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Public employment and governance in MENA

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MIDDLE EAST AND NORTH AFRICA



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EXECUTIVE SUMMARY

1. **Government wage bills have been growing across the world, but are exceptionally high in the MENA region relative to countries' state of development**, whether measured as a share of GDP, or of government revenue and spending (World Bank, 2004). Across the region government wage bills threaten fiscal sustainability. Citizens view government employees as unresponsive and unproductive, poorly trained, prone to absenteeism and with too many officials soliciting bribes in return for services. 'Double-dipping' is a problem throughout the region – in Egypt for example, one-quarter of the personnel in public health facilities is absent on an average day according to recent estimates (Grun, 2010).
2. **There are many drivers behind the large wage bills, whether of central government alone or of general government.** In some countries, Government wage bills reflect a public sector wage premium, enjoyed by government employees at many levels, over comparable jobs in the private sector, with the exception of certain professional and senior managerial positions (World Bank, 2013). These are perpetuated by public service pay setting mechanisms regardless of the effect on national labor markets as a whole. Government remuneration systems are complex and non-transparent, typically featuring a low basic pay supplemented by a variety of allowances, some designed to offset routine living expenses, some to compensate holders of scarce skills for low base pay.
3. **Government employment numbers also seem to grow inexorably, in many areas faster than required to deliver services in line with population growth.** Much of this has been politically driven, as leaders have sought to reward supporters, head off popular discontent, reinstate staff dismissed by previous regimes, or use the public sector as a social protection mechanism by creating jobs in the public sector regardless of need, affordability or whether expanding low productivity public sector employment crowds out private sector job creation (Nabli, 2007).
4. **Other factors have been weak staff control systems, the authorization of new recruitment outside budget frameworks, and laxly applied staff performance assessment systems**, in addition to absenteeism, and the difficulty under public service rules of disciplining and ultimately terminating poorly performing staff. In addition, when public services reach a certain size, they can become a political force in their own right, resisting reform and perpetuating the *status quo*. Countries in the MENA Region display in varying degrees all of these features.

5. **This paper takes a look at government wage bill growth, alongside current approaches to recruitment, staff performance assessments and promotions, with particular emphasis on Egypt, Morocco and Tunisia.** Stemming from the 1960s, a public sector job was considered the right of every Egyptian. More recent reform efforts aim to improve performance of what has become by far the largest public sector in the Region. In Tunisia, recent analysis illustrates a notable rise in public sector employment and the wage bill levels since 2011, marking an acceleration of an existing trend. While the legal framework is well designed for recruiting skilled candidates and promoting high performers, the link between an employee's performance, evaluation, compensation and promotion is, in practice, weak. Furthermore, the proliferation of allowances has added to the complexity of the remuneration system. In Morocco, the legal framework supports performance based human resource management but, in practice, staff performance assessments are not done correctly and seniority determines promotion. Similar to Tunisia, the remuneration is complex and non-transparent. Through a comparative lens, the three cases help to shed light on the nature of public sector employment in the MENA region.
6. **These country examples are complemented by a broader regional analysis to illustrate overarching trends in public sector employment.** The objective is to identify the various forces at work, how they interact, and thereby document and understand better the dynamic of public sector wage bill expansion in the Middle East¹ as well as potential linkages to public sector performance. The paper also looks at reform efforts, extracts lessons and identify potential reform options to better control wage bill growth and the unbalancing effects it has had on the efficiency and effectiveness of government spending generally. Furthermore, while the paper does not present a comprehensive overview of the nature of public employment in MENA, it aims to identify potential areas for further research in this domain.

INTRODUCTION

7. **Recent events across the Middle East and North Africa (MENA) region have underscored the urgent need to ensure job creation and an enabling environment for a young and better-educated, more skilled labor force.** The international economic crisis has further deepened the problem in a region that is characterized by the world's highest youth unemployment rate and the lowest female labor force participation. This goes hand-in-hand with overwhelmingly low value-added employment and a public sector that in most countries still provides most formal

¹ It is, for example, not clear whether wage bills are cresting in the Region, or continuing to grow.

jobs. Tackling these problems and challenges has become a key policy priority for virtually all governments in the region.

8. **In order to meet employment challenges, the region will need to focus both on the quantity and quality of newly created jobs** (World Bank, 2013). The region will require a sustained effort to move towards durable economic growth driven by the private sector—and will necessitate dedicated long-term strategies and committed leadership to carry them out. With the appropriate incentives and effective governance, public investments will work to crowd in private investment by providing energy, roads, logistics and communications links which are necessary for firms to function productively (IMF, 2015).
9. **Unfortunately, the region has been characterized by weak governance systems that have achieved the contrary** – crowding out private investment by using resources that would otherwise be used by the private sector (Nabli, 2007). Indeed, weak governance has led to the inefficient use of public resources, which have been spent on unproductive assets that are desirable only to small and select interest groups. Governments throughout the region will need to strengthen governance frameworks and reduce opportunities for monopolistic rent-seeking to foster increased competition. Governments will also need to enhance transparency and build the type of institutions that will allow a market economy to flourish, while mobilizing all relevant stakeholders around a long-term growth strategy.
10. **In many countries in MENA, the public sector remains the primary employer, employing anywhere between 14 percent and 40 percent of all workers** (World Bank, 2012). Many government institutions are overstaffed and government employees are often paid more than in the private sector. Government wages in the region amount to 9.8 percent of GDP, the highest rate worldwide (World Bank, 2009).
11. **Public sector employment is the top preference of jobseekers in the MENA region, in particular of women and of youth** (Dhillon, 2009). The reasons for the attractiveness of the public sector are quite obvious: the public sector provides for employment benefits such as advantageous wages and benefits. Employment in the public sector carries extremely low risk of dismissal and high job security – often in combination with relatively low demands in terms of productivity. At the same time, jobs in the formal private sector are limited when compared to countries of similar economic development. Most (private sector) jobs can be found in the informal sector and these jobs are not seen as attractive for a variety of reasons, including low pay and incentive systems.

12. **The private sector is not growing fast enough to cater to the large number of first-time job seekers** (Ghanem, 2015). A significant number of individuals are voluntarily unemployed, not willing to accept lower skilled jobs or jobs at prevailing wages. Across the region, public sector jobs are considered more respectable and more secure; they also provide for more “opportunities” than jobs in the private sector.

