central Agency for Public Mobilization and Statistics (CAPMAS) reported by the end of the year 2015 that SMEs in Egypt are equal to 2.4 million establishments with 6.3 million employees (Mounir, 2016). Also, these SMEs are responsible for 33.7% of the total employment (Creative Associates International, 2016). However, and although SMEs represent 95% of private enterprises, their contribution to investment does not exceed 10% and their production does not account for more than 25% (USAID, 2016). This is due because they suffer from a highly informal environment, with low production quality and low added value (Creative Associates International, 2016).

Out of 148 countries, Egypt ranked number 146 in terms of labor market efficiency in 2013-2014 (Creative Associates International, 2016). This is an alarming fact that needs immediate intervention. The next section therefore shall present some of the challenges facing SMEs in Egypt in general and then an overview of the textiles manufacturing sector and problems facing this sector specifically.

The major challenge standing against SMEs is the access to finance. This is mainly caused by the sizes of these firms which makes them high risk profiles for banks to deal with or facilitate for them financial access (El-Said, Al-Said, & Zaki, 2013). There is a direct positive relationship between the size of the firm and ability to access financial services; in fact, challenges of gaining external formal sources of finance limit these firms' growth and thus their contribution to the economy (Beck & Demirguc-Kunt, 2006). Limited access to finance is not only problematic for the development of SMEs, it is also a threat for their survival as it limits their ability to attract and/or marinating qualified skilled employees, their ability to use marketing tools, their ability to access viable information and any necessary action needed for a successful operation (El Kabbani & Kalhoefer, 2011). With 90% of SMEs relying on

self-funding as the main source of financing, the poor performance of SMEs in Egypt is not a surprising result (ibid).

The problem of low employability also affects the development of SMEs, low quality of education, ineffective technical secondary schools and poor TVETs do not offer SMEs with adequate pool of candidates. Not to mention the gap between the existing skills of the labor and the market demand combined with lack of connection between graduates and vacancies (USAID, 2016). Moreover, worker strikes, high redundancy costs and low worker productivity pose another challenge in the face of the development of SMEs in Egypt (Creative Associates International, 2016).

The Egyptian bureaucracy is definitely another limitation when it comes to registering the business, obtaining licenses and aligning with tax and legal requirements; highly characterized by being, costly, time-consuming and complicated. Consequently, SMEs are discouraged from formalization, increasing obstacles to financing and thus development and contribution (USAID, 2016). On the other side, the informal sector represents a challenge against formally registered SMEs. According to the Egyptian Center of Public Policy Studies (ECPPS), the informal sector represents 60% to 70% of the Egyptian market (dominated by SMEs (Kassem, 2014)) which do not behave formally with the government and do not pay taxes which consequently damages the fair competition between formally registered companies and informal ones, making it hard for formal SMEs to compete with cheap prices offered by informal sector (Mokhtar, 2014).

While the informal sector has its negative impacts on the SMEs running formally, it also hugely affects the employment market with indecent work. Informal employment sector is defined as jobs that don't have any of a contract or social insurance, while formal jobs have either or both (Amin, 2014). Labor in the informal sector suffer from low wages, bad working conditions, lack of protection of rights and representation, yet they benefit from flexible hours and ease of entry since it does not require high skills (El Mahdi, 2010). Lack of "freedom of choice" is a characteristic accompanying labor in the informal sector; informal employment constitutes of vulnerable groups who face limited employment options who otherwise of it was not for the informal sector would be unemployed (noting that poor households need these jobs to survive)

(Kolster, 2016). In a report published by the World Bank indicates that the general employment conditions of an average worker in the formal sector is much more privileged than that of an average worker in the informal sector, not only in terms of better pay but also in terms of being covered against social risks (Angel-Urdinola & Tanabe, 2012).

Getting back to problems faced by SMEs in Egypt, one study (El Kabbani & Kalhoefer, 2011) summarizes the challenges from the owners' point of views in four main points. The first is that they have difficulty in attracting skilled labor, difficulty in accessing technologies, market information, production inputs and difficulty in gaining a physical space. A second expected point is difficulty of access to finance; they see it as a problem of lacking the skills that produce high quality feasibility studies and business plans required by lending institutions. Third, exclusion from accessing public and large businesses contracts which provide long-term forecasting and stability and being unexposed to market opportunities mainly outside the urban centers. Last and fourth point is the weak connections between SMEs and larger (and foreign) organizations that can boost a company through many aspects.

Overview about the Textiles Sector in Egypt:

Textile sector is the third largest manufacturing sector following petroleum products and food and beverages sector (Egyptian Environmental Affairs Agency, n.d.) employing more than 1 million Egyptians (UNECA, 2013). Its share of the highest quality of Extra Fine cotton is 35% of the world market, and contributes with 25-30% of the worlds' cotton (Egyptian Environmental Affairs Agency, n.d.). There is a special "Egyptian Cotton" logo that manufacturers in Egypt are allowed to use on their products, as the demand for the Luxurious Egyptian Cotton remains strong among local buyers, trading agencies and exporters. Also, Egypt as of 2010, was the ninth-largest producer of certified organic cotton (Abdallah, Barry, Beal, Said, & Vartanov, 2012).

The governorates of Cairo, Qaliobia, Gharbeya and Alexandria hold the largest share of the textile manufacturing companies in Egypt. The sector is divided into 5 main sub sectors, (1) spinning and weaving manufacturing, (2) wool, natural and synthetic manufacturing, (3) dyeing, printing and finishing, (4) Tricot Manufacturing and (5) Ready-Made garments (Egyptian

Environmental Affairs Agency, n.d.). For the year 2014, the value of Egypt exports in the textile sector accounted for approximately 7.8 million USD; 12% home textile, 15% spinning and weaving and 73% ready-made garments (SEBA, 2014).

In the years from 2005 to 2010, the textile industry composed 18% of the industrial value and 28% to non-petroleum exports. As reported by the General Authority for Investment and Free Zones, there are US\$6 billion worth investments in the economy by the textile industry companies this year (4,399 companies in the country and 196 companies in free zones) (HSBC, 2016).

Under the Qualified Industrial Zones (QIZs) which includes Egypt, Jordan and Israel, goods manufactured in these zones have a duty-free access to the U.S. market (Robertson, et al., 2012). This definitely encouraged producers to target the US tariff free market, which allowed the textile sector to grow increasing the Textile and clothing exports to US by 54.2% during the first 10 years since it was established in 2004 (Oxford Business Group, 2016).

Challenges of the textile industry:

Globally workers in the textile industry suffer from abusive treatment and harsh working conditions, for long hours and without any safety precautions considered or any compensation involved (Reinhard, Schmidt, Rützel, & Zentgraf, 2013). Sweatshops is a term widely shared among apparel industry, that refers to workshops or factories that hire workers with very low wage, for long hours under poor conditions, in fact sweatshops are considered as a “norm” in the clothing industry globally (ILRF, 2015). However, there is no data on Egypt employing sweatshops, in addition, the case in Egypt is the opposite according to a report by the USAID based on a survey in the textile sector, where employers widely agreed that when an employee does not like the work, they simply leave and work anywhere else as they wish, which means that if working conditions are bad, workers have the freedom to choose to leave work with chances to work in another desired place (Marello, O’Dell, & Salinger, 2009).

Generally, the following have been listed as the main challenges facing the Textile sector in Egypt, with financial difficulties on top of the list, “exposed firms to successive losses”, the break-down of machinery and equipment which is worsened with the lack of investors to replace and renew machinery (related to access of finance), the increase of taxes on production related

imported products like machines, spare parts, etc., that cannot be found in the local market and so the cost of production also constitutes a burden, of course the economic recession around the world and last but not least the lack of qualified employees in the fields of sales and marketing in this sector (El Helaly, 2003).

Apart from financial support issues, the chairman of the Home Textiles Export Council points that the lack of qualified labor and good marketing as standing against growth in the sector. He mentions that factory owners in Alexandria are establishing a vocational training school in order to overcome the shortage of qualified workers. In this school, participants earn a monthly allowance LE500 and LE700 and LE1,200 per month once they start their on-job training during the summer, which is thought to contribute highly to the labor market. (El-Fiqi, 2015).

While Egypt's cotton has been considered as the high-end cotton and named as "white gold" in the industry, it is apparently considered to be costly to produce shirts and jeans which consequently have led to losses (HSBC, 2016). Moreover, subsidies offered to cotton planters have been withdrawn, which adds to the challenges faced by the sector. That combined with shortage in electricity and poor infrastructure stand as an obstacle against this sector in growing and increasing its exports (ibid).

After the Arab Spring, like many industries, the textile sector has suffered from difficulty in operation both the producers and exporters due to lack of security, backlogs (due to delays in shipment), high transaction costs and of course the risky image of doing business with Egypt (Oxford Business Group, 2016).

The textiles sector in Egypt faces many challenges especially when it comes to workers. CEO of Cairo Cotton Center indicated that turnover rate in this sector ranges from 8% to 15% per month and absenteeism on normal days ranges between 10% to 12% and even higher in pre-seasonal days ranging between 15% to 18%. This is considered very high as if out of 4,000 workers, 600 do not show up which consequently results in low levels of productivity and quality (American Chamber Egypt, 2009).

Egyptian government efforts in the textile industry:

The Egyptian government has been lately focusing on developing this sector and its export capabilities so a series of policies and reforms are being measured for a better performance and promote Egypt as an “international textile hub”. US\$2.5 billion was worth the exports of textiles and ready-made garments. Ready Made Garment Export Council is aiming at increasing this value to US\$10 billion after 10 years. On another note, the National Strategy for Textile Industries hope to have 500,000 workers trained by the year 2025 (Al-Aees, 2016).

In order to avoid shortage in the local market of fabric scrap which is needed and recycled by local manufacturers to produce thick yarn (used in the textile industry), the government added an export fee of EGP 3,500 (US\$ 447) per ton on fabric. In fact, last year exports of fabric scrap were equal to 300 tons compared to 93 tons in the preceding year (according to government data) (HSBC, 2016).

Chapter 2: Literature Review:

Review of literature in this chapter provides information on the problems faced in labor market mainly in the industrial fields with some focus on the textile sector, starting from skills mismatch, poor education and especially technical education to viewing the turnover rate and its factors related to the sector as well. The second part of the literature review provides how SMEs manage their human resources in terms of recruitment methods, retention methods and methods to overcome labor shortages.

Hiring challenges

Skills mismatch and Quality of TVETs

A major aspect of the Egyptian labor market is “the inadequate supply of skilled labor and the oversupply of unskilled labor” (El-Ehwany & El-Laithy, 2001, p. 7). Each year new graduates of the same educational specializations that are not in need by the market are being added to the labor force (Galal, 2002) which results in a skills mismatch between the education and trainings that the youth receive and the demands of the job market (Angel-Urdinola & Semlali, 2010). Consequently, employers are challenged in achieving business growth and on the other hand; the educated youth are pushed out of the labor force. This results in a deadweight loss of public and private education investments (ibid).

In Egypt, the secondary school education system is either academic or technical; those who manage who to score high enter academic secondary school who eventually enter higher education and those who drop out or score low in school enter technical schools. For this reason, technical schools have become associated with low status and have suffered from low investments leading to generating few and unqualified skilled labor (ENID, 2013). A less popular educational system is the vocational education which comprises vocational preparatory schools and secondary vocational education (Abrahart, 2003). Only those who were already in vocational track or failed general preparatory school can join the vocational system and only those who succeed with higher marks can be enrolled in the general or technical education stream (ENID, 2013).

Low quality of education including technical education is partially responsible for this skills shortage; from the employers’ perspectives, potential workers are unable to apply their acquired

knowledge (from schools, TVETs and universities) at work, which of course implies the inefficiency of the education system in Egypt (Amer, 2007). Moreover, there also seems to be a gap in the higher education system; not just at the technical level but also higher education does not offer specializations linked to the industrial needs (Abrahart, 2003).

The strategy of the government aiming at increasing enrollment rate in technical education and focusing on numbers rather than process and outcome, has led to the deterioration of these schools (Humphreys & Oxtoby, 1995). Both TVETs and higher education have failed to prepare young people with qualifications adequate to be employable in the formal economy (ENID, 2013). Consequently, employers are often challenged with recruiting the right competent personnel as they cannot find young workers who possess the needed skills required for filling the needed jobs. In an enterprise survey, results show that 50% of enterprises interviewed indicate workers' skills mismatch as one of the obstacles in their business development (Angel-Urdinola, Kuddo & Semlali, 2013). Therefore, there is a need to work on degree programs, design courses and curricula that respond to labor market demands (American Chamber, 2009).

According to an interview with the Director of the QIZ Unit at the Ministry of Trade and Industry, Ali Awni, lack of skilled labor is seen as a top challenge. This is followed by finding suitable locations and complexity of doing business through government procedures). Also, a USAID consultant Garment Industry Workforce Specialist pointed to a "human resources gap" in the Egyptian labor market limiting industrial growth (Marello, O'Dell, & Salinger, 2009). Low skills have also impacted the direction of the industry, as a report by the American Chamber in Egypt states low value of labor force and continuous decline is leading to a decline in the overall textile industry, where buyers and investors realizing this lack of skills choose basic models rather than high-end products (American Chamber, 2009).

Apart from a skills shortage, there is a "structural imbalance" as Shahin (2009) (who is also Director of Trade Related Assistance Center (TRAC)) describes. She highlights the problem of the large number of private employers who face severe labor shortages despite the high rate of unemployment in the country.

This structural problem is given the term of bottleneck vacancies; bottleneck vacancies are defined as jobs that has been hard to fill for a long time and employers continue or expect to face

problem of filling these jobs in the future (Attström, Niedlich, Sandvliet, Kuhn, & Beavor, 2014). The European commission reports that bottleneck vacancies do not only prevail among high skilled jobs (IT and engineering), but also among low skilled occupations such as tourism, manufacturing and construction (European Commission, 2014). Another study states that while the labor market contains the required skills, employers might find it hard to attract these workers even with improved conditions and salaries (Ellis, 2003). Bottleneck vacancies for some occupations exist due to skills mismatch and scarcity in the available workforce while for some other jobs the required skills exist but vacancies are not filled either due to lack of information or a “preference mismatch”. Preference mismatch may be a result of unfavorable working conditions related to the job (Reymen et al., 2016).

European Union’s study on labor shortages (in the European Union countries) reveal that labor shortage occurs due to undesirable jobs and occupations (Reymen et al., 2016). Some evidence show the existence of labor shortage in Egypt occurring for the same reason; a report by GIZ (on Egypt) states how blue collar jobs have negative perceptions and youth are not encouraged to enter technical schools and rather enter university despite low employment opportunities for university graduates compared to blue collar market (GIZ, 2013). Regarding the textile industry, advertisements about technical trainings never attract young workers and graduates; in an attempt to understand why the youth do not apply for these trainings, results showed that they do not wish to join the industry due to “low wages, working conditions, insurance, career development, and social and cultural problems” (Marello, O’Dell, & Salinger, 2009, p. 9). Therefore, the structure of education is not solely responsible for labor shortage in technical jobs, but rather unattractiveness to work in the textile industry or blue collar jobs in general is another factor.

Historically, former President Nasser promised free education and employment in the public sector for university graduates. This decision led to a rapid surge in the number of student enrolments over the next decades (Barsoum, 2004). This combined with ease of access to higher education have dually impacted the attractiveness of technical education where university degree was made to be perceived as the only way towards a secured and a good status job (Abdel Ghafar, 2016).

