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A new era for labour migration in the GCC?

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Abstract

The six Gulf Cooperation Council (GCC) countries, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE), are among the most dependent on foreign workers to fill private-sector jobs. A combination of lower oil prices and rapid native labour force growth has given new impetus to efforts to diversify GCC economies away from oil and encourage natives to fill private sector jobs. This article summarizes the current status of foreigners and foreign workers in GCC countries and considers several scenarios, including maintaining the status quo, improving protections for foreign workers in countries of destination (CODs) and countries of origin (COOs), and changing the current migration system to employ fewer and more skilled workers.

Keywords: Gulf Cooperation Council; labour migration; development; skilled workers.

Introduction

The GCC countries offer a unique demographic and economic landscape. The current GCC population of 53 million, including 60 percent in Saudi Arabia, is projected to increase by 25 percent to over 66 million by 2030, reflecting both relatively high fertility rates and significant in-migration.[1] UAE has almost 20 percent of the GCC population, followed by Oman and Kuwait with about 7.5 percent each.

GCC countries had 10 million residents in 1975, including a quarter who were foreigners (Shah and Fargues, 2012; De-Bel Air, 2015). The foreign share of the population was expected to decline from a third in the 1980s, but instead rose to reach half in recent years. The foreign share of residents ranges from a low of 33 percent in Saudi Arabia to a high of 90 percent in Qatar.

Most of the foreigners in GCC countries are from South Asia. Eight countries led by India each have over a million citizens in GCC countries, and they collectively account for almost 90 percent of the foreigners in the GCC. The largest country of origin was India, with 7.4 million citizens in the GCC, including two-thirds in the UAE

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[1] Saudi women had a total fertility rate of 2.9, while Omani women had 3.5 in 2015 (Population Reference Bureau, 2015). In addition, the number of domestic workers in a household is associated with higher fertility in the UAE (Mouawiya and Chartouni, 2010).

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and Saudi Arabia. Bangladesh was next, with 3.3 million citizens in the GCC, including almost half in Saudi Arabia, followed by Pakistan with 3.2 million, also almost half in Saudi Arabia.

Table 1. GCC Population, 2015 and 2030

	Pop (2015 mils)	Foreign share	Pop (2030 mils)	Increase	Shares (2015)
Bahrain	1.4	52%	1.7	21%	3%
Kuwait	3.8	69%	5	32%	7%
Oman	4.2	45%	5.5	31%	8%
Qatar	2.4	90%	2.8	17%	5%
Saudi Arabia	31.6	33%	39	23%	60%
UAE	9.6	88%	12.3	28%	18%
Total	53	49%	66.3	25%	100%
Sources: Population data from PRB; foreign shares from GLMM					
Foreign shares of population are for 2010 (UAE) and 2014-16 (other GCC)					

Table 2. Foreigners in GCC Countries, 2013-14

	India	Bangladesh	Pakistan	Egypt	Philippines
Bahrain	5%	3%	3%	1%	3%
Kuwait	11%	6%	4%	24%	11%
Oman	9%	19%	7%	1%	2%
Qatar	7%	5%	3%	8%	12%
Saudi Arabia	32%	46%	46%	47%	40%
UAE	35%	21%	37%	19%	31%
Total	7,407,592	3,272,221	3,241,112	2,144,910	1,672,888
	Indonesia	**Nepal**	**Sri Lanka**	**Eight countries**	
Bahrain	1%	2%	2%	687,000	
Kuwait	1%	5%	12%	2,037,436	
Oman	2%	1%	2%	1,663,852	
Qatar	2%	31%	9%	1,704,000	
Saudi Arabia	90%	39%	49%	9,625,000	
UAE	5%	23%	27%	6,110,530	
Total	1,671,210	1,296,000	1,121,885	21,827,818	
Source: GLMM, Most data are for 2013-14 except Oman, which are data for 2016					

Egypt had 2.1 million citizens in GCC countries, including almost half in Saudi Arabia and a quarter in Kuwait. The Philippines and Indonesia each had almost 1.7 million citizens in GCC countries, with 40 percent of the Filipinos in Saudi Arabia and 30

percent in the UAE, while 90 percent of Indonesians were in Saudi Arabia.[2] Nepal's 1.3 million citizens were distributed between Saudi Arabia, Qatar, and the UAE, while half of Sri Lanka's 1.1 million citizens were in Saudi Arabia and a quarter were in the UAE. There are additional foreigners from Ethiopia, Kenya, Nigeria, Uganda, and other countries in the GCC.[3]

The economies of the GCC countries are based largely on exporting oil and gas. GCC governments use oil and gas revenues to create jobs for nationals in the public sector and jobs for foreign workers in the private sector. Government revenue from oil affects migration flows, with more foreign workers arriving when oil prices are high and governments issue contracts for major infrastructure projects (Woodward, 1985; Dito 2010). Most firms providing services to governments are private, so foreign workers are concentrated in the private sector.

The price of oil, which averaged $100 a barrel between 2010 and mid-2014, has fallen to less than $50 a barrel in 2016 and is expected to remain below $50 because of new supplies, as from US shale, and pressure on OPEC suppliers including Iran and Iraq to pump in order to raise government revenues.[4] Most projections echo the IMF, which predicts that "oil prices will remain relatively low for some time." (Baffes et al 2015).

GCC demographic prospects and economic patterns suggest that the status quo is not sustainable (Forstenlecher and Rutledge, 2011; Hertog, 2013). Analysts urge GCC governments to change their policies to promote economic diversification away from oil and to persuade natives to change norms and attitudes and accept private sector jobs. An IMF report on the GCC noted that "between 2000 and 2010, about 7 million jobs were created in the private sector (excluding UAE), of which 5.4 million were in the private sector…nearly 88 percent of these private sector jobs were filled by foreign workers (85 percent low skilled), while nationals filled over 70 percent of public sector jobs." (Callen et al, 2014, p12).

The question is how to achieve diversification away from oil but continue to generate government revenue and entice natives to work in the private sector. Dubai is often touted as a model for economic diversification, with construction, transportation and logistics, shopping and tourism, and finance creating a non-oil-based economy. However, the Dubai model may be difficult to export to nearby

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[2] The number of domestic workers from Indonesia and the Philippines in GCC countries has fallen in recent years as these countries of origin stepped up efforts to protect mostly female domestic workers who take jobs in GCC countries.

[3] The number of foreigners excludes the unauthorized.

[4] OPEC member states, Algeria, Angola, Ecuador, the Islamic Republic of Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela, produce about 36 million barrels of oil a day, 40 percent of the world's supply. The IMF notes that US oil production almost doubled from 7.5 million barrels a day to 13 million barrels a day between 2010 and 2015, and emphasized that shale oil has relatively low capital requirements and shorter life cycles, with most of the oil extracted from a particular formation within three years (Baffes et al., 2015).

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GCC countries, since there may be limited demand for e.g. airports that largely connect passengers traveling elsewhere.

Most studies recommend more non-oil-related manufacturing and service industries such as finance to create jobs for natives and generate earnings from exports (Hvidt, 2013). However, there has been limited progress in GCC countries with economic diversification and nativization (Fasano and Iqbal 2003; Luciani, et.al 2012, 2013; Hertog 2013). For example, most manufacturing exports are in the chemicals sector closely linked to oil, and GCC countries import foreigners to fill most jobs in the expanding chemical sector (Callen et al, 2014, p21).

The IMF concluded that the missing link in limited economic diversification and labour force nativization is lack of incentives. GCC countries have avoided Dutch disease, the rising value of the currency from oil exports that reduces non-oil exports, due to the presence of foreign workers who hold down private-sector wages. However, with governments distributing oil revenues via contracts to build domestic projects, private firms have incentives to focus on domestic rather than export projects, using foreign workers to hold down labour costs and bolster profits (Callen et al, 2014, p23; Hertog, 2013). Native workers have incentives to seek public sector jobs that offer high wages and security rather than private sector jobs that offer lower wages and expect hard work.

Foreign workers hold down private sector wages and allow private firms to extract rents. The reservation wages of migrants are set by home-country conditions, and foreign workers in GCC countries have limited bargaining power (Hertog, 2013). As reliance on foreign workers in GCC countries has increased, average labour productivity has decreased, suggesting that wages for foreign workers may be less than their marginal product and helping to explain why the share of national income accruing to capital in GCC countries is 75 percent or more, among the highest in the world (Callen et al, 2014; Hertog, 2012).

Labour Migration in GCC

When the price of oil rose in the mid-1970s, previously poor desert economies embarked on a government-funded building spree, using multinationals to build highways, airports, and urban infrastructure, including government buildings and private housing. Most of the workers employed in these first-wave construction projects were men, and most lived on building sites while employed in GCC countries (Woodward, 1985; Kapiszewski, 2006).

The multinationals bidding for projects during the 1970s and 1980s included the cost of foreign workers in their costs. First-wave construction managers typically paid all the migration costs of the workers they recruited, including passport, visa, transportation, and other costs, and workers arrived from many countries, from Egypt and Korea to India and the Philippines (Kapiszewski, 2006). Workers were typically provided housing and food at no cost while employed in GCC countries, enabling them to save almost all of their earnings.

After first-wave projects were completed, a new type of construction firm emerged to bid on government contracts, often a local owner and a foreign partner (Dito, 2010). Migrants returning from several years of work in GCC countries with savings told friends and relatives about opportunities in GCC countries, and soon there were more workers seeking jobs in GCC countries than were available (IOM, 2016; Shah and Menon, 1999).

Governments in migrant-sending countries, to protect workers headed to GCC jobs, enacted measures that, inter alia, required departing low-skilled citizens to use the services of licensed recruitment agencies owned by citizens and to have the contracts issued by GCC employers checked by government agencies before departure.[5] Meanwhile, GCC destinations began to require migrants to undergo health checks and police checks before they could receive visas and depart for jobs abroad.[6]

The net effect of these changes in countries of origin (COOs) and countries of destination (CODs) aimed at reducing trafficking was to make it more difficult for low-skilled workers to navigate government procedures. The excess supply of workers due to faster labour force than formal job growth in Arab states, South Asia, and Southeast Asia held down GCC wages and allowed GCC employers to charge recruiters for their job offers, and recruiters passed these costs on to workers in the form of higher fees.

Workers are motivated to cross national borders by the availability of higher wage jobs, the so-called wage wedge that can provide wages abroad that are two to 10 times more than can be earned at home. When first-wave multinationals paid all migration costs for the workers they recruited, migrants received all of the wage wedge to compensate them for separation from family and restricted rights abroad. However, when there were 1,000 Indian workers seeking 100 GCC jobs, and COO and COD procedures required or encouraged workers to use recruiters, some of this wage wedge went to the recruiters who controlled access to GCC jobs. Migrants earn more abroad, but they may have to give up 10 to 30 percent of their foreign earnings to the migrant infrastructure that moves workers over borders.

There is an equity dimension to recruiters taking some of the wage wedge, since ILO Convention 181 calls on employers to pay all costs for workers they recruit in other countries. In fact, employers generally pay most or all migration costs for highly skilled workers for the simple reason that the supply of professionals willing to work in the GCC approximates demand for them. However, moving down the

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[5] Some migrant-sending countries require GCC-bound migrants to participate in pre-departure orientation service (PDOS) programs prior to their departure. Without the PDOS certification, Filipino migrants (except those who are traveling as tourists) cannot legally leave Philippine airports.
[6] In one example of bilateral cooperation, the UAE in 2015 established visa-issuing offices in Sri Lanka, Indonesia, Kenya, and Bangladesh so that documents can be checked by GCC countries before workers depart. The UAE plans to open visa-issuing offices in Egypt, Tunisia, Lebanon, Senegal, Nigeria, India, and Pakistan in 2016.

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skill ladder means that the supply of workers rises faster than the number of jobs, so that foreign workers earning less than $500 a month in the GCC typically pay most or all of their migration costs.

The labour force of the GCC countries was 24 million in 2012-13, including half in Saudi Arabia. The share of foreigners in the total labour force varies, from a low of 67 percent in Saudi Arabia to a high of 94 percent in Qatar.

Table 3. GCC Countries' Labour Force, 2012-13

	Labour Force	Foreign share	Public	Foreign share	Private	Foreign share
Bahrain	749,868	72%	149,868	25%	489,090	81%
Kuwait	2,328,581	82%	439,204	30%	1,314,800	93%
Oman	1,740,473	77%	378,355	7%	1,362,118	87%
Qatar	1,341,193	94%	161,748	57%	1,039,541	99%
Saudi Arabia	12,452,180	67%	3,034,201	4%	8,487,533	87%
UAE	5,147,000	88%	1,000,000	40%	4,147,000	100%
Total	23,759,295		5,163,376		16,840,082	

Source: GLMM, Labour force data are for 2012-13

Total and public sector labour force data for the UAE are approximate

The most interesting difference is the foreign share of workers in the public and private sectors. Over 20 percent of workers in GCC countries are employed in the public sector, and the foreign share of public employees ranges from four percent in Saudi Arabia to 57 percent in Qatar. There is much more similarity in foreign shares of private sector workers. Overall, two thirds of private sector workers are foreigners, and the range is from a low 81 percent in Bahrain to almost 100 percent in Qatar and the UAE.

The almost 17 million foreign workers employed in the private sector of GCC countries are the focus of efforts to understand who benefits from the current migration system and whether costs to workers could be reduced. If the 17 million private sector workers each paid $1,000 for their GCC jobs, then moving workers to the GCC is a $17 billion business. On the one hand, worker-paid costs may be lower because some of the foreign private-sector workers are skilled, so that their employers may have paid their migration costs. On the other hand, many low-skilled private-sector workers pay more than $1,000 for their jobs in GCC countries.

Most GCC households, and most foreign professionals employed in GCC countries, have domestic workers (Fernandez, 2014; Shah 2004; ILO, 2004). There are over 2.2 million domestic workers in GCC countries,[7] they are all foreigners, and there

[7] The number of domestic workers in the UAE was reported in www.thenational.ae/uae/domestic-staff-are-six-per-cent-of-abu-dhabi-population

have been many exposes of the long hours that many work and the sometimes abusive treatment they face (ILO, 2016, Naufal and Malit, Jr., 2016).

GCC countries and many COOs have erected a frame work under which employers pay most migration costs for the domestic workers they employ, often $4,000 to $6,000 for a domestic worker who will be employed for 24 months at $250 to $400 a month, earning a total of $6,000 to $9,600. This means that domestic workers, who are almost all women, pay less for GCC jobs and earn less as well.

Table 4. Domestic Workers in GCC Countries, 2012-13

	Domestics	Foreign share
Bahrain	103,728	100%
Kuwait	574,577	100%
Oman	224,006	100%
Qatar	139,904	100%
Saudi Arabia	930,446	100%
UAE	268,000	100%
Total	2,240,661	

Source: GLMM, Labour force data are for 2012-13; Oman from National Center for Statistics and Information, 2016

Recent GCC Changes

Two major factors are driving change in GCC countries: lower oil prices and rapid labour force growth. The price of oil peaked at over $147 a barrel in July, 2008, fell sharply in 2009 before rising above $100 a barrel in 2011, and has been less than $60 a barrel since summer 2014. Oil prices are expected to remain low, which reduces government revenues in GCC countries (IMF, 2015).

Reduced GCC government revenues have led to slowdowns and cancellations of projects that employ foreign workers (Gulf Talent, 2016). For example, Saudi Binladin laid off 50,000 workers in summer 2016, and Saudi Oger laid off 10,000 Indian workers who said they had not been paid for seven months and received no food from the Saudi Oger for several weeks, prompting the Indian consulate in Jeddah to set up food-distribution centers in several labour camps (Stancati, 2016). Saudi Aramco said that up to $1 trillion in energy-related projects may be cancelled or delayed because of prolonged low oil prices.[8]

Saudi Arabia has taken the lead in announcing changes to its economy and labour force in response to lower oil prices and rapid native labour force growth. Vision 2030, announced in April 2016, aims to reduce Saudi Arabia's dependence on oil by selling five percent of Saudi Aramco for up to $150 billion and making the SA Public Investment Fund the world's largest sovereign-wealth fund, with over $3

[8] Reuters, "$1trn oil, gas projects could be cancelled over oil price slump," March 9, 2015. www.arabianbusiness.com/-1trn-oil-gas-projects-could-be-cancelled-over-oil-price-slump-585001.html#.V6H9MijYI04

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trillion in assets. Oil provided three-fourths of Saudi Arabia's $162 billion in government revenue in 2015.

Two-thirds of Saudis in the labour force are employed by the government, where high salaries, good benefits, and little work are the norm. Public sector wages are on average 70 percent higher than comparable private sector wages, and they consume 45 percent of Saudi GDP. The government's National Transformation Program aims to reduce government employment and to have half of Saudis work in the private sector by 2020, where decades of reliance on migrant workers has held down wages and led to expectations of hard work.

The Saudi government has a Nitaqat or Saudization policy that requires at least 10 percent of the employees of all businesses to be Saudis. Private firms with no Saudi employees can be labeled red and risk being shut-down, so many hire Saudis in name only because they find Saudis are not prepared to work as hard as the foreigners on whom private firms rely. Hiring Saudis in such cases adds to labor costs but not increase productivity

To prevent such fake hiring of natives, the Saudi government has made various sectors off limits to foreigners, albeit with limited success. The government's 2016 target is retailing, where 20 percent of 1.5 million employees are Saudis. The government may try to make foreign workers more expensive by imposing an income tax on them or allowing them to change employers, which could push up wages.

