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An organizational model design for a personnel department in petroleum industry in the United Arab Republic

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AN ORGANIZATIONAL MODEL DESIGN
FOR A PERSONNEL DEPARTMENT
IN PETROLEUM INDUSTRY IN THE
UNITED ARAB REPUBLIC

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INTRODUCTION

The United Arab Republic as a newly industrializing economy has embarked upon a Socialist path of development since the 1952 Revolution. A major break-through under a socialist pattern of organization was needed to push the Egyptian Society to take-off into sustained growth.

Nationalization of all large industrial, financial, and trading enterprises was necessary to achieve the objectives of the State, that of economic development. Accordingly, the ownership of all such concerns was transferred to the State in July 1961, and the General Organizations were set up to control all companies in the public sector.[1] These General Organizations are similar to corporations in other countries. Each organization supervises companies concerned with the production of similar commodities, and are predominantly owned and operated by the Government. State ownership of industry was justified, to paraphrase the President, because it represented the people, created a balance with private ownership, and avoided the domination of industry by private capital.[2]

Industry grew at a fast pace and with it grew the importance of the human relations side of business, the study of people in action.

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[1] P. O'Brien, The Revolution in Egypt's Economic System, (London: Oxford University Press, 1966), p. 173

[2] President Nasser's speeches, 1959, pp. 400-1

Managers of public enterprises were faced with the need to coordinate the efforts of their workers to reach the common goal set by the State in the first and second five year plans. Ways had to be found to strike a proper balance between the needs of the workers and the needs of business. As such the basic functions of the Personnel Department, that of hiring, training, compensating and motivating became of vital importance for any successful business.

Setting of the Problem

In any developing country, one always finds pressures from the State to impose Civil Service conditions upon public enterprises.[1] In the United Arab Republic, socialist measures were taken in 1961 to raise the workers' standard of living, and were followed by a Presidential Decree Number 3546 of 1962, (amended later by Presidential Decree Number 3309 of 1966), promulgated to regulate all workers in the public sector. The ideology prompting these two decrees was to create forces maintaining inter-enterprise differences. Fairness and equity among all workers were the basis for the new social trend in business. It was believed that different conditions of service in different sectors of the economy would give rise to forms of competition for scarce personnel, causing thereby, the flow of first rate personnel from

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[1] A.F. Sherif, "Top-Level Management and Personnel Problems of Public Enterprises", (N.I.M.D., May 1967), p. 12

the Government departments to enterprises. Such a situation was considered undesirable in a socialist economy because it was believed that it would give rise to corrupt and nepotistic practices. Uniformity of personnel conditions was also favored because it was believed that it would facilitate central control, impart a semblance of regularity and subject politicians to lesser pressures.[1]

These principles as most experts believe, do not agree with rational personnel systems for economic enterprise development. Management in the public sector enterprises and especially the Personnel Administrators are faced with a dilemma; trying to seek ways to reconcile the State demands for uniformity and the necessity of having differential benefits offered by each enterprise to attract and motivate the right kind of talent for adequate performance.

The Objective of the Research

The writer hopes to be able to design an organizational model for a personnel department that can, within the present constraints, perform its basic functions in the most effective way thus creating favorable workers-management relations, influencing thereby, productivity.

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[1] *Ibid.*, p. 15

Methodology

The following sources of information will be used for the research :

1. Review of the literature written on the subject by American management consultants. Although the United Arab Republic has chosen the Socialist path rather than the Capitalistic one, and in spite of the difference that exists between one environment and another, one can hardly ignore the knowledge and experience gained by American practitioners in the field. Bertrand Russell once said about similarities between Communism and Capitalism :

> "There are quite a lot of similarities which can result almost inevitably, I think, from modern techniques. Modern techniques require very large organizations, centrally directed, and produces a certain executive type to run them. And that it is equally true in Communist and in Capitalist countries, if they are industrially developed." [1]

The management literature written by Egyptian consultants and researchers on the subject will be reviewed also.

2. The writer's experience as a personnel administrator in the Compagnie Orientale des Petroles for almost ten years prior to 1962.

3. Unstructured interviews with the Personnel Administrators of four petroleum companies, in different activities, namely

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[1] B. Russell, Bertrand Russell Speaks His Mind, (Ohio : The World Publishing Company, 1960), p. 49

exploration, marketing and refinery.

Hypothesis

The hypothesis may be advanced that the decree promulgated to regulate the workers of the public sector stands as an obstacle in the way of personnel administration development, and has placed the personnel director in a position of an obstructionist. He tends to tell the line operators what they cannot do rather than what they can do. He has become a "routinist" because he is expected to follow the supposedly well established procedures set by the State.

Limitations

The following are some expected limitations to the research :

1. Using direct observation technique will not be feasible and so the writer will interview heads of personnel only.

2. Habits and personality of the individual differ from one person to another, which could result in some difficulty in obtaining the real facts about personnel procedures, fearful of their being critical of the present constraints.

3. The economic climate of the United Arab Republic is somewhat different from that of other countries. The United Arab Republic is undergoing a development effort especially in industry. It has elected to use a comprehensive planning system. This creates some difficulty in adapting business models to the United Arab Republic

reality.

Thesis Organization

Four chapters follow the introduction. The first chapter deals with the historical development of the writer's company which will be taken as a basis for this study, with special attention to the development of its personnel department.

The second chapter deals with the development and importance of personnel administration in general and its importance to a petroleum company. The third chapter includes the necessary functions of a well established personnel department, its objectives, and constraints that affect its performance. Chapter four deals with the recommendation for an organizational model with emphasis on developmental programs and their place in the organization, and finally concludes with a synopsis of the material proposed in that chapter.

CHAPTER I

HISTORICAL DEVELOPMENT OF THE COMPAGNIE ORIENTALE DES PETROLES D'EGYPTE

The United Arab Republic was one of the first countries in which petroleum was discovered. As further exploration continued the potential in commercial quantity was recognized and foreign countries entered into the scramble to secure the rights to exploit this resource. In 1868 a mining company discovered an oil seepage in a sulfur mine near Gemsa, on the Western Coast of the Suez Gulf. Regular and serious exploration did not begin, however, until in 1884, and lead to the discovery of the first oil field in Egypt in 1908.[1]

Since that year, and for not less than half a century, Egyptian petroleum industry, with all its stages, from the oil well to the consumer, was under foreign influence. Foreign powers were tempted to make it a coveted arena for strife and subordination.[2] There were four major oil companies operating in Egypt before the 1952 Revolution; the Anglo-Egyptian Oilfields (Shell/BP affiliate), the Standard Oil Company of Egypt (Esso Jersey), Socony Vacuum Oil Company of Egypt (now Mobil), and the South Mediterranean Oil Company (Caltex).[3]

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[1] Egyptian General Petroleum Corporation, Petroleum in United Arab Republic (Cairo: Egyptian General Petroleum Corporation, 1960), p. 429

[2] A. K. Hassouna, "Petroleum and Arab Collective Agreement", Arab Petroleum (Second Arab Petroleum Exhibition, League of Arab States, Cairo March 16 - April 7, 1965), p. 1

[3] Egyptian General Petroleum Corporation, op. cit., p. 15

These companies monopolized exploration, exploitation and marketing activities of the petroleum industry in Egypt. They were tools enforcing the policies laid down by the foreign countries. As such, the economy of Egypt was in the hands of these countries to an extent that enabled them to paralyze the economy whenever they deemed fit.

> "Before 1952 Egypt was a private enterprise economy with foreign influence in many fields and with some direct, though limited, Government interference." 1

Such was the picture until July 1952, when the Revolution broke out and had to face an era of weakness, defeat and foreign monopolies. The Petroleum industry was the first field of activity to feel the effect of revolutionary change because petroleum was vital to Egyptian National Economy.

> "From this great revolution sprang an industrial revolution covering all sectors of industry. Petroleum had an important part to play in this industrial revolution." 2

To reach this goal of economic development the United Arab Republic Government decided to acquire all petroleum functions previously divided among various ministries and institutions, by forming the General Petroleum Authority in 1956, by virtue of Law Number 135, and Laws of 1956, 1958 and 1959.[3] Later in 1962, the Egyptian General

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[1]B. Hanson and G.A. Marzouk, Development and Economic Policy in U.A.R. (Egypt), (Amsterdam: North-Holland Publishing Company, 1965) p. 275

[2]A. Sidki (Minister of Industry, Mining and Petroleum), Egyptian General Petroleum Corporation, op. cit., p. 1

[3]Central Bank of Egypt, Economic Review, (Vol. IV no. 1. Cairo : Central Bank of Egypt Press, 1964), p. 9

Petroleum Corporation was established to take care of the functions of the General Petroleum Authority. The Egyptian General Petroleum Corporation's Board of Directors is composed of the Chairmon of the Boards of Directors of the government affiliated companies. The Board is responsible for setting lines of direction, coordination, planning and the general policy in technical, financial and administrative, as well as commercial activities. The Egyptian General Petroleum Corporation is considered as a public establishment and has an independent budget annexed to the State budget.[1]

The Compagnie Orientale des Petroles d'Egypte, an affiliate of the said corporation, will be taken as basis for this study because its formation marked a turning point in the recent history of the petroleum industry in Egypt, and because the writer has been in close contact with its personnel development from the very beginning and until recently.

The Compagnie Orientale des Petroles d'Egypte with its present structure has passed through several interesting stages that are worth mentioning here because, as the writer has experienced, these stages had great effect on the administration in general and the personnel department development in particular.

In 1953, the Cooperative Society of Petroleum, a one hundred percent Egyptian concern, obtained from the Government sixteen petroleum prospecting licenses situated in the Sinai Peninsula and the Gulf of

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[1]Egyptian General Petroleum Corporation, _op. cit._, p. 408

Suez. These licenses were originally granted to Standard Oil Company of Egypt and abandoned in 1948 because of Law Number 136 of 1948 regulating mining of both exploration and exploitation activities.[1] The new law stipulated that no exploitation contracts would be granted except to Egyptian joint stock companies.

Due to the fact that the Cooperative Society did not, at the time, have the technical know-how nor the financial means, they entered into an agreement with a foreign group, namely, the International Egyptian Oil Company of Panama, to undertake the exploration and exploitation activities on their behalf in the capacity of contractor.[2] It was stipulated, however, in the agreement[3] that once oil is found in commercial quantities, a new company will be formed to take over operations and exploitation of the discovered wells.

The contracting company, International Egyptian Oil Company started operations in Egypt in 1953, under the name of National Petroleum Company of Egypt, S.A.E. International Egyptian Oil Company's main share-holders were Bank Hoffman of Zurich and Southern California Petroleum Company. The management of National Petroleum Company

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[1] Central Bank of Egypt, op. cit., p. 9

[2] Interview with the Legal Advisor of COPE, January 3, 1970

[3] Agreement signed between the Cooperative Society and International Egyptian Oil Company on February 2, 1953

was undertaken by the latter group.

About two years later the Italian Agip Mineraria and the Belgian Petrofina companies bought the previously mentioned holdings and accordingly they sent their representatives to take care of their interests in Egypt, thereby replacing the previous management.

In 1957, and after a series of discoveries in Feiran, Balaym land and Abu Rudeis areas, negotiations started between International Egyptian Oil Company, the Cooperative Society and the General Petroleum Authority in order to form a new company as agreed upon previously, and the act of constitution of Compagnie Orientale des Petroles d'Egypte was signed on February 7, 1957.[1]

The first Board of Directors was formed of three Egyptians including the Chairman of the Board, two Italians and two Belgians. The shares were distributed as follows :

- 20% to the Cooperative Society
- 29% to General Petroleum Authority
- 51% to International Egyptian Oil Company

In 1961 the Italian Agip Mineraria acquired the full control of International Egyptian Oil Company shares after the breaking of relations between the United Arab Republic and Belgium, and the General Petroleum Authority acquired the shares of the

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[1]UAR, Presidential Decree, Official Journal No. 72 of September 16, 1957.

Society. Agip, on the other hand, to show its good will, gave up one percent of its shares to the General Petroleum Authority, thereby fulfilling a complete parity between the United Arab Republic and the foreign capital on a fifty-fifty basis.

The July socialist laws stipulated workers' participation[1] through equal representation on the enterprise Board. This necessitated the formation of a new board of directors with four State appointed members from the ranks of professional staff of the organization (two Egyptians including the Chairman of the Board and two Italians including the General Manager), and four elected workers representatives to sit on the board for two years tenure.

In 1966 the Board was dissolved at the request of the Minister of Industry, Mining and Petroleum Affairs,[2] and replaced by two delegated managers with full authority of the Board vested in them, an Egyptian to safeguard the interests of the Egyptians and to be in charge of all personnel affairs and an Italian to look after the interests of Italians. This situation has remained unchanged until the present date.

How did the personnel department develop under the different kinds of leadership and direction of different nationals from different parts of the world? It is a well known fact that

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[1] Law 141 of 1963

[2] Law 49 of 1966

conditions and problems of enterprises vary from business to business and from country to country and therefore ways of managing that are considered valuable in one country's society may be anathema when applied in another.[1] Differences in managerial concepts and specially if rooted in national character and customs will affect the rate of growth of business, affecting in turn the growth of any department.

The personnel department of the National Petroleum Company and the Compagnie Orientale des Petroles later on, had its ups and downs reflecting the readiness of different managers to accept and back its functions or not. Some have recognized the importance of the department to the organization and others have felt that it was there to relieve them of some routine work that was unavoidable. Accordingly, at times the department acquired more functions and more power than seemed necessary, and at times its functions and authority were limited.

In 1953, at the start of operations, management's only concern was the exploration activities and therefore about thirty employees and one hundred and twenty laborers of different skills were hired for the purpose. There was no personnel administrator at the time and the practice was to allow each department head[2] or foreman to hire, discipline, transfer, promote and otherwise make his own

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[1] J.S. Mouton and R.R. Blake, "Organization Development in a Free World", Personnel Administration, (July/August 1969), p. 13

[2] Besides the Field Management, there was a Financial Department a Purchasing Department, and a Geological Department.

decisions about personnel matters within his department. They had a notion that labor was "cheap" and easily located on account of the fact that the petroleum business paid better salaries and better wages than other sectors, thus attracting all the required skills. This was true to a certain period of time and until the latter part of 1954 when the situation slightly changed as a result of the industrial and technological development all over the country. Also the labor unions' power extended to all the industry and became an unavoidable fact that management had to live with in any kind of business.

During this time, the company's payrolls had increased and morale appeared to degenerate due to the disappearance of the one big happy family spirit which prevailed during the first year of operations.

All the above reasons made the general manager realize the importance of having a personnel administrator and the candidate was chosen from within the company. The new department's proper place and functions however, were not clearly defined and the newly appointed personnel administrator was made to understand that his main duties would be record keeping and helping in manpower recruiting, and in any case the scope and success of the department activities would be pretty much what he would make them.

Several months later with a little tact and diplomacy, the personnel administrator gained some support from management and a memorandum was issued stating that the department henceforth would initiate all transfers and changes in pay and that all disciplinary action and other personnel decisions must go through that department for approval before action could be taken. This action created considerable resentment from the other department heads and specially from the Field Superintendent who felt that this was interference in his rightful functions which he had gained during the previous period of operation.