13. **One key area**

Figure 1. Wage Bill by Region (Central Government)

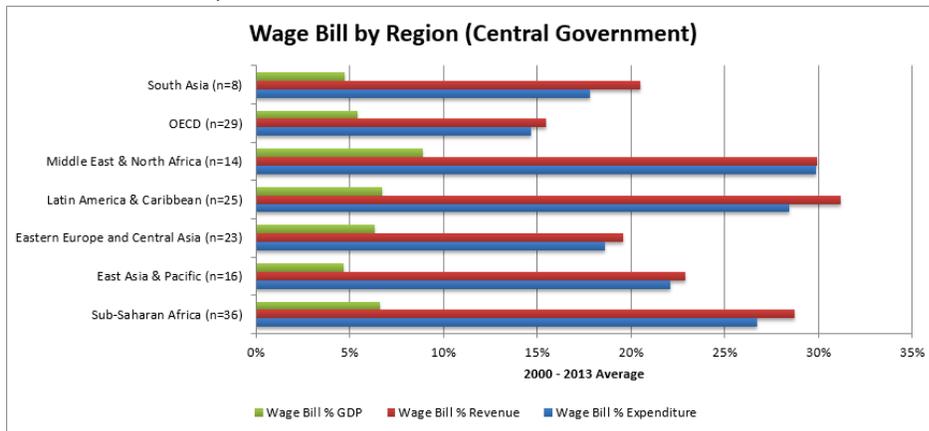
to look at is the highly incentivized public sector employment system which has become an impediment to economic growth. Many experts argue that, in the long run, the costs associated with a high concentration of public sector jobs will cause lower total factor productivity growth, thus having a negative impact on poverty reduction efforts (World Bank, 2004). A good example is among educated youth, who continue to wait for “comfortable” public sector positions rather than exposing themselves to market-driven demand and supply mechanisms.

14. **Faced with bloated and often inefficient bureaucracies and excessive wage bills, traditional strategies of utilizing public sector employment as a means to soak up excessive labor demands have reached their tipping point.** The present paper presents an overview of the overarching trends on public employment in MENA over the past few years, with a particular focus on Morocco, Tunisia and Egypt. While not meant as a comprehensive analysis on the challenges related to public employment in MENA nor the broader ‘jobs’ question in the region, the paper presents some of the prescient trends that have been identified as characteristic of public sectors across these countries. These preliminary findings are then summarized in a concluding section to inform the identification of potential short and medium term recommendations on the way forward as well as areas for further research in this domain.

PUBLIC SECTOR WAGE BILLS IN THE MENA REGION

15. **As Figure 1 depicts, MENA countries collectively have the highest ratio of public employment wage bill to GDP of all regions,** and the second highest ratio of wage bill spending to total government revenue and spending. These high ratios are in part the result of treating the public sector as employer of last resort, and as a social protection mechanism. In several cases, if public service pay had been maintained in

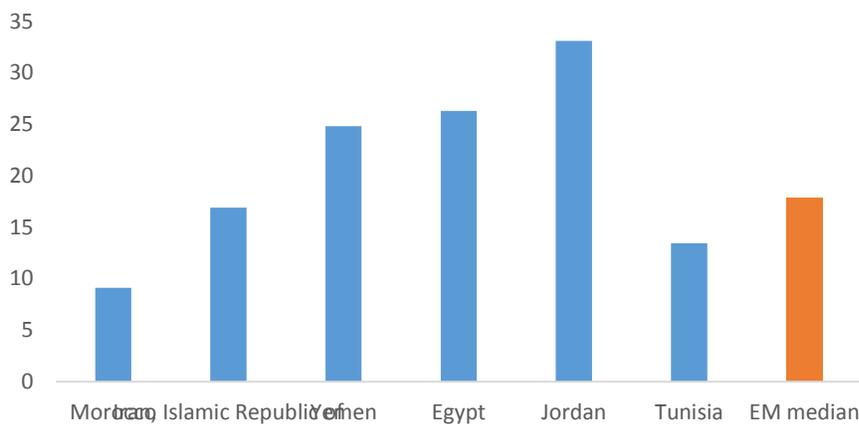
real terms, the ratios would now be even larger.



Source: World Bank, Size of the Public Sector Dataset, 2015.

16. **In several countries in the Region, the share of public sector employment in total employment is disproportionately large**, and exceeds the median share of Emerging Market economies as depicted in Figure 2. The two most striking countries are Jordan and Egypt which have very large public sectors in employment terms.

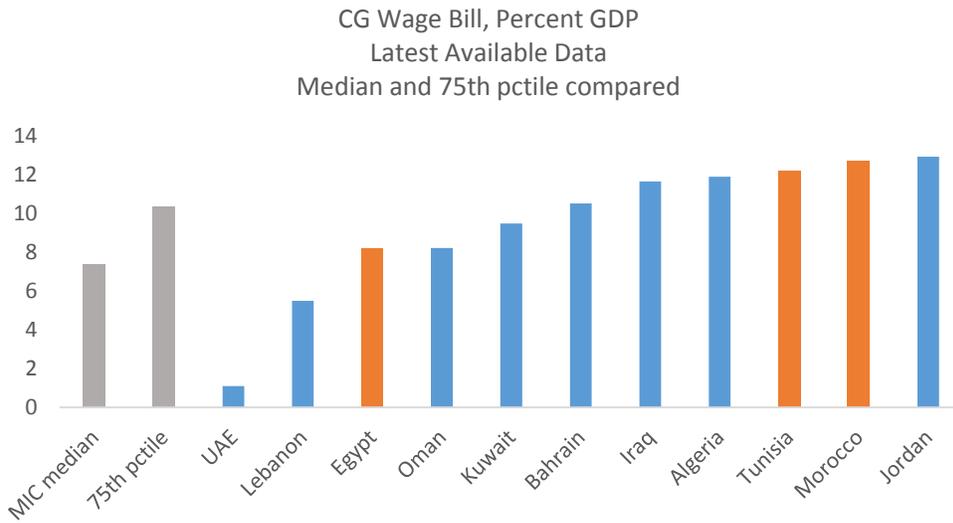
Figure 2. Share of Public Employment in Total



Source: ILO Database, latest available data.

17. **All MENA countries are well above the MIC median on compensation of central government employees**, and Tunisia and Morocco have public wage bill shares that lie above the MIC 75th percentile.

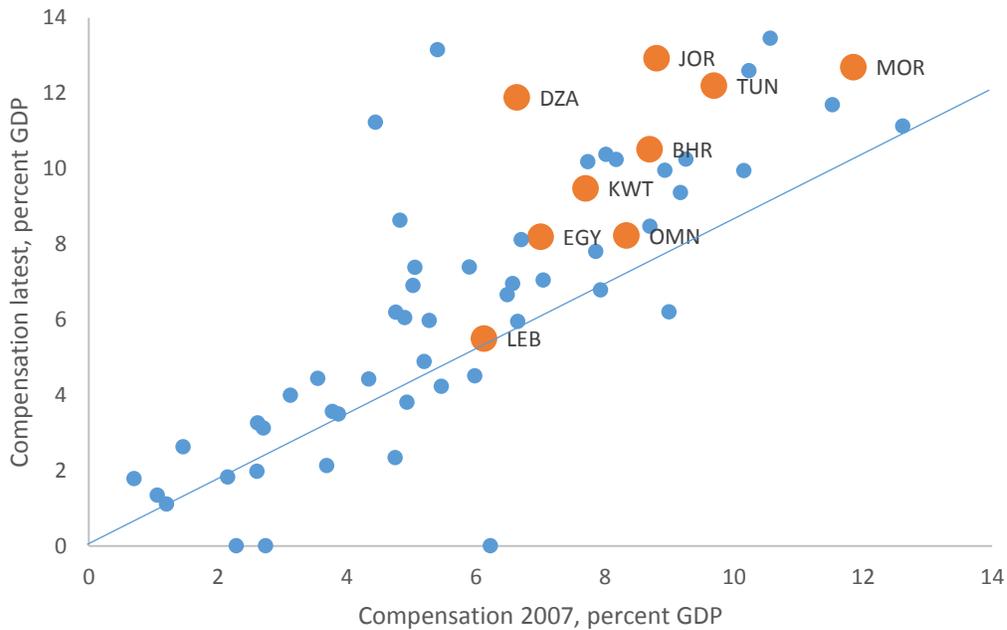
Figure 3. Central Government Wage Bill, Percent GDP



Source: IMF Government Finance Statistics Database, latest available data.

18. **In recent years, the wage bill to GDP ratios in MENA countries have increased, suggesting that the growth of public wage bills has yet to peak.** The graph below shows what has happened to MIC countries since 2007, with most MENA countries still cresting.

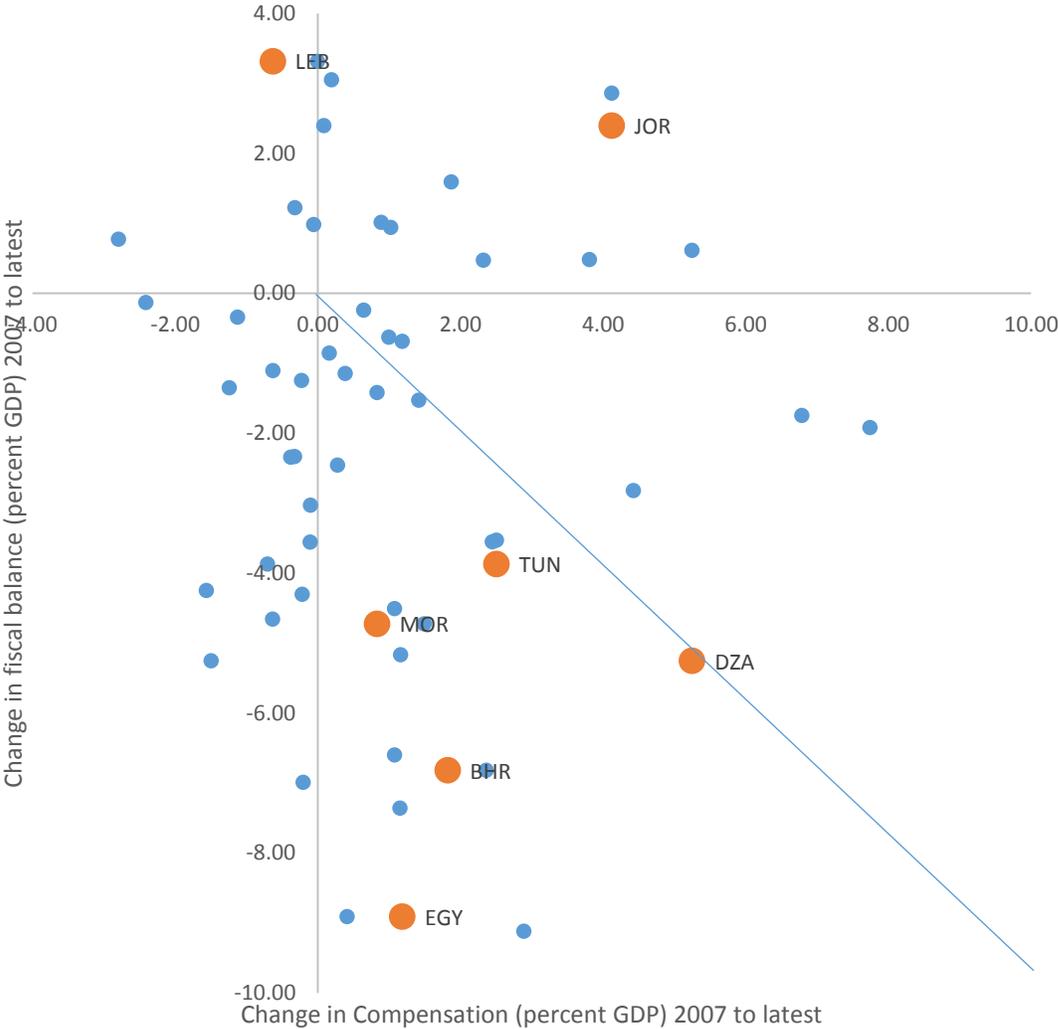
Figure 4. Compensation Developments since 2007



Source: IMF Government Finance Statistics Database, latest available data.

19. **The final graph looks at public wage bill developments in relation to fiscal deficits and their sustainability.** It raises the question whether, by borrowing to pay public employees in circumstances where many of the latter are unproductive, countries are heading towards fiscal unsustainability. One avenue for reform is to reverse the growth of the wage bill by curtailing employment growth and limiting pay awards. Another is to improve public sector productivity and thereby raise economic growth. This suggests that countries need to pursue both short term wage bill containment strategies, including wage bill targets while at the same implement longer term public sector management reforms aimed at raising public service performance. In Algeria, Egypt, Morocco and Tunisia ramping up of wage bill spending since 2007 is associated with a marked worsening of the fiscal deficit, with no clear link to improved public sector performance.

Figure 5. Change in Compensation vs. Change in Fiscal Balance (2007 to latest)



Source: IMF Government Finance Statistics Database, latest available data.

