

Inefficiency and Lack of Discipline: Whom to Blame?

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I HAVE always believed that the behavior of an organization has a very strong impact on its employees. The rules and regulations of an enterprise either teach and instill discipline or create an atmosphere of deviance, neglect and inefficiency.

I also believe that state policies and laws have the same kind of impact: they either encourage moral behavior or lead to a condition where deviance is the norm.

For example, when the Egyptian government accepts that standard working hours for a state employee are between 9 a.m. and 2 p.m., it indirectly acknowledges that those people's salaries are ridiculously low by allowing them much free time in the afternoon to make ends meet by moonlighting.

Many state employees end up driving taxis in the early morning and in the afternoons, causing a glut in the taxi market outside the official working hours and a shortage between 9 a.m. and 2 p.m. Others find employment in different areas of the private sector, typing research papers, working in factories in either afternoon or evening shifts, etc.

Is it any wonder, then, that a typical government employee is said to be working only 20 minutes a day in his or her state job? The state salary structure and working hours encourage if not force government employees to have second jobs, yet the law makes it illegal for a civil servant to have a second job.

Nonetheless, considering the inadequacy of the existing set of regulations, productivity in typical state industrial enterprises is at an amazingly high level.

State industrial enterprises do not link the wages of average state employees to the financial position of the firm for which he works. If an enterprise makes a financial surplus, the individual worker will not receive a bonus. On the other hand, if the firm is in deficit, the employee is still guaranteed the standard incentive payment, regardless of how big the loss is.

Thus, if an enterprise gives out the same incentives whether there is a profit or a loss, why should employees or management strive to make a profit?

My hypothesis is that many public organizational rules have played a significant role in creating the state of inefficiency and passivity that exists among state employees today. One can simply argue that many state enterprise employees are now disinterested in the perfor-

mance of their enterprise. Their primary concern is probably focused on some second job where they earn the real money, that allows them to pay their bills.

The government position is really their secondary job, through which they get medical insurance and a very low pension once they reach the age of 60. There is virtually no way



to get fired and no way to get a bonus, regardless of how inefficient or efficient one is.

In many cases, the nature of state laws and regulations, and their failure, also leads to destructive behavior outside the state sector. Examples of this are reflected in attitudes that can be found in a typical household, or in sectors such as the pharmaceutical industry and farming. In pricing for items such as gasoline, and in retailing.

Let us begin with the typical household, in which the members will naturally want to put some money away for a rainy day and at the same time earn a reasonable and safe return on their cash deposits. The state provides low interest rates, keeping them below 13-percent for a six-month time deposit.

What does this mean? Simply put, it encourages people to look for alternatives just so that they can keep up with the rate of inflation and keep their purchasing power from slipping.

Thus, if a typical household has lost E£20,000 in the El Rayan Islamic finance house scam, the government is responsible, since it did not offer households any alternative to ensure that the purchasing power of their money would not decrease significantly over time. In my opinion, the Islamic finance corporations came to life because of unrealistic interest rates.

In the medical field, a large number of public and joint-venture pharmaceuticals companies are forced to sell their products at prices which in no way reflect the cost of production. The government has been very reluctant to raise the prices of pharmaceutical products and has only recently allowed these firms some leeway in this area.

How do firms respond to controlled prices and to being forced to sell at a potential loss?

Simply, they make everything smaller. For the set price of a box of some medicine that contained 25 pills in the past one may get only 2 pills today.

The government knows that in this way prices have actually increased because the consumer is getting less for the same amount of money, but at least it looks as though the price ceiling law was not violated. So it is OK if the bread is smaller, and if the butane gas is only enough to heat the water for two showers instead of five, as long as the consumer prices of the products do not rise and, technically, the producers abide by the law.

In farming, too, the state works with a host of unrealistic pricing rules and regulations that farmers are expected to follow. A typical example is the government's attempt last year to raise the controlled price of wheat by one-third in an effort to encourage farmers to see more to the Ministry of Agriculture.

The move backfired, and only 5 percent of the total wheat production was sold to the state, whereas most of it was used as animal feed due to a shortage of corn as well as the high price of the standard animal feed, *berseem* (Egyptian clover). The state has neglected to take into consideration the high free market price of wheat and instead preferred to set some fictitious price.

Examples of deviance can be found in retailing. Here, the government imposes income ceilings for those eligible for ration cards. Thus, if one's income is above a certain level, one will not be able to get a state ration card and will not be able to buy subsidized sugar, tea, oil and other goods.

Yet there is virtually no processed sugar available on the open market for those without a ration card, and they are left with two choices: either to lie about their real income in order to obtain a ration card, or to buy sugar from someone else who does hold a ration card.

In this way, a business has come into existence in which people sell subsidized sugar to those who cannot normally buy it. Again, the law makes it illegal for anyone to resell subsidized items, and yet this is one of Egypt's very large black economy enterprises.

It is fun to analyze how public policies have caused all sorts of deviance in the community as a whole over time. One wonders when the government will realize that it is setting norms of inefficient behavior for people to follow. More importantly, one has to wonder how the government plans to rid itself and the community of many of the patterns of deviant behavior about which it now complains.