Employment and Salary Trends in the Gulf 2010-2011

Overview of the job market and key developments, covering:
Saudi Arabia, Kuwait, Qatar, Bahrain, Oman and United Arab Emirates



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Executive Summary

For many businesses and residents in the Gulf, 2010 began with a cloud of uncertainty. Having lived through years of break-neck growth that came to a sudden massive halt in late 2008, and having watched again as rising hopes of recovery seemed to evaporate almost overnight with Dubai World's shock announcement in late 2009, few dared to anticipate what might come next.

As it turned out, 2010 proved a relatively peaceful year, with the business and employment market seeing a number of important trends, but no major tsunamis of the scale seen over the previous two years.

This publication summarizes the main findings of GulfTalent.com's research on employment and salary trends in the region, its sixth annual study. Drawing on findings from a survey of 32,000 professionals and 1,400 companies in the Gulf, it captures the main trends in recruitment, salaries and employment legislation, and attempts to shed light on what the region's employment market is likely to witness in 2011.

Recruitment and Mobility

During 2010, Qatar and Saudi Arabia were the biggest contributors to job creation in the Gulf, thanks to their large hydrocarbon revenues, accumulated reserves and massive government spending on infrastructure projects. The Emirate of Abu Dhabi also saw employment growth, though less than in the previous year.

Dubai, Kuwait and Bahrain saw lower rates of growth. As a result, the region witnessed another year of strong mobility currents – with Saudi Arabia, Qatar and Abu Dhabi continuing to absorb professionals from slower-growing parts of the region, particularly Dubai.

The tiny gas-rich state of Qatar continued its ascent in the popularity ranks – with fast-rising salaries, growing employment opportunities and higher international prominence, which came to a grand finale with its surprise qualification to host the 2022 Football World Cup.

Among sectors, healthcare and retail saw the biggest staff expansions while hospitality had the least growth.

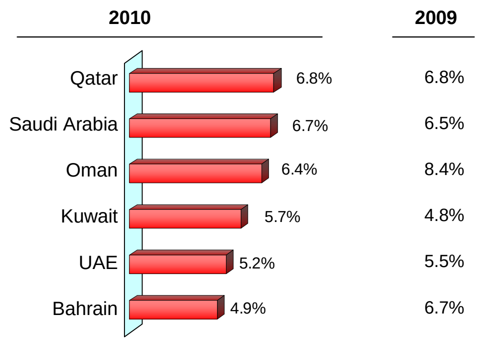
Meanwhile, the gradual shift in the demographic mix of the region's labour force appears to be gaining momentum – with employers targeting a much wider pool of talent globally, including professionals from Africa, South America and the Far East.

In particular, the employee pool across the region is witnessing a small but fast-rising Chinese presence – driven by the increasing difficulties of hiring from traditional sources of India and the Philippines, as well as the growing footprint of Chinese companies in the region.

Salaries and Cost of Living

Based on GulfTalent.com's survey of professionals working in the GCC, salaries in the region increased at an average rate of 6.1% during 2010, compared with 6.2% in 2009 and 11.4% in 2008. Qatar and Saudi Arabia enjoyed above-average increases, given their more buoyant job markets. The UAE and Bahrain had the lowest rises.

Salary Increase by Country
%



Source: GulfTalent.com Surveys

Among sectors, Retail led the increase, with 6.4%, while Education had the lowest increase at just 3.8%. Among job categories, human resource professionals enjoyed by far the highest increases at 7.1% – with the HR function rising in prominence as companies shift their focus from job cuts to driving performance. Lawyers had the lowest average increase at 4.3%.

Among nationalities, Asian and Arab expatriates enjoyed higher pay rises – mainly driven by economic growth and large salary increases in their own domestic markets. Western professionals received much lower raises, given sluggish growth and high unemployment in their home countries. In absolute terms, Western salaries still remain well above those of other expatriates, but the gap is narrowing.

Inflation was modest or negative across most of the GCC, particularly in Dubai and Doha which have seen rents plummet from their 2008 peaks. As a result, for the second year running, salary increases actually exceeded the increase in cost of living, allowing many professionals to improve their standard of living.

Meanwhile, with fast growing populations and rising consumption, GCC governments are looking for ways to reduce their spiralling burden of subsidies on food and utilities. The UAE and Qatar have increased fuel prices, while Saudi Arabia is phasing out its heavily subsidised domestic wheat production.

Employment Legislation

Legislative changes in 2010 continued to follow two broad objectives – increasing the share of employment opportunities dedicated to Gulf citizens, and improving the rights and protections of expatriate employees.

All states continued to raise the bar on nationalisation. In a new initiative, the UAE announced a tier-based system of targets, with financial incentives and penalties designed to encourage firms to achieve higher levels of workforce nationalisation.

GCC governments are also stepping up efforts to diversify the demographics of their expatriate workforce, largely to address concerns over national identity. This is further putting pressure on employers, who now face a cap on the maximum proportion of their staff that can be sourced from any one nationality. It is also limiting the career options of expatriates from countries with the largest representation in the GCC, as they find some employers unable to hire them due to having reached their caps.

Gulf states are also taking measures to increase protections for expatriate employees. The UAE now requires companies to pay employee wages through a central authority, radically reducing the common practice of late payment or non-payment of wages. Meanwhile, Kuwait has started implementation of a new labour law that offers expatriates greater entitlement to leaves and other benefits.

Meanwhile, source countries such as India and the Philippines have been stepping up their own measures to protect the rights of their citizens who come to work in the Gulf, particularly trying to enforce a minimum wage.

2011 Forecast

The Gulf's employment market is expected to remain stable during 2011, with net job creation continuing at a moderate pace and salaries forecast to grow at an average rate of around 7 percent. Economic recovery worldwide and rising oil prices should help accelerate business and employment demand in the GCC. Meanwhile, inflation is threatening to return to the region with the massive rise in global food prices, and rent increases in parts of the region.

The risks of conflict and political turmoil in the wider Middle East region appear higher than in previous years. Any sustained upheavals will have mixed consequences for Gulf-based employers – potentially increasing the supply of Arab professionals from regional hotspots who will seek career opportunities in the Gulf and putting downward pressure on salaries, while the resulting coverage of the region in international media may deter some Western professionals from moving to the region.

At the same time, government pressure on the private sector to create jobs for unemployed nationals is likely to increase further, with employers facing even tougher nationalisation targets.

