





Wanted: a national labor force

Labor policies and youth unemployment in the Gulf region

Delivering a skilled national workforce is one of the most critical challenges facing the GCC countries from an economic security and a social inclusion perspective. This article will address root causes for what is called “structural unemployment” and mitigation policies and measures that could help governments reverse the equation.

The recent economic landscape in the Gulf countries has been characterized by high economic growth and industrial expansion. The accumulated wealth and underlying strength of the region's economies – mainly driven by oil revenues – and the diversification efforts led by their respective governments has allowed the Gulf Cooperation Council (GCC) countries to limit the impact of the global financial crisis.

The region's future remains solid with the International Monetary Fund (IMF) estimating global GDP growth at 4.3% for 2011. Economies in Saudi Arabia and Kuwait are expected to grow by 4% and 4.8% respectively in 2011, with Qatar experiencing the highest growth rate (14.3%) whilst growth in the United Arab Emirates (UAE) is expected to be around 3%.

Job creation rates have been equally impressive with GCC countries vigorously creating jobs during the period 1996–2000. The UAE created, on average, more than 100,000 jobs while Saudi Arabia was able to create a total of 130,000 jobs. Both the Kuwaiti and the Omani economies created a yearly average of 10,000 jobs.

But despite a strong economic performance and phenomenal employment growth, unemployment amongst nationals is relatively high. The unemployment rate among Emiratis in the capital city, for example, reached 14 % in 2009.

The problem is particularly acute amongst the youth. At 23.7 %, unemployment among 15-24 year-olds in the Middle East is the second highest rate in the world after

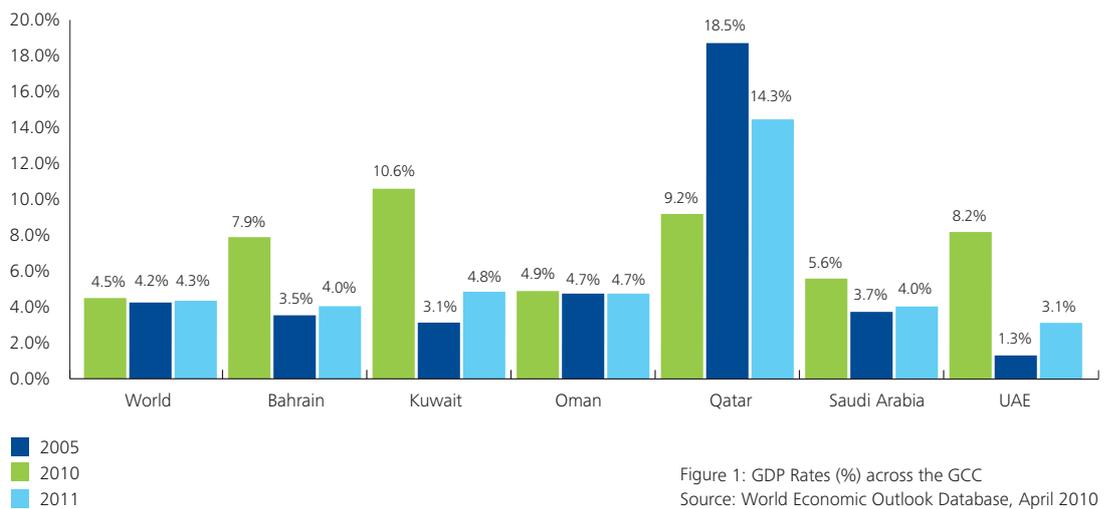
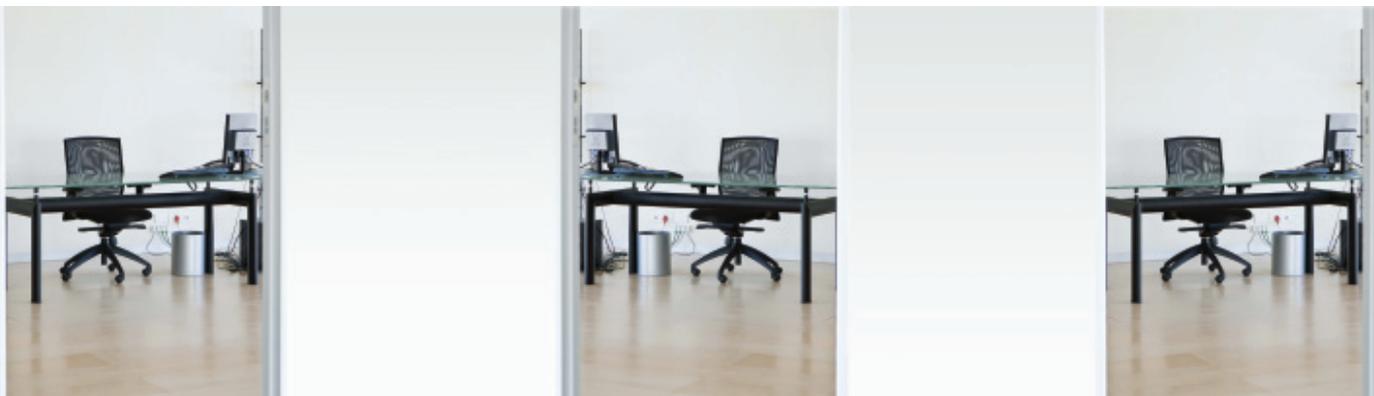


Figure 1: GDP Rates (%) across the GCC
Source: World Economic Outlook Database, April 2010

The GCC economies are creating new industries, including manufacturing, aerospace, renewable energy, health, tourism and many others. The long-term sustainability of these new industries depends, to a great extent, on delivering a highly skilled, stable workforce.



North Africa’s 23.8 %. Compared to the world average of 13 %, it certainly does not reflect the economic growth that the Gulf countries are experiencing.

| Country | Youth (15 – 24) unemployment |
|--------------|------------------------------|
| Bahrain | 20.7% |
| Kuwait | 23.3% |
| Oman | 19.6% |
| Qatar | 17% |
| Saudi Arabia | 25.9% |
| UAE | 6.3% |

Table 1: Youth Unemployment Rates
 Source: Job Creation in the Arab Economies: Navigating Through Difficult Waters, Arab Human Development Report, 2010

Unemployment amongst nationals in general, and youth unemployment in particular, is a pressing and vital public policy issue in the region from both, an economic and a social perspective.

Economic

The GCC economies are creating new industries, including manufacturing, aerospace, renewable energy, health, tourism and many others. The long-term sustainability of these new industries depends, to a great extent, on delivering a highly skilled, stable workforce. Transient expatriate labor can be a short-term solution, but sustainable knowledge economies can only be delivered through a motivated, skilled and capable national workforce.

Social

It is socially unacceptable to have phenomenal expatriate influx and employment growth rates whilst the nationals remain unemployed. This could lead to youth alienation and threaten the social fabric of the society.

The drivers of high levels of unemployment vary across countries but there are some common themes across the GCC. For instance, currently there is a mismatch between the growing market needs and the expectations and available skills of nationals. There are cultural barriers as well as perception issues that make

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the private sector relatively unattractive for nationals. The public sector is therefore a major employer of national labor across the GCC. However, with the present demographic trends and social reforms, where more women are entering the labor market and approximately 60 % of the region's population is under the age of 25, public sector organizations are no longer able to absorb the fast growing workforce. Historically there has been a deep reliance on foreign labor in the GCC in the private sector. Today, and in an effort to increase penetration levels of nationals in the private sector and to decrease the dependence on foreign labor, Gulf countries have embarked on implementing nationalization employment policies such as Emiratization, Qatarization and Saudization in the UAE, Qatar and Saudi Arabia respectively. Such policies aim at increasing local participation in the private sector by enforcing a quota system or incentivizing employers to hire more nationals. The rationale behind these policies is to shift the weight of identifying, training and maintaining nationals in jobs to the private sector. Many employers claim that they are unable to find nationals with the necessary qualifications and the training that would help meet their demands.

The growing structural problem is aggravated by an educational system that has barely changed over the past few decades and is not up to date with the needs of the GCC economies. The nascent career guidance process within the education system is only just beginning to direct students towards fields of study that could provide them with a competitive edge when joining the workforce. As a result, educational reform has been a high priority on the political agenda but it will take some time for it to yield results, assuming it is successful.

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The region desperately needs to revisit its labor strategy. The GCC countries must develop new policies and employment programs that address the shortfalls of the education system, instill new skills into the workforce, reduce the gap between market demands and skill supply and support the sustainable integration of nationals into the economy.

| Nationalization | | | |
|--|---|--|---|
| Economic Growth | | | |
| Pillar #1 | Pillar #2 | Pillar #3 | Pillar #4 |
| Education reform and career guidance support | Employer engagement to create job opportunities that meet market requirements | Public support for training & up skilling of nationals | Provision of public employment services |

Figure 3: Recommended policy pillars

To activate the labor market, the current restrictive nationalization policies would need to be replaced with programs that create positive incentives within the market. These positive policies would include programs that create jobs, increase training and improve public employment services. Labor market policies should include initiatives based on cooperation between the public and private sectors, employment and training programs and public employment services that would help infuse nationals into the workforce without adversely affecting growth.

Policy Pillar # 1: Education reform

Educational reform has been a high priority on the political agenda in the region. This is not a short-term solution, but rather takes a long-term view and will take some time to yield results. Its long-term nature should not preclude the need for immediate intervention. The region should address the shortfalls of the education system today in order to build a competent workforce in the next generation, through effective vocational education as well as on-the job training and dedicated sector skills initiatives.

Policy Pillar # 2: Employer engagement

Engagement of private sector employers will play a critical role in the nationalization movement. By providing insight and intelligence on future skill needs of the private sector, the employer will be guiding skills development, educational and training requirements. They will ensure that productivity is not compromised and that the nationalization agenda goes hand-in-hand with increased productivity. Creating synergies and an economic system that are interlinked through information channels – with job market intelligence flowing seamlessly from employers to job seekers and training centers – is an inherent key to success.

Incentivizing nationalization through leveraging public sector procurement power in the private sector and creating a culture of corporate social responsibility is also an important instrument in this context. Clear goals should be set out for public sector outcomes for nationalization such as the number of vacancies secured and increased level of engagement in the nationalization drive. This will encourage employers to demonstrate their commitment to the agenda and benefit from a stable workforce and be awarded for good practice.

Policy Pillar # 3: Training support

A system of training and up-skilling of the nationals is key to sustaining efforts of nationalization in the long run. Unparalleled support must be provided for job seekers through special interventions such as mentoring, demand-led training, apprenticeships, job rotation and improved brokerage, connecting them with the right jobs requiring the right skills. Training programs would focus on the skills necessary for workers to be equipped to realistically compete within the national and global economies. Such programs would address the underlying problem of mismatched skills and market demand currently found in the labor markets' unemployed nationals. Apprenticeships linking educational systems to the job market through programs that train people on the job should be a key priority.

Policy Pillar #4: Employment services

Dedicated employment services, similar to the ones being delivered in Abu Dhabi through the Abu Dhabi Tawteen Council, are important for providing public

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dedicated support to national job seekers and focusing on career guidance. Such services could include assisting in the assessment of individual interests to meet professional goals, résumé writing, job applications, interview preparedness and job hunting. The Council is also actively working with the private sector on developing employment programs that identify employment opportunities accompanied by a mixture of on- and off-the-job training, as is the case in the banking sector.

Conclusion

As the labor markets gain flexibility and a fluid flow of information matching worker skills with market demand is in place, governments will be able to decrease their role and allow their economies to perform more independently. Labor policies should ensure sustainable opportunities for nationals that offer security against economic fluctuations. By coordinating a positive and dynamic relationship between regional labor policies and economic policies, long-term economic stability and growth will have a strong and reliable foundation.

Through effective policies and employment support mechanisms, governments can set the foundations for sustainable and diversified knowledge-based economies while delivering employment opportunities for the next generation.

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