COVID-19 and the Intensification of the GCC Workforce Nationalization Policies

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The countries of the Gulf Cooperation Council (GCC) have grown dependent on the migrant workforce to fuel their economic growth, with 35 million foreign migrants living in the GCC in 2019, according to the UN. In recent years, leaders of the GCC countries have grown wary of this increased dependence and have launched efforts to nationalize their workforce in an attempt to rectify the structural labour imbalances that have developed over the last few decades.

In particular, many GCC leaders are worried about social stability and have sought to address the high rates of unemployment among citizens, the education systems that fail to provide the skills and competencies required by the private sector, the striking gender imbalance in the workforce, and the low levels of private-sector employment among citizens.

These efforts at nationalizing the workforce have intensified in response to the recent COVID-19 crisis and the resulting plunge in oil prices and economic contraction, with the International Monetary Fund (IMF) reporting that the GCC economies will contract by 7.6% in 2020. This downturn is mostly evident in the tourism, aviation, and oil sectors, due to the decreased global demand for these services and resources. In response, some Gulf businesses have sought to pass the cost of the COVID-19-induced recession on to vulnerable workers by imposing unilateral pay-cuts and replacing migrants with nationals – a trend that has been witnessed in Saudi Arabia, but also in Bahrain, Oman, and Kuwait.

This latest wave of workforce nationalization has been accompanied by a surge in xenophobic discourse and a growing perception that has largely blamed the spread of the virus on migrants, particularly blue-collar workers. This is mainly due to the fact that a majority of these workers live under dire conditions in overcrowded accommodations, a few of which have emerged as hotspots for the spread of the coronavirus. The overall impact has been devastating for many migrant workers who have lost their jobs and have been repatriated to their home countries, often without receiving their legitimate wages, compensations, and benefits.

This paper examines the renewed momentum behind workforce nationalization policies and the expected wide-ranging socioeconomic implications of these measures on migrants, their families, and the GCC labour markets over the coming
months. It seeks to raise the question of how to strike a balance between the implementation of workforce nationalization policies while reducing the harm on migrants in view of the current lack of adequate governance structures, social protection mechanisms, and solidarity networks. It concludes by proposing a set of policy recommendations to the GCC countries that are pursuing such policies in order to improve the situation of these migrant workers in return.

**Seasons of Migration**

Migrants constitute almost half of the total GCC population, and the majority of GCC foreign workers are unskilled. Foreign workers started to migrate to GCC countries in the early seventies in the wake of the massive development plans following the oil boom and corresponding investment programs.

Migration toward GCC countries can be characterized by three major stages. The first stage was marked by a preference for migrants from Arab countries, including Yemen, Egypt, Palestine, Iraq, Syria, Lebanon, and Sudan, given the cultural and religious affinities. Yet, such a preference started to quickly diminish due to certain political and economic considerations, as they were viewed as more likely than Asians to voice out their concerns and to defend their workers’ rights and interests.4

The second stage was distinguished by a shift in the composition of migrant workers from Arab to Asian, mostly as they were viewed as a more passive and flexible workforce. The share of Arabs in the total migrant population thus decreased from 72% in 1975 to 31% in 1996, whereas the share of Asian migrants rose progressively.5 The availability of an affordable foreign workforce willing to accept blue-collar jobs, combined with attractive public sector job packages, enabled GCC citizens to limit their employment within the private sector or to only consider the most suitable positions within it.

Finally, the last stage of this migration trajectory was characterized by an emerging backlash against foreign migration as a whole and an inclination to adopt further restrictive measures that aim to encourage migrants to leave the region, with citizens coming to view migrants as direct competitors in the labour market and as a hurdle to achieving social cohesion with a shared identity.
It is worth highlighting the two-tiered migration system to GCC countries, whereby there is a small but educated migrant workforce centred around desirable and high-earning jobs with many benefits (and often referred to as expats), while low-skilled workers are constrained to vulnerable job categories and are prone to marginalization. This differentiation between migrants and expats, who are mostly Europeans or Americans, is inherently imprinted in Gulf labour relations, as the latter category is perceived more preferably by Gulf citizens. Now, the likely pattern resulting from the pandemic is the gradual repatriation of most of the high-skilled labourers, which could carry costs on the knowledge transfer and technology spillovers required to make the Gulf States’ 2030 visions and futuristic megaprojects, including the USD 500 billion city of Neom in Saudi Arabia, a reality.

The Ebbs and Flows of Workforce Nationalization Policies

Since the early 2000s, GCC governments have pledged to overcome three main challenges: reduce dependence on foreign labour; minimize their financial burden due to the outsized role of the public sector; and curb the outflow of remittances.

Labour nationalization programmes were then drafted and put into implementation to support the employment of GCC nationals within the private sectors. They acted as policies for the socio-economic protection of the national population through quota-based systems aimed at increasing the number of national employees by providing various incentives for companies to hire them.

The Gulf States never accommodated the idea of dealing with the labour shortage through facilitating mass naturalization programs of foreign labour due to concerns that such naturalization schemes would distort the existing social fabric. Therefore, each GCC government has launched its workforce nationalization scheme.

For instance, in early 2011, Saudi Arabia has established an employment system called “Nitaqat” that sought to incentivize local companies to employ Saudi nationals and absorb more Saudi job seekers. This was unprecedented in its size.
and scope and applied to all firms in the private sector with 10 or more employees, thus affecting 6.3 million Saudi and expatriate workers. The programme was later modified in 2016 to become part of the Crown Prince’s Saudi Vision-2030. The main ideas of the program are to impose workforce nationalization targets based on the firm’s size and type of industry and to enforce restrictive visa policies based on how firms performed relative to these targets. The companies are then grouped into four bands: Platinum, Green, Yellow, and Red, as per their calculated “job Saudization” rates. The top 5% of companies that are similar in terms of the Saudization criterion are placed in the Platinum band, whereas the lowest 5% are listed in the Red band.

The programme imposes sanctions on firms in non-compliance and provides incentives to those in compliance depending on the bands under which the companies fall under. Sanctions include the denial of new work visas and the non-renewal of existing visas for companies in the Red and Yellow bands. On the other hand, incentives for companies which are in Platinum and Green bands include unrestricted approvals of new visas and granting one new visa for every two foreign workers leaving the country on a final exit visa, as well as the grant of a one-year grace period if their municipal and professional licenses or commercial registrations expire. The concern, however, is that the Nitaqat system would put an increasing burden on the private sector by creating additional costs for companies.

Omanization, on the other hand, is implemented in the framework of the long-term national development strategy “Vision Oman-2020”, which outlines the diversification of the national economy over a 25-year timeframe. The plan aims to overcome the country’s heavy reliance on energy revenues by boosting the private sector, as well as training and increasing the employment of the national labour force. To hire foreign labour, companies need labour clearances that they can only receive if they comply with the Omanization pre-defined quotas for their sector. Additionally, employers are required to pay a fee equivalent to 7% of the expatriate worker’s salary into a special fund that is used to finance the vocational training system for local Omani citizens.

Nonetheless, many analysts believe that such interventionist workforce nationalization policies are prone to limited success as they fail to directly address
the structural constraints that drive the low participation of GCC citizens in the local labour markets. It is believed that mandatory quotas and the limitation of specific job categories to nationals have led to an uneven distribution of cost across different industries. They have also been challenging to monitor and have led to evasion practices and, in some cases, corruption between business entities and labour administrations - not to mention that enforced quotas have probably increased the informal employment of foreigners who do not officially appear on companies’ payrolls.\textsuperscript{12}

Workforce nationalization policies in the wider Gulf region are not new and enforcement has fluctuated with economic cycles as oversight of policies increases during financial downturns. It is noticeable now, however, that many countries in the GCC are making a renewed push towards the employment of national locals to promote their contribution to the economy in response to the recent COVID-19 crisis, driven by the slowdown in energy demand, tourism, and business travel. It is therefore important to scrutinize the current emerging trend towards accelerating the workforce nationalization policies in the GCC.

**COVID-19 as a Catalyst for Accelerating Workforce Nationalization Policies**

Since the pandemic emerged, oil prices have sunk and local jobs have evaporated, and analysts have described the current moment as a historic turning point for the GCC countries which are facing growing unemployment challenges, mostly among the millennial youth. These rentier economies, which are suffering continuous drops in oil revenues, cannot sustain providing welfare to their citizens and are seeking to further integrate them into the private sector while forcing foreign labour out.

Several GCC countries have used the pandemic to accelerate their efforts to reduce their migrant workforces by expanding their workforce nationalization schemes. Oman has pushed for the “Omanization” of delivery services and other work that can be easily carried by Omanis. Foreign employees working in Oman’s health sector have also been at risk due to the government’s proposal to hire Omanis in both technical fields and other managerial positions as part of the Sultanate’s jobs
localization plan.\textsuperscript{13} Saudi Arabia reserved employment to nationals in a number of sectors including the Saudization of 20\% of pharmacists.\textsuperscript{14} Furthermore, in early April, the Saudi government allocated more financial resources to the Saudi Human Resources Development Fund to help train 80,000 Saudi nationals. This effort was also intended to help reduce the country’s unemployment rate from 12\% to 10.5\% by 2022.\textsuperscript{15} Meanwhile, Saudi Aramco, the world’s biggest oil exporter, has also begun cutting hundreds of (mainly foreign) staff in several divisions.\textsuperscript{16}

Kuwait, on the other hand, announced plans to drastically cut the migrant proportion of its population from 70\% to 30\% and to stop issuing or renewing work permits for expats aged over 60 who do not possess a university degree, which could roughly halve its 920,000 Indians and 520,000 Egyptians - the two largest expatriate communities that have long been woven into Kuwait’s society and economy; there are currently around 3.4 million foreign workers among the total Kuwaiti population of 4.8 million.\textsuperscript{17}

In the UAE, where the economy is mostly dependent on the oil, tourism, aviation, retail, and construction sectors, many employees were obliged to leave their jobs under a new resolution that was passed by the Ministry of Human Resources and Emiratisation (MoHRE) which allowed firms and companies affected by the crisis to terminate the work contracts of non-UAE national staff, while assigning the “surplus staff” to the ministry’s virtual job market so that they can be hired by other companies.\textsuperscript{18}

Moreover, several Bahraini Members of Parliament have called to grant Bahraini nationals priority in getting jobs in the public and private educational sector as well as to increase Bahrainisation at private medical facilities to 50\%. Furthermore, in an attempt to reduce its fixed costs due to the economic fallout of the pandemic, the Bahrain Petroleum Company opted to terminate the contracts of hundreds of its foreign employees.\textsuperscript{19}

To a large extent, the urgency in passing such expat-focused legislations has also been triggered by a surge of xenophobic discourse and a growing perception that has falsely blamed the spread of the virus on migrants, particularly blue-collar
This is mainly due to the fact that a majority of these workers live under dire conditions in overcrowded accommodations, a few of which have emerged as hotspots for the spread of the coronavirus and caused a public health risk. This could have potentially increased resentment among parts of the local citizenry across the region towards the migrant population that was perceived to have added to the pressure placed on the country’s resources amid the current circumstances.

It is also interesting to note that such labour nationalization policies have been presented to the public under the frame of serving economic advantages as well as preserving the social stability of GCC nations through the exclusion of migrants. This proves that such policies have reinforced the perception of immigrants not as individuals who have contributed to laying the foundation for the society’s current state of welfare, but rather as a non-integral part of society and as dispensable unwanted Others.

It is important to point out, though, that the capacities of each country in the GCC differ in terms of adopting such workforce nationalization policies. Hence, while Qatar has been pushing to nationalize much of its workforce through the drafting of a decision to raise the proportion of Qataris to 60% of workers in State-owned enterprises or enterprises in which the State is contributing and in other entities that are subject to the retirement and pension law, this step is complicated by the fact that Qatar’s national population is just 300,000, meaning that it cannot realistically deliver on this or expect to efficiently replace migrant workers with nationals.

Qatar has also recently introduced major changes to its labour market following the adoption of Law No. 18 on 30 August 2020 by abolishing the requirement for migrant workers to obtain their current employer’s permission to change jobs, while also opting to adopt a non-discriminatory minimum wage of 1,000 Qatari riyals (USD 275) and ensuring that employers provide decent food and accommodation to their employees, a step that is considered by many observers as significant for the protection of migrant workers and dismantling the “Kafala” sponsorship system. This comes at a time in which Qatar is facing increasing attention and experiencing particular social and economic considerations, especially because it will host the World Cup in 2022, while being urged to promote
economic recovery from the fallout of the pandemic.

**Between a Rock and a Hard Place: Migrants Squeezed by COVID-19 and Workforce Nationalization Policies**

Although it is too early to grasp the full-scale of the negative impact of COVID-19 and the workforce nationalization policies on migrant workers, this crisis has already exposed the long-standing vulnerability of 35 million migrants working in GCC countries, who face a wave of precariousness, mass redundancies, forced repatriation, uncertainty, and a subsequent slump of remittance flows.

Media reports reveal that, since the start of the pandemic, almost half a million migrant workers have been massively repatriated from the GCC to their home countries, many of them hurriedly and without compensation packages. Moreover, amid the COVID-19 pandemic, countries such as the UAE have threatened labour-exporting countries with new restrictions and quotas on the recruitment of their nationals, in case the countries were unwilling to repatriate citizens of theirs who have lost their jobs or were asked to take leave by their employers.

Loss of income is also resulting in a significant drop in remittance outflows sent home by migrant workers, which constitutes a serious hit to the economies of South Asian States including Bangladesh, Pakistan, India, and Nepal, and an even bigger blow for the millions of family members who depend on the sums they regularly receive to afford food, healthcare, and basic needs. The World Bank has projected that remittances will fall by 20% in low and middle-income countries.

The plight of these workers is not only a consequence of the economic downturn but of their forced temporariness under the Gulf’s migration policies and in particular the prevalent Kafala system, which legitimizes the temporality and precariousness of their presence and exposes them to vulnerable conditions, without providing proper access to social safety nets and adequate protection mechanisms.
Reconciling Workforce Nationalization and Rights of Migrants

The COVID-19 crisis, rising anti-migrant sentiment, and the acceleration of workforce nationalization have exacerbated the precarious conditions of migrant workers in the GCC.

Consequently, an estimated 1.2 million migrants are expected to leave Saudi Arabia by the end of 2020: 300,000 migrant labours have already left and 178,000 more have registered in the Awdah ("Return") initiative, which facilitates the return of workers to their home countries. In the same vein, Bloomberg reported that the population could decrease by 4% in Oman and 10% in the UAE.

While migrants have been hurt, these departures will alter the demographic composition of GCC countries and are likely to also harm GCC economic interests. After all, the relationship between the GCC and migrant workers is one of mutual, although unbalanced, interdependence. Foreign workers generate economic demand, especially for essential services, and their departure could reduce government revenue streams from fees and value-added taxes.

Migrant workers remain major contributors to social and economic development and, in some cases, their presence is existentially important for the survival of some sectors. Hence, it is highly unlikely to expect that the current workforce nationalization efforts will fully address the structural labour shortcomings or will lead to the replacement of the entire migrant population. Nonetheless, with a few exceptions, there is an absence of commitment to protect their rights and access to social safety nets in the face of these dire circumstances.

Due to the GCC labour market challenges, the desire to nationalize labour forces is a legitimate objective in itself; however, it needs to be implemented in a manner that ensures the protection of migrants’ rights under International law. GCC attempts to “jump-start” workforce nationalization by forcibly removing a large portion of the non-local labour force are prone to be ineffective in the long run as they exclude thousands of foreign workers who may have been residents in the region for many years, driving them into informal employment and the low wage economy.
Subsequently, some of the policy recommendations that will help the GCC governments to gradually upgrade their workforce nationalization strategies while ensuring that they are fair and respect the rights of migrants include the following.

With regards to training and hiring nationals:

- Developing coherent and rational nationalization policies that regulate GCC labour market needs and building on the national human capacities that set the foundation for diversified and knowledge-based economies while reconciling the abnormal national/non-national segmented characteristic and the concomitant gender imbalances that result;
- Facilitating higher levels of investment in local human capital to address the mismatches in the skill profile of the local labour supply and the skills in demand by employers;
- Bridging the wage gap between the public and private sectors for nationals to address the segmentation of the labour market. A wage policy for local citizens who work in the private sector needs to be developed to achieve a minimum level of consistency of wage levels between the public and private sectors. Government subsidies and incentives for employers to hire and train local workers in the private sector might be needed;
- Adjusting the local population’s expectations of the State as the primary employer, moving from the entitlement to the accountability mentality and low productivity;

With regards to migrant rights:

- Recognizing that workforce nationalization policies can still be pursued through a rights-based approach. Nationalization plans must be implemented with respect for both migrant and employer rights and in accordance with international norms;
- Extending social protection provisions to foreign workers in the national social protection responses, in line with international human rights laws and international labour standards, as foreign workers should be able to negotiate for their rights, including reduced or non-payment of wages and denial of entitlements, and should have access to legal advice and
language interpretation services when necessary;

- Introducing standard contracts for migrant workers and a wage protection system that requires employers to pay the wages of foreign workers directly into bank accounts to better enforce the payment of wages, especially during shocks and crises;

- Implementing an accessible labour dispute mechanism that seeks to address grievances, including labour disputes of migrant workers who have been laid off as a result of COVID-19; and

- Reforming the Kafala (sponsorship) system, which ties migrant workers to their employers, preventing them from changing jobs, thereby granting migrant workers greater mobility to find work in other sectors or areas across the GCC.
Endnotes


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