Labor Migration in the GCC Countries: past, present and future

by George Naufal\textsuperscript{1,2} and Ismail Genc\textsuperscript{3}

The Gulf region consists of six countries which make up the Gulf Cooperation Council (GCC), namely, the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia (KSA) and the State of the United Arab Emirates (UAE).\textsuperscript{4} The Council intends to unify the member countries on a range of political and economic issues of which labor, especially foreign labor forms the most prominent concern.\textsuperscript{5} This is because all of these countries rely on the foreign labor force to man their tremendously large economies compared to indigenous populations. Not only are the countries relatively new in the international political landscape, but they lack educated and competent talent to handle the challenges and opportunities that a natural resource economy presents.\textsuperscript{6} For example, other than Saudi Arabia, the remaining countries gained their independence in 1971 (Oman in 1964). The large oil wealth, the insufficient local population, relatively high labor compensation, and stable political environment in the GCC have come together to open the door to one of the largest

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\textsuperscript{4} For a macroeconomic analysis of the GDP of the GCC countries altogether, see Genc and Termos (2011).
\textsuperscript{5} For legal reasons, foreign laborers are called expatriates in the GCC as they are not allowed to immigrate to the countries they work. They are there at the status of “guest workers” for which reasons a better term is “expatriates” to convey the transitory nature of the work environment. Nevertheless, we will use all these concepts for academic purposes only as they are understood in the literature.
\textsuperscript{6} The GCC crude oil production as a share of the world’s production in 2010 is 21 percent (Naufal and Genc, 2012).
movement of people in recent history. These are some of the most frequently cited reasons for migration in the literature.\(^7\)

Although the reliance on expatriates is less severe in Saudi Arabia and Oman with under 30 percent of the foreign labor force, the percentage of expatriates hovers around 90 percent in Qatar and 70 percent in the United Arab Emirates (UAE) and Kuwait. These figures have built up over time thanks to the conditions mentioned above. However, the stock of the expatriate labor force evolved over the course of history with the addition of people from different national backgrounds. The researchers have identified three different waves /strands of migration to the Gulf region, which can be stated in the form of the following hypotheses:\(^8\)

H1. Before 1990s, there were large numbers of Arabs in GCC

H2. Arabs used to come as families

H3. After the fall of communism (1989), females from former communist countries (Eastern Bloc) came to the GCC.

The next section discusses migration trends to the GCC countries in more detail and specifically explores the three hypotheses listed above.

**Trends in the Migration History of the GCC**

We collect data on migration to the GCC from the World Bank’s World Databank covering Global Bilateral Migration for the period of 1960-2000 decade by decade. We concentrate our attention to three different regions of the world which send laborers to the GCC countries, i.e. the


\(^8\) See Naufal and Genc (2012) and references therein for a detailed discussion on the issue.
Asian countries (Group 1), Arab countries (Group 2), and Eastern Bloc countries (Group 3). These are the most frequently cited labor sending regions of the world to the Gulf.\(^9\)

The first group (Group 1) includes Bangladesh, India, Nepal, Pakistan, Philippines, Indonesia and Sri Lanka. The second group (Group 2) has Egypt, Jordan, Lebanon, Sudan, Yemen, Morocco, and West Bank and Gaza (as Palestine). And the third group (Group 3) includes Bulgaria, Kazakhstan, Moldavia, Poland, Romania, Russia, Tajikistan, and Uzbekistan. It goes without saying that this is not an exhaustive list of the countries which send labor to the region. For example, there are guest workers at many levels of business and academia from the western countries, as well. Nevertheless, the list for which we gather data is pretty comprehensive.\(^10\)

Immigrant population is firstly, divided into groups of males and females and secondly, totaled by the country groupings indicated above. As we lack a frequently observed dataset we resort to the growth rate, \(g_X\), formula for a variable of interest, say \(X\), which allows non-consecutive observations yielding annual growth rates:

\[
g_X = \left(\frac{X_t}{X_s}\right)^{\frac{1}{t-s}} - 1
\]

where \(t\) and \(s\) are two dates (years), which are not necessarily consecutive but where \(t > s\). The next sub-sections examine the empirical validity of the three hypotheses listed above as they are portrayed by literature on migration. .

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\(^9\) Genc and Naufal (2013).

\(^{10}\) Further, these countries are at the heart of the migration and development research agenda that Clemens (2013) passionately called the GCC countries to consider.
H1. Before the 1990s, there were large numbers of Arabs in the GCC

To test our first hypothesis, we compute the annual growth rate of various expatriate groups who were in the GCC at different time intervals based on the aforementioned formula. The results are in Table 1. Arabs and Asians were major immigrants in the region due to historical, geographic and cultural reasons. This trend continued well into 1990s supported by the economic windfall of the region thanks to its natural resources, in particular the oil and natural gas. This phenomenon is clearly observed in Table 1 as the growth of Asians and Arabs are almost identical prior to the 1990s. Eastern Bloc countries are latecomers to the labor markets in the Gulf as the table attests. Nevertheless, there is a dramatic shift in the source of labor in the GCC in the 1990-2000 period. Although all immigrant categories suffered heavy losses in the latter period, the decline in the Arab group is much more pronounced than in other groups. Naufal (2011) and Naufal and Genc (2013) also arrive at the same conclusion by studying the change of direction in the remittances in the Middle East and North Africa (MENA) region. Given that the GCC constitutes a significant portion of the remittance sending countries in the MENA, the non-GCC countries are the major beneficiaries of the operation. The authors observe that there is a structural break in remittances around the 1990s, where the largest portion of remittances thereof leaves the region, presumably heading to Asia. This finding is anything but the anomaly as shown in the existing literature. For example, Choucri (1986), Birks, Seccombe and Sinclair (1988), and Kapiszewski (2004) have all made similar observations around this time frame.
Table 1: Annual Growth Rates of Various Expatriate Groups at Different Time Intervals (percent)

<table>
<thead>
<tr>
<th>Period</th>
<th>Female</th>
<th>Male</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Arabs</td>
<td>Asians</td>
<td>EB</td>
</tr>
<tr>
<td>60-90</td>
<td>13.68</td>
<td>14.18</td>
<td>9.90</td>
</tr>
<tr>
<td>90-2K</td>
<td>1.05</td>
<td>2.23</td>
<td>1.28</td>
</tr>
</tbody>
</table>

Notes: Period refers to the beginning and the end of the years for which the growth rate is computed. The 60-90 is the 1990 to 1960 period while 90-2K refers to the 2000 to 1990 period. EB stands for Eastern Bloc. Source: World Bank.

To reiterate our point, we display the immigration data in Figures 1-3. We equate the initial observation in 1960 to 100 to discern the pattern of growth over time. In the female category of workers, Arabs make up the majority until the 1990s after which Asians take over. Asian female labor migrant population growth rate surpasses that of Arabs earlier than the 1990s. We conjecture that the earlier shift in the labor policy of the Gulf as stated in Choucri (1986) must be due to the impact of the change in the female population. Those who find the shift in later times are probably observing the behavior of the male migrant population whose growth rate among Arabs decline after the 1990s as compared to Asians. This claim is further supported by the same behavior discerned for the All migrant graph.

Figure 1: All females

Females

NB: 1960 value is equated to 100.
The migration literature lists political and economic causes behind the shift in the employment policies of the GCC countries (Russell 1989 and 1992). Those who prefer the political explanation cite the First Gulf War, which divided GCC and non-GCC MENA countries in, broadly defined, opposite camps. After the war, GCC countries retaliated with deporting citizens from countries which did not align with the position of the GCC. Those who advance economic
explanations for the change in the labor policies cite the well-known financial portfolio theory which advocates the diversification of financial investment for the purposes of risk aversion (or at least risk minimization). By that logic, it is not wise to rely on a small number of countries to meet the labor needs of the region, which would mitigate the bargaining power of the Gulf in labor negotiations with labor sending countries.\(^\text{11}\)

On a side note, we would like to address a likely observation of readers regarding the tremendous decline in the growth rate of immigrants in the 1990-2000 period compared to before. There could be several explanations. One of them is that perhaps it took a long time for foreigners to come back to the GCC in the aftermath of the war in the Gulf in 1991. Or alternatively, we can say that the labor market in the region has attained a somewhat steady state given the more mature economic structure in the post-1990s period versus the earlier times. Therefore, the region now needs less growth in the labor force, especially foreign labor to satisfy the demand. All in all, one finds that the population growth rate of the region in the 1960-1990 period is 5.1 percent, whereas it is more than halved in the 1990-2000 period with 2.2 percent. Additional support for this observation comes from the UN migration data which finds even negative net migration stock for the 1990-1995 and 1995-2000 periods.

\(H2.\quad\text{Arabs used to come as families}\)

Our second hypothesis points to a typical family structure in the Middle East. Arab men do not travel abroad without the family, especially if the workplace is in the Middle East. Unfortunately, we do not have historical data on the family composition of the expatriates in the region. To prove the validity of this claim, then, we proxy the family structure by computing the difference between the numbers of male and female migrants in the GCC for the two largest groups, that is, Arabs and Asians. No one would deny the fact that males and females do not

\(\text{\(\text{11}\) This could be thought as the typical case of a monopoly.}\)
necessarily represent families, but given Arab culture, chances are the foreign Arab women in the region are with their families. Hence, as shown in Table 3, the male-female difference among the two largest expatriate groups in the Gulf seems to be always greater/larger on the Asian side. We can guardedly say that there is at least some evidence that Arabs came to the Gulf with their families.

Incidentally, some researchers emphasize a particular characteristic of the Arab labor force, which is their tendency to stay on in the region rather than leave. This, then, counters the notion of the “guest worker” idea that the policy makers in the region have in mind when importing foreign labor. Therefore, Asian workers are more readily willing to come to the Gulf for a transitory period and return home after their visa expires.12

<table>
<thead>
<tr>
<th>Year</th>
<th>M-F Asia</th>
<th>M-F Arab</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>35157</td>
<td>22075</td>
</tr>
<tr>
<td>1970</td>
<td>110761</td>
<td>109966</td>
</tr>
<tr>
<td>1980</td>
<td>583272</td>
<td>541133</td>
</tr>
<tr>
<td>1990</td>
<td>1360446</td>
<td>1289434</td>
</tr>
<tr>
<td>2000</td>
<td>1726037</td>
<td>1470383</td>
</tr>
</tbody>
</table>


H3. After the fall of communism (1989), females from former communist countries (Eastern Bloc) came to the GCC

It stands to reason that labor migration from the former communist (Eastern Bloc) countries to the Gulf increased after the fall of communism. In general, this is justified based on the fact that the fall of the economic system in the Eastern Bloc countries removed the government safety network which was taken for granted by the citizens of those countries. The pain was probably

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12 This should not, however, give the wrong impression that everybody duly obeys the law. See, inter alia, Kapiszewski (2001), Shah (2008), and Shaham (2008).
more severely felt by women.\textsuperscript{13} The fall of communism also opened up the door for its citizens to pursue opportunities in other countries.

All of these are reasonable arguments to explain why migration from the Eastern Bloc has increased in the post-communist era. However, it is hard to see that from Figure 4. As a matter of fact, Figure 4 shows that female migration from the former Eastern Bloc countries to the Gulf has slowed down in the 1990-2000 period more than that of the males. But a closer look at the female migration to the region, via Table 4, reveals that while Eastern Bloc women were the third largest group of female migrants to the region in 1960-1990 period, they rank the second in the 1990-2000 period. More interestingly, as shown in the last column of Table 4, Eastern Block women seem to be the least affected from the declined migration in the latter period compared to the two other migrant groups. In a related work, Shah (2004) finds that women constitute a small share of the expatriates in the GCC and they are largely employed in low-paying domestic work. This claim is not necessarily shared by Gene and Naufal (2013).

\textsuperscript{13} McMurray (1999) believes that the fall of communism and the rise of Chinese entrepreneurship have significantly contributed to the so-called “womanization of the workforce” in the GCC countries. Naufal and Genc (2012) observe that the policies put in place by local governments encouraging female labor force participation in part to reduce dependence on foreign labor is a strong factor in the womanization process.
While the previous analysis has provided new data evidence on migration trends in the GCC countries, the next section provides a brief summary of current demographics of foreign workers in the Gulf region.

**Current Labor Force Profile**

Since we discussed the migration trends in previous sections, we now would like to turn to the current picture in the region. Obviously, we need data on current statistics to conduct this analysis. However, one of the main difficulties in studying migration and labor markets in the Gulf region is the lack of data available. The GCC countries have not systematically collected and disseminated data on foreign workers residing in the region. With the advancement in the
World Wide Web, several of the GCC countries have slowly started to share some information using their government institutions’ webpages.\textsuperscript{14} Although the data shared does not provide enough in-depth coverage of the foreign and local labor force and is difficult to match across the GCC countries, it is still considered a step in the right direction. Having said that, that step is still far from doing justice to the importance of the region in current international migration flows. To complement official efforts to disseminate existing migrant data, the Gulf Research Center (GRC) and the Migration Policy Centre (MPC) at the European University Institute (EUI) have just launched the Gulf Labour Markets and Migration (GLMM) initiative to collect, organize, clean and disseminate data on Gulf labor markets.\textsuperscript{15} The following section uses data from both official and GLMM sources in order to shed light on the demographics of the foreign population in the Gulf.

Figure 5 shows the latest estimates of the share of foreigners from the total population in each GCC country in 2013 for Oman, Kuwait and KSA. In the case of Bahrain, Qatar and the UAE, the number reflects 2010 values. Foreigners constitute on average 62 percent of the population in the Gulf region with the highest found in the UAE, Qatar and Kuwait. If one puts these figures in terms of absolute numbers, then the Gulf region is home to more than 30 million migrants.

\textsuperscript{14} Some of these initiatives include Open data platform in Bahrain, government online in Kuwait, Omanuna initiative in Oman, Qatar census in Qatar, Saudi in KSA and the National Bureau of Statistics in the UAE.

\textsuperscript{15} The GLMM website can be seen at www.gulfmigration.edu, at this moment it only includes data on Kuwait, Qatar, Saudi Arabia and some aggregate statistics on the region.
An interesting aspect of migration to the Gulf region is its distinct gender bias towards males. Most of the low skilled jobs are manned by South Asian men while female migration from neighboring Arab countries is more difficult due to traditional and cultural reasons. Figure 6 highlights this gender imbalance by showing a ratio of more than four foreign men to one foreign woman in half of the GCC countries (Oman, Qatar and the UAE). The smallest migrant gender disproportion is found in Kuwait but the number of men is still twice that of women. The gender distribution of migrant workers is consistent with the shift in the source of labor from Arab towards South-Asian workers. The skewed distribution of migrant population by gender is also mirrored in the age distribution with more than 80 percent of foreigners being of working age.

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16 The data for Bahrain and the UAE reflect 2010 statistics, Kuwait and Qatar reflect 2012 and Oman and Saudi Arabia’s numbers are for 2013.
(between 15 and 64) (Figure 7). Interestingly, the share of the population above 65 is very similar across nationality, reflecting a very young local population.

Figure 6: Sex Ratio by Nationality

Nationals and Non-Nationals Sex Ratio

<table>
<thead>
<tr>
<th>Country</th>
<th>Men per 100 Women</th>
<th>Nationals and Non-Nationals Sex Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>293</td>
<td>101</td>
</tr>
<tr>
<td>Kuwait</td>
<td>209</td>
<td>93</td>
</tr>
<tr>
<td>Oman</td>
<td>569</td>
<td>102</td>
</tr>
<tr>
<td>Qatar</td>
<td>466</td>
<td>99</td>
</tr>
<tr>
<td>KSA</td>
<td>287</td>
<td>102</td>
</tr>
<tr>
<td>UAE</td>
<td>420</td>
<td>100</td>
</tr>
</tbody>
</table>

*Blue: Expatriates Red: Local Population*

*Source: GLMM Database – Demographic and Economic Database 2014*
While Figures 5-7 have focused on the demographic side of the total population in the GCC countries, Figure 8 presents the distribution of the employed population. In all GCC countries, working foreigners outweigh the number of working locals, with large differences in all of them (foreigners constitute at least 70 percent of the working population) except in Saudi Arabia. Out of the employed population in Qatar and the UAE, more than 90 percent are foreigners.
All the previous statistics and figures divide the population into nationals versus non-nationals. Historically, most GCC countries did not publicly provide in-depth breakdowns between nationals, using instead a more generic distribution for national security concerns. We use Kuwait as a case study due to the availability of data that includes the distribution of foreigners by ethnicity. Figure 9 presents the share of Arabs, Asians, Westerners and Africans out of the total foreign population. This means that 55 percent of the foreign population comes from Asian countries (mainly South Asian countries) while 41 percent comes from neighboring Arab countries.
In terms of gender, Asian females constitute 17 percent of the foreign population while Arab females make up 14 percent. Males constitute 66 percent of the foreign population. Finally, out of the total foreign population, 48 percent is the share of employed Asians while the figure is 20 percent for Arab workers. This suggests that 29 percent of foreigners in 2012 were not employed. Although not reported in Figure 9, out of the foreign Arab population, 49.7 percent were employed in 2012 while for Asians workers, this number was 86.8 percent. The large discrepancy between the percentages of Arabs versus Asians working is due to fundamental differences in migration patterns, skill levels and cultural distinctions; all documented in the Gulf migration literature.
Figure 10: Unemployment Rate in Kuwait (2012)

Unemployment Rate in Kuwait

<table>
<thead>
<tr>
<th></th>
<th>Kuwaiti Male</th>
<th>Kuwait Female</th>
<th>Foreigner Male</th>
<th>Foreigner Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate for 2012</td>
<td>2.6%</td>
<td>3.6%</td>
<td>1.2%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: GLMM Database – Demographic and Economic Database 2014

Figure 11: Labor Force Participation Rate in Kuwait (2012)

Labor Force Participation Rate in Kuwait

<table>
<thead>
<tr>
<th></th>
<th>Kuwaiti Male</th>
<th>Kuwait Female</th>
<th>Foreigner Male</th>
<th>Foreigner Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Force Participation Rate for 2012</td>
<td>36%</td>
<td>30%</td>
<td>84%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Source: GLMM Database – Demographic and Economic Database 2014
We next look at the unemployment and labor force participation rates in Kuwait for 2012. Figures 10 and 11 show that unemployment rates for both Kuwaitis and foreigners are very similar and vary between 1.2 percent and 3.6 percent. Female unemployment rates are higher. The picture is very different when one considers the labor force participation rates. Male foreigners have the highest participation rates (84 percent) while both male and female Kuwaitis have 36 and 30 percent rates of participation. Even foreign female participation rate is higher than 50 percent. It would be interesting to further examine the foreign female participation rate by Arab and Asian ethnicity, but unfortunately the data is not available.

We then focus on the occupation of the main three components of the population: Kuwaitis, Arabs and Asians. The last two constitute more than 95 percent of the foreign population living in Kuwait in 2012. Table 5 highlights the distribution of workers by occupation. We only show the percentage if it is at least 10 percent to avoid cluttering the table and to allow the reader to clearly distinguish the difference in occupations by nationality and gender. For instance, 32 percent of Kuwaiti males work as clerks. What is clear from Table 5 is the concentration of Kuwaitis in the upper level occupations such as professionals, technicians and clerks while Arab and Asian males are found in the production sectors. Arab females work as professionals, service work or are not stated while Asian females are mainly found in service and sales work.
Table 5: Occupation by Nationality and Gender – Kuwait 2012

<table>
<thead>
<tr>
<th></th>
<th>Kuwaitis Male</th>
<th>Kuwaitis Female</th>
<th>Arabs Male</th>
<th>Arabs Female</th>
<th>Asians Male</th>
<th>Asians Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Officials and Managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professionals</td>
<td>12%</td>
<td>26%</td>
<td>12%</td>
<td>29%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technicians</td>
<td>15%</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clerks</td>
<td>32%</td>
<td>52%</td>
<td>11%</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service/Sale Workers</td>
<td>31%</td>
<td>19%</td>
<td>14%</td>
<td></td>
<td>24%</td>
<td>82%</td>
</tr>
<tr>
<td>Agriculture Workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Craft Workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Production Supervisors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12%</td>
<td>27%</td>
</tr>
<tr>
<td>Regular Work Professionals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Not Stated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21%</td>
</tr>
</tbody>
</table>

Notes: Authors’ calculations using data from the GLMM Database – Demographic and Economic Database 2014

While the above brief analysis has presented some data on the current population in the GCC and labor in Kuwait, one has to acknowledge the limitations of the data and therefore analysis.¹⁷

What is available on the foreign (and local) labor force in the Gulf region is scarce at best and mainly descriptive. The data cannot be used to draw comparisons across different GCC countries since they either differ by definition, collection, year or availability (Naufal, 2014). Further, the data is not good enough to examine correlations and causal effects to draw policy implications.

Despite the growing efforts in creating, organizing and disseminating data on migration in the Gulf, we are only at the beginning and there is still a lot left to do in order to be able to study the determinants and effects of migration and remittances in the GCC countries. Ultimately, these studies would bring policy recommendations to better deal with the challenges and opportunities that the region is facing. This is the main topic of the next section.

¹⁷ For a more thorough analysis of the latest available data on the Gulf region refer to Naufal (2014).
Challenges and Opportunities of the GCC Countries

The GCC countries embarked on ambitious development plans two decades ago, updating their infrastructure and building financial and tourist sectors. These projects have made the region one of the top labor-receiving regions in the world, second only to traditional and historical destinations (North America and Europe). These development projects, while significant and very ambitious, do not even come close to the ones the region is about to embark on in order to host the Dubai Expo 2020 and the World Cup 2022 in Qatar. With such tremendous expected growth, one has to wonder about future challenges and opportunities in its labor markets that the region might be facing.

We first identify the current and future concerns for local governments, i.e., the development of the local human capital. With cheap and abundant foreign workers available, the incentives for local labor to invest in its own human capital are weak. In fact, the GCC countries at this point can afford to be very meticulous and choosy in terms of whom to bring into the region, because they face an almost horizontal supply of labor. The Gulf region can import labor from all non-GCC Arab neighboring countries that are suffering from political instabilities (Egypt, Libya, Yemen, Syria, and Lebanon). In addition, other countries that are not struggling with instability are facing dire economic conditions. Difficult economic situations are being faced not only by neighboring Arab countries but also by South and East Asian countries (India, Pakistan, Bangladesh, Sri Lanka, the Philippines, and Nepal) and African countries Even Western countries have struggled with the latest economic and financial crisis (Spain, Greece, Portugal among others) giving the GCC countries a huge potential pool of skilled western workers, not just unskilled workers. In fact, one can estimate the size of the potential pool of foreign workers to exceed two billion people. Even though the GCC countries have an unlimited supply of labor at their disposal, local governments have invested heavily in human capital
development through education, training and initiatives to employ local labor in the private sector. So far, these initiatives have not brought the needed results (Naufal, 2014). In certain sectors such as health, the need for increased participation from the local labor market is very high. Due to the nature of migration to the region, most foreigners are temporary workers and therefore turnover is high. This brings additional costs and has long term consequences on areas like business reputation and quality of service, to name a few.

Another concern comes in the form of demographic changes in the local community. The GCC countries are experiencing declining levels of fertility over two decades that Western countries achieved over centuries. Late marriages and increasing levels of female education have contributed to this drop in fertility (Al Awad and Chartouni, 2010). With the exception of Saudi Arabia and the UAE, the GCC countries have a total population of fewer than 4 million. The local population is actually less than one million for each of the UAE, Qatar and Bahrain and is less than two million for each Oman and Kuwait.18 Facing a growing economy with declining fertility levels and an already small local population means that the Gulf region will always be depending on a large population of foreign workers. Given that expectation, better data on migration are crucial to not only study the effects of mobility and remittances on local Gulf economies, but also to contribute to the international debate on the relationship between migration and development. A recent study by Seshan and Yang (2014) is a fine example of desperately needed empirical evidence from the region.

Another consequence of demographic trends in the GCC countries is the changing role of women in the labor market. More local females are entering labor markets in the region. The increasing labor force participation rate of females in the Gulf does not only have implications on the fertility rate, but also on other social aspects such as the marriage market. More local

18 Authors’ calculations using GLMM database.
females are not only marrying at a later age, but are also marrying foreigners. This is contributing to a growing trend of local men choosing foreign women as wives. The GCC countries in the near future will face a growing generation of mixed locals, triggering a re-examination of national identity and belonging in the context of a population that is no longer as ethnically and culturally monolithic. In fact, the UAE government has not shied away from discouraging locals from marrying foreigners.\(^{19}\)

While demographic concerns will bring serious challenges to the local populations in the region, other economic worries are also looming on the horizon. Most of the economic growth and improved standards of living are reflections of the large supply of natural resources that the Gulf region enjoys, specifically hydrocarbon resources. Gulf countries have always relied heavily on the oil sector and while they have spent significant efforts to diversify the local economy, the region is still far from oil independence. What could potentially bring more competition to the GCC countries is the emergence of shale oil in several countries, specifically large economies such as the US (Sultan, 2013). The implications of shale oil and shale gas extractions in the Gulf region are still not clear and may remain that way in the near future. However, the GCC countries have to take into consideration possible long term repercussions on their budgets and the ability to maintain support for the local population.

**Conclusions**

In a relatively short period of time the Gulf region has positioned itself as the third most important labor importing region in the world. By embarking on ambitious development projects and taking advantage of regional factors the GCC countries were able to provide a safe haven for millions of workers over the last four decades. Large natural reserves endowment, significant

\(^{19}\) See Al Sadafy (2012) and Sherif (2012).
and continuous political instability in the region, and weak economic performance of neighboring economies all contributed to the status of the Gulf region as a labor destination hub. The movement of workers to the region was so large that it altered the demographic structure of the GCC countries. Foreigners constitute on average more than half of the population in the region and in some countries, they are more than 80 percent. The average male to female ratio is 3.7 across the Gulf and in some instances reaches as high as 5.6 (Oman).

This article examines three periods of this migration phenomenon. Firstly, we briefly summarize the history of labor migration to the region focusing on what made the Gulf a desirable destination for many. Secondly, we provide an update on the current situation of the labor force in the region focusing on Kuwait due to data availability. Finally, in the third part special attention is given to future opportunities and challenges that labor markets in the Gulf region are most likely to face.

What we find is that the region was an attractive migration destination for non-GCC Arabs for historical and cultural reasons until the early 1990s and they used to come with their families. However, the trend has changed thereafter. South Asians have become the most preferred source of foreign labor in the region, especially in the low-skilled labor market. The fall of communism has brought yet another wave of migration to the region from former communist countries (Eastern Bloc). While the source countries of labor differ over time, the reason for moving and the type of the move to the Gulf has not. People move to the region because of job opportunities and wage differential. The move is almost always temporary. The GCC countries do not offer an opportunity to permanently settle (citizenship).

This historical trend seems to have taken root in the region in terms of changing dynamics of the population and more importantly, in the labor force. Not only is the concentration of non-locals increasing in the region, but it is also changing demographic and life style tastes among
the locals. Governments’ efforts to induce local labor force growth and participation have not yielded the desired outcome so far and face tremendous challenges in the future. On one hand, foreign workers are simply cheaper to hire. They are more readily available, more flexible (in terms of geographical location), and are more experienced than their local counterparts. That said, every private business owner would have clear preference towards foreign workers versus local labor. On the other hand, working in the private sector is not appealing to the local labor force. The intensive job requirements (working hours and often work related stress), and lack of job security relative to the public sector, coupled with generous welfare system have directed the interest of the local workforce towards the public sector. The key struggle of the GCC governments is to alter the incentives of both, i.e., private business owners and the local labor force.

The Gulf region offers a fantastic opportunity to study migration. On one hand it hosts large numbers of foreign workers and is growing economically, but on the other hand it is constrained by a small local population. These three factors lead to a potentially increasing demand for workers. In other terms, the opportunity is here to stay. Unfortunately, most of the current research is descriptive and therefore highly speculative and the need for policy oriented academic studies should remain a priority not only for local governments but for international organizations as well.
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