LEGAL FRAMEWORK

20. **Virtually all countries in the MENA Region have public service laws on their statute books, many of them originating decades ago.** They reflect different legal traditions, such as British, French and Ottoman, tying in with their administrative histories. They are

also a product of the public service paradigms uppermost on policymakers' minds when laws were drafted, most notably in Egypt which viewed public service employment as a right of all citizens. Most laws, nonetheless, emphasize merit in appointments and promotions. Thus it is not the absence of a legal framework which accounts for large public service wage bills and deficiencies in service delivery, but rather what such laws contain and how they are applied (or set to one side) in practice. Far from not having a legal framework for the public service, most countries in the Region have a string of original, amended, and new laws, each accompanied by decrees, regulations, circulars, executive orders and court decisions, some of which are inconsistent.

21. **Most public service laws found in the Region provide for a tenured public service, with a high degree of protection from arbitrary dismissal** (World Bank, 2010). This offers the prospect of a long working life until retirement and a public pension thereafter. Laws provide for a career rather than a position based public service and while adoption of the latter is not recommended, the absence of a link between recruitment and positions has implications for establishment control and the design of pay scales. They (or the Constitutions that guide them) may also convey to citizens a right to of employment in the public sector, while at the same time protecting civil servants from dismissal, by limiting the grounds for termination.
22. **At the same time, many provisions in the laws and regulations are not followed**, creating a gap between what the laws provides for and how the public service is managed in practice, such as in areas like recruitment, staff assessment and promotion (World Bank, 2010). The result is public services across the Region where the key elements of a career based civil service that make advancement dependent on merit are inoperative.
23. **The first modern civil service law in Egypt is Law 10 of 1951, defining the civil service as a career based structure for administrators.** Law 46 of 1964 extended its provisions to support services and the police. This was followed in turn by Law 58 of 1971. Law 47 of 1978 expanded coverage further by taking in teachers, health workers, secretarial staff, and vocational staff of both central government ministries, local governorates, and budget dependent public authorities. Law 47/1978 confirmed the right of Egyptians to employment in the public sector, and over the span of its existence, was amended 17 times. The most recent public service law is Law 18 of 2015, which is an outcome of current civil service reform in initiatives. It provides for a graduated system of disciplinary actions for poor performers, ranging from warnings to dismissal, but does not allow for termination in the event a position is eliminated through reorganization and staff cannot be redeployed. It specifies merit based promotion for some positions, seniority for others. It also continues with a remuneration system of

base pay augmented by allowances. One of its aims is to reduce the conflicting provisions of previous laws, and close the gap between the formal law and how things work in practice, which up to now has been one of the widest in the MENA Region.

24. **The legal framework for the public service in Tunisia is the Statut General de la Function Publique (SGFP), Law 83-112 of 1983, which provides a general regime for central and local government public employment**, consistent with the model of a career based civil service. It provides for recruitment through competitive exams and merit based promotion to a tenured, career based system. Performance evaluation is also specified, but assessments are reported to be *ad hoc*, if they take place at all.
25. **In Morocco the foundational law for the public service is also called the Statut General de la Function Publique (SGFP)**, passed in 1958 and subsequently amended several times. It provides for equal access to a tenured, career based civil service, but at the same time reserves 7% of employment for persons with disabilities, such as families of veterans of the resistance movement, former members of the armed forces, wards of the state, and disabled persons. It provides for regular staff assessments as part of the promotion process, but, as will be described later, almost all civil servants receive the highest possible score, and in practice seniority is the determining factor.
26. **In all three countries (and in most others in the Region), the public service law creates a career based civil service**, in which employees are not hired or promoted to a specific position for a pre-determined task, but placed in a hierarchy and given a rank. Thereafter the tendency is for staff to advance based on rank and seniority (and to an extent connections and patronage), rather than merit and performance.
27. **In the first instance, this has an effect on the quality of staff in higher level positions, by preferencing seniority over competence, discouraging initiative and creating a promotion entitlement mentality.** In the second instance, absence of an explicit link between hiring decisions and positions in most countries' laws and regulations means that the checks against both politically and bureaucratically driven employment expansion are weaker. Most civil service laws mandate merit based recruitment and promotion, but in many cases the mechanisms put in place to ensure this are ignored or overridden. Without an explicit link to jobs, competency requirements are not developed and training and staff development are not given the attention they deserve, consequently limiting public sector performance.
28. **If staff performance assessments and disciplinary processes prescribed by laws were more closely followed, the incentives for staff to perform better and for managers to appoint the most promising of their staff, however, would be**

stronger. This would lead to an improvement in the quality of staff in supervisory positions, up to a point. But as the next section explains, the bureaucratic culture does not encourage performance.

29. **And because recruitment is not linked to positions, closer attention to the law in recruitment and promotion would likely not check the growth in numbers and the wage bill.** The latter is driven partly by political factors such as the creation of jobs in the public sector either to reward supporters, extend social protection or ward off discontent, partly by the weak links between decisions on staffing and decisions on finance, and partly by the lack of a strategic perspective on public sector staffing levels and priorities. In this way, the drivers of wage bill expansion are institutional more than legal.

INSTITUTIONAL FACTORS

30. **In most MENA countries the authorizing body for public service matters is not a ministry, but a semi-autonomous agency or commission supervised by a board of presidential appointees.** In Egypt it is the Central Agency for Organization and Administration (CAOA), created by Law 118 of 1964. In Tunisia the General Committee of the Public Service (CGFP) is responsible under the Prime Minister for the management of public sector employment policies, with three directorates covering public service administration, training and organizational structures. Its role is to manage competitive recruitment examinations and promotions, and undertake research and policy development. In Morocco there is an equivalent body, the Executive Council of the Public Service with similar responsibilities.
31. **In both Egypt and Morocco there are separate ministries with responsibility for public sector modernization and reform.** In Egypt it is the Ministry of Planning, Follow-up and Administrative Reform, which is currently leading a public service reform initiative, in cooperation with the CAO, based on a diagnosis of the challenges facing the state and what needs to be done.
32. **In Morocco the main promoter of public service reform is the Ministry of the Public Sector and Administrative Reform.** In the past two decades, there have been a number of efforts at reform, such as a white paper on administrative reform, a national colloquium, and, more recently, a public service pay reform project aimed at relating pay to functions rather than ranks, and reversing the relationship between base pay and allowances, with much greater emphasis on the former.

