

# GCC Human Resource Overview

## Salaries, Cost of Living and Loyalty

February 2007



## Executive Summary

Notwithstanding the challenges posed by the breakneck speed of growth in the economies of the region, the pressures of competition and demands for profits, the buzz word in every office is human resources; that is sourcing the right people, luring them with appropriate packages, keeping them on board and maximizing their productivity.

Regional economies continue to enjoy an unprecedented boom with growth in 2006 and 2007 projected at an average of 6-7%, similar to the rate of the past 3 years, and exceeding the global growth rate which is projected at slightly over 5% for the period. It is against this backdrop that Bayt.com and YouGovSiraj conducted their first employee survey which essentially set out to measure the following:

- The cost of living challenges that are perceived to be in place by employees, and what they plan to do about it
- Job and career cycles
- The composition of the talent pool at the disposal of employers (from a number of years perspective)
- An indication of the average salaries across the region

As expected, results indicated that wages in the GCC registered a steep hike for the surveyed period with reported average salary raises in the past 12 months registering at 15% and in the past 24 months at 21%. However, the Cost Of Living was reported to have increased at an average of 24% over the past 12 months substantially eroding raises and biting into standards of living.

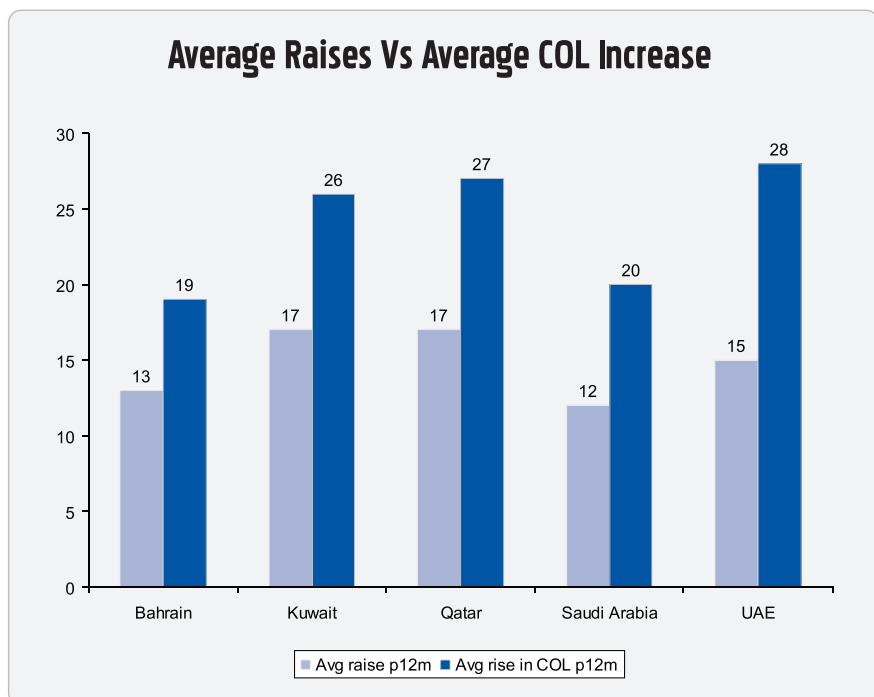
The result has been a large gap between the sense of deserved raises and realistic expectations of raises and an increase in general dissatisfaction with the current employment situation. Loyalty in the GCC work place is eroding quickly in consequence and though a substantial portion of expatriates see themselves firmly ensconced in their countries of work and would like to settle there for the indefinite future, many employees are looking for greener pastures in terms of other companies and industries that offer more attractive benefits packages and more lucrative career prospects.

It is easy to get lost in the stream of macro and micro economic indicators continuously released by various bodies internationally and across the region, but when we are talking about people, perception is reality. This essentially means that employers not only need to optimize their employees' present situation, but there is also a need to manage their perceptions. This is especially true against the backdrop of general negativity in the face of ever increasing demands on people's purses.

## The Price of Success

Everyone, everywhere is talking about this, whether its soaring rents, high education costs, escalating parking tickets or the price of a dinner at your local beachfront restaurant. It has replaced the weather as the main topic of conversation and has regional economists and bankers grappling with their spreadsheets, but interestingly enough there is little consistency in terms of real data on inflation in the countries across the region.

The survey showed a stronger than expected level of rises in wages across the region, however, these are wiped out by perceived increases in the cost of living. Reported average raises over the past 12 months were lowest in Saudi Arabia at 12%, escalating to 17% in Kuwait and Qatar, with Bahrain and the UAE registering 13% and 15% average raises respectively. Average cost of living increases on the other hand were greatest

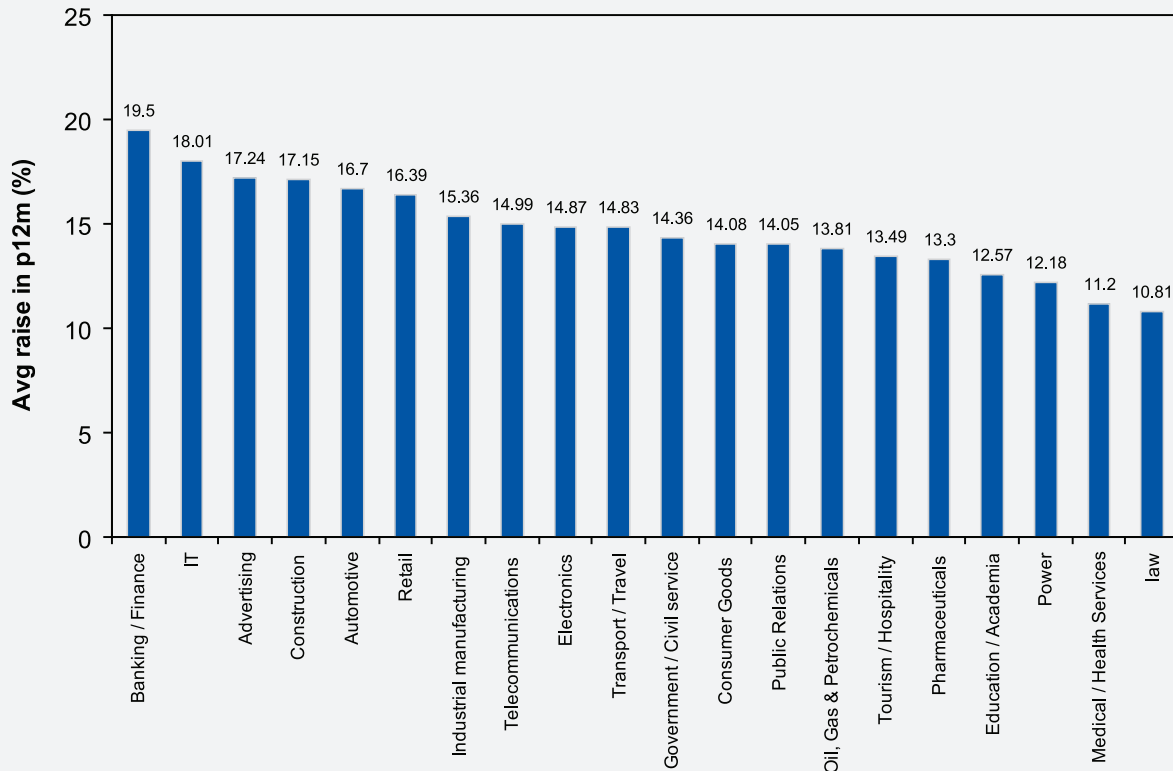


in the UAE at 28% with Qatar and Kuwait trailing close behind at 27% and 26% respectively. Bahrain and Saudi Arabia registered the least inflation with reported cost of living increases of 19% and 20% respectively over the past 12 months. **The UAE was in no uncertain terms the worst affected in terms of erosion of consumers real purchasing power with salaries being outpaced by cost of living increases to the tune of over 13%.**

With average raises of 12.75%, the Government sector registered the lowest salary increases in the region for the past 12 months while burgeoning private sector multinationals doled out the largest raises at an average of 16.77%.

