

# Recession and Employment in the Gulf

Saudi Arabia | Kuwait | Qatar | Oman | Bahrain | UAE

2009



## Introduction

- This research study is intended to provide an overview of **key employment and recruitment trends** in the Gulf region since the start of the international financial crisis, and to give an indication of how the labour market is likely to evolve going forward.
- The study is aimed at **corporate decision makers**, government authorities as well as professionals employed or interested in working in the region.
- The findings presented in this study are based on a combination of data from GulfTalent's **recruitment database**, interviews with human resource managers, leading economic sources as well as regional press reports.

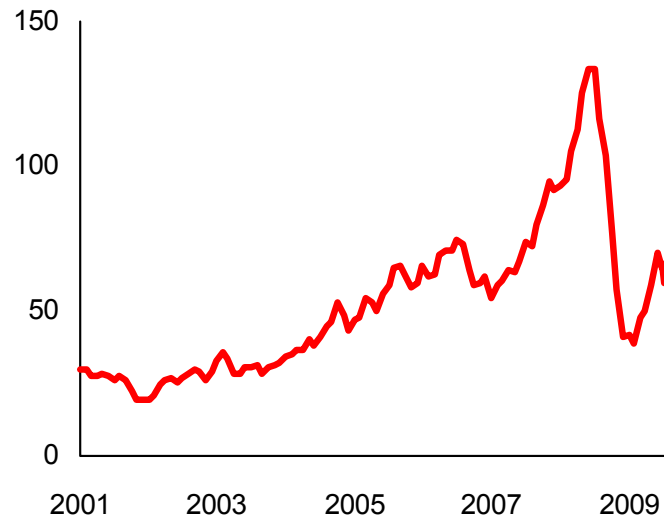
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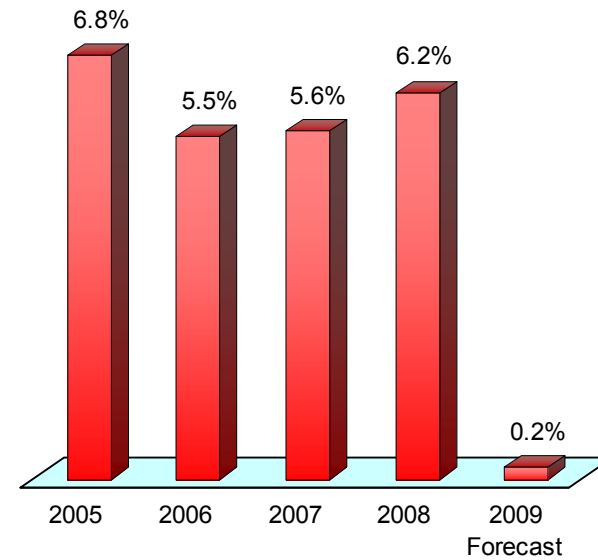
**Economic Situation**

## Years of massive growth, fueled by high oil prices, have come to a halt

**Crude Oil Price**  
USD per Barrel



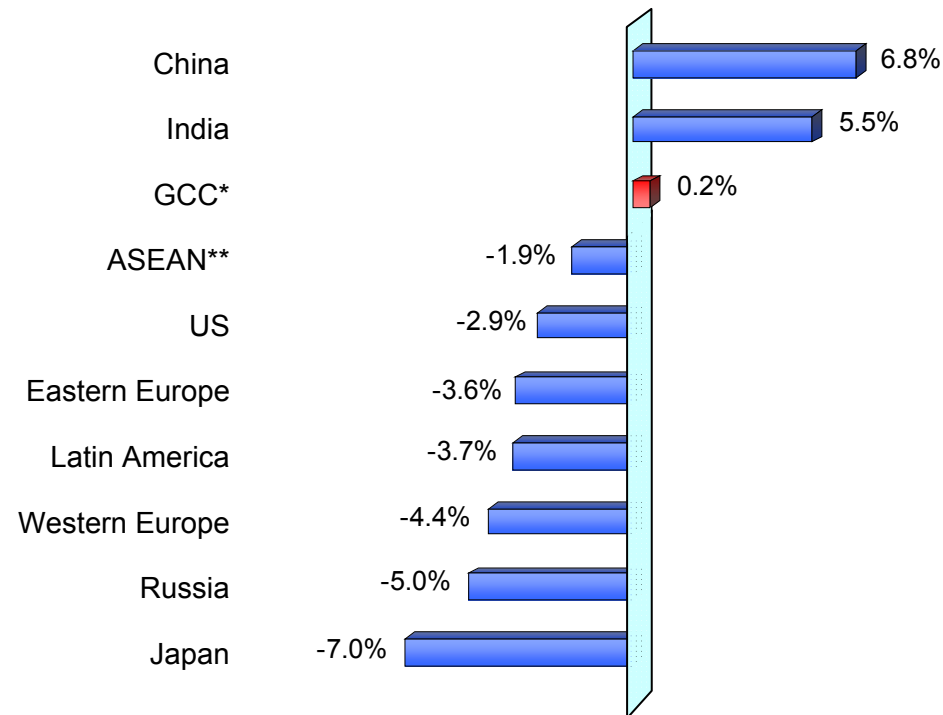
**GCC Economic Growth**  
2005 - 2009



Source: Dow Jones & Company, Economist Intelligence Unit

## Gulf economies are still expected to perform better than most others, due to high government spending and low exposure to risky assets

