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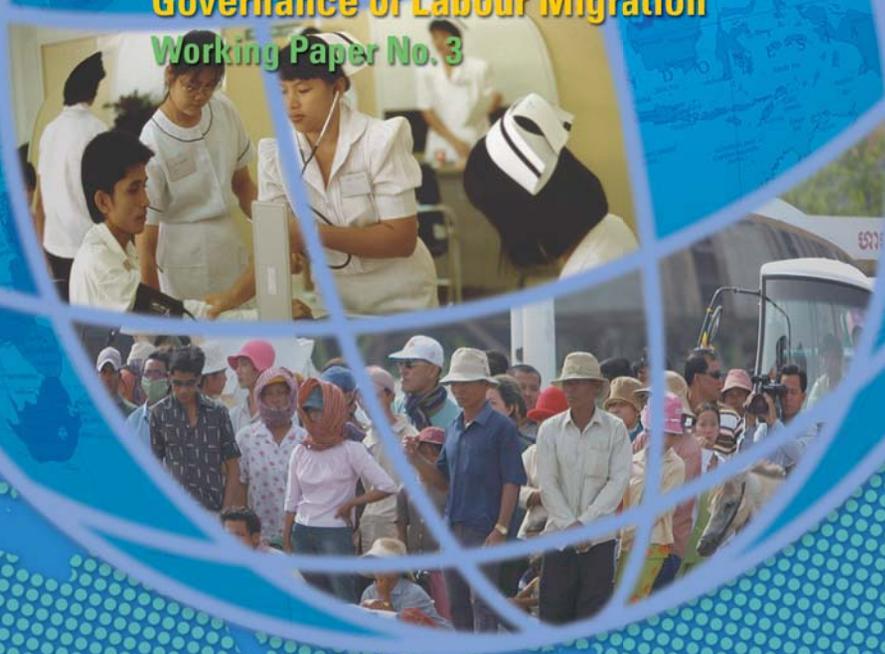
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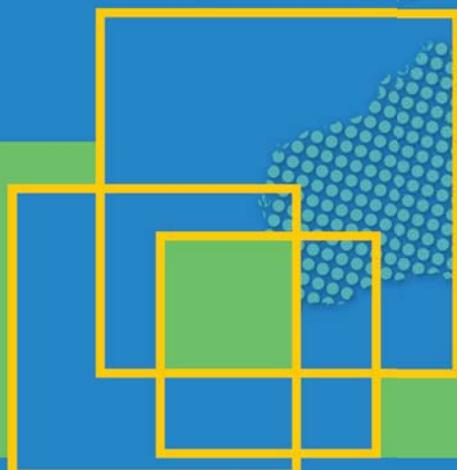


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# **Recent Labor Immigration Policies in the Oil-Rich Gulf: How Effective are they Likely To Be?**

**Nasra M Shah**



**Regional Office for Asia and the Pacific  
January 2008**



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# Recent Labor Immigration Policies in the Oil-Rich Gulf: How Effective are they Likely To Be?

## Table of Contents

	<b>Page</b>
1. Introduction	1
1.1. Rising Unemployment: A driving force behind restrictive policies	2
1.2. Expressed government policies to reduce future immigration	3
2. Policies aimed at affecting supply of foreign and demand for local workers	5
2.1. Policies aimed to restrict supply of workers	5
2.1.1. Rise in cost of living	5
2.1.2. Nabbing and deportation of overstayers and illegals	6
2.1.3. Stricter regulation of visa issuance	8
2.1.4. Restrictions on visa trading	9
2.2. Policies aimed to increase the demand for indigenous workers	9
2.2.1. Creating job opportunities through training	9
2.2.2. Creating job opportunities through market based measures	10
2.2.3. Nationalization through administrative measures	10
3. Probable effectiveness of current policies	12
4. Conclusion	17
References	18
List of Tables	
Table 1- % of nationals and expatriates in population and labor force of GCC countries	20
Table 2. Male and Female Unemployment among Ages 15+	21
Table 3. View and policy on immigration and emigration levels in the GCC countries	22
Table 4. Additional specific policies and emigration	23
Table 5. Occupational Distribution of Kuwaiti Males and Females	24
Table 6. Occupational Distribution of Non-Kuwaiti Males and Females	25
Table 7. Kuwaiti Labor Force according to Occupation, Sector of Activity and Sex	26
List of Figures	
Fig. 1. Policies aimed at reducing supply and demand of foreign workers in GCC	27
Appendix: Data Sources and Guide to Policy	28



# **Recent Labor Immigration Policies in the Oil-Rich Gulf: How Effective are they Likely To Be?**

**Nasra M Shah \***

## **1. Introduction**

The oil-rich Gulf countries comprise a region with exceptionally high international migration of persons originating from a wide range of countries. The six countries that comprise this sub-region include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (UAE), which are joined together for several purposes in an association known as the Gulf Cooperation Council (GCC). For the last three decades expatriates have come to outnumber nationals in several of the GCC countries' populations. During the 1970s and 1980s, large scale migration of "guest" workers started as a response to the increase in the price of oil, and the consequent plans of the GCC countries for rapid development. Such plans necessitated the import of very large numbers of foreign workers since the indigenous labor forces were usually small in number and did not have the variety of skills required for the development of infrastructure and other projects. In the initial stages, construction workers were a major category of workers imported. While the demand for construction workers declined somewhat with the completion of projects, a persistent demand for such workers still exists, especially for the creation of new housing projects and buildings required for the growing number of nationals. The GCC countries have fairly high population growth rates and the number of births per woman is generally more than 4 in case of most countries. In some countries such as the UAE, construction projects are also under way as a means of investment, especially in Dubai.

Besides construction workers, another major category of workers consists of those in cleaning services, helpers, and domestic service. Among domestic workers, women generally constitute a majority in most of the GCC countries. Among the sending countries, Sri Lanka, Philippines, Indonesia and India are the major ones. Over the years,

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the number of domestic workers has been increasing. In Kuwait, for example, housemaids comprised 7.1 % of Kuwait's population (of 2.87 million) and numbered 203,406 in 2005 (PACI, 2005).

Table 1 indicates the predominance of expatriates in Gulf countries. The percentage of non-nationals ranged from a low of 24% in Oman to 78% in Qatar in 2005. In case of the labor force, more than half in each country comprised expatriates in the early 2000s. In 2005, the combined estimated GCC population was 35.8 million with expatriates constituting 12.8 million (35.7 %). 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). UN estimates for 2005 indicate that in the largest GCC country, Saudi Arabia, foreigners constitute 6.4 million (or 26 %) of the 24.5 million residents (UN, 2006). Some other sources report the number of foreigners to be as high as 8.8 million. However, various estimates suggest that foreigners comprise 56-70 % of the labor force and 95 % of the private sector workforce. In UAE, foreigners constitute 71 % of the 4.5 million residents (Table 1); and fill 98 % of the private sector jobs (Migrant News, December 2005).

The continued predominance of foreign workers in the population and labor force of the GCC countries has been accompanied by a whole range of policies to regulate and manage such migration. A general policy aimed at curtailing the number of foreign workers has been present for several years. This general policy started getting translated into action and implementation through various means during the mid 1990s. The goal of this paper is to highlight the major policies and discuss some of the social and economic factors that may facilitate or hinder their effective implementation. An important reason for the increasingly active and forceful implementation of policies to reduce migration is the rising levels of unemployment in the GCC countries, described in the next section.

### **1.1. Rising Unemployment: A driving force behind restrictive policies**

A major reason for the restrictive policies is the rising level of unemployment among the nationals that has been raising difficult economic and political questions for the governments. Reliable and consistent data on unemployment in the GCC countries is unavailable. A recent ESCWA publication provides such information disaggregated for

males and females for various years during the 1990s and early 2000s (Table 2). Among the six GCC countries, Oman is reported to have an especially high unemployment rate, especially among females with 37 % of them unemployed in 1996. Media reports relating to more recent time periods, however, indicate that the data shown in Table 2 probably underestimate the level of unemployment currently prevalent in most countries. The following account illustrates this point vividly. Unemployment in Saudi Arabia, the largest GCC country, had increased to about 13% among all males in 2004 and is estimated to be as high as 35% among the youth aged 20-24 (Wall Street Journal, April 1, 2004, pg A1). Male unemployment rate went up progressively from 7.6 % in 1999 to 9 % in 2000, 10.5 % in 2001, 11.9 % in 2002 and 12.5 % in 2003 (Arab News, April 15, 2004). 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). In Bahrain, unemployment stands at 15 % (The Gulf News(UAE), February 11, 2003). Unemployment has already resulted in some political unrest, such as the sit-ins outside the Assembly in Bahrain. In the UAE, it is estimated by the head of labor market studies at Tanmia (the national human resource development and employment authority) that current actual unemployment figures among UAE nationals could reach as high as 40,000 (AMN, June 1-15, 2005). Some economists have concluded that unemployment is “the biggest policy challenge facing the GCC at the moment” ([www.gulfbusiness.com](http://www.gulfbusiness.com), December 1, 2004).

## **1.2. Expressed government policies to reduce future immigration**

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 few years 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.

In terms of their attitudes towards future migration flows, all the Gulf countries would like to reduce the number of expatriate workers in their population. Most of them have expressed these attitudes in response to the UN surveys eliciting opinions on the level of immigration and emigration. In 2005, five of the six oil-rich Gulf Cooperation (GCC) countries (Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)) considered the immigration level to their countries to be too high and expressed a desire to lower it. The remaining country, Bahrain, considered the level to be satisfactory, however. Bahrain stated it had a policy to maintain the immigration level (Table 3) (UN, 2006). A review of the opinions, attitudes and policies towards immigration in the Gulf region indicates that in all six countries the trend towards restricting the inflows has increased. Also, steps towards the actual implementation of the long standing policies are more actively being taken and enforced.

Kuwait and Saudi Arabia have responded more specifically to the UN query on policies regarding immigration and emigration as shown in Table 4. Kuwait has a policy to lower the permanent settlement of immigrants and its 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. A listing of various restrictive policies that GCC countries have formulated and are putting in place to curb future migration is shown in Figure 1. A brief discussion of these policies is given below, and a comprehensive account may be found in Shah (2006). The existing policies may be divided into two broad types, those aiming to reduce the supply of foreign workers and the ones aiming to enhance the growth and demand for indigenous workers. Each is discussed in turn.

## **2. Policies aimed at affecting supply of foreign and demand for local workers**

Before proceeding with a discussion of the policies meant to affect the supply and demand of workers, it may be noted that most of the day to day policies relate to the regulation of migrant workers. Migrant workers are not entitled to citizenship by virtue of their length of stay in the GCC countries. Also, children born in the country are not entitled to citizenship. Research from Kuwait has shown that expatriates often stay in the country for prolonged periods of time exceeding 20 years in some cases (Shah, 2004). In most GCC countries, there is no provision for “permanent resident” status. Regardless of their duration of stay expatriates are defined as “temporary” workers, a fact that is reinforced by the renewal of contracts for relatively short time periods, usually not more than two years. A migrant worker comes to Kuwait on the basis of a work contract issued upon the request of a sponsor. Once in the host country, the worker must obtain a residence permit (or *iqama*), which is issued only for the period of the contract.

### **2.1. Policies aimed to restrict supply of workers**

#### **2.1.1. Rise in 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. In the UAE which has had a policy of health insurance for the last several 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 (Dh) (US\$ 136 to \$1089) was imposed, depending on the type and complexity of the surgery (Kuwait Times, May 9, 2005). According to a new health insurance scheme to be implemented in the UAE in 2006, the employer will no longer be required to pay for the mandatory health insurance for the workers. The employees would have to pay the premium for their national health insurance thus bearing additional costs in a situation where the wages are already fairly stagnant (AMN, January 15-31, 2006).

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 about 93 % of all expatriates work (PACI, 2005).

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 (KD) (\$ 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.

Expatriates are complaining in the UAE about the exorbitant fees now being charged for the verification of their university degree certificates after the change in this process in 2005. Under the new Degree Verification Program, expatriates must send their attested degree certificates through IntegraScreen, a document verification company, via Emirates Post. This process would cost Dh510 (US\$ 139), whereas previously they had to pay only Dh100 (US\$27) for attestation of the same documents at their home country and in the UAE (AMN, January 15-31, 2006).

In Saudi Arabia a more direct tax consists of a fund (100 Saudi 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).

### **2.1.2. Nabbing and deportation of overstayers and illegals**

An irregular or illegal migrant can be found in the GCC countries as a result of any of the following. First, a person may enter the country illegally (either without required documents or with fictitious documents). Occasionally accounts of trafficking and human smuggling across the Gulf are found in the newspapers but this type of illegal entry is quite rare. Second, the person may become illegal through overstaying after the contract and the legal residence period has expired. Estimates of this type of illegal migration are substantial, judging from the repeated periods of amnesty declared by

various countries to allow the overstayers to leave without paying substantial fines (Shah, 2004; Shah, 2006).

The third type of irregular stay occurs when a migrant worker takes up employment for a person other than the sponsor. This type of irregular stay is again quite substantial but no systematic or reliable information on which is available from routinely collected data. The main reason for the occurrence of this type of irregular migration may be described as follows. Nationals of GCC countries may obtain business licenses and concomitant permission to import a given number of workers, and are thus given work visas for this purpose. They may, however, sell the visas to persons looking for such visas instead of starting a business or using all the visas for the approved business. This type of visa trading has become fairly widespread in the GCC countries. The person who buys the visa may find a job with an employer other than the one who initially sponsored him/her. This puts the migrant worker in an illegal status since legally he is not allowed to work for any one other than the sponsor. Media reports indicate that visa trading is recognized as an important problem in orderly management of labor migration but remains an area where the statistical database is very weak.

Vigorous efforts have been made in Saudi Arabia in recent years to nab and deport those who may have overstayed their visa duration as well as those who may have an illegal visa status. In June, 2005 Saudi authorities arrested more than 2,700 visa violators in certain districts of Jeddah most of whom were from Arab and African countries. The arrests resulted in the closure of 45 illegal clothing factories, several prostitution dens and factories producing alcoholic beverages (Asian Migration News, June 1-15, 2005). One of the consequences of overstay has been the presence of homeless persons on the streets in Saudi Arabia, trying to survive in makeshift shelters. The Human Rights Association estimates that despite the efforts at removing and deporting such people there are between 600-800 homeless people in the country, mostly women, children and elderly (AMN, October 1-15, 2005).

As part of the overall effort to reduce the number of overstayers and illegals, 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 (AMN, September 2005).

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. Oman announced an amnesty period that was extended to December 31, 2005 to enable overstayers to leave the country after paying a fine. An overstay has to raise roughly Omani Riyal (RO) 400 (US\$1,039), RO250 (US\$649) for the fine and RO150 (US\$ 390) for the airfare. (AMN, Sept 15, 2005). A more detailed account of amnesty leavers may be found in Shah (2004).

### **2.1.3. 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). In February 2003, the Minister of Labor and Social Affairs in Bahrain said that “from 2005, he was not prepared to renew or issue work permits for non-Bahrainis” with exceptions to be made for highly skilled workers not available among nationals. At the same time, the Cabinet approved a plan to allow local firms to apply for temporary work permits for foreigners limited only to six months (The Gulf News, February 11, 2003).

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, as discussed below.

#### **2.1.4. Restrictions on visa trading**

As mentioned earlier, a system of visa trading emerged during the last two to three decades because the demand for visas to the Gulf exceeded supply. In the UAE it is estimated that the number of workers sponsored by these fictitious companies in 2004 was 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 (Ministry of Planning, 1997).

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 the implementation of 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.

## **2.2. Policies aimed to increase the demand for indigenous workers**

### **2.2.1. Creating job opportunities through training**

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 few years 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, only 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. Policies similar to the ones in Saudi Arabia are also being implemented in other GCC countries.

### **2.2.2. Creating job opportunities through market based measures**

Raising the cost of hiring foreign workers is a possible strategy that may add a constraint to the demand for foreign workers. In Bahrain, the cost of hiring foreign domestic workers has gone up from BD50 (US\$ 133) to BD150 (US\$ 398) for various nationalities. The recruitment agencies are now charging BD150 more for Indonesian housemaids due to the stricter regulations imposed by Indonesia (AMN, November 1-15, 2005).

### **2.2.3. 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). Recently, the Civil Service Commission in Kuwait has set a new annual target of 15 % for replacing the expatriates in the government sector, increased from the earlier mark of 7 %, starting from April 1, 2006 (Kuwait Times, March 4, 2006, p.2).

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). The Dubai Naturalization and Residency department has ordered that public relations jobs be restricted to UAE nationals in order to generate more jobs for local job seekers (AMN, June 1-15, 2005). Another strategy to regulate and limit the inflow of foreign workers is the implementation of a quota system whereby guidelines are provided to the companies to diversify the workers they hire from any single nationality in order to achieve a culture balance. Companies in which workers of any one nationality exceed 30 % have to pay a higher fee (AMN, June 1-15, 2005).

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).

Kuwait has also joined the other GCC countries recently by specifying 16 jobs which are no longer open to expatriates. Such jobs include computer programming, computer operation and data entry, secretarial, typing and clerical jobs, cashiers, and car drivers etc. (Kuwait Times, March 4, 2006, p.2).

### **3. Probable effectiveness of current policies**

The main thrust of the current policies is to restrict the stocks and flows of foreign workers (and their families) and enhance the absorption of nationals in the labor force. In order for the above policies to succeed, two strategies that are inherently related to each other are essential. First, restricting the import of additional foreign workers and retiring or firing the existing ones. Second, the replacement of foreign workers by indigenous ones. Numerous difficulties are inherent in both of these possible strategies, as illustrated below by using the case of Kuwait.

An examination of the occupational distribution of Kuwaiti males and females indicates that both sexes are concentrated in only a few occupations (Table 5). For example, more than half the males were employed in a single occupational category working as clerks, while a fifth were employed in professional and technical work at the end of 2005. The concentration among women was even more pronounced with 85 % working in either a professional/technical job or a clerical job. When the above distribution is compared with that of non-Kuwaitis, shown in Table 6, major differences are observed. We find that 51 % of the non-Kuwaiti males were employed as production workers and laborers (compared with only 8 % among Kuwaiti males) while 21 % were employed in the services sector. Among non-Kuwaiti women, occupational concentration was truly extreme with 71 % working in the services sector, primarily as housemaids. About 10 % of non-Kuwaiti women were working in professional or technical and 6 % in clerical occupations.

Thus, a comparison of the occupational distributions in Tables 5 and 6 clearly shows that Kuwaitis and non-Kuwaitis are fulfilling very different roles in the Kuwaiti economy. Among non-Kuwaitis males, for example, more than 600,000 are engaged in production related or general labor work. This number is more than three times as high as the total labor force of Kuwaiti males. Hence, the country simply does not have the requisite number of people to fulfill the required jobs, assuming that all these jobs are essential for the growth of the Kuwaiti economy. In addition to the shortage of numbers, it is well known that nationals do not consider production and labor occupations as “desirable” jobs. They have a preference for professional/technical and clerical jobs. In case of women, it would socially be almost unimaginable that a Kuwaiti woman would

work as a 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.

Additional insight into the factors that may limit the effectiveness of replacement policies is provided in Table 7, which disaggregates the male and female occupational distributions of Kuwaiti nationals by public vs. private sector of activity. About 90 % of each sex was employed in the public sector in 2005. With the exception of administrative and sales occupations, almost 90 % of Kuwaiti males were employed in the public sector within each occupational category. A similar situation existed for Kuwaiti females, where negligible percentages were participating in the administrative and sales occupations anyhow. Table 7 shows that two-thirds of Kuwaiti males working in sales related occupations were employed in the private sector which appears to suggest a large amount of replacement of non-Kuwaitis by Kuwaiti nationals. While this may be true to some degree, it should be noted that the sales sector was a relatively small one, employing only 1.3 % of all Kuwaiti males and 5.5 % of all non-Kuwaiti males. Similarly, the administrative and managerial sector employed only 3.3 % of the male Kuwaiti labor force. The above data are in sharp contrast to the sectoral composition of non-Kuwaiti workers 93 % of who were employed in the private sector. Of the total labor force in Kuwait, the private sector constituted 78 %. Kuwaitis filled 2.3 % of all the private sector jobs. The relative contribution to the total private sector jobs by Kuwaiti men and women was 1.3 % and 0.9 % , respectively (PACI, 2005).

The two main conclusions that may be drawn from the analysis of Kuwaiti and non-Kuwaiti occupational distributions are as follows. First, there is an apparent need for a larger number of nationals. The national labor force constitutes only about 18 % of the total labor force. Hence, additional hands are needed to fill all the jobs the economy seems to have room for. Second, non-nationals are typically occupying jobs that are economically and socially at the relatively lowest levels in the occupational distribution. It is debatable whether all these jobs are necessary in an economic sense. Several service jobs held by non-Kuwaitis, especially those of domestic service, are intended mainly to

buy a more luxurious lifestyle rather than to enhance the productivity of the economy. In some cases, the presence of a housemaid may in fact have economic utility insofar as it facilitates women's participation in the labor force. An examination of the employment of domestic helpers by Kuwaiti households indicates, however, that almost 90 % of all households employ a helper regardless of the work status of the women in that household (Shah et al, 2002).

The foregoing account for Kuwait illustrates some of the difficulties inherent in the replacement of foreign workers by indigenous ones. GCC countries other than Kuwait are faced with very similar occupational profiles. 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 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). The formulation and active implementation of the multitude of policies described above clearly reflect the concerns of GCC governments.

While the intentions for restricting the inflow of foreign workers are clear and unequivocal and policies aimed at achieving this continue to emerge regularly, the recorded effectiveness of such policies presents a mixed picture. The Saudi government, for example, typically announces that foreigners can no longer be employed in certain sectors, it stages a few raids (such as on the jewelry shops mentioned above) and then backs off when private businesses complain they cannot operate with only Saudis (Migrant News, December 2005). In the travel sector, for example, 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](http://www.gulfnews.com), March 12, 2004).

One indicator of the limited effectiveness of policies is the increase in the expatriate population in Saudi Arabia from 5.02 to 5.7 million during 1999 to early 2004

(Arab News, April 15, 2004), and to 6.4 million in 2005 (UN, 2006a). The above trend may have started to reverse, however, as claimed by the Minister of Labor at a press conference held on September 8, 2005. According to the Minister, the recruitment of foreign workers in the Kingdom declined by 20.6 % while that of Saudis increased by 16 % in the first half of 2005 compared to the year before (AMN, September 15, 2005). It is, however, difficult to make reliable conclusions about the trends on the basis of short-term observations.

In Bahrain, there is pressure on the government to allow the import of necessary foreign workers in order for the construction industry to function. According to a leading construction engineering consultant in Bahrain, there is an acute shortage of laborers in the country's construction industry which is making contractors hesitant to bid for major jobs unless they have the necessary foreign workers (AMN, June 1-15, 2005).

The record of some sectors in some countries appears to have been relatively more successful in increasing the employment of indigenous workers. In UAE, the banking sector has been singled out as one that has been especially effective in hiring nationals. Banks have worked in coordination with Tanmia (the National Human Resources and Employment Authority) in employing national jobseekers after putting them through appropriate training programs (AMN, June 16-30, 2005). However, the selective gains in some sectors may be counterbalanced by a disproportional higher influx in some other sectors. A new boom, especially in the construction sector in the UAE, where some of the world's biggest development projects are underway, seems to have triggered an unprecedented increase in the migration of Indian workers since 2004 (Kuwait Times, April 8, 2006).

Recent data from Oman indicates that Oman's foreign work force has declined by 24 % between January 2003 and July 2005, from 549,338 to 415,135. The decline has been attributed to the government's successful drive to ensure jobs for locals. The greater push for indigenization is likely to have been accompanied by the exceptionally high rates of unemployment combined with a lower level of economic development of the country.

Efforts by Kuwait to restrict the increase in the number of foreigners seem to have been at least partially successful for the last few years, judging by the relatively steady

proportion of non-nationals. Between 1995 and 2004, the proportion of non-Kuwaitis in the total population remained around 36-37 % (PACI, 1995; 2004). There seems to be a reversal of this in 2005, however, when the percentage of Kuwaiti nationals declined to 34 % (PACI, 2005). The increased relative proportion suggests that immigration of non-nationals in fact may have increased in the recent past, which in turn could be one of the reasons for the accelerated attempts to check such inflows. Permission to hire foreign nationals for the government sector was never as difficult as it is now. At the Kuwait University, for example, any secretary who leaves or retires may now be replaced only by a Kuwaiti secretary. Priority in hiring of non-academic staff is being given to Kuwaiti nationals and appointment requests for non-Kuwaitis are systematically being rejected. Also, it has been decided by the Civil Service Commission that contracts of government employees who have completed 30 years of service will be terminated and this rule has already begun to be applied (Kuwait Times, March 4, 2006).

There are some indications of gradual changes in attitudes of indigenous workers towards jobs that they had come to perceive as the work of expatriates. Examples from some countries such as Saudi Arabia suggest that perceptions and preferences regarding manual work are beginning to alter and some Saudis are entering the labor force as butchers, bakers and grocery baggers, work that would have been unthinkable a few years ago. It has also been reported that a large number of Saudi women have been applying for jobs as cleaners in hospitals and large companies in Al-Ahsa province, which represents a major break from the conservative Saudi traditions (AMN, September 16-31, 2005). In Bahrain, there is some indication that nationals are now willing to take up jobs that they traditionally shunned. For example, a survey showed that close to 70 % of Bahraini men and women were prepared to take on jobs as domestic workers, babysitters, care givers for the elderly, and drivers or gardeners. However, only 10 % of the interviewees said that they would actually hire a Bahraini as a domestic servant (AMN, November 1-15, 2005).

#### **4. Conclusion**

In conclusion, several fundamental difficulties are present in the GCC government efforts to implement policies, despite their best intentions. The major difficulties may be summarized as follows: 1) the lucrative nature of visa trading for the local sponsors, along with a ready and eager market of workers willing to buy such visas; 2) the continued reluctance of the locals to take up jobs that have come to be seen as “foreigner’s work” even though small attitudinal changes are beginning to be reported; 3) preference among nationals for public sector jobs that are almost guaranteed by virtue of nationality; 4) the near impossibility of the employer to fire inefficient national workers in the government sector, resulting in poor productivity and over-employment of nationals; and 5) the inherent contradiction between policies to limit the number of expatriate workers on the one hand and develop a thriving private sector that relies extremely heavily on the import of such workers to survive and flourish. In the light of the above constraints, it is very difficult to make any firm conclusions about the rate at which GCC governments will be able to replace migrant workers with indigenous ones. It appears that this is likely to be a slow and tedious process that will be conditional not only upon the above factors but also the sustained economic wellbeing of the GCC countries.

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Table 1- Percentage of nationals and expatriates in the population and labor force of GCC countries, 2005

Country	Population <sup>a</sup>		Labor force	
	Total (000s)	% expatriates	Total (000s)	% expatriate
BAHRAIN	727	40.7	272 <sup>c</sup>	61.9
KUWAIT (2004) <sup>b</sup>	2,645	64.3	1,551 <sup>d</sup>	81.3
(2005) <sup>b</sup>	2,867	65.1	1,727 <sup>d</sup>	81.8
OMAN	2,567	24.4	859 <sup>d</sup>	64.3
QATAR	813	78.3	120 <sup>c</sup>	81.6
SAUDI ARABIA	24,573	25.9	7,176 <sup>d</sup>	55.8
UAE	4,496	71.4	1,356 <sup>d</sup>	89.8
<b>All GCC countries</b>	35,862	35.7	11,103	About 70.0

Sources:

<sup>a</sup> UN (2006 a)<sup>b</sup> PACI (2004, 2005)<sup>c</sup> Kapizewski (2001)<sup>d</sup> ESCWA (2001)

**Table 2. Male and Female Unemployment among Ages 15+ (%)**

<u>Country (Year)</u>	<u>Males</u>	<u>Females</u>
Bahrain (1991)	5.2	11.8
Kuwait (1999)	0.8	0.7
Oman (1996)	14.2	37.0
Qatar (2001)	2.3	12.6
Saudi Arabia (2000)	3.8	9.3
UAE (2000)	1.7	2.6

Source: UNESCWA (2005)

Table 3- View and policy on immigration and emigration levels in the GCC countries, 2005

Country	Immigration levels		Emigration levels	
	View	Policy	View	Policy
	2005		2005	
<b><u>GCC countries</u></b>				
Bahrain	Satisfactory	Maintain	Satisfactory	No intervention
Kuwait	Too high	Lower	Too low	No intervention
Oman	Too high	Lower	Satisfactory	No intervention
Qatar	Too high	Lower	Satisfactory	No intervention
Saudi Arabia	Too high	Lower	Satisfactory	Lower
United Arab Emirates	Too high	Lower	Satisfactory	No intervention

Source: UN (2006 b)

Table 4 – Additional specific policies and emigration, 2005

	Bahrain	Kuwait	Oman	Qatar	KSA	UAE
<u>Immigration policies</u>						
Permanent settlement	-	Lower	Lower	-	No intervention	-
Temporary workers	Lower	Lower	Lower	Lower	Lower	Lower
Highly skilled workers	-	Maintain	Maintain	Maintain	Lower	Lower
Family re-unification	Maintain	Maintain	Maintain	Lower	Lower	Lower
Integration of non-nationals	-	Yes	No	-	Yes	-
<u>Emigration policies</u>						
Encouraging return of nationals	-	No	No	-	Yes	Yes

Source: UN (2006 b)

**Table 5. Occupational Distribution of Kuwaiti Males and Females, 2005(%)**

<b>Occupation</b>	<b>Males</b>	<b>Females</b>	<b>Total</b>
Professional and Technical	19.1	41.6	28.3
Administrative and Managerial	3.3	0.7	2.3
Clerical	51.9	43.8	48.6
Sales	1.3	0.2	0.9
Services	11.0	2.6	7.6
Agriculture and Fisheries	0.1	0.0	0.1
Production and Labor and others	7.7	1.2	5.0
Not known	2.5	4.9	3.5
Unemployed	3.0	5.1	3.9
<b>TOTAL</b>	<b>189070</b>	<b>131441</b>	<b>320511</b>

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

<b>Occupation</b>	<b>Males</b>	<b>Females</b>	<b>Total</b>
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
<b>TOTAL</b>	<b>1188277</b>	<b>307304</b>	<b>1495581</b>

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

Occupation	Males		Females		Total	
	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
<b>Total (%)</b>	<b>89.3</b>	<b>10.7</b>	<b>89.9</b>	<b>10.1</b>	<b>89.6</b>	<b>10.4</b>
Total number	163,790	19,588	112,263	12,512	276,053	32,100

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

Policies aimed at affecting:	
Supply of foreign workers	Demand for indigenous workers
<ul style="list-style-type: none"> <li>● Direct and indirect taxes on migrant workers (e.g. health fees)</li> <li>● Periodic amnesties</li> <li>● Stricter regulation of visa issuance in sending countries</li> <li>● Restrictions on visa trading; stricter implementation of laws</li> </ul>	<ol style="list-style-type: none"> <li>1. Creating job opportunities for nationals                             <ul style="list-style-type: none"> <li>● Vocational training for nationals</li> <li>● Enhancing private sector benefits</li> </ul> </li> <li>2. Encouraging nationalization through market based measures                             <ul style="list-style-type: none"> <li>● Fees for employing expatriates</li> <li>● Cash benefits for employing nationals</li> </ul> </li> <li>3. Forcing nationalization of labour force through administrative measures                             <ul style="list-style-type: none"> <li>● Nationalization of the public-sector work force</li> <li>● Quotas on expatriates</li> <li>● Quotas on employment of nationals</li> <li>● Ban to hire expatriates in certain sectors</li> <li>● Tightening of immigration legislation</li> </ul> </li> </ol>

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

## Appendix

### DATA SOURCES TO GUIDE POLICY

Within the GCC countries, information about the stocks, flows and characteristics of migrant workers is potentially available from at least three different sources that routinely collect such data, namely

- i) Periodic population censuses
- ii) Entry and exit data from the Ministry of Interior
- iii) Civil registration data in some countries (e.g., Kuwait)

**i) Population Censuses and related publications:** Starting in the 1960s and 1970s, Censuses have been conducted periodically in each country. However, the regularity and detail of information has varied across countries (Kapizewski, 2001). Population censuses collect the usual socio-demographic information on items such as age, sex, nationality, marital status, school enrolment, education level, and occupation. Tabulations, usually broken down by nationals and non-nationals, are published for various characteristics. Data are usually not published according to the specific nationality of origin of migrant workers, even though this information is available in the database. In case of Kuwait, which has one of the best systems of data collection, some tabulation has been provided according to the continent of origin such as Asia, North America, and Australia etc.

**ii) Ministry of Interior Data Collection:** The Ministry of Interior (or another immigration related Ministry) now collects computerized information on each person who enters or leaves the country. In case of non-visitors, i.e., residents of each of the Gulf countries, a residence permit (*iqama*) is mandatory for legal stay and is issued by the relevant agency upon the request of the sponsoring agency or person. In all the GCC countries, an *iqama* is required for each worker as well as each dependent. The *iqama* is issued under the sponsorship of the employer which can be an institution (e.g. A University, or Ministry of Health) or a private employer (e.g., a car dealer who should have obtained a license to hire the foreign worker). In case of domestic workers, the *iqama* is issued under the sponsorship of the private employer. For visitors, a visit visa is issued, usually for no more than three months. An *iqama* is issued for the length of the contract period and must be canceled before the final departure of a person from the

country. Contracts for expatriates usually range from one to two years, as mentioned earlier. Only workers earning an income above a specified minimum level are allowed to bring their family with them. In Kuwait, for example, those earning a monthly salary less than KD 250 (US \$ 850) in the government sector or KD 450 (US \$ 1530) in the private sector can not bring in their family. For the dependents of a worker, he/she is the sponsor. In case of an expatriate's children, the sons can stay in the country until they reach age 21 and daughters until they get married.

For each resident the Ministry of Interior collects basic socio-demographic information such as age, sex, nationality, and marital status. This information is, however, used only for official purposes and no routine publications are provided on the basis of such data. Occasionally, newspaper articles may report the number of nationals from different countries.

**iii) Civil Identification Information:** In some countries, such as Kuwait, a system of civil registration that collects, and publishes, basic civil information for each resident (national as well as non-national) has emerged over the last 15 years or so. An independent, semi-autonomous authority, known as the Public Authority for Civil Information (PACI) has been created by the Kuwaiti government for this purpose. A civil identification (ID) card that is required for most transactions within the country must be applied for within one month after the *iqama* is issued. Delay in obtaining the civil ID card results in a fine. The PACI database is fully computerized and is linked to the Ministry of Interior database by a unique number.

Beginning in 1989, the PACI in Kuwait has been publishing an annual report on population and labor force statistics which is available for public use. Annual reports were not published for the period from 1990-93 owing to the first Gulf war when Iraq occupied Kuwait. The PACI annual report provides tabulations on characteristics such as age, sex, marital status, educational level, occupation, industry, and sector of economic activity for Kuwaiti nationals and non-nationals. No tables are published according to the specific nationality of major migrant groups. Some tables are available according to the continent of origin.

### **International Data Sources**

Published comparative data for the six GCC countries is rare. In terms of the stocks and flows of migrants from various countries, there is no regular publication within the region that provides comparative migration data. At the international level, at least three data bases may be identified as constituting important sources of information on the stocks and flows of migration in the region. First, the United Nations Economic and Social Commission for Western Asia (ESCWA) that published information on major socio-demographic characteristics of the populations of the member states, disaggregating it by nationals and non-nationals. After 2001, ESCWA discontinued the publication of this series making it even harder to analyze migration to various Gulf countries. ESCWA, however, did not provide any information on stocks of migrants by nationality, even in terms of Arab/non-Arab background, or on country of origin. Second, the International Labor Organization (ILO) provides information through its International Labor Migration data base (<http://www.ilo.org/public/english/protection/migrant/ilmdb/ilmdb.htm>) for several countries on the annual flows and stocks according to the major countries where migrants currently reside. Only three of the six GCC countries are listed in this database, and limited data are available only for very general and broad items. Finally, the United Nations Population Division periodically publishes data on the migration stocks, flows and policies of various countries. Data of international agencies are based on information provided by national governments who usually obtain such information from their Labor and Manpower ministries, or through specific statistical bodies within certain ministries.

International surveys on migration are rare. Periodic efforts by academic institutions and other agencies have resulted in the publication of books that enable us to piece together a picture of migration patterns in the GCC countries (e.g., Arnold and Shah, 1986; Birks and Sinclair, 1980; Serow et al, 1990; Longva, 1997; Kapiszewski, 2001). However, there is no international agency with the primary goal to collect, compile, publish and analyse migration dynamics in this region.

Some agencies and individuals have made an effort to provide a compilation of migration statistics, trends, and policies. Three different sources that have been providing electronic information for several years are as follows. The first one is a compilation of

news items by the Center for Immigration Studies (CIS) in Washington, D.C. sent on a weekly basis to interested recipients. The second is a monthly newsletter published by the University of California at Davis, produced under the leadership of Philip Martin. The third is a bi-monthly newsletter from the Scalabrini Migration Center in the Philippines on Asian Migration News (AMN). All these sources provide very useful information for various parts of the world including the GCC countries. Their information is especially helpful in terms of gathering and disseminating information from media reports and unofficial channels.

GCC countries vary in terms of the detail and regularity with which they collect information. This is in turn reflected in the detail and reliability of the data compiled by international agencies. In Saudi Arabia, the largest receiving country in the Arab world, current population size is a "state secret" according to Courbage (1999). Lack of published evidence on the nationality composition of the residents in Saudi Arabia makes it difficult to attach full credence to the available data. Among the GCC countries, Kuwait has a fairly large amount of regularly published data. However, it also presents a problem in terms of analysis beyond broad categories since it does not publish any data according to country of origin, as mentioned earlier. Furthermore, the definition of who constitutes a Kuwaiti national has undergone change during the last two decades with the exclusion of stateless persons from the Kuwaiti category, thus resulting in some confusion. A careful examination of the data sources and quality of various GCC countries led Evans and Papps (1999) to conclude that with the exception of Kuwait, "official sources of data on national and non-national populations of GCC countries provide fragmentary, intermittent and often unreliable information".

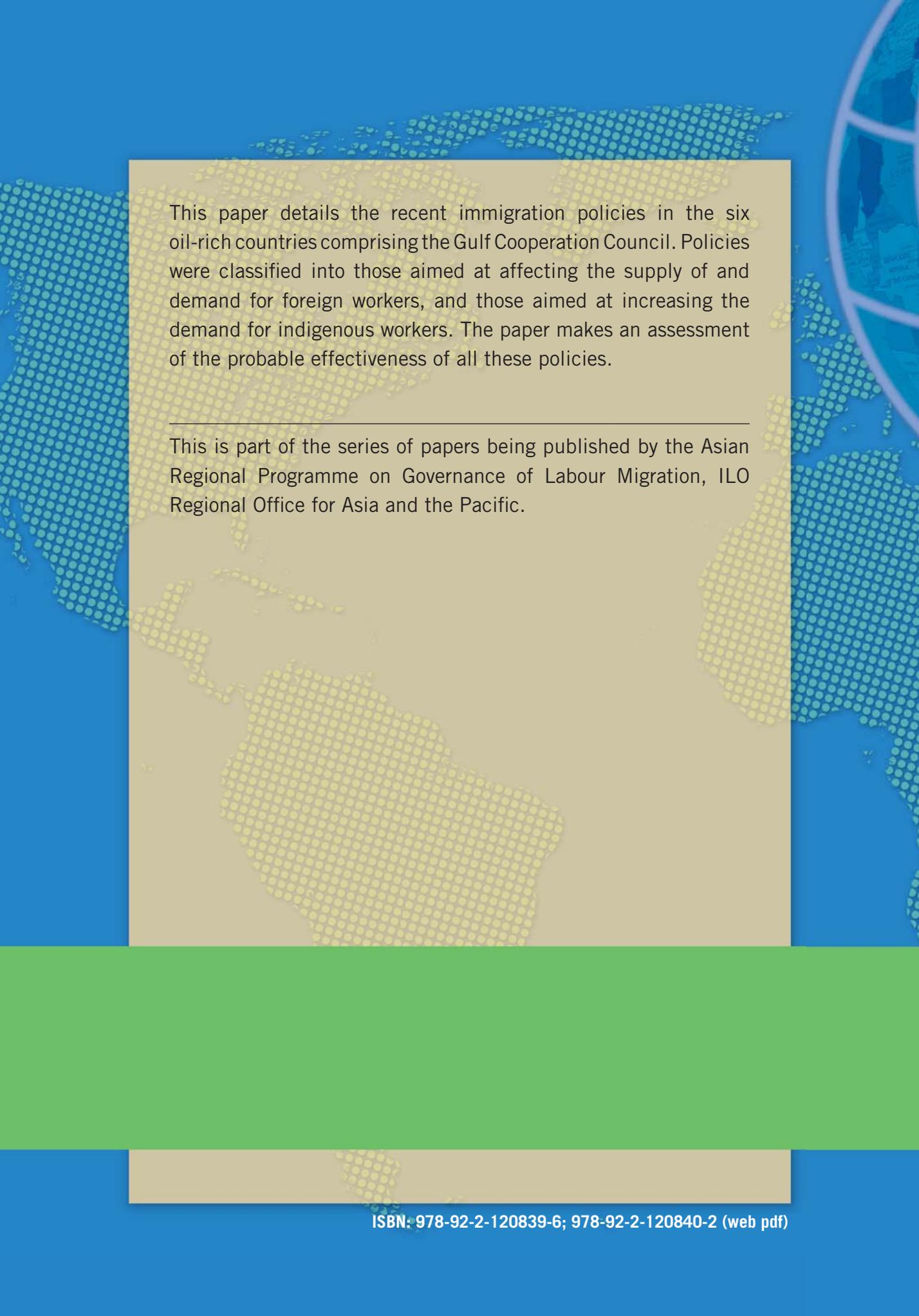
Conclusions on the current situation of migrant stocks and flows, or characteristics of migrants must therefore be pieced together from diverse sources, including newspaper reports which may sometimes lack the desired amount of accuracy. Lack of timely and routinely available data on the subject makes the analysis of trends especially difficult. Also, a discrepancy between different data sources complicates the task of drawing any final conclusions about the preponderance of migrant workers and their dependents in the Gulf. Media reports are not always consistent about the total number of foreigners in the total population or the labor force. Data sources also differ in

terms of the percentage of the private sector comprised by Saudi nationals from 5-13 %. Hence, several questions remain about the reliability of the data presented by various sources.

The dearth of published information is a serious handicap in analyzing the trends and patterns relating to the stocks and flows of migrants in the Gulf. When reviewing estimates provided by different authors, one is faced with inconsistencies that are hard to explain. No single, reliable data source is available for a consistent analysis of trends and composition. In their efforts towards better cooperation the development of an accurate, comparative database on migration statistics that could guide policy does not appear to be a priority. The major efforts at cooperation are usually limited to better border controls.

The GCC countries do have the financial and technical resources to develop a good database. It also has the electronic ability and expertise. It needs to mobilize the political will and create the necessary administrative mechanisms that may enable an improvement in migration statistics, both within each country and in a comparative manner. United Nations agencies within the region, such as ESCWA, could be requested to provide the necessary technical support, if needed. If such a database is developed and made available to the public, interested researchers could conduct the necessary studies that may provide the analysis for more objective and evidence-based policy making in future.





This paper details the recent immigration policies in the six oil-rich countries comprising the Gulf Cooperation Council. Policies were classified into those aimed at affecting the supply of and demand for foreign workers, and those aimed at increasing the demand for indigenous workers. The paper makes an assessment of the probable effectiveness of all these policies.

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