Executive Summary

As the economies of the Gulf continue to grow and develop at an unprecedented pace, the need for human capital has become ever more evident. In the race for local and expatriate talent, employers are finding their efforts increasingly overshadowed by a range of broader social and economic factors.

High inflation in parts of the region has eroded much of the purchasing power and saving potential of expatriates. While salaries have risen by an average 7-8% in each of the last two years, inflation in the worst affected areas has risen at an even greater pace. This, combined with growing employment opportunities in other emerging markets, particularly India, and the weakness of dollar-pegged regional currencies, have made the Gulf a financially less attractive destination than it has been in the past.

Based on a survey by GulfTalent, up to 6% of foreign nationals living in the Gulf are planning to leave the region and return to their home countries within the next 12 months.

At the same time, the region continues to attract fresh supply of experienced professionals from across the globe. The drivers of mobility into the Gulf, however, appear to be changing. Many of the newcomers are attracted by long-term aspirations and interesting career opportunities now available in the region, with short-term financial considerations playing a less dominant part in the overall value proposition.

Significant disparities still exist within the region – with some countries proving far more successful than others in attracting expats. The UAE, and Dubai in particular, appear to be winning the regional race for talent. Despite one of the highest living costs in the region and salary levels that are below Qatar and Saudi Arabia, the UAE remains by far the Gulf's most attractive destination for professionals.

Based on GulfTalent’s survey, 73% of expatriates relocating to the Gulf prefer to work in the UAE, while 78% of the country’s current expatriate residents plan to remain there, the highest proportion in the Gulf. The main reasons cited for the UAE's popularity include interesting career opportunities, good infrastructure and facilities, as well as social liberties.

Qatar is in second place as a preferred destination for expats – mainly due to above-average pay packages on offer – while Saudi Arabia is also seeing a resurgence of interest as the security situation stabilises and salaries rise at well above the inflation rate.
Compensation Trends

Over the last few years, the six countries of the Gulf Cooperation Council (GCC) have experienced a period of rapid economic growth, driven largely by the inflow of capital resulting from the high oil price.

At the same time, the region has also been maturing fast, with many sectors such as telecoms and financial services undergoing deregulation and opening up to competition, while new sectors emerge for the first time – including investment banking and private equity. All this has increased the demand, not just for essential goods and services, but also for talent and expertise.

The rapid economic growth and competition for talent have forced salary levels higher across the region. Based on GulfTalent’s annual survey of compensation trends, average salaries across the Gulf rose by 7.0% and 7.9% in 2005 and 2006 respectively (more details available in “Gulf Compensation Trends 2006” published by GulfTalent, September 2006).

Qatar registered the highest average increase in pay at 11.1%, followed by the UAE at 10.3%. Kuwait stood at 8.0%, close to the regional average. Saudi Arabia and Bahrain had below-average increases of 6.5% and 6.4% respectively, while Oman experienced the lowest increase at 5.6%.

On a sector basis, the largest pay rise was observed in the construction sector at 12.8%, followed by banking & finance at 8.2% and oil & gas at 7.7%. Sectors with the lowest rises were healthcare and education at 4.5% and 3.5% respectively. Sectors registering the highest pay increases appear to be those experiencing the fastest growth and facing skill shortages regionally, and even globally in some cases. Sectors with the lowest increase typically experienced more moderate growth, or were otherwise well-supplied in terms of the required skill-base.
Rising Cost of Living

The fast pace of growth over the last few years has created inflationary pressures in parts of the region. Official estimates of inflation for Qatar and the UAE stand at 7.2% and 8.5% respectively. In practice, residents report much higher price increases. Based on GulfTalent’s survey, average rents have increased by 83% in Doha and 60% in Dubai over the last two years (see chart below). The price of fuel was increased in the UAE by 30% in late 2005, leading to ripple effects on other essential goods and services. Health and schooling have also become much more expensive, adding to the cost burden for residents.

