Restrictive Labor Immigration Policies in the Oil-Rich Gulf: Implications for sending Asian Countries

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Presented at:
XXV IUSSP International Population Conference
Tours, France, 18-23 July 2005

Session N° 141: Impact of International Migration Policies

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In response to the latest UN survey eliciting opinions on the level of immigration and emigration, four of the six oil-rich Gulf Cooperation (GCC) countries (Kuwait, Oman, Saudi Arabia and the United Arab Emirates (UAE)) consider the immigration level to their countries to be too high and express a desire to lower it. Bahrain and Qatar consider the level to be satisfactory, however. Bahrain states it does not have a policy to interfere with the immigration level while Qatar states that it has a policy to maintain the level (Table 1) (UN, 2004). Opinions and attitudes towards immigration are increasingly resulting in policies designed to regulate the situation and bring it closer to the desired one. The thrust of several of these policies has been restrictive in nature.

Kuwait and Saudi Arabia have responded more specifically to the UN query on policies regarding immigration and emigration as shown in Table 2. Kuwait has a policy to lower the permanent settlement of immigrants. Kuwait's policy for granting citizenship is highly restricted. In addition to its general policy for curtailing labor migration, Kuwait also has a policy to lower the number of dependents of migrant workers. One of the ways in which the country fulfills this policy is by putting a salary ceiling on workers who are allowed to bring their family with them. Also, the country has no program for the integration of migrants since it views them as temporary workers who are in the country on renewable contracts that are awarded generally for about 2 years at a time. In reality many of the migrant workers in Kuwait have worked in the country for ten years or longer (Shah, 2004). Unlike Kuwait, Saudi Arabia reported that it had a policy of integrating non-nationals, even though it has recently been one of the most active countries that have implemented policies to restrict migration. However, it has been reported in the press during the last year that Saudi Arabia has passed a law of awarding nationality to some expatriates. Some of the conditions for awarding nationality are the ability to speak and write Arabic fluently and to be highly skilled (Arab News (Saudi Arabia, May 11, 2004).

The composition of national vs. non-national population and labor force helps one to understand the rationale for the restrictive policies. For the last three decades expatriates have come to outnumber nationals in several of the GCC country populations. From a low of 23% in Oman, non-nationals constituted as many as 76% of the UAE population in 2000. In case of the labor force, more than half in each country comprised expatriates (Table 3). At the end of 2004, the combined estimated GCC population was 35.8 million with expatriates constituting 12 million (34 %). It was estimated that if the expatriate population continued to increase at the present rate it might reach 18 million after ten years (Kuwait Times, December 20, 2004).

Foreign workers have helped in the rapid transformation of the infrastructure as well as institutional development in the Gulf and they were generally welcome until a decade or so ago. At the same time, Gulf countries have been making statements about the need for indigenization of the labor force and a reduction in the percentage of the expatriate population and workers for many years. However, during the last decade or so, concrete policies aimed at enhancing indigenization and reducing the numbers of foreign workers have actually begun to be implemented. A major reason for the above is the rising level of unemployment among the nationals that has been raising difficult economic and political questions for the governments.

Unemployment in Saudi Arabia, the largest GCC country, has increased to about 13% among all males and is estimated to be as high as 35% among the youth aged 20-24 (Wall Street Journal, April 1, 2004, pg A1) The country is also faced with a demographic tidal wave of those 56% aged less than 20 who are expected to enter the labor force in the next two decades, amounting to a total of about 100,000 new jobs required per year ((Arab News (Saudi Arabia), Feb 5, 2004). Unemployment has already resulted in some political unrest, such as the sit-ins outside the Assembly in Bahrain. Some economists have concluded that unemployment is "the biggest policy challenge facing the GCC at the moment" (www.gulfbusiness.com, December 1, 2004). Judging from media reports assembled by the Center for Immigration Studies in Washington and other information, the overwhelming response of the host countries has been to devise policies that would limit the inflow of workers and enhance employment among nationals.

Labor immigration policies may be grouped into two broad categories, those affecting the supply of labor and those affecting the demand. In Figure 1, several specific policies under each of the above headings are identified. Among policies that aim to reduce the supply of foreign workers, I believe those relating to increased cost of living for migrant workers, periodic amnesties, stricter visa regulations, and curbs on visa trading to be especially important. Among policies that aim to reduce the demand for foreign workers, creation of job opportunities for nationals and indigenizaton of the labor force through administrative mechanisms are the major ones. In the rest of the paper, policies listed in Figure 1 are illustrated with examples.

Policies aimed to affect supply of workers

Cost of living

Indirect taxes that raise revenue for the host country and make life more expensive for the expatriates can have the impact of reducing the attractiveness of the Gulf market as a destination site. An example is health fees instituted in Kuwait in 1999 and in Saudi Arabia in 2001. The Bahraini Cabinet also approved the implementation of a health fee for expatriates around 2001. It was decided that expatriates or their Bahraini employers must buy health insurance which should cover primary as well as secondary health services including regular check-ups and surgery (The Gulf News, March 9, 2004). In the UAE which has had a policy of health insurance for the last few years, a new fee for all surgical procedures was recently introduced, much to the unhappiness of several expatriates. A fee ranging from 500-4000 dirhams (US$ 136 to $1089) was imposed, depending on the type and complexity of the surgery (Kuwait Times, May 9, 2005).

A migrant worker in Kuwait must buy a health insurance for himself as well as each member of his family, if accompanying him. The employer often does not pay such insurance in the private sector where 92 % of all expatriates work. Even in cases when the employer pays the yearly insurance premium, each visit to the primary care clinic entails a fee of 1 Kuwaiti dinar ($ 3.4) and to the hospital a fee of 2 KD ($ 6.8). For an ordinary worker who generally earns around 100-150 dollars a month, the cost may be considerable. For certain specialized tests such as an MRI additional fee must be paid. At the time when the health fee was implemented in 1999, several foreign workers in Kuwait decided to send their dependent wives and children to the home country since they could not afford to pay health insurance.

Other examples of the increase in cost of living in Kuwait include the rise in fee for issuance and renewal of residence permits, driver's license and registration etc. Another mechanism that may indirectly affect the cost of living for a foreign worker is the policy to increase the fee that an employer must pay for hiring such a worker. In Kuwait, the cabinet is deliberating on hiking the fee per worker to KD 50 (US$ 170) per year (Kuwait Times, February 28, 2005). This fee is highly likely to be passed on to the employee in the private sector.

In Saudi Arabia a more direct tax consists of a fund (100 riyals or 26.6 US dollars) collected from each foreign worker per year towards the establishment of training programs for indigenous workers (Arab News (Saudi Arabia), July 10, 2002). A proposal for such a tax was also being considered in the UAE where an annual fee of Dh 100 (US$ 27) would be collected from each expatriate renewing or issuing his labor card. This fee would then be used to develop a fund to train UAE nationals (The Gulf News (UAE), September 9, 2003).

Periodic amnesties

Gulf countries have declared repeated periods of amnesty since mid 1990s to encourage the departure of those residing in the host countries in an illegal visa situation which is largely a result of being employed by a company that is not the legal sponsor of the worker. In the UAE, about 100,000 persons left in 2003 as a result of the amnesty program while the number of yearly deportees from Saudi Arabia is about 700,000. Many come into the country for haj or pilgrimage and then stay and work in Saudi Arabia. Pilgrims must pay a bond deposit of $800 which they forfeit if they do not leave within a month. In Kuwait the latest amnesty period was offered from November 20 to December 31, 2004. According to the Indian and Filipino embassies the response to this amnesty from illegal residents wishing to leave was "overwhelming" (Kuwait Times, November 22, 2004). According to the Department of Immigration within the Ministry of Internal Affairs, an estimated 60,000 expatriates who have violated their visas are living in Kuwait. A more detailed account of amnesty leavers may be found in Shah (2004).

Stricter regulation of visa issuance

A hard look is again being taken at the issuance of new work permits, and the transfer of existing work permits from one employer to another. All the GCC countries have policies to restrict the number of approved work visas (Fasano and Goyal, 2004). Saudi Arabia has announced a measure limiting the number of new visas available to foreign workers to be cut from the current 8.8 million to only 2 million over the next eight years. New visas will be available only for menial jobs that Saudis are not willing to do or technical ones that citizens are not trained for. (Washington Post, August 31, 2004).

One of the strategies used by Saudi Arabia in 2004 to restrict labor import was the ban on visa issuance to new companies and those that employed less than 10 workers. Upon approaching the Labor Office, the Saudi employers whose requests for work permits had been denied were asked to hire Saudis. These employers responded that they either did not find Saudis for the jobs or they found ones who asked for a salary higher than the business could afford (Arab News (Saudi Arabia), April 30, 2004). The labor office, by putting the ban, was also trying to curb the practice of visa trading since several of the companies are fictitious ones that are set up to procure visas that are then sold to Third world nationals, as discussed below.

Restrictions on visa trading

Ever since labor migration to the Gulf started, each employee must have a sponsor or *kafeel*. For those working in the public sector, the government department employing the worker is the *kafeel*. Also in the private sector, each worker must have a local sponsor who is expected to have a business for which it needs workers. A system of visa trading, however, emerged during the last two to three decades because the demand for visas to the Gulf exceeded supply. Some nationals thus opened up fictitious companies for which they procured work permits that they were able to sell to migrants willing to pay. Frequently, the work permit was not accompanied by a job. The migrant thus found employment with someone other than the sponsor, or remained unemployed.

In the UAE it is estimated that the number of workers sponsored by these fictitious companies is 600,000 or 27% of the total workforce (UAE-Gulf News, April 13, 2004). As part of its efforts to curb the hiring of illegal workers, 11,600 bans were issued against violating sponsors and companies during 2004 in the UAE (Gulf News Online (UAE), February 22, 2005). The Saudi Minister of Labor recently said that 70% of the visas issued by the government are sold on the black market and the government was determined to crack down on this (Arab News (Saudi Arabia), April 29, 2004). Similar statements are repeatedly made by authorities in other GCC countries. The Bahrain Minister of Labor and Social Affairs recently lamented the practice that has plagued the Bahraini job market for the last 20 years. In August 2004, the government was undertaking a process of investigating 43 businesses found to engage in this practice (The Arab News, August 4, 2004).

The Kuwait Human Development report of 1997 acknowledged the presence of visa trading as one of the factors that promoted the influx of foreign workers to Kuwait and advocated the implementation of serious steps to curb this practice. The report stated one of the reasons for an uncontrolled import of workers was the existence in countries of origin and in Kuwait of elements that profited from trading in residence permits. Such workers were brought in simply to earn the fee rather than to satisfy the requirements of genuine economic activity (Ministry of Planning, 1997). There have been repeated calls for the strict issuance of work permits in order to "ward off unwanted elements from entering the country" (Kuwait Times, April 20, 2004).

The scale of the problem clearly illustrates that visa trading is a multi-million dollar industry. In the UAE, for example, a work visa for an Indian is sold for DH 7,500 (US$ 2,042) and for an Iranian for Dh 15,000 (US $ 4,084). A fundamental difficulty in implementation any policies aimed at curbing visa trading is therefore the ease with which an ordinary local sponsor can have a continuous source of income coupled with a market in sending countries where many are eager to buy such visas at any cost.

Policies aimed to affect the demand for indigenous workers

Creating job opportunities through training and market based measures

In Saudi Arabia, millions of dollars are being spent on job-training, technical schools and cash incentives for Saudi companies to hire Saudi citizens. In some cases the government is paying half the salary in order to encourage private sector employers to hire national workers. The high price of oil in the last year has resulted in a budget surplus part of which is earmarked go to the Human Resource Development Fund, which subsidizes the salaries of as many as 30,000 Saudis each year as an incentive for companies to hire them. It is also planned that technical and vocational training institutes will build 59 new campuses, doubling the number of annual graduates in fields such as cosmetology, computer programming, meat cutting, and plumbing. Nearly all jobs in the above fields are currently manned by foreigners (The Washington Post, August 31, 2004). In 2004, about 13 % of the private-sector workforce in Saudi Arabia consisted of nationals even though the goal was to have 45 % nationals composing the private sector. The slow pace of implementation has therefore led to the realization of stricter enforcement of the laws to make room for an ever increasing inflow of youths entering the labor force. Policies similar to the ones in Saudi Arabia are also being implemented in other GCC countries.

Nationalization through administrative measures

Direct policies and plans to phase out the reliance on foreign workers are in process. A decision was made in 2003 in Saudi Arabia by the Manpower Council under the direction of the Crown Prince to cap the level of expatriates and their dependents at 20% of the population by 2013, and to halve the number of expatriate workers (Arab News (Saudi Arabia), April 16, 2003). Kuwait is implementing a ceiling of less than 35% expatriates to be employed in the government sector (Al-Ramadhan, 1995).

A focused strategy on the part of several GCC countries is to pinpoint the occupations where phasing out of expatriates will be done on a priority basis. In UAE, the banking sector is one of the sectors where quotas for Emiratisation have been set up. However, it has been found that more than half the banks have not complied with this quota. They are willing to pay the penalty for non-compliance instead of hiring nationals, indicating the difficulties of implementing government policies on this matter (Gulf News (UAE), September 22, 2004). In Oman, which has the lowest percentage of non-nationals among all GCC countries, a decision to create job opportunities for national women was recently made. Only Omani women are now allowed to sell *abaya* (women's cloaks) in certain sections of Muscat as a means of reducing reliance on foreign workers (Agence France Press, July 1, 2004). Oman is also making efforts to Omanise several other occupations such as those of cashiers, drivers, and security officers. In the UAE, all the contractors signing deals with the Ministry of Public Works and Housing are being encouraged to employ national women engineers to reduce the pool of jobless female specialists (The Gulf News (UAE), February 12, 2003).

In Saudi Arabia, 25 occupations designed for phasing out expatriates have been identified, including travel, gold and jewelry shops, grocery stores etc. (Wall Street Journal, April 1, 2004, pg A1). The government is extremely serious in implementing these policies judging from the enforcement raids that are being launched to ensure that the guidelines for employment of Saudis are being followed. In Jeddah, it was found that 60% of the gold shops are owned by expatriates and many remained closed when the law came into effect (Arab News (Saudi Arabia), Feb, 24, 2004). In the travel sector, Saudi Arabia was looking to achieve 81 percent Saudization in a period of three years starting in April 2004. However, the response of the travel agencies to submit plans for Saudization, or face closure, did not initially produce a good compliance from the travel agencies (Arab News (Saudi Arabia), April 13, 2004). Nevertheless, the government is determined to push ahead with a process which it says is the key to delivering jobs to more than 100,000 Saudis joining the labor force every year (www.gulfnews.com, March 12, 2004).

Thus, the mindset is one of clamping down on migration to the Gulf. This mindset is supported at the highest policy making levels within the host countries. At the political level, governments are totally committed to the indigenization of the population and workforce as a matter of strategic importance. A draft resolution to cut down the number of expatriates was discussed at the latest annual GCC summit held in Bahrain in December 2004 where the presence of expatriates was described as "a danger for our Arab-Islamic culture" (Kuwait Times, December 20, 2004). Policies are beginning to get more fine-tuned and steps aimed at their implementation have become more active. Primary among the intrinsic difficulties of implementation, however, are the lucrative ness of visa trading for the local sponsors, a ready and eager market willing to buy such visas, and the continued reluctance of the locals to take up jobs that have come to be seen as "foreigner's work". Examples from some countries such as Saudi Arabia indicate, however, that perceptions and preferences are beginning to change and some Saudis are entering the labor force as butchers, bakers and grocery baggers, work that would have been unthinkable a few years ago.

Implications for Sending Asian Countries

The main sending countries to the Gulf include, in numerical order of migrant workers, India, Pakistan, Bangladesh, Philippines, Sri Lanka, and Indonesia (Kapizewski, 2001). For many of these countries, migration to the Gulf has come to take on significant economic, social and political importance. In the face of low economic development and pressure for jobs for new entrants to the labor force, governments have tried to maximize outflow of workers to relieve actual and impending unemployment at home. Furthermore, remittances received by the sending countries have become a very important part of the overall income of several countries supplying the much needed foreign exchange earnings. In the case of Bangladesh, for example, remittances in 1994 accounted for 34 % of revenues earned from exports of goods and services while the respective percentages for Pakistan and India were 17 % and 14 % (Shah and Larkin, 2000).

Despite the increasing restrictions in the Gulf countries the supply of workers remains ample and the motivation of those looking for a Middle East job remains high. Several consequences emanating from the continued easy supply of Asian workers may be highlighted. First, efforts at illegal migration in terms of entering the GCC countries without proper papers and through unusual routes (e.g. by boat) may have increased. Human trafficking may have increased as a result of the willingness of potential workers to take the risk of reaching the Gulf through shady and illegal operations. Reports indicate that some Pakistanis seeking jobs in the Gulf pay traffickers to help them get there, often without visas. The smuggler charges sums ranging from US$ 200-600 (Associated Press, October 30, 2003).

Second, visa trading that has existed for many years may find added impetus if the number of visa seekers remains the same (or in fact increases) while the receiving country governments tighten the lid on issuance of new work permits. A possible consequence of this could be the increase in the price of a work visa. In some GCC countries, the price of a work visa varies according to nationality of the worker, being higher for those countries for which there are greater visa restrictions. It is well known that prospective migrants often borrow from friends and relatives or sell their meager assets to raise the money for a work visa to the Gulf. Thus, a hike in the price of visas will put a further strain on those trying to buy a visa.