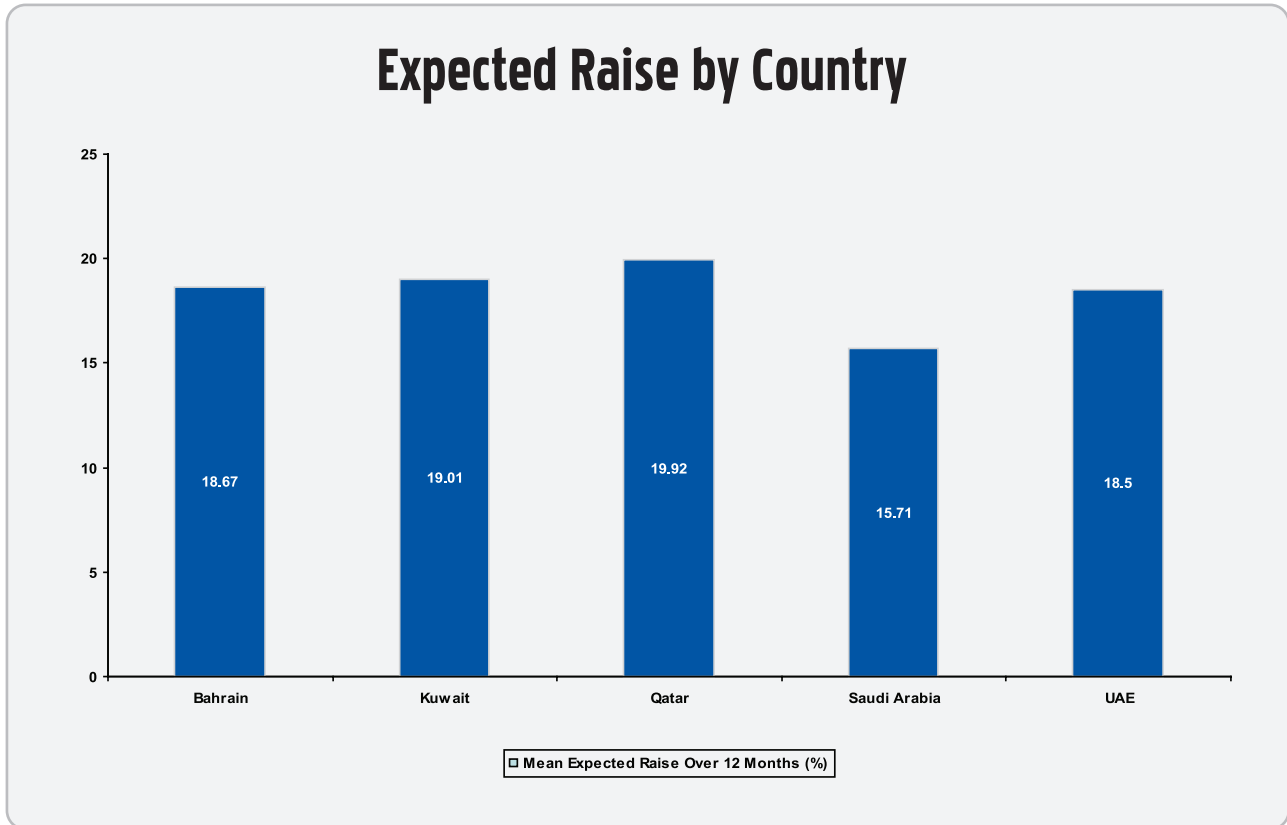
Raises varied quite significantly by industry and income levels and do not necessarily reflect raise potential. Law, which registered the highest average income, had the lowest average raise.

## Average Raise in Past 12 Months By Industry



Looked at for a longer period, Kuwait and Qatar registered the greatest salary increases over the past 24 months with Bahrain reporting the lowest salary increase at an average of 18.95% over the 24 month period. **Industries which fared best in terms of salary increases in the past 24 months included business consultancy, banking and finance, power, IT and construction.** Again multinationals fared significantly better than the local private or government sector in terms of raises for the period.

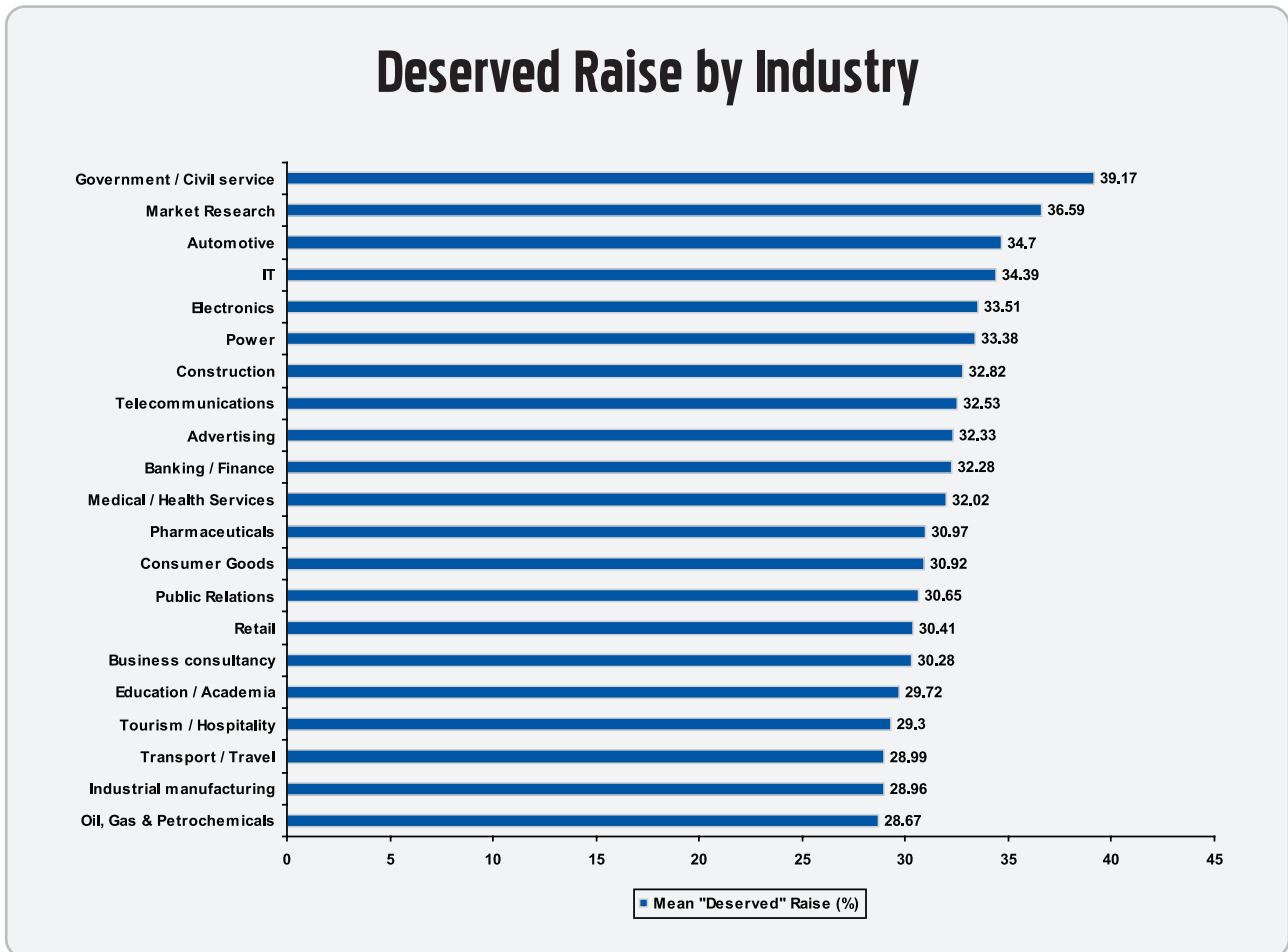
While the cost of living will forever be a subject of conversation, the belief is that we are coming to an end of a cycle. The anticipated increases in these costs are being addressed in a variety of ways and across the region, be it the rent caps being placed, the intervention of the various education governing bodies, or the pressure on consumer prices from a reduction in spend induced by a consumer whose purse feels like it has shrunk (YouGovSiraj Gulf News Survey Sept 06 showed that 62% of respondents expected to scale back on purchases due to increases in cost of living).



