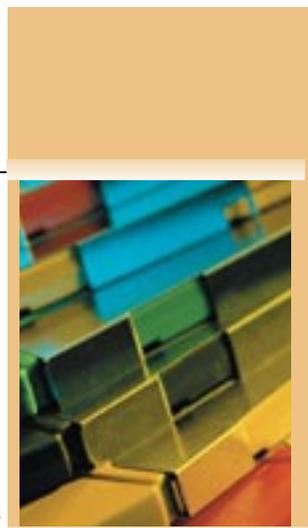


How Technology is Reshaping HR in the Middle East



By Ahmed Limam

INTRODUCTION

The HR landscape of the Middle East region¹ is characterized by several features, some typical of developing nations and some unique to the region. Even as developing countries, Middle Eastern states are unique in the sense that most of them enjoy high per capita income that has allowed them to invest massively in new technologies including HR. This situation has resulted in a unique HR environment, raising some key challenges as well. This article aims at reviewing the HR context in the Middle East, how technology is being leveraged to achieve some HR goals and what major issues need tackling.

HR CONTEXT IN THE MIDDLE EAST

The Middle East region enjoys high wealth, which is, however, unevenly distributed: the oil producing countries (Saudi Arabia, Gulf States, Iraq) are at the top of the heap and others (including populous countries such as Egypt) are struggling economically. Using the oil bonanza, the wealthiest countries have been able to engage in large infrastructure projects that have required important use of labor force that local resources could not meet, thus creating a two-tier system in which the Gulf States import labor from the oil-poor countries (Egypt, Palestinian territories, Lebanon). Most of the positions held by foreign Arab workers are professional, mid-management in the services, educational and

administrative sectors where the existence of a common culture and language is key.

SIGNIFICANT USE OF EXPATRIATES AND LOW UNEMPLOYMENT

However, in addition to this cross-Arab labor movement, additional workforce was necessary and has resulted in hundreds of thousands of non-Arab workers joining the region's labor pool. Two categories can be identified on the basis of their geographic origin and terms of employment: those who hail from South Asia (mainly Pakistan) and East Asia (mainly the Philippines) to occupy low-level clerical and menial jobs, and the professional/management expatriates who tend to be European (mainly UK) or U.S. nationals.

The trend towards foreign workers, albeit still strong, is slowing down due to the increase in the unemployment rate of Middle Eastern nationals in their respective countries. This was already the case in the non-oil economies, which caused many of their citizens to move to the other, wealthier countries. What is changing now is that even the Gulf States are experiencing unheard-of levels of unemployment. Saudi Arabia, for example, long known for its full employment status, is now at an all-time high of 32 percent.² In the United Arab Emirates, the number of job seekers is expected to reach 300,000 in 2006³ out of a population of less than three million including a majority of non-national residents. This has even prompted the government

to set up an HR Authority in charge of matching job seekers and openings.

To try and stop this worrying unemployment trend, the Gulf States have engaged in a workforce nationalization policy, whereby organizations (especially in the public and quasi-public sectors) are encouraged to reserve some positions for nationals, or at least give preference to nationals in the hiring process. Since the reason foreigners were initially sought was mainly because of the lack of skills of the local workforce, the expected results of such policies can only be limited, at least in the short term. Large-scale training and career development is essential.

STRONG ROLE OF THE PUBLIC SECTOR

Another key labor characteristic of Middle Eastern countries with direct impact on human resource management is the predominance of the government sector in the economy. As Figure 1 indicates, in most countries, public employees make up between one half and three quarters of the labor force. The consequences on employment policies and budget are therefore enormous.⁴ Hiring practices, career management, budgetary issues will be different from what is expected from private sector companies that are not funded by taxpayers' funds. At the same time, the privatization wave going through the whole region, though still timid, is making such differences look increasingly less important.

A UNIQUE MIX OF "OLD" AND "NEW" HR

The above description helps explain why the region presents a very unique HR landscape that mixes elements of "old" and "new" HR. In the non-oil-producing countries, the focus of HR tends to be more on payroll and traditional personnel management issues. Because of high unemployment rates, downsizing is a politically risky option and bulk workforce management with high personnel costs is typical. In wealthier oil-producing countries, the emphasis is clearly shifting towards a more strategic management style of HR as a result of world-class companies determined to bring levels of efficiency and performance similar to their global competitors. A case in point is the airline Emirates, which is widely recognized as a leader in its sector and which is clearly becoming an employer of choice for not only nationals from its own home base but for hundreds of young graduates from the rest of the region and Europe. Competency-based management, professional recruitment based on systematic assessment tests and executive

searches, career plans as well as tailored compensation plans are increasingly gaining ground, while at the same time, administration-based companies are still legions, especially in the public sector. But even then, many governments are embracing, slowly but steadily, the winds of reform.

TECHNOLOGY ON THE RISE

At the same time that HR is shedding its traditional past and adopting new ways, technology is being widely embraced, sometimes with the zealotry of new converts. In Jordan, for instance, the number of Internet users has experienced an increase of 27 percent in 2001.⁵ New Web hosting providers, online services (newspapers, banking), mobile commerce and portals are being created by the day becoming as commonplace as telephone services. As can be expected, HR is taking advantage of the introduction of these technologies, creating new opportunities as well as challenges. The second part of this article will look at this new role of technology in HR management.

HR AND TECHNOLOGY IN THE MIDDLE EAST

PAYROLL AND PERSONNEL ADMINISTRATION FULLY AUTOMATED

The legacy payroll-based HR systems are increasingly becoming a thing of the past with all major organizations, both governments and businesses, adopting standard software packages, thus allowing them to reduce manpower, streamline operations, allow 24/7 access to employee records and achieve dramatic cost reductions. Here we find, again, the dichotomy between oil-producing countries and non-oil-producing states where the latter still struggle with legacy-based systems. The former have adopted standard ERP systems more readily. Another feature of the HR IT landscape is that because of the relative newness of the administrative institutions (with the exception of Egypt), statutory requirements tend to be less cumbersome than in Europe, thus lessening the need for complex features in software use and facilitating the implementation of such packages initially designed for Europe and North America with minimum customization. An example of such features, or rather lack thereof, is the absence of a tax regime in the Gulf States, which, with limited gross-to-net calculation requirements, makes for a better fit of standard payroll systems, and it facilitates their implementation.⁶

STRATEGIC HR ON THE RISE

Among the functional areas that are increasingly automated (especially in the Gulf States) we find recruitment, in particular, Internet-based recruitment used for employee sourcing. The advent of Internet has been a blessing for the Middle East, which as said earlier, makes significant use of expatriates. In the area of employee development, training is one of the key priorities for the region with technology playing a major role through e-learning projects. This is happening on a par with the increasing resort to self-service applications; in spite of traditionally high illiteracy rates, self-service applications are enjoying great

Figure I. Population, Labor Force and Employment in the Middle East.

Country	Population (mn) 2000	Labor Force (1999)	% Labor Force in Services and Government	Unemployment rate (%)
Bahrain	0.6	0.15	n.a.	15 *
Egypt	64	17.4 **	38	11
Iraq	23	4.4 *	66	n.a.
Jordan	6.2	1.15 **	81	17
Kuwait	2.1	1.1 **	n.a.	0.7
Lebanon	4.2	1 **	62	18 **
Oman	2.3	0.8 **	n.a.	n.a.
Palestinian Territories	3	0.6	71	14.5
Qatar	0.6	0.23 **	n.a.	n.a.
Saudi Arabia	21	7 **	70	n.a.
Syria	16	4.7 **	40	7
United Arab Emirates (UAE)	2.9	1.3 **	60	2.7 *
Yemen	17	n.a.	n.a.	30

* 1997
 ** 1998
 Source: *The Economist Pocket World Figures 2002*, Al Bawaba Group. MENA report Factsheet. 2003

popularity with all employee categories in the Middle East, for classic administrative purposes (updating personal details, checking salary payments) and also recruitment purposes as mentioned in the previous paragraph. A case in point is the Qatar Foundation, which has adopted a self-service model that empowers employees to perform their own administrative processes via the Internet, even if the size of the organization is smaller than one might expect (360 employees). From there it's only a small step to conducting training online, which the region has taken to enthusiastically: most large organizations are re-orienting their training programs to leverage online systems.

STRONG SIMILARITIES BETWEEN B2E AND G2E

Since most of the Middle Eastern states as we now know them were set up in the last half century (Iraq, the oldest one, achieved independence in 1932), government institutions have not evolved in such a way as developing a radically different set of rules and regulations applying to public employees. Apart from some budgetary constraints, the relatively broad similarities between them and the private sector means that civil servants are not systematically managed in a radically different way from private businesses. The software implications are similar to the above discussion on payroll and personnel: no

need for complex career management functionality as we know it for the federal government in the United States or the various European countries (as well as the European and United Nations bureaucracies). To a great extent, an HRMS implementation for a government organization (central or local) is no more different from what we would have at a private business, taking into account the expected client-specific customization.

THE EMERGENCE OF E-GOVERNMENTS

Unlike other parts of the world, the public sector in the Middle East was, and still is, to a large extent, at the forefront of the IT revolution sweeping over the region, which is in accordance with the historical role played by governments in developing their respective countries. As part of the digitalization of their societies and economies, many Middle Eastern states have embarked in e-government projects, of which the G2E (Government to Employee) component is a key part. These G2E initiatives aim at achieving several goals at once:

- Ensuring good governance by providing civil servants with relevant rules and regulations to ensure compliance through a portal. Considering the corruption issues pervasive in the region, expectations are relatively high;
- Enhancing recruitment experience of future civil servants, especially expatriates (see above paragraph on recruit-

ment); and

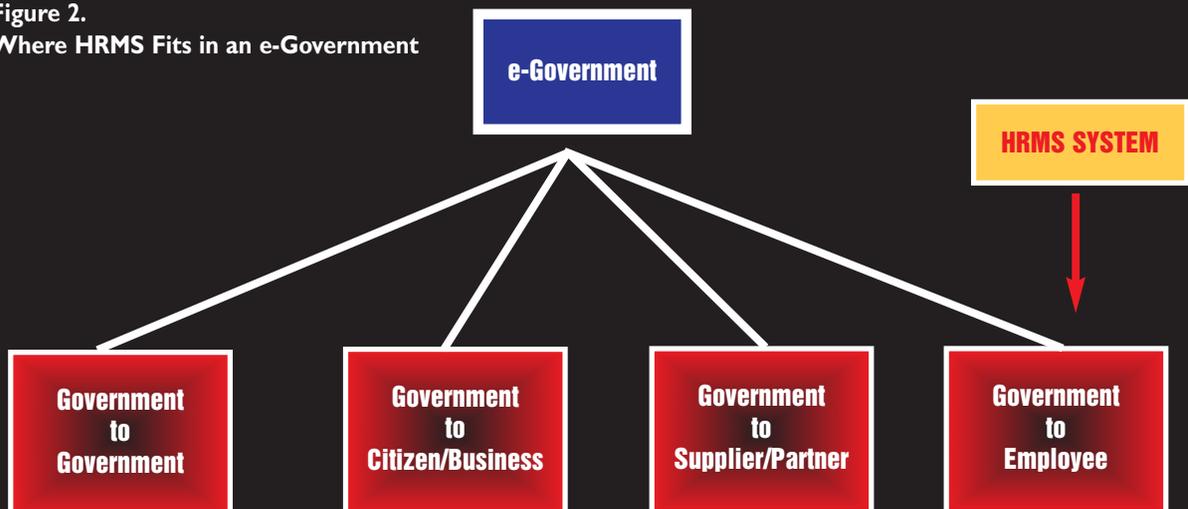
- Guaranteeing employee development and performance through online training (assessment, knowledge transfer and course tracking and evaluation).

One of the most ambitious e-government projects in the Middle East region is undoubtedly the one launched by Dubai in the United Arab Emirates, which, in its HR component, will link the Emirate with its 40,000-strong workforce in a move similar to others being embarked upon by other countries in both the region and Europe.

THROWING IT AT HR PROBLEMS

The above experiences show that the Middle East is particularly well aware of the potential of technology in optimizing its human capital, which has suffered from the well-known ills of illiteracy, inadequate training and lack of infrastructure. The fact that most of the region's states have large budgets to dedicate to these initiatives has certainly played no small part in that awareness. One is entitled, however, to wonder to what an extent governments in the region are somewhat trying to solve key HR problems by throwing money and IT at them. The perennial inadequacy between workforce needs and skill sets is not due to training only, but often to the unwillingness of the workforce to do some of the jobs, let alone be trained for them. Once the countries

Figure 2.
Where HRMS Fits in an e-Government



are used to resort to more qualified expatriates, shifting to a fully national workforce is easier said than done. No amount of training will be able to fully solve that mindset. And will companies, especially the ones competing on a global basis, accept the business impact of a less productive workforce that has the right citizenship? Or, will they just pay lip service to the "nationalization" drive and carry on with business as usual?

FROM ACQUISITION TO IMPLEMENTATION: THE BIG CHALLENGES FOR THE MIDDLE EAST

No matter what the approach and rationale are, the Middle East could soon find itself awash in IT with the attendant "shelfware" syndrome we have seen in the more developing world: organizations having acquired millions of dollars worth of HR software but are unable to use it for lack of motivation, employee understanding or project skills. As the basic HR infrastructure is consolidating, energy and focus are moving to a different mode: eliminate the last remnants of the legacy systems and make sure that what has been implemented not only actually works but delivers what it was touted to. This is easier done with payroll and administrative HR where the quantitative aspects predominate and where functional experience is less of an issue. For recruitment, training, online learning and other aspects of strategic HR where benefits assessment is as much art as science and the area itself is relatively new, the jury is still out. Only by confronting these issues head on, instead of sweeping them under the rug, will the Middle East countries be able to show that their huge investment in HR technology has been a wise *pater familias* use of their financial resources that clearly supports the economic and social developments of the region.

ENDNOTES

1 Understood for the purposes of this article as the 13 countries that make up the eastern part of the Arab world (from Egypt to Iraq).

2 Official statistics quoted in *Arab News*, March 5, 2003.

3 Middle East HR News, Morgan and Banks Executive Search, July 2003.

4 The inclusion in the government figures of workers employed in the services industry (such as privately held banks which are often privately held) are more than compensated for by the fact that many manufacturing industries (especially in the oil sector) belong to the government. In some cases, the total figure for public employees may actually be higher. It is equally noteworthy that governments tend to underestimate politically sensitive jobless figures as pointed out elsewhere in this article.

5 Arab Advisors Group, Jordan Internet and Datacomm Report, November 2002.

6 Of course, this should not be construed as meaning that there are almost no specific Middle Eastern package requirements. For instance, the use of a lunar calendar in all time aspects is a key feature of all systems for Saudi Arabia.

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