

Controversies over Labour Naturalisation Policy and its Dilemmas: 40 Years of Emiratisation in the United Arab Emirates

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I. Introduction

The purpose of this study is to clarify the structural problems in the United Arab Emirates (UAE)'s labour naturalization policy (Emiratisation/Tawṭīn), through analysis of various political-economic controversies and its evolution.

Massive numbers of Arab and Asian expatriate workers have been introduced to Gulf countries since the beginning of the state-building period. As a result, expatriate workers occupy positions throughout the employment spectrum—from domestic workers to CEOs. In addition, while the expatriate population has expanded, the national population has come to make up less than a third of the total population in the UAE, Qatar, and Kuwait.¹ Today, these countries can be called 'national-minority states,' where the nationals (citizens holding nationality) are a minority among the population [Horinuki 2009b: 69].

These labour force and demographic problems have been critical factors in the process of state-building and economic development. In the case of the UAE, the federal government recently has recognised that excessive dependency on expatriate workers creates a demographic imbalance between nationals and expatriates; this imbalance is a harmful influence on local society that directly results in unemployment among the national population and creates a national identity issue. As a consequence of this recognition, the federal government introduced the labour naturalization policy that, where possible, replaced expatriate workers with national workers to improve employment conditions for the national labour force and reduced the number of expatriate workers——this is the basic concept of the Emiratisation policy.

Issues relating to Emiratisation have often been raised in the last 40 years by members of the UAE government and the UAE legislature, as well as UAE citizens and intellectuals from the UAE; on the back of this, a variety of related policies were introduced. However, both the employment situation within the national labour force and the demographic imbalance are still in decline. To date, the UAE have received more than four million expatriate workers, despite the government's apparent inability to provide employment for the thirty thousand national UAE citizens who are out of work. The government has recognised that this issue arises from

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¹ The percentage and demographic size of the national population of each country is as follows: 13% of 7.1 million in the UAE, 10% of 1.5 million in Qatar and 31.6% of 3,441,813 in Kuwait, as of 2008 (estimated from various sources by author).

a qualitative problem within the national labour force; therefore, the importance of education and occupational training has been advocated for nationals. In fact, the education system has been extensively developed and the educational sector now receives a large proportion of the national budget, yet the goals of Emiratisation have still not been achieved.

Every Gulf country shares similarities with these kinds of discussion and logic on labour naturalisation. In addition, there has been great interest among Gulf studies about labour naturalisation issues that are often explained by the expatriate worker's issue [Abdelkarim 1999; Bonine 1997; Endo 1997; Fasano and Goyal 2004; Ghanem 1992; Hatanaka 2004; Japan Cooperation Center for the Middle East 1976–78, 1985; Kapiszewski 2001; Mellahi & al-Hinai 2000; Secombe 1989; Tomizuka 2000]. Furthermore, this topic is always discussed in UAE studies [Heard-Bey 2004(1982); Kazim 2000; Davidson 2005; As'īd and Sharūb 2005], local newspapers, and economic magazines. Thus, it can be said that Emiratisation is of particularly high interest to the public. As we will see later in this article, TANMIA, the special authority for Emiratisation, has published working papers and recommended policies [Abdelkarim 2001a, 2001b; Ghanem 1992; TANMIA 2000–2004].

Let me summarize the main points that have been discussed in the above studies: first is the issue of the transformation of the industrial and economic structure in the UAE that has resulted from the strategic diversification of the industrial structure towards a post-oil economy. The non-oil sectors such as manufacturing, construction, and services expanded, and these sectors were labour intensive. However, the UAE nationals in general did not want to work in labour-intensive sectors and avoided becoming blue collar workers. The second issue is the competitiveness of the national workers in the domestic labour market. Hiring UAE workers is high-cost in comparison with expatriate workers in terms of skill, experience, productivity, wages, and vocational ethics. In addition, employers lack the incentive to nurture Emirati workers due to their economic inefficiency and unsuitability. The third is the issue of professional awareness, vocational ethics, and social structures. UAE nationals are reluctant to work in the private sector due to the lack of benefits such as a guaranteed basic salary, working hours and social security. Therefore, they tend to work in the public sector. Although these points have been widely discussed, and the importance of education and vocational training are stressed each time, they have not created radical solutions for labour naturalisation and reprise the same arguments.

This begs the question, why has the debate over Emiratisation continued, back and forth, for the last 40 years? In this paper, I attempt to argue that the problem with Emiratisation lies not only in the policy flaws, which has already been noted, but that the problem is also structural — an assertion that can be clarified by examining various political-economic controversies and the opposing interests of actors in the UAE.

II. The Policy of Emiratisation: The Whole Picture and Evolution

This chapter is an overview of basic information on the labour issues in the UAE to enhance understanding of its Emiratisation policy. First, we review the main labour-related problems and the UAE's motivation for the implementation of Emiratisation. Then we briefly trace the evolution of labour policy in the UAE as a preface to discussing the background of Emiratisation.

1. Sorting Out the Problems of Emiratisation

Emiratisation has been widely discussed from the standpoint of the economic structure of the UAE; the competitiveness, skill, and work ethics of the national workers; and the mismatch between labour supply and demand. The most important point of the debate is how to improve the quality of the national workers; in general, most people agree that in spite of investment in education and training for nationals, the goal of Emiratisation has still not been achieved. Three basic points must be considered to understand the Emiratisation problem: demographic imbalance, unemployment among nationals, and human resource development.

1.1 Demographic Imbalance

Emiratisation policy is deeply rooted in the size of the expatriate worker population. Today, the total population of the UAE is estimated at more than eight million, of which the expatriate population comprises 87%.² According to 2009 Ministry of Labour statistics, there are 4.1 million workers in the UAE (not counting workers in the government sector and the Free Zone). Ninety-nine percent of the workforce in the private sector are expatriates.

The cause of this demographic imbalance can be explained by the national development process in the UAE. During the state-building period in the 1970s, the UAE brought in massive numbers of expatriate workers due to a lack of skilled and unskilled national workers. Then the UAE government attempted to develop the non-oil sector to reduce the nation's dependency on oil revenue in 1980s. Thus, non-oil sectors such as manufacturing, construction, and services have expanded; however, these sectors create job opportunities mainly for expatriates because nationals tend to avoid working there due to the working conditions [Horinuki 2009b: 71–72].

These labour-intensive sectors require both skilled and unskilled workers, and the demand for workers has increased since the economic boom that began in the mid-1990s. Because it has been impossible to fill both the qualitative and quantitative labour demands only with nationals, dependency on expatriates has become stronger.³ In a session of the

² By author's estimation (2010) from local newspapers (see Appendix).

³ Jobs created yearly in the UAE number 600,000 in the private sector, of which 450,000 are blue-collar and 150,000 are white-collar [*Gulf News* 12 Aug. 2006].

Federal National Council (FNC), Saqr Ghobash, the present Minister of Labour, said “There are no quick or magic solutions to the foreign workforce issue” [*WAM* 16 Dec. 2008].

1.2 Increase of National Youth and Unemployment Rate

Another dimension of the problem is the increasing of the nation’s youth population and its unemployment rate. The population of UAE national youth between ages 15 to 24 is estimated to be approximately 230,000, or 25% of the total national population. Fifteen thousand graduates enter the labour market every year [*Emirates Business* 24/7 16 Jun. 2009] and the national workforce is expected to double by 2020 to a half million [*Gulf News* 16 Nov. 2008]. An increasing youth population is a common issue in Middle East countries and job creation for them is a crucial policy that every government must confront.

While there are more than 4 million workers in the UAE labour population, the national workforce numbers just 250,000; moreover, the most serious problem is that there are just 14,861 nationals working in the private sector [*Gulf News* 19 Feb. 2009]. In other words, most nationals work in the government (public) sector.

Unemployment of nationals is also a crucial problem. Unofficial data show that there are about 35,000 unemployed nationals in the UAE,⁴ and more than 80% of them are youths under 24 years old [*The National* 14 May 2009]. According to a recent report by the National Human Resource Development and Employment Authority (TANMIA), most national job-seekers are from northern emirates and are female [*Gulf News* 19 May 2009; *al-Bayān* 20 May 2009]. It is estimated that unemployed nationals will number 300,000 by 2015 [*Gulf News* 25 Apr. 2006].

1.3. Human Resource Development in the Post-Oil Era

A third aspect of the problem is human resource development. The UAE has a huge revenue resource, oil, but inadequate human resources. Therefore, human resource development has been an important component of the UAE national strategy. The late president Sheikh Zayed said, “One of the most important duties of a citizen is to work day and night to improve himself and, consequently, to improve his nation” [al-Doaifi n.d.: 159]. Labour officials have also pointed out that nationalisation in the private sector was a national issue in 1990s [*Khaleej Times* 3 Oct. 1993].

In line with the national strategy, the federal government has invested in the education

⁴ There are no official unemployment statistics in the UAE, but individual government bodies or institutions have reported some data, for example, 89,000 by the *Gulf News* [*Gulf News* 6 Jun. 2009] and 90,000 by a World Bank report [*Emirates Business* 24/7 16 Jun. 2009]. According to the Ministry of Economy, the number of job-seekers in the domestic labour market was 126,000 in 2008 and the bulk of them could be nationals. In addition, unemployment among UAE nationals stands at 13.8%, and an economist pointed out that “The UAE has long been suffering from hidden unemployment” [*Emirates Business* 24/7 7 Aug. 2009].

sector to enhance human resource development. In 1977, the first national university was established in al-‘Ain, and then many national and private universities branched out in the UAE. However, some experts criticised that higher education and the demands of the labour market are mismatched because most students tend to study humanities. Today, the education sector is the largest component of the national budget, Dh 9.47 billion (27%) in 2008.

2. Evolution of Labour Naturalisation (Emiratisation) in the United Arab Emirates

The first and most symbolic labour policy was the decision that UAE nationals be given first priority in employment [UAE Labour Law Article 9]. The federal Labour Law was enacted in 1980 and basic labour-related regulations were introduced by the early 1980s.

The Emiratisation process was launched around 1990, when the first generation after independence of the UAE entered the labour market. Since then, the number of young national graduates has increased, giving the federal government no other choice but to introduce Emiratisation programs. The FNC began to discuss the unemployment problem of nationals and the Emiratisation policy, and then the federal government established a specialized agency for Emiratisation, TANMIA in 1999. TANMIA was expected to take a major role in the Emiratisation program; however, it got off to a disappointing start because it could not be enforced.

