

**A NEW MODEL
FOR VET GROWTH
IN SOUTH ASIA
– SKILLS
DEVELOPMENT
FOR GCC**



Australian Government
Australian Trade Commission



Australia
FutureUnlimited

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Executive Summary

This study looks at the phenomenon of skilled labour migration from India to the Gulf Co-operation Council¹ (GCC), and the dynamics of local and foreign workforces in filling skilled vacancies across the region. This study suggests that an Indian candidate with Australian competency-based training (with or without formal qualification) will be increasingly sought by GCC employers as the market landscape changes. This presents a potential opportunity for Australian education providers to build a training model connecting the two regions.

Rapid industrial expansion and modernisation across the GCC over the past decade has seen jobs across multiple industries filled by large-scale migration of Indian workers. While there is strong government support and funding across the GCC to develop pools of local skilled labour, it is unlikely to have a substantial effect in the medium term in key industries such as construction, resulting in imported labour filling the gaps.

According to World Bank statistics, in 2010 (the most recent at time of printing) there were 7.75 million migrant workers from India, Bangladesh and Pakistan in GCC countries compared to 4.25 million in 2000. India has been the largest contributor of human capital from South Asia to the GCC, and it is estimated that there were over 4.8 million Indian workers in GCC in 2010. Saudi Arabia accounts for the largest migrant worker population among these countries. Of the 28.8 million people in Saudi Arabia in 2013, around 31 per cent were migrant workers.² Other major expatriate populations – in addition to South Asians – include Egyptians, Yemenis, Eritreans, Sudanese and Ethiopian nationals.

However, the private sector in the GCC will face increasing challenges in securing Indian labour given increasing competition for skilled labour by Indian business, and an increasing desire for the GCC to change the profile of foreign workers securing work visas.

To ensure a consistent supply of skilled labour from India, GCC employers may need to consider long-term strategic tie-ups with training providers rather than relying exclusively on the open market to source candidates as it currently exists.

Austrade sees short- to medium-term opportunities for Australian Vocational Education and Training (VET) providers to train Indian workers for GCC employers that recognise and value Australian competency-based training and who will generally pay higher salaries than Indian employers. This may take place either in India, prior to workers moving to the GCC, or in the GCC itself. Austrade also sees value in transnational education models which aim to increase the skills and employability of GCC nationals to overcome a dependence on foreign labour in key sectors.

¹ Gulf Co-operation Countries consist of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates

² United Nations Population Division (2015) Department of Economic and Social Affairs: <http://www.un.org/en/development/desa/population/migration/data/index.shtml>

Introduction

Austrade undertook this study of the labour migration of Indian workers to the countries of the GCC during 2014. It is the development on the GCC side (demand) as well as the motivation and mechanism for movement (supply) that potentially presents a more complicated, but viable commercial opportunity.

The world's labour force is predicted to grow to 3.5 billion by 2030, up from 2.9 billion in 2010 with the bulk of that growth coming from South Asia and Africa, which together will contribute around 360 million new workers.³

However while the more advanced and developed economies will experience a shortage of semi-skilled and skilled workers, developing countries will have a large surplus of unskilled workers. The challenge for developing nations such as India is to improve the skills of these large pools of unskilled labour so they can take on semi-skilled and skilled work opportunities both locally and globally.

India remains a natural source of labour for the GCC given its close proximity, historic links, growing young population and a desire by the Indian Government to provide global employment opportunities to its citizens via schemes such as the *Deen Dayal Upadhyay – Grameen Kaushalya Yojana*. (This scheme seeks to reposition rural India as a human resource pool, supporting the requirements of manufacturing globally. The scheme provides funding support to Indian providers ranging from A\$500–2,000 per person for job-placement-linked skilling programs of a duration of three to 12 months.⁴). However GCC countries and industry potentially face increasing difficulties in sourcing Indian workers.

At the same time, the 'Make in India'⁵ campaign seeks to establish India as a global manufacturing hub which will see more employment opportunities available and increased competition for semi-skilled and skilled workers

and their associated rates of pay. GCC countries are also seeking to raise the bar on the skill levels of imported labour, meaning workers with minimal and unqualified skill levels may not be able to access GCC opportunities. The Indian Government has been advocating GCC governments raise the minimum wage for migrant workers adding to costs for companies involved.

Opportunities exist for Australian education providers to train workers for local Indian industry using a high volume low margin model, but Austrade also sees opportunities for Australian VET providers in training Indian workers for GCC employers who:

- ▶ more readily recognise and value the training undertaken
- ▶ will pay higher salaries than their Indian counterparts for genuinely skilled workers.

Methodology

Latest economic and demographic trends were investigated for this study, including demand and supply drivers of Indian labour migration to GCC. In addition, face-to-face interviews were conducted with 15 stakeholders across India, Bahrain, Saudi Arabia and Qatar, including employers, government agencies and VET institutions. The majority of these stakeholders suggested that a South Asian worker with Australian VET qualifications or Australian-based training, would be a preferred candidate for employment within the GCC.

Potential employment opportunities through data from the World Bank, International Labor Organization and United Nations were also explored. Significantly, findings showed that Australian VET providers are viewed as reliable, trustworthy and world class.

3 McKinsey Global Institute (2012) *The World at Work: Jobs, Pay and Skills for 3.5 billion people*
http://www.mckinsey.com/insights/employment_and_growth/the_world_at_work

4 <http://ddugky.gov.in>

5 <http://www.makeinindia.com>

Background

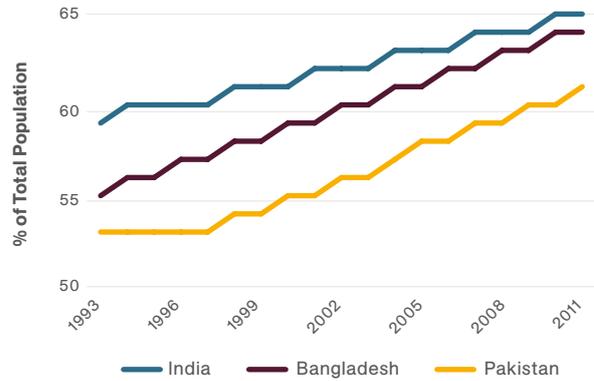
South Asian countries, primarily Bangladesh, Pakistan and India, have a strong history of providing human capital to the Middle East. In 1938, oil was discovered in Saudi Arabia leading to rapid development in a region that was one of the poorest in the world. The region has been marred by significant uprisings since the discovery of oil. It was after the year 2000 that most countries in the Middle East, especially GCC countries, saw a rise in their economic development. From a GDP of USD377 billion in 2000, GCC countries collectively recorded a GDP of USD1.6 trillion in 2012, highlighting the massive development across sectors that has taken place in the last decade.⁶

This massive rise was largely due to the oil boom, which led to further investment in infrastructure as well as social development in this region. This led to large scale job creation across a number of sectors, including oil and gas, construction, retail, hospitality and healthcare. But with a number of these countries having a relatively small, unskilled workforce, imported workers were required to sustain the momentum of economic development.

Conversely, South Asian nations over the same period saw a tremendous population increase with a large growth in working age population (see graph) combined with a shift from agricultural work as workers moved to urban locations. This created a huge surplus of labour in these countries and made them a natural ally to provide a solution to the shortage of labour in the Middle East.

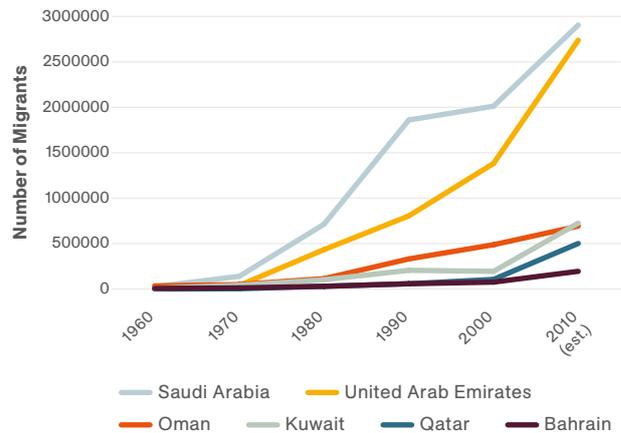
⁶ The World Bank (2015) The World Bank DataBank <http://databank.worldbank.org/data/home.aspx>

Share of Working Age (15-64) Population in Total Population

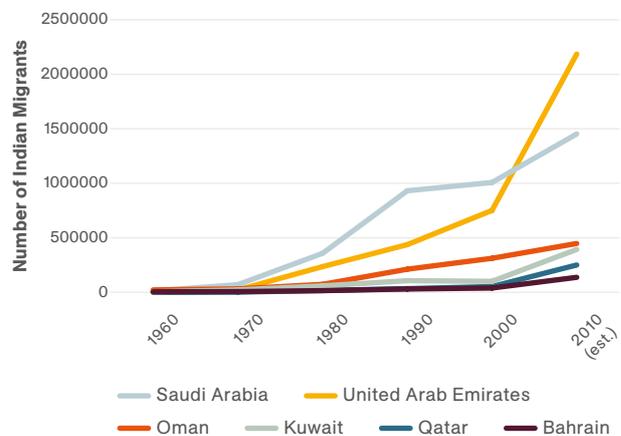


Source: The World Bank DataBank

Number of Migrants from South Asia to GCC



Number of Migrants from India to GCC



Source: The World Bank DataBank

The challenge of skills shortages in the GCC

Despite an increasing population and large scale unemployment across the GCC, filling vocational jobs effectively is still a huge challenge:

- › Education preferences among GCC nationals – across the region the preference is for managerial and administrative courses and jobs, particularly skewed toward the public sector where a culture of a ‘job for life’ exists.
- › Low interest in technical and vocational jobs – even among unemployed GCC nationals there is a low interest in working across the industrial, agriculture and service industries which are culturally considered to be of a menial nature and low in pay.
- › Profile of incoming migrant workers – the GCC attracts unskilled labour from the rural sectors across South Asia who generally have minimal formal training and offer low productivity outcomes for companies.

The visa system for migrant workers

Navigating the rigid visa system to bring in migrant workers is a challenge for employers. An example of the process is as follows:

1. A company (such as a construction group in Saudi Arabia) applies to the government for a specific number of work visas relating to a project or activity for which they must pay a fee.
2. The government approves and allocates this number of visas to the company (based on the extent of their ‘Saudisation’ – or employment programs for Saudi nationals) and the company sources workers, primarily through a third party labour agent.
3. The visas are non-transferrable and the fee is non-refundable.

The issues for companies occur when candidates arrive via agents without the necessary skills for which they were hired. At this point a company has one of two options:

- › send the worker back to South Asia, effectively foregoing one visa and worker (and bearing the cost)
- › train the worker on site at their own cost to meet the employer’s requirements or fill another lesser job role.

Linking visas to skills in Saudi Arabia

There has recently been renewed discussion by the Saudi Government about linking migrant worker visas to acceptable levels of skills through certification. Candidates would need to produce accreditation qualifying them for a job (for example, a welding certification for a welding job).

The issue for companies operating across the region is two-fold:

- › whether employers trust the certification being produced by either candidate or agent
- › if the certification required is set too high – this limits the supply of migrant labour that can be brought to the GCC.

Training groups that can produce skilled workers at a consistent level of Australian competencies (not necessarily full Australian Qualification Framework qualifications) should find strong interest from GCC employers given the reputation of Australian standards for quality and job readiness. This applies both to foreign labour in the GCC, but also among GCC nationals.

Developing an alternative business model within the GCC

The current mechanism for sourcing labour has proven to be costly and inefficient for both GCC employers and Indian workers. This inefficiency presents an opportunity for Australian VET providers to develop a business model connecting newly-skilled Indian workers directly with employers in the GCC.

The following factors help define the opportunity for Australian groups in training Indian workers for the GCC market.

Demand side drivers:

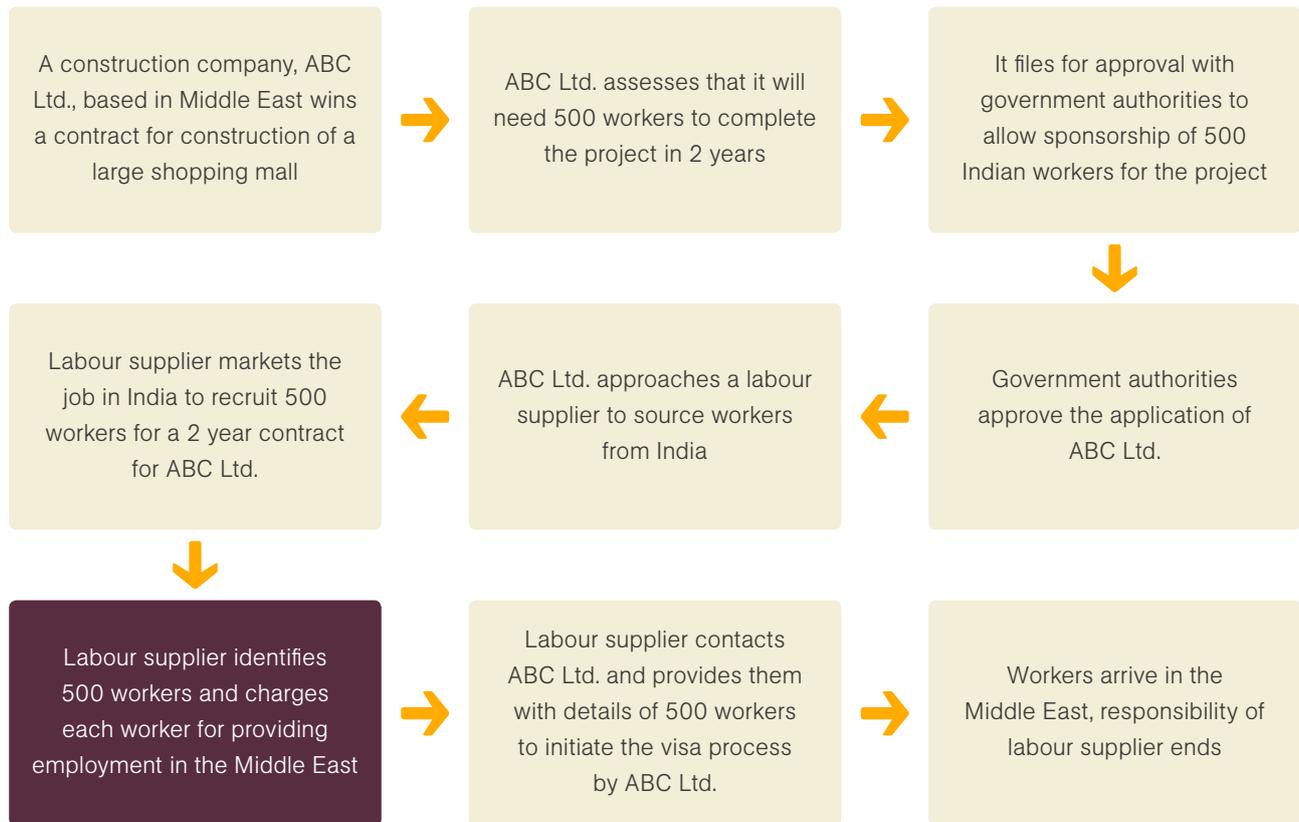
- › A clear need for skilled workers to deliver the GCC region's huge diversification projects across oil and gas, mining, construction, rail, healthcare, telecommunication and infrastructure. These skilled workers will continue to be brought from South Asia and other lower socio-economic nations to complement the small (but growing) cohort of trained nationals.
- › Workers, both GCC nationals and imported labour, continue to lack the necessary skills and experience to contribute productively to their employer. This, in turn, places an extra cost burden on an employer to provide adequate skills and on-the-job training to ensure they are job ready.
- › GCC countries have flagged their intent to set a benchmark for skills (via recognised certifications) before foreign workers are granted visas, essentially excluding unskilled workers. Previously, workers of any skill profile have been able to access the GCC labour market.
- › Since the beginning of 2014, Saudi Arabia has deported close to 1 million foreign workers who had overstayed their visas and/or were not working in their assigned occupations. Many expatriates working in the construction sector were significantly affected.

- › The social implications of large migrant groups living in GCC countries alongside large cohorts of unemployed GCC nationals is becoming a growing political issue for local governments. Smaller numbers of highly trained productive workers are a more desirable outcome.

Supply side drivers:

- › Indian candidates seeking work in the GCC currently pay a fee to labour supply firms to secure employment in the GCC (A\$1,000–5,000) regardless of their skill levels. This can leave them vulnerable to unscrupulous practises. A mechanism that ties in-market training to jobs with reputable employers and defined conditions in the GCC is a better outcome for both worker and employer.
- › Feedback from GCC companies indicates that while there are minimal direct costs incurred in sourcing labour via a third party, this generally results in an extremely inconsistent mix of candidates. Companies are increasingly prepared to pay a placement fee to a training provider that can guarantee the skill levels of incoming workers.
- › The latest Make in India campaign (which aims to attract businesses globally to invest and manufacture in India), flags an increase in demand for skilled labour across India. This potentially will lead to increased competition between Indian and GCC employers in attracting and retaining skilled Indian workers, and against the backdrop of stricter GCC visa conditions.
- › The Indian Government has begun advocating with the GCC to increase recommended minimum wages for Indian workers across the region. An increased cost base makes it even more crucial for GCC employers to source the most appropriate workforce.

Current supply chain mechanism for labour in GCC



Proposed business model

The following proposed business model may prove effective in the GCC:

- › Australian VET institutions: have the capability to develop curriculum and partner with Indian or GCC institutions to train master trainers and workers, as well as provide quality oversight and accreditation as required.
- › Indian/GCC partner institutions: could focus on provision of training infrastructure, sourcing of local candidates, delivery of best practice training in conjunction with Australian institutions and creation of placement arrangements with GCC employers seeking specific skill sets.
- › GCC employers: sourcing skilled and job-ready labour via Australian supported institutions would reduce overall costs and improve productivity, ensuring successful and timely delivery of projects.
- › Indian workers: fees currently paid to labour suppliers can be better utilised for training leading to skilled employment outcomes in the GCC (and India on return), improved salary outcomes and career progression with reputable employers.

Proposed supply chain mechanism for labour in GCC (via VET institutions in India)



To take advantage of these opportunities, Australian providers can:

- › Partner with Indian or GCC providers to deliver quality training in-market. The National Skill Development Corporation (NSDC) in India provides funding to support such private sector initiatives through loans, equity and grants. The NSDC aims to promote skill development by creating large, quality, profitable vocational institutions.
- › Tap into schemes including the *Deen Dayal Upadhyay – Grameen Kaushalya Yojana* operated by the Indian Government Rural Development Ministry.
- › Connect with GCC employers to understand current and future skills gaps and develop training solutions and pathways to employment.
- › Develop customised training models – meeting GCC visa requirements, deliver a consistent and recognised standard, but without the cost of AQF certification.

The NSDC aims to promote skill development by creating large, quality, profitable vocational institutions.

Findings

This study of labour migration of Indian workers to the countries of the GCC suggests that an Indian candidate with Australian competency-based training (with or without formal qualification) would be highly sought after in the GCC. In addition, there are significant opportunities for Australian competency-based training for GCC nationals in key sectors.

Dominant themes include:

- › Australian training is well regarded in the GCC for producing quality outcomes.
- › GCC governments and companies are increasingly seeking properly trained and vetted skilled workers for infrastructure, mining and manufacturing projects across the region, these include both locals, as well as foreign expatriates.
- › Employing properly skilled and vetted workers from the outset reduces the training burden and cost for businesses, increases productivity and reduces workplace risk.
- › Companies are open to strategic tie-ups outside of the traditional labour supply companies that can provide a mix of skilled and unskilled candidates for projects.
- › Employers are happy to offer employment to workers direct via an institution/organisation that provides evidence of quality training and assessment.
- › Placement fees paid to an institution for properly vetted and trained candidates would be less than the current cost of upskilling and lower productivity rates of non-suitable candidates.

- › The cost of training for candidates is generally less than what a labour supply company charges for gaining access to the GCC jobs market. Funds allocated to proper training by candidates instead provides pathways to further learning and better employment outcomes.
- › There are generally higher salary outcomes on offer for semi- and highly-skilled workers in the GCC as opposed to India, but the gap is narrowing. GCC employers need to look at alternate strategies for workforce recruitment and development in order to continue efficiently staffing operations.

How Austrade can assist

Austrade India can assist Australian providers by:

- › identifying reputable partners for in-market training
- › guidance in developing a business model
- › connecting with funding sources and accreditation bodies in India.

Austrade Saudi Arabia can assist Australian providers by:

- › connecting with government stakeholders to understand standards for different occupations and procedures for local accreditation
- › connecting with GCC employers across multiple industries to understand skills gaps and requirements for training
- › identifying local partners interested in undertaking skills training locally.

Contacts

Austrade South Asia

Tom Calder

Trade Commissioner

Austrade Mumbai

E: tom.calder@austrade.gov.au

P: +91 22 6116 7110

Kanishk Kumar

Business Development Manager

Austrade Mumbai

E: kanishk.kumar@austrade.gov.au

P: +91 22 6116 7118

Austrade Saudi Arabia

Mark Morley

Senior Trade Commissioner

Austrade Riyadh

E: mark.morley@austrade.gov.au

P: +966 1 281 6170

Ismail Farag

Business Development Manager

Austrade Riyadh

E: ismail.farag@austrade.gov.au

P: +966 11 281 6176

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