The NTP calls for the creation of 450,000 private sector jobs for Saudis between 2016 and 2020. The Saudi economy has been creating about 45,000 private-sector jobs a year, and most have been filled by foreigners, suggesting that it could be difficult to encourage Saudis seeking government jobs to accept private-sector jobs. The government recently signed agreements with international trainers Alturki and EFE to prepare Saudi youth for private sector jobs.

Qatar has almost 100 percent migrants among private-sector workers. In December 2010, Qatar won the right to host the 2022 World Cup, perhaps the most watched television on earth, and launched an ambitious 2030 Vision program to build infrastructure. Contracts were issued for highways, mass transit systems, and stadiums to contractors who recruited migrant workers.

NGOs interviewing migrants in Qatar uncovered many abuses, including employers who withheld workers' documents, did not pay the promised wages, and housed workers in poor conditions (Amnesty International, 2016). However, many of the abuses, especially the practice of leaving a country with one contract and working under another abroad, occurred before workers got to Qatar, as recruiters often tell migrants that the contract they show to government officials as they depart will not be the one under which they are employed abroad (Jureidini 2014; HRW, 2012).

The Qatari government introduced labour law reforms, including a system beginning in December 2016 to allow foreign workers leave Qatar within 72 hours as an alternative to having an exit permit from the worker's sponsor. Human Rights Watch criticized the alternative exit procedure as a "cosmetic right" that simply shifts control of workers from employers to a government ministry.

GCC governments do not have income taxes, but the UAE government and other GCC countries are considering a tax on foreign workers' remittances to raise revenue, ranging from three percent in Oman to five percent in Kuwait. The UAE is raising taxes on all residents via a value added tax of three to five percent that is expected to generate up to $3.3 billion in 2018 (Malit, Jr. and Naufal, 2016).

The UAE government has also reformed its internal mobility laws. Minister Resolution 764 allows foreign workers to switch jobs more easily. The UAE government has a pilot scheme that accredits training institutions to provide training in COOs that results in UAE-accredited skills.[9] The goal is to develop a knowledge-based economy based on a skilled (foreign) workforce.

Conclusions: What Next

The current labour migration system in GCC countries is widely condemned for taking advantage of migrants and not creating competitive non-oil economies. The kafala or sponsorship system requires all foreigners to have a local sponsor who is responsible for granting permission to enter the country, for monitoring the stay of the foreigner in the country, and approving his/her exit. In effect, GCC Ministries of the Interior delegate internal migration control to sponsors, citizens or firms controlled by citizens.

Many sponsors are only nominally involved in the employment of "their" migrant workers. Instead, they allow their names to be used to sponsor foreigners in exchange for payments of $500 or $1,000 from employers, recruiters or others. Many low-skilled migrants never meet the kafeel who is sponsoring them, and deal with their sponsors only through intermediaries who may be nationals of their country of citizenship. Some kafeels (or their agents) keep the passports of the foreigners they sponsor to control their mobility.

Since the kafeel is responsible for all aspects of the foreigner's stay, if the kafeel withdraws sponsorship, the foreigner has no legal right to stay in the country. Disputes over wages, accommodations, working conditions or other work-related issues can prompt the sponsor to withdraw sponsorship, making the migrant illegal. Some employers prefer to hire workers who were released by their sponsors so they do not have to provide them with housing and food. Sponsoring employers

[9] The Oman government requires foreign workers to remain outside the country for at least two years even if they have a no objection letter from their employer.

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are not penalized if they report workers from whom they have withdrawn sponsorship as absconders or runaways.

International organizations and NGOs have pointed to the kafala system as the key to keeping migrants vulnerable. For example, since strikes are illegal in GCC countries, workers with legitimate grievances who go on strike are more likely to be deported by the host government rather than assisted to correct the gaps between contractual guarantees and realities that prompted the strike. Many sponsors keep the passports of the foreigners they sponsor, limiting the mobility of migrant workers and requiring them to obtain approval from sponsors to leave the country.

There have been many proposals to modify or end the kafala system, but it has persisted for several reasons, including the $1 billion or year in payments made to natives for sponsorships, the desire of governments to "control" foreigners, and the inability of COO governments to persuade GCC governments to change their policies. Most GCC countries have no minimum wages, encouraging COOs to set minimum wages for their citizens leaving for jobs in the GCC that are difficult to enforce.