**Global GDP Growth**  
2009 Forecast



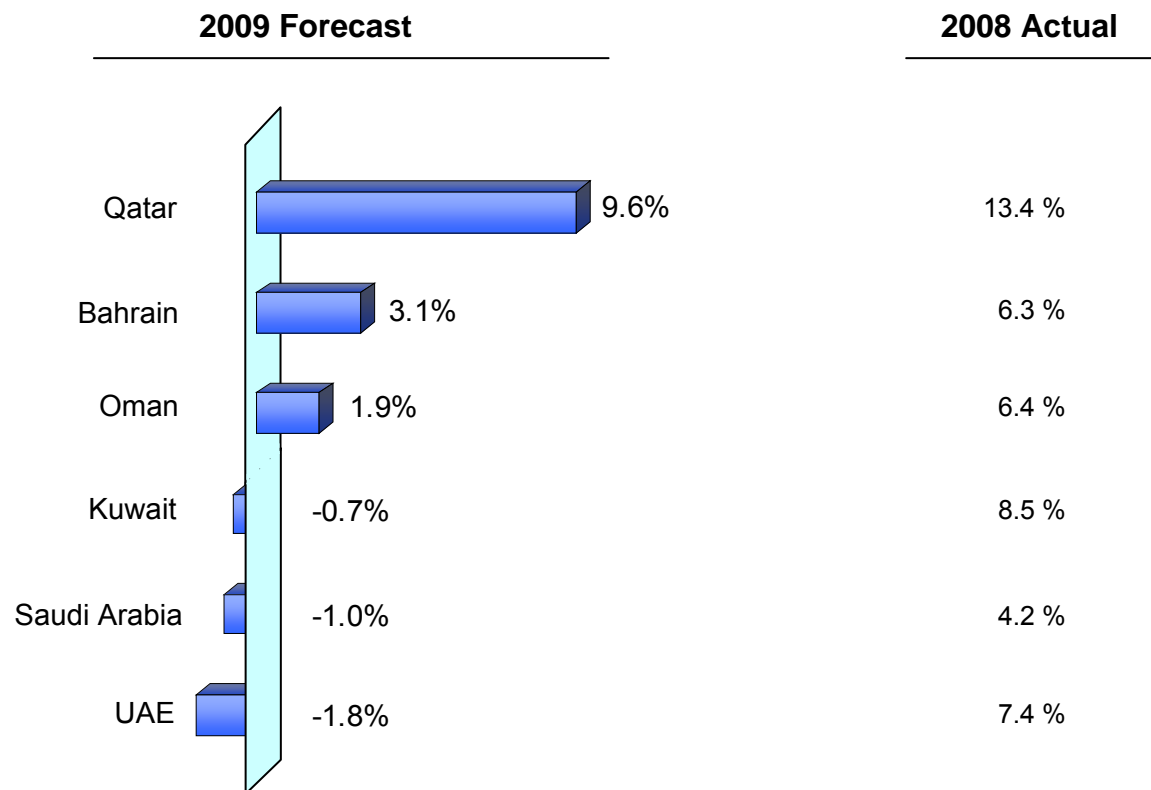
Source: Economist Intelligence Unit

\* Gulf Cooperation Council, consisting of Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the UAE

\*\* Association of South East Asian Nations, consisting of Thailand, Indonesia, Singapore, Malaysia, the Philippines, and five other Asian states

## Qatar continues to enjoy the highest growth rate in the region, thanks to the on-going development of its huge gas reserves

### GCC Economic Growth



Source: Economist Intelligence Unit

**Impact on Employment**



## With demand for talent shrinking, the balance of power has shifted from candidates to employers

### Emerging Practices

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**Job Cuts**

**Increased  
Work Pressure**

**Pressure on Pay**

### Key Observations

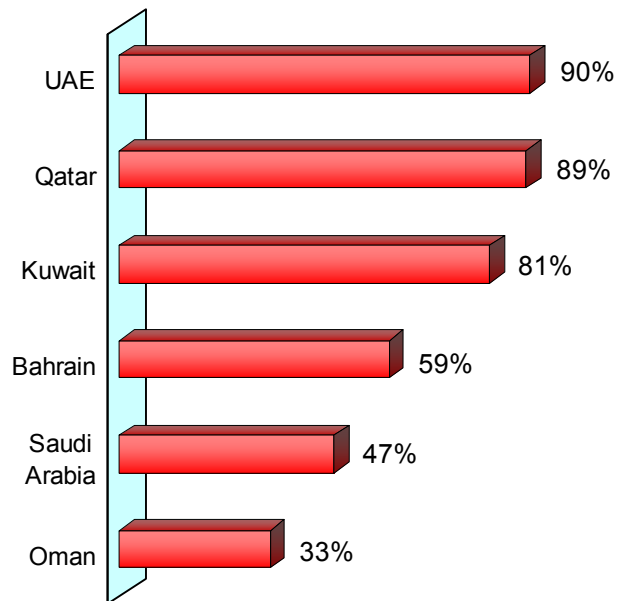
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- Cuts visible across the region, with the highest concentration in Dubai
- Top management among those affected by cuts
- Longer working hours, partly as a result of staff reductions
- Mandatory relocation to less popular destinations
- Sharp cuts in training budgets
- Majority of firms offering no pay increase
- Some cuts in allowances
- Many new recruits hired on lower pay than peers

Source: Press reports, Interviews

## A largely expatriate workforce has protected the region from severe domestic unemployment, partly exporting the problem overseas

**Expatriate Workforce**  
As % of total workforce\*



### Impact of Gulf Downturn on Other Countries




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- Many expatriates returning home following redundancy, adding to unemployment in their countries
- Exodus accelerated by government rules allowing expats maximum 30 days stay in the country after termination
- Reduced flow of remittances by expatriates
- Key countries affected: India, Egypt, Jordan, Philippines – due to their high populations of expatriates in the Gulf

Source: Nationalisation Surveys, Press reports  
\* Based on 2006, the latest year for which data available

## Some Gulf governments have taken action to minimise the impact of corporate redundancies on their nationals

### Measures to Limit Unemployment of Nationals

Country	Key Measures Announced
 <p>UAE</p>	<ul style="list-style-type: none"> <li>• Companies that are downsizing advised to start with expats</li> <li>• Ban on terminating employment of UAE nationals</li> </ul>
 <p>Kuwait</p>	<ul style="list-style-type: none"> <li>• Significant increase in Kuwaitisation targets for banks</li> <li>• Pressure on firms receiving government assistance, to hire more Kuwaitis</li> <li>• Plan to impose mandatory compensation for Kuwaiti employees being laid off</li> </ul>
 <p>Saudi Arabia</p>	<ul style="list-style-type: none"> <li>• Private sector warned against using the crisis as pretext to fire Saudis</li> <li>• Companies instructed to start with expatriates first if terminating staff</li> </ul>

Source: Press reports

## Recruitment Trends

## With fewer opportunities and rising concerns about job security, staff turnover has fallen significantly across the region



### Candidate Perspective

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- Job search has become much more challenging
- Concern about the risk of 'last-in first-out' in the event of downsizing
- Concern that any sign of disloyalty to existing employer may lead to loss of position

### Impact on Recruitment

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A tendency to hold on to secure jobs, rather than actively searching for better opportunities – except when the employer is believed to be in financial trouble

## The downturn has reduced recruitment activity by employers, as well as changing the way it is conducted



### Employer Perspective

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- Headcount growth targets low or negative
- Lower staff turnover / Higher retention
- Reduced recruitment budgets
- Increased demand for cost transparency
- Much higher calibre of candidates expected
- Concern that 'active' jobseekers may be 'under-performers' expecting imminent redundancy
- Concern that visible hiring activity may complicate internal communication of staff cuts

### Impact on Recruitment

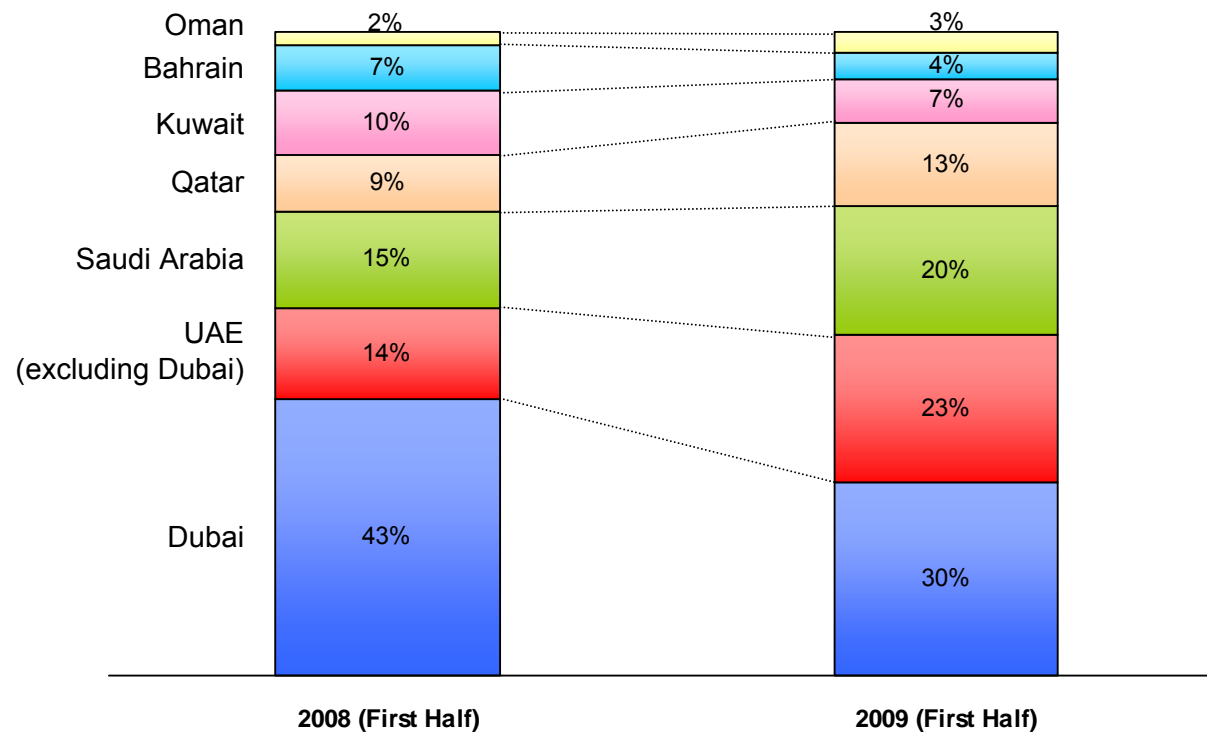
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- **Volume:** Reduced recruitment
- **Channel:** Shift to lower cost recruitment channels (e.g. online)
- **Approach:** Shift from public advertising of jobs to headhunting / database search – in order to discreetly target high-calibre passive candidates

## Dubai's share of regional recruitment activity has fallen, while Abu Dhabi, Qatar and Saudi Arabia have seen a relative increase