The relationship between the personnel department and other departments grew worse in the following few months and in spite of the issued memorandum clarifying the department's functions and authority management was always inclined to side with the operations people whenever a conflict arose on matters concerning personnel. Management's main concern was the discovery of the first oil well through the help of the operations people and therefore had no intention of forcing them into doing anything that they did not want to do, believing that such actions would delay operations in one way or another.

With this situation on hand, it was up to the personnel administrator to either sit in his office and wait for someone to bring him a problem or give him an assignment and be regarded as a

second class manager, or succeed by being aggressive and innovative and proving his job's importance to the proper functioning of the organization.

> "The best way for a Personnel Department to raise its stature in the small company is to perform in such a way that top management can see the value it has to the operation as a whole" 1

The personnel administrator's decision was to perform his duties under any circumstances and try to prove to management and to the field superintendent the value of his department's functions to the operations in general. He started by showing that personnel administration is not just a body of knowledge that can be immitated from others like a technique, as some believed, but that it required some creativity to face new and different situations and find solutions to problems that had never been experienced. Independent thought as well as experience of other companies were necessary to help establish a well organized personnel department that could be of help to all concerned. The first organization chart was then established and approved (Figure 1) and the department

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[1] W.C. Thomas, "Image of the Personnel Department", <u>Personnel Administration</u> (May-June 1969), p. 36

was placed on the same level as other departments.

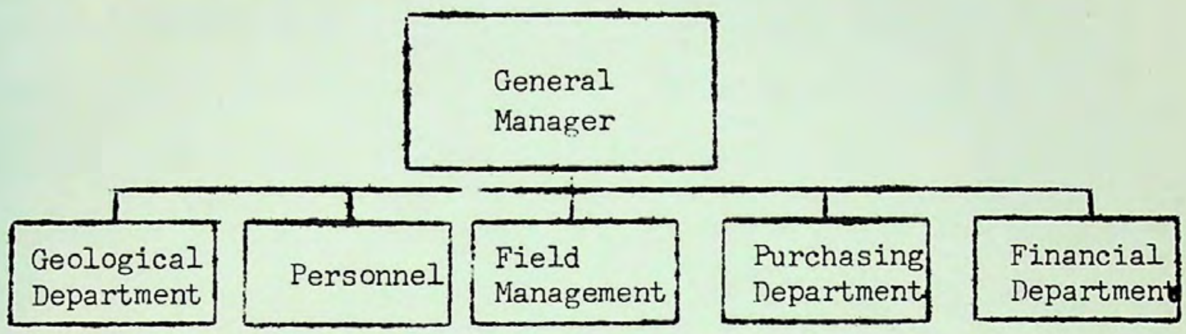

FIGURE 1

Serious consideration was given to form the first wage structure to help achieve a state of stability in the wage rates and the conditions governing the workers earnings. Though all those employed at the time felt that they were receiving fair and equitable pay for the work they performed, it was necessary to have a complete job evaluation because the company was growing in size and complexity. Staff employees and laborers were assured that none of them would suffer a loss in pay as a result of this program, and that it was not a specialized form of a cost reduction program, but a systematic fair device for determining the proper roles of each job in the organization.

In 1956, with the growing power of unions, the company had at that time a staff syndicate and a laborer syndicate, the

realization on behalf of management of the importance of manpower planning for continuous non-interrupted operations, and at the request of the Field Superintendent who found that most of his time was wasted in solving personnel problems, a decision was taken to establish another personnel department in the fields in Sinai. The number of staff employees had reached one hundred and twenty six, and the number of laborers six hundred and twenty seven. This new department came under the direct authority and supervision of the field superintendent and had no relation with the personnel department in Cairo head office (See Figure 2). The result of this re-organization was continuous conflict between the two departments as well as duplication of work. It was therefore decided that the Cairo personnel department would be concerned with staff employees' problems and the field personnel department would have charge of the laborers problems.

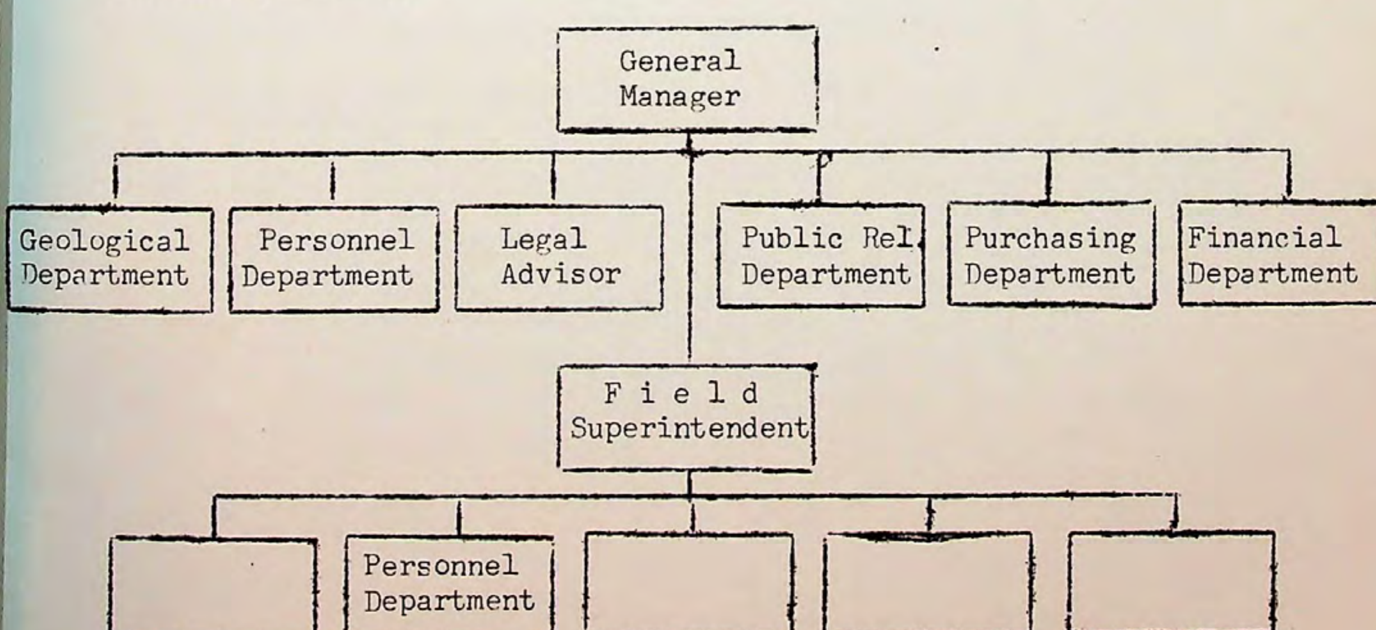

FIGURE - 2

In 1957, when the Compagnie Orientale des Petroles was formed, after the series of discoveries as mentioned previously, the staff and laborers syndicated worked together and increased management's problems tremendously. They demanded better wages, improved housing facilities, more varied and attractive meals, as well as increased transport facilities. Accordingly the new board decided to appoint a new central personnel director to head both the staff personnel department and the laborers personnel department. The board granted him full authority to negotiate with the two syndicates (see Figure 3).

The 1961 socialist laws shifted the country from a private enterprise economy to essentially a socialist economy.[1] The aims of these socialist laws was to raise the standard of living of the workers[2] and to lead to the greatest good for the largest number of people. The workers whose number had reached 1470 were granted more power by having their elected representatives sit on the board of directors.

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[1] H.Q. Langenderfer, "The Egyptian Executive; A Study in Conflict", Human Organization (Spring 1965) p. 89

[2] Differentiation between white-collar and blue-collar workers was abolished with the change of the economy to a socialist society.

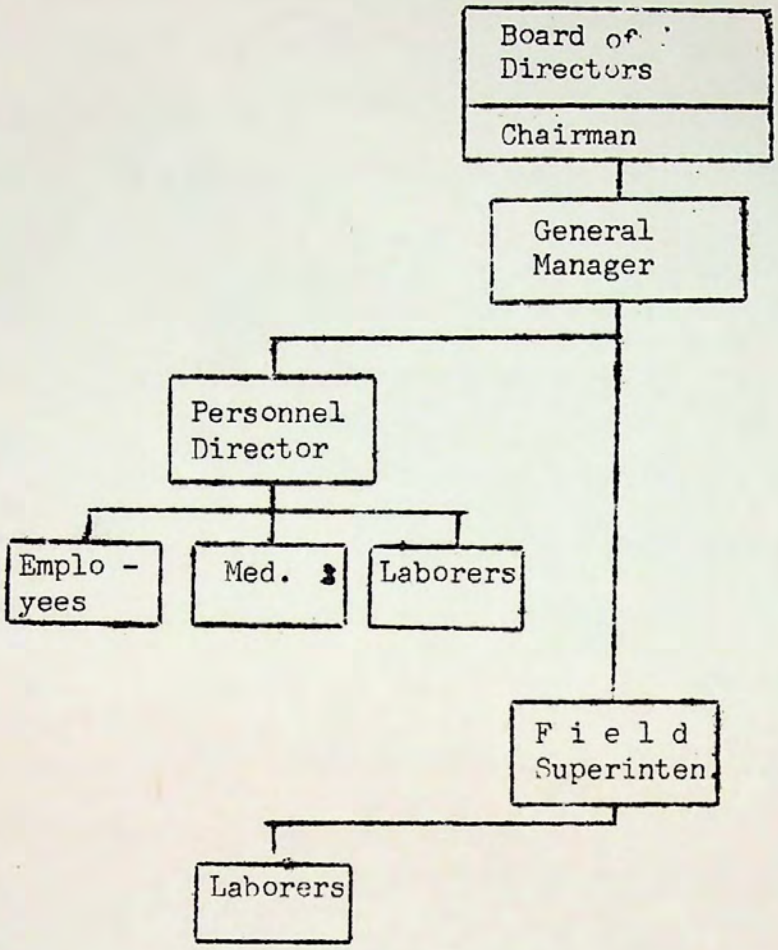

FIGURE - 3

The following years opened the way for personnel directors to justify their existence. The number of workers grew at an abnormal rate due to the complete employment policy of the state as well as stability of employment.[2] The State gave the workers many more fringe benefits and expected in return

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[1] All medical services were contracted for until 1956 when management felt the necessity of having their own medical department.

[2] It is practically impossible to discharge any one after the probation period except for gross misdemeanor.

that they would act in ways which were not only in their own interest but also in the interest of their company and their country.

> "where there is a considerable surplus of labor, generally unskilled, employment policies may be allied with import and taxation policies to ensure the maximum use of labor as against machine." [1]

The Compagnie Orientale des Petroles payrolls jumped from 1470 in 1961, to 2270 in 1965. The personnel department was also enlarged but with no additional basic duties. Its new title became Administrative Management, a title that was of great help in the re-evaluation process. The number of employees working for the administrative management also jumped from fifteen to eighty-five (see Figure 4 for the new chart and the number of employees in each box).

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[1] International Labor Office, The Enterprise and Factors Affecting its operations (H. Stader, S.A. Geneva, 1965), p. 113

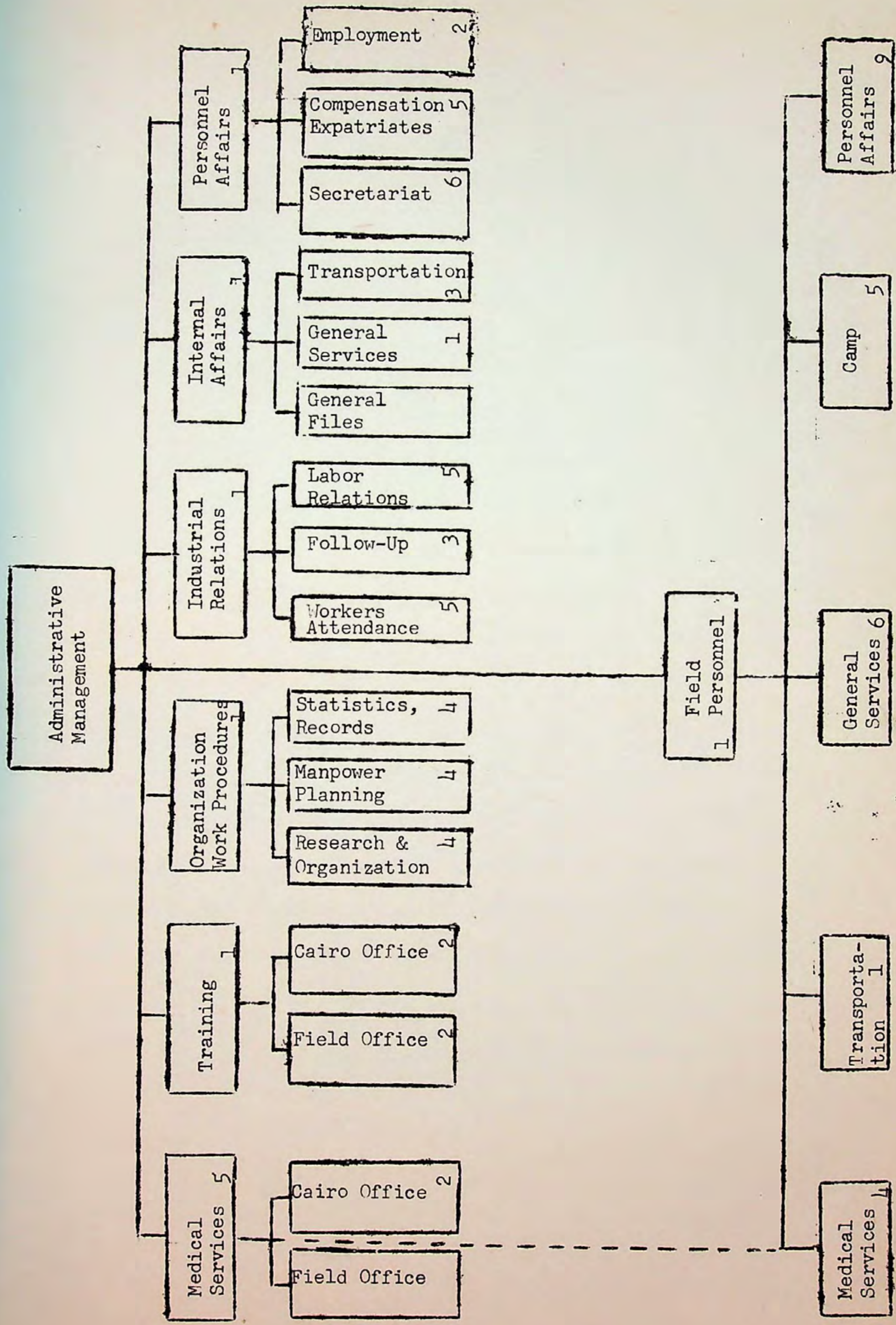

FIGURE - 4
Present Ofganization Chart of COPE's Personnel Department

CHAPTER II

THE DEVELOPMENT OF THE PERSONNEL DEPARTMENT

"Perhaps we are realizing that no degree of control over nature can solve basic problems of social living. Our dazzling material triumphs are, rather, a warning that in the end, all depends on improving the quality of our relationships with each other. Without this, all our scientific and technological triumphs may only hasten our destruction.