It is further stated that technical education in secondary schools suffer from low quality where students lack the knowledge and skills which they are expected to gain from the trainings (OECD, 2015). Egypt, among other countries, faces the challenge of making its TVET appealing and in order to solve this dilemma the status of TVET should change from a second-best option, into which low performers are tracked, to a situation of “parity of esteem” with general education; such conversion in status would encourage students to enroll in the system but such conversion is difficult (ibid). Furthermore, Shahin (2009) points to another behavioral problem where “there is a lack of discipline, commitment and responsibility or what is also known as "work ethics," the lack of which exacerbates the structural unemployment problem” (p. 1). Skills mismatch, low quality of education and negative perceptions regarding technical education are all factors affecting the supply of adequate needed labor for the employment market. Additionally, the problem of employment for employers is not only limited to the supply of the right pool of candidates, but rather affected by turnover rate and absenteeism which is to be discussed hereunder.

Turnover rate and its factors:

The textile industry in Egypt is characterized with high labor turnover rate averaging between 20-25% and high absenteeism averaging 10-20% (American Chamber, 2009). The ILO Cairo productivity program officer also listed labor on the top of many other problems by describing labor turnover rate as a chronic problem and pointing to the shortage problem of skilled workers as factors affecting the textile industry’s competitiveness in Egypt (Volkman, 2016). A report by the USAID discusses the problem facing ready-made garments manufacturing (RMG) industry that aims to provide recommendations to help the sector in increasing its productivity and thus exports. The report finds that there is a labor shortage that leads to a high turnover rate disrupting the production process and consequently hindering these factories abilities to expand their businesses and production capacities. This challenge among others is causing massive loss of competitiveness as well as loss of potential of export growth (Marello, O’Dell, & Salinger, 2009). The high turnover rate is a result of various factors such as ease of movement, age and marriage, among other reasons.

Ease of movement:

Many firms are pushing for the US to arrange for QIZ areas in Upper Egypt to escape the labor scarcity problem near Cairo saying that they would relocate to benefit from a larger pool of labor

since they are suffering from high turnover and absenteeism rates, ending up that factories are stealing one another's trained workers (Azmeah, 2014). This data indicates a high competition between factories over the labor in this industry. Such a phenomenon is described as "ease of movement".

Farooqui and Ahmed (2012) listed ease of movement as a factor affecting employees' decision to leave work. Ease of movement is "primarily determined by the number of alternatives perceived" (Randhawa, 2007). In addition, it is associated with the number of "viable alternatives" that exist (Nuhn, 2014). In the literature of voluntary turnover, a person's actual ease of movement in the job market is a main determinant of turnover (Trevor, 2001).

Azmeah (2014) points to the fact that in Egypt, and unlike traditionally where workers are abused by employers (as the case is globally (ILRF, 2015)), it is in fact the workers who have the upper hand in the employer-worker relationship. Due to availability of many job alternatives in the textile sector, there is a high ease of movement and thus high turnover rate. In this light, businesses suffer not only from high turnover rate but difficulty recruiting workers in neighboring areas, and bearing costs of finding and training workers and challenged for having to balance between productivity and retaining their workers (Azmeah, 2014).

Age of workers

Age of workers/employees greatly influence their behavior of leaving a job. Studies found a clear negative relationship between turnover rate and age and tenure period, (which is the period that an employee spends in an organization) (Farooqui & Ahmed, 2012). Turnover rate is higher amongst the younger generations than it is among their older colleagues. The longer time a person spends in an organization, the more they become committed and have higher chances to stay in the organization (ibid). Older labor are less willing to leave the job; an old person is tied to more financial commitments than when compared to a younger worker who have no responsibilities and thus can easily take the decision to leave (Lambert, 2001). Another study was carried out in China surveying workers above 30 who demonstrated that older labor were less willing to leave their jobs due to their familial obligations as opposed to younger workers, who care much less about familial responsibilities and thus share a higher turnover rate (BSR, 2013).

Interestingly, there is a new perspective that the difference is not just a matter of age but rather a trend in the new generation, Han Dongfang, director of the NGO China Labor Bulletin wrote an article for the New York Times saying:

“Meanwhile, a cultural shift is also under way. Young workers have greater expectations and higher aspirations than their parents’ generation. Simply getting by is no longer good enough, and they are increasingly demanding a lot more than the subsistence wages that have been the norm for so long.” (Dongfang, 2016)

In fact a survey on Egypt, assessing the career hopes of in-school youth, shows that 71.9 per cent of females, 58.9 per cent of males aspire to become professionals compared to only 16.3 per cent of female students and 22.1 per cent of young male students who aim to work as a technician (Barsoum, Ramadan, & Mostafa, 2014). This highlights how the current generation is not looking for working in technical manual jobs although they might have been better off and employed if they chose the technical track (ibid).

Marriage

Female participation in the labor market is very low accounting for 23% of the whole labor force. Marriage explains a great deal of this phenomenon. A research shows that there is a negative effect of marriage on female labor participation and is even more significant in urban areas. This is because when women get married in urban areas, their work outside home is considered to be hard to manage with the new household responsibilities, unlike in rural areas where women usually work from home. Since marriage has a significant impact on female labor participation rate, the effect of “children” has no significance in the equation since women do not wait until they have children to leave their jobs but rather once they marry (Assaad, El-Hamidi, & Ahmed, 2009). Assaad & Zouari (2003) also find a significant negative relationship between marriage and female participation in the private sector (more than that in the public sector). They also highlight that there are no differences between the effect of marriage and the effect of having children under 7, since having children in the MENA region happens once a woman gets married, so once a woman gets married, participation in the employment market is directly impacted (Assaad & Zouari, 2003).

Amin & Al-Bassusi (2004) state that the main reason for a girl to join the workforce is to save money for marriage and at the same time to gain higher chances of getting married as it is believed that girls who stay home are less likely to get married at least at the appropriate time. However, once a girl gets married she immediately quits her job to perform housewife chores, this is typically enforced by their husbands who are not used to having career oriented wives and expect them to dedicate all their time for marriage life (Amin & Al-Bassusi, 2004). Public sector jobs however were mentioned not to be affected by marriage as it provides a life work balance more than jobs in the private sector (ibid).

Furthermore, the negative impact of marriage on female employment is a result of a cultural constraint imposed by husbands who do not approve of their wives working outside their homes as well as finding it hard to manage between work and marriage life demands (Marello, O'Dell, & Salinger, 2009). A manager of a textile company noted how female workers leave work when they get married pointing that their husbands do not approve of it (Volkman, 2016). Salinger's (2008) study also interviewed companies in the textile sector in Egypt and found that cultural values that inhibits women ability to work after marriage constitutes a limitation against productivity and performance as it results in high turnover rates .

Human Resource Management and dealing with the labor shortage problem in the sector:

Recruitment methods in SMEs:

The element of human resources is the most important of all, as they can drive a company forward or backward especially for SMEs as they tend to be labor intensive rather than capital intensive. Therefore hiring the right candidates is crucial for the success of SMEs (Mathis & Jackson, 2003). SMEs hugely differ in many aspects when compared to larger enterprises. Talking about recruitment methods and strategies, employers usually recruit on spot as needed, there is no plan and do not have formal schemes; vacancies may arise spontaneously at any time (Ofori & Aryeetey, 2011).

A study in Turkey done on SMEs found that companies do not forecast their staffing needs, but rather hire whenever needed (Machado & Melo, 2013). Small employers rarely use application forms for recruitment and interviews tend to be informal. The most valuable characteristics of

applicants from the view of the employers in SMEs are “honesty, integrity and interest in the job”, which is more important to them than the qualifications and experience that candidates have (Ofori & Aryeetey, 2011).

Regarding graduate employees, it was found that it is very costly for employers to train graduates since they know that after a short while they are going to leave to a larger firm. This is due the fact that larger firms pay more than the SMEs for the same set of qualifications a candidate has (Ofori & Aryeetey, 2011).

Recruitment in SMEs as mentioned is a highly informal procedure. This is mainly due to tight budget as employers want a method that saves time, effort and money. Most common method is the word of mouth; primarily since it provides employers with potential applicants who are likely to be more loyal to the firm due to their personal connections (Machado & Melo, 2013). This fortifies Ofori & Aryeetey’s (2011) point of how employers in SMEs value honesty and integrity over abilities to perform a job. In Turkey, it was found that methods like the word of mouth are highly successful in collectivist cultures which “believe in promoting in-group members” whom usually share some kind of a social bond like families, neighborhoods, etc. (Machado & Melo, 2013). This statement is quite relevant to the Egyptian context since Egypt is considered also a collectivist society (Parnell & Hatem, 1999).

Ways to retain employees (Retention):

Retention is a key element in all human resource management as these workers constitute a very valuable asset in any organization and replacing them is hard, time-consuming and costly. Keep workers, especially skilled workers, is a challenge for most of the organizations. When there is a high turnover rate, businesses invest a lot to trim down these rates; nowadays there is an alteration in the power to be in the hands of employees more than the employers (Sohail, Muneer, Tanveer, & Tariq, 2011). Unlike globally the industry suffers from workers abuse, low wages, bad working conditions and surplus of labor who cannot afford to quit these low quality jobs (Reinhard, Schmidt, Rützel, & Zentgraf, 2013). The case is not the same in Egypt, where the employers complain from a high turnover rate and absenteeism as explained above. Literature provides much information on how to retain employees and shows some practices carried by businesses to curb turnover rates.

Chandiok's (2012) study refuted the notion that employees leave their jobs for better financial rewards, instead he found out that pay was rated as a sixth reason behind quitting, and that the top reasons were "culture, recognition, environment, policies of the organization and the relationship with company and co-workers" (p. 98).

Farooqui & Ahmed (2012) point to the valuable effect of monetary reward on the retention of textile workers in Pakistan due to worsening economic conditions. Monetary reward varies across organizations ranging from fringe benefits to medical facilities, provident fund and recreational leaves, etc., and is provided in forms of performance related issues to incentivize workers.

Another research highlights a positive relationship between sense of ownership of the organization and organizational performance; they explain that this sense of ownership evolves when employees' opinions are being considered and can take decisions upon them. Moreover, workers who are involved in the matters of their work tend to have better familial and social relations which reflect on their loyalty to the firm (Sohail, Muneer, Tanveer, & Tariq, 2011).

Loyalty is a major factor that many firms fail to enhance, when employees fear being laid off anytime their loyalty decreases. Therefore, based on this notion, it is the employers' responsibility to create a secured environment for workers to be retained and have loyalty to the organization (Marello, O'Dell, & Salinger, 2009).

Moreover, an employer's management style is also very influential in retaining employees, there is a positive relationship between the way managers empower their employees through engaging them and making them feel that they belong to the organization and retention rate;

"Empowerment will lead employees to feel motivated and engaged and also lead to feelings of connection and belongingness to their organization. Furthermore, when employees experience such affective commitment they will be less inclined to entertain thoughts of leaving the organization"(Albrecht & Andretta, 2011, p. 234).

Overcoming skills shortage problem:

Trevor states some methods that minimize the effect of ease of movement of employees including financial rewards so they would share the company's profits and losses which will

consequently develop a sense of ownership and decrease turnover rate. Another method is family friendly policies including maternity leaves, child care centers, flexible hours etc. Training and development was another tool mentioned as means of influencing employees not to leave the organization (Farooqui & Ahmed, 2012).

Foreign workers represent a hiring source for some firms; firms benefit from the flexibility of foreign workers, saying that they only come here to work with no social ties or desire to stay unemployed, are flexible to work extra hours and on weekends as they depend on the extra money to provide for their families who reside in their home countries as opposed to Egyptian labor (Azmeah, 2014). The need to work extra is a serious advantage for business owners. Same is the case for Egyptians who have internally immigrated in order to find job opportunities (ibid). Another study in Egypt shows that several factories are hiring labor from South Asia, stating that they charge same wages as Egyptians but with higher productivity (Marello, O'Dell, & Salinger, 2009).

Training is a major HRM practice; scholars believe in its value that returns on the company's performance directly through better employee productivity/effectiveness/profitability and indirectly through employees' turnover, organization's reputation and social capital (Aguinis & Kraiger, 2009). However, trainings in SMEs are not an easy step to make as they have to give up productive time for it to take place which is a burden regarding the size of the firm (Machado & Melo, 2013). In the manufacturing sector, training is a major component to firms operations. Focus by firms are on the technical training since this is where the short run gap needs intermediate intervention (American Chamber, 2009).

In an assessment on the overall industry of Ready-Made Garments in Egypt, results show that because SMEs in the sector do not connect, they fail to develop and catch up with the rest of the industry, harming their productivity despite many trainings being offered from their side (Marello, O'Dell, & Salinger, 2009).

In conclusion and according to literature, there is a skills shortage in the Egyptian labor market despite the oversupply of labor. Moreover, there is a labor shortage in general in the industrial field due to the low attractiveness of technical education and not just low quality of these schools. Changing negative perceptions regarding this type of education is most challenging

even harder than improving the schools. Factors affecting turnover rate are mainly ease of movement where workers have many alternatives to move from, yet this is related more to young workers as opposed to old workers who are less willing to keep moving between jobs. Female employment is another influential factor as they compose a high turnover rate due to marriage reasons enforced by culture.

Human Resource Management is important for retaining employees (Albrecht & Andreetta, 2011), also understanding their mindsets are crucial to offer the most effective retention tool to keep the organization going. Better pay is not the main determinant; rewards are very effective in retaining and motivating employees as well as providing an empowering environment. However, when turnover rate persists to remain high, hiring foreign labor is a sound solution as they display high commitment due to the fact that they leave their homes for the purpose of saving money which reflects on a very high job performance and commitment.

After literature have been reviewed to understand the phenomenon of structural unemployment in Egypt, the gap between labor demand and labor supply and their reasons, as well as insights into managing human resources, below section presents the methodology by which the data of this study have been collected.

Chapter 3: Methodology

Approach and rationale:

The current study was designed to explore the challenges faces by employers in the hiring process and the research focused on employers in the sector of textile manufacturing SMEs. The most proper method for data collection for exploratory purposes is qualitative, to be able to provide insight into employers' perspectives about the issue and challenges they face. In addressing unemployment it is important to understand what the market needs, with most of the business & economic activities in Egypt are associated with SMEs, employers in these enterprises are the ones who create jobs and as Galal (2002) finds that education is inefficient for not supplying the right quantity and quality of labor needed by the market, the research intends to investigate employers' needs when it comes to labor. Thus, qualitative approaches are appropriate because the research "elicits tacit knowledge and subjective understanding and interpretations" (Marshall & Rossman, 1989, p.53).

Population:

The study conducted eight case studies using semi-structured interviews. Samples with semi-structured interviews are small most of the times since they are time-consuming and generate large quantities of qualitative data (Melender & Lauri, 1999). The interviewees were general managers and business owners of textile manufacturing companies that are characterized to be small or medium in size. Size is based on number of workers, and while the definition of SMEs constituted companies with less than 50 workers according to the Ministry of Foreign Trade (Ministry of Foreign Trade, 2003), after going in the field to conduct interviews, companies with 400 and 500 workers were still considered in the sector as medium enterprises. Therefore, the definition by which the sample was based has been flexible to accommodate participants with number of workers reaching 400 as a maximum. Below is a detailed table about the case studies with pseudonyms since real names and company names cannot be disclosed due to confidentiality and ethical issues.

Purposive sampling was the most suitable approach in choosing the sample; as most qualitative studies, the purpose of the study is not to generalize findings, but rather

investigate on a certain issue, that can only be relevant to certain subjects with certain characteristics (Saks & Allsop, 2007). Random sampling will not attain a total sample of subjects who are employers in textile SMEs, which makes purposive sampling the ideal tool for the situation. First set of sample (2 interviews) was accessed through help of people in the researcher's network who knew people in the industry, and then snowball technique was used to access a wider range of sample to reach 8 interviews when interviews typically stopped providing new information (Macket et al., 2005). Snowball technique is another form of purposive sampling but where participants whom contact has already been established with refer the researcher to other people in their social networks otherwise inaccessible or hard to define/reach to researcher through random sampling or any other method (ibid). None of the interviewees refused to cooperate, on the contrary many expressed that they were happy to be able to express their opinions about the issue, and were very keen on giving maximum helpful information on the topic. Many also offered their help in many ways including giving personal numbers to contact them anytime and referring other contacts without the interviewer asking. The places of interviews were different (presented hereafter for each interview), and set according to interviewee's requests. This was done purposefully as it was important for the participants to feel comfortable during the interviews and interviews were therefore placed upon participants' wishes (Saks & Allsop, 2007).