GulfTalent.com
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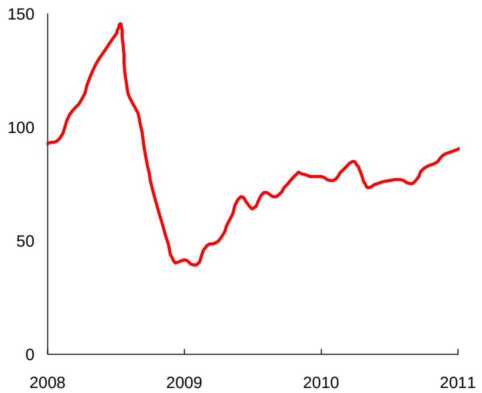
State of the Economy

Having suffered a battering in 2009 after years of run-away growth, many businesses across the region started 2010 longing for the green shoots of recovery. Their cautious optimism was muted by the reality of a challenging business environment, particularly in collecting customer payments, as well as broader concerns about the fall-out from the shock announcement in November 2009 by Dubai World, the investment arm of the Dubai government.

The price of crude oil, the key engine of the regional economy, remained throughout the year at well below its peak value. Government initiatives, which had successfully helped maintain the economy in the immediate aftermath of the crisis, were broadly continued. Saudi Arabia saw another year of increased government investment in the health and education sectors, as well as large infrastructure projects such as the new railway system, while a major expansion of Muscat airport provided much of the impetus for growth in Oman.

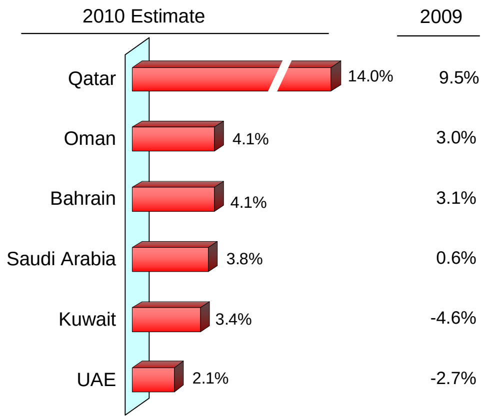
At the same time, some initiatives were scaled back from their original grand visions, as the lower oil price proved durable and some GCC governments began to face record deficits.

Crude Oil Price
USD per Barrel



Source: Dow Jones & Company

GCC Economic Growth



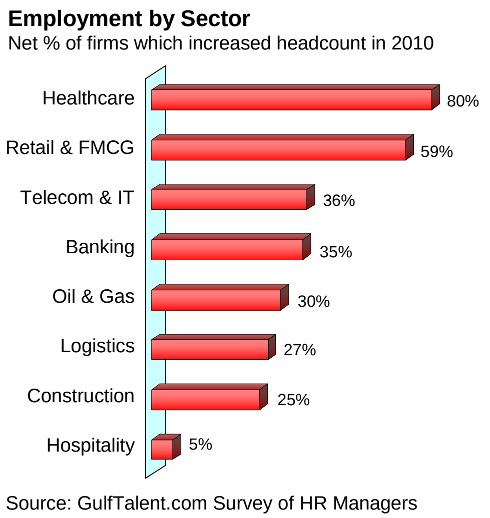
Source: Economist Intelligence Unit

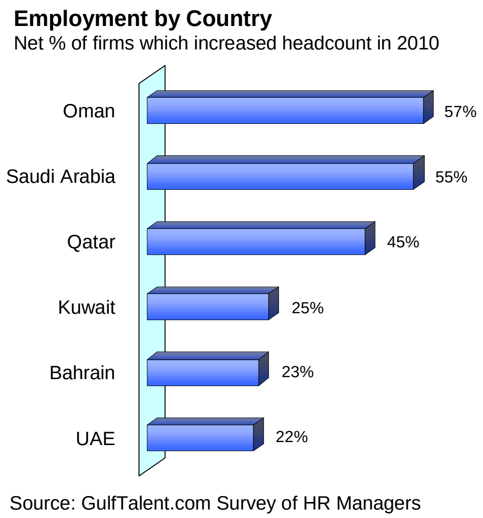
Given its greater reliance on credit financing and higher exposure to international markets, Dubai remained the region's most subdued economy, followed by Kuwait. Saudi Arabia, Qatar, Oman and Abu Dhabi, on the other hand, remained relatively buoyant. All markets did significantly better than in 2009, though this was not always felt equally by all sectors of the economy – as much of the growth was concentrated in a few sectors receiving the bulk of stimulus spending by governments.

Recruitment and Mobility

While the mass redundancies that occurred in the immediate aftermath of the crisis were not witnessed to the same degree in 2010, many companies did have to make painful cuts. In particular, some who had earlier resisted the pressure to downsize in anticipation of an imminent recovery finally decided that they could not wait any longer and had to let some employees go in order to survive.

Others continued to use the opportunity to upgrade their staff, often at lower pay, particularly in sectors such as construction which had seen a large supply of quality talent released into the market.





The Search for Quality

While construction firms found it much easier to source talent locally and globally, many other companies interviewed by GulfTalent.com complained that, despite more candidates being available in the market, it was still hard to find good quality.

With the market uncertain, high-performing professionals continue to be weary of a career move that may expose them to 'last in, first out' downsizing policies. At the same time, a greater number of weaker candidates have entered the job market, either following termination or fearing the possibility thereof, making it even more difficult to identify the strong candidates.

Meanwhile, downsized and operating at capacity, many companies have made staff retention a top human resource priority – as they find themselves without any margin for staff departures. This has made it more difficult for competitors to poach their staff.

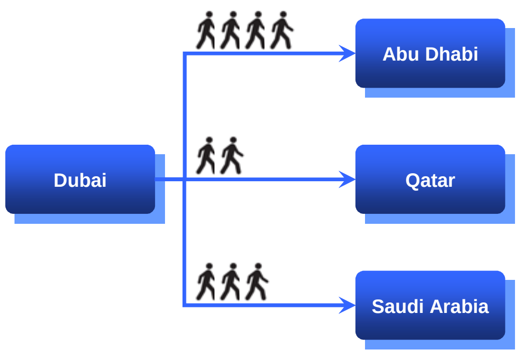
Yet another factor contributing to the recruiting challenge appears to be greater expectations of quality, following the crisis. Employers are keen to avoid a repetition of reckless recruitment drives seen during the boom years. Many reported having revamped their recruiting processes to make them much more stringent – including adding psychometric testing and background checks on all potential new hires. Recruitment agencies increasingly complain of much higher expectations of employers and longer decision cycles.

> *It's so hard to find top quality candidates... Nobody is letting go of their top performers.*
>
> Recruitment Manager
> Leading Telecom Group, UAE

Mobility Trends

The shift in the centre of gravity from Dubai to other parts of the region continued during 2010, albeit at a more moderate pace. Companies with locations across the region moved excess staff from Dubai to Abu Dhabi, Qatar, and Saudi Arabia, while some candidates made the move directly by switching to employers in those countries.

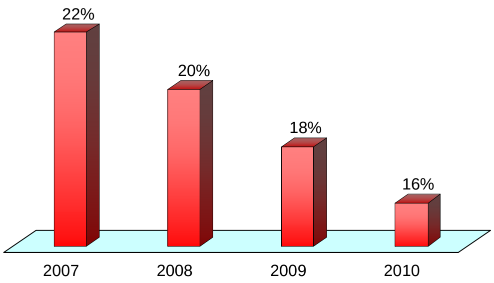
Key Mobility Trends in the Gulf*
2008-2010



* Includes internal movements within companies
Source: GulfTalent.com Survey

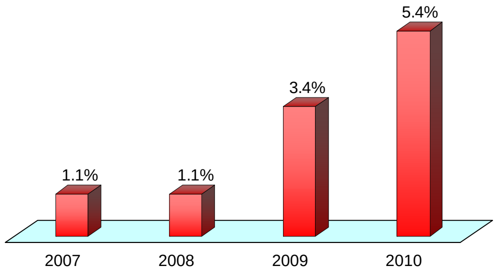
One of the most dramatic changes following the crisis has been the shifting status of Dubai from a destination for professionals to a source of talent for employers elsewhere. Based on GulfTalent.com's survey, an estimated 5% of Dubai's residents now commute daily to their jobs in Abu Dhabi, up from 1% two years earlier. At the same time, with Dubai rents falling to much more affordable levels, commuting from neighbouring Sharjah has become less common.

Dubai employees living in Sharjah
As % of all professionals working in Dubai



Source: GulfTalent.com Surveys

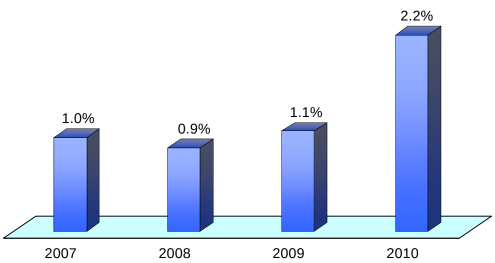
Dubai-residents working in Abu Dhabi
As % of all working professionals living in Dubai



Source: GulfTalent.com Surveys

In a similar development, 2% of Bahrain residents now commute daily across the border to Saudi Arabia's Eastern province, the home to the country's oil and petrochemical industries. The sharp increase comes both from existing residents switching to jobs in KSA, as well as expatriates from other parts of the Gulf taking up jobs in Saudi Arabia, but choosing to station their families in neighbouring Bahrain, due to lifestyle considerations.

Bahrain-residents working in Saudi Arabia
As % of all working professionals living in Bahrain



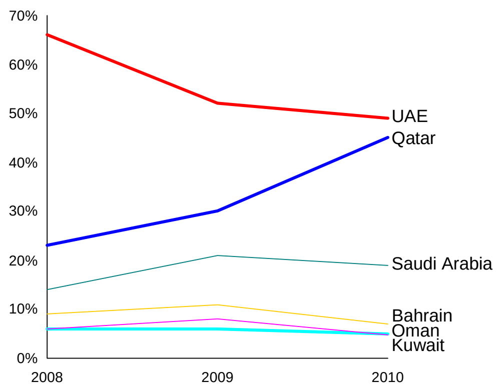
Source: GulfTalent.com Surveys

Qatar versus Dubai

The region's changing dynamic is well captured in candidates' stated career plans. GulfTalent.com's survey of mobility intentions found that, while the UAE remains the most attractive destination for professionals, Qatar is closing in fast and, based on current trajectory, could well overtake the UAE in 2011 as the Gulf's most popular destination for expatriates (see next chart). Key drivers of this have been a fast-growing economy and an abundance of employment opportunities, higher salaries on offer, falling cost of living, as well as the government's continued investment in developing its brand internationally – most recently with its successful bid to host the 2022 Football World Cup.

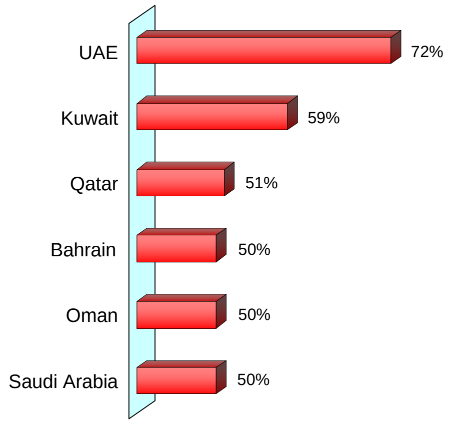
When it comes to the retention of its residents, however, Qatar ranks well below the UAE. This is partly due to laws preventing expatriates from changing employers, but also because the country's infrastructure does not yet match the brand projected externally and remains far behind what is available in the UAE, particularly Dubai.

Attraction of Expatriates
% of GCC-based expats outside the country who wish to relocate into it



Source: GulfTalent.com Surveys

Retention of Expatriates
% of expats within the country who wish to remain there 2010



Source: GulfTalent.com Surveys

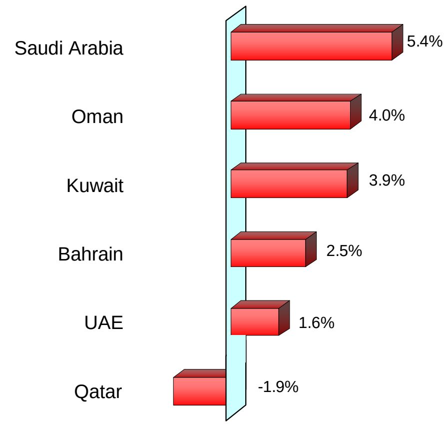
Given its safe haven status and potential for high saving rates, Saudi Arabia has seen a boost in popularity since the onset of the financial crisis, with employers able to attract a large number of expatriates from other, more troubled parts of the region. However, the Kingdom remains in danger of losing this pool of talent as soon as there is a market pick-up in the more popular destinations.

Cost of Living

For a second year running, Gulf countries experienced inflationary trends quite different to their historical norms. The UAE and Qatar, which not long ago were experiencing double-digit inflation, saw zero or negative inflation in 2010 – driven mainly by falling rents, as massive new supplies of housing came onto the market.

By contrast Saudi Arabia, which until 2006 enjoyed almost-zero inflation thanks to generous state subsidies, this year saw the region's highest rate of inflation at 5.4%.

Inflation
%, 2010 Estimate



Source: Economist Intelligence Unit

While rents and the US dollar exchange rate, two key drivers of regional inflation in recent years, remained relatively stable during 2010, rising global food prices in the second half of the year began to put pressure on local prices. This has been compounded by a gradual reduction of state subsidies on food, fuel and utilities.

State Subsidies

With fast growing populations, government spending on subsidies has ballooned in recent years, forcing Gulf states to look for ways to scale back this spending. In 2009, subsidies on electricity alone accounted for a reported 9% of the Saudi government's expenditure, with additional subsidies on water and basic food commodities. The Saudi government is undertaking a number of measures to reduce its burden of subsidies, such as reducing domestic wheat production which relies on heavy state subsidies and scarce water resources.

Meanwhile, the UAE saw the retail price of fuel increase three times during 2010. Similarly, Qatar announced a 25 percent increase in fuel prices. Kuwait appears to be the only Gulf state maintaining and even increasing the inflationary cushion, with most aid directed specifically to Kuwaiti citizens in the form of hand-outs.

The reform of the subsidies regime is expected to continue, though it may be scaled down in some Gulf states in the light of recent popular unrest in some Middle Eastern countries, which are widely believed to have been partly triggered by rising prices.

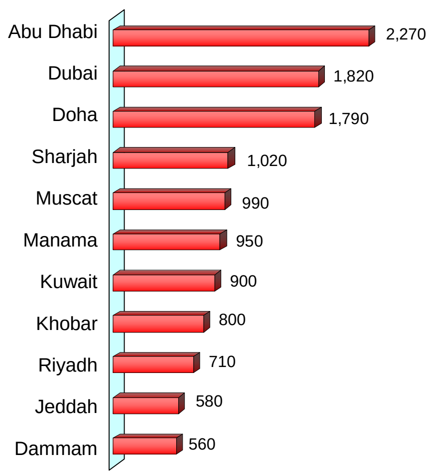
Regional Cost Comparison

Despite lower rates of inflation over the last two years, the UAE and Qatar remain, in absolute terms, the most expensive countries in the region, with residential rents still much higher than those found elsewhere in the Gulf. Subsidies on food, fuel and utilities are also more limited, making them more expensive to the public than in most other Gulf states.

A full tank of petrol costs around USD 28 in the UAE, compared to just USD 9 in Saudi Arabia – though even the UAE price remains significantly lower than prevailing rates in India or the UK, where the cost is USD 81 and USD 124 respectively.

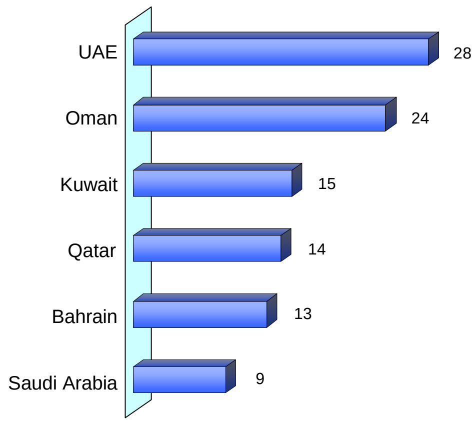
Overall, Abu Dhabi is the most expensive city in the region, mainly due to its high residential rents, which have not yet seen the kind of correction observed in Dubai and Doha following the downturn.

Rent for Two-bedroom Apartment
US$ per month, 2010*



* Average figure. Wide variations based on location and quality
Source: GulfTalent.com Survey

Fuel Cost Comparison
USD per full tank of petrol, January 2011*

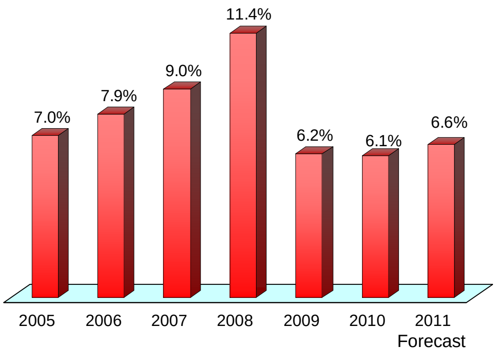


* Assuming tank capacity of 60 litres, standard 95-octane gasoline.
Source: Press articles, GulfTalent.com Analysis

Salaries

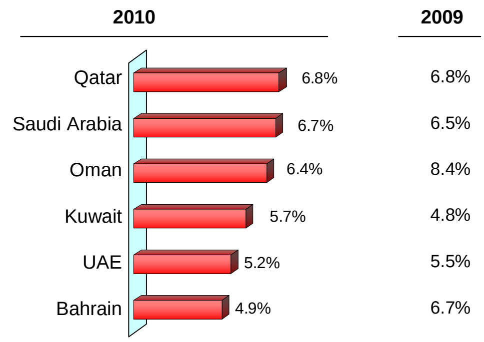
Salaries increased at an average rate of 6.1% across the GCC during 2010, similar to the previous year's level of 6.2% but much lower than the 11.4% level seen in 2008.

GCC Average Salary Increase
%, 2005-2011



Source: GulfTalent.com Surveys

Salary Increase by Country
%



Source: GulfTalent.com Surveys

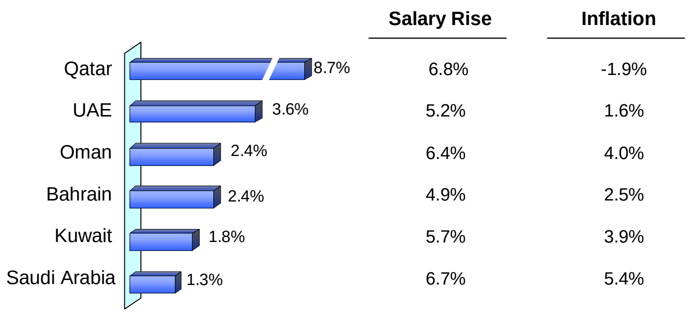
Qatar, which holds the world's third largest gas reserves, saw the region's highest average pay increase at 6.8%, given its fast-growing hydrocarbon economy, massive government spending on infrastructure, and continued need to attract and retain professionals.

Saudi Arabia and Oman, both enjoying reasonable economic growth largely on the back of heavy government spending, experienced similar increases at 6.7% and 6.4% respectively.

Kuwait, the UAE and Bahrain, which were worse hit by the global financial crisis, saw lower levels of pay increase.

Within the UAE, average pay rises stood at 5.5% in Abu Dhabi compared to 5.1% in Dubai, reflecting greater supply of professionals and lower residential rents in Dubai.

Real Salary Increase by Country
% Salary increase net of inflation, 2010



Source: GulfTalent.com Survey, Economist Intelligence Unit

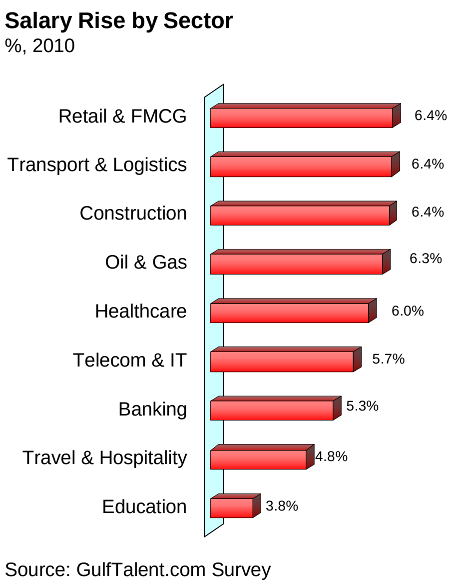
Although the UAE has had one of the lowest nominal salary increases in the region in 2010, residents there have actually enjoyed one of the highest average pay rises in real terms – i.e. salary increase net of inflation. By contrast, real salary increases in Saudi Arabia were the region's lowest, as inflation was the highest in the region.

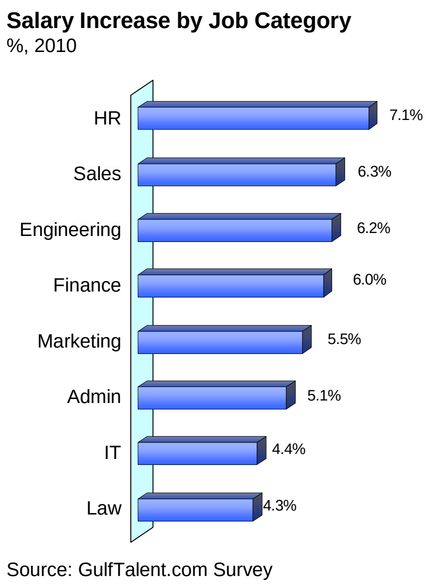
The fact that pay rises appear to be so insulated from the underlying increase in cost of living is perhaps largely due to the expatriate nature of the Gulf's private sector workforce and the dominant influence of global factors, particularly rising salaries in India.

Sectors and Job Categories

Among sectors, retail saw the biggest increase at 6.4%, driven by a general rise in consumer spending and strong demand from the booming Saudi market. Education and hospitality saw the lowest increases at 3.8% and 4.8% respectively.

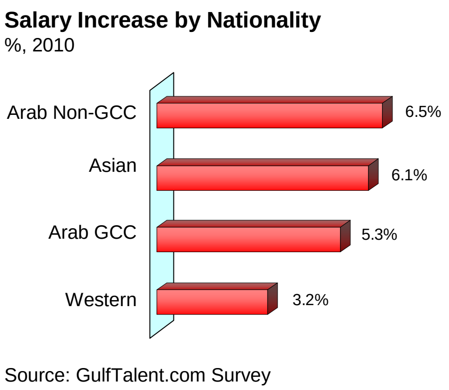
In terms of job categories, human resources saw the highest average pay increase at 7.1% – in sharp contrast to the previous year when HR professionals faced heavy job cuts and the lowest pay rises. With companies downsized and much more focused on performance than before, the HR function has taken on a renewed significance. Many HR professionals interviewed by GulfTalent.com reported being much more involved with the business as well as being measured against much more stringent targets. Lawyers reported the lowest average rise at 4.3%.





Nationality Differences

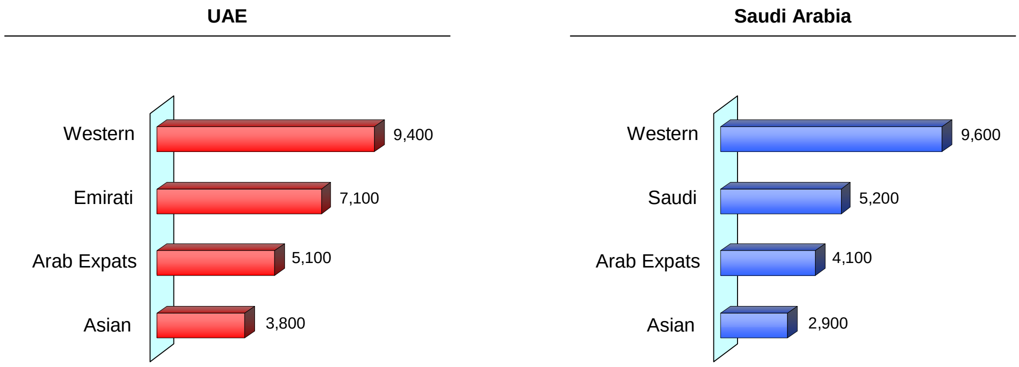
On a nationality basis, Arab and Asian expatriates enjoyed the highest average pay rises, while Western expatriates received the lowest. The trend, which largely reflects the prevailing salary increases in each group's domestic market, is helping narrow the nationality gap in salaries which has existed in the Gulf for several years.



With high unemployment in Western countries, many Gulf employers reported finding it easier and more affordable to attract Western professionals. Recruitment of Asian expatriates, in contrast, continues to be ever more challenging, given the fast pace of growth, rising salaries and increasingly interesting career opportunities available in their domestic markets.

Despite lower than average pay increases over the last several years, salaries of Western professionals remain in absolute terms the highest among all nationality groups working in the Gulf. Pay for Gulf nationals ranks in second place, with the exception of entry level positions where they may command a premium relative to all other groups. Expatriates from Arabic-speaking countries are next, followed by Asian professionals.

Salary Level by Nationality
Mid-level management*
USD per month, 2010



* Based on total guaranteed pay, including allowance, excluding bonus and commission. Figures represent market median; wide variations by job category, company and experience level

Source: GulfTalent.com Survey

Nationalisation and Government Policy

Given the young population and large numbers of graduates entering the job market each year, creating employment for nationals continues to be a top priority across the GCC. With the public sector unable to absorb all the available pool, government pressure continues to increase on the private sector to make up for the deficit by replacing their expatriate employees with nationals.

