

Employment and Salary Trends in the Gulf

2016

Saudi Arabia | Qatar | Kuwait | Oman | Bahrain | UAE



About This Report

Employment and Salary Trends in the Gulf is the most respected and widely read source of research on labour market trends in the Gulf region. Published annually by GulfTalent and now in its 12th year, each edition of the report is downloaded over 100,000 times. It is used extensively by corporate decision makers as well as professionals across all industries for gaining insights on the latest employment trends.

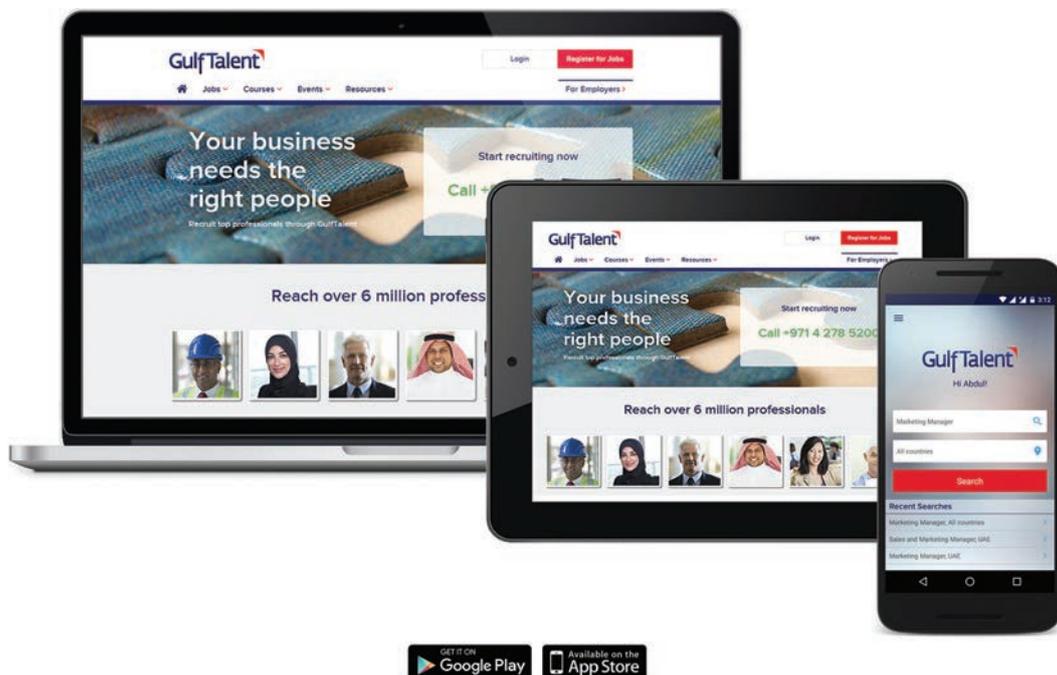
The 2016 report is based on GulfTalent's survey of 25,000 professionals and 700 executives and human resource managers in the GCC, interviews with 60 senior executives, and drawing on data from the World Bank, International Monetary Fund and the Economist Intelligence Unit.

Feedback, comments and queries regarding this report can be sent to research@gulftalent.com

About GulfTalent

GulfTalent is the only online recruitment portal in the Middle East focused exclusively on professionals. Covering all sectors and job categories, it is used by over 6 million professionals across the region for finding top career opportunities. GulfTalent is the primary online recruitment channel for over 8,000 companies, providing them access to both local and expatriate talent.

In addition to its core recruiting service, GulfTalent offers employer branding solutions, salary benchmarking data, research reports on the employment market, and a directory of professional training courses across the Middle East.



www.gulftalent.com

Executive Summary

After a decade of record high oil prices, pundits could be forgiven for dismissing the initial oil price decline in late 2014 as a temporary market correction. Yet the dramatic collapse in the price of crude oil, from over 100 to less than 30 dollars per barrel, has turned out to be far deeper and more durable than anyone could foresee. This has cast a dark shadow over the oil-dependent economies of the Gulf throughout 2015 and is threatening more disruption in 2016.

Faced with severe budget deficits, GCC governments have cut state subsidies as well as spending on non-essential projects, leading to a slowdown in the private sector. Not all sectors have been affected equally, however, giving rise to a two-tier economy. Energy companies have borne the brunt of the slowdown and laid off thousands of staff, while construction firms which depend heavily on government-funded projects have also seen a slowdown in new business. At the same time, sectors that rely on population growth and consumer spending such as retail and healthcare, are showing high resilience and continue to outperform the overall economy.

