

# REFORMING THE PAY SYSTEM FOR GOVERNMENT EMPLOYEES IN EGYPT

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## ABSTRACT

*This article attempts to identify what needs to be done to reform the pay system for government employees in Egypt through proposing a set of policy solutions and strategies. After dissecting the structure and composition of the current pay system, and conducting structured interviews with a sample of Egyptian government employees to solicit their views about the adequacy of pay, the authors propose a system for pay adjustment and strategies to resolve the problem. Foremost among these issues are securing the needed extra funding for increasing government employees' pay, right-sizing the government civil service, enhancing transparency, reducing wage discrepancies, reforming the minimum wage policy and establishing a better link between pay and performance. To conclude, the study stresses that the urgency of the problem requires the Government of Egypt to consider pay reform a top priority and work immediately on developing its civil service reform strategy in consultation with stakeholders.*

## INTRODUCTION

To be effective, a public sector pay system needs to satisfy the needs of both employer and employees. The employer, in this case the government, looks for ease of administration, flexibility and affordability. Meanwhile, the employees look for adequacy in meeting living expenses, and to fairness in relation to other employees and to market rates.

In Egypt, public employees' pay system is laden with problems. Among these problems are low salaries and wages, which are set way below market rates; the impact of these low salaries on the level of motivation of employees and on the ability of government organizations to attract the required skills; the overly complex nature of the pay system; the general ambiguity regarding the actual allowances obtained; and more importantly, the huge burden the current compensation system represents on the state budget.

The purpose of this research is to try to identify what needs to be done to reform the Egyptian government employees' pay system through proposing a concrete set of feasible policy solutions and strategies. Targeted comprehensive reform is one that will lead to the realization of an effective public employees' pay system that satisfies the needs of both employer and employees, and will have positive long-term impacts on productivity, efficiency, performance of the public employees and consequently the effectiveness and responsiveness of the Egyptian bureaucracy.

In order to meet this target, attempts to find clear-cut answers for the following questions will be investigated in the course of research: What are the most salient features of Egypt's government sector employees' pay system? And how do government employees perceive their compensation system? How can an acceptable formula be

constructed for adjusting government employees' pay? And what are the critical issues that need to be addressed in reforming the public employees' pay system?

To answer the research questions, the study will (i) provide an analytical and investigative overview of the features of the current public sector employees pay system including, *inter alia*, governing rules, regulations, policies, pay scales, inflationary trends, allowances, incentives and bonuses; (ii) perform a limited, structured survey covering the various pay categories at the Central Agency for Organization and Administration (CAOA) and the Ministry of Trade and Industry (MTI) in order to solicit perceptions and opinions on reforming the current pay system in government; (iii) develop a system to adjust government employees' pay rationally while keeping in mind basic needs, price level, and decent living; and (iv) conclude with policy-oriented findings and recommendations to enrich the ongoing public debate on government pay system within an overarching framework of civil service reform.

Organizationally, the study is divided into seven main sections. After the introduction, Section two deals with the theoretical and conceptual framework of pay system reform. Section three discusses the main features of the Egyptian government employees pay system. Section four conducts an analysis of Egyptian government employees' perceptions of the pay problem. Section five proposes a salary adjustment structure for Egyptian employees' pay. Section six presents a mix of critical strategic issues and strategies for pay reform in Egypt. Section seven concludes.

## **THEORETICAL AND CONCEPTUAL FRAMEWORK**

This section discusses the complexity of the pay reform problem, the pay reform goals aspired to by any nation, and the diverse approaches and techniques theoretically available for making pay decisions and implementing reform.

### **Complexity of the problem**

Developing countries face difficulties in reforming the pay system due to contradictory stakeholders' objectives and other political, economic and managerial aspects. Examples of such complexities (Kiragu and Mukandala 2003, 1-7; Mutahaba 2005, 4; Cardona 2007) include:

- Political considerations, which tend to influence government decisions of pay system reform as much as, or even more than, economic considerations. National political leaders may sometimes seek to win votes, especially during elections, by deciding to raise the salaries of low-paid employees in the government bureaucracy.
- Labor unions and syndicates may ask for pay raises—especially for unskilled and semi-skilled labor—that may exceed ongoing market rates, and may end up being unaffordable to the government.
- Governments of developing countries suffering a deficit in fiscal resources and wishing to control or reduce the wage bill sometimes face a serious challenge in realizing that an improvement in the delivery of public services may require an increase in public employment. For example, in the education sector to improve the quality of education there is often a real need for appointment of more teachers and improving the teacher/student ratios in schools.

- Poor compensation of government employees is directly related to many negative phenomena in the government administration, including—but not limited to—feeble productivity, weakened commitment to the public service, corruption, absenteeism, pursuit of alternative employment, reduced accountability, and inability of the government to attract the needed qualified and competent candidates, especially for its leadership positions.
- Valuing civil service pay is complicated because oftentimes the outputs produced by civil servants are not marketable (public goods) or are natural monopolies.
- Donor agencies may sometimes be willing to help by providing support to developing countries to cover and raise their wage bill, but national governments often refuse to resort to such measures for fear of creating aid dependency.
- Pay is not the only factor influencing government employees' performance, but other socio-cultural factors may be more influential and have to be taken into consideration.

### **Diversity of approaches, techniques and models used in pay reform**

Approaches and techniques used by developing countries in reforming and adjusting their pay systems vary widely. They range from setting a national incomes and employment policy for both the public and private sectors, to allowing for collective bargaining with trade unions, to automatic adjustment of salaries by agencies in charge (Kiragu and Mukandala 2003, 18-27).

Three main models of pay adjustment and reform were identified: the crisis driven model, the political model and the rational model. As for the *crisis driven model*, it is the case when the government does not have a proactive policy in tackling pay decisions, but rather reacts most of the time to pressures and comes up with ad hoc temporary solutions to emerging problems. It offers favorable treatment to the more powerful groups of employees.

As for the *political model*, the essence is that pay decisions affect different groups in society differently and that pay decisions should serve some political objectives. There are three variations on this model. The first is the *centralized control option*, where the central government decides on a unified salary structure, index for salary adjustments and minimum wage policy. Second is the *consensus building option* through organizing discussions with stakeholder groups and implementing successive salary reviews. The third is the *egalitarian option* where the main concern is achieving equity and fairness in the allocation of the wage bill.

In the third model, which is the *rational model*, it is believed that the only way to achieve an efficient and effective solution to the public service pay system is to de-politicize it. Three options exist for implementing the rational model including the *affordability option*, the *skills market competitiveness option* and the *performance-based option*. The affordability option starts by setting a wage bill ceiling and tries to find the appropriate matching wage scale and public service size. As for the skills market competitiveness option, it focuses on the need to recruit and retain adequate numbers of personnel with critical skills and experience through setting their salary levels to be comparable with market rates. Finally, the performance based option tries to

link performance to pay, and although seemingly logical, it is difficult to implement, and faces a great deal of resistance from labor unions and syndicates (Kiragu and Mukandala 2003, 27-31).

Egypt seems to be adopting most of the time a weak version of the rational approach coupled with a crisis driven approach, where adjustments of basic salary do not meet, and are actually de-linked from the real increases in cost of living expenses. It is also related to the crisis driven approach as happened on May 1<sup>st</sup> 2008, when the President decided on a 30 percent increase rather than the usual 10-20 percent in an attempt to appease workers and public sector employees and contribute in some way to controlling the rising rates of demonstrations and strikes over the past year. The crisis driven approach is also evident in the recently agreed “special cadres” status for public school teachers and the in-kind and financial allowances and bonuses decreed provisionally to some public enterprise sector workers, like in El Mehalla textile company, and not to others, because they were more vocal in expressing their discontent and asked for their labor rights in a manner caught by the press and civil society organizations.

