

## COVEXIT POLICY BRIEF



# Talent Competitiveness Post COVID-19



How Can Dubai Attract, Enable And Retain  
High-skilled Global Talent?

January 2021

## Introduction

The Covid-19 pandemic triggered an intensification of the global race for talents<sup>1</sup>, mainly by accelerating the digitisation and automation trends, already at play prior to the pandemic. These trends are not only changing the ways individuals work but also the types of jobs that are sought after<sup>2</sup> globally. In light of this, Dubai must ensure it retains its local and foreign skilled workforce and is able to compete on a global stage to attract, enable and retain highly skilled individuals.

Highly skilled individuals play a central role in today's knowledge economy. Talented individuals make exceptional direct contributions to an economy, by being high wage earners and tax contributors, and indirect contributions by creating jobs and spurring knowledge spillover, ultimately driving a country's productivity levels and economic growth<sup>3</sup>. Therefore, attracting global talent has been a key driver of countries' development and growth strategies, as human capital is increasingly at the heart of what makes a nation competitive.

The fact is that global talent has never been more mobile or sought after as the world enters a new era of 'talentism'<sup>4</sup>. This has triggered fundamental shifts in public policies among high-income countries that wish to attract the world's best trained and most skilled workers. These countries have developed comprehensive strategies to ensure increased coordination between immigration, employment and education policies so as to attract foreign talents while ensuring their native workforce becomes highly skilled. OECD countries are a prime example of successful strategies, as they constitute less than a fifth of the world's population yet are host to two-thirds of high-skilled migrants in the world, according to the World Bank<sup>5</sup>.

These high-income countries, in the years prior to the pandemic, were strongly backing their industries and businesses, making important investments in STEM and digital skills, focusing on technological capacity

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<sup>1</sup> [Talent pools: why skill tends to concentrate | World Economic Forum \(weforum.org\)](https://www.weforum.org)

<sup>2</sup> [The Future of Jobs Report 2020 | World Economic Forum \(weforum.org\)](https://www.weforum.org)

<sup>3</sup> OECD, Indicators of Talent Attractiveness (2019), <https://www.oecd.org/migration/talent-attractiveness/>

<sup>4</sup> ['Talentism' defines success in new capitalism, says Davos chief - Nikkei Asia](https://www.nikkei.com)

<sup>5</sup> World Bank (2017), 'Global Talent Flows', Policy Research working Paper

building, supporting the development and adoption of digital innovation, intensifying research collaborations, and helping their companies, large and small, grow faster.

Similarly, the UAE was heavily investing in infrastructure, continued to develop its unique PPP model, all while continuously opening its economy towards the private sector. The country preempted the weakening of past drivers of economic growth and has laid the groundwork for the critical shift caused by 4th Industrial Revolution and technological disruption, by embracing the role of and the reliance on innovation to invest further in knowledge-based capital<sup>6</sup>. These are all elements that contributed to the UAE becoming increasingly competitive in terms of Talent Competitiveness. The country ranks 22nd in the Global Talent Competitiveness Index, while Dubai ranks 51st in the city ranking of the same index<sup>7</sup>.

For Dubai and the UAE, the pandemic has offered a window of opportunity to review and amend existing laws and regulations in order to make the country more attractive to foreign talent. It has triggered an intensification of the regulatory push in the UAE aimed at bringing the country on par with global offerings targeting foreign human capital and investments. These changes include reforms to the visa system, to family and inheritance laws and other areas impacting the everyday life of the foreign population<sup>8</sup>.

The UAE's reliance on foreign workers, of all skill levels, put in in a unique position as in some sectors the expatriate population is vital. Accelerating Dubai's economic recovery from the pandemic while ensuring the emirate seals its position as a global innovation and knowledge hub, and fully embraces

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<sup>6</sup> The UAE has developed a number of key strategies that outline the vision and tools for the development of innovation in the country: Fourth Industrial Revolution strategy introduced in 2017; National Strategy for Advanced Innovation, introduced in February 2018; UAE Strategy of Advanced Industries, introduced in December 2019. On a local level, the Dubai Plan 2021 and the Dubai Industrial Strategy 2030 are some of the policy milestones achieved.

<sup>7</sup> INSEAD (2020), Global Talent Competitiveness Index Report 'Global Talent in the Age of Artificial Intelligence'. The Global Competitiveness Index (GCTI) is an annual benchmarking tool ranking 132 countries and 155 major cities on their ability to develop, attract and retain talent.

<sup>8</sup> UAE sets out legal overhaul of personal and family law - The National (2020) [thenationalnews.com](https://www.thenationalnews.com)

the fourth industrial revolution underway, is conditional on having a higher proportion of highly skilled individuals in the workforce. Attracting and retaining highly skilled foreign workers, entrepreneurs and outstanding students is an essential part of this quest. However, in light of the pandemic, what are the policy changes needed for Dubai to be able to further attract, enable and retain high-skilled global talent?

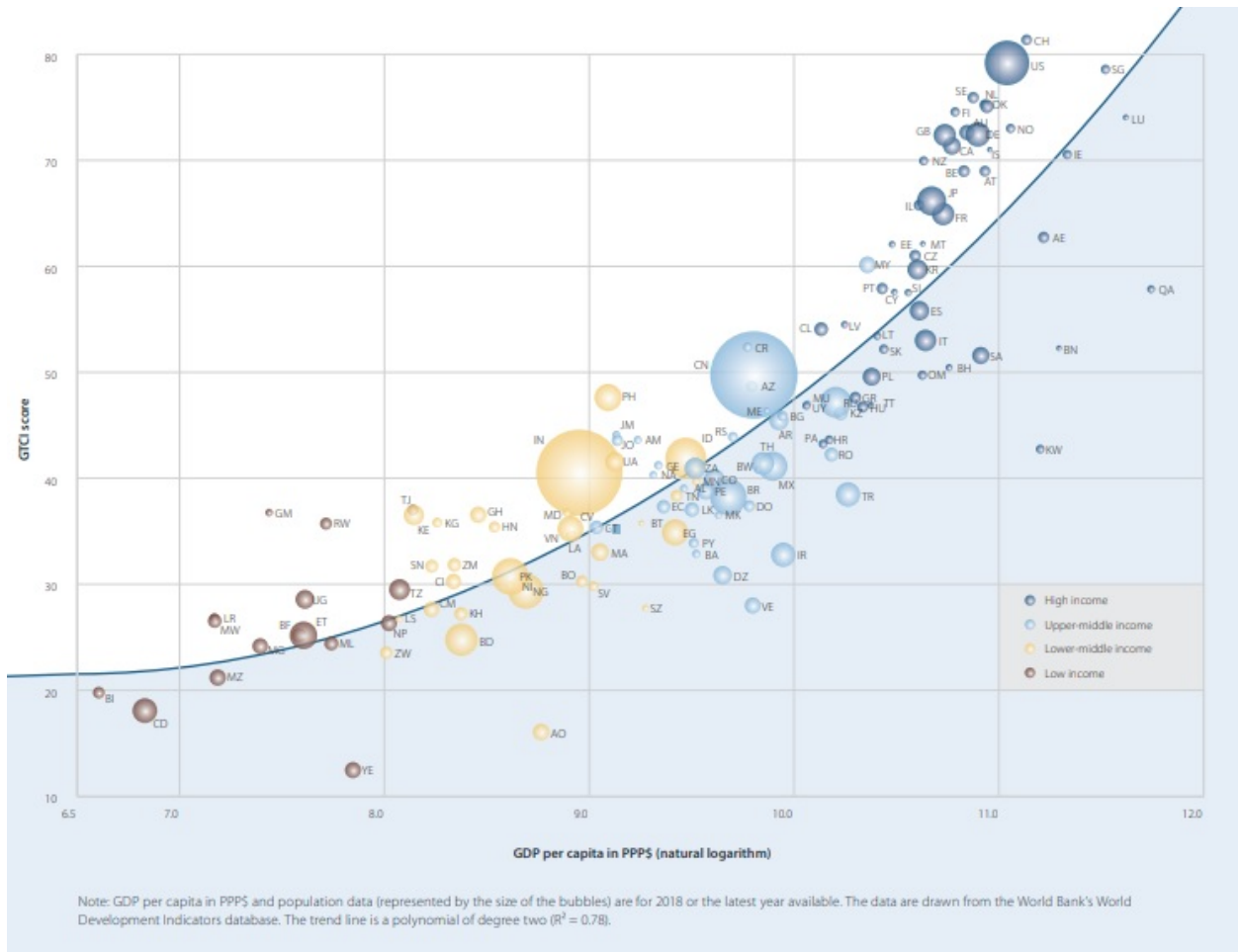


Figure 1: Correlation between economic performance and national talent competitiveness (Source: GTCI 2020)

## Focusing on Four Key Policy Areas to Drive Talent Competitiveness in Dubai and the UAE

Driving a country's Talent Competitiveness is a complex, multi-faceted, cross-governmental goal. To examine the policies and strategies needed to achieve it, it is most useful to focus on these four aspects of talent competitiveness: talent attraction, retention, enablement and creation<sup>9</sup>.

This policy brief outlines the main challenges in four policy areas, that have a direct impact on Dubai and the UAE's ability to be on par with the world's most competitive nations in terms of talent attraction, enablement and retention:

- Skills governance systems;
- Visa systems and visa options;
- Cost of living and lack of social protection for highly skilled talent;
- Innovation and entrepreneurship ecosystem to enable the highly skilled.

## Skills Governance System

Governance of skills has become a tantamount issue in developed and high-performing economies. Skills strategies can no longer be the sole responsibility of national government entities and ministry in charge of the education portfolio<sup>10</sup>. Several countries have adopted a new, holistic approach to skills governance in order to coordinate efforts between education, training, employment and immigration policies. Denmark, Norway, the UK, Australia and Singapore are some of the many countries that have developed and implemented Skills strategies aimed at driving cross-governmental coordinated action on the specific goals of mapping skills gaps in the labour market<sup>11,12</sup>.

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<sup>9</sup> INSEAD (2020), Global Talent Competitiveness Index Report 'Global Talent in the Age of Artificial Intelligence'.

<sup>10</sup> ILO (2019), Skills and migration, <https://www.ilo.org/global/topics/labour-migration/policy-areas/skills-migration/lang-en/index.htm>

<sup>11</sup> [Strengthening the Governance of Skills Systems : Lessons from Six OECD Countries | OECD iLibrary \(oecd-ilibrary.org\)](https://www.oecd-ilibrary.org/education/strengthening-the-governance-of-skills-systems-lessons-from-six-oecd-countries_09894000)

<sup>12</sup> Education in Denmark, 'From daycare to lifelong learning', <https://denmark.dk/society-and-business/lifelong-education>

The UAE has made significant progress in strengthening its skills system, by undertaking a holistic approach to training, education, upskilling etc. in an effort to remain competitive (e.g. the National Strategy for Advanced Skills; National Program for Advanced Skills). However, challenges remain with regards to skills shortages, drive knowledge-based growth, ensure life-long learning, full employment of the local population and attract the right skills for Dubai's economy. The lack of data makes any governmental action all the more difficult.

### Visa System and Visa Options

The absence of centralized information on visa options, across Free Zones and the mainland, has become increasingly burdensome for incoming and resident existing talent in Dubai<sup>13</sup>. Furthermore, the lengthy and complex process to obtain the visa and to sponsor dependents, the high PRO costs and the high cost of each additional visa represents an additional burden for talents. Over the past decade, countries such as Canada, Australia and Singapore have revamped or continuously improved their visa offerings in order to provide clarity to foreign talents seeking to relocate. Additionally, these countries have been using visa systems and options as policy tools to address skills shortages in their labour markets. In Singapore, as the nation-state is reeling from the impact of the Covid-19 pandemic on the economy and pushed people in large number into unemployment, the government announced a new type of visa aimed at foreign tech talents, to support Singapore's bid to become a leading, global tech-hub<sup>14</sup> and palliate to skills gaps in the labour market.

In the UAE, policies related to visas and migration emerged as one of the obstacles leading to difficulties in recruiting and retaining talent, especially for small and medium enterprises. In 2020,

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<sup>13</sup> 49 interviews of highly-skilled and entrepreneurial talents were conducted between September 2019 and November 2020. Findings suggest that the current visa system represents a burden for talent.

<sup>14</sup> This visa allows foreigners to start and operate more than one company and become an investor, consultant or mentor for local startups. [Singapore Makes Plea for Top Talent to Drive Tech Goals - Bloomberg](#) (2020)

the United Kingdom announced a full overhaul of its visa system, moving towards a points-based system in an effort to align with global best practices.

An additional challenge is that the employment and immigration regimes in the UAE, as in other GCC countries, are tied to sponsorship laws by a local sponsor, through a locally licensed and registered entity in the United Arab Emirates. Despite extensive reviews to the sponsorship system, it remains the regime de rigeur in the UAE and is intimately intertwined with the functioning of the labour market & the employment of foreigners in Dubai. The current Kafala systems and what remains of it, raises a number of economic and governance issues while maintaining a social contract that no longer serves the interests of the country<sup>15</sup>

### High Cost of Living and the Lack of Social Protection for the Highly Skilled

The COVID-19 pandemic has brought the need for adequate safety nets and social protection at the forefront of expatriate needs and criteria, for those who can choose their destination of expatriation or can afford to stay in their home country. Dubai's high cost of living and lack of safety nets has become both an increased financial burden and a growing source of insecurity. Over the years, Dubai became an increasingly costly base for businesses and residents, as confirmed by a 2020 Mercer study, which puts Dubai as the 23rd most expensive city for expatriates<sup>16</sup>.

The high cost of living, the lack of universal health coverage and that of high-quality public schooling associated with the absence of any form of social protection to palliate to those needs in times of financial strain, represent, in light of the COVID-19 pandemic, a growing burden on foreign talent<sup>17</sup> and significantly impacts Dubai's competitiveness for talents choosing to relocate. Furthermore, it

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<sup>15</sup> The efficiency cost of the Kafala System in Dubai: A stochastic frontier analysis

<https://dialnet.unirioja.es/servlet/articulo?codigo=7418728>

<sup>16</sup> [Cost of Living 2020 Ranking | Mercer](#)

<sup>17</sup> Primary research findings highlight

All interviewees who have been UAE/Dubai residents for a period greater than 10 years have expressed their positive outlook on a direct taxation system which would replace the "hidden government fees", and would give them more rights and access to public services such as healthcare and public schooling



represents burden for successful small businesses which cannot afford to provide high quality education or healthcare and therefore cannot attract talent as a result.

### Foster Entrepreneurship and Innovation to Enable High Skilled Talent

Entrepreneurship and innovation hubs attract highly skilled talent. It is essential for cities and countries to provide a conducive environment within which innovative talents and companies, in tech, digital and advanced sciences can operate<sup>18</sup>. While Dubai and the UAE have succeeded in building a conducive business environment, there remain challenges to be overcome. In Dubai specifically, highly skilled talents face significant roadblocks due to low level of R&D in the commercial sector, scarcity of tech-based SMEs to collaborate with, government not acting as an enabler mainly through its procurement systems, the absence of strong anchor institutions to drive innovation and low levels of collaboration between universities and the private sector among other things. Countries such as Germany, France, Switzerland have adopted comprehensive strategies to drive innovation and entrepreneurship, on local and national levels, ensuring to coordinate efforts across a wide range of stakeholders, including universities, SMEs, multinational companies and government entities<sup>19,20,21</sup>.

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<sup>18</sup> [How Melbourne is attracting the world's best tech talent \(fasttrack.com.au\)](https://www.fasttrack.com.au), (2017)

<sup>19</sup> Federal Ministry for Economic Affairs and Energy (2019) 'Financing start-ups and growth: Overview of funding instruments', (August), pp. 1–5

<sup>20</sup> Federal Ministry of Economic Affairs and Energy (2020) Regulatory Sandboxes - Testing Environments for Innovation and Regulation. Available at: <https://www.bmwi.de/Redaktion/EN/Dossier/regulatory-test-beds-testing-environments-for-innovation-and-regulation.html>

<sup>21</sup> European Commission (2020) Cluster Observatory. Available at: [www.clusterobservatory.eu/sectoral](http://www.clusterobservatory.eu/sectoral) European Commission (2016) Smart Guide to Cluster Policy. Brussels. doi: 10.2873/48105



## Recommendations

The Covid-19 pandemic has confirmed pre-existing trends related to automation, digitization, changed priorities for the next generation of workers and in-demand jobs of the future. It has also confirmed that future economic development and prosperity of nations will be talent-centric. For Dubai to remain a business and innovation hub as well as for it to remain ahead in the digital race, it must persevere in its efforts on two fronts, when it comes to talent competitiveness. Firstly, it must continue the Emiratization work currently underway on a local and federal level and further integrate the local population to the labour market while ensuring adequate vocational training, upskilling and reskilling programs are in place. Secondly, there must be a concerted effort on the local and federal levels to improve the city and the country's value proposition for highly-skilled foreign individuals. The following recommendations address the latter, to ensure Dubai's offerings are in line with the needs of highly educated and/or skilled foreign workers, talented foreign entrepreneurs and outstanding foreign university students:

- **Ensure cross-entity collaboration for skills mapping and labour market monitoring.** It is urgent for Dubai to further understand the specific needs of the city in terms of skills as well as ensure cross-governmental coordination to agree on local skills needs priorities in the short-term and long term. This could be achieved by adding such objectives to the mandates of DGHR, KHDA and DED. It would ensure that Dubai gathers the foundational knowledge and data points needed to build a modern education and training system that prepares Emirati nationals and UAE residents for the future, with market-ready skills. These entities should be tasked with part or all of the following: 1/ To develop a 'skills mapping' methodology for Dubai for labour market and workforce analysis and conduct continuous monitoring of Dubai's labour market; 2/ Produce a yearly report, as a resource for policy making and the general public; 3/ Provide a coordination platform between the educational and labour elements of Dubai, involving a broad range of stakeholders and provide policy recommendations for improvement of the relevant legislative and operational mechanisms

related to education, training and re-skilling programs, immigration policy, labour policies etc.

- **Develop a Dubai Skills Classification.** A skills' classification is a robust policy tool, that serves workforce planning and informs needed changes to immigration strategies. Such a classification, on a local or national level, is a government's centralized system of information on skills and is most useful when made available to the general public (employees, employers, training and educational institutions) as well as disseminated to other government entities. In addition, the classification can lay the groundwork for Skills classification to become the operating standard and one of the goals of labour market monitoring and forecasting on local and federal levels. This would also allow Dubai to ensure that the city's needs can be met, in large part, through local provision over time.
- **Introduce a points-based visa system.** Countries have been using their visa system as a policy tool to help their competitiveness in terms of talent attraction. As Dubai's labour market keeps maturing, its economy goes on diversifying and the employment of UAE nationals in the private sector increases, the visa system and the regulation around visas, must evolve. A points-based visa system offers the government a strong tool to be used to address the current and future needs of the labour market, specific skill shortages and to manage the influx of low and medium skill unsponsored visas, by updating the eligibility criteria (giving more or less weight to specific skills or experiences). The UAE's visa offering must be on par to what other nations have to offer, in terms of ease of clarity of offering, access to application, length of stay, benefits etc. Piloting a new points-based visa system can be the first step to a full overhaul.
- **Create a Dubai Talent Taskforce in order to centralize government efforts to attract talent.** By ensuring there is a dedicated taskforce to be wary of the evolving needs of highly skilled talent, and those of the labour market, the government ensures that conditions tied to long-

term visas are continuously updated. In addition, such a taskforce can be the centralized point of contact and coordinated action for medium and long term visas, under the supervision of GDRFA Dubai. In addition, the taskforce is tasked to provide a streamlined pathway to long-term residency for exceptionally talented individuals and successful businesses, removing the burden of the existing visa process.

- **Develop a “Dubai Visa Portal”.** Ensuring information regarding visa types, conditions, process is foundational in the race for talent. It provides clarity and acts as signal of a transparent application and selection process. As visa offerings multiply, such a portal becomes a necessity. Dubai must create a centrally-managed online portal with user-friendly comparisons and recommendations for all types of visas, across Dubai Free Zones as well as cost estimates, eligibility criteria and advice regarding visa applications. Beyond providing information, the portal is most useful when it is a platform for online visa, license and work permit application and issuance (Free Zone and mainland visas).
- **Introduce a one-year ‘orientation visa’ for young talent.** Prior to the pandemic, countries have started targeting young, skilled talents by implementing visa schemes that cater to their needs, while ensuring young talents find adequate venues for employment or entrepreneurship within one year of settling, or else must leave the country. One such example is The Netherlands, introducing in 2016 a one-year residence permit for an aimed at highly educated foreign students to move to or remain in The Netherlands following their graduation from a Dutch University or from a top University abroad<sup>22</sup>. It is timely for Dubai, in an effort to diversify its talent pool, to offer an opportunity to graduates<sup>23</sup> from a variety of academic backgrounds, not limited to STEM fields and de-linking eligibility to academic

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<sup>22</sup> [Looking for a job after study, promotion or research | Immigration and Naturalisation Service \(IND\)](#)

<sup>23</sup> In November 2020, announcements were made that talented young individuals are eligible for 10-year unsponsored residency visa allowing them to move to the UAE without securing a job. talented, skilled young individuals. It is a highly competitive visa, for which the selection criteria remain unclear.

performance for graduates of top ranking universities, the potential to become an active member of the labour market. Such a visa can be complementary to the existing, more competitive 10-year visa and residency option for highly skilled graduates.

- **Fully overhaul all aspects of the Kafala system.** The Kafala system is not a “sponsorship” system similar to those of other non-GCC countries. It was built on the notion of shifting the burden of responsibility from the state to private citizens. The current Kafala systems and what remains of it, raises a number of economic and governance issues while maintaining a social contract that no longer serves the interests of the country<sup>24</sup>. Placing the responsibility for a foreigner working in the country, regardless of the visa scheme he or she is under, in the hands of the state (MOHRE) rather than in those of a company or individual. MOHRE issues the employment visa and takes full responsibility for entry, transfer and departure of expatriate workers, regardless of the type of visa or skills level. This means the state, not the employer or the FZ authority carries the burden of responsibility). Long-run implications of this include the need for a more selective migration system.

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<sup>24</sup> The efficiency cost of the Kafala System in Dubai: A stochastic frontier analysis (2012)  
<https://dialnet.unirioja.es/servlet/articulo?codigo=7418728>

- Create a “Talent Support Scheme” to support talents with high cost of living and lack of social protection.** While most other high-income nations have a social protection system funded by an elaborate taxation system, Dubai could implement a targeted support scheme for high skilled individuals it wants to attract and/or retain to align its offering to its competitors’. Talents would be relieved of all or part of the financial burden associated with ensuring healthcare<sup>25</sup> and schooling needs<sup>26</sup> are met. Dubai has an opportunity to innovate and fill an important policy gap, ensuring access to quality healthcare and/or education for migrant talents and their dependents. By implementing such a scheme, Dubai would aim to close the gap between the UAE and other countries by providing social safety net options through a co-funded scheme (subsidized and contributory) in lieu of a taxation system that would allow for such benefits (see Figure 2 for details).

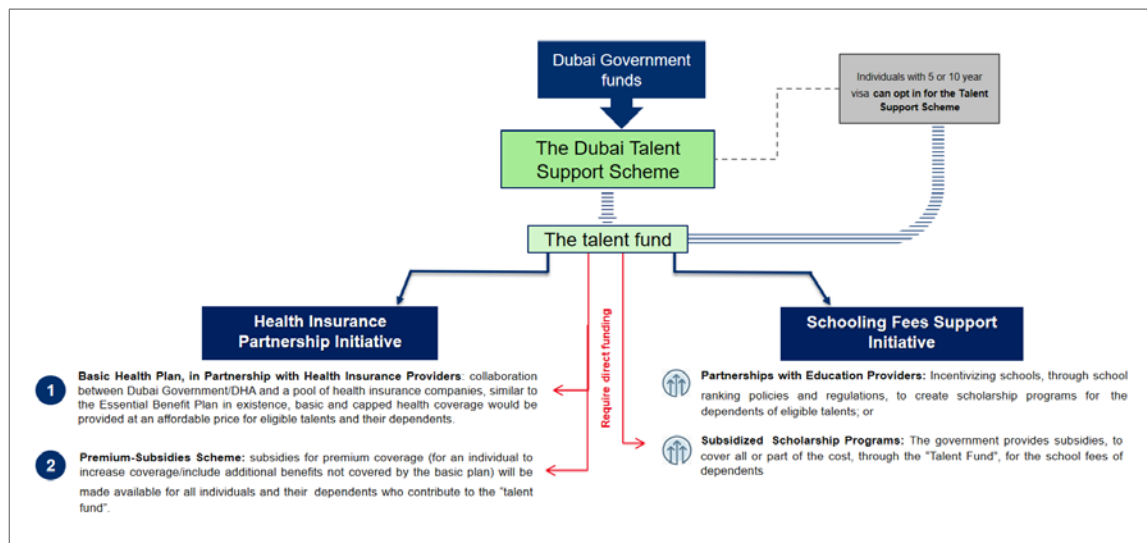


Figure 2: Illustration of the Dubai Talent Support Scheme (MBSRG)

<sup>25</sup> A Pacific Prime Cost of Healthcare Study (2017) estimated at AED32,700/year for a single individual, given that the DHA’s Essential Benefits Plan is reserved for blue collar jobs. Dubai stands out as the only city, with certain US states, to not offer any alternative for long-term foreign residents other than relying on private health insurance provided by their employer or self-provided

<sup>26</sup> International Schools Database (2019) shows that Dubai’s private schools have the region’s highest median cost last year at AED 41,613 (\$11,402), without a public school alternative <https://www.international-schools-database.com/articles/the-cost-of-international-education-around-the-world-in-2019>

- **Enable the creation of clusters in priority sectors for Dubai and the UAE.** Several empirical studies have shown that migration pattern of the highly skilled, in specific fields including tech and digital fields, are increasingly determined by infrastructure apt for innovation and access to funding<sup>27</sup>. A strong, supportive and well-functioning ecosystem, is critical for attracting and retaining high-skilled talents from all sectors<sup>28</sup>. In addition, the presence of well a structured environment, with a pool of high-skilled individuals drive the agglomeration effect, and act as an incentive for additional high-skilled people to move there due to a wide range of positive externalities newcomers may benefit from.

By redefining clusters in Dubai to be more than a simple real-estate provider, clusters can become the city's tool of choice to build robust ecosystems in Dubai's priority sectors and therefore to attract and retain talents. However, while Dubai can drive the development of clusters of excellence in the country and the region, the European examples show that clusters become increasingly stronger and more competitive when regional strengths and competitive advantages are leveraged. Dubai should leverage on initiatives occurring in other Emirates, such as Abu Dhabi's Ghadan Initiative<sup>29</sup>, in order to drive collaboration and ultimately improve its positioning as a specialized, well-connected research, entrepreneurship and innovation hub.

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<sup>27</sup> Talent pools: why skill tends to concentrate | World Economic Forum (weforum.org); Agglomeration, Research Activity and Economic Development\* (gwdg.de)

<sup>28</sup> [Horizon 2020 | The EU Framework Programme for Research and Innovation \(europa.eu\)](https://ec.europa.eu/horizon2020/en)

<sup>29</sup> Ghadan Initiative Abu Dhabi, <https://www.ghadan.abudhabi/en/home/>

## Conclusion

The Covid-19 pandemic has undoubtedly accelerated the advent of the Fourth Industrial Revolution and the rise of digitalisation and use of artificial intelligence that define it, in Dubai and around the globe. Tech-based enterprises are becoming the bedrock of advanced economies. As prosperity and economic performance will increasingly depend on a country's ability to generate knowledge and make use of digital innovation and interconnectedness, attracting foreign talent will be as essential as creating local talents and upskilling the workforce. In order for Dubai to reshape its economy towards a more resilient, innovative and inclusive future, important policy changes must occur so as to ensure it can further attract and retain global, highly-sought after talents to help build this future.

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