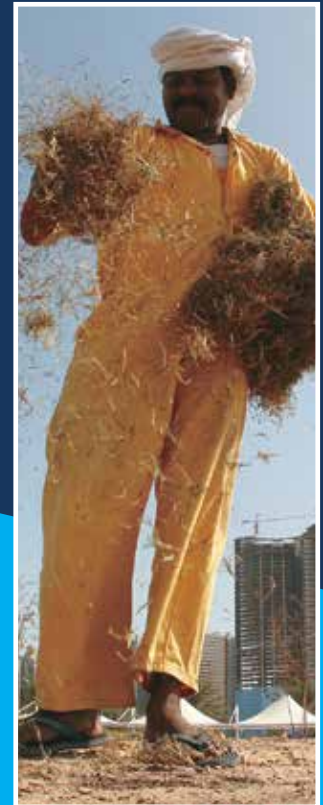


Labour Market Trends Analysis and Labour Migration from South Asia to Gulf Cooperation Council Countries, India and Malaysia



Labour market trends analysis and labour migration from South Asia to Gulf Cooperation Council countries, India and Malaysia



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Foreword

Temporary labour migration is often touted as a triple-win: a win for destination countries that can support a level of economic activity that would be impossible without foreign labour; a win for countries of origin because it lowers unemployment and brings in remittances and skills; and a win for the migrants who can earn more income and escape poverty. However, governments have yet to develop a system that ensures that the triple-win delivers benefits equally and it is migrants who are being short-changed.

In South Asia, the largest movement of migrant workers is to the six Gulf Cooperation Council (GCC) Member States. Latest data places the total estimated annual outflow from five countries in South Asia at 2.5 million migrant workers. More than 90 per cent of all migrant workers from India, Pakistan and Sri Lanka take jobs in a GCC country. Bangladesh and Nepal send more than 65 per cent of their migrant workers to the GCC region and the majority of the others to Malaysia. Movements from Nepal to India are not recorded by government systems but they are considered significant.

Despite the substantial benefits generated by the South Asia–GCC migration flow, many challenges remain to ensure a fairer distribution of the triple-win profits. Much has been written on the abuses of migrant workers during recruitment and employment throughout the migration cycle, but less is known about labour demand, its relationship to skills and the impact of the recruitment process on these aspects.

Lack of information regarding qualifications, skills, wages and how demand will evolve inhibits informed decisions by public and private institutions as well as by migrant workers. This results in lost opportunities or mistakes with training investment in both source and recipient countries. Additionally, there is no system of mutual recognition of educational attainment and acquired skills based on comparable standards for low- and semi- skilled occupations.

This report addresses some of these issues with a special focus on the role of skills – including training, certification, accreditation, deployment practices and future labour demand – for both the countries of origin and destination. It is a summary of six studies, each related to a prominent destination country (India, Kuwait, Malaysia, Qatar, Saudi Arabia and the United Arab Emirates) for migrants from Bangladesh, India, Nepal and Pakistan.

The report is a result of a partnership between the International Labour Organization (ILO) through its European Union-funded South Asia Labour Migration Governance Project, the SDC-funded Project to Promote Decent Work through improvement of Migration Policy in Bangladesh, the Inclusive Development of the Economy (INCLUDE) Programme, a joint Nepal-German initiative under the guidance of the Ministry of Industry (MoI), Government of Nepal, with technical assistance provided by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ).

We hope that these studies will be useful in guiding governments and other stakeholders in countries of origin to better align their systems for facilitating and supporting male and female migrant workers in selected sectors and trades. The findings also can be used to guide students and new entrants to the labour market on likely labour demand, the effect of labour policies and available systems for finding employment overseas – ultimately leading to increased employability and skills of migrant workers.

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Sabine Roth, an independent expert with longstanding experience with TVET strategies and policies, skills development, training needs and labour market analysis was the lead researcher and developed the detailed methodology, oversaw a team of consultants in the six selected countries of destination and drafted this synthesis report. Trevear Penrose, an independent expert in education and TVET, peer-reviewed the report throughout its development and contributed to key sections during the finalization of the report.

The study is based on country reports prepared specifically for this assignment on researching the six major destination countries for migrant workers from Bangladesh, India, Nepal and Pakistan. The authors of these six reports are Aakash Jayprakash (Qatar), Casey Weston (Saudi Arabia), Imran Rumani (Kuwait), Joachim Kolb (United Arab Emirates), Keshav Bashyal (Uttar Pradesh and Delhi in India) and Vijayakumari Kanapathy (Malaysia).

