

Emiratization in the UAE Labor Market

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Opportunities and Challenges

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In the name of Allah the beneficent and merciful. May the efforts spent in the preparation of this project reach its aim of promoting greater understanding and serving as a starting point for others seeking knowledge.

*To my husband, Ahmad, and **ALL** my dear children, for understanding my thirst for knowledge.*

To my father, William S. (Bill) Daleure, for all the sacrifices he has made so that his children, grandchildren, and great-grandchildren could achieve their dreams.

To my mother, Diana, for providing the love that only a mother can.

Preface

The United Arab Emirates (UAE) has become a well-known destination for celebrities, politicians, scholars, tourists, and others in recent years. Those who visit the UAE may enjoy the numerous and varied recreational facilities, participate in international sporting competitions, attend conferences or summit meetings, or engage in other regional and world-class events. The transformation of the social and physical infrastructure from nationalization in 1971 to the present serves as a success case in rapid modernization.

Most importantly, in a region filled with civil unrest and failing economies, the UAE remains politically stable and economically prosperous even through the global financial downturn in 2008. Therefore, it seems almost unbelievable that Emirati unemployment—specifically unemployment among young educated Emirati adults—has reached double digits in recent years. Concerns over rising Emirati unemployment in the early 2000s spurred the leadership of the country to initiate Emiratisation policies, a type of “positive discrimination” that is characterized by some as detrimental to the country’s continuing development.

To fully understand the complexities of Emirati unemployment and Emiratisation, one must understand the creative and contributing factors through multiple lenses representing the perspectives of different stakeholders. This work attempts to describe the issues factually and impartially while presenting differing viewpoints when and where they exist. It is the differing viewpoints occurring simultaneously that make the issues interesting and worthy of an in-depth examination.

This work is particularly needed because in the scant amount of research available on Emirati unemployment, Emiratisation, and the UAE labor market, the issues are explored mostly using a simple labor supply and demand model. Workers are viewed as one of the factors of production, and motivation for work is expressed in an equilibrium wage that balances the competitive desire of maximizing wages among workers with the desire of maximizing profit among the employers. This type of explanation, although valuable from one economic perspective, is not complete.

Some experts investigating the UAE labor market using the simplistic labor supply and demand framework attribute Emirati unemployment to Emirati preference for work in the saturated public sector due to the perception of more attractive compensation packages being offered in the public sector. Some experts attribute Emirati unemployment to an unwillingness among Emiratis to accept the wages being offered in the private sector that are pushed down by migrant workers willing to work for less than the Emirati reservation wage. Some of these experts even go so far as to suggest that it is the migrant workers that reside in the UAE who drive the UAE economy and replacing migrant workers with Emirati workers will decrease economic stability. This book presents the multiple, and sometimes contradicting, viewpoints that appear in academic literature and crop up in conversations of academics, policy makers, citizens, residents, and even casual observers of the UAE labor market.

Although studies do exist investigating the complexities of the UAE labor market, few experts have looked into the social, cultural, political, and environmental factors that affect the wage structure in the UAE labor market and the overall UAE economy. For example, studies are available examining the salary remittances of expatriate workers to their home countries. The great majority of studies mentioning remittance discuss the positive effects on the home countries of receiving remittances. However, the missing element is academic discourse on any negative effects of migrant worker remittances on the economies of the countries in which they work. Few experts have considered the long-term destabilizing effects of the unemployment, particularly young adult unemployment, on a minority citizenry in a country with a relatively high cost of living. As another example, few experts have calculated the employment costs and benefits of hiring Emiratis in the private sector aside from salaries. Few experts have factored in the cost of living differentials between Emirati and expatriate employees, i.e., economic expectations of each group, items on which salary is spent for each group, mentality of migrant versus indigenous worker, and so on. These aspects and others are examined in this book so that the reader has a rich and full picture of the factors leading to Emirati employment not just a cursory explanation of salaries and wages to understand the employment and unemployment of indigenous workers in the UAE. After all, it is only through sustainable employment of indigenous workers that a country can achieve and maintain a sustainable economy.

Every effort was made to include the most official and the most up-to-date sources, however, the story of the UAE was unfolding even as the last revision of this work was being finalized. In some cases, official documents mentioned on websites or in newspaper articles were available and referenced in the text. In other cases, the best available sources were newspaper articles or websites. In as many cases as possible, links to web documents, source articles, websites, and other sources are given in the reference section of each chapter. In addition, the online databases from which figures and statistics were obtained are mentioned in the chapters with the links provided so that readers may check facts and figures that were the best available but not necessarily up-to-date at the time of publication. The economic downturn of 2008 and subsequent drop in oil prices have drained the

economies of the oil-producing countries prompting a decrease in spending in areas perceived to be expendable. As the economies have bounced back and stabilized, more funding has become available for scholarly activities. Therefore, it is anticipated that by the time this work proceeds through the production phase and becomes available to interested readers, updated and even more interesting data could be available.

Readers may query as to why so few Arabic sources are cited in this work when the official language of the country is Arabic. This is due to the multicultural nature of the working environment in the UAE in which most official documents, especially those intended for public release, are produced in a bilingual English–Arabic format. Official websites and web-based documents have both English and Arabic interfaces. When there was no substantive difference, I have used the English versions and cited the English versions since this work is produced in English.

Providing good quality bilingual documents is possible in a large part because UAE nationals overwhelmingly choose to study in federally funded postsecondary institutions which use English as the medium of instruction. Therefore, most of the government employees who have postsecondary degrees are proficient in both English and Arabic, and many government employees are multilingual, possessing a working proficiency in regional languages such as Hindi, Urdu, or Farsi. The UAE prides itself on having educated its citizens to be bilingual and on producing materials that are usable at the international level.

The book is organized into 10 interrelated chapters. Chapter 1 serves as an introduction to sustainable employment in the UAE. Chapter 2 describes the transition of the UAE economy from a traditional economy to the present modern economy mentioning some of the challenges affecting the UAE economy and labor market. Chapter 2 gives an overview of the modern-day UAE emphasizing the international attention that the UAE has received from its diversification efforts. Chapter 3 presents the economic vision for the UAE and provides a brief overview of the economic environments of each of the seven emirates focusing on diversification strategies implemented in each one. Chapter 4 describes the UAE economy in depth along with underlying factors contributing to Emirati unemployment. Chapter 5 highlights the roles and contributions of women in Emirati society emphasizing the encouragement given by the government to Emirati women to obtain higher education and work outside the home if they wish to do so. Chapter 6 focuses on salaries in the UAE and breaks down salaries by nationality, industry, occupation, education level, age, location, sector, and gender to show how general mean salary figures can mask vast disparities between high salaries and low salaries. Chapter 7 examines the role of migrant workers in general and explains the effects of formal and informal salary remittances on the UAE economy. Chapter 8 relates ways in which social transitions may have contributed to Emirati unemployment, especially among young Emirati adults. Chapter 9 focuses on the development of education in the UAE with emphasis on ways in which education can bolster employment or impede it. Chapter 10 summarizes the main points of the work and puts forth the dichotomy of sustainability versus complementarity of labor in the UAE.

Multiple conclusions may be drawn based on the information presented due to the complexity of the concepts, multiple perspectives of analysis, and varied viewpoints of stakeholder. However, the author leaves the conclusions to the reader, and focuses on promoting understanding by giving rich sophisticated descriptions and accurate explanations of the factors surrounding Emirati unemployment and Emiratization efforts in the UAE labor market. It is hoped that this work will be a useful starting point for those interested in conducting further research on Emiratization, the UAE labor market, and other related topics.

Finally, I would like to acknowledge the exceptional efforts of the professionals who reviewed all or parts of the manuscript of this book to assure that it represents the views of a broad range of stakeholders. The reviewers include an economist, a specialist in Middle East history, educators, and experts in the UAE business environment. Some of the reviewers are Emiratis and all of the reviewers lived and worked in the UAE during this time of phenomenal transition. For their magnificent efforts, I would like to thank Dr. Zain Hassan Al Shareef, Mr. Timothy White, Mr. Ali Khalifa Al Suwaidi, Dr. Patrick Kane, and Ms. Parminder Gill.

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