

# The impact of emiratisation on hr strategy



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## 2. 1 Introduction

As outlined in the introductory chapter, the aim of this study is to examine the vital issue of the implementation of Emiratisation policy and its effects on public and private sectors in the UAE, with particular attention being paid to how HR managers and employees deal with the challenge of applying Emiratisation.

Randeree (2009: 71) notes that a major challenge for the rulers of the UAE is to empower their human resources through educational and employment policies and programs that are more in line with those in the advanced nations whilst respecting Arab and Islamic tradition.

This is not seen as impossible, as Ali (1996: 5) argues that HRM can be moulded to fit the Islamic-Arab tradition as a frame of reference, which “ calls for developing an [HRM] perspective that is relevant and effective in dealing with particular and peculiar cultural aspirations and problems.”

This chapter provides a preliminary exploration of why companies are not taking Emirati nationals in their workforce and assesses the progress of Emiratisation. However, the main focus of this chapter will be on the exploration of the impact of Emiratisation on HR as well as the delineation of the issues that HR Directors are facing in attempting to incorporate Emiratisation policy and procedures into their wider HR strategy. The chapter ends with a brief summary.

## 2. 2 Emiratisation as a Response to Local Unemployment

The UAE's overwhelming "dependence on an expatriate workforce has serious long-term political, economic and social consequences" (Rees et al. 2007: 33). To tackle this problem the UAE, as well as the other Gulf Cooperation Council countries (Bahrain, Saudi Arabia, Oman, Qatar, and Kuwait), introduced policies aimed at influencing the demand and supply of national and non-national workers.

### 2. 2. 1 Why Companies are not Employing Nationals

The very low percentage of Emirati nationals in the private sector is explored from the employee's perspective and the employer's perspective. There are several reasons Emirati nationals are not seeking work in the private sector. First, some argue that nationals view themselves as a "natural middle class," and therefore will normally only accept work consistent with these expectations (Morris 2005: 7). Workers mainly expect comfortable white-collar jobs in managerial roles, regardless of whether they have the qualifications and expectations for these positions (World Economic Forum, 2008). Therefore retail and service sector industries "are unlikely to suit the aspirations of nationals" (DBM Arabian Gulf 2006: 4). Thus one of the main challenges the UAE government is facing is encouraging nationals to take up manual or technical jobs and jobs in the private sector (Wilkins 2001).

Second, Emirati nationals generally find many of the private sector's working conditions unacceptable, due to the long and irregular hours, restrictions on time spent on cultural and religious observances, short periods of leave, and a disciplined approach to employee performance (Abdelkarim and Ibrahim, 2001). On the other hand, the public sector is very attractive because of the

salaries and working conditions. Overall, compared to the private sector, the public sector offers higher salaries (Godwin 2006, Nelson 2004, Wilkins 2001), shorter and more flexible working hours (Nelson 2004, Harry 2007, Wilkins 2001), better work conditions (Godwin 2006), better career development prospect and training and promotion (Al-Ali 2006), and better non-monetary benefits (Nelson 2004).

Private sector employers are not too keen to employ nationals either for a variety of reasons. First, private sector firms have long-standing negative perceptions of nationals' levels of productivity, skills, and motivation and being more expensive than non-nationals (Gulf 2007, Nelson 2004). Al-Ali (2006, 2008) also reports that low levels of fluency in English and low levels of trust are barriers to workforce participation. Second, employing expatriates is cheaper than hiring nationals because the salary expectations of nationals are higher than those of the immigrant workers and therefore the price of expatriate labour is generally much cheaper than that of national labour (Gulf 2007, Morris 2005). Additionally, "the UAE has minimum wage provisions that apply only to nationals and employers must make mandatory pension contributions to the State for each of their Emirati employees" (Ballinger 2007: 3) and therefore it costs more to employ Emiratis. Finally, Harry (2007: 138) argues that "the formal or informal rights of the nationals compared to alternative candidates cause employers to avoid recruiting them." Al-Ali (2008: 366) sums it up: Highly flexible and outcome-driven private sector organisations, rapidly expanding, that for decades imported their resources immediately and with impunity, do not readily consider themselves vehicles to nurture citizens of a fledgling state. Public sector

organisations which comply to the desires of job-seeking Emiratis with working conditions and nurturing environments are over-staffed and ineffectual in dictating terms to the private sector.

## 2. 2. 2 Implementation and Success of Emiratization

Emiratization is not just about reaching 'quotas;' indeed the use of quotas is only one of several policies of the Emiratization project and therefore the nationalization project include a number of Shah's policies to influence supply and demand (Mashood et al., 2009). According to Shah (2006), policies aimed at affecting the supply of workers include policies that affect the cost of living (such as of health insurance policies and verification of university degrees), apprehension and deportation of overstayers and illegals, stricter regulation of visa issuance, and restrictions on visa trading.

Policies aimed at affecting the demand for local workers include policies on creating job opportunities through training, through market based measures (such as charging fees for hiring expatriates and providing cash benefits for employing nationals), and nationalisation through administrative measures (such as quotas and bans). Overall, as Forstenlechner (2008) discussed, the government has targeted jobs in banking, insurance and hospitality sectors, as well as jobs of HR Managers, secretaries, and public relations officers for Emiratization. However, the McKinsey & Co. and MFNCA report (2007) suggested the UAE make immigration policy more rigid and labour market regulations less rigid by, for example, providing more investment in human capital and less protection against termination. This, the report suggested, will stimulate employers to hire UAE nationals.

On advice from international organisations, Emiratisation was first implemented through structural reform, rather than specific measures (Al-Ali 2008). Nonetheless, initiatives to accelerate education reform, implement education-to-employment programmes, and finance private sector organisations to employ and then train locals have not proved successful (Mashood et al 2009, Forstenlechner 2008, Godwin 2006) There are many reasons for this, including a widely held view that the authorities have insufficient coercive powers to implement the policy (Al-Ali 2008).

Overall, Randeree (2009: 76) concludes that “ Emiratisation to date has been largely unsuccessful” and that:

A re-examination of policy in the UAE based on the reality of the situation is needed, to culminate in the production of a strategy that reflects the real needs for the nation, rather than achieving Emiratisation through the imposition of targets and quotas based on false expectations (Randeree 2009: 78).

The most significant obstacles to Emiratisation in the workforce as perceived by the 17 senior managers in the field of human resource or with similar expertise interviewed by Al-Ali (2006) were the lack of career development prospects, relatively lower standards of education among the nationals, low wage, little or no training and promotion, lack of English language proficiency, and lack of trust in the competence of Emirati nationals. He also identified other obstacles, such as absence of a work culture, attitude to work, and gender issues, which are also important factors in increasing the participation of nationals in the workforce.

In general, nationals prefer to work in public sector organisations because these are seen as more secure and rewarding, and there are fewer obstacles such as lack of career development prospects (Al-Ali 2008).

To this point, then, the literature reviewed indicates the factors leading to the ineffectiveness of the Emiratisation policy. Further research will examine the focal point of the study in more detail: the impact of Emiratisation on HR strategies and the reasons for the ineffectiveness or failure of the policy.

## **2. 3 The Impact of Emiratisation on HR Strategy**

The central issue in this research is to assess how HR managers can deal with the challenge of applying Emiratisation. This has to begin with a delineation of the issues facing HR Directors across the Emirates since all firms have the challenge of efficiently incorporating Emiratisation targets into their wider HR strategy. This challenge has to be tackled, since Emiratisation is an important driving force for change in HRM if UAE is to become more modern and inclusive (Randeree 2009). This section discusses HR strategy and outlines some of the main challenges faced by firms trying to integrate Emiratisation targets into their HR strategy. This section examines five key areas of HR strategy that are salient to the UAE.

### **2. 3. 1 Employee Resourcing**

Employee resourcing is about making sure the organisation recruits and retains the human capital it needs and employs them productively (Armstrong 2006a). Staffing positions in organisations are dependent on effective recruitment and selection procedures and may well represent one of the most important HR management functions (Newell 2005a, Cheung and <https://assignbuster.com/the-impact-of-emiratisation-on-hr-strategy/>

Brown 1998). Staffing from the internal and external job market should ideally reflect job-relevant decisions and capitalise on critical knowledge, skills, and abilities that contribute to a firm's overall effectiveness and its competitive advantage (Newell 2005b, Judge and Ferris 1992).

There are a number of ways in which HR professionals and departments can handle the relevant Emiratisation protocols, policies and procedures (Randeree 2009). One option is to prioritise UAE nationals when recruiting for all vacant posts, regardless of the organisational division or level, subject only to the applicants' qualifications and job experience. Another option is to use a quota system, in which case the firm attempts to achieve internal development targets or those required by the government. A third, stricter option is to reserve certain roles, generally senior management positions, strictly for Emirati nationals, subject to applicants' competency and performance levels. Senior management positions may be filled by expatriates only if there are no qualified Emirati applicants available. Another simple option that can be explored is the government's reduction of incentives to working in the public sector such as the lowering of wages in comparison to those offered by private firms (International Monetary Fund, 2004).

While these options are all available, the research shows that firms generally have problems recruiting well-qualified and experienced Emiratis, especially for senior management roles, (Al-Ali 2006, 2008, Forstenlechner 2008, Al Dosary 2004, Abdelkarim 2001, Abdelkarim and Ibrahim, 2001). The results of the study conducted by Al-Ali provide the reasons why such recruitment problem exists (2006: 16):

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This study identified four main reasons for pushing UAE nationals out of the private sector due to the lack of career development prospects, amount of hours worked in a week and little opportunity for promotion compared to what UAE nationals gain in the public sector.

These issues are even more chronic in specific sectors, such as technology, construction and manufacturing (Randeree 2009, Rees et al. 2007).

Additionally, because it is so difficult to recruit nationals for these positions and in these industries, suitable individuals are in an especially strong position to demand high salaries that are often greater than the salary and benefit their non-national superiors receive (Randeree 2009). However, compliance with government policies on Emiratisation may continue to serve as encouragement, if not serve as a mandate, for private firms to hire nationals. Many UAE firms are facing greater challenges because of the Emiratisation policy, which has led to an influx of new college graduates among Emirati job applicants.

As senior and middle management positions are already saturated in most companies, these new applicants are being forced to take entry-level, technical and even manual positions. From the government's viewpoint, of course, this is a positive development, and an indication that the Emiratisation policy is working. On the positive side, the new recruits should be seen as a part of the companies' long-term strategy and so the resources are being secured for the long-term future. However, at the moment, this skews the workforce in one direction and places tension on organisations that must make large volumes of new recruits "job-ready." Orientation is a natural extension of the recruitment and selection function (Mullins 2001)

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and the ease with which new staff adapts to a job is dependent on the types of relationships that they establish with colleagues (Cawyer et al. 2002). This is particularly important in organisations that have a large number of new recruits. And even more critical in industries where almost many of the experienced staff are retiring (voluntarily or otherwise) at the end of their contracts and so need to pass on their tacit knowledge quickly.

### 2. 3. 2 Training and Development

Employee training and development has been identified as a key aspect of human resource management practices that facilitates and contributes to gaining competitive advantage (Noe 2002, Schuler and MacMillan 1984).

According to Noe et al. (1987: 153), training is:

A necessary component of ... companies' efforts to improve quality, meet the challenges of global competition, use new technologies in producing products and services, and capitalize on the strength of a diverse workforce.

This is acknowledged by several researchers to be a key component of the Emiratisation puzzle. For example, Randeree (2009: 83) notes:

From a review of the public and private sector challenges it is evident that an emphasis on training and education is key to the success of effective nationalisation.

However, for training and development to be effective in terms of business success there is a well-rehearsed argument that it should be linked upfront with business strategy. Organisations generally do not consider development issues to be part of their competitive strategy formulation (McClelland 1994, <https://assignbuster.com/the-impact-of-emiratization-on-hr-strategy/>

Miller 1991), but those that do so identified it to be of value in gaining as well as maintaining competitive advantage. Luoma (2000) categorises this approach as a 'needs-driven' approach, where the purpose of the HR development strategy is to identify and remedy skill deficiencies in relation to the organisational strategy.

In the case of the nationalisation of the Emirati workforce, this is known as 'skills-based Emiratisation' (Middle East Strategy Advisors 2006) since Emiratisation should not just be about recruiting UAE nationals to replace non-nationals, but is instead a major process that requires training Emirati nationals in the skills and competencies for the assigned work so as to ensure a successful Emiratisation process (Randeree 2009). This can be located within the general literature on the localisation of an organisation's workforce. According to Potter (1989: 26), "Effective localisation has occurred when a local national is filling a required job sufficiently competently to fulfil organisational needs" and not merely filling a job, which would be a diluted definition as it only responds cosmetically to the requirement. Thus, Emiratisation should focus on a package of policies that help nationals successfully carry out jobs that were previously done by non-nationals, and this means a strong training and development component (Al-Ali 2006, 2008, Wilkins 2001).

In addition to training, HRDs will have to start introducing career development options if they have not already done so. A 'professional' career is made up of several factors, one of which is a quality education, but also includes job-hunting and workplace skills and life-long training so that he/she can adapt to different circumstances (Sharf 2006). As highlighted <https://assignbuster.com/the-impact-of-emiratisation-on-hr-strategy/>

previously, most Emirati nationals prefer to work in the public sector because of better career opportunities (Abdelkarim and Ibrahim 2001). Research suggests that private sector employers can attract more nationals by creating and disseminating discipline-based career plans to guide prospective employees (Al-Ali, 2008) since a general lack of career development strategies in the private sector is at least partially responsible for higher labour turnover in this sector (Freek 2004).

### 2. 3. 3 Performance Appraisal and Compensation

Armstrong (2000) describes performance appraisals as a method of reviewing the performance and potential of employees that is usually undertaken formally and systematically at regular intervals. Performance appraisal can be used for numerous purposes, such as reward, coaching, and identifying development opportunities (Armstrong and Baron 2004).

Arguably, disciplinary procedures should also be an important of the reward system in performance appraisal, with poor work habits, lack of discipline and punctuality considered demerits.

Randeree (2009) noted that the poor job performance of Emirati nationals has to be addressed. There are underlying issues, as highlighted above, where success is assessed based on the position held, not on job performance (Al-Ali et al. 2008). Additionally, there is little room to effectively manage nationals' performance because it is difficult to dismiss these workers for non-performance (Forstenlechner 2008, Fernandes and Awamleh, 2006). Most likely, this can be attributed to the government's policies on Emiratisation. Still, there are several strategies that can be used

to deal with this. First, the firm has to communicate its key performance indicators to employees. Second, over the longer term, HRDs have to develop measurement tools to evaluate employee performance, with clear outcomes related to areas such as consideration for accelerated promotion schemes and further training and development (Armstrong and Baron 2004). By doing so, Emiratis are made aware of the consequences or effects of ineffective performance on their careers which, in turn, may drive them to perform better.

With regard to reward, Mahoney (1995) explores the issue of employee remuneration and the ways pay and reward plans can be used to complement and reinforce changes in strategic orientation. Reward systems can make substantial contributions to an organisation's effectiveness and can have a considerable impact on an organisation's ability to attract, retain, and motivate staff. Mahoney (1995) notes that attention given to person- and performance-based pay challenges traditional reliance upon job-based pay. This strategy may again be considered to drive Emiratis to perform better.

Properly implemented, performance appraisal schemes with linked outcomes such as compensation can increase employee motivation and productivity (Armstrong 2000), and this is particularly important among the Emirati national workforce, which currently has high rates of attrition (Randeree 2009, Al-Ali et al 2008). Linking performance appraisal schemes with reward schemes such as performance related pay, other forms of awarding bonuses or enhancement shows workers that a positive work directed mindset can be personally fulfilling as well as leading to financial rewards (Armstrong 2002, <https://assignbuster.com/the-impact-of-emiratization-on-hr-strategy/>

Mahoney 1995). However, since job-based payment schemes are one of the reasons why Emiratis are more attracted to the public sector, it is critical for private firms to strike a balance wherein performance-based pay serves as a complement or bonus to the job-based scheme offered by the public sector.

## 2. 3. 4 Employee-Management Relations

While it may be possible to identify the operation of a clear management style or the presence of definable employee relations culture, these have not in most cases been shaped in a deliberate or coherent manner by managers (Blyton and Turnball, 2004). This is because there is often only limited scope for individual managers or teams of managers, however senior, to determine the nature of the employment relationships in an organisation (Torrington et al, 2008). Whereas a reward strategy or an employee development strategy can be thought through, devised and then introduced by managers with relative ease; altering, let alone shaping the direction of employee relations is far harder to achieve.

This is because the nature of the employment relationship in an organisation is controlled to a considerable extent by the attitudes, outlook, and responses of employees (Torrington et al. 2008) and is related to the organisation's culture. Organisational culture has been defined as the commonly held and relatively stable beliefs, attitudes, and values that exist within an organisation (Schein, 1985). The organisational culture is very important when HR strategy is being formulated but this aspect is not widely considered in Emirati workplaces (Al-Ali 2008). The country has not pursued concepts of commitment-based work culture, instead depending almost

entirely on financial rewards and organisational directives to deal with high attrition levels (Abdelkarim, 2001) In the public sector, Emiratisation has itself become the focal point for developing a culture of coordination between the participating government agencies (Al-Dosary 2004, Al-Lamki 2000).

While managers can often readily get employees to do what they want them to, they cannot do more than influence their hearts and minds. As a result, even if a strategic approach to employee relations is developed, there is no guarantee that it will be successfully implemented and the extent of its success will always be difficult to measure objectively and accurately (Blyton and Turnball 2004). Despite these difficulties, it can be strongly argued that organisations are more effective when their senior managers think strategically about the employment relationship and develop policies and practices which help them to achieve clearly articulated objectives (Purcell 1987).

Taylor (2001) states that contemporary research into what employees want to achieve from the employment relationship consistently reports a desire, above other possibilities, for: an interesting job, employment security, a feeling of positive accomplishment, and influence over how their job gets done. This strongly suggests that there are substantial long-term dividends to be gained by employers who develop sophisticated employee relations strategies (Blyton and Turnball, 2004). Effective employee involvement practices are central as are approaches to supervision that combine responsible autonomy with strong positive feedback mechanisms (Summers and Hyman, 2005). However, in the UAE Randeree (2009) reports an <https://assignbuster.com/the-impact-of-emiratization-on-hr-strategy/>

absence of job security, physically hazardous work without adequate safety precautions, lack of promotion prospects, inhumane handling of workers by senior management, among other complaints. It is therefore not surprising that there is often a lack of organisational commitment by both non-nationals (who tend to be transient) and even the nationals. (Randeree 2009, Al-Ali et al 2008).

### 2. 3. 5 HR Systems

Finally, while strategic HRM is important as has been stressed here, Huselid et al. (1997) argue that the delivery of high-quality HRM activities also have a significant impact on the effective management of a firm's human capital. In his Business Partner Theory, Ulrich (1997: 25) suggests four roles for the HR function, one of which is the 'administrative expert' that builds and manages an efficient infrastructure, delivering administrative efficiency. Administrative experts continually improve organisational efficiency by reengineering the HR function and other work processes (Caldwell, 2003). For this reason, it is important to examine an organisation's ability to deliver these high-quality HRM activities, as well as its strategic HRM activities. Randeree (2009) notes that larger firms in the UAE will have to expand their HR departments to dedicate more resources to Emiratisation and to deal with the strategic issues highlighted above. In addition, these broadened HR functions could also lead the way in initiating programs to deal with resistance to change among non-national employees and actively maintain linkages to external bodies such as TANMIA.



## 2. 4 Chapter Summary

The discussion above suggests that locals deem certain types of jobs and certain sectors unsuitable. Overall, the government is the employer of choice for the local workforce because of higher wages and shorter and more flexible working hours. On the other hand, private sector employers generally favour expatriates because of their knowledge, skills (including English language skills), working attitude, related discipline issues, and lower payroll cost. Overall, Randeree (2009: 89) notes that HR professionals in the UAE have to:

Motivate nationals to actively participate in the interest of the national economy, to raise the skill sets among nationals, to provide a conducive work environment and enable nationals to recognise and apply their potentials.

To tackle this, this chapter has examined four key HRM practices that are salient to the UAE: employee resourcing (recruitment, selection, and orientation), training and development, performance appraisal and compensation, and employee-management relations, as well as discussing the actual establishment of a modern, dynamic HR s

The next chapter will provide data gathered among employees and HR professionals in the private and public sectors on the effectiveness of Emiratisation. Interviews and questionnaires will be utilized to gather the data and provide first-hand information on the actual workings of the Emiratisation policy and its successes and failures.