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Abbreviations

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
DOFE	Department of Foreign Employment (Nepal)
E&E	Electrical and Electronics
ETP	Economic Transformation Programme (Malaysia)
GCC	Gulf Cooperation Council
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GTP	Government Transformation Programme (Malaysia)
ILO	International Labour Organization
INCLUDE	Inclusive Development of the Economy Programme
MoI	Ministry of Industry, Government of Nepal
MOU	Memorandum of Understanding
MYR	Malaysian ringgit
NSDC	National Skills Development Corporation (India)
SAARC	South Asian Association for Regional Cooperation
TVET	Technical and Vocational Education and Training
UAE	United Arab Emirates



South Asian workers install phone lines in a street in Riyadh, KSA © ILO/Apex Image

Executive summary

This labour market trends analysis was conducted to better understand the characteristics and dynamics of the labour migration process in the countries to where they are bound. Such insight is intended to lead to better protection of migrants and to help maximize the economic benefits from migration for all parties and ultimately to help improve the experience of South Asian migrant workers going abroad for employment.

The majority of South Asian migrant workers (from Bangladesh, India, Pakistan and Nepal) journey abroad for jobs in the Gulf Cooperation Council (GCC) countries of Kuwait, Qatar, Saudi Arabia and the United Arab Emirates (UAE) but also to jobs in India and Malaysia.

The labour market trends analysis entailed a series of studies in the six major countries of destination (India, Kuwait, Malaysia, Qatar, Saudi Arabia and the UAE) to determine the current labour migration framework conditions and assess future demand. Then a series of studies in countries of origin was conducted to describe their migration profiles in the context of the destination countries studies. This report is a consolidation and analysis of the findings from the six individual destination country studies and related literature.

The studies examined the labour demand in countries of destinations, the present and emerging relationships between national economies, employment characteristics and labour demand and how various migrant labour policies translate into different forms of preference or restriction. The actual characteristics of migrant labour in countries of destinations, the filtering and distorting mechanisms of the recruitment mechanisms and the way the migrant labour preparation and recruitment processes in the countries of origins have responded to the demand were also investigated.

DEMOGRAPHIC CHARACTERISTICS AND LABOUR TRENDS

Regarding the estimated migrant labour demand from GCC countries the dominant general conclusion of the analysis is “more of the same” – a persistent, and even increasing demand for foreign workforces of, on average, 85 per cent of the total workforces, comprising largely low-skilled¹ labour predominantly in the construction and service sectors. The small national workforces are concentrated in the increasingly saturated public sector. Governments have reacted with various interventions targeting labour nationalization that involve migrant labour recruitment quotas, skills training for nationals and a concentration on white-collar jobs. The relatively high birth rates in the GCC countries (encouraged by strong pro-nationalist measures) are expected to level off to global parity in 2050. This has added pressure to create employment for nationals. But the interventions thus far have not converted to domestic workforces capable of sustaining present economies or meeting future demand. The vast majority of the national population is not willing to work in low-skilled or semi-skilled blue-collar jobs. The numbers of foreigners becoming naturalized citizens remains very small and is unlikely to change in the near future. With an estimated population growth to 50 million by 2020 and to about 65 million in 2050, the GCC countries will continue to rely on migrant labour for a very long time.

¹ In this report, the term “low-skilled” also includes workers that sometimes would be classified as “unskilled”. The report uses the term “unskilled” when referring to official data classified accordingly only.

In contrast, Malaysia's population is characterized by a much smaller national-to-migrant ratio than GCC countries – to the extent that issues relating to balance and potential political risk are not significant. In 2010, 7.8 per cent of the total population was a migrant, half of whom were low-skilled contract migrant workers, mainly employed in the manufacturing sector and, to a lesser extent, in the construction and agriculture sectors. The other half consisted of high-skilled workers. High-skilled workers enjoy easier conditions; they are categorized as “expatriates” and issued an employment pass, which allows them to stay longer and provides other privileges.

ECONOMIC DEVELOPMENT AND LABOUR DEMAND TRENDS

A number of major infrastructure projects, planned or ongoing, in Kuwait, Qatar, Saudi Arabia and the UAE will dominate labour demand, mostly low-skilled, for the medium term. All GCC countries have made efforts to diversify their economies away from the dependency on oil and gas revenues, particularly in Saudi Arabia, where areas such as wholesale and retail trade and hospitality, construction, agriculture, manufacturing, domestic service and human services (education and health care) can be expected to offer opportunities. There are indications that some new subsectors, such as automobile manufacturing and “green” construction (including advanced water treatment systems and solar panels) will grow, which will require workers with specific technical and vocational skills. Nevertheless, the link between this demand and the higher-skilled migrant labour supply is clouded by preferences in the quota and recruitment systems for low-skilled labour and an addiction to low-cost labour-intensive practices in business. Additionally, any planning for future demand in these areas is constrained by poor data on labour demand.