First study: "Rasha", is the general manager of a factory that produces mattresses and bedding necessities, located in Obour City, Qaliobia Governorate. The factory has been established 4 years ago.

Second study: "Ahmed" owner of 3 separate companies in 10th of Ramadan industrial area (Sharqiya governorate), one of them produces Polyvinylchloride (PVC) which is used in some fabrics for clothing, and this factory only has five workers, another factory for spinning with a hundred workers and the third is for weaving with an average of 50-60 workers.

Third study: "Osama" a previous owner of a ready-made garments factory. The factory of 30 workers was shut down two years ago after a period of 30 years of production. He currently owns retail shops for selling clothes. When the factory was active it used to produce the t-shirts to be sold in the same retail shops, however, when he and his father decided to shut down the factory, they continued to sell clothing in these shops but through outsourcing to other factories.

Fourth study: “Hassan” a business owner. The factory employs around 400 workers and is specialized in weaving textiles, which then goes to knitting, dyeing and printing and sold to the local market. It is located in the 10th of Ramadan industrial area and has been in business for more than 40 years.

Three interviewees were attending an event organized by the ILO to promote Egyptian textile exports whom asked to meet at the venue of the event which was in the Nile Ritz-Carlton hotel in Cairo. Appointments were scheduled in different hours throughout the same day.

Fifth study: “Ashraf” a general manager of a factory that manufactures clothing for both local and international markets but specialized more in local markets and employs around 400 workers. It is located in the center of the city in an area called “Al Zatoun”.

Sixth study: “Ali” of a clothing manufacturing company specialized in exporting located in Alexandria free zone, with 350 workers and it was established in 2009.

Seventh study: “Tamer” an owner of a factory for spinning and weaving as well as producing towels for exporting. The factory employs around 250 workers and is located in Mahalla al-Kubra, Gharbiya governorate.

Eighth study: “Mahmoud” a ready-made garment manufacturing company owner, distributing to the local market and the company has a total of 120 workers, active for 20 years. Below is a summary of the case studies:

Order of case study	Pseudonym of Factory owner interviewed	Size by # of workers	Operations/products	Location
1	Rasha	60	Mattresses and bedding	Obour City
2	Ahmed	170	Spinning and weaving	10 th of Ramadan industrial area
3	Osama	30	Ready-made garments (local)	Obour City
4	Hassan	400	Weaving, knitting, dying and printing	10 th of Ramadan industrial area
5	Ashraf	400	Ready-made garments (local and export)	Al Zatoun
6	Ali	350	Ready-made garments (exports)	Alexandria Free zone
7	Tamer	300	Spinning and weaving + towels (exports)	Mahalla al-Kubra

8	Mahmoud	120	Clothing for local market	Obour City
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Data Gathering methods:

Semi-structured interviews were the tool for collecting qualitative data. They are more like guided conversations that gather detailed qualitative textual data that also provides deep information to explain answers provided (McLeod, 2014) (Harrell & Bradley, 2009). The study is interested in one specific aspect which is what employers in the textile sector need from the labor market, so semi-structured interviews served as a middle ground between collecting reliable data that can be categorized like surveys while at the same time provide insight into the why of the answers giving the respondents the freedom to express using their own words like in-depth interviews, except without going into off-topic details (Cohen & Crabtree, 2006) (Saks & Allsop, 2007). Moreover, semi-structured interviews are flexible to explore additional data that were not pre-defined thus adding new perspectives outside the scope of the researcher's perspectives and theoretical framework; Marshall and Rossman (2006) point to how to this method helps understand interviewees' perceptions while still focusing on few topics; they write:

“This method in fact is based on an assumption fundamental to qualitative research: The participant's perspective on the phenomenon of interest should unfold as the participant views (emic perspective), not as the researcher views it (the etic perspective).” (p.144)

They also emphasize on the importance of presence of systemization meaning questioning with a structure prefigured manner yet questions do not have to be asked in a specific order (Marshall & Rossman, 2006).

Interviews were conducted between October 2016 and November 2016. Points to be covered during interviews were predefined and written on paper that was accompanied during interviews to serve as a guide. Following a specific order was not necessary but rather unfolded with the flow of the conversation, and interviewer would make sure that points are covered, when a question was missed, without any interruptions, when interviewee is done with talking, at the right time, interviewer would ask the missing questions. Asking about the background of the company in terms of activities, number of workers, operations, etc., was the start of any

interview as an ice-breaker and introduction that helps in carrying on the interview. Questions were divided to cover workers as well as office employees in the companies (however not much data was retrieved regarding office employees since the industry is labor intensive and based on factory workers more than office employees who compose between 5% and 10% of the labor force in any of the interviewed firms). All interviewees were asked about the benefits and salaries offered, skills demands, skills shortage, how they deal with skills shortages, recruitment methods and steps, if they offer trainings, turnover rate, strategies to reward workers, education level required and education level of the majority and most importantly the challenges faced when desiring expansion or increasing productive capacities. Interviews typically lasted between 30 to 60 minutes. After the interviews, notes were made and interviews were transcribed and translated into English language.

Ethical approval on the methodology of conducting the research and collecting data was obtained from the institutional review board (IRB) of the American University in Cairo to ensure protection of human participants during the data collection phase. Interviews were digitally recorded upon the consent of the interviewees. Written informed consent was also obtained from each respondent that assures them voluntary participation, confidentiality, anonymity, absence of risks and benefits and freedom to withdraw from study anytime as well as freedom to refrain from answering any questions.

Data Analysis Strategies:

Analysis started while collecting data, even during the interviews and notes were taken. Content analysis was used as it is beneficial in analyzing qualitative information (Marshall & Rossman, 2006). First step after transcribing was going through the data and assigning each piece of information a title. Open coding analysis was used for categorizing data with intersecting titles to fit below one common theme. Transcriptions were repeatedly read and quotes moved from one theme to another as information intersects with different themes. Following Melender and Lauri (1999) final themes were judged by two criteria: the degree by which categories established contain relevant data in a meaningful way and establishing clearly differentiated categories.

Inductive analysis dominated the content analysis rather than being deductive and the themes were linked to theory. This strategy was used as the study aims at exploring the employers'

perceptions rather than testing a hypothesis or testing a model; the study tried to avoid to be bound by theoretical framework to allow exploration of unaddressed issues and rather use theory and literature for further explanatory purposes of the data collected.

Since the methodology of this study has been laid out, the next section presents the data collected and findings of the study divided on two chapters.

Limitations of the study:

As the study presents the perspectives of employers interviewing only the demand side, it is important to note that coming up with clear cut conclusions is not achievable. A further study is needed to address these specific labor issues working in this sector and in SMEs; is it working conditions, remuneration, status, distance, career progress, culture etc. that are leading to the experienced labor shortage and skills shortage. Also the study regarding recruitment agencies couldn't retrieve much data except that they are not a common method. Recruitment agencies represent a potential tool in the process of employment and research is needed to locate where deficiencies fall. Understanding the other side of the story will provide more profound data on which viable policies can be formed whether regarding education, labor laws, factories management, etc. as many assumptions can be made. Moreover, comparing between SMEs and large enterprises can be insightful in knowing whether the labor shortage problem is a matter of factory size or is it general to the sector despite the size. The study's objective of understanding the demand side perspectives in SMEs has excluded comparisons between SMEs and large enterprises as well as interviewing the supply side. Therefore, the study suggests the need for further research in the same sector but focusing on perspectives of workers and labor as well looking at larger enterprises.

Chapter 4: Data Findings on hiring challenges in the textile sector

Labor Shortage and skills mismatch

There is a general widely-shared agreement between employers interviewed that there is a huge labor shortage in the sector, a relatively new phenomenon considering that the textile industry is a very old one in Egypt. Most of the interviewees are business owners who inherited and/or running the business from their fathers and some are general managers of companies.

Tamer as a business owner whose factory dates back to his grandfather keeps comparing the current situation to the future, pointing to how the situation has changed over the years. When asked about recruitment methods and how he hires workers, his answer first described how in the past, the sector was attractive and that a whole family would find jobs for them where the father, the mother would be found to work in the same factory and pass on the jobs to their children. He expresses it this way:

“In the past, the nature of working in the textile sector was kind of an inheritance, you would find the worker on the fabric machine, his wife in the knitting section or documentation, and when their children graduate and learn they were usually interested in joining the same factory since their parents are both there and they see what potentials they have, if they are mechanical engineers they can work, electrical engineers and so because there are many stages until the final product is completed so there are many careers and specialties. Supposedly, the sector was very attractive, since its establishment, one of the oldest sectors in Egypt actually due to our agricultural productivity for cotton.” (Tamer, November, 2016)

Tamer describes thoroughly the situation in the past, and he narrates it as a story for the researcher to imagine how the sector looked like in the past, he implied with this sentence that this aspect has vanished and he uses the word supposedly as he no longer witnesses that the industry is attractive. The message and current situation get clearer as results unfold.

Another interviewee, Osama whose factory has shut down, perceives that the labor is very scarce and they are the ones who have the upper hand in the employer-employee relationship since they know how hard it is to hire someone else to fill their places. He struggled enough with solving

labor shortage problems to the extent that he decided to go out of business. Osama denotes the following:

“It’s the labor that control us not us that control them, they know they are scarce and so they are so arrogant and know that they are not easily replaced, I shut down mainly because of the labor! What can I tell you, they have used up all our patience, they do not want to work.” (Osama, October, 2016)

Frustration in the interviewee’s tone is clearly noticed, he clearly went out of business due to labor scarcity and he ran out of options to try to stay in business. Moreover, Osama points not only to a skills shortage but rather lack of people who want to work. While some literature refers the problem to skills mismatch (Angel-Urdinola, Kuddo & Semlali, 2013), Osama is suffering from a general labor shortage which has been noted before in the literature review section that despite the high rate of unemployment in the country, many private employers suffer from severe labor shortages (Shahin, 2009).

Moreover, Ahmed, who is a business owner, clearly states a continuous labor shortage in his factory and he conveys the message using this statement:

“On any day I would need someone to work for me, I am very short on skilled workers and if people come to me asking for jobs I will definitely offer” (Ahmed, October, 2016)

Ahmed is ready to hire anyone who wants to work even if they are not skilled, and he mentions that he suffers from shortage all the time not just in seasonal periods or any special circumstances.

One question was directed to all interviewees in the same way which was “If you would like to expand the company or increase its productive capacity, what would be your number one challenge?” In fact, all of them except for one (who was a general manager who stated that their challenge was to increase their sales through expensive advertising methods and so needed more finance) named “labor” as their number one challenge. To understand more whether this is a casual judgment or an experienced one, interviewees explained that they either have been through an expansion or tried and failed. Mahmoud a business owner of a factory in Obour

explained how his factory grew in size and that labor was the most difficult part in the process, he said:

“I have already been in this phase when we had only 50 workers I needed to increase their number to 80 and then to 120 now, so I have been there and that was the real obstacle.” (Mahmoud, November, 2016)

His judgment on naming labor to be the main challenge during expansion phase is based on real experience. In a labor intensive industry, labor is the main input of the factory, when there is difficulty of hiring new staff, the whole process of expansion becomes hard. The unit of measuring the size of the factory and its expansion according to Mahmoud is number of workers; when he wanted to expand it meant increasing number of workers.

Ali a general manager of a factory located in Alexandria free zone, although was the least to complain from a high turnover rate, listed labor as his primary challenge to expand, he expresses that he is struggling enough with 300 workers and do not want to affect negatively the existing workers, he expressed it as follows:

“I am afraid to put a spoiled apple that destroys what I have, you get it, I am just trying to keep what I have” (Ali, November, 2016)

In the middle of a high turnover rate in the sector, Ali is working hard to be able to retain the employees he has and is focusing all his effort on this aspect. Having to expand means hiring more new labor; he is afraid that new additional labor would bring in negative culture that he will not be able to control and even impact the existing workers, thus he prefers to maintain what he achieved so far rather than risk it for expansion. Ali is not concerned with finding skilled workers as much as finding well-mannered committed workers as will be further seen in the coming sections.

Ashraf who is a general manager of a clothing factory has dropped the idea of expansion as he tried several times without success, he attributes this failure to labor shortage, he remarks:

“I totally lost hope in this, because of the Egyptian labor. We’ve been trying for years, I am telling you we do not miss on any event from any organization or NGO or mosques or churches... It’s really hard.” (Ashraf, November, 2016)

The employer here is desperate in finding labor and he did not mention skilled, or that people apply but they are not qualified. That is not the issue, but rather shortage in finding someone interested to work in the first place. He mentions many places to prove that he has worked hard to find labor and that the problem is not because he has not done his job, but rather to show that finding labor is a hard job and thus expansion is not possible.

While literature explains the gap between the demand and supply of labor as a problem of skills mismatch or due to oversupply of unskilled labor against limited supply of skilled labor (El-Ehwany & El-Laithy, 2001), data here points to a problem of labor shortage and not restricted only to skilled labor. Despite labor abundance, employers in the field suffer from a labor shortage; they cannot find people who want to work in the industry, and the sector is not attractive as it used to in the past according to Tamer and several other interviewees. Moreover, expansion in this field is equal to hiring new and more labor which is not only hard to find but also hard to increase the number when the existing number of workers require a lot of effort to manage. Managing labor is challenging, finding labor is hard and expansion depends on increasing number of workers which leads to the conclusion that labor is the main challenge facing employers against growth and is withholding many development potential in the sector; an unexpected phenomenon midst high unemployment rate and labor abundance (American Chamber, 2009).

To understand the reasons behind this labor shortage and skills shortage, the following sections provide answers from the employers' perspectives on two levels (1) quality of education and TVETs and (2) turnover rate and its factors.

Quality of TVETs and negative perceptions associated with menial work:

Most of the interviews when talking about skilled labor shortage in the sector, technical schools were repeatedly mentioned. According to one of the interviewees, in the past these schools were good and reputable and people who entered graduate with many employment opportunities. This was explained by Tamer who without asking started relating the skills shortage problem to the low quality of TVETs finding that they were efficient when they first started but then it started going through a deterioration phase lasting until this day; he said:

“The technical schools suffer from a very low quality education; in the past, secondary schools were technical, the students would specialize in one thing, trade, nursing, etc., they finish school with a skill and work directly, this was in the 70s, now in 2016, how are they doing now, they are destroyed. In the past the government used to make deals with us and bring the students to get trained with us for 3 years, and when they graduate they work for us. So they have theoretical knowledge, practical knowledge in our factories and they work directly and have a stable income; this has vanished.” (Tamer, November, 2016)

For Tamer, the government is not as involved in paying attention to the field of technical education as it used to in the past when there was significant coordination between them and the government side; he acknowledges that these previous efforts were fruitful in supplying labor that has both practical and theoretical knowledge. In this case and as Humfrey and Oxtoby point to how the government has used up its resources to increase enrollment rate in these schools has come at the expense of providing quality education and ended up deteriorating rather than improving.

Another interviewer, Ashraf, highlighted the same point and referred to TVET centers as “filthy places”. His tone was highly frustrated saying that these places should be invested in to provide graduates with skills that can produce something. He remarks the following:

“I do not want to use improper words, but if you meet engineers that graduate from these schools, they cannot tell the difference between “A” and the corn cob”. (Ashraf, November, 2016)

The latter is an idiom used to express how uneducated a person is. Ashraf clearly also points to the low quality of technical centers highlighting that it impacts the labor market by supplying incompetent graduates that do not have sufficient needed knowledge.

