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THE GCC FACTOR IN FUTURE ARAB LABOR MIGRATION

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Introduction

In the wake of the first oil price adjustment of 1973, the Gulf Cooperation Council (GCC) countries[1] faced a multitude of challenges in response to the sudden and substantial inflow of oil revenue. The most pressing economic challenge dealt with building up a modern infrastructure, a process that is by nature quite labor intensive. In the years that followed, impressive quantitative growth in all walks of life was realized. In order to bring this change about in the presence of severe qualitative and quantitative national manpower shortages, foreign labor had to be imported in large numbers. During the sixties and early seventies, foreign workers came in with their families. Arabs outnumbered Asians by a ratio of 2/3 to 1/3 during the seventies. Arab expatriates took up jobs in which they have a comparative advantage, e.g. teachers, judges, journalists, university professors, administrators and construction workers. Likewise, Asians occupied jobs that required high technical skills, fluency in the English language, services and household services. Foreign labor complemented the national work force.

As education expanded, illiteracy fell and more GCC nationals entered the market and were given top jobs. To a great extent, the highest paid and least demanding jobs were found in the government sector. Therefore, about 80 percent of all nationals sought and were readily given employment in the public sector. Expatriates and nationals coexisted. In time, however, dualities appeared where, typically and for the same skills, nationals received higher pay than foreign workers and public sector wages were higher than in the private sector.

High endogenous population growth rates in the range of 3 to 6 percent were observed during the seventies and eighties. This produced a very young population where the <= 15 years age group accounted for about 50 percent of the population, a phenomenon which portends the entry of larger flows of nationals in the labor force in the future. Unless new job opportunities are made available through economic expansion to accommodate them, they will have to compete against a lesser-paid and more experienced foreign labor force. Meantime, and despite the impressive quantitative growth in education, intermediate school dropouts increased[2]. High school and university

[1] The GCC countries consist of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Among them, they established a free trade area in May 1981, which was ratified in 1983. They are currently preparing to enter into a customs union.

[2] According to a paper presented by the Minister of Social Development (known formerly as the Ministry of Social Affairs, Labor and Vocational Training) in Oman in a conference on “Employing National

graduates also lacked the basic skills, e.g. computer literacy, foreign languages, math and sciences. On the economic front, oil prices reversed their upward trend starting in 1983 and culminated in chronic fiscal deficits. In some countries, the government wage bill exceeded oil revenue.

For the first time, the public sector could ill afford to hire more nationals and the private sector was reluctant to hire them because of unfavorable cost/productivity trade offs. Nationals were experiencing open unemployment in the midst of an already existing large pool of foreigners, gainfully employed in all sectors of the economy.

Current forecasts indicate that the supply of new national entrants in the next decade will exceed the economy's capacity to generate new jobs. Consequently, present pressure to hire nationals in the private sector will inevitably become stronger, especially since the public sector in most GCC countries has already slashed employment of foreigners to the bare minimum. Under this scenario, the prospects for Arab workers in the GCC will continue to be dim. Looking ahead, anticipated developments are likely to work against Arab workers.

There is sufficient evidence to indicate that it is easier for nationals to replace Arabs than Asians due to their language capability as teachers, journalists and clerks, among others, and, in general, in occupations that require dealing directly with the public. Additionally, because Asians are less expensive and are typically more skilled than Arabs in maintenance and technical occupations, they are likely to further replace them. Thus, Arab workers will be squeezed from both sides: from nationals and from their Asian counterparts. Arab workers, however, will continue to find jobs in low to medium skill occupations, albeit at a much reduced scale than in the past.[3].

The paper is organized as follows: we start by reviewing the population and labor migration record to the GCC. Next, a set of alternative scenarios are developed to help conceptualize the prospects of Arab migration to the region. Four alternative scenarios are developed, each of which leads to a different outcome. A review and an analysis of the forces that impact the future outcome of each scenario on the prospects of Arab labor migration is carried out. The paper concludes with an analysis of future demand for and supply of labor in selected GCC countries to ascertain the most likely trends in future Arab labor migration to the GCC.

Manpower", held in October 2001,71.6% of male Omanis seeking jobs for the first time between 1998 and 2000 held only primary school education or lower, Central Bank of Oman, *ElMarkazy*, November/December 2001, p.7.

[3] Many GCC countries have already banned the importation of certain occupations that until recently were mostly filled by Arab workers.

I. The Migration Record

It is worthwhile noting at the start that there exists many similarities among the six GCC countries, particularly in regard to labor and employment policies and measures adopted during the last three decades. Collectively, one may characterize labor market developments in the GCC region as having gone through three historical transitional stages:

The first, *the Major Influx*, occurred between the early 1970s and early 1980s when the flow of oil revenues provided the financial resources required to build new roads, schools, hospitals, ports, communications network, banks, industrial plants, transportation, water desalination and power plants, among others. Neither the quantity nor the quality of the national manpower in any of the GCC countries was a match for the new demand for labor. The process of building up an infrastructure on such a large scale required highly skilled manpower at first in order to design national strategic plans, coordinate these plans and put them into effect. A massive inflow of foreign workers thus ensued with each GCC country competing with the others to attract American, European, Arab and some Asian workers[4]. The inflow was so massive that the number of expatriates doubled over the period 1975-80. Expatriates represented only 29.2 percent of nationals in 1975 and rose to 49 percent only five years later. See Table (1). Due to strong cultural, religious and language linkages with Arab neighboring countries, GCC states relied heavily on Arab workers, especially from Egypt, Yemen and Palestine.

The second transition, *the Asian Presence*, began a decade later and lasted until the mid 1990s. An atmosphere of austerity followed the sharp decline in oil prices and government spending in the mid-eighties, which forced public and private employers to cut costs, including labor s. This was reinforced by a fundamental shift in the demand for labor in that most of the required infrastructure projects had been completed and a new emphasis was placed on maintenance rather than on building new projects. Given the lower wages accepted by Asian workers and their skills and availability, *a substitution of less skilled Asian workers for Arab workers* started to take effect[5]. Until then, nationals routinely picked top jobs in the expanding government sector.

The third transition, *The Open Unemployment of Nationals*, is going on at the present time with its outcome yet to be seen. The transition is the result of external shocks that affected the region such as the two Gulf wars as well as internal disturbances including persistently weak oil prices, unprecedented financial constraints and depleted foreign assets. In this stage, one notices that the public sector is no longer able to hire nationals due to financial exigencies and the private sector is reluctant to hire them since they often lack the basic skills, besides demanding higher wages. Because of anemic

[4] As an example of the on-going effort to compete with each other for expatriate workers, see Planning Council, 1975, *A Strategy for the Flow of Manpower in Kuwait*, Kuwait (in Arabic).

[5] As we shall argue shortly, the second transition resulted in lower productivity levels.

growth rates in the region, fewer new job opportunities were generated and the burden of employing nationals rested upon laying off foreign workers. Currently, the combined demand for nationals in the public and the private sectors falls short of the supply of national labor, most of whom are first time job seekers.

This stage is particularly difficult for all concerned. For new national entrants in the labor force, it is disappointing not to be able to join the civil service cadre with its higher salary levels and generous job-related fringe benefits. For the private sector, it is difficult to respond positively to government demands to hire nationals at higher wage rates with less work experience compared to expatriate workers. Governments, too, are quite concerned about this new phenomenon as well because i) there is an unwritten rule that the public sector is responsible for securing job opportunities for *all* national workers, ii) most of the unemployed are young secondary and intermediate school graduates whose qualifications do not match the needs of the private sector and iii) existing training institutions, private and public, have largely been ineffective. Due to a number of government policies, some positive and some negative, over the last decade, job nationalization in the GCC has been effective in that past trends have been reversed[6].

In order to fully understand the forces that will influence the GCC factor in future regional Arab labor movements, one must take a closer look at the past migration trends. We start with an analysis of the impact of migration on population.

A. Population Growth

GCC nationals in 1975 numbered only about 7.5 million. Two decades later, they increased to 16.7 million, 80 percent of whom are Saudis. Indigenous population growth for the region as a whole from 1975 to 1985 was 3.9 percent, ranging from 3.2 percent in Bahrain to 7.6 percent in the UAE[7]. These rates are quite high by international standards[8]. Even though they declined somewhat during the following decade, except in Oman and Saudi Arabia[9], they still remained significantly higher than in comparable countries.

In absolute terms, the *increase* in the number of non-nationals that migrated to the region between 1975 and 1995 totaled 7.5 million people. By far the largest increase took place during the first half of the first transition, 1975-1980, where their share rose

[6] During its 2020 Vision Conference (1995), Oman set as 2020 targets compared with 1995 data the Omanization of public jobs from 68% to 95% and of private sector jobs from 15% to 75%.
[7] Some of the growth during this particular period can be explained in part by naturalization.
[8] Population growth rates for High, Medium and Low income groups were 1.01, 2.05 and 2.47 percent, respectively, in 1972. In 1995, they fell to, respectively, 0.61, 1.35 and 1.62 percent. See World Bank, *World Development Indicators*, 1997.

[9] Fertility rates are markedly higher in these two countries than in the other GCC countries. During the period 1985-1990, as an example, total fertility rates per thousand are estimated by the UN as follows: Kuwait, 3.90; Bahrain, 4.08; Qatar, 4.80; UAE, 4.82; Saudi Arabia, 6.80 and Oman, 7.17. See UN, 1992, *World Population Projections, Revised*, New York.

appreciably from 23 percent to 33 percent. Thereafter, the rate of growth slowed down considerably -- from 11 percent per year during 1975-1985 to only 4 percent during 1985-1995 -- while their share increased marginally. Expatriates in Saudi Arabia made up about 72 percent of all non-nationals in the region in 1975, falling to 56.4 percent by 1995 due to the relatively large influx of expatriates to Oman (more than doubled during 1985 to 1995), Qatar and the UAE.

Table 1

National and Expatriate Population Growth in the GCC, 1975-2000

(000)

	Bahrain	Kuwait	Oman	Qatar	KSA	United Arab Emirates	Total
1975							
Nationals	201.6	307.8	666.0	63.7	6,089.3	194.3	7,522.7
Expatriates	60.0	687.1	100.0	84.0	937.0	330.8	2,198.9
Total	261.6	994.9	766.0	147.7	7,026.3	525.1	9,721.6
Percent of Expats/Total	22.9%	69.1%	13.1%	56.9%	13.3%	63.0%	22.6%
1980							
Nationals	233.3	386.7	805.0	84.6	7,306.0	280.1	9,095.7
Expatriates	103.4	971.3	179.0	122.0	2,382.0	697.3	4,455.0
Total	336.7	1,358.0	984.0	206.6	9,688.0	977.4	13,550.7
Percent of Expats/Total	30.7%	71.5%	18.2%	59.1%	24.6%	71.3%	32.9%
1985							
Nationals	276.1	470.5	973.0	115.0	8,764.2	403.8	11,002.6
Expatriates	158.6	1,226.8	220.0	126.0	3,878.0	713.0	6,322.4
Total	434.7	1,697.3	1,193.0	241.0	12,642.2	1,116.8	17,325.0
Percent of Expats/Total	36.5%	72.3%	18.4%	52.3%	30.7%	63.8%	36.5%
1995							
Nationals	362.2	708.1	1,563.0	162.0	13,272.0	597.0	16,664.3
Expatriates	223.9	1,250.7	586.0	385.0	6,262.0	1,781.0	10,488.6
Total	586.1	1,958.8	2,149.0	547.0	19,534.0	2,378.0	27,152.9
Percent of Expats/Total	38.2%	63.9%	27.3%	70.4%	32.1%	74.9%	38.6%
1999/2000							
Nationals		812.2			15,658.5		16,470.7
Expatriates		1442.7			5,675.7		7,118.4
Total	690.0	2,254.9	2,400.0	565.0	21,334.2	2,900.0	30,144.1
Percent of Expats/Total		64.0%			26.6%		
Ann. Rates of Growth							
A) Nationals							
1975-1985	3.2%	4.3%	3.9%	6.1%	3.7%	7.6%	3.9%
1985-1995	2.8%	4.2%	4.9%	3.5%	4.2%	4.0%	4.2%
1975-1995	3.0%	4.3%	4.4%	4.8%	4.0%	5.8%	4.1%
B) Expatriates							
1975-1985	10.2%	6.0%	8.2%	4.1%	15.3%	8.0%	11.1%
1985-1995	3.5%	0.2%	10.3%	11.8%	4.9%	9.6%	5.2%
1975-1995	6.8%	3.0%	9.2%	7.9%	10.0%	8.8%	8.1%

Sources: Bahrain data from the 1994 Statistical Abstract; Kuwait data from the 1994 *Annual Stat. Abstract* and the Public Org. for Civil Information, *Population and Manpower* in 1996; Data for Oman, Saudi Arabia and the United Arab Emirates for 1975 to 1985 are estimates made by ESCWA in *National Manpower in the GCC,* 1985 and data for 1995 from Gulf Business Books, *The GCC Economic Data Book*, 1996.

All together, the total GCC population rose from slightly less than 10 million in 1975 to about 26.4 million in 1995[10]. And during the next 30 years, the UN projects the population to double, reaching 52.5 million[11].