The rapid economic growth and significant structural change of Malaysia has meant that the economy has had to operate for a substantial period with a tight labour market, with close to full employment at the macro level and with certain sectors and locations experiencing shortages of labour. This has resulted in the use of foreign workers as a major feature of the labour pattern in industry in recent decades. Nearly all major sectors of the economy are now reliant upon foreign workers, who account for about a quarter of the workforce. Malaysia is striving to attain middle-income status by 2020 by growing its economy at an average of 6 per cent per annum. During this growth phase, it has targeted the creation of 3.3 million jobs, with at least 60 per cent consisting of high-skilled jobs.

The majority of the potential jobs are in the domestic-oriented service sectors, such as education, tourism, wholesale and retail trade and the electrical and electronics industry. These are some of the older industries that need to be upgraded by the adoption of new technologies and the applications of enhanced skills and new ideas and ways of doing business. Other targeted sectors with high potential for growth and the creation of skilled jobs include financial and business services, oil and gas, and communications content and infrastructure. Based on the skills structure of some of the key growth sectors identified, such as agriculture, palm oil, rubber and the electrical and electronics industries, Malaysia will also continue to import low-skilled general workers in the near future.

Due to the open-border policy between India and Nepal, there are no records on the flow of migrants between the two countries. Anecdotal evidence suggests that the majority of young migrants are engaged in menial and low-paying jobs in the informal sectors. There is an increasing demand for Nepali workers in hotels and restaurants, as domestic helpers and caregivers for the elderly in middle-class households in metropolitan cities, as security guards and also in the construction, manufacturing and agriculture sectors. Social networks and generational links are crucial in sustaining the migration circle between the origin villages in

the western hills of Nepal and specific destinations in India. Still, an alarming aspect of the Nepali migration to India is the long-running trafficking of women and children across borders, mostly for commercial sex work and labour exploitation.

Available evidence indicates that Nepali labour migration to India is becoming diversified, particularly in terms of destination. There are also new trends towards migrants becoming more circulatory and migrants shifting destinations, depending on the demand for labour. However, for a significant share of migrants, Uttar Pradesh and Delhi continue to be the preferred destinations, or at least destinations in transit. This is due to several factors: the strong migrant networks that exist in these two regions, several districts in Uttar Pradesh sharing a border with Nepal and the availability of job opportunities in Delhi. Government records for Delhi and Uttar Pradesh State show high levels of in-migration and out-migration of Nepali nationals.

RECRUITMENT TRENDS

Recruitment and selection of foreign labour is a complex, inconsistent and poorly defined process that varies widely by labour source (country and region), sector and occupation, and firm size. A candidate worker from a labour-source country may arrive at any of the countries of destination via a range of regular options: through a private (or more unusual a public) recruiter based in the country of origin; through a recruiter from the GCC countries; through the firm or an individual directly; or a combination of these routes. Government actors in origin countries and in the destination countries also have a role in determining the specifics of any given candidate's recruitment process. Workers might be recruited individually (such as domestic workers) or they might be recruited in batches for specific assignments (workers, foremen, supervisor, manager and even cooks).

Migrant labour recruitment is a major industry. Those who hold the supply have the power to set the price for job placements – the recruitment agencies, brokers or their sub-agents in both, the sending and receiving countries. The price for any of these jobs is unregulated and allowed to increase, depending on how much sending state agencies and employers are willing or able to pay. Although there are often legal restrictions, in the end, the majority, if not all, costs are passed on to migrant workers. This leads to exploitation, fraud, abuse and a range of illicit and irregular practices. Sub-agents often benefit from a lack of regulation or control because they are able to operate with impunity, again at the expense of migrant workers. The focus of this labour market trends analysis is, however, not on exploitation or abuse but on the way the recruitment system affects labour demand – in particular, in two areas: the criteria used for worker selection and the impact of recruitment practices on future demand.

The variables involved in recruitment are, in order of most common criteria used: sponsorship, visa quotas, gender, labour source (countries of origin), experience, education level and specific skills. Religion may be either an advantage or a disadvantage, depending on whether cultural or political criteria are in play. With a sponsor (an individual, company or recruitment agency), workers are targeted from preferred countries or regions, either preferred by recruitment channel or national reputation for job type. They are further selected according to their willingness to work for the wages on offer and pay the fees required, their attainment of a minimum education level (and not more), and, in some cases, their specific occupational skills. Prior migrant labour experience is generally preferred to technical and vocational education and training (TVET) certification because of a perception that firms in destination countries are far more technically advanced than the training in TVET systems in countries of origin or because of a lack of trust in the training and

certification. Additionally, low-skilled workers are perceived as less demanding in terms of rights and conditions. Where experience or skills are considered, workers are sometimes re-labelled as low-skilled for quota or registration-fee (avoidance) purposes or to facilitate the approval process in countries of origin.