JEROME D. FRANK "[1]

Modern personnel management has emerged as a result of forces that were active in the field of labor-management relations over the years. These forces started with the Industrial Revolution era during the seventeenth and eighteenth centuries when thousands of people were brought together to work in modern factories, offices, and distributive units. During this period labor was viewed as an "economic unit" which responded to only purely economic factors of wages and profits.[2] Accordingly, the social distance between them and management became far greater than the social relationship that esixted during the

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[1] J.R. Schuster, "A Diagnostic Model for Industrial Relations" Personnel Administration (Vol. 32 no. 4, July-Auguat 1969), p. 33

[2] L.C. Megginson, Personnel : A Behavioral Approach to Administration (Illinois : Richard D. Irwin, Inc., 1967) p. 1

Middle Ages. A new type of serfdom had developed, in which the worker was considered as a commodity for buying or selling without any kind of protection.[1]

This era was followed by the "scientific management" movement pioneered by F.W. Taylor and Frank Gilbreth. The movement was important to personnel administration because it encompassed the basic principles of our modern personnel functions. It emphasized planning and simplification of the tasks from top management to the lowest echelons and formulated "laws" for efficient motion to reduce body movement. In short, labor fatigue was reduced and work was planned, the outcome was naturally more production and higher profits.

Business owners were not satisfied with this great triumph over labor, and instead of implementing Taylor's human relationship side of the movement as well, to compensate for the increase in production, they exaggerated in the application of those principles that brought about the increase in their profits.[2] This caused more labor dissatisfaction and unrest.

This situation gave rise to the association of wage earners to protect themselves against the newly emerged ruthless exploiters. These associations were the forerunners of the present-day strong unions.

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[1] W. French, The Personnel Management Process (Boston : Houghton Mifflin Company, 1964) p. 11

[2] A.M. 'Ubaid, Idarat Al Afrad (Al Qahirah : Dar Al Nahdah Al 'Arabiyyah, 1966), p. 7 (Title romanized - Personnel Administration)

Unions spread throughout factories ever since, and by the thirties became quite influential.[1] They managed, in the course of time, to bring about an era of equal strength between labor and management, thus creating a new outlook, that of mutual understanding of one another's problems.

Industrial psychology was another of the forces that played an important role since 1913. It had exerted an impact upon personnel practices in a number of areas and particularly in the area of testing for employment, job placement and training.[2]

Equally, if not more important, was the human relations movement started by a group of people who felt that Taylor and his followers over-emphasized the mechanical and physiological character of management. The movement, pioneered by Elton Mayo and F.J. Roesthelisberger, was influenced by the Hawthorne works, a research begun in 1920 to find out the relationship between "improved" working conditions and productivity.[3] The research was the basis for the development of a new social concept recognizing for the first time that labor was human and a significant part of the

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[1] M.J. Jucius, Personnel Management (Illinois : Richard D. Irwin, Inc., 1967) p. 22

[2] D. Beach, Personnel : The Management of People at Work (New York : The MacMillan Company, 1965), p. 27

[3] W.W. Haynes and J.L. Massie, Management (New Jersey : Prentice Hall Inc., 1961), p. 7

organization, and that proper investment of such labor would be as beneficial as an investment in capital.[1]

These were some of the most outstanding forces that influenced labor-management relations over the years and forced business owners to realize the importance of having a well established personnel department for the smooth running of their organizations.

Development of the Personnel Department

As the industrial revolution has not, and will not cease, the structure of society continues to change and with it will change the concept of what labor is. This is why the pace of development of personnel administration was rapid in spite of its history.

Many of our modern labor problems are in reality quite old, and as they were ignored by management over the years, they worked to the disadvantage of business firms. The importance of having good labor relations was not realized except when management lost a major part of their authority and freedom to governments and labor unions. The need for a specialized department was then seen as a necessity, for fear of losing the rest of what had remained of authority and freedom to act.

The modern personnel department made its first appearance

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[1] E.B. Flippo, Principles of Personnel Management (New York : McGraw-Hill Book Company, 1966), p. 25

about 1912.[1] Prior to this date specialists on matters of employment, training, welfare and so on, emerged in response to Taylor's principles of scientific management. These specialists[2] were the forerunners of the modern personnel managers which is primarily a consolidation of such specialized personnel activities.[3]

The sole function of the personnel department before 1920 was record keeping, that is, maintaining employment records with all the necessary information. Everything done was merely routine clerical tasks that line members of the organization were only too glad to get rid of.

During the twenties the whole concept of personnel was expanded in response to the new theory of industrial relations, or more specifically of employee benefits,[4] designed to make workers "happy".[5] Psychologists started pointing out that human nature involves drives and yearnings which must be satisfied to avoid the making of neurotic personalities, but the nature of mass-production

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[1] W. French, op. cit., p. 18

[2] Such specialists were the employment agencies, welfare secretaries, wage clerks, safety directors, training directors and industrial physician.

[3] W. French, op. cit., p. 17

[4] Examples of such benefits were cafeteria, better rest rooms, social work counselors, medical care, clubs, etc.

[5] G. Strauss and L.R. Sayles, Personnel - The Human Problems of Management (New Jersey : Prentice-Hall, Inc., 1966), p. 397

techniques made it difficult to satisfy many of these desires. The personnel department's newly added duty was to try and satisfy some of these needs even if it was during the laborer's leisure time.

Another shift was experienced after 1930. In many companies the personnel department often called the industrial relations department, was asked to take direct charge of all workers and unions relations. Often it was given full responsibility for all recruiting activities, wage determination and handling of unions. The threat of unions required the establishment of personnel policies and the personnel department was expected to police and administer these policies.[1]

Sociologists, anthropologists, psychologists and social psychologists have contributed considerably to problems of general management during the 1940s.[2] The peculiarities of man were studied and it was found that human beings, through whom management expects to attain its objectives, have their own individuality, with inherited and acquired qualities, fears and hopes, desires and passions, reasons and sentiments. The actions and opinions of workers were found to be influenced by numerous outside interests such as family ties, religious allegiance, sports and hobbies, and so on. Inside the organization co-workers were found to influence

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[1]Ibid., p. 398

[2]H. Koontz and C. O'Donnell, Principles of Management (New York : McGraw Hill Company, 1964), p. 24

each other's attitude and performance. The researchers summed up their findings in that every organization had a web of unofficial contacts and influences resulting from the sympathies and emotional relationships that are and will always be present in human society.

The personnel administrator was then faced with more duties, those of knowing the attitudes, ambitions and social influences inside and outside the organization that contribute to the psycholo gical characteristics of the workers. Developing good human relations for the benefit of workers, management and society became a necessity for any efficient business.[1]

The personnel department's development in the United Arab Republic was slow, similar to any normally developing country. Badawi wrote in 1958, that a general glance at the industry in Egypt revealed that most of our major projects are still run by the same methods that industrially developed countries used a century ago.[2] The reasons he gave was that management until that date had not yet realized the seriousness of the human relations concept to business operations, nor had they realized the importance of applying modern personnel procedures for successful businesses.

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[1]A.R. 'Umar, Idarat Al Afrad (Al Qahirah : Maktabat 'Ain Shams, 1970), p. 7 (Title romanized : Personnel Management)

[2]A.Z. Badawi, Al 'Ilaqat as Sina'iyyah (Al Qahirah : Sharikat An Nashr Al Misriyyah, 1958), p. 184 (Title romanized - Industrial Relations)

Like any developing country, the United Arab Republic desired rapid economic development, but to be achieved by means of the social control of industry. The nationalization decrees of 1961 marked the introduction of a plan to achieve such objectives. The plan was based on the assumption that management will play a vital role in this development, realizing that without an efficient working force objectives could not possibly be achieved.

The Government felt after nationalization, that direct interference was necessary to force all companies in the public sector to reorganize their personnel departments according to modern scientific methods. Accordingly, Presidential Decree No. 3546 of 1962 (amended by Presidential Decree No. 3309 of 1966) was issued to regulate all workers in the public sector.[1] The decree was an attempt at replacing the manuals originally used by companies to regulate their workers through their own policies and procedures.

Importance of Personnel Administration in Oil Industry

The oil industry is different from other major industries in the United Arab Republic or in any other part of the world. This is true due to the fact that each operational step is in itself an industry of its own. The stages that oil must pass

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[1] M.A.M. Salamah, et. al. Shu'un Al 'Amiliin (Al Qahirah : Maktabat 'Ain Shams, 1970), p. 172. (Title romanized - Workers Affairs)

through from the oil well until it arrives to the consumer, are numerous and require a wide variety of skills and professions. This is why the oil industry is obliged to employ a wide range of professions and trades, there are the engineers, chemists, fitters, electricians, mechanics, drillers, gaugers, marine officers and many others.[1]

Another unique feature of the oil industry is its rapid evolution. This requires a continuous program of training, not only for developing the workers, but also to orient them continuously both mentally and psychologically to accepting changes in their work. It is very important to prevent workers from falling into stagnation while the industry moves ahead.[2]

Over and above this, the United Arab Republic's oil fields are located in desert areas. Few are located under sea water in the Gulf of Suez. Because of their remote locations from any inhabited areas, companies are expected to provide services required such as commercial centers, medical services, schools, cinemas, sports, transportation facilities during leave days, and so on, for the workers.

The oil fields location also required the grouping together

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[1] EGPC, <u>op. cit.</u>, p. 375

[2] <u>Ibid.</u>, p. 376

in one area of various professions and occupations, each with its own individuality and peculiarities, creating thereby a complex society. No doubt such a situation requires a specialized and competent machinery sufficiently capable to understand and delve deep in these conditions to eliminate any confusion or dislocation. If for no other reasons, the importance of personnel functions was realized and accepted.

The following chapter will deal with the necessary functions of a well established personnel department, to be followed by some articles from Presidential Decree 3309 of 1966, which the writer believes have limited the department's performance.

CHAPTER III

THE FUNCTIONS OF A PERSONNEL DEPARTMENT

The basic functions of a personnel department consist in dealing with all matters pertaining to employment, training, compensating, and motivating of workers so that the investment of the business in machines and equipment may become more productive.

Personnel Selection

Selection is the process of determining who among a group of eligibles is to be appointed to a specific position, that is placing the right man in the right position.[1] An enterprise cannot leave the securing of satisfactory labor to chance. Manpower planning is a necessity for uninterrupted production. Companies must insure continuous supply of qualified personnel at the right time, because this is the key to their success.[2]

Selection of satisfactory workers must be performed on a scientific basis. The person doing the hiring is making a prediction of the applicant's probable success on a particular job, and it is quite important that these decisions be improved.

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[1] W.G. Torpey, Public Personnel Management (New York : D. Van Nostrand Co., Inc. 1957), p. 116

[2] R.E. Cassidy, "Manpower Planning : A Coordinated Approach", Personnel, (September - October 1963), p. 41

This can be done by assessing the relevant individual differences through the accuracy of the information available to him regarding the requirements of the job.

The personnel department is assisted by many personnel procedures in making hiring decisions, these include job description, application blank information, interviews, psychological tests, and employment references.[1] The following steps must be taken in hiring new personnel :

Recruiting, or locating and inviting suitable candidates to permit selection of those who best fit the requirements of the job. According to Clifford Jurgensen there are certain factors that attract applicants to a certain company. He reports that factors such as advancement, benefits, hours, pay, working conditions influence a person in deciding whether a job is a "good" job or a company is a "good" company.[2]

In the United Arab Republic such factors are not presently available to companies in the public sector. The aim of the decree is to equalize these benefits in all industrial sectors, and so companies have few ways left by which to attract the best applicants to work for them. Companies, however are urged by law to advertise

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[1] E.A. Fleishman, Studies in Personnel and Industrial Psychology (Illinois : The Dorsey Press, Inc., 1961) p. 1

[2] C.E. Jurgensen, "What Job Applicants Look for in a Company", Personnel (Vol. 25, 1949), p. 352

all their vacant jobs in the local papers before filling the vacancy.[1]

Job Description is a summary of the basic tasks performed on a job. An accurate picture of the job in question is necessary to evaluate the personal characteristics required as related to the job. From the psychologists point of view, many job descriptions suffer because of the non-specific and non-operational definitions.[2] Well defined job descriptions assist in the development of job specifications, in manpower planning and recruiting, and in orienting new workers to their basic responsibilities and duties.[3] Job descriptions are usually written by a personnel representative and the supervisor concerned, but it is the responsibility of the personnel department to coordinate its development and maintenance. Job descriptions must be evaluated periodically and amended to reflect the needs and goals of the enterprise.

Article three of the same decree requires each public corporation or economic unit to have a schedule of jobs with a description of each and a definition of its duties and responsibilities. The Petroleum Corporation formulated a schedule covering all jobs needed in all stages from the oil well to consumer. The

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[1] Article Five of Presidential Decree No. 3309 of 1966.

[2] H.S. Rothe, "Matching Men to Job Requirements", Personnel Psychology (Vol. 4, 1951), p. 291

[3] W. French, op. cit., p. 91

schedule was by no means inclusive, nor were the jobs clearly defined. It did not fit the needs of all the affiliated companies with their various goals. The corporation's main interest was to attain regularity among their affiliates.

It is true that Presidential Decree No. 62 of 1966 had realized the seriousness of the situation and allowed the revision of jbo descriptions and the evaluation thereof to fit the requirements of each economic unit; but according to the instructions of the Central Agency for Public Administration and Organization any such revision or introduction of new jobs must pass through and be approved by the following authorities : Board of Directors of the Economic Unit, Board of Directors of the Public Corporation concerned, the Minister, the Central Agency for Public Administration and Organization. Jobs in grade two or higher must also be approved by the Ministerial Committee for Legislation, Administration and Organization, and finally, by the Council of Ministers. This endless procedure discouraged any economic unit to even think of any revision. Personnel administrators were forced to fit workers into jobs nearest to what was already set by the Organization rendering the original purpose of having a well defined job description useless and unnecessary.

Application blank information is used for the applicants personal history such as previous experience and interests. It is of great help in the prediction of the future success on the job.

> "It does seem reasonable to assume that such data as previous employment history, specific skills, education, financial status, marital record and so forth, reflect a person's motives, abilities, skills, level of aspiration, and adjustment to working condition" [1]

In the United Arab Republic the application blank is used, unfortunately, in a superficial and unsystematic way. The interviewer might scan the blank for items he considers pertinent, but in most cases the information is used for statistical purposes for the company records and for the Central Agency for Public Mobilization and Statistics.

Employment interviewing, is used in the staffing process. With the help of the application blank, data can be obtained which will be useful to predict possible success on the job. Patterned interviews help the personnel administrator to locate facts about the applicant th t will help him evaluate his qualification on a systematic basis. The reliability[2] of such interviews as a selection instrument, however, is still doubted by many.[3]

Interviews in this sense are not common here because the personnel administrators are not trained in the techniques of conducting the interview and interpreting the information obtained.

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[1] E.A. Fleishman and J. Berniger, "One way to reduce office turnovers", Personnel (Vol. 37, 1960), p. 63

[2] It is said that if the interviewer is not trained in the techniques of interviewing and interpreting the information obtained, or if he is opinionated, or emotionally maladjusted, few valid judgements can be expected from him.