One of the major demographic characteristics of the population structure in the GCC is that the population is quite young. Measured by the number of people in the age group 0-14 years as a percent in total population, excluding the UAE and Qatar where there is a large foreign population in the working age of 19 to 39, the ratio for the GCC is about 39 percent. For 2000 in percentages, it is 44.1 in Oman, 42.9 in Saudi Arabia, 31.3 in Kuwait, 26.7 in Qatar and 26 percent in the UAE[12]. With the oil baby boomers of the mid-1970s entering the labor market in the late 1990s, the share of the young (less than 15) in the population will fall and the supply of national labor force (LF) will grow faster than the population[13]. More specifically, according to the UN population projections, the unweighted GCC average of the relative share of the 0-14 years group will decline gradually and steadily over the years from 39.7 percent in 1975 to 33.7 percent in 2005 and 28.8 percent in 2025. *It follows then that, the share of the labor force will increase from 58 percent in 1975 to 63 percent in 2005, and so will the number of nationals searching for jobs*.

Clearly, the relatively large proportion of young people represents a demographic time bomb of considerable force. When they eventually enter the labor market, suitable employment must be found for these cohorts of increasing size. Given recent history, however, many - if not most - of these young people expect employment in high paying government jobs, as did their parents earlier. While there are many government positions that are now filled by foreigners, the available youth may not have the skills necessary to replace them without loss of productivity. Hence, *a policy of providing government employment may result simply in the growth of the government sector rather than substituting nationals for foreigners.*

Data on foreign population classified by ethnic composition is scarce in the GCC, making it difficult to accurately trace developments in, say, Asian versus Arab populations over time and across GCC countries. In the absence of extraordinary developments such as the second Gulf war, ethnic composition normally changes quite slowly over time. Recent evidence from Kuwait and Saudi Arabia may help shed some light on this issue. In Saudi Arabia, foreign population in 1995 amounted to 6.26

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[10] The GCC countries are surrounded by countries with relatively large population sizes (2000 in million): 18.3 in Yemen; 23 in Iraq; 67.9 in Egypt; 66.7 in Turkey and 70.3 in Iran; see UN Population Division Data base.

[11] UN, *World Population Projections, op. cit*.

[12] Comparable figures for neighboring developing countries are (2000, in percent): Yemen, 50.1; Iraq, 41.6, Iran, 37.4; Egypt, 35.4; and Turkey, 30. In developed countries, the ratios are much lower: Singapore, 21.9; U.S., 21.7; UK, 19. See UN Population Division data base.

[13] World Bank, 1995, *Will Arab Workers Prosper* ….; Op. cit, p.7.

million[14], of which 2.38 million or 38 percent were Arab migrants and 3.34 million or 53.4 percent were Asians. The most represented countries are shown in Table 2.

Table 2
Saudi Arabia: Foreign Population by Nationality, 1995

Country	Number	As % in sub-group (%)	As % in foreign population (%)
Egypt	1,195.2	50.2	19.1
Yemen	424.4	17.8	6.8
Jordan & Palestine	266.0	11.2	4.3
Sudan	242.5	10.2	3.9
Syria	168.4	7.1	2.7
All Arabs	2,378.8	97.0	38.0
India	1,228.7	36.8	19.6
Pakistan	778.7	23.3	12.4
Philippines	451.0	13.5	7.2
Bangladesh	446.3	13.4	7.1
Indonesia	249.5	7.5	4.0
All Asians	3,342.6	94.0	53.4

Source: Ministry of Interior

The data indicate that the Asian population outnumbered Arab migrants by about one million. The highest concentrations of foreigners lie in migrants, in a descending order, from India, Egypt, Pakistan, Philippines, Bangladesh and Yemen. For every Arab resident, there were 1.4 Asians.

Table 3
Kuwait: Arab versus Asian Population,1989 and 2000

Year	Arabs	Asians	Others	Total
December 1989	994.5	508.3	16.8	1,519.6
January 2000	659.9	761.1	21.6	1,442.7
As % in Total				
December 1989	65.4	33.5	1.1	100.0
January 2000	45.7	52.8	1.5	100.0
Growth rate 89-00	-33.6%	49.7%	28.6%	-5.1%

Source: Public Authority for Civil Information, January 2000 and December 1989, *Population and Labor Force,* Kuwait.

In Kuwait, data on population and labor employment are published annually. They include a classification on ethnic groupings; e.g. Asians, Africans, Arabs, etc. No

[14] According to a recent statement made by the Minister of Labor and Social Affairs, this number has increased to about 7 million in 2000.

finer breakdown is available. The situation in Kuwait is somewhat unusual in that the Iraqi invasion of Kuwait brought about discernible changes in the national composition of both labor and population. As Table 3 shows, there has been a shift of major proportions toward substituting Asians for Arab workers in the aftermath of the 1991 war.

Prior to the invasion, Kuwait was known to have been one of the GCC nations with a strong Arab presence. After the war, however, the situation changed where one notices a profile similar to the one observed in Saudi Arabia above. In fact, the Asian population now represents 52.8 percent in Kuwait in 2000 while they represent 53.4 percent in Saudi Arabia in 1995. In contrast, the percent of Arabs in total foreign population in Kuwait is still somewhat higher than in Saudi Arabia, 45.7% vs. 38%. The difference is attributed to the strong presence of non-Arab and non-Asians in Saudi Arabia. During the 1990s, the number of Arabs in Kuwait dropped by 33.6 percent while the number of Asians rose by about 50 percent.

From the data shown in Table 1, the share of foreign population residing in Kuwait and Saudi Arabia in 1995 represented 78.5 percent of the total GCC foreign population. Thus, the migration profile of Arabs and Asians presented above based on Kuwait and Saudi Arabia does offer an acceptable proxy for the GCC as a whole. Therefore, it is fair to say that the size of the foreign population in the GCC, which is to a great extent dependent on the demand for labor in the first place, is split about 40-60 in favor of non-Arabs.

B. Labor Force Migration

By 1995, total employment in the GCC had increased from 2.9 million in 1975 to 9.6 million, or by about 6 percent annually. The speed and volume of labor importation were so large, as shown in Table 4, that nationals as a percent of total employment fell from 61 percent in 1975 to 26 percent despite the increase in the employment of nationals from 1.7 to 2.5 million during the same period[15]. This implies that *the employment of expatriates has increased at a faster rate than the employment of nationals* -- 6.2 percent annually compared to 1.9 percent, respectively[16]. This reflects in part the increase in the demand for labor skills that are not available at home, more men and women enrolling and staying longer in schools, lower rates of participation in the labor force especially

[15] It should be emphasized that data regarding expatriate workers and population are sparse in some GCC countries while they are available in greater detail in others. Where they are sparse, estimates are made as indicated. The reader is advised to focus on orders of magnitude rather than on exact and accurate data. Thus, while the overall picture may not be exact, it does reflect GCC realities rather adequately.

[16] To the extent that the reported GCC-wide growth rates are weighted averages, they are greatly influenced by Saudi Arabia.

Table 4

National and Expatriate Manpower Growth in the GCC, 1975-2000

(000)

	Bahrain*	Kuwait	Oman	Qatar	KSA	United Arab Emirates	Total
1975							
Nationals	38.0	55.4	155.0	11.7	1,438.9	44.6	1,743.7
Expatriates	22.0	249.2	70.0	57.0	484.8	234.2	1,117.1
Total	60.0	304.6	225.0	68.7	1,923.7	278.8	2,860.8
Percent of Na	18.2%	18.2%	68.9%	17.0%	74.8%	16.0%	61.0%
1980							
Nationals	61.2	74.2	168.0	16.6	1,519.6	53.9	1893.6
Expatriate	81.2	417.3	112.0	79.0	1,693.1	470.8	2853.3
Total	142.4	491.5	280.0	95.6	3212.7	524.7	4746.9
Percent of Na	43.0%	15.1%	60.0%	17.4%	47.3%	10.3%	39.9%
1985							
Nationals	71.8	95.9	177.9	23.5	1,619.6	65.1	2,053.8
Expatriate	98.8	574.5	191.1	76.7	2,722.5	460.2	4,123.8
Total	170.6	670.4	369.0	100.2	4,342.1	525.3	6,177.6
Percent of Na	42.1%	14.3%	48.2%	23.5%	37.3%	12.4%	33.2%
1995							
Nationals	90.7	174.9	240.0	39.0	1,869.0	111.2	2,524.8
Expatriate	135.8	876.6	430.3	179.0	4,581.0	843.9	7,046.6
Total	226.5	1,051.5	670.3	218.0	6,450.0	955.1	9,571.4
Percent of Na	40.0%	16.6%	35.8%	17.9%	36.5%	11.6%	26.4%
2000							
Nationals		221.4	306.2		3,172.9		
Expatriates		1,004.8	552.5		4,003.4		
Total		1,226.2	858.7		7,176.3	1,311.8	
Percent of Nationals/Total		18.1%	35.7%		44.2%		
Ann. Rates of Growth							
Nationals							
1975-1985	6.6%	5.6%	1.4%	7.3%	1.2%	3.9%	1.7%
1985-1995	2.4%	6.2%	3.0%	5.2%	1.4%	5.5%	2.1%
1975-1995	4.4%	5.9%	2.2%	6.2%	1.3%	4.7%	1.9%
Expatriates							
1975-1985	11.0%	8.2%	5.1%	3.8%	8.5%	6.5%	8.0%
1985-1995	2.9%	4.6%	6.2%	8.1%	4.0%	6.2%	4.5%
1975-1995	6.9%	6.4%	5.6%	5.9%	6.2%	6.4%	6.2%

Notes: *) Bahrain data are for census years 1971, 1981, 1985 (estimate) and 1991.
Sources: Maurice Girgis, 1999, *Labor Market Reforms in the GCC*, MDF 3

among women, and an apparent redundancy of foreign labor at the lowest skill levels due to their relative affordable pay, notably in household occupations such as maids, cooks, drivers and the like. All in all, some 5 million foreign workers migrated to the region over the period 1975-1995. The increase since has been marginal across the GCC. Currently, there are about 7.5 million expatriates working in the region.

The low rate of participation of the national manpower in the total labor force, the presence of some seven million expatriate workers who are gainfully employed throughout the GCC and the accompanying unemployment among the national manpower, which is estimated at roughly 500 thousand, point out the dilemma facing GCC countries at the present time.

The following two tables 5 and 6 contrast the pattern of employment of Arab versus Asian workers' according to standard skills/occupations in Kuwait from 1989 to 2000. An analysis of the tables yields the following profile:

- ☒ Owing to the presence of large Arab families with high dependency ratios, Arab population outweighed Asians while Asian workers outweighed Arabs.
- ☒ Arabs dominate the upper echelons of skill categories – technical & scientific, managerial and clerical & government occupations- while Asian workers do likewise with regard to services, agriculture and production-related jobs. They both split the 68 thousand mid-skill sales jobs about evenly.
- ☒ That there is a strong skill distinction between the two groups can be seen from the fact that in spite of the large decline in the number of Arab workers in 2000 and the simultaneous substantial increase in the number of Asians, the former group still held the majority of the high skill occupations while the later group held the bottom three categories. Jobs in sales seem to have swung toward Arab expatriates.

Table 5
Kuwait: Distribution of Arab and Asian Foreign Labor, 1989

Occupation	Arabs	Asians	Total	% Arabs	% Asians
Technical & scientific	66,980	20,377	91,246	73.4%	22.3%
Managerial	7,540	2,105	10,236	73.7%	20.6%
Clerical & govt.	60,976	16,679	78,198	78.0%	21.3%
Sales	38,521	29,467	68,359	56.4%	43.1%
Services	50,750	197,678	249,523	20.3%	79.2%
Agriculture	7,092	12,004	19,112	37.1%	62.8%
Production	109,390	142,569	252,959	43.2%	56.4%
Total	352,198	423,128	783,094	45.0%	54.0%

Note: Numbers may not add up to totals across rows because other nationalities are excluded. Likewise, columns may not add up due to the exclusion of the "unclassified" group.
Source: Public Authority for Civil Information, December 1989, *Population and Labor Force,* Kuwait.

- Asians dominate employment of females in 1989 and 2000. For instance, in 2000 they represented (62.9%) of all jobs held by females compared to Kuwaitis (26.5%) - most of whom (94.5%) are employed in the government sector- and Arabs (9.5%).
- The majority of Europeans and North and South Americans are hired in technical, scientific and managerial jobs only.

Table 6
Kuwait: Distribution of Arab and Asian Foreign Labor, 2000

Occupation	Arabs	Asians	Total	% Arabs	% Asians
Technical & scientific	50,568	31,431	87,716	57.6%	35.8%
Managerial	12,040	5,977	19,710	61.1%	30.3%
Clerical & govt	44,505	22,773	68,251	65.2%	33.4%
Sales	36,792	34,511	71,638	51.4%	48.2%
Services	26,573	277,159	304,712	8.7%	91.0%
Agriculture	4,050	11,159	15,227	26.6%	73.3%
Production	137,544	288,766	427,581	32.2%	67.5%
Total	319,852	673,740	1,004,721	31.8%	67.1%

Note: Numbers may not add up to totals across rows because other nationalities are excluded. Likewise, columns may not add up due to the exclusion of “unclassified” group.
Source: Public Authority for Civil Information, January 2000, *Population and Labor Force*, Kuwait.

The picture that emerged from the two tables, assuming that Kuwait in 2000 is a representative of the Gulf region, is that Asian migrant workers are hired in all occupations with a distinct bias toward low skill categories. In so far as total employment is concerned, they outnumber Arabs even if the Arab population exceeds theirs. Clearly this implies that Asians tend to migrate without their families as compared to Arab workers.

In addition to the above, one must emphasize the decline that occurred in the rate of labor migration. Its annual growth rates fell sharply from 8 percent during 1975-1985 to 4.5 percent during the following decade. The slowdown of foreign population, however, is more pronounced than with foreign labor due to the factors mentioned earlier. Note, though, that even as the rate of growth of expatriate workers slowed down, there was a steady increase in their numbers in absolute terms. The latter rose steadily from 2.9 million in 1975, to 4.1 million in 1985 and to 7.1 million in 1995. In contrast to nationals, there were *2.84 expatriates for each national worker in 1995.*

II. An Analysis of the Forces that will Shape Future Arab Labor Migration

The demand for Arab workers in general is a function of four major determinants. The first is the *supply of nationals,* their skills, wages, productivity levels and perceived degree of commitment to work. The assumption is made here that any new job will be filled by a GCC national before it is offered to an expatriate. Expatriates therefore play a “residual” role. This is true so long as one assumes that foreign and national LF are the same with regard to skills, wages and productivity. The greater the number of national entrants in the LF, holding every thing equal, the lesser the demand for expatriates, both Arabs and non-Arabs, and vice verse.

The second is the *economy’s capacity to generate new jobs*. Generally speaking, if there are more new job opportunities created than there are new national entrants, the demand for expatriate workers rises, and vise verse. This has been the case from the late 1960s to the mid 1980s. Government spending as well as that of the private sector created a demand for labor that exceeded the available national LF. Migration thus followed. Job creation is also sector-sensitive in that some sectors are more labor intensive than others. Thus, the construction boom precipitated a very large demand for expatriates because a) it is highly labor-intensive in nature, b) many of its activities require manual jobs that are disdained by nationals and c) its backward linkages are typically in labor-intensive sectors such as building materials industries, services, storage, etc. The oil sector, on the other hand, is capital and technology intensive and, as a result, its growth had a marginal effect on labor migration. All in all, this factor is a major determinant because it could compensate for the rise in the number of national entrants over time.

The third factor is the *compatibility of the national LF with the demand for labor*. It is not enough to match demand for and supply of national labor. National labor must also possess the skills, talents and knowledge needed to fill new job openings. In the short term, incompatibility can lead to open unemployment of nationals concomitant with a continued rise in foreign labor migration. In the medium to long terms, this impediment can be resolved through training and re-tooling of national manpower. There remain, however, other compatibility considerations such as wages, experience, productivity, loyalty, work ethics and self-motivation. Concerning wage rates, nationals command a higher wage rate at all skill levels and are, thus, disadvantaged by this disparity. As for the remaining requirements, the jury is still out for it depends, in a large measure, on each case separately.

The fourth factor is the *Asian influence*. Whenever the demand for labor exceeds the supply of nationals, employers resort to the use of foreign workers based on normal considerations such as the availability of skills that match job requirements, money wages and non-money wages (e.g. travel, housing, home leaves, etc.). Excluding Europeans and North Americans who represent a very small share in the foreign LF and are ordinarily hired to fill a narrow range of specific high skilled occupations, the choice in effect has always been between Asians and Arab workers.

As to the existence of any constraints on the choice between Arabs and Asians, it is to be noted that the Arab League had adopted an agreement that seeks to coordinate Arab labor migration (Number 4, modified, 1975). The agreement stipulates a) facilitating the movement of Arab workers across borders of League members, b) granting priority to Arab workers and c) exchanging information on respective labor markets. Moreover, the UAE government stipulated until the mid-1980 that a minimum of 30 percent of all foreign workers be of Arab origin. Neither of these conditions, however, was enforced. Moreover, even though all requests for importing foreign labor must be approved by government authorities (i.e. the Ministry of Social Affairs and Labor), no special considerations or priorities were given to Arab workers. Thus, it is fair to say that the choice has been unconstrained.

Concerning the prospects of Arab worker migration to the region, there are possibilities that maybe combined conceptually into the following four scenarios.

<u>Scenario 1</u>: <u>Greater Arab in-migration</u> will occur if the demand for labor is greater than the supply of national manpower and if Arab workers rather than Asians match the required skills. This would apply to the demand for such occupations as teachers, journalists, lawyers, judges, Islamic clerks, engineers, clerical jobs and other occupations that require direct dealing with the indigenous population in which case the Arabic language and/or similar experiences in other Arab countries become a necessity. Here, there is no pressure to hire nationals and the wage differential factor between Arabs and Asians is marginalized due to the language/experience requirement.

<u>Scenario 2</u>: <u>Moderate Arab in-migration</u> is an outcome that will take place in the case where the demand for labor is greater than the supply of national manpower and the required skills are matched by Asian workers rather than Arab workers. This scenario is similar to Scenario (1) except that the skills required favor Asians. Examples here include technical skills, especially in repair and maintenance of electric and mechanical tools and machinery. Production workers, be it in manufacturing or agriculture sectors and services, are dominated by Asians. Another group of occupations that both Arabs and nationals disregard is household services. Moreover, if an Arab and an Asian are identical in regard to skills and experience, an Asian is likely to be appointed due to the marked wage differential between them.

<u>Scenario 3</u>: <u>Slow Arab out-migration</u> is likely to occur if the demand for labor is less than the supply of the national manpower and if the required skills are not matched by national workers but are matched by Arabs or Asians. This scenario is akin to the present transitional stage where new national entrants outstrip the number of new jobs created in the economy. Though the mismatch may delay laying off expatriates, government pressure and incentives will most likely outweigh the tendency to delay and the net outcome will be an absolute decline in the number of foreign workers in the Gulf.

<u>Scenario 4</u>: <u>Arab out-migration</u> is likely to occur if the demand for labor is less than the supply of national manpower and if national workers rather than Arabs match the required skills. GCC governments have exerted substantial pressure in terms of either incentives (positive) or bans (negative) to coerce private sector employers to increase the employment ratio of nationals in their firms. This strategy has paid off in almost all of the GCC countries. Prompted by positive financial incentives, training and re-tooling programs, practically all large local firms have redressed their imbalanced ethnic composition of the LF. It should be added, however, that there is a greater likelihood for nationals to substitute Arabs than Asians because nationals are attracted to the same

academic disciplines as Arabs and also posses the same language advantage. Public pressure to hire nationals may outweigh other advantages found in Arab labor.

In light of the above, it will be useful to investigate the major forces that will decide the shape of the most likely scenario. By so doing, one is able to project the future of Arab worker migration prospects with some degree of certainty.

I. Determinants of Future Arab Labor Migration

A. Economic Growth

The size of the government sector has expanded considerably during the last two decades. Fueled by increasing inflows of oil revenue in the seventies along with a near consensus at the time of unabated increases in the world oil price, the role of the government sector was also expanded. The basic structure of the current welfare system was established then, whereby the government became the conduit through which oil revenues were to be reallocated to the citizens in terms of a modern infrastructure, free health care, free education and subsidized housing, etc. all the while maintaining zero taxation. This role became the central piece in the structure of public policies in the GCC since the early Seventies.

Oil revenues of the GCC countries in 1973 amounted to $7.8 billion. In 1974, it increased to about $40 billion, or by more than five fold within one year, as the price of oil increased from $2.7/b to $11.2/b. Thereafter, the price of oil continued to rise until 1979 when OPEC once again adjusted it from an average of $18.6/b to $30.5/b. Consequently, GCC oil revenues rose substantially, continuing their upward trend until they reached a total of $ 151 billion in 1981. Subsequently, the world price of oil started a downward spiral -heretofore unexpected- when it hit bottom in 1986 at $13.5[17]. The drop from a peak of $38/b in October 1981 to only $8.5 in August 1986 illustrates the extent of volatility that characterizes the world oil market.

Because of the sharp decrease in oil revenues, government oil revenues fell back in 1986 to their 1974 level and the GDP of many GCC countries fell by 1/3 to ½ of their peak levels realized in either 1981 or 1982. Oil prices have since fluctuated within a relatively narrow range of $15/b to $25/b. Though the range is narrow by comparison to the previous decade, oil revenues of the region are greatly affected by small price swings in view of its large daily exports of oil and its derivatives[18]. From 1975 until the late 1990s, both government budget balances and current account balances have been experiencing chronic deficits in most of the GCC States. Moreover, the purchasing power represented by a barrel of oil fell even more as the general level of world oil prices rose with inflation. Recent developments indicate a discernible improvement in budget

[17] In July 1986, UAE's Murban posted price tumbled to $8.45/b; OAPEC, 1987, *Annual Report*, p.46.

[18] Based on the region's supply of 14 million barrels per day, a $1.0 drop in the price of oil will trigger a more than $5 billion drop in oil revenue.

and trade balances, however, due to the increase in oil prices and the reduction in government spending. Whether or not this trend will continue remains to be seen.

Much has been written in the literature about the lack of robust rates of economic growth in the GCC countries since the bottom fell off the oil price in 1986[19]. As can be seen from Table 7, the World Bank reports anemic growth rates during the 1980-1990 decade, ranging from –2.1 to 1.3 percent. The exception is in Oman. The next decade's performance was influenced by periodic rebounds in oil prices, some of which were of marked magnitude. As a result, growth rates ranged in the 4-6 percent, except in Saudi Arabia and the UAE, the two largest economies, where they remained weak. The unusually high growth rate observed in Kuwait during 1990-99 may be attributed to the large increase in GDP after its precipitous drop in the wake of the invasion in 1990. On the other hand, the growth in Oman over the past two decades marks a distinguished economic performance that was fueled largely by the growth in the oil & gas sector.

Table 7
Average Annual Growth Rates of GDP and GDP per capita

	Bahrain	Kuwait	Oman	KSA	UAE
GDP 1980-90	1.2	1.3	8.4	0.0	-2.1
GDP 1990-00	4.1	5.5	5.9	1.6	2.9
Per capita 1980-90	-2.8	-2.9	4.4	-5.1	-7.0
Per capita 1990-00	0.8	6.0	0.3	-1.1	-1.6

Source: World Bank, 2002, *Development Economics central database*.

Looking at the structure of the economy and sectoral growth, Table 8, the evidence suggests the existence of a biased structure toward non-traded goods sectors as compared to the traded goods sector[20]. Not only that, the growth of the manufacturing sector has been quite modest despite the relative ease with which economies such as the GCC's could establish import-substituting industries, the abundance of energy sources and their comparative advantage in energy-intensive industries, the strong economies of regional petrochemical industries and the wide array of incentives made available to manufacturers. These two factors combined reveal a fundamental weakness in the economies of the GCC countries; namely, the lack of international exposure and, hence, the inability to penetrate global competitiveness in traded goods. Turning this weakness around will be both difficult and time consuming in that it would require fundamental economic reforms at the macro level and, at the micro level, radical upgrading of R&D, manpower skills, computer application, production management, quality control, packaging, marketing and storage and transportation, among others.

[19] Based on CDS national income accounts for the three periods 1969-79, 1979-89 and 1989-99, Saudi cumulative annual GDP growth rates in constant prices were as follows: 1) for oil, 9.7%, -6.3% and 4.7%; for non-oil GDP, 11.5%, 4.2% and 1.3%; for government spending, 12.1%, 1.9% and 2.6%; and for GDP, 10.5%, -0.5% and 2.8%.
[20] The construction sector alone employs 31.3% of all non-Saudi workers in 2000 and the social services sector employs 42.8% of all no-Kuwait LF in 2000.

There are other negative growth trends during the last two decades that one can see from the table; namely, a) lower government spending on development projects, b) higher government wage bills, c) lower national savings ratios and d) higher government spending on goods and services and a high military spending compared to the Middle East and North African region (MENA) and high income countries. All together, economic indicators do not bode well for an economic record that is quite different from the past record of the 1980s and 1990s[21]. Additionally, the fact that none of the GCC countries had undertaken structural reforms led to the slow growth in the demand for labor, and "while new jobs are expected to be more labor intensive, they have tended to become excessively so"[22]. This trend will bias future demand for labor towards more Asians and fewer Arab workers.

Table 8
Structure of the GCC Economies, 1980-98

	Bahrain	Kuwait	Oman	KSA	UAE	MENA	High income
% Mfg in GDP, 1990	16.7	11.6	3.8	7.6	7.7		
% Services in GDP, 1980		25.0		18.0	22.0	37.0	59.0
% Services in GDP, 1990	53.3	47.0	39.0	43.3	34.7		
% Services in GDP, 1998				45.0		43.0	65.0
Ann. growth of mfg, 1980-90	2.7	2.3	20.3	7.5	3.1		
Ann. growth of mfg, 1990-98				2.7		3.1	2.5
Govt. consump. % GDP, 1980		11		16	11	18	16
Govt. consump. % GDP, 1998		31		32		22	15
Govt. capital spending, 1980		32	21		8	29	7
Govt. capital spending, 1989		14	12		3	20	4
Nat. savings % GDP, 1980		58		62	72	38	24
Nat. savings % GDP, 1998		13		26		19	22
Military spending % GDP, 97		7.5	26.1	14.5	6.9	7.0	2.4

Source: World Bank, 2002, *Development Economics central database,* and the *2000 World Development Report.*

B. The Demand and Supply of Skills of National LF

Available data suggest that a substitution strategy of nationals for expatriates is more feasible now than it was a generation ago. Whereas the overwhelming proportion of school enrollees in the 1970s were in primary grades, the proportion of students now in the intermediate and secondary grades has risen substantially. Moreover, the World Bank reports that in so far as educational efficiency is concerned, the GCC region has taken serious strides to improve it. As can be seen from Table 9, the percentage of cohorts reaching grade 5 from 1980 to 1997 has improved and the percentage of repeaters in total enrollment has declined. The number of students out of school, however, did increase in all GCC countries (not shown) except secondary education in Oman.

[21] For more in-depth discussion of these issues, see World Bank, 1995, *Will Arab Workers Prosper or be Left out in the Twenty-First Century?*
[22] World Bank, 1995, *Will Arab Workers Prosper* …., Op. cit., p.6.

Table 9
Education Efficiency Parameters

Country	% of cohorts reaching grade 5				Repeaters as % in total enrollment				Children out of school (000)	
	Male		Female		Primary		Secondary		Prim.	Sec.
	1980	1996	1980	1996	1980	1996	1980	1996	1997	1997
KSA	82	87	86	92	15.7	7.6	14.8	9.2	1,222	1,077
UAE	100	98	100	98	9	4.2		7.8	52	54
Kuwait					6.2	3.4	7	5.4	64	128
Oman	96	96	87	96	12.4	9.2			133	108
Malaysia	97	98	97	100					9	1,090
Egypt	92		88		7.5	6.5			378	2,297
France							9.3	8.1		
Italy					1.2	0.4				
Netherlands	97		97		3.5		2.7	0.8		
Middle East	88		84		12.2	8.1			4,791	12,882
High Income									213	506

Source: World Bank, 2000, *World Development Report*, Table 2.11.

But it is crucial that their skills be honed so that their productivity is consistent with their income expectations. Absent such skills, unemployment will develop among youths and their expectations of high-paying employment may be brutally crushed. Either result, or both, are politically destabilizing. Alternative policies to address these issues including a precipitous reduction in the employment of foreigners are thus inevitable.

Recent studies show that under "appropriate" conditions, an extra year of education in the LF could engender 10 percent growth in GDP. One of the major quantitative growth areas in the GCC has been in education[23] where education levels have been rising steadily. Table 10 gives a general view of the level of schooling among the national manpower. The average years of education is used as the yardstick. Based on a standard grading system and comparing GCC countries, for which we have data, Kuwait and Bahrain have the highest level of educated male workers. Kuwait is 11.7 years, Bahrain's 10 years in 1990 and, to a lesser extent, Saudi Arabia's 7.9 years in 1999 are comparable with the OECD's 10.4 years in 1990.

[23] In Kuwait and over the 30-year period 1965 to 1996, major strides have been accomplished in the educational system as evidenced from the decline of the percentage of illiterates from 49.3 percent in 1965 to only 3.2 percent in 1996 and the percentage of those in the "read and write" category from 43 percent to 4.5 percent, respectively. In Bahrain, the combined share of the same two categories fell from 74.8 percent in 1965 to 24.2 percent in 1991.

To the extent that Arab workers typically occupy skills that require higher education as compared to Asian workers, as was shown above, and since GCC nationals are entering the LF with higher and higher levels of education, it is safe to assume that GCC nationals are more likely to replace Arab expatriates rather than Asians.

Female LF presents another important dimension in the future regional migration trends in that their educational profile is much higher than those of male workers. Excepting Saudi Arabia, females are consistently more educated than men as shown in Table 10. In fact, in some cases the level is twice that of the males as in Qatar and the UAE. Moreover, the increase in their levels of education over time is more pronounced than in males. In Bahrain, Kuwait and Qatar the average is around high school diploma, with more than half of the female workforce with a university degree in these three countries. This clearly indicates that the female labor force is over-educated and under-employed. Looking ahead, as female participation rates in the LF rise, their supply will proportionately limit the number of available jobs for expatriates, ceteris paribus. This however is tempered by the fact that the vast majority of GCC females are currently employed in the government sector. If this trend continues, the 'educated females' factor will not be of major consequence to future Arab migration. On the other hand, if they seek employment in the private sector, then they, too, will crowd out male Arab workers since there are very few female Arabs working in the GCC.

C. The Foreign LF: is it Complementary or Redundant?

It is useful to examine the structure of skills and educational levels of the imported LF in order to focus on an important factor that could influence future Arab migration; namely, do expatriates play the role of the 'residual' or the 'swing LF' by picking up jobs that could not be filled by nationals or do they compete with them? Given the present low average rates of educational levels of the national male workforce and their dominance of the national labor force, one would anticipate that expatriates would exhibit higher skill and/or educational levels. The data presented in Table 11 do not corroborate this hypothesis[24]. Expatriates whose highest education level stops at the primary school constitute about 50 percent of all expatriates working in Bahrain in 1991, 55 percent in Kuwait in 1996, 58 percent in the UAE in 1985 and 51 percent in Oman in 1993. Theses ratios are quite high and indicate a *distribution skewed toward the lower end of the education ladder among expatriate workers.*

The lowest two categories of the educational ladder (illiterate and read & write) constitute about ¼ of the entire expatriate workforce in Bahrain in 1991, about 1/3 in Kuwait in 1996, ½ in the UAE in 1985 and in Oman in 1993 and 43.9 percent in Saudi Arabia in 1992. These high ratios may be attributed to a number of factors: (1) the impact of substituting lower skills in the second transition for the relatively high skills that characterized the first transition. (2) substantial under-utilization of low skilled workers due to their extremely low wages, especially those employed in household

[24] Lacking comparable data on skills in many GCC countries with regard to both national and expatriate labor, the table employs educational levels as a proxy for skills so that it can be compared with the data on national manpower.

services. (3) the perceived inappropriateness of low skill/ low wage jobs from the viewpoint of the vast majority of Gulf nationals.

Table 10
Average Years of Education Among GCC National Manpower
(Percent)

	Bahrain			Kuwait				Qatar		KSA			UAE	
	1965	1981	1991	1965	1975	1983	1996	1981	1987	1981	1992	1999	1975	1980
	Males													
Illiterate	74.8	37.3	11.2	49.3	38.3	15.6	3.2	24.8	56.7	35.0	10.9	5.1	56.4	44.7
Read & write	x	31.1	13.0	43.0	25.3	16.2	4.5	32.7	x	33.6	25.5	18.7	27.8	27.2
Primary	16.3	14.4	15.4	3.5	14.8	15.7	12.1	17.0	8.4	13.7	28.3	28.6	6.5	11.3
Preparatory	x	11.7	15.5	3.0	11.1	26.4	33.1	11.0	8.5	6.3	17.6	21.8	4.4	7.7
Secondary	6.9	16.9	29.9	1.5	7.4	17.5	20.5	13.4	10.2	7.7	10.6	14.5	3.8	6.5
Univ. & higher	3.0	8.6	14.9	0.8	3.1	8.6	24.8	11.1	16.1	3.7	7.1	11.3	1.1	3.6
Ave yrs of educ.	3.4	6.7	10.0	2.1	4.4	8.2	11.7	6.8	6.6	4.3	6.5	7.9	3.4	3.7
	Females													
Illiterate	61.6	17.9	3.5	48.0	10.1	2.2	1.8	10.5	16.5	45.5	36.1	24.0	52.8	29.5
Read & write	x	8.7	2.1	17.8	3.2	2.5	1.2	4.9	x	34.9	22.8	19.3	6.0	6.8
Primary	14.0	7.8	3.2	7.7	7.9	2.5	3.7	4.2	1.9	1.3	19.2	21.3	4.5	6.3
Preparatory	x	8.6	5.1	9.9	20.2	20.5	20.7	4.2	3.7	3.5	10.5	15.5	5.6	7.7
Secondary	22.4	35.6	40.3	14.9	44.7	48.1	16.5	38.4	11.4	13.3	7.9	12.1	26.8	39.9
Univ. & higher	2.1	21.4	50.1	1.7	13.9	34.2	55.1	37.8	66.5	3.6	3.5	7.7	4.3	9.8
Ave yrs of educ.	4.6	10.8	15.8	4.5	11.8	13.8	14.7	13.4	14.4	3.8	4.3	6.0	5.8	9.1

Notes : x) included in the preceding cell; Data pertain to economically active population 15 years and older; Relative weights are: 0 yrs for illiterate; 3 yrs for read & write; 6 yrs for primary; 10 yrs for preparatory; 15 years for secondary and 18 yrs for university and higher.

Sources: Maurice Girgis, 1999, *Labor Market Reforms in the GCC*, MDF 3

Table 11

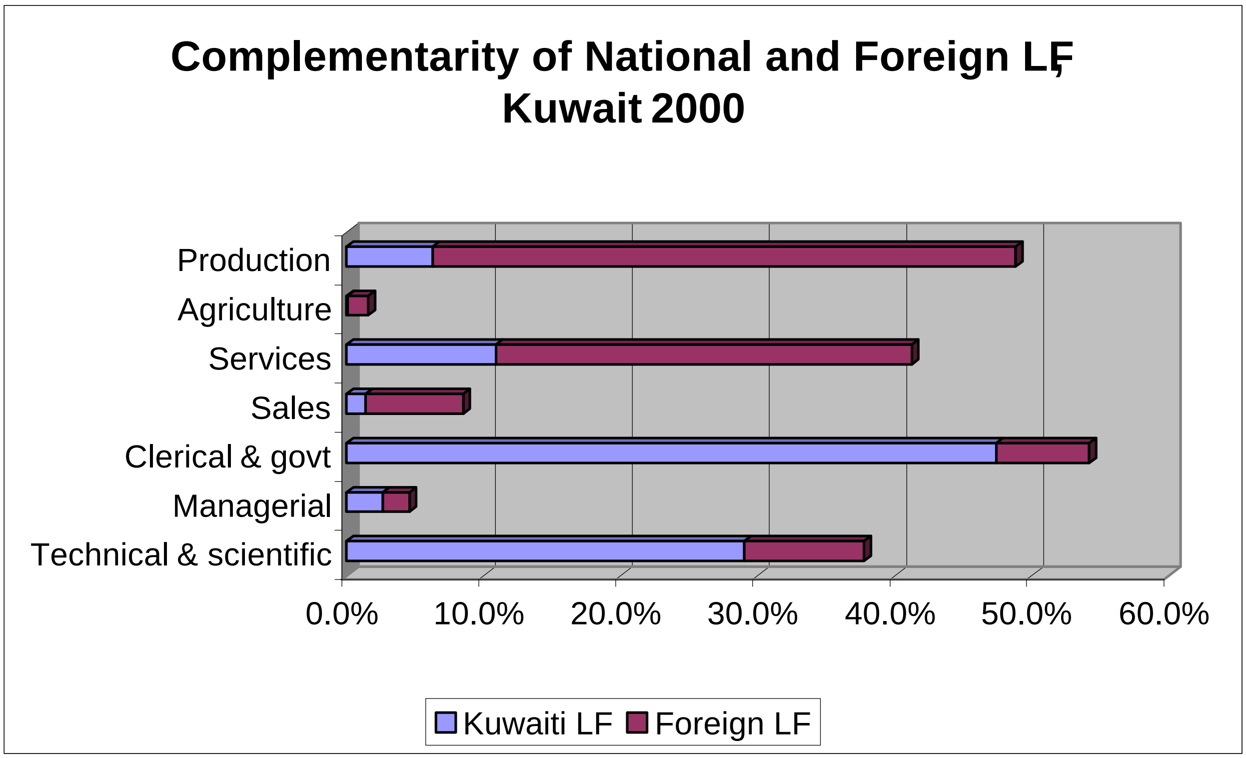
Educational Levels of the Expatriate Workforce in selected GCC Countries

	Illiterate	Read & Write	Primary	Interm.	Secondary	Diploma & Univ.	Higher Ed.	NEC	Total
Bahrain, 1991									
Number (000)	13.0	32.9	21.5	20.3	24.9	17.5	4.0	0.8	134.8
% of total expats	9.6%	24.4%	15.9%	15.1%	18.4%	13.0%	2.9%	0.6%	100.0%
Cumulative Total	9.6%	34.0%	49.9%	65.0%	83.5%	96.4%	99.4%	100.0%	
Kuwait, 1/1996									
Number (000)	122.8	268.7	93.3	148.8	127.8	105.2	4.4	0.3	871.3
% in total	14.1%	30.8%	10.7%	17.1%	14.7%	12.1%	0.5%	0.0%	100.0%
Cumulative Total	14.1%	44.9%	55.6%	72.7%	87.4%	99.5%	100.0%	100.0%	
1. Expats Employed in Govt.									
Number	7,235	11,745	7,943	12,242	1,501	39,209	2,834	64	82,773
% in total	8.7%	14.2%	9.6%	14.8%	1.8%	47.4%	3.4%	0.1%	100.0%
2. Expats Employed in Private Sector									
Number	115.6	256.9	85.4	136.6	112.8	66.0	1.6	0.2	775.0
% in total	14.9%	33.1%	11.0%	17.6%	14.6%	8.5%	0.2%	0.0%	100.0%
3. Unemployed	739	807	1,049	1,889	598	177	6	1	5,266
Qatar, 1994									
1. Employed in govt	3,478	543	390	463	3,465	8,089	919	7,906	25,253
% in total	13.8%	2.2%	1.5%	1.8%	13.7%	32.0%	3.6%	31.3%	100.0%
Cumulative Total	13.8%	15.9%	17.5%	19.3%	33.0%	65.1%	68.7%	100.0%	
2. Empl. in Mixed sector	127	326	199	302	1,199	1,441	115	10	3,719
% in total	3.4%	8.8%	5.4%	8.1%	32.2%	38.7%	3.1%	0.3%	100.0%
Cumulative Total	3.4%	12.2%	17.5%	25.7%	57.9%	96.6%	99.7%	100.0%	
UAE, 1985 **									
Number (000)	156.1	149.0	51.5	70.2	121.5	62.2	3.3	0.2	613.9
% in total	25.4%	24.3%	8.4%	11.4%	19.8%	10.1%	0.5%	0.0%	100.0%
Cumulative Total	25.4%	49.7%	58.1%	69.5%	89.3%	99.4%	100.0%	100.0%	
Oman, 1993	Low Skill	Semi-skilled		Skilled		Diploma	University +		Total
Number (000)	220	103		47		17	43		430
% in total	51.2%	24.0%		10.9%		4.0%	10.0%		100.0%
Cumulative Total	51.2%	75.1%		86.0%		90.0%	100.0%		

***Note*:** **) Data for the UAE were estimated by first projecting the growth from 1980 to 1985 of national manpower across educational levels assuming a similar growth pattern to that from 1975 to 1980 and then subtracting the results from the the data pertaining to total manpower for 1985.

Sources: Maurice Girgis, 1999, *Labor Market Reforms in the GCC*, MDF 3

Consequently, one may argue that having so many foreigners at the lower end of the skill ladder serves the needs of the GCC economies in that they take up jobs that are either “unacceptable” to GCC nationals or that, for certain skills, the supply of nationals falls short of the demand, or both. In fact, a closer look at the situation in Bahrain in 1991 and in Kuwait in 2000 show compatibility rather than redundancy. In Graph 1, it is clear that occupations with a relatively higher percentage of Kuwaitis are associated with lower percentages of expatriates, and vice verse.



Graph 1

The situation in Saudi Arabia is similar in general terms to that in Kuwait. The data provided in Table 12 shows that in administrative management, clerical, services and production and similar workers, there are complementarities between Saudi and non-Saudi workers.

The situation in government employment is different in that the structure of the national and foreign LF is somewhat similar, which implies the existence of redundancies as well as complementarities at the same time. First, however, it should be pointed out that governments typically employ people with higher education than the private sector. For example, the government ratio of university graduates reached 47.4 percent in Kuwait and 32 percent in Qatar. For the economy as a whole, the comparable ratios are 13 percent in Bahrain, 12.1 percent in Kuwait, 10.1 percent in the UAE and 10 percent in Oman. In Kuwait, there are 39,209 diploma and university foreign graduates employed in the government compared to only 66,000 in the private sector, a sector which employs 6.4 expatriates for every expatriate working in the government. While complementarities are self-explanatory, redundancies need an explanation. Gradually over time as pressure mounted to hire nationals to reduce open unemployment, an increasing number of less qualified nationals were employed. Due to mounting work loads, new foreigner workers were hired and/or existing expatriates were retained to do some of the work that could have been done by nationals had staff with the required qualifications been hired.

Table 12
Manpower Structure by Major Occupation Groups and Nationality, 1999

	Saudis	Non-Saudis
Technical & scientific professions	11.5	12.0
Administrative management	2.9	0.7
Clerical	12.1	3.2
Sales persons	5.8	8.2
Services workers	46.9	19.3
Agriculture and fisheries	8.8	8.1
Production and similar workers	11.9	48.4

UNDP, 2001, *Human Resources Report*, forthcoming.

Of the many educational levels shown in Table 11, special attention should be paid to the intermediary and secondary levels since they represent the general skill level against which new national entrants in the labor force will compete. The vast majority of Gulf nationals seeking jobs for the first time and nationals who have been unemployed for more than one year fall under this category: they are either secondary school graduates or drop outs who have completed only their intermediary degree requirements. The sum of expatriates in these two categories varies within a very narrow range - from 31.3 percent to 33.5 percent. Given that there are about 7.5 million expatriates in the Gulf in 2000, this implies that there are about 2.1 million jobs that can possibly be held by nationals, provided that they are trained properly and their cost to the employer is competitive.

D. Quality of Education

Hard data on the quality of education is not available in the GCC as is the case elsewhere. However, there are numerous indirect facts that point out to the disparity between the quality of education of school graduates and the demand for skills in the private sector. Despite impressive quantitative growth in educational institutions, schools, training centers, universities, vocational education and the number of school graduates[25], there remains the problem of graduates that are 'unemployable' due to the lack of basic skills.

Two fundamental factors contributed to this outcome. First, governments provided the most attractive job opportunities in the economy without discriminating among different applicants based on major studies or average grade points. As a result, it was natural for students to select 'easy' majors and earn any grades, knowing that they will eventually join the ranks of government employees as all others. This paradigm contributed to the overall lowering of the quality of school graduates. The second relates to the lack of discrimination according to remunerations. Government salary scales are usually fixed and do not distinguish between majors or GPAs, except in the case of engineers. But even there, no distinction is made among different engineering majors even though some are in excess supply (e.g. civil) while others are relatively scarce (e.g. electrical and chemical).

Another factor that is more circumstantial than factual relates to the impact of the GCC's generous welfare system, extended family, social values and high per capita income on work attitude, self-discipline and personal commitment to work and professional growth. In a recent survey of private establishments in Saudi Arabia, participating firms (232 establishments) were asked why they wouldn't hire Saudis next year. A summary of the results is reported in Table 13. The private sector views on hiring nationals clearly substantiate conventional wisdom; i.e. that nationals are not interested/committed, not qualified, not experienced and/or command higher wages. However, as government jobs dry up, the situation will certainly change gradually where nationals would be forced to accept jobs that are currently disregarded. They are also likely to show serious commitment to work and professional growth. Bahrain, which seems to have led the GCC in the labor area, has already entered this stage.

Table 13
Reasons for Hiring Non-Saudis

Reason	%
Saudis are not available	14.2
Available Saudis are not qualified	25.4
No-Saudis require lower wages	47.4
Non-Saudis are more experienced/skilled	34.5
Saudis are not interested in these jobs	48.3
Lack of employment agencies	3.4
Saudis insist on management positions	0.4
Saudis are not committed to work	1.3
Other	3.9

Source: Ministry of Planning, Private Establishment Survey, Table 3.16, 1999.

[25] Public spending on education as % in GNP in 1997 were as follows: Saudi Arabia, 7.5; Kuwait, 5; Oman, 4.5; Egypt, 4.8; Malaysia, 4.9; USA, 5.4 and Japan, 3.6. World Bank, 2001, *World Development Report*, table 2.9.

E. Rates of Participation of National Manpower

As for the participation rates of the national manpower, the GCC countries are similar in this respect. Male participation rates are in the high 30 percentage point for the 15-19 national age bracket since most are attending school, in the mid 80s for 20-24 years and in the mid to high 90s for ages 25 to 50. This is not dissimilar from the experience of other high per capita income countries. Beyond that, it begins to decline, reaching the mid 60s[26]. The decline starting at age 50 is due primarily to the financial incentives of early retirement plans offered in most of the GCC countries. When one considers the participation rates of the national female work force, one is surprised at the stark contrast. First, there are major differences among the GCC countries. For example, the rate in the 30-34 age bracket is 30.8 percent in Kuwait in 1983, 2.6 percent in the UAE in 1980; and 16.8 percent, 6.7 percent and 6.1 percent in 1981 in, respectively, Bahrain, Oman and Qatar. Second, starting at 35 years, the participation rate across all GCC States drops precipitously to the 1- 4 percentage level. For example, it was 4.5 percent in the 35-44 years group in 1999 in Saudi Arabia. Excepting female participation, male participation rates are in line with other countries with similar economic conditions and are likely to increase further with time.

F. The Shift in Government Role

The role of the public sector expanded into new areas during the era of increasing oil revenues. In addition to its traditional role, the government took on the responsibility of producing and distributing public goods such as electricity, water, waste management, telecommunications, transportation and airports, etc. Moreover, in an attempt to bolster the process of economic development, direct the economy into areas of comparative advantages and help support the development of the private sector, GCC governments became involved also in numerous SOEs in activities ranging from state-of-the-art petrochemical products to movie theater outlets and trading companies.

The expanded government role led to a similar expansion in its size as measured in terms of the Civil Service sector and the employment figures of national SOEs. This served multiple purposes: to bolster the process of economic growth, to provide nationals with meaningful job opportunities and to distribute oil dividends to GCC citizens. Thus, starting in 1975, GCC governments became the most active employer of national manpower. Governments offered rewarding job opportunities and GCC nationals came to expect them. In fact, past public pronouncement in the GCC unmistakably placed the burden of employing new national entrants on the shoulders of the public sector. Even as they currently coerce the private sector into hiring nationals, GCC governments are still considered the employer of last resort.

[26] Due to under-reporting, males who retired from the government service and who are working in the private sector may be counted outside the active national labor force.

Growth in Civil Service employment since the early 1970s is reported in Table A1 in the Annex. The major observations that relate to this issue may be summarized as follows[27]:

- The rate of expansion of the Civil Service cadre varies rather significantly among the GCC countries. Over the entire period covered under each country, the UAE shows the fastest growth at 21.1 percent per annum from 1974 to 1990. By grouping them together under similar patterns of growth, it appears that the UAE and Oman experienced faster rates (18 to 21 percent) than Qatar and Saudi Arabia (about 9 percent) followed by Bahrain and Kuwait (about 5 percent).

- The rate of expansion has declined consistently from one period to the next. The last period showed negative growth in Kuwait, Oman and Saudi Arabia. Given the similarity that characterizes the government role in all six countries, only minor inter-country deviations in the ratio of government employees to the population are expected. This is not the case, however, as the data show that the size of the Civil Service cadre is disproportionate with the population across the GCC. For instance, Kuwait is government employees in 1989 numbered around 280,000 while in Saudi Arabia it was 387,000 in 1988, when the population in the latter was about seven times that of the former. Likewise, despite their somewhat similar population sizes and welfare systems, the governments of Oman and the UAE employ widely divergent numbers: 101,300 in Oman in 1994 vis-à-vis 256,700 in the UAE in 1990.

- The percent of national manpower in government employment is vastly higher than in the rest of the economy. Overall, it was shown in Table 4 that the percent of nationals in total manpower in the GCC has declined from 61 percent in 1975 to 26.4 percent in 1995. In contrast, the same measure in the government sector had increased in all the countries where data are available. In Kuwait, for example, nationals who made up 48 percent of government employment in 1966 increased their share to 63 percent in 1996, and in Qatar it also rose from 23 percent to 46 percent over the period of 1971 to 1994. Currently, the ratios achieved in some countries may represent the maximum possible without seriously jeopardizing efficiency and productivity. For example, the ratio in Bahrain realized in 1994 is 86 percent, which is likely to be the highest in the GCC countries.

- With the increase in population over time, has the government sector maintained parity or grown *pari passu* ? The evidence indicates that, with few exceptions, there are more and more government employees serving the same number of people, as shown in Table A2. The (unweighted) average number of government employees per 100 people is 8.7. In comparison with other countries, the GCC States emerge much closer to OECD countries than to developing countries. It is interesting to note, however, that Scandinavian countries with their expansive welfare systems that require substantial human resources to run, show an average that is twice the overall

[27] The results reported in this section ought to be interpreted with care since the published data do not often detail the range of the institutions covered under "government" in each country.

OECD average, and is similar to Kuwait is and the UAE's, who are likewise endowed with a somewhat similar welfare systems[28].

- It has often been mentioned that government employment is one of the means through which the public sector distributes the oil wealth to its citizens. For countries whose data are available, government wages and salaries in 1995 represent 110 percent of the oil revenue in Bahrain, 48 percent to 53 percent in Kuwait and Saudi Arabia, 36 percent in the UAE and 24 percent in Qatar. In terms of total government spending (recurrent and capital expenditures), this single item alone consumes somewhere between 20 to 50 percent of total government outlays.

To sum up, as oil revenues increased, public hiring of nationals increased to a point where more nationals are employed in government jobs than in the private sector. The rush to hire nationals has come to a stop in recent years due to serious fiscal constraints. Currently, new jobs are limited to only replacements of retiring staff. Additionally, there are signs that government sizes are declining in absolute terms. With the anticipated increase in new entrants in the future, nationals are expected to actively compete for existing jobs with expatriates, be it Arabs or Asians.

G. Labor Market Dualities

Duality in labor markets is noted in all serious studies and is decried by most labor economists. In the GCC, a dual labor market situation emerged over time and reflected each nation's attempt to deal with labor scarcities and national priorities during a period of rapid growth. Duality, however, involves a substantial misallocation of resources from a national point of view. The structure is not only immensely wasteful, but the incentives for work commitment and the urge to excel among nationals become weaker than if they had to compete on even terms with foreigners. The labor economics literature on dual labor markets emphasizes the social losses implicit in such structures. Not only are some people disadvantaged at others' benefit, but the firm, agency, or nation ends up paying the cost of misutilization of scarce resources in terms of foregone productivity. To the extent that a discriminator would normally pay some of the cost of his own discrimination under competitive conditions, the society as a whole would be better off by eliminating or reducing these distortions.

Duality in the GCC takes different forms. To illustrate, a dual labor market is established when government policies insure that clear preferences are made to hiring nationals with limited quotas imposed on hiring/retaining expatriates. Consequently, relatively few nationals seek work opportunities in the private sector in view of the government sector's high wages, relatively easier entry, generous fringe benefits and rare involuntary exit. At the same time, the drive to compete in the work place is marginalized. The labor market is further segmented by the existence of two pay scales –especially

[28] To be sure, this argument overlooks differences in government service quality.

allowances- for the same skills in government jobs depending on nationality and also by the disparity in wages between private and public sectors, regardless of nationality.

The welfare system is another source of labor duality. Even though all members of the population are recipients of subsidized benefits; e.g. electricity, water, health services and education, the amount of subsidies received by the expatriate work force is relatively smaller than that of nationals. This is due primarily to two areas: education and housing where most expatriates do not receive any direct subsidization[29]. It follows then that the money cost of labor is less than the social or opportunity cost of labor, more so for nationals than for expatriate workers. *Therefore, every worker has a minimum level of non-wage income which does not depend in principle on whether or not the individual is actually employed and the higher that minimum non-wage income, the less* (higher) *the demand for work* (leisure) and vice versa. For nationals, this raises their reservation wage and induces new entrants to delay entry in the workforce until a 'suitable' job opportunity becomes available, relying in the meantime on the non-wage income obtained through the welfare system. For foreigners, the welfare factor makes it possible to accept lower money wages. However, the option of delaying entry, even temporarily, is moot since employment is a condition for remaining in the country.

Eliminating dualities would contribute to more migration from labor-surplus countries to the GCC and from the government sector to the private sector within the GCC. But the elimination of a dual labor market is not an easy task, however much one may decry its implicit misallocational effects. The reason lies in the institutionally created "rents" as a result of duality. Those particular groups and individuals who stand to benefit from this system are likely to resist any attempt to reduce or take away those rents. In the GCC, the issue of "rents" is a domestic one. Hence, in recommending policy changes to deal with growing unemployment or the elimination of duality, one must be particularly sensitive to the impact of that policy on the employed portions of the national population who have been disproportionately rewarded by the existing institutional arrangements.

H. The Decline in Labor productivity

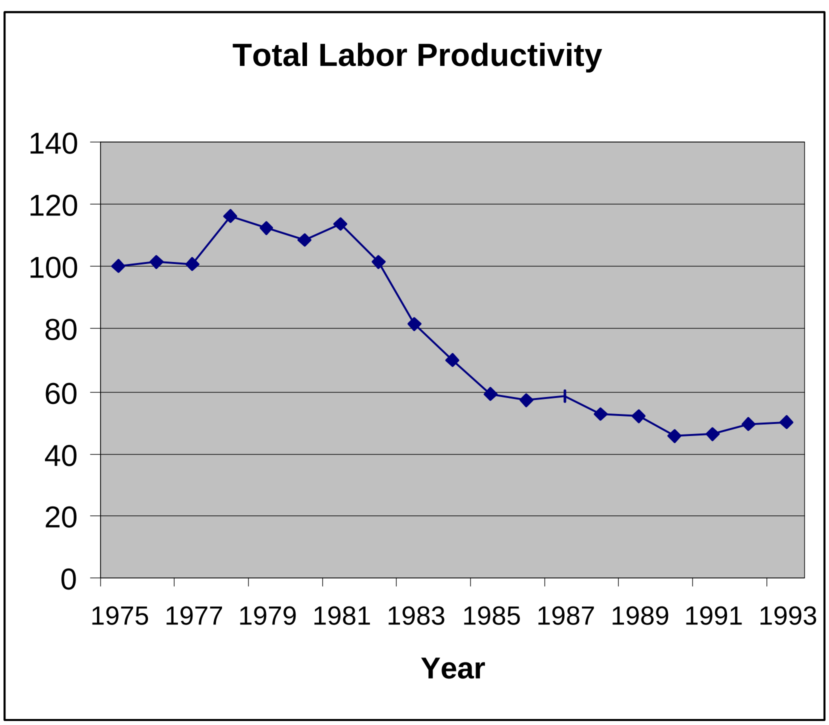
Total labor productivity indicates the strength of an economy and measures its ability to provide high levels of living for the citizenry. One measure of total labor productivity is the real gross domestic product per employee. That measure indicates that the Gulf States have been facing and will likely continue to face serious adjustment problems. Sufficient data exist for Kuwait, Saudi Arabia and the UAE to calculate a proxy index of aggregate labor productivity for the region from 1975 to 1993. The estimated index shown in Table A3 indicates that real gross domestic product per employee (in 1980 US dollars) rose sharply from 1975 to a high in the late 1970s and early 1980s, no doubt reflecting the buoyant oil market. After 1981, total labor productivity fell sharply until it

[29] The recent introduction of user fees that are levied either solely on expatriates or more so on them than on nationals further diverge real wages of foreign and national manpower.

leveled off at the time of the Gulf War at roughly 50 percent of its 1975 level. In 1980 US dollars, the data show a fall from a high of about $45,000 per employee to less than $20,000 in recent years.

While that finding is not unexpected given our knowledge of changes in oil prices, a more detailed examination of the index and its components shows that real gross domestic product rose in ten of the 18 years from 1975 to 1993 and fell in eight. In the ten years of growth, employment increased in all but one of those years, a result that is to be expected since output and employment are usually positively correlated. Generally, data for advanced nations show procyclical employment patterns. This is not the case in the GCC, however, as one observes that *employment also increased in all but two of the years in which real gross domestic product was declining.* In particular, employment in the region continued to grow absolutely in 1982, 1983, 1984, and 1985 during which time real gross domestic product was plummeting. Employment also increased in 1988 and 1990, years in which the real value of output decreased. Hence, *while the region was able to support a greater employment figures during economic booms, employment seldom fell when real gross domestic product did.*

As suggested above, economic experience in developed countries demonstrates that output and employment tend to move together - often with a slight lag in employment; a pattern that is consistent with economic theory in market economies. The historic record in the GCC, however, does not conform to that expectation, which raises an important question; namely, "Why does employment not fall when total output falls?"



Graph 2

There are several possible explanations to the employment anomaly:

1. Although reductions in the real price of oil may appear in principle to limit the demand for foreign labor, that linkage is weak since both the government and the private sectors are relatively immune to such economic signals. Guaranteed employment and wages for nationals plus the substantial availability of social services do not diminish the demand of the national population for services, which are often the determining factor in the demand for foreign workers.

2. To the degree that foreigners provide essential services in the government sector (services that cannot be readily duplicated by nationals), it would be imprudent for the government to reduce its employment or wages.

3. The private sector has been substituting low priced and low skilled foreign labor for higher skilled manpower. By its nature, the substitution implies a larger *number* of foreign workers.

4. Under existing arrangements for social services, private profit-maximizing companies do not pay the full cost of the labor used in their activities and are led to employ more workers than they would under full-cost pricing. Hence, while privately profitable, continued use of low cost foreign labor may be socially costly - and that continued use is reflected in the secularly declining value of output per employee.

It follows that the employment anomaly can be explained by the prevailing economic policies and by inherent institutional and economic rigidities that effectively decouple employment from downward changes in the value of output. In a market system where prices serve as both the signals and the stimuli for amelioratory action, reductions in the value of output would be followed by reductions in employment. In the GCC, those mechanisms are truncated. Hence, when called for by declining productivity, necessary economic adjustments are forced in areas other than employment. One of the most important of these is in the level of international currency reserves. Such reserves, of course, are limited, but they can be used in the short run to provide the time necessary to restructure the labor market.

Looking ahead, this phenomenon, if allowed to continue, will result in a continuum of rising demand for expatriate workers, especially those at the lower skill occupations.

I. The Substitution of Arabs by Asians Workers

It was reported earlier that during the 1990s, the number of Arabs dropped by about a third while the number of Asians rose by about 50 percent. Official data comparing the number of Asian versus Arab LF in Kuwait from 1989 to 2000 show that while the number of employed Arab declined by 9.4 percent, employed Asian increased by 59.1 percent. In Oman, recent (1998) labor employment data show that there were 482,527 foreign workers in the private sector made up of the following nationalities:

275,926 from India (57.1%), 116,000 Bangladesh (24%), 63,570 Pakistan (13%), 18,437 Sri Lanka (3.8%), and 7,861 Philippines (1.6%). For Arabs, the total was 11,494 only (2.38%), of whom Egyptians accounted for 6,236.

Due to its needs for staff with knowledge of the Arabic language, Arabs usually outnumber Asians in government jobs. For example, there were 80,968 civilian government employees in Oman in 1998 composed of the following: 55,858 Omanis and 25,110 non-Omanis. The latter was composed of 13,353 Arabs (of whom 8,806 were Egyptians) and 11,752 Asians (of whom 9,073 were Indians)[30].

That Asians have been replacing Arab workers in the GCC during the last two decades is a phenomenon that requires further examination, since it will have important implications on the prospects of future regional Arab migration. Based on past literature, questionnaires and interviews, one may outline the reasons private employers tend to substitute Arab workers by Asians in the following:

1) Asians command lower wages, work longer hours and do not expect promotions over time. Moreover, it is not unusual to find high skilled Asians willing to accept low skill jobs at low skill pay.
2) Asians command of the English language is generally superior to that of an average Arab worker.
3) Asians selected to work in the private sector are more experienced than Arabs. In most cases, private employers hire Asians who posses the specific specializations required in the GCC. In some GCC countries, some industrial technologies are imported from Asian labor-exporting countries, in which case it is possible to hire Asian workers familiar with the employed technologies and imported machinery.
4) The average Asian is more advanced in his technical know-how than the average Arab worker, reflecting the comparative development stage and technological know-how from which they came.
5) Asians who join the LF on contracts with fixed durations normally return to their homes at end of the contract period. They also tend to prefer to live without their immediate families in order to maximize their savings. Arabs, on the other hand, tend to bring their families with them, if they are so allowed, which complicates the home return process from the viewpoint of private employers.
6) Asians are more self-disciplined and compliant.
7) Menial jobs are not taken up by Arabs nor are sales jobs that require women. Asians readily fill these positions.

These factors, combined, in addition to others that are mentioned later, have been instrumental in the substitution of Arab workers by Asians during the last two decades. One would expect them to continue exerting the same influence on the choice between Arabs and Asians in the foreseeable future.

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[30] Central Bank of Oman, March 2000, *Elmarkazi*, Vol. 5, No. 25.

J. Institutional Labor Policies to Stem the Flow of Expatriates

An historical review and assessment of past labor policies lie outside the scope of this study. It is interesting, however, to highlight the major policy tools employed in the GCC during the last decade to stem the tide of foreign workers to the region. The major instruments can be outlined briefly in the following:

1. *Work Permits*: Except in free zone areas such as Jabal Ali in the UAE, business employers must obtain a work permit for each foreign worker prior to his arrival.
2. *Sponsorship Permits*: For individual and household employers, a no-objection permit is required.
3. *Quotas*: Some GCC countries restrict the *number* of work permits to potential business employers and households. Some are imposed at the national level (Saudi Arabia) and some are imposed at the firm level, as is the case in Oman.
4. *Bans*: Most GCC countries publish a list of *jobs/skills* that are banned on the premise that these are available at home from among the ranks of national labor or expatriate workers already working in the local economy. The lists are usually expanded and updated periodically. The degree to which these bans are adhered to varies from one country to another.
5. *Fees*: There are several types of fees that governments instituted over the years: i) a work permit fee, which is paid at the time the application for hiring a foreign worker is submitted and ii) a residency fee, paid annually.
6. *Job Nationalization*: This policy aims at substituting nationals for foreign workers. The Civil Service sector was the first to put it into effect, followed by SOEs in the oil sector as well as all the others that are partially or wholly owned by the public sector. The private sector has been under pressure to do likewise.
7. *Employment Subsidies*: There are several varieties of programs designed to subsidize the cost of hiring nationals in the private sector as a means of replacing expatriate workers and minimizing the wage gap between the two groups.
8. *Active Persuasion*: Some GCC governments have made access to industrial incentives (e.g. soft industrial loans, import duty exemptions, tariff protection, etc.) subject to private sector industries maintaining certain minimal levels of national manpower participation in total employment. Countries differ greatly in the methods applied to administer this policy. For example, in Saudi Arabia a law was passed in 1389H (1996) stipulating that Saudis should not be less than 75% of all workers, that wages should not be not less than 50 percent of total wages and that at least 50 percent of training expenses be directed toward Saudis to help qualify them for technical jobs. This law has not been effective, but the 5 percent annual increment in the number of Saudis employed (the Saudization law) in a firm has been reasonably effective.
9. *Job Transfers*: All GCC countries prohibit the unrestricted transfer of expatriate workers between jobs. Some require approval from employers, minimum stays, etc. Where it is prohibited outright, expatriates usually resort to leaving the country and

returning back. Adherence to the restrictions varies among countries, across job classifications and among individuals within the same country.

10. *Residency Permit for Families*: The issuance of such permits is restricted. It is normally limited to only high skill/high pay expatriates.
11. *Signing Bonus*: Saudi firms are encouraged to offer new Saudi recruits a signing bonus of about SR 2,000.

As a result of these policies, there has been a noticeable progress made toward on-going campaigns to "nationalize" jobs in both private and public sectors. Available evidence from Oman and Saudi Arabia show that the Omanization and Saudization drives have had positive results. To wit, the private sector employed 50,923 more Omanis during the period 1996-2000 as compared to only 10,846, indicating a strong reversal of past trends. As a result, Omanis now constitute 21.7 percent of total employment in the private sector, up from only 15.2 percent in 1996[31]. Likewise, the share of Saudis in both public and private sectors increased between 1992 and 1999, respectively, from 72 to 87 percent and from 32 to 38 percent[32]. Unless nationals are equally qualified as those whom they replaced, welfare losses will occur.

2. Impact Analysis

…. open unemployment appears for the first time in the GCC

Data on open unemployment in the GCC are not made available. Official publications such as population censuses, manpower surveys and household budget surveys include only the number of nationals seeking jobs for the first time. These data pertain to frictional unemployment which is not considered by economists as a malady that requires specific remedial public policies. In the US, this rate is generally accepted in the range of 4-6 percent of the LF.

The GCC economies are faced at present with both *structural* and *cyclical* unemployment. Structural unemployment occurs when the demand and the supply of labor are not in step with each other due to changes in the structure of the economy. Thus, when national workers cannot find jobs matching their skills in the private sector at wages that are comparable with the alternative or opportunity wage structure in the government sector, they are counted as "openly unemployed". Some describe GCC's open unemployment as 'voluntary' unemployment. Yet, because wages are sticky in the upward direction, this type of unemployment is more permanent than temporary. Cyclical unemployment, on the other hand, stems from economic slowdowns resulting from instability in the oil market.

[31] *ElMarkazi*; Op cit.
[32] UNDP, *Human Resource Report*; Op cit.

According to published information, it is reported that unemployment of Omanis represented 4.9 percent of total employment or 11.9 percent of the Omani labor force[33]. For Kuwait, a total of 10,836 Kuwaitis registered as unemployed and seeking government jobs in April 2000. Of those, 18 percent held secondary school degrees and 35.6 percent were primary and intermediate school graduates. This number represents about 5 percent of total Kuwaiti LF[34]. In Saudi Arabia, a recent publication issued by the Saudi American Bank suggests that open unemployment amounts to about 360,000 or 14 percent of the national LF. In this context, it should be emphasized that an unknown percentage of those considered unemployed are first time job seekers, who should not be included according to the ILO definition of "unemployment". Yet, because the waiting period is often quite long and they may have worked for a short period in between, they are may have been correctly counted as unemployed.

Given the recent information on open unemployment, new national entrants to the labor force in each GCC country, the economic growth record and, hence, the extent of new jobs created annually and the degree to which nationals have been replacing expatriates in different skills, and based on careful studies on this phenomenon, we estimate that the *current structural unemployment is about 500,000 national workers in the GCC as a whole*[35]*. This represents about 6.5 percent of the expatriate LF, 5 percent of total manpower and 15 percent of the national labor force.*

The number of new entrants into the labor force depends on a host of variables including sex and age composition, participation rates of males and females, the types of educational venues from which workers graduate, social values and government scholarship programs. In Kuwait, the number of new national job seekers, based on published data about the size of the national labor force during the last six years, is estimated at about 15,000 in 1999, rising to 17,000 in 2002 and more than 23,500 by 2010. In Saudi Arabia, the comparable figure is about 165,000 in 1999, most of whom (63 percent) are secondary school graduates. In Oman, it is about 18,000 and in Bahrain, the number is estimated at about 5,000. For the GCC as a whole, the number exceeds 210,000 annually. This group exemplifies the core of the structural unemployment in the GCC at the present time, for they are increasing at faster rates and are the ones that are finding it difficult to be hired in the public sector as well as in the private sector.

The following features provide a rough characterization of the ranks of unemployed national workers in the GCC:

- They exhibit an educational level lower than the overall average of the national workforce because a large percentage of the male workers are below intermediate and primary education levels. Perhaps this fact explains their difficulties finding a

[33] *ElMarkazi*, Op cit.

[34] Civil Service Administration, Kuwait.

[35] In Saudi Arabia, Oman and Kuwait, recent surveys let respondents determine their employment status, unlike the ILO definition, which counts a person as unemployed only if no work was done during a specific period and the person was actively seeking job opportunities. Consequently, the results of such surveys tend to over-estimate the magnitude of actual open unemployment.

job. On the other hand, it contributes to raising expected returns to education and, thus, will positively impact the long term make up of the national LF.

- While unemployed women are mostly secondary school graduates, unemployed men are mostly primary school graduates or lower.
- Based on a detailed breakdown of the structural unemployment in Bahrain in 1991[36], and assuming that the profile is somewhat congruent to that prevailing in the other GCC countries, it is instructive for public policy considerations to reflect on some of its specific features[37]:
    a) 97.3 percent of the total are graduates of secondary schools or lower levels; 50.9 percent are high school graduates and 40.7 percent are primary level or lower. Thus, the rate of unemployment among the 15-19 year group is typically the highest, followed by the 20-24 year group. This applies to males and, more so for females.
    b) Unemployment rates among females are much higher than in males.
    c) Those that are concentrated in the lower end of the educational scale (illiterates, read and write and elementary school graduates) are 40 to 50 years old. As one moves up the educational ladder, the average age declines.
    c) The overall level of education among females is higher than in males, as suggested earlier.
    d) Most of the job seekers are in the labor market for less than 3 years.

…and female participation is likely to increase

Unlike males' participation rates in the GCC, female participation rates are particularly low. The lowest are observed in Saudi Arabia and Oman, where they are reported at only 5.8 percent in 1999 for the group 12 years and older – compared to 59.9 percent for males- and 12.9 percent in Oman in 1999 for the group => 15 years – compared to 67.8 percent for males. Female participation is expected to rise due to a number of reasons, the most important of which are a) the heavy reliance on expatriate maids and household support which will help reduce fertility rates and create the environment to join the LF, b) the continued rise in education levels among females, as we noted above, c) economic slowdowns, uncertainty and negative per capita income growth during the last decade are likely to force young families to rely on two incomes and c) the constantly changing social conditions in most Gulf States where women are demanding greater recognition and are accorded receptive responses from key government officials and opinion makers.

[36] CSO, 1993, *The Population, Housing, Buildings and Establishment Census* - 1991; Summary results, Part two.

[37] It is interesting to note that Bahrain, in a sense, has led the GCC in terms of having experienced the highest education levels among its national manpower, nationalizing a much higher percent of the economy's jobs, encountering the unemployment problem and then addressing it.

… import substitution led to a low value added development pattern

Instead of relying on imports to obtain products that do not have a comparative cost advantage in the GCC area, which would have resulted in fewer foreign workers, the availability of a generous package of industrial incentives made it possible to profitably establish import substitution activities. These activities had relied on cheap labor to compete with foreign competitors who are typically supported with substantial economies of scale and important marketing presence worldwide. This ushered in a low value added strategy of development that relied heavily on low- skill, low-wage expatriate workers.

… factor price distortions biased demand toward low wage Asian workers

Factor and commodity price distortions artificially lowered the cost of foreign labor, primarily as a result of the prevailing welfare system and subsidized public utilities, education and health care. Besides, private employers routinely failed to take into account the costs of non-wage items such as home leaves, clothing, food, etc. This biased technologies toward low capital/labor ratios; i.e. toward the relatively cheaper factor of production (labor). As a result, the demand for labor continued growing even during economic downturns and a larger number of low skill, low wage Asian workers were imported.

… workers' networks played a critical role in biasing demand towards Asians

Recent research in labor economics corroborates the view that workers' networks play a critical role in the selection of new employees. The fact that most workers in a factory or a trading establishments are in a position to be "the first to know" of new job openings allows them to influence the "short list" of candidates by pushing for relatives and friends. Moreover, the absence of efficient labor placement services in the GCC, other than those specialized in importing household staff, contributes to the effective role played by networks. This mechanism explains in part the dominance of expatriates from Asia as they perpetuate the heavy reliance on Asians. The Egyptians, Palestinians and Yemenis played a similar role in Kuwait and Saudi Arabia during the 1980s and the 1990s.

… and so did turn-key projects

Turn-key projects led to hiring more Asians in that Arab/GCC contractors found Asians easier to handle. Asians also returned home promptly after the projects were completed, earned lower wages, accepted living in sub-standard temporary housing facilities and had experiences relevant to the project under construction. Often, the contractors were Asians, in which case all workers were brought from Asia. Even European contractors preferred Asians due to the language concern.

… private employers contend that Asians are easier to handle

Just as private employers in the U.S. locate their businesses in states with weak or non-existent labor union presence, private GCC employers tended to hire workers who are more reluctant to demand labor rights. For example, Arab migrant workers, especially those in medium skill occupations, object to long working hours, absence of labor rights, untimely and sometimes lowered payments of wages and salaries, restrictions on bringing in immediate families, housing conditions, lack of training, wage duality with nationals, inadequate education opportunities for their children, institutional and legal constraints on labor mobility among jobs and the lack of promotions, etc. Asians, on the other hand, tend to be more compliant and less demanding. This led to a demand structure that was biased towards Asian workers.

… Asians own their own businesses

Asians tend to have their own business companies. In the UAE in 1975, nationals owned 4,816 establishments (30%) while Asians owned 8,475 establishments (52.8%), of whom Indians alone owned 3,747 establishments or 23.3%[38]. This trend is still prevalent at present, especially after all but one GCC country allowed 100% foreign business ownership.

… illegal migration, sales of visas and rent-a-license

Restrictions and shortages always tend to create countervailing, rent-seeking activities. In the GCC, illegal migration increased during the 1970 and 1980s to all GCC countries due to the disparity in prevailing economic conditions in the sending and host countries. However, this was tempered during the 1990s by the availability of “visas for sale” through well-connected individuals who were engaged in selling visas and work permits to Arab as well as Asian expatriates. Not only that, because GCC laws stipulated that foreign agencies, distributors and small businesses must have a local “sponsor”, trade flourished in the “rent-a-license” business. Foreigners run the firm and nationals earn a “rent” in exchange for obtaining the license. Such illegal and rent seeking activities have been frowned upon but as long as their sources of growth have not been uprooted yet, they are still practiced at the present time.

[38] Abdul Razaq Al Faris, 1983, “The Role of the Private Sector in Increasing Foreign Workers in the UAE”, in N. Al Fergany et al. (eds.), *Foreign Labor in the Gulf Region,* Arab Planning Institute and The Center for Arab Unity Studies, eds.,

… Arab workers earn more and consume more

Not only do expatriates contribute to production through their labor, they are also consumers of produced and imported goods and services. As such, expatriate workers support the local economy through their private consumption. Generally, however, Arabs tend to exhibit much higher propensities to consume than Asians because they have higher incomes, larger families and a penchant for conspicuous consumption.

… hiring expatriates help GCC governments realize substantial savings

In addition to their contribution to output growth through their labor and to the overall level of economic activity through their consumption and investment spending, expatriate workers play a significant role in reducing the financial burdens of the wage bills of both the private and public sectors. Take Saudi Arabia as an example: based on wage differentials in the private sector between Saudis and non-Saudis and applying them to the number of employees in the Civil Service during 1999 yields the following: the government had realized savings of about SR 12 billion as a result of employing non-Saudis instead of Saudis, assuming that there are no productivity trade offs between the two groups[39]. The savings represent 29.8 percent of total government wages and salaries. Extending the analysis to the much larger private sector and employing the same methodology and by combining the two sectors together yields larger savings: SR 226 billion (and SR 260.5 billion assuming there is a 15% productivity trade off), which makes up 50 percent of the GDP during 1999.

In a dynamic sense, these savings represent only the tip of the iceberg in that without them, the private sector may lose its comparative cost advantage and may therefore encounter difficulties surviving in the market place, locally and internationally. The benefits thus extend far beyond money wages. It is perhaps for this reason that private sector employers are reluctant to replace expatriates by more costly nationals.

III. Looking Ahead

The future of Arab labor migration will depend on several factors, the most important of which are the number of new national entrants to the labor force and the elasticity of substitution between nationals and Arab workers, on one hand, and Asians and Arab workers, on the other. The following segment attempts to shed some light on these factors.

[39] Ministry of Planning, 1417H, *Employment and Wages Report*, Riyadh; and Civil Service Administration, 1999, *Annual Report*, Riyadh.

A. Demand and Supply Balances of LF and their Impact on Migration

Aggregate data for the GCC, excluding Qatar, show that during the 1980s, domestic investment/GDP (I/Y) was about 22.5%, GDP growth was 0.33% and the labor force grew at 3.1%. This implies that a domestic investment ratio of 7.8% of GDP would generate a 1% economic growth, indicating a low marginal productivity of capital by international standards. During the 1990, the ratios changed as follows, respectively, 20.2%, 2.9% and 3.1%. Extrapolating the I/Y relation, it is expected to decrease to 18%, which would bring about an average growth rate in GDP of about 2.3%. If the elasticity of employment in regard to output is 1.0-1.25, employment will rise at 1.8-2.3%. Against an expected rise in national LF of about 4%, this will not be sufficient to absorb new entrants and will exacerbate the existing unemployment problem[40].

To absorb the new entrants and start reducing existing unemployment, the demand for labor must be around 6 percent. To realize this, however, GDP must grow at 7.5 percent per annum and I/Y must rise to 58.5%, holding other things equal. Both of these conditions, especially in the absence of economic reforms, are not plausible. Therefore, one would expect greater levels of unemployment among nationals and, concomitantly, greater pressures, especially on the private sector, to replace expatriates by nationals. Absent compensatory financing, private sector employers are likely to lay off employees with higher wages and replace them by less skilled, lower wage individuals. This would imply more out-migration of Arabs from the GCC.

That the expected growth in the economy will not generate sufficient jobs to meet the number of new entrants in the labor market can be seen from official government pronouncements as well. For example, the employment of nationals in Oman in 1993 was about 240 thousands and 306 thousand in 1998. By 2020, it is expected to rise to 892 thousands or by about 5 percent per annum. Of that number, 270 thousands will be in the public sector – up from 193 thousands in 1998- and 622 thousands in the private sector – up from 113 thousands in 1998. During the Sixth five-year plan (2001 – 2005), the government estimates that only about 108 thousands jobs will be created, a number that falls short by about 25,000 thousands of the total anticipated number of new entrants. Most of the additional demand for labor (92 percent) is expected to come from the private sector[41].

The situation in Saudi Arabia is no different since job creation during the current Seventh five-year plan (2000-2004) is expected to fall short of the number of new Saudi entrants in the LF. According to the seventh national plan, shown in Table 14, job creation during the period 2000-2020 is projected to be 3.474 million, while the Saudi LF will simultaneously increase by 5.091 million. The anticipated deficit is to be filled by jobs currently held by expatriates, numbering about 1.617 million jobs.

[40] Similar analysis is presented for the MENA region in World Bank, 1995, *Will Arab Workers…*, Op. cit., p. 9.

[41] Central Bank of Oman, 2001, *ElMarkazi*, proceedings of the conference on “Employing National Manpower”, pp.1-7.

In order to assess the impact on Arab migration of the inability of the GCC's economic growth performance in the next 5-10 years to generate sufficient jobs that will accommodate new national entrants to the labor market, it is important to ask: which skills will be impacted the most? And who is employed in the majority of these occupations?

Table 14
Saudi Arabia: Manpower Demand and Supply Projections

	Thousand			Avg. Annual growth rate (%)	
	1999	2004	2020	2000-2004	2000-2020
Demand	7,176.3	7,504.9	10,746.0	0.90	1.94
Public sector	1,015.1	1,023.7	1,111.0	0.36	0.35
Private sector	6,161.2	6,472.2	9,635.0	0.99	2.15
Supply					
Saudis	3,172.9	3,990.2	8,263.0	4.69	4.66
Balance/ Non-Saudis	4,003.4	3,514.7	2,483.0	-2.57	-2.25

Source: Ministry of Planning, *Seventh Five-Year Plan*.

Available qualitative information and statistical data on the distribution of national and expatriate work force classified by type of occupation clearly suggest that open unemployment of nationals is skill sensitive; that is, some occupations can be readily filled by nationals while others are not. We also know the structure of new entrants by education levels (a proxy for skills) and the relative distribution of employed Arabs versus Asians by skill category. Based on this information, one may suggest the following three scenarios:

1. Gulf **nationals with higher education or specific skills** that are demanded by the private or public sectors/SOEs face no problems locating a job. In fact, they normally face multiple job opportunities. This group is indeed immune to the current open unemployment problem. *Some substitution of expatriates, especially Arabs who outnumber Asians in this category, will take place.*

2. **Nationals do not seek low skill jobs** because (1) the offered wages are far below their reservation wages and (2) these jobs are stigmatized as socially unacceptable. Consequently, *expatriate Arabs and Asians, but mostly the latter, who occupy these jobs, will have a relatively safer employment than others*, at least for the foreseeable future. At some point down the line, however, the range of "unacceptable occupations" will begin to shrink, giving way to realities. Nationals in view of the anticipated job shortages will inevitably take some up. The dynamics of this stage have been unfolding already in some GCC countries.

3. **Medium skill occupations** are likely to become the "contested area" between nationals and expatriates during the next 10-20 years. These include a wide range of occupations such as all clerical jobs, accountants, cashiers, mail sorters and distributors, teachers, religious Imams, sales supervisors, pharmacists, engineers, lawyers and para legal assistants, business intermediaries, telephone operators, drivers of heavy machinery, etc. Government support in the form of direct employment subsidies to employers, training programs and small business loans[42], among others, will ameliorate the wage differential factor. Moreover, shutting off the government job gates will go a long way toward directing new entrants towards the private sector. It is in this category of skills that much will depend on long term government policies with regard to instituting needed reforms in the labor market, economic policies, education system, investment promotion and private sector development, etc. Absent these reforms, the inability of the economy to create jobs may fall more on nationals than on expatriates, thus, worsening the current unemployment situation. But if these reforms are introduced, *nationals would replace expatriates in large numbers, more so of Arabs than Asians.*

B. Pan Arab Labor Agreements

Previous attempts at negotiating regional Arab agreements have had such a dismal history that it would not be advisable to suggest trying it anew even if the benefits are substantial. The 1975 labor agreement is a case in point. It called for facilitating the movements of Arab labor across countries, giving preference to Arab workers and exchanging information about the demand for and supply of labor in each country. While well and good, giving preference to Arab workers assumes that governments will find it both palatable and economically viable to demand from private sector employers to forgo other nationalities in favor of Arabs. Neither did the GCC governments follow this recommendation, correctly so, nor did they apply it in their own backyard. Note that one of the primary reasons the percentage of Arabs in government jobs is higher than in the private sector is the language requirement.

Arab workers will be in demand as long as they remain competitive with other nationalities in terms of wages and productivity levels. The best one can hope for is some progress to be made on the first and third part of the last agreement. But even here, the first part is generally in an acceptable form at the present time, lest there are political disturbances that normally result in direct government interventions in the flow of Arab workers to/from other countries in the region. As for the third part, progress will be slow because most GCC countries lack the kind of information needed by the sending countries. Labor market data are quite scarce in the Gulf, particularly in regard to private sector needs. Therefore, one should not expect much progress in this area.

[42] The latest example is the Omani National Fund for the Development of Small Businesses, with an initial capital of OR 2 million.

IV. Concluding Remarks

The massive inflow of foreign workers to the GCC region has dwindled to a trickle. There are signs of reversals in fact in population and manpower migration. Currently, there are about 500,000 GCC nationals unemployed. More are expected to enter the market each year. We estimate this number at about 210,000 in 2002. This number will rise each year. Government expansion, which proceeded at impressive rates during the 1970s and 1980s, has come to a halt. Fiscal exigencies made it, and will continue to make it, difficult to hire more nationals except replacing retirees and the like. Economic projections clearly indicate that, in the absence of economic reforms, growth will continue to be anemic and, hence, GCC economies will be unable to expand sufficiently to create jobs that will accommodate all new entrants. Deficits are expected everywhere. Cognizant of these structural changes in the labor market, public policies tended to favor short-term remedies to what is a long-term problem. Bans, restrictions, fees and incentives have been effective in some GCC States that put some teeth to their policies. Consequently, the ratio of nationals in total employment is rising. This is most noticeable in Bahrain, Oman and Saudi Arabia.

Nationals that enter the labor market exhibit higher levels of education. Females are generally more educated than males. The number of men dropping out of schools early- at the primary and intermediate level- is still high. The oil baby boom of the mid seventies has already started to reflect itself in larger inflows of nationals into the labor market. The quality of education however seems to have engendered skill mismatches between national graduates and private sector needs of skills. National entrants thus are disadvantaged by their high reservation wages and the lack of relevant experience and basic skills. There is sufficient evidence to support the hypothesis that expatriates complement rather than compete with nationals.

Among expatriates, there has been a discernible substitution of Asian workers for their Arab counterparts. Asians command lower wages, work longer hours and are perceived by employers as more technically skilled and more compliant than their Arab colleagues. This tendency was supported by the import substitution strategy and also by factor price distortions, which artificially lowered Asian wages. As a result, there is little doubt that substituting high skilled workers, especially Arabs, by low skilled Asians had both increased the number of expatriates and also led to a 50 percent reduction in labor productivity. Concerning the skill structure of Arabs and Asians, there is enough evidence to indicate that Arabs typically constitute a higher percentage of the top three high skill categories, in a 7-way classification, while Asians typically constitute a higher percentage of the bottom three low skill categories.

Of the four scenarios presented earlier, the future as presented by the stylized facts mentioned above resembles scenario # 3 more than the remaining scenarios. First, the supply of labor (new entrants plus current open unemployment) will exceed job creation. Second, the trend of replacing expatriates by nationals will continue to exert its influence on both Arabs and Asians. With the expanding number of GCC national entrants and their tendency to show greater similarity of skills with Arabs than with Asians, there will be out-migration of both Arabs and Asians but more of the former than the latter. This will be particularly felt not by low skilled laborers but by high and medium skilled workers, notably on medium skilled jobs.

In light of the above, unless major strides are made to invigorate economic growth, which will be difficult in the absence of serious economic reforms, neighboring Arab countries are well advised to anticipate less remittance, more workers returning home and perhaps high unemployment rates at home [43]. This is an unavoidable eventuality.

[43] Replacing 500,000 expatriates just to eliminate current open unemployment at an average wage of about $564 (KD 182) per worker and assuming that expatriates remit about 70% of their pay, sending countries will lose 0.7x $564x 12 mo. x 500,000 = $2.4 billion; see Maurice Girgis, 1999, *Labor Market Reforms in the GCC*, MDF 3, Cairo.

Table A1

Growth in GCC Civil Service Employment Since the Early Seventies

	Bahrain				Kuwait				Oman			
	1966	1975	1985	1994	1966	1976	1989	1996	1970	1980	1990	1994
Employees (000)	8.0	14.1	25.0	30.0	51.9	116.5	272.9	258.1	1.8	38.8	80.5	101.3
% of nationals				86%	48%	40%	42%	63%	93%	60%	63%	67%
Growth rate 1	6.5%				8.4%				36.3%			
Growth rate 2		5.9%				8.9%				7.6%		
Growth rate 3			2.1%				-0.4%				5.9%	
Growth rate 4				4.8%				5.5%				18.4%
Wages & salaries												
% of tot spending	na	22%	42%	48%	na	25%	28%	28%	na	13%	22%	22%
% of oil revenue	na	19%	55%	110%	na	na	43%	47%	na			34%
	Qatar				**Saudi Arabia**					**United Arab Emirates**		
	1971	1974	1985	1994	1975	1980	1988	1994	1999	1974	1980	1990
Employees (000)	6.2	10.319	32.832	46.86	60.945	244.613	386.701	313.552	918.5	12.072	172.904	256.653
% of nationals	23%	64%	43%	46%	na	na	na	na	81.8	46%	na	na
Growth rate 1	18.5%				32.0%					55.8%		
Growth rate 2		11.1%				5.9%					4.0%	
Growth rate 3			4.0%				-3.4%					
Growth rate 4				9.2%				9.0%				21.1%
									12.0%			
Wages & salaries												
% of tot spending	na	na	18%	19%	29%	na	39%	35%	52.30%	na	na	33%
% of revenue	na	na	20%	24%	12%	na	70%	53%	44.20%	na	na	36%

Notes: Growth rate 1:annual cumulative rate between first year and second; Rate 2 for the following period;
Rate 3 for the next period and Rate 4 &5 cover the entire period from the intial year to the terminal year.
Wages and salaries are those of govt. employees, excluding SOCs. Total spending includes both
recurrent spending as well as investment spending.

Sources: Maurice Girgis, 1999, *Labor Market Reforms in the GCC*, MDF 3, Cairo.

Table A2
Number of Government Employees in Relation to Population (per 100)

Bahrain			**Kuwait**			**Oman**		
1975	1985	1994	1976	1989	1996	1970	1980	1994
5.1	5.8	5.3	10.6	13.0	13.6	0.3	3.9	5.6
Qatar			**Saudi Arabia**			**UAE**		
1974	1985	1994	1975	1988	1994	1974	1980	1990
6.4	9.2	9.6	0.8	3.0	1.8	2.4	17.0	16.2

US	**UK**	**Norway**	**France**	**Germany**	**Japan**	**Sweden**	**Denmark**	**Average***
1988	1988	1988	1988	1988	1988	1988	1988	1988
6.8	9.6	12.9	7.0	6.9	3.1	16.4	15.4	8.5

Egypt	**India**	**Indonesia**	**Philippin.**	**Thailand**	**Chile**	**Mexico**	**Peru**	**Average***
1985	1985	1985	1985	1985	1985	1985	1985	1985
7.2	1.5	1.8	3.4	3.4	1.8	2.4	3.1	4.1

Note: *) The first average is for a total of 19 OECD countries and the second for 18 developing countries.
Sources: Maurice Girgis, 1999, *Labor Market Reforms in the GCC*, MDF meeting, Cairo

Table A3

Estimated Total Labor Productivity, 1975-1993

(1975 = 100)*

1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
100.0	101.4	101.1	116.3	112.2	108.6	113.8	101.4	81.6	69.9
1985	1986	1987	1988	1989	1990	1991	1992	1993	
59.0	57.0	58.2	52.6	51.8	45.4	46.2	49.2	49.9	

Notes: *) Real GDP in 1980 USD per employee.
Sources: Maurice Girgis, 1999, *Labor Market Reforms in the GCC*, MDF meeting, Cairo.