The emergence of larger recruitment companies in selected GCC countries has triggered changes in the recruitment market, some of which may have longer-term consequences. An area identified in the labour market trends analysis as worthy of monitoring, particularly in Saudi Arabia, is the extent to which increases in recruitment costs may converge with economic diversification policies requiring more skilled labour, stated GCC objectives to create more “knowledge-based economies” and the development of modern business practices requiring worker participation in production processes. Most of the governments in the destination studies accept the need to wean their respective economy off a dependence on low-skilled labour in favour of more skilled and productive labour. Rising labour recruitment costs may assist this process, although all sources stress that, for the foreseeable future, labour migration will continue to be dominated by a demand for low-skilled workers.

Regarding origin countries, positive employer perceptions largely determine the channelling of workers into particular jobs. This includes the technical and administrative skills of Filipinos, the experience and toughness of drivers from Khyber Pakhtunkhwa, the dependability and hard-working nature of Nepali workers, the professionalism of skilled Indian workers, the “inexpensiveness” of Pakistani or Bangladeshi construction workers. Nonetheless, there is anecdotal evidence of further diversification of origin countries to diversify, with increasing recruitment of Ethiopian, Vietnamese and Cambodian workers being reported.

To manage and protect migrant workers in Malaysia, a fairly comprehensive set of policy measures and an elaborate institutional structure for recruitment has evolved over the past three decades. Still, enforcement is relatively weak, highlighting the need to complement regulation with strong enforcement. Parallel to the official recruiting process, an informal system has evolved that largely operates underground. Potential migrants also tend to rely on the migrant network system of family and friends to reduce the cost of obtaining overseas employment. Abuse and exploitation of potential migrants by unscrupulous recruitment agencies, both registered and unregistered, continue to occur. This usually takes the form of high recruitment fees, leading workers to borrow excessively and thus falling into heavy debt. Gaps in orientation information enable the abuse.

THE ROLE OF SKILLS

The overwhelming demand for low-skilled workers and the tendency to re-categorize semi-skilled workers as low-skilled leaves minimal room for a skills-based orientation in recruitment. Yet, there appears to be few incentives for migrant workers to enhance their skills, and thus their competitiveness, through investment in a TVET programme in their country. Nor is there much clear incentive for countries of origin to invest heavily in the lower segment of TVET in relation to migration. Several of the destination studies recommend both the alignment of TVET curricula (in destination and origin countries) and joint endorsement of TVET certification (in origin countries). To translate these investments into more skilled workers recruited, the present recruitment processes need to be incentivized and re-tooled to be able to select on merit and skills.

POTENTIAL AREAS OF CHANGE (ECONOMIC, SKILLS AND PROCESS)

The general findings of the labour market trends analysis are not radical and converge on a conclusion that, at least regarding the GCC countries, the medium-term future is similar to the present. Nonetheless, some indicative change drivers have been identified for further monitoring:

- economic growth and diversification into higher-skills areas in specific industries by country;
- possible trends towards more controlled and larger recruitment agencies and the impacts of this (at least in Saudi Arabia);
- the saturation of the civil service by nationals, leading to government action in destination countries to target national workers at high-skilled (white-collar) positions in the private sector;
- the impact of the Nitaqat Law on the availability of skilled migrant labour for Saudi Arabia's manufacturing sector;
- the value of greater connections between agencies in origin countries and large employers in destination countries;
- insights on how preferences for certain nationalities arise; and
- the conditions necessary for both skills recognition and the integration of skills-based selection into the recruitment process.

RECOMMENDATIONS

The recommendations, based on the findings of this labour market trends analysis, are meant to inform strategies for improving labour market insertion of low- and semi-skilled migrant workers from Bangladesh, India, Nepal and Pakistan within the six countries of destination under review in this study (India, Kuwait, Malaysia, Qatar, Saudi Arabia and UAE). Specific recommendations are included that fall under five general areas for improvement:

- Connect TVET systems to labour migration needs.
- Standardize recruitment practices and employer engagement.
- Promote bilateral, regional and interregional exchange and action.
- Strengthen the knowledge base and the tracking of labour market developments.
- Expand awareness of migration processes and disseminate needed information.



Foreign labourers working on the construction of a building © ILO/Apex Image

Introduction

Chapter 1

Labour migration flows from South Asia to the Gulf Cooperation Council (GCC) countries,¹ Malaysia and India are adversely affected by a lack of information on current and future employment opportunities, including qualifications, skills and wages, and how demand will evolve in the short, medium and long terms. Without adequate information, prospective migrant workers, as well as public and private institutions, have no reliable basis for forward planning. This results in lost opportunities or mistakes with training investments in both origin and destination countries.

Additionally, there are no systems of mutual recognition of educational attainment and acquired skills, based on comparable standards for low-skilled and semi-skilled occupations between the GCC countries and South Asia. Thus, migrants have no way of certifying the skills or experience they gain while working abroad – which makes it difficult to relay their achievements into qualifications for better jobs at home.

1.1 FILLING THE INFORMATION GAP: ANALYSIS OF NEAR-FUTURE LABOUR MARKET TRENDS

Responding to the lack of needed and critical information, the International Labour Organization (ILO) and GIZ organized in 2014 a series of studies to assess the changing demand for male and female migrant workers from four countries of South Asia – Bangladesh, India, Nepal and Pakistan – in selected GCC countries – Kuwait, Qatar, Saudi Arabia and the United Arab Emirates² as well as India and Malaysia. These are referred to, respectively, as “countries of origin” and “countries of destination”.

Focusing on the short and medium terms (up to 2025), each study looked at the evolving labour market environment and the demand for migrant workers in the six countries of destination, including policy and legal changes, business strategies and competition, demographic changes, technology changes, country of origin preferences, diversification (change in priority sectors) and age.

Each study also looked at the labour and foreign migration policies as well as information systems in the countries of destination to assess whether they hamper or support the migration process for male and female workers. This included policies, strategies and interventions to strengthen employment networks, vocational and technical training and the issuing of work permits for migrant workers. The research paid attention to gender dimensions and specific opportunities for migrant women workers’ employment.

This report consolidates the findings of each destination country study. The analysis reflected here informed a second set of studies on the situation of labour migration in the four countries of origin (Bangladesh, India, Nepal and Pakistan). Those four studies assess the overall response of the governments (of the origin countries), including employment systems (private and public), the relationship between the employment

¹ The Cooperation Council for the Arab States of the Gulf, known as the Gulf Cooperation Council, is a regional intergovernmental political and economic union consisting of all Arab States of the Persian Gulf, except Iraq. Its Member States are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

² Bahrain and Oman, which are also GCC countries, were not included in the study.

systems and the official technical and vocational education and training (TVET) infrastructure (training adaptability, accreditation and skills testing), perceived competitive advantages of each country (in relation to the destination countries) and other elements of the migrant labour value chain. The country studies also reviewed the extent of gender-specific responses in training and the need for diversification of women workers' skills and employment.

The outcomes of these studies are offered as a guide for governments and other stakeholders in origin countries to better align their systems for facilitating and supporting male and female migrant workers in selected sectors and trades. The findings also can guide new entrants to the labour market on the likely labour demand, the effect of labour policies and the available systems for finding employment overseas. The information is intended to lead to a better understanding of labour migration needs and the needed response from public and private policies, strategies, systems and infrastructure.

Overall, these studies were intended to contribute to the greater flow of vital information and enhanced support services between countries of origin and destination, leading to the increased employability and skills of migrant workers as well as better protection for them in the migration process.

1.2 RESEARCH METHODOLOGY AND APPROACH

Individual destination-country studies were conducted for India, Kuwait, Malaysia, Qatar, Saudi Arabia and the UAE from February to July 2014. An overall template was developed to guide each study and ensure some degree of standardization. Although each author had discretion to vary the approach, the template specified a common set of questions and data.

In practice, the coverage of template requirements was uneven between the countries because of data availability constraints, different levels of data accessibility and variations in the organization of migrant labour. The destination country studies are thus different in their level of reliance on primary literature, original fieldwork and coverage of issues. There are major commonalities across the GCC countries, and there are also differences among the national patterns of labour markets, economic and political structures and migration management.

The findings also can guide new entrants to the labour market on the likely labour demand, the effect of labour policies and the available systems for finding employment overseas.

India and Malaysia are significant destination countries for migrants from Nepal, but their migrant labour demand is driven somewhat by different economic needs and histories.³ As a result, this consolidation report segregates sections related to India and Malaysia from the GCC countries where appropriate. Additionally and due to the different features of labour migration from Nepal to India, the India country report was prepared using a modified methodology and on a narrower study site (Delhi and Uttar Pradesh State). This consolidation report summarizes the common and country-specific issues and draws conclusions according to the targeted areas of interest.

³ India is a major destination country for migrant workers from around South Asia, particularly Bangladesh and Nepal, but for various reasons, the report only looks at India as a destination for Nepali workers.

Because of the unevenness of the country reports and the general problem of data sourcing, the analysis presented here is supplemented with additional literature and research. Additionally, the analysis provided does not aggregate all the information from the destination country studies; instead, it singles out the aspects that relate to economic and employment trends in the targeted countries.

Limited availability of labour market data

Unlike most other Arab countries, the GCC countries have a short and constrained history of demographic and labour market data collection (Baldwin-Edwards, 2011), and consequently, there are limited data on employment and unemployment or other more specific aspects of the labour market, such as informal employment (Winckler, 2009). Two endemic problems lead to inconsistent data on the immigrant population and their employment situation: the lack of recording of accompanying family members (usually without the right to work) and the substantial number of irregular migrant workers (Winckler, 2009; Kapiszewski, 2006). There are increasing attempts to collect data on native and immigrant populations and employment and unemployment in the GCC countries, but the availability of labour market-related data still varies greatly.