33. **Both in the three countries and across the Region the tendency is for the council or agency in direct charge of public service matters to focus on implementing the existing law and to show limited interest in reform.** Ministries with a portfolio mandate for administrative reform generally try to address structural problems, but without direct leverage on the processes of staff appointments, approvals and deployments, reform initiatives often lack traction, and are further bogged down by shifting leadership interest, and the seemingly intractable challenges of staffing numbers, pay and the public service wage bill. Public service councils, notwithstanding their focus on the regulations, have generally not been successful in getting ministries, departments and agencies to systematically adhere to staff assessment processes.
34. **Public service reform initiatives in MENA countries typically begin with an effort to review and revise the public service law,** hopefully with the engagement and support of the public service agency. This results in periodic new laws, but by and large the consensus way in which drafts are produced and the power of vested interests results in incremental change rather than a major shift in the way in which the public service is managed.
35. **Missing from the mix on public service policy is the Ministry of Finance.** In most MENA countries budgeting is strictly annual, and a medium term approach is seldom taken. Additional staffing requests are decided by the public service agency on a needs basis, without taking into account funding availabilities, or forming a strategic view on staffing levels or priorities. Too often, the role of the Ministry of Finance is that of denier of funding. Typically, the way this impasse is resolved is either by reducing the resources allocated to either capital or non-wage operating expenses to make room for salaries, or by postponing pay adjustments, in turn making it more difficult for the government to recruit critical staff in key managerial, technical and professional areas. Thus we see both in Egypt and Tunisia growth in public service staffing levels over long periods financed by declining real pay. If HR controls are weak (as they mostly are) this results in a downward spiral of increased absenteeism, moonlighting and bureaucratic rent seeking, in turn feeding popular discontent over service delivery.
36. **The larger the public service becomes, the greater its power as an interest group in its own right, expressed directly through policy makers, or through influential public sector trades unions.** This may be one of the reasons why successive public service laws and their regulations make it difficult for managers to terminate staff for poor performance, who also cite court reversal of termination decisions or the rare occasions this happens. Or, when re-organization necessitates redundancies, and redeployment within the public service is not practically possible, staffing costs cannot be saved. The most recent Egyptian public service law, it is worth noting, was

promulgated at a time when parliament, a protector of public service vested interests, was suspended.

37. **A further factor is the actions of political leaders, whether democratically elected or autocrats.** In Tunisia, for example, public sector employment jumped sharply after the Arab Spring as the newly elected government expanded payrolls partly to reward supporters, partly as social protection and also to reinstate staff dismissed by the Ben Ali regime. But as Figure 1 shows, public sector employment had long been on an upward trajectory.

Figure 6. Public Sector Employment in Tunisia

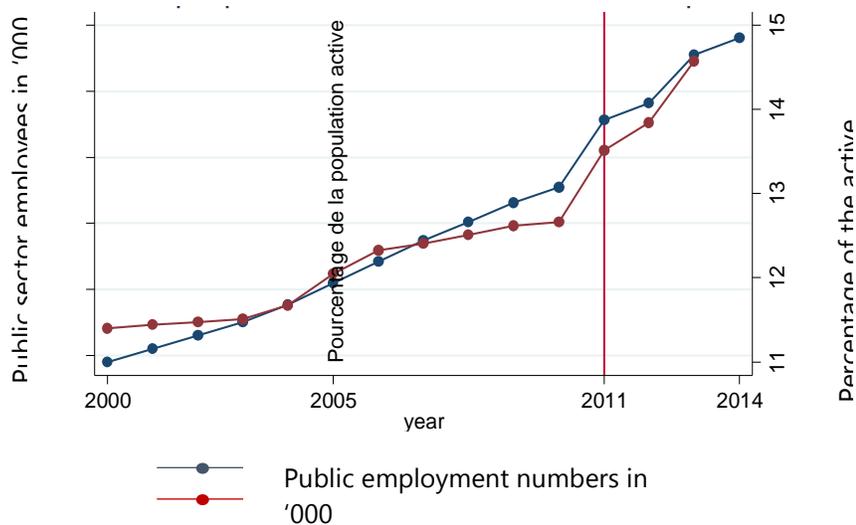


Figure 6. Public Sector Employees. Source: INSAF 2014

38. **In Egypt, the public sector has likewise been expanding over a long period.** In 1978 there were 1.6 million persons on the government payroll serving a population of 37 million (a ratio of 1:23). By 2008 it had risen to 5.7 million out of a population of 75 million (a ratio of 1:13). Since then, there was first some tapering, followed by a sharp rise immediately following the Arab Spring, tapering off in 2013. The latest estimate is just under 6.4 million for a population of 83 million (the same ratio of 1:13). Prior to the Arab Spring, total public sector employment had been on a slightly declining path, due partly to a recruitment freeze.

Figure 7. Public Sector Employment in Egypt

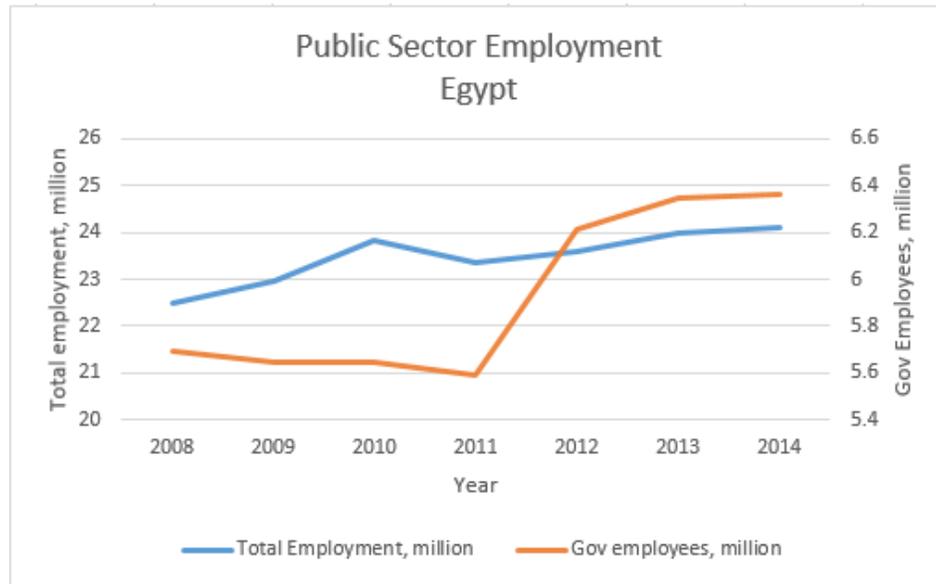
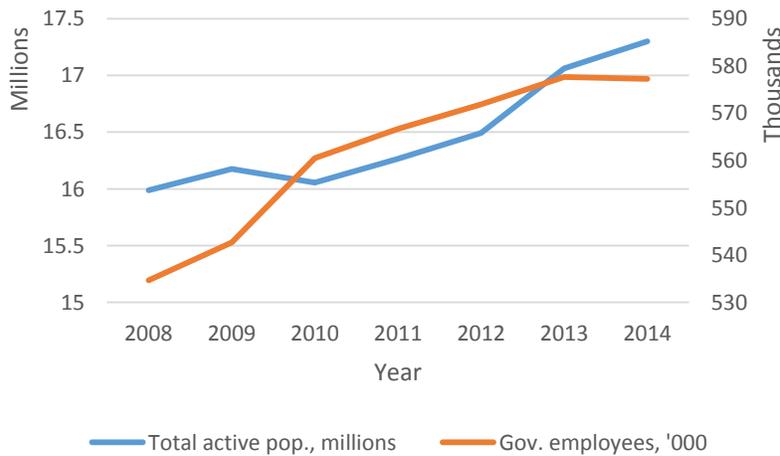


Figure 7. Public Sector Employees. Source: INSAF 2014

39. **In Morocco, with a population of 33 million, the public sector is relatively smaller (a ratio of 1:35).** Government employment has shown steady growth in recent years, overall at a slightly faster rate than population. Because public employment is not so extensive in Morocco, the government has been able to maintain real wages better than Egypt or Tunisia, but as a consequence the wage bill share of GDP is almost as large.

Figure 8. Public Sector Employment in Morocco



Source: Government statistics, Ministry of Public Sector Modernization

REMUNERATION SYSTEMS

40. **Countries with traditional career based civil services typically have salary systems based on classes to which staff are assigned by initial entry level qualifications rather than jobs.** While a career based system is not incompatible with performance if promotions are truly merit based, it too easily reverts into advancement by seniority alone if individual staff assessments are not performed rigorously. This is the case across the Region, and it is more difficult to develop a competency based approach to staff development without a stronger emphasis on the job content of positions when moving staff laterally or on promotion. The aim here would not be to abandon a career based system, but to take greater account of the work to be done in considering staff establishments, the appointment of new staff, and the development of existing staff.
41. **In Egypt there are three top management scales (for Senior Under Secretaries, Under Secretaries and Directors General), followed by scales for six categories of public officials,** from Category 1 (senior administrators) down to Category 6 (entry level for laborers). The entry level for secondary school graduates is Category 4, and that for university degree holders Category 3. An individual's base pay is a function of educational attainment, and progression up the scale within a category, based mainly on years of service. There exists the possibility of promotion to a higher category, dependent in theory on performance but in practice on seniority and "connections". Total remuneration depends on multiple allowances, some of which are occupation related, and some general, and which may exceed base pay. While there may be job descriptions for positions held by higher level staff, the system as a whole is not position based. Remuneration depends on rank and seniority rather than position held and the complexity of the job. Staff in SOEs or subvented agencies generally enjoy higher base pay and allowances than civil servants working directly for government.
42. **Tunisia has a similar career based remuneration system, with four categories based on level of education** – Category A for university degree holders, Category B for high school diploma holders, and Categories C and D for middle school graduates. Separate remuneration regimes apply to the judiciary, auditors, internal security forces and the military, and customs, but they operate on similar principles to the general scheme.
43. **As in Egypt, there are lots of different allowances, some specific to a professional stream, some special to a job, and some general.** Allowances rather than base pay is the principal means of paying selected categories of staff more than others. This

happens if pay in the public sector is uncompetitive or the pay demands of a particular professional group are difficult to resist. Up to 2011 there were triennial wage negotiations with the main union, the UGTT, but this broke down and now there are case by case negotiations with sectoral unions, which add to the system's complexity and opacity.

44. **Morocco has a similarly complex remuneration system, comprising a base salary to which are added both specific and general allowances and additional compensation for different functional or professional groups.** Again pay is a function of level and seniority rather than job content, competency and responsibility, based on objective analysis.
45. **The diminishing value of base pay has shifted attention to bonuses (in Egypt) or compensatory payments (in Morocco).** Originally limited by law in Egypt to 25% of base pay, in some cases they are as much as 200%. They have also become disconnected from performance, and are seen as an entitlement.
46. **In most countries in the Region there is a public sector pay premium at the lower end of the pay range, which switches over to a deficit for professional and technical grades in high demand by the private sector.** In both Egypt and Tunisia the real value of remuneration for most public officials has fallen during the past decade or so, as the government payroll has grown consistently faster than revenues. In Morocco, where the public sector is smaller and growth in numbers has been much less, real pay has broadly been maintained, and the public sector pay premium is larger. Absenteeism is a problem in all countries, noticeably so in Egypt, and is a function of low pay, lax or complicit supervision, and lack of meaningful job content (World Bank, 2013). Where unit productivity is low, the absence of staff is not critical.
47. **Public servants are entitled to a pension on retirement, typically at age 60 in the Region** (World Bank, 2013). Public pension schemes are traditional defined benefit schemes, with the pension calculated as a fraction of base pay (in Egypt 80% of the final two years). But because base pay has become a minor fraction of total emoluments through extensive use of allowances, retirees experience a major drop in income. Furthermore, because pension funds across the Region are hugely underfunded, many depend on direct transfers from the annual budget, and have not been able to adjust sufficiently for inflation. Few public officers leave the security of a government job early, however, because of the instability of employment in the private sector and the likelihood that working conditions will be more demanding. Firing following disciplinary procedures is extremely rare, and in some countries may be ordered only by a judge. In Morocco, where retirement age is also 60, a contributory

pension scheme for public officers has existed since 1971, with contributions linked to both base salary and allowances.