There have been changes in GCC policies toward migrant workers that aim to increase protections for them. The UAE and Qatar have Wage Protection Systems that requires most private-sector employers to pay migrants via bank transfers to expedite the resolution of wage disputes,[10] and is developing a database that includes contracts signed by workers and employers to minimize contract substitution, as when a migrant signs one contract before departure, but is presented with a new contract offering lower wages after arrival. Migrants who have paid for GCC jobs are in a weak position to bargain, since even the new and lower wage is usually more than they could earn at home.

Bahrain in 2009 announced that its Labour Market Regulation Authority (LMRA) would be the sponsor of all migrant workers, who could change employers by giving three months' notice to their current employer and notifying the LMRA. Other GCC governments are modifying the kafala system to help workers to obtain No Objection Certificates from their sponsors. A NOC is normally required to change employers or exit the country and, if sponsors refuse to grant workers a NOC, a government committee could intervene and issue a NOC.

The UAE in January 2016 introduced what it calls unlimited contracts. Most contracts between GCC employers and migrant workers are for 24 or 36 months, and the regulations of many GCC countries require migrants completing contracts to leave before returning to the GCC. Unlimited contracts can be renewed indefinitely, and either employer or migrant may break them with three months' notice and the approval of the Ministry of Labour, so that a migrant ending a

[10] Qatar is implementing a similar Wage Protection System in 2016.

contract with one employer can accept a job with another. Before 2016, three-fourths of contracts were time-limited, but three-fourths of new 2016 contracts were unlimited.

Some GCC governments are discussing migrant mobility, meaning that migrants completing one contract could change employers without returning home, as with the UAE's unlimited contracts. The anticipated economic benefit is that experienced workers are more productive, so it makes sense to allow migrants with experience in GCC countries to find new employers rather than force them to go home when their contracts end. Mobility should raise productivity in GCC countries and reduce recruitment costs, since fewer new migrants would need to be recruited. Some migrants may be induced to acquire more skills, since they can see the benefits of higher wages in another GCC job.

Mobility that results in more experienced workers has many potential economic benefits, but several caveats may limit its rapid adoption. First, allowing experienced migrants to stay in GCC countries and change employers could make it even harder to persuade private sector employers to hire inexperienced natives. Second, if a GCC employer invests in recruiting and training a migrant, could the migrant change employers without compensating the employer for recruitment and training? Third, would labour costs rise faster than productivity, as experienced workers demanded higher wages because they are able to change employers?

There are also practical issues with more migrants making their careers in GCC countries. Expatriates paid at least $1,089 a month in the UAE are generally allowed to enter with their families, live away from their workplaces in private housing, and have their families utilize public services. Most migrants paid less than $500 a month, by contrast, arrive without their families and live in employer-provided accommodation that is often remote from most public services. If expat-style mobility moves down the skills ladder, what will be the earnings cut off for families, housing, and public services?

Labour migration into the GCC countries is at a crossroads. What began four decades ago as a multinational-led effort to quickly build infrastructure with foreign workers whose costs were borne by their employers has evolved into reliance on foreign workers to fill almost 90 percent of private sector jobs and a migration infrastructure that generates billions of dollars moving workers over borders. The rents extracted from low-skilled workers are condemned by international organizations, NGOs, and others, and the result of low wages paid to migrants in GCC economies is overstaffing and low productivity.

Policy changes in GCC countries have the contradictory goals of moving more natives into private sector jobs and improving conditions for migrants. The major mechanism for moving natives into jobs has been the stick of requiring private employers to hire a certain share of natives and paying fees and fines if they do not. On the other hand, international criticism and economic self-interest are

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encouraging GCC policy changes to better protect migrant workers and allow more of them to make careers in GCC countries, which will encourage employers to prefer experienced migrants to natives.

If low oil prices persist, GCC governments will have less money to issue the contracts that create a demand for migrant workers. Less demand combined with nativization programs should reduce the employment of foreign workers at a time when COOs want to send more workers abroad. With the supply of workers exceeding demand, and protections for migrant workers in GCC countries improving, there may be more corruption in COOs as more workers compete to fill the fewer foreign jobs available. Improving the foreign worker system in GCC countries may prove like squeezing one part of a balloon, shifting more rent extraction from CODs to COOs.

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