Malaysia has collected labour market-related data for many years, including information on its labour migrants. With its renewed focus on skills development, the Government of India aims to strengthen its collection and analysis of labour market-related data; nonetheless, the available data and information on India's labour market supply and demand contain many gaps and inconsistencies.

1.3 ORGANIZATION OF THE REPORT

In Chapter 2, the report first looks at the situation as reported through the research conducted in the six selected destination countries (Kuwait, Malaysia, Qatar, Saudi Arabia, the UAE, Malaysia and India (only Delhi and Uttar Pradesh State)). Then it reviews in Chapter 3 the labour migration policies in the destination countries, followed by a brief discussion in Chapter 4 on the recruitment practices in those countries. That is then followed in Chapter 5 by a look at certain trends in destination countries, such as population, economic growth and employment, that will have implications for the demand of labour from South Asia. Chapter 6 offers recommendations for improving the labour migration process from South Asia to the countries of destination singled out in the research.



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Bangladesh Programme

Labour migration from Bangladesh, India, Nepal and Pakistan

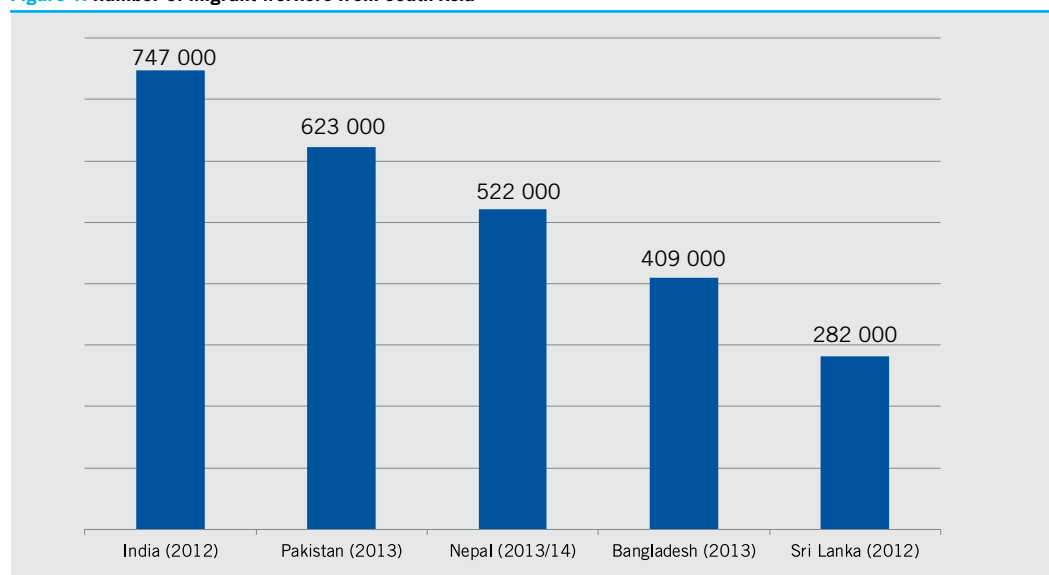
Chapter 2

2.1 LABOUR MIGRATION PATTERNS OUT OF SOUTH ASIA

The United Nations Population Division estimated in 2013 the world's stock of migrants, defined as persons residing outside their country of birth, at 232 million. In 2010, the ILO estimated the global migrant worker population at around 105.5 million, of which some 30 million (or almost 30 per cent) were in Asia.

The estimated annual outflow of migrant workers from five countries in South Asia totals some 2.5 million migrants (based on various estimates for certain years). As Figure 1 illustrates, India is the largest sending country (at 747,000 workers), followed by Pakistan (at 623,000 workers), Nepal (at 522,000 workers), Bangladesh (at 409,000 workers) and Sri Lanka (at 282,000 workers).

Figure 1. Number of migrant workers from South Asia



Sources: India= Ministry of Overseas Indian Affairs, 2012, http://moia.gov.in/writereaddata/pdf/Annual_Report_2012-2013.pdf; Pakistan= Bureau of Emigration and Overseas Employment, 2013, www.beoe.gov.pk/migrationstatistics.asp; Nepal= Department of Labour and Employment, 2014, www.ilo.org/kathmandu/whatwedo/publications/WCMS_312137/lang--en/index.htm; Bangladesh=Bureau of Manpower, 2013, www.bmet.org.bd/BMET/statisticalDataAction; Sri Lanka=Bureau of Foreign Employment, 2012, www.statistics.gov.lk/NCMS/en/Statistics/SLBFE.shtml.

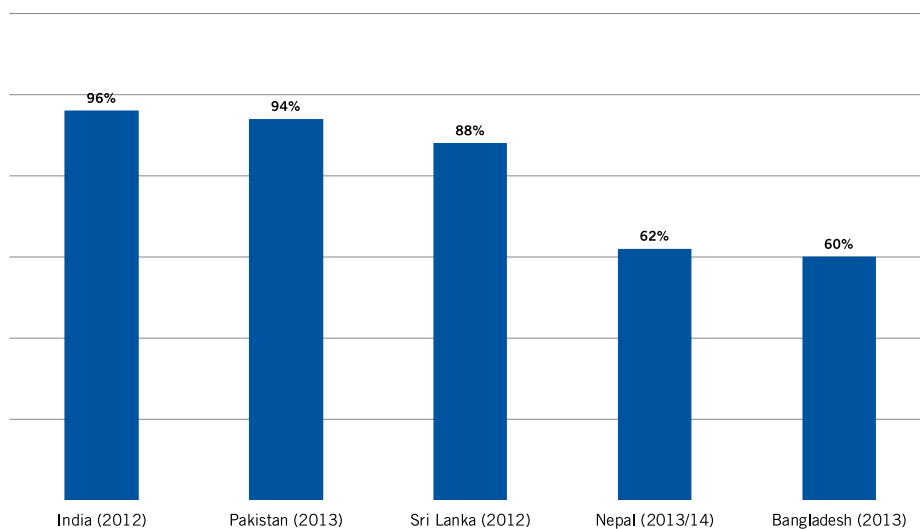
Migrant workers from South Asia are found in almost all countries around the globe. Although the migration flow from the region is increasingly complex, there are evident trends within South Asia, from South Asia to South-East Asia (the region of the Association of Southeast Asian Nations, or ASEAN) and from South Asia to GCC Member States.

Migrant movements within South Asia are primarily geared towards India and Pakistan. Although these flows are largely undocumented, the United Nations Population Division estimates that India hosts some 6 million migrants (mainly from Nepal and Bangladesh) and that around 4.3 million foreigners (including at least 3 million Afghan refugees) live in Pakistan (Wickramasekara, 2011).

Movements from South Asia to East and South-East Asia are steadily increasing, with Malaysia as the primary destination. Since 2013, Malaysia has been the primary destination (in numbers) of all migrant workers from Nepal (of destinations around the world). There are also smaller movements from South Asia to the Republic of Korea, which has offered a formal Employment Permit System since 2006.

The largest flow of migrant workers from South Asia is to GCC countries. The GCC region emerged as the primary destination for South Asian migrant workers during the 1970s and has remained the number one endpoint since then, fuelled by the massive development brought about by the oil boom. As shown in Figure 2, as much as 96 per cent of all migrant workers from India and 94 per cent from Pakistan sought out a GCC country over the past few years.

Figure 2. Percentage of migrant workers from South Asian countries going to a GCC country



Sources: India= Ministry of Overseas Indian Affairs, 2012, http://moia.gov.in/writereaddata/pdf/Annual_Report_2012-2013.pdf; Pakistan= Bureau of Emigration and Overseas Employment, 2013, www.beoe.gov.pk/migrationstatistics.asp; Nepal= Department of Labour and Employment, 2014, www.ilo.org/kathmandu/whatwedo/publications/WCMS_312137/lang--en/index.htm; Bangladesh=Bureau of Manpower, 2013, www.bmet.org.bd/BMET/statisticalDataAction; Sri Lanka=Bureau of Foreign Employment, 2012, www.statistics.gov.lk/NCMS/en/Statistics/SLBFE.shtm.

2.2 GULF COOPERATION COUNCIL COUNTRIES AS THE DESTINATION

South Asian migrant workers in the GCC region

The four GCC countries covered in this labour market trends analysis are heavily dependent on foreign labour. On average, expatriates comprise 85 per cent of the workforce in the four countries. The situation in the private sector is even more remarkable: Foreign labour made up 98.7 per cent of the private sector labour force in Qatar in 2012, 93.2 per cent in Kuwait in 2013 and 89.1 per cent in Saudi Arabia in 2011 (de Bel Air, 2014).

Although migrant workers in the GCC countries originate from all around the world, Asia remains the primary sending region. Table 1 indicates that among Asian countries, the Philippines, India and Pakistan are the top three sending countries in Asia, while the top three destination countries are the UAE, Saudi Arabia and Kuwait.

Table 1. Annual outflow of workers from selected Asian countries to a GCC country, latest years Destination

Origin \ Destination	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Total
Bangladesh (2013)	25 155	6	134 028	57 584	12 654	14 241	243 668
India (2012)	20 150	55 868	84 384	63 096	357 503	141 138	722 139
Nepal (2013/14)	4 218	17 273	3 973	103 486	96 995	58 447	284 392
Pakistan (2013)	9 600	229	47 794	8 119	270 502	273 234	609 478
Sri Lanka (2012)	4 533	44 229	4 889	57 478	97 993	38 234	247 356
Philippines (2012)	22 271	75 286	–	104 622	330 040	259 546	791 765
Indonesia (2013)	3 514	1 514	6 129	11 438	27 427	29 713	79 735
Viet Nam (2011)	32	–	–	300	11 300	7 600	19 232
Total	89 473	194 405	281 197	406 123	1 204 414	822 153	2 997 765

Sources: Bangladesh=Bureau of Manpower, 2013 www.bmet.org.bd/BMET/statisticalDataAction; India=Ministry of Overseas Indian Affairs, 2012, http://moia.gov.in/writereaddata/pdf/Annual_Report_2012-2013.pdf; Nepal=Department of Labour and Employment, 2014, www.ilo.org/kathmandu/whatwedo/publications/WCMS_312137/lang-en/index.htm; Pakistan=Bureau of Emigration and Overseas Employment, 2013, www.beoe.gov.pk/migrationstatistics.asp; Sri Lanka=Bureau of Foreign Employment, 2012, www.statistics.gov.lk/NCMS/en/Statistics/SLBFE.shtm; Philippines Overseas Employment Agency, 2012; Indonesia=Ministry of Manpower and Transmigration Information, 2012; and Viet Nam=Ministry of Labour, Invalids and Social Affairs, 2011.

Not all GCC governments publish the numbers of their migrant populations or workforce by nationality. Some enumerate only the total number of foreigners in a population. The numbers presented in Table 2 were compiled from secondary statistics and/or from interviews with embassy officials.

Table 2. Estimated numbers of South Asian migrant workers registered in selected GCC countries, 2014

Nationality	Kuwait	Qatar	Saudi Arabia	UAE	Total
Indian	732 000	545 000	2 800 000	1 700 000	5 777 000
Pakistani	120 000	90 000	1 500 000	1 200 000	2 910 000
Bangladeshi	180 000	137 000	500 000	900 000	1 717 000
Nepali	42 000	341 000	500 000	250 000	1 133 000
Total	1 074 000	1 113 000	5 300 000	4 050 000	11 537 000

Sources: Kuwait=2013 data is from PAC; Qatar=See <http://bqdoqa.com/2013/12/population-qatar> [accessed 28 May 2014]; Saudi Arabia=estimates, de Bel-Air, 2014; UAE=2014 data received from embassies and secondary sources in the UAE.

Statistics and low-skilled, semi-skilled and skilled workers – Deceptive categorizations

All four South Asian countries have a system of recording the occupation and skill level of migrants departing for work, but these systems are not based on internationally comparable occupational classification systems. Nor are they consistent (Table 3). Additionally, labour migrant information was obtainable only for Bangladesh, Nepal and Pakistan. In India, the Ministry of Overseas Indian Affairs collects information on the occupation and skill levels of labour migrants but does not make this data available.

Table 3. Categories of skills and available data of migrant workers going abroad from Bangladesh, Nepal and Pakistan

Bangladesh 1976–2012	%	Nepal 2013–2014	%	Pakistan 2008–2013	%
Professional	2.2	Professional	<1	Highly qualified	1.9
Skilled	31.5	Highly skilled	<1	Highly skilled	0.8
Semi-skilled	14	Skilled	14	Skilled	42.0
Less skilled	52.3	Semi-skilled	12	Semi-skilled	16.5
		Unskilled	74	Unskilled	38.5

Sources: Bangladesh=Bureau of Manpower, Employment and Training, Ministry of Expatriates' Welfare and Overseas Employment, Skilling the workforce: Labour migration and skills recognition and certification in Bangladesh, Dhaka, ILO, 2014; Nepal=Centre for the Study of Labour and Mobility, Labour market and migration trends in Nepal, Kathmandu, Department of Foreign Employment, forthcoming; Pakistan=Bureau of Foreign Employment, Ministry of Overseas Pakistani and Human Resource Development.

The numbers of migrant workers from Bangladesh, Nepal and Pakistan registered with the relevant government ministry indicate that the majority of the South Asian migrant workers in the GCC countries comprise low-skilled labourer, overwhelmingly confined to “blue-collar” occupations. In Pakistan, illiterate and unskilled workers constitute around half of all migrant workers, with 40 per cent categorized as manual labourers. Only 2.2 per cent of workers can be categorized as white-collar workers, such as doctors, engineers, accountants, managers and teachers, and 40 per cent of migrants may be classified as skilled workers. Among the skilled labourers, drivers make up the largest number, followed by masons, carpenters and tailors (BEOE, 2013).

Studies such as this labour market analysis are driven by a desire to know the future and how to prepare for it. Which skills, how many of each, who needs them, when, from which preferred source, with what evidence are indeed pertinent questions. Table 4, which lists the numbers of migrant workers from Bangladesh and Pakistan (only data available) registered with the relevant government ministry, appears to offer critical clues. If it represents a snapshot of a recent skills breakdown, then countries can compare their training outputs to apparent demand and consider remedial actions where there is a mