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RESEARCH PAPERS

Discrepancies in Public and Private Sector Pay in Jordan, Qatar and the UAE

A Comparative Study of their Impact on the Labor Market in
Jordan, the United Arab Emirates and Qatar

Dr. Hazem Rahahleh | February, 2012

Discrepancies in Private and Public Sectors

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Abstract

This study examines the challenges the labor market faces in a number of Arab countries with rentier economies – namely, Jordan, the United Arab Emirates and Qatar. One of the major challenges the labor market in these countries faces is the local population's weak involvement in the labor market: the notably low participation of women and the high levels of unemployment, especially in Jordan and the United Arab Emirates. This is particularly significant in light of increasing job opportunities in the aforementioned countries that would be capable of resolving the issue of unemployment if these job opportunities were engaging the local workforce.

Moreover, despite the noticeable development of the job market in all three countries – both in terms of diversifying production and the increased participation of the private sector in the economy – this study demonstrates that the workforce is concentrated in the public (government) sector. This is evident in the high level of demand for public sector jobs in comparison to private sector jobs and jobseekers' preference for governmental positions as opposed to private sector employment.

In light of this, the present study examines the nature of the discrepancy in private and public sector salaries and the extent to which salaries vary between different sectors of the economy, in an attempt to explain the high demand for public sector employment as well as to shed light on the reasons behind jobseekers' preference for jobs in particular sectors of the economy and not others. The study shows that the local / national workforce tends to seek employment in sectors with relatively high incomes whereas demand is significantly low – or absent – in sectors offering salaries lower than the reservation wage rate for local workers. The study also sheds light on some of the important factors driving jobseekers' preferences in the three countries examined and its impact on demand for jobs in particular sectors of the economy – for example, working hours, in-kind benefits and so on.

More significantly, the study shows that the average wage in public sector jobs in the countries examined in this study tend to be higher than wage rates offered by the private sector. However, comparative statistical data indicates that there is a reverse trend in higher echelon and managerial jobs in Jordan, whereby private sector salaries for managerial positions increased in 2009. With private sector salaries for managerial positions almost 30% higher than their public sector counterparts in Jordan, this poses a threat to the public sector and reduces its ability to attract the skills and competencies required for a modern, efficient and competitive public administration and civil service.

The study concludes with a number of recommendations that include increasing salaries in the non-tradable goods sector due to their impact on the competitiveness of exports in these sectors. The study also recommends a revision of labor laws and legislation organizing the labor force and working conditions so as to establish a labor market more attractive and more suitable for the desires and expectations of the local workforce.

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Introduction¹

The economic leaps that regional economies have witnessed in the last few years of the previous decade – especially oil-based economies – have, so far, not had a significant impact on the wider layers of society in these countries. Unemployment rates, for instance, continue to hover around their previous rates and the rentier nature of these economies continues to dominate. These realities bring to the fore some critical questions with regards to the impact of policies geared towards achieving economic growth and encouraging investment and other public policies, as well as their ability to overcome economic and social challenges in these countries.

Given that the public sector is the party most concerned with the provision of public goods and services falling within the suitable competencies of the state, as well as the sector responsible for the provision of social protection and insurance for the various sectors and classes of society, this study sheds light on the state of the public sector in a select sample of Middle Eastern countries – namely, Jordan, the United Arab Emirates and Qatar. In doing so, this study helps identify the most relevant and suitable public and employment policies to address and overcome the challenges facing the labor market. The most important public policy issue which this study addresses relates to salaries and their impact on the labor market, with a particular emphasis on employment in the public sector and the sector's role in addressing some of the major social and economic challenges faced by these societies. The significance of this study lies in the fact that it addresses a topic seldom examined by researchers despite its undeniable impact on public policy, the economy and society, and despite the urgent and practical need to provide relevant data and comparative information capable of informing decision-makers in designing public policy decisions and, thus, dealing with labor market concerns today.

¹ Introduction by Dr. Taher Kanaan

The discrepancy in private and public sector salaries

The initial intention of this study is to examine the extent of the discrepancy between salaries in the private and public sectors and the effects these discrepancies may have on the public sector's ability to efficiently provide the incentives for the business sector and, hence, to achieve economic growth by influencing economic decisions, developing the infrastructure needed for investments, and reducing the transaction costs burdening the productive sectors of the economy. This, naturally, increases the competitiveness of local products on the international market. One of the most important transaction costs is the cost involved in dealing with government bureaus and public and civil service, starting from registration procedures and acquisition of necessary documentation and permits required for any investment, through to bureaucratic procedures involved in the production process, and, finally, the efficiency, cost, and speed of judicial proceedings when and if disputes and disagreements arise.

A commonly held belief in development studies attributes weak performance by the public sector in developing countries to low salaries and wages offered by the state, thereby reducing the state's ability to perform crucial developmental roles. In other words, low public sector salaries (in comparison to the private sector) reduce the state's ability to attract the competencies required to perform and provide efficient and competent civil services. As a result, civil services in developing countries become burdened by a large workforce of low skilled, inefficient and inexperienced employees resulting in a low level of administrative service on the part of governmental bureaus. In light of this, literature on development studies has often attributed the success of Southeast Asian economies to the fact that the discrepancies between salaries in the private and public sectors favored the latter – hence, attracting competent employees to public sector jobs.

It quickly became evident, however, that the data available for this study presented aggregate statistics from the three countries under examination, and as a result, it appears that public sector salaries in all three countries are, on average, higher than their private sector counterparts, in contradiction to the claims and presuppositions of classical development studies literature.

This result, however, cannot be understood as the end of the story given that the relevant and influential expertise and competencies available are limited to senior officials and other higher echelon positions. Proving or disproving the presuppositions of development studies literature, therefore, requires an examination of private and public sector employees with varying levels of experience, responsibility and status in the professional hierarchy. This kind of information was unavailable during the initial phase of research for this paper; nonetheless, in June 2011, the Department of Statistics in Jordan published a report entitled "Employment and Unemployment Survey" which included a number of statistics and raw data on the average monthly salary, in addition to other nominal and real income figures for Jordanian and non-Jordanian employees according to professional, educational and sectoral background in both the private and public sector between 2005 and 2009.

In relation to the discrepancies between salaries in the private and public sector, statistics from 2009 reveal that the average monthly salary offered by public sector enterprises in Jordan were, on average, 22% higher than the average salary offered by their private sector counterparts. An examination of the discrepancies between salaries earned by employees of different professions as well as in relation to their educational and vocational backgrounds (as shown in figure 1), however, reveals that private sector jobs offer higher echelon managerial salaries which are, on average, 30% higher than their counterparts in the public sector; private sector salaries for professional experts and specialists are, on average, 16% higher than their public sector counterparts; salaries offered by the private and public sectors are comparable for bureaucratic and secretarial positions; and, finally, salaries are higher in the public sector for technicians and artisans. Moreover, comparative analysis indicates that these figures showed no significant changes between 2006 and 2009.

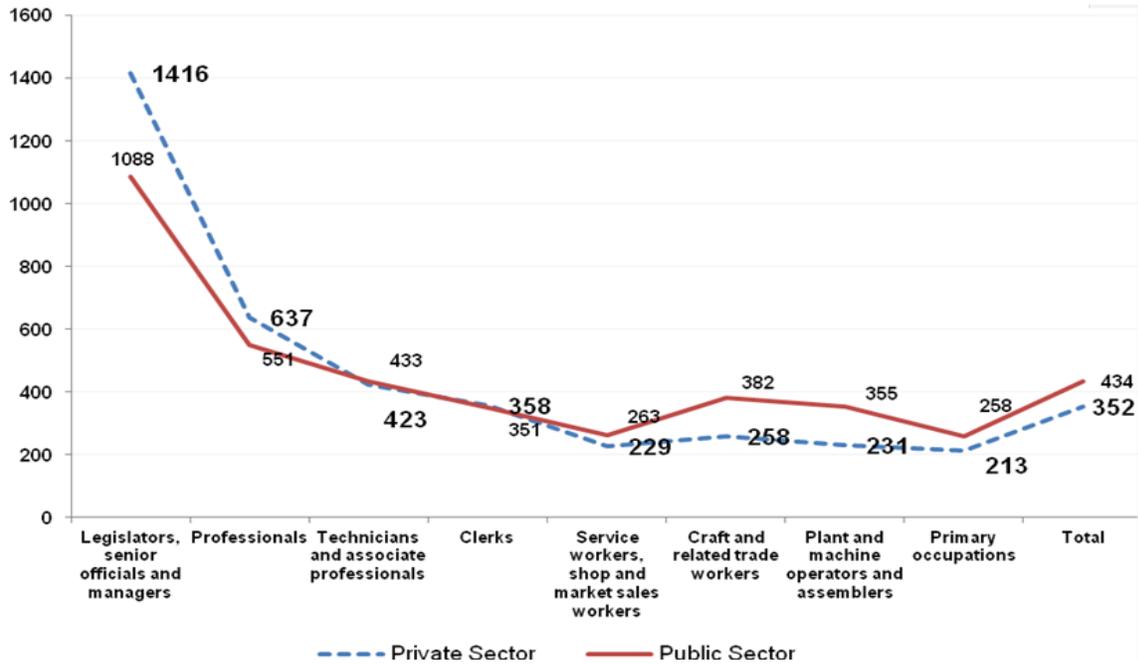


Figure 1. Males' average monthly salary in private and public sectors, by occupations in 2009 Average monthly salary in dinars