> *Omanisation is a major issue. The quotas are hindering the growth of our business.*
>
> General Manager
> Leading Conglomerate, Oman

Saudi Arabia, Bahrain and Oman have long imposed strict workforce nationalisation targets on their companies, with non-compliant firms often finding themselves unable to receive work permits for their expatriate employees. Governments have also provided a range of incentives, such as subsidizing salaries for firms that were willing to give jobs to unemployed nationals, while also investing in the education system to improve the skills of nationals for the job market.

Kuwait started a much tougher nationalisation regime in 2009, with the imposition of very ambitious targets on the banking sector. Meanwhile, Bahrain abandoned long-awaited plans to remove nationalisation targets and replace them with a tax on corporations for hiring expatriates. Following widespread consultations and opposition from some employers, mainly in labour-intensive sectors, the proposed tax was eventually set so low as to have no deterring effect, hence requiring nationalisation quotas to remain in place.

The UAE Model

The region's latest nationalisation initiative has come from the UAE. Historically the government has imposed different targets for each sector, with banks typically facing the highest targets. In an attempt to introduce market forces into the nationalisation drive, the government has announced a 'tier system' for all firms regardless of activity. Under the new rules, in addition to setting tough minimum levels of Emiratisation, companies achieving higher nationalisation levels will be rewarded by paying lower fees to process visas for their expatriate employees.

> *The government is going to accept that 15% Emiratisation in our industry is just not possible. If they don't, we will just hire them on our payroll. It would be a huge cost for us.*
>
> HR Director
> Multinational Engineering Group, UAE

Some analysts believe that, while enforcement of nationalisation targets by governments is helping create jobs for Gulf citizens, a long-term solution may need to include further reforms of the education system, and possibly a reduction of generous packages in the public sector, particularly at entry level, which are very difficult for the private sector to compete with.

Demographic Diversification

Employers across the Gulf are coming under increasing pressure, not only to limit the proportion of expatriates in their workforce, but also to diversify them in terms of nationality and to avoid having one dominant nationality group.

Saudi Arabia has had a very strict workforce diversification policy for some time, with employers in the Kingdom given 'visa slots' for specific nationalities well before they have begun soliciting candidates. The policy is being increasingly enforced.

> *"The challenge we face in Saudisation is nothing compared to having to find candidates from nationalities allocated to us. We have no choice but to use outsourcing companies"*
>
> CEO
> Investment Group, Saudi Arabia

The UAE has recently announced similar measures, with companies that have too many employees from a particular nationality finding additional visas hard to get or being charged higher fees, until they have redressed their nationality imbalance.

The drive for diversification appears to pursue two objectives. At the national level, it aims to preserve the country's national identity by making its citizens the largest single nationality group. At the sector level, it is intended to prevent a particular field or profession from being dominated by one nationality – as has happened in some areas.

In Saudi Arabia, where the policy has been enforced for some time, companies increasingly use staff outsourcing providers in an effort to bypass the restrictions and deploy the talent they need, irrespective of nationality.

If fully enforced across the region, workforce diversification policies are likely to have a transformational impact on sectors with high nationality concentrations, forcing them to target new countries for recruitment or to hire from other industries and invest in further training.

> *"I have been told by my employer that I may be asked to leave, as the company has too many British nationals and needs to meet the 20% maximum limit for each nationality."*
>
> British professional,
> UAE

Meanwhile, professionals from countries with the highest representation in the Gulf workforce – including India, the Philippines and Egypt – may find their career options somewhat limited, as many prospective employers would already be above their legal limits and unable to hire them.

Legislation and Employee Rights

Free Movement of Labour

One of the prime features of the Gulf's employment market has been the ability of companies to legally prevent their expatriate employees from switching to other firms in the same country (the so-called 'No-Objection Certificate' or NOC requirement).

In recent years, some GCC countries have liberalized their labour market by removing the NOC requirement – most notably Bahrain and Oman. The removal of these restrictions during 2007-2008 led to a wave of pay rises for expatriate staff, as companies had to work harder to retain them.

Kuwait has historically allowed only certain groups of professionals to switch jobs without their employers' permission. After years of deliberation, a new labour law was finally enacted in 2010 which shifts the sponsor role from the employer to a public authority and thereby allows completely free movement to all expatriates. Most employers interviewed by GulfTalent.com did not believe the policy will actually be implemented within 2011.

The UAE enforces the job switching rules, subject to a large number of exceptions, including free zones. The list of exceptions has been expanded further in 2010.

Qatar has by far the region's most strict barriers against job switching and, despite occasional rumours that they may be relaxed, there has been no sign of it so far. Qatar-based professionals looking to change jobs therefore find that they have no choice but to relocate to other countries. For employers, the policy is a mixed blessing – providing a strong retention tool, but making it impossible to fill vacancies from the talent pool available within the country.

Wage Protection

In a major initiative, the UAE started implementing a Wage Protection System (WPS). Under this scheme, all employers (with the exception of free zones) are obliged to pay their staff wages through a central service operated by the government.

Despite early logistical issues and some painful adjustments required from companies, the scheme now seems to be operating smoothly. The stated goal has been to protect workers against late payment or non-payment of wages and it appears

> *WPS is working well for us. There is clear proof that staff were paid on time and we have no more inspections or disputes.*
>
> HR Manager
> Construction Group, UAE

to have largely achieved this objective. Some employers even reported cutting staff headcount to ensure they could meet the regular monthly payments required under the scheme.

A residual benefit of the system has been to provide the government with much greater transparency on the labour market, including actual salaries being paid each month. And furthermore, should the country wish to introduce income tax at some point in the future, the existence of this system will provide an ideal backbone for its implementation.

Source Country Protection

After years of unsuccessfully lobbying the GCC governments to set a universal minimum wage, governments of several Asian countries have in recent years decided to impose their own minimum wage level on companies who wish to employ their citizens. Among these are the governments of India, the Philippines, Nepal and Sri Lanka, with others studying similar moves.

Given the lack of an enforcement mechanism within the Gulf, the rulings are being enforced during the recruitment process, with the government of the source country not issuing the necessary exit documents for a potential employee until they have received a copy of the employment contract and verified the requirements are met.

With enforcement of the policy increasing, some employers in the Gulf are finding recruitment from Asia, particularly the Philippines, more expensive as well as more bureaucratic. Although this only impacts the lowest-paid positions directly, it could put pressure on salaries further up the ranks, as companies seek to maintain pay differentials.

Global Employment

With expatriates comprising over half of the workforce in the Gulf, and over 90 percent of the private sector in countries such as Qatar and the UAE, the region is directly impacted by trends in the labour market globally.

By far the biggest development is the continued challenge of hiring from India, the Gulf's largest source of expatriate workers. With the country enjoying rapid economic growth, increasing multinational presence, expanding employment opportunities and double-digit pay rises, persuading Indian professionals especially top performers to move to the Gulf has become extremely difficult.

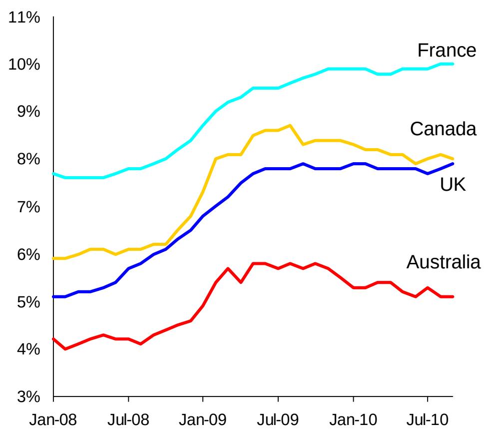
"It is getting more difficult to hire quality candidates from India… They can now work for international brands, do the same job, at a very competitive salary in their home country."

CEO
Leading Retail Group, Kuwait

Employers report that Indian candidates are demanding higher salaries and accepting fewer offers. Meanwhile, many Indians already in the Gulf continue to leave for better opportunities back home. Recruitment from the Philippines has also become more challenging, although not to the same degree.

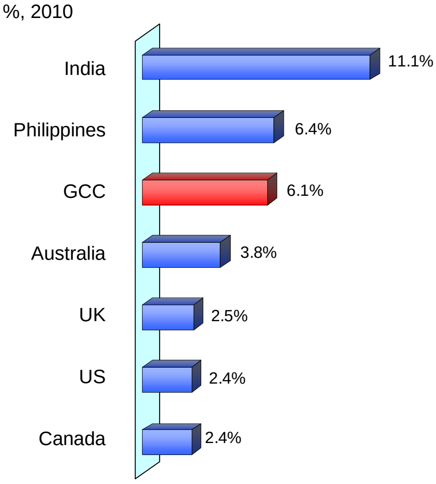
By contrast, with high unemployment and stagnant wages in Europe and North America, employers are finding it much easier to hire Western nationals.

Unemployment Rate
2008-2010



Source: Economist Intelligence Unit

Global Salary Increases
%, 2010



Source: Aon Hewitt, Hay Group, GulfTalent.com

To fill the void left by Indian candidates, companies are seeking alternative sources of talent – across Asia, Africa and South America. In most cases, however, they find that either the skill base is not adequate or salary expectations exceed the levels on offer in the Gulf.

The rise of China

Of particular interest has been growing attempts by Gulf employers to tap into China's large talent pool. So far, the main challenge has been English language skills, although this seems to be somewhat diminishing. The younger Chinese generation speak better English and employers are increasingly learning to adapt their training programmes to address this need.

> *We are hiring Chinese nurses instead of Filipinos. It is becoming more difficult to hire Filipinos as there is more demand for them globally*
>
> HR Consultant
> Medical Group
> Saudi Arabia

Meanwhile, major Chinese corporations have become increasingly active in the Gulf, having won several large construction contracts recently and set up joint ventures with the region's leading oil and gas companies. With many of these contracts being executed largely by staff brought in directly from China, this is further increasing the representation of Chinese workers in the Gulf, potentially changing the demographic mix of the region over the coming years.

2011 Forecast

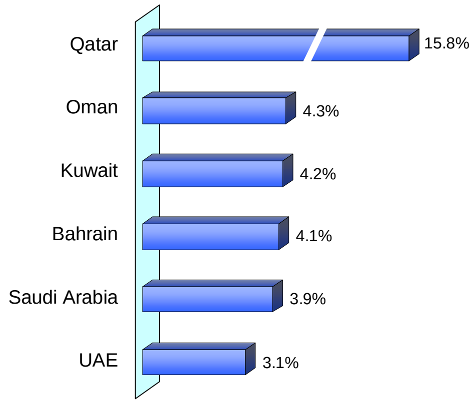
Economic Growth

In the short term, the Gulf countries are expected to continue their current momentum – with Qatar once again enjoying the region's fastest pace of growth and job creation, thanks to its booming natural gas exports and investment in infrastructure projects.

The UAE is likely to be among the region's slowest growing economies for a third year, though it continues to be a two-speed economy, with Abu Dhabi leading investment and job creation while the business climate in Dubai remains more subdued.

Across the region, anecdotal evidence suggests slowly rising business confidence which should help accelerate economic activity and with it employment. Obtaining bank lending and collecting customer payments, however, remain two key challenges for many businesses, preventing a full-scale recovery.

2011 Economic Growth Forecast
%, Forecast

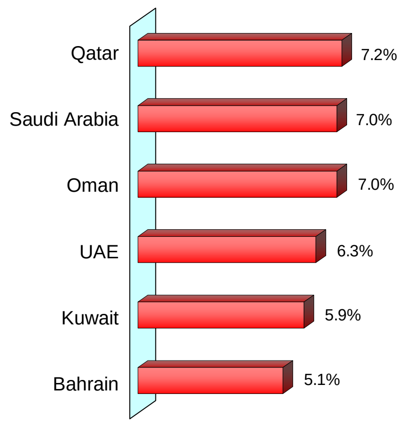


Source: Economist Intelligence Unit

Qatar's recent successful bid to host the 2022 Football World Cup is likely to bring a major boost, primarily to the country itself, but also to the rest of the region. As the games are 11 years away, however, the bulk of the activity will be in future years, with firms this year positioning themselves to secure a slice of the action when plans are fully laid out.

One early dividend from the games has been the Qatar-Bahrain Causeway, a proposed 40km bridge to connect the two countries. Having been previously put on hold, this has reportedly been resurrected following confirmation of the games.

2011 Gulf Average Pay Rise
%, Forecast



Source: GulfTalent.com Survey of HR Managers

Employment and Salaries

Employment is likely to grow at a moderate pace, with an estimated 61% of firms expecting to increase headcount in 2011, compared with 9% who plan to cut staff. Qatar and Saudi Arabia are expected to lead job creation, while among sectors, healthcare and retail will see the fastest growth.

Based on GulfTalent.com's survey of human resource managers, salaries are expected to grow by an average of 6.6% in 2011, up from 6.1% in 2010 as the economy starts to pick up and rising salaries in Asia continue to put pressure on Gulf pay levels. Once again, Qatar and Saudi Arabia are expected to lead, with average pay rises of 7.2% and 7.0% respectively.

Meanwhile, Saudi Arabia is expected to have the region's highest inflation rate at 6.3%, driven by rising rents and food prices, compared with Qatar's inflation at just 2.3%, the region's lowest. As a result, professionals in Qatar are likely to see another year of significantly improving living standards, as will those based in the UAE.

> *"Salaries are expected to increase in construction, due to the expected demand from Qatar on qualified engineers to run their infrastructure projects."*
>
> General Manager
> Construction Firm, UAE

In the medium term, three factors are likely to impact the Gulf's employment market: the price of crude oil, global food prices and regional political developments.

Oil Price

The price of oil, the single biggest driver of Gulf economies, has been stable over the last two years at well below its 2008 peak. Recently, however, it has been on an upward trajectory, driven largely by rising demand from the fast-growing Chinese economy.

If the trend is sustained or even accelerated, it will boost government budgets and spending, which will eventually feed through to the rest of the regional economy and lead to rising business activity and demand for talent.

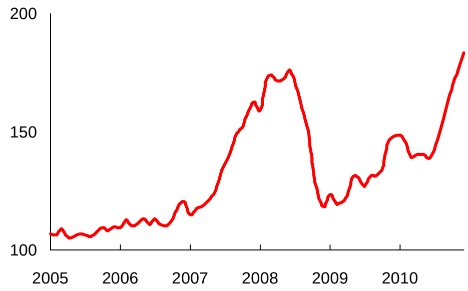
Food Prices

Following a series of adverse weather conditions across the world, the price of food commodities has seen a very sharp rise globally. With the region relying heavily on imported food, this has begun to push up the cost of living for residents in the Gulf and is expected to do so even more over the course of 2011.

The resulting higher inflation is likely to put upward pressure on salaries, particularly for employees on lower wages, for whom spending on food constitutes a larger proportion of their household incomes and where the rising prices will therefore hurt most.

Much will depend on the GCC governments' position on subsidies. Saudi Arabia and Oman, for instance, have long offered generous state subsidies, insulating the population from such volatility and the real cost of food. Others such as the UAE have had more limited subsidies, or directed them specifically at their own citizens rather than the entire population.

Food Price
FAO food price Index*



* Based on a food basket composed of cereals, oilseeds, dairy, meat and sugar.
Source: Food and Agriculture Organisation (FAO)

All states have plans to reduce their burden of subsidies, although this may now be reviewed across the region in the light of popular uprisings which have taken place in some MENA countries against a backdrop of rising food prices.

Middle East Political Turmoil

The broader Middle East region appears likely to witness major political developments in 2011, and increased possibility of conflict or turmoil – with a range of recent developments in Lebanon, Iran, Tunisia and Egypt. Any major upheaval may impact the business climate and employment market in the Gulf in a number of ways.

In the short term, any sustained turbulence in source countries, such as Egypt or Lebanon, is likely to benefit Gulf-based employers as more professionals from those countries head for the safer havens of the Gulf states – similar to the mass migration that took place from Lebanon to the Gulf during the 2006 conflict.

> *Recently it has become harder to hire some Western nationals. They think we live in a war zone.*
>
> HR Manager
> Leading Engineering Group, Bahrain

At the same time, coverage of regional unrest in international media may deter professionals further afield, who tend to view the region as one homogenous block and consider it unsafe to seek careers in a perceived 'conflict zone'. This may negatively impact recruitment from Western countries to the Gulf, as happened in 2003 in the immediate aftermath of the Iraq war.

At present, the unemployment rate in Gulf countries is much lower than in non-oil producing Arab states. Nonetheless, the issue is still likely to receive greater government attention in the light of developments in North Africa. The renewed urge to address the unemployment problem could mean yet more pressure on the private sector and higher nationalisation targets. The increased regulatory pressure may be felt most strongly in Oman, Bahrain and Saudi Arabia which according to UNDP statistics have the highest unemployment rates among Gulf countries.

In short, the employment market is expected to continue its gradual recovery, but could be impacted by global and regional developments, and by government policy across the region.

Appendix – Useful Statistics

Salary Rise by Country
% rise in base salary

Country	2009	2010	2011 F†
Bahrain	6.7%	4.9%	5.1%
Kuwait	4.8%	5.7%	5.9%
Oman	8.4%	6.4%	7.0%
Qatar	6.8%	6.8%	7.2%
Saudi Arabia	6.5%	6.7%	7.0%
UAE	5.5%	5.2%	6.3%

† Forecast
Source: GulfTalent.com Surveys

Inflation

Country	2009	2010	2011 F†
Bahrain	2.8%	2.5%	3.0%
Kuwait	4.0%	3.9%	4.8%
Oman	3.5%	4.0%	4.5%
Qatar	-4.9%	-1.9%	2.1%
Saudi Arabia	5.1%	5.4%	6.3%
UAE	-6.1%	1.6%	2.1%

† Forecast
Source: Economist Intelligence Unit

Economic Growth
% Real GDP Change

Country	2009	2010	2011 F†
Bahrain	3.1%	4.1%	4.1%
Kuwait	-4.6%	3.4%	4.2%
Oman	3.0%	4.1%	4.3%
Qatar	9.5%	14.0%	15.8%
Saudi Arabia	0.6%	3.8%	3.9%
UAE	-2.7%	2.1%	3.1%

† Forecast
Source: Economist Intelligence Unit

Population

Country	Total (millions)	Country	Total (millions)
Bahrain	1.1	Qatar	1.7
Kuwait	3.5	Saudi Arabia	25.5
Oman	3.0	UAE	5.5

Source: Economist Intelligence Unit

Methodology

This research report was based on GulfTalent.com's survey of 32,000 professionals employed by the 3,000 largest corporations in the region, a survey of 1,400 human resources managers, interviews with top management of selected local and international companies, as well as a review of macroeconomic sources and relevant press literature.

All historical pay data included in the report is based on information provided by employees through an online English-language questionnaire, suitably screened and statistically analysed to arrive at the preceding results. Respondents were aged between 22-60 years old and earned an annual income ranging from US$12,000 to US$200,000. Salary increases were measured for employees in ongoing employment only, and excluded those who changed employment during the period. Salary forecasts are based on estimates provided by human resources managers. The survey was conducted during December 2010 and January 2011.

Feedback, comments and queries regarding this report to be sent to:

research@gulftalent.com

About GulfTalent.com

GulfTalent.com is the leading online recruitment portal in the Middle East, covering all sectors and job categories. It is used by over 2 million professionals to find career opportunities and is the primary online recruitment channel for 4,000 corporations across 9 countries. Headquartered in Dubai, GulfTalent.com covers the markets of Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan, Lebanon and the United Arab Emirates.

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