MANOHAR PARRIKAR INSTITUTE FOR DEFENCE STUDIES AND ANALYSES
मनोहर पर्रिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

MP-IDSA Issue Brief

Labour Sector Reforms in the GCC and Challenges for Indian Expatriates

Lakshmi Priya

November 27, 2020

Summary

Gulf Cooperation Council (GCC) countries are struggling to bring their economies back on track, due to sustained low oil prices and the negative impact of the COVID pandemic. Their fiscal deficit is estimated to widen to 10.3 per cent of GDP in 2020, from 2.5 per cent in 2019. Expatriate workers form the backbone of the labour force in the GCC countries constituting nearly 75 percent of the private sector work force. The GCC countries are taking measures to nationalise the labour force, which is adversely affecting the Indian expatriates across all sectors. Even as India is getting equipped to tackle the return migration, the creation of a comprehensive database will help better manage the crisis in the long run.

Introduction

Expatriate workers form the backbone of the labour force in the Gulf Cooperation Council (GCC) countries. According to the World Bank, nearly 75 percent of the work force employed in the private sector in the GCC constitutes expatriates. Increasingly, due to economic hardships and growing demands of employment among citizens, the GCC countries are taking measures to limit the number of expatriate workers. Trends in the global energy market and sustained lower oil prices have negatively affected the GCC economies.

The ability of the monarchies to maintain the existing 'social contract' based on no taxation and no political accountability is under stress. The COVID-19 pandemic has further exacerbated the economic situation raising doubts about possible paths of recovery. Furthermore, the GCC monarchies have for long faced global criticism for creating and sustaining an exploitative system for expatriates, especially for the blue-collar and domestic workers.

In response to the economic challenges and external criticism, the GCC countries have been introducing labour reform measures. These have been aimed at increasing employment opportunities for the citizens to mitigate the impacts of lower subsidies and rising unemployment. At the same time, efforts are being made to make the laws attuned to the International Labour Organisation (ILO) guidelines pertaining to the rights of workers and universal human rights.

One of the major challenges facing the labour reforms is the existing social, political and judicial structures that have not evolved since the 1950s when the oil industry was coming up and the GCC governments were concerned about protecting their small national population from the unprecedented labour influx.[1] Laws were formulated to facilitate cheap labour and benefit the local economies without compromising the primacy of the needs of the native population. In order to regulate the relationship between the employer and the migrant worker, a sponsorship system, known as *Nizam al-Kafala*, was established. This system is recognised as comprising of one of the most exploitative labour laws in the world.[2]

[1] Qatar codified its labour laws in 1962 while Kuwait adopted labour codes and employment acts in the private sector through Law No. 38 of 1964. Bahrain established and consolidated the law governing labour contracts in 1969 and in the same year, Saudi Arabia adopted the labour law approved by the Royal Decree No. M/21. UAE adopted laws concerning immigration and residence of migrants through Federal Law No 6 of 1973. Oman formulated comprehensive legislation covering various labour issues through a law in 1973. International Labor Organization, "Database of national labour, social security and related human rights legislation".

[2] "Reform of the Kafala (Sponsorship) System", Policy Brief No 2, Migrant Forum in Asia Secretariat, International Labour Organisation.

Indians comprise a sizeable number of the expatriate population in the GCC countries. According to estimates by the Ministry of External Affairs (MEA), as of 2019, 8.5 million Indians were residing in the six GCC countries.[3] They constituted 15.17 per cent of the total residents and 29.20 per cent of the total expatriate population in the GCC. While greater numbers of Indian professionals and entrepreneurs have joined the GCC labour market, a majority, estimated at 87 per cent, continue to be employed in unskilled and low-skilled work. This Brief analyses the labour reforms being introduced in the GCC countries, the factors that have led to these reforms and their impact on the Indian expatriate workers in the Gulf.

Reforming the labour sector

There are a number of factors that have contributed to the increased trend of labour law reforms witnessed in the GCC countries over the past few years. Economic challenges and international criticism are the primary motivators but issues related to demography and growing demand for employment among the local youths, both men and women, have also played a significant role. The impact of COVID-19 on the economy has added an urgency in bringing reforms. Demographic imbalance, in terms of ratio of native and expatriate population, is a major concern.

Except in Saudi Arabia and Oman, the GCC countries have smaller native populations,[4] making them cautious about the presence of a sizable expatriate population. The sense of insecurity due to the demographic imbalance has led to the Gulf monarchies adopting the Conditional Migrant Integration Model[5] to restrict political and social integration of the migrants while facilitating economic integration.[6] For instance, the GCC countries restrict naturalization,[7] limit labour mobility, offer negligible rights for collective bargaining and prohibit expatriates' access to the public sector education and healthcare.

The issue of growing unemployment among educated youth have forced the GCC countries to adopt policies such as naturalisation of the job market to create opportunities for its citizens. The average age of national population in GCC

---

[3] "Population of Overseas Indians", Ministry of External Affairs.

[4] Native population in GCC countries: Bahrain - 46 percent; Kuwait - 31 percent; Oman - 55 percent; Qatar - 11.6 percent; Saudi Arabia - 63 percent; and UAE - 12 percent.See CIA World Factbook.

[5] Froilan Malit Jr, George Naufal and Jenny Knowles Morrison, "Conditional migrant integration in the United Arab Emirates: Consequences on Asian foreign workers' welfare," in Frank Jacob and Adam Luedtke (eds.), *Migration and the Crises of the Modern Nation State?* Wilmington, DE: Vernon Press, 2017.

[6] Fargues Philippe, "Immigration without inclusion: Non-nationals in nation building in the Gulf states," *Asian and Pacific Migration Journal*, 2011, 20(3), 273.

[7] Zahra Al Barazi, *"Regional Report on Citizenship: The Middle East and North Africa (MENA)"*, Robert Schuman Centre for Advanced Studies, European University Institute, November 2017.

countries is 30-36 years and the demand for education and employment has witnessed a rise. One of the key demands that emerged during the limited Arab Spring protests in the Gulf in 2011 and 2012 was regards generating employment for the local youth. Hence, despite the existing skill mismatch,[8] the monarchies have taken measures to limit the employment of expatriates in many sectors.

Most of the vision documents, such as the *Saudi Vision 2030* and *Oman Vision 2040*, aim to skill and employ more nationals and limit the number of expatriates. Though the national population are largely employed in the public sector, and prefer it over the private sector, given the drop in oil revenues and increase in population, the governments are also reserving jobs in private sector for their nationals. For example, Saudi Arabia introduced the *Nitaqat* system in 2011, mandating private companies to employ a certain ratio of Saudi nationals to foreign workers, depending on the company's industry and size.[9] Similar nationalisation policies have been adopted by Oman and Kuwait as well.

The impact of COVID-19 on GCC economies have further exacerbated the challenge of managing the labour sector. The World Bank projects a negative GDP growth of 4.1 percent for the GCC countries in 2020 and estimates a growth of 2.2 percent in 2021. It projected that Qatar will have the minimum GDP contraction of 3.5 percent among the six GCC countries while Kuwait will be most affected with 5.4 percent.[10] Even the energy sector, the foundational source of the economic growth in the GCC, has been seriously affected. Estimates suggest that, due to the fluctuations in international oil market, the fiscal deficit of the GCC will widen from 2.5 per cent in 2019 to 10.3 per cent of GDP in 2020.[11] This has led to the GCC governments announcing limits on public spending, creating further challenges for the fragile labour sector.

The social contract prevalent in the GCC countries ensures a welfare model wherein the governments provide for the financial needs and wellbeing of their nationals, including employment opportunities. While the monarchies were taking incremental measures to limit the expatriate workers' employment in some sectors earlier, COVID-19 has led to more such measures being taken. For example, Kuwait approved the Expats Quota Bill in July 2020 to reduce the number of expatriate nationalities to 15 per cent. Similarly, the Kuwait Public Manpower Authority is finalizing a plan to increase the proportion of jobs for nationals in private sector to

[8] Jumana Khamis, "The Middle East grapples with a knowledge and skills gap", *Arab News*, March 3, 2020.
[9] Hind Mustafa, "Questioning Nitaqat: the Saudi job-nationalization program", Al Arabiya News, December 18, 2013.
[10] World Bank projection for 2020 GDP contraction in GCC (percent): Bahrain (4.5), Kuwait (5.4), Oman (4), Qatar (3.5), Saudi Arabia (3.8) and UAE (4.5).
[11] Babu Das Augustine, "COVID-19 impact: GCC faces biggest economic challenge in history", *Gulf News*, June 6, 2020.

85 per cent by 2021. Kuwait Municipality is drawing up plans to dismiss expatriates and a Kuwaiti member of the parliament called for replacing expats in the judiciary sector.

Oman's Ministry of Transport and the Ministry of Agriculture and Fisheries have taken regulatory measures in June 2020, reserving delivery jobs only for their nationals. Earlier in May, Oman announced that more nationals are to be recruited in the private health sector and shall replace expats in the public sector. The General Organization for Social Insurance has extended stimulus program to support salaries of Saudi nationals in companies impacted by COVID-19.

Apart from easing the pandemic-induced financial burden, GCC countries intend to balance the participation of nationals and the expatriate workforce in the economy. In 2016, Saudi Arabia, UAE, Qatar and Bahrain had around 60-70 percent nationals engaged in the workforce, while Oman and Kuwait had 39.7 percent and 47.7 percent nationals in the economy, respectively.[12] The nationalisation drive in the Gulf has picked up pace. For example, Kuwait's expat quota bill was approved by the National Assembly Committee in July 2020, requiring Indians to constitute merely 15 percent of the total expatriate workforce, as opposed to their current strength of 37.3 percent. This would directly impact around 800,000 Indians. The bill seeks to reduce the number of expatriate workforce from 70 percent to 30 percent.

The GCC countries are also bringing labour reforms in response to growing international criticism over the exploitative labour laws, including the infamous *kafala* (sponsorship) system that provides easy and cheap labour, mainly for the domestic and constructions sectors. The exploitative nature of the system, including confiscation of travel documents, forced labour, threats of arrest, detention and deportation, have been highlighted in numerous international reports.[13] This has led to the Gulf monarchies bringing incremental reforms to make the system less exploitative. This, however, has also come at the cost of increasing financial burden on the foreign workers in the form of taxes on goods and services as well as 'expatriate fee' for the civic services provided by the local governments.

Despite such new measures, the avenues for grievance redressal for the expatriates remain limited. On the other hand, there are challenges for the monarchies, especially because there is a limit to which the expatriate inflow can be prevented as

[12] Labour force participation rate for nationals in GCC (2016): Bahrain 63.2 percent, Kuwait 47.7 percent, Oman 39.3 percent, Qatar 68.5 percent, Saudi Arabia 64.6 percent, UAE 64.1 percent. GCC-STAT

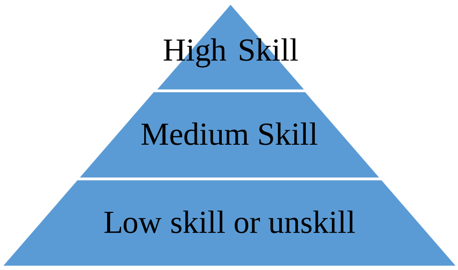
[13] Human Rights Watch, "I already bought you" October 2014; Amnesty International, "Qatar: Reality Check: The State of Migrant Workers' Rights with Four Years to Go until the Qatar 2022 World Cup", February 5, 2019.

many sectors and a majority of the private employers prefer the more skilled and disciplined foreign workers compared to the more demanding local job seekers.

Impact on the Indian expatriates

The changes in labour laws in the Gulf are being keenly observed by countries like India. Though it is challenging to evaluate the absolute impact of the laws due to limited data, the emerging trends in the GCC labour market need to be closely monitored to help in policy formulation for the welfare of the expatriates and Gulf returnees. The GCC countries host around 8.5 million Indians[14] engaged in various sectors and at various levels.

Figure 1: Indian expats in the Gulf



As seen in Figure 1, a vast majority of the Indian expatriates are engaged in low or unskilled professions and are vulnerable to the slightest economic fluctuations. Devoid of decent living conditions, they have borne the brunt of the pandemic harder than those engaged in medium and high skilled professions. Aviation, textile, chemicals, luxury retails, personal services, automotive, construction and real estate along with travel and hospitality are the sectors that have been negatively impacted by COVID-19. Twenty percent of over 150,000 registered to return home in May had suffered job loss.[15]

As per a survey conducted among the expatriates from Kerala in six GCC countries by 'Pravasi Risala', 65 percent expatriates are to suffer job loss and more than 25 percent have experienced partial or complete salary cuts while nine percent respondents were not willing to go back.[16] Moreover, as GCC countries strive to

[14] Indian expats in the GCC (million): Bahrain 0.3, Kuwait 1, Oman 0.7, Qatar 0.7, Saudi Arabia 3.8 and UAE 4.5; See "Population of overseas Indians", Ministry of External Affairs.
[15] Over 150,000 Indians in UAE register to return home amid COVID-19 lockdown; 20% have suffered job losses, says consul official, Press Trust of India, May 3, 2020.
[16] Smitha N, Malayalis won't give up Gulf dreams despite job loss, financial crisis, *Deccan Chronicle*, July 10, 2020.

increase the percentage of nationals in the private sector, jobs that require medium skill-sets might get dominated by the nationals in future.

In the long run, the GCC countries are focusing on improving the level of education and skills among nationals through human resource development and skill development programs. Saudi Arabia announced that it will introduce English language classes in the primary school curriculum from 2021. In the UAE, the *National Employment Strategy 2031* aims to provide human resource with the skills required for the labour market. The new Emirati school model curriculum focuses on skilling students with critical thinking, innovation, teamwork and utilising information technology in problem solving.[17]

Furthermore, the level of education among local women is rising and they are joining the workforce, leading to lesser jobs available for expats. Social and cultural barriers that were hindering women from joining the public spaces are loosening up and increasingly, the Gulf countries, including Saudi Arabia, are taking measures to create better education and job opportunities of their female population. There is simultaneous movement towards greater use of technology and automation that can reduce the need for expatriate workers, though the impact is likely to remain limited in the immediate term, especially in the construction, agriculture and domestic sectors.

Notably, GCC countries are undergoing a phase of transition aiming for diversification of economy and reduction of dependence on the migrant labour force, and economic shock tends to accentuate the process. COVID-19 induced economic downturn has quickened the pace of the nationalisation reforms leading to an uncertain future for the Indian migrants to the GCC. ILO 2020 Report predicted 6 million jobs to be lost in the Arab world post pandemic. Though the World Bank has projected a gradual economic recovery for the GCC countries in 2021-22, possible economic crises due to the eruptions of zoonotic pandemics or oil price slump has not been ruled out in the near future. Such crises impacts the Indians migrating to GCC countries.

Need for a database

In terms of policy, it is important that the Government of India, and governments of those states which send the majority of the migrants to the Gulf, understand the trends in the employment market. Regular assessment of the changing requirements and laws can help streamline the process of migration and help those seeking employment opportunities in the Gulf. Successful implementation of programmes

[17] "Future Skills for Youth", UAE Government Official Portal.

such as the Pravasi Kaushal Vikas Yojana, Pre Departure Orientation and Training, Skill Training Upgradation, Overseas Workers Resource Centre and the media campaign, 'Surakshit Jaaye Prashikshit Jaaye' (Go safe, Trained with Confidence'), is also critical.

As a first step, a database of Indian migrants going to the Gulf needs to be developed. Such a database needs to record details related to the age, educational qualification, vocational training, language proficiency and work experience. This will provide information about the kind of skillsets required for the Indian expatriate workers and work as indicators for state governments to develop skilling and training programs. Secondly, details pertaining to the job sector, emoluments, leaves, housing allowance and nature of work should be recorded. This will provide an estimation of the sectoral requirements in the GCC countries.

The data can be collected at the time of document verification, in coordination with the state government and immigration department in the central government. An annual study on the trends in GCC labour demands can also be helpful and can be done in association with the industry. Alternatively, a bilateral field-based demographic study of the skilled and unskilled Indians in the GCC can be conducted to develop a comprehensive understanding of the GCC labour market trends. It will help India have an estimation about the job sectors of expatriates that will be impacted in crises situations help manage the repatriation accordingly.

Return migration

According to the MEA, under the Vande Bharat Mission, beginning May 7, 2020, India has brought back 926,852 workers from the GCC countries until September 15.[18] This is almost two-thirds of the total Indians repatriated under the mission from all over the world and one tenth of the total Indian expatriates in the GCC. Given the economic challenges and labour reforms in the Gulf, the return migration trend is unlikely to witness a serious reversal soon. A start has been made through Skilled Workers Arrival Database for Employment Support (SWADES) that aims to create a database of qualified citizens based on their skill sets and experience to empower them with relevant employment opportunities. In the first 3 days of its launch, 7,000 citizens primarily employed in sectors such as oil and gas, construction, tourism and hospitality, automotive and aviation, registered in the SWADES skill online form that was made available on May 30, 2020.

[18] "Question No.1369 Evacuations under Vande Bharat Mission", Ministry of External Affairs, September 22, 2020.

SWADES will facilitate a strategic framework to provide the returning citizens with suitable employment opportunities after holding discussions with key stakeholders including state governments, industry and employers. According to the Minister of Skill Development and Entrepreneurship, Dr. Mahendra Nath Pandey, the data collected through SWADES will help the Indian in finding jobs and bridge the demand-supply gap.[19] According to reports, the skill mapping under the SWADES program will be done jointly by the Ministry of Skill Development and Entrepreneurship (MSDE), Ministry of Civil Aviation (MoCA) and the MEA through the National Skill Development Corporation (NSDC). The card asks for details regarding job designation, educational qualification, work sector and total work experience to be shared with Indian and foreign companies so that they can offer relevant job to the returnees. In addition, the SWADES registration has been linked with India's ASEEM (Aatmanirbhar Skilled Employee Employer Mapping) portal so as to facilitate job opportunities for those repatriated from the GCC countries.

Sooner or later, India will have to streamline the process of skilling its human resource aspiring to work in the GCC countries. The SWADES Skill Card can be a good starting point for the data collection. Moreover, it is likely that the Gulf countries will impose skill certification requirements for the incoming expatriate workforce in near future. The burden of skilling can be shared with the expatriate-sending state governments, as ultimately, the states have to grapple with the unemployment problems of the returnees. Also, since there is difference in the quality of manpower going to Gulf from various Indian states, the data will help the states in developing skilling programs for the youth population. Greater coordination is required between states that send large number of expatriates, such as Kerala, Andhra Pradesh, Telangana, Maharashtra, UP, Bihar and Rajasthan, with the central government agencies for better management of the expatriate issues.

Conclusion

India needs to closely monitor the labour market reforms and developments in the GCC countries. Given that India has a large migrant population gainfully employed in the Gulf, who also send a significant amount in remittances annually, it is important that the trends in labour market in the Gulf are systematically studied. The impact of COVID-19 on the labour market in the Gulf has been significant leading to nearly a tenth of the Indian expatriates choosing to return to India under the Vande Bharat programme. Though it is likely that once the GCC economies start to recover from the impact of the pandemic, the migrants will start returning, the

[19] "Government to conduct skill mapping of citizens returning from overseas", Press Information Bureau, June 3, 2020.

changes being brought in the labour market to address some of the longstanding socio-economic issues will have a long term impact on the Indian expatriates in the GCC. One of the first step is to create a database and develop programs through joint public-private initiatives to deal with the challenge of return migration as well as provide better skills to people seeking employment in the GCC countries.

About the Authors

Lakshmi Priya is Research Analyst at the Manohar Parrikar Institute for Defence Studies and Analyses, New Delhi.

Manohar Parrikar Institute for Defence Studies and Analyses is a non-partisan, autonomous body dedicated to objective research and policy relevant studies on all aspects of defence and security. Its mission is to promote national and international security through the generation and dissemination of knowledge on defence and security-related issues.

Manohar Parrikar Institute for Defence Studies and Analyses
1, Development Enclave, Rao Tula Ram Marg
New Delhi 110 010 India
T +91-11-2671 7983 F +91-11-2615 4191
contact.idsa@nic.in www.idsa.in
Twitter @IDSAIndia
www.facebook.com/ManoharParrikarInstituteforDefenceStudiesAnalyses