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# Reforming job market

## Pressing need for GCC: Nationals needed in private sector

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THE 1970s was a pivotal decade in Middle Eastern history. The discovery of oil and the vision of the region's leaders transformed a barren desert into an oasis of wealth and prosperity. To sustain the economic development, GCC countries began attracting foreign workers to meet the demand for labour, technical and managerial jobs that were not readily available within and took up the responsibility of job creation for the citizens. This model worked well in the past but has hit a plateau and needs reassessing.

With a majority of the population set to enter the work force over the coming years, GCC nationals cannot keep relying on the public sector for employment creation. The extent of the problem is so deep that the IMF has warned Saudi Arabia, Oman and Bahrain of potentially facing a fiscal deficit in 2018. During the Arab Spring, the lack of job opportunities and the slow pace of job creation was one of the key complaints of citizens. Governments across the region implemented a host of nationalisation measures. Although a majority of the reforms enacted, such as Qatar increasing public wages by 120 per cent and Kuwait granting a year's supply of free food, had a short term scope, governments are simultaneously designing reforms with a longer-term impact.

The labour model adopted during the oil boom saw the six GCC countries become highly reliant on foreign labour. The existing labour regulations that require employer sponsorship and have no minimum wage requirements have made hiring expats very popular, especially unskilled expats over whom employers have a high degree of control. In fact, unskilled labourers make up 55 to 85 per cent of the expat labour force. To counter this appeal, GCC countries enacted variations of policies aimed at nationalising the private sector work force by instituting quotas in private companies to hire nationals. A popular example is Saudi Arabia's Nitaqat initiative. While effective, as seen in the drop in unemployment from 12.4 per cent in 2011 to 11.7 per cent in mid-2013, the long-term macroeconomic impact of nationalisation programmes is debatable. Nationalisation initiatives that solely focus on achieving a target quota fail to address the larger issue of job creation in the economy.

Additionally, as is exemplified by a Saudisation drive, employers desperate to work around Nitaqat rules hired nationals to sit at home to gain extra leeway in hiring expats, causing no value creation in the economy and no transfer of skills from expats to nationals, defeating the kingdom's goals to integrate Saudis into the workforce.

Many education systems in the GCC focus on rote learning and lack well-trained teachers, thus unable to generate graduates with employable skills. A successful nationalisation programme should be accompanied by reforms in the education system and a continued focus on developing the non-oil sector. Through a rigid quota system, nationalisation efforts in the Gulf have aimed to create entry points for the local workforce, but with the public sector offering higher pay, better incentives and shorter working hours, nationals are more inclined to join the government than the private sector. Unfortunately, governments are over-saturated and cannot create jobs fast enough, nor can they continue to spend as much as they currently do on payroll. A successful programme will also focus on disincentivising government jobs and increasing the appeal of working in the private sector.

Looking forward, the next major challenge for the GCC will be increasing female participation in the workforce. A higher number of women in the GCC have advanced education qualifications as compared to their male counterparts, but the infiltration of women in the workforce is significantly lower with unemployment among women ranging as high as 30 per cent. However, a challenge lies in reforming society's attitude towards working women and the inclusion of women in a mixed-gender work space.

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Of the six GCC countries, nationalisation is of a higher priority for countries facing higher youth unemployment rates such as Oman and Saudi Arabia. Consequently, Saudi Arabia has adopted the most aggressive regulations such as implementing nationalisation quotas by sector, unemployment benefits, introducing job search agencies, minimum wages for nationals, restricting visas for expats and imposing a fee on expats for companies that have not met Nitaqat quotas. They are also taking a stern stance on implementation of the same, as seen by their crackdown on illegal labourers in the country. A common goal across the GCC has been to increase participation of nationals within the banking sector, which due to its strategic and economic importance they want dominated by their own citizens.

Like the GCC, Singapore also relied on foreign labour during its initial growth stage but has lately recognised the need to increase citizen participation in the workforce. To achieve their goal they have implemented restrictions on hiring foreign workers and have asked companies to give priority to Singaporean applicants, essentially tightening the labour market.

Singapore has also managed to keep its youth unemployment levels below the global average by following a unique "Ability-Based Education" system. Students are streamed via national level exams on the basis of their ability and are trained in skill sets that suit their aptitude. The system builds on the individuals' strengths, enabling them to enter the market with employable skills and training. The Singapore education system provides the GCC with a successful model of how human capital can be leveraged through training and education.

It is important that the GCC continues to maintain labour reforms as a top priority. Failing to integrate the local unemployed into the economy will present a drag on the economy, as available resources will go towards sustaining the population rather than much needed development initiatives. The low percentage of nationals in the workforce represents an untapped potential and accessing this will be instrumental in developing a stronger economy for the GCC. GCC nationals will need to be properly trained in almost all sectors and walks of life so that the local economies are not overburdened with an untrained high cost labour force which in the longer term would make the local economies inefficient.

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