RECRUITMENT AND PROMOTION

48. **As already noted, ministries are given permission to recruit by the central agency, after making the case for additional staff.** Although in some countries recruitment and promotion are supposed to be linked to vacant positions, in general this is not the case. If budgetary conditions are tight, a freeze may be imposed or recruitment otherwise restricted, but in most countries the job of the Ministry of Finance is to find the money for additional staff already authorized. Without a credible Medium Term Expenditure Framework in most countries, line ministries have little incentive to trade off additional staffing for other funding needs, such as non-wage operating expenses or capital spending (World Bank, 2012).
49. **In the three case study countries, the civil service agencies do not see their role as a complementary central management agency working in tandem with the Ministry of Finance,** the one dealing in human resources and the other in financial resources. Rather, they see themselves as guardians of the public service law and its regulations and circulars, and make decisions on staffing independent of affordability. This is a critical weakness, and creates an incentive for line ministries to continually request more staff rather than examine whether existing staff are productively deployed. Lack of critical scrutiny of existing staffing levels means that most ministries have only vague idea of how many staff they really need to fulfill their mandates. Across the Region, ministers and senior officials complain of staff promoted beyond their competency, who have to be by-passed since they cannot be terminated or reassigned to a less demanding position.
50. **Recruitment and promotions in all countries are highly centralized, with little discretion for line ministries to manage their own staffing decisions.** Formally, recruitment has always supposed to be competitive, based primarily on educational qualifications. Under the new public service law (Law 18 of 2015) in Egypt, the CAO is supposed to introduce and run a nationwide entry exam, to reinforce merit and counter more informal selection approaches, based on “connections”.
51. **In Egypt, contract hiring has grown in the past two decades as a way of circumventing central controls, with the aim (on the part of the hiring department) of converting staff to tenured status later.** This system originated with Law 47/1978, which allowed ministries, governorates and public authorities to hire

temporary contract employees for short tasks (the same law also instituted a government policy guaranteeing a job in the public sector for every university graduate – rescinded in 1984). Public bodies, however, began misusing the provision, hiring contract workers for regular jobs, with Parliament subsequently changing the law to allow conversion to tenure after three years. This became a back door to irregular entry into the public service for relatives of senior managers and HR specialists, and for those willing to pay a bribe.

52. **In Tunisia public service recruitment is supposed to be by a competitive process (“concours”) with candidates providing education diplomas, application “dossiers” and undergoing tests, under the supervision of the CGFP.** Hiring organizations have an obligation to take the most qualified. After the Arab Spring there was a sharp jump in intake. First, there was a general amnesty for employees who had been dismissed for specific reasons under the Ben Ali regime, and given the right to rejoin the public service, with seniority intact. Second, in the interests of social peace and stability special provisions were introduced to provide public sector employment to wounded veterans and families of “Martyrs of the Revolution”, and certain categories of the deserving unemployed. Third, there was a regularization of contract and temporary workers, granting them tenure. As a result, entries into the public service more than doubled between 2010 and 2011, and stayed at a high level the next two years as the decree was extended.
53. **In Morocco, public employment has grown at a more moderate rate,** even so 7% of jobs are reserved by law for persons with disabilities, families of the resistance movement, veterans and former members of the armed services, and wards of the state. More explicitly than other countries, however, the law stipulates the availability of a vacant position as a condition of recruitment.
54. **Once accepted into the public service, and after satisfactorily completing a probationary period, an officer is supposed to undergo an annual performance assessment.** Staff assessments are trait rather than work program based (the latter would require formal job descriptions and a cascading downwards of entity work plans). In all three countries annual staff assessments have little meaning.
55. **In Egypt, because of low wages, all managers give their staff high scores, and an estimated 97% of employees are rated “excellent”.** In Tunisia there are both quarterly and annual professional rating systems, also trait based (work quality, interpersonal relations, conduct and attendance). The quarterly ratings in theory are tied to the annual bonus staff receive, the annual ratings to advancement. In practice the ratings lack objectivity, with no goals or objectives set against which to measure

performance. Review meetings are seldom held, and there is universal grade inflation (the majority of staff get 95-100). Professional ratings have little effect on promotions, where seniority is more important. Supervisors, on their part, consider the bonus rating as an additional fixed compensation and prefer to treat employees equally.

56. **In Morocco performance assessments of staff are required by law, but again, almost all staff receive the highest score,** and in promotions the greatest weight is given to seniority. In December 2005, in an attempt to improve outcomes, a new system was introduced with an annual score (1-20 with 18-20 excellent and below 10 insufficient) for advancement within grade and an evaluation interview every two years for promotions. Promotion to executive level, however, requires both submission of an application, the existence of a job description with competencies, and submission of a short list by a selection committee for prime ministerial decision.
57. **With a relatively small number of scales within which to promote staff (effectively three in Egypt before top management is reached), a graduate entering the public service realistically can look forward to only a few promotions over his/her entire career,** since promotions are tied to rank rather than job. That officer can, however, anticipate steady advancement within grade as an automatic process as seniority accumulates, though if present trends continue, this will barely keep the officer ahead of salary erosion. For younger, more energetic staff, the way ahead appears blocked. For older, less ambitious types, government employment is a safe haven, offering security and a regular if diminishing pay check. For the public service as a whole the incentives for better performance are weak.
58. **Training is not integrated with annual staff performance assessments.** Training budgets are extremely small, and offerings are seen as marginally relevant. Morocco, however, has a goal of reaching 1% of the salaries budget for training.
59. **In all three countries, supervisors have disciplinary responsibilities, though seldom used.** A graduated scale of actions have to be approved by a disciplinary committee, from formal reprimand through loss of increment to dismissal. But higher level sanctions are rare even when performance shortfalls are glaring.

REFORM INITIATIVES

60. **All three countries have launched public service reform programs in the past decade, Egypt being the most recent.** What is striking for all of them is that the diagnosis on which they are based is not new. Most of the problems they are addressing were recognized several decades ago and featured in earlier, if not

sustained, reform programs. Reformers have long recognized the inadequacies of the staff performance assessment process, and the negative consequences for merit based promotion and entity performance. Another target of reform has been pay structures, acknowledging that base pay is too low and allowances too numerous and non-transparent. There is also recognition that organizational structures have proliferated and staffing levels are too high – though without a clear picture of what staff are doing, it is impossible to tell whether a department is overstaffed and by how much.

61. **Public service reform deals with system-wide processes.** Governments are also aware that there are specific sector reform needs in sectors such as education, health and the security services, traditionally major employment areas in all public sectors.
62. **In Egypt the current public sector reform program entails overhaul of the public service law** (promulgated in 2015 when parliament was suspended), reform of the state organizational structure, public administration systems, strengthening HRM capacity, wage scale reform, service delivery, anti-corruption, decentralization, PFM and public asset management, M&E, and changing the state/civil society relationship. Prior to that, there had been recruitment slow down (between 2004 and 2011 recruitment was restricted to the number of those leaving), and from 2002, heavy investment in eGovernment.
63. **In Tunisia, reform initiatives as early as 1987 had identified recruitment, performance evaluation, promotion and the complexity of the remuneration system as areas in need of change.** In 1989 a specially appointed Reform Commission inaugurated a seminar on administrative modernization. This came up with recommendations for all of these areas (including limiting government employment to a renewable five year term), but few of the recommendations were implemented. Another round of reforms was launched in 1996, the main achievement being an integrated HR management system - INSAF, inaugurated in 2002. Between 2007 and 2011 there was extensive public consultation resulting in similar recommendations to the 1987 Commission seminar, including reforming recruitment, the staff performance assessment system, and training. With the Arab Spring and the downfall of the Ben Ali government, reforms were, for the time being, abandoned.
64. **Morocco's public service reform trajectory is similar.** In 2000 the Ministry of Public Service and Administrative Reform published a white paper on administrative reform outlining a comprehensive vision and strategy. This was followed two years later by a National Colloquium, though little action followed. In 2010 a civil service pay reform project was launched, proposing that civil service pay be based on functions (positions) rather than rank (in Regional terms, a major step), and that the uneven balance

between base pay (30% of total remuneration) and compensation payments (70%) be reversed.

WAY FORWARD

65. **The current context in the MENA region is marked with ongoing transitions and transforming sociopolitical landscapes.** Citizens are demanding new liberties and a more inclusive public policy making process. Governments are faced with pressure to deliver results, and to do so quickly.
66. **Yet, the pattern across the region has been to continue to use public employment as a means to assuage social tension rather than addressing the underlying structural weaknesses** that will help stimulate more inclusive growth (Ghanem, 2015). As illustrated in this paper, this was the case in Morocco and Tunisia, where the Arab Spring triggered bulk hiring of groups of job seekers queuing for public employment. In Egypt, these pressures also led to the creation of permanent posts for all temporary employees.
67. **The most urgent task of governments in MENA is thus preventing the government wage bill from further growing,** to avoid destabilizing budgets, adding to fiscal deficits and public debt, and undermining public sector performance. In the short run, this means freezing new recruitment (or limiting it to replacements only) and restraining pay awards, even if public sector pay for critical categories of staff remains below the private sector.
68. **As a means to improve human resource management, strengthening establishment control systems will be integral to eliminating payroll fraud,** where payrolls have become corrupted by ghost workers and other illegal practices. This reform would also require bolstering the capacity of the civil service agency to review organizational structures and staffing levels, and to work more closely with ministries of finance to rebalance budgets over the medium term, consistent with affordability, particularly in the three largest employment sectors such as education, health and security services.
69. **A systematic evaluation of competencies and skills required for different tasks, and of current and desired supervision ratios in different ministries will help make workforce planning processes more effective.** As this process requires setting objectives and targets, strategic management of staffing would strengthen the link between job functions on the one hand, and results and performance on the other.

70. **In the medium term, governments may find it useful to target the wage bill share of GDP or of total revenues/spending**, and aim to bring these ratios down to more sustainable levels. Development of a MTF/MTEF would allow a more strategic approach to staffing to be adopted.
71. **In terms of compensation, systems of pay should be reconfigured, with the bulk of remuneration provided in base pay matched by a reduction in allowances other than job specific ones.** Pay scales should be redesigned to accommodate a more jobs based approach to pay determination thereby increasing the transparency and minimizing its complexity. Ultimately, countries in the region should begin a discussion (as Morocco has done) on the transition to a more jobs based system of public service management, in which pay is determined by jobs performed rather than rank of holder, with equal pay for equal work, in a transparent and non-discriminatory system, that is able to attract, retain and motivate the skills needed for a well performing public sector. This can be done while retaining essential features of a career structure for staff. A key element to strengthening performance will be linking training to annual staff assessments, coupled with adequate funding and more relevant content.
72. **Existing public service legislation may require amendments facilitating better Human Resource Management.** This includes reforms which allow government to retrench staff, with equitable compensation, in circumstances where organizational restructuring requires downsizing and existing staff cannot be redeployed elsewhere in the public sector. Facilitating greater mobility of public officials will help match competencies and skills with actual demands across the civil service, improving government utilization of human resources. In turn, this should enable the government to manage its payroll better. Early retirement and voluntary retirement schemes should be considered, with suitable incentives and safeguards against the loss of key staff.
73. **Human resource management will require strengthening, both in central agencies and in line ministries, with decentralization of HR decisions to the latter once capacity has been improved** and control systems strengthened. Staff performance assessment systems need to be operated as designed and eventually linked more closely to work programs. Central agencies should deny staffing requests and budgets to departments which cannot demonstrate the regular functioning of staff performance assessment systems.
74. **Furthermore, reinforcing open government reforms, including reforms on citizen engagement, will help informed public policy making and reinforce better service delivery.** In Morocco, the 2011 Constitution has introduced a wide-range of new rights linked to public engagement, including the right of citizens to petition public

authorities and to present legislative motions, and the right of citizens to be consulted on draft laws and regulations as well as policies and programs. These reforms, coupled with the pending law on Access to Information, will provide the necessary foundation for better accountability and, in turn, better public sector performance. In Tunisia, the country's recent membership in the Open Government Partnership has also reinforced commitments to pushing forward this agenda. The recent adoption of the Access to Information law presents important opportunities for greater transparency and sets the stage for the accompanying reforms on public engagement.

75. **The complexity of the question of public employment, coupled with its particular importance for the MENA region necessitates further research in this area.** This note attempts to provide a preliminary glimpse of some overarching trends in regards to public employment across some countries in the MENA region over the past few years. To better understand the drivers at play, more research is warranted on a range of issues.
76. **One such issue is establishment controls, and understanding better how decisions are made on additional staffing requests.** Studying the underlying processes at play in a number of countries in the region, should generate a clearer picture of the interplay of staffing and budgetary issues. Furthermore, data on public pay premiums are limited and the information is needed to guide wage strategies. There is also a need to study wage setting processes generally across the region. Issues pertaining to budget processes, and more information on ongoing reforms relating to MTFE and MTEF systems, as well as performance based budgeting, will help to identify the scope for a more efficient use of human resources.
77. **Another area for more research is high employment areas such as education, health and security** to see whether staff are allocated efficiently (e.g. distributed to schools or within health care systems) and whether policy needs changing. Highlighting any mismatch between supply and demand for staff should help improve service delivery.
78. **A more concerted effort to understand how career-based civil services can be transformed to take greater account of positions and jobs would be useful for countries in the MENA region.** What should MENA countries aim for and how should they get there? Morocco seems to be edging in this direction, and we should learn more.
79. **Finally, with more countries adopting decentralization policies, we need to understand the implication of such reform in HRM terms.** This includes the

delegation of greater decision making on staffing matters to line ministries, the HR consequences of transferring more functions to lower tiers of government, and bringing accountability closer to the people.

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