**Yet raise expectations for the next 12 months at an average of 18.36% for the region are no less ambitious than the recorded recent raises** and Qatar appears to lead the region in terms of raise expectations at 19.92%. Expectations are significantly lower in Saudi Arabia at 15.71% but still generous in the UAE, Bahrain and Kuwait at 18.5%, 18.67% and 19% respectively. Expectations are highest in the market research, automotive, construction, IT and banking/finance industries and lowest in the government/ civil service sector. Interestingly raise expectations over the next 12 months do not appear to outpace the figures noted for cost of living increases over the past 12 months. Raise expectations rose with seniority with entry level professionals recording raise expectations of 17% on average while seasoned executives at the senior ends of their careers recorded raise expectations in excess of 20% for the upcoming 12 months.

Interestingly, when asked about “deserved” raises the figures are substantially higher, with UAE and Bahrain professionals feeling the most underpaid and reporting they deserve a 33% raise while professionals in Qatar and Kuwait reported deserved raises over the next 12 months of 32% and 28% respectively. Saudi Arabia at 27% registered the lowest sense of entitlement. With most people believing they deserve much higher raises than they are likely to get in light of recent cost of living increases (on average 11% more), there is ample evidence in support of adopting creative strategies beyond salaries as a strategy

for retaining and motivating key employees. The industries noting the greatest “deserved” raises amongst the polled countries were the Government/ Civil Service industry which recorded a 39% deserved raise across the region followed by market research, automotive and IT at 37%, 35% and 34% respectively.



## The Loyalty Factor

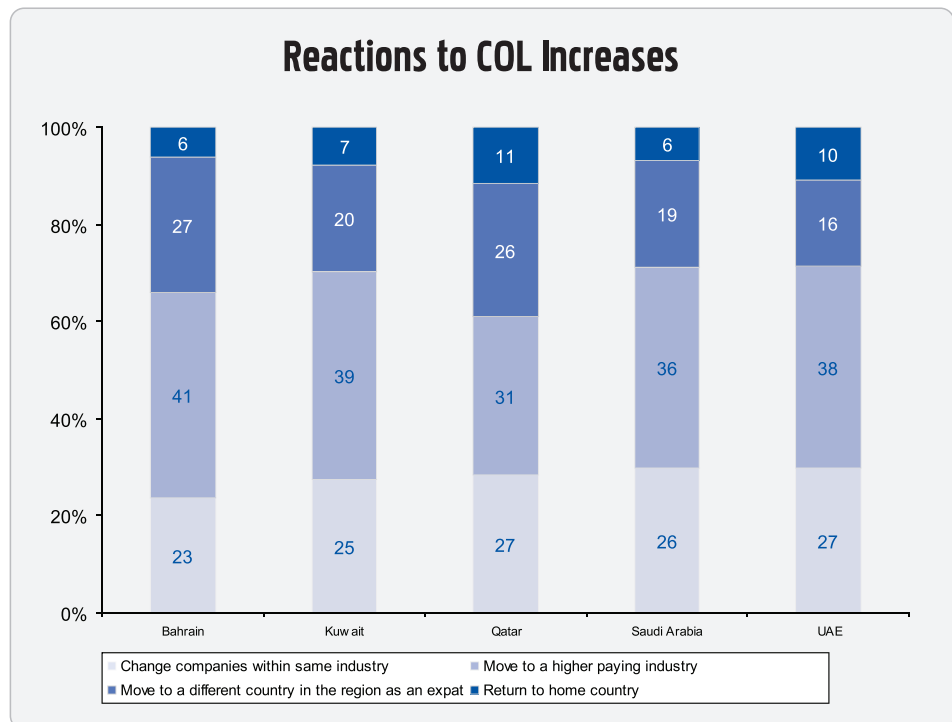
With price trends on the rampant upswing and salary expectations falling short of registered recent increases in the cost of living how are regional professionals adjusting? Surprisingly given the extent to which cost of living pressures are reported to have affected the talent pool, loyalty to the region remains relatively high. **A far greater number of respondents indicated they would seek to improve their situation by moving to another country within the GCC than those indicating they would move back to their home country and by far the greatest number of respondents indicated they would react to inflation by shifting companies or industries.**

At 37% of polled respondents looking to leave to their home country or to another country in the GCC, Qatar recorded the highest number of disgruntled residents. The UAE with a similar cost of living increase and less in terms of raises registered the lowest number of people looking to leave to another country in the region.

Despite the reported erosion in living standards, only 10% of the polled talent pool in the UAE indicated they would like to return to their home countries with a further 16% indicating they would consider shifting to another country in the region. Conversely Bahrain with a relatively lower increase in the cost of living has the highest potential for losing people to other countries in the region.

In total, at 26% of polled jobseekers looking to leave the country to improve their situation, the UAE labour pool, trailing very slightly behind the KSA, displayed amongst the highest loyalty levels as compared to the other polled countries despite the detrimental changes in the perceived quality of life.