Interviewed employers note that although education has increased it is not benefitting them in any way, manual workers are still needed in the employment market. With the factories interviewed noting that they do not expand because of labor scarcity in a labor surplus country with 12% of unemployment rate and there is a need to address this gap through focusing on

technical education. Ahmed stresses the importance of technical schools for Egypt to develop by saying:

“We do not need graduates from business schools, every year thousands of business school graduates, we need workers in factories, we need people that can produce. If this country really wants to revive its production capacity, technical schools should be back like it was in the past”. (Ahmed, October, 2016)

So it is not just about any education, students are directed towards certain specializations, which are no longer needed by employers, and what the employers actually need is becoming scarce which is technical education.

Regarding level of education, when employers were asked about the level of education of the workers, without any exceptions they all said they ranged from illiterates to bachelor degree holders (although few) with various specializations, a typical response was:

“Everything, there are those who are not educated at all, there are those who hardly read and write, there are diplomas, and medium institutes (maeahid mutawassita), but very little with bachelor degrees.” (Hassan, October, 2016)

So the labor market, no matter what their educational background is, they can make it through the factories with trainings, even those graduates with technical diplomas, need to go through trainings as clarified by Ashraf in the following statement quoted after asking about the quality of graduates from technical schools:

“They all come white (blank) and I have to teach them” (Ashraf, November, 2016)

It is worth noting how the labor market in this sector which constitutes a large portion of employment, does not differentiate between the different types of education, which means that the education system needs reconsideration of what actually makes a difference and what increases employability rather than loss of educational investments that does not seem to have any return (Angel-Urdinola & Semlali, 2010).

Furthermore, Ali has highlighted two enlightening ideas; he speaks about how in the textile sector, there is no advanced education in fashion and he is not comparing it to other developed countries, but rather comparing it to Egypt itself but in the past. He states that specialized schools in fashion were known in Egypt and it was very prestigious for females to graduate from these schools learning fashion and advanced skills, Ali highlights that these schools do not exist anymore, and there is only one school across all Egypt in Menoufeya. He explains:

“Institutions for teaching knitting are now absent, maybe only one school in Menoufeya that teaches the advanced skills, this is why if you noticed, the manufacturing curve in Egypt is going down; we only produce now the basic stuff, shorts, underwear, but no fashion, while at a time in the past, Egypt excelled in fashion. In addition, this sector, the females working were “madamat” (used to refer to prestigious experienced females in the sector and prestigious married women) and get paid in dollars, now out of the 200 female workers only 2 or 3 are “madamat” and the rest are 18 year old girls who cannot afford to finish school and so come to earn a living”. (Ali, November, 2016)

It is clear that the whole textile sector was in a better stage in the past and only went through downward slopes lately according to the interviewees. Ali shows how the diversity of textile production has declined from producing complicated products to just basic clothing. In fact, in a report by the American Chamber in Egypt, low value of labor force and continuous decline is leading to a decline in the overall textile industry, where buyers and investors realizing this lack of skills choose basic models rather than high-end products (American Chamber, 2009). Also he points to how working in the field was prestigious and required well educated caliber implying that people were attracted to working in the field rather than young girls being pushed to the sector due to economic reasons. From Ali’s statement as well as Tamer’s statement about how families were attracted to work in the sector, it is obvious that the industry has gone through a backward evolution that employers have witnessed by themselves. For the purpose of this study, understanding factors of such an evolution is out of scope and requires further research.

The second point that Ali brings to attention is not just lack of technical diploma graduates or over supply of university graduates, his opinion is lack of labor that possess both handcraft knowledge as well as intellectual knowledge, he blames that fact that university graduates do not

work by hand, and those who are very good in working by hand cannot read or write; he explains:

“Basically the market is not in need of skilled labor and no need for engineers, on the contrary, we need the person that combines between high-end academic information and high-end craft knowledge in the industry, to work with his hands and if he got a catalogue of machines can read it. The mechanic can work with his hands but exactly as his master has taught him, if he had more academic knowledge he would save time and will be able to be creative and add to the place.” (Ali, November, 2016)

The same employer on another note referred to the problem of the educated graduates as having “ego”, he defines the skills gap as a gap between those with university graduates who refuse to work by hand, and so affects their performance in the jobs because they never worked with their hands and there is the other gap that those who are skillful with their hands do not have any technical knowledge that makes them less qualified. This statement takes us to the next point in this section which is the problem of negative perceptions associated to manual job and technical education:

Osama also notes the problem of the deterioration of technical schools as a direct factor in contributing to the skills shortage problem, but he adds how the schools more importantly have become associated with low status and do not attract students as he remarks:

“You know what, I am a graduate of the (an elite private institution), you will not believe what my father is, he is a graduate with Sanaye Diploma (Technical Diploma) (and he stressed on the words “Sanaye Diploma” three times with a loud voice). In the past, in the days of Gamal Abdel Nasser technical schools were very good, my father graduated and became a textile Engineer, now these schools are for scumbags, and they do not understand anything”. (Osama, October, 2016)

This statement implies two things, analyzing the words show that in the period when Gamal Abdel Nasser was president (second Egyptian President from 1953 till 1970) the technical schools delivered high quality technical education, the second thing which is implied from the tone of the statement where he meant to surprise the interviewer that although he is graduate of a

prestigious university, his father is a technical secondary graduate which in reality nowadays would bring him shame, but he is not because his father is a graduate in the past when these schools were still good and reputable. There seems to be a negative perception nowadays associated with these schools, so the problem is not just that the government stopped focusing on these schools or education quality problem, but also the culture discouraged people from pursuing technical education and pushed them towards university degrees as a better social status. The employer clearly mentions two aspects to the problem associated with technical schools, talking about it a demeaning way by saying it's for "scumbags" shows how a cultural negative perception exists towards these schools and saying that graduates do not understand anything refers to the low quality of education in these schools. In fact, literature highlights how the problem does not only reside in low quality of TVETs but rather the undesirability of the young generation to join technical schools as it is associated with low status issues (Marello, O'Dell, & Salinger, 2009). While, many NGOs aim at offering technical and vocational trainings, there is no response from the labor market towards these efforts (ibid). Moreover, as the OECD reports, changing culture and view regarding technical education and equalizing it with university degree is a complex mission that needs extensive reforms to implement (OECD, 2015).

As the report by GIZ states how blue collar jobs have negative perceptions and youth are not encouraged to enter technical schools and rather enter university despite low employment opportunities for university graduates compared to blue collar market (GIZ, 2013). This was significant in Tamer's statement when he said how the situation in Europe where the enrollment rate in technical schools is higher than that for higher education; he said:

"While in Europe you will find that the majority is directed to the labor market rather than continuing education, here in Egypt is the opposite, no one enters technical schools and everyone wants to graduate from university." (Tamer, November, 2016)

In Nasser's era, higher education entry became highly facilitated, and at that time Nasser announced to employ all university graduates in the public sector which led to great direction of students to aim at higher education; attractiveness to enter technical schools have significantly declined as a result (OECD, 2015). Referring to Europe as a developed model, shows how the

employer finds the trend in education in Egypt to be regressive rather than progressive despite increase in the higher education enrollment.

With easier access to higher education, technical schools became in competition with universities for low graders, so no hard workers decide to enter technical schools willingly and this is what exactly Osama points to when he states:

“We have to change the culture that Technical Diploma is for failures; this is what the market needs. You know in Germany, people are proud that their fathers are a plumber or a driver, because these people are well-educated and they go to schools that allow them to have a skilled profession that not anyone can do” (Osama, October, 2016)

The technical education has been set in a way to become unattractive and developed a very negative reputation both socially and educationally (ENID, 2013). The culture’s negative view of all technical jobs, like a plumber, an electrician, manual jobs in general was clear when Osama said that in Germany people are proud when their fathers are so and so, meaning that this is not the case in Egypt, where a person would not be proud if their father is a plumber or a driver due to low social status associated with it. Osama uses Germany as an example of a developed country (just as Tamer did) that has the situation opposite to Egypt; he means to refer to it to prove how the increase in college education and the decrease in technical education that’s going in Egypt is the obstacle against development in Egypt and that Germany is where it is now because they invest in technical education and people graduate with professions.

In fact, Ali also refers to Germany as a benchmark when explaining the problem of technical education, pointing to how the structure of technical schools pushed away educated candidates, and that there is a need for a caliber that combines between both sets of skills; academic and craftsmanship. This gap as he attributes is the reason behind the skills decline in the country. He says:

“You have the educated doesn’t want to work by hand and the one working by hand is not educated that in a nutshell, we need both, this is the gap and that is why the skills in Egypt are declining” (Ali, November, 2016)

So in addition, just as Osama previously mentioned, Ali sees that technical schools in Egypt are for low graders, people who have very poor education, and find no direction else but technical education, combined with low quality of education provided in these schools. He also refers to a cultural problem among youth when it comes to working by hand, this was previously mentioned above regarding his opinion that the market needs labor that have both handiwork and academic knowledge. Ali finds that this gap of mixed skill is associated with cultural negative attributions that working by hand affects the person's social status, he says:

“The youth have ego, he is a fabrics engineer, and something wrong happens with work, you tell him this thread needs so and so, he snaps and tells you “no I do not work with my hands”. Note my first job was a storage keeper at a friend's factory, with hard work the owner saw me and she moved me to the office and step by step I am sitting now with you and my title is GM (general manager), I did not say no my status won't let me work as so, on the contrary I did my job well, the youth these days they refuse to work from scratch” (Ali, November, 2016)

Much evidence from the interviews shows how manual jobs suffer from a generally low status problem. There is a cultural defect regarding perception on manual jobs and technical education. Ali's experience with hiring youth shows that he finds an attitude problem with young workforce, as he also mentioned “ego” before that prevents them from doing their job well if it involves working by hands. Refusing to work from scratch according to Ali is what helps a person acquire advanced skills and develop later. In fact, Tamer pointed to the same idea when he stated the following:

“How come factories in a place like Mahala which is filled with factories and full with unemployed, to be facing labor shortage?! Go around the factories there, no one will tell you they are not short on labor, you know why, there is a problem of culture in addition to education. I will give you an example, I know someone his son graduated from engineering and asked me to give him a job, I accepted but only on the condition to have him start like any worker in the factory, I wanted him to end up as the top supervisor on all stages of production, so I had him pass to work with his hands on every phase, after 7 months I promoted him as manager of the hall. Not everyone accepts that, they tell you “I

am an engineer”, they want to work in an air-conditioned office and take 10,000 pounds doing nothing” (Tamer, November, 2016)

It is worth noting the surprise factor in Tamer’s statement exclaiming how the situation of labor shortage exists midst high unemployment rate. He explains the roots of the problem to be associated not just to education but also to culture. The characteristic of “ego” is very clear in the interviewee’s tone when mimicking graduates from engineering “I am an engineer”, pointing to the same problem that Ali highlights that young workers are unwilling to start from scratch and unwilling to work with their hands due to low social status attributions in the culture. At the same time both employers find a great importance for labor in their sector to understand every starting point and work with their hands to be able to have skillful labor and achieve development.

Results in this section show that employers in the textile sector are suffering from a great labor shortage in general as well as skilled labor. This shortage negatively impacts the growth of the industry as most of the interviewees mentioned that finding labor were their number one challenge against growth especially that the industry is labor intensive. Potential of growth is lost in these industries because of resource that is quite redundant in the country, which explains some of the interviewees’ surprise of how in a country with oversupply of labor facing unemployment, businesses are faced with labor shortages and stopping them to thrive. Interviewees witness a change in the labor structure over the years referring to the past when the industry was attractive for labor, when technical graduates were skilled and when there were advanced skills. The current situation as described by the employers is summarized in the following points: (1) low quality of technical education centers and its deterioration along the years, (2) skills mismatch where there is a surplus of university graduates that are not needed in the sector, while there is a skills shortage in the industrial sector demanding technical schools graduates which is explained as (3) negative perceptions accompanying technical education and technical jobs, so (4) manual jobs have low social status which makes youth seek higher education and refusing to fill industrial vacancies, thus they emphasize (5) the importance of changing not just the technical educational quality but the culture towards technical education and manual jobs in order to cure the labor shortage problem.

In addition to the labor and skills shortage problem, the textile industry in Egypt is characterized with high labor turnover rate averaging between 20-25% and high absenteeism averaging 10-20% (American Chamber, 2009). The next section provides interviewees' experience regarding this issue.

Turnover rate and its factors:

Majority of the sample while indicating an extreme level of skilled labor shortage in the sector, state a high turnover rate that is inclusive to the entire sector. Before moving to explaining why there is a high turnover rate among interviewees, here are some of the statements quoted by employers during interviews when asked about the turnover rate in their factories:

“I can say that by the end of each year 25% of the labor forced is changed in the factory”
(Mahmoud, November, 2016)

“With the new labor, if I want to expand, I can't, because I can't get new labor, they leave after 2 to 3 months.” (Ashraf, November, 2016)

“The whole industry is suffering from a high turnover rate” – (Ali)

The sample explained why they suffer from such a common aspect and each provided their different experiences on the topic. With many stories and insights, 4 main themes were repeated across several interviews: (1) Competition on scarce labor and the ease of movement, (2) Informal economy, (3) Marriage for female workers and (4) workers' characteristics: Age and the sense of ownership.

Competition on scarce labor and Ease of movement:

As there is labor shortage in the industry for skilled workers, logically there is a high unsatisfied demand among employers for these workers. The most common statement shared by the majority of interviewees when asked about turnover rate is the sentence of how skilled workers keep moving from one factory to another. Hassan remarks:

“The problem is in this sector there are few skilled labor and they keep jumping between the factories”

This is explained by the concept of ease of movement which is “primarily determined by the number of alternatives perceived” (Randhawa, 2007). The more the number of alternatives available for the employees means the higher their ease of movement (Nuhn, 2014) and so the higher the turnover rate (Trevor, 2001). Osama, explains this concept of ease of movement but he adds how he perceives these workers, he sees them as arrogant giving them power in the employee-employer relationship, he stated:

“It’s the labor that control us not us that control them, they know they are scarce and so they are so arrogant and know that they are not easily replaced” (Osama, October, 2016)

This sentence shows how employers are looking after workers all the time since they are few compared to the demand and shows how these workers have confidence in being hired anywhere at any time. Osama’s sharp tone is coming from the fact that he struggled with labor which resulted in shutting down the factory. The huge gap between demand and supply for labor is not just impacting further growth potential in the sector but even placing challenges on the retention of available workers.

Ali explains why this happens since there is a competition on these workers, factory managers in seasonal demands pay hire to attract extra labor which confuses workers as to which factory is paying higher and they go for extra money even if the difference is little; he exactly describes it as follows:

“Let me tell you the story, factory X has a big order and needs more labor in a very short time, so they spread the news that they will pay extra 60-70 pounds a month for anyone who joins” (Ali, November, 2016)

The only way seemingly from this statement to get skilled labor, is from other factories, so in times of pressure, factories resort to attracting labor by paying higher than usual times and so workers leave for these extra pounds. Tamer in fact tells a story that happened to him and put his business at great risk where after a long vacation, he found that a big percentage of his workers left to another factory that offered 3 pounds a day more than him, he said the following:

“You know in our business we export and we have strict deadlines and standards no place for kidding, we woke up after the feast vacation, we found 30 workers absent! It turned out that someone spread rumors that we are going to extend vacation for a week and a factory offered 3 pounds a day more, so the workers jut left and I was 30 workers short in no time, almost one third of the highly skilled workers were gone, not any workers, they are the ones that work on the machines and cutting and so on.” (Tamer, November, 2016)

As per a study by Azmeh on the challenges facing RMGs in Egypt states how scarcity of labor and high turnover rate leads to factories stealing on another’s skilled workers (Azmeh, 2014); this is very complying with the paper’s result where companies suffer from their workers leaving to other factories. It is important to observe from the two stories by Ali and Tamer that these incidents happen in times of “pressure”, this is because when in times of pressure there is limited time to waste on hiring unskilled labor, but rather employers need experienced workers who can accomplish their target in the desired time. Therefore and unlike normal seasons (as will be clarified later in the paper, when employers are open to train unskilled labor) the only way to obtain skilled workers is hiring already working labor which results in factories suffering from high turnover rates. This example of factories offering extra money has been repeated by several employers in the sample in the same way.

During the interviews, many employers explained how these workers take the decisions to leave for extra money, While, research shows how eager the Egyptian workforce is to work for the government for its social and medical insurance benefits (Barsoum, 2015), employers find that this category of workers to be short sighted as they evaluate their decisions to move to another factory based on the money they receive only, without considering other benefits. Ahmed mentions how they do not evaluate benefits like insurance and go after the factory that offers the highest pay, he remarks:

“They look below their feet, they are not ambitious and do not look forward. Wherever there is extra 10 pounds they go after it without thinking about their place in the factory, their pension plans, just looking at now” (Ahmed, October, 2016)

The interviewee here is frustrated from the way workers think and sees their decision to leave for little extra money today as not ambitious and short sighted which he cannot understand.

On the other hand, Tamer more thoroughly explains the workers' way of thinking from his experience when asked about turnover rate and attributes their decision making strategy to low education level which misleads them to which offer is better.

“This has been a very strange aspect lately, the workers are usually with low to intermediate level of education, their only way of thinking is by calculating money, if one factory tells him I will give you 20 more pounds a month than your job, he would just leave, without considering is that a better job, is it better in the future, is there insurance? None of these issues cross their minds when switching between jobs, just the total of money” (Tamer, November, 2016)

Tamer like Ahmed believes that that workers move between factories through only comparing the total sum of money earned in each, but he also provides an important factor as to why workers behave this way; he relates low level of education as the reason not to be able to evaluate moving from a job to another rightfully through considering other aspects. The higher educated a person is the better choices he/she makes according to Tamer and so he blames low level of education among workers to contribute to the turnover rate problem.

Ali however explains this behavior as a result of the economic crisis and daily expenses the workers bear each day and so want to cover for their expenses that are going on now, he said:

“When this is combined with the economic crisis, workers turn to these factories right away, since life has become expensive and they look at what's better now” (Ali, November, 2016)

As an employer, Ali is very understanding to the situation and how workers think. The Total of the money is what determines for workers if a job is better or not (whatever the explanation is whether it is the economic crisis, lack of ambition or dealing with daily expenses) yet employers cannot keep up with raising salaries and so they resort to retaining employees in other ways as will be discussed later in the next chapter.

Competition with Informal Economy:

While scholars refer to informal economy as abusive to the labor market since they do not offer salaries above minimum wage and without social insurance, etc., according to the interviewees, their problem of high turnover rate is hugely threatened by the spread and attractiveness of the informal economy dominated by different unofficial jobs and Tok-toks (which are Chinese manufactured motorized tricycles with a driver's cabin. They act as cheap means of transportation as well as their ability to drive in narrow alleyways and have become extremely popular on the past few years (Alaa El-Din, 2015)).

When I asked Ashraf about why he cannot find labor anymore that passes by the factory as compared to in the past, he stated how he experiences pressures from the unofficial jobs that attract labor from working for his factory; he explains this phenomenon to be a result of laziness and lack of desire to commit to a job. Ashraf also finds that the unemployment rate is exaggerated referring to Syrian refugees who are working in Egypt to prove that the problem of unemployment is not a matter of lack of vacancies but rather a problem of lack of willingness to work.

“Well, the competition increased, not between the factories but between jobs that generates income; the unofficial jobs became a lot, so the guy is sitting at the café and one will come to him and excuse me for using the term: don't you want to make “sabuba” (reference for some quick money), break a wall, or smuggle something – this has become very common, so a person sits doing nothing and gets such a job for 5 days a month earning 1,000 or 500 pounds and he is comfortable like that without commitment. This is a problem of laziness, when the Syrians came, there isn't one of them who is not working, 500,000 or 600,000 Syrian refugees, they became “As-hab Balad” business owners and Egyptians are the ones now working for them, so this means there are employment opportunities, but for those who want to work and make an effort.” (Ashraf, November, 2016)

Ashraf describes the labor market as rich with informal opportunities based on spontaneous unstable jobs that do not require commitment, which he witnesses to be very attractive for the current workforce which is a benefit realized by workers in this sector as mentioned by El-Mahdi

2010 in terms of flexible hours and ease of entry. While Ashraf in the beginning mentions the unofficial sector to absorb workers from hard working businesses like his, he characterizes the workforce to be lazy as a main reason behind why he has a high turnover rate and labor shortage. He mentions the Syrian refugees to describe how hard workers they are in comparison to the Egyptian labor to the extent that Egyptians are the ones now working for them. This complies with Shahin's statement: "there is a lack of discipline, commitment and responsibility or what is also known as "work ethics," the lack of which exacerbates the structural unemployment problem." (Shahin, 2009, p. 1).

The perception that Egyptian workforce is lazy and does not want to work is repetitively mentioned significantly across all interviews. This shared perception is reassured through interviews whenever talking about the informal economy which attracts the labor more than official jobs.

Majority of the sample when asked if they know what the workers do after they leave working at the factory, they mainly said they leave to work on Tok tok where they get paid the same as their jobs or even more without having to commit to certain hours, Osama expressed it this way:

“Tok tok (in an angry manner), this Tok Tok destroyed the country, the workers leave to work on a Tok Tok, he makes 80 pounds per day, he works whenever he wishes without having to commit to certain working hours”. (Osama, October, 2016)

Osama here is complaining from the aspect and accusing the “Tok tok” of destroying the country economically since he shut down his factory because of labor shortage issues. According to Osama and based on the statement, if it was not for the Tok tok maybe he would have had more chances in retaining labor and staying in business. In this case the informal jobs market is threatening the continuity of productive businesses that contribute to the economy.

Ahmed while also pointing to the Tok tok as the job absorbing the labor from working in the factories, he also mentions working as “Sayes” (a person in the street who helps car drivers to park, in public properties not like valet parking for certain venues) and highlights stresses on the factor that attracts them in this job is freedom to behave in any way they like including smoking weed, he elaborates:

“They usually buy a Tok Tok, or work as a “Sayes”, they want to smoke weed whenever they want and to wake up and work as they like without anyone telling them do this and that, and they make 60-70 pounds a day and call himself a property owner “sahib melk”, why work!” (Ahmed, October, 2016)

This statement brings to light many issues, while it only shows the perspective of the employers, employers in fact put themselves in the workers’ shoes, and they realize that if they have the option to work fewer hours and take same or even more money, what would let them choose hard jobs in factories. However the main two elements in this sentence reside in freedom of behavior (pointing to the importance of weed midst this group of workers) as well as giving them some social status of being an owner of his business/Tok tok and that he does not work for someone. These two elements are very important when evaluating the impact of informal job market on the formal economy. Moreover, it emphasizes Ashraf’s point that the available labor is attracted more to jobs that do not require commitment. This negates Kolster’s conclusion on the labor in informal economy to be driven into it due to lack of freedom of choice and rather, they moved from the formal sector into the informal upon their freedom of choice (Kolster, 2016).

Tamer also mentions the same thing that the Tok tok is the main activity workers leave factories for but he shows another side of the story; he relates high crime rate and how this affects the culture and values by which new workforce are raised on which demotivates young workforce from working in real jobs, he explains as follows:

“Many leave to work on Tok tok. Mahalla is a city in Governorate of Gharbiya, and unfortunately we are the third governorate with highest crime rate across Egypt, you will find a 12 year old boy and he is considered old, driving a Tok tok that makes a 100 or 150 pounds per day, he makes 5,000 pounds a month, and works whenever he wants, parks whenever he wants, behave in any way he likes without anyone counting on him, when he comes to the factory he finds discipline, commitment to a job, commitment to a role, so why would he work in a factory.” (Tamer, November, 2016)

Tamer referred to the impact of crime on the behavior of workers in Mahalla in general, blaming it not for not providing skilled workers, but rather for not providing any potential of new workforce who want to work in serious productive jobs. The high pay-off residing in driving a

Tok tok makes working in factories less and less attractive. Tamer also added the following when describing the problem of Tok-tok and blaming the government for it:

“This is the state’s problem, you are encouraging them because there is no transportation, and there are no legalities involved for manufacturing and driving the Tok tok.” (Tamer, November, 2016)

Driving a Tok-tok does not involve any taxes, responsibilities or licenses and thus involves no costs or obstacles that a 12 year old boy could be driving it; with some savings anyone can buy a Tok-tok and work. The inefficiency not just of the legalities associated with it but also that exists within the public transportation service is what encouraging such an aspect as Tok-toks are covering for the public transportation gaps in these areas. The impact of keeping the informal jobs market should be further studied since as per employers’ statements it is negatively affecting their survival and performance.

While informal economy affects the turnover rate as shown from employers’ statements, these data provide insight that is different than that shared by literature where the labor in the informal sector suffer from low wages, bad working conditions, lack of protection of rights and representation (El Mahdi, 2010) as well as lack of “freedom of Choice” (Kolster, 2016). However, there are special characteristics of workers that impact the decision to leave a factory, mainly the age of a worker as well as the sense of ownership of a worker which is discussed next.

Workers’ characteristics affecting turnover rate:

Whether it is a role of age, a role of a new generations’ culture compared to past generations’ culture or merely a role of sense of belonging, employers significantly note differences in behavior among different workers influenced by one of these factors.

The most common feature shared between interviewees is the loyalty of the old staff. Old staff has two different features that impact this loyalty, the first is the age factor where the older the age the less willingness to leave the job (Lambert, 2001) and the second factor resides in those who start working in the factory from the beginning have a sense of ownership and thus low turnover rate (Trevor, 2001).

When asked about turnover rate in the factory, Ashraf specified that the turnover rate is only significant within the new labor while the old laborers are the resources on which he depends on, he remarks:

“The old labor has been with us for a long time and they bring their children, they are part of the factory.” (Ashraf, November, 2016)

There is a direct sense of belonging easily noticed in Ashraf’s sentence, being a part of the factory shows how these old workers are loyal to the place and they even bring their children to help in the factory. Feeling of ownership that Ashraf describes seems to have its influence on workers’ behavior.

Ahmed noted the same thing but he clarifies even more on how these workers have not just been there for a long time rather started the business with the owner, he says:

“The business is based on these old people who started it with my father long ago; they are like partners in this factory, not just workers” (Ahmed, October, 2016)

Highlighting the element of being there when the factory was established is a very enlightening point; it is an explanation of why these old workers feel like they are part of the factory because they were there from the beginning. While there is no insight on a direct relationship between starting a career in a place and a sense of ownership for employees, sense of ownership as a factor is inversely proportionate to turnover rate (Sohail, Muneer, Tanveer, & Tariq, 2011).

Hassan who owns two factories had suffered when the newer factory opened from hiring new labor and this gradually decreased when he relocated it beside the old one so the old workers are the ones who helped boost the new factory. He therefore emphasized the same idea of old staff having a by saying:

“Currently I don’t have a high turnover rate, but in the past I used to suffer when I had 2 factories, the new factory, the people were new and so used to leave all the time, but when I moved the new factory beside the old one, the old workers who worked in the old factory are running both factories now and they have their children also work with us and they consider the factory their own.” (Hassan, October, 2016)

All these factories were established at least 30 years ago and the employers view these old workers who were there from the beginning as partners, and it seems that them as workers also view themselves the same way and help with all what they have the business owner to boost the factory's operation with either extra effort and/or bringing their children as clear form Hassan's statement. The next statement shows how this is not just an aspect exemplified by an old generation but also an issue of ownership and sense of belonging.

Rasha clarifies that, although her business has not been running for more than 4 years, those workers who started with her the factory establishment are loyal and she does not face a high turnover rate. Her reply when asked about turnover rate was as follows:

“Thank God I am blessed with very good labor, they have been with us since we started the business four years ago” (Rasha, October, 2016)

With all interviewees stating the same about the workers who were there when the factories were first established, even those who started just four years ago and not very long ago, gives insight into the concept of being contributive to a great cause, it seems that when workers are put in a place where their work is valued and contributive in an observable manner which in this case is boosting the first steps of the factory and watch it grow rapidly feeling that it is their own thing, they establish a sense of belonging that supersedes the weight of other factors such as few extra pounds or trying their chances in other places or jobs. Finding new labor is the challenging part and also stating a high turnover rate among them seem to be common across the interviewed factories to the extent that a business owner eventually relocated the new factory next to the old one to use the old workers help.

On the other hand, employers find another trend that affects commitment in the factory from the workers' side which is age and responsibility. The following statement shows how Ali as a general manager noticed that those with greater productivity and commitment to the jobs are main breadwinners in their households, in contrast to young workers and specially beginners who start earning money and develop an egoistic attitude:

“Those workers are responsible for a house and children, are very hard workers and not focusing on anything else, however the youth find themselves holding money in their

hands and starting feeling like a man and so, you find them going like “nobody speaks to me in that way” and have attitude problems.” (Ali, November, 2016)

Being tied to financial commitments and responsible for running a household, decrease from the willingness to risk a stable income and keep moving from a job to another. This is why age is a factor when talking about turnover rate. Ahmed in fact commented that his old workers do not leave, since they are looking forward for their pension plans and retiring noting they are wise enough to make future plans and do not have energy to start something else from the beginning, he notes:

“Old workers don’t leave, they are going to retire soon and so will not risk ruining their pension plans at last minute, they are looking for stability, but the young workers have nothing to lose and don’t care about pension and these stuff” (Ahmed, October, 2016)

Most interviewees indicated a problem with young workers, also they are more open to trying new stuff rather than commit to a job when compared to older workers. The older you get the more you want to settle and benefit and look forward for insurance packages and stability at work, this is human nature, because if someone is responsible for a household, he/she cannot risk one day without work, they have high financial commitments unlike an 18 year old for example who have less financial responsibilities and still early to look forward for a pension plan. This has been pointed to in human resource literature where old labor has more familial obligations than that of young workers (BSR, 2013).

One last issue that interferes with high turnover rate in this sector is the marriage factor influence on continuing work which is discussed hereby.

Female workers and the goal of marriage:

Most of the clothing factories hired a great portion of females mainly dominating the knitting departments, and while all discussions referred to male workers as why they have high turnover rate as previously stated, when it comes to females, employers seem helpless and consider the females’ high turnover rate as the norm in the sector. Within this sample, all 3 companies which hired a majority of females mentioned the effect of marriage on turnover rate in these jobs.

When asked Mahmoud about turnover rate among female workers, he stated that naturally any female worker leaves work once she gets married while those who are married and working are considered to be from the old staff and have the most advanced skills he remarks:

“If any girl gets married, she leaves right away. The only married females I have are the old ladies “madamat” those who have the best skills and are well-experienced with what they do, and they have been working for a long time, but young girls all leave once married” (Mahmoud, November, 2016)

The interviewee replies in a very calm passive manner, as if he accepts the situation as is. Just as Assaad and Zouari (2003) show how there is a negative effect of marriage on female labor participation even before having any children. This aspect is very applicable to the case stated by Mahmoud. The problem of high turnover rate is not just a problem of replacement, but rather skills development is almost nonexistent except for the few who decided to stay even after marriage. Employer here is used to the case and is counting on these “madamat” as the knowledge asset in the factory realizing how marriage directly causes high turnover rate among his female workers.

Ashraf emphasizes the same point of importance of marriage among female workers clarifying more thoroughly the dilemma on two different notes all related to turnover rate. He first explains the importance of working as a means to save money to buy “gehaz” (trousseau) and second he points to how unattractive the job is when compared to working in neighboring shops and cafes in which a girl is more exposed to men increasing her chances of being seen and desired for marriage purposes. The first point was expressed as follows:

“The female workers that come to work, they come aiming at buying their “Gehaz”. Once she makes money needed to get married, she sits home to get married, very little come back to you after marriage.” (Ashraf, November, 2016)

Therefore, the main aim of female workers is to save money necessary for marriage, from Ashraf’s experience, even if they do not get married but have the money they will stop working, so in this sense, marriage life in itself is not the obstacle facing female workforce but rather it is

their personal goal not to work except for marriage purposes. The second noted statement by Ashraf is:

“The factory is in Heliopolis in Al Zatoun, in no time you will be in Roksy, so I am competing with the shops and cafes, so if a girl comes to earn 1,500 and stay 8 hours on a machine and think “no one sees me and better stand in a shop and somebody sees me maybe a client passes by and admires me and get married”. The concept of marriage is controlling them. So she would rather take 1,000 pounds and gets exposed to people than take 1,500 and no men see her” (Ashraf, November, 2016)

Again, female workers view marriage as a priority and act upon this, so the end result for the employer is either have female workers stay for a short time until they collect their target of savings or challenged with the location to be close to other employment opportunities that does not hinder the females’ chances of getting married as compared to the factory so again, marriage affecting turnover rate as well as labor shortage. As will be shown later in the next chapter, Ashraf trains these young female workers and by the time they become skilled they leave.

In summary of this chapter, employers face both a huge labor shortage in skilled labor and high turnover rate among the labor force. Major defects in the shortage are caused by low quality of technical education as well as the negative attributions in the culture associated with technical education as being for failures, and for the negative attributions of low social status associated with blue collar jobs in general. These two aspects result in a low supply of demanded workers in the field of textile. The second part of the chapter shows the high turnover rate experienced in the sector giving insight into factors contributing to such a phenomenon. Employers stated scarcity of labor gives the workers the upper hand in switching between jobs, leading to a fierce competition between factories on these skilled workers – skilled workers will be following whoever pays more. Second the informal economy dominated by driving Tok-toks are attracting labor from being interested to work for factories where there is a high level of commitment and discipline compared to unofficial jobs. Third is the factor of age and sense of ownership of the factory, where old labor or labor who began with the establishment of the factory have higher loyalty than new labor and especially young in age as they have more flexibility to keep moving than older workers who prefer stability and waiting to retire and so planning pensions. The fourth

and last is that marriage is the ultimate goal behind female employment, so female workers would just leave once gotten married or saved money for marriage.

Chapter 5: Human Resource Management Practices in SMEs in the textile sector

Human Resource Management is an expanded area of research, with many theories, schools and practices. As the research question uncovers many realities about employment in the textile sector in SMEs, Human Resource Management interferes highly in such a labor intensive sector. The previous chapter has described the labor market conditions from the perspectives of the employers and the factors affecting the turnover rate in these employers' factories as well as describing how the education system in Egypt is not supplying the rightful needed demand by the market among other deficiencies. Employers being challenged with insufficient labor in the sector of textiles have separately established different policies and strategies to keep going in the business. Most of the factories have been running for more than 20 years and have witnessed evolution of the labor in the industry and have changed their practices accordingly. Competition between the factories on the limited number of skilled workers and against the informal economy have led to finding new retention ways to stand in the face of turnover rate and some have failed or are burdened in doing so but as the chapter will show they have no alternatives than offer higher packages than was the case in the past as well as other decisions including resorting to foreign labor and offering on the job training that will be presented in this section.

Let us first provide some information with the first function of Human Resource Management which is the recruitment and hiring process. The research question is about the recruitment challenges, understanding the methods by which these factories recruit provide much insight into the issue in hand.

Recruitment methods

Word of mouth:

There are many tools when it comes to recruitment, including job boards, newspaper advertisements and trade publication announcements and recruitment agencies (Richason, 2016). According to Machado and Melo (2013) SMEs depend on “word of mouth” as a recruitment tool. In this study, interviews revealed the same trend for SMEs in this sector; the main recruitment method is asking someone to recommend someone else they know. Ashraf said

“The most common medium of recruitment is word of mouth, where a worker at my factory would bring another worker or a relative or a friend to work.” (Ashraf, November, 2016)

In fact, most of the companies interviewed the same exactly was recorded. This is due to a major main reason according to the employers interviewed in this study – trustworthiness. The word trust was mentioned several times when talking about recruitment. Rasha mentioned that what matters is to have someone that she can trust, so she depends on her workers’ network of family and friends, se remarks:

“I would ask them to refer someone for the empty vacancy, it’s better to be a referral, I can trust him more. You know, many steal and stuff so if I get a stranger, I am not sure I can trust him... Other factories face a lot of theft but here I have it all safe, they all come from the same areas and are relatives.” (Rasha, October, 2016)

While this interview showed how employers value trustworthiness as mentioned in the literature; word of mouth provides employers with potential applicants who are likely to be more loyal to the firm due to their personal connections (Machado & Melo, 2013).

Hassan also advised that they use the same method of word of mouth for trustworthiness, however in terms of guaranteeing skills and capabilities rather than fear of theft; to trust that this candidate actually possesses the required experience that they claim to have saying that:

“By this way there is no chance that new entrants are bluffing about their experience since they are recommended by my staff that I already trust” (Hassan, October, 2016)

Depending on working labor’s networks is the main chain between the labor market and employers in the sector mainly due to trust issues to avoid fear of theft and avoid hiring inexperienced workers.

In another interview, when asked Ali about how he takes the decision to hire candidates he said the following:

“Look, usually I have a some knowledge about the background of this person, through someone who knows him/her, then I test their abilities on the machine, and see if they can

really do the job, if they pass, I want to check their manners, this really matters to me, so I put them under surveillance for 2 weeks before hiring to assess his manners, is he a trouble maker, does he respect the company's rules, if I find they are good people I hire them why not, but if they show negative attitude and hanging around with his mates or a trouble-maker I don't let them, even if they give me good products. If you make me choose between good work in exchange of bad attitude, I simply will tell you no, I don't want your good work" (Ali, November, 2016)

Ofori and Aryeetey's (2011) point to how employers in SMEs value honesty and integrity over abilities to perform a job; this was very clear from the interviewee's choice to resort to referrals as the primary way to find skilled trustworthy employees. Yet even after getting contacts through someone, an assessment is made not just to test their abilities but rather their conduct and behavior which is valued more than the produced work as explained by Ali.

Apart from this perspective, another important point behind asking about labor in other factories is attracting the right labor, the word of mouth is not restricted to workers telling other people in their networks, but rather networks in other factories. In this sector, operators on the machines need special skills and experience which drives many employers to look for labor in other factories. Here is what Hassan stated:

"We ask the engineers that work for us if they have friends in other places or our suppliers if they know people in other factories who can work this and that" (Hassan, October, 2016)

With the surplus of unemployed labor in Egypt, it is strange to find employers seeking labor who are already working and filling other vacancies, as mentioned in the previous section when asked about reasons of turnover rate the majority responded that many of the workers rotate between the factories, it seems that the only way to get qualified labor is through labor already engaged with the same jobs in other factories as if there are no unemployed people with the required skills.

Mahmoud rewards financially any of his workers to get him someone they know but most importantly someone who is committed and will not just leave after a short while, and this is what he described:

“I give 500 pounds on reward for anyone who recommends someone to work but I first make sure that this person really can work not just looking for money. Can you imagine to what extent the labor is scarce that I have to be sure before I pay the reward.” (Mahmoud, November, 2016)

Due to labor shortage, existing workers who have contacts with other people are the most counted on source for recruitment, the employer here pushes after his workers to get him someone not just qualified but also committed, Mahmoud does not insist that the referral they recommend to possess certain skills, but rather have the intention to commit to work.

Job seekers and advertisements:

Other methods were mentioned by several interviewees including job seekers who would pass by the doors of the factories asking if they have vacancies. Mahmoud stated two ways of recruitment either word of mouth or people who pass by factories looking for jobs:

“It’s either I know someone in other factories who can bring someone they know or mainly the most common is the people who seek jobs in industrial areas.” (Mahmoud, November, 2016)

Different views were expressed regarding this method. While Mahmoud depends on it as a source, Ashraf for example does not experience this aspect anymore by saying:

“In the past when a factory opens it was something big, and many people would come at the door to ask, but this doesn’t happen anymore, since the 90s.” (Ashraf, November, 2016)

Ashraf finds that the disappearance of this aspect disappointing, and that in the past this was the usual but he does not see it any more adding how the competition from the informal economy is responsible for that, specifically Ashraf is experiencing this as his factory is located in the city center and surrounded by other employment opportunities from the informal sector and shops; he is also pointing that people now in comparison to the past are looking for easy not hard jobs.

Rasha indicates that she cannot trust this source of passers-by, going to back to the element of trust as a main factor in her decision when hiring someone. She remarks:

“Sometimes people pass by looking for a job here leaving their number, but I never trust to call them.” (Rasha, October, 2016)

The value of trust is a factor in determining recruitment methods and shows how employers value conduct of behavior over skills.

However Ali whose factory is located in a free zone industrial area mentioned that he depends on people seeking jobs and sometimes he would send workers as representatives at the gates to find people who want to work. When asked if this is effective in bringing skilled people his answer was:

“There are both some are skilled and some need training” (Ali, November, 2016)

Also, Ahmed as a business owner stated that while he hires people who pass he notes a problem regarding these people, he explains:

“Most of the time, they don’t know anything, if they say they can work on machine X, when I come to test their abilities it turns out they only have seen it in another job but have never worked on it”. (Ahmed, October, 2016)

It seems that skilled people do not wait to get hired and the labor surplus is unskilled, as a reaction employers are open to hiring through this method even unskilled labor which will be discussed in details later in the section.

When asked about recruitment agencies, all of the interviewees denied using recruitment agencies. Although they mentioned their awareness that there are contractors as an alternative to recruitment agencies in this sector (whom are people with contacts of potential workers which employers resort to when in need of hiring), only one mentioned using this type of source in the past and not any more describing his experience as a failure, he stated:

“They just come to you and tell you I have a car from Sharqiya with 12 workers, I tried it and proved to be a bad idea, once they work, if someone leaves, the rest of the group leaves, they come and leave together, they make a lot of trouble like some sort of a gang.” (Mahmoud, November, 2016)

It seems that the contractors method is not welcomed by the respondents, although as explained in the interview that they bring relatively large numbers of workers. Employers already believe in finding labor through the traditional way which is asking for referrals as most SMEs do and relying also on job seekers in industrial areas.

Other recruitment channels were mentioned by Ashraf when asked about recruitment methods, he mentions word of mouth as being most common and describes other media as a huge failure as follows:

“The third thing which failed with us miserably is the “official recruitment channels” like websites, go to recruitment agencies, post advertisements to all NGOs, skills development programs, all unions, mosques and churches.. all this, this doesn’t bring anyone, 3or 4 will come, look at the factory and find the work, our work is hard, you come at 8 am and stick to a machine, and every minute is counting.” (Ashraf, November, 2016)

There is a common ground here that other methods are not as effective as asking workers to recommend someone, even if some agreed on hiring passersby, they lack skills when compared to people who come from other factories.

Despite the element of trust as honesty and integrity and trust as possession of skills through referrals to be used as recruitment tool, there are other factors that lead to reliance on word of mouth and referrals, trustworthiness is not the only explanation, it is also the failure of other methods which did not leave many options. Choosing labor that pass by the doors have its weight among the methods used, some find it useful and some others although they resort to it, they realize the bad side of it which is brining unskilled labor. The same applies to other recruitment channels like the advertisements which also do not attract the right labor.

Steps of recruitment:

Most SMEs as discussed in the literature do not have a formal hiring process. No one mentioned filling an application form, and all of them depended on interviews as the main tool. In addition, and because the nature of the industry is working on machines, assessment (through testing their technical abilities and knowledge in operating the machines) is inevitable. Interviews are usually done with business owners or managers, due to absence of specialized HR departments,

however, one interviewee mentioned a formal hiring process that has to be done with every new hire:

“They pass an interview and then sit with the HR to review the salary, review their experience and then meet with one of the engineers of relevant department to review his skills and if engineer is satisfied he lets him in right away.” (Hassan, October, 2016)

It is very important in this sector that new hires can really operate the machines or else they will ruin the work. This point has been further cleared by Mahmoud who also cares about abilities to operate the machines:

“There are certain machines they have to have some background on it, or else they will ruin the machine.” (Mahmoud, November, 2016)

Note that both Hassan and Mahmoud as will be mentioned later in the section are against hiring unskilled labor and training them in the factory, so their assessments to recruit are more critical unlike for other factories that are open to trainings.

Those who want to work but lack the knowledge are also still welcomed in most of the factories as helpers of the workers’ assistants. Ahmed hires any labor without certain requirements (as mentioned before he suffers from a continuous labor shortage and hires anyone who wants to work despite their skills level.) This was clear from the following sentence:

“I hire anyone who wants to work, if they lack the know-how, I teach them” (Ahmed, October, 2016)

This is a result of both labor and skills shortage, for Ahmed anyone with an intention to work is an accepted candidate, as he is desperate in finding people to fill his job vacancies.

Recruitment varies between the factories and depends on the overall strategy in the business. As will be discussed later, the willingness of employers to train employees directly affects their decision on skills required for the job. Naturally if they do not offer trainings they will be left with no options except hire skilled labor and so assessment is crucial and vice versa. Regarding training it will be discussed in details later in this section. Another criterion which Mahmoud highlighted which also explains the value of seeking potential workers through the existing

workers is the residence place. Many of the factories provide transportation, to be able to do that, they need their workers to be somehow in the same area, Mahmoud highlights this when asked on “what basis do you decide to recruit”:

“If they are to work on machines it is based on assessment on their ability to operate the machines and there are basics for anyone to get accepted in the factory like their living areas because I send cars to get them so their place needs to be somewhere within the 7 or 8 bus lines” (Mahmoud, November, 2016)

Employers realize importance of the distance between residence of workers and location of the factory, as this directly impacts the workers’ commitment levels, and to be able to offer good packages with transportation as will be discussed shortly.

From the interviewees’ responses, recruitment methods can be summarized to either asking their workers for referrals or hiring job seekers in the industrial areas. Other methods like contractors and advertisements are either not common or have proved to be inefficient for those employers who tried them before. Many factors affect both the recruitment methods, the recruitment process and recruitment decision; trust is a primary factor on counting on workers to bring their relatives or friends, trust as guaranteeing conduct of the referral, and trust as to get skilled workers who are not bluffing about their work experience. This method also guarantees referrals that live in the same areas so there is no problem of transportation, in addition, to guaranteeing commitment to the job. Some employers mentioned looking for workers in other factories, as a way to get already skilled workers as it seems that there are no skilled and at the same time unemployed labor. Also the shortest way to get skilled workers is getting him/her from another filled job. Skills shortage and high turnover rate in the sector has driven employers to act in certain ways including as just said looking for labor in other factories, not putting much weight on abilities of performance as much as weight on commitment levels and intention to work (except for certain machines where a minimum level of knowledge is required to get hired). For the same reason, employers rely on hiring job seekers in industrial areas as another recruitment method, despite their awareness that it does not bring in skilled workers but at least people who actually want to work.

After recruitment employers are faced with a more challenging dilemma which is how to keep their labor working for them without going to other factories, informal employment etc. Therefore, the next point to be discussed is retention methods to control turnover rate.

Ways to retain employees:

Good Remuneration Packages:

With a great demand for skilled labor and very low supply of these skills and high competition with informal employment, employers find themselves forced to offer good packages to keep their skilled workers and those getting trained at their factory working and loyal for them. Each company tailors their package differently. One interviewee, Hassan stated that he pays fixed salaries ranging from 3,000 to 4,000 (for fabric machines operators). Another interview described these workers as kings explaining how much he pays them

“These are Kings, they take a salary in addition to a shift wage “Wardeyah”. Let me explain, in other companies, you will find the temporary worker earning 60 pounds per shift, so what do I do? I give them these 60 pounds every day plus their salary 1,500 so as not to lose them and keep them committed. Then, he might ask to work another half a shift.” “so they easily collect 3,500 per month.” (Ashraf, November, 2016)

The salaries ranges are fixed across the factories, Ashraf mentions that they reach 3,500 though working half shifts additional, (total 12 hours), Hassan’s shift is originally 12 hours. However, Ashraf is flexible and his system leaves space for workers to decide on their working hours and so their salaries at the end of each month.

Mahmoud faces the challenge in an even more different way; he applies 10 working hours and compensates the additional 2 hours of the day to give them 2 days off the week instead of the standard in the sector which is only one day. Moreover, he provides semi-annual raises for those who show high commitment, and here is what Mahmoud described doing in his factory aiming to achieve lower turnover rate and absenteeism:

“I give 2 days off a week and even give 10% salary raise every 6 months. I care about the commitment. So those in the cutting department their salaries started at 2,000 then now

earn more than 4,000 because of the 10% raise, I relate raise to commitment, so if someone missed 12 working days in 6 months they don't get the raise, if they missed 11 it's fine I give them the raise.” (Mahmoud, November, 2016)

Mahmoud here mentions commitment as most valuable return from the workers, productivity for him is resembled in the continuation of worker to come to work even if he/she will not be highly productive on some days as he adds:

“Even if they come and waste time in the factory but at least they come, those who are not committed leave eventually since they can't get raises and they find themselves earning less than the rest so they get uncomfortable and leave.” (Mahmoud, November, 2016)

Commitment and controlling turnover rate is most challenging and although the salary raise is considered by the employer as a burden he explains in the interview that it is better than risking not finding labor and trying to minimize the time wasted in hiring new labor. Farooqui and Ahmed (2012) point to the valuable effect of monetary reward on the retention of textile workers in Pakistan due to worsening economic conditions which is highly relevant to the case in Egypt.

On the other hand, Rasha explained that bonuses are not effective in her factory, saying that while it helps those committed to stay the same way, the already uncommitted labor will not care and will still maintain a careless attitude:

“I feel like the workers are cold and they don't really care, if I deduct two-days off their salary, they wouldn't seem bothered just very normal, but of course the committed workers stay committed, but the ones whose absenteeism are high, don't care about what happens.” (Rasha, October, 2016)

Different experiences are stated regarding the bonuses strategy. Each employer comes up with different strategies to combat the problem from their own perspective. Hassan gives a big fixed salary as a total, Ashraf prefers to give it to them as if they are working additional day in another factory so that they will not go to another and count it as additional income that hinders their intentions to go to another place, Mahmoud cares about long-term commitment and so relate

raise to attendance and the raise is fixed, to encourage workers to look forward to keep coming and raising their income rather than start off. Yet Ashraf and Mahmoud still experience a high turnover rate as mentioned previously in the prior section, but still these strategies are partially helping in continuing their success in the market even if it is a challenging process.

Transportation is provided in most of the factories interviewed, some provide their own buses and some provide transportation allowance and that's why as explained by Mahmoud in the section above that area of residence is so important in hiring to be able to provide transportation and to guarantee commitment. Social insurance exists across all factories due to the law; however, employers expressed their views that it is not really effective with the workers as they prefer to have the monthly payments received now rather than as pensions in the future. Ahmed finds that when they leave they do not consider other benefits than the money and as mentioned earlier, age impacts the factor of thinking about the future and pension plans as oppose to younger workers. When asking a business owner about turnover rate and whether he faces many workers leaving his factory he replied

“This has been a very strange aspect lately, the workers are usually with low to intermediate level of education, their only way of thinking is by calculating money, if one factory tells him I will give you 20 more pounds a month than your job, he would just leave, without considering is that a better job, is it better in the future, is there any insurance, none of these issues cross their mind when switching between jobs, just the total of money” (Tamer, November, 2016)

No matter what other benefits workers receive they look at the total money as a determinant to stay at a job or leave. This was thoroughly presented in the previous chapter when employers explained how workers keep rotating between the factories for extra money if little. Another employer, Ashraf out of all the factories interviewed subscribed for medical insurance with a private company and indicated that workers choose keep any money to their daily expenses rather than save little money for medical insurance:

“I had registered for all employees a medical insurance with a private company; I take care of 80% of the fees and let them bear like 35 pounds a month from the cost. They stopped wanting it although it helped many people buy expensive medicines and make

operations but they were more concerned with taking these 35 pounds now and not later, so I removed it, their choice”. (Ashraf, November, 2016)

According to these previous statements it is clear that most of the workers are not interested in future pay-offs, and when they find that a sum of money is larger in another place, it attracts them without considering other benefits like medical insurance or pension plans. This is not a generalization but rather a trend that employers are witnessing among the young generation of workers.

There is another common way between interviewees in dealing with the workers as a means of providing social benefits apart formal insurances which was expressed as follows:

“We have many social considerations inside the factory that are a common culture across all factories, like “Edeya” (money given in two Islamic feasts), we help if someone is getting married or someone is going to have an operation, we also to have to distribute meat in the feast, all that stuff” (Tamer, November, 2016)

Marriage, medical needs and “Edeya” were all common areas of financial support provided shared by all employers interviewed, especially money in the feast this is like a legal bonus that should be earned by employees and which they all look for. These are all types of monetary rewards that Farooqui & Ahmed (2012) highlight as means to keep workers retained. Hassan describes providing the same assistance when someone gets married and undergoing a medical procedure and Mahmoud also mentions financial support for medical issues:

“Whenever anyone needs something like doing an operation or his daughter is getting married we like to be of help, of course in the feasts we give money all that stuff help create a good environment to retain workers” (Hassan, October, 2016)

“All workers all the time who buy expensive medicines or do X-rays, they come show me and I cover for their costs” (Mahmoud, November, 2016)

It seems that because workers are used to supportive environments when it comes to medical needs or getting married, they do not feel the need to deduct anything form their salaries like for medical insurance as they depend on their employers in times of need. This cannot be

generalized as well but rather in small and medium sized companies, the employers highly interact with their workers and are there to help, which was clear from all interviews as they mentioned they contribute whenever someone is in need. Transportation is also a given right, so with many factories providing benefits the decision maker ends up as the total money at the end of the month. However, some experiences regarding a friendly environment and employee empowerment are remarked as effective means of retention, and that's what's presented hereby.

Friendly environment and employee empowerment:

Creating a friendly safe environment was also a strategy used by many managers to win their workers' loyalty. For example one of the employers stressed on the importance of and the factor of the "Gameya" which is an informal way of saving money by each member paying an amount every month and then each month it is someone's turn to take the whole some of the money collected; the problem would face the young entrants who earn little money compared to the old workers and will not afford to enter "Gameya" in the factory because also he said "they won't let her in their circle of trust". The "Gameya" has a huge factor in the continuity of workers in a factory and the manager upon it emphasizes the importance of understanding the culture shared by employees to be able to respond to their needs and thus retain them, he explained:

"You have to study their mindsets to be able to make them work, to stand by who and don't stand by who and I have to have regularities for lending and for emergencies and all that or else they won't feel safe; most important thing is the safety feeling." (Ashraf, November, 2016)

In this case, the management created lending procedures for the benefit of the workers alone as a way to retain them. This employer has managed to create what Marelllo, O'Dell, and Salinger, (2009) described as a secured environment to retain employees.

In another form, Ali uses the concepts of employee empowerment and engagement as means of retention and increasing their commitment levels, he said:

"I talk to them, make deals with them and let them feel as partners; I tell them it's you who decide what salary you earn, you commit you take it full, you produce more you take your bonus, you have high absenteeism you will have it deducted. Take their opinion,

don't neglect them. I always have meetings with them, discussing problems and consulting them on how we can manage these challenges" (Ali, November, 2016)

This employer believes in employee engagement as well as on building relations, he considers employees' opinions and gives them some sort of pride as partners in this business giving them some sense of ownership. The element of good treatment and personal humane behavior according to this employer seems to have a great value and return on his business and workers. In fact this is directly related to Albrecht and Andreetta (2011) findings on how employee empowerment and engagement lead to increasing the feeling of belongingness and thus increases the employees' intentions to stay in the organization and be more loyal to it.

Ashraf had also his comment on a friendly environment in his factory in comparison to other factories in the field seeing it as an advantage in his factory.

"No one at my factory leaves to go to another factory, it's the opposite here, our environment is friendly and humane, we don't insult, beat or treat them badly giving them a 10 pounds at the end of the day to make it up and that stuff like what happens in many other factories. But honestly this is not very wrong, this labor needs this attitude to work. So, they come running to me as a haven." (Ashraf, November, 2016)

It seems according to Ashraf that many factories have bad abusing environments and that having a good environment which is supposed to be the ordinary is a plus retaining back workers who left. Moreover, although Ashraf believes in a good mannered working environment he can understand why others resort to cruel harsh environments. He has a very negative perspective and experience concerning the Egyptian labor and that's what pushed him to use other sources as going to be presented shortly.

Overcoming labor shortage:

As the data denote the challenge of textile owners and managers in finding skilled workers, two aspects other than retention methods have appeared to cover for the gap that exists between the high demand for and the low supply of workers. Employers found themselves forced to hire

unskilled inexperienced uneducated labor and give them paid training and/or hire foreign labor. In the textile sector in Egypt according to interviews, foreign labor is mainly from Bangladesh.

Resorting to foreign labor in this sector is a relatively new phenomenon considering that the textile sector is a very old industry in Egypt. On the job training while very common, has its problems and different views about it. The decision to take on any of these choices depended on past experiences, level of turnover rate that each experience and the effectiveness of retention ways. However, Osama had to shut down his factory and resorted to outsourcing production to other factories to supply his retail shops, he explained as follows:

“I now outsource to other factories, let them bear their troubles” (Osama, October, 2016)

There is a significant frustration noticed with the tone and wordings used by Osama, he has struggled for a long while with the labor and got fed up with problems regarding labor and so decided not to deal with it anymore but rather outsource and use external suppliers to his shops. Now, let's see how other employers dealt with the labor issue.

Foreign Labor:

Mainly the topic of foreign labor was brought up when talking about labor shortage and how employers deal with the gap. Some others who although do not use foreign labor shared their opinions based on their idea in the field. Ashraf without waiting for the interviewer to ask a question, he interrupted saying the following:

“I just want to tell you first how I resolve the problem of these workers, I replaced them with workers from Bangladesh, I have like 40 or 50 workers from Bangladesh and if you ask other factories, they all did the same.” (Ashraf, November, 2016)

Ashraf here sounded like he has given up hope on Egyptian labor and out of 300 workers he replaced 50 Egyptians with Bangladeshis, especially to cover for the high turnover rate among female workers. Mahmoud who has been hiring half of his labor from Bangladesh since 5 years ago explained why he resorted to foreign labor after 15 years of operation:

“Because they are hard workers more than Egyptians; you know how Egyptians when they travel they work really hard to save money and send it to their families, the same

thing here, these workers left their homes and do nothing here except work hard to send money to their families. Foreign labor in general behaves that way and is only focusing on work; they leave their homes for the purpose of saving as much money as possible, and so Bangladeshis if you give them money they will keep working more than Egyptians.” (Mahmoud, November, 2016)

Mahmoud here explains a lot about the phenomenon of foreign labor despite the nationality, so the problem is not in the Egyptians or that Bangladeshis are superior, it's the fact of being an expatriate coming to a certain country for one direct purpose which is saving money and therefore working hard and harder than nationals of that country. Azmeh's study in 2014 highlights the same notion, where it was found that firms benefit from the flexibility of foreign workers, saying that they only come here to work. Also, with no social ties or desire of to stay unemployed, foreign labor, as opposed to Egyptian labor, are flexible to work extra hours and on weekends as they depend on the extra money to provide for their families who reside in their home countries.

However, one manager expressed that he does not resort to Bangladeshi resources even though he said that it is very common in his industrial area and he also expressed his opinion regarding them

“I don't prefer that because for example if I come and I say that something is wrong with this work, if he debates and things get intense, they will have the upper hand in deciding what to be done because they are much and come in groups so at one point you have saturation with operators, the other second no one on the machines.” (Ali, November, 2016)

The social cohesion between Bangladeshis as one group according to Ali adds an advantage to them if seen from one point and a disadvantage from the other; like all groups they have power, they collect each other and if any employer is in need they will be able to fill any labor shortage and at the same time, this power can make them all hold down the work according to Ali's perspective. However, none of those interviewed who actually hire Bangladeshis have mentioned any problems, but it is insightful to understand why those have problems with Egyptian labor do

not resort to foreign labor as compared to their competitors in the fields. On the other hand employers who have hired Bangladeshis mentioned how their turnover rate has declined and have been with them for around 5 years. Also they mentioned how productivity has increased, Mahmoud states:

“As I told you the Egyptians keep coming and leaving coming and leaving, so it was affecting work; let’s say if I was producing 150 to 200 thousand pieces per season, with workers coming and going and having to replace them and get semi-skilled and teach them, it used to 6 months to produce this amount, when I hired 20 Bangladeshis on the machines since machines are the main element of production, I had a total of 40, 20 are fixed which are the Bangladeshis and the rest 20 coming and leaving as usual, since then these pieces are produced in 4 months giving me time to do other stuff.” (Mahmoud, November, 2016)

Although the productivity became higher since the Bangladeshis were hired it is not because they are better at work solely, it’s because of their attendance rate and behavior, the employer’s problem here is not that Egyptians cannot work, it’s their turnover rate and absenteeism frequency that wastes a lot of time from the productivity time.

On another level concerning office employees, while majority did not face problems with this category, a few mentioned shortage in finding good sales representatives whom as a result recruited Syrians instead. The employers were very fond of their performance and found them to be hard workers compared to Egyptians. When talking about sales representatives Rasha mentioned that they do not do anything and while she needs to hire four representatives she only has one right now whom she mentioned to be Syrian saying:

“By the way he is Syrian who came Egypt only in 2011 so he did not know the places or have any connections but he is a hard worker and he is doing a great job, you can see the difference, they are not like us at all (“us” refers to Egyptians), they know how to talk and to work hard.” (Rasha, October, 2016)

The employer throughout her experience has seen the difference in performance between Egyptian employees and the Syrian employees who has been working with her for 3 years (since she was assigned as a general manager of the factory).

Osama also noted that in his retail shops, he has replaced the Egyptian sales people with Syrian employees and also expressed without any probing from the interviewer's side the difference in performance between both (where Syrians show to perform better than Egyptians) that he has experienced, he described it as follows:

“I laid off the Egyptians and hired Syrians, they are something else, the Egyptian comes not focusing on the job just thinking how not to work and how to find ways to get away from responsibilities, wasting time and stuff, but the Syrians, enough their hygiene and the way they represent themselves, they are hard workers and you can count on them”
(Osama, October, 2016)

Both employers who hired Syrians as sales people are impressed with their hard work expressing their better performance relative to the Egyptian employees. While this is not a major need in the sector, as the industry requires more labor than employees it is worth noting the impact of foreign labor on the Egyptian market and understand the performance difference between nationals and foreigners as labor.

