Human Capital Development in the Arab World: A View from the Top

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Our Vision: Provide an integrated and advanced personal identity management system that contribute to the transformation of the government and the economy and promotes security and global competitiveness of the UAE.
Human Capital: A VIEW FROM THE TOP

Agenda

• Introduction
• Addressing the Arab Human Capital Challenge
• Nationalization Initiatives
• Managing the Future: Engaging and Retaining Youth
• Developing the Leadership Culture
• Concluding Remarks
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Introduction

- **Change** is what we live and breathe, and the common language in today’s world..
- Proliferating uncertainty factor and hence complexity.
- **Technology** is changing almost everything, and vanishing traditional assumptions of how things are done!
More attention is given to **Organisation Design:**
is a process for improving **success probability**
( Organizations are long term and Human Resources are short term):

**alignment** of **human** dimension and corporate strategic **goals and objectives**.

“The idea is **to create** a way of organizing, that **best suits** the purpose to be accomplished, regardless of the way in which other, dissimilar groups are organized.”

(Roy H. Autry, 1996)
Massive Investments!

Organisation Design Framework

- Balanced Score Card Model
- Jay Galbraith- Star Model
- Boston Consulting Group Building Blocks
- Goold and Campbell- Fit and Good Design Tests
- Booz Allen Hamilton- Natural Business Units
Organisation Design Framework

Massive Investments!

Human Resources:
being pushed into a curious position of attention.

Jay Galbraith—
Massive Investments!

Human Resources: being pushed into a curious position of attention.
Human capital is the stock of competencies, knowledge, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value.

Source: WIKIPEDIA
“There is such a thing as investment in human capital as well as investment in material capital. So soon as this is recognized, the distinction between economy in consumption and economy in investment becomes blurred. .......

Arthur Cecil Pigou (1877– 1959)
English Economist, Teacher and builder of the School of Economics at the University of Cambridge.
“Human capital is like any other type of capital; it could be invested in through education, training and enhanced benefits that will lead to an improvement in the quality and level of production.”

Theodore William Schultz
Nobel Memorial Prize in Economic Sciences.
Employee Life Cycle: Dynamic rather than defined

Alignment organisation and personal goals.
If disregarded, stagnancy and complacency start creeping.

Knowledge Management
Human Capital Investment is all about nurturing of talent, retention of talent, rewarding achievements and enabling personal & organizational growth.
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Human Capital Challenges

Disparities in **access to educational** opportunities

1. Underutilization of national labor capacity
2. Large proportion of nationals working in public sector
3. High **unemployment** among young, first-time workers
4. Education & training system not preparing students well for workforce
5. Brain drain
6. **HR Capital Challenges**

Adult Literacy in the Middle East

Highest literacy in the world. 97% among both genders in some countries
University Attendance in the Middle East

University attendance shows huge shift in closing the gender gap with females outnumbering the males in university education in the region.
Unemployment among youth: nearly 25% of the region’s youth unemployed.

Source: ILO & IMF Data -2010
Underlying causes?

Highest per capita incomes in the world!

Where is the issues? Why this disparity? What are reasons?

Source: ILO & IMF Data - 2010
Causes of Youth Unemployment

Population Growth

Economic Crisis

Discouraged Youth
two main policy factors:
Lack of National Comprehensive Policy Framework

Deficiencies of Labour Market Institution and Policies

High population growth rates, especially in the Middle East, North Africa and sub-Saharan Africa, have increased the number of youth entering the labour market.¹⁴

Population in the Arab Countries in 1970 2010 2050

1 2 8 million

Between 1970 and 2010, population of the Arab countries nearly tripled. The region will have 598 million inhabitants by 2050.¹⁵
Causes of Youth Unemployment

Quality and Relevance of Education

Education is often not adequately tailored to the needs of the labour market, which means that firms are unable to hire the skills they need. Combined with the inability of many economies to create sufficient jobs, it has resulted in increasing the educated unemployed.¹⁰ ⁵

Education is the key to a decent job.

“In 2010, in 25 out of 27 developed countries, the highest unemployment rate was among people with primary education or less.”
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Nationalisation in GCC Countries

"Kuwaitisation" Kuwait
Restructuring Program to support and encourage local workforce in the private sector.

"Qatarisation" Qatar
National Strategy to localise labour workforce

"Bahrainisation" Bahrain
Tamkeen initiative, part of Economic Vision 2030
Labour Fund initiative to support employability, job creation, and social support
Training & Development Scheme, with financial support from private sector

"Saudisation" Saudi Arabia
Netaqaat: a Rating Scheme by Ministry of Labour to rank organisations by their localisation %
Nationalisation Committee with empowerment to penalise un-complying entities.

"Omanisation" Sultanate of Oman
Sanad Scheme, Ministry of Labour initiative to support job seekers and self-employment projects
Oman Strategy 2020
UAE Leadership Vision

"It is my duty as the leader of the young people of this country to encourage them to work and to exert themselves in order to raise their own standards and to be of service to the country.

The individual who is healthy and of a sound mind and body but who does not work commits a crime against himself and society."

HH Sheikh Zayed Bin Sultan Al Nahyan

The citizen is the principle element in the progress and development of the state and a partner in shaping the future of the nation.

"We believe that our youth are the backbone of the nation and the foundation on which to develop this noble civilisation, unaffected by the wind of change, no matter how hard it blows."

HH Sheikh Khalifa Bin Zayed Al Nahyan

"Education is the priority of any nation that hopes to occupy a distinguished position among countries of the world. It is the means by which it can build a strong generation, cautious of adhering to its customs and traditions and able to adjust to the ever-changing needs of our times and to the ever-developing technologies of the modern world."

HH Sheikh Mohamed Bin Rashid Al Maktoum

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UAE’s leadership has a very clear vision on Human Capital Investment.
Ministers Cabinet: issued bylaw to enforce workforce localisation, and to be monitored annually by PM Office.
Nationalisation in the Arab World

Arab nations are seeking to build ‘EMPLOYABLE NATIONAL RESOURCES’

- Laws & Legislation
- National Initiatives
- Training and development programs to support skills development.
Government Role in Supporting Employment

• **Governments** in the region have **strongly supported** employment (localisation).

• As per a recent **IMF report** the Government's in the MENA region **spend 9.8% of their GDP** towards the **wages** as compared to a Global Average of 5.4%!!
Employment in Public Sector

• **Public sector** estimated **wages** are 48% and 36% higher than those offered by the private sector.

• This implies that our **regional government** sector not only pays more but **employs more** too.

• Despite this, the **unemployment rate is highest in the world** in the region.
Employment Statistics in Arab World

• 55 million unemployed

• Population: 360 million to 480 million in 2030.

• 95 million job seekers by 2030!

• Real challenge is to create 140 million jobs in 15 years ($100K cost of each job) = $14 trillion.
Incentivising Private Sector

- **Private sector** needs to be *incentivized to offer more employment* and make it a *lucrative proposition* for the people to join the private sector.

- This can be done, not just by subsidies or financial incentives, but by *providing quality labor to the market* from the local population.
Need for Methodological Approach

National Human Capital Development Policy

Coordinated efforts of various initiatives for the common goals

Enhanced participation of the private sector in the National Human Capital Development
Do we really need supermen?
We need to develop Super-Minds!
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Preparing Younger Generation

Problematic idiomatic attic

- Elephant in room
- Wolf at door
- Monkey on back
- Skeleton in closet
- Bee in bonnet
- Cat out of bag
- Fly off handle

WrongHands1.wordpress.com © John Atkinson, Wrong Hands
Best Practices

• Ensure clear **understanding** of organisation **values**, and **how their efforts contribute** (frequent, timely **recognition** and detailed **feedback**).

• Continuous **training and development. Skills** can always be improved.

• Allow **investment** of some increment of “work time” in **creating ideas** and outlets that could bring benefits to organizations, e.g., Google’s “20 percent time.”

Good management practices:
create **healthy environment** to help organisations **succeed and retain employees** as well as **attracting new candidates**.
Developing Excellence Culture

- **New excellence models** assume management not only operating and directing but also leading and having the necessary **talent** and comprehending good **practices** and outstanding leadership **skills**.
American Society for Training and Development

10 areas of training and development:

- Change Management
- Performance Improvement
- Knowledge Management
- Instructional Design
- Coaching & Mentoring
- Training Delivery
- Talent Management
- Learning Technologies
- Learning Management
- Evaluation of Learning Impact

ASTD Human Capital Development Model

Competencies for the Training & Development Profession

released in May 2013 improves upon the last release of 2004 to bring in several new updates in the Competency Modeling for Organizations
Human Capital Development Framework

- Performance Management
- Leadership
- Competency Based Org.
- Career Development System
- Business Process Re-Engineering

Strategic HR Management
- Strategic Management & Planning
- Succession Planning
- Assessment
- Rewards
- Work-life programs

Maximizing the Globalization effects by Building National resources utilizing the Global Access to Knowledge.
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Leadership?

The single most fundamental pillar for the success of any endeavour is:

LEADERSHIP with Vision!
Leadership Gaps: Failure Symptoms in Org. Culture

Future leaders are **unknown**

Little support for new leaders

**no model of leadership**

**inconsistent training and development activities**

Development activities are **not tied to** the mission, vision, or strategy of the business

**Leadership in itself is not part of performance appraisal**
Defining what leadership makes sense to Org.?

What do our stakeholders expect of our leaders as we work to achieve these things?

What’s our vision?

What’s our mission?

What leadership skills are necessary for getting us there?
Supporting leaders to self-develop

Leadership development is about actually teaching people how to learn and how to accelerate the process of learning.

At this stage leaders need coaching and guidance to feedback them on their leadership achievements.

Help leaders hit the target. Turn them around so they’re facing in the right direction. Move them closer until the target comes into focus. Then, give them the bow and arrow and teach them how to aim.
Organisational Learning & Learning Individual

• Missing link!

• Individuals understanding of learning process and how to accelerate own learning.

• Learning organization remains a theoretical construct instead of a practical reality!

• Organizations don’t develop leaders, instead leaders develop leaders!

April 2011 article published by CLO magazine
The Leadership Circle Profile is a tool to accelerate leadership effectiveness beyond traditional competency-based approaches. When it comes to developing leaders, training to competencies alone does not work very well. For more rapid and lasting results, it is crucial that organizations help leaders gain deeper insight into their behavior and what is driving it.
Leadership Role

- Evaluate & Measure
- Develop Skills & Potential
- Provide A Positive Working Environment
- Recognize, Reward & Reinforce The Right Behavior
- Involve & Engage
- Measurement
- Environment
- Development
- Behavior
- Participation
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Concluding Remarks

Needs for **conscious and diligent** development of the **Knowledge-base** and the building of a deep rooted **Knowledge Economy**.

Only **Knowledge Management** can make the Human Capital Development **sustainable**.
Manufacturing Age Supply and Demand

- **Quantity** of goods/services demanded/supplied determine the price

- **Laws of supply & demand** dictate at what price and quantity the **economy** operates most efficiently – the **point of equilibrium**.
Knowledge Age Supply and Demand

- **Knowledge & Information** are demanded & supplied.

- **Physical assets vs. knowledge assets based economies.**

- The more one piece of information is demanded, the more value the market will place on that knowledge asset.
Fueling Human Capital Formation Policies

- Need to recognize the **dynamic nature** of the human capital.

- It is fundamental that governments account for **general equilibrium effects** to **emphasise heterogeneity in skills** through sagacious **policies** and **influence** human capital formation.

Because human capital is an investment good, it is important to account for the life cycle dynamics of learning and skill acquisition in devising effective human capital policies.

Creating the abilities and motivations that affect learning and foster productivity for many large-scale interventions, it is essential to account for general equilibrium effects, which reverse or diminish partial equilibrium estimates of policy impacts (see Heckman, Lochner, and Taber 1998a, 1998b, 1998c, 2000).

This human resource can be transformed into human capital with effective inputs of education, health and moral values. The transformation of raw human resource into highly productive human resource with these inputs is the process of human capital formation.

There is also strong evidence that organizations that possess and cultivate their human capital outperform other organizations lacking human capital (Crook, Todd, Combs, Woehr, and Ketchen 2011).

- There are many gaps in existing practices.
Read our recent research from: