

**UNEMPLOYMENT RATE IN THE UNITED ARAB
EMIRATES: THE CASE OF ABU DHABI**

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Abstract

Unemployment is a critical social and economic problem in both developed and developing countries. This working paper reviews the labor market and unemployment in the United Arab Emirates (UAE) as a rich oil based economy. The unemployment rate in Abu Dhabi is measured using sample survey analysis method. The estimated unemployment rate is compared to the official national rate for the UAE. The result provides information that can be used as a basis for the development of some policies and recommendations to reduce unemployment.

ملخص

إن البطالة مشكلة إجتماعية واقتصادية هامة في الدول المتقدمة والنامية على حد سواء. وتستعرض ورقة العمل هذه سوق العمل والبطالة في الإمارات العربية المتحدة كدولة غنية يعتمد اقتصادها على النفط. ويتم قياس معدل البطالة في أبو ظبي باستخدام أسلوب تحليل عينة استطلاعية. وتتم مقارنة معدل البطالة المُقدَّر بالمعدل القومي الرسمي للإمارات العربية المتحدة. وتقدم النتائج معلومات يمكن استخدامها كأساس لتطوير بعض السياسات والتوصيات للحد من البطالة.

1. Introduction

Prior to the independence of the U.A.E., its economy was dominated by basic economic activities such as fishing and little agriculture. With the discovery of oil the economy expanded and the oil sector constitutes more than 35% of its GDP. In 2005, the U.A.E. produced about 2.4 million barrels per day, 85% of it was produced by Abu Dhabi alone. The oil revenue allows the government to spend generously on infrastructure, education, and job creation.

The rise of oil prices in the 1970s provided the Gulf Cooperation Council (GCC) countries with the financial resources which allowed for vast economic development programs that required influx of non-national labor. However, the drop in oil prices in the mid 1980s and the population growth made unemployment an issue in GCC countries.

This paper reviews unemployment in the UAE and measures the unemployment rate in Abu Dhabi; the capital of the federation. A sample survey method is used for a randomly selected group of national families, applying the widely accepted definition of unemployment rate, which is the number for workers who are at the age of work and seriously seeking employment at the prevailing wages as a percent of the total civilian labor force. Then, results will be presented and analyzed with some policy implications.

2. UAE Unemployment: An Overview

The oil price boom of the 1970s resulted in vast economic development programs in the UAE and a shortage of national labor who are mainly employed in the public sector, which led to more reliance on imported labor. In the mid-1980s, the non nationals represented more than 80 percent of the total labor force (MENA Development Report 2004). The fall in oil prices in 1986 caused the share of non-national labor to decline, and an increase in the numbers of nationals looking for jobs. This trend continued in the 1990s and the following years because of the demographic pressures.

Unemployment in the UAE is considered one of the lowest in the world (Kawach 2002). It was found to be 2.4 percent by the end of 2001, where the estimated labor force was around 2.1 million and 2.0 million were employed.

This figure does not account for the number of illegal expatriates entering the labor market on constant basis. Therefore the actual unemployment rate might be higher especially among nationals. Due to the increase in population and the expansion in the number of national graduates from universities and high schools, unemployment among nationals became an acute problem in recent years. Table (1) Shows unemployment rate by sex for nationals and non-nationals for the seven Emirates of the UAE by mid 2003. It indicates that the UAE unemployment rate for nationals stands at 10.4 percent, while the total unemployment rate (nationals and non-nationals) is 2.8 percent. It also indicates that the unemployment rate is higher in the case of females. It is 16.5 percent among female compared to 8.4 percent for male.

Unemployment in the UAE has serious negative effects on both the society and the economy. The government will be under political pressure and will spend more on social benefits. The economy will be unstable and resources misallocated.

As a result, the government set a new labor policy to place nationals in public as well as private sector jobs, which were previously filled by non-emaratis. This policy focused on a particular sector, such as finance, in order to achieve a target of 30 percent nationalization. According to the Ministry of Planning, the number of employed nationals did not exceed 9 percent of the total labor force in 2003. This shows the lack of the proper qualifications of nationals to match labor market requirements. To overcome such a structural problem in the

labor market, the government asked the educational institutions to close the gap between academic programs and labor market through practical and specialized training.

Unemployment in UAE is concentrated among youth, where more than 50 percent of total unemployment is between those with an intermediate level of education and low level of skills.

As far as Abu Dhabi is concerned, Table 1 shows the unemployment rate for nationals as estimated by the Ministry of Planning at around 6.5 percent in mid 2003. This estimate is the lowest compared to the rest of the UAE Emirates, but it is projected to increase this year and the following years if the federal or local government didn't take proper practical action, especially with regards to reforming the education and training system. On the individual basis, the nationals will lose their earnings and self esteem and will accumulate debts or reduce their spending power.

3. Estimating the Unemployment Rate in Abu Dhabi

A sample survey analysis is used to estimate the unemployment rate in Abu Dhabi. The questionnaire is designed to cover the geographical area of Abu Dhabi. The unemployed are the nationals aged between 16 and 60 years old and who are looking seriously for jobs and excluding part-time workers.

The survey obtains the necessary information on age, sex, level of education, family size, employed, and unemployed members of the family, and reasons for not being employed, duration of unemployment, and types of jobs preferred. The survey was conducted through mail distribution, phone calls, and personal interviews on 500 families. The face validity of the questionnaire was tested by obtaining expert opinions from academics and government officials from the Ministry of Labor. The reliability of the sample selected was tested by Cronbach's Coefficient Alpha(0.83), and the degree of confidence of the sample survey is tested using t – statistics, which averaged 2 at 0.05 level of confidence. Other statistical indicators were measured such as frequency, mathematical averages, and percentages.

4. Result and Analysis

The calculated results from the returned questionnaires are presented in Table 2. The unemployment rate among nationals in Abu Dhabi was found to be 16 percent, which is higher than the official estimates of 10.4 percent and 6.5 percent for the UAE and Abu Dhabi respectively. This is due relatively to the small sample size, and can be also explained by the different methods used for estimation, and the fact that many family members who are at working age were excluded from the labor force because they were not actually looking for jobs or were sustained economically by social aid either from the government or from their extended families. As expected, the result shows a high percentage of nationals who prefer to work at public sector administrative jobs, and this will increase the unemployment rates. The analysis suggests that unemployment rate has the tendency to increase for many reasons, such as the increased number of graduates, the quality of education which does not meet the labor market demand, and the work environment at the private sector with respect to working hours and close performance measurements which does not attract the locals. Finally, nationals still do not accept certain jobs because of traditions or that the jobs are not socially appealing.

5. Concluding Remarks and Recommendations

The unemployment rate among UAE nationals in Abu Dhabi was estimated using sample survey analysis and was found to be higher than the official estimates. The result shows the preference of unemployed nationals to work at the public sector for job security reason, at least from the participant's perspective. The high cost of employing nationals in the private sector, at least in the short term, compared to expatriate is another reason for the high rate of

unemployment, especially if the qualifications needed in the labor market are lacked. The result also indicates that unemployment is higher among high school graduates and women, which implies some social ramification and the need to reform the educational system.

The analysis recommends improving the educational and training system to fit labor market needs. It is also recommended to create more accurate and updated data on the labor market including (job seekers, employers, and job opportunities), and for more information to be provided and an educational campaign to be conducted to change the attitude of the UAE young people toward working at the private sector. Further research is needed to study the impact of unemployment on UAE economy, women participation in the labor force and identifying jobs preferred by them, and measuring nationals' productivity compared to that of the expatriates, and finally restudying the labor law and regulations in light of globalization and new technological developments.

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Table 1: Unemployment Rates by Sex and Nationality (2003 Midyear Estimates)

Emirate	Nationals			Non-nationals			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Abu Dhabi	6.9	5.4	6.5	1.4	1.9	1.4	1.8	2.7	1.9
Dubai	7.9	10.3	8.5	1.7	1.5	1.7	2.0	2.3	2.1
Sharja	10.4	22.7	13.7	2.5	1.8	2.4	3.2	5.0	3.5
Ajman	12.7	30.1	15.8	3.9	0.9	3.0	5.0	2.9	4.4
OAQ	10.1	34.4	16.6	16.3	5.5	14.1	15.4	11.4	14.5
RAK	10.5	38.7	18.0	4.6	1.1	3.9	5.9	12.4	7.3
Fujairah	5.1	36.3	14.4	3.4	0.2	2.9	3.7	11.5	5.1
Total	8.4	16.5	10.4	2.1	1.6	2.0	2.6	3.9	2.8

Source: Ministry of Planning 2003, UAE.

Table 2: Sample Survey Calculated Percentages

The variable	Percentages
Education level:	
High School	30%
Bachelor	60%
Master	10%
Sector Preference	
Public	90%
Private	10%
Sex	
Female	50%
Male	50%
Preferring certain salary level	20%
Preferring certain jobs	70%
Unemployment rate	16%

The Questionnaire

1. Age group of participant
 16-18 19-22 22-25 26 and above
2. Sex
 Male Female
3. Level of education
 Read & write High school Bachelor Degree Master Ph.D
4. Family Size
 2 3 4 5 Specify Number ()
5. Number of employed family members.
Specify Number ()
6. Number of family members under the age of **16** and not in work or family members **out of men power.** ()
7. Number of family members between **16 years old to 60 years old.** ()
8. If there is unemployed family members are they
 Looking for jobs Studying Retired Other, specify ()
9. Number of **unemployed** family members who are **looking for jobs** ()
10. Number of family members who are between 16 years old and 60 years old and are not looking for jobs ().
11. If the answer is looking for jobs, how long have they been looking?
 3-6 months 6-9 months 9 months and above
12. What kind of jobs are they looking for?
 Private sector Public sector Other, specify ()
13. Why they are not employed yet
 Looking for a certain level of salary
 Looking for a certain job.
 Family issues.
 Other. _____
14. Are you employed now?
 Yes No
If the answer is No specify the reasons:

