

Recession and Employment in the Gulf



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.com's **recruitment database**, interviews with human resource managers, leading economic sources as well as regional press reports.

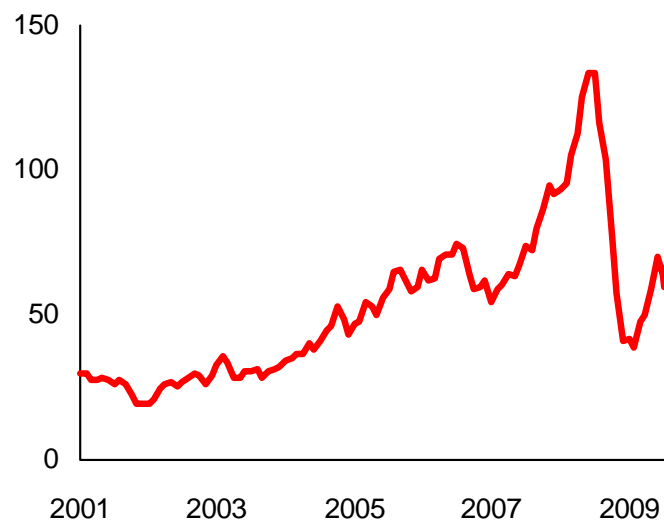
Contents

- Economic Situation..... 3
- Impact on Employment7
- Recruitment Trends.....11
- Compensation Trends..... 19
- Future Outlook..... 25