Other countries such as Kuwait have also seen prices rise, though to a lesser extent. Saudi Arabia, the region’s largest economy, has so far been an exception to this trend. Despite rapid growth and rising income levels, it has continued to enjoy low inflation, thanks partly to generous state subsidies as well as the country’s larger established economic base. Rents in Saudi cities are now less than half of those seen in Dubai and Doha.

**Average Rent Increase**
% rise, Nov-2004 to Nov-2006

- Doha: 83%
- Dubai: 60%
- Muscat: 29%
- Manama: 27%
- Kuwait: 24%
- Riyadh: 21%

*Source: GulfTalent Survey*

**Rent for Two-bedroom Apartment**
US$ per month, 2006

- Doha: 1,930
- Dubai: 1,850
- Kuwait: 860
- Manama: 710
- Muscat: 700
- Riyadh: 680

*Source: GulfTalent Survey*
Although salaries have risen, in the case of Qatar and the UAE average increases have been well below the rent and price rises. As a result, net disposable incomes have fallen sharply. Based on GulfTalent’s survey, rent now accounts for 33% of average household income in Qatar and 30% in the UAE, compared to just 19% in Saudi Arabia.

Financial considerations and the ability to save a significant portion of their income have been key motivations for many expatriates working in the Gulf. However, many are now reporting that they are unable to make any savings on their salaries.

The UAE had the highest reported proportion of non-savers – 43% compared to Saudi Arabia, where only 23% of expats reported accumulating no savings (see chart). While Qatar and the UAE have both suffered high inflation rates, the ratio of non-savers is substantially higher in the UAE, possibly due to greater abundance of consumer spending opportunities in retail and entertainment. More worryingly, 7% of UAE-based expats reported that their salaries did not even cover their living costs, forcing them to borrow or live off their existing savings.

Overall, the findings suggest that the financial attraction of the Gulf as a place for high savings is rapidly diminishing – particularly in the case of the UAE.
Trends in Talent Attraction

The GCC countries have long had a high proportion of expatriates – including both low-wage blue-collar workers as well as experienced professionals and senior managers. An estimated 31% of the Gulf’s total population and 56% of the workforce consist of expatriates. As the Gulf countries’ own young population mature and demand employment opportunities, governments across the region are under pressure to reduce the economy’s reliance on expatriate labour. Nonetheless, given the current levels of economic activity relative to the available pool of local talent, employers in the region continue to be highly dependent on expatriate talent at all levels.

GulfTalent’s interviews with employers across the region suggest that the diminishing financial attractiveness of the Gulf has made it more difficult to attract expatriate professionals – particularly from traditional sources such as India and Jordan which have been experiencing rapid economic growth of their own.

At the same time, the inflow of expatriates has by no means come to an end. With economic developments in the Middle East increasingly making headlines around the world, the region is attracting interest from several segments of professionals previously uninterested in the region.

The developments in the region’s financial sector, including the growing presence of regional and international investment banks and private equity firms, have honed the Gulf’s image as a fast-developing market offering exciting and challenging career opportunities. This has attracted a range of top-notch professionals from across the world, including banking and investment professionals, mid-level and senior managers, as well as graduates of the world’s top business schools.

### Expat Population
As % of total population

<table>
<thead>
<tr>
<th>Country</th>
<th>Expatriate Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qatar</td>
<td>83%</td>
</tr>
<tr>
<td>UAE</td>
<td>80%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>53%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>34%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>21%</td>
</tr>
<tr>
<td>Oman</td>
<td>19%</td>
</tr>
</tbody>
</table>

*Source: CIA World Factbook, UAE 2005 Census*

### Expat Workforce
As % of total workforce

<table>
<thead>
<tr>
<th>Country</th>
<th>Expatriate Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>90%</td>
</tr>
<tr>
<td>Qatar</td>
<td>89%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>81%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>59%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>47%</td>
</tr>
<tr>
<td>Oman</td>
<td>33%</td>
</tr>
</tbody>
</table>