## **MAIN FEATURES OF THE EGYPTIAN GOVERNMENT EMPLOYEES’ PAY SYSTEM**

The following section aims at explaining the status quo of the current Egyptian government employees’ pay system, including the complicated legislative background governing the system and a brief sketch of this system and its developments, the signs of rising dissatisfaction with the system, the current minimum wage policy, effective average wage of government employees and the size and age structure of the Egyptian bureaucracy.

### **Legislative grounds and sketch of the governing system**

As a signatory to the International Declaration of Human Rights (1948) and the International Convention for Economic, Social and Cultural Rights (1966), Egypt is required to safeguard the right of citizens to fair and adequate pay, securing decent living and sufficient social protection upon employment and unemployment. In addition, under the International Labor Convention (1970) minimum wages are to be established and regularly updated within the rule of law. Moreover, Islamic jurisprudence dictates that an employee should get his payment upon rendering the services and/or goods contracted.

Currently, there are more than 40 different laws and regulations and no less than 55 decrees regulating the government employees’ pay system. The web of allowances is a clear indication of its complexity. The main features of this pay system are as follows:

- Minimum salary in government and public sector has been set at LE 35 per month in 1984 and stayed as such since then.
- In 1986, it was stipulated that any government employee’s salary should not exceed LE 20,000 per year (LE 1667 per month). This was raised in 2000 to LE 54,000 per annum (LE 4500 per month).
- A series of special added and un-added bonuses, annual increases and various incentives introduced in 1987 to date burden the system as shown in Table 1. Laws stipulate that no insurance payments are due over un-added bonuses on

both the side of the employer and employee. This reduces the government fiscal burden and increases employees' disposable income. At the same time, it defers the problematic issue of securing a decent pension payment to pensioners upon retirement. This leads to an actuarial mismatch on the sides of the government and its employees contributions and hence on future pension liabilities.

- The National Council for Wages (NCW) was established by Law 12 for 2003 with the mandate to ensure that salaries (implicitly for the government, non-government and private sectors) should be in tandem with the cost of living.
- The president, vice president and ministers are not considered civil servants and their salaries are governed by special laws.
- Government employees are allowed to hold other paid jobs with permission.

One more feature of the complexity of the Egyptian pay system is the series of special bonuses, annual increases, differing allowances and incentive structures. A closer look at Table 1 illustrates that the lower bound entry salary for a civil servant at grade 6 is LE 35 per month in 2008, yet in-hand salary after adding a series of added and un-added bonuses and incentives reaches LE 289 per month. The range of salaries at the lower bound, as depicted in the table, is narrow. The salary of a first undersecretary does not reach fivefold that of a new entrant to the government without a university degree (grade 6) and fourfold that of a new university graduate (grade 3), thus providing little incentive for advancement. It is worth noting as well that authors' interviews (2008) have shown that government employees are yet to collect incentives that range between 300-950 percent of their salaries for the same grade although in different administrative units of government.

Some additional observations were also drawn. *First*, there is a correlation between the increase in the percentage of special bonuses and their years of addition to basic salaries, on the one hand, and presidential election years, on the other hand. To illustrate, it was found that a 20 percent special bonus in 1987 was added in 1992 (a year after elections); a 20 percent special bonus in 1991 was added in 1997 (a year after elections); a 20 percent special bonus in 2006 (election year) to be added in 2011 (election year); and a 15 percent special bonus is to be added in 2012 (a year after elections). *Second*, although so far 200 percent of basic salary increases have been added during the period 1987-2008 with additional 95 percent expected to be added by 2013, the presidential elections program in 2006 promised a 100 percent increase in pay by 2011 (the upcoming election year). Until FY 2008/09, a 55 percent increase in pay has been fulfilled leaving a 45 percent increase for the following three years. However, in spite of these increases, the question remains whether civil servants' basic salary in FY 2008/09 is sufficient to cover rising prices, sustain a decent quality of life for government employees and is adjustable periodically based on economic principles.

### **Growing dissatisfaction with current pay in government sector**

Over the past couple of years, Egypt witnessed an unprecedented increase in the number of demonstrations and labor strikes in various parts of the government's administration and public sector organizations calling for a change in their compensation and pay system. While the Ministry of Manpower and Migration affirms that strikes and sit-ins were resolved amicably, independent human rights activist organizations, such as Human Rights Watch and others, allege that resolutions came as a result of repressions.

At any rate, official versus independent figures on labor demonstrations, strikes and sit-ins demonstrate an unchecked area by the government and domestic civil society. Regardless of the numbers, the overall public impression is that there is a general heightened level of dissatisfaction, especially of public employees and workers, with the pay level, which mostly falls under the national poverty line.

### **Minimum wage policy and real wage**

Turning again to Egyptian laws, it was found that a minimum wage is guaranteed for all government and non-government employees, in addition to yearly increments to salary ranging usually between 10-20 percent since 1978; the only exception being the 30 percent increment decided on May 1<sup>st</sup>, 2008. The policy has been criticized due to a number of reasons.

*First*, deterioration has occurred in real pay over the years without acceptable adjustments as per international good practice. When minimum wage is related to per capita GNP, it appears that this rate has decreased from nearly 60 percent in 1984 to 19.4 percent in 1991/92 and further to 13 percent in 2007. *Second*, when the ratio of minimum wage to per capita GNP is compared to other countries, it appears amongst the lowest. While in Turkey the rate is 78 percent, France 51 percent, Spain 26 percent, in Egypt it is only 13 percent. *Third*, when compared to the upper poverty line in some other countries, we find in Egypt, with a value of 0.05 percent of the upper poverty line, it is amongst the lowest rates; in Argentina it is 1.32 percent, in Mexico 2.02 percent, while in the Philippines it is 1.55 percent. *Fourth*, despite the fact that the legally binding minimum wage equals LE 35/month, yet there is a huge discrepancy between what is stated in the law and what the employees actually receive as minimum wage (Metwally 2008). The actual minimum wage received by government employees from the category of ‘supporting staff’ employed on job grade six currently exceeds by eightfold the nominal minimum wage (LE 289 versus LE 35). Those who occupy this grade represent only around 3 percent of the total number of government employees (Radwan 2008, 5).

Thus, there is a real need to modify the minimum wage policy in Egypt and therefore the entire grade scales. Although the National Council for Wages was supposed to come up with a revision for minimum wages in Egypt, it has not managed to do so until today. However, several experts have come up with proposals for how to adjust minimum wage in Egypt. According to Radwan (2008, 9), a range of LE 250-300, as a national minimum wage allowing for differences based on educational level and degree, would be the practical solution that can be implemented right away. Radwan did not explain the basis upon which the said figures were proposed. Alternatively, according to El-Tagamou opposition party (2008), and based on a study of living expenses for a basket of basic goods and services required for a family of four individuals in July 2007 (Abdel-Khalek 2008), the party recommended LE 912 per month as a national minimum wage. The upper bound specified by the Tagamou Party’s study stood at LE 9,000 per month. Both proposed upper and lower bounds were said to be subject to cost-of-living adjustments as of the start of FY 2008/09 (i.e., 01/07/08) with adjustments thereafter. The study proposed funding the wage raises through setting minimum corporate taxes to 25 percent progressive up to a ceiling of 30 percent to ensure equitable income distribution in the national economy. In addition, the study proposed

that maximum earnings of a government employee should not exceed by 10-folds the prevailing minimum wage at any point in time as per international good practice (Abdel-Khalek 2008; interview 2008).