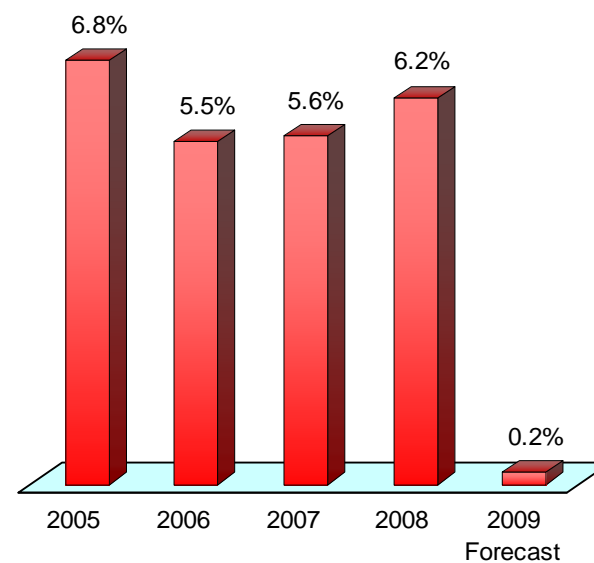
Economic Situation

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

Crude Oil Price
USD per Barrel



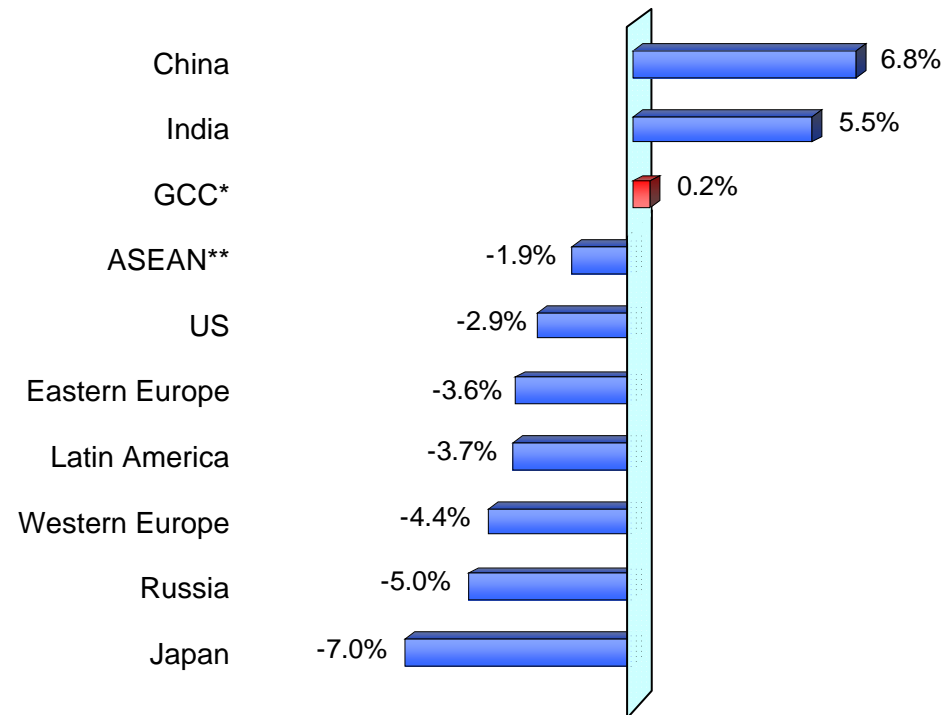
GCC Economic Growth
2005 - 2009



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



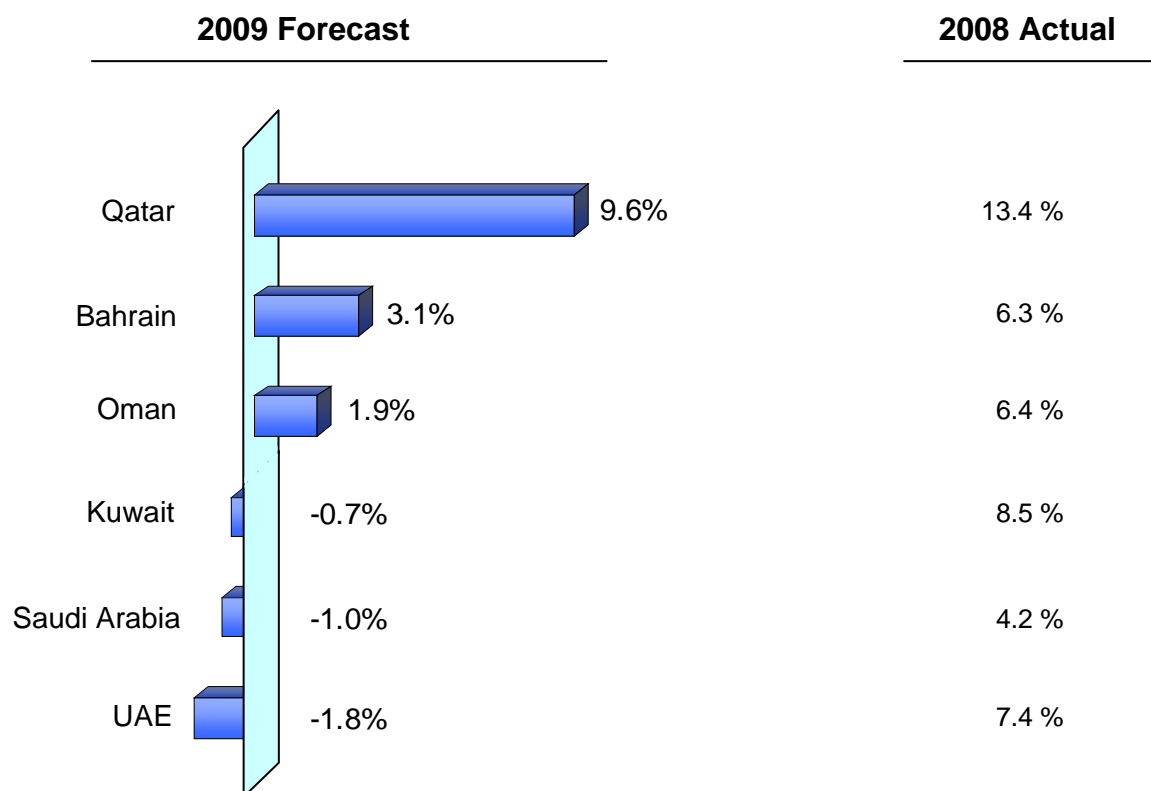
Source: Economist Intelligence Unit

* 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

Job Cuts

Key Observations

- Cuts visible across the region, with the highest concentration in Dubai
- Top management among those affected by cuts