Third, the abundant supply of Asian workers has resulted in stagnation of wages, and in some cases a decline. For example, housemaids and drivers in domestic service earn about the same amount they did 20 years ago (generally between 100-170 US$ a month in Kuwait). In the private sector, laborers and unskilled workers have not seen any appreciable increase in their monthly income and earn about 140-170 US$ a month. Cost of living has increased while wages have remained the same for many categories of workers thus resulting in lower net gain for the worker.

Finally, easy and abundant supply of workers continues to be a factor in their exploitation. Cases where the employer, usually in the private sector, does not pay the wages on time, or demands excessively long hours of work without additional compensation are frequently reported in the media. A recent example is provided by a demonstration by some 1000 Bangladeshi workers who protested outside the Bangladeshi Embassy in Kuwait on April 24, 2005, with the protest becoming violent and catching a great deal of media attention. The reason for the protest was the non-payment of salaries for 5 months by the cleaning company where they worked (Agence France Presse, May 4, 2005). Among the workers who are most likely to be subjected to exploitation, women working as housemaids in private homes must be singled out. Cases of non-payment of wages, over-work, lack of holidays, beating, and in some cases rape have been repeatedly reported in the press. It is perhaps due to the numerous cases of the abuse of workers that four GCC countries (Saudi Arabia, Kuwait, Qatar and UAE) were recently downgraded by USA's annual report on trafficking to the lowest level, a claim that has been disputed by the GCC countries (Kuwait Times, June 4 & 5, 2005).

In the midst of an ample supply of Asian, and to a lesser degree Arab, workers the receiving countries are now trying to seriously reduce the inflow of foreign workers and their families and thereby increase the relative proportion of indigenous population and labor force. A major force behind the more serious implementation of restrictive policies is the heightened level of unemployment among the new national entrants to the workforce. Several impediments to the effective implementation of such policies have been identified in this paper. If a successful implementation of these policies does occur, however, and the number of future migrants is curtailed, this would have many negative implications for the economic, political and social situation of those in the sending countries.

Table 1- View and policy on immigration and emigration levels in the Arab countries

Country	Immigration levels		Emigration levels	
	View	Policy	View	Policy
	2003		2003	
GCC countries				
Bahrain	Satisfactory	No intervention	Satisfactory	No intervention
Kuwait	Too high	Lower	Satisfactory	No intervention
Oman	Too high	Lower	Satisfactory	Maintain
Qatar	Satisfactory	Maintain	Satisfactory	No intervention
Saudi Arabia	Too high	Lower	Satisfactory	Maintain
United Arab Emirates	Too high	Lower	Satisfactory	No intervention

Source: UN (2004)

Table 2- Countries with more specific policies on immigration and emigration

	Kuwait	Oman	KSA
Immigration policies			
Permanent settlement	lower	-	No intervention
Migrant workers	Lower	Lower	Lower
Dependents of migrant workers	Lower	-	Lower
Integration of non-nationals	No	-	Yes
Emigration policies			
Encouraging return of nationals	No	-	Yes

Source: UN (2004)

Table 3- Percentage of nationals and expatriates in the population and labor force of GCC countries, 2000

	Population		Labor force	
Country	Total (000s)	% expatriates	Total (000s)	% expatriate
BAHRAIN	652	40.0	272 [a]	61.9
KUWAIT (2004)	2,645	64.3	1,551	81.3 [b]
OMAN	2,442	22.7	859	64.3
QATAR	580	73.7	120 [a]	81.6
SAUDI ARABIA	20,279	25.4	7,176	55.8
UAE	2,890	75.7	1,356	89.8
All GCC countries	29,322	34.9	11,103	About 70.0

Sources:

ESCWA (2001)

[a] Kapizewski (2001)

[b] PACI (2004)

Figure 1: Policies aimed at reducing the supply of, and demand for, foreign workers in the Gulf

Policies aimed at affecting:

Supply of foreign workers	Demand for indigenous workers
• Direct and indirect taxes on migrant workers (e.g. health fees) • Periodic amnesties • Stricter regulation of visa issuance in sending countries • Restrictions on visa trading; stricter implimentation of laws	1. Creating job opportunities for nationals • Vocational training for nationals • Enhancing private sector benefits 2. Encouraging nationalization through market based measures • Fees for employing expatriates • Cash benefits for employing nationals 3. Forcing nationalization of labour force through administrative measures • Nationalization of the public-sector work force • Quotas on expatriates • Quotas on employment of nationals • Ban to hire expatriates in certain sectors • Tightening of immigration legislation

Note: Several of the items listed under column 2 were adapted from Table 2 in Fasano and Goyal (2004)

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