Chapter 15
Workforce Localisation and Change Management:
The View from the Gulf

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ABSTRACT

Providing employment opportunities for a predominantly young workforce has been a major issue of concern for governments in the GCC countries. As a result governments have become the choice and dominant employer but now there is the realisation that the public sector has reached saturation point and can no longer absorb any significant number of nationals. On the other hand, there is potential for employment in the private sector where the vast majority of foreigners are employed. Thus, workforce localisation is considered an issue of national importance given the predominantly young workforce in the GCC region and difficulties young nationals started facing looking for employment. This study discusses the experiences of the United Arab Emirates (UAE) and Oman in implementing workforce localisation programs. The findings are discussed under main themes and key issues. For its most part workforce localisation refers to entry-level positions offering nationals the prospect of rising in the organisational hierarchy and eventually replacing expatriate personnel. At the same time, foreign employees work side by side with their local counterparts although on substantially different terms and conditions. Local and foreign employees are put on different career paths resulting in workforce segmentation as local employees enjoy the benefits of a core segment and acquire company-specific skills while foreigners are mostly hired to perform specific tasks, have higher labour mobility, and provide labour flexibility to the organisation. Managing human resources effectively within such a context presents significant challenges.

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INTRODUCTION

Following the discovery and commercial exploitation of huge reserves of oil and gas, a major concern of policy makers across the GCC countries including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates, has been employment creation for citizens. A massive and, for most of the time, increasing flow of revenues generated from the export of oil and natural gas made the task of employment creation relatively easy for governments, at least up to the 1980's and 1990's. Invariably, the challenge of creating employment opportunities for a predominantly young workforce would be addressed by resorting to the policy of hiring citizens to a growing government bureaucracy that needed to be built from scratch effectively offering well-paid and tenured employment accompanied by a wide range of lavish benefits, at times, in return for no more than just a token contribution to the workplace by the employed citizens.

However, over recent years the policy of using massive revenues from the exploitation of oil and gas reserves to create and guarantee employment for citizens is faced with considerable difficulties. In the first place, there is the uncomfortable reality of demographics. Notwithstanding the decrease in the population growth rate, brought about by a sharp decline in fertility rates, there is a "youth bulge" as between one third and one half of the population is below 24 years of age resulting in the projected substantial increase in the GCC population for the foreseeable future (Sorenson, 2010; Stewart 2009). Additionally, there is the worrying realization that the policy is unsustainable in the longer-term as the bloated public sector has reached saturation point as far as further employment of nationals is concerned (Kalsi, 2013). For instance, between 80% to over 90% of nationals are employed in the public sector in most GCC economies (Albawaba, 2013a; Albawaba, 2013b; McGinley, 2010).

Being the biggest employer of nationals (Shediac & Samman, 2009) GCC governments are placed in the horns of a dilemma. On the one hand, there is the decades-old policy that does not simply provide employment for citizens in the public sector in addition to funding an extensive, and expensive, state welfare system but, crucially, as educational levels keep on rising as a result of economic development, fresh graduates, socialized in an environment of entitlements, are conditioned to expect even more prestigious and well-paid jobs. Inevitably, this leads to the expectation and even demand that citizens should rise to the highest echelons of the organizational hierarchy eventually replacing expatriate personnel. Thus the issue of localizing the workforce has come under the spotlight over the past several years. On the other hand, however, economic imperatives, highlighted in a IMF report that suggests reducing the growth rate of public expenditure so that current fiscal and external surpluses do not turn into deficits in the very near future in the event that a downside scenario materialises (Dokoupil, 2012), may stand in the way of implementing workforce localization policies focusing on the public sector.

Considering that job creation has lagged behind the growing demand as GCC countries have not been able to put in place a sustainable job creation engine (Absal, 2013) and find a clear-cut and lasting solution to what has become a chronic problem that is, how to contain more nationals in one of the world's most prosperous regions resulting in hidden underemployment and unemployment (Al Baik, 2010; Forstenlechner, 2008; Muysken and Nour, 2006) can only add to the difficulty of the dilemma. The roots of the problem can be traced back to the 1960's when the massive importation of unskilled labour and employees with technical and professional skills became the preferred option in order to make possible the exploitation of natural resources and to help build a public works infrastructure of a colossal scale. The small size of the indigenous labour force, insufficient in itself to support rapid and

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