Increased Work Pressure

- Longer working hours, partly as a result of staff reductions
- Mandatory relocation to less popular destinations
- Sharp cuts in training budgets

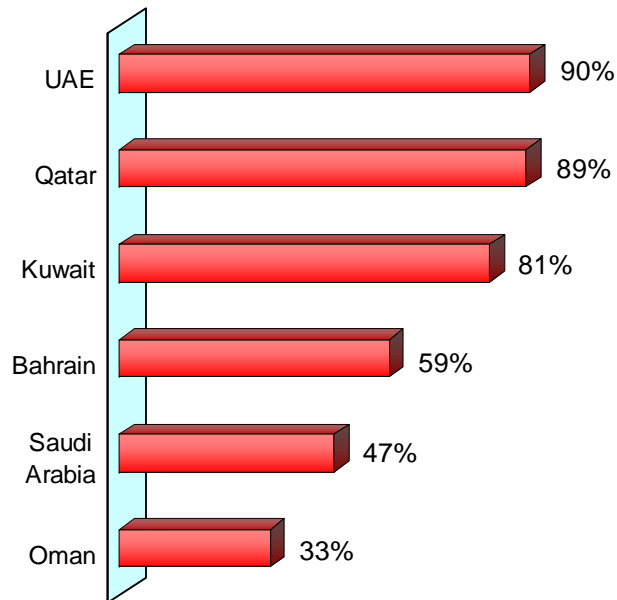
Pressure on Pay

- 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

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

Source: Press reports

Recruitment Trends

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



Candidate Perspective

- 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

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

Source: Interviews with HR Managers

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



Employer Perspective

- 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

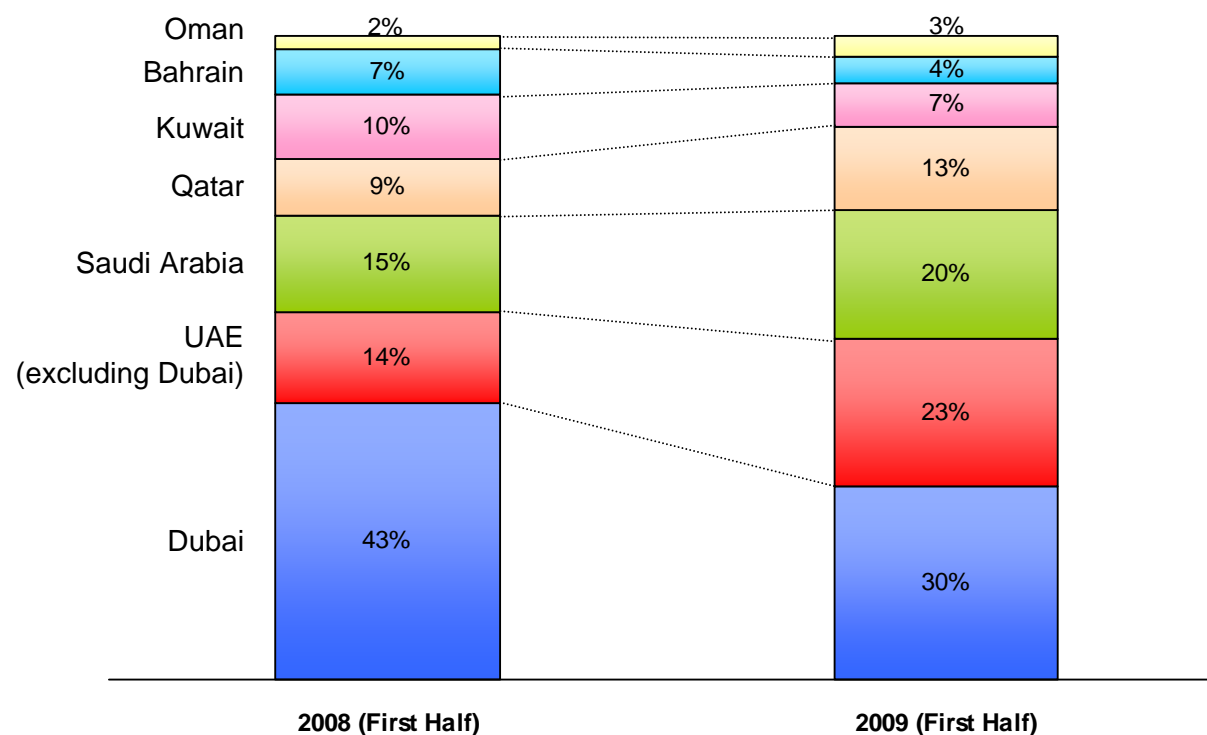
- **Volume:** Reduced recruitment
- **Channel:** Shift to lower cost recruitment channels (e.g. online)
- **Approach:** Shift from public advertising of jobs to headhunting / database search – in order to discreetly target high-calibre passive candidates