*Source: Nationalization Surveys*

### Main Objective in Moving to the Gulf
% of expats outside the Gulf

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better Pay</td>
<td>41%</td>
</tr>
<tr>
<td>Challenging Career Opportunities</td>
<td>34%</td>
</tr>
<tr>
<td>New Life Experience</td>
<td>12%</td>
</tr>
<tr>
<td>Proximity to Islamic Culture</td>
<td>8%</td>
</tr>
<tr>
<td>Proximity to Family and Friends</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Source: GulfTalent Survey*
Data from INSEAD, a leading European business school, suggests that the number of its MBA graduates employed in the Gulf has increased substantially from an average of two per year throughout the 1990’s to over ten per year currently.

Another large segment increasingly moving to the Gulf are Western-based Muslims of Arab or Asian origin – many of them holding dual nationality. A combination of growing opportunities in the Gulf, presence of family members already in the region, and increasing isolation felt by segments of the Muslim community in the West post September 11 have together brought a wave of US and European-based Muslims to the region.

On top of this, conflicts in other parts of the Arab world, most recently Lebanon, have led to mass displacements of professionals, with many finding a home for their skills in the safer and more stable environment of the Gulf.

Overall, while financial considerations remain the biggest single motive, they appear to be decreasing in significance as a component of the overall value proposition, with an increasing number moving to the region for long-term career aspirations or personal reasons.

_The Dubai Phenomenon_

While the Gulf as a whole continues to attract professionals for reasons described earlier, the flow is highly disproportionate, with parts of the region proving far more successful than others in absorbing the cream of this talent. The UAE, despite widespread coverage of its rising cost of living in regional and international media, still remains by far the most popular destination. Based on GulfTalent’s survey, 73% of all expatriates interested in moving to the Gulf prefer the UAE – including 38% who explicitly choose Dubai.

![Most Popular Destinations](source: GulfTalent Survey)

While the UAE is proving popular with expats of different backgrounds, it is particularly dominant in the race for the so-called ‘knowledge workers’. For instance, the number of MBA graduates of INSEAD currently based in the UAE, is almost three times the figure for all other GCC countries combined. The majority of these professionals join international consulting firms and investment banking institutions which over the last few years have chosen to base themselves in the UAE.

The regional dominance of the UAE as a destination for world-class talent has become a key factor in many multinationals’ decision on where to locate their regional headquarters. Despite concerns over high real estate costs, most multinationals are finding themselves unable to base their headquarters in any country but the UAE, partly out of fear of not being able to attract the needed talent to other destinations.
The UAE’s popularity derives from a number of factors, as identified in GulfTalent’s survey. Respondents to the survey highlighted the availability of interesting and challenging career opportunities in the UAE as the most important factor for their interest to move there – with the launch of the Dubai International Financial Centre (DIFC) cited by many respondents as a particular attraction. Modern infrastructure and facilities appear to be a second key driver, followed by the high degree of social liberties available in the country.

Also, much of the UAE’s success in attracting talent appears to be linked to its higher brand awareness internationally. The Dubai government’s active involvement in promoting the city, as well as the high flow of tourists into the Emirate have ensured that the ‘Dubai story’ reaches a wide audience across the globe.

Such is the level of interest in Dubai that recruiters find themselves inundated with applications from candidates across the world.

Qatar’s popularity appears to be largely based on financial considerations, while in the case of Saudi Arabia, a key attraction for a considerable segment is the country’s religious environment and proximity to Islamic culture – particularly appealing to Arab expatriates and Western expats of Muslim origin.
Pay, Inflation & Mobility in the Gulf

Trends in Retention

As well as attracting talent, Gulf countries vary in their ability to retain expatriate talent. Despite evidence of some expatriates leaving the Gulf due to high costs, GulfTalent’s survey results suggest that the rate of outflow is still small. Overall, the majority of expats currently in the Gulf prefer to remain there, with only 6% planning to return to their home countries over the next 12 months.

For those planning to return home, the main reasons given were proximity to family and friends, higher pay, lower cost of living and more challenging career opportunities. Interestingly, the percentage of expats leaving each country to return home is fairly uniform across the six GCC states – suggesting that the trend is driven largely by global factors affecting the whole region, including growth in India and the weak US dollar, rather than high inflation in particular parts of the Gulf.

There is, however, significant mobility among Gulf countries themselves. Up to 37% of professionals changing employment seek to do so outside the Gulf country in which they are currently based. The figure is lowest in the UAE at 16%, and highest in Oman at 60%.

Some of the movement is motivated by government-imposed restrictions prevalent in most Gulf countries which prohibit expatriates from switching employers. However, most movement is voluntary, in pursuit of better opportunities.

At the same time, the UAE is also the most popular destination for Gulf-based expats, attracting 62% of all expatriate movement within the Gulf. Qatar is in second place – thanks to above-average pay packages on offer and the hype created by the country’s massive hunt for foreign expertise.

**Expats' Planned Job Changes**

<table>
<thead>
<tr>
<th>As % of GCC-based expats</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Job in the Same Country</td>
</tr>
<tr>
<td>Job in Another Country</td>
</tr>
<tr>
<td>Return home</td>
</tr>
<tr>
<td>Start Own Business</td>
</tr>
</tbody>
</table>

**Attrition of Expats**

% of Expats considering jobs in other Gulf states

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>60%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>52%</td>
</tr>
<tr>
<td>Qatar</td>
<td>48%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>47%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>28%</td>
</tr>
<tr>
<td>UAE</td>
<td>16%</td>
</tr>
</tbody>
</table>

**Destinations for Gulf-based Expats**

% of GCC-based Expats choosing country for their next destination

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>62%</td>
</tr>
<tr>
<td>Qatar</td>
<td>16%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>7%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>6%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>6%</td>
</tr>
<tr>
<td>Oman</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: GulfTalent Survey
Based on the survey results, the UAE also enjoys the highest retention rate in the region – with 78% of current expatriate residents planning to remain there. Kuwait, despite its unpopularity with new expats entering the Gulf, ranks highly in terms of retention of existing expats. This may be due to the relatively long-term nature of expat presence in Kuwait and strong social and family ties developed over the years.

Oman is the least attractive country for current expat residents, with less than half planning to remain there.

Overall it appears that, while the UAE is financially the least attractive location in the Gulf, it remains popular due to other, non-financial factors that differentiate it from the rest of the Gulf.

**Mobility of Gulf Nationals**

The majority of Gulf nationals tend to stay in their home countries – due to advantages of local familiarity, proximity to family and friends as well as superior career opportunities available for natives.

However, there is evidence of some limited movement among Gulf nationals – particularly those with higher education, international experience and good English language skills. The UAE is the prime destination for this segment, largely as a result of developments in its financial sector, a cosmopolitan environment, high penetration of multinationals as well as lifestyle considerations.

Qatar is also proving attractive, largely for financial considerations. Oman and Bahrain are both seeing an active flow of their nationals to Qatar – given lower pay packages on offer in their home countries. Oman also appears to be the only Gulf country that is losing, not only expatriates, but also a large number of its own nationals to other countries in the region.
Methodology

This research report was based on GulfTalent’s survey of 18,000 professionals – including 1,000 GCC nationals, 6,000 expatriates living in Gulf countries and a further 11,000 expatriates based outside the Gulf with an interest in relocating to the region.

Comments and queries regarding this report should be sent to: research@gulftalent.com
About GulfTalent

GulfTalent is the Middle East’s leading internet recruitment portal for mid-level and senior professionals, serving an active client base across Saudi Arabia, Kuwait, Qatar, Bahrain and the UAE. Headquartered in Dubai and used by leading employers and recruiters in the region, GulfTalent specializes in matching top candidates with attractive career opportunities through its internet site.

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