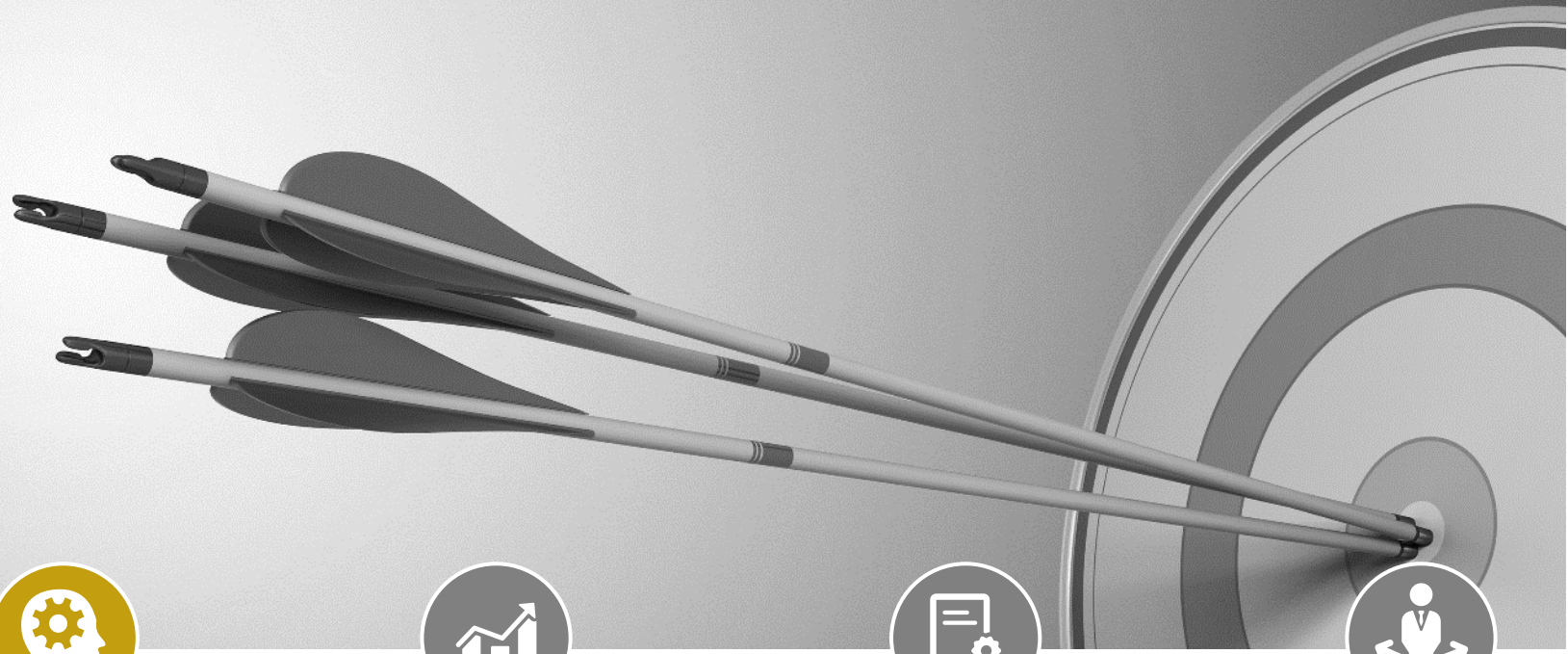


Maximizing the benefits of skills driven labour mobility in Asia-GCC corridors

Abu Dhabi Dialogue
January 24th 2017 – Colombo, Sri Lanka





A Why is skills driven labour mobility important in the Asia-GCC corridors



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



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



D Moving forward

For GCC countries

Goal to transition from reliance on cheap labour to knowledge economies

UAE



Vision 2021 "Diversified and flexible knowledge-based economy" requiring **16%** increase in knowledge workers

KSA



Vision 2030 "Attracting the skills we need" vs productivity growth of **0.8%** in last decade

Bahrain



Vision 2030 "Enhancing productivity and skills" vs productivity **4%** behind global average

Qatar



Vision 2030 "Highly skilled and productive labour force"

For Countries of Origin

Increasing skill levels critical for future prosperity

• Remittances as % of GDP:



31% in Nepal



10% in Philippines



9% in Sri Lanka



8% in Bangladesh



7% in Pakistan



7% in Vietnam



3% in India



Labour and residency systems not aligned with economy



Subscale skills recognition systems



Employment contract, mobility and residency parameters nearly identical across skills, sectors and job categories

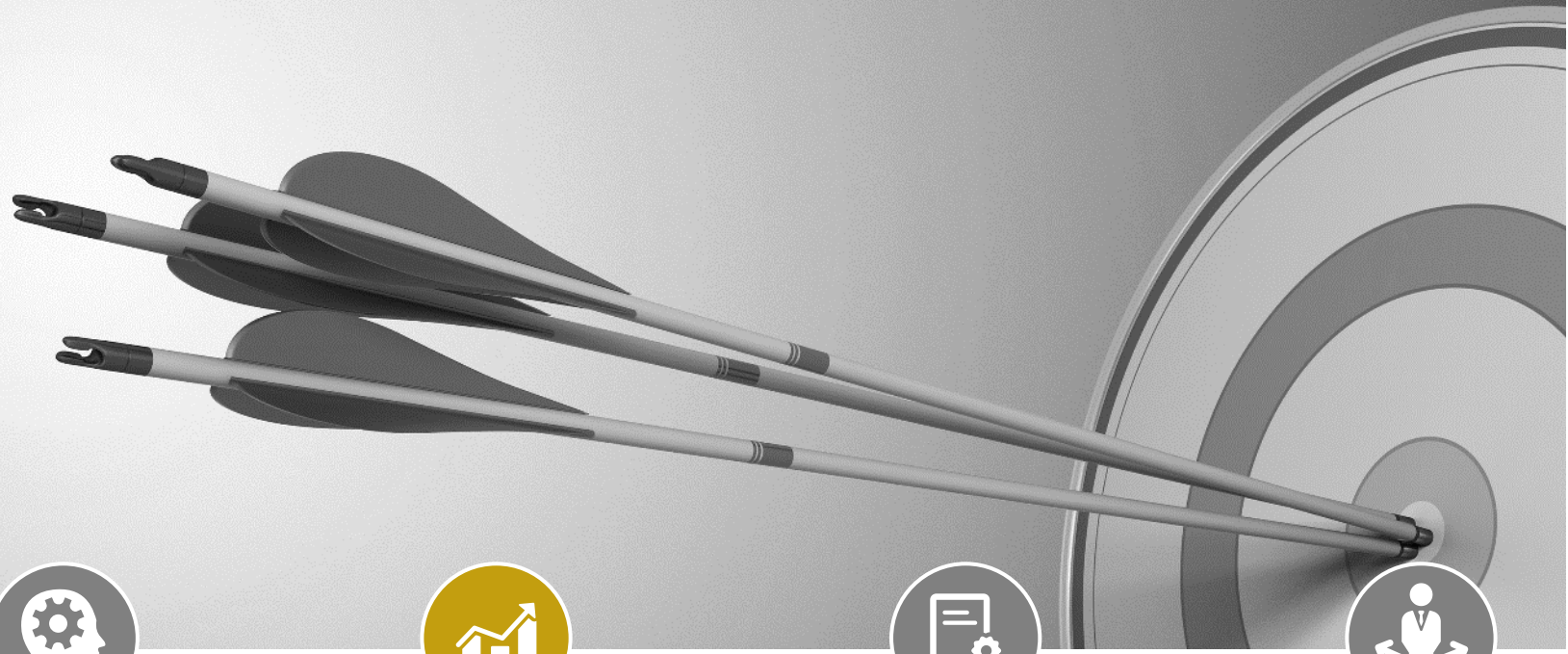
Lack of incentives for companies to invest in recognizing skills/upskilling

Current **Kafala system** takes employer-employee relationship beyond labour contract with oversight on personal affairs

Scale of skills recognition operations is limited (e.g., ~100 NOSS in GCC countries vs 20,000 in UK and 5,000 in New Zealand)

Frameworks for investors and entrepreneurs in innovation sectors not established

Most GCC countries have **National Qualifications Frameworks**, but not yet adopted by the market



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Policy goals



A Retention



Policy levers

Attractive incentives for employees at each level to encourage certification of own skills and upskilling



B Substitution



Companies steered towards high skills workers and sectors by increasing financial returns of knowledge workers relative low skilled workers



C Recognition



Ecosystem of accreditation of skills in countries of origin supported by technical training, information sharing and support to returning workers



Financial

Description

- Discounts on public services
- Subsidized training

Benchmarks

n/a



Regulatory measures

- Differentiated admission and residency
- Differentiated paid time off
- Mandatory training days
- Skills recognition in home countries



n/a



Social (status)

- Family sponsorship
- Awareness campaigns
- Increased accessibility to training

n/a





Description of desired incentives

Private sector driven

- **Market based with minimal government** intervention or administration

Avoid creating distortions









- **Simple system minimizing** distortions and loopholes

Ensure ease of implementation

- **Easy to communicate and administer**

Ensure net positive benefit

- **Investments to upskill workers should be offset** by greater benefits to economy

	Description	Example benchmarks		
 <p>Soft incentives</p> <p>Hard mandates</p>	Consumer transparency	Company rating that provides transparent information to consumer (allowing to justify a premium on the market)	 Carbon footprint label	 Energy performance diagnostic
	Financial incentives	Discounts on government levied fees (e.g., work permits)	 MoHRE firm classification	 Work Permit skills certification
	Mandatory restrictions	Penalties for companies that fail to meet objectives by e.g., restricting work permit quotas	 Nitaqat (for Saudization)	
	Mandatory levies	General "tax" to create pull for upskilling and re-skilling	 Skill development levy	 Apprenticeship levy

Incentives can be tailored by sector and by company size to ensure they reflect the specific conditions of different employers



Scaling training and certification ecosystem



Support to returning workers



Increased cooperation and transparency



- Provide **tailored training** aligned with internationally acknowledged standards, leading in medium term to **higher wages and remittances**
 - **Encourage certification of skills in country and in GCC** to facilitate mutual skill recognition
-
- **Support skilled returning workers with higher productivity** with professional reintegration or incentives for investment and entrepreneurship
-
- **Gather and share market intelligence on demand for skilled labour in GCC countries**
 - **Develop joint standards between GCC countries and Countries of Origin** (both quantity and quality)



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Description

Policy



- **National framework & regulations describing skill levels** mapped to qualifications (NQF)
- Most GCC countries **have developed their own NQF**

National content



- **National occupational skills standards (NOSS)** describing skills required for different occupations
- Can be **converted into national qualifications** that training providers can train individuals against

Regulation



- Regulation of **training providers and service providers,**
- **Quality assurance** of third party providers (e.g., skills testing centers)

Trainee services



- Provision of **education and training, as well as testing of trainees,** can be outsourced to private companies
- **Typically awarding of qualifications is a public role,** but some countries privatized it with the government regulating awarding bodies (e.g., UK)

GCC

National Qualifications Framework

Regulatory bodies

Defines standards, licensing requirements and process steps in home country



Awarding bodies



Quality assures services providers; recognize, compare and issue awards against standards



Services providers

Providers a service e.g., training, testing



MoUs / mutual recognition



Transparent sharing on standards



Can license a foreign entity as an recognized awarding body

Can license and conduct quality assurance directly on foreign services providers

Country of Origin

National Qualifications Framework

Regulatory bodies



Awarding bodies



Services providers



Funding flows for certification of skills between employer, employee and government

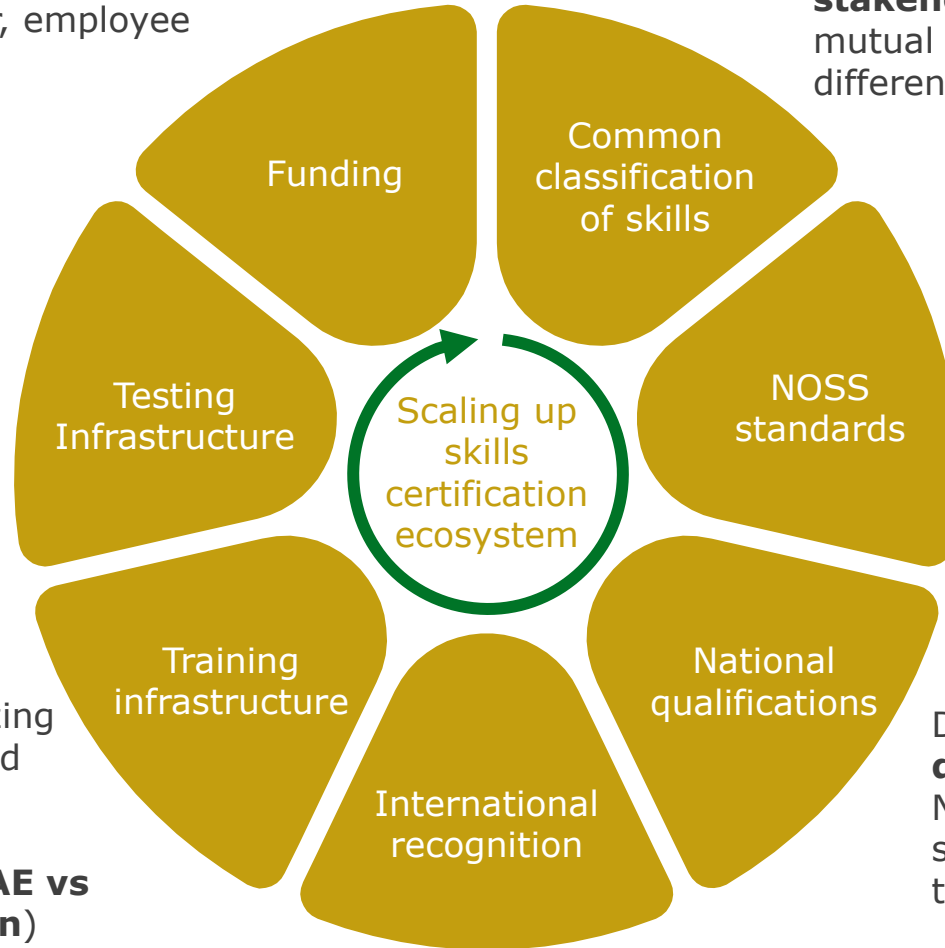
Aligning government stakeholders to NQF, based on mutual capabilities defined for different classification schemes

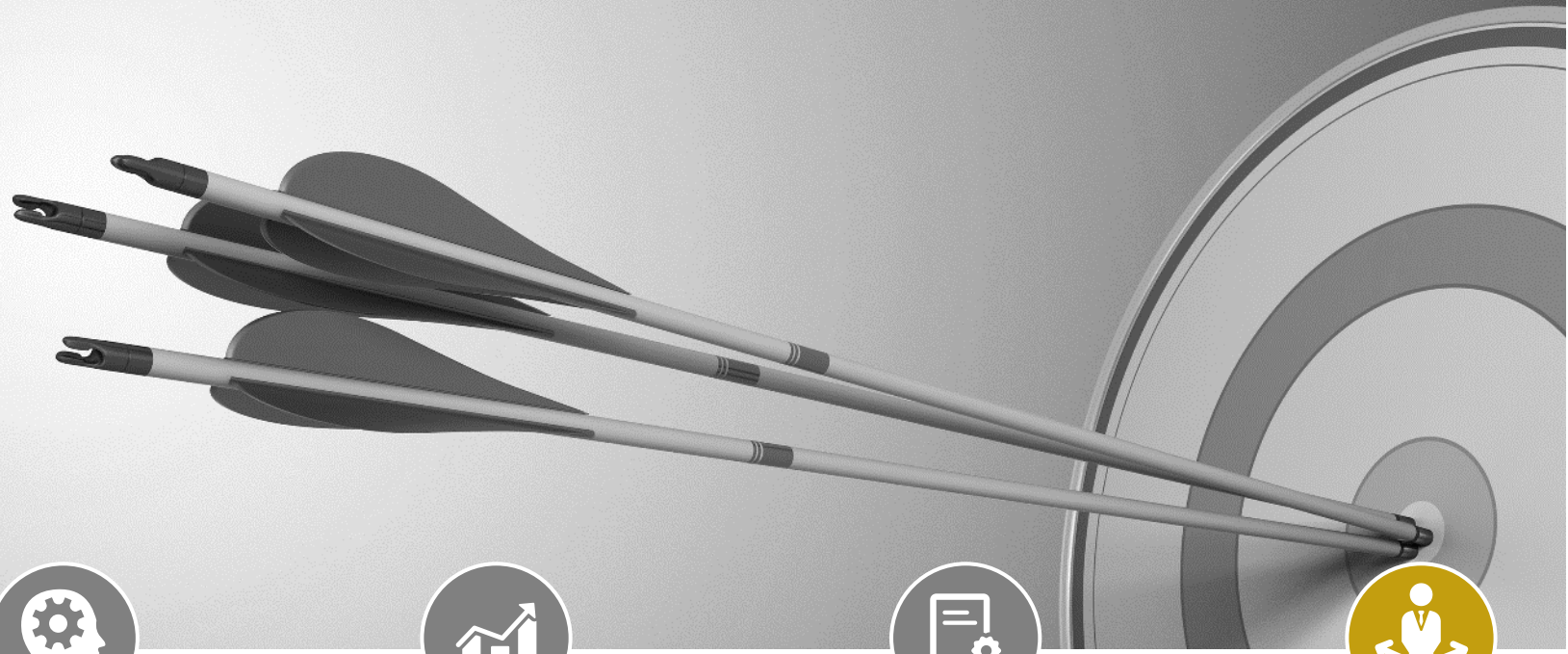
Scaling testing centers to absorb capacity of workers in GCC and in countries of origin with private providers

Developing NOSS at each level of NQF for priority occupations and sectors with or without skills sector councils (**~100s in GCC vs ~1000s in best practice**)

Regulating and recognizing corporate academies and lifelong learning (**7 providers registered against NQF in the UAE vs 1,300 licensed to train**)

Developing **national qualifications** from NOSS, for which standardized tests can test for learning outcomes





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D Moving forward



- 1 Set ambitious targets for certifying and recognising vocational skills in GCC workforce

- 2 Engage in dialogue on specific skills required for priority occupations and jobs

- 3 Increase pace of bilateral and multilateral agreements supported by “Copenhagen Process”

- 4 Link skills database in the GCC-Asian corridor to increase mobility

Category	Visa	Description	Maximum stay
Sponsored professionals	Employment Pass	<ul style="list-style-type: none"> Foreign professionals, managers and executives with high qualifications and >~2500 USD/month salary 	2 years
Independent professionals	EntrePass	<ul style="list-style-type: none"> Foreign entrepreneurs (conditions and criteria apply e.g., types of sectors) 	1 year
	Personalized Employment Pass (PEP)	<ul style="list-style-type: none"> High-earning existing Employment Pass holders or overseas foreign professionals. Visa holder can be unemployed for 6 months 	3 years
Sponsored skilled or semi skilled workers	S Pass	<ul style="list-style-type: none"> Mid-level skilled staff with >~1600 USD/month salary and qualifications criteria 	2 years
	Work Permit for foreign worker	<ul style="list-style-type: none"> Semi-skilled foreign workers in the construction, manufacturing, marine, process or services sector 	2 years
	Work Permit domestic worker	<ul style="list-style-type: none"> Foreign domestic workers (FDWs) and nannies 	2 years
	Work Permit for performing artiste	<ul style="list-style-type: none"> Foreign performing working in public entertainment outlets such as bars, hotels and nightclubs 	6 months
Other independent	Global investment programme (GIP)	<ul style="list-style-type: none"> Foreign investors (conditions and criteria apply of minimum investment thresholds, types of sectors etc) 	Permanent residency

Key elements

Visa system is sector-specific, and further divided by skill level

Employees must pass a test administered by relevant authority in an approved test centre

Additional processes exist for upskilling workers through pre-approved training programs and/or accreditation examinations

Illustrative process for construction sector



Employee fails skills test and submits dispute or re-applies



Obtain prior approval for vacancy

Employer applies for prior approval for vacancy with Building and Construction Authority (BCA)



Register employee for test

Employer registers employee for test at approved BCA test centre



Employee passes skills test

Employee passes skills test for their skill-level



Apply for work permit

Employer applies for work permit and pays fees



Enter Singapore

Consulate issues work visa and employee enters Singapore



Train, and move up skill-level

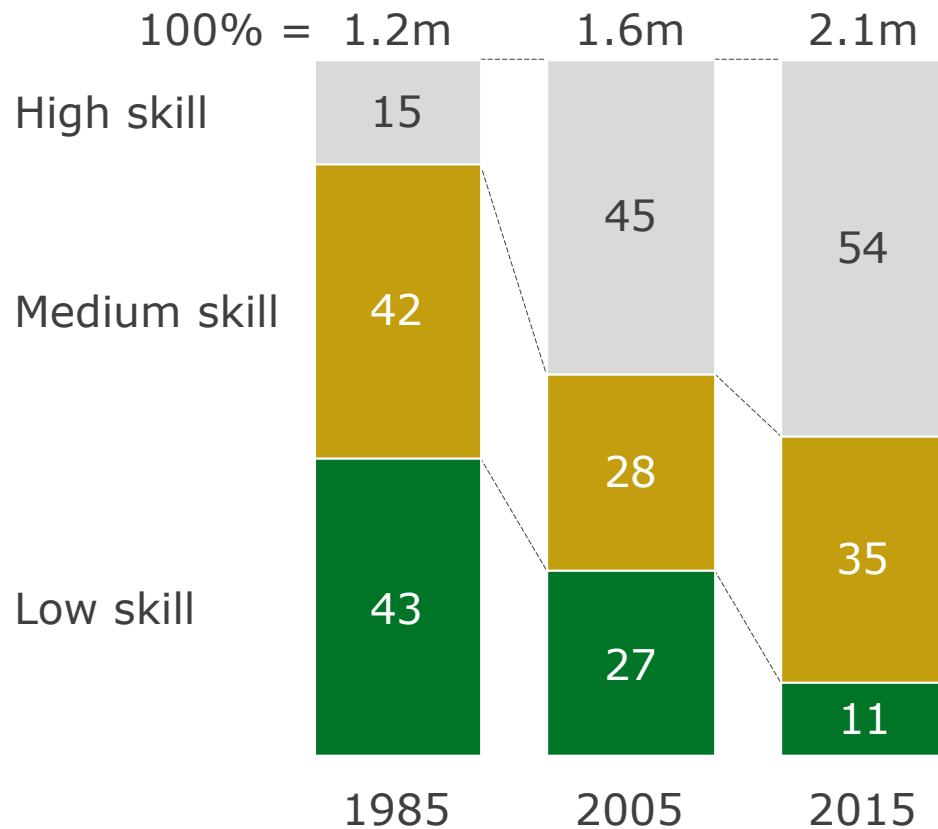


Employer can train their workers or enrol them in follow-up skill examinations to meet sector requirements



Singapore total jobs by skill level

%



Key success factors of reform

- Heavy investment in education and training
- Targeted attraction of specific priority job groups through incentives and flexibility
- Tiered work permit fee system to manage inflow of expatriates
- Clear labour market rules, combined with consequent enforcement
- Strong communication of need for 'national achievement'

Category	Visa	Description
Sponsored Express Entry Immigration work permit (high skill individuals)	Federal Skilled Workers	<ul style="list-style-type: none"> Applicants with suitable education, work experience, age and language abilities based on point system
	Federal Skilled Trades Program	<ul style="list-style-type: none"> Applicants nominated or selected by qualified employers under an expedited process
	Provincial Nominee Programs (PNP)	<ul style="list-style-type: none"> Applicants nominated or selected by the provinces
	Canadian Experience Class	<ul style="list-style-type: none"> Applicants with previous history of residing in in Canada (for work or studies)
Independent Business Immigration Programme	Investors (temporarily on hold)	<ul style="list-style-type: none"> Applicants with net worth >\$1,600,000 wanting to invest in Canada
	Entrepreneurs (temporarily on hold)	<ul style="list-style-type: none"> Applicants with ability to become economically established in Canada on the basis of their business experience
	Self Employed	<ul style="list-style-type: none"> Applicants with ability to create their own employment and make a contribution to the cultural, artistic or athletic life of Canada or by purchasing and managing a farm in Canada.

Case study

- Singapore charges a **levy** on all foreign workers under the Work Permit program
- The levy is **discounted for skilled workers** to incentivize upskilling
- Discount **varies by sector** from **20%** (process) to **54%** (construction)¹
- Skill levels can be **verified** through:
 - Local testing
 - Overseas testing at approved centers
 - Academic qualifications
 - Trade tests (E.g., international welding standards)
 - Salary and years of experience in Singapore (market-based skills recognition)
- In addition, **foreign construction workers must have a Skills Evaluation Certificate** obtained through overseas testing to work in Singapore



Potential application in GCC

Overview

- The GCC could implement a **skill-based work permit fee** for foreign workers
- The system could charge **higher fees on low-skilled or unskilled workers** relative to skilled worker fees
- The magnitude of discounts and skill requirements could be **tailored by sector** (E.g., higher requirements for the construction sector)
- Certification would be based on the **National Qualifications Framework**

Rationale

- Incentivize firms to **attract higher-skilled workers**
- Incentivize firms to **upskill (train and certify) existing workers**
- Potentially **raise government revenues**

Case study

- Nitaqat is a Saudi Ministry of Labour program to **incentivize localizing jobs**
- Localization requirements are **tailored by firm size and economic activity¹**
- **Companies are rewarded/penalized** based on adherence to localization levels

Nitaqat color grades and key benefits

	Platinum	Green	Yellow	Red
Visa requests	All	All ²	None	None
Occup. change	All	All	None	None
Zakat, Muni., License	1Y extension for MoL svcs	6M extension for MoL svcs	None	None
Renew permits	All	All	All, max tenure of 2 years	None



Potential application in GCC

- The GCC could implement a new **tier-based system** to reward/penalize companies based on skill level targets
- Companies could be rated **relative to peers** of a similar size and in the same sector or economic activity
- **Potential reward/penalty levels:**
 - Preferential access to government contracts
 - Visa / work permit quotas
 - Financial fees / penalties
 - Commercial license suspension

Rationale

- **Incentivize firms** to improve employee skill levels
- **Potentially raise government revenues** through fees / penalties

Case study

5 Singapore

- Employers pay a Skills Development Levy of **0.25% of salaries**¹
- Funds are channeled to the Skills Development Fund (SDF) which **funds a range of training programs** under 7 different frameworks
- Most programs **target Singaporeans** and “certifiable” skills training for expat workers

6 United Kingdom

- Large employers pay **0.5% of annual wages >£3 million** in apprenticeship levy³
- UK Gov. **matches 10%** of contributions
- Funds are used to **train and assess apprentices** (UK residents aged 16+) by approved apprenticeship providers



Potential application in GCC

Overview

- The GCC could implement a **skills development fee** (E.g., 0.25-0.5% of total annual wage bill) to be paid by employers
- The GCC could **impose the fee only employers above a certain size** (E.g., >USD 3-5 million in annual wages)
- The GCC could create a new skills development fund to **manage, invest and disburse** training funds

Rationale

- Generate **sustainable funding** for skills development programs
- **Incentivize firms** to upskill employees by allowing them to access funds paid in levies for training of workers

Benchmark countries

United Kingdom



Key learnings

- **Fragmented approach** that relies on multiple government bodies and heavy involvement of the private sector in order **to gain scale quickly**
- **Separate bodies** 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**
- **Sector Skills Councils funded partially** through **revenue from membership activities**

Singapore



- **Centralised approach with an independent body the Workforce Development Agency (WDA)** established by Ministry of Manpower with **specific directive** to promote and drive **workforce development**
- **WDA takes role of framework and policy** developer, **regulatory** operations and is the sole **Awarding Body** for Continuing Education and Training
- **Workforce Skills Qualifications (WSQ) system** developed dedicated frameworks for **each priority industry** (34 frameworks)

Australia



- 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
- **Skills Service Organizations (SSOs)** responsible for **technical development** of skill standards and **Training Packages**
 - **Training Packages** developed **instead of individual standards and qualifications**; each Training Package for a specific industry **consists of units of competency and a qualifications framework**