



حوار أبوظبي بين الدول الآسيوية المرسلات والمستقبلة للعمالة  
Abu Dhabi Dialogue among the Asian Labor-Sending and Receiving Countries

# Harmonization of Skills Ecosystems along the South Asia-GCC Corridors

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## Context

Along the labour mobility corridors between countries of origin in South Asia and countries of destination in the Gulf, there have been many calls for harmonizing the skills requirements and the general ecosystem. This concept note describes the nature of the issue, proposes some reasons why harmonization is required, suggests some studies to gain further insights into this question and lays the stage for pairs of COO's and COD's to engage in concerted bilateral harmonization projects.

For reasons of history and custom, the labor laws along the corridor do not have harmonized systems, particularly when it comes to the recognition and evaluation of skills of migrant workers. The rules governing labor and migrant workers in the GCC nations have a long history, dating from British law under the Trucial states regimes prior to independence of many of the GCC countries. These rules are collectively referred to as the Kafala system and up until very recently, when the ministries began relaxing these rules, very little labour mobility within the Gulf destination countries occurred. Because all foreign workers who enter the UAE must be sponsored by the firm employing them, an employment visa is conceptually a match between one firm requesting foreign labor and a worker seeking an overseas job.

This, in turn, has meant that firms have been left for the most part on their own in deciding standards and grading to evaluate migrant workers for jobs. For the most part, firms have been recruiting workers directly from the source countries. Typically, the recruiting firm will work with local recruitment agencies in the source country to locate, evaluate and recruit workers to bring to the destination country. Further, different firms have different standards and, different procedures regarding training workers once they arrive at their jobs. One consequence is that among Indian workers in the UAE, only 30% are skilled, compared to 80% in Canada.

Source countries in South Asia also spend significant amounts on training their local workforces to help them obtain jobs in their home countries as well as presumably preparing them for jobs as migrant workers abroad. This training is similarly not harmonized with destination countries. There is no communication between the firms on the destination side and their training and Human Resources departments with the training companies on the side of the source country.



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The current system involves essentially bilateral hiring arrangements between the firm in the destination and the worker in the source country, with little oversight of the process and much less harmonization across either the source or destination country.

There are many potential issues and inefficiencies with the current non-harmonized method of recruitment. For the hiring firm, locating qualified workers can be costly. The destination country firm will have to hire workers from afar. Those firms typically rely on intermediaries on the ground in the source country to locate capable and available workers. So first, firms have the high cost of getting their own teams into the field to conduct the screening of workers, with the help of the firm's intermediaries. There are language barriers, which need to be overcome. There is often not much time to evaluate each worker applying for a job, leading to poor screening and mistakes in the evaluations.

Since firms are hiring from afar with imperfect information on the local environment in the source country, there is room for abuse in the recruitment process, which has been well documented. Applicants for jobs are often charged large and illegal recruitment fees to get the opportunity to interview with a firm. When word of this gets into the press, this could cause reputational damage to the firm.

The current system also imposes costs on the worker. Workers do not have clear information on the skills required for a particular job. If they acquire those skills themselves it is hard for the worker to prove they have those skills, and then to advertise the fact that they have those skills. The lack of standardization is prejudicial to the workers who accept overseas job offers without full awareness of the specific skill requirement of the position. This could ultimately preclude them from renewing their employment or finding another job in the host country, and even result in early termination. The worker under the current system does not have clear information on the wage gradient – the amount of additional wages the worker receives upon increasing their skill level. This prevents the worker from knowing the return to making the investment in acquiring additional skills. The worker is, therefore, unable to make the right decisions on skilling.

Even when the skills required are known, there is currently no recognized certification system to ensure that workers have the requisite skills and for firms in the destination countries to be able to trust that the worker has the required skill level. In turn, this means that in countries which have relaxed their labor mobility laws, there may be some obstacles in workers getting the full benefit of the mobility as it may be hard to signal to the new employers what their skill levels are.

For the source country government, as mentioned earlier, which spends large amounts on training their workers with government money, there are wasted opportunities when the training institutions that are set up do not know clearly the standards required by the destination country firms. Further, without a harmonized system the training institutions will not be able to signal to



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the destination country firms that graduates of their institutions hold the skills required to meet qualifications needed by those firms. For instance, the Indian government has heavily invested in training schemes for its unskilled workforce, many of whom wish to migrate to Gulf countries. Those trainings do not always have the appropriate information on the skills required abroad, which also generates losses as resources are spent training workers in skills that will not be relevant on the labor market they wish to enter.

## Harmonizing and Certifying Skills – the Skills Passport

We have argued that there are many costs to firms, workers and to the national governments under the current inharmonious systems of labor mobility flows, especially as it pertains to the skills of workers. This suggests a possible intervention by national governments at different ends of a migration corridor.

Providing skills to foreign workers to meet the specific labor requirements of firms in the host countries is not a novel idea. In the 1980s, due to a rapid growth of their educated population, South Korea faced a shortage of low-skilled labor. In response, the government implemented an “Industrial Trainee Scheme” for unskilled foreign workers in the manufacturing sector. This program, overseen and regulated by the government, was successful and was later expanded to include other sectors such as construction and fishery.

What we are discussing here, however, is more comprehensive than schemes similar to the Korea example. There are various aspects of a possible harmonization regime between a source and destination country. First, there will need to be agreement by the stakeholders on the standards for various job categories. There is already a lot of work in this particular area. Many nations have national occupational standards and governmental and quasi-governmental boards that create and assess standards.

Next, once the standards have been set in the source countries, the training institutes should be encouraged to train and test to those standards. Many of such training institutes are either government run or receive significant government funding so it should be possible for the governments to encourage their training institutes to adopt these standards.

There should be incentives provided to both the firms and the migrant workers in the destination country for the new harmonized regimes to be relevant to them and to get buy in from them. Since 2010, the Kafala system in the UAE has been continuously reformed in order to allow more mobility for migrant workers. This enables these workers to have more options to move between firms. The workers could be told about the enhanced mobility they will receive within the destination country if they have these harmonized skills. Other firms may recognize those



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skills. Further, when new job opportunities arise, the ministries could have firms first search among workers in the destination country who have the new harmonized skills.

Once the harmonized system is in place, many of the problems mentioned earlier could be ameliorated. Inserting government oversight in this process will also lead to less system abuse (fraudulent and high recruitment fees). There will be clear standards so the hiring decisions of the firms may become less fraught, and firms will be able to better assess migrant workers as they are now certified with agreed standards.

In a more ambitious version of this possible policy intervention, one can imagine issuing a Skills Passport, which indicates the skill level of the worker. This would be some certificate or even stamp in the migrant's passport certifying that they have some particular skill level, which has been certified under the new harmonized regime.

## Measuring the Impact of a Harmonized Ecosystem

The harmonization and certification project should have significant impacts for the firms, the migrant workers and the firms, in the directions mentioned earlier. Firms should find it easier and cheaper to hire workers and they should be making fewer errors in screening workers. Workers who avail themselves of the new regimes should become more mobile in the destination country and presumably spend more time in the destination country. Over time, the destination country should see a rise in the skill levels of their migrant worker populations. This, in turn, will mean that productivity of firms, and of the nation as a whole, should rise.

This document is intended to stimulate discussion at the thematic session on skills harmonization at the Senior Officials' Meeting in Colombo on 8 and 9 May 2018, with a view to identify a pair of COO/COD who are prepared to engage in bilateral collaboration to develop and pilot a harmonized regime. The Secretariat is prepared to support and coordinate such an initiative, to assist with pilot design, pilot implementation and the establishment of a pilot monitoring system to assess and document its deliverables and share them with ADD member states.