Participation in economic activities

Before engaging in a discussion of such issues as work, employment, salaries and the economic conditions of the countries under investigation in this study, it is important to make some remarks regarding the structure of the labor market in Jordan, the United Arab Emirates and Qatar, and to shed light on the realities of the local workforce's participation in economic activities. In other words, it is important to know the size of the labor force in comparison to the total active population falling within the age group expected to partake in economic activities.² Of course, the population falling within this age bracket constitutes a crucial element in the economic life of any country – not only because of their role in the productive sectors of the economy, but also because of their centrality as a crucial element in the political and social life of their societies. In fact, the level of local participation in the job market is a key indicator of the extent to which

² According to the International Labor Organization (ILO), the active work force includes all males between the age of 16 and 64 as well as all females between the age of 16 and 59.

a society is economically developed, whereas high unemployment points to social and administrative difficulties in managing and capitalizing on the energy and resources available to societies and, because of this, poses more burdens and responsibilities which societies may be unable to cope with. This happens because an economy's inability to utilize the full capacity of its human resources limits its productivity and restricts its ability to develop and, thus, better the living standards of the economically active members of society. The presence of large segments of the active population outside the labor market and high unemployment rates increases dependency rates. In other words, in addition to the inactive population (children below the age of 16 and over the age of 65), the unemployed members of the active population increase the financial and social responsibilities of their employed counterparts.

Additionally, the importance which states – developed and developing alike – accord to educating and training members of the active population prior to their release into the job market, and the amount of financial resources invested in this endeavor, necessarily yield a comparable and favorable return in terms of economic and social gains. The Arab world, of course, is no exception. A UNESCO report, for instance, indicates that the average investment in education – one of the most important means to invest in human capital – in the Arab world, amounting to 4.9% of GDP,³ is higher than both the international average of 4.3% and the amount of money invested in education by any region in the world with the exception of North America and Europe where public spending on education averages around 5.6% of GDP.⁴

³ GDP refers to the gross economic production in a country as opposed to 'local product' which may refer to the production taking place within a subnational territorial unity, as well as GNP which refers to the gross economic production by a nation irrespective to whether its members reside within the national boundaries or in the diaspora. Calculating the GNP of Jordan would, therefore, entail adding the gross domestic product of Jordan to the economic production of Jordanians living abroad (e.g., remittances and repatriations by Jordanian expatriates) and subtracting the economic production of non-Jordanians living in Jordan (e.g., remittances and repatriations of non-Jordanian migrant workers in Jordan). Moreover, the term 'gross' refers to the economic production prior to the subtraction of the cost and depletion of capital assets in the productive process.

⁴ UNESCO, Institute of Statistics, "Global Education Spending Concentrated in a Handful of Countries" (October 2007).

It is evident from the statistics and the demographic figures available that a significant portion of Jordanian society continues to refrain from any participation in the job market and, therefore, from the productive process in Jordan. In fact, almost 50 out of every 100 Jordanians are uninterested in partaking in economic production, unmotivated to seek employment, or, simply unwilling to accept the jobs available or the salaries on offer on the job market. This is significantly lower than most countries in the world where participation in the job market averages around 65% and, in Southeast Asia, 71%. Participation in the productive process in Jordan is noticeably lower than its other Arab counterparts where employment in 2009 averaged around the 52% mark.

In the United Arab Emirates and Qatar, on the other hand, the situation appears to be better than in Jordan, with nationals' participation in the labor market exceeding international averages, including those of Latin America and Southeast Asia where populations are traditionally the most active and engaged in the productive process and labor market. It must be noted, however, that these seemingly positive indicators from the United Arab Emirates, Qatar and the Gulf Cooperation Council (GCC) states at large are a result of these countries' heavy dependence on foreign and migrant workers. In other words, local labor laws necessitating migrant workers obtain sponsorship and contracts from GCC nationals result in the inflation of the nominal number of GCC nationals in the job market. This is evidenced by the exceptionally low number of women in the labor market in comparison to more developed economies where men and women constitute almost equal segments of the workforce. In Qatar, for instance, women over the age of 15 constitute no more than 17.7% of the total labor force, an indication of the impact of migrant (predominantly male) workers on the inflated workforce on GCC countries.

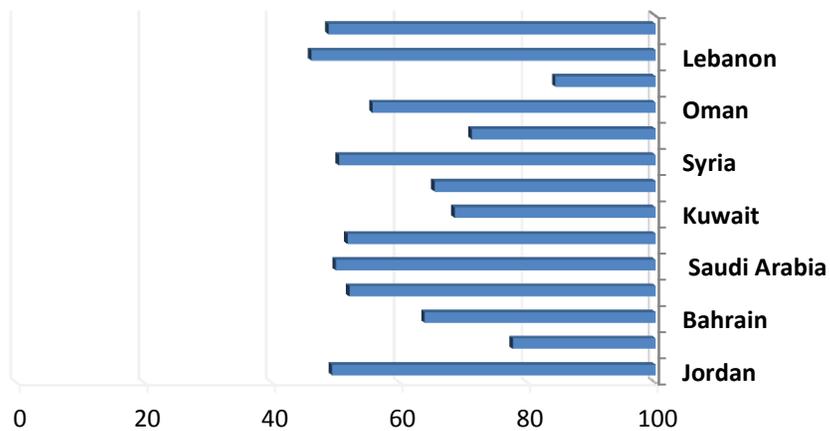


Figure 2: Average participation in Labor market

Source: The World Bank, *WB Data Catalog*, 2009

The participation of women in the labor market in Arab countries, including Jordan, the United Arab Emirates and Qatar, is significantly lower than their participation in other countries of the world including those in the developing world. In Qatar and the United Arab Emirates, where indicators show a relatively high level of nationals' participation in the labor market, for instance, women's participation in the labor market is lower than 50%. Women's participation in the labor market in Jordan, on the other hand, is even lower, as women accounted for only 14.7% of the workforce in 2010. An analytical study of low female participation in the global labor market with a particular emphasis on Arab countries attributes this phenomenon to a number of economic and social factors. Among these, the study singles out the relative lack of job opportunities which accommodate the social and familial obligations expected of the Arab woman, as well as her aspirations and her responsibilities to the surrounding environment. The study also attributes this phenomenon to the social and traditional obligations and expectations which stigmatize and, thus, have a negative impact on the employment of women.⁵ Moreover, several studies analyze and examine the bidirectional relationship between fertility rates among women and the level of women's participation in the labor

⁵ Spierings, N., Jeroen Smits and Mieke Verloo, "Micro and macro-level determinants of women's employment in six MENA countries", NiCE Working Paper 08-104, June 2008.

market, concluding that women's fertility and birth rates have a negative impact on their participation in the labor market and reduce their ability and desire to compete for available job opportunities.⁶

It is also evident from demographic indicators as well as the corpus of analytical studies addressing the issue of women's participation in the labor market in developing countries that the level of education has a direct impact on women's participation in the labor market. In Jordan, for instance, it is evident that a direct relationship exists between the two variables. In fact, Figure 3 indicates that only 1 out of every 100 illiterate women is likely to be employed or seeking employment whereas this ratio increases to 62% among women who have acquired a secondary degree or a higher degree. In a similar vein, it is evident that female university graduates in the United Arab Emirates are the most likely to participate in the labor market in comparison to women with lower or no educational backgrounds. Significantly, female university graduates in the United Arab Emirates are more likely to participate in the labor market than their Jordanian counterparts. For instance, 77 out of every 100 female university graduates in the United Arab Emirates is employed or seeking employment compared to only 31 among women with high school degrees and only 2 among illiterate women. In light of these indicators, it is evident that the level of women's participation in the labor market is directly proportional to their level of formal education. This is a result of the fact that women with little or no formal educational qualification may perceive the job market unfavorably and the jobs available to employees with little or no educational qualification as socially unacceptable and unsuitable to their social obligations.

⁶ Al-Qudsi, S., "Labor Participation of Arab Women: Estimates Of The Fertility To Labor Supply Link", IDRC, Working Paper 9622, 1995.