Source: Interviews with HR Managers

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 *



Source: GulfTalent.com

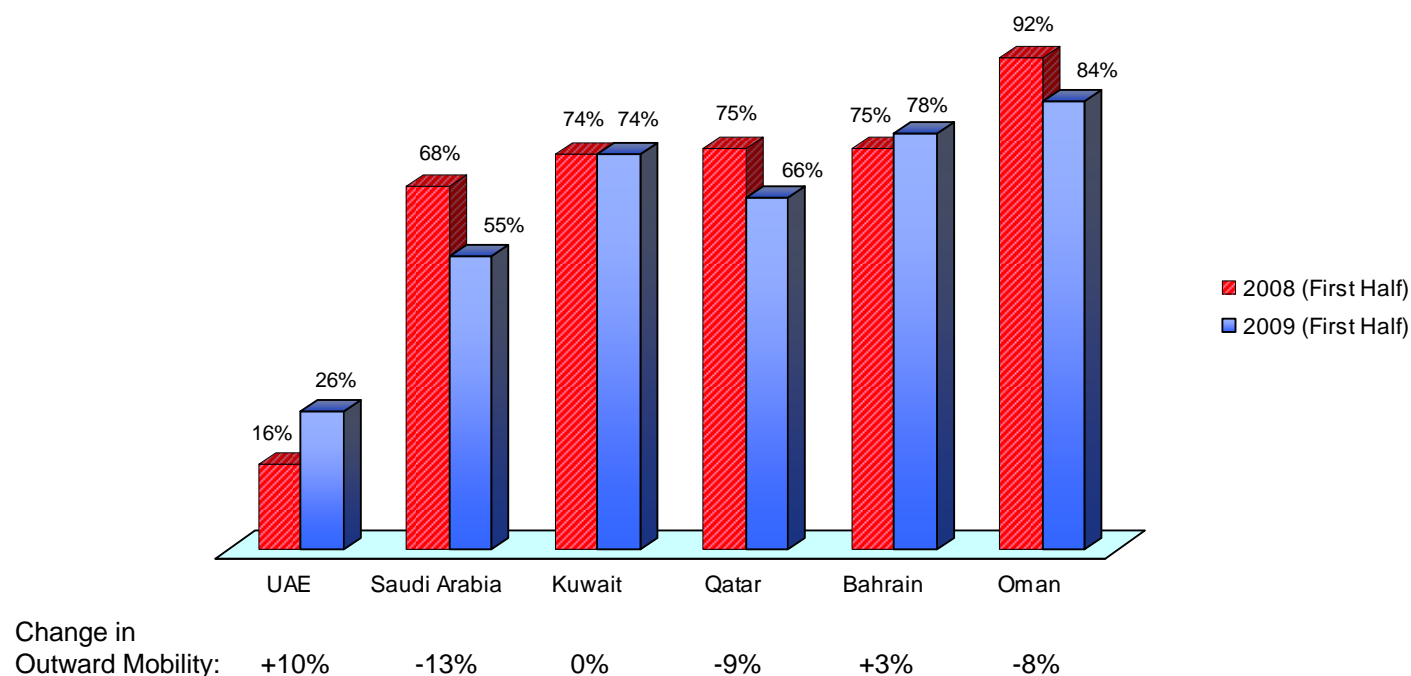
* Based on 12,000 vacancies advertised by employers and recruitment agencies on GulfTalent.com website over the specified period

Note: Internet penetration and prevalence of online recruitment varies across the countries

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.com

* 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.com 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.com

* Based on a total of 700,000 online searches conducted by employers and recruiters on GulfTalent.com'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

Skill Category	Job Titles & Keywords Most Searched	Relative Change in No. of Searches 2009 First Half vs. 2008 First Half *
Infrastructure	Airport, Terminal, Highway Design, Bridge Engineer, Urban Planner	142%
Audit	Auditor, Audit Manager, Head of Internal Audit	25%
General Management	CEO, Director, General Manager, Operations Manager	20%

Source: GulfTalent.com

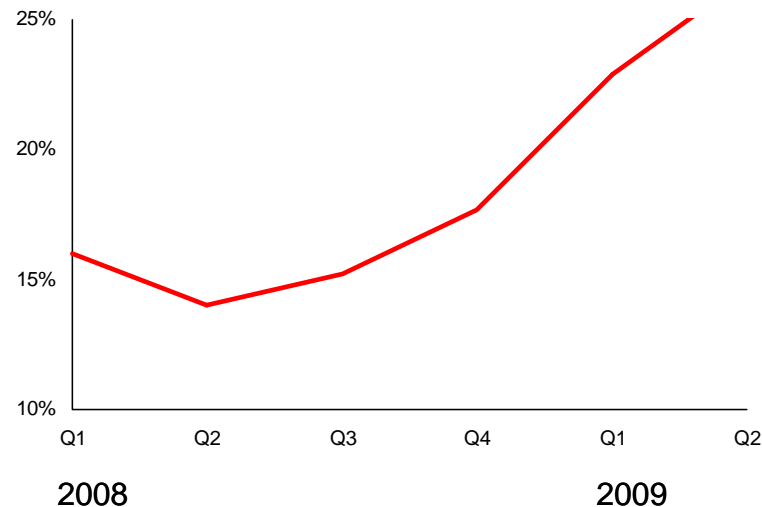
* Based on a total of 700,000 online searches conducted by employers and recruiters on GulfTalent.com's CV database during the specified periods

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

- 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.com

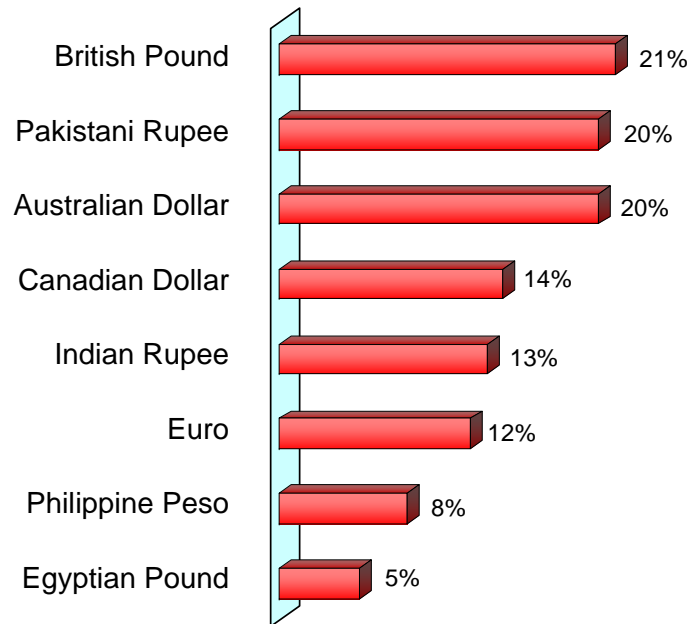
* Based on a total of 1.1 million CV searches conducted by employers and recruitment agencies on GulfTalent.com's database of candidates over the specified period

Compensation Trends

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

US Dollar Appreciation

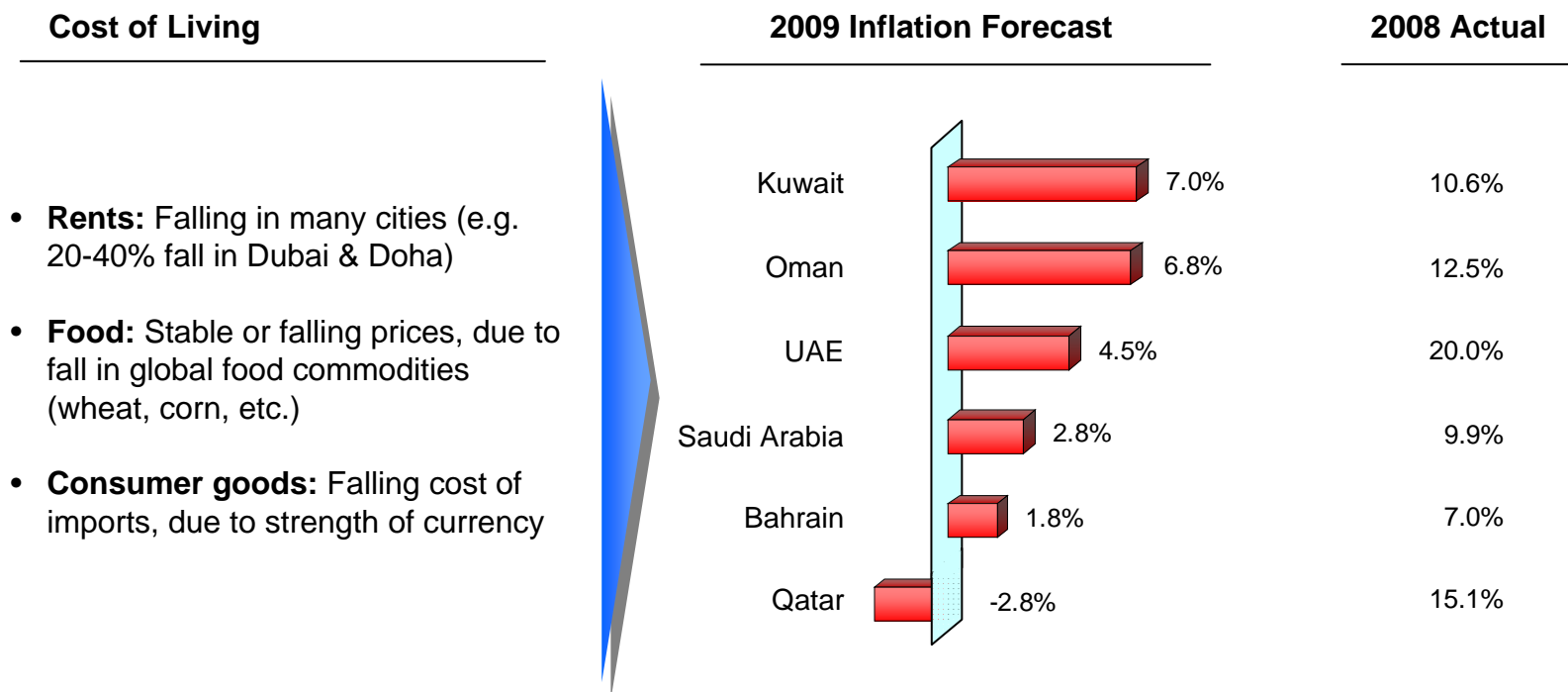
12-month period to 30 June 2009



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

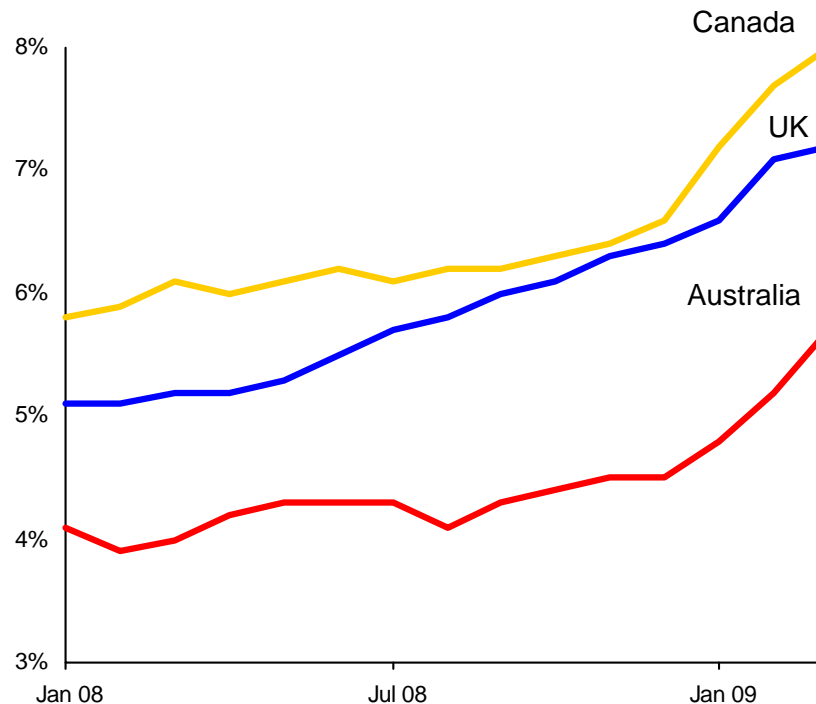
Double-digit inflation of recent years has given way to stable or falling prices



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

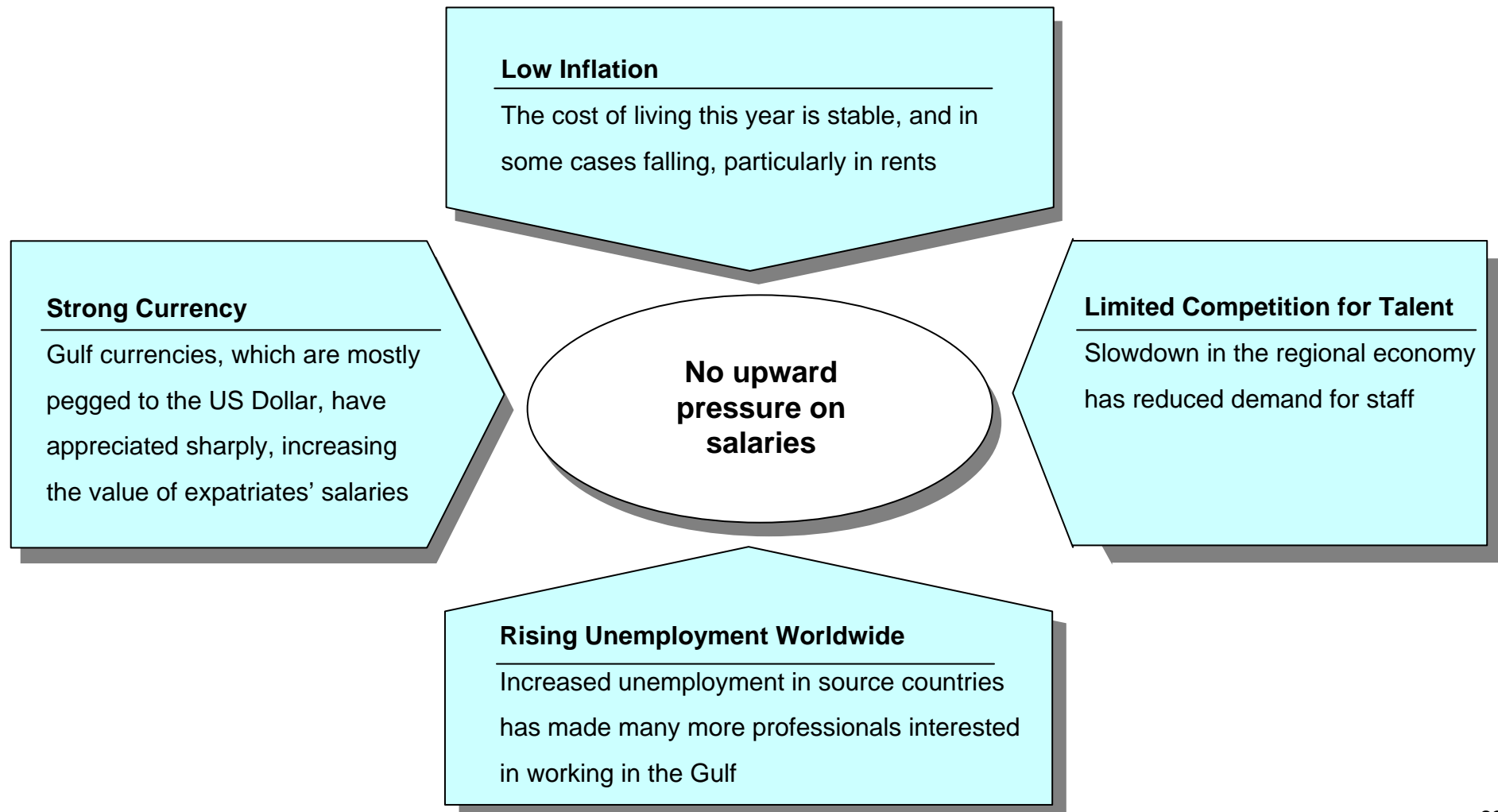


- Domestic opportunities available in countries supplying talent to the Gulf becoming fewer and more competitive
- Growing interest in the Gulf as an alternative destination for work
- Reduced tendency by expatriates currently in the Gulf to return home

Source: Economist Intelligence Unit

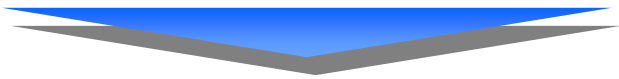
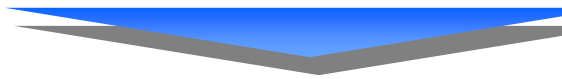
* Recent unemployment data for other major sources of talent for the Middle East (such as South Africa, India and the Philippines) has not been available

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

	Winners	Losers
Pay Structure :	Mostly fixed salary (e.g. accounting, administration staff)	Mostly commission / variable pay (e.g. sales staff)
Location :	Cities with rapidly falling rents (e.g. Dubai, Doha)	Cities with relatively strong real estate markets (e.g. Abu Dhabi)
Home Currency :	Countries with weakening currencies (e.g. UK, Australia, Euro-zone)	Countries with stable currencies against US dollar (e.g. South Africa)
	 Net Increase In Saving Potential	 Net Decrease In Saving Potential

Future Outlook

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

Short-Term Outlook

Short-term Trends

Job Cuts

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

Nationalisation

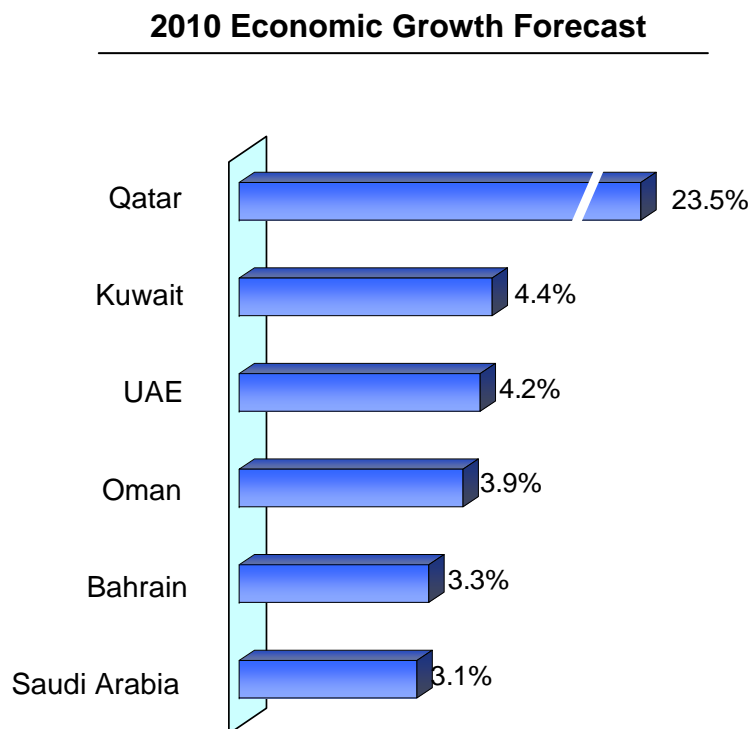
- More regulatory pressure on companies to hire nationals, as more young nationals enter the workforce, with too few jobs to accommodate all of them

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.com

GulfTalent.com 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.com 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
Tel: +971 4 367 2084

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