



Gulf Research Centre Cambridge
Knowledge for All

Workshop 11

The Economics of Migration to the Gulf: Perspectives from Countries of Origin and Destination

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Abstract

Migration is a socio-economic phenomenon that has important economic impacts on both countries of origin and destination, as well as on migrants and their families. Since the beginning of their modern economic development, countries of the Gulf Cooperation Council (GCC) have been particularly reliant on migrant labour of virtually all skill levels, such that the proportion of migrants to local workers is currently among the highest in the world. Migration affects recipient economies through the influx of productive resources in the form of skills and experiences, as well as through increased economic activity via stimulating recipient countries' aggregate demands. On the other hand, migrants typically receive higher labour earnings as compared to their opportunity cost back home, leading to sizable remittances that, in turn, affect their families and countries of origin at both the micro- and macroeconomic levels. Furthermore, migration trends exert significant impacts on the distribution of income and wealth and are affected by imperfections such as discrimination and the lack of social protection. This workshop

aims at discussing the economic impacts of migration to the GCC by documenting perspectives from countries of origin and destination.

Description and Rationale

Migration has been an integral part of the GCC economies ever since the discovery of their large deposits of minerals and natural gas in the second half of the 20th century. In fact, foreign labour and mineral exports constitute the backbone of economic development in all GCC countries and are the primary contributors to the rapid increase in their standards of living.

Table 1 shows that during the last 50 years, the total population of the GCC region has increased significantly as economic development reduced mortality rates and increased native life expectancies at birth. Also, due to the considerable increase in labour demand that could not be fulfilled by nationals, the stock of migrants in the GCC grew from about 20 per cent in the 70s to about 47 per cent in 2010 (see Edwards 2005 and Roper and Barria 2014).

Table 1: GCC population, infant mortality and life expectancy statistics (period averages)

	1970-1975	1990-1995	2000-2005	2010	
Total population (in millions) ^a	9.79	24.05	32.79	44.69	
Percentage of non-nationals ^a	20.6	35.6	37.3	47.3	
	1960s	1970s	1980s	1990s	2000s
Infant mortality rate (per 1,000 live births) ^b	110.81	62.97	32.93	17.23	10.98
Life expectancy at birth (in years) ^b	59.6	63.7	69.3	72.6	75.4

Sources: a) GLMM, Demographic-Economic Database, Table GCC POP 2.

b) World Development Indicators, WDI 2015.

The development process experienced by the GCC countries was broadly initiated by relatively large public sectors, establishing the countries' infrastructures, education and health systems, as well as their public administration bodies and judicial systems, into which most of the local workforce was recruited (see GIZ and ILO 2015). Shortly after, the GCC's private and domestic sectors began growing at a rapid pace, providing job opportunities for the vast majority of migrant labour, which today mostly originates from the Indian subcontinent and East Asia followed by the Arab states and, to a lesser extent, the West. Recent estimates reveal that about 90 per cent workers employed in the GCC's private sector occupations are migrants.

Due to the very high proportion of migrant labour in the private sector, most GCC governments have adopted, since the early 1990s, several policy measures to increase the competitiveness and employment of nationals, particularly in the private sector. Such policies include measures affecting locals' expectations towards public employment through reducing implicit subsidies and enhancing private sector benefits, raising the quality of their human capital through educational reforms, and the offering of vocational training programmes. Related policies also include initiatives to raise the effective cost of hiring migrants, such as fees imposed on migrant employment, implementation of employment quotas for migrants and nationals, as well as completely nationalizing certain occupations (see Fasano and Goyal 2001).

Table 2 shows the industry distribution of migrant workers in several GCC countries as reported by their respective statistics institutions. With very minor cross-country variations, the majority of migrant workers are employed in private-sector dominated industries. On average, about two-thirds of all migrants work either in manufacturing, construction, or the trade industry.

Table 2: Industrial distribution of migrant workers

Industry	In thousands							
	BAH (2010)		KUW (2013)		KSA (2013)		UAE (2008)	
	Total	%	Total	%	Total	%	Total	%
Agriculture	6.4	1.2%	36.1	1.8%	336.0	5.6%	6.1	0.2%
Mining, Quarrying and Extraction	1.4	0.3%	2.0	0.1%	26.6	0.4%	55.1	2.0%
Manufacturing and Utilities	65.3	12.4%	117.2	6.0%	505.0	8.4%	409.8	15.2%
Construction	146.6	27.9%	204.5	10.4%	1,591.5	26.5%	1,000.1	37.0%
Wholesale and Retail Trade	86.0	16.4%	282.7	14.4%	1,341.8	22.3%	515.4	19.1%
Transportation and Warehousing	11.1	2.1%	58.6	3.0%	150.8	2.5%	273.4	10.1%
Finance, Insurance and Real Estate	13.2	2.5%	106.5	5.4%	65.2	1.1%	268.3	9.9%
Public Administration and Defence	28.1	5.3%	84.1	4.3%	31.5	0.5%	99.7	3.7%
Education	6.4	1.2%	36.6	1.9%	154.0	2.6%	49.8	1.8%
Health	2.3	0.4%	30.0	1.5%	214.4	3.6%	24.7	0.9%
Other Industries	159.2	30.3%	1,002.7	51.1%	1,586.8	26.4%	-	-
Total	526.2	100.0%	1,960.8	100.0%	6,003.6	100.0%	2,702.5	100.0%

Source: GLMM, Demographic-Economic Database, Table EMP 1.3

It is undeniable that many migrant workers in the GCC possess considerable stocks of human capital, entitling them to higher wages relative to what they would earn in their countries of origin, and thereby enabling them to send significant amounts of remittances to support their families back home (see Naufal and Genc 2014). Nonetheless, although migrants, particularly skilled workers from the Indian subcontinent and Asia, possess

higher average levels of productivity-related characteristics than local workers in the GCC, they are often faced with lower relative wages and lower levels of social protection.

As shown in Table 3, there are sizeable observed wage gaps between the three major migrant groups, namely Asians, Arabs, and Westerners in all GCC countries. On average, Westerners earn the highest wages followed by Arabs and Asians, respectively. The highest gaps are generally observed in Bahrain, whereas the lowest are found in Oman. For example, in 2015, Westerners earned a 31 per cent wage premium over Asians in Bahrain and a 19.1 per cent premium in Oman. Also, Arabs enjoyed a premium of 25.8 percent over Asians in the former and a 10.2 percent premium in the latter.

Table 3: Average monthly wages in USDs

GCC Member State	Asians		Arabs		Westerners	
	2014	2015	2014	2015	2014	2015
Bahrain	8,005.0	7,704.0	9,919.0	10,382.0	10,420.0	11,169.0
Kuwait	9,223.0	9,531.0	10,715.0	11,384.0	11,080.0	12,356.0
Oman	8,188.0	8,832.0	9,629.0	9,836.0	9,968.0	10,918.0
Qatar	9,878.0	10,489.0	12,518.0	13,021.0	12,331.0	13,573.0
Saudi Arabia	10,214.0	11,066.0	13,042.0	13,567.0	13,274.0	14,302.0
United Arab Emirates	8,853.0	9,485.0	10,878.0	11,637.0	11,235.0	12,550.0
GCC Average	9,060.2	9,517.8	11,116.8	11,637.8	11,384.7	12,478.0

Source: Gulf Business, Vol. 19, Issue 11, 2015, pp. 47 - 55

These gaps in earnings could potentially be caused by many factors, including relative supply and demand for the alternative types of labour, differentials in workers' productivity, unobserved abilities and degrees of assimilation, as well as discrimination. The lack of individual-level data in the region has largely contributed to the under-exploration of this important phenomenon.

There is considerable variation in the expenses incurred by migrant workers for securing positions in the GCC countries. The least skilled migrants tend to pay the most, in part due to the excess supply of low-skill jobs and limited access to alternative pathways for seeking work. On the other hand, employers frequently cover the cost of recruiting highly skilled workers, reflecting in contrast, an excess demand for such workers. A better appreciation of factors that contribute to raising or lowering migration expenses privately incurred by migrants would further help deliver insights that can shape programmes and policy making in this space.

Applicants are invited to submit proposals addressing the various economic aspects of migration into GCC countries, highlighting the relevant perspectives from countries of

destination and origin. The workshop may include a few invited papers and suitable papers may be included in an edited volume.

Anticipated Participants

For the GRM Migration workshop, we are seeking contributions particularly on the following themes:

- Migrant workers' (past and present) contributions to the development of GCC economies
- The impact of migrants on the economies of their countries of origin, at the micro- and macro-level
- Consumption, savings, and investment behaviours of migrant labor in the GCC.
- The effect of migrant workers' remittances on host and destination economies
- Proposed taxation of workers' remittances, its potential consequences on consumption, savings and remittance outflows
- Native-migrant earnings differentials: overpayment of locals or underpayment of migrants
- Wage gaps across various migrant groups: productivity differentials or favouritism.
- Determinants of destination choices by migrants to the GCC
- Skills acquisition in the GCC and implications for subsequent migration.
- Duration of migration spells in the GCC, and the relative ability of skill retention
- Impact of policies aimed at enhancing the benefits of migration to the GCC or reducing its costs to migrant households
- Analysis of the factors that influence recruitment fees and related migration expenses incurred by workers seeking positions in the GCC
- The relationship between migrant and local workers: substitutes or complementary inputs

Authors are:

- Expected to submit their proposals by 15 February 2016 and their final papers by 31 May 2016,
- Encouraged to use the GLMM database available at <http://gulfmigration.eu/glmm-database/> in their papers, whenever possible.

Workshop Director Profiles

Ganesh Seshan is an Assistant Professor of Economics at the Edmund A. Walsh School of Foreign Service in Qatar. He earned his M.A. and Ph.D. in Economics from the University of Virginia. His research interest covers the economics of developing

countries, particularly migration where the focus is on examining social programmes to enhance the developmental impact of migration and remittances. A complementary work is to better understand forces that influence the decision to migrate, its impact on household members in the origin country, and financial decision-making in transnational households in the presence of information asymmetries. His work has been pursued primarily through the collection of original micro-level data in both host and origin countries. His recent publications have appeared in the *Journal of Development Economics*, *World Bank Economic Review*, *Journal of Development Studies* and *B.E. Journal of Economic Analysis and Policy*.

Usamah Alfarhan is an Assistant Professor of Economics at the Department of Economics and Finance at Sultan Qaboos University (SQU) in Oman since 2013. After earning his Ph.D. in Economics from Texas Tech University in 2010 and before joining SQU, he worked at the USAID-funded Fiscal Reform Project in Jordan, providing consultancy and building capacity at various government offices, including the Customs Department and the Ministry of Finance. His research interests are mainly in applied microeconomics and labour economics. In particular, his research focus currently is on wage structures, labour force participation decisions, earnings inequality and discrimination across various demographic groups, including gender discrimination in developing countries and earnings differentials among migrant groups in the GCC.

Selected Readings

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