In the emerging post-boom environment, many employers are looking at measures to re-align themselves with the new market realities. Recruitment has been slower and more cautious, redundancies have been on the rise, and re-organisations are common. Pay rises have become more modest, easing from an average of 6.7 percent in 2014 to 5.7 percent in 2015 and forecast at just 5.2 percent in 2016.

While the slowdown in pay rises in 2016 is moderate, it could yet prove painful, as it is accompanied by significant increases in the cost of living resulting from the removal of government subsidies. As a result, many professionals are likely to face a squeeze, with their modest pay rises only just keeping up with their rising living costs. Falling rents in parts of the region are providing a partial relief, in an otherwise highly inflationary market.

Creating jobs for nationals continues to be a priority for GCC governments. With lucrative public sector jobs harder to come by, some private sector employers are reporting greater success in hiring and retaining nationals – especially in Saudi Arabia, where nationalisation has been a key employment challenge for several years.

At the same time, geopolitical tensions have translated to restrictions on hiring some expatriates, with employers across parts of the Gulf unable to secure work visas for professionals from Egypt, Syria and Lebanon.

Overall, the outlook for 2016 remains highly uncertain, largely dependent on the fate of the oil price. Should current low prices persist, more pain is likely to follow. However, with stable currencies and substantial government reserves, the Gulf states still remain in a better position to weather the storm than most other oil-dependent economies.

GulfTalent
March 2016

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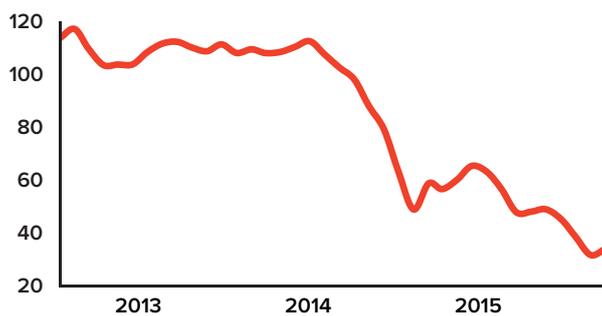
Economic and Political Background

Oil price drop

Crude oil, the Gulf region's main export commodity, has been under pressure since the middle of 2014. Having traded at around \$100 per barrel for much of the last ten years, it averaged at \$50 during 2015 and has been hovering around \$30 during the first quarter of 2016. The drop has been driven primarily by increased supply from newly developed shale technology, followed by OPEC's decision to maintain production to force higher-cost competitors out of business. With the removal of sanctions on Iran further increasing the supply of oil, a major recovery in prices does not appear likely in the short term.

Crude Oil Price

USD per Barrel (Brent)

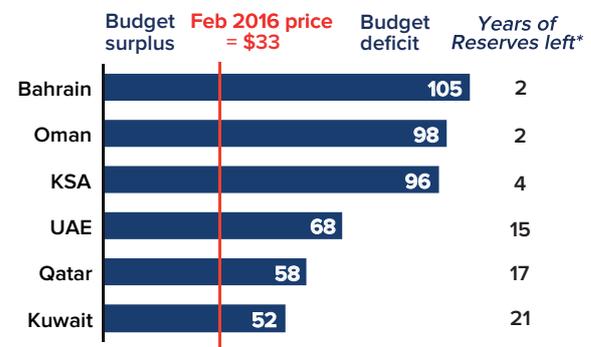


Source: World Bank

Reduced government spending

With GCC governments depending on oil for up to 90 percent of their revenues, the sustained low oil price has been a shock to the system. While their reserves provide a cushion for some time, at current oil prices, several countries will run out of funds in two to four years. Governments have responded by borrowing, reducing generous state subsidies on fuel, water and electricity, cutting all non-essential investments and putting some projects on hold, while maintaining spending on critical infrastructure projects. This has inevitably impacted the flow of funds into the private sector, especially industries heavily dependent on government projects.

Oil price Needed to Balance Budget

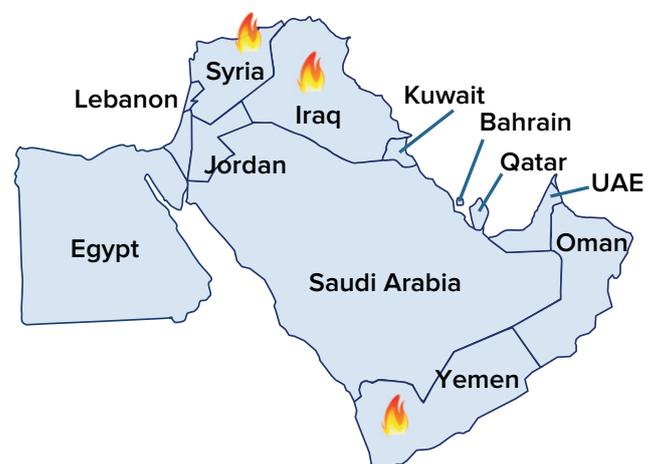


*Based on current budget and oil price of \$30/barrel
Source: IMF, World bank, BofA Merrill Lynch

Geopolitical tensions

Political tensions and military conflicts across the Middle East have been rising steadily, now for the first time directly involving GCC states and putting further demands on government finances. The region's coverage in international media is also impacting tourism and in some cases harming the region's ability to attract expatriate talent. Securing employment visas for candidates from unstable or war-torn countries continues to be a challenge for employers in several Gulf countries.

Middle East – Key Conflict Zones



Recruitment Trends

Healthcare booming

Healthcare continues to be a bright spot in the economy with 68% of firms surveyed reporting an increase in headcount during 2015, the highest among all sectors. This seems to be driven by the region's fast growing population, coupled with regulatory changes making health cover provision mandatory for employers. Retail is another sector that is reporting healthy growth.

“
The healthcare market is growing. We are facing a high employee turnover, because of so many new opportunities in the market and too few qualified candidates.”

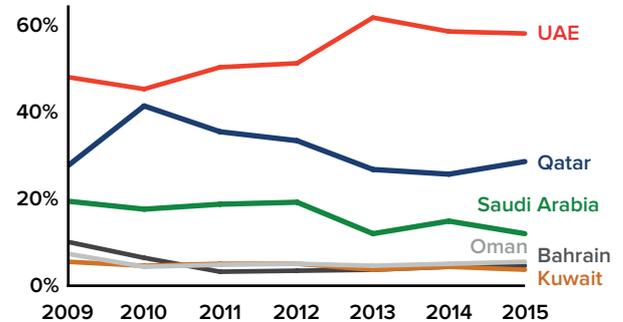
Human Capital Director
UAE-based Hospital

UAE most attractive destination

UAE continues to dominate as the most attractive destination in the GCC for expatriates. 63% of the professionals surveyed picked UAE as the place they would be most likely to move to. The country also enjoys the highest retention rate in the region with 88% of expatriates already residing in the country expressing a desire to remain there. Saudi Arabia continues to decline as a top destination for expatriates, with the relentless drive to meet Saudization targets in the private sector.

Attraction of Expatriates

% of GCC-based expats outside each country who wish to relocate into it



Source: GulfTalent Surveys

Changing recruitment patterns

Following robust hiring activity in the first half of 2015, firms across the region have become increasingly cautious in hiring. Faced with a cooling business environment, many have limited recruitment to replacement hiring only. A significant number are undertaking restructuring, merging job roles or outsourcing entire departments to reduce costs and improve efficiency. With all hiring under scrutiny, there is growing demand for multi-tasking generalist candidates who can undertake a wide range of duties. Meanwhile, employee turnover has fallen, with fewer opportunities and greater instability making candidates more cautious.

“
Companies are now demanding multi-taskers. They are merging job roles and looking for candidates with diverse skills and experience.”

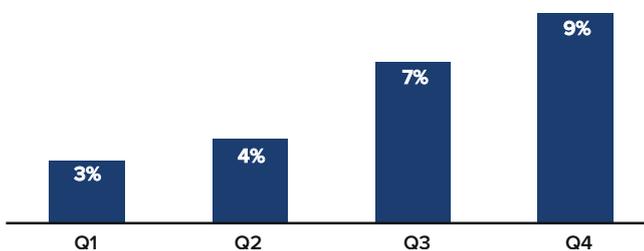
Team Leader
UAE based Recruitment Firm

Redundancies on the rise

With billions of dollars' worth of oil & gas investment projects cancelled, energy firms have been undertaking redundancies on an unprecedented scale. Reduced government spending has also put pressure on firms in construction as well as banking. Among job categories, administrative staff seem to have been most affected, with one in ten admin professionals surveyed having been made redundant in 2015, followed by those in Engineering and General Management. The pace of redundancies has picked up in the second half of 2015 and looks set to accelerate during 2016, with 10% of employers surveyed planning job cuts.

GCC Private Sector Redundancies

% of firms downsizing in 2015, by quarter



Source: GulfTalent Survey of HR Managers

Nationalisation pressure

Increasing the share of private sector jobs held by nationals continues to be a top priority for GCC governments. Saudi Arabia and Kuwait recently expanded the range of job categories reserved for their nationals. Kuwait has also taken measures to make expatriates less employable, by limiting professions in which expatriates can be issued with a driving license. Meanwhile, the diminishing number of new government jobs may be creating a window of opportunity for the private sector, with some employers reporting greater success in attracting Gulf nationals.

“

We always wanted to hire Saudis, but they were not interested before. We are happy that Saudi nationals are now accepting our job offers.”

Director of Development
Saudi-based Hotel Group

Improving worker protection

GCC governments continue to gradually improve worker protections, partly in response to negative coverage in international media. Qatar and Saudi Arabia have followed the UAE in launching a wage protection system to guarantee timely payment of employee salaries. UAE recently removed the six-month visa ban on employees who leave their jobs, while Qatar's proposed revamp of its Kafala system will also make it easier to switch jobs. This will increase staff turnover for companies, but help reduce the high attrition of expatriates from Qatar. Meanwhile, India and the Philippines have introduced their own measures to protect their citizens, requiring Gulf employers to register and guarantee a minimum wage.

“

Now with the Wage Protection System in place, employees get their salaries on time through the bank, unlike before when many companies delayed salaries.”

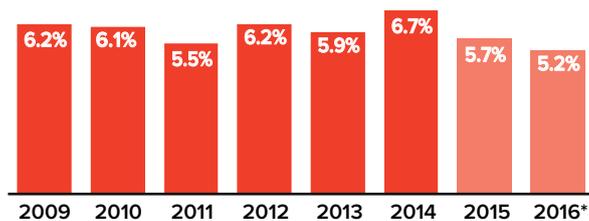
Recruitment Manager
Qatar-based Engineering firm

Salaries

Pay rises slowing

With the recruiting market cooling and businesses tightening their spending, average pay rises in 2015 slowed down to 5.7%, from 6.7% in the previous year. Employers also reported an accelerating shift to performance-based variable pay. Based on GulfTalent's survey of employers, salary increases are set to slow down even further in 2016, forecast to average just 5.2%. This is the lowest average increase for over a decade, since GulfTalent's regional salary survey was launched in 2005.

GCC Average Salary Increase 2009 – 2016



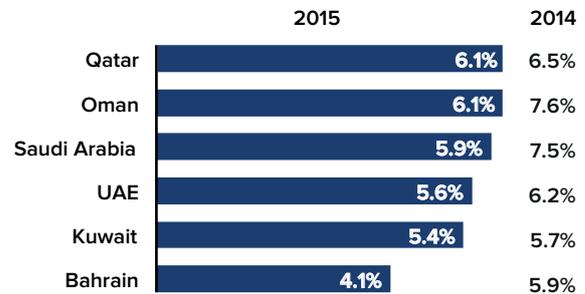
* Forecast
Source: GulfTalent Surveys

Qatar tops pay rises

Qatar and Oman had the highest salary increases in 2015. The surge of economic activity in Qatar due to the 2022 World Cup has contributed to growth in pay, while the increased unionization of the workforce in Oman continues to put pressure on salaries there. Bahrain, heavily exposed to the oil price collapse and still recovering from the political unrest of the last few years, witnessed the region's lowest average pay rise.

