How diverse reforms can harness the GCC's human resources

The National

Gulf countries need to invest in human resources to diversify their economies and drive growth in a post-oil economy

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For most of the last three decades, our region has enjoyed prosperity and high levels of growth. This was driven by oil wealth, and the regional governments' ability to channel oil revenues into building First World infrastructure and living conditions.

However, oil market dynamics have changed – catalysed by the shale revolution, the reduced cost of producing renewable energy, and a global focus on carbon emissions. The pandemic has added to the challenges as core hydrocarbon demand dropped globally.

Today, there is broad recognition that GCC countries are in a race against oil prices, which is notable as countries have accelerated the economic diversification process.

Economic diversification can be achieved through several factors: attracting FDI; import substitution; (non-oil) export orientation; and regional co-operation. All entail investments in policy, infrastructure, technology, and particularly people.

Attracting and training foreign talent is important to our region due to its contribution – not just to productivity and innovation brought in by the added knowledge and skillset – but also to propel local consumption growth, thereby driving prosperity for businesses. Profitable local businesses, in turn, invest in their own talent, technology, and equipment – creating a virtuous cycle of growth.

This is particularly relevant in the new normal, where 'work from home' trends and connectivity make competition for talent global, and less affected by geography.

Foreign labour in the GCC benefits from a zero-tax environment and, for the most part, first world infrastructure.

Over the last decade, the UAE has passed several decrees to protect workers' rights. That has led to transparency in employment terms and made it easier for workers to switch employers.

Recently, Saudi Arabia overhauled its employment visa sponsorship system and new rules are set to come into force in March 2021. Employees will be free to switch jobs, travel abroad, or leave the country permanently without an employer's permission. In Bahrain, the sponsorship (Kafala) system was overhauled as far back as 2009.

The aforementioned sponsorship-related reforms are attractive to individuals and permit the free movement of labour promoting healthy competition between corporates for workers.

In the UAE, the cabinet announced sweeping reforms to personal and family law, allowing personal matters such as divorce and inheritance to be enforced according to expatriates' nationalities and the laws of the countries specified in wills. The legal overhaul also decriminalises alcohol consumption and cohabitation before marriage.

These reforms, combined with attractive tax regimes, high quality infrastructure and sunshine should make GCC countries attractive for people to work and live in. The work from home trend also provides extra working flexibility for the talent we want to attract. Most GCC countries offer excellent infrastructure – making home working attractive.

Looking ahead, there is the opportunity to leverage this further with adequate residency and licensing reforms. Dubai's government recently announced a remote working visa allowing workers to serve their employers whilst living in the emirate.

Whilst harnessing global talent to drive our economies, the Gulf countries will generate growth across industries and create opportunities to invest in our citizens. Upskilling, training, and increased employment of nationals is essential for sustainable job creation across the Gulf – a social and economic imperative in countries such as Saudi Arabia where over 50 per cent are still employed by the public sector. With 70 per cent of the population under 35 years old, and increased female participation, the GCC region's youth is hungry for opportunities.

To integrate youth into the economy beyond simply replacing public sector jobs with private sector ones, we can equip them with the necessary skillset to propel the private sector forward themselves, by generating entrepreneurial opportunities. Incubators and accelerators can be established, and governments can play an indirect, facilitating role through educational and training initiatives such as a flexible approach to university student internships.

The private sector could be incentivised to create programmes fostering youth entrepreneurship via community level partnerships. Franchise operators could be encouraged to sub-franchise to young locals. Governments could provide financing whilst corporates provide the training and operational support. For operators, it would accelerate expansion and growth, whilst serving a key social imperative.

Reducing business start-up costs and providing greater governmental support to start-ups in key industries, are also essential for more grassroots entrepreneurship involvement.

The adverse economic impact of Covid-19 has not spared the GCC, but with diverse reforms – we can achieve a greater capitalisation of human resources.

That means better prospects for businesses, citizens, and residents.