According to Helmy (2008), the minimum wage should not fall below LE 660 so as to exceed the national poverty line and based on the going dependency rate in Egypt in 2008. According to El Gebali (2008), rather than specifying an exact figure, minimum wage should be raised to be compatible with inflation rates and workers' productivity and at the same time allow for differences between sectors and geographic areas. International experience has proven that those latter measures are somewhat difficult to implement. Since the presidential 30 percent special bonus announced in May 2008, policy dialogue on government employees' wage and salary reviews halted with skepticism looming as to whether or not the government and the National Council for Wages will work on reviewing the wage/salary schedule for government employees in the upcoming period.

### **Effective average wage of government employees**

There is no clear and consistent mechanism which informs the public on the effective market price of government employees in various sectors of the economy and vis-à-vis the private sector. The two most recent studies in this domain were conducted by CAO (2008a) and Radwan (2008).

The CAO study used CAPMAS Employment, Wages and Work Hours Bulletin to stress that government employees were generously paid compared to private sector employees. To illustrate, average government and public authorities pay stood at LE 257 per month in 2005 higher than average private sector pay, which was LE 168 per month. In addition, the study pointed to the similarities and dissimilarities in average "economic sector pay" in the government and private sector. For example, CAO found that average pay for government and private sector employees in both the manufacturing, and building and construction sectors was LE 247 per month and LE 236 per month, respectively. Average pay in the financial intermediaries sector in the government versus the private sector showed discrepancies. Average pay of government employees in the finance sector was LE 317 per month, while in the private sector a financial specialist earned LE 514 per month. The study did not go beyond listing those figures.

Alternatively, Radwan (2008) cited some of the CAO study findings and elaborated on the government wage differentials paid by public authorities and holding companies operating in different economic sectors. A deeper look at Table 2 in FY 2005/06 reveals that the lowest government-paying sector of activity was commerce at LE 806 per month, while the highest was the metallurgical industry at LE 2,055 per month, with total average of LE 1,281 per month for public authorities considered in various sectors. Although Radwan did not address the public-private wage differentials, similar to CAO, it is obvious that the results of both studies for the same year (FY 2005/06) show a striking contrast on government average pay as well as for sectoral pay.

A study by El-Essawi (2007, 525-6) showed a downward trend in real wages in both the public and private sectors. El-Essawi notes that by 1999/2000 real wages and the

standard of living for Egypt's salaried employees have lost almost the level that was achieved in 1981/82 for the private sector and in 1976/77 for the public sector. Cumulated inflation since 1999 has substantially eroded whatever was remaining of real wages. Despite its alarming results, El-Essawi's study seems to be the only government employees' real wage discovery analysis, though it was not sectorally disaggregated.

In general, there does not seem to be a periodic, aggregated or disaggregated mechanism for the Egyptian economy upon which wages are adjusted (i.e., real, nominal pay, average and/or sectoral pay for government vs. private sector). This questions the legitimacy of the basis upon which annual decisions are taken by the National Council for Wages and other authorities for salary increases if the government lacks a comprehensive, updated database on salaries and compensations in the economy that would lead to informed decisions accordingly. The weakness of the negotiating power of the labor movement and syndicates in the country may be a cause for not bringing the issue of tracking and updating such information and mechanisms to the forefront of civil service reforms in Egypt despite the growing dissatisfaction with wages.

All in all, Egypt's government pay system is elusive and insufficient to cover rising prices and to sustain a decent quality of life for government employees. Furthermore, it does not follow logic beyond the mechanical salary schedule contained in Law no. 47 for 1978, and the five-year rolling basis annual social allowance additions, which again lacks an explicit rationale for its incremental percentage depiction.

### **Size of the Bureaucracy**

Egypt is characterized by a relatively large bureaucracy, as reflected by the number of civil servants per 1000 citizens compared to a number of countries (Table 3). The total size of Egyptian bureaucracy is estimated at around 5.7 million employees.

This raises the issue of rightsizing the Egyptian bureaucracy. Despite the deteriorating real value of wages in the government sector, government jobs are still in high demand, mainly because of the non-pecuniary benefits associated with such jobs (Assaad 1997). Moreover, Egypt's civil service is an outlier in terms of number, but not in terms of wage bill size when gauged against countries with a comparable level of income and economic structure such as Syria and Iran (World Bank 2008).

### **PERCEPTION OF EGYPTIAN GOVERNMENT EMPLOYEES**

To further understand the scope and dimensions of the pay problem in Egypt, opinions of a sample of government employees were solicited regarding the currently applicable Egyptian pay system. Structured interviews were held with 100 government employees to investigate their degree of satisfaction with the current pay system, to what extent it suffices their basic needs, what they do to make ends meet, their perceptions regarding the recent pay increases and their opinions about possible options for reform.

Once the questionnaire for the structured interviews was prepared, it was pilot tested on a group of employees at the Ministry of Trade and Industry (MTI) and a set of modifications were introduced to clarify the questions. One of the eye-opening remarks

obtained was regarding the engagement in 'gameyat', or informal monthly installment collection arrangements for the purpose of saving. The feedback from the initial group on which the questionnaire was tried was that they participate in 'gameyat' to be able to repay their debt liabilities, but not for the purpose of saving. Accordingly, the term 'saving' was omitted from the perception checklist.

The sample selected for the structured interviews was purposive quota sampling rather than random. Since the topic is a very sensitive one and employees are generally reluctant to engage in discussions regarding their personal management of financial affairs, the interviews were conducted in two traditional government organizations where the researchers have access and connections and the respondents were somewhat cooperative, although still with a certain noticeable degree of reservation.

Respondents' reluctance to cooperate was noted on several occasions. One example being when several of the interviewees first conceded to their having outside jobs but then after second thoughts decided not to mention such an issue in the interview, refused to specify the type of job and asked the interviewer to cross out any reference to it from the interview notes. The two government organizations selected for the conduct of the interviews were the Ministry of Trade and Industry and the Central Agency for Organization and Administration (CAOA) at the Cabinet of Ministers. The selected 100 interviewees reflected as much as possible diverse employment status, different job grades, age groups, gender, number of work years, social status, and number of dependents. Interviews were conducted with 50 employees in each organization; the authors decided it was a suitable limit for the number of interviews since no new insights were obtained beyond that point. Table 4 shows the distribution of the sample of interviewees among the different variables noted above.

Overall, although the results obtained from the structured interviews cannot be generalized or assumed applicable to the 5.7 million Egyptian government employees, yet they can be used as possible indications for general trends within the Egyptian government's bureaucracy. They are to a great extent in conformance with previous results mentioned in the literature. They provide good and concrete examples of detailed aspects of the employees' management of their financial affairs.

## **Main findings from empirical study**

### *Reasons for working in government*

On asking respondents about the incentives for which they chose to work in a government organization, interestingly the topmost reason mentioned by 30 percent of the respondents was that it provides them with a sense of 'security and stability'. The second reason mentioned was that there was 'conformity between their educational degree and the current job requirements' (20 percent). Other reasons mentioned were that in a government job there are 'better working hours' (10.9 percent), 'possibility of promotion' (8.6 percent), 'prestige and social status' (8.2 percent), 'wages, benefits and incentives' (8.2 percent), 'proximity to place of residence' (5.9 percent), 'availability of social services' (such as healthcare and transportation services) (5.9 percent), and finally that the government job provides them with the 'option of taking on a second job' (2.3 percent).

