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# **LABOUR MIGRATION, SKILLS DEVELOPMENT AND THE FUTURE OF WORK IN THE GULF COOPERATION COUNCIL (GCC) COUNTRIES**



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**Labour Migration, Skills Development and the Future of Work in the Gulf  
Cooperation Council (GCC) Countries**

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*December 2017*

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## I. Introduction

*“Skills transform lives and drive economies”*  
- OECD Report 2015<sup>1</sup>

In the Gulf Cooperation Council (GCC) countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE), skills are a critical asset that has the capacity to transform individuals, businesses and societies in a dynamic, globalized world (OECD 2015). As part of the transition towards knowledge-based economies, the “Vision 2030” strategies of several GCC countries outline plans for skilling the national workforce. The persistent lower price of oil and energy observed in recent years has given more impetus to efforts to diversify their economies and invest in technology, education and vocational training.<sup>2</sup> These measures aim to increase the employability and productivity of nationals, particularly in the private sector; and reduce dependency on migrant workers across the skills spectrum. At the same time, various regional and global consultative dialogues on migration<sup>3</sup> have highlighted the potential of skills training and recognition for migrant workers as a triple-win outcome – for governments of countries of origin and destination, for employers and for migrant workers.

The demand for migrant workers in the GCC has dropped steeply following the decline in oil prices and slower economic growth witnessed in recent years. On top of the economic and demographic megatrends, there are changing political and social winds transforming the region. Economies and labour markets are being affected by the ongoing political and diplomatic tensions (the war in Yemen and the diplomatic rift with Qatar), leadership transitions, and other societal transformations (e.g. higher divorce rates, delayed marriage, growing female labour force participation).<sup>4</sup>

In relation to the governance of labour migration, the ambitions outlined in the ‘vision statements’ are colliding with crashing up against deeply entrenched practices and economic pressures to preserve the status quo. There is a need to consider how skills training and skills recognition for low- and semi-skilled migrant workers would

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<sup>1</sup> OECD (2015). “Better Skills, Better Jobs, and Better Lives: A Strategic Approach to Education and Skills Policies for the United Arab Emirates.” Accessed on 20 June 2017.  
<http://www.oecd.org/countries/unityarabemirates/A-Strategic-Approach-to-Education-and%20Skills-Policies-for-the-United-Arab-Emirates.pdf>

<sup>2</sup> According to Ernst and Young’s calculation, GCC governments have committed USD \$27 billion to boost their educational sectors. Apart from these major investments, they have also “bet on economic diversification” through other means. Saudi Arabia, for example, invested USD \$3.5 billion in Uber Technologies Inc. to modernize their modern infrastructures and create employment for local populations. <https://www.naseba.com/who-we-are/our-blog/ma-activity-tech-investment-gcc-heats-diversification-takes-centre-stage/>.

<sup>3</sup> These include the Abu Dhabi Dialogue (ADD), the Colombo Process, the Global Forum on Migration and Development (GFMD), the ILO’s fair migration agenda – all have identified the recognition of skills across borders as a priority and ILC Resolutions (2017) concerning fair and effective labour migration governance. [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_561871.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_561871.pdf)

<sup>4</sup> Ernst & Young (2015). *How will the GCC close the skills gap?*  
[http://www.ey.com/Publication/vwLUAssets/EY-gcc-education-report-how-will-the-gcc-close-the-skills-gap/\\$FILE/GCC%20Education%20report%20FINAL%20AU3093.pdf](http://www.ey.com/Publication/vwLUAssets/EY-gcc-education-report-how-will-the-gcc-close-the-skills-gap/$FILE/GCC%20Education%20report%20FINAL%20AU3093.pdf)

interplay with the complexities surrounding migrants' recruitment, wages, rights and internal labour market mobility; and the goals of nationalization and higher productivity. Evidently, the issue of skills development is central to the future of work for migrant workers in the GCC, both in the immediate-term and long-term (by 2030).<sup>5</sup>

While these multiple complexities spawn uncertainty, the labour market demand for low- and semi-skilled migrant workers in the GCC private sector is projected to remain high in the short-term. There are numerous mega development projects (e.g. UAE Expo 2020 and Qatar's World Cup 2022)<sup>6</sup>, as well as the infrastructure and service needs for a growing GCC population. Many of these labour-intensive jobs cannot be mechanized or nationalized.

In the longer-term, there will still be a structural demand for migrant workers in a segmented labour force (i.e. certain jobs that there will continue to be a demand for, but that the national population is not inclined to carry out – e.g. in domestic work, construction, etc.). However, the number and profile of migrant workers is expected to change according to the pace at which employers adopt technology and nationals accept skilled and semi-skilled opportunities in the private sector. The adoption and creation of new technology will also generate more skilled, specialized employment opportunities in the fields of medicine, engineering, environment, among others in the long run.

This paper maps in broad terms the present and future demand for migrant workers in the GCC countries<sup>7</sup>, particularly those from Asian countries of origin, by highlighting key trends as well as the complex government challenges, constraints, and responses in a globalized world. Part II broadly explores future sectoral demand for migrant workers in light of economic, demographic and labour market trends. Part III presents the policy consequences of projected GCC skill requirements. Part IV examines the migration governance issues that will emerge as a result of this shift towards greater skills training and recognition. Part V offers some recommendations for governments of countries of origin and destination in the short- and long-term.

However, this paper does not go into detail on two complex societal challenges that appear to be critical for the GCC countries in their ongoing drive towards long-term knowledge-based economies and nationalized labour markets. The first challenge revolves around incentivizing the local population to shift to the private sector, and the second is fostering a culture in which skills are not only recognized, but also valued by employers. There are deep-seeded reasons for these challenges, not least of which is the pervasive culture of cronyism or *wasta*; and the long-standing social contract based around extensive state benefits – both of which have contributed to low productivity.

It is important to note that while the paper seeks to draw observations and conclusions about the GCC region, there is great diversity within the societies, economies and

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<sup>5</sup> This date was selected because most GCC governments have set out national strategies with the 2030 timeframe. Kuwait has adopted a 2035 timeframe.

<sup>6</sup> Kinninmont (2015). "Resource and Population Pressures: Economic and Demographic Trends," in *Future Trends in the Gulf*.  
[https://www.chathamhouse.org/sites/files/chathamhouse/field/field\\_document/20150218FutureTrendsGCCKinninmont.pdf](https://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20150218FutureTrendsGCCKinninmont.pdf).

<sup>7</sup> Specific reference to the GCC countries and Jordan will be applied throughout this paper.

labour markets of these countries, and the lack of country-specific analysis is an acknowledged limitation.

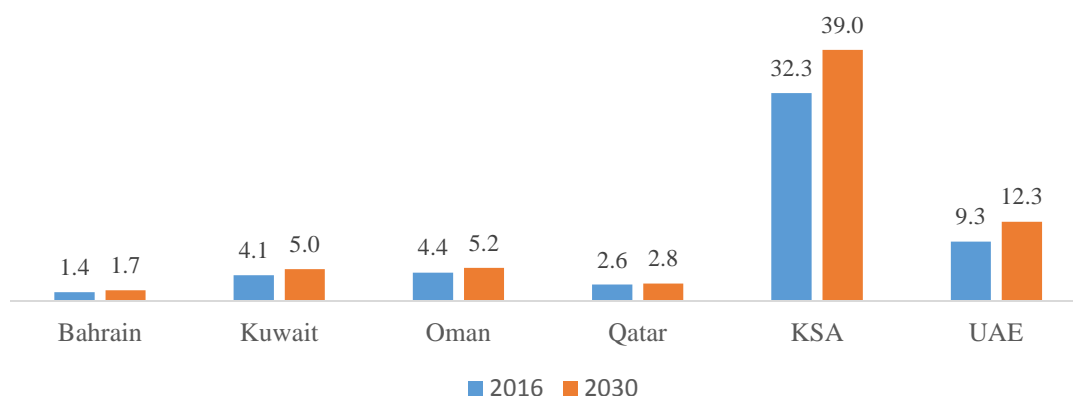
## II. Demand for migrant workers in different sectors

Gauging the demand for migrant workers is not a science. It must take into account a wide range of factors, several of which are extremely difficult to forecast: economic and demographic trends; technological developments; the effective implementation of nationalization policies; changing societal views related to work and related government policies and incentives; etc.

### The changing labour market in the GCC

The current GCC population of 53 million is projected to increase by 25 per cent to over 66 million by 2030, reflecting both relatively high – although declining – fertility rates. This demographic transition has produced a young and rapidly growing labour force. Across the GCC countries, the median age was 31.4 in 2015, from a low of 29.0 in Oman to a high of 33.4 in Kuwait and UAE.<sup>8</sup>

**Figure 1:** Population Projection for the GCC Countries (2016-2030)  
(in millions)



Source: 2016 population from the World Development Indicators online databases (2017), 2030 population projection from the Population Reference Bureau online databases (2017)

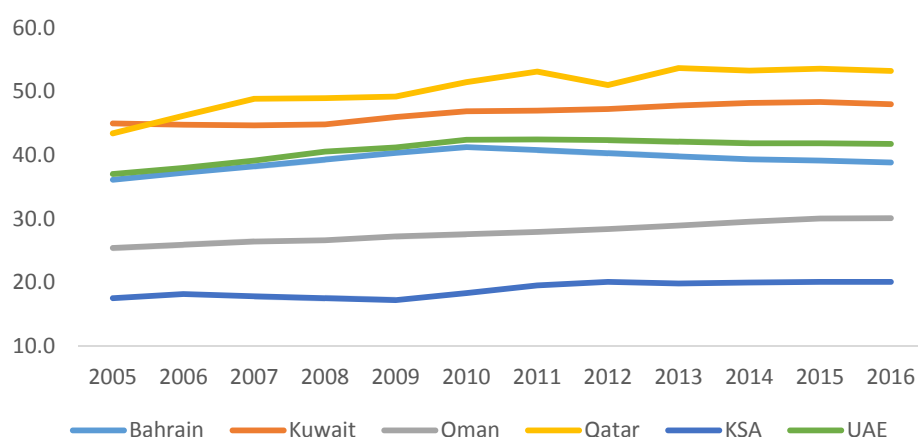
<sup>8</sup> While the GCC median age is older in comparison to South Asian countries, it is far younger than other high-income countries, including Europe (41.6), Western Europe (43.5), and North America (37.9).

United Nations (2017). Population Division, Department of Economic and Social Affairs Online Database. Accessed on June 16, 2017. <https://esa.un.org/unpd/wpp/>

Between 2000 and 2010, the GCC countries have produced close to 7 million jobs,<sup>9</sup> yet this figure was still insufficient to close the GCC nationals' unemployment rate.<sup>10</sup> Youth and total unemployment rates have remained high, particularly among university graduates. In 2016, youth unemployment was 10 per cent in the UAE; 13.5 per cent in Kuwait; and 20 per cent in Saudi Arabia.<sup>11</sup> The potential consequences of a large unemployed young population in terms of unrest and dampened economic growth are well understood in the region.

Another feature of the GCC labour markets are the low but rising rates of female labour force participation (Figure 2).<sup>12</sup> In some GCC countries, the rate is just under the global average of 52 per cent, “but the global average of literacy rates is not nearly as high as they are in the GCC”.<sup>13</sup> Despite higher educational attainment rates than men, women continue to face multiple social and cultural barriers to entering the workforce, as well as the same discrimination in hiring practices that women in the West and other regions face. While Figure 2 shows an incremental upward trend, it does not reveal the extent to which it is non-national women who are increasingly engaged as an overall proportion of the workforce.

**Figure 2:** Labour Force Participation Shares of Women in the GCC Countries (2005 - 2016)



Source: World Development Indicators online databases (2017)

The drop in the price of oil, war in Yemen and diplomatic rift with Qatar have to an extent constrained growth and government revenues, leading to pressures to shrink the

<sup>9</sup> Beidas-Strom, Samya et al (2011) “Gulf Cooperation Council Countries (GCC): Enhancing Economic Outcomes in an Uncertain Global Economy”, Middle East and Central Asia Department, International Monetary Fund.

<sup>10</sup> Less than one third of the jobs created went during that period went to local nationals, and the rest were staffed by foreign workers mainly from South Asian countries.

<sup>11</sup> <https://data.worldbank.org/indicator/SL.UEM.1524.ZS>

<sup>12</sup> Schiffbauer, M. et. al (2015) “Jobs or Privileges: Unleashing the Employment Potential of the Middle East and North Africa” MENA Development Report Washington, DC: World Bank

<sup>13</sup> Young, K. E. (2016) “Women’s Labor Force Participation Across the GCC”, Arab Gulf States Institute in Washington [www.agsiw.org](http://www.agsiw.org)



public sector. In 2016, the IMF forecasted 0.9 percent real GDP growth for GCC oil exporters down from 2 percent in 2015 and 3.8 percent in 2014.”<sup>14</sup>

*“The outlook is improving but also the risks are growing. We are not underestimating the level of risk for the MENA oil exporters and that is why we believe they need to keep reducing their budget deficits, expanding revenue sources and also pursuing the structural reforms that will allow them to diversify outside the oil sector.”*

- IMF Regional Director for MENAP, 2017

Private sector jobs will be needed for the currently unemployed and for new entrants to the labour force.<sup>15</sup> The International Monetary Fund (2013) found that “if the current share of nationals in the private sector remains as it is now, as many as 1.6 million nationals could enter the labour market in 2018, with only 600,000 private sector jobs generated to accommodate them.”<sup>16</sup>

*“Productivity has been declining since the 1980s across the GCC states [...] Part of the productivity problem is the preference for and prevalence of national employment in the public sector.”<sup>17</sup>*

### **Nationalization**

To date, despite the active promotion of policies to nationalize the labour force in several GCC countries, there remains an embedded preference among nationals for public sector over private sector employment. In Oman, for example, the National Centre for Statistics and Information found that found that “76 per cent of Omani youth seeking a job preferred a job in the government sector, even if the salary in a private sector job was 50 per cent higher, compared with the government job.”<sup>18</sup>

However, recruitment in the Gulf is not straightforward for nationals either. For the jobs that nationals covet, empirical evidence suggests appointments are too often made through personal connections.<sup>19</sup> This can be seen as a form of cronyism or corruption that contributes to lower productivity and discontent. Furthermore, it negates the impact of the significant investment in tertiary level education and vocational training.

<sup>14</sup> IMF (2016). “Regional Economic Outlook: Middle East and Central Asia.” Accessed 19 June 2017.

<https://www.imf.org/external/pubs/ft/reo/2016/mcd/mreo1016.htm>

<sup>15</sup> McAuley, A. “IMF says GCC countries should accelerate economic reforms this year.” The National. Accessed 18 June 2017. <http://www.thenational.ae/business/economy/imf-says-gcc-countries-should-accelerate-economic-reforms-this-year>

<sup>16</sup> Ernst and Young (2015). “How will the GCC close the skills gap?” Accessed 17 June 2017. [http://www.ey.com/Publication/vwLUAssets/EY-gcc-education-report-how-will-the-gcc-close-the-skills-gap/\\$FILE/GCC%20Education%20report%20FINAL%20AU3093.pdf](http://www.ey.com/Publication/vwLUAssets/EY-gcc-education-report-how-will-the-gcc-close-the-skills-gap/$FILE/GCC%20Education%20report%20FINAL%20AU3093.pdf).

<sup>17</sup> Young, K. E. (2016) “Women’s Labor Force Participation Across the GCC”, Arab Gulf States Institute in Washington [www.agsiw.org](http://www.agsiw.org)

<sup>18</sup> Prins, E. (2016). “Omani youth still prefer working in government sector, says survey.” Times of Oman. <http://timesofoman.com/article/75829/Oman/Government/Omani-youth-prefer-working-in-government-sector-finds-latest-National-Centre-for-Statistics-and-Info>.

<sup>19</sup> Abalkhail, J. and Allan, B. (2016) ““Wasta” and women’s careers in the Arab Gulf States”, *Gender in Management: An International Journal*, Vol. 31 Issue: 3, pp. 162-180. Also, see Gold, G. and Naufal, G. (2012) “Wasta: The Other Invisible Hand A Case Study of University Students in the Gulf,” *Journal of Arabian Studies* (2)2: 59-73.

Increasing female labour force participation in private sector workplaces that are dominated by men and non-national women requires specific policy measures, including lifting restrictions on financial and physical mobility, and introducing flexible working arrangements.<sup>20</sup>

At the other end of the spectrum, there is a stigma associated with certain types of work. A portion of the labour market in GCC countries will be perennially segmented and structural; that is the manual and relatively lower-paid jobs where there will be a continued demand, and that nationals are not inclined to carry out. This includes domestic work, agriculture jobs and manual labour on construction sites.

Moreover, current GCC business models still mainly rely on low-skilled and labour-intensive processes because labour remains cheaper than adopting new technology. In the construction industry, for example, recruitment agencies provide workers at almost no recruitment costs for employers or subcontracting companies (because workers pay these costs upfront in the recruitment process, or the costs are subsequently passed on to them); although this is not necessarily the case for other sectors like retail or domestic work.<sup>21</sup> However, the costs for obtaining work permits—paid by GCC-based employers—are rising. As part of the Saudization or *nitaqat* programme, work permit fees are expected to quadruple between 2017 and 2020 in workplaces where migrants outnumber nationals.<sup>22</sup>

In between these two ends, there are multiple dynamics in play that will determine the extent to which semi-skilled jobs can be nationalized. There is a ‘floor’ or a minimum threshold that nationals are willing to accept, in terms of wages and benefits, working conditions, judgment of family and peers, etc. But this floor varies from country to country, from sector to sector, and it will rise and fall according to government policies and the social and economic realities. For example, the ability to be so selective about certain jobs may be severely tested as public sector packages shrink, and as government subsidies (e.g. for gasoline and utilities) are removed.

While governments of destination countries seek to place more nationals in these jobs, they are also encouraging countries of origin to invest in skills training and skills recognition systems for migrants.<sup>23</sup> Countries of origin are keen to invest if this will result in improved employment opportunities, wages and working conditions for their nationals abroad. It appears that it will ultimately be down to employers to calculate whether it is cheaper to hire migrants and pay levies for doing so, or to modernize and recruit and retain nationals.

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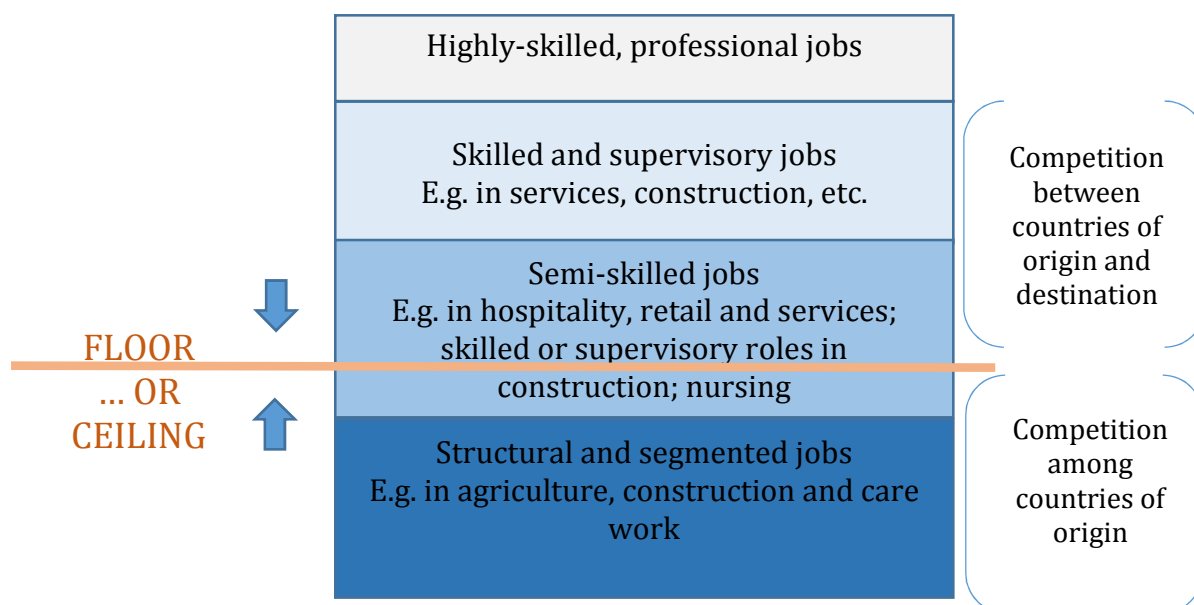
<sup>20</sup> Young, K. E. (2016) “Women’s Labor Force Participation Across the GCC”, Arab Gulf States Institute in Washington [www.agsiw.org](http://www.agsiw.org)

<sup>21</sup> In the field of construction, subcontracting has increasingly become the norm in the GCC, where large construction companies often rely on “low-cost labour” from several countries in Asia and Africa. Typically, subcontracted construction workers face more difficulties than those construction workers directly hired by the companies due to the deficits in labour rights, entitlement, privileges, and protections offered to them by the parent company. In fact, the mobility among subcontracting construction workers is extremely limited, increasing their vulnerability.

<sup>22</sup> *New Monthly Fee Forthcoming for Employment of Foreign Nationals*, [www.fragomen.com](http://www.fragomen.com), 10 October 2017.

<sup>23</sup> Skills development is one of four priority areas for the Abu Dhabi Dialogue. <http://abudhabidialogue.org.ae/>

**Figure 1. Breaking the floor. Colliding policy goals for countries of origin and destination?**



**Source:** Tunon, M. (ILO), presentation at the ILO Inter-regional Forum on Skills and Migration in the South Asia – Middle East Corridor, New Delhi, July 2017.

### *Changes in countries of origin*

In addition to exploring the demand for migrant workers, it is also worth pointing to a few trends in the supply. As many of the countries of origin in Asia introduce new regulations and measures intended to protect their workers – including restricting opportunities for domestic workers or introducing minimum referral wages – countries of destination are increasingly looking to sign bilateral agreements and/or memoranda of understanding (MoUs) with countries in Africa.<sup>24</sup> At the same time, conditions in several traditional countries of origin are improving so that the wage differential is less attractive, e.g. construction workers from Sri Lanka. There is also a preference, and greater opportunity, for workers from Indonesia and the Philippines to migrate within Southeast Asia and East Asia (e.g. Hong Kong, S.A.R. China; Singapore; and Taiwan, China), due to relatively better rights at work, cultural similarities and geographical proximity.

### **Analysing sectoral demand**

Despite the technological innovation and automation that will characterize the 2030 scenario, both the short and long-term demand for migrant workers will likely increase in the care, construction, and hospitality sectors in the GCC region.<sup>25</sup>

<sup>24</sup> ILO (2017). “Interregional consultation on labour migration and mobility from Asia/Africa to the Middle East.” ILO Background Paper, 4-5 October. Accessed 15 December 2017. [http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/meetingdocument/wcms\\_577288.pdf](http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/meetingdocument/wcms_577288.pdf)

<sup>25</sup> IMF (2016). “Regional Economic Outlook: Middle East and Central Asia.” Accessed 24 June 2017. <https://www.imf.org/external/pubs/ft/reo/2016/mcd/eng/pdf/mreo1016.pdf>.

### *Migrant Care Sector*

The ILO estimates that at least 2.1 million additional migrant domestic workers will be required in the GCC<sup>26</sup> over the next few decades due to the changing demographic profile and family structure.<sup>27</sup> The demand for care workers, ranging from domestic workers to health care professionals (i.e. nurses, midwives, etc.), is intricately linked with the healthcare conditions and demographic transition in the GCC. As one policy report highlights,

*“A rise in conditions linked to sedentary lifestyles and modern diets [...] is boosting demand for healthcare services, while pushing up costs. The GCC population will continue to grow, though perhaps at lower rates than before, creating an ever-larger base of customers with increasing life expectancy. The demand for hospital beds in the GCC region is projected to grow at a 2.3 percent compound annual growth rate, from an estimated 101,797 in 2015 to 113,925 in 2020.”<sup>28</sup>*

In addition to child care needs, the GCC countries will increasingly depend on migrants for elderly care. In the UAE, the proportion of the population over 60 in 2010 was 40,000 and is projected to increase by 207,000 in 2025.<sup>29</sup> In Saudi Arabia, at least 10 million people are expected to be 65 or older by 2050.<sup>30</sup>

Studies suggest that public expenditure contraction in the care economy, combined with falling state capacity to provide welfare, has created a greater need for migrant care workers who are employed by households.<sup>31</sup> This is particularly true for those patients with long-term illness who tend to accrue more medical costs. Not all GCC countries have decreased their public health expenditure, but recent reforms to health insurance in Abu Dhabi, for example, now mandate all locals to pay 20 per cent – as opposed to 100 per cent full health insurance coverage – for treatment at private hospitals.<sup>32</sup>

<sup>26</sup> The statistic includes all workers employed by private households, including gardeners, drivers, and butlers, who fall under the definition of the ‘care sector. ILO (2013). “Domestic Workers Across the World: Global and Regional Statistics and the Extent of Legal Protection.” Accessed 20 June 2017. [http://www.ilo.org/wcmsp5/groups/public/@ed\\_protect/@protrav/@travail/documents/publication/wcms\\_155951.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_protect/@protrav/@travail/documents/publication/wcms_155951.pdf).

<sup>27</sup> See Malit et.al (2017). “Globalization and the *Khadama* Dependency Syndrome: Effects, Determinants, and Implications of Future Domestic Work Demand on Local Families’ Socioeconomic Status in the United Arab Emirates.” *Arabian Humanities*. Forthcoming.

<sup>28</sup> Arabian Post (2017). “GCC’s health care prognosis is looking good”, 5 January.

<https://thearabianpost.com/tap/2017/01/gccs-healthcare-prognosis-is-looking-good.html>

<sup>29</sup> Leigh, S. (2013). “Growing problems of an ageing Emirati population.” *The National*. June 15.

<https://www.thenational.ae/uae/growing-problems-of-an-ageing-emirati-population-1.320346>. Also see United Nations (2001). “World Population Ageing 1950-2050.” Accessed 20 June 2017.

<http://www.un.org/esa/population/publications/worldageing19502050/pdf/204unite.pdf>.

<sup>30</sup> Abusaaq, H. (2015). “*Population Aging in Saudi Arabia*”. Saudi Arabia: SAMA. The improvement in life expectancy across the GCC countries will likely generate more demand for migrant care workers to address the GCC’s aging population health care needs. <https://www.thenational.ae/uae/care-plan-for-the-uae-s-ageing-population-1.397260>; <http://www.sama.gov.sa/en-US/EconomicResearch/WorkingPapers/population%20aging%20in%20saudi%20arabia.pdf>.

<sup>31</sup> Bosc, I. (2016). “The Kafala system in the context of the care economy.” *Work In Freedom* Presentation. ILO. 12 October 2016.

<sup>32</sup> Gulf News (2016). “Emiratis must now pay for private health care”. *Gulf News*, 30 June. <http://gulfnews.com/news/uae/society/emiratis-must-now-pay-for-private-health-care-1.1855594>

Regardless of the skills levels required, care work will continue to be carried out by migrants, mostly from the Philippines, Indonesia, Ethiopia and Kenya.<sup>33</sup> The low wages, difficult working conditions and the negative “stigma” around care work often generate the demand and preference for migrants, which at the same time discourage nationals to pursue careers in care work.

Despite restrictions placed by several countries of origin on the deployment of domestic workers to GCC countries, labour recruiters have continued to facilitate their migration through the use of tourist visas, often resulting in irregular status, gaps in protection and vulnerability to exploitation. Unlike in the construction industry, according to interviews, UAE-based employers in the domestic sector are still willing to pay up to USD 8,000 (fixed cost) to recruit a Filipina domestic worker either through regular or irregular migration channels.

Reducing the number of foreign care workers would require GCC governments to invest in, and professionalize the sector, creating care sector jobs outside of the household – including crèche facilities, early childhood centers, assisted-living homes for the elderly, etc. which may possibly constitute more appealing employment opportunities for nationals. However, such changes are difficult to envisage in the short- to medium-term.

### *Construction Sector*

In the past decade, GCC countries have invested heavily in infrastructure and tourism to diversify their economies. Current mega-projects scheduled to be implemented over the next 10 to 20 years in the Middle East total USD \$100 billion, and include the UAE Expo 2020 and Qatar World Cup 2022, Saudi Arabia’s Kingdom Tower<sup>34</sup>, etc. Other GCC-specific mega-tourism projects<sup>35</sup>, include Bahrain’s The Avenues, the Kuwait Olympic Village, Oman’s Ras Al Khar Eco-Resort Sur, Qatar’s Lusail City, Saudi Arabia’s Riyadh Metro and Dubai’s Blue Waters Island. In 2016, Qatar observed an 11 per cent increase in the employment rate in the construction sector, while Saudi Arabia’s construction sector employment rate is projected to increase 7 per cent by 2020.<sup>36</sup>

In the construction sector, the demand for migrant construction workers will likely remain high due to employers’ continued reliance on labour-intensive rather than capital-intensive and technological practices. Nationalization policies may see the local population replace foreign workers in certain managerial positions (e.g. directors, project managers, health and safety officers). In fact, the major infrastructure development projects require the most sophisticated technological skill requirements (i.e. engineering, architecture, security) and hence will dictate the need for skilled

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<sup>33</sup> Jureidini, R. (2003). “Migrant Workers and Xenophobia in the Middle East.” [http://www.unrisd.org/80256B3C005BCCF9/\(httpAuxPages\)/045B62F1548C9C15C1256E970031D80D/\\$file/jureidin.pdf](http://www.unrisd.org/80256B3C005BCCF9/(httpAuxPages)/045B62F1548C9C15C1256E970031D80D/$file/jureidin.pdf).

<sup>34</sup> Arabian Business (2014). Jeddah firm in talks to raise \$3.73bn Kingdom City funds. Accessed 19 June 2017. <http://www.arabianbusiness.com/jeddah-firm-in-talks-raise-3-73bn-kingdom-city-funds-549907.html>

<sup>35</sup> Weetas (2017). “6 Upcoming Mega Tourism Projects in the GCC.” <https://www.weetas.com/article/6-upcoming-tourism-projects-gcc/>

<sup>36</sup> Doha News (2015). “Qatar employers set to hire more staff and raise pay in 2015”. 5 May, <https://dohanews.co/report-qatar-employers-set-to-hire-more-staff-and-raise-pay-in-2015/>

workers to guarantee their functioning. But the industry will also require lower-skilled migrant workers both in the short- and long-term. Not only do the employers not pay for recruitment costs in the origin countries, but wages and benefits are also substantially lower for migrants than locals.<sup>37</sup>

*“Employers in the industry are now adopting technology [...] but it is not as widespread. There is really no strong incentive to do this now.”<sup>38</sup>*

In addition, subcontracting of foreign migrant workers in the GCC construction industry has also become an important component of modern GCC labour markets.<sup>39</sup> While the reliance on subcontracting firms (i.e. small to medium-sized firms) have increased to expedite the construction project completion and allow for flexibility, this subcontracting model pays limited attention to the skills development of the workforce. Moreover, it has raised various policy challenges related to recruitment, wage payments, occupational safety and health, etc. of migrant workers.

### **III. GCC Countries’ Skill Requirements: Consequences and Policy Implications**

Based on the GCC countries’ vision documents and the prevailing economic and labour market trends, the migration governance frameworks in the GCC region in the short-term are expected to evolve in the following areas: (1) imposition of skill certification requirements on migrants by countries of destination; (2) deepening of linkages between skills training and testing centres and the overseas placement agencies in countries of origin; and (3) competition among countries of origin will be based on their ability to prepare workers’ in line with employers’ needs, rather than just their ability to pay high recruitment fees. These changes may have significant implications on the migration flows and the nature of migrants’ work in the Asia-GCC migration corridor.

#### *Imposition of skill certification requirements?*

The expected skill certification requirements will potentially transform future migration policies—from being selective to restrictive – in the GCC countries. With a continued supply of migrant workers up against pressure to nationalize labour markets, GCC governments will become more “selective” by imposing skill certification requirements to ensure that only skilled, productive workers can enter their governing labour markets. For the GCC countries, introducing additional admission requirements will support the move towards a knowledge-economy vision and reduce dependency on large, low-skilled migrant populations; improve labour market efficiency; and improve productivity (or at least incentivize the introduction of productivity measures).

This projected policy option does not only have the capacity to improve labour market productivity and competitiveness, but also become an important revenue source (i.e. in the form of fees to the government) for the GCC countries. As Kinninmont (2015)

<sup>37</sup> Segal, D. and Labowitz, S. (2017). “Making Workers Pay: Recruitment of the Migrant Labor Force in the Gulf Construction Industry.” *NYU Center for Business and Human Rights*. Accessed on 3 June 2017. <http://bhr.stern.nyu.edu/statement/2017/4/6/center-report-finds-migrant-workers-bear-the-cost-burden-of-their-own-recruitment>

<sup>38</sup> Interview with a GCC-based company in the training sector. 27 June 2017.

<sup>39</sup> Well, J. (2018). *Exploratory Study of Good Policies in the Protection of Construction Workers in the Middle East*. White Paper, ILO Regional Office for the Arab States, Beirut.

highlights, some Gulf countries “have embraced expatriates and turned them into a source of revenue for the government rather than a burden on its resources, as they are often seen in the region.”<sup>40</sup> In order to maintain such revenue (or even increase it given the lower energy prices) and in light of the nationalization policies, fees for migrants are already being restructured. For example, from 2018, the levy for hiring foreign workers in Saudi Arabia will increase in cases where the total number of foreign employees is more than Saudi employees; from a monthly levy of SAR 200 (USD 53) per worker, up to SAR 800 (USD 213) by 2020.<sup>41</sup> Similar measures are being considered in other countries to incentivize employers to reduce their dependency on large numbers of lower-skilled migrants; but also to secure an important revenue stream.<sup>42</sup>

However, it should be noted that it will be a challenge for GCC governments to mandate the private sector to adopt certain skill requirements for fear of discouraging investment. GCC countries are less likely to impose stricter controls over the private sector employers to ensure future economic stability. As one executive from a GCC based recruitment agency acknowledges:

*“It will take countries in the Middle East a long time to change their admission or migration policies due to the strong influence and power of the private sector...”*

Another important implication of imposing skills requirements on migrants is the potential impact on migrants’ rights and benefits. More skilled and productive migrants would likely mean fewer migrants entering the country, but there would be an expectation of better wages and working conditions, and greater job mobility within the countries of destination. This would build on a number of policies and systems introduced recently to increase migrants’ mobility and the protection of their rights.<sup>43</sup>

For countries of origin, the model of sending large numbers of low-skilled migrants has, at the aggregate level, served as an important means to relieve unemployment pressures and generate income through remittances. Changing that model to sending a smaller pool or more skilled workers in better conditions would see a narrower distribution of the benefits of migration, and perversely, may not be the priority of some governments.

That said, governments of countries of origin have clear policies on moving away from low-skilled labour migration towards higher-income jobs. Some governments have promulgated the need to both “*increase their investments on up/re-skilling their*

<sup>40</sup> See footnote 5, Kinninmont (2015).

<sup>41</sup> Posted on [www.fragomen.com](http://www.fragomen.com) on 10 October 2017.

<sup>42</sup> In July 2017, a monthly fee of SAR100 (USD 27) was introduced for each dependent family member in Saudi Arabia sponsored by a foreign national. It is expected to increase by SAR 100 every year, reaching SAR 400 per dependent by 2020. Posted on [www.fragomen.com](http://www.fragomen.com) on 13 July 2017.

<sup>43</sup> ILO (2017). *Employer-Migrant Worker Relationships in the Middle East: Exploring scope for internal labour market mobility and fair migration*. Regional Office for Arab States, Beirut. Recent labour market reforms in the GCC have focused on liberalizing labour market mobility policies, recruitment regulations, access to justice (i.e. dispute resolution), and technological advancements of their governing ministries. The UAE, for instance, passed the Ministerial Decrees 764, 765, and 766 to enhance workers’ access to justice and eliminate illegal/unethical recruitment and contract substitution in the labour market. For additional information, see <http://www.mohre.gov.ae/en/home.aspx>.

*nationals and reduce low-skilled migrant populations like domestic workers” who are entering the GCC labour markets. An official from a country of origin explains:*

*“[The Government] is keen on developing skilled-specific jobs in service, hospitality or construction industries and intends to cut down on low-skilled migrant workers who are often vulnerable to labour problems.”*

*An increased role for skills training institutions in international migration*

Because of the competition between countries of origin, these governments have increasingly invested in their workers’ skill training to secure employment, particularly in construction and to an extent in care work. If GCC countries introduce a requirement that migrants must obtain certified skills, the governments of origin will further increase this investment. This would complement the existing policy objectives in many countries to look beyond low-skilled migrant deployment in the long run, as a means to increase incomes and remittances, and reduce abuses and disputes.

Both Pakistan’s National Vocational and Technical Training Commission and the Philippines’ Technical Education and Skills Development Authority (TESDA) have examples of government-led upskilling training and education of construction and service sector workers for both GCC-bound and GCC-based migrant workers.<sup>44</sup> In Sri Lanka, the government is investing on up/re-skilling programs in construction, service, and other hospitality industries to move from the “vulnerability” status of their migrant workers to *“more high skilled, with more protection, and less vulnerable conditions in the future.”*<sup>45</sup>

There is an instinct in some countries to create a dual system – training for the domestic labour market and for an international labour market. However, the jobs overseas cannot yet be guaranteed because of the role of labour recruiters in the process, and also because there is very limited information about the labour market needs in countries of destination. For example, many countries of origin do not have access to national or region-specific labour market demand data in the countries of destination (in various sectors or industries), which makes it difficult for them to design or invest in various training or deployment processes. To overcome this, it is likely that recruitment agencies and skills training centres will become far more closely linked. In some countries, these two functions are being brought together and carried out by the same private entity; in other contexts, the recruitment, skills training and skills testing functions are considered too specialized and kept distinct. In most cases, there are partnerships, including public-private partnerships emerging.

Thus, countries of origin have both mobilized and equipped workers with training to increase their skill levels, competitiveness and opportunities. There is, however, limited empirical evidence to suggest that skilling results in better labour market conditions, and raises questions on the effectiveness of countries of origin investing in workers’ upskilling programmes. Other countries of origin may also not have the institutional or financial resources, or be willing to train their workers without a guarantee that thus

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<sup>44</sup> Interview with Pakistan official in Islamabad, Pakistan. 7 June 2017. Visit Pakistan’s NVTCC <http://www.navttc.org/>.

<sup>45</sup> Interview with country of origin government official. 18 June 2017.



leads to improved outcomes. Moreover, state-funded programmes are not sustainable in the long-term, particularly when the benefits for the country of origin are difficult to measure.<sup>46</sup>

*“If migrants obtain these trainings, certified by destination countries, will employers pay for the added skills acquired in origin countries?”<sup>47</sup>*

Government official from a country of origin

Despite the shift towards upskilling of workers, the current reality suggests that it will be difficult to eliminate low-skilled labour migration. As one official from a country of origin states:

*“While we create specialized training centers for skilling workers, many [...] migrants continue to bypass our regulations, and in some cases via human trafficking, in order to migrate to the Middle East. This is an ongoing challenge for us and we hope to provide skilling both in origin and destination countries to empower them with skills and reduce their vulnerability.”*

#### *A changing competition among countries of origin*

As GCC countries move towards a skilled-based knowledge economy, the countries of origin will continue to face a competition; however, rather than based on ability to pay high recruitment fees and related costs, it will be based on their capacity to train workers according to the needs of employers in countries of destination.

The introduction of the ‘employer-pays’ principle in the recruitment model is promising, with some new laws introduced in Qatar, the UAE as well as regulations in countries of origin (e.g. women migrants in Bangladesh, migrant domestic workers in the Philippines, etc.). However, in reality, the majority of migrant workers continue to pay high recruitment costs to find jobs in the GCC. A greater focus on skills is a means to bring about change to this predominant and abusive recruitment model, and move towards implementation of the ILO General Principles and Operational Guidelines for Fair Recruitment and relevant international standards,<sup>48</sup> as well as the Sustainable Development Goals’ indicator 10.7.1 on reducing recruitment costs as a proportion of wages. However, there have already been studies showing that migrant workers are paying recruitment costs disguised as skills training costs to avoid government policing and monitoring.<sup>49</sup> Therefore, GCC and countries of origin need to strategically enforce their labor regulations to address both unethical and illegal recruitment practices that often contribute to the deskilling of migrant workers in the GCC countries.

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<sup>46</sup> Many interview stakeholders/participants argue that this type of government investment would be better spent in basic education and fostering the ‘soft’ skills that are really in demand by employers locally.

<sup>47</sup> Interview with a country of origin government official. 16 June 2017.

<sup>48</sup> See respectively [http://www.ilo.org/global/topics/fair-recruitment/WCMS\\_536755/lang--en/index.htm](http://www.ilo.org/global/topics/fair-recruitment/WCMS_536755/lang-en/index.htm) and the ILO Private Employment Agencies Convention, 1997 (No. 181), which contains a prohibition on private employment agencies charging recruitment fees and related costs to workers (Article 7).

<sup>49</sup> Hong Kong Federation of Asian Domestic Workers (FADWU) and Progressive Labor Union of Domestic Workers in Hong Kong (PLU) (2016). *Between a rock and a hard place. The charging of illegal agency fees to Filipino domestic workers in the Philippines and Hong Kong*. October.

#### **IV. Strengthening the links between skills development and migration governance**

Countries of origin and those in the GCC must invest in creating skill development systems and migration governance frameworks that can deliver more efficient labour markets (through incentives and regulations) and improve labour market outcomes for migrant workers. There are a number of institutional gaps that reflect the complex problems in creating common systems of skills recognition and call for better coordination between governments, industry associations in different sectors, workers' representatives and experts.<sup>50</sup>

##### *Common qualification frameworks*

To maximize the potential of mutual skills recognition across borders, GCC and origin countries need to harmonize their systems and standards. The existing GCC-Asia recruitment modalities, combined with frequent malpractices in the origin and destination countries, contribute to the over-supply of workers, skills mismatch, or de-skilling due to the over-qualified status of workers.<sup>51</sup>

An official from a country of origin highlights:

*“There are different standards and qualifications frameworks that are not coherent or linked between sending and receiving countries. We have different frameworks [and] need to harmonize these differences if we want to create a well-organized migration system in the long run.”<sup>52</sup>*

According to a skills training professional working in the GCC:

*“[There are] no clearly defined policies on labour skills recognition frameworks, as well as their labour admission policies in the GCC. The GCC market is open and there are no clear standards in place. Private sector often contradicts government policies and preferences, particularly on skill types and levels in the market.”<sup>53</sup>*

Furthermore, the lack of a coherent link between labour markets and educational/training institutions further contributes to the growing labour market dilemmas in the GCC countries. In fact, GCC countries also need to further link their training and educational institutions with their broader economic vision to address the

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<sup>50</sup> Daru and Castel-Branco (2017). “Do Skills Matter in the MENA Region”. The paper found that there are national trade unions or workers' representatives and skills should evoke interest given that they are also about what jobs nationals will get as a result of higher-skilled workers entering the labour market.

<sup>51</sup> Daru and Castel-Branco (2017). “Do Skills Matter in the MENA Region”. The paper found that high qualification mismatch in the MENA region, citing 48.14% in Saudi Arabia, 53.18 in Bahrain, and 23.1% in Jordan.

<sup>52</sup> Interview with an official in country of origin. 27 June 2017.

<sup>53</sup> Interview with private skills/training consultant based in the GCC. 20 June 2017.

labour market mismatch. Yet, while the reorientation of GCC countries' training and educational institutions, along with strong political will and commitment, has increased in recent years, it is still lagging, which reinforces the challenges they face in providing employment in the domestic labour market.

Thus, GCC countries need to intensify their current efforts to develop a comprehensive certification system for accrediting training institutions (either local or abroad) and workers' acquired skills to enhance the skills recognition and qualifications, and transferability of skills of migrant workers. This will certainly help local and migrant workers become more productive and competitive, both in regional and global labour markets, in the long run.

#### *Labour market information*

There are major limitations related to labour market information, which are crucial for economic policymaking purposes. Professor Philip Martin from the University of California -Davis acknowledges:

*“While the programs have been developed to increase their market share in the Middle East, the problem is that it is not clear whether their projected understanding of the labour demand in the Middle East is perceived or real.”<sup>54</sup>*

In the GCC context, labour market data or standards are extremely difficult to obtain due to the lack of reliable data and data transparency. While some GCC governments, such as the UAE, have launched open data within their ministries' official websites,<sup>55</sup> this labour market information is often fragmented or only provides generalized information about industries. This makes it difficult for countries of origin to develop a strategic or even programmatic approach to preparing workers for a particular labour market. As one government official explains:

*“We [as origin countries] cannot even predict high demand occupations in the future. We cannot determine the demand side of the curb and this is a huge disadvantage.”<sup>56</sup>*

In essence, countries of origin need to have accurate labour demand data about the GCC region to avoid policy and planning miscalculations in the long run.

#### *Reintegration of migrant workers*

Cooperation between countries is also required to facilitate the effective reintegration of migrant workers back into their domestic labour markets. It has been argued that skills development for migrants could help migrants with longer-term career progression, but findings from ILO studies in India and Nepal indicate that the skills and working experience gained by migrants in the GCC has so far not helped their reintegration.<sup>57</sup> In destination, employers or overseas missions could play a greater role

<sup>54</sup> Interview with academic consultant on labour migration in Asia. 17 June 2017.

<sup>55</sup> See the UAE MOHRE's Open Data Portal. <http://www.mohre.gov.ae/en/data-library.aspx>.

<sup>56</sup> Interview with a country of origin government official. 18 June 2017.

<sup>57</sup> ILO (2017). “Economic Re-Integration of Returning Migrants in the Construction Sector in India.” Accessed on 12 January 2018.

in certification of acquired skills prior to workers' return. In Sri Lanka, a new mechanism is being tested to facilitate Recognition of Prior Learning (RPL) for migrant workers. Bangladesh and other countries of origin are considering adopting similar models as it is expected that certification will increasingly be valued for those looking for opportunities at home and those considering re-migration.

#### *Broad stakeholder dialogue*

In addition to exchanges between countries, there is a need for deepened dialogue within countries, bringing together the various government agencies and social partners, particularly employers' organizations. Within countries of origin for example, the Technical and Vocational Education and Training (TVET) institutions have traditionally played a minimal role in the governance of international labour migration. The lack of direct public conversations or dialogues with the private sector – employers, training centers and labour recruiters – is a key problem, as it makes it difficult to examine the needs and types of regulatory approaches that could effectively work (or not) in the short or long run. Bilateral discussions should not only be between governments, but also with the end users – i.e. the workers and employers.

## **V. Conclusion**

This paper set out to explore how the call for greater skills training and skills recognition across borders will interact with the socio-economic megatrends that are transforming the GCC region.

Despite efforts to reduce dependency on migrant workers and move towards knowledge-based economies, the demand for migrant workers in the GCC region will remain in the short-term. The implementation of nationalization policies in the GCC continues to pose complex challenges to future labour market planning for GCC governments. Incentives and regulations are weakly applied, and therefore employers maintain their preference for labour-intensive processes over capital-intensive technological approaches; and recruitment continues to be based on the amount workers are willing to pay rather than their skills and competences. However, it should be noted that the conditions within sectors and in each of the GCC countries means that incentives and regulatory measures are applied differently.

The introduction of skill certification requirements in the medium-term will mean a significant re-structuring of the regional labour market.<sup>58</sup> The future skill requirements are critical to examine because they have complex implications, both on the GCC and countries of origin in Asia and Africa. Technological and automation investments in the labour market will affect the number and nature of migrant workers in the fields of

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[http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new\\_delhi/documents/presentation/wcms\\_566087.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/presentation/wcms_566087.pdf).

ILO (2017). "Re-Integration of Returnee Migrants into the National Labour Market in Nepal". Accessed on 12 January 2018.

[http://ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new\\_delhi/documents/presentation/wcms\\_566086.pdf](http://ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/presentation/wcms_566086.pdf).

<sup>58</sup> Interview with a senior official in the GCC. 6 June 2017.

construction, services, manufacturing, etc. While a skill requirement may serve the labour market needs of destination countries, it may also come with calls for more rights, including mobility and residency. The effects of skills requirements on countries of origin are more complex. It is unlikely that employers will willingly pay for the skilling and the longer-term gains to the country of origin and the worker may be questionable – in terms of improved outcomes: primarily wages and length of stay / job mobility in the destination country.

Future migration policy shifts are not only bound to pose regulatory and institutional challenges within countries, but also necessitate close government coordination between countries of origin and destination. Countries also need to deepen stakeholder collaboration with workers' and employers' organizations, and adopt actionable agendas that prioritize the area of mutual skills recognition, and better collection and sharing of labour market information. Constraints in these fields make it difficult for institutions to develop standards and policies, and guide investments in skills training.

More evidence is needed to show under what circumstances investment in skills training and skills recognition schemes can lead to returns in better wages and working conditions, or greater employability and job mobility. There is a need to pilot more rigorous empirical studies on the effects of skills on (a) labour market productivity; and (b) improved outcomes for workers. This will encourage employers, workers and the governments of both destination and origin countries to continue to dedicate resources to these complex challenges.

The economic and demographic trends, as well as technological developments, suggest that governments need to urgently link their economic visions with labour market policies in order to strengthen recruitment, enhance internal labour market mobility, increase productivity, and more importantly, bolster economic development in the long run. For example, countries of destination should begin to explore more favourable mobility policies with greater residency rights for migrants to help them to maximize their potential, enable employers to yield greater returns of their skills and experience, and optimize the existing labour market within the country to contribute to the goal of more knowledge-based economies.<sup>59</sup>

These proposed recommendations may only be seen as partial solutions to address the skills development and migration governance problem, but they have the transformative capacity to enhance existing labour cooperation and effectively contribute to the future transformation of the GCC economies.

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<sup>59</sup> While GCC countries have specific legislation that legally enable migrants to seek permanent residency or citizenship, the problem is that these citizenship policies are severely restrictive and inaccessible for most. Recent policy reforms in Qatar and Saudi Arabia, however, have potentially introduced and relaxed the regulatory frameworks for obtaining permanent residency; yet these policies still focus mainly on admitting skilled, not low-skilled migrant populations.