In 2004, President Sheikh Zayed bin Sultan Al Nahyan passed away and Sheikh Khalifa, his eldest son and the crown prince of Abu Dhabi, succeeded to his father’s position—ruler of Abu Dhabi and president of the UAE. Then-Prime Minister Sheikh Maktoum bin Rashid Al Maktoum formed his new cabinet in November and appointed Dr. Ali bin Abdullah al-Ka‘abi as Minister of Labour and Social Affairs. The new labour minister was very active and had strong motivation to develop labour policies; the Emiratisation process was implemented under his strong leadership. One of his achievements in Emiratisation was the introduction of a quota system in the private sector, and it delivered results even though the private sector opposed this policy.

However, his strong initiative was opposed by the present Prime Minister Sheikh Muhammad bin Rashid Al Maktoum, successor to his brother Sheikh Maktoum, over the methods of Emiratisation. The labour minister was publicly criticized by Sheikh Muhammad and was replaced when Sheikh Muhammad reshuffled his cabinet in 2008.

It is beyond the scope of this paper to describe all the specifics, but this enhances our understanding of the Emiratisation background that will be discussed in the next chapter.

Table. Chronology of Labour Policy in the UAE

Year	Events
1972	The Civil Service Council decided that preference in hiring would be given firstly to UAE citizens and then to nationals of other Arab countries.
1980	Saeikh Zayed issued the federal Labour Law.
1990s	Federal National Council (FNC) debate over alarming size of the expatriate work force and the need for drastic new Emiratisation measures.
1990	Government introduced a job-creation plan aiming to 700 jobs for nationals a year.
1992	Dubai Chamber of Commerce and Industry set up the Emiratisation Council. Vocational School opened at Abu Dhabi and Dubai.
1993	Council of Ministers decided to introduce the annual 5% Emiratisation quota system to the insurance sector. Debate of Emiratisation in Banking sector started in the federal government body. Some universities started career fairs.
1996	UAE became a member of WTO. FNC recommended the setting up of a supreme board for the appointment of UAE citizens and to follow up on national manpower.
1997	Committee for Human Resources Development in the Banking Sector (CHRDB) was set up.
1999	<u>National Human Resource Development and Employment Authority (TANMIA) was set up.</u>
2002	UAE government ratified a part of treaties of International Labour Organisation (ILO).
2004	Council of Ministers decision No. 1/259 of 2004 obligate 2% Emiratisation quota to private sector (trade company) . Sheikh Zayed passed away. Sheikh Khalifa, the eldest son of Zayed, became ruler of Abu Dhabi and the president of the UAE. Maktoum bin Rashid formed a new Cabinet. <u>Dr. Ali bin Abdullah al-Ka'abi assumed the minister of Labour and Social Affairs.</u>
2005	Ministry of Labour and Social Affairs ordered its decisions No. 41 (2 % Emiratisation quota to trade company), No. 42 (5% Emiratisation quota to insurance company), and No. 43 (4% Emiratisation quota to Bank).
2006	Muhammad bin Rashid formed a new Cabinet. Ministry of Labour and Social Affairs separated into Ministry of Labour and Ministry of Social Affairs. Dubai government set up Emirates National Development Program (ENDP). <u>Complete Emiratisation of public relation officer (PRO), secretary and personnel affairs positions.</u> Introducing of Category System.
2007	Emirates Foundation set up Emiratisation program 'Tawteen.' UAE government announced 'UAE Government Strategic Plan.' Dubai government announced 'Dubai Strategic Plan 2015.' Ministry of Labour ordered expanding the coverage of Emiratisation to Tourism, Exchange, Hotel, Construction and Service sectors.
2008	'Year of National Identity' Sheikh Muhammad bin Rashid, prime minister of the UAE, reshuffle his cabinet. <u>He replaced the Minister of Labour, Dr. Ali al-Ka'abi, to Saqr Ghobash Saeed Ghobash.</u> National Demographic Structure Committee was set up by the government under the Ministry of Interior.
2009	Federal Human Resource Development Authority was set up. Emiratisation Council was set up.

Source: [al Abed et.al. 1996; Davidson 2005] and local newspapers.

III. Emiratisation Issues as Political-Economic Controversies

In this chapter we discuss the debates and conflicts over the Emiratisation policy in the UAE. First, we analyse the Emiratisation debate through five topics. Then, we focus on the three points of conflict over Emiratisation to clarify why at any given time, the same topics continue to be discussed using the same logic.

1. Emiratisation Debates Over the Past 40 Years

Emiratisation debates focus on five main topics: human resource development, reducing the dependency on expatriate workers, unemployment and job creation, the job quota system and gradual Emiratisation, and how governmental bodies should implement Emiratisation. Understanding these five topics is crucial for grasping the whole image and reality of Emiratisation, and allows us to elucidate some of the background conflicts in the stalemated Emiratisation process.

1.1 Human Resource Development

Human resource development is the most important long-term issue in developing the national economic policy of the UAE because Emiratisation is the process of improving the quality of the national workforce and reducing dependency on expatriates. The late president Sheikh Zayed stressed that the young generation is the ‘true wealth’ of the UAE [Zayed 1990: 26–27] and the government has thus made investment in the education sector a strategic priority.

However, education and human resource development require a long-term, consistent strategy. The government has recognised that Emiratisation is not easy and will not be achieved by short-term thinking. Dr. Ali Abdullah al-Ka‘abi, former Minister of Labour and Social Affairs, pointed out that “Unemployment cannot be addressed by painkillers or temporary measures, because this challenge requires long-term, decisive and painful measures” [*WAM* 10 Jul. 2005]. On the occasion of the 37th National Day in 2008, President Sheikh Khalifa also said “Human resources development does not mean just the preservation of the pattern of development; it is also the way for entrenching the position of our country as a centre of global attraction in the fields of business, trade and services, and as a link between the East and the West” [*WAM* 1 Dec. 2008].

Human resource development is recognised as one of the solutions to the demographic imbalance in the UAE. As already mentioned, this demographic imbalance is the result of a lack of skilled human resources, and replacing the expatriate workforce with an adequately trained national workforce is the best solution. Demographic imbalance problems were widely argued in 2008, the ‘National Identity Year,’ and President Sheikh Khalifa commented, “Working on developing domestic human resources, elevating their performance through

training and qualification programs so that they have the ability to use modern technology that decreases dependence on foreign labour, unskilled labour in particular” [*Khaleej Times* 25 Nov. 2008]. This discussion was true until a decade ago. However, Emiratisation as a solution for the demographic imbalance has become difficult today because there are more than 4 million expatriate workers in the UAE compared to only 250 thousand national workers: this means there are far too few nationals in any case and labour demands cannot be satisfied without expatriate workers.

Job training and education are both important ways that human resources can be developed. However, it is important to point out that certain problems cannot be resolved only by job training; also involved is the social structure which forms work ethics, vocational preferences, and the economic gap between the government sector and the private sector.

1.2 Reducing Dependency on Expatriate Workers

In general, most complaints against expatriate workers by local workers in the ‘immigrants-receiving’ Western countries are based on the assumption that jobs are stolen from local workers. Sometimes this becomes a very nationalistic argument, but such nationalism is very rare in the UAE.

Although there is little xenophobia in the UAE, increased numbers of and dependency on expatriate workers has entered the national agenda due to security and social concerns. The demographic imbalance problem has become a ‘big theme’ and Emiratisation is expected to contribute to curbing the increasing expatriate population.

1.3 Unemployment and Job Creation

In any country, employment is a crucial issue for the state and its citizens. The late president of the UAE said, “The question of employment [is] an essential pillar for the progress of society” [Zayed 1990: 32], and the UAE government has attempted to diversify its economy to reduce its dependency on the oil sector. At the same time, growth of the non-oil private sector is expected to provide increased job opportunities for nationals.

Contrary to the oil-rich image of the UAE, the national unemployment rate is high—estimated to be 10% to 15% of the national workforce. This situation seems improbable because 600,000 jobs are created yearly in the private sector of the UAE. In addition, both the federal and emirate governments, and other public sectors still have absorption capacity for nationals. Furthermore, the approximate 10% unemployment rate in the national workforce represents just 25,000 people; thus, it would seem to be very easy to resolve Emiratisation issues. Ahmad Humaid al-Tayer, chairman of the Emirates Nationals Development Programme (ENDP) said, “It is not logical for the private sector to accommodate thousands of expatriate workers when it is not able to provide jobs for UAE Emiratis” [*Gulf News* 3 Mar.

2009]. Some experts have suggested that the reason for national workforce unemployment is the mismatch between education and the labour market [*Khaleej Times* 13 Mar. 1990].

1.4 Employment Obligations and Gradual Naturalisation in the Private Sector

Emiratisation aims to replace expatriate workers with nationals in both the public and private sectors; this priority target of Emiratisation is related to the high expatriate population and the large potential for long-range employment.

It seems reasonable to support characterizing Emiratisation as a ‘regulatory’ policy rather than a ‘subsidiary’ policy. The most successful example is the Emiratisation quota system in the banking sector that was implemented by the Cabinet Decision No. 10 of 1998. It imposed a 4% quota for hiring national workers. Before the implementation, only 1,278 nationals worked in the banking sector in 1997; after implementation, that number increased to 10,566 by 2007 [*WAM* 5 Mar. 2008; *Gulf News* 6 Mar. 2008].

Another example of quota system implementation was for Public Relations Officer (PRO), secretariat, and personnel affairs positions in 2006. Although the government faced strong opposition from private companies, it can be said that this federal quota system has proved ‘effective’ and ‘successful’ from the viewpoint of policy, even though it engendered deep conflicts between the government and the business community.

1.5 Government Agencies

The role of government bodies and their ability to implement individual policies is crucial for achieving Emiratisation goals. Comprehensive labour policy is implemented by the Ministry of Labour and Social Affairs and local labour agencies. However, the federal government established TANMIA in 1999 to “provide quality services in areas related to the training, career guidance and employment of national human resources to create a productive workforce capable of contributing to a competition- and skill-based national economy” [TANMIA web site].

Although much was expected of TANMIA, it had not met its mandate by the end of 2004, having recruited only 3,100 UAE nationals even though its allocations for the last four years amounted to Dh 107 million. This means that the country has spent more than Dh 34,000 for every citizen recruited. This sparked a firestorm of criticism by the Minister of Labour Ali al-Ka’abi [*WAM* 10 Jul. 2005], after which then-director general of TANMIA, Dr. Abdul Rahman al-Awar, submitted his resignation to the minister [*Gulf News* 12 Jul. 2005]. It can be said that this resignation was a de facto ‘forcible ouster.’

Apart from TANMIA, other specialized agencies for Emiratisation were set up by federal and local governments in the 2000s, which has resulted in the Emiratisation policy and programs overlapping and becoming more inefficient.

2. Points of Conflict over Controversies of Emiratisation

Let us further examine the conflicts over the Emiratisation debate that will help to illustrate the point we have been considering. The three primary conflictive points are the federal government and the business community; domestic politics; and the government and nationals.

2.1 Federal Government vs. the Business Community

First conflict point in Emiratisation policies is between the federal government and the business community.⁵ The argument is over the nature of the labour market in the UAE, which the government complains is ‘unfair competition’ for the national workforce; the business community refutes this by describing the labour market as a ‘free market.’ The government has attempted to implement its Emiratisation policy even though it recognises that the national workforce is less competitive compared to expatriate workers in the labour market because they do not have adequate experience and skills. In addition, the cost of hiring expatriate workers is ‘unreasonably cheap’ compared to national workers; therefore, the government denounces this situation as ‘unfair competition.’

From the viewpoint of the business community, however, these complaints by government miss the whole point. The private sector complains about the inferior qualities of national workers in terms of skills, efficiency, work ethic, and higher economic cost.⁶ For example, the insurance sector is one important Emiratisation target and the government imposed a 15% national worker employment quota on that sector. In spite of Emiratisation, the insurance sector could not achieve its goal by 2005 and TANMIA criticized its members, but they refuted critics by declaring that national workers required high wages even they do not meet the required standards [*Gulf News* 5 Jan. 2005]. This is a typical stereotype of national workers and they are often associated with a bad image. However, the former Minister of Labour Dr. Ali al-Ka‘abi made this rebuttal:

The private sector is discriminating against UAE nationals not because they are not willing to work but because those companies are greedy and are scared of UAE nationals who stand up for their rights and demand appropriate working conditions.
[*Gulf News* 25 Jul. 2006]

⁵ Actually, it is difficult to completely distinguish between the government and the business community because ruling families in the UAE often engage in their own business activities, and there are government-related companies in the UAE.

⁶ According to the report ‘Arab Human Capital Challenge’ presented by the Sheikh Muhammad bin Rashid Al Maktoum Foundation (MRMF), more than 70% of CEOs in the GCC countries think that local hiring plans will not help improve their companies’ performance. In addition, the notion of labour quotas and the naturalisation policy has negative effects [*Khaleej Times* 14 Jun. 2009].

Despite his refutation of the stereotype, judgments by the private sector are still harsh. According to a recent study by ENDP, the turnover rate of national workers is high (about 60%) because of poor incentive management [*The National* 22 Jun. 2009]. Thus, Emiratisation in the private sector is also a critical issue for business management.

What, then, are the merits of Emiratisation for the private sector? Even though the director-general of TANMIA explained that under Emiratisation private companies could receive ‘preferential treatment from the government’ [*Gulf News* 14 Dec. 2003], it is not certain that the private sector would benefit from Emiratisation. The private sector considers Emiratisation a ‘necessary expense’ for their businesses. In addition, the federal government uses both carrots and sticks, such as the ‘category system’ introduced in 2006. Government and labour authorities give facilities to the private companies that meet Emiratisation criteria, but if they refuse to participate they will be blacklisted, fees will be hiked, and labour transactions will stop.⁷

We can see from the above discussion that the first conflict point between government and the business community is the quality of the national workforce. Recently, a new perspective has been introduced that private sector employment of national workers is a form of ‘Corporate Social Responsibility’ (CSR). In addition, the Prime Minister Sheikh Muhammad bin Rasid pointed out that private companies now prefer to employ UAE nationals, as part of their CSR [*Gulf News* 19 Apr. 2009].

2.2. ‘Pro-National Workforce vs. Free-Marketeers’ in Domestic Politics

The second conflict point is between those who support the ‘pro-national workforce’ and those who support the ‘free-marketeers’ in domestic politics. At first glance, Emiratisation seems to be a national priority by both parties; however, there are many differing views among the government, emirates, and ministries.

Supporters of a ‘pro-national workforce’ seek complete Emiratisation, especially in the private sector, and the most representative actor is the Ministry of Labour. The ministry is responsible for comprehensive labour policy and putting forth concrete policies for Emiratisation. In contrast, ‘free-marketeers’ are those who want to give free rein to market forces; in other words, they oppose intervention by the federal government to impose the national workforce on the private sectors for reasons of economic efficiency. The most representative ‘free-marketeer’ is Dubai and its ruler Sheikh Muhammad bin Rashid Al Maktou, because economic activity in the non-oil sector is currently the most crucial resource for the Emirate of Dubai and economic efficiency is a key to such development.

⁷ The Ministry of Labour and Social Affairs said that 796 companies would be blacklisted because they are deemed ‘non-cooperative’ regarding the country’s efforts to achieve a 2% Emiratisation rate. A 2004 Cabinet decision makes it mandatory for private companies that employ more than 50 persons to achieve an Emiratisation rate of 2% yearly [*Gulf News* 11 Jun. 2006].

Since Dr. Ali al-Ka'abi was appointed Minister of Labour and Social Affairs in November, 2004, he has maintained energetic activities in labour policies, especially regarding Emiratisation and expatriate workers' issues. From 2005 to 2006, the ministry imposed a quota system that required private companies to employ national workers in positions of PRO, secretariat, and personnel affairs. As a result, 1,900 companies hired more than 1,200 national PROs by February 2006 [*Gulf News* 22 Feb. 2006]. It can be said that his efforts toward Emiratisation were 'effective measures' because these policies were systematic and enforceable. In addition, the minister disparaged TANMIA's activities and its poor implementation of Emiratisation policies.⁸ However, criticism of Emiratisation has come not only from private companies, but also from a top leader in the UAE government, the Prime Minister and Ruler of Dubai, Sheikh Muhammad. At the announcement of the UAE Federal Government Strategy in April, 2007, Sheikh Muhammad publicly criticized Labour Minister Dr. al-Ka'abi's 'rough-and-ready' implementation of Emiratisation because he 'ignored reality' [*Gulf News* 18 Apr. 2007]. A year later, he was replaced by Saqr bin Ghobash when Sheikh Muhammad reshuffled his new cabinet.⁹ Thus, we see that Dubai and Sheikh Muhammad gave preference to short-term benefits over a long-term strategic goal.

The enforceable quota system has been a controversial way to implement Emiratisation. Sheikh Muhammad explained his stance by saying, 'The Emiratisation plan is primarily based on training and qualifying UAE nationals, equipping them with all the necessary tools and competencies and supporting them to confidently compete in the job market' [*Gulf News* 18 Apr. 2009]. Yes, his argument is sound, but it can be pointed out that one of the reasons why the Emiratisation process has failed in last 40 years is its lack of enforceability.

The quota system has been unpopular not only in Dubai but also in Abu Dhabi. In 1990, a senior official of the Abu Dhabi government opposed the Emiratisation quota system in the private sector, calling it 'unrealistic' [*Khaleej Times* 17 Jun. 1990]. Furthermore, Sheikh Nahyan bin Mubarak Al Nahyan, the Minister of Higher Education, also opposed the quota system and showed his very optimistic view toward Emiratisation, telling an interviewer:

To be honest, I am against pushing and rushing things because this could be counterproductive. We should not force anything on the private sector because we are a country which enforces the principles of liberalism and open markets. I am with a process of gradual transformation which will benefit everyone [*Gulf News* 4 Jun. 2004].

8 After the implementation of PRO Emiratisation, a labour officer commented that "With one policy, the Minister in 45 [working] days got more jobs for UAE nationals than TANMIA did in a year" and criticized TANMIA's work [*Gulf News* 22 Feb. 2006].

9 Dr. Abdulkhaleq Abdullah (UAE University) said the reasons for this replacement were that "al-Ka'abi was very controversial" and "he had to juggle the interests of a lot of people, and some were clearly dissatisfied, including the prime minister" [*MEED* 14–20 Mar. 2008].

Therefore, although Emiratisation is a priority of federal government, its goals have not been achieved in 30 years.

This conflict point implies the difficulties of policy coordination in the UAE, and that important policies of labour, demographics, economics, and education are inconsistent. They are intricately interrelated but it is not easy to make them compatible. Restricting the size of the expatriate population in the UAE is consistent with Emiratisation, but if the government focuses on economic development, Emiratisation is ignored. Improving education is also an important way to enhance Emiratisation, but education needs long-term continuity; the education sector has demanded expatriate professionals for good education and has thus been against the Emiratisation of teachers. Therefore, we may say that the federal government has not been able to establish priorities in its policy targets.

2.3 Government vs. National Workers

The third conflict point is between the government and national workers. The Emiratisation problem is a background influence in the relations between them in the so-called ‘oil-rich welfare states.’

It is important to note that an important role of the government sector in oil-producing countries is resource allocation to their nationals [Mansour 2008]. Nationals have received ‘oil welfare’ through free education, free medical and social services, free housing, and through employment in governmental and semi-governmental bodies. In general, UAE nationals much prefer to work in the government sector due to the high wages offered there,¹⁰ as well as the social and economical stability, social status, and good working conditions. Working conditions are the greatest disparity between governmental and private sectors that forms the ‘rent-seeking’ attitude by nationals. Today, of the 65,000 employees in the federal and related governmental bodies, 28,000 are nationals [*al-Bayān* 20 May 2009].

Although the UAE is an oil-rich state and the government sector plays a crucial role for resource allocation, ‘big government’ is being reviewed to reduce administrative and social security costs. Both federal and local governments have introduced administrative reform and privatisation since the mid-1990s to cut costs and improve efficiency because they have experienced budget deficits from mid-1980s due to declining international oil prices. In 2008, the Ministry of Social Affairs revealed plans to reduce social security expenses. In addition, in 2009 the FNC challenged the budget of the ministry [*al-Khalīj* 9 Apr. 2009]. Although Emiratisation in the government sector is also a crucial target, the employment of nationals

¹⁰ The UAE federal government announced wage increases for both national and expatriate staffs in 2005 (25% increase for national staffs and 15% increase for expatriate staffs). In addition, federal and local governments implemented 70% wage increases from 2006 to 2007.

may be reduced because of its high cost as compared to expatriate staff and the low quality of the nationals' work skills, or the wage level of national staffs may be reduced.

UAE nationals who cannot get a position in the government attempt to enter the private sector. However, entry barriers are very high for nationals because there is such a mismatch of wages, employment conditions, working shifts, and language [Gray 2001: 56]. Recently, Dubai has become a popular place of employment for Arab youth with higher education [*Gulf News* 12 Jun. 2009]; in other words, young nationals face strong rivals in the labour market. As already mentioned, the nationals are not competitive and their retention rate is very low. Some national experts urge that national workers need to take entry-level jobs and accept wages set by the market [*The National* 18 Dec. 2008]. In the last few years, young nationals have gradually started to work in the service sector such as in the hospitality industries, supermarkets, and as taxi drivers.

It should also be added that this third conflict point is not only a corollary to the national worker problem, but also to the economic situation in the UAE. There are large economic disparities between emirates, especially in the northern emirates. According to the TANMIA's unemployment registration, 12,013 unemployed nationals are registered, and 73% of them are from the northern emirates and are female [*Khaleej Times* 18 Nov. 2008]. Most employment opportunities, both in government and in the private sector, are concentrated in Abu Dhabi and Dubai, while most unemployed people are in the northern emirates.¹¹ In addition, the 2008 global financial crisis affected the UAE economy, and one of the largest local companies, the al-Futtaim Group, laid off 20 national workers in February, 2009. This was an enormous shock for nationals, and eventually the Ministry of Labour intervened with al-Futtaim to resolve this problem peacefully.¹² Given the present economic situation, national workers now prefer to go back to the government sector.¹³

11 In response to an 'E-Session' question from a young national regarding unemployment issues in the Emirate of Fujairah, Sheikh Muhammad bin Rashid answered, "The issue faced by the fresh graduates in the northern emirates and the rural areas in the UAE, including yourself, is the imbalance between the number of graduates and the available job openings in their areas of specialisation. Another issue is the unwillingness of a major percentage of these graduates, especially females, to work in areas remote from their residence" [*Gulf News* 1 Jun. 2009]. Sultan Sooud al-Qasimi, a non-resident fellow at the Dubai School of Government, pointed out the economic weakness of the northern emirates and recommended that "officials at the northern emirates must discreetly switch from a tribal-based system of employment to a merit-based system to catch up with Dubai and Abu Dhabi" [*The National* 23 May 2009].

12 Dismissal of national employees of the al-Futtaim Group became a big debate in the FNC, with the members wondering why the nationals were discharged while many expatriate workers are employed. The Minister of Labour, Saqr Ghoobsh, said he would tackle the issues and stressed his commitment to protecting nationals in the private sector. However, he pointed out that "no protection can be provided to any worker, whether Emirati or foreigner, who is not productive, efficient and law-abiding" [*Gulf News* 10 Mar. 2009; *Khaleej Times* 11 Mar. 2009; *al-Khalij* 11 Mar. 2009; *al-Bayān* 11 Mar. 2009; *The National* 11 Mar. 2009]. Furthermore, he added "The private sector is based on profit and competition. Therefore, employees' efficiency is indispensable to remain in service" [*Khaleej Times* 11 Mar. 2009].

13 The number of attendees at the career fair for young nationals was decreased in March, 2009 compare with last year. Many nationals hope to work in the public sector due to social and employment securities

We conclude by considering the role of government and its legitimacy: is it impossible for both parties to compromise on this point? The major cause of the problem is the seemingly unbridgeable gap in status between the government and private sectors. The government is now attempting to rectify these disparities by implementing a social security and pension system in the private sector. However, it is difficult for the government to decrease the salary levels of its civil servants because, as mentioned earlier, the role of the government sector is resource allocation to nationals, and this is a very important source of legitimacy for the monarchical state.

IV. Contradictions and Dilemmas of State Development and Emiratisation

In this chapter we will address the reasons why debates and conflicts over Emiratisation have arisen, and will attempt to describe the situation and structural problems in UAE society surrounding Emiratisation. This will hopefully answer the fundamental question of this paper, “Why has the debate over Emiratisation continued, back and forth, for the last 30 years?”

1. Rigid Social Structure

Since UAE independence in 1971, Emirates’ society has been transformed quickly along with rapid state and economic development. However, this rapid transformation has produced a rigid social structure.

There are three social factors that cannot be transformed easily today; the first is the demographic imbalance as described above. Over the past 40 years, the increase in the expatriate population has far outstripped the rise in the national population. No one imagines that reducing the expatriate population will be easy because the need for the expatriate workforce still continues; they are absolutely imperative to maintaining the daily life of UAE nationals.

The second is the rapid economic development of the UAE that has sometimes been beyond the government’s control. Due to the fact that private sectors in the UAE have moved by economic policy toward the post-oil era, they have become too large to be controlled by top-down government management. Protests against Emiratisation and the quota system in the private sector obviously indicate this situation. In the last 20 years, Dubai and other small emirates introduced economic strategies that aim to adapt to a globalizing world; they require excellent human resources and competitiveness. Thus, it can be assumed that the stalemated Emiratisation process is a normal reaction in the labour market. This is the dilemma between economic development and Emiratisation.

[*Gulf News* 31 Mar. 2009; *Khaleej Times* 31 Mar. 2009].

The third social factor is the national workers' view of vocational occupation. It is natural that nationals have cultivated a view of occupation and career that avoids blue-collar work because they do not need to take such positions to live: nationals assume that blue-collar work is not their job; expatriates do it. Moreover, because there are two big social safety nets—the state and the family—nationals do not have to seriously worry about unemployment. The generous social welfare system and the family safety net affect the nationals' incentive to work, their work ethic, and their sense of values. Therefore, it seems reasonable to suppose that the perception of suitable occupation will not be changed only by education and vocational training in the short term.

It follows then that the debates and conflicts over Emiratisation are strongly affected by the rigid social structure of the UAE, and this has made them long-term and on-going.

2. Inconsistencies within Policies

Although a rigid social structure exists in the UAE, the federal government should tackle Emiratisation to solve social problems. Facing the conflicting goals of economic development and Emiratisation, how can the government overcome this dilemma?

The federal government has not yet been able to sort out its policy priorities and implement coherent policies for some issues: economic development, human resource development, Emiratisation, and demographic imbalance. These issues are mutually related and it is difficult to strike a balance among them.

The following serves as an example: 'National identity' is one of the big debates in the context of the demographic imbalance problem in the UAE. Some important elements of national identity are Islam, Arabic, and their traditions. Member of the FNC and other experts are advocating the importance of the Arabic language as part of national identity, and in 2008 the federal government initiated some programs for protecting Arabic. In spite of those assertions, the Abu Dhabi Education Council (ADEC) has announced that all students in public high schools will be taught maths and science in English by 2012. This new implementation is aimed at developing English skills because, according to the director-general of ADEC, Dr. Mugheer al-Khaili, "it is the international language of instruction, the language of science, business and technology" [*The National* 30 Jun. 2009]. From the viewpoint of Emiratisation, this new ADEC program is important to improve English skills that are required in the private sector, but it also challenges the national identity. Also, this new program runs contrary to the 'Emiratisation of school teachers' because ADEC has introduced 456 new English-native teachers [*Gulf News* 23 Aug. 2009; *Khaleej Times* 24 Aug. 2009].

Here is another example: Since the mid-1990s the Dubai government has initiated administrative reform to reduce its costs and improve services and competitiveness to

become an international business hub. Dubai has succeeded in cost-cutting and improving the efficiency of administrative institutions [Horinuki 2009a]. The federal and another emirate governments have begun to emulate the ‘Dubai model’ of administrative reform in recent years. However, it is likely that Emiratisation in the government sector will hamper administrative reform, rendering it bloated and inefficient if they strike out staff training.

These examples make it clear that the government faces huge contradictions and dilemmas that will not be easy to resolve.

V. Conclusion

In this article we discussed the problems of Emiratisation in terms of political-economic debates, and analysed them through examining the recent transformations of policies. We may now answer the question: why has the debate over Emiratisation continued, back and forth, for the last 30 years?

First, it can be said that the Emiratisation process is a bargaining process between the government, the business community, and national workers. We have identified the three main conflict points in the Emiratisation process: (1) the federal government vs. the business community; (2) ‘the pro-national workforce vs. free-marketeers’ in domestic politics; and (3) the government vs. national workers. These actors play out their strategies by means of opposition, compromise, regulation, acquiescence, and imposition against their goals. In this situation, the federal government must reconcile all the interested parties, but the government itself is one of the parties and each of the parties has internal conflicts, as well. As a result, the government has failed to coordinate its policy priorities. In addition, the social structure of the UAE is rigid and is a fundamental issue in Emiratisation, but the government does not address it. This bargaining process has therefore continued since the state-building period.

Second, the UAE government faces an enormous dilemma over national development, economic progress, and Emiratisation. At this time, these issues contradict each other, although both development and Emiratisation are crucial goals for the UAE. In the last 30 years, the government has put short-term economic profits ahead of Emiratisation, and the more the economy and the state become globalised, the worse this situation will become. The fact that there are only a few ‘successful examples’ of Emiratisation, such as the imposition of a quota system on the banking sector and PRO, indicates that the Emiratisation process has and will be only able to proceed with a strong governmental initiative.

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Appendix

Demographic Structure in the UAE by Nationality (2010, author's estimation)

Nationality	Population	%
UAE	923,000	11.4%
<i>Bidoon</i>	100,000	1.2%
GCC Countries	7,650	0.1%
Yemen	60,000	0.7%
Iraq	90,000	1.1%
Jordan / Palestine	200,000	2.5%
Lebanon	100,000	1.2%
Syria	400,000	4.9%
Egypt	251,000	3.1%
Sudan	74,000	0.9%
Morocco	25,000	0.3%
Iran	500,000	6.2%
Armenia	5,000	0.1%
Turkey	8,000	0.1%
India	1,500,000	18.5%
Pakistan	850,000	10.5%
Afghanistan	150,000	1.8%
Bangladesh	800,000	9.9%
Sri Lanka	238,000	2.9%
Nepal	125,258	1.5%
The Philippines	600,000	7.4%
Indonesia	78,000	1.0%
Singapore	1,200	0.0%
Thailand	12,500	0.2%
Viet Nam	2,410	0.0%
China	200,000	2.5%
North Korea	1,300	0.0%
South Korea	5,000	0.1%
Japan	3,486	0.0%
Eritrea	6,000	0.1%
Kenya	37,000	0.5%
South Africa	50,000	0.6%
Ethiopia	9,000	0.1%
Angola	100	0.0%
UK	240,000	3.0%
France	10,000	0.1%
Germany	40,000	0.5%
Spain	1,000	0.0%
Switzerland	1,700	0.0%
Denmark	2,000	0.0%
Poland	2,000	0.0%
Romania	4,000	0.0%
Montenegro	40	0.0%
Cyprus	500	0.0%
Russia	15,000	0.2%
USA	30,000	0.4%
Canada	23,000	0.3%
Mexico	700	0.0%
Colombia	500	0.0%
Chile	300	0.0%
Australia	16,000	0.2%
Other / Illegal residents	310,000	3.8%
Total	8,109,644	100.0%

Source: Various local newspapers