حوار أبوظبي بين الدول الآسيوية المرسلة و المستقبلة للعمالة
Abu Dhabi Dialogue among the Asian Labor-Sending and Receiving Countries

Maximizing the benefits of skills driven labour mobility in Asia-GCC corridors

Position paper I December 2016

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Executive Summary

The GCC countries share a common strategic goal to move away from reliance on low skilled expatriate labour, and to become knowledge economies. At the same time, sending countries in Asia are aiming to maximize the benefits of their citizens working abroad, and increasing the skills of their workers is a key factor to this goal. However, so far most of the GCC countries fall short of achieving their level of ambition, and the reasons for this across the region can be found in their ecosystem for expat labour. First, the admission and residency systems do not cater to the needs of the economy on three dimensions: (i) employment rules do not differentiate by skill level, sector or job categories, (ii) the Kafala system grants rights and duties to the sponsors that go beyond the working contractual relationship, and (iii) admission framework does not attend to the needs of entrepreneurs and investors in knowledge sectors. Second, their skills recognition ecosystems are underdeveloped with limited incentives for employers and employees to take part into.

GCC countries aiming to transition to a knowledge based economy need to consider two categories of policy levers: (i) introduce incentives for employees to encourage certification of own skills and upskilling, and (ii) steer employers towards higher skills workers and knowledge intensive sectors. For workers, one of the first set of policies GCC countries need to consider is to put in place a set of incentives that are differentiated by skill level of worker so that workers are encouraged to move on to the next level of skills. For employers, incentives to encourage employment of higher skills workers and invest in knowledge intensive sectors need to be carefully managed to avoid increasing cost of doing business of sectors that are key to the GCC economies. At the same time, countries in Asia should explore ways to incentivize those interested in working abroad to invest in upskilling.

The implementation of skills driven labour policies rely on the existence of an ecosystem that allows to certify the level of skills of expatriate workers in the country or abroad. Globally, such ecosystems have 4 overarching building blocks: policy, national content, regulations, and trainee services. The GCC countries face similar challenges across each of the four block, and while addressing each of these is critical, the new policies should consider upfront and mitigate any potential risks. The Asian sending countries also face challenges in ensuring recognition, i.e. certification, of the skills their citizens acquire while working abroad.

Why is it important and how can the GCC improve the level of skills in the economy

The imperative for increasing level of skills of expatriate workers in the GCC

Looking across the National Visions of the GCC countries there is one predominant common theme of moving away from the reliance on cheap expatriate labour and transitioning the local economies to knowledge economies. In the UAE, this is anchored by Vision 2021 which articulates the objective of "building diversified and flexible knowledge-based economy that is powered by skilled Emirates and strengthened by world-class talent to ensure long-term prosperity for the UAE" with a target of reaching 40% knowledge workers in the economy. In the Kingdom of Saudi Arabia, the recent Vision 2030 emphasises "Attracting the talent we need; the necessary skills and capabilities" and a focus on "digital economy" among priority sectors going forward with the objective of being one of the top 10 most competitive countries globally. In Bahrain, Vision 2030 aspires to "shift from an economy built on oil wealth to a productive, globally competitive economy" and highlights "stimulating growth by enhancing productivity and skills" as one of the key pillars of its vision. Qatar's Vision 2030 highlights the need for a "highly skilled and productive labour force" with a "knowledge based economy characterized by innovation".

It is not surprising to find this theme prominently featured in the national visions and agendas of GCC countries. Globalisation, increasing competition and declining oil prices make the new imperative for higher productivity and innovation in GCC countries a pre-requisite to future economic strength. Yet, most GCC countries fail short of achieving their level of ambition on this dimension. For example, KSA's economy witnessed productivity growth of only 0.8 percent over a decade (2003 to 2013)[1]. Qatar's economy, according to the IMF, has recorded impressive GDP growth rates, but little of this growth has been driven by productivity gains[2]. In Bahrain, labour productivity has only increased by 17% in the past 25 years compared to 21% globally. In the UAE, the share of knowledge workers in the labour force stood at 24% in 2015 still far from the 40% target set for 2021.

The drivers for failing to increase the level of skills of expatriate workers in the GCC economies are common.

1 http://www.mckinsey.com/global-themes/employment-and-growth/moving-saudi-arabias-economy-beyond-oil

2 https://www.imf.org/external/pubs/ft/scr/2015/cr1587.pdf

How countries of origin will benefit from the increasing of skills of their workforce abroad

While GCC countries could boost their economic growth through attracting skilled expatriate workforce, Asian countries can also reap benefits from having better skilled workforce abroad. First, better skilled workers would have less difficulty finding jobs in the GCC, which in turn helps alleviate unemployment pressures in their economy. Second, better skilled workers are likely to earn higher wages in the long run due to the productivity improvement they bring to companies, which in turn would increase the remittances going back to their economies. Finally, these workers are better placed to reintegrate in the domestic economy upon returning, i.e. will be more productive and can bring know how, thus increasing the competitiveness of the economy.

Some Asian countries have already witnessed the benefits of having skilled labour working abroad. For example, the Philippines have successfully developed programs to send trained nurses abroad, and this has had positive economic impact on the domestic economy, primarily through increased spending by the expatriates' families on health, education, and housing.

The ecosystem preventing the increase of skills of expatriate workforce in the GCC

There are two broad systems that have common challenges in the GCC preventing the increase of skills in the expatriate workforce: admission and residency systems broadly still relying on the old Kafala principles and skills recognition ecosystems that are underdeveloped with limited incentives for players to take part into.

First admission and residency systems of GCC countries do not yet cater to the needs of the economy on three dimensions.

- Generally there is limited differentiation by skill level, sector or job categories of the rules of admission, employment contract, mobility and residency for expatriate workers across the GCC. In comparison countries like Canada, Australia or Singapore who are actively trying to seek expatriate skill workers have 10-15 different visa categories all subject to different admission criteria, mobility rules and residency privileges tied to the level of skills and relevant to the local economy of the foreign worker including unsponsored and independent visas, visas for entrepreneurs, investors, innovators, etc.. By limiting the level of differentiation across skills and sectors the GCC countries are not encouraging high skill workers in priority sectors to join their economies over low skill workers in sectors of little interest.

- The GCC admission and residency model remains reliant on the traditional Kafala model. This model interlinks employment contract and residency, typically granting rights and duties to the sponsors that go beyond the working contractual relationship and extend into the personal life of the sponsored person and continues after the employment contract is terminated (e.g., with obligation to deport etc). This oversight on personal affairs has been a deterrent for higher skill workers compared to other countries such as Canada or Singapore who will only request sponsors in the lower skill levels.

- Most GCC countries do not have a clear framework in place for the admission and residency of employers and investors, including in knowledge sectors and innovation sectors. While there are workarounds (e.g., sponsoring an entrepreneur via a company in a free zone) the lack of clear framework for those categories of professionals may deter them from joining the GCC economies. In comparison the US, Canada, Singapore among others all offer very generous residency status for entrepreneurs in tech sectors and compete aggressively for global talent.

Second, most GCC countries lack a well-developed skills recognition and certification ecosystem to properly baseline the level of skills in their country and create opportunities for upskilling.

- Most GCC countries are in early stages of developing their skills recognition systems and standards are underdeveloped. The Kingdom of Saudi Arabia established Saudi Skills Standards in 2013 to develop a National Qualification Framework (NQF) and the National Occupational Skills Standards (NOSS) for the Kingdom and develop a network of testing and certification agencies in the Kingdom and aboard to test people against those NOSS. The UAE created the National Qualification Authority in 2010 with similar objectives. While both countries have developed their own NQF which is benchmarked to international standards their scale of operation remains limited. By now the Kingdom of Saudi Arabia has less than a 100 NOSS developed and the UAE 57, while Bahrain has launched a project to start developing 125 NOSS. In comparison the UK has more than 20,000 and New Zealand more than 5,000.

- There is a lack of demand for skills recognition and certification as the incentives are currently not in place for employers or employees to recognize skills or upskill. For example, in the Kingdom of Saudi Arabia the newly developed qualifications have mainly been used to develop the standards of the vocational and technical training in the country which targets Saudi Nationals. In next phases of development it is planned to use those qualifications to test and certify foreign workers in and out of the country but those projects have not yet been launched or implemented. In the UAE, only 7 training providers are registered to deliver nationally recognized qualifications compared to more than 200 in the UK and more than 500 in Singapore. Also, only ~3,000 workers have their skills certified every year against the National Qualification Framework, a fraction of the incoming expat workforce. This is not surprising in a context where recognition of skills is only mandated for very few occupations (for example school bus driver or swimming instructor) and there are no upsides for employers or employees to have anyone’s skills recognized beyond what is mandatory.

- There is limited awareness of the National Qualification Frameworks in GCC countries by employers and other government institutions leading to parallel systems. For example, in the UAE the National Qualification Framework (QFEmirates) is used for vocational and technical training but the Ministry of Education and the Ministry of Human Resources and

Emiratization use different frameworks when measuring the skill level achieved in school or when measuring the skill level of incoming workers in the country. In Saudi Arabia, the focus of the national qualification standards is on Saudi workers, even though the number of foreign workers is higher. Such inconsistencies with the strategic objectives of GCC countries further increases the challenge of understanding the level of skill in the GCC countries.

The next chapter of this paper will discuss policy goals and policy levers that the GCC countries can consider to increase the level of skills in their countries supported by international case studies. We will then discuss the supporting ecosystem of skills certification that needs to be in place to enable those policies alongside other enablers. Finally we will discuss potential risks associated with the new policies and how those risks can be mitigated.

Policy levers to support the increase of skills of expatriate workforce in GCC countries

GCC countries aiming to transition to a knowledge based economy need to work towards three common policy goals for expatriate workforce: 1) retention of high skills knowledge workers already in the country in the context of the global war for talent; 2) attraction of high skills workers from abroad with an increased substitution for low skills workers; 3) recognition of skills of workers already in the country with the incentives in place to gradually upskill over time including through the recognition of skills learned on the job.

We consider two categories of policy levers in this paper to support those goals, which will be detailed further:

1. Attractive incentives for employees at each level of qualification to encourage certification of own skills, upskilling and retention of high skill workers, in particular in priority sectors for the UAE economy

2. Employers and private investors steered towards higher skills workers and knowledge intensive sectors by increasing the financial returns of certified knowledge workers relative to uncertified / low skilled workers in priority sectors

Attractive incentives for employees

One of the first set of policies GCC countries need to consider to increase the level of skills of expatriate workers in their respective countries is to put in place a set of incentives that are differentiated by skill level of workers. As a result, workers are encouraged to move on to the next level of skills as this opens up a new set of benefits and privileges they can have access to. We have articulated the set of incentives to consider across five categories below and illustrate how those incentives can vary by skill level.

- **Differentiated admission and residency system by skill level and economic sector.** As discussed earlier, most developed countries that target the attraction of expatriate workers for their economy provide differentiated advantages on admission, employment contracts and residency visas with increasing benefits with increased relevance of the worker to the local economy. As such higher skill workers in sectors for which a country targets expatriate workers to enable growth typically have higher benefits than workers with lower skill levels. Examples below from Canada, Singapore and Australia can be a source of inspiration for GCC countries.

— In Canada, workers who enter on a temporary work visa are tied a sponsor while high skilled applicants are eligible for the express skilled visa which is unsponsored. The Government asses visa applications based on a points system across 6 categories including, age, adaptability, educational qualifications, employment experience and sponsorship. Overall, 13 different visa categories exist in Canada including sponsored visas that require the verification of skills from the employee, independent visas for entrepreneurs and investors, Executives and specialized knowledge workers transferred from other companies operating in Canada.

— In Australia, the points system is at the core the admission system with 8 categories including the specific skillset of the employee. The points system is transparently communicated with a list of high priority sectors and occupations updated on a regular basis. This policy is supported by the e-portal "skill select" that can be used by potential applicants seeking to match industries where that are applicable for visa's, allowing targeted inflow of foreign talent. Overall out of the 9 different visa categories 6 of them are unsponsored and supported by the points system instead.

— In Singapore work visa is typically sponsored and based on the skills, qualifications and employment position of the applicant. The 12 different visa categories are fully mapped to skills such as the employment pass for foreign professionals, managers and executives earning at least 2,500 USD/month, the S pass for mid level skilled staff earning at least 1,600 USD/month along with other assessment criteria or the EntrePass for entrepreneurs. While many of those visa categories have a salary threshold those are always complemented by an assessment of the skill level, which is a typical gap of GCC systems

- **Family sponsorship.** Most GCC countries allow for an expatriate worker to sponsor family dependent on the basis of salary only. In the UAE that threshold is 10,000 AED, in the Kingdom of Saudi Arabia 5,000 SAR and in Qatar 10,000 QAR. The salary threshold is important to ensure that the worker is able to financially sustain its dependents. In addition, family sponsorship could be used as an incentive to move on the skills ladder and get skills certified. For example, in a country with 5 different skill levels, family sponsorship could be granted to skill level 4 or 3 onwards providing an immediate incentives for all workers classified as 5 earning the minimum salary threshold to get their skills recognized and/or upskill.

- **Health insurance.** In the UAE specifically, employers are mandated to provide health insurance for their employees but providing health insurance coverage is common in other GCC countries on a voluntary basis. To encourage employees to see higher skill levels, countries in the GCC could consider incremental improvements to health insurance benefits for each threshold of skills achieved or making health insurance mandatory above a certain skill levels, in countries where it's not yet mandated. To offset the additional cost burden on the employer and avoid that employers are discouraged from upskilling workers the additional costs could be offset by reduction of other fees such as work permit fees, visa fees.

- **Discounts on government services.** Lower skill workers in the GCC have access to a wide range of paid for government services that represent an important share of their wallet given their low income level. Those may include public transportation, healthcare services in government run hospitals, public utilities bills, etc. Selected discounts on government run services could be provided to mid-lower skill level expatriate workers to encourage them to transition from the lowest skill level to mid-lower skill level. For example, in a country with 5 different skill levels, a 10% discount on public transport could be granted to skill level 4 or 3 as an incentive to have their skills recognize and/or upskill over time. This incentive is similar to incentives provided by many European governments to public workers to offset to lower compensation levels of the public sector over private sector.

- **Skills recognition in home country.** Finally, any set of policies incentivizing expatriate workers to have their skills recognized and developed should consider the potential benefit for the worker when returning in home country. This is in particular relevant for mid to lower skill workers who are likely to spend less than 5-10 years in one of the GCC countries before returning home and continuing an activity. This would be enabled by bilateral agreements for recognition of skills back in home country with recognized “Skills Passport” for expatriate workers, especially India, Pakistan, Philippines, and Bangladesh.

Employers and private investors steered towards higher skills workers and knowledge intensive sectors

Incentives to encourage employers and investors to employer higher skills workers and invest in knowledge intensive sectors need to be carefully managed to avoid increasing cost of doing business of sectors that are key to the GCC economies and yet rely today on highly low skill expatriate workers. This is particularly true of the construction sector for example. As such, introducing policies mandating that all workers in all sectors be certified for their skill level is likely to increase both the cost and the time burden of doing business in many sectors. While those policies operate in many European countries, they would not yet be relevant to a GCC country where the reliance on expatriate worker is higher and the ecosystems of skill certification and verification are underdeveloped. Without mandating skills certification for all workers a range of incentives can be considered to encourage the transition towards high skill workers and sectors of the economy, bearing in mind a few guiding principles.

- Price signal that incentivizes right behaviors while minimizing distortions and undesirable business practices are preferred. For example, GCC countries should avoid policies that may encourage companies to artificially split up in smaller companies to benefit from potential easier regulations imposed on small firms versus large firms.

- The move towards higher skill workers and sectors should be driven by the private sector as opposed to mandated by the government. The lower the government intervention or administration the better. For example, the government should not raise a fee or a revenue from the private sector and then allocate it to subsidizing skilled workers on behalf of the private sector.

- Any policy introduced should be easy to communicate and administer without excessive bureaucracy and resources. Where possible, GCC countries should aim at leverage existing systems, infrastructure and resources and avoid setting up yet additional entities and parallel data systems.

- The benefit for the UAE economy of such policies should be net positive. Investments by government and private sector to upskill workers should be offset by greater benefits to UAE economy and encourage shift of investments towards knowledge intensive sectors. For example, the employer or the government should not invest heavily in upskilling workers who then leave before the cost of investment is recouped.

We will now explore the different range of policies that have been considered globally to encourage employers and investors to adapt their skill profile. Those range from hard mandates to soft indirect incentives depending on how mandatory they are made on to the companies by the government and can be adapted to each GCC country based on its specific context.

- **Mandatory levies.** Mandatory levies are a general tax imposed on companies to create a pull of fund targeting upskilling and re-skilling of workers; funds can be pulled at a national level, sector level or individual company level to enforce upskilling. Singapore has introduced a Skill Development Levy and the United Kingdom an Apprenticeship levy to encourage skills development in their respective countries.

  — In Singapore employers must pay a Skills Development Levy (SDL) of 0.25% of salaries (capped at 8 USD per month) for all employees in Singapore excluding domestic workers, gardeners and chauffeurs. The funds are channelled to the Skills Development Fund (SDF) various incentive schemes for skills development. These schemes include among others subsidized training cost for employees (up to 95% financed) for Singapore citizens; payment of 80-95% of basic salary capped at USD5.50/ hour to help employers who send workers for certifiable skills training; training allowance of 3 USD/hour for Singapore citizens; Training Commitment Awards; Capability building in the sector of training provision.

  — In the United Kingdom large employers must pay 0.5% of annual wages >£3 million in apprenticeship levy starting April 2017. Funds will be used to train and assess apprentices (UK residents aged 16+) by approved apprenticeship providers. Small employers with wage bill <£3 million do not pay but will have access to apprenticeship allowance of £15,000 p.a.

- **Mandatory restrictions.** Mandatory restrictions are penalties imposed on companies that fail to meet certain government objectives by restricting work permit quotas and ability to renew work permits, introducing financial penalties and fines or granting penalties in access to government procurement. While there are not precedents of tying restrictions and penalties to the skill levels of companies or of a sector there are examples, including in the GCC of imposing them on the employee fabric of companies especially in respect to nationalization criteria. Nitaqat is an interesting example in the context of the Kingdom of Saudi Arabia imposing a set of penalties on companies if failing to meet certain levels of Saudization. The required level of Saudization are tailored by firm size and economic activity with 58 different sectors identified. Companies failing to meet the Saudization requirements may be refused the renewal of permits and not granted new visa requests.

- **Financial incentives.** Financial incentives are discounts on government levied fees (e.g., work permits) against the achievement of certain objectives (e.g., level of skills in a company) which can be done at a company level or for each employee. Singapore has implemented this through the Work Permit Skills Certification and the UAE to some extent with the Firm Classification system of the Ministry of Human Resources and Emiratization.
  - Singapore examines skill levels of incoming workers under the Work Permit program by providing discounts to the work permits based on the skill level of the incoming expatriate worker. Levies and discounts vary by sectors and by source country ranging from 20% for processing industries to 54% in the construction sector, to account for the fact that it is more challenging to attract higher skill workers in the construction sector compared to processing industries. To support this policy, Singapore has put in place an ecosystem to verify the skills of workers through either local testing, overseas testing in approved centers, academic qualifications equivalences, trade tests (e.g., international welding standards), salary and years of prior experience in Singapore (i.e., market based skills recognition). In addition, foreign construction workers must have a Skills Evaluation Certificate obtained through overseas testing to work in Singapore
  - In the UAE, the Ministry of Human Resources and Emiratisation classifies firm in 5 tiers (Tier 1, Tier 2a, Tier 2b, Tier 2c, Tier 3) based on three criteria: share of knowledge workers, share of UAE Nationals, cross cultural policy (defined as number of non-Arab employees/total number of employees). A company's tier will determine the work permit cost ranging from 500 AED for a new permit for a Tier 1 company to 5.200 AED for a Tier 3 company. While this is an initial attempt to encourage higher skill levels in the country the aspiration falls short on at least two dimensions: 1) the criteria of share of knowledge worker only applies for Tier 1 and Tier 2a making only 6% of the financial incentives tied to the level of skills of the workforce compared to the other criteria considered; 2) it solely distinguishes between knowledge workers and unskilled workers which might not be sufficiently granular to encourage an increase in level of skills in the workforce (e.g., semi skilled workers in the construction sector)
- **Consumer transparency.** Some governments have introduced ratings or label on a companies that provides transparent information to the consumer on the company's achievement towards a certain objective (e.g., environmental standards, quality standards) allowing consumers to make informed decisions and company with a higher rating to justify

a premium on the market. While there are no precedents of tying such labels and ratings to the skill level of a company there are a range of precedents on other dimensions such as environmental standards (e.g., Carbon Footprint Label in the United Kingdom, Energy Performance Diagnostic in France) as well as on quality standards (e.g., ISO labels, school inspections reports in the United Kingdom or in Dubai). Similar principles could be adapted to the skill level of a company.

Incentives to increase skills in countries of origin

Countries of origin can also introduce various initiatives and incentives to encourage those who plan to work abroad to upgrade their skills.

- **Information sharing.** Sending Asian countries can gather and share market intelligence about the demand for skilled labour in GCC countries thus encouraging those seeking to work there to invest in building those skills.
- **Technical training.** Governments can provide training to those seeking jobs in GCC countries either by conducting trainings themselves (e.g. through their employment agencies) or by providing financial incentives for people to upskill through private providers.
- **Support to returning workers.** Asian countries can introduce a range of support measures targeting skilled returning workers, including support for professional reintegration, or incentives for investment and entrepreneurship

Guiding principles for designing skill enhancement incentives in GCC countries

While there are a range of policies and incentives for GCC governments to consider a few design principles should be kept in mind when selecting the most appropriate to the country's specific context and designing the underlying criteria and parameters. First, the mechanisms of incentives should be well integrated to avoid contracting each other in terms of the incentives created for employers and investors. Second, those policies should encourage upskilling over time by constantly and gradually raising the bar so that the next level is always within reach of a company. Third, those policies will often need to be differentiated by sector, as highlighted in most of the global benchmarks discussed given the fundamental intrinsic differences sectors have towards the level of skills (e.g., construction versus financial services). Fourth, policies should avoid increasing or decreasing government revenues but rather aim at rebalancing the additional costs and penalties incurred from lower skill workers towards making higher skill workers more attractive. Finally, the incentives for each skill improvement level should be sufficiently of a "step change" to really encourage a change of behaviour in the employer and investor practices.

Several of the global benchmarks referred to in this paper already underpinned the existence and developed of a skills certification ecosystem as a critical enabler to execute any of the skills driven labour policies. The next chapter will look at further articulating what the different building blocks of such an ecosystem are.

Skills certification ecosystem as a fundamental enabler to support skills driven labour policies

The implementation of skills driven labour policies rely on one fundamental enabler. The existence of an ecosystem that allows to certify the level of skills of expatriate workers in the country or abroad. Globally, best practice qualifications & skills systems have 4 overarching building blocks.

Elements of the skills certification ecosystem

1. **Policy** – Development of national framework & regulations which is a formal framework for describing skill levels mapped to qualifications and regulations to govern system, typically referred to as National Qualifications Framework. The NQF should be easy to benchmark globally to allow for comparison of skill levels across countries. Most GCC countries have developed their own NQF

2. **National content** – Development of national occupational skills standards and national qualifications. National Occupational Skills Standards create a common understanding of the skills required for different occupations in a country which can then be converted into national qualifications that training providers and employers can train individuals against.

3. **Regulation** – Regulation of education and training providers and of service providers. This includes the licensing and quality assurance process of third party providers of training or services (e.g., skills testing centers).

4. **Trainee services** – Provision of education and training, testing of trainees, verification of qualifications and awarding of qualifications. Most of those services can be outsourced to private providers against remuneration, except the awarding of qualifications which entails authenticating, verifying and evaluating standards relative to a country's NOSS and issuing officially recognized certificate. Some countries have also privatized the awarding of qualifications and limit the government's role to regulating the awarding bodies (e.g., United Kingdom).

Common challenges faced across the GCC

1. Policy – Most GCC countries have developed their own National Qualification Framework by now, however it tends to not be used consistently by all public and private entities in the country awarding certificates and diplomas.

2. National content – While GCC countries have started developing a set of NOSS mainly based on international best practices, the range of NOSS available remains limited (typically below 100 in all GCC countries) and they are not always made publically available for training providers to leverage to develop qualifications. Skills sector councils typically play a critical role in developing and maintaining NOSS, but tend to be under developed or inexistent in the GCC. In comparison, Singapore has 27 sector skills councils.

3. Regulation – GCC countries have typically well-developed regulatory environments to certify formal education and training. There are gaps however when it comes to life-long learning and corporate academies where the training is typically not recognized outside of a few exceptions. For example in the UAE 7 registered training providers in the UAE deliver nationally recognized qualifications yet. 1,300 training providers are licensed to deliver training.

4. Trainee services – A few GCC countries are in the process of piloting programs with private testing centers in the home country or abroad (e.g., UAE, KSA) to test and verify the level of skills of expatriate workers. Those programs remain at pilot stages. The most active testing centers are the ones targeting qualifications for which skills verification is mandated (e.g., bus drivers and lifeguards in the UAE, accountants and nurses) and are either conducted at a national level or at the level of the sector (for example in healthcare). Each GCC country will need to map its way to allow for a rapid scale up of testing facilities in country and abroad if they are to implement any type of skills driven policies.

Challenges for Asian countries and the need for bilateral cooperation

The main challenge that countries of origin commonly face is the lack of mechanisms for recognition of skills that returning workers acquired while working abroad. While certification of academic qualifications is typically not an issue, certification of professional qualifications is more challenging. In particular, validating skills acquired outside the formal education system is a major challenge, and along the GCC-Asia corridors most workers gain their skills on the job.

To remedy the above, GCC and Asian countries need to work together to establish a system for recognition of qualifications acquired through on the job learning. To this end, the countries may follow good practices that have been tested elsewhere. One example is the "Copenhagen Process", an EU initiative that started in 2002 with the aim of enhancing cooperation among EU countries in the quality assurance, validation, and recognition of informal learning. GCC and Asian countries could consider a similar approach that could be piloted in high priority sectors, such as construction, and then expanded to other industries. It is equally important to inform returning workers on the opportunities to get a recognition, i.e. certification, of their acquired skills abroad.

Lessons learned from benchmarks

We have looked at the United Kingdom, Singapore and Australia's skill recognition ecosystem to understand the different approaches GCC countries could consider to develop their own ecosystem. While all three countries have well developed institutions operating at scale across all four building blocks mentioned above, they have chosen different approaches to enable the sector.

- The United Kingdom overall has opted for a very fragmented approach that relies on multiple government bodies and heavy involvement of the private sector in order to gain scale quickly. On the government level, separate bodies are involved in regulation of training providers and regulation of qualification development. Awarding bodies are private organizations that develop qualifications from national occupational standards, and offer qualifications for training providers to subscribe to and deliver. There are 21 sector skills councils funded partially through revenue generated by membership activities.

- Singapore has opted for a more centralized approach with an independent body, the Workforce Development Agency (WDA) at the core of all activities. WDA has the role of framework and policy developer, regulatory operations and is the sole Awarding Body for Continuing Education and Training). It started by developing dedicated frameworks for each priority industry for the Singapore economy rather than tackling all dimensions of the economy.

- Australia has chosen to link its skills certification system closely to its vocational training system focusing on the translation of the national framework to specific training requirements and on MoUs with other countries to recognise equivalences. As such, the Department of Education and Training monitors and maintains the AQF, supports its users and promotes AQF in education and training system. Iindependent, professional service organizations drive the training package process by providing technical, operational and secretariat activities to enable industry councils to undertake their industry engagement and training product development. Australia has signed 6 MOUs with foreign countries; Thailand, India, New Zealand, Germany, Switzerland and Japan. There are ~60 Training Packages containing over 1,600 qualifications which cover ~85% of Australian occupations.

Potential risks of new policies and mitigation measures

This paper has outlined the importance of skills driven labour policies to enable GCC countries to transition to knowledge based economies and potential policy considerations to achieve those. However, those new policies can come with a set of risks that should be carefully considered upfront and mitigated. Areas of risks to consider include:

- Limited traction given high level of cooperation required across government entities. GCC countries will need to ensure they have the right governance mechanism in place to enable cross government and ministry collaboration given multiple entities will need to work together to ensure successful implementation (Labour, Interior, Education, Chambers, among others). This governance mechanism will need to be linked to the highest level of government with clear evaluation and monitoring mechanisms in place to track progress and assign responsibilities.

- Increased operating costs of selected sectors of the UAE economy with lower skill worker base (e.g., construction). Policies implemented should as much as possible aim to differentiate by sector to account for the intrinsic differential of skills across sectors and aim for lower skill workers to cross subsidize higher skill workers as opposed to increase cost overall on companies. In addition, new policies should be gradually rolled out by sector with a tight economic impact monitoring system in place to measure the effect of those polices on the overall competitiveness of the sectors where they have been introduced.

- Increase financial burden on laborers seeking to upskill/recognize their skills as employer pass on cost. Explicit text of laws will need to be developed specifying that cost of newly certifying is on employer (with supporting fees and penalties in case of violation, similar to existing text of laws in GCC countries on cost of work permits and residencies passed onto expatriate workers.

- Slow and cumbersome process of certifying the skills of all workers in country and all incoming workers prior to entering the country impacting the country's ease of doing business. Certifying skills should not be mandated across all sectors and professions but driven by demand from employees and employers created by new policies and incentives, which should pace the demand over time. In additional the roll out of new policies should be gradual by sector and by skill level (including for new admission and residency categories) to enable smooth transitions.

- Incumbent systems and resources in GCC countries may not be able to cope with new demand for skills certification and supporting access to benefits (e.g., discounts on work permit fees, government procurement, new visa category). This further reinforces the need for a thorough baselining of systems and resources in place with a supporting gap analysis in each of the GCC countries with a gradual roll out of policies by sector and occupation to allow for a piloting phase of systems and resources.

Conclusion and next steps

This paper highlights the challenges that the GCC economies are facing on their path to becoming knowledge economies and offers solutions to help increase the skills of the economies' labour force as well as shift labour towards knowledge sectors. Moving forward, each country should develop an action plan that builds on international experiences but is tailored to the local context. Three steps are critical to ensure successful implementation:

1) Establish the right governance structure for decision making and implementation that will include all relevant stakeholders across ministries. Typically reforming this area involves various government entities including ministries of labor and interior, the body for national qualification accreditation, employment agency, training agencies etc.

2) Ensure stakeholder commitment first by aligning all stakeholders on the plan and then, by creating a monitoring system to ensure that each stakeholder acts on their duties and responsibilities and can be held accountable towards progress

3) Develop a communication plan to articulate how to communicate the new policies changes to different target audience be it employers, employees, other government entities, and identifies the appropriate medial channels and communication approach for each audience