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# Covid-19 and Civil Service Reform in the GCC: New Urgency and Incentives for Tackling an Old Problem

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# Overview of Presentation

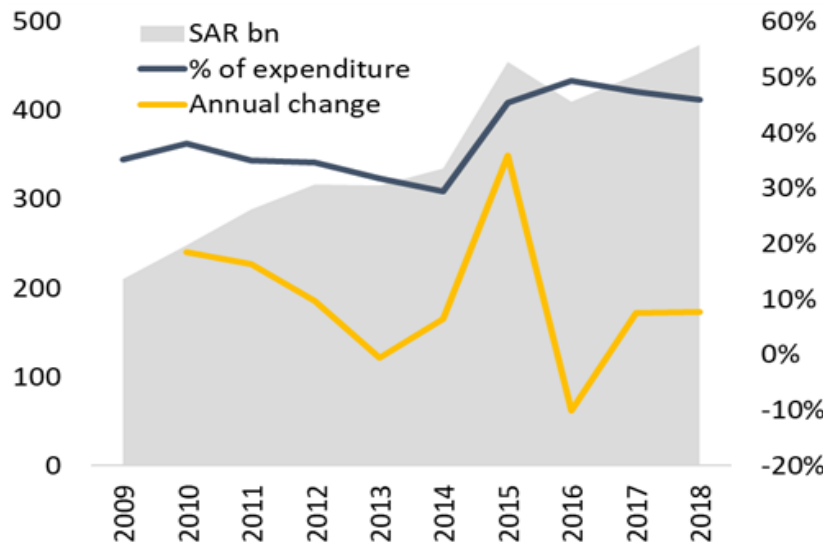
- Both MENA and GCC Countries have longstanding challenges with regard to diversifying their labor markets away from the public sector
- In many GCC countries, public sectors are over-staffed and over-paid, with skills mismatches
- Productivity is often low
- Wage bills are on an unsustainable trajectory, made worse by the pandemic, but...
- The pandemic does provide an opportunity to reshape and restructure the public sector



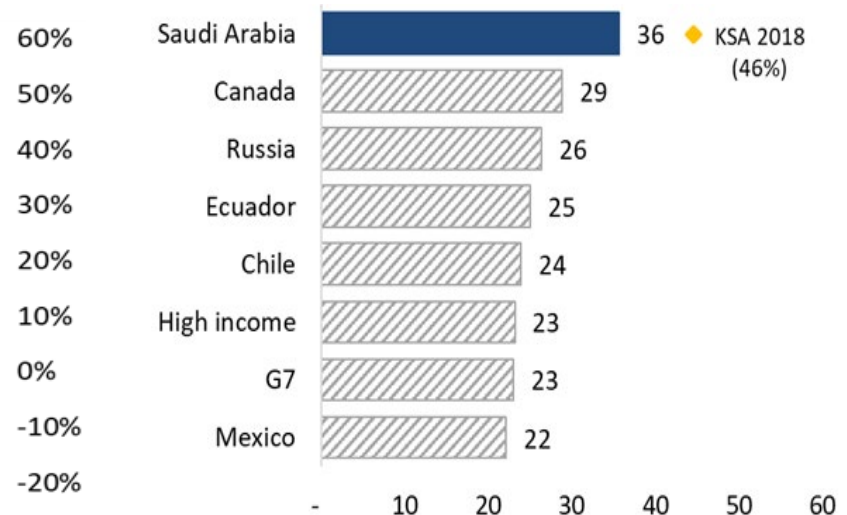


# Example: KSA Wage Bill Spending is Large in Proportion to Overall Spending and Exceeds Comparators

**Historic evolution of wage bill spending in Saudi Arabia**



**Wage bill spending as share of public expenditure across comparators, 2009-2015**



- The wage bill is the single largest government expenditure item in Saudi Arabia – SAR 474 bn in 2018
- Wage spending grew at an annual average rate of 10 percent in the last 10 years, consuming an average 40% of expenditure and 60% of oil revenue

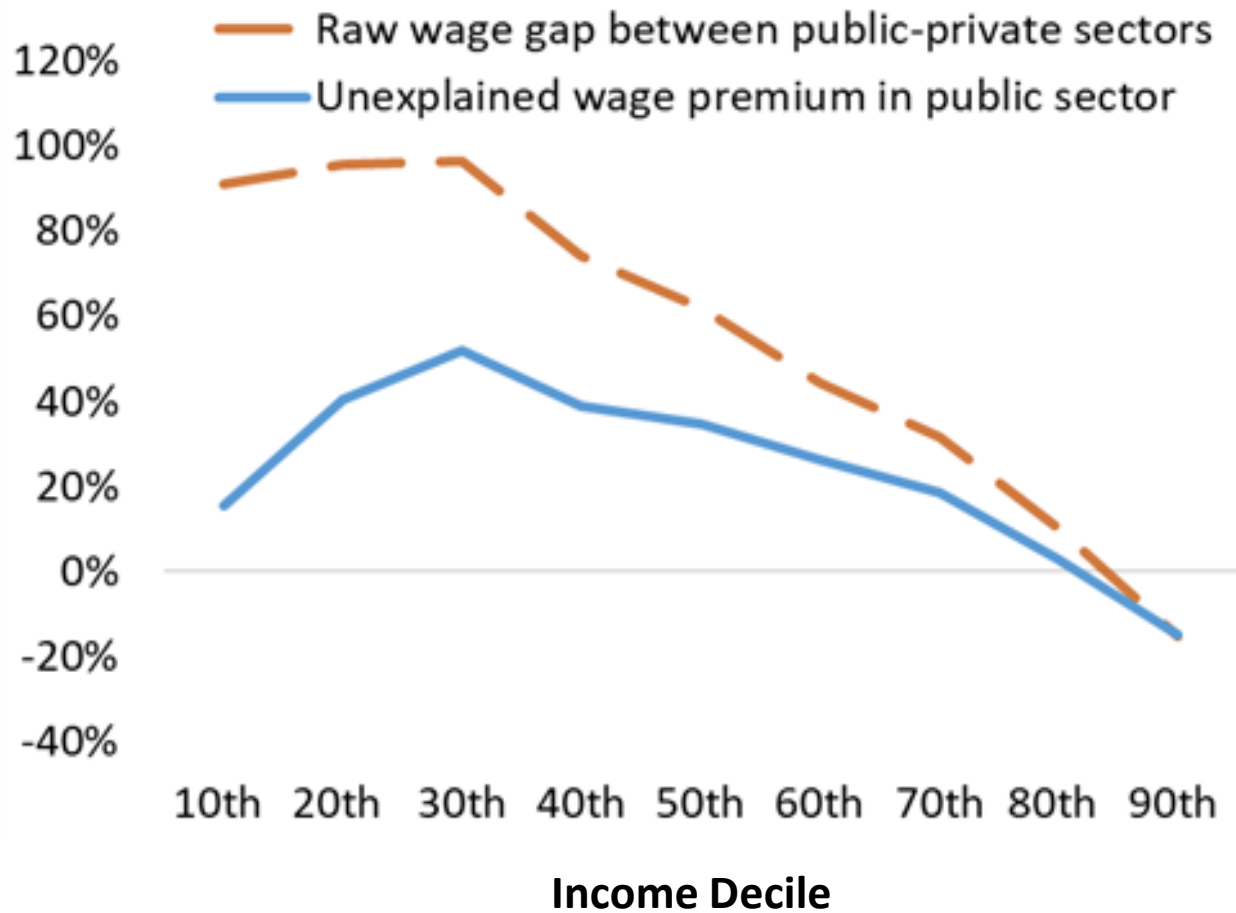


# Formal Work Hours as a Proxy for Productivity

Country	Weekly Hours	Gross Annual Hours	Annual Leave	Public Holidays	Total Leave Hours	Total Hours Worked
Hungary	40	2080	20	8	224	1,856.0
United States	40.1	2087	20	10	240.8	1,846.2
Spain	38.4	1996.8	22	14	276.5	1,720.3
Emirate of Abu Dhabi	37.5	1950	24	10	255	1,695.0
United Kingdom	37.3	1939.6	25	8	244.7	1,694.9
Sweden	37.1	1929.2	25	11	267.1	1,662.1
Germany	37.7	1960.4	30	10.5	305.4	1,655.0
France	35.6	1851.2	25	11	256.3	1,594.9
Saudi Arabia	35	1820	35	17	364	1,456.0
Qatar	35	1820	33	23	392	1,428.0
Kuwait	30	1560	39	12	306	1,254.0

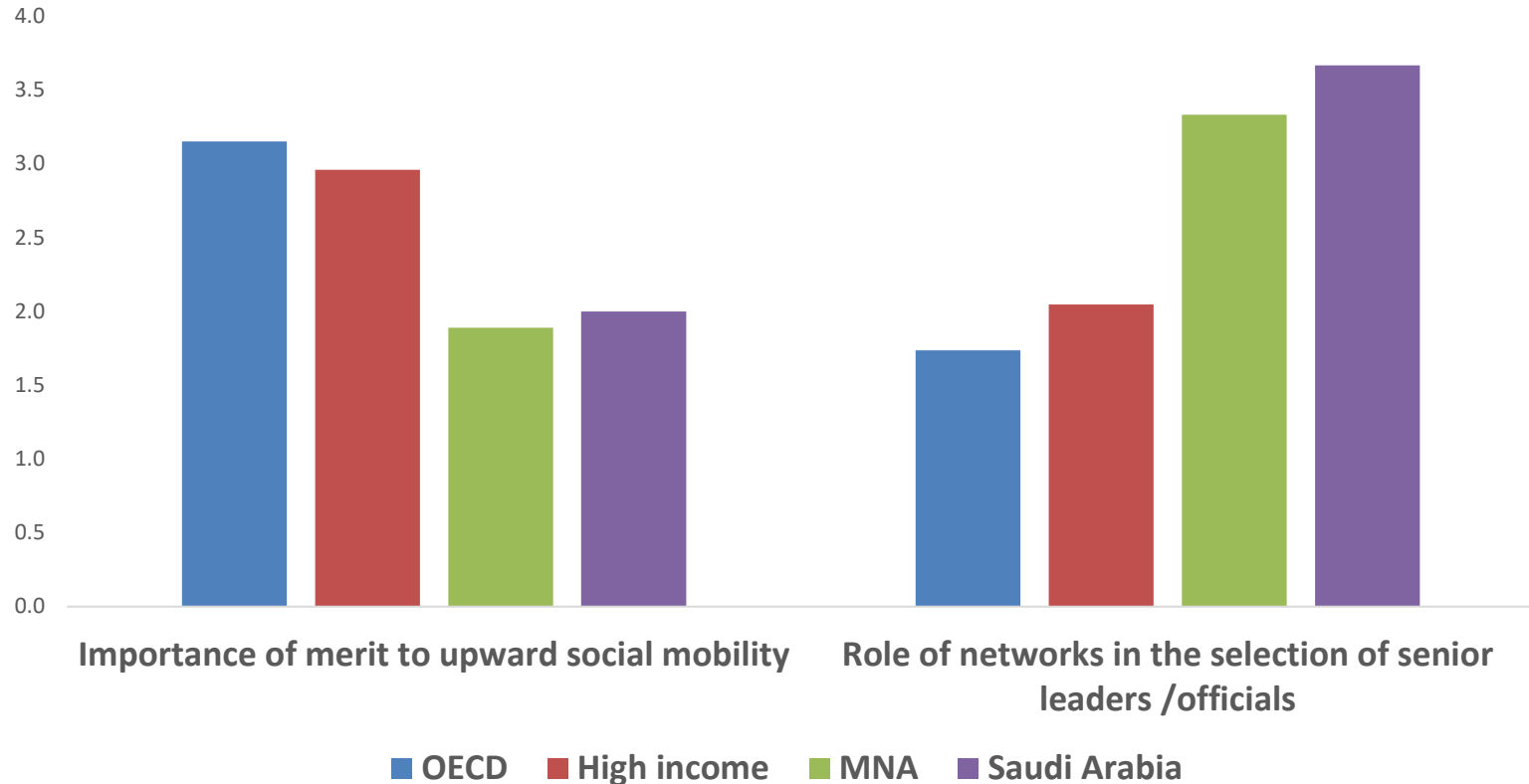


# Civil Service Pay in One GCC Country





# Reducing the Gap Between Formal and Informal HR Practices

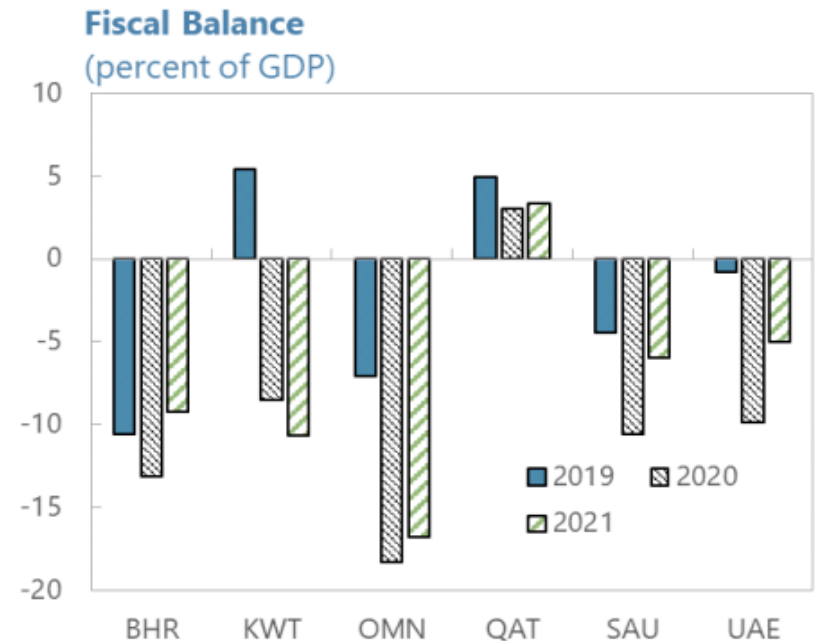


Source: Institutional Profiles Database 2012



# Covid-19 has Exacerbated Many of these Long-Standing Fiscal Challenges

- The IMF anticipates that GDP throughout MENA will drop by 4.7 percent in 2020.
- Declines in the GCC are expected to be even higher, on the order of 7.1 percent, with an average 10.5 percent deterioration in the overall fiscal balance of GCC countries.
- The Fund projects some rebound in 2021, although progress will be uneven. (KSA is projected to grow at around 3.1 percent; Qatar at 2.5 percent and Bahrain at 2.1 percent, but progress in other parts of the Gulf will be anemic.)
- Oil prices are expected to remain under \$60 per barrel through 2021—a sum below the fiscal break-even price for all GCC countries but Qatar.



Source: IMF 2020, [IMF GCC and Covid-19 \(2020\).pdf](#)



# Need for a Comprehensive Civil Service Reform Strategy, with both Near and Medium-Term Dimensions

## ***Near-Term Measures:***

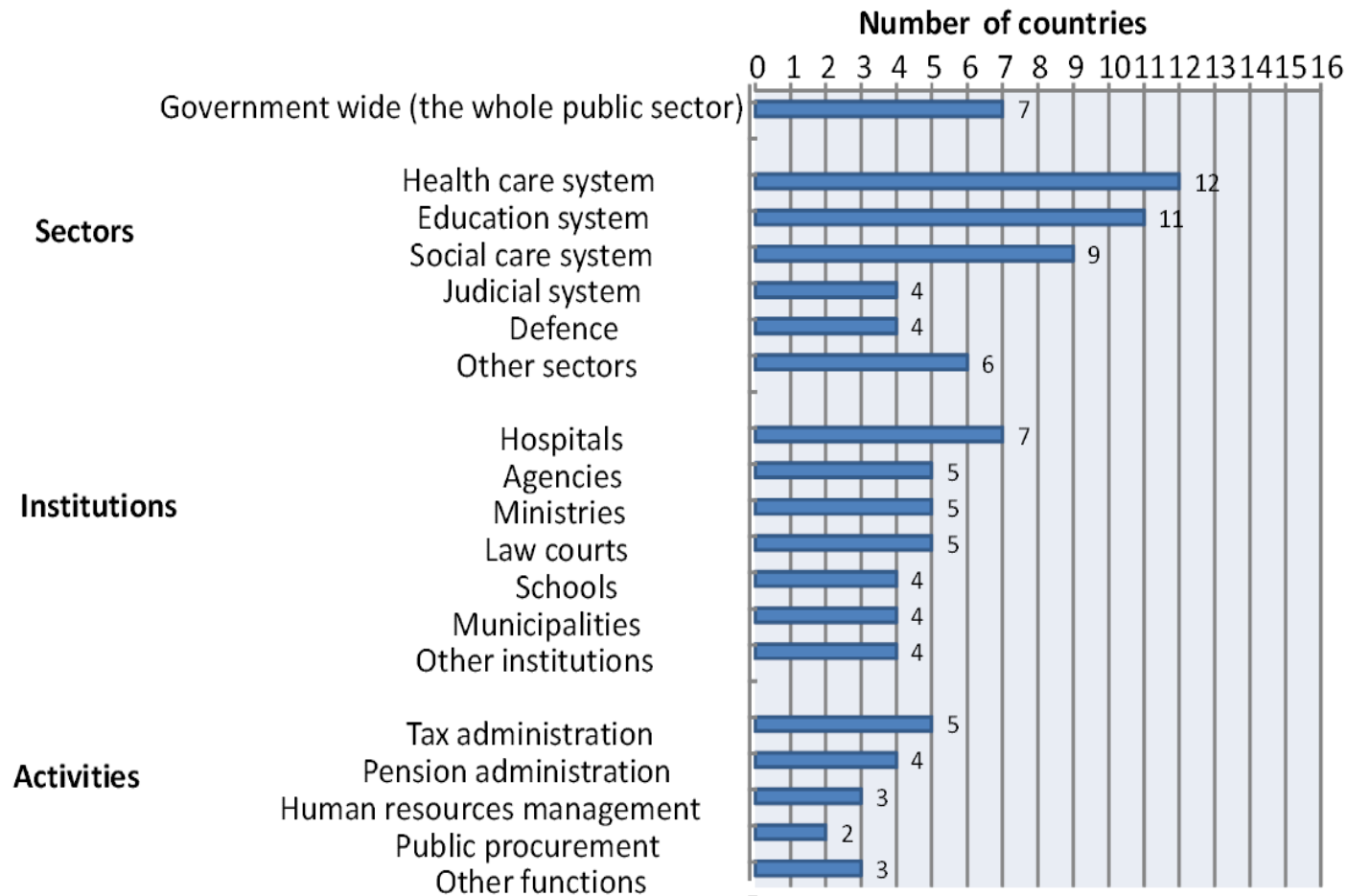
- 1) Establish institutions to better monitor performance and productivity throughout the public sector;
- 2) Improve the management of civil service compensation by establishing independent wage commissions;
- 3) Gradually introduce more performance related practices and disciplines, focusing upon both high performers and poor performers;
- 4) Improve (and rigorously enforce) performance appraisal practices;
- 5) Decentralize authority for HR management to line ministries and departments, within a framework that holds them accountable for results; and
- 6) Introduce measures for rationalization and right-sizing, including voluntary and early retirement schemes.







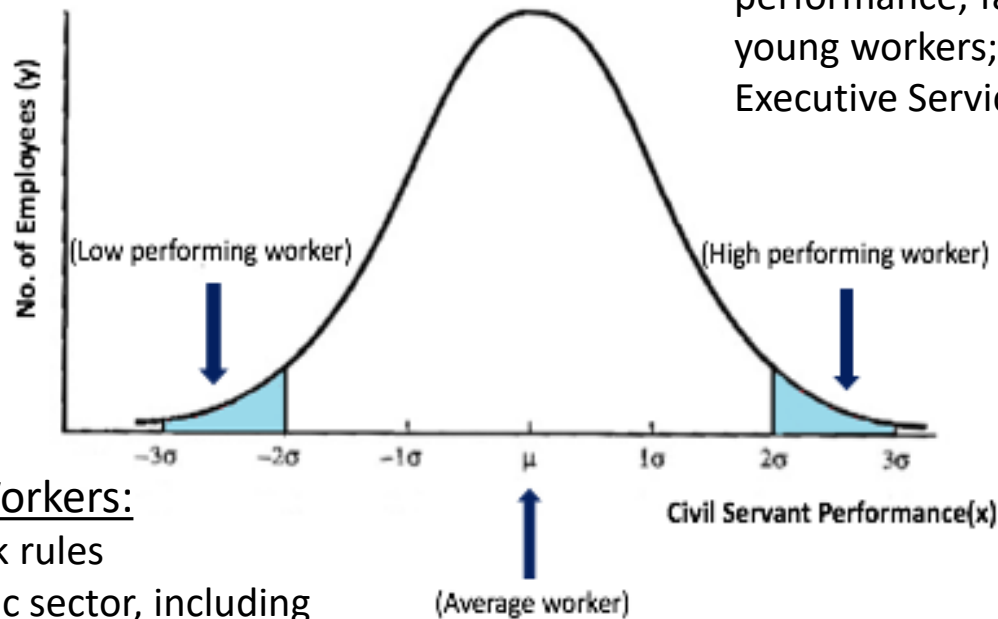
# Different Approaches to Measuring Productivity in the Public Sector



Source: OECD (2017) [lau.pdf \(csls.ca\)](#)



# Focus on Both Ends of the Performance Distribution Curve



## High Performing Workers:

Strengthening motivation by programs that identify and reward good performance; fast track talented young workers; and create Senior Executive Service Corps for managers.

## Low Performing Workers:

Enforce existing work rules throughout the public sector, including sanctions for absenteeism and non-performance.



# Need for a Comprehensive Civil Service Reform Strategy, Involving both Near and Medium-Term Dimensions

## ***Medium-Term Measures:***

- 1) Develop a multi-tiered strategy for “delinking” public employment from a share in the national mineral wealth—will require an integrated approach addressing public sector reform, private sector development & economic diversification, and communications
- 2) Look into basic minimum wage, or a combination of basic minimum wage plus “social dividend” based on annual budget surplus (if any)
- 3) Strengthen merit in recruitment; gradually narrow and focus intake more on meeting key skills requirements





**THANK YOU!**

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