Average Pay Rise by Country

GCC private sector



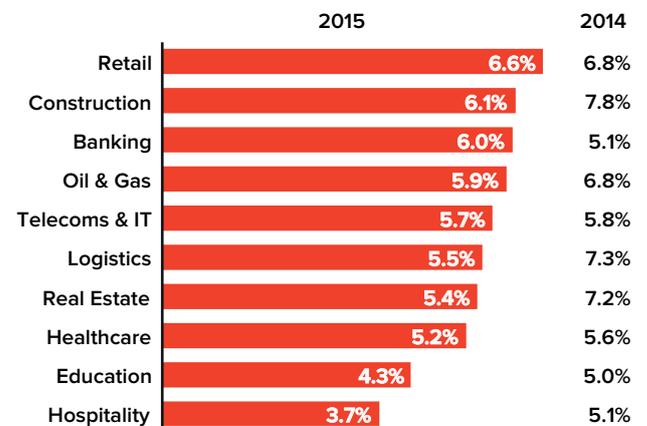
Source: GulfTalent Surveys

Retail has highest pay rises

Among sectors, Retail experienced the highest average pay rises in 2015, thanks to growing demand and overall stability of the sector. Construction and Banking, despite significant exposure to the slowdown, registered healthy pay rises at 6.1% and 6.0% respectively, as companies sought to remain competitive and retain key specialist staff. Hospitality saw the lowest salary growth at 3.7%, owing in part to the decline in visitor traffic from Russia and European countries as a result of their weaker currencies.

Average Pay Rise by Industry

GCC private sector

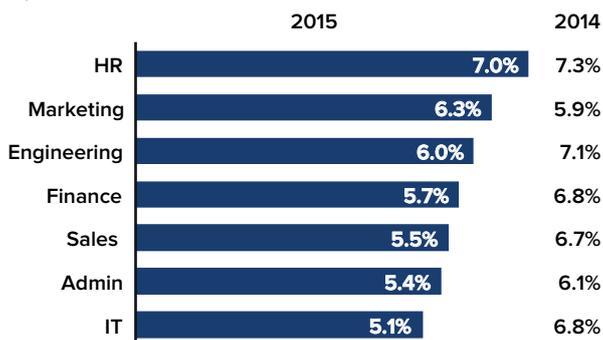


Source: GulfTalent Surveys

Highest salary increase for HR

Among job categories, HR professionals saw the highest average pay rises at 7.0%, as companies took proactive measures to manage talent while adapting to changing market needs. Engineers had significantly lower salary increases at 6.0%, compared to 7.1% in 2014, being among the most affected by reduced investment in projects. The lowest salary increases were those of IT professionals at just 5.1%.

Salary Increase by Job Category %, 2015



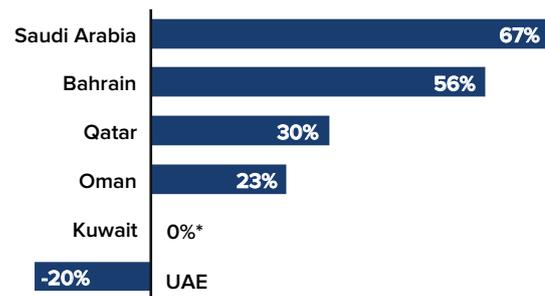
Source: GulfTalent Surveys

Rising cost of living

The lower salary increases are in spite of rising cost of living, as GCC states abandon long-cherished subsidies. Except in the UAE, which already had lower subsidies, residents across the Gulf have witnessed a big jump in their fuel bills. With the knock-on effect of fuel prices on other goods and services, inflation across the region is fast rising, threatening to eat into employees' already subdued pay rises. The decline in rents is providing a partial reprieve in some areas.

Change in Petrol Price

January 2016 vs. 2014 average price



*Increase expected to be announced

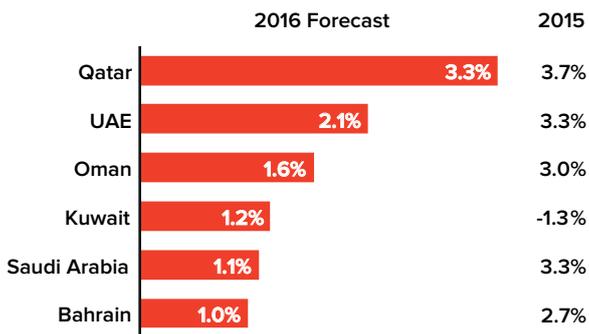
Source: News reports, GulfTalent Analysis

2016 Outlook

Moderate business growth

With oil prices expected to remain under pressure throughout 2016, most GCC economies are forecast to grow at their slowest pace since the financial crisis. For the time being, governments are maintaining critical investments, tapping into their vast reserves to cushion the impact of lower oil revenues. However, if oil prices remain at current levels for a sustained period, government spending cuts are likely to get deeper. At the same time, the financial pressures are forcing greater efficiency in both state and private sector, which will in the long run benefit the economy.