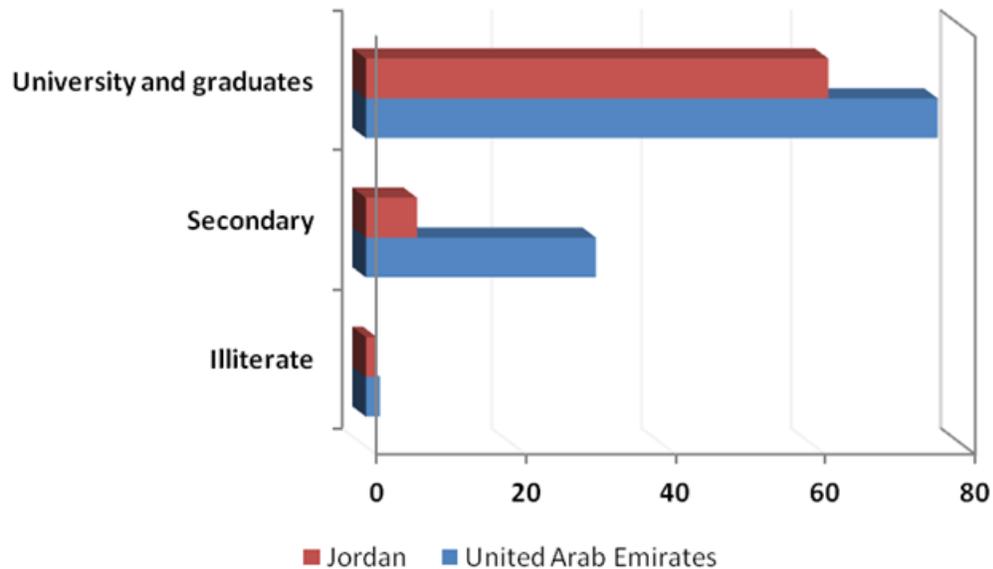


Figure 3. Women's participation in the labor market in Jordan and the United Arab Emirates according to educational level.

Source: Jordan: JORDANIAN DEPARTMENT of STATISTICS, EMPLOYMENT and Unemployment Survey 2010 and United Arab Emirates, *National Bureau of Statistics*, Labor Force Survey, 2008

The level of participation of Qatari women in the labor market is similarly low although it is significantly higher than in Jordan. In fact, only 36 of every 100 active Qatari women are employed or actively seeking employment. In contrast, 35% of Qatari women are dedicated housewives, 23% are dedicated to full-time education, and 6% are economically inactive and idle due to retirement, personal preference or physical impediment.

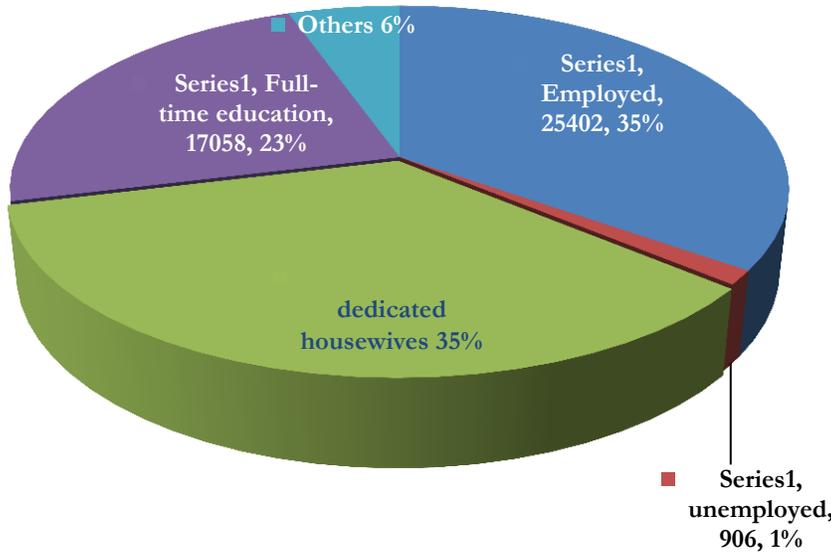


Figure 4. Activity status of Qatari women (15 years and above)

Source: Qatar Statistics Authority

A. Employment and unemployment

Employment and the dynamics of the labor market are central issues that must be examined alongside the issue of unemployment. The interdependence between employment and unemployment is a result of the fact that an economy’s ability to curb unemployment among nationals depends primarily on its ability to create sustainable job opportunities and expand the labor market in relation to jobseekers' aspirations as well as the social obligations, material needs and financial expectations of the active population. Naturally, the challenges the labor market faces in the countries examined in this study depend on the respective size of the countries as well as the nature of their economies, social fabric and institutional frameworks.

The Qatari economy, for instance, which continues to depend heavily on the oil and natural gas sectors, does not face the significant changes of unemployment that the economies of Jordan and the United Arab Emirates face. This is especially so given that Qatar has, in recent years, been capable of generating a large number of jobs

exceeding the natural increase in its population's demand for job opportunities and employment. In 2009, for instance, the Qatari economy managed to generate 91,000 new job opportunities in several economic sectors. The number of new jobs on the market in 2009, it must be noted, exceeded the total number of Qatari jobseekers. The structural problems which the Qatari economy might be facing, therefore, are not centered around its ability to generate new jobs for its nationals, but might relate to the extent to which the private sector contributed to the labor market as well as sectoral distribution of jobs created, among other causes.

In a similar vein, a 2007 study published by the World Bank shows that the Jordanian economy – despite its limited resources in comparison to the economies of Qatar and the United Arab Emirates – has managed to create new job opportunities in recent years which would have promised to resolve much of the country's unemployment problem, had these jobs been occupied by Jordanian nationals. The situation in the United Arab Emirates is not much different, where the economy has been able to generate sustainable jobs on a regular basis, although unemployment among Emirati nationals continues to range around the 13% mark. The problem, therefore, is not merely a question of whether or not an economy can generate jobs to absorb demand for employment among the country's workforce, as much as it may be related to a number of other factors that may reduce employers' willingness to employ nationals or, alternatively, may reduce the appeal of available job opportunities to nationals.

This leads us to investigate other potential factors that may have a negative impact on or reduce the desire of nationals of the United Arab Emirates and Jordan to fill available job vacancies in their local job market; in addition, it leads us to explore the reasons behind Qatari nationals' reluctance to apply for private sector jobs. A World Bank study on the labor market in Jordan and the challenges it faces indicates that Jordanians' weak demand for newly generated job opportunities can be attributed to these jobs' incompatibility with the backgrounds, social obligations and expectations of the local workforce.⁷ The culture of "shame," for instance, is often blamed for Jordanians' lack of desire to occupy many of the jobs their economy has been creating in recent years.

⁷ World Bank, "Resolving Jordan's Labor Market Paradox of Concurrent Economic Growth and High Unemployment," Washington DC: World Bank Social and Economic Development Group, Middle East and North Africa Region, 2007.

Nonetheless, the aforementioned World Bank study indicates that an increase in the salaries on offer and the introduction of some slight changes to the working environment⁸ may, in fact, increase demand for these jobs and reduce the social stigma attached to them, thus decreasing the frequency of their rejection by Jordanian nationals. Another aspect this study highlights in its examination of the discrepancy between demand and supply of job opportunities is the fact that many Jordanians are uneasy about working for their compatriots. In a similar vein, the study shows that many jobseekers are highly employable insofar as they are equipped with skills and capabilities. Moreover, it is important to note that the geographic and spatial distance between the localities of the jobs created by the Jordanian economy in recent years and the places where many unemployed Jordanians and jobseekers reside reduces their ability and desire to relocate for employment purposes in what may be referred to as a situation of "geographical mismatch". The study, therefore, concludes that the Jordanian economy must exert more effort to create jobs that are more suited for highly skilled jobseekers and offer higher salaries in line with the demands and expectations of the educated and skilled nationals who often seek employment in neighboring countries in return for much higher salaries. In other words, it is evident that the salaries offered by employers in the Jordanian market are significantly lower than those offered by their counterparts in other regional economies – a situation which results in Jordanians' lack of interest and failure to benefit from the jobs created by their national economy.

It must be noted that despite its exponential growth in recent years the Jordanian economy has failed to address the issue of unemployment, with unemployment rates in the past decade hovering around the 2010 unemployment rate of 12.5%. In fact, the unemployment rate in Jordan reached an all time high of 15.3% in 2002. This is most evident among Jordanians between the ages of 15 and 19, whose unemployment rates reached 33% in 2010; unemployment rates among Jordanians between the ages of 20 and 24, however, reached 26.7%. All of this indicates that economic growth in Jordan has persistently failed to alleviate the problem unemployment among Jordanian youth.

⁸ Changing the working environment by, for instance, introducing a more "formal" and "professional" setting whereby employees act, work and appear as "professional employees," as is the case in fast food restaurants, for instance.

On the other hand, periodical surveys of employment and unemployment in Jordan indicate that unemployment among Jordanian women has risen to 21.7% in 2010 in comparison to 10.4% among Jordanian men in the same year. Similarly, unemployment among women in the United Arab Emirates has reached unprecedented rates especially given that women's participation (especially Arab women) in the national economy is limited to a handful of professions and economic activities which are seen as "appropriate" and in line with tradition, religious customs and social expectations as well as their familial and social obligations, all of which reduce women's ability to take up jobs which demand long or flexible working hours. On the other hand, a significant number of employers are reluctant to employ women for fear of low productivity as well as the indirect costs associated with women's limitations, inability to work long and flexible hours and the social obligations (or privileges) associated with employing women such as obligatory maternal leaves and pay and so on.⁹

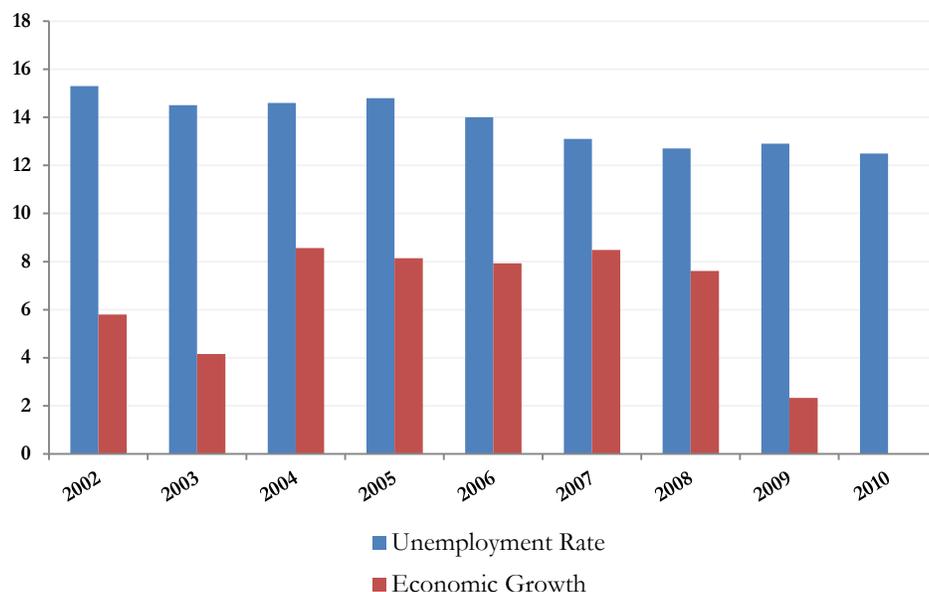


Figure 5: Economic growth and unemployment rate in Jordan (2002-2010)

Source: Central Bank of Jordan, Statistical Yearbook

Unemployment among nationals in the United Arab Emirates continues to be high despite the country's economic prosperity and its ability to create a wide variety of jobs

⁹ Ivan Martín, "Female Employment in Mediterranean Arab Countries: Much More Than an Economic Issue," *Economy and Territory Productive Structure and Labour Market*, 2006

in numbers that exceed its own domestic supply of labor. During the period between 1995 and 2005, for instance, the Emirati economy demonstrated an exceptional ability to create an average of 116,000 jobs per year. It must also be noted that the private sector contributed to the creation of almost 89% of these jobs, an average of 103,000 jobs per year. Significantly, the number of jobs created by the Emirati economy each year exceeds the number of nationals unemployed or seeking employment. In 2005, for instance, the number of unemployed nationals reached 80,000, 31% of which were women. In light of this, it must be noted that any survey of unemployment in the United Arab Emirates demonstrates the significant discrepancy between high unemployment rates among nationals and low unemployment rates among migrant workers. A 2008 survey, for instance, shows that unemployment among nationals of the United Arab Emirates reached 13.8% as opposed to only 2.6% among migrant workers. The same survey also shows that unemployment rates differed between the various emirates with unemployment reaching 21.9% in the emirate of Al Fujairah and only 3% in the emirate of Umm al-Quwain. These findings necessitate an examination of the factors contributing to such unemployment rates and the reasons behind the discrepancies between the various emirates, as well as the need for different policies and approaches that must be adopted to deal with the conundrum of unemployment. This is most important given that the different indicators show that – like in Jordan – unemployment is not a result of the economy's inability to create jobs as much as it is a result of the mismatch between the jobs on offer and the demand for employment in the labor market, or, in other words, the geographic and social suitability of the jobs created in relation to the skills, education and social/economic expectations of nationals.

In Qatar, on the other hand, there seems to be no significant unemployment problem as rates of unemployment in the country are among the lowest in the world. In fact, the unemployment rate in 2009 was only 2.3%. This, of course, does not necessarily mean that the Qatari economy does not suffer from structural problems in relation to the labor market, which is evident in the significantly low participation of women in the labor market as well as other factors which will be discussed later in this study, including the economy's heavy reliance on jobs created by the public sector, its rapidly declining ability to translate economic growth into job opportunities and the limited contribution of the private and non-state sector in the national economy.

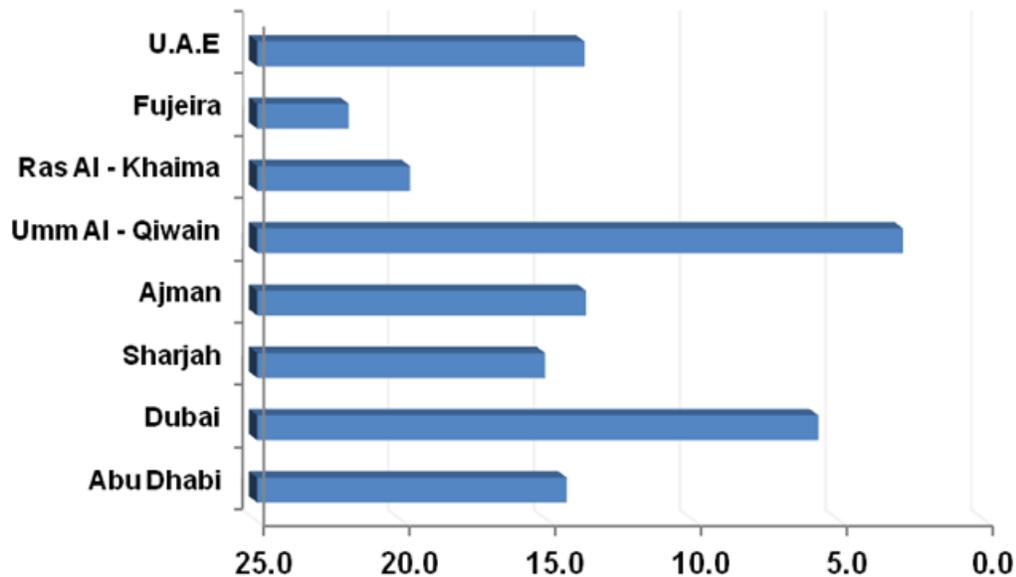


Figure 6. Unemployment rate by emirates (2008)

Source, Ministry of Economy- National Bureau of Statistics, Labour force survey, 2008.

B. The size of the public sector

Public sector employment is one of the most important tools in the hands of the Arab states in order to employ jobseekers and address the issue of unemployment among their nationals. In fact, private sector jobs are perceived as a last resort for many jobseekers and a contingency plan in the case they fail to find appropriate jobs in the public sector. Naturally, the ability of the public sector to create jobs and absorb the increase in the number of nationals joining the active workforce every year depends on the financial resources at the disposal of the state as well as on the role attributed to the state in the national economy. A consequence of the structural adjustments many of these countries have witnessed in recent years has been the expansion of the role of the private sector in providing jobs and, as a result, the increase of the proportion of jobseekers employed in the private sector at the expense of public sector employees.

The number of public sector employees employed by government agencies and bureaus in the United Arab Emirates, for instance, has decreased noticeably in the period

between 1995 and 2005, from 25.6% of the total national workforce in 1995 to 16.8% in 2005. Similarly, the size of the private sector workforce in Jordan increased at a rate exceeding that of the public sector workforce. As a result, the latter constituted 31.6% of the total national workforce in 2007 as opposed to 34.5% in 2000.

Periodical surveys of the national workforce in Qatar, however, reveal the extent to which Qatari nationals continue to constitute the overwhelming majority of the public sector workforce and occupy more than 95% of the jobs offered by public bureaus and government agencies. This trend is particularly salient among female Qatari employees, 97% of whom are employed by the public sector. Male workers and foreign migrant workers, on the other hand, have a much stronger presence in the private sector labor market, constituting 88% of the total number of employees in the private sector. Non-Qatari women occupy only 25% of all private sector jobs, with 47% employed in domestic service.

Sector	Qataris			Migrant Workers		
	Male	Female	Total	Male	Female	Total
Public service	69%	75%	71%	3%	5%	3%
Government agencies	16%	16%	16%	3%	12%	4%
Mixed (public/private)	10%	6%	9%	2%	12%	3%
Private sector	6%	3%	5%	88%	25%	83%
Domestic	0%	0%	0%	3%	47%	7%
Total	100%	100%	100%	100%	100%	100%

Table 1. The distribution of Qataris and foreign workers among different economic sectors

Source: Labor Force Survey (2008), Qatar Statistics Authority

In relation to the sectoral distribution of the workforce among the private and public sectors, it becomes evident that the public sector in the United Arab Emirates, Jordan and Qatar plays a major role in the electricity, water supplies, education and healthcare sectors. In Jordan, for instance, public sector employees constitute more than three-quarters of the total number of employees in the educational sector, more than half of

the number of employees in the healthcare sector, and over 80% of the total number of employees in the electricity, water and natural gas sectors.

The economic sectors of major significance in relation to the absorption of excess labor and providing jobs for the national workforce are the infrastructure and public services sectors. Figure 7 shows that the largest segment of public sector employees in Qatar is employed in the electricity, water supply and natural gas sectors, in addition to social work, social services and public services. In the United Arab Emirates, the healthcare, education, electricity and natural gas sectors constitute the most important sources of employment for public sector employees. Similarly, the state plays a major role in the energy, water, education, healthcare, social services and mining sectors in Jordan¹⁰ as opposed to other sectors dominated by the private sector.

It must be noted that the low level of nationals' demand and participation in the private sector job market and their abundance in the private sector is a common characteristic among all three countries.

¹⁰ The state's role in the mining sector in Jordan is significantly lower than in previous years as the state has actively sought to privatize public sector companies in this sector. Nonetheless, the Bureau of Statistics continues to survey most mining-related activities as 'public activities'. When questioned, officials in the bureau admitted to a flaw in their methodologies and techniques and indicated that new statistics correcting this error are expected to be published by the end of this year demonstrating the realities of private sector contributions to the mining sector as well as employment in private sector mining companies increasing the number of registered private sector companies from 14 to 88 reflecting recent changes. In addition, statistics will adopt the ISIC 4 for industrial rating as opposed to ISIC 3, hence correcting previous figures and data on GDP, employment, value added, export and other figures.

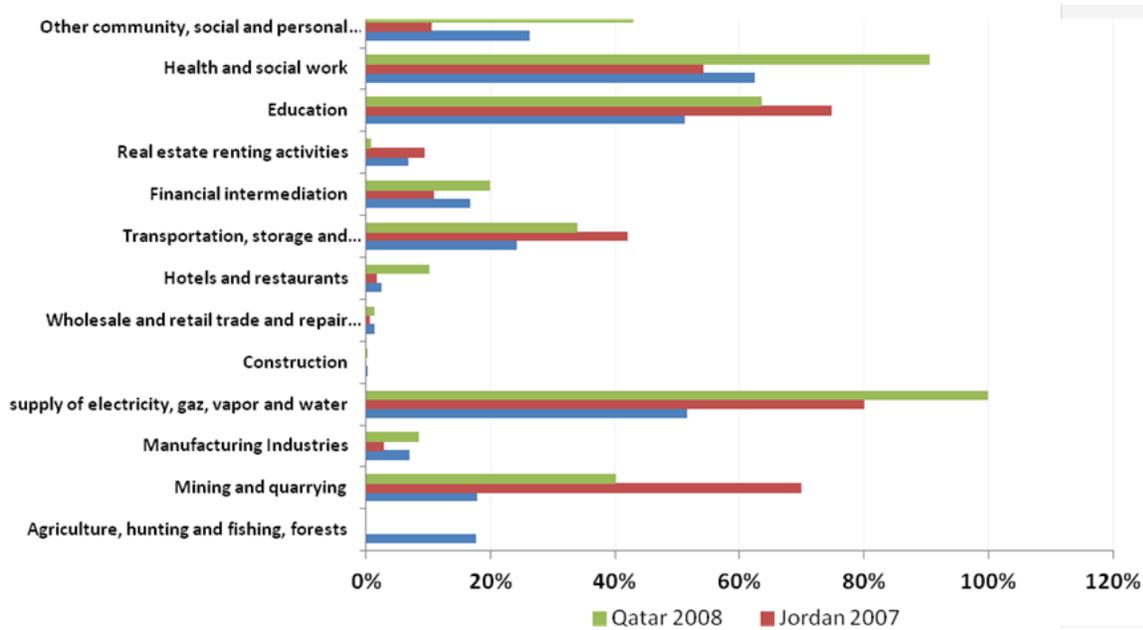


Figure 7. Share of public sector employees in total employment by economic activity

Sources: User Survey, Jordanian Department of Statistics, 2008 Labour force Survey, the United Arab Emirates, National Bureau for Statistics 2008, Labour force survey”, Qatari Statistics Authority

C. Salaries in the private and public sectors

The comparative study of salaries offered by the private and public sectors in Jordan conducted by Dougherty in 2009 focused on the relationship between salary and educational background in both sectors.¹¹ The study concluded that salaries are directly proportional to the level of education acquired by employees in the private sector whereby salaries are higher for employees with higher educational qualifications. The extent to which salaries and education are proportional in the public sector, however, is less noticeable in comparison to the private sector. Moreover, the study shows that the median wage for holders of university (bachelor) degrees in the private sector is higher than its equivalent in the public sector, where salaries offered to female workers with comparable educational qualifications in the private and public sectors are comparable.

¹¹ Dougherty, C., “A Comparison Of Public and Private Sector Earnings In Jordan”, A Study For The Ministry OF Labor/ Jordan and The International Labour Office, 2009.

Moreover, the study shows that employees with no university qualifications earn significantly higher salaries in the public sector than in the private sector. This, the study argues, can be attributed to the high level of incentives, premiums and bonuses which public sector employees are entitled to, such as inflation bonuses and other premiums which, in some cases, amount to 80% of minimum wage.¹² The study also examines the irregularities and inconsistencies in the mechanisms of salary regulation in the public sector that reduce the competitiveness and appeal of private sector employment.

A comparative examination of salaries according to economic field in both the private and public sectors indicates that, with the exception of higher echelon managerial positions, salaries offered by the public sector are markedly higher than their counterparts in the private sector. For instance, public sector employees in marketing earn almost 90% more than their counterparts in the private sector. Interestingly, however, public sector employees in marketing constitute only 5% of the total number of Jordanians employed in marketing despite this marked advantage. This can be attributed to the nature of the activities and engagements of the public sector. Public sector demand for such activities is limited due to the limited scope of governmental agencies providing consumerist goods and services as part of a customer protection scheme in comparison to private sector enterprises more engaged in buying and selling goods and services to a broader clientele.

In light of these realities, it is evident that salaries have an important impact on jobseekers' choices and incentivize employees to work in certain sectors and not others. Moreover, employment decisions and strategies in countries where the state has limited resources such as Jordan are often dependent on the financial considerations of the state and the ability of the public sector and the government to absorb excess labor and increases in the labor force. Similarly, employment policies depend on the nature of the economy and the roles ascribed to the private and public sectors in public and economic policy. In addition, analyzing salaries offered by different sectors at different levels of employments shows that the discrepancy in salaries between the private and public

¹² The exception is in qualified industrial zones where minimum wage is 150 Jordanian dinars (USD 212).

sectors reaches its peak and favors private sector employees in higher echelon and managerial positions who earn an average of 25% more than their counterparts in the public sector. As a result, there are twice as many employees occupying managerial and high level positions in the private sector than in the public sector.

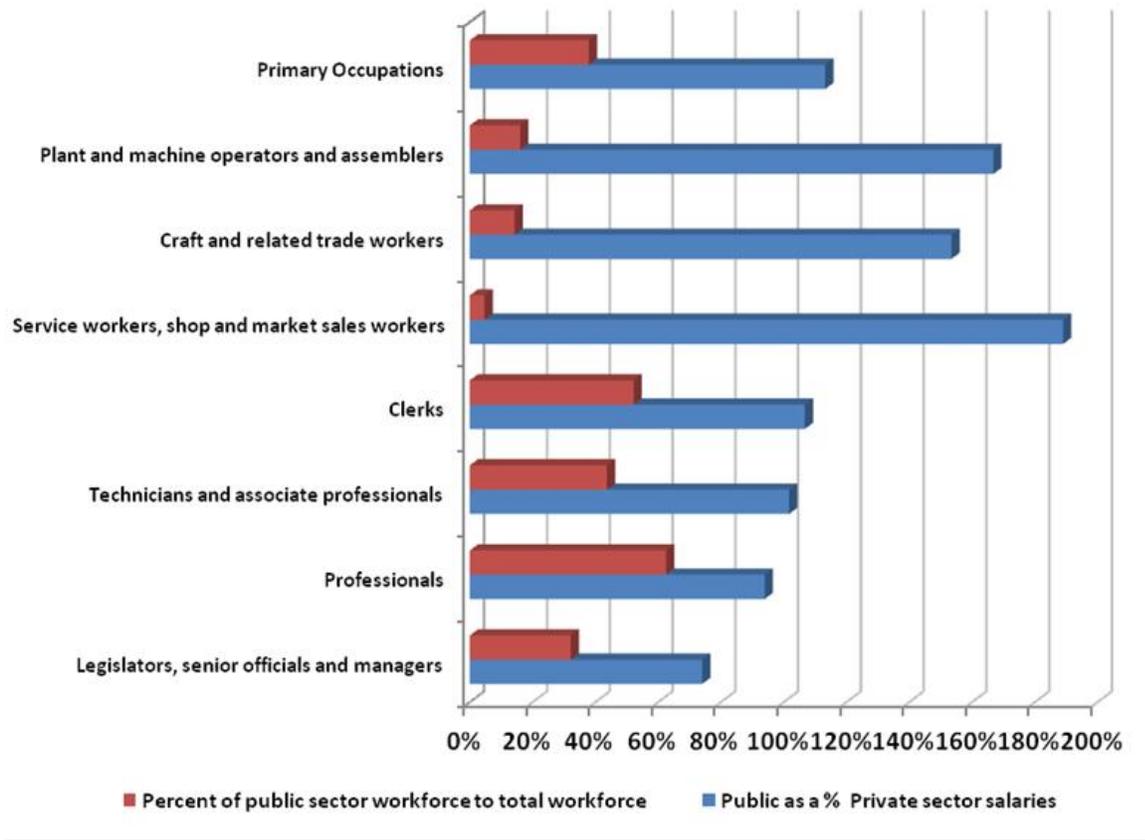


Figure 8. Salaries and employment in private and public sector (by professional groups (Jordan 2009)

In addition to this, Figure 9.1, which shows the relationship between salaries and levels of education among private and public sector employees, demonstrates that salaries offered to Jordanian males with university degrees and higher qualifications employed by the private sector are significantly higher than salaries earned by their public sector counterparts. The discrepancy between the two reaches 34% in favor of private sector employees. The public sector, however, offers higher salaries to employees with high school qualifications or below. In a similar vein, salaries offered to female university

degree holders employed in the private sector are higher than what their public sector counterparts earn although the difference is less steep than the difference among their male colleagues. In spite of this, however, more than 95% of the total number of female university degree holders are employed by the public sector in a clear indication that the higher salaries offered by the private sector may not be sufficient to attract female university degree holders when compared to the other incentives offered by the public sector such as flexible working hours, abundant public holidays, job security, and maternal leaves, as well as the positive social credit associated with public sector employment for women. Female holders of high school qualifications or below, on the other hand, are similar to their male counterparts insofar as they are offered significantly higher salaries by the public sector. Females with such educational qualifications are likely to earn salaries that are 68% higher than their counterparts in the private sector (see Figure 9.2).

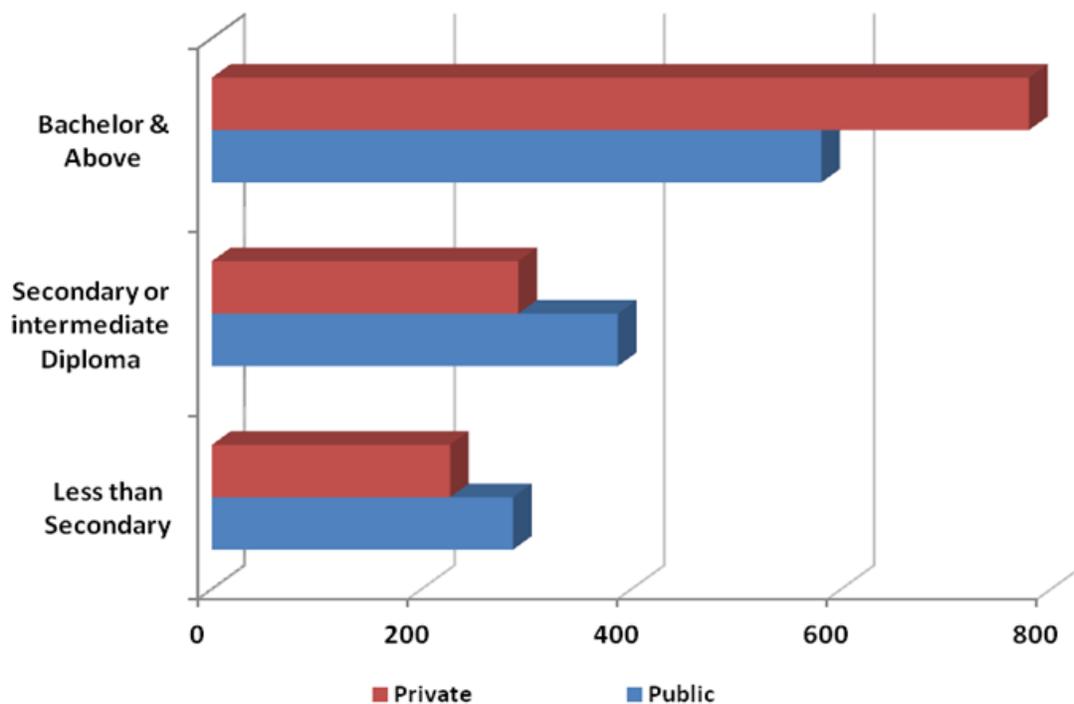


Figure 9-1. Males' salaries in both public and private sectors by educational levels (Jordan 2009)

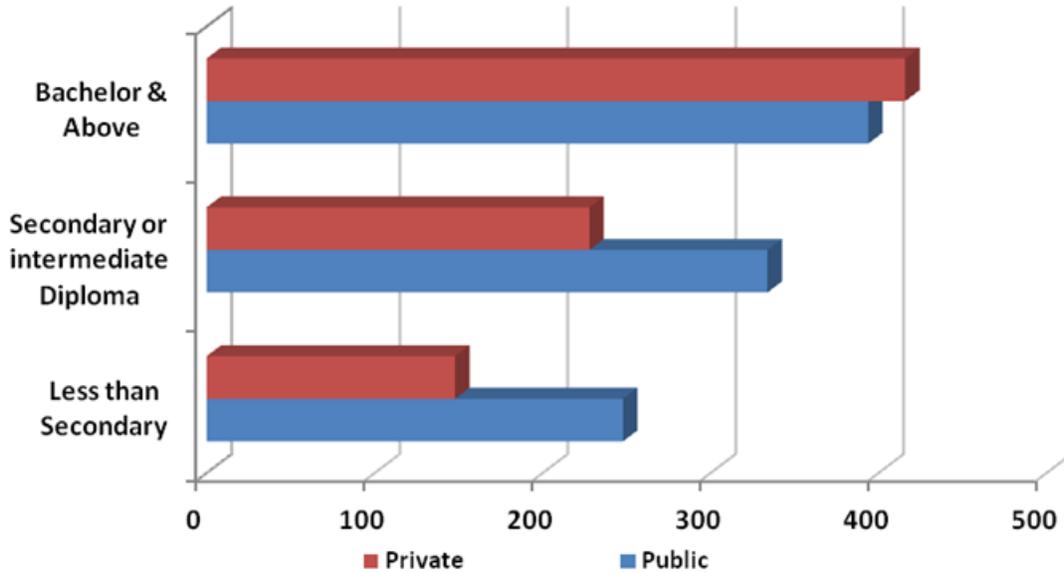


Figure 9-2. Females' salaries in both public and private sectors by educational levels (Jordan 2009)

Source: The Jordanian Department of Statistics, Employment and Unemployment Survey

In Qatar, salaries in the public sector witnessed a rapid and significant increase between 2005 and 2008, which can be attributed to the state’s increased revenues as a result of high global prices for oil and natural gas during this period. In fact, salaries increased from an average of 8,071 Qatari riyals (USD 2,217) in 2005 to 14,631 riyals (USD 4,020) with an average annual increase of 22%. In contrast, the increase in private sector salaries was less steep, resulting in a reduction of the difference between private and public sector salaries and, thus, increasing the appeal and financial desirability of public sector employment as well as Qatari nationals’ competition over public sector jobs. Public sector salaries in 2008, for instance, increased 2.3 times in contrast to only 1.7 times in the private sector.

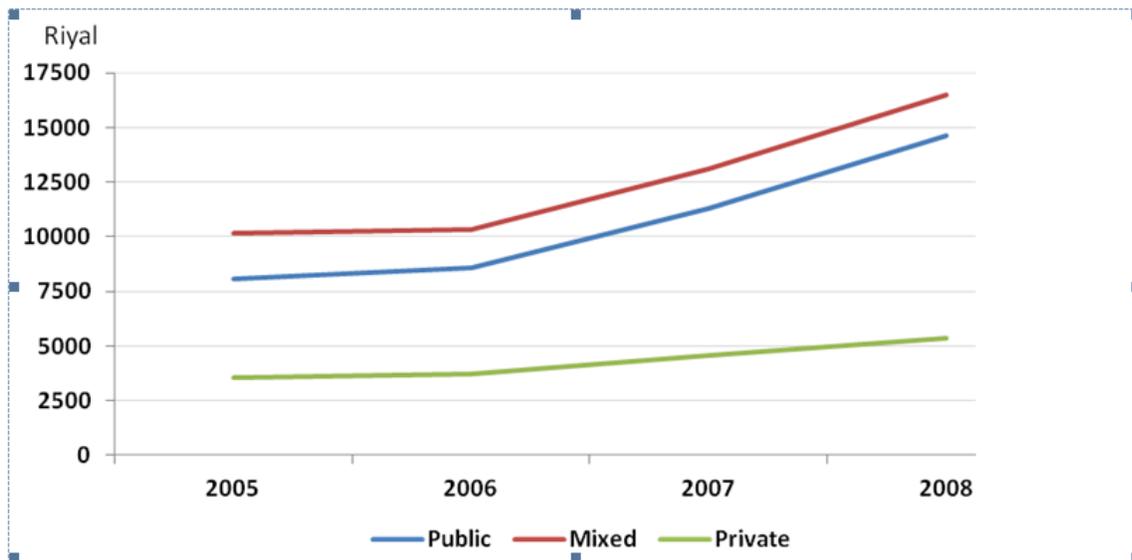


Figure 10. Evolution of average salaries in both, public and private sectors in Qatar.

Source: Qatari Statistics Authority, Labour force survey.

The discrepancy between salaries in the private and public sectors in the United Arab Emirates is similar to that in Jordan and Qatar. In 2008, for instance, the average annual income of private sector employees was almost a fifth of the average salary that employees of the federal government earn; it was less than half of the average salary of employees of local emirate governments, and only 30% of the average salary earned by employees of joint private-public sector enterprises. These figures are evident in Figure 11, which highlights the extent of the discrepancy between salaries earned by employees of the private and public sectors as well as among the different sectors of the United Arab Emirates' economy.¹³

It is important to note that the fields of the economy where public sector employment is more abundant and desirable are the fields where public sector jobs offer markedly higher salaries in comparison to their private sector counterparts, in contrast to those fields of the economy in which the private sector plays a more significant role. For

¹³ Tong, Q., "Wages Structure in the United Arab Emirates," Institute for Social and Economic Research (ISER), Zayed University, 2010.

example, salaries in public administration – a sector run entirely by the state – are threefold the national average. In healthcare and education, which are predominantly state-run, the average salary is double the national average. In contrast, salaries hover around the national average and below in sectors of the economy in which the state does not perform such a crucial role. In the construction sector, for instance, average salaries are 70% of the national average whereas salaries in the industrial sector are comparable to the national average.

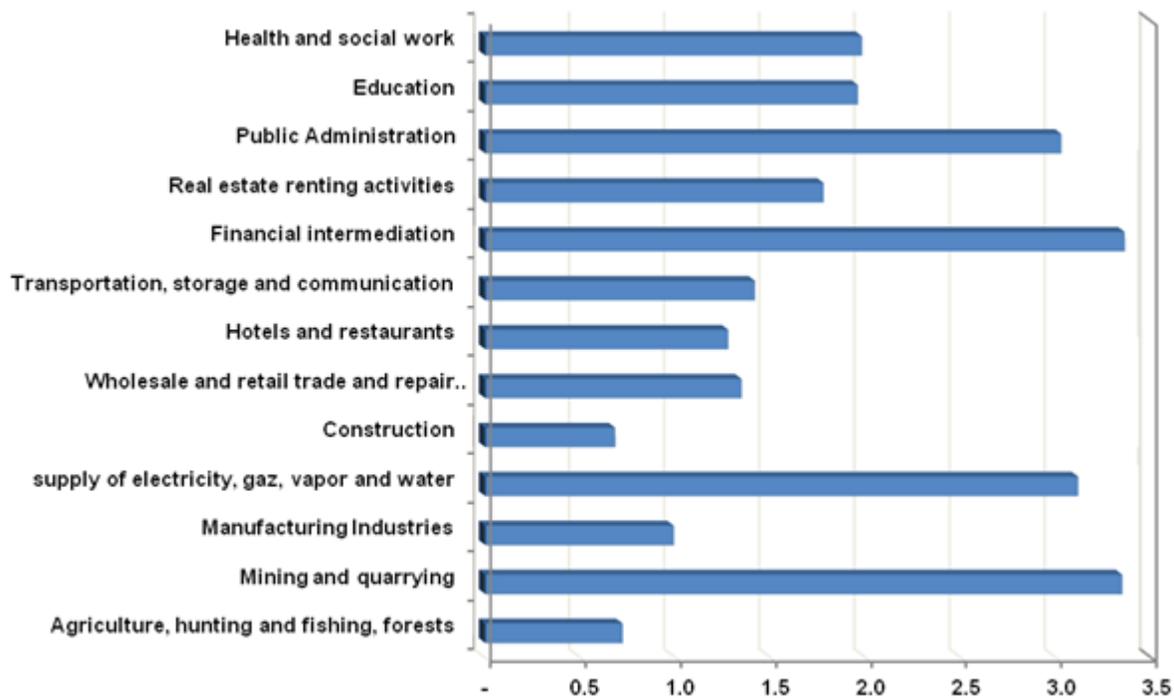


Figure 11. Sectoral average salary as a percentage of national average salary

Source: United Arab Emirates, National Bureau of Statistics, Labor Force Survey, 2008

In addition to the discrepancies between salaries in the private and public sectors discussed so far, the gap between the two sectors is exacerbated by a number of other non-financial factors which increase the desirability of public sector jobs and render the public sector the most – if not the only – appealing choice for nationals of the three countries examined in this study. The most important of these factors is perhaps the flexibility and suitability of working hours whereby private sector employees work more

hours than those in public sector jobs. In Jordan, for instance, a 2007 survey shows that working hours in the private sector are, on average, 31% more than working hours in the public sector. Moreover, working hours in the industrial and hospitality sectors exceed the number of working hours expected of public administration employees by 42% and 45% respectively. Job security is another significant factor increasing the desirability of public sector jobs in contrast to the private sector where employers are more flexible in hiring and firing.

In light of all of this, it is evident that there exists a large gap between salaries in the private and public sectors in Jordan, Qatar and the United Arab Emirates. This gap is exacerbated by other non-financial factors, which the public sector is more likely to offer than the private sector. As a result, public sector employment is more desirable and appealing to a vast majority of the national workforce and jobseekers' primary choice.

D. Salaries as a fundamental determinant of citizens' share in available jobs

In light of this examination of labor force and trends in employment in the private and public sectors in the United Arab Emirates, Qatar and Jordan, as well as structures of wages and salaries in both sectors and the economic role which state agencies and government bureaus play in creating jobs and absorbing excess labor, it is evident that we must now make an examination of the extent to which salaries determine sectoral trends in the labor market and whether or not salaries are determining factors in jobseekers' choice of economic activity.

Theoretically, salaries are considered the most important determining factor behind jobseekers' selection of employment as well as an important determinant of the structure of the demand for labor across the various economic sectors. In other words, if all other variables are neutralized, the salary at which a jobseeker is employed will naturally be the determining factor behind his/her choice of a particular job opportunity over another. This, of course, is only a theoretical assumption in order to understand the relationship between salaries and employment. In reality, however, there are a number of other concerns and factors that influence jobseekers' choice, including

working conditions and the working environment, which, along with salaries, help determine the structure and sectoral distribution of the working population.

In assessing the relationship between salaries and employment trends, it is evident that the distribution of the workforce among the varying sectors of the economy in the United Arab Emirates and Qatar is directly proportional to and heavily influenced by the salaries offered, as demonstrated in Figure 12.

In Qatar, for instance, it is evident that the number of Qataris is significantly low and, in some cases, negligible in sectors offering low salaries such as the hospitality industry, the wholesale and retail sectors and the construction sector. Similar trends can be identified in the United Arab Emirates where national employees are almost entirely absent from such sectors offering average salaries ranging from 4,000 UAE dirhams (USD 1,089) to 6,000 UAE dirhams (USD 1,634). These salaries may be referred to as “reservation wages”; in other words, the minimum wage jobseekers are willing to accept in return for their labor in a given job. Naturally, nationals’ reservation wage may higher or lower than migrant workers’ reservation wage seeing as this minimum acceptable wage depends on the living conditions, expectations and responsibilities of the individual jobseeker which differs from one country to another as well as within the single country. Reservation wages among nationals of GCC monarchies, for instance, are significantly higher than migrant workers in the GCC – especially migrant workers from Asian countries given that the cost of living as well as the minimum wage in these countries is significantly lower than in the GCC. Moreover, the role of the public sector in employing nationals and raising their salary expectations plays an important role in determining their reservation wage.¹⁴

¹⁴ Fasano, U. and Rishi Goyal, “Emerging Strains in GCC Labor Markets,” International Monetary Fund, IMF Working Paper, JEL Classification Codes: J30, J60, 2004.

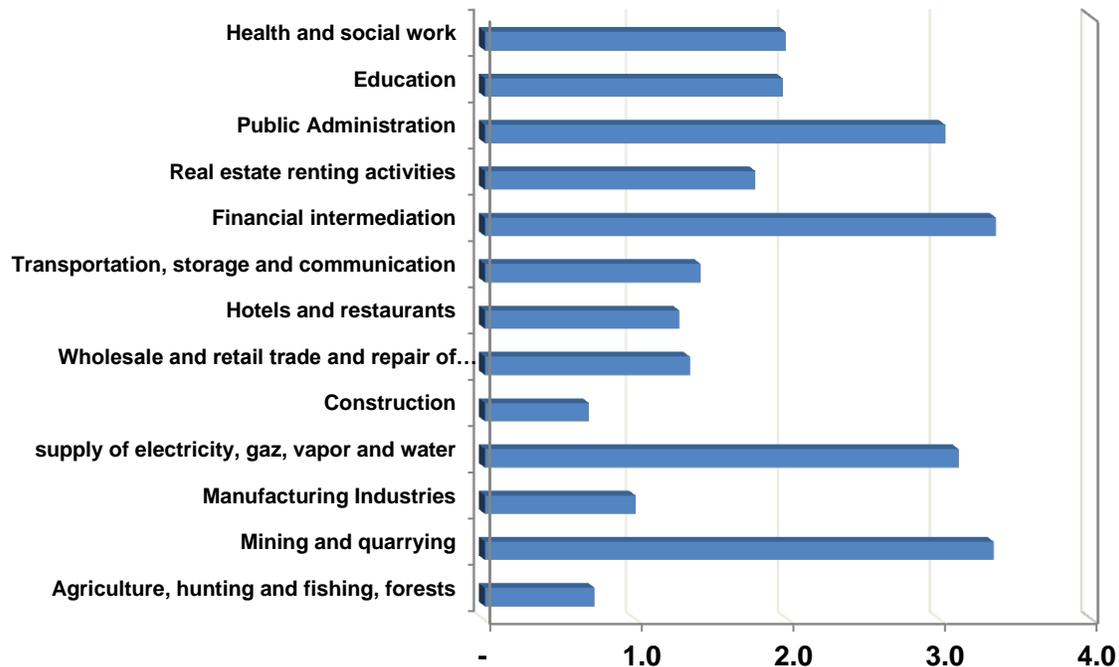


Figure 12. Ratio of sectoral average salary to national average in Emirates (2008)

Source: United Arab Emirates and Qatar Labor Force Survey

Despite the reasonable causal relationship between salaries and the sectoral distribution of labor force, nationals' reluctance to take up employment in some economic sectors can be attributed to a number of factors other than salary, including working conditions and social expectations as well as the social norms and traditional obligations which these sectors may not satisfy. A regression analysis of the relationship between the average salary and the appeal of some jobs to the national workforce (that is to say, the extent to which nationals partake in certain sectors of the economy vis-à-vis migrant workers) in the United Arab Emirates and Qatar demonstrates the inverse relationship between these two variables in different economic sectors, as illustrated in figures 13.1 and 13.2.

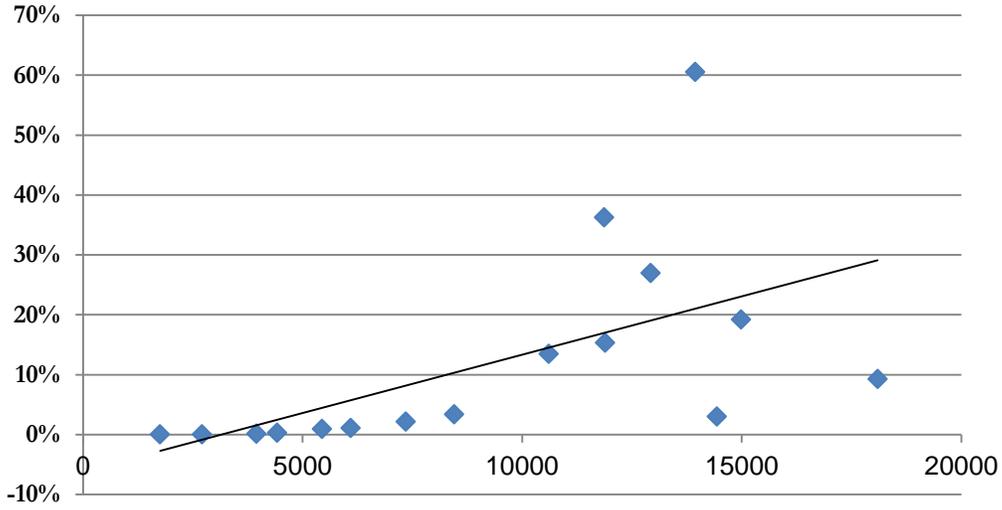


Figure 13.1. Correlation between average salary and the share of citizens in sectoral employment (Qatar)

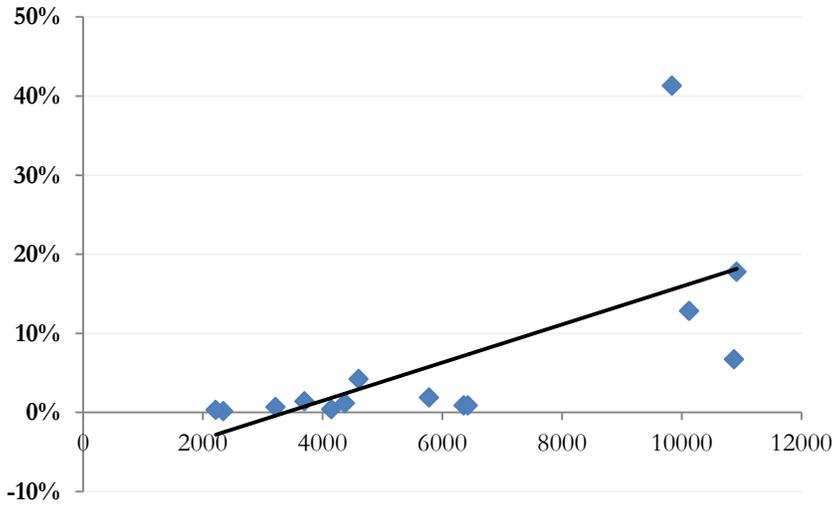


Figure 13.2. Correlation between average salary and the share of citizens in sectoral employment (United Arab Emirates)

Summary and conclusions

The analysis presented in this study demonstrates some of the various challenges and problems facing the labor force in the United Arab Emirates, Qatar and Jordan, highlighting the weak participation of women in particular as a traditional problem which many countries of the Middle East and the Maghreb region face. This problem requires a multi-faceted approach in order to encourage the development and growth of economic sectors providing jobs more suited to the social and familial expectations and obligations of, as well as the aspirations of, the Arab woman. In addition, the analysis presented demonstrates the need for legislative reforms aimed at establishing the legal framework necessary to encourage women to partake in the labor market and increase their participation in the productive process. For example, a national project to provide women with affordable nurseries for their children may, to a certain extent, enhance their ability to work. This is evidenced by studies indicating that fertility and birth rates are directly related to women's reluctance to partake in the job market. Moreover, it is evident that the level of formal education acquired by nationals is directly proportional to their employability, especially among women. Encouraging nationals and women in particular to acquire higher education, therefore, may be a key to promote their participation in the labor market in the future.

In addition, overcoming the high levels of unemployment among nationals of the three countries examined in this study, despite the resources at the disposal of their states and national economies, especially in the United Arab Emirates, and the state's ability to create jobs and absorb excess labor require the political will to encourage nationals to benefit from the high levels of economic growth which these countries are experiencing. It must be noted that migrant workers' ability to take up jobs created as a result of economic growth in these countries questions the extent to which economic growth has a real national impact especially as foreigners are becoming increasingly capable and eager to own shares in expanding economic projects in these countries, hence reducing the national contribution to value added activities and production, in contradiction to the intentions and aspirations of the policymakers who grant these projects legal and bureaucratic facilities in order to encourage economic growth.

This study also demonstrates that any intention to increase nationals' participation in the labor market must be accompanied by measures aimed at increasing salaries in the

private sector so as to bridge the gap between the salaries offered by the private and the public sectors. This is seen in the ample evidence provided in this study which indicates that jobseekers' decision to take up jobs in certain sectors of the economy and not others is directly proportionate to the average salary offered in these sectors and economic activities. This must not, however, negate the importance of other, non-financial factors including working hours, job security, working conditions and other factors.

In light of this, we must be aware that increasing private sector salaries may not necessarily be an easy task, seeing that the profit margin for tradable goods and services may be too narrow to increase such costs as salaries and wages if profitability, competitiveness and marketability considerations are to be taken into account. It is, therefore, more effective to focus on raising salaries in economic sectors producing non-tradable goods and services such as the real estate and service sectors. Moreover, increasing the appeal of jobs in sectors of the economy which nationals have traditionally been reluctant to partake in may also depend on non-financial incentives that compensate for the gap between private and public sector salaries.

Finally, it is important to note that labor market reforms must not be limited to reforming and adjusting salaries and financial rewards but must also include legal reforms affecting the private sector. Such reforms must put in place guarantees aimed at enshrining employees' rights and bettering working conditions for national as well as migrant workers. The comprehensiveness of such legal reforms must include both nationals and migrant workers alike seeing that any discriminatory improvements in favor of nationals may, in fact, reduce their ability to compete for private sector jobs vis-à-vis migrant workers. In light of this, policies must be enacted to include migrant workers within national social insurance schemes in the United Arab Emirates and Qatar seeing that employers' legal ability to exclude non-nationals from these schemes discourages employers from offering jobs to nationals and gives migrant workers an advantage over national jobseekers.

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