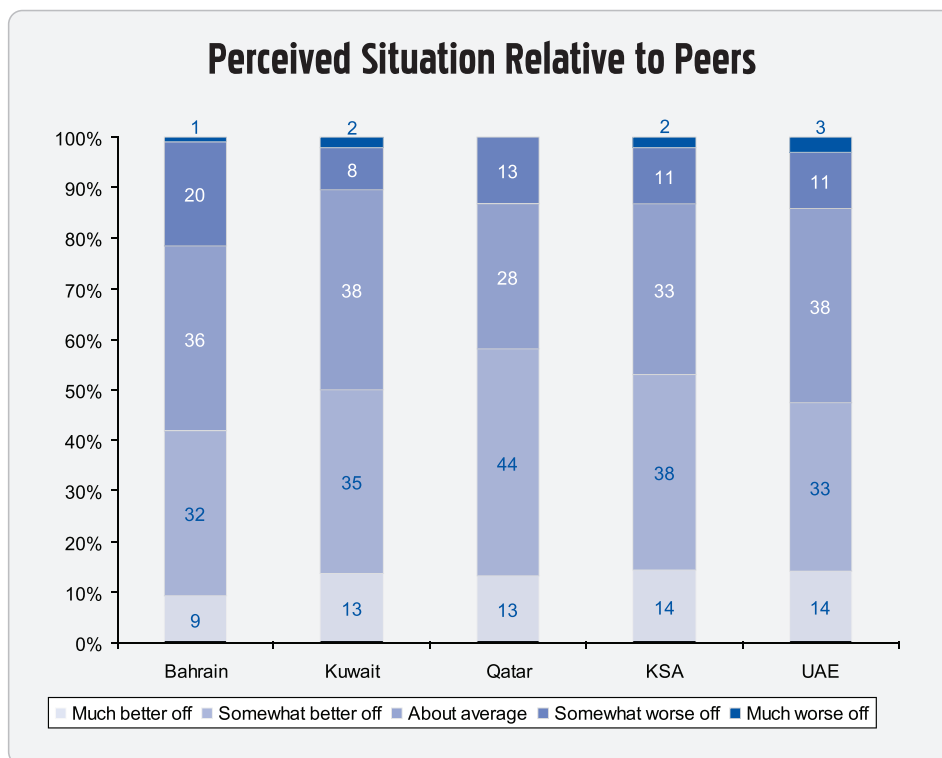
The vast number of respondents indicated they would respond to the cost of living increases



by moving to a higher paying industry with substantially fewer indicating they would change companies within the same industry. The willingness to switch industries was even more pronounced among professionals with a higher number of years of experience. There are dual implications to this for hiring companies. On the opportunity side, it is clear that broadening talent search laterally to other industries and locations is likely to yield positive results. On the other hand the threat to industries suffering from less attractive compensation and benefit schemes, low commitment to career development and more difficult working conditions in an inflationary environment is evident. Clearly, companies need to get creative with their reward schemes and well-defined competitive strategies need to be put in place to hire, retain and motivate top talent.

Looking at mobility from an industry perspective those in public relations, education/academia, consumer goods and transport/travel indicated the highest propensity to consider switching industries as a result of quality of life considerations while those in the construction, power

and oil and gas industries indicated the most resistance.



Despite the high level of dissatisfaction with current packages and the rising costs of living and doing business in the region, the general perception is that the macro situation is affecting everyone in equal measure. When asked to compare themselves to people of a similar generation in their country, generally

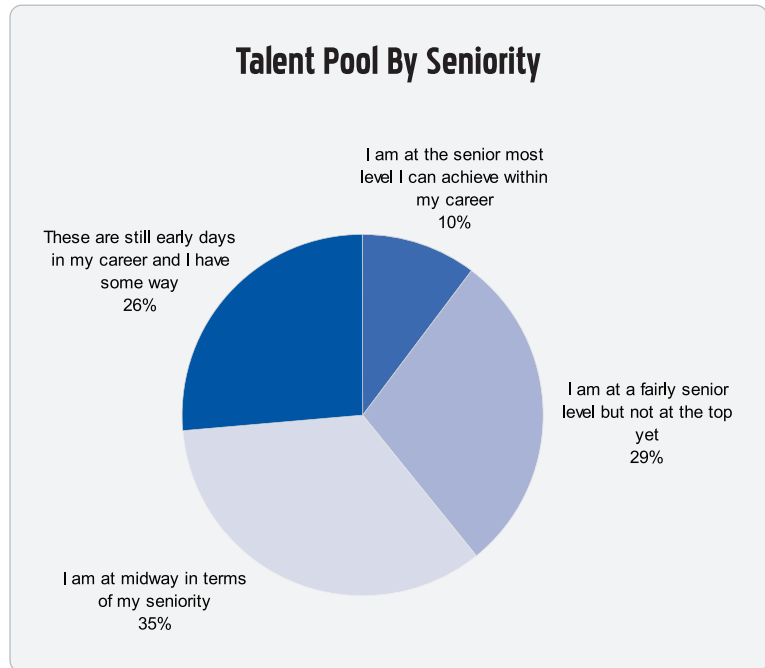
people feel like they are at least average if not doing better than their peers in terms of quality of life. This of course is a strong indicator of the power of perception and the need to manage it. Bahrain reported the largest perceptions of negative disparity despite the fact that it registered the highest percentage of high earners indicating perhaps a sharp variance in salary ranges at the top end of the scale.



## The Talent Pool

Like all other facets of a company's business, human asset resourcing requires a substantial amount of planning. Not surprisingly, the more senior the requirements, the smaller the talent pool available.

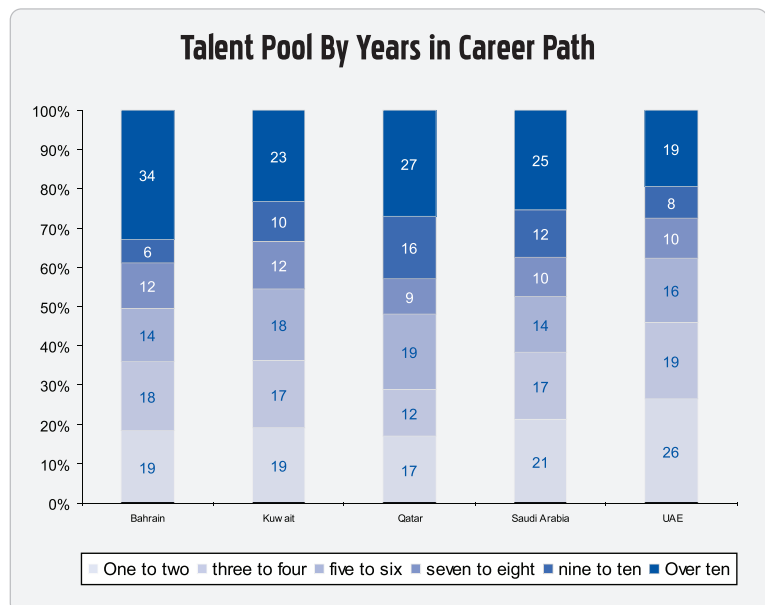
That said, **the average amount of time spent in one career path in the region is just over 8 years**, and those that deem themselves "fairly senior" average 10.5 years, not far behind the average of those that deem themselves at the topmost level of their career which is 11.5 years.



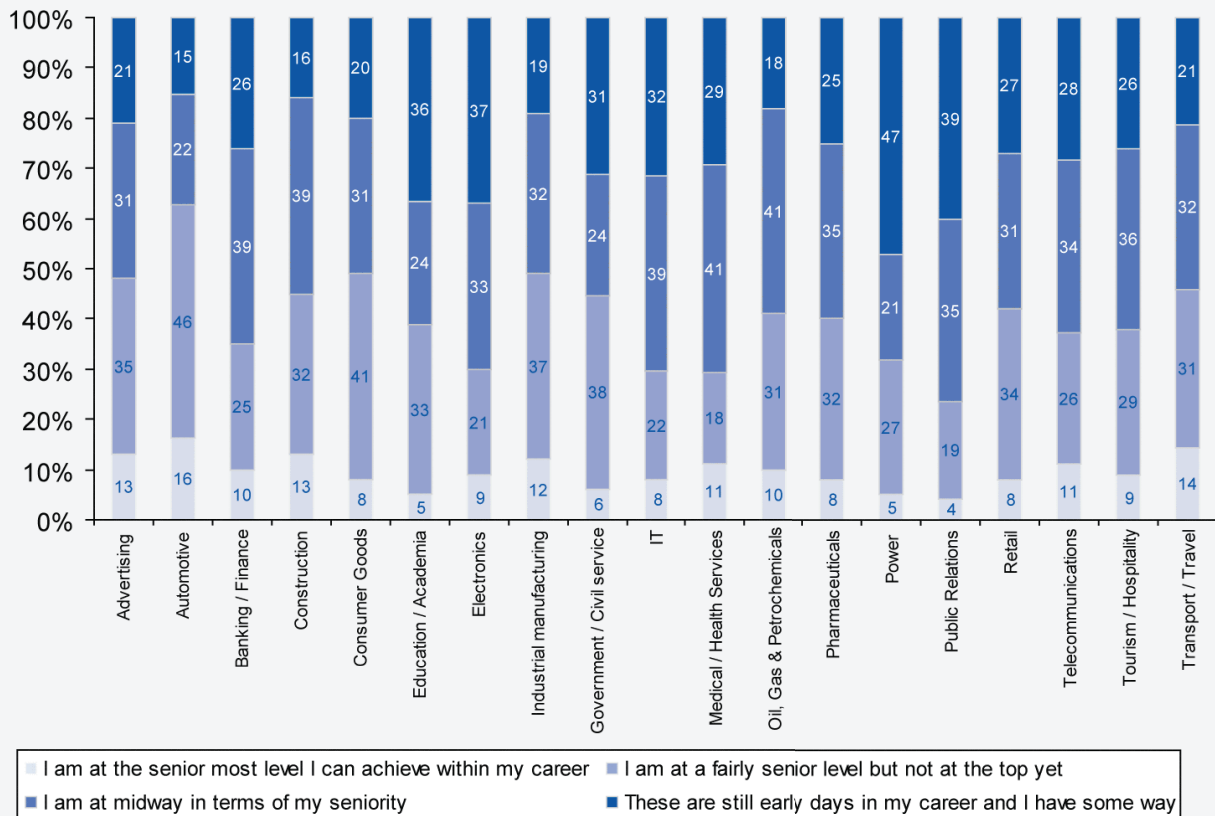
The experience pool varies by country, **the UAE having the highest portion of new talent**, and a smaller proportion at the top end, which is the inverse of the groupings in Bahrain. Similarity in the middle groups is quite strong. The figures in Bahrain are driven by a higher proportion of Nationals.

This is of particular interest when looking for new talent, and identifying sources.

Industry specific data shows the challenges for the various industries. Industries with lower levels at the entry level are ones that need to concern themselves with development at that end, due to the longer term implications. Public relations, power, electronics and education/academia indicated high percentages at the entry levels regionally while the automotive and



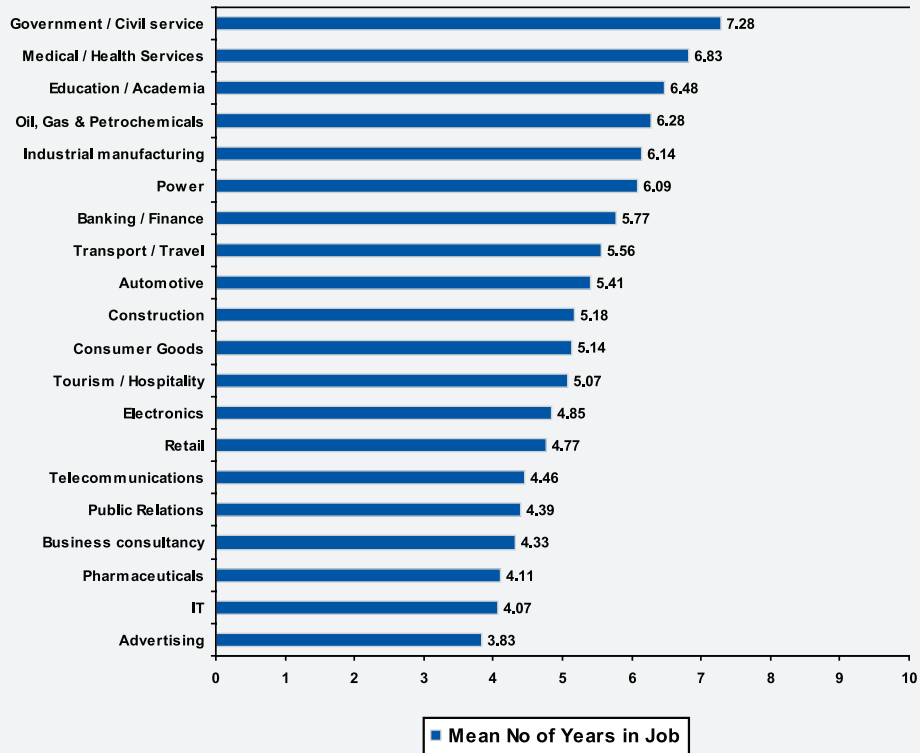
## Talent Pool By Seniority



transport/travel industries displayed the largest proportion of senior executive talent who believe they have peaked in their respective industries.

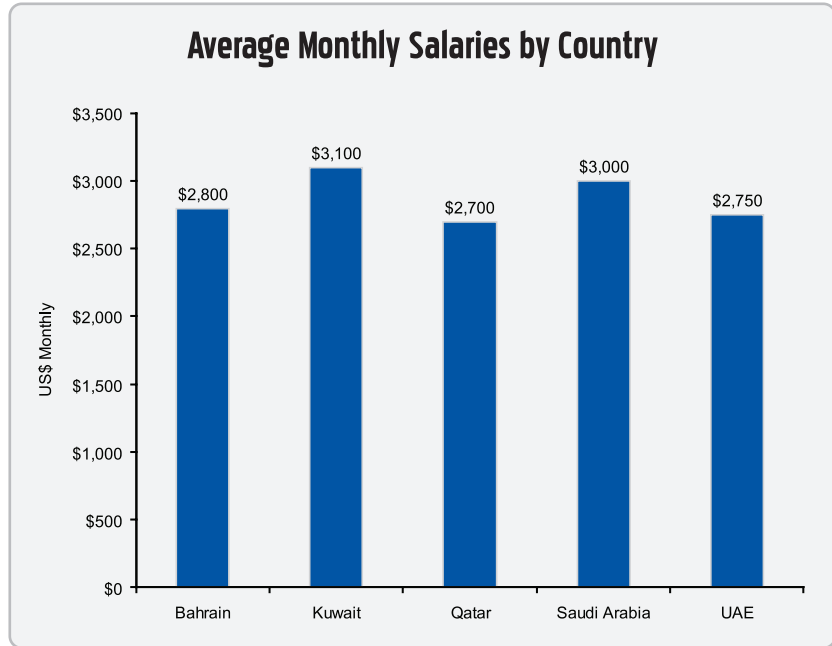
The average length of time holding a job in the polled countries ranged from 4.7 years in the UAE to 5.8 years in Kuwait and Bahrain. **In the past 5 years most people have changed jobs at least once with the average number of jobs held in the past 5 years ranging from 2 in Saudi Arabia and Bahrain to 2.3 in Kuwait and 2.4 in Qatar.** Looked at by industry, the past 5 years have seen the greatest mobility in the advertising, tourism/hospitality and public relations industries with transport/travel and IT trailing not far behind. The power, automotive and consumer goods industries registered the least number of job changes over the past 5 years. As expected, the public/government sector registered significantly lower volatility than the private sector, and multinationals in the private sector were marginally higher in turnover than the local companies.

## Average Number of Years in Job by Industry



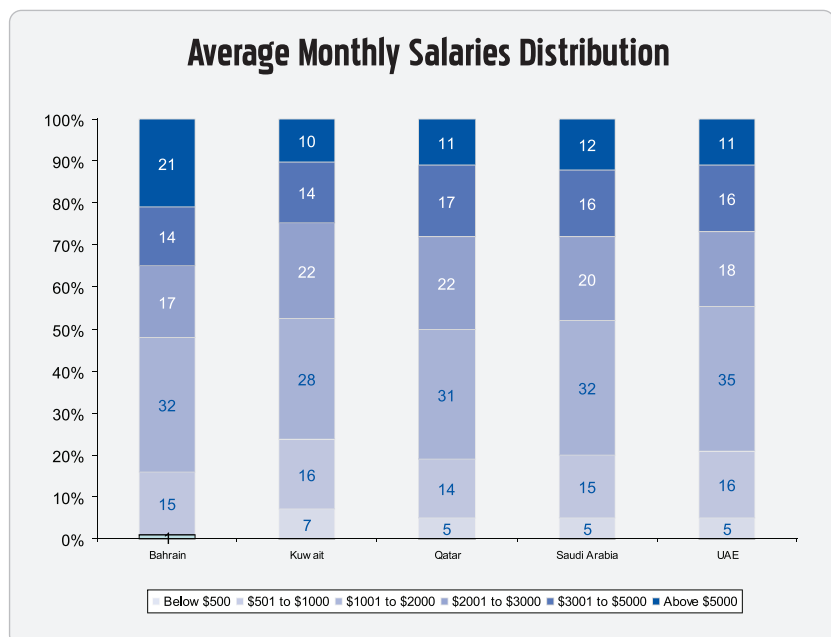
## Salaries across the GCC

Our surveyed cross-section of the labour force displayed a surprising amount of homogeneity. **On average the salaries in the GCC region were seen to be generally comparable as based on the surveyed pool, with Kuwait leading the pack at an average reported monthly salary of USD\$3,100.** The UAE and Qatar with approximately 90% of their labour force comprised of expatriates trailed closely behind Bahrain and Saudi Arabia with reported monthly average salaries of USD\$2,750 and USD\$2,700 respectively.

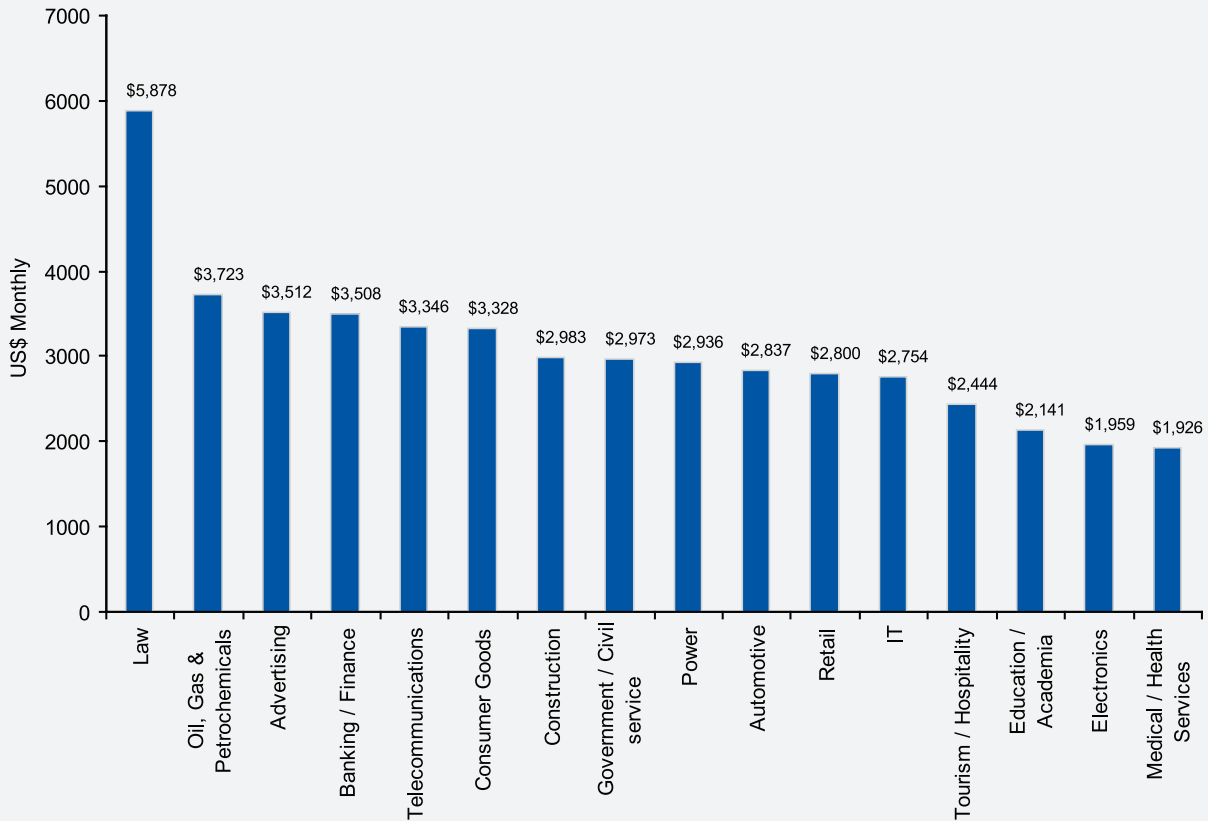


The distribution of salaries is also similar, with the exception of Bahrain, which seems to have a higher percentage of high earners. This is in all probability driven by a higher proportion of national employees as a percentage of the overall workforce as well as the relatively mature nature and significant relative size of the Bahraini financial sector which is the country's single largest employer and employs over 90% nationals.

That said, not all industries are created equal and the nature of industries that dominate the economic landscape diverge across the region with some countries having much broader economic bases and less reliance on the oil and petroleum industry as a main driver of GDP than others.



## Average Monthly Salaries by Industry



Oil GDP continued to contract in Bahrain the past year while non-oil GDP, chiefly from construction activity, was the main source of growth in the UAE. Conversely, the expansion of the oil sector was the main engine of growth in Kuwait for the same period.

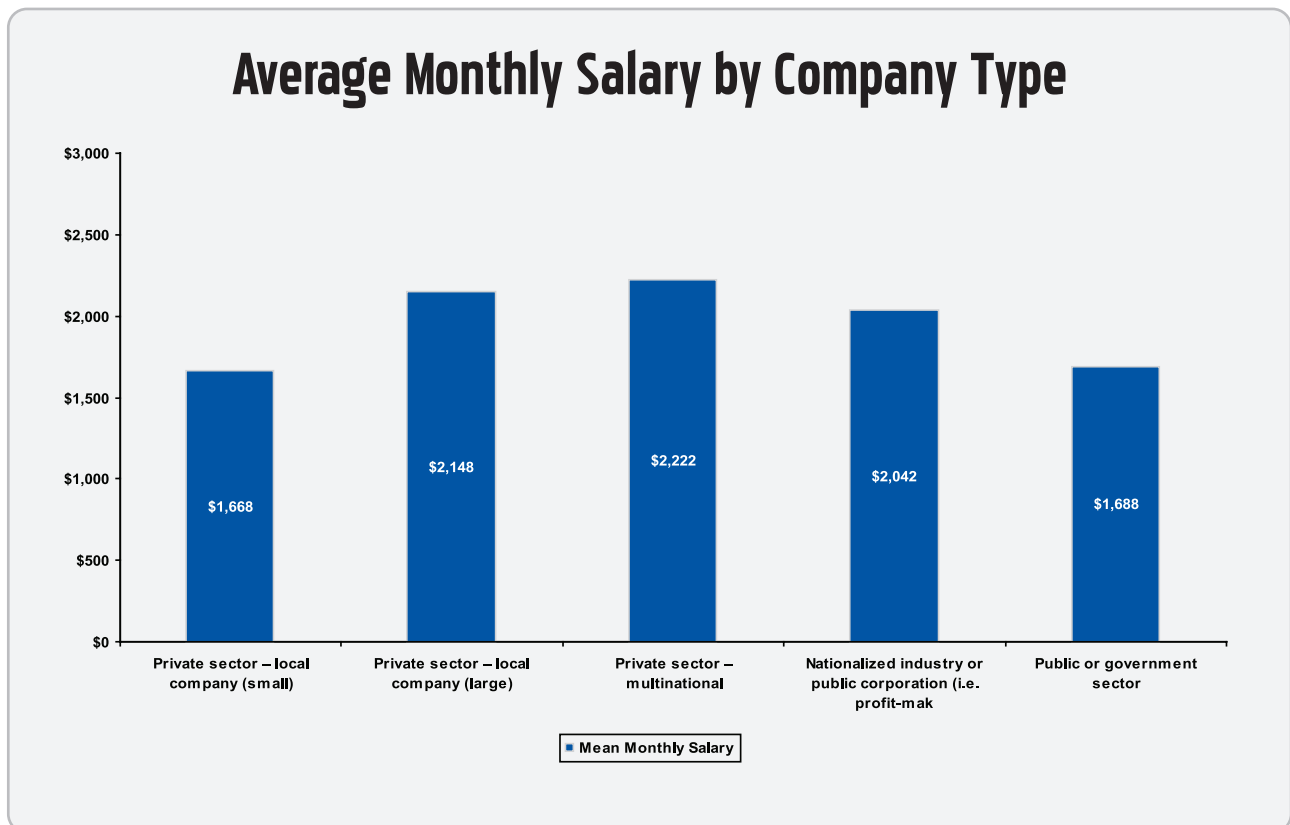
The banking/finance average salary at USD\$3,508 is lower than expected in light of the astronomical packages some western-trained investment bankers and private bankers are commanding in the region and this is primarily due to the plethora of positions available at the entry and clerical levels and the significantly lower pay scales traditional commercial banking activities still command as compared to the region's new burgeoning breed of investment banking roles. The UAE in particular, with the emergence of the DIFC, has seen a sharp surge in highly lucrative financial services positions in newly burgeoning sectors such as private equity and investment banking which are being remunerated as per the benchmarks of top international financial centers. A number of blue-chip international investment banks are now doing business in an area that was traditionally serviced out of London and are for the most part calling Dubai their regional headquarters and commanding top international salaries from their base in Dubai.

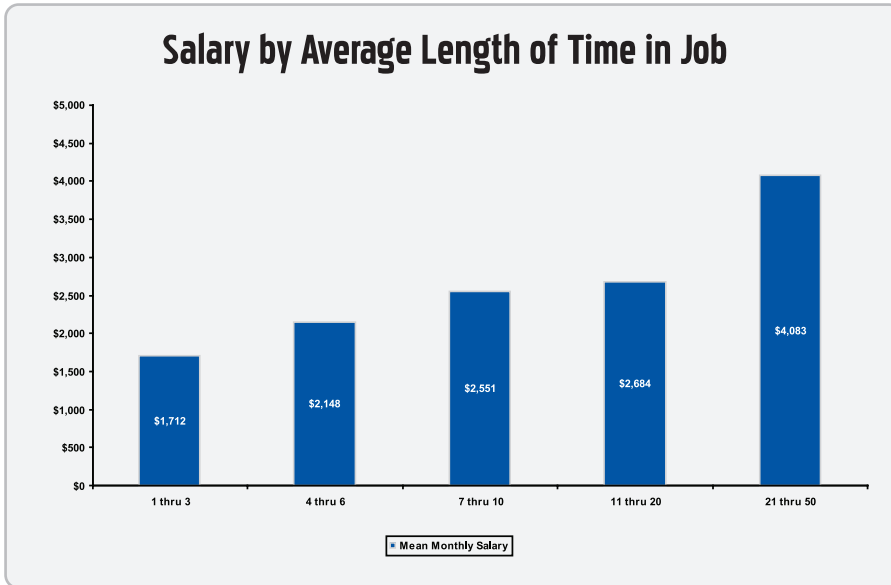
The Bayt Executive Search division reports that experienced private bankers with existing portfolios are in heavy demand by local and international institutions alike across the region and are being paid top packages by international standards as are investment bankers with international experience at every career level to populate the new investment banking hubs. Where is this talent coming from? According to Bayt Executive Search it is being sourced mainly from traditional financial hubs in London, New York and Singapore and there is no shortage of top talent willing to relocate to the regional financial hubs in light of packages, lifestyle and recent developments in leisure and tourism facilities and infrastructure.

Medical and health services came out close to the bottom in our survey because it excluded the high earners within that industry – doctors.

Benchmarking your company's average against your industry will give you a good idea of how competitive you are. This may very well give you bragging rights with your employees, an important tool in the perception management toolbox.

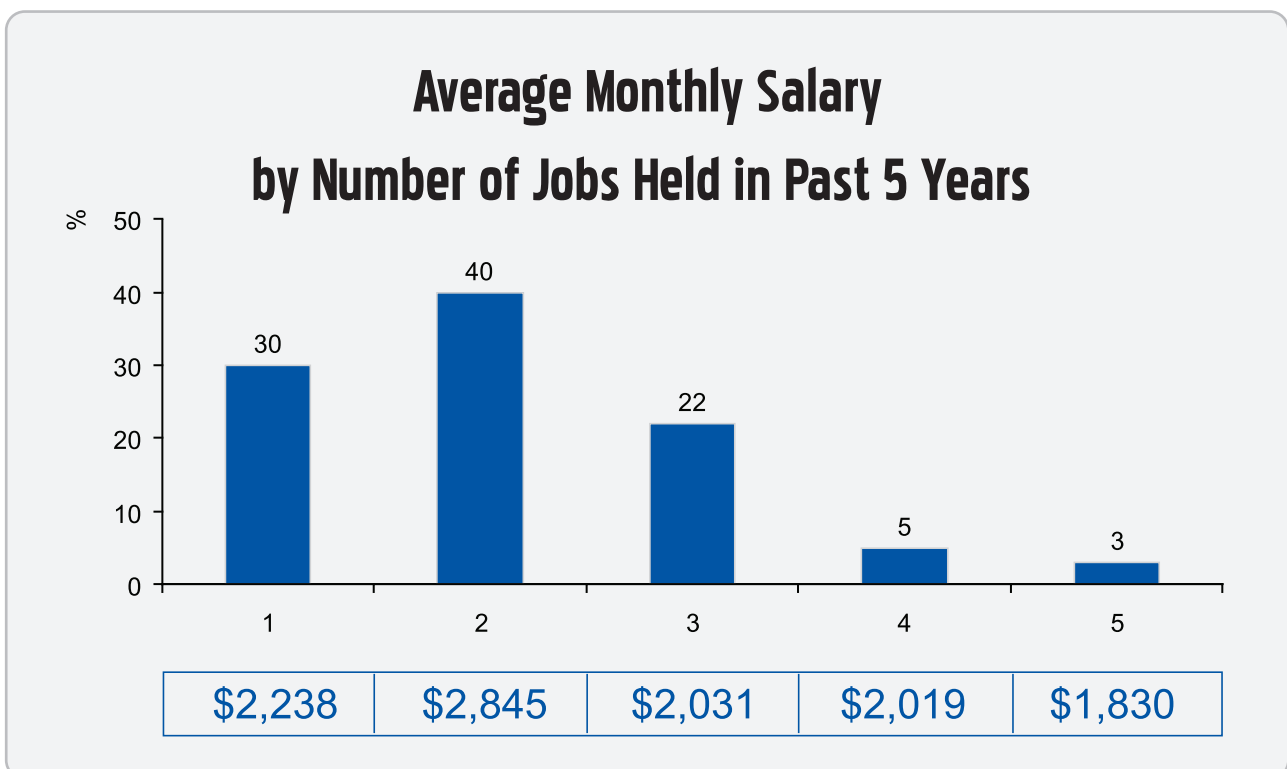
Salaries varied by type of company with private sector multinationals registering the highest mean salaries at USD\$2,222, and the government sector and small local companies trailing significantly behind at USD\$1,688 and USD\$1,668 respectively.





Surveyed young professionals with 1 to 3 years experience in the region are seen to command an average salary of USD\$1,712 while those with 21 through 50 years experience registered an average salary of USD\$4,083. The survey results would indicate that the main salary hikes kick in after age 40.

Interestingly, changing jobs once every 2 years in the current business landscape seems optimal from a salary perspective as those having done so in the past 5 years have recorded the highest average salaries. Employers need to keep an eye out on valuable employees in that term range and formulate creative ways to keep them to prevent them from procuring higher salaries elsewhere.



## Some insights to keep in mind

- ***The standard of living in a particular location has a direct implication on perception of longevity of career in any one place.***

An overlay poll run on bayt.com to support the survey findings confirmed that despite the escalating costs of living and salaries that have not kept pace, Dubai remains overwhelmingly the work destination of choice in the region. An overwhelming 49% of respondents indicated they would prefer to work in Dubai than in any other country in the GCC. This was followed by KSA at 16% and Kuwait at 14% and Qatar at 11%. While 24% of the polled talent pool see themselves leaving Dubai in the next 12-24 months, an overwhelming 40% of polled respondents saw themselves working in Dubai for the indefinite future rather than leaving in the foreseeable short or intermediate term. Asked why they prefer Dubai most respondents (43%) indicated opportunities for long term career progression as the main reason by far outstripping compensation levels (18%) as the main attraction to live and work in Dubai. Clearly, a sense of long term career stability and the prospect of advancing careers with established blue chip players in a world class business environment over the long term holds precedence over short term compensation levels for today's jobseeker. For today's career-minded professional, the long-term appeal of Dubai Inc as a bustling stable international business hub that hosts cutting edge global corporations supersedes perceived short term cost of living considerations.

- ***Lack of growth opportunities are the main reason regional professionals leave their jobs.***

While erosion of real income levels in the face of inflation is a key concern for regional employers seeking to retain their employees, it is important to note that lack of growth opportunities was cited as by far the most important reason professionals leave their jobs. This was true in every country polled across the region. Low salary was consistently cited as less important a reason to leave although this differential was lowest in the UAE with 36% of polled talent choosing lack of growth opportunities and 34% choosing low salaries as the main impetus to leave a job. Interestingly, demanding supervisors were not seen by many as a sufficient reason to leave a job.

- ***A quarter of employees plan their pay hike requests well. They do this by securing a better paying job before asking for their raise.***

Moreover, over 60% of employees asked if they search for other job opportunities while they are employed answered in the affirmative and indicated they are always on the lookout for better opportunities. On average, only 5% of those polled indicated they were not on the



lookout for better opportunities while employed because they were happy with their jobs. Regional job sites such as bayt.com with their comprehensive pan-industrial offering have

they can apply to lucrative job offers in their chosen industries with the click of a button. While over 40% of polled candidates claim they have never been headhunted, the plethora of newly emerged executive search firms in the region and the tight competition for proven top talent in hot industries is sure to make headhunting a more prevalent practice in regional hiring activity.

## About Bayt.com

Bayt.com is the #1 job site in the Middle East offering a complete range of end-to-end employment solutions and career planning tools. Bayt.com is the fastest, easiest, most effective and cost efficient method for job seekers to find top jobs and for employers to find quality candidates in the Middle East, Pakistan and North Africa.

### Why use Bayt.com?

With more than 26,000 employers across the region using Bayt.com to recruit in 94 different industries, jobseekers can search and apply to that right job in minutes.

With more than 1.3 million registered jobseekers across the region from 116 nationalities, from all career levels, employers can hire the best talent today using our state-of-the-art search tools.

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