Other interviewees did not mention having to hire Bangladeshis and rather found themselves hiring unskilled labor and start with them training from scratch. The most important criterion then here becomes the willingness to work.

On the job training:

As discussed, majority of the sample make interviews at first, and if they do not have experience, they still get hired as paid trainees until they can do the job. Period of getting promoted to the next level ranges around 2-4 months depending on the nature of the machines; the fabric machine is exceptionally complicated and requires well trained skills, getting promoted in knitting takes 3-4 months, explained as follows:

“An 18 year old graduate from institute, she starts as assistant of the assistant of the knitting worker, she takes this 1,300 pounds. After 3 to 4 months when she gets some

skills and capable of helping the knitting worker more directly, she will earn 1,600 and then after a year when she can work on the knitting machine directly herself, she can reach 2,000 very easily” (Ashraf, November, 2016)

Ashraf here seems to be used to training as a default for hiring, especially with females since they have a very high turnover rate as explained in the previous section due to marriage. However, still Ashraf realizes the downside of this phenomenon but it seems he has not many options, he suffers from investing in training and when the worker becomes skillful enough to be counted as a skilled worker, they leave, he states:

“The worker gets better by time, 3 months, then 6 months and at 1 year you start giving him/her more skillful work, after 2 years I say now I can depend on them suddenly they leave and then repeat the cycle from the beginning.” (Ashraf, November, 2016)

A lot of effort and time from the employer’s side is invested in training but without high return this is especially due to having female workers as the conversation unfolded who work for a time to save money for marriage and then get married. In fact another employer, Ahmed states the same problem but in a different form and with a shorter time interval, he explains:

“At one point I decided to give people who pass by and know nothing a six-months training with half a salary and after this period to pay them full salary in order to overcome this skills shortage. However, what they would do is come for 2 months and then leave me to go to another factory telling them they are qualified, they take full salary there and then this other employer will not know they are unqualified except after some time when many mistakes are done and then they start to get better at this job and move to another factory” (Ahmed, October, 2016)

Unskilled workers once trained do not stay at the same place with a low salary and look for saving time and skip the phase of being a trainee to earn a full income, this has been also highlighted by Mahmoud who found that trainings are in vain and actually stopped giving trainings at all:

“They used to come knowing nothing, so I used to train them and of course give them lower salaries until they are able to work. After 2 months their hands get a bit used to the

job, but still I couldn't consider them skilled enough, so they go to other factories tell them they can work and they will appear to know the work and the employer notices only after hiring that they are not that skilled yet many factories keep them" (Mahmoud, November, 2016)

Mahmoud's experience is the same as Ahmed's except that Mahmoud has given up on training and he hires Bangladeshis. Mahmoud mentioned that other factories keep them despite after knowing that they are new in the job due to apparently the labor shortage and they have already become more skilled, this is logically better than re looking for labor or training from scratch. Hassan has stated the same fact which is being against training and that he clearly does not hire any unskilled but rather look in other factories through the workers as is the case in many. This was his response when asked whether trainings are given or not:

"No, no, it can't happen, they will simply get trained and then leave" (Hassan, October, 2016)

Hassan is very rigid in his opinion regarding trainings which shows how common it is that investments in trainings according to employers is a waste of time and loss of money for the exclusive benefit of the workers and competitors.

Tamer who also experiences the same dilemma highlighted why such thing happens, he points to the legal component that does not guarantee for any trainer to retain his investments, and he was also referring to high skilled abroad trainings to engineers, he says:

"Why would I pay like 150,000 pounds on training, when they come back they seek other opportunities and leave me. We lack legal framework that guarantees for the company to benefit from the workers trained in the factory for a period of time after training, there are always leaks that they get away from abiding to the contract between them and the company. There has to be an abiding contract that commits the trainee to the company to encourage more training and thus development in the sector" (Tamer, November, 2016)

This is a very important point to consider, and needs more research. To encourage training there has to be some sort of incentives, that at least these investments have a return or guarantee, those who train despite the challenge, are forced to do so to cover for labor shortage like Ahmed and

Ashraf, and those who are against it, resort to other sources of employment including looking for labor working in other factories. From a business perspective, there is no point in training if it is not going to benefit the business owner, so some legal interventions would be useful to encourage business owners to invest in trainings which would eventually lead to development of the sector and maybe able to cover the labor shortage gap without the state even intervening with special programs.

Ali on the other hand, is open for the idea of training and investing in development of his human resources other than the basic trainings given to unskilled workers, his main motive behind this concept is for empowerment reasons, he explains

“As I told you I let them take decisions, how are they going to do that without experience and knowledge!” (Ali, November, 2016)

This employer believes in investing in the human resources and empowering them as mentioned above as a strategy to retain employees through engagement. He remarked that he is not afraid that his investments would go in vain because he thinks it will always benefit him even for at least during the time the worker is getting trained and saying that many leave but still many stays so it is useful for him to train them.

“I already pay them less than a skilled worker and maximum half of them leave and so I benefit from the other half” (Ali, November, 2016)

It depends on each employer’s experience, needs and options available, for Ali, he expressed that he is against hiring foreign labor due to the problem of group power and so training new hires is a default for him .

The study while cannot offer how many on the job trainings are offered, it gives an idea about the motives, perceptions, behaviors and explanations on the concept. While, literature refers to training as a positive factor in encouraging workers to stay in an organization (Farooqui & Ahmed, 2012), results show the opposite where receiving training leads to workers trying their luck in other factories. For the interviewees, the main motive behind on the job training is not retention but rather filling the vacant jobs which suffer from labor shortages. However, employers seem to be discouraged to even complement this shortage due to their loss of

investment in trainings where trainees learn and leave to other factories. It was worth noting how the legal framework is deficient in securing for the company to benefit from the trainings privately offered. It is understandable why employers do not give full salaries from the beginning and it is totally legitimate which is why trainees turn to other factories who will not find out quickly that they are not skilled taking full salaries. What's happening is a non-productive cycle of unskilled workers who do not stay in one place as trainees and unwillingness from employers to train due to this attitude; maybe if some sort of legality can interfere in this interaction, factories will be more willingly to offer trainings. As a labor intensive industry, development of labor will result in the development of the sector.

Dealing with the skills gap in this market seem to be a cyclical dilemma for the factories interviewed and the rest of the sector. They all complain from losing labor to other factories and at the same time, some mention hiring workers from other factories. Each is also competing to offer the most attractive packages but it is likely that they have boundaries for cost competitiveness goals and the differences are only within the methods applied for payment. Even the benefits, the themes were shared and all interviewees mentioned for being of help on areas of marriage and medical needs, also transportation in most cases is provided. No matter what the strategies they use, the majority agrees on a labor problem issue and lists it as number one challenge in the face of any expansion plans. Even when employee engagement and empowerment and humane environment were created, employers though have some pride in their management style, still mention a high turnover rate. Employers who resorted to foreign labor are satisfied with their performance, whether they are industrial workers or employees. Recruitment methods are the same across the sector mainly relying on word of mouth to bring referrals or passers-by the factory doors. These methods are a result of failure of other sources and due to the benefit of trust of bringing labor through referrals.

Chapter 6: Discussion and Conclusion:

Data from eight interviews have been analyzed concluding many issues from the employers' perspectives. Employers find that labor constrains in terms of skills and availability is withholding them back from performing better and expanding their businesses. Textile sector in theory constitutes an opportunity for the economy in Egypt; it benefits from both the agricultural nature of the economy and its high quality of cotton and from the other side it is a labor intensive industry (globally not just in Egypt) which can absorb the ever increasing workforce. However according to the employers interviewed, they are always in shortage of labor and exerting effort to retain workers as much as possible which does not give them enough time to expand, since expansion in this industry means hiring more labor which is challenging for them. Unlike what has been mentioned in the literature that financial difficulties constitute a limitation for SMEs in this sector (El Helaly, 2003), the sample of this study shows that the main challenge is finding the labor, and if they do so, they will be able to produce more, sell more and thus have more liquidity. Employers interviewed are all managing medium sized factories so results may differ from large enterprises and so further comparison could be useful to evaluate whether it is common in the whole sector or common to SMEs in this sector.

The interviewees expressed their experiences to explain why they suffer from skills shortage, labor shortage and high turnover rate. Since the study is qualitative, listing the most influential factor is inapplicable unlike in quantitative studies. However, the results and analysis point to repetitive experiences and themes shared by the majority of the interviewees.

Poor quality of technical education is a direct factor resulting in graduates with poor skills whom employers find a necessity to train from the beginning which is what Amer (2007) have pointed to how the inefficiency of the education system in Egypt both higher education and technical education. However, as interviews unfolded deeper causes to the problem have been revealed influenced by culture and the structure of the education system in an inter-related manner. The ease of access to higher education which gives higher chances of being employed in the public sector and generally better-paying jobs combined with negative perceptions of low status regarding technical education (caused by technical schools system being only option for those who drop out or score low in school (ENID, 2013)), resulted in an overflow of students choosing

the track of higher education (Barsoum, 2004) supplying the labor market with un-demanded labor (Galal, 2002).

Generally, manual jobs and working in factories according to literature and interviews are not attractive to the current labor. Employers mentioned lack of educated caliber willing to work with their hands and pointed to “ego” to interfere with decisions of educated to pursue a profession in a factory. Culture is negatively impacting the employment in the textile industry, combined with ease of finding jobs in the informal economy characterized with flexible working hours and absence of commitment. Culture is reflected in the data in the form of university graduates’ inflexibility to work by hand, crime rate leading to lack of discipline and low status of technical education and manual jobs which results in few skilled labor. Employers most importantly note that these aspects are relatively new to them and limited to the new young labor.

Education level among workers varies from illiterate to diploma and medium institutes. It has no influence on the jobs assigned, skills is what matters, however, it is worth noting that bachelor degree holders are not common among workers which shows how university graduates refuse to work in manual jobs although employers stated that they need this caliber to work for them. Even supervisors and engineers in the factories are only diploma holders who have stayed long time enough at work and to get promoted.

The end result affecting the employment in this sector is therefore lack of skilled labor and lack of willingness of labor to work in factories. Consequently, with labor scarcity in the sector and firms being challenged to find workers, firms end up stealing each other’s workers. With many alternatives perceived by the workers, turnover rates are high (as the concept of ease of movement denotes (Trevor, 2001)) as workers are tempted to keep moving between factories who offer higher pays. This mainly happens when a factory faces time pressures and needs to hire more labor to respond to order deadlines, the only options they have is get skilled labor from other factories. Yet some factories interviewed depend on hiring labor from other factories as a main method. Employers mentioned how the total sum of money is a determinant for workers on their decision to switch between factories criticizing this way of thinking to be short-sighted (as a result of poor education) as they do not measure other benefits like social insurance, medical

benefits, environment, etc. (unlike what literature previews regarding that informal sector to be abusive and does not provide insurances (Angel-Urdinola & Tanabe, 2012)).

However turnover rate and attitudes of moving between factories or working in unofficial jobs is restricted to young labor. This has been explained by interviewees and literature by three dimensions: the first is the factor of age as the older an individual is the more familial obligations and financial commitment so he/she cannot risk leaving a stable income and is looking forward for pension plans which is not the case for young workers who are trying many options before settling with no obligations (Lambert, 2001). The second factor resides in the feeling of ownership resulting with tenure period as well as being there when starting up the factory (Albrecht & Andreetta, 2011) (Farooqui & Ahmed, 2012); employers collectively did not complain from turnover rate among old staff who has been working with them for a long time since the factories were established.

These employers included a general manager (Rasha) whose factory has been established in 2012 including young labor which provides some discrepancies with another employer who complained when establishing a new factory could not retain workers and so had to locate near the old factory to benefit from old workers. However, most of the interviewees stated difficulty in hiring new labor which is the current young labor force. These data can point to a new general attitude of the current workforce in comparison to older generations (excluding Rasha's experience) as Dongfang (2016) highlights "a cultural shift" in the young generations' "greater expectations and higher aspirations than their parents' generation". However this third factor has not been sufficiently discussed in the interviews and conclusions around a generational cultural change are not profoundly based in the study.

Regarding female workers, their situation is very different, three of the factories interviewed hired a great portion of female workers and without any exceptions they all reported that any girl who gets married leaves work; Amin and El-Bassusi (2004) explained this phenomenon as a result of "rigid role expectations after marriage, the long working hours and male expectations of wifely roles". This increases the skills shortage problem as by the time young entrants develop skills they leave for marriage. Skilled female workers who are married are old and the ones who have most advanced skills.

Competition on scarce labor and high turnover rate led to extensive efforts to try to retain the working labor and finding new ways to cover for the gap. All interviewees mention giving salaries in the same range yet using different strategies in an attempt to motivate workers. Wages are significantly above the minimum wage law and apply to social insurance, they also provide transportation as well as financial incentives and support in occasions of marriage and medical needs. These results highly contrast data by Robertson et al. (2012) which indicates that this sector suffers from poor wages below the minimum wage law. Employers are aware that they cannot provide lower wages due to huge number of factories in the sector, however there is pressure to keep rising wages as each factory tries to attract more workers, yet there is a range they cannot cross and so provide incentives based on commitment and trying to create a secured friendly environment as a means of non-monetary retention methods. Efforts of employee engagement have been effective in retaining some workers but the data show more inclination by the workers to choose higher paying jobs to cover for daily expenses as some employers mention. Workers are more concerned with what they get paid now to cover for their current expenses which explains why they decide to take on more paying jobs regardless of any other factors which is also apparent as an employer explains how workers asked him to stop enrolling them for medical insurance although the employer bears 75% of the cost. This is a very alarming piece of information which shows how workers (at least the young generation of it) in the sector do not care for future benefits or insurances derived from the fact that most of the employers' efforts and discussions were concerned about the young labor since they face no challenges with the older staff.

Retention methods are still not effective in curbing turnover rate which led to several employers interviewed as well as employers reported on in the literature (Azmeah (2014) and Mareello, O'Dell, & Salinger (2009)) to resort to foreign labor mainly coming from Bangladesh (as is the case for the sample studied). The main motive behind this tool is the benefit higher productivity and lower turnover rates as these types of labor despite the nationality have left their homes for the purpose of saving money and are not distracted with social and family commitments. Wage levels are the same as that given to nationals, however due to their skills, commitment and productivity levels they earn more, so if an Egyptian possessed the same qualities they would be equal in payment.

On the job training is used to cover for skills shortage, as mentioned previously, the employment challenges does not only reside in finding skilled labor but also any labor; this is shows that employers have lost hope in finding ready equipped skilled for their industry and thus surrendered to the fact that they will hire unskilled labor and teach them. While it is a common practice shared by employers in the sector, they mentioned that trainees leave the factory after trainings as they are paid lower salaries than a fully skilled worker. Therefore as a worker acquires some skills (yet could not be equalized by the training employer as a skilled worker taking a full salary), he/she try their chances in other factories and apply as a skilled worker. Factories accept to hire them since they at least have received some training which cuts the distance shorter for the employer in equipping these workers. This is inter-related to the skills shortage experienced in this sector which influences the behavior of the employers' human resource management tools including recruitment methods where some depend on hiring workers in other factories to avoid investing in trainings that will not have returns on the employer.

Labor scarcity in the textile sector for SMEs is hindering these factories performances and also resulting in new phenomenon of hiring foreign labor in a country that has surplus of labor and high unemployment rate. The solution based on the study's results remains in changing the culture regarding manual jobs and TVETs as well as their quality and career paths resulting from them. It is a very complicated process to implement and requires the cooperation of all stakeholders. Moreover, a further study could be done to investigate the labor's perspective on the issue to complement the data and reasoning.

The study suggests that efforts need to be made to improve the perception of manual work among youth to increase the supply of workers within the labor-intensive sector of textile. At the same time, employers should regularly conduct market surveys for human resources to address the needs of workers to support retention.

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