

HRM in UAE: Current Challenges and the Road Ahead

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Abstract: The UAE's economy has evolved significantly over the past decade; part of that success is due to the highly qualified HRM. The leadership of the UAE recognizes the critical importance of human resource capabilities for the country's long-term strategy and for creating a sophisticated knowledge-based economy. This paper focuses specifically on the special issues which help advance the understanding of HRM in UAE; we examine the current challenges and highlight the future prospects from a national perspective.

Index Terms— Emiratisation, HRM, Knowledge-based economy, UAE.

I. INTRODUCTION

Throughout the last decade, the United Arab Emirates (UAE) has made great efforts to diversify its economy, in line with the country's new strategic plan, Vision 2021. These continuous efforts have successfully reduced the portion of GDP based on oil and gas sectors from 66% in the mid 1970s to less than 30% in 2015.

Moreover, UAE has made great strides toward improving technological readiness and innovation, and the economy has evolved significantly over the past decade; part of that success is due to the highly qualified HRM. The leadership of the UAE recognizes the critical importance of human resource capabilities for the country's long-term strategy and for creating a sophisticated knowledge-based economy.

The Gulf Cooperation Council (GCC) countries in general and the UAE in particular, have set an example in development for the world. Although they are developing nations, they have made substantial achievements in economic development. The main challenge now is human resources.

Human capital is by all accounts an increasingly important part of the resource-base of firms. Human resources have been called the "key ingredient to organizational success and failure" [1].

One of the challenges concerning human resources is that GCC nationals still account for a low percentage of the workforce in the private sector as they prefer the public sector for its attractive incentives and better working conditions. Furthermore, the rapid demographic

consequences resulting from the steady development whether in terms of rights and duties for expatriates or the number of nationals and their contribution to all economic aspects and values.

Overall, the suitability of a HRM model for GCC countries and UAE in particular is a topic which needs to be reassessed. This paper focuses specifically on the special issues which help advance the understanding of HRM in the UAE; we examine the current challenges and highlight the future prospects from a national perspective. Finally the research gives some recommendations in order to support the Emiratisation policy.

II. UAE ECONOMY AND POPULATION

A. UAE economy

The United Arab Emirates (UAE) is among the world's 10 largest oil producers and is a member of the Organization of the Petroleum Exporting Countries (OPEC) and the Gas Exporting Countries Forum (GECF). Since declaring independence and uniting in 1971, the UAE—a federation of the seven emirates of Abu Dhabi, Ajman, Al Fujairah, Dubai, Ras al Khaymah, Sharjah, and Umm al Qaywayn—has relied on its large oil and natural gas resources to support its economy. Even though the relative contribution of the different economic sectors to GDP have shifted obviously over the years, the oil and gas sector still represents the largest share in the UAE economy, as the country is endowed with significant natural resources of oil and gas.

The UAE has experienced major economic transformation over the past decade. The main goal of the economic policies set into place during this time was to diversify the UAE economy away from the oil sector. This long

standing problem is linked to the non-renewable nature of oil resources. The instability of oil revenues combined with strong demographic expansion have brought the topic back into the headlines especially after the 2017 new rules regarding labor force in GCC countries and the need to create jobs. All these factors have led to new policies in order to support the Emiratisation policy.

The International Monetary Fund (IMF) expects the U.A.E.'s GDP will increase to 3.4 percent in 2018 from 1.3 percent this year, largely on expectations that growth in oil-rich Abu Dhabi will surge to 3.2 percent from 0.3 percent this year, the IMF forecasts. Dubai's output will accelerate more moderately, to 3.5 percent from 3.3 percent in 2017 [2].

B. UAE population

Since 1973 (in the aftermath of the establishment of the United Arab Emirates), the country has received large numbers of immigrant workers whose presence has dramatically changed the geography of the emerging state. The need for immigrant workers coincided with the recent economic boom, which resulted from immense oil revenues. The government invested in colossal projects, which aimed at building the country's infrastructure. Dubai, Abu Dhabi and other large urban centers witnessed a great boom in population and in urban development [3].

Table I: UAE Population by Nationality (Emirati/ non-Emirati)

Year	Nationals	Non-nationals	Total
1975	201,544	356,343	557,887
1980	290,544	751,555	1,042,099
1985	396,114	983,189	1,379,303
1995	587,330	1,823,711	2,411,041
2005	825,495	3,280,932	4,106,427
2010	947,997	7,316,073	8,264,070

As can be seen in (Table II) the UAE witnessed significant population increase during the past few years because of significant growth in the various economic sectors which lead to an influx of workers from diverse cultural and religious backgrounds. From 4.1 million in 2005, the population of the UAE grew to approximately 8.3 million by the end of 2010. Out of this, the number of UAE citizens is less than 1 million (947,997).

According to estimates by the World Bank and the Department of Census and Statistics of the United

Nations, the UAE's population reached around 9 million in 2014; expatriates still outnumbering the Emiratis.

Statistics of the population in the two largest emirates in 2014 revealed that the number of residents in Abu Dhabi was approximately 2.6 million and approximately 2.3 million in Dubai [4].

Rapid economic development and prosperity elevated the living standards of Emiratis and raised the profile of the country to an internationally competitive level. As expatriate business people and workers flocked to the UAE to take advantage of the economic opportunities, a population imbalance occurred in which citizens of the UAE became the minority [5].

As a result the UAE now has more expatriate residents than nationals as can be seen in (fig.1). Therefore the government aims to balance the demographic mix between Emiratis and expatriates by 2021.

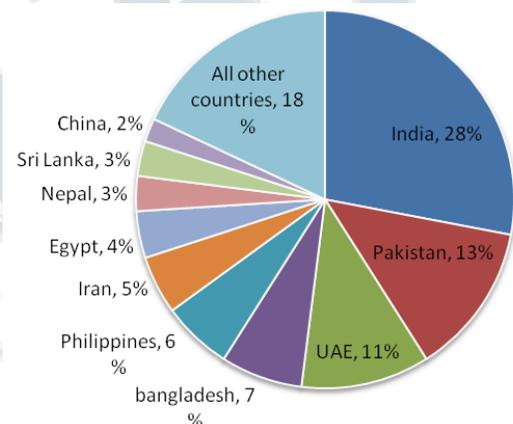


Fig.1: UAE Population by Nationality 2016 [6]
Source: <http://www.abudhabi2.com/uae-population-by-nationality/>

III. THE KNOWLEDGE ECONOMY

Perez (2003) clarifies the concept of “Techno-Economic Paradigm Shift” and illustrates how a new technology is the incentive of every technological revolution.

Perez (2003) recognizes the different technologies which have caused a great impact on the economy. Now, Information and Communications Technology (ICT) is the technology that has started a new wave and is causing a new paradigm shift [7].

The concept of the knowledge economy is not a new concept; researches have dealt with it since the eighteenth century, but it began to emerge in its modern form by the end of the twentieth century.

Powell and Snellman (2004) define the knowledge economy as the production and services based on knowledge-intensive activities that contribute to an accelerated pace of technical and scientific advance, as well as rapid obsolescence. The key component of a knowledge economy is a greater reliance on intellectual capabilities than on physical inputs or natural resources [8].

In this context the UAE seeks to expand and enhance the contribution of the knowledge economy to the country's social and economic development, and there is a growing recognition of the vital contribution the knowledge economy makes to scientific Research and development (R&D).

The World Bank uses the Knowledge Index (KI) and Knowledge Economy Index (KEI) to compare knowledge across different countries. According to the World Bank, the KI measures a country's ability to generate, adopt and diffuse knowledge. This is an indication of the overall potential of knowledge development in a given country. The KI is the simple average of the normalized key variables in three Knowledge Economy pillars – education and human resources, the innovation system and Information and Communication Technology (ICT). The KEI takes into account whether the environment is conducive for knowledge to be used effectively for economic development. It is an aggregate index that represents the overall level of development of a country or region towards the Knowledge Economy [9]. In 2012 the UAE came at the top in the Arab region and at 42nd globally as an advanced knowledge economy as measured by the KEI. Its high position reflects strong performance on the innovation, education and ICT pillars.

Furthermore the UAE received the highest scores in the 2015 Arab Knowledge Index, proving to be one of the most knowledgeable countries in the Arab world.

The Arab Knowledge Report which including the Arab knowledge index is a joint initiative between the Mohammad Bin Rashid Al Maktoum Foundation (MBRF) and the United Nations Development Program (UNDP).

According to the index, UAE first in most of the six main indices used to measure Arab countries in the Arab World. The six indices are the higher education index, economy index, technical vocational education and training index, pre-university education index, information and communications technology and research innovation index.

The UAE scored 77.59 per cent in the economy index, 77.48 per cent in the information and communication technology index, 72.56 per cent in the higher education

index, 68.56 in the pre university education index, 60.79 per cent in technical vocational educational and training index and 50.08 in the research and development index as can be seen in (fig.2) [10].

Recently the UAE has improved its standing in the 2017 Global Innovation Index, topping all Arab countries and ranking 35th globally to cement its status as one of the world's most innovative countries. Rising six places from last year's position, the UAE has achieved one of the highest improvement rates among top tier innovative countries [11].

In October 2017 the UAE introduced a ministry for artificial intelligence as part of a cabinet reshuffle.

One of the challenges stemming from the knowledge economy is that it is linked with the common unemployment, because of the reliance on technology-intensive techniques, which leads to some existing jobs disappearing, and the transfer of some employees to other jobs which they cannot perform; with the exception of those only have certain qualifications, training or familiarity with modern technology. Moreover, the knowledge economy may leads to the emergence of cybercrime, and increases stress on individuals and their sense of loneliness and isolation.

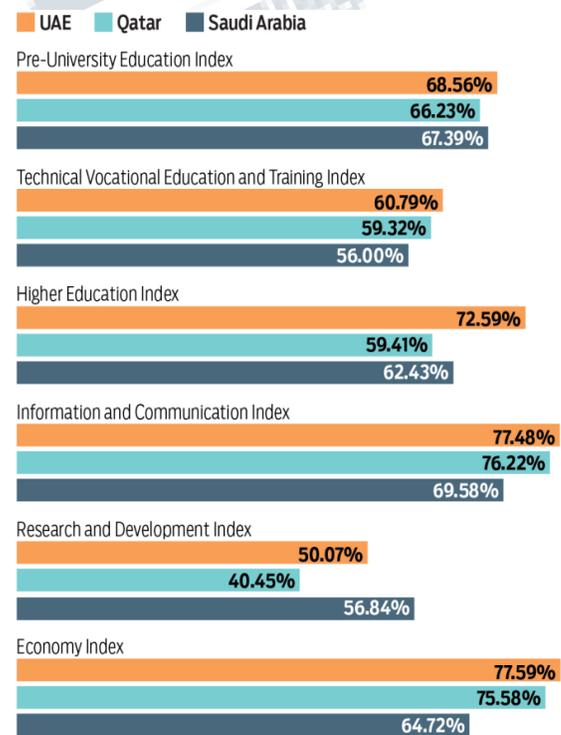


Fig.2: 2015 Arab knowledge index highest performing countries

IV. EDUCATION AND EMPLOYMENT

Education is becoming increasingly more important in today's society especially with the rise of the knowledge economy and the challenging job market for young people.

When it comes to investing in a child's education, parents in UAE came second in spending on education, an average of over \$100,000 including primary school education through to university studies. The above was found from a new study by HSBC which looked at how much parents in different countries and territories around the world spend on their children's education.

This spending includes school/university tuition fees, books, uniforms, transport and accommodation. Parents are going to great lengths to ensure that they can invest in their children's future. They make many personal sacrifices, including cutting back on hobbies or reducing their leisure activities, including holidays [12].

While at the national level the UAE has articulated a national strategy, the UAE Vision 2021, Policy-makers are focused on meeting the objective to strengthen the nation's position as a knowledge-based economy driven by innovation and talented human capital.

There tends to be a preference for education in the humanities and commercial studies among students. Therefore emphasis in the education sector is now focused on ensuring students are adequately prepared for working in innovative fields. To meet the rising demand for technology-intensive sectors, the UAE is taking steps to increase engineering, science and technology university graduates. The quality of the educational system is also being upgraded through increased teacher development, curriculum enrichment, scholarship programs, and enhanced investment in educational infrastructure.

In the tertiary sector, the UAE is home to over 70 accredited institutions of higher learning. These range from public research universities to campuses of renowned international universities, teaching colleges and vocational schools. Several universities perform R&D, including Masdar Institute, Higher Colleges of Technology and UAE University. In the R&D intensive universities, professors typically spend between 40-50% of their time on R&D.

Campuses of international institutions present in the UAE include New York University, Sorbonne and INSEAD, with a range of partner institutions such as Massachusetts Institute of Technology. Furthermore, there are initiatives to facilitate closer cooperation between academia and industry. Initiatives include the development of clusters

which provide an enabling environment for innovation and cross-fertilization of ideas, products and services, as well as the commercialization of innovative products and services. Dedicated clusters include Dubai Media City, Internet City, and Masdar City, the world's first clean energy cluster [13].

A. Employment

Public sector employment is considered a very favorable option for most Emiratis, male or female. This is because, compared to the private sector alternatives, salaries are higher, non-monetary benefits are better and, generally, hours of work are shorter. Many private sector establishments operate on 10-hour days, six days per week, with a split shift day. Generally, the public sector operates on a single-shift, eight-hour-day, and five-day-week system [14].

Crucially, the GCC governments are also keen to create jobs for their nationals that the oil and gas sector, which are capital-intensive rather than a labor-intensive sector, is not able to provide. One of the key dilemmas in selecting the right diversification strategy will remain the issue of finding the right balance between sectors as can be seen in (Table III). There is a clear comparative advantage, such as energy-intensive industry, and sectors that provide employment for nationals, of which the most successful is the financial services sector. The key success factor here is the progress of education reforms. The best-case scenario, as hoped for by policymakers, is that the GCC states will manage to convert their current tangible oil wealth into intangible human capital, by investing in the education and skills that are needed for a transition from economies based on the primary sector to more diversified economies with more value-added, skilled sectors. Such a transition will be difficult and faces significant risks [15].

There are many factors which lead to unemployment. (In 2015 unemployment rate in the UAE was 3.81%) These are linked to the problem of insertion into the labor market, often concerning younger job seekers. This situation is typical in countries where education and training systems are not adequately linked to the labor market. Indeed, misinformed graduates have educational profiles that are inconsistent with the country's working conditions and requirements, a fact which makes their first attempt at labor market entry difficult. The high level of unemployment is a challenge and may be a potential source of social disruption and conflict [16].

In this context, According to Forstenlechner and Rutledge (2011), there is a need for policy intervention to deal with the UAE's "demographic imbalance," which, despite being an economic necessity, generates huge costs. The direct economic cost of the large numbers of non-national

workers and their dependents can be measured in terms of labor-market rigidities, low levels of productivity, infrastructure costs and remittance outflows. The risk to society is more difficult to quantify but might include a loss of culture, values, and the Arabic language [17].

Table II: UAE Total labor force in the private sector (2004-2015).

Years	Labor force
2004	2,013,523
2005	2,242,376
2006	2,567,349
2007	3,113,022
2008	4,079,453
2009	4,072,315
2010	3,880,494
2011	3,906,594
2012	4,044,364
2013	4,051,233
2014	4,444,500
2015	4,744,624

Source: [18] Gulf Labor Markets, Migration, and Population (GLMM) Program (<http://gulfmigration.eu>).

Table III : UAE Total labour force in the private sector by economic activity (2015).

Construction	33%
Trade and Repair Services	24%
Manufacturing	10%
Real Estate and Rental Services	11%
Transportation Storage and Communication	7%
Hotels and Restaurants	4%
Community and Personal Services	4%
Educational Services and Studies	2%
Financial Intermediation	1%
Others	4%

Source: [18] Gulf Labor Markets, Migration, and Population (GLMM) Program (<http://gulfmigration.eu>).

V. EMIRATISATION AND EMIRATI WOMEN

A. Emiratisation

The UAE government introduced the Emiratisation program in 2004 to encourage employment for its citizens in both the public and private sectors. The program aims to reduce the UAE’s dependence on foreign workers and to ensure that UAE citizens benefit from the economic growth in the country. The Labor Law states that employers should prioritize UAE nationals over any other nationalities when seeking employees. This means that — in theory — the Ministry of Labor will not permit non-UAE nationals to be recruited where ministry records show unemployed nationals could perform that role.

As part of its Emiratisation program, the UAE has sought to identify suitable industries in which UAE nationals can work. Banking and insurance were identified as two such industries and companies operating in these sectors must now meet specific annual quotas [19].

As the country began its rapid development, the existing skills and education levels of the local populace was no match for the needs of a quickly expanding economy, resulting in a high demand for imported labor [20]. Therefore, the UAE is facing several economic and demographic challenges to its future stability. Similar to other GCC countries, its government sector has become the largest employer of the Emiratis.

To overcome these challenges the UAE concentrated on the nationalization programs. Elhoussein and Elshahin (2008) stated that manpower nationalization is a strategic policy, not only of the UAE government, but also of other GCC states. They note that the importance of the policy is reflected in the central position it occupies on the policy agenda of all of these states [21]. Nationalization or localization programs that are designed to encourage and support the employment of nationals, in preference to expatriates, have become a key feature of HRM/HRD throughout the Middle East, covering countries such as Bahrain, Qatar, Oman, Saudi Arabia and the United Arab Emirates. These nationalization strategies have been known by the titles Bahrization, Omanization, Saudization and Emiratisation, respectively. [22].

In brief Emiratisation is a government policy designed to increase the participation of native workers in the production of goods and services in the UAE private sector. The policy has its origins in the 1990s out of government’s concerns of private sector’s heavy reliance on expatriate labor, high unemployment among native workers and the expectation of a relatively young Emirati population entering the labor force by the mid 2010s [23].

The government realized that for a strong economy, the education of the workforce should be fully matched with the needs of the labor market before the beginning of the

nationalization programs; many organizations needed to attract foreign workers to perform the jobs that nationals were not able to perform effectively. Therefore government provides training that improves the competencies and skills of the national workforce, to create a better employability of the labor force in both the public and private sector. Reinforcement of the work values of nationals is also important, as the private sector has had problems in finding national workers who can work in a competitive environment.

Recently, The UAE Ministry of Human Resources and Emiratisation (MOHRE) has issued amendments to the existing Emiratisation framework. The policies are aimed at improving the representation of UAE nationals in the private sector, specifically, in the fields of “data processing” and “health and safety”. Policies pertaining to entity classification, in terms of the number of UAE nationals that they employ, have also been amended, with companies now having increased incentives to work towards improving their Emiratisation [24].

B. Emirati women

One of the challenges which the Middle East and North Africa region (MENA) area in general and the GCC countries in particular are facing is the low female labor force participation rates.

Therefore the UAE Governments have taken positive and innovative steps in recent years to ensure development and participation of qualified, skilled women in the labor force. The Dubai Women Establishment (DWE), for example, launched an initiative in 2008 that focused on working women in order to increase the number of female leaders in the emirate.

More than 50% of government jobs are occupied by women and the DWE initiative seeks to provide opportunities for qualified women to develop their potential, through implementing training programs amongst other initiatives. Such initiatives and long term plans are essential to accommodate for rising levels of female graduates from UAE universities ready to enter the work force, with current levels reported as one of the highest in the world at 92% [25].

The UAE can encourage more women into the workforce in many ways as giving:

- Incentives for private sector firms to absorb more nationals, especially women.
- Incentives for female nationals to remain in their private sector jobs longer;
- Incentives to improve the attractiveness of private sector work for 'highly qualified' female nationals; and

- Incentives for private sector firms to offer more training, with special measures to ensure that UAE national women are beneficiaries [14].

VI. THE FUTURE PERSPECTIVE OF HUMAN RESOURCE MANAGEMENT IN UAE

The main organizations having federal responsibilities for HRM are the federal authority for government human resources (FAHR) for the public sector and the National human resource development & employment authority (TANMIA) for the private sector. Both institutions share responsibilities and play an essential role in the implementation of the HR policies and initiatives.

Successful HRM strategy’s implementation strongly relies on capable line managers and HR professionals in all federal ministries and authorities; therefore the development of national leaders is a vital priority for the UAE federal government and public service and key to the success of the Emiratisation plan.

In order to support the Emiratisation plan the UAE government could consider these actions:

- _ Strengthen educational systems and institutions to improve quality through supporting policy-making by engaging in the planning and implementation process of educational development plans, and focusing on engineering and public health sectors.
- _ Concentrate on knowledge transfer between private and public sectors from non-national to national employees.
- _ place the HRM departments as a strategic business partner in all organizations with a strong focus on performance and culture by structuring strong HR capacity in ministries and authorities.

CONCLUSION

The UAE’s economy has many challenges to be addressed, particularly in the field of innovation, education, economic diversification, and population imbalance, to keep rapid growth rates in the long term.

Probably the most remarkable characteristics of the UAE labor market are its extensive reliance on expatriates and its dual labor market. Moreover nationals usually prefer to remain unemployed and wait for job in the government.

The aim of our research was to extend current knowledge of HRM in the UAE. Furthermore we examine the current challenges and highlight the future prospects from a national perspective.

Finally the research gives some recommendations in order to support the Emiratisation policy.

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