[3] R.N. McMurray, "Validating the Patterned Interview", Personnel (Vol. 23, 1947) p. 3

Interviews are limited to informing the candidate about his duties, working conditions, pay, hours and place of work.

Psychological tests are used for more precise screening and as an aid in the placement of those applicants who appear to be qualified. They are also used as a clinical instrument to aid the interviewer in forming his judgement concerning the applicant.[1]

Every company attempts to improve the chance of employing the best people, those who, after employment, will prove to be the best workers. The test should predict which applicants will become the best workers after a period of training and experience.[2] Psychological tests are still not accepted by all. Reactions to them vary between interesting, helpful, wouldn't do without it, let's have more; to quackery and waste of money.[3]

The writer's company was among the very few enterprises that introduced psychological tests in their selection procedures. The trial, however, did not last long and the procedure was stopped. The reason is that developing countries have limited labor markets

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[1]R.N. McMurray, "How efficient are your Hiring Methods?", Personnel Journal (Vol. 26 no. 2 June 1947), p. 46

[2]A.H. Souerwine, "More Value from Personnel Testing" Harvard Business Review (March - April 1961), p. 123

[3]E.N. Hay, "The Validation of Tests", Personnel (Vol. 29, 1953) p. 500

and such tests were found to lead to more of a limitation. There were also many objections raised from those who believed that psychological tests are not humanitarian since they point to only the weaker points of the applicant, a belief which is not true. As Jurgensen said most of the differences that arise concerning psychological tests are built on personal opinions rather than facts.[1]

Employment references, or the employment recommendation questionnaire is known variously as reference checks, voucher, or recommendation form. This device attempts to utilize the help of others who know the applicant well, for better selection. Letters of recommendation and telephone calls also serve the same end.[2] The purpose of employment recommendation questionnaire is to find out information about the applicant's history, his personality and "character", job ability, and attitude towards rehiring.

This procedure is not accepted here, for purposes of safeguarding the future of an outgoing worker from any bias his previous employer could show. Companies are not allowed to give out any kind of information to any person except his period of service, last job title, last salary received and kinds of benefits.[3]

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[1]C.E. Jurgensen, "Common Misconceptions Toward Personnel Tests", GAS (Vol. 24, no. 8, August 1948), p. 31

[2]J.N. Mosel and H.W. Goheen, "The Validity of the Employment Recommendation Questionnaire in Personnel Selection", Personnel Psychology (Vol. II 1958), p. 481

[3]Article eighty six of Labor Law 91 of 1959

The last step in the hiring procedure is to ensure that the applicant really understands what he is expected to do, that he wants the job, and that it is reasonably permanent. The applicant should be told about all duties required of him, and any possible disadvantages in the position.

'Ubaid said that the hiring procedure in the public sector is carried out within a legal and cultural framework promulgated by certain articles[1] of the said decree.[2]

Article four deals with certain conditions that an applicant must fulfill before acceptance; article six says that the final appointment shall be according to priority as determined by the final array of the candidates in the examination results, with no mention of any other factors that could influence such appointment; article seven prohibits the appointment of a laborer who has previously left the service of any other public establishment or its affiliated units, in a higher job, except by presidential decree; article eight prohibits appointments to jobs in the sixth grade or higher except in absolute necessity, prohibits appointment till the third grade except by decree from the Chairman of the Board of Directors of the Corporation, prohibits appointments to jobs of the second grade except by the Minister's approval and to

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[1]Articles four, six, seven and eight of Presidential Decree 3309 of 1966

[2]'Ubaid, _op. cit._, p. 231

the first grade by a Presidential Decree.

Besides these articles, each company is urged to accept a number of university and institute graduates every year to fulfill the orders set by the decree of the Council of Ministers concerning finding jobs for all graduates.

Training

> "Training is not something that is done once to new employees -- it is used continuously in every well-run establishment. Every time you get someone to do work the way you want it done, you are training. Every time you give directions or discuss a procedure, you are training." 1

Training is a process by which the aptitudes, skills and abilities of workers to perform a specific job are increased, contributing thereby, to the attainment of organizational goals.[2]

No organization can choose whether to train or not to train, because as Myers said, regardless of workers' experiences and qualifications, they are bound to be taught how to perform specific duties.[3] Jucius added that a company pays for training whether it has a program or not,[4] because an expense is

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[1] C.R. Dooley, "Training Within Industry in United States", International Labour Review (Vol. 54, September - Oct., 1 1946) p. 167

[2] M.J. Jucius, op. cit., p. 224

[3] P. Pigors and C.A. Myers, Personnel Administration (New York : McGraw-Hill Book Co, 1965), p. 377

[4] M.J. Jucius, op. cit., p. 224

incurred while the organization is waiting for the new worker to master his job.

The need for training in industry is due to four reasons :[1]

a. Schools do not provide vocational training

b. Effective coordination between industry and schools is lacking

c. Jobs in organizations are highly specialized and schools are not expected to provide a multiplicity of training

d. Many of the workers get jobs involving responsibilities and authority greater than they had in their initial job.

In view of the above needs, the values of training may be summed up as stated by 'Umar[2] and Harvey [3]:

a. Improve skills and in turn increase output and better quality

b. Reduce relative amount of equipment and material required to produce a unit. Accident rate and spoiled units are also reduced.

c. Effort of executives will shift from disagreeable

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[1] H.G. Heneman and J.G. Thurnbull, Personnel Administration and Labor Relations (New Jersey : Prentice-Hall, Inc., 1956) p. 166

[2] M.A.A. 'Umar, op. cit., pp. 91-92

[3] OLL. Harvey, "Measuring the Value of Training", Personnel (Vol. 23, July 1946,) pp. 43 - 45

need of correcting mistakes to more pleasant task of planning work.

d. Reduce dissatisfaction, complaints, absenteeism and turnover.

e. Help workers increase their value to the organization and prepare themselves for promotion.

Types of Training

Induction Training. With few exceptions new workers are seldom prepared to do their job immediately. Even the most experienced workers must be introduced to his new job, to his supervisor and to his work assignment. A new worker, during his breaking in period, is usually put directly on production under proper supervision, because while so doing, he will learn the best methods required by the organization.

Supervisors are generally responsible for this kind of training with the help of specialists if available. The personnel department, however, may work with the line supervisor in establishing the procedures that will be used.

On-the-Job Training. Training does not stop after the period of induction is over. It usually continues on to correct errors and mistakes regardless of the period the worker has been on the job. The aim of such training is to improve performance and ultimately develop higher skills, opening thereby, the way to workers to better their positions.

Continuous on the job training is considered by most organizations as an essential duty of the supervisor. The personnel department's role is to persuade top executives of the importance of such a program and at the same time to monitor and control the procedures and to plan with supervisors the kinds of programs to attain the organization goals.

Apprentice Training. This kind of training is quite common in developing countries, where needed skills are not available either within the company or in the labor market. Its aim is to teach adolescent workers by assigning them to qualified workers who have the ability to explain their duties. Apprentice training requires that management supply general directions with a s schedule covering all the skills and knowledge required of the apprentice. In many large organizations the personnel department is responsible to organize, through their training section, this kind of educational program.[1]

Management Training. The men who are responsible for the company's success need to be trained beyond the immediate technical requirements of their job. Management training avoids obsolescence and improves performance, preparing, thereby, selected managers for possible future promotion.[2] It helps in creating opportunities to develop skills directly related to the execution

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[1] W. French, op. cit., p. 565

[2] Ibid., p. 211

of the managerial functions, that is help in solving problems of organizing, planning, staffing, directing and coordinating.[1]

Training of competent managerial personnel may be achieved by the following methods :

a. Instruction on the job

b. Special coaching sessions, to give the candidate a thorough briefing on company policy and procedures and to familiarize him with specific current operating problems.

c. Participation, in the role of learner, in committees of managerial positions.

d. Organization of training sessions during or after work hours whenever seleveral persons are to receive such training

e. Seminars organized by management associations

f. Seminars or workshops organized by universities

g. Short term courses in an institute of management or on a university campus.

The personnel department has no authority to select candidates who will attend, but may recommend and persuade top executives of the importance of the program. They also exercise some monitoring and control to see that the program takes place as scheduled.

The formal organization of the training department and its

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[1]H. Koontz and C. O'Donnell, op. cit., p. 455

status tend to vary from one company to another depending on its business condition.[1] Some believe, as McGregor does, that training of any kind is primarily a line and not a staff function, because the immediate supervisor alone should be responsible to do most of the instructing at the place of work.[2] Allen and Welch, on the other hand, wrote that the training department is a service department and should be completely independent and not combined with any other department, say, the employment department.[3] The reasons they gave are :

a. For effective training, the whole organization must be covered. Training should not be confined to a selected few

b. Effective training is a job for specialists, who must give all their time and attention to it.

c. Conditions for effective training are somewhat different from conditions necessary for other organizational activities.

d. The training force must be under the direction of an expert on the matter, whose position within the organization could allow him to work cooperatively with other heads of departments. In other words he should be responsible to the same executive as

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[1] A.M. 'Ubaid, op. cit., p. 288

[2] D. McGregor, "Re-evaluation of Training for Management Skills", Personnel Series (American Management Association No. 104, 1946), p. 22

[3] C.R. Allen, G.P. Hamrech and R.L. Welch, The Instructor the Man, the Job (Philadelphia : J.B.Lippincott Co., 1945) p. 287

other heads of departments.[1]

A common organization for training, however, places the responsibility for conducting the program in the personnel department, and the responsibility for covering the proper material and turning out the correct number of trained personnel on the line organization. French believes that the role of the personnel department in training and development is that of a service-plus-persuasion nature, exercising as well some monitoring and control.[2]

Whether the company chooses to have its training department as staff or as line function, there are two important factors that must be taken into consideration to render any training program successful :

a. The training program must suit the organizational needs and not copied from other successful managements.

b. It must have the support of not only the top management, but the key people all along the way. Training must be viewed first as a philosophy and second as a program.[3]

Training in the United Arab Republic enterprises is conditioned by the extent of the national facilities provided in this field. The Government set up centers for training workers in various technical fields, but these centers were not enough to meet

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[1] Ibid., p. 288

[2] W. French, op. cit., p. 566

[3] J.E. Wilson, "Training Engineers for Management," Petroleum Management (October 1965), p. 95

the current needs of the vigorously pursued industrialization policy. Industrial enterprises, therefore, had no choice but to set up their own training facilities to meet these needs. They were encouraged and backed by certain articles[1] promulgated in the same presidential decree concerning training in the public sector. Article fourteen urged each economic unit to give training courses to new appointees as well as to old workers. Article fifteen stipulated that vocational training centers should be established in every economic unit nominated by the Board of Directors of the Public Organization in order to enhance the productivity of workers and to recruit technicians to meet the various needs.

Training, no doubt, has been of great value to certain industries ever since. However, the writer believes, that it has not accomplished its objectives. Training new workers fresh to industry from the country side was found to be quite a difficult problem because many of these workers were illiterate and not used to plant discipline. They do not understand the necessity of meeting deadlines, maintaining quality, respecting machines and so on. Even when certain companies managed to discipline them to meet the training requirements, they tend to continue with their inappropriate attitudes and inefficient activities.[2]

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[1]Articles fourteen, fifteen, sixteen of Presidential Decree Number 3309 of 1966.

[2]E. Penrose, "A Note on Development Planning and the Role of the Enterprise, "The Institute of National Planning (Cairo : Memo Number 827, February 1968), pp. 20 - 21

Managerial training has also been adversely influenced by the educational system favored by our society. The traditional educational system, as El Hitami reports, stresses the ability of the student to memorize and blindly accept the views of higher authorities,[1] producing thereby, unimaginative and uncreative managers, supervisors, technicians and even workers. Regardless of how much they are trained, they still live in a society where age is held to represent wisdom and the words of the old cannot be challenged. They tend, therefore, to reproduce what was learned rather than utilize new skills and learnings.

Another factor that has influenced managerial training adversely is that it is frequently based on methods used in the Western more highly developed countries. Yet the trainee works and lives in an economy which has turned its back to private enterprise, and has severely restricted freedom to act by centralizing all decision-making policies. As such, trainees are unable to put into practice what they have learned.

With this situation at hand, and without a well established system of promotion or some other kinds of incentives to successful trainees, training is now viewed primarily as a program required by law and not as a philosophy, rendering the realization of its importance in the present stage of industrialization rather difficult.

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[1] M.E. El Hitami, "Management Development", L'Egypte Contemporaine (Number 333, July 1968), p. 196

As example of this new attitude towards training prevailed in the writer's company to an extent that obliged management to issue a circular[1] reminding heads of departments of the importance of training and seeking their cooperation in allowing as many of their workers as possible to attend the programs. The circular also warned trainees that disciplinary action would be taken against those who did not keep regular attendance during the period of training.

There are two more functions closely correlated with the provisions for training, namely promotions and transfers. Both these functions are important because, no doubt, shifting manpower resources within or outside an organization is a serious matter and needs careful planning.[2] Improper promotions or transfers can create morale and productivity problems.

Promotion is defined by Torpey as :

> "Promotion refers to the movement of an employee from one position to another having a higher grade or a higher minimum salary. It involves increased duties and responsibilities for the employee." [3]

White also defined it as,

> "An appointment from a given position to a position of higher grade, involving a change of duties to a more difficult type of work and greater responsibility, accompanied by change of title and usually an increase in pay." [4]

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[1] Internal circular dated March 14, 1970

[2] W. French, op. cit., p. 163

[3] W.G. Torpey, op. cit., p. 124

[4] L. White, Introduction to the Study of Public Administration, (New York : MacMillan Co., 1955) p. 380

An effective plan for systematic promotions cannot be developed unless a foundation has been laid in a fairly extensive and coordinated industrial relations program.[1]

Before stating the lines of advancement, it is quite essential that jobs be clearly defined, and personnel records, with date relevant to promotional policy be complete.

Promotions are based on annual reviews of workers to discover whether they are functioning and developing on their jobs as well as should be expected.

In the light of the above, it is absolutely necessary to have an over-all coordination by a central authority to provide continuous interpretation of the policy, and to see that it is uniformly enforced. This is why promotional systems are considered an integral part of the industrial relations programs from which they cannot be properly be divorced.

Promotional policies are always faced with two problems. The first is whether to promote from within or employ from outside. The second problem is whether promotions should be based on seniority or merit. "Promotion from within" has its advantages and disadvantages, but complete reliance on such a policy is dangerous to the welfare of the firm.[2] The enterprise must have its freedom to seek

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[1] D. Yoder, Personnel Management and Industrial Relations (New York : Prentice-Hall, Inc., 1948), p. 516

[2] H. Koontz and C. O'Donnell, op. cit., p. 404

the best people wherever they are.

