



# Gulf Research Meeting 2010

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## Workshop 3

# Population, Labor Markets and National Identity

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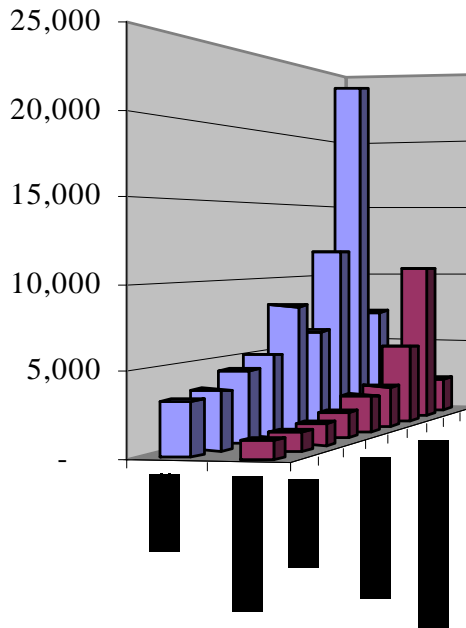
## **Workshop Description**

Even among high-income rentier states, the Gulf states are characterized by a unique demography: No other states in the world are so rich while at the same time having such low wage levels on large segments of their private labor market. No other systems in the world have opened the floodgates of international labor migration to the extent the GCC monarchies have, resulting in the domination of private labor markets by non-citizens. This confronts the Gulf monarchies with a unique set of development challenges that are both economic and political, and that have been thrown into increasingly sharper relief in recent years. Issues of demography and labor market policy have become crucial not only for the long-term socio-economic prospects of Gulf nationals, but are also increasingly linked to the burgeoning debate about national identity and security in the GCC countries.

Currently, all Gulf governments afford socio-economic protection to their national population through a number of mechanisms: privileged public employment, the de facto provision of better labor rights and, in many cases, entitlements to subsidies and cost-free public services not available to foreigners to the same extent. Many of these measures impose a significant fiscal burden on Gulf governments. Arguably more important, they exacerbate the existing segmentation of national and non-national populations in Gulf monarchies, which is unparalleled in scale and depth among modern nation states.

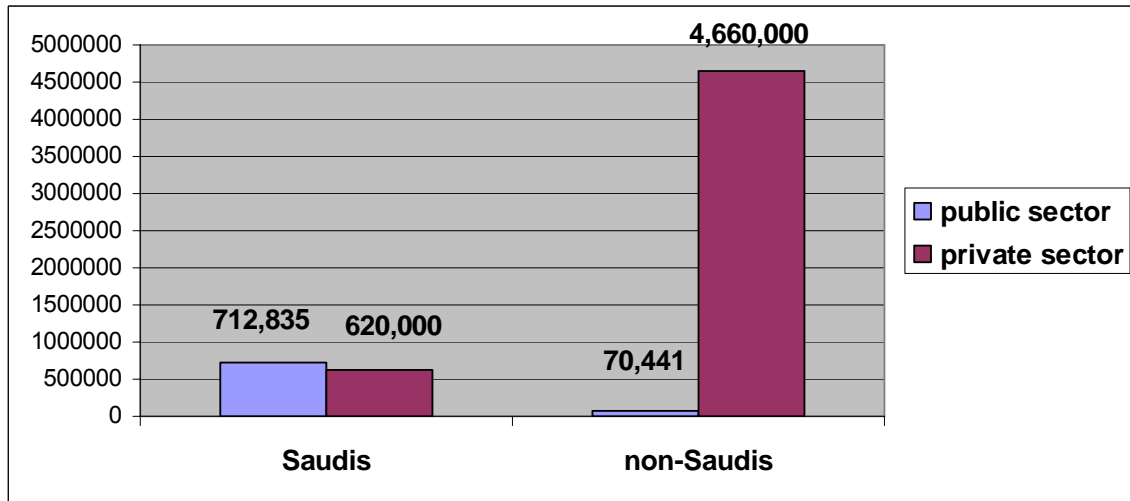
One important dimension of the segmentation is socio-economic, as reflected in differential wage levels for nationals and foreigners and, closely related, in public and private sectors, which in turn result in highly biased patterns of public and private employment (see the graphs below for the Saudi case).

### Saudi vs. Non-Saudi Monthly Wages, 1999



Source: Ishac Diwan/Maurice Girgis (World Bank), *Labour Force Development in Saudi Arabia*, policy paper prepared for the Symposium on the Future Vision for the Saudi Economy, Riyadh September 2002

### Saudi vs. non-Saudi employees in 2005



Source: based on SAMA data

The pattern is even more pronounced in the smaller and richer Gulf states, where private sector employment of nationals is negligible.

### Employed individuals in the GCC in 2005 ('000)

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE**
<b>Nationals</b>	<b>106</b>	<b>319</b>	<b>208</b>	<b>39</b>	<b>1336</b>	<b>300</b>
% of total labour force	31%	18%	32%	42%	22%	10%
private sector	72	43	99	4	623	..
public sector	34	276	109	35	713	..
<b>Expatriates</b>	<b>231</b>	<b>1495</b>	<b>446</b>	<b>54</b>	<b>4809</b>	<b>2697</b>
% of total labour force	69%	82%	68%	59%	78%	90%
private sector	227	1401	423	20	4739	..
public sector	3	94	23	34	70	..
<b>Total labour force</b>	<b>337</b>	<b>1814</b>	<b>654</b>	<b>92</b>	<b>6145</b>	<b>2997</b>
% of total population	47%	61%	26%	12%	27%	63%

Source: data from the Gulf Investment Corporation

Productively employing more nationals in the private sector is the biggest economic development challenge the Gulf faces today. Unless the segmentation of privileges and wages is somehow overcome, this will remain a Sisyphean battle. Divided labor markets have developed in a path-dependent fashion over decades, however. With business and government structures as well as political expectations geared on them, they have proven hard to reverse.

Less discussed, but probably as important as the segmentation of employment and incomes is the socio-cultural segmentation that the large presence of expatriate labor has engendered in the Gulf: In all states, there is rather little mingling between expatriates and nationals and in the most extreme cases, expatriates live in separate, ghetto-like settlements, with expatriate groups governed through their own formal or informal community structures. Despite the generally high level of development and the considerable infrastructural power of Gulf states, there are significant segments of the local resident population which are socially unintegrated and are, in the more extreme cases, beyond the regulatory grasp of governments – one thinks of expatriate-dominated areas of certain larger Saudi cities into which even the Saudi police do not venture.

The Gulf has witnessed a far-reaching interplay of labor market economics and identity-formation concerning both nationals and expatriates, deeply segmenting the local

population and creating socio-economic and cultural enclave structures. While long seen as a necessity for rapid development (and, by business, as a comparative advantage), the segmentation of local societies in recent years has come to be seen as a threat.

In the smaller Gulf states in particular, policy-makers, intellectuals and citizens more generally have voiced worries about the effects of the idiosyncratic local demography on national identity. Several governments, most notably in the UAE sheikhdoms, have started educational and media initiatives to boost national identity. It is not clear, however, how effective these campaigns can be as long as the structural facts of the local demography and labor markets do not change.

In the more populous and relatively poorer states, worries about national identity per se are less acute, but socio-economic worries are all the more salient: The perceived threat in Bahrain, Oman and Saudi Arabia is that nationals will remain sidelined in the private labor markets, while their states cannot provide for them anymore either, creating a new cohort of marginalized citizens.

All Gulf governments have undertaken labor market nationalization policies of some kind – whether market-based, as in Bahrain, or decree-based, as in Saudi Arabia – with a view to decreasing foreign labor dependency in the long term. These policies, however, have created strains with the business community and, in some cases, bottlenecks and corruption on labor markets due to the limited regulatory capacity of the bureaucracies in charge. The right method and pace of nationalizing labor markets is still in dispute in the Gulf. At the same time, international actors have become increasingly involved in labor rights issues in the Gulf, adding a further layer of complexity to the policy-making process.

In sum, demographic and labor market patterns in the Gulf are increasingly perceived as politically problematic in one way or the other, and possibly threatening social stability. At the same time, Gulf regimes will in the foreseeable future depend on foreign labor for their ambitious development strategies. Saudi Arabia's attempts to put strict limits to the

local influx of the workers of the world were abandoned in 2006, as vital projects could not be implemented.

The workshop will discuss whether there are affordable long-term solutions to the dilemma of segmented labor markets and try to establish how real the perceived threats are. To which extent have recent policy moves played to specific internal or external audiences, to which extent were they serious? What do government approaches to expatriates and labor regulation tell us about elites' concepts of citizenship and long-term visions of their societies? Is the national identity debate an elite phenomenon or are citizens playing an active role in it?

The workshop hopes to attract labor market experts, demographic experts, but also academics interested in issues of national and ethnic identity in the Gulf. We welcome case studies, cross-sectional papers, as well as conceptual papers. Topics that could be tackled in the workshop include, but are not limited to:

- Current attempts and future policy options of integrating labor markets and increasing national employment in business, both in terms of state strategies and business reactions
- Attempts to upgrade local labor and entrepreneurial skills
- Changes in expatriates' legal status, and the interplay of expatriate rights' issues with international diplomacy
- Attempts to create a more clearly delimited national identity
- Issues of citizenship and nationalization
- patterns of ethnic division of labor and their social, political and cultural corollaries
- the internal structures of expatriate "enclaves" and parallel societies, and the ethnic division of labor between different expatriate communities
- The genesis of transnational identities within expatriate communities
- state attempts to redraw the boundaries of privilege between nationals and expatriates (regarding public services, employment, legal protection etc.)

- female labor as a further dimension of segmentation
- the changing cultural, economic and political meaning of citizenship
- security and stability issues: social and economic burden of expatriate employment, marginalization of nationals etc.