### Recruitment Volume by Location

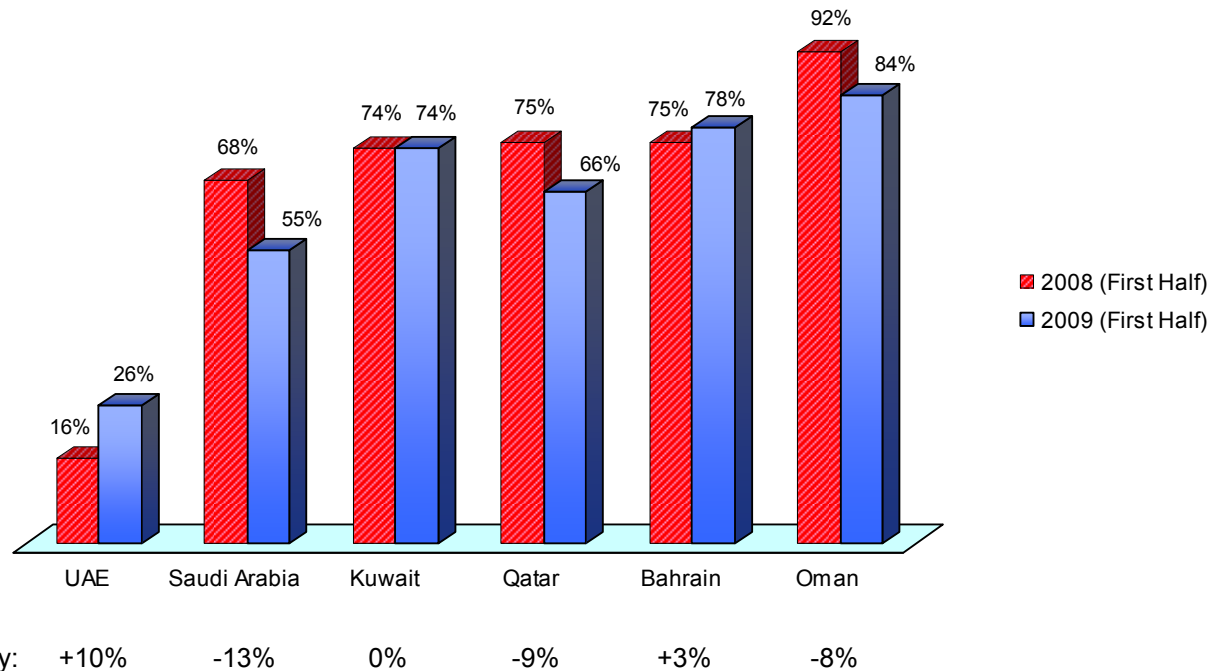
% of vacancies advertised on GulfTalent.com \*



## More expatriates are exiting the UAE and Bahrain than last year. However, the desire to leave the UAE remains the lowest in the region

### Outward Mobility by Country

% of expats within the country considering employment in other GCC countries \*



Source: GulfTalent

\* Job applications submitted for vacancies in other GCC countries, as a percentage of all job applications submitted by expat professionals within the country. Based on a total of 1.4 million job applications submitted on GulfTalent over the specified period. The analysis does not take into account mobility to non-GCC countries



## Across the region, demand for Investment, Administration and Marketing professionals has seen the biggest fall

### Skills Least in Demand

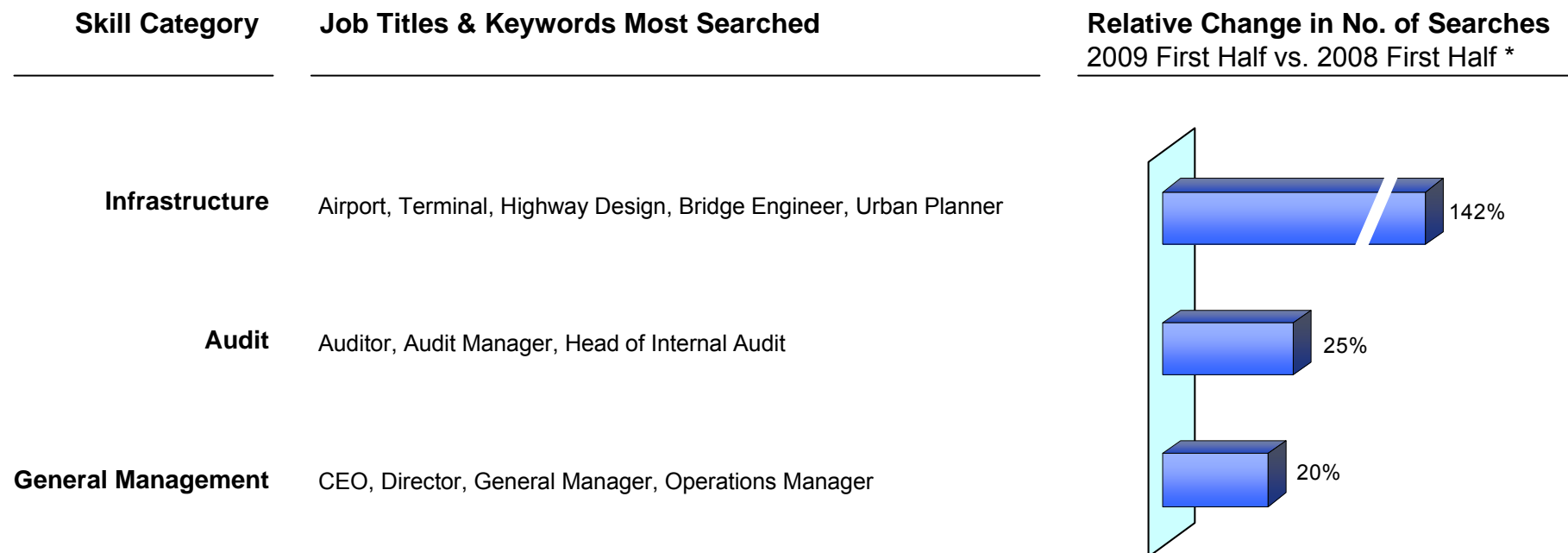


Source: GulfTalent

\* Based on a total of 700,000 online searches conducted by employers and recruiters on GulfTalent's CV database during the specified periods

## Higher government spending in infrastructure projects across the region appears to have increased the demand for related skills

### Skills Most in Demand



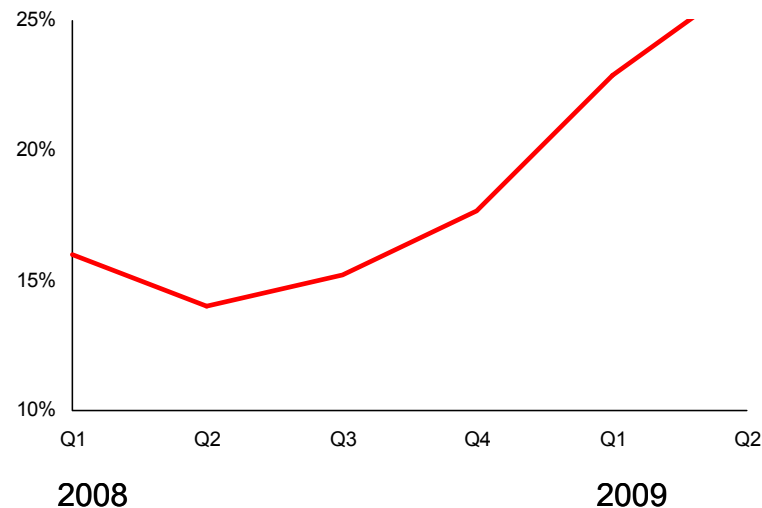
Source: GulfTalent

\* Based on a total of 700,000 online searches conducted by employers and recruiters on GulfTalent's CV database during the specified periods

## More recruitment activity is being focused on mid-level and senior professionals

### Recruitment Trends – By Seniority

**Senior Recruitment \***  
% of searches targeting 35-50 year age group



### Key Trends

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- Increased focus on senior and more experienced candidates
- Focus on candidates who are perceived to add value 'from day one'
- Younger candidates requiring longer term investment and training increasingly overlooked

Source: GulfTalent

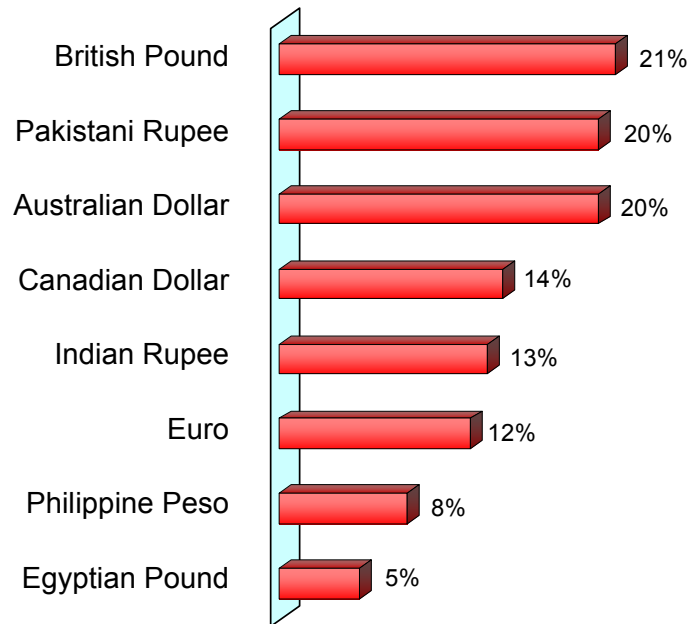
\* Based on a total of 1.1 million CV searches conducted by employers and recruitment agencies on GulfTalent's database of candidates over the specified period

## Compensation Trends

## Recent appreciation of dollar-pegged regional currencies has increased the value of expatriate salaries

### US Dollar Appreciation

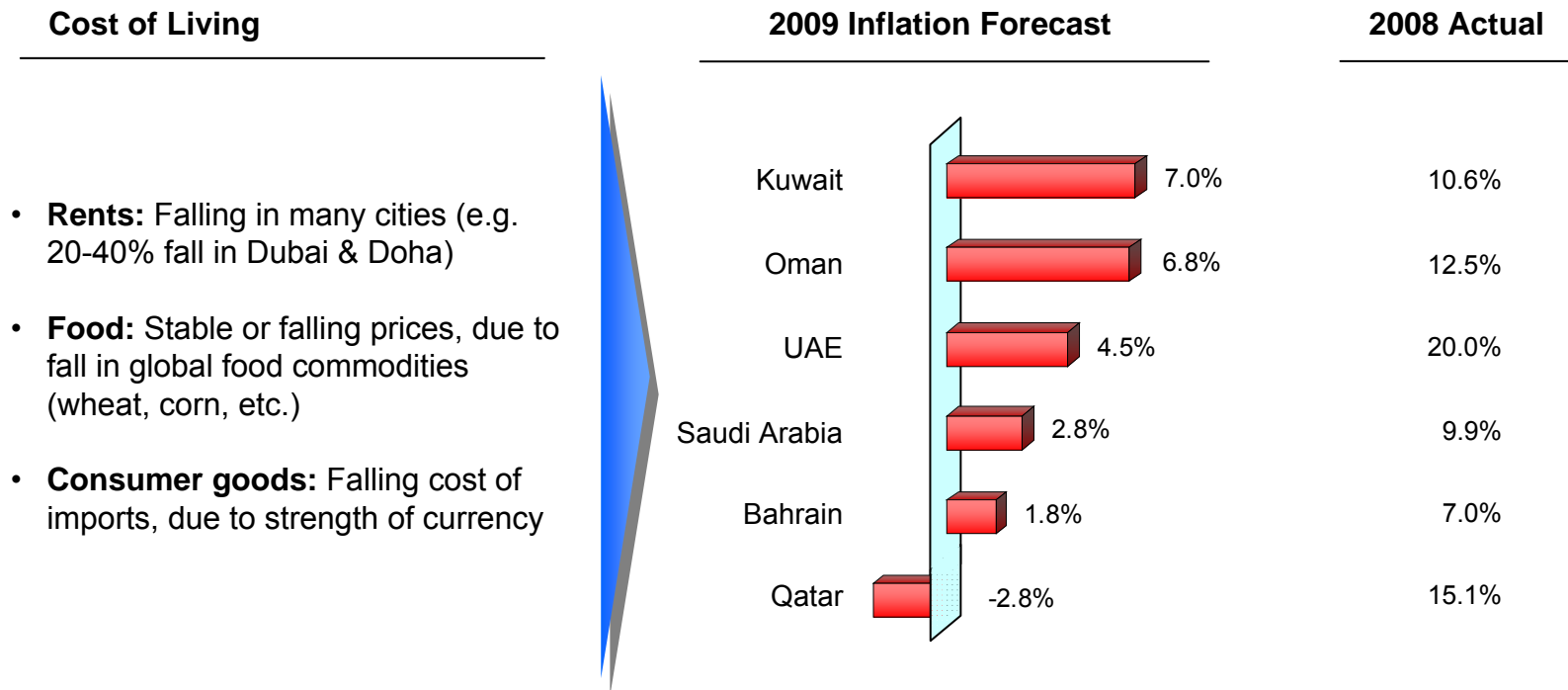
12-month period to 30 June 2009



The value of most expatriates' compensation packages has increased sharply in terms of their home currencies, giving them an effective pay rise of 5 to 20 percent compared to last year

Source: OANDA

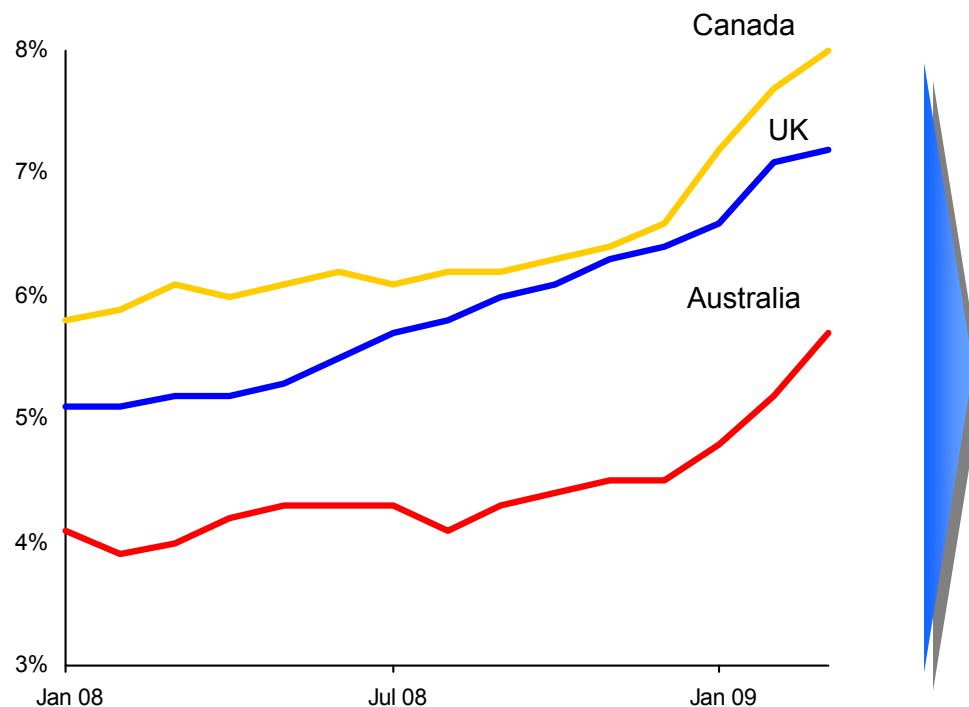
## Double-digit inflation of recent years has given way to stable or falling prices



Source: Financial Times, Economist Intelligence Unit, Colliers International, Asteco

## Rising unemployment across the world is increasing the supply of talent available to employers in the Gulf

Unemployment Rate \*  
2008 - 2009

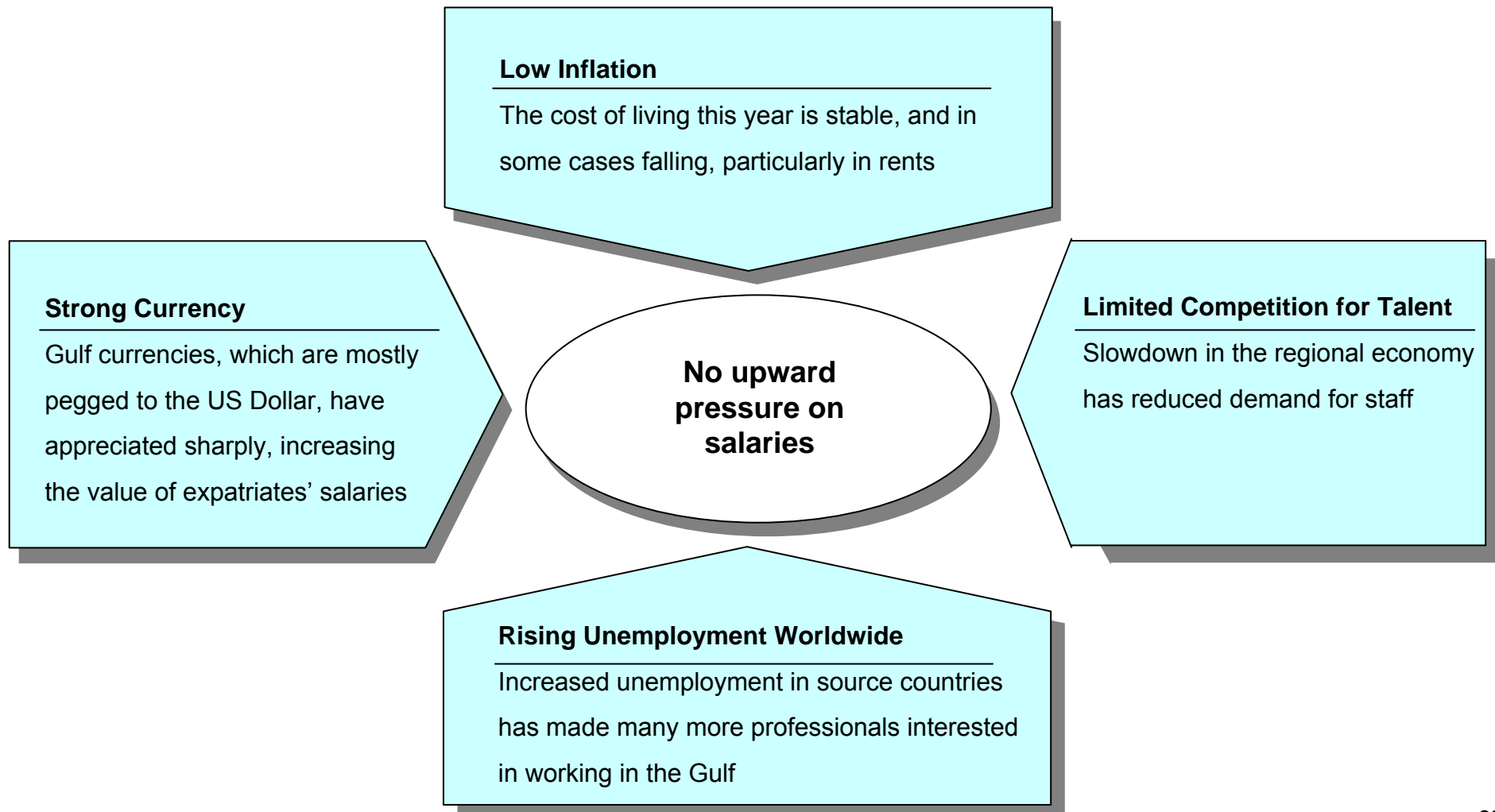


- Domestic opportunities available in countries supplying talent to the Gulf becoming fewer and more competitive
- Growing interest in the Gulf as an alternative destination for work
- Reduced tendency by expatriates currently in the Gulf to return home

Source: Economist Intelligence Unit

\* Recent unemployment data for other major sources of talent for the Middle East (such as South Africa, India and the Philippines) has not been available

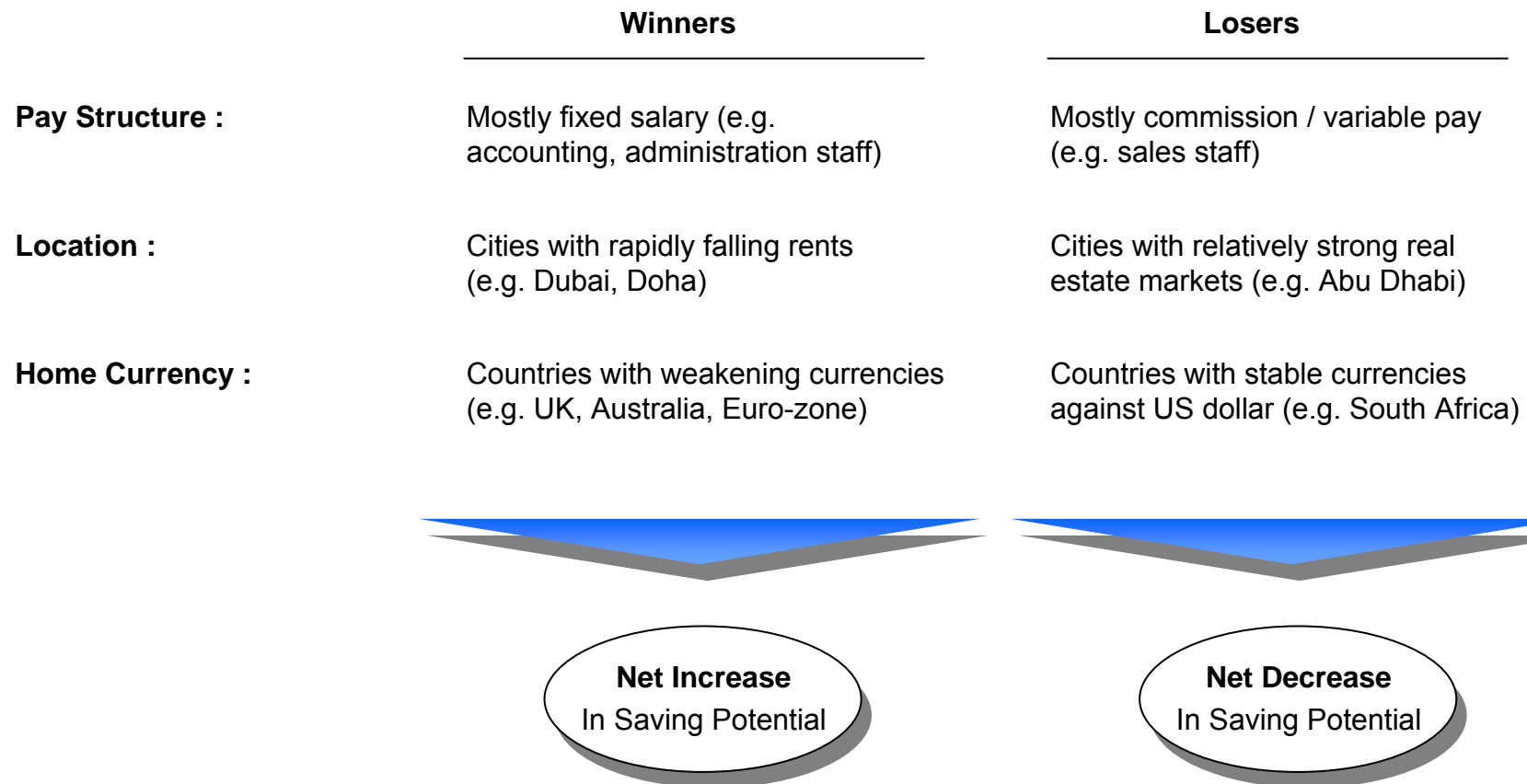
## Given the market conditions, salaries in the Gulf are expected to remain flat in the near term





## Despite limited pay rises, some expats are seeing their saving potential increase relative to last year

### Short-Term Financial Impact of Recession on Expatriates



## Future Outlook

## While job losses appear to have slowed down, recruitment activity in the short term is likely to remain slow

### Short-Term Outlook

#### Job Cuts

- Short-term Trends**
- 
- Stabilised among regional companies
  - More job cuts expected among multi-nationals undergoing restructuring
  - Some job cuts among regional firms undergoing merger and consolidation

#### Nationalisation

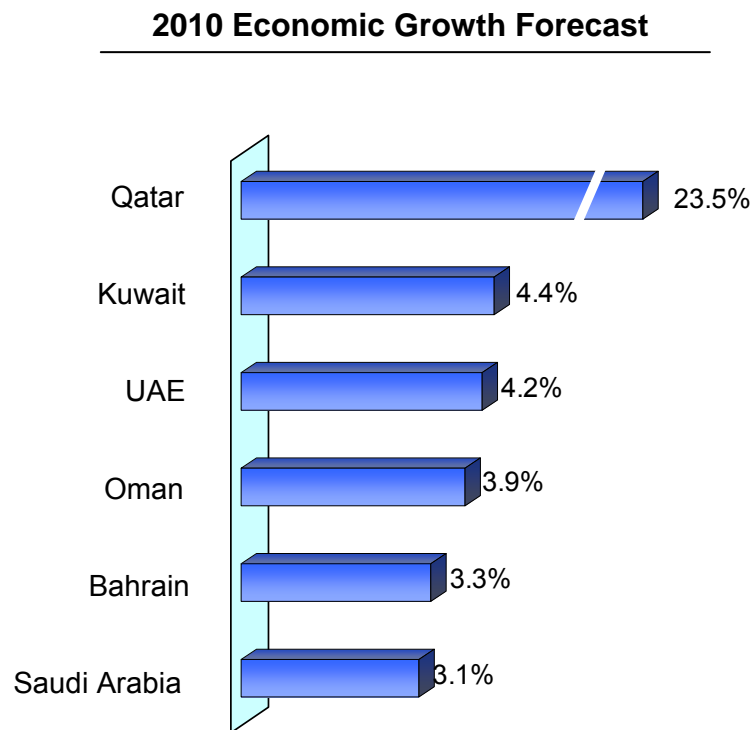
- More regulatory pressure on companies to hire nationals, as more young nationals enter the workforce, with too few jobs to accommodate all of them

#### Compensation

- Pay rises over the next 12 months expected to be minimal
- Employees' saving potential to remain stable, due to low inflation, but subject to movements in US dollar and pay structure (fixed vs. variable)

## Economists expect the region to return to healthy growth next year

### Future Outlook



- Employment activity expected to recover from early 2010
- Recruitment volumes may not return to boom levels for some time
- The speed of recovery will depend largely on global trends, particularly the price of crude oil

Source: Economist Intelligence Unit

## Summary

- With the global recession and the fall in oil prices, most Gulf countries are expected to have **limited economic growth** in 2009.
- Many companies in the region have responded with **staff cuts** and **recruitment freezes**, with professionals in investment, administration and marketing functions most affected. Demand for infrastructure and audit professionals has increased.
- The UAE, and **Dubai** in particular, has seen its share of vacancies fall, with some residents seeking opportunities in other Gulf states. However, it still has significant recruitment levels and remains the region's most popular destination.
- **Limited pay increase** is expected in the near term, due to falling inflation, reduced demand, rising global unemployment and strength of the US dollar.
- Economic growth is expected to **recover in 2010**, with employment activity gaining momentum as a result, but in the long run remaining dependent on the oil price.

## About GulfTalent

GulfTalent is the Middle East's leading online recruitment portal, with a database of over 1 million professionals covering all sectors and job categories. It serves as the primary source of both national and expatriate talent to over 2,000 employers and recruitment agencies across the region.

Headquartered in Dubai, GulfTalent covers the markets of Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, Egypt, Lebanon, Jordan and the United Arab Emirates.

Further information is available at: [www.gulftalent.com](http://www.gulftalent.com)  
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