Slichter wrote on the second problem that unionized organizations tend to emphasize promotion by seniority up to lower supervisory level, while management tends to argue for the importance of ability, because if merit is of no use in helping a man get ahead, then an important incentive for efficiency is destroyed.[1] The issue is, therefore, whether the employer has the right to pick and choose as he sees best in making promotions, or follow seniority formula in promotions and promoting people who do not merit them but must be promoted anyhow.[2]

This situation has been regulated in the public sector by law.[3] Article ten stipulates that promotion to jobs of the sixth grade or higher will be selective, according to efficiency, while promotion to all other grades will be according to seniority. Article twelve stipulates that promotion is prohibited except to the next higher grade and only if there is a vacancy already included in that year's budget. The article added that promotions to jobs of grades up to the third would require a decision from the Chairman of the Board of Directors after a recommendation from the Committee of

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[1] S.H. Slicheter, The Challenge of Industrial Relations (Ithaca : Cornell University Press, 1947) p. 36

[2] G.W. Wadsworth, "Seniority and Merit Rating in Labour Relations", Personnel Series (American Management Association, No. 107, 1947), p. 23

[3] Articles ten, eleven, twelve and thirteen

Personnel Affairs.[1] Promotions to jobs of the second grade would require a decision from the Chairman of the Board of Directors of the Organization, and promotion to the first grade requires a Presidential Decree.

Transfers are of two principle types. Production transfers which are affected as a result of reduction of work in one department, and transferring these workers elsewhere, and personnel transfers, which represent shifts made at the request of the worker to meet his needs rather than management's.[2] The latter is due to change of interest since original placement, not getting along with supervisor or fellow workers, physical condition of the workers and so on.

Transfer, seconding, loan, and missions in the public sector have been dealt with in chapter six[3] of the same decree.

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[1]Article seventeen urged each economic unit to formulate a committee for personnel affairs to be formed by a decision from the board of directors. It is a five member committee with one or more to be chosen from the elected members of the board. The committee will consider appointments, transfers, promotions and annuities of workers until grade three. The recommendation of the committee will be presented to the Chairman of the Board for approval. Any objection from the side of the Chairman on any of the recommendations of the Committee must be made in writing and within a month, otherwise the recommendations will be considered as approved and binding. The personnel manager's role in this committee is to act as secretary without having the right of vote.

[2]D. Yoder, op. cit., p. 530

[3]Articles thirty three to thirty seven.

Transfers between sections of the same department or from one department to another requires a decree from the Chairman of the Board of Directors. Transfers to another affiliate requires consultation with the personnel committee and the approval of the Chairman. Workers of the second category require a decree from the Board of Directors of the Public Organization for their transfer, and grade one requires an approval from the respective minister.

The personnel manager's role in these two functions is to act as secretary to the Committee of Personnel Affairs and provide them with the information needed for their recommendation. It is clearly stated in article seventeen that he does not have the right of vote.

Compensation of Workers

The compensation that a man can expect for work is based either on the length of time he spends on the work or on the amount of work he produces.[1] Payment that depends on production is commonly known as piece-rate payment. However, as this kind of compensation is not common in the oil industry, this section will deal with time payment that is made on a monthly basis.

The wage system has an effect not only on the satisfaction of the worker but also on the facility of recruiting and maintaining an effective working force. "Fair wages" are important to workers despite the fact that research on morale has shown that wages rate fifth or sixth in a scale of job satisfaction.[2] This is specially

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[1] H.L. Gantt, Work, Wages and Profits, (New York : McGraw-Hill Book Co., Inc., 1913), p. 61

[2] P. Pigors and C.A. Myers, op. cit., p. 469

true in developing countries where most workers are still seeking basic physiological and security needs. Hence, some of the more sophisticated and elaborate motivational devices of modern industrial management may not be appropriate in developing countries. Wages should be sufficient to support the worker and his dependents at least in the manner customary in his community among wage earners of his type. Studies showed that if wages are considered inadequate or unfair, they tend to become first in importance to workers.[1] Unfair wage structure usually leads to dissatisfaction, grievances and disputes that hamper individual productivity. For this reason compensation rates should be re-examined from time to time when cost of living changes, when wage levels in the community changes due to the appearance of industries competing for a limited supply of labor and when improved productivity enables the company to pay higher rates.

Wages differ between countries and within each country between industrial sectors and within each sector between economic units. Moreover, within each unit, wages usually differ between individual divisions and between different departments.

Most of these differences are a reflection of differences in occupation, personal performance, or working conditions. Sometimes differences are justified by sound payment plans based on

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[1]<u>Loc. cit.</u>

proper evaluation with fair and equitable pay.[1] In unionized firms, collective bargaining plays a major role in determining the wage plan.[2]

A sound wage structure must include three plans, namely, job evaluation, merit rating and wage incentives.

Job Evaluation[3] is a systematic and orderly method of determining the value of each job as related to others within the organization. From the information contained in the job description discussed earlier under selection procedure, jobs are analyzed and evaluated. In rating the value of each job, the relative worth may be defined by using such measures of comparison as physical exertion, mental and visual strain, responsbility for equipment, safety conditions and other factors inherent in the task.[4]

In the rating process certain other factors may be taken into consideration, such as supplementary compensation, that is overtime pay, sick leave, paid vacations, and payment offered to other workers in the organizational hierarchy, and the general wage level

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[1] H.K. El Din, "Wage and Salary Administration and Job Evaluation in Petroleum Industry" (Cairo : N.I.M.D., 1962), p. 5)

[2] W. French, op. cit., p. 237

[3] The four basic forms of job evaluation are - the Rank Method, the Classification Method, the Point Rating, and the Factor Comparison Method.

[4] A.M. 'Ubaid, op. cit., p. 171

prevailing on the market.

> "This plan must be geared to the type of conditions which prevail in the particular organization, with due regard for the consequences of size, frequency of job changes and reorganization." [1]

Merit rating is a means of appraising individuals fairly through consideration and comparison of certain standard performance factors. As job evaluation determines the value of each job, merit rating establishes the values of each worker's performance on his job.[2] It helps keep management informed about the worth of each worker, his work and any outstanding abilities, if any.

Wage incentives are used in conjunction with production and are more common in piece-rate plans. However, for monthly wage workers their earnings should be adequately based on the value of their job to the enterprise. Non-financial incentives offered in addition to monthly wages are usually appreciated and accepted as a substitute for financial ones. Convenient hours of work, easy access to place of work and advanced training are examples of non-financial incentives.

The responsibility for wage administration is shared between personnel department and other departments in the organization. The personnel department has the responsibility of securing and

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[1] H.S. Fuhrman, "Do we forget the Principles of Wage Administration?" , <u>Personnel</u> (March 1946, Vol. 22) p. 286

[2] H.E. El Din, <u>op. cit.</u> , p. 60

maintaining all necessary data for coordinating job descriptions and keeping them up to date, but this cannot be done without the cooperation of the departments concerned.[1]

In the process of job evaluation, the personnel department is represented on the evaluation committee, usually by a job analyst, who may train and assist the committee in its work.[2]

Wage and salary surveys are conducted exclusively by the personnel department and they should always be ready for any possible revision in the pay situation. Once the wage structure is approved by the chief executive, the carrying out of the plan will be a joint effort between the personnel department and the departments concerned.

Performance appraisal is the responsibility of each department. However, as the supervisor or department head is expected to know the limits of his authority and abide by them in making recommendations for his subordinates, the help of the personnel department is regularly sought.

In most cases, wage incentives originate from the production department. The personnel department is expected to plan and control the system.

The general level of pay in the public sector, including

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[1] W. French, op. cit., p. 566

[2] P. Pigors and C.A. Myers, op. cit., p. 492

minimum wages and ceilings for executives, has been set by Government and incorporated in the legislation,[1] leaving the relative positions of individual jobs largely to the enterprise or to the public organization. The schedule of wages enforces is based on a minimum wage supplemented by fringe benefits and by a profit sharing system.[2] Cost of living allowances which were paid for a long time, are now included in the monthly wage scheme.

After the 1961 nationalization decrees, Government had sought to protect workers' interests largely by extensive labor legislation, allowing unions very little scope for any comprehensive collective bargaining along the lines that existed before in respect to pay, allowances, and social benefits.

Petroleum companies in general and the writer's company in particular were known to have the highest wage scale plans in industry. The new scale of wages enforced by law on all workers in the public sector was much lower than those existing prior to its promulgation. Consequently, a considerable number of workers, hired on the old scale of wages with, at the date of issuance of the decree, a certain number of years of company experience to their credit, suddenly found their wages frozen. Those affected, however,

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[1] Articles eighty-seven, eighty-eight, eighty-nine and ninety, and schedule of wages.

[2] By Law Number 26 of 1954 amended by Presidential Decree Number 111, twenty five percent of the company's annual profits are allocated to workers, ten percent of which is payable in cash with a maximum of fifty pounds. The rest will be in the form of services.

were permitted to retain, on a personal basis, what they received over and above the maximum of their pay grade, provided that this surplus was to be ammortized off what they might receive in the future in the form of advances or promotions (Article ninety).

The new scale of wages caused a serious problem to the writer's company, a problem that is not resolved except by time. The company has at the present time two categories of workers, those with low salaries engaged after the decree, and those with high salaries engaged before the decree. The latter group, mostly belong to an age group with growing responsibilities, and are caught between two conflicting factors, no prospect of increase in wages on the one hand, and increased financial burdens on the other. The other group seeing that their colleagues, who are on the same lateral level of responsibility, receive a much higher remuneration for the same amount of work produced, feel the unfairness of the system.[1] There is no doubt that both groups are dissatisfied, and both tend to act in ways that are detrimental to the interest of the company. The decree which was promulgated to equate and be fair to all workers has caused a disequilibrium in salary systems, which in turn affected productivity.

Skilled labor supply is limited, cost of living is rising, and responsibilities are increasing, but the revision of the wage

[1]A secretary appointed after the decree would receive a monthly wage of twelve Egyptian pounds, while one engaged a few years before the issuance of the decree would be receiving over fifty Egyptian pounds.

structure is not possible, thus relieving the personnel manager of this responsibility.

The merit rating procedure is also regulated by law.[1] The legislation passed required that annual performance reports be submitted by all supervisors on all workers other than members of the Board of Directors. The emphasis in these reports is laid on production, efficiency rating and conduct, in that order of importance. The format of the performance report is one and the same for all categories and for all oil companies affiliated to the organization. Once filled they are sent to the Committee of Personnel Affairs to help them decide final recommendations for promotions, remunerations or transfers.

Incentives to encourage exemplary work practices and increased production are also regulated.[2] The power to grant bonuses and supplemental payments rests within the authority of the Board of Directors of the company.[3] Annual annuities, however must be confirmed by the Board of Directors of the Public Organization and approved by the respective Minister, before action is taken by the company. Non-financial incentives that are of a service nature are quite common in the oil industry. These services are within the jurisdiction of the company's Board and are accepted and encouraged by Government. Housing facilities, free meals,

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[1]Articles twenty to twenty-four

[2]Articles thirty - to thirty-two

[3]Article twenty-nine

transportation facilities, insurance against accidents, good work conditions are examples of such incentives. This is where the personnel director in the United Arab Republic plays a vital role. He is expected to show high level of sensitivity to such social responsibilities.

<u>Workers Relations and Service Plans</u>

> "Although benefits are often referred to as employee benefits, it is necessary that the employer also benefit. The employer needs benefit plans in order to recruit and especially to retain competent employees"
>
> ROBERT D. GRAY [1]

Questions such as why do people work, and why do some strive for the highest attainments while others are content with mediocrity, do not have definite answers, because simple rules for stimulating workers to greater effort are not yet in existence.[2] Yet, there is no doubt, that a company wishing to keep their workers productive and reduce turnover, should offer in addition to satisfactory pay, a work environment and treatment that would induce them to remain and be more productive.

The monistic theory recognizing that man works for one goal, money, is still considered by many companies as the best

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[1] P. Pigors, and C.A. Myers, <u>op. cit.</u>, p. 545

[2] W.W. Haynes and J.L. Massie, <u>op. cit.</u>, p. 102

method to induce workers to raise their standard of performance.[1] Newer theories, on the other hand, show that pay alone is not the only motive for workers' loyalty, and that individuals work to fulfill a variety of other needs such as affiliation, achievement, autonomy, recognition and fair evaluation.[2]

Good labor relations involve the following conditions of workers satisfaction :

Personal treatment -- Is that kind of treatment that each citizen expects from his employer. Workers are entitled as human beings to respect and dignity. They are also entitled to realize that their religious beliefs and cultural traditions are highly considered. Moreover, signs of sincere interest from the side of the employer in their personal well being and in that of their families, would be more than appreciated.[3]

Workers expect occasional praise and encouragement for their performance, and detest any "dressing down" in front of others.

Working Conditions -- Conservation of manpower resources is important to management as well as to workers. The aim of industrial health and safety programs is prevention rather than treatment. Such programs are desirable for their emphasis upon human values, in addition they can pay off handsomely in the long run, in savings. Improving the employees working environment,

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[1] H.F. Rothe, "Does Higher Pay Bring Higher Productivity", Personnel (Vol. 37, 1960), p. 20

[2] I.C. Ross and A.F. Zander, "Need Satisfaction and Employee Turnover", Personnel Psychology (Vol. 10, 1957), p. 328

[3] A.Z. Badawi, op. cit., p. 85

no doubt, would increase their satisfaction and ultimately their performance.[1]

The industrial relations department generally collaborates with the engineering and medical departments in conducting health and safety programs.

Handling Grievances -- The disruption of work in an organization, even for minor frictions and disagreements can harm all interrelated business operations. Therefore a method for resolving such difficulties and, with them, the causes for dissatisfaction becomes an essential part of good worker relations.

Grievances whether real or imagined must not be ignored. Workers have the right to ask management to examine and settle their complaints. Many troubles result from minor grievances if neglected. Dissatisfaction of workers often will not remain confined to the place of work but will affect the community, and with it the reputation of the business.

Supervisors in charge of handling grievances are generally from the personnel department, though Jucius believes it is as much the responsibility of line executives as of specialized staff personnel. He wrote that grievance handling is divided between and shared by first-line supervision, staff and middle management

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[1] A.M. 'Ubaid, op. cit., p. 383

executives, top management, and labor union representative (when involved).[1]

Ideally, the grievances of workers should be resolved by management and workers themselves, but if both cannot reach mutually satisfactory agreements, then the alternative is a power struggle or arbitration by an outside third party.

Workers Security — The feeling of security comes from a variety of sources. Insofar as job security is concerned, many workers prefer that to advancement. A company's record of long years of service, keeping workers on the payroll in periods of recession, recognition for long and loyal services in the form of rewards, are all factors that convince younger workers that job security exists in a particular company. Fulfillment of promises and all committments without exception is another source of security. Advancement is also a very important factor for better performance. It should be based on objectively defined criteria and merits of performance, not on favoritism.

Service Plans

The needs for direct satisfaction at work has been analyzed as being an important part of management services. There are other services, however, that deal with special activities to supplement management's main contribution to workers.

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[1] M.J. Jucius, op. cit., p. 482

Service plans are a miscellany of benefits to workers and they aim at improving their morale. Space consideration will not permit a complete and comprehensive list of all such plans, therefore only those that are customarily offered will be examined. Moreover, it is important to bear in mind that companies in general do not adopt except those plans which are operative within the light of their conditions, needs and policies. A system that works exceedingly well in one place may not be appropriate to another.

Service plans were historically influenced by four patterns, namely the union fraternal and benefit programs; employers in extractive industries who had to provide facilities for workers who live away from cities; reflection of the paternalistic attitude towards management-labor relations; and the under wage stabilization program during World War II, which brought about the seperation of fringe benefits from wages.[1]

Services are divided into three major groups :[2]

a. Economic Services, such as pension and insurance plans,

b. Recreational, social and athletic services,

c. Facilities such as medical plans, company cooperatives, cafeterias, and so on.

Both pension and insurance plans provide for the financial assistance to the workers and their dependents on retirement, and in

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[1]H.S. Heneman and J.G. Turnbull, op. cit., p. 225

[2]M.J. Jucius, op. cit., p. 386

case of death, illness or accidents, respectively. More details on either program will be inappropriate here since every organization should develop its own plan in the light of its needs.

Recreational, social and athletic programs aim at forming a well-rounded life for workers, and building men who are better equipped to perform their daily work.[1] Occasionally companies sponsor picnics, informal get together in clubrooms or library reading rooms, participation in drama clubs and many other activities, to help workers to get to know each other away from the working atmosphere. These activities help develop team spirit and encourage active participation.

Convenience services refer to facilities that are available in the community, but are provided for by the company. When such facilities are properly installed, the morale and effectiveness of workers can be raised sufficiently to pay for their cost.

Among the most important of these convenience facilities is the medical and health service. The principle purpose of this plan is the maintenance of a healthy working force. This is accomplished through physical examination prior to employment and periodically thereafter. In large organizations, medical services are generally directed by full-time doctors with nurses to assist them.

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[1] _Ibid._, p. 360

Occasionally they are expected to take care of workers in their homes.

Other facilities are the cafeterias and stores or cooperatives. Cafeterias have received much attention by employers and specially those in the extractive industries whose operations are located away from central community services. Careful study is made of the diet that workers need, because a well balanced meal helps to sustain a healthy working force. Company stores or cooperatives have also received great attention lately. They offer workers their necessities at reduced prices. They are usually run by workers themselves for the purpose of avoiding any possible excessive profits to a few. The minimum profit they make goes to various recreational activities.

Services are often part of the legal requirements, but even if they are not, management often offers voluntary services out of concern for the well-being of the workers. Obviously they improve workers' satisfaction and therefore are in the interests of the employer's great earning potential.

The organization for service plans in most companies comes under the jurisdiction of the personnel department. However, other departments are expected to help in matters such as pension plans where the legal and financial advice is needed.

Workers' relations in Egyptian industry is greatly

influenced by the behavioral factor inherent in the total environment. The Egyptian culture is the result of socially accepted values, relationships between individual and groups, habits and customs, and traditions. Since there still is a great emphasis on the maintenance of traditions, a clash of interest has become inevitable between the traditional society and the new society which is a logical consequence of the emerging industrial culture. The managerial class needs to acquire new attitudes and new values for the new industrial culture. Yet they are connected with the traditional society through their contacts with the family, religious and other institutions, and through their own resistance to change acquired from the system of education.[1] Religious and ethical values are held in great esteem and even if not adhered to, they have powerful prevailing influence on management attitudes, because to them conforming with such pressures means the maintenance of satisfactory labor relations. However, the extreme fatalistic outlook on life, deters the spirit of inquiry, rendering the serious consideration of labor problems unlikely. Moreover, the strength granted to workers through the support of the political leadership, and the backing of political managers to guarantee the fulfilment of the political objectives, has created a feeling of distrust and resentment from both sides.

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[1] H.Q. Langenderfer, op. cit., p. 93

Moreover, the rapid growth of industrialization and the shortage in managerial skills to meet such a growth, forced Government to resort to civil servants to run the public enterprises. This new class of managers had no training in modern management techniques and were oriented toward discipline, routine and red tape from their previous employment experience. Consequently, they showed no interest in the development of personnel relations.

Workers on the other hand, are more influenced by the traditional culture, and specially those who moved from the agriculture community to the industrial areas. They feel that the industrial discipline made them lose their individuality and freedom which they had enjoyed in their original home. Moreover, being mostly illiterate, they are given the lowest kinds of jobs for a start. This naturally damaged their pride and dignity. As for educated and skilled workers, their attitude is more disappointing. In spite of the many privileges granted to them by Government through the socialist measures, they still keep their apathetic attitude towards Government and its representatives in companies, believing that they are exploiters and not working for their own good.

One of the aims of the Revolution was to remove the injustice that was inflicted upon workers by the private sector enterprises. In order to do that, several laws were issued to safeguard the interests

of all industrial workers. In 1959 a comprehensive unified labor law was promulgated to constitute the United Arab Republic Labor Code (Law 59 of 1959). It included provisions for the formation of trade unions, conciliation and arbitration and collective bargaining procedures, hours of work, wage fixing, placement of workers and dismissal procedures, apprenticeship and vocational rehabilitation.

The Social Insurance legislation was introduced by the Social Insurance Law Number 63 of 1964. It provides protection against occupational injury, makes provisions for health and unemployment insurance, disability and death benefits, as well as old age and survivors insurance. Contributions are paid by the employer for most insurances, while the worker pays about twelve percent only of his monthly wages for that purpose.

The safety of workers was also covered by Law Number 50 of February 1958. This law laid down certain measures to protect workers against dangers to their health and against hazards arising from the operation of machines. Working conditions governing air space, lighting, atmosphere, protection against noise, vibration and fire were also prescribed in detail. The employers are obliged to prevent, wherever possible, reduce or eliminate health dangers, to provide for permanent and effective safety devices, and

to see that these are properly installed to conform to industrial safety regulations.

Health and safety legislation was introduced and enforced only recently. The concept is still new to management and labor, and promoting safety consciousness, in particular, in both has encountered some difficulty. On the other hand, oil companies operating in Egypt have traditionally protected their workers' health and safety and have granted even more privileges than is stipulated by law.

The Compagnie Orientale des Petroles has been providing, since it began operations, free medical treatment, surgical operations and hospitalization to all members of the company whether in the Cairo head office or in field areas. This health program was in effect before the promulgation of the new law and remained unchanged after its promulgation in spite of the fact that article sixty-five of Law 89 of 1959 stipulated that the responsibility of the employer to the worker is to provide medical first aid attention only. Even article eighty five of Presidential Decree of 1966, left the decision of conferring any other medical benefits to the Chairman of the Board of Directors of the Public Organization, or the respective Minister, as the case may be.

In matters of safety, the company has established a specialized department for safety, which is run by experts in this

field. The necessary regulations and instructions were drawn so as to ensure the safety of workers against accidents. Measures were also taken to illustrate to workers the kinds of hazards they are exposed to in their daily work, and to find out whether they are fully aware of the dangers of the working enrironment. This is achieved through lectures, safety pamphlets, posters and film strips.

As some of the operations in oil industry make it imperative that workers use special clothes and equipment, the company has been providing regularly to those workers whose jobs necessitate such protection with masks, gloves, heavy boots, goggles, and helmets as the case may need.

Disciplinary action is taken immediately against any one who does not comply with safety instructions and regulations set by the department concerned.

Another area in which management of the company took active interest is that of service plans and facilities particularly in the field areas. Life in these areas has become sociable by necessity, if not by nature. Management took upon itself the responsibility of providing the new community, gathered together in one area from different parts of Egypt, with all their requirements. Roads were made, modern houses built and furnished, and cooperatives opened to cater to the physical needs of the workers. Recognizing

that healthy bodies make efficient workers the company undertook to serve hot and well balanced meals free of charge. Moreover, since life is not only work and home, entertainment had to be provided. A club for athletic activities was built, and a movie theater was erected. Not forgetting the cultural side a library was opened containing scientific, educational and light reading material. Cultural activities were also extended to cover an anti-illiteracy campaign among laborers, as well as general educational lectures. It is true that the services rendered are of a materialistic nature, but the spititual side also received due attention. A mosque was built to provide a convenient place of worship.

From the above, it can be seen that the management of the Compagnie Orientale des Petroles has spared no effort in giving their workers the conditions of a decent life compatible with the responsibilities they shoulder.

Policy Manuals and Personnel Records

> "Personnel policies are statements of management intent with respect to the recruitment, selection, utilization and development of human resources" [1]

Policies are basic rules established to govern and guide actions as well as to attain objectives.[2] Appropriate

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[1] W. French, op. cit., p. 61

[2] M. Jucius, op. cit., p. 59

policies should be designed and properly applied to serve such purposes as reducing repetitious managerial decision-making, restraining executives from performing undesirable actions and avoiding any inconsistency of treatment.

Personnel policies are typically written out in both general and specific statements. General policy statements include policies regarding level of social morality, level of wages and benefits, quality of working condition, judicious procedures in discipline and staffing. Specific policy statements on the other hand, include rules concerning overtime, sick leaves, benefits, vacations, layoffs, performance reviews, and so on.[1] Such policies are often published in manuals and distributed to department heads, who are in turn expected to inform their workers of the quality of treatment they can expect.

It is recognized that changes will be required in these policies from time to time as the daily application indicate desirable change, and as changing conditions make existing policies inadequate in meeting new problems.[2]

The personnel department is responsible for the coordination of the revision of any policy, and to ensure compliance therewith.

As mentioned in the introduction, the issuance of

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[1] W. French, op. cit., pp 61-62

[2] Employee Relations Policy Manual of Esso Standard (Near East) Inc., October 20, 1953, p. 3 Section G.b

Presidential Decree number 3309 of 1966, was an attempt at regulating all workers in the public sector. Accordingly, economic units were required to take immediate action for replacing their currently used manuals. With this at hand, economic units are not allowed to revise any of the statements of the law, rendering thereby the responsibility of the personnel manager to the mere execution of the regulations set by the State. A list of requirements that eligible candidates for appointment must meet were set forth in article four, and conditions under which a company can terminate the services of a worker in article seventy-five. Articles from seventy-six to eighty-two deal with the procedures to be taken in case of termination of service. Hours of work, overtime, sick leaves, paid vacations, pregnancy leaves for women workers are regulated by articles thirty-eight to fifty-one. Other procedures were also regulated as mentioned previously.

Personnel records are another important function of the personnel department. Complete records supplement the personnel manager's memory. Properly planned, simple records, if kept up-to-date, save time and prevent any future uncertainty and embarrassment. A good record system consists of a collection of accumulated papers concerning each worker, kept in a seperate folder. Files should contain information on personal data such as address,

date of birth, family status, title of job, date of employment and transfers, previous jobs and so on. They should also contain documents concerning the worker's education and training, records and letters of recommendation. Reports about tests, proficiency and medical reports should also be included. Other information required to complete the file would be the worker's contract, job assignment and description, performance rating by supervisor, loans, advances, taxes as well as his absence record.

The Compagnie Orientale des Petroles is following a different system for its personnel record keeping than the one described above. Rather than the centralization of all information concerning the worker in the personnel department in one file, other departments have set up files on matters that concern them. For instance the Financial Department keeps records of workers' financial situations, the Legal Department keeps files of social insurance. The Personnel Department keeps two files, one for personal data and educational and training records, and another for leaves and performance appraisal. The Medical Department has opened files for all medical reports.

Personnel record keeping as such does not fill the needs of business, as executives who require a complete record on any

worker for making any decision would be obliged to collect all these files from the different departments. Also as they are not the sole responsibility of the personnel manager, they are usually not kept up-to-date.

The records available in the company are not used, however except for statistical purposes to satisfy the needs of the Central Agency for Public Mobilization and the annual report to the Public Organization. Records and statistics are not yet perceived as a means of assessing the state of organizational health. Records of workers' absences from their jobs for various reasons, frequency of turnover, number and types of grievances and rating by supervisors can be of great help in evaluating workers' morale and job satisfaction.

CHAPTER IV

ORGANIZATIONAL MODEL AND INTERPRETATION

The Problem

In the United Arab Republic, socialist enterprise management authority, whether formal or informal, tends to be shared within the enterprise with elected workers respresentatives, the socialist union basic unit and the trade union committee. It also tends to be shared externally with the supervisory public organization, the ministry concerned, the planning commission and a host of central agencies, each setting detailed instructions in line with their area of supervision, leaving little freedom to the enterprise for decision-making. Sherif wrote that such bureaucratic form of organization generally tends to inhibit initiative, stifle creativity and generate pressure for uniformity as well as reduce incentives for innovative change.[1]

On the other hand, the new social doctrine required public enterprise managers to act as professional managers with a high level of sensitivity to their social responsibility. They are expected to take positive attitudes towards problems of work relations and not be just trade-oriented. They are not justified in maintaining neutrality in inter-personal relations, but must

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[1]A.F. Sherif, "Developing New Managers for the Socialist Enterprise Sector in the United Arab Republic", N.I.M.D. May 1967, p. 19.

play an active role in conflict resolution. In light of this, leadership skills are needed. The opportunity for developing such kinds of leadership are not great because in a highly bureaucratic form of socialist organization, vertical and external diffusion between top management and the minister concerned tends to be great, to the extent that exterprise management is reduced to one function, namely, production.[1] This gives little concern to other managerial functions, and even less to personnel administration. The dilemma could not be resolved and the outcome is that there is a widespread feeling in management of the public sector that human resources are not being effectively utilized. Often this feeling is subconscious and unexpressed, but when it is, the company personnel department is likely to be the target of criticism.

Research Findings

In addition to the wide experience of the writer in personnel administration in the Compagnie Orientale des Petroles, unstructured interviews were held with heads of personnel of three other oil companies, namely, Misr Oil Company, Pipeline Oil Company and Alexandria Refinery. The interviews were mainly concerned with their department's organization chart, functions performed, and the kinds of constraints, if any, that affect the departments' performance in any way.

Comparative analysis of the charts and functions showed

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[1] *Ibid.*, p. 18

them to be practically identical, as originally required by the public organization, which sets great value by standardisation of activities for its various economic units. Moreover, the legal framework within which they operate, acts as a stumbling block to most of the functions normally expected of a personnel department. Hence, whether the personnel administrator is a qualified, trained executive or a bumbling official concerned with red tape from his previous job experience as a public servant, both are reduced to clerical routinists, required to follow well established procedures. They are surrounded by limitations to such an extent that they appear to be in a "fixed orbit" with no room for anything more than the routine. Thus, because of their position of seniority, they are no doubt protected, and therefore see no need to be imaginative, creative or innovative. Moreover, since they cannot tell the line man what he can do, but only what he cannot do because of the legal framework within which they operate, they ahave also become obstructionists. They will remain behind their time since they have no opportunity for change or adaptation, nor will they be able to keep up with the problems of the day as they occur.

Moreover, research findings showed that incentives for managers and workers are not enough to motivate them to be as productive as the State expects them to be. For managers, in addition to their salary, which is set by the government, and the prestige of their position, they have practically none. Fringe benefits are

negligible. In effect, the incentive system is fundamentally negative, the manager either does a good job, or is demoted or retired. For workers, financial incentives are granted in the form of a share in profit to a maximum of fifty Egyptian pounds. They are not fired except for gross misdemeanor. It may happen that a company's operation may be suspended for reasons beyond their control but the workers are still paid wages. A good example of this is the writer's company which has been out of business since the 1967 aggression, and wages are still paid in full to all. Representation on the Board of Directors and the Arab Socialist Union Committee are other forms of incentives.

With this situation at hand, and in recapitulation of the original objective of the research, the writer has attempted to design an organizational model for a personnel department, with suggestions that can help the personnel administrator perform within the present constraints in the form of cultural norms, mores or codified in law, in such a way so as to attract, motivate and develop the right kind of talent for higher productivity.

The organizational model considered is a representation of a well established system of personnel functions and procedures that might enable management of oil industries to overcome the barriers that have prevented the solution of specific human problems.

In the writer's opinion the only solution to the present situation can be found in the newly suggested functions shown in Fig. 5.

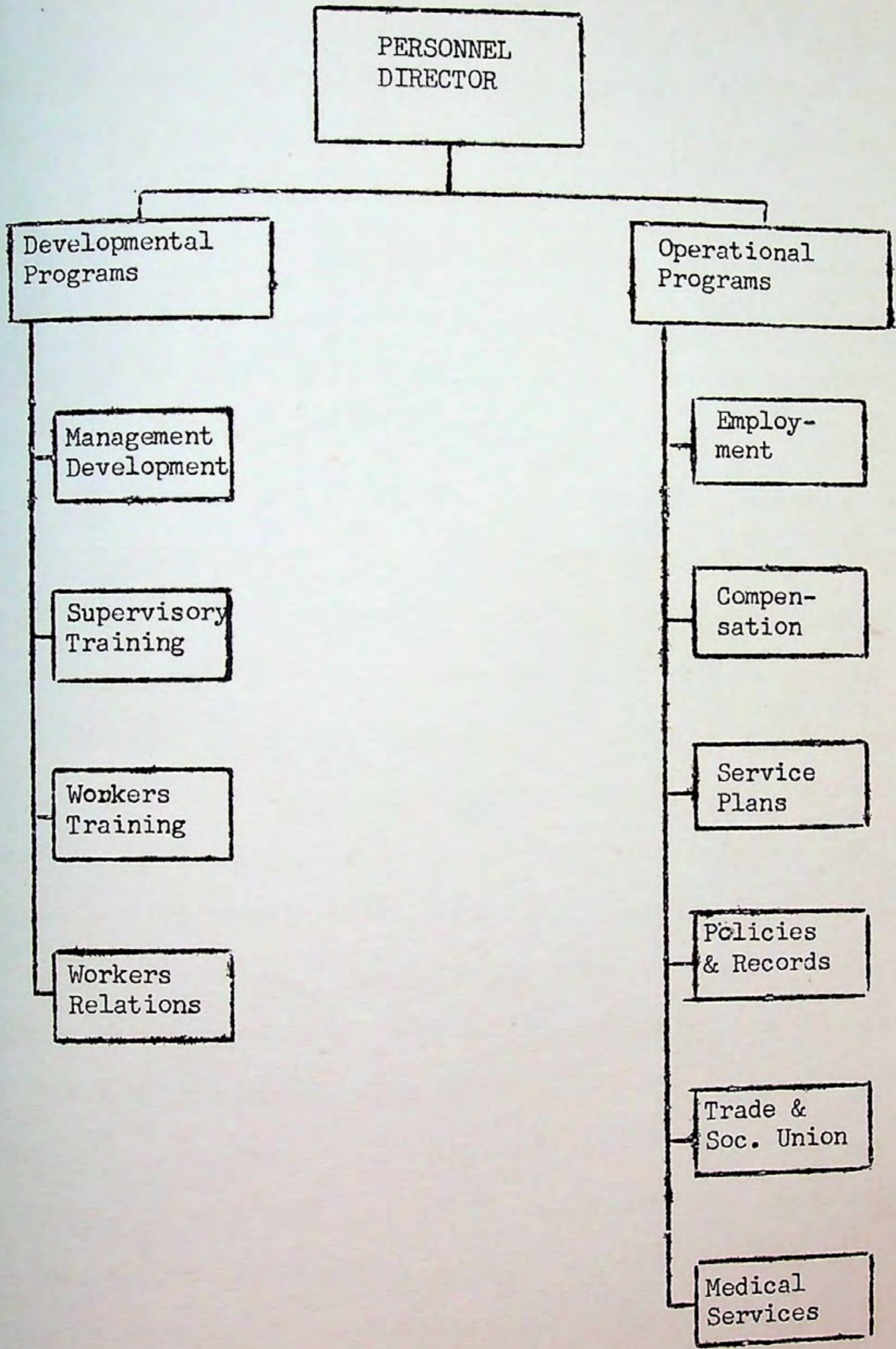

FIGURE - 5

Proposed Functions of the Personnel Department

These functions are necessary for creating an industrial environment of individual responsibility and accountability. As Adams[1] wrote, the purpose of the personnel function is neither to treat human beings strictly as economic units, nor is it to provide satisfaction and social recognition. The purpose is to make workers feel dissatisfied with what they are doing, so that they will want to do better.

The personnel department of the Compagnie Orientale des Petroles, similar to any large firm, is organizaed on a function or task oriented basis as seen in Figure 4. This pattern has developed over the years as a natural outcome of the increasing personnel expertise. Moreover, these divisions and subdivisions of personnel functions have resulted from the personnel specialists' effort to equate task specialization with gaining a reinforcing acceptance of their role as the authority in management of the firm's human resources. Such a move towards greater specialization does not warrant at the present time such great status since most of the functions have been reduced to routine clerical work performed according to detailed instructions set within the legal framework. In addition, emphasis on techniques rather than problems produced a situation in which techniques are applied indiscriminately, whether or not they are appropriate to the company's human resource

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[1] H.F. Adams, "The Purpose of the Personnel Function", Personnel Administration, Vol. 26 No. 5, September - October 1963, p. 21.

problems. There is little incentive to develop personnel strategies to deal with internal problems when techniques themselves assume more importance than the problems they were intended to solve.

The organizational model recommended should cover the major activities and responsibilities needed presently to help the company's personnel department move towards providing a more important service than those presently given. Greater emphasis is placed on developmental programs for the worker. This does not mean, however, that the department will discontinue to pursue programs of workers' needs in other functions listed under operational programs, but to change workers' behavior one must deal creatively with their problems. These functions will not be dealt with since they should be performed within the framework set by law as previously mentioned in chapter three.

<u>Training and Development</u>

As President Nasser has said on a number of occasions, it may be easy to build a factory everyday; what is really difficult is to train men to operate these factories.

The oil industry, more than any other industry cannot achieve success without building up skilled trained hands who can bring production up to a level that guarantees its continued existence. This is due to its complex organization and new development techniques in the application of various scientific methods requiring long experience and great knowledge. Moreover,

if the skilled and trained hands are the most important support on which industry builds its success, human power, however efficient it may be, is in need of high administrative capacities that undertake the supervision and planning of its activities.

It is a well known fact that theorists believe that the process of change occurs slowly over a long period of time, in order to alter the attitude formation from early childhood. In spite, of that, there is, no doubt that if training programs are well planned and tailored to the needs of the group for which they are destined, they will definitely speed up this process of change.

Management Training and Development

In order for top management to show their interest in the program, demonstrate their willingness to learn, and know the content of the program, training should begin at that level.[1] Unless this is done there will be little chance for its progress at all levels of the company.

The National Institute for Management Development provides training in modern techniques such as case method, role playing, business games, training laboratories and management exercises. These training programs aim at inducing managers to improve their performance of :

> "- Sharpening their analytical and conceptual skills in solving

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[1] H. Koontz and C. O'Donnell, *op. cit.*, p. 456

managerial problems
- Developing their behavioral skills through enhancing their understanding of the human aspects of managing an enterprise.
- Increasing his awareness and knowledge of the environmental conditions under which he functions." [1]

In spite of this managers are reluctant to attend these training courses. Protocol and class consciousness prevents top management of the enterprise and the organization from participating in such programs.

Therefore, the first step that must be taken is to train top management, especially in that the socialist transformation initiated by the State stimulated the need for socialist relations to replace the previous injustice and discretionary managerial authority. The concept of "managerial authority" had to be changed to the concept of "influence" as experienced in highly democratic organizations. Sherif[2] wrote that there is great difficulty in accomplishing that process of change because of the accumulated backlog of past conflicts, lagging adjustments in socialist attitudes and values, coupled with management clinging to the logic that discipline is synonymous with efficiency. There is no place for managers in industry who do not adjust. They must learn to accept participation in decision-making instead of clinging to unilateral authority. The State believes that participation of

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[1] N.I.M.D. Bulletin, Research Center Publication Department, U.A.R., 1967, p. 3

[2] A.F. Sherif, op. cit., p. 16

managers with the workers' representatives on the Board together with the State-appointed professional managers should bring about good work relations, higher morale as well as motivation. Since "social skills", human relations, rarely come naturally, they must be developed and this can be accomplished by training. Joint group training has proved instrumental in effecting the required change in attitude and in developing better inter-group relations.[1]

As soon as managers learn how to act as "model employers" with a high level of sensitivity to their social responsibility, they are expected to give as much of their time to work relations as to their duties.

Training of Supervisors

In view of the importance of supervisory men, in the oil industry, the company should devote a great deal of attention to training them. Besides developing them in "social skills" mentioned earlier, they should be trained in the responsibilities of supervision, its effect on raising standards of work, as well as principles of administration and work problems. The men who are responsible for equipment, supplies, products and performance of those under their supervision, and for safety and welfare of workers assigned to them must also be intelligently selected regardless of their seniority in the company.

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[1] *Ibid.*, p. 21

The training of competent supervisors may be achieved by the following methods:

-Instruction on the job by higher supervisors.

-Special coaching sessions with participation of other supervisory personnel to familiarize them with specific current operating problems, explain courses of action, test their judgement, and so on.

-Participation, inthe role of learner, in meetings and committees of supervisory personnel.

-Encouragement of contacts with other supervisory personnel, and of self-improvement by studying the problems involved.

Supervisory training also helps coordinate the activities of different units within the company. It also serves as a review of current supervisory problems.

Training of Workers

The initial training step which is commonly referred to as orientation should not be confined to workers only, but to all newly appointed members in the organization. Its primary purpose is to acquaint the new worker with the environment in which he will work. This program is to be sponsored by the personnel department so that great emphasis be placed on the worker's responsibilities and his contributions, and not just discussing company history and benefits that will be granted, as

is presently the case. Instead of making the worker feel important, the personnel director should make him feel the importance of his work and how much it contributes to the enterprise. A new worker should also be told the results expected of him in his job. He will be proud of his job and his performance in it, and accordingly will identify himself with the company, by saying"we" when he talks instead of "they" when he refers to management.

Training in the oil industry should not be confined to certain categories because of the complexity and continuous evolution mentioned previously. Therefore, after the initial iorientation, training on the job should be provided to new workers as well as to those already on the job. It is a process by which the worker acquires the knowledge and skills required to fulfill his responsibilities. Certainly he cannot be held responsbile for achieving results in his job if he is never given the opportunity to acquire the necessary knowledge and skill. It is management's responsibility at every level to see that their subordinates receive the training which will make it practical and fair to hold them responsible for results.

A vigorous illiteracy campaign is also needed for manual and skilled workers in the oil industry. Many have gained enough experience which would normally entitle or prepare them for supervisory positions, but being illiterate was an obstacle in their path. The company was compelled accordingly, to appoint, instead,

men with adequate educational background but with little or no practical knowledge of the work. This procedure had adverse effect on productivity as well as workers' satisfaction. Furthermore encouragement should be given to those who want to further education, such as preparation for professional qualification, by subsidies on the part of the company whether by granting leave with pay or financial help or both.

For those who are earmarked to occupy senior posts in the future, training overseas is also necessary. Technicians and senior members of the staff should be sent abroad in order to become familiar with the most up-to-date developments of the oil industry. Visits to international oil facilities and attending various training courses should be included in the program.

Some general recommendations for a successful training program are :

- Develop a program of clearly defined goals. What do you want the learner to know? What is his ability? How much time can you spare for instruction?
- Arrange the supplies and equipment that are to be used in training, in the same way as they are under working conditions.
- Break jobs down by listing point by point what you want workers to learn.
- To speed learning, the training department must be able to get information across to workers, and

emphasize its use and application on the job. The learner must be stirred to activity by getting him to participate. He must be given time to digest what he has learned and be able to differentiate between what is important and what is not, as well as understand the meaning of what he is learning.[1]

-Expose trainee to performance standards in order to measure his own progress and determine for himself when he is doing well. Performance standards should not be a supervisory secret as believed by the company's management.

People probably do things for two reasons. First, for fear of punishment and, second, for hope of reward. In general, the hope of reward being a positive motivation, may produce the most lasting effect. People's motivation and attitude toward training is related to the value of the reward which is usually the chance for promotion. Promotions, however, as previously mentioned, are by seniority up to grade six, and by selection up to grade one. Promotion to grade one is by Presidential Decree, and to grade two by Ministerial Decree and to grade three by approval from the Board of Directors of the Public Organization. In fact promotion by selection is limited to grades five and four. Since nothing

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[1]Federal Security Agency, "Staff Development: The Supervisor's Job", Training Manual No. 6, Washington D.C., 1948, p. 16.

is more demoralizing and belittling of human beings than a system where every decision concerning them is made on bases of seniority and where ability, skill and performance go unrewarded, other ways must be sought to get people to recognize that in spite of all restrictions, the enterprise is interested in their well being. This can be done through better worker relations.

Workers Relations

To secure loyalty and high level of performance that comes with workers satisfaction, management must cultivate its workers' relations. Besides offering satisfactory wages for satisfactory work, it must also try to fulfill other conditions that will keep workers happy.

Most of the workers in the Compagnie Orientale des Petroles had their wages frozen and will probably remain frozen till they reach the age of pension. Others who were employed on the new system of wages have become accustomed to the regulated system of increases so that the stimulus of an increase in pay is wearing off.

The prevailing fatalistic attitude towards life has helped create in the worker a frame of mind which makes him accept with resignation what he considers his fate in as far as increases in wages and promotions are concerned. Moreover, in our developing society which is still traditionally oriented, especially among the lower echelons, kind treatment and politeness are effective

motivational tools. Respect for religious beliefs, cultural traditions and status of workers in their society are extremely important too. Sincere interest in worker's contribution to work as well as occasional expression of praise and encouragement will definitely lead to his satisfaction and better performance. Moreover, good working conditions and worker's security are important factors to be considered. In summary, the feeling that the company has concern for the personal interest of the worker and his family, in spite of all kinds of restrictions, is an important factor in workers' satisfaction.

Non-financial incentives are of great help in stimulating workers' interests and in stirring their imagination. Some of these incentives are :

Suggestion Systems : The Compagnie Orientale des Petroles introduced a suggestion system a few years ago. The system failed in spite of the fact that article thirty of Presidential Decree Number 3309 of 1966, stipulated that bonuses can be granted, within the appropriation of the budget of the economic unit, to those who undertake research or a suggestion that leads to improvement for the company. The cause of the failure of the system is attributed to a number of reasons, some of which are, delay on the managerial part in reacting to workers' proposals, financial rewards were considered inadequate and supervisors' objection to their subordinates initiative in suggesting improvements.

The system must be revived, and to succeed management must provide for a simple method by which the workers can present their suggestions, either orally or in writing. Rewards and recognition must be clearly given and there should be no delay in reviewing these suggestions. Moreover, workers must be made to feel that management is interested in the system. This can be achieved by an expression of thanks to workers for their interest in the enterprise. In case the proposal is not acceptable, the reasons should be explained.

Such encouragement for workers to submit their ideas and proposals, will make them identify themselves with the enterprise. The idea that they are allowed to participate in management's thinking improves their morale and thereby increases their productivity. Needless to say supervisors must be "sold" on the system and reminded continuously to encourage their workers to participate. The legally allowed financial reward combined with non-financial incentive will definitely create an effective motivating influence.

Individual Attention to Every Worker :

Workers and specially those in developing countries like to feel that their problems receive due attention. The procedure of rewarding workers with certificates and pins for services, which has been stopped by the company, must be resumed. The pleasure and satisfaction of the person honored gives a psychological uplift.

Reward for loyalty creates new loyalties.

For less distinguished workers, private counseling is also necessary. Friendly talks give the workers a feeling of belonging to the organization. Workers mshould be allowed to express their hopes, fears, difficulties and problems. In this way they will feel that management's intention is to offer them fair treatment and personal attention.

Competition Within :

Though outside competition between firms is not encouraged by the State, there is no doubt that internal competition is highly appreciated since it is a powerful stimulus for productivity. The announcement of the number of feet that each driller dug during his shift resulted in a higher number of feet drilled on all rigs. The company had experienced high competition when figures or percentages were announced. This procedure should be generalized, but not as far as to drive workers to unhealthy or unreasonable exertion of energy. Rivalries on the other hand must remain friendly in spirit, otherwise competition should be discouraged. Competition could be conducted on the basis of such factors as suggestions adopted, reductions of accidents, absenteeism, participation in training, and so on.

Finally, developing group spirit, social activities must be supported and encouraged by management. The workers in the company fields have ample leisure time away from their families.

Most of their free time is directed towards unhealthy activities, such as drinking and gambling, instead of the more healthy activities such as sports or cultural pastime. Sports and leisure time programs are constructive contributions to a positive identification of workers with the enterprise.

The Place of the Personnel Department in the Organization

The end product of organization is teamwork, that is people working effectively together. This requires that relationships among jobs be defined clearly so that every person will know what must be done to ensure consistent, balanced movement toward company objectives. In defining relationships one must identify line and staff and the proper role of each.

The personnel department as French wrote, has always been at the root of the so-called "line versus staff conflict". This is due to the various opinions as to its exact authority in many of its functions. He adds, since personnel management is such a highly complex matter, simple descriptions and simple formulae about its management will not suffice.[1] The reason is that many of these activities are shared between the personnel department and the supervisors in as far as responsibility and authority are concerned. Generally, however, most writers have agreed that the personnel administrator is clearly a staff officer with line authority within

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[1]W. French, _op. cit._, pp. 561-562

his own department only. His major function is to advise, counsel, assist and service operating or line managers. He is not to exercise direct authority over other managers regardless of whether they are staff or line.

It is recommended however, that the personnel department with its newly suggested functions be given full authority to implement them and be held fully responsible for their results. This is the only way whereby management can ensure the success of the program. There are two alternatives that can be considered to make the above operable. The first is to place the developmental program in a functional form structure as seen in Figure 6. Functional staff authority expedites efficiency and is convenient for the purpose. Jucius[1] states that the functional plan has been tried on a broad scale but failed. He added however, that in situations like that of the Compagnie Orientale des Petroles, where complex workers problems exist, and strict governmental regulations are imposed, the functional plan can be quite efficient if restricted to a temporary period. The second alternative would be to attach the developmental programs to the managing director's office as seen in Figure 7. However, for the organizational model to be operative, the organizational patterns must show clearly the lines of authority in order to meet the objectives of the company. Management should try to avoid

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[1]M.J. Jucius, <u>op. cit.</u>, p. 74.

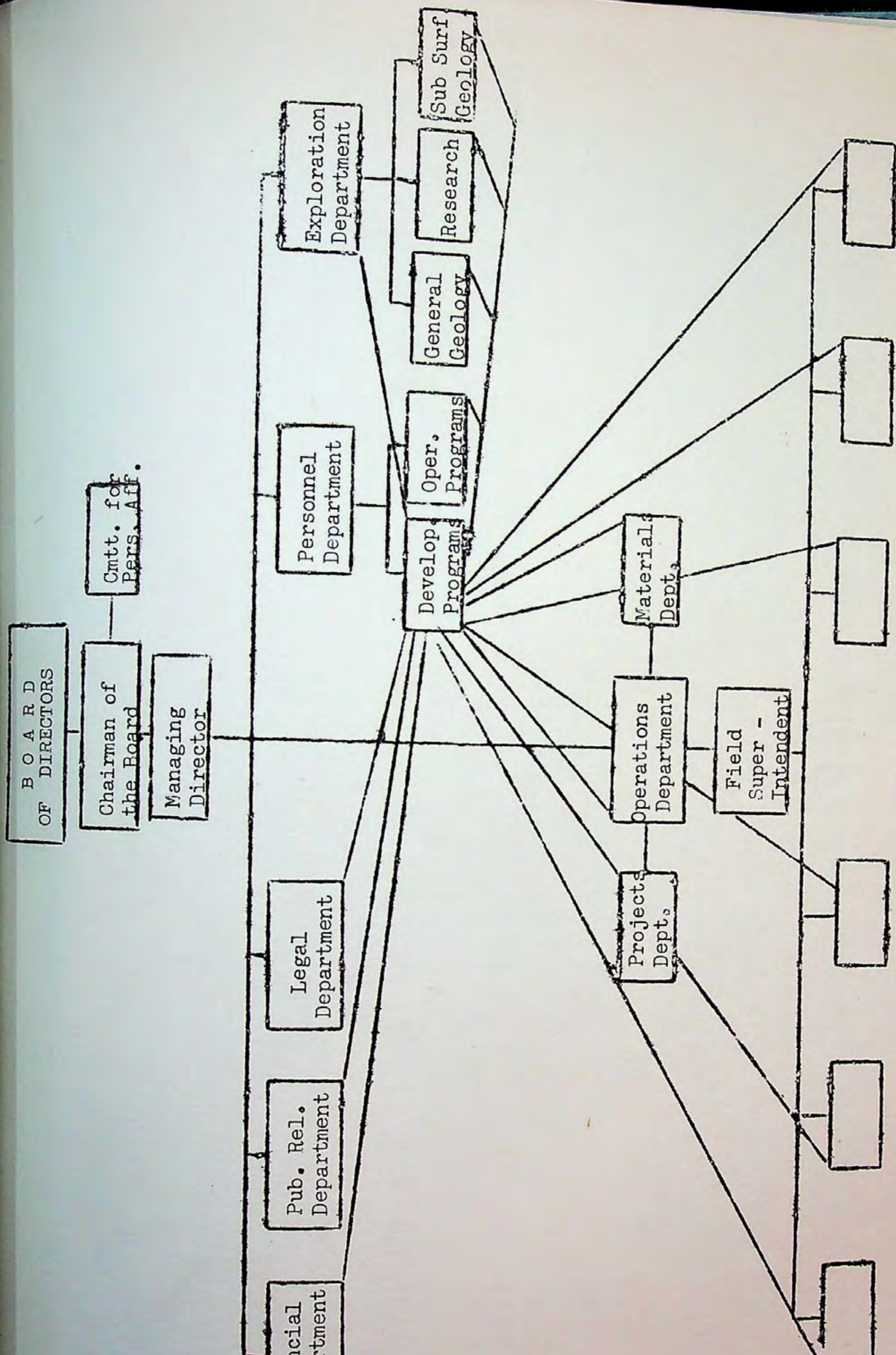

FIGURE - 6
Developmental Programs in a Functional Staff

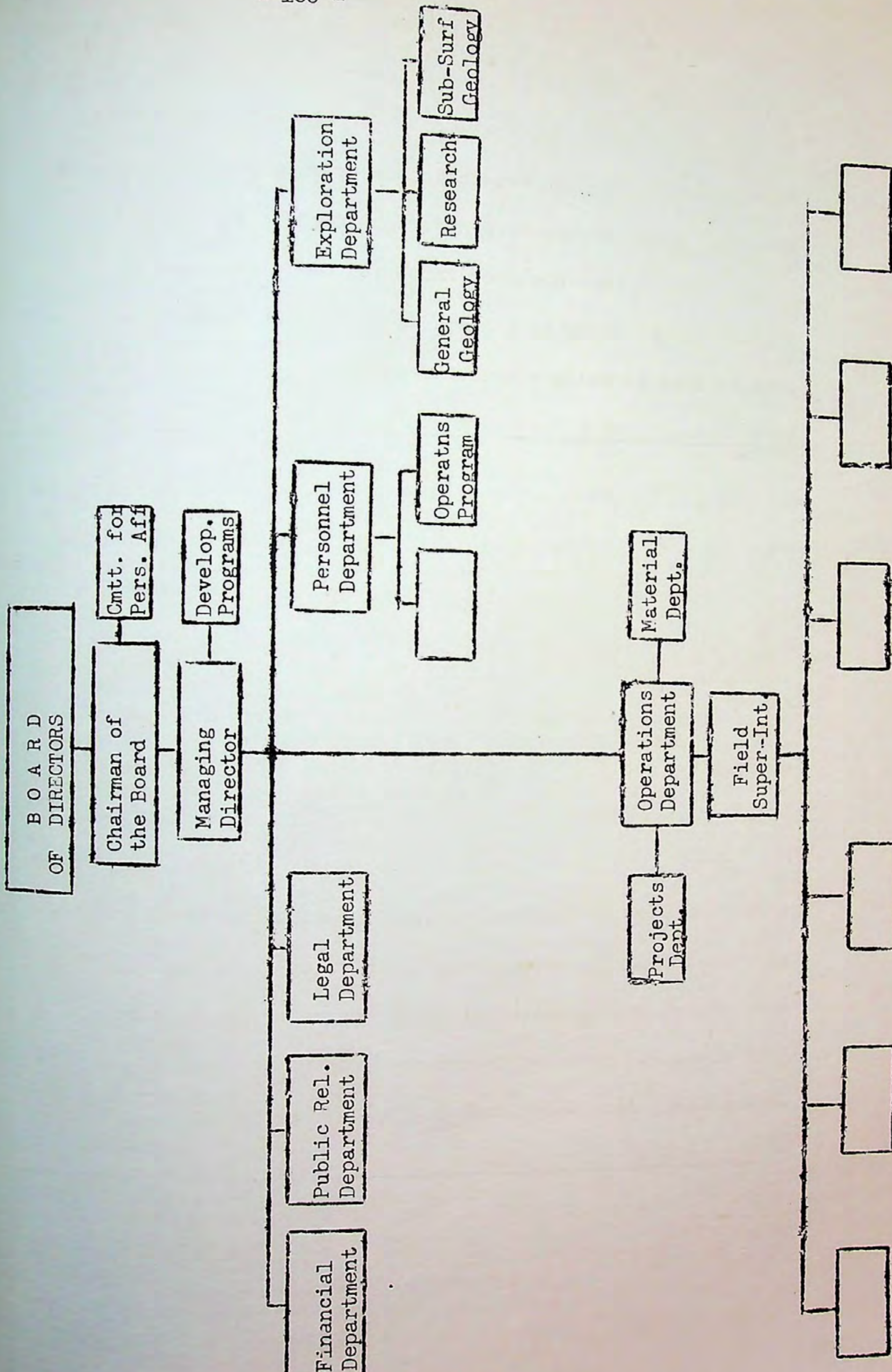

FIGURE - 7
Developmental Programs in Line Authority Relationship

the commonly used "trash can" pattern which has led the personnel department to become a dumping ground for a broad array of functions which have little to do with the major goals of personnel administration. The maintenance of buildings and transportation are clear examples of that. Nor should the department be a haven for unwanted personnel elsewhere, whether it be for lack of skill, misconduct or health. Staffing of this department must be highly selective and according to research findings limited to one for every 152 workers.[1] The effect of the practical application of such a measure as regards the Compagnie Orientale des Petroles would be the reduction of its personnel department from eighty five workers to the optimum number of twenty. The redundant balance of workers could be retrained for possible placement elsewhere.

Summary

The Compagnie Orientale des Petroles, similar to any other oil company needs to coordinate and utilize its human resources to reach the common goal set by the State. Being an affiliate of the Egyptian General Petroleum Organization, its management's authority in decision making is limited by an array of outside governmental agencies as well as the decree regulating all workers in the public sector. The personnel department, instead of effectively carrying out its normal functions according to well-established procedures,

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[1]W. French, op. cit., p. 579

found its work had been reduced to routine clerical duties, with no way to motivate workers to increase their productivity.

Facing the reality and knowing that the various constraints mentioned are not likely to be removed in the near future, the writer has attempted to design an organizational model for the personnel department of the company which would create an environment conducive to awareness of individual responsibility. Such an awareness will enable management to utilize workers more effectively, will encourage workers to use their talents creatively and productively, and finally give the individual the dignity and self-respect desired by every mature person.

The proposed organizational model stresses developmental programs to reach this end. It is felt that they are the only likely tools that can be used as the necessary motivating devices to achieve the needed increased productivity, which is the end goal in mind. These should be in the form of training and development programs for the various company echelons. For management, the behavioral changes needed for a socialist transformation are the ones stressed. The old private enterprise logic that discipline is synonymous with efficiency is to be changed to a new concept, that of influence, and the concept of unilateral authority is to be replaced by that of participative management. Specifically, for minimizing those Board conflicts between appointed managers and elected workers'

representatives, which otherwise tend to assume proportions detrimental to constructive decision making necessary for work effectiveness. The required changes in attitude and the development of better inter-group relations can be achieved by joint group training. For supervisory men, who are the backbone of the company, training is recommended in both the welfare and technical aspects of their positions - but with more stress on the latter side. Welfare training ensures the safety and happiness of the workers they supervise, while technical training is the means whereby work performance standards and techniques can be raised. Finally, the program proposes the development of workers knowledge and skills required to enable them to achieve the targets set, for each, by the company. An illiteracy campaign is a natural prerequisite for those who cannot read or write, to be followed by skill training on the job. Graduates and those who are earmarked to occupy higher posts in future should likewise be encouraged to further their studies and be sent abroad for training.

Training should not be a one time operation. To be effective it has to be repeated at reasonable intervals of time. Again, it has to be throughout the hierarchy of the company.

Training is a learning process, and hence the incentive to learn has to be present otherwise the best designed of these

programs fall through. Since incentives in the form of finances or promotions are pre-cluded by constraints identified earlier, several non-financial ones are proposed instead. These are generally oriented towards improved workers' relations such as suggestion systems, individual attention to every worker, internal competitiveness, and development of good group working relationships. In a value conscious society such as still exists in the United Arab Republic, it is believed that the proposed means will be incentive enough to achieve the desired result.

Finally, to ensure the success of the developmental programs, the person in charge should be given full line authority in the organizational structure for the period of time necessary to have them accepted by line managers.

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