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**An Investigation into the
Labor Market Behavior and
Characteristics of Emirati Unemployed
*With Special Emphasis on Young Unemployed***

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Views presented in this working paper are those of the authors and do not necessarily represent views of Zayed University

An Investigation into the Labor Market Behavior and Characteristics of Emirati Unemployed

**With Special Emphasis on Young
Unemployed**

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Summary

The strong and robust growth of the United Arab Emirates (UAE) over the past decade has significantly raised the standards of living in the country, and has created remarkable economic and social transformations. However, there is some concern that strong output growth has yet to translate into an equivalent growth of jobs for UAE citizens, particularly outside the public sector and among young nationals. A careful estimate shows that the number of unemployed Emiratis by the end of 2011 is 34750, of which 72 percent are women, and 65 percent are youth. Among the youth, the percentage of unemployed females is 70 percent. In 2010 the Emirati unemployment rate was estimated at 14 percent; 8 percent among males and 28 percent among females. In 2011, the unemployment rate is estimated at 12.8%; the highest unemployment rate is in Al Fujairah (19.5%) followed by Abu Dhabi (15.1%) and the lowest rate estimated in Dubai at 7%.

Youth unemployment in the UAE is, to a large degree, the result of waiting for the right job. And for almost all Emirati youth, the right job is located in the public sector. Due to high wages, generous benefits, and attractive work conditions, young Emiratis strongly favor public employment over private-sector jobs. The median in-cash salary of Emiratis working for the public sector is almost twice the corresponding figure in the private sector. In addition to offering inferior work-related benefits, many private sector industries present a socially different work environment in which males dominate and UAE nationals are a small minority. The favorable conditions in the public sector, and its ability thus far to accommodate the employment needs of the vast majority of Emiratis, set the expectations of the unemployed, of eventually joining their fellow citizens.

Understanding the perceptions and expectations of Emirati youth, both employed and unemployed, is essential to addressing youth unemployment, because expectations guide individual behavior. The aim of any public policy is to modify behavior. And effective policies do so by incorporating and adjusting expectations. The unemployed youth are

fully aware of the superior work conditions that the public sector offer. These conditions clearly set youth expectations and constitute a benchmark by which they evaluate job opportunities that arise elsewhere, including the private sector.

One way to face the unemployment challenge is to redesign government support programs with the goal of reducing the negative effects on incentives. A wage subsidy program aimed at reducing the gap between private and public salaries would make private sector employment attractive to young Emiratis. Such program would be more productive and efficient than a welfare program aimed at providing benefits to unemployed Emiratis, because the benefits received under the wage subsidy program would be conditional upon accepting a private sector job. Supplementing the incomes of Emiratis working in the private sector would be costly. However, such plan could be financed via a system of corrective taxes on firms. Relying on taxes and subsidies, instead of regulations, to align private (individual and firm) incentives to social goals is less costly. Moreover, imposing a minimum employment quota of nationals might not be the best approach to deal with national unemployment. A tax is as effective as a quota in achieving a particular employment target. However, the tax accomplishes this goal more efficiently.