SciencesPo
KUWAIT PROGRAM

"Labor Immigration into the Gulf: Policies and Impacts"

By Williams Jason ESSOMBA

Course: "Political Economy of the Middle East and North Africa"

Taught by Professor Eckart Woertz

Fall 2017

This paper has received the *Student Paper Award*

under the Kuwait Program at Sciences Po

LABOR IMMIGRATION INTO THE GULF: POLICIES AND IMPACTS

(3262 words, excluding bibliography)

Introduction

Abu Dhabi, the capital city of the United Arab Emirates, is now host to *the Louvre Abu Dhabi*, a magnificent architectural jewel, which has recently grown out of the ground. This museum that was inaugurated by French president Emmanuel Macron on November 8th, 2017 took not less than ten years to be fully constructed. Beyond its estimated €600 million cost, its high labor cost of production must have heavily impinged on the UAE's population. Yet, it is very likely that mostly one share – albeit a particularly large one – of the country's population had to provide the labor force necessary for its construction, which is: the country's labor immigrants. Indeed, the UAE like other Gulf countries is a net importer of the workforce necessary for achieving its bold infrastructural projects. As a matter of fact, labor immigration into the Gulf Cooperation Council (GCC) as a whole[1], has consistently increased over the past four decades. Still today, GCC countries like Qatar with the highest GDP per capita in the world in 2016, remain top destinations for migrants. In reaction to this massive inflow of foreign labor and the perceived potential risks it might carry along for the Gulf countries, governments in the GCC have embarked on ambitious policies of nationalization of the labor force aimed at balancing the share of migrants with that of natives in the active population. These policies adopted by GCC governments coupled with the ongoing lasting demand for more work force make labor immigration in the Gulf a very complex, but interesting issue of public policy in one of the world's most dynamic regions. This raises **the question of what might be the foreseeable effects of recent workforce nationalization measures on the Gulf labor market given the importance of foreign workers in that area**. What possible outcomes can be expected from such policies? Is the local population fit for replacing the migrant workers?

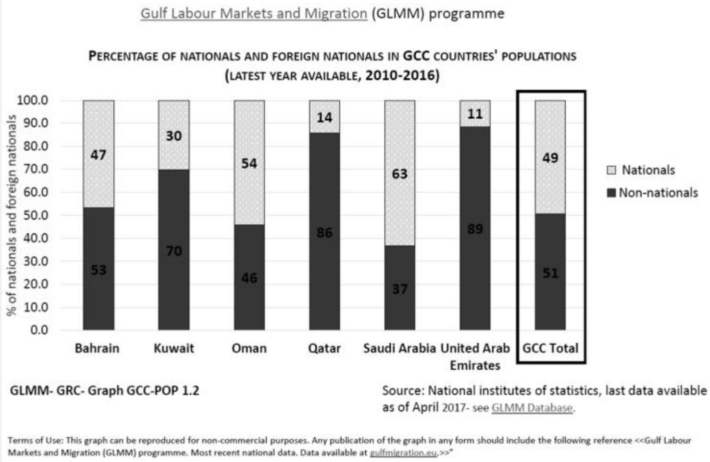
This essay seeks to examine the phenomenon of labor immigration into the GCC countries. To capture the peculiarity of this policy matter in the Gulf region, the analysis draws on a spectrum of economic and sociopolitical factors accounting for the region's tremendous stocks and flows of labor immigrants as laid out in the first section. The ensuing protectionist measures imposed on foreign workforce are also briefly outlined. From then, the second section attempts to reflect on recent nationalization policies and their effects on the GCC labor markets. The aim of this paper is to show the impact of foreign workers on the spectacular growth in the GCC, as well as to demonstrate the limited success in nationalizing the workforce, especially with the indigenous populations more oriented towards the public sector.

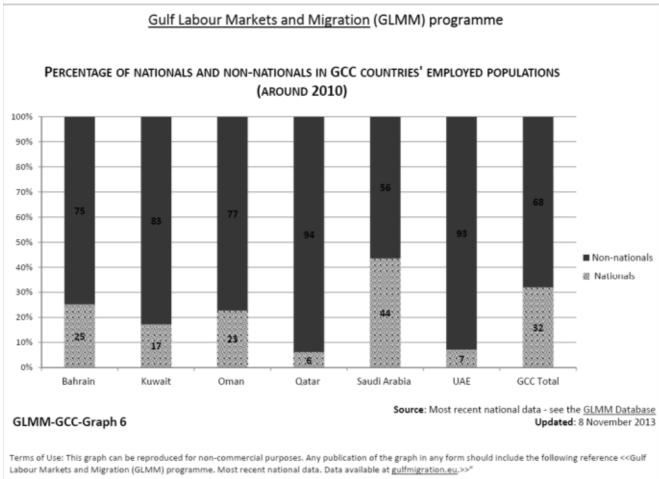
[1] The GCC countries include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).

1. Labor Immigration into the Gulf: patterns and rationale

1.1. Demography and the Labor Market in the Gulf: a snapshot

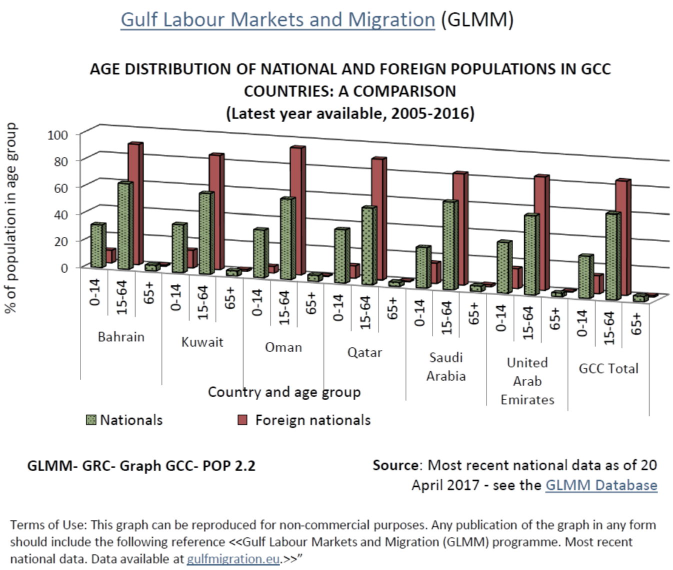
Migration is a very critical issue in the Gulf. In absolute terms, the foreign population in the GCC slightly outnumbers – by 51% – the local population (See graph 1 on the right). While some states like Saudi Arabia have managed over the years to maintain a higher share of natives (63%) in their overall population, others like Qatar (14%) or the UAE (11%) score the lowest in terms of ratio of natives over foreigners in their total population.





The picture becomes somewhat different when looking at the labor market, where migrant workers considerably dominate the labor supply amounting to 68% of the employed population in the Gulf. If the UAE (93%) and Qatar (94%) remain accordingly the major importers of foreign labor, Saudi Arabia despite its relative majority of natives is likewise a net demander of foreign labor (56% of foreign workers) as indicated on graph 2 (on the left).

Furthermore, if one takes a deeper look at the labor market through the share of the active population in the Gulf countries, Oman appears as the country with the highest share of foreign population aged between 15 and 64 in its total population, followed by Bahrein, Qatar and Kuwait (see Graph 3 on the left). This high concentration of the immigrants in the active population (aged 15-64) shows that immigration into the Gulf has mostly been for economic reasons.



1.1.1. The pieces of the large immigration's puzzle in the Gulf

Oil boom and high revenues: a magnet for labor immigrants

The discovery of oil in the 1970's and the hike in revenues derived from its exploitation radically changed the face of demography in the Arabic peninsula. The region then began to experience rapid influxes of foreign populations due to subsequent urbanization and industrialization that could not be fully sustained by local workers. In fact, they were not only very small in number, but also did they lack the necessary skills, making it inevitable to import workers from abroad (Kapiszewski, 2001). High wages in the region then attracted more and more migrant workers shifting the GCC countries' population from 4 million in 1950 to 28 million in 1997.

Table 1 GCC: Estimates of the figures of foreign nationals (selected nationalities), by country of residence in the GCC (2012-2016)

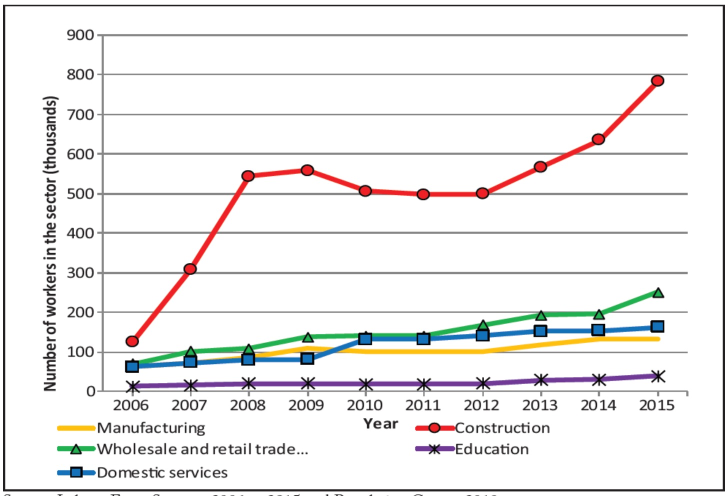
	Country of residence and year of reference					
	Bahrain	**Kuwait**	**Oman**	**Qatar**	**Saudi Arabia**	**UAE**
	2014	**end 2012**	**mid-2016**	**2013-2014**	**2013**	**2013-2014**
Arab countries						
Egypt	20,000	482,692	51,796	**180,000**	1,300,000	**400,000**
Jordan	7,000	55,081	n.d.	**40,000**	250,000	**200,000**
Lebanon	2,300	42,586	n.d.	**25,000**	160,000	**100,000**
Morocco	800	3,495	n.d.	**9,000**	20,000	14,000
Palestine	5,000	8,072	n.d.	**20,500**	500,000	**150,000**
Sudan	14,000	4,551	n.d.	**42,000**	500,000	**75,000**
Tunisia	500	2,863	n.d.	**15,000**	12,000	4,500
Yemen	4,700	10,762	n.d.	40,000	800,000	**90,000**
Asian countries						
Bangladesh	98,221	190,171	666,856	**150,000**	1,500,000	**700,000**
India	257,663	692,525	776,829	**545,000**	2,000,000	**2,600,000**
Indonesia	29,553	14,036	21,143	**39,000**	1,500,000	**85,000**
Nepal	722	55,486	14,383	**400,000**	500,000	**300,000**
Pakistan	48,991	120,040	251,829	**90,000**	1,500,000	**1,200,000**
Philippines	29,722	161,742	40,276	**200,000**	670,000	**525,530**
Sri Lanka	7,627	109,860	19,787	**100,000**	550,000	**300,000**

Source:http://gulfmigration.eu/gcc-estimates-figures-foreign-nationals-selected-nationalities-country-residence-gcc-2012-2016/

These migrant workers mostly coming from nearby Arab countries at the beginning, have yet been outnumbered by workers from Asian labor rich countries (see table on the left). This may find an explanation in a preference for Asian workers deemed less expensive and more flexible in work, as well as less politically dangerous. As Kapiszewski noted about Arab workers "…local authorities quickly became worried about their spreading radical social and political ideas and cultivating undesirable loyalties, which posed a direct threat to the GCC countries and their regimes." (Kapiszewski, 2001, p. 59).

In one of his six points summarizing the reasons for the GCC countries' dependency on migrant workers, Abbas mentions the Gulf native population's attitude toward work, with **nationals unwilling to perform manual work or to engage in the private sector, however very attracted to jobs in the public sector** (Abbas, 1986). This is a key point in understanding labor migration in the Gulf as a concrete instrument to balance the bulk of nationals knocking at the governments' doors for jobs with the private sector and its growing demand for work force. In this light, foreign workers are therefore essential for meeting the growth needs of these countries. They are mostly employed in the construction sector, retail and wholesale, with a relative minority in households' domestic services. In 2013, in Saudi Arabia, they were respectively split into these three categories as follows: 26.5%, 22.3%, 15% (De Bel-Air, 2014a). Whereas in Qatar, the gap between these sectors seems much more important with an overwhelming majority of migrant workers in the construction sector (see Graph on the right). In Bahrain as well, the construction sector remains the top employer of foreign labor force, especially Asians (80% of them in 2010) in "blue collar" occupations, but followed here by domestic services demanding 28.9% of non-Bahrainis, relatively evenly split between the Arabs (22.9%) and the Asians (27.1%) (De Bel-Air, 2015).

Figure 4: Foreign labourers by activity (Qatar, 2006-2015, selected activities)



Source: Labour Force Surveys, 2006 to 2015 and Population Census 2010.

The Kafala system or the recipe of tolerance towards migrants in the Gulf

The legal framework of labor immigration is very restrictive in most of the GCC countries, with some little discrepancies among them. The sponsorship system enforced in these states grants very few rights to the foreign workers. It is sometimes argued that it is for that reason that they are being tolerated by the locals.[2]

Under the *Kafala* (or sponsorship) system, the entry into one of these countries by any foreigner is subjected to the obligation of first having a sponsor. This sponsor refers to the company or the businessman who hired the foreigner (Zahra, 2014). Moreover, a migrant worker is not allowed to switch from one job to another without its employer's authorization. The latter should deliver a non-objection certificate to its [migrant] employee for him to be transferred to another employer. If this obligation is not filled and one foreigner switches from one employer – or sponsor – to another without any approval, he is to be imposed a two-year ban. In Bahrain, this ban is enshrined in article 11 of the *Foreigner's Residence Law* enacted since 1995 (Zahra, 2015a).

Zahra argues that rules pertaining to the transfer of a migrant worker to another sponsor might differ from one country to another. In Qatar, the transfer should be arranged between both sponsors (the former and the new employer) in the form of a written agreement which must be approved by the competent authority of the Ministry of Labor afterwards. In Saudi Arabia, this 'transfer of services' as it is called, is in conformity with the law only when the migrant worker: **1- owns a valid residence and work permit; 2- has spent at least one year working for his current employer; 3- has at his disposal an officially certified waiver from the current employer; 4- has written an approval to work for the employer requesting his/her services.** In Kuwait, the conditions are more or less the same, but may vary depending on the level

[2] "Migration in the Gulf; Open doors but different laws", The Economist, Vol. 420, London, sept. 2016, p. 39

of education of the foreign worker: **holders of a university degree for instance, enjoy an exemption from these conditions** (Zahra, 2014).

To sum up, despite some few exceptions, **the law applied to migrant workers remains very restrictive in the sense that it prevents free mobility of foreign workers in the job market, thus thwarting free competition among firms/employers. Such a restriction is deemed at keeping foreign workers under control** (Akzahrani, 2014). Interestingly, in Qatar, in line with the numerous restrictions applied to migrant workers, strike participation as well as organization and union participation are denied to foreign workers under the law (Zahra, 2016).

2. Second-Generation Workforce nationalization policies and their impacts on the Labor Market

Large amounts of labor immigrants accumulated overtime in the Gulf have pushed GCC countries to adopt, beside the existing restrictive measures on immigration, ad hoc policies aimed at reducing their dependence on foreign labor, thus increasing the share of the indigenous in the active population. **Recent research on this topic indicate that unemployment on the rise in the Gulf has played an important in part in GCC governments' commitment to shape policies aimed at reducing migration** (Shah, 2008). This section makes a rapid inquiry into this set of policies, before outlining their impacts on the labor market and growth in the Gulf.

2.1. Some Nationalization policies

GCC countries have been implementing numerous policies to reduce the supply of foreign workers and at the same time to increase the demand for local workers (Shah, 2008). They include:

- **A more severe regulation on entry visa**: in 2004 Saudi Arabia imposed a ban on visa issuance to new companies and to those with less than 10 workers. Also, stricter regulation has recently been adopted in response to visa trading that emerged as a consequence of higher demand for visas to the Gulf than the available supply. As an illustration, the Bahraini government has been tracking 43 businesses supposedly involved in such visa trafficking.
- **Uplifting of the cost of hiring foreign workers**: countries like Bahrain have raised the cost of hiring domestic workers from USD 133 to USD 398 for different nationalities (Shah, 2008).
- **The imposition of quotas for foreign and local workers employed in firms – The Nitaqat Policy in Saudi Arabia:** imposing limited quotas to firms hiring foreign workers, and enforcing the substitution of these by locals count as some of the most commonly agreed solutions among the Gulf countries to reduce indigenous' unemployment and diminish labor immigration. Kuwait has recently set at less than 35% the ceiling in recruiting foreigners in the government sector. In UAE, it is the banking sector that has been targeted the most alongside public relations jobs now set to be exclusively reserved for nationals.

Table: Classification of entities by the Nitaqat system in SA

Entities achieving an excellent quota performance with the highest percentage of national recruitment	Entities achieving a good quota performance with a good percentage of nationalisation
Entities achieving below average performance with a low percentage of Saudization	Non-compliant entities

Source: Alsheikh, 2015, p. 15

Most interestingly, Saudi Arabia has launched a campaign of ***'Saudization'*** of its workforce in mid-2011 called the ***'Nitaqat Policy'*** (De Bel-Air, 2015c). As defined by AlSheikh: "Nitaqat is a national Saudization programme designed to boost the Saudis' share of private sector employment opportunities. As indicated in the table above, the Nitaqat system evaluates private sector entities based on their nationalization achievements and classifies them into groups, Excellent, Green, Yellow, and Red, according to their Saudization performance." (Alsheikh, 2015, p. 5). Under the Nitaqat, the size of a firm (more than 10 employees at least) and its sector of activity (tourism, oil & other petrochemicals, communication, banking, etc.) is taken into account when imposing a threshold of Saudi workers. Companies that abide by this principle are upgraded and rewarded by easing visa renewal of their foreign employees (Alsheikh, 2015). This is essentially done to incentivize the hiring of Saudis by local firms.

- **Taxing Remittances**: with the decline in oil and gas prices, GCC governments faced with budgetary deficits have growingly considered taxing foreign workers' remittances.

2.2. Their outputs: a case study of Kuwait and Saudi Arabia

The measures highlighted above, coupled with intense job-training programs for nationals, have been implemented with the aim to decrease the supply of foreign labor while increasing that of indigenous. However, they have had only little impacts on the labor market as the private sector still struggles to absorb more nationals despite governments' incentives. In fact, **nationals do not seem attracted and attractive for employers in the private sector**. First, they still do prefer jobs in the government sector because they are very well remunerated. Hence, they do not consider seeking the migrants-occupied job which entail a lot of manual work in addition to being low paid, even though they will still earn much more than foreign workers for the very same tasks.

In a country like Kuwait, there remains a kind of **'work apartheid'** in sectors employing Kuwaitis and non-Kuwaitis. Nationals are interested in professional, technical and clerical jobs, disregarding production and labor occupations, as well as domestic work. As pointed out by Shah: "…it would socially be almost unimaginable that a Kuwaiti woman could work as domestic helper in another Kuwaiti's home. Hence, certain occupations have come to be defined as culturally appropriate only for non-Kuwaitis, and nationals would be greatly reluctant to take them up. Hence, in a situation where the two groups are performing very different tasks, replacement of one by the other is bound to be very difficult, if not impossible." (Shah, 2008, pp. 12-13).

The tables below precisely show how unevenly distributed was the overall Kuwaiti population among the various sectors in 2005. While Kuwaiti nationals were over-represented in Clerical jobs (51.9% of Males and 43.8% of Females), they were much scarcer in Production and Labor-intensive jobs (7.7% of Males and 1.2% of Females) as well as in [Domestic] Services (See table on the left). As indicated on the table on the right, this gap in such highly labor-demanding sectors was filled by Non-Kuwaitis amounting to 51.1% of Male and 3.5 of Female workers in Production and Labor jobs, and 21.1% of Male and 70.9% of Female workers in Services.

Table 7. Kuwaiti Labor Force according to Occupation, Sector of Activity and Sex, 2005 (%)

	Males		Females		Total	
Occupation	Public	Private	Public	Private	Public	Private
Professional and Technical	95.5	4.5	98.5	1.5	97.3	2.7
Administrative and Managerial	60.2	39.8	36.7	63.3	57.1	42.9
Clerical	87.1	12.9	85.7	14.3	86.6	13.4
Sales	33.6	66.4	29.7	70.3	33.2	66.8
Services	98.8	1.2	98.3	1.7	98.7	1.3
Agriculture and Fisheries	98.6	1.4	100.0	0.0	98.6	1.4
Production and Labor and others	97.5	2.5	97.8	2.2	97.5	2.5
Not known	88.2	11.8	59.9	40.1	71.9	28.1
Total (%)	**89.3**	**10.7**	**89.9**	**10.1**	**89.6**	**10.4**
Total number	163,790	19,588	112,263	12,512	276,053	32,100

Table 6. Occupational Distribution of Non-Kuwaiti Males and Females, 2005(%)

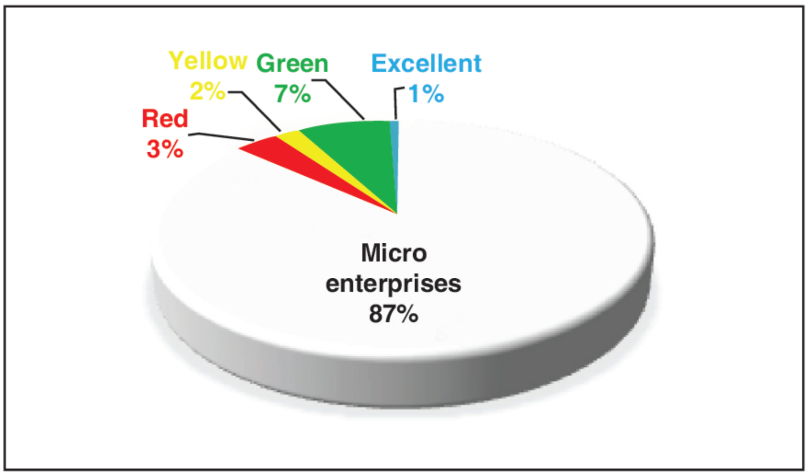
Occupation	Males	Females	Total
Professional and Technical	6.5	10.1	7.3
Administrative and Managerial	1.7	0.5	1.4
Clerical	9.1	6.4	8.5
Sales	5.5	2.4	4.8
Services	21.1	70.9	31.4
Agriculture and Fisheries	1.5	0.0	1.2
Production and Labor and others	51.1	3.5	41.3
Not known	2.9	4.6	3.3
Unemployed	0.6	1.8	0.8
TOTAL	**1188277**	**307304**	**1495581**

Source: Shah, 2008, pp. 24-25

Moreover, **firms in the private sector remain somewhat reluctant in hiring natives because of the higher cost they represent as compared to migrant workers, as well as their relatively lower marginal productivity**.

The Saudi example, following the implementation of the Nitaqat policy, illustrates this statement very accurately. Indeed, as the Nitaqat policy was targeting companies with more than 10 workers – imposing them some quotas of Saudis to recruit – there has been **a metastasis of small-size companies** in the country. This phenomenon might be explained by the desire shared by many companies to bypass the law and therefore avoid recruiting [costly] Saudi workers. Obviously, the bigger a firm might be, the more Saudis it would have to hire (with the biggest companies, those with more than 3000 employees required to have Saudis at 8-30% of their personnel).

Figure 1. Distribution of private sector entities by Nitaqat zone in Saudi Arabia 2011, 2012



Source: Ministry of Labour Statistical Yearbook, 2012.

The figure shows that in 2012, Saudi Arabia witnessed a surge in the number of Micro-enterprises that now amount to 87% of the country's registered companies. It suggests that the Nitaqat policy designed to have more Saudis working in the private sector has not performed well, since companies have broken into smaller entities (with less than 10 employees) in order not to be imposed the recruitment of natives. With 87% of the companies falling into the grey area, only 13% are now subject to the Nitaqat system, with already 3% of them breaching the law (Red portion of the pie, see figure above). As a result, the Saudi labor market still bears the hallmark of a foreign-workers-dominated market like in other gulf countries.

As a conclusion, the Kuwaiti and the Saudi examples reflect that nationalization policies have had very little success in the gulf so far. As argued by Hertog "Gaps in labour rights and labour prices between nationals and migrant workers are the main causes explaining the low participation of GCC citizens in the region's private labour markers. Past policies of "Gulfization" have not directly addresses these structural constraints but have rather attempted to impose higher nationalization quotoas by fiat, with limited success" (Hertog, 2014, p. 3). With regard to this, it might seem as if the Bahraini free competition policies could have better effects on alleviating indigenous' unemployment. As from 2004 Bahrain took an opposite direction by establishing fair competition between nationals and expatriates. Breaking the walls of segmentation between native and foreign workers, the point was to equalize the cost of employing nationals and expatriates with prospects to later improve work conditions and wages in the private sector (De Bel-Air, 2015). The Kafala system was accordingly loosened. Yet, this gave rise to opposition from employers, pushing the Bahraini government to step back and adopt a new law in 2009 once again restricting the movement of foreign labor between sponsors. This makes it now impossible to accurately estimate the benefits that could have been derived from such a policy.

Conclusion

This essay was aimed at understanding labor immigration into the Gulf through its economic and historical causes. A rapid tour of immigration data was made, helping to understand the rationale of subsequent restrictive measures on labor immigration as adopted by the GCC countries. Thereafter, we reviewed some second-generation restrictive policies recently implemented and questioned their impact on the Gulf labor market. Recent research and data have demonstrated that those policies have only had limited effects due to a failure in addressing the issues of wage differentials, and the very low cost of foreign labor in the private sector. Those are the key-factors that have strongly influenced demand and supply of labor in the Gulf. Replacing the migrant workers by indigenous in the private sector therefore appears as implausible given the high wages in the government sector which remain appealing for nationals.

More effective measures could imply reducing the salaries in the public sector while relatively uplifting them in the private sector so as to incentivize the indigenous to work in the private sector. Only if more natives willingly turn toward the private sector and get trained for skilled labor would the GCC countries experience a progressive substitution of the migrant workers by the locals. Also, for labor intensive jobs, it is also necessary to increase the indigenous active population. An artificial way of achieving it might be to foster marital unions between natives and migrants. One very good start could be a much easier access to citizenship or long-term residence for those of the migrants who got married to nationals.

BIBLIOGRAPHY

Abbas, Ali, “Labor Immigration in the Arab Gulf states: patterns, trends and problems, *International Migration*, September 1986, Vol. 24 (3), pp. 675-684

Akzahrani, Majed, “The System of Kafala and the Rights of Migrant Workers in GCC Countries – With Specific Reference to Saudi Arabia”, *European Journal of Law Reform*, 2014 (6), 2, pp. 377-400

Alsheikh, Hend, “Current Progress in the Nationalisation Programmes in Saudi Arabia”, *Gulf Labour Markets and Migration – EN – No. 2/2015*

De Bel-Air, Françoise, “Demography, Migration and Labour Market in Bahrain”, *Gulf Labour Markets and Migration – EN – No. 6/2015*

De Bel-Air, Françoise, “Demography, Migration and Labour Market in Qatar”, *Gulf Labour Markets and Migration – EN – No. 3/2017*

De Bel-Air, Françoise, “Demography, Migration and Labour Market in Oman”, *Gulf Labour Markets and Migration – EN – No. 9/2015*

De Bel-Air, Françoise, “Demography, Migration and Labour Market in Saudi Arabia”, *Gulf Labour Markets and Migration – EN – No. 1/2014*,

De Bel-Air, Françoise, “The Socio-Political Background and Stakes of ‘Saudizing’ the Workfore in Saudi Arabia: the Nitaqat Policy”, *Gulf Labour Markets and Migration – EN – No. 3/2015*

Malit, Froilan & Naufal, George, “Taxing Remittances: Consequences for Migrant Labour Populations in the GCC Countries”, *Gulf Labour Markets and Migration – EN – No. 1/2016*

Hertog, Steffen, “Arab Gulf States: An Assessment of Nationalisation Policies”, *Gulf Labour Markets and Migration – RP – No. 1/2014*

Kapiszewski, Andrzej, *Nationals and Expatriates. Population and Labour Dilemmas of the Gulf Cooperation Council States*, England: Ithaca Press, 1st ed., 2001

Shah, Nasra, “Recent Labor Immigration Policies in the Oil-Rich Gulf: How Effective are they Likely To Be*?”, ILO Asian Regional Programme on Governance of Labour Immigration, Working Paper No. 3*, January 2008

“Migration in the Gulf; Open doors but different laws”, The Economist, Vol. 420, London, sept. 2016

Zahra, Maysa, “Oman’s Legal Framework of Migration”, *Gulf Labour Markets and Migration – GLMM – EN – No. 8/2015*

Zahra, Maysa, “Qatar’s Legal Framework of Migration”, *Gulf Labour Markets and Migration – GLMM – EN – No. 2/2016*

Zahra, Maysa, “The Legal Framework of the Sponsorship Systems of Qatar, Saudi Arabia and Kuwait: A Comparative Examination”, *Gulf Labour Markets and Migration – GLMM – EN – No. 7/2014*

Zahra, Maysa, "The Legal Framework of the Sponsorship Systems in the Gulf Cooperation Council Countries: A Comparative Examination", *Gulf Labour Markets and Migration – GLMM – EN – No. 10/2015*

Zahra, Maysa, "United Arab Emirates' Legal Framework of Migration", *Gulf Labour Markets and Migration – GLMM – EN – No. 5/2015*