

# **UAE Labor Market: Development, Structure, and Characteristics**

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## **Summary:**

Like other Gulf states, the UAE relied heavily on hydrocarbon revenues and imported labor during most of its state formation. Enormous labor-intensive projects in construction and infrastructure, in addition to various attempts to reduce the country's dependence on oil revenues, have required massive amounts of foreign manpower, mostly low-skilled, while development of the financial, business, health, and educational sectors, among others, has also attracted skilled and specialized expatriate professionals into the country.

The UAE was able, in a relatively short period of time, to become one of the world's richest and fastest-growing countries. While oil revenues were critical in the country's development, UAE decision makers have since aimed to diversify the economy and its production base away from oil. In recent years, the pace has accelerated towards liberalizing the economy through various plans, primarily the long-term 2021 Vision, to create a highly competitive and sustainable knowledge-based economy that will depend a great deal on real human capital development and a greater private sector role in development. However, many issues related to the composition of labor force skills levels need to be addressed, especially in the private sector, which will influence the speed of the success of the desired economic transformations.

Low-wage expatriates dominate the private sector while most Emiratis choose to work in the public sector, which offers higher salaries and better working conditions. The immigration system and related policies, which offer easy and cheap access to foreign labor, reinforce labor market segmentation and make the private sector poor at creating the kinds of jobs that can be as attractive

as comparable government jobs that currently attract UAE nationals. Moreover, the private sector, as a result of rent-extraction in general, remains mostly weak in labor productivity growth and thus continues to offer low wages.

In this paper, we offer a general overview of the UAE population, evolution of Emirati and expatriate labor forces, and the main developments within the UAE's private labor market. I also shed some light on various issues that characterize the UAE labor market, namely the high turnover ratio, internal mobility, and Emiratization.