GDP Growth



Source: Economic Intelligence Unit

Conservative hiring

While a few sectors such as healthcare are hiring aggressively, most firms are being cautious in their recruitment, some limiting it to replacement hiring only or postponing decisions until there is further clarity on the market. For companies planning to expand in 2016, the candidate market is likely to be more favorable, with some top talent becoming available as a result of re-organizations and redundancies. Meanwhile, with the GCC governments unable to absorb their growing number of national youth, private sector employers will be under yet more pressure to increase their national workforce.

“

We are seeing professionals with over 25 years' experience accept offers at lower pay than in 2014. If you have projects now, it is a great time to acquire talent cost effectively.”

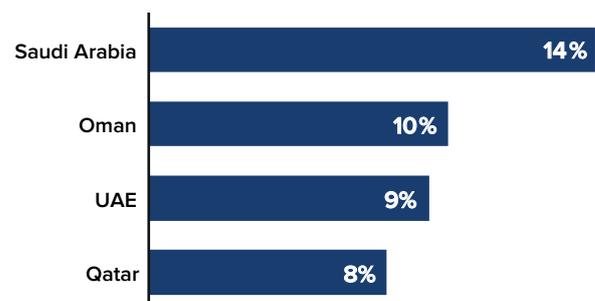
HR Manager
UAE-based Oil & Gas Firm

Job cuts

A number of companies surveyed by GulfTalent mentioned plans to make some staff redundant in 2016, with firms in Saudi Arabia expected to witness the most job cuts, given the country's higher dependence on oil revenues and the extent of planned austerity measures. Across the region, many businesses are resisting staff cuts despite operating below their full capacity, trying to hold on to their specialist talent in the hope that the market will recover in the near future. This state is not sustainable in the long run; should the slowdown prove deeper and longer-lasting, the pace of redundancies could well accelerate.

Private Sector Redundancies

% of firms planning job cuts in 2016



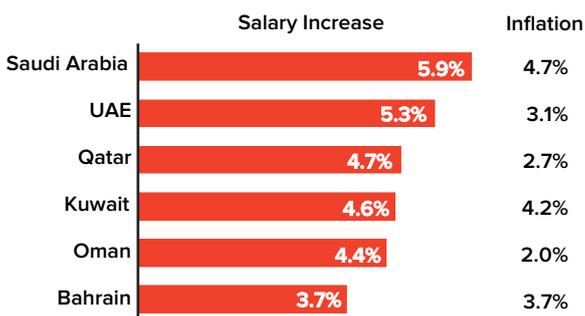
*Insufficient data available for Kuwait and Bahrain
Source: GulfTalent Survey of HR Managers

Modest salary increases

Salary increases in 2016 are forecast to average 5.2%. Professionals in Saudi Arabia are expected to see the highest average pay rises at 5.9%, though this will be largely offset by the Kingdom’s high rate of inflation resulting from cuts in subsidies. UAE is forecast to come second, with an expected 5.3% average pay rise. Bahrain is expected to have the lowest average pay rises at just 3.7%.

Expected Average Pay Rise

%, 2016 Forecast



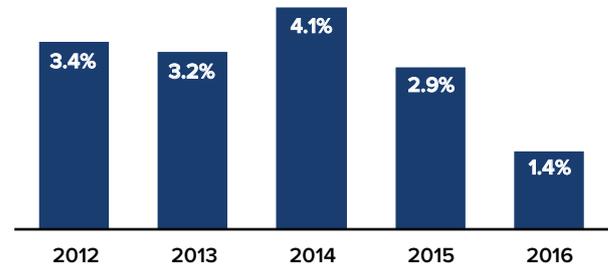
Source: GulfTalent Surveys

Stagnant disposable incomes

Many professionals in 2016 are likely to face a double-whammy of rising living costs as a result of cuts in government subsidies, coupled with stagnant wage growth due to the depressed hiring market. As a result, real salary increases net of inflation are expected to be significantly lower than in previous years. Bahrain is expected to fare the worst, with average wages rising only at the rate of inflation, leaving many professionals with no increase in their disposable incomes. The planned introduction of value-added tax, expected across most Gulf countries by 2018, may put further upward pressure on living costs.

GCC Average Real Salary Increase

Salary Increase Net of Inflation



Source: GulfTalent Survey of HR Managers, Economist Intelligence Unit

Regional tensions

Employers in several GCC countries already face restrictions in hiring from certain Arabic-speaking countries – including nationals of Egypt, Iraq, Syria and Lebanon. With political tensions on the rise, such restrictions may accelerate in 2016, forcing companies to find new sources of Arabic-speaking talent or poach those already in the market. On the other hand, several oil-dependent countries that are facing crisis and have recently devalued their currencies, such as CIS states and some in Africa and Latin America, could prove fertile grounds for recruiting.

“
It has become easier to hire from CIS countries due to the political situation in those countries in addition to fall in currency exchange rates, which has led to the expectations of candidates being much lower than before.
 ”

HR Manager
 UAE-based IT firm

Country Highlights



Saudi Arabia

- Saudisation has intensified, with additional job titles reserved exclusively for Saudi nationals
- The new Wage Protection System has centralised processing of employee salaries to guarantee timely payments
- Cuts in government scholarships for overseas study are set to increase demand for domestic universities and reduce foreign-educated Saudi talent



UAE

- Lifting of the 6-month visa ban as part of the labour law changes has made hiring easier, but is increasing staff attrition
- Recent decline in fuel prices and some residential rents are partly offsetting price rises elsewhere
- New project awards have slowed, with the exception of developments related to Dubai Expo 2020



Qatar

- After initial logistical difficulties, the implementation of the wage protection system is going smoothly
- Proposed changes to Kafala system aim to increase employee rights on some contracts and allow job changes, starting from Dec. 2016
- Many companies are switching their staff to unlimited contracts which remain more restrictive to employees



Kuwait

- Nationalization policies intensified with expansion of the job titles reserved for nationals
- Expatriates now face additional restrictions on issuing of driving licenses, visas for families, and a residency cap
- With competition among employers to meet Kuwaitization targets, employee turnover among nationals is on the rise



Oman

- The two-year visa ban and restrictions on job categories available for expats continue to make hiring difficult
- The visa ban for leavers and reduced hiring by the government have reduced employee turnover in the private sector
- With business outlook uncertain, much of private sector has frozen recruitment and many firms are eyeing redundancies



Bahrain

- Government's amnesty on illegal expatriates has provided employers with a fresh pool of locally experienced workers
- Higher visa fees now covering employee health insurance for 2 years have increased the cost of hiring expats
- Dearth of new development projects due to reduced government spending has dampened hiring activity

Appendix: Useful Information

Salary Rise by Country

(Percentage rise in Base Salary)

Country	Saudi Arabia	Kuwait	Qatar	Oman	Bahrain	UAE
2014	7.5%	5.7%	6.5%	7.6%	5.9%	6.2%
2015	5.9%	5.4%	6.1%	6.1%	4.1%	5.6%
2016*	5.9%	4.6%	4.7%	4.4%	3.7%	5.3%

Economic Growth

(Percentage real GDP change)

Country	Saudi Arabia	Kuwait	Qatar	Oman	Bahrain	UAE
2014	3.6%	-1.6%	4.0%	2.9%	4.5%	4.6%
2015	3.3%	-1.3%	3.7%	3.0%	2.7%	3.3%
2016*	1.1%	1.2%	3.3%	1.6%	1.0%	2.1%

Inflation

Country	Saudi Arabia	Kuwait	Qatar	Oman	Bahrain	UAE
2014	2.7%	3.0%	2.8%	1.0%	2.5%	2.3%
2015	2.2%	3.7%	2.7%	0.1%	0.7%	4.1%
2016*	4.7%	4.2%	2.7%	2.0%	3.7%	3.1%

Population

(millions)

Country	Saudi Arabia	Kuwait	Qatar	Oman	Bahrain	UAE
2016*	31.1	4.4	2.3	4.6	1.3	8.9

* Forecast

Source: Economist Intelligence Unit, GulfTalent Surveys

More from GulfTalent



Recruitment

Access to top local and expatriate talent across all job categories

www.gulftalent.com/employers



Salary Benchmarking

Up-to-date salary data for 350+ job titles across the GCC

www.gulftalent.com/salaries



Employer Branding

Exposure and recognition as an employer of choice

www.gulftalent.com/employers



Cost of Living

Latest cost data on housing, transport and schooling

www.gulftalent.com/costofliving



Training

Professional courses by top training providers and universities

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