A gender-based classification of responses has demonstrated divergences with respect to the reasons for which government employment was selected. While female employees gave more weight to 'better working hours' (13 percent for females and 7 percent for males) and to 'proximity to place of residence' (9 percent for females and 3 percent for males), male employees rated higher 'security and stability' as family bread winners (34 percent for males and 27 percent for females), for 'possibility of promotion' (10 percent for males and 7 percent for females) and for the 'option of taking on a second job' (4 percent for males and 1 percent for females).

Among the employees who mentioned the 'option of taking on a second job' as one of the reasons for choosing to work in the government, the majority (60 percent) occupied positions in the second grade of the government's system of job classification, that is to say, mid-career employees.

It is clear that people working for the government are not doing this because of pay. It represents only 8 percent of the total weight relative to other reasons for working in a government organization. They understand that it is not the best pay available in the market but they give more tilt to the security and stability associated with the government job than anything else.

#### *Satisfaction with total pay received*

Total monthly pay is defined as the average amount received per month of basic salary, incentives, bonuses and allowances. Employees interviewed were asked about whether they were satisfied with several aspects related to their total monthly pay and they were asked to rate their level of satisfaction on a scale of 4 points 'strongly agree', 'agree', 'to a certain extent disagree' and 'disagree'.

Overall, it appeared that 82 percent of respondents are not satisfied, at varying degrees, with their monthly pay and 97 percent think that their total monthly pay is not compatible with the market value of wages and salaries.

#### *Satisfaction with bonuses and incentives*

On asking respondents about their satisfaction with bonuses and incentives, 75 percent of respondents do not think that bonuses and incentives are distributed according to clear and well determined criteria; 76 percent do not think there is fairness in the distribution of incentives, and 98 percent do not think that yearly bonuses and salary increases are compatible with the inflation rates and rising prices, and 87 percent are not satisfied with the latest social increases to wages authorized by the President in May 2008.

#### *Pay sufficiency to workers and their household needs*

On asking respondents whether they were capable of saving a portion of their total monthly pay, a high percentage of the employees (76 percent) said they were incapable of saving any portion of their salaries, and as identified during the pilot testing phase of the questionnaire, their participation in 'gameyat' is for the purpose of making ends meet; they do not approve of calling it 'savings'.

On asking respondents whether the total monthly pay received covers their total needs, 98 percent chose 'disagree', or 'to a certain extent disagree'. Next, on asking them

whether the total monthly pay covers their basic needs, 83 percent said 'disagree', 44 percent 'to a certain extent disagree', while only 17 percent stated 'agree' or 'strongly agree'. Specifically, on asking them whether the total monthly pay they receive covers their needs for a balanced food diet for them and their family members, 80 percent 'disagreed', or 'to a certain extent disagreed', while 20 percent only agreed or strongly agreed.

On asking about the approximate distribution of total monthly pay among different expenditure items in their consumption basket, it appeared that on average respondents in both organizations spend 40.6 percent on food, 18.7 percent on child education (including private lessons), 11.1 percent on electricity, water and telephone bills, 11.2 percent on medical treatment, 11 percent on transportation, only 3.4 percent on recreation and 4.1 percent on other sundry items. Examples of expenditure items classified as 'sundry' included: 'emergencies', 'rent', 'social obligations', and 'personal requirements'.

It should be noted, however, that this distribution of total monthly income among the different expenditure items does not mean that the monthly government income covers all their needs, but is just a reflection of expenditure priorities.

#### *Relationship between pay and work performance*

When respondents were asked if there is a current relationship between their perception of the insufficiency of income and their work performance, 33 percent said 'strongly agree', or 'agree', while 57 percent 'to a certain extent disagree', or 'disagree' and 10 percent did not provide an answer to the question.

As for the idea linking pay to performance in the government sector in the future, 58 percent of respondents agreed that pay should be linked to performance, 16 percent said 'No' straightaway, and 26 percent did not respond to that question.

#### *Availability of other sources of income*

On asking respondents if they have other sources of income, 39 percent said 'yes'. For those who have other sources of income, 14.3 percent have another job, 41.3 percent receive assistance from family members, 19 percent own private properties and real estate, 14.3 percent receive loans, and 11.1 percent mentioned other sundry sources.

On sorting responses to the 'other sources of income' question based on respondents' gender, it appeared that males scored higher on having a second job (20.7 percent for men and 8.8 percent for women—mainly due to social culture prototypes and unpaid housework responsibilities), on ownership of private properties and real estate (24.1 percent for men and 14.7 percent for women), and on having other sundry sources of income (13.8 percent for men and 8.8 percent for women). Conversely, women employees scored higher on receiving assistance from family members (50 percent for women and 31 percent for men) and on receiving loans (17.6 percent for women and 10.3 percent for men). These gender discrepancies in other sources of income are in conformance with the generally more dependent role of women in society, whether working or non-working women. The percentage (39 percent) denoting the number of respondents having second jobs should be interpreted with caution. The percentage may be more than that as not all respondents may have felt safe enough, or willing enough to declare such information to the interviewers, lest they get themselves in unwarranted

troubles. According to Law No. 47 for 1978 concerning state civil employees, article 77, items 11 and 12, an employee should not combine his/her job with any other work that may undermine his/her performance of the job duties and he/she should not perform any paid work even during non-working hours except with permission from the concerned authorities. Although many employees infringe on the law or gain employers' permission as per prime ministerial decree 115/1983, yet they are not all ready to reveal to interviewers that they do so most probably without the required permission.

Because of the sensitivity of the issue of having a second job, many refused to specify what type of job and very few specified what type of sundry sources of income they had. The only examples for the types of sundry sources of income mentioned included: 'spouse's pension', 'bank savings', 'spouse's salary', 'private project', 'assistance from charitable people', and 'travel abroad'; while examples of second jobs included: 'construction supervisor', 'company employee', and 'factory owner'.

On asking respondents about the approximate percentage of their total monthly pay from the government job to their total income from all sources, there were great variations in their responses. Fifty-five percent mentioned that the government pay represents a 100 percent of their total income, 16 percent mentioned that the government pay represents 70-90 percent of their total income, 22 percent mentioned that the government pay represents 40-60 percent of their total income, and 7 percent mentioned that the government pay represents only 20-30 percent of their total income. The average approximate percentage of total monthly pay for all respondents to income from all sources equaled 81 percent.

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The overall conclusion from these responses is that the government salary is neither sufficient nor satisfactory for employees to guarantee a decent living and motivate them to excel. Therefore, a large proportion of employees currently fill the gap between their basic needs and the rising prices through means other than their government job.

#### *Employees' recommendations for reforming government pay*

Respondents were asked about general recommendations for reforming the pay system in government, and also their specific recommendations in relation to proposals for adjusting minimum wage, deciding on percentage of yearly increases in salaries and wages, implementing performance-related pay, and suggesting sources for funding wage increases.

A content analysis of respondents' opinions regarding proposals for adjusting minimum wage showed the following: 20 percent suggested that it should be set between LE

1000-2000, 24 percent suggested it should be between LE 2000-3000, 11 percent suggested it should be between LE 3000-4000, and 9 percent suggested it should be between LE 4000-5000. Other responses emphasized that pay should cover living needs (6 percent), it should be compatible with price increases (4 percent), should be increased (3 percent), should be compatible with international wage and salary rates (1 percent), or should be compatible with wages in the private sector (1 percent). Meanwhile, 21 percent of those interviewed were apathetic.

As for interviewees' suggestions regarding the percent of annual increases in wages and salaries, 29 percent said it should be between 30-50 percent of basic salary and 10 percent said the raise should be between 15-20 percent. Meanwhile, other suggestions were that it should be compatible with the purchasing power of the Egyptian pound, the increase in prices and the inflation rates (41 percent), it should be similar to the annual increase offered to employees in the banking sector and petroleum companies (3 percent), or it should be compatible with the increase in international prices (1 percent). Sixteen percent of the interviewees skipped that question altogether.

#### *Possible sources of funding government pay increases*

Some respondents mentioned simply that 'it is the government's business to adjust government employee pay from whatever sources there may be.'

As for more rigorously-suggested sources of funding wage increases, respondents came up with a list of options that in their opinion could be utilized by the government to mobilize the needed resources to fund the required wage and salary increases. Despite the earlier reported reservation of the interviewees when discussing their financial affairs, in this section of the interview they were very insightful. Through content analysis and by virtue of the number of hits a specific funding suggestion was mentioned, the authors came up with the following order, using the exact wording of the respondents as much as possible:

- Establishing national productive agricultural and industrial projects that generate real and sustainable income for the country (18.5 percent).
- Combating corruption and theft, bringing an end to money smuggling operations and holding officials accountable (17.9 percent).
- Imposing progressive taxes on businessmen and large capitalist owners (11.7 percent).
- Imposing taxes on owners of mansions, large plots of land, privately-owned planes, and on nightclub activities (10.5 percent).
- Increasing exports and encouraging investment and tourism (7.4 percent).
- Increasing Suez Canal passage fees (7.4 percent).
- Reducing excessive government expenditures of officials (4.9 percent).
- Imposing progressive taxes on monthly income above LE 5000 per month (3.7 percent).
- Preventing tax evasion (2.5 percent).
- Imposing progressive taxes on companies and factories producing cigarettes, alcoholic drinks, use of mobile telephones and recreational goods (2.5 percent).
- Accepting grants, assistance and donations whether from foreign agencies or from local businessmen (1.2 percent).
- Imposing more taxes on the iron and cement factories (0.6 percent).
- Printing money (0.6 percent).
- Other suggestions include: reducing gaps between different classes in society,

controlling merchants' greed, regulating monopolistic activities and markets, protecting the poor, curbing inflation, spreading a culture of rational consumption, stopping the practice of appointing consultants and contractual appointments for large sums of money, re-distributing incomes between various government organizations so as to avoid discrepancies in wage and salary levels, encouraging research for the purpose of performance improvement, and finally spreading a new culture of moral and ethical values that would help fight corruption.

The general impression from these recommendations is that respondents are very much dissatisfied with the unequal distribution of wealth in society and wide income disparities in Egypt, and as a result the majority of their conclusions revolved along these themes; that there is a need for more equitable distribution of income and wealth through better taxation, less monopoly and less corruption overall.

### **SUGGESTED SALARY STRUCTURE FOR CIVIL SERVANTS IN EGYPT**

Two methods could be used to determine the minimum wage level appropriate to the economic and social conditions in a certain country. *Firstly*, in most countries the minimum wage level represents about 25 percent of the average per capita GDP. In Egypt, per capita GDP is LE 12,050 per year; i.e., LE 1,004 per month. Therefore, the minimum wage level is about LE 251 per month. *Secondly*, the minimum wage level should not be less than the lower poverty line, so as to ensure that a worker and his/her dependents can get their basic food and non-food needs. The lower poverty line in Egypt is LE 1,429 per person per year; i.e., LE 119 per month (Helmy 2006, 2008).

As the second option would not fulfill the basic requirements per individual, the minimum wage of LE 251 per month is adopted as a more plausible option. The average household size in Egypt is about 4.632 persons, the percentage of employed persons to household members is 0.3423 and the dependency ratio is 2.921 percent, hence the proposed minimum wage is LE 733.2 per month compared to the current minimum wage of LE 295.13 per month. This proposed minimum wage will help an individual and his/her dependents meet their basic needs. Based on the previous calculations, a new civil servants salary structure could be proposed as shown in columns 5 and 6 in Table 5.

Four aspects have to be noted relating to the proposed salary structure. *First*, a salary grade-per-grade slope was revisited to address the originally flat and irrational slope that is apparent in column 3. *Second*, a salary grade-on-grade schedule was constructed on a trial and error basis with a higher grade not to exceed 10 folds the lowest salary grade, as an accepted international good practice (Abdel-Khalek, 2008). *Third*, since grade 3 marks the starting employment grade for university graduates, it was decided to reflect a slope increment higher than that recommended for lower non-university degree employment grades (grades 6, 5 and 4). *Fourth*, lower salary bounds per grade were utilized in this instance implying a conservative approach.

The proposed salary structure will increase the total government fiscal cost of wages by nearly 256 percent, which would require substantial government funding. This would further require additional funding to cover the corresponding pension burden. These added fiscal costs on an already burdened budget suggest that revising the salary

structure along the proposed line may not be feasible unless coupled with rightsizing and streamlining the bureaucracy per a medium- to long-term strategy as discussed in the following section.

Two additional caveats have to be added. *First*, an important ILO study (ILO 2005) on 36 developing countries has recognized that most of the countries adjusted salaries according to the cost of living (24 countries), GDP growth rates per capita (22 countries), and basic needs of employees according to dependency ratios (or average household size), and this was used in 18 countries studied. Therefore, it is envisioned that based on our point of departure above (proposed salary structure), annual salary is to be automatically adjusted by adding an increment reflecting changes in cost of living and GDP growth per capita rates, which is rational and reflects per capita productivity in order for salaries not to be eroded and employees hold stake in productivity levels.

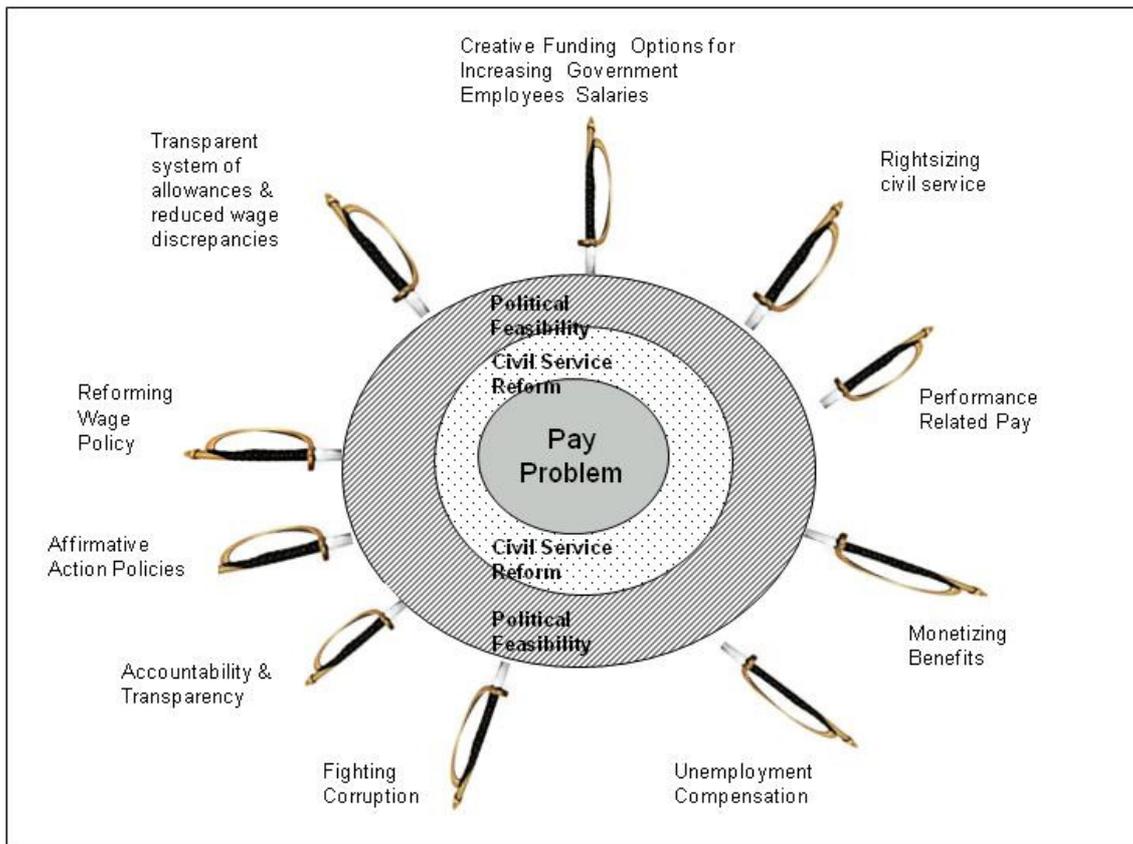
*Second*, the proposed salary structure represents an approximation of figures and is focused on permanent civil servants within the state apparatus. However, a potential cutback in the wage bill is envisioned upon devolution of fiscal and administrative authorities to the largest wage-bill-consuming civil service categories, i.e., the application of decentralization over local administration, public economic and service authorities, representing two-thirds of the size of the state administrative body, reduces recourse to additional public funds and at the same time frees more fiscal resources for effective government outlays on central government employees. According to CAO (2008b), in FY 2006/07 civil service employees in the local government were 2,974,602, in the public economic authorities 342,765 and in the public service authorities 445,861, totaling 3,763,228 (out of a grand total of 5,578,930 employees) representing 68 percent.

### **MIX OF STRATEGIES FOR PAY REFORM IN EGYPT**

Based on the previous analysis, *five main critical strategic issues* were identified that are relevant to the pay system reform of government employees in Egypt. For each of those issues, a number of alternative strategies are proposed. The authors are using here an adaptation of Bryson's strategy change cycle as explained in Bryson (2004).

Figure 1 is a simplified model showing that the pay problem should be perceived as part and parcel of civil service reform initiatives in Egypt. In deciding on any number of strategies to resolve the problem, there is a need to test them first for political feasibility, and hence ensure commitment.

**Figure 1: Proposed Model for Reforming Pay System in Egypt**



**Strategic Issue #1: How to make available the extra funding necessary for increasing government employees' pay?**

- Cutting back on corruption at all levels through setting clear rules.
- Better management of government assets and resources.
- Reducing expenditure on armed forces (army and police) perks, especially the recreational social clubs, resorts and hotels.
- Rationalizing top level government officials' expenditures (ministers' numerous luxury cars, and extravagant office furnishings).
- Establishing a ceiling for total government pay (basic salary + allowances + bonuses + commissions + incentives + profit sharing) so that the highest total income does not surpass N times - ten times in many countries - the lowest total income for an employee in any part of the government service.
- Re-stressing the fact that the revenues achieved in some of the government sectors, like the petroleum sector, Suez Canal, the Tax Authority, are general public monies and should be looked at in the form of percentage retention (say between 50-70 percent of annual revenues) with the residual transferred to the national budget.
- Effectively enforcing the property tax laws so as to increase revenue collection from those who can afford to pay, together with a phased and announced plan for decentralization to local government to sustain local government employees' pay.
- Continued enhancement of general tax collection and more strict enforcement of

the tax laws especially on higher income groups.

## **Strategic Issue #2: How to ‘right-size’ and decentralize the government civil service?**

- Offering early retirement schemes through donor funding (through direct budget support or other means).
- Freezing new appointments to the government sector and not replacing employees leaving the organization through natural attrition except when there is a proven real need and upon concluding a study on real employee needs and the envisioned rational structure of the government based on core functions.
- Transferring employees from organizations that are over-staffed to organizations that are under-staffed.
- Retraining central government level staff based on a clear human resource management strategy after rationalizing ministries and affiliated agencies to core activities, and devolving local government to local bodies, and corporatizing, privatizing, and/or outsourcing from divested public economic and service authorities.
- Offering unemployment insurance rather than secured employment in the government.
- Using transformative training to build and upgrade skills of employees to enable transfer from surplus areas to deficit areas and strengthen the link between labor market needs, and education/training systems.
- More reliance on contracting out of *non-core government functions*, such as transport, catering, cleaning, gardening, car repair, buildings ownership and maintenance services.
- Utilizing temporary and part-time employees for some job categories where there is no real need to provide them with tenured appointment, and putting a stop to the practice of automatic change in employment status—from temporary to tenured—after a number of years as a result of political and social pressures.
- Activating the private sector and attracting foreign direct investment to create more job opportunities for former government employees and for new comers to the job market, so that they do not seek government employment.
- Providing unemployment compensation plus social and medical insurance for workers in the informal and private sector so that the government job loses its main attractiveness of ‘security and stability’ relative to the non-government jobs.
- Offering bonds to displaced labor. Upon being offered a job opportunity through the government network with the private sector, the bond is surrendered to the employer, and the employee is guaranteed a job till bond maturity date, 3-5 years renewable or based on performance. If the employee underperforms in the private sector, he/she is discharged yet collects the debt (bond) instrument to continue to generate a cash flow that would sustain a decent living.
- Creating a government operated e-recruitment system to help place former government employees in private sector companies (for a nominal fee).
- Establishing a government public private partnership (PPP) network to which the government can turn in case of goods and/or services outsourcing.

### **Strategic Issue #3: How to make the system of allowances more transparent and reduce wage discrepancies?**

- Development of a new electronic database to keep track of each government employee's actual pay and benefits.
- Consolidation of allowances into salaries. In the current system, allowances are consolidated every five years.
- Setting a ceiling for total government pay and a fixed ratio between the lowest and highest government pay.
- Re-thinking the parallel system of donor supported highly paid staff in technical offices and project implementation units (PIUs) so that policy formulation becomes part of government operations, and more institutionalized and transparent. PIUs play a vital role in initiating reform, but they are not sufficiently sustainable (El Baradei 2006). The ambiguity surrounding their existence in different government organizations and ministries in Egypt enhances the general negative public perception of the extent of discrepancies existing in government employees' pay system.

### **Strategic Issue # 4: How to reform the wage policy for government employees?**

- Develop a phased plan for modification of the salary schedule to reflect a decent living for government employees and announce it to the public at large.
- Modify immediately the minimum wage to at least exceed national poverty line (LE 733.2 per month). The same goes for the other salary categories, using the proposed automatic annual pay adjustment formula, and for the other grades.
- Periodically increase government pay in line with rising inflation, GDP growth rates and average household needs.
- Allow for more active collective bargaining in setting salary scales to ensure a sustainable system for continuous adjustment.
- Consider revisiting the social insurance system to include the unadded bonuses while introducing innovative voluntary systems using other country experiences.
- Provide more career-path capacity-building efforts to government employees to increase their productivity.
- Reduce unnecessary and unjustified discrepancies in government employees' pay in different government organizations and sectors.

### **Strategic Issue #5: How to establish a better link between pay and performance?**

- For the proposed link to gain acceptance, it is necessary to keep the basic salary constant and link the designated percentage of variable pay to performance.
- Change employees' performance appraisal system to a forced ranking system, disallowing the current practice of giving the majority of employees an excellent rating.
- Develop real performance measures for both organizations and personnel and ensure their fair and just implementation.
- Develop and use competency-based frameworks for evaluating employees' performance.
- Incentives should be tied to citizen satisfaction, especially in front-office organizational interfaces.

- Enforce self-evaluation, independent organizational capacity assessment and strategic planning on a rolling basis.
- Develop a dual system to reward both team and individual performance.

## FINDINGS AND CONCLUSIONS

There are diverse stakeholders' objectives to consider when reforming the pay system for government employees. Reforming the pay system requires adopting a comprehensive vision toward civil service reform that would satisfy the complex needs and objectives of both employer and employees and that would lead to enhanced performance, efficiency, effectiveness and responsiveness for Egyptian government bureaucracy.

The proposed pay reform recommends adoption of a rational model that takes into consideration the political and social feasibility of application. Egypt should not continue resorting to crisis management approaches in resolving its government employees' pay related problems. The qualitative interviews conducted with the government employees reveal and accentuate the high level of dissatisfaction and inappropriateness of the current pay system, and point to the urgency of the reform efforts proposed in this study. Moreover, international experiences with pay reform—although encompassing a variety of techniques and policies— have guided the quest for pay reform by pointing out the necessity of the presence of an overall plan, the significance of adopting a comprehensive perspective, the need for building consensus for reform and having a strong political will for effecting the proposed reform.

Thus, there is no one technical fix for the public pay system. Egypt must develop a clear strategy, including action plans. Political considerations in pay system reform are as important as economic considerations and should not be dealt with lightly. But any economically rational recommendation should pass through a political feasibility sieve. Pay reform is part and parcel of civil service reform and should not be considered as a stand-alone intervention. A strategic perspective toward pay system reform requires achieving a balance between different stakeholders' needs and expectations; hence, consultations are a prerequisite for success. This cannot take place without initiating a social dialogue on the subject, securing popular engagement and ownership. A comprehensive and strategic civil service reform plan is needed irrespective of change in political assumptions, and it has to be backed by presidential engagement and effectuation. These types of reforms are long-term and may extend beyond the lifetime of governments and should not be undermined for this very reason.

Regardless of the mix of options and mechanisms decided upon in implementing the reform of the civil service pay system, there are some general pre-requisites that need to be taken into consideration, namely:

- continued support, sponsorship and commitment to reform at the highest political levels (preferably the President, either in partisan or non-partisan announcements) and active participation and involvement of various groups of stakeholders in the reform process;
- adoption of a long-term vision and strategy for civil service reform with concrete quantifiable targets and measures of performance over phased, clear-cut time spans issued and binding by law;

- staged implementation of reforms, since it is not possible that all problems can be solved simultaneously;
- launching structured awareness campaigns to support reform efforts;
- evaluation and documentation of the learning opportunities generated upon implementation;
- the establishment of a high-level civil service reform steering committee to be responsible for championing and coordinating civil service reform efforts;
- full engagement of coordinated/pooled funding and technical support for swift implementation of cross-cutting, sweeping reforms over the largest sector of the nation to sustain development; and
- parallel political reform allowing for greater levels of accountability and transparency in government operations.

Currently, there is a great perceived need for implementing pay reform. The time is right and once sufficient political support is available, the vision for an effective pay system can be achieved. The pay system proposed is affordable, flexible and equitable in light of prevailing market prices. It is also easy to administer and enables employees to meet their living expenses, and therefore could lead to a more efficient, effective and responsive government bureaucracy capable of realizing sustainable economic development.

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**Table 1:  
Monthly Salaries of Government Employees as of 01 May 2008 Applicable Starting 01 July 2008 (in LE) (Disbursed yet Unadded Bonuses of 85%)**

Total (12)	75% incentive (11)	Labor bonus (10)	Additional social bonus (9)	30% in 2008 (8)	15% in 2007 (7)	10% in 2006 (6)	20% in 2005 (5)	10% in 2004 (4)	Added special bonuses (210%) (3)	Grade lower bound (2)	Grade (1)
1,389.3	504.3	10	4	65	32.5	36	43.4	21.7	455.5	216.9	First undersecretary
916.5	325.5	10	4	42	21	36	30	14	294	140	Undersecretary
826.8	290.6	10	4	37.5	18.7	36	30	12.5	262.5	125	General manager
647.5	220.8	10	4	28.5	14.2	36	30	9.5	199.5	95	Grade 1
498.2	162.7	10	4	21	10.5	36	30	7	147	70	Grade 2
366.8	111.6	10	4	14.4	7.2	36	30	4.8	100.8	48	Grade 3
307	88.3	10	4	11.4	5.7	36	30	3.8	79.8	38	Grade 4
295.1	83.7	10	4	10.8	5.4	36	30	3.6	75.6	36	Grade 5
289	81.3	10	4	10.5	5.25	36	30	3.5	73.5	35	Grade 6

Source: CAO (2008b, 2009).

General remarks on Table 1:

- a] The table works on lower bounds, therefore, it is somewhat conservative in its computation of salaries and represents an approximation of figures. The upper bound for any grade represents the lower bound for the higher couple of grades.
- b] Interviews have shown that employees may acquire additional incentives on top of the above salaries that range between 300 and 900 folds of the above given salaries. c] A representation allowance is added to some, yet not all, upper three grades as follows: FUS: LE 1,500; US: LE 1,000; and GM (head of authority): LE 500.
- d] Pledged un-added special bonuses since the Presidential elections program amounted to 55 percent. The Presidential program promised a 100 percent increase in civil servants salaries by program-end
- \* Column (2): According to attachment no. 1 to Law no. 47 for 1978.
- \* Column (3): A special bonus is added on an annual basis for an earlier un-added special bonus. The first special bonus was 20 percent and was passed by Law no. 101 for 1987 and was added in 1992. The cumulative percentage additions for the period since the start of additions in 1992 till 2008 stands at 210 percent.
- \* Columns (5-6): Special bonuses were given without a minimum except for:
- (5) A special bonus was given in 2005 at 20 percent with a minimum of LE 30.
- (6) A special bonus was given in 2006 with a minimum of LE 36.
- \* Column (9): Law no. 113 for 1982 offering an additional social bonus of LE 4.
- \* Column (10): Presidential Decree no. 458 for 1998 offered civil servants a monthly Labor Day bonus of LE 10 starting 01 January 1999.
- \* Column (11): Prime Minister's Decree no. 4249 for 1998 offered civil servants incentives equivalent to 25 percent of basic salary starting 01 January 1999. In addition, Law no. 114 for 2008, Article 4, offered 50 percent additional incentives to local government employees' basic salaries and added bonuses.
- † Eighty-five percent is the total percentage of increases in columns (4-8).

**Table 2:**  
**Average Monthly Pay for Public Authorities' Employees (LE)**

2005/06	2004/05	2003/04	2002/03	Holding company
2054.67	1799.33	1575.08	1358.00	Metallurgical industries
936.50	808.42	756.67	713.42	Spinning, weaving & cotton
1792.25	1544.00	1323.42	1205.58	Chemical industries
1050.58	931.75	872.75	812.08	Food industries
1404.75	1286.58	1249.75	1182.25	Pharmaceutical industries
1247.58	1159.50	1064.58	986.50	National for building & construction
2006.92	1610.33	1596.75	1319.50	Tourism, cinema & housing
1218.25	1079.42	1033.42	914.08	Marine & land transport
805.75	663.00	586.33	563.25	Commerce
<b>1281.25</b>	<b>1123.50</b>	<b>1028.08</b>	<b>937.33</b>	<b>Total (average per month)</b>

Source: Derived from the Ministry of Investment.

**Table 3:**  
**Number of Civil Servants per 1000 Citizens in Selected Countries**

France	UK	US	Germany	Japan	Egypt	Country
97	81	75	65	38	100	No. of civil servants per 1000 citizens

Source: Quoted in El Baradei (2004).

**Table 4:  
Sample Profile**

Approximate % in population*	Total employees in both organizations	Central Agency for Organization & Administration		Ministry of Trade & Industry		
	# of employees	%	# of employees	%	# of employees	
	100	100%	50	100 %	50	Respondents to interviews
						<b>Employment status</b>
91.7%	92	94%	47	90%	45	Tenured
8.3%	8	6%	3	10%	5	Temporary
						<b>Job grade</b>
0.1%	7	12%	6	2%	1	General manager
4.6%	12	10%	5	14%	7	Senior researcher (with a rank of general manager)
19.6%	28	44%	22	12%	6	First grade
25.4%	28	6%	3	50%	25	Second grade
42%	17	22%	11	12%	6	Third grade
8.3%	8	6%	3	10%	5	Contractual employment
						<b>Gender</b>
	51	44%	22	58%	29	Male
	49	56%	28	42%	21	Female
						<b>Age group</b>
	9	10%	5	8%	4	21<30
	25	16%	8	34%	17	30 <40
	29	30%	15	28%	14	40<50
	37	44%	22	30%	15	50<60
	0	0	0	0	0	60 or more
						<b># of work years</b>
	5	8%	4	2%	1	<5years
	16	10%	5	22%	11	5<10
	31	22%	11	40%	20	10<20
	39	50%	25	28%	14	20<30
	9	10%	5	8%	4	30 or more
						<b>Social status</b>
	13	14%	7	12%	6	Single
	82	86%	43	78%	39	Married
	1	0	0	2%	1	Divorced
	4	0	0	8%	4	Widowed
						<b># of dependents</b>
	5	0	0	10%	5	1
	26	22%	11	30%	15	2
	19	14%	7	24%	12	3
	11	14%	7	8%	4	4
	10	6%	3	14%	7	5
	2	4%	2	0	0	6
	1	2%	1	0	0	7 or more
	26	38%	19	14%	7	None

Sources: Authors' calculations; Ministry of Finance, Statistical Volume for State Budget 2007/2008, quoted in El Gebali (2008, 21).

\* Population of government employees used = 5,264,681 (tenured employees) + 300,000 (contractual employees) – 846,156 (supporting staff on grades 4, 5 and 6) – 1,039,592 (special cadres and unspecified cadres) – 54,611 (excellent grade and general manager grade) = 3,624,322 employees.

**Table 5:**  
**Proposed Civil Servants Salary Structure**

Revised salary bill per month (000s LE)	% increase per grade	Proposed salary structure (min. wage = LE 733.2/m)	Average salary bill per month (000s LE)	% increase per grade	Current salary structure per month** (LE)	No. of employees*	Grade
(7) = (5) * (1)	(6)	(5)	(4) = (1) * (2)	(3)	(2)	(1)	
2,284.3	45.8	7,007.1	452.9	51.6	1,389.3	326	1st US
8,331.8	43.0	4,805.0	1,589.2	10.8	916.5	1,734	US
856,331.0	40.0	3,360.1	210,710.8	27.7	826.8	254,851	GM
1,889,071.5	37.1	2,400.1	509,636.9	30.0	647.5	787,084	G-1
1,750,271.0	34.6	1,750.1	498,248.3	35.8	498.2	1,000,097	G-2
2,206,085.6	30.0	1,300.0	622,440.9	19.5	366.8	1,696,949	G-3
459,691.8	17.7	1,000.0	141,122.1	4.0	307.0	459,681	G-4
233,954.5	15.9	850.0	81,223.6	2.1	295.1	275,241	G-5
137,988.2	-	733.2	54,389.8	-	289.0	188,200	G-6
<b>7,544,009.8</b>			<b>2,119,814.5</b>				<b>Total salary burden per month</b>

\* CAO (2008b). \*\* See Table 1.

## *Annex*

### Structured Interview Instrument

#### REFORMING THE PAY SYSTEM FOR GOVERNMENT EMPLOYEES IN EGYPT

##### **First: Administrative Questions:**

Kindly place a  $\surd$  mark in front of the correct answer:

**1. Current Employment Status:**

- Permanent
- Temporary

**2. Job Grade:** (First, Second, ....): .....

**3. Gender:**

- Male
- Female

**4. Age:**

- 21 - < 30 years
- 30 - < 40 years
- 40 - < 50 years
- 50 - < 60 years
- 60 years or more

**5. Number of Work Years:**

- Less than five years
- From 5 - < 10 years
- From 10 - < 20 years
- From 20 - < 30 years
- 30 years or more

**6. Social Status:**

- Bachelor
- Married
- Divorced
- Widowed

**7. Number of dependents for whom I am responsible:** .....

**8. Why did you choose to work in a government organization?** (It is possible to mention more than one reason)

- Sense of Security & Stability
- Less Work Load
- Better Working Hours
- Proximity to Place of Residence
- Absence of Commitments
- Prestige and Social Status
- Lack of Responsibility or Accountability
- Possibility for taking on a second job
- Possibility for Promotion
- Suitability of My Educational Degree to Current job
- Wages, incentives and benefits
- Availability of social services

##### **Second: Satisfaction with Total Pay:**

(By total pay is meant the average amount of pay received monthly including:  
basic salary + incentives + bonuses + allowances)

Kindly place a  $\surd$  mark in front of the correct answer:

**9. Are you satisfied with the total pay you receive from your government job on a monthly basis?**

- Strongly Agree    Agree    To A Certain Extent Disagree    Disagree

10. Is the monthly total pay you receive compatible with the market value of wages/salaries?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

11. Are incentives and bonuses distributed according to clear and well determined criteria?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

12. Are incentives distributed with a great degree of fairness?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

13. Are yearly bonuses and salary increases compatible with the inflation rates and the increase in prices?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

14. Are you satisfied with the latest social increase to wages stipulated in May 2008?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

15. Can you save a portion of your total monthly pay?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

16. Do you sometimes participate in 'gamaiat' (informal saving groups) as a way to secure cost of living requirements?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

17. Does the total monthly pay cover all your needs?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

18. Does the total monthly pay you receive cover all your basic needs?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

19. Does the total monthly pay you receive cover your needs for a balanced food diet for you and your family members?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

20. Does the insufficiency of income relative to your living requirements affect your work performance?

- Strongly Agree  Agree  To A Certain Extent Disagree  Disagree

21. My expenditure on different items from my total monthly pay in approximate percentages is as follows:

- -----% Food
- -----% Children Education (Including private lessons)
- -----% Electricity, Water and telephone bills
- -----% Medical Expenses
- -----% Transportation Expenses
- -----% Recreation
- -----% Other: Please Specify:-----

-----  
100%

22. If your monthly total pay does not cover all your needs, than do you have other sources of income?

- YES  NO

23. If there are other sources of income, these are: (you can check more than one source)

- A result of additional work – Please specify nature of work:-----
- Assistance from family members
- Private properties and real estate
- Loans
- Other sources of income – Please specify:-----

24. What is the percentage of your total monthly pay from the government job (Basic salary + incentives + bonuses + allowances) to your total income from all sources? -----%

25. What are your recommendations for reforming the pay system in consideration of the following issues?

- Minimum Wage :-----  
-----
- % of Yearly Increase: -----  
-----
- Performance Related Pay:-----  
-----
- Suggested Sources for funding Wage Increases:-----  
-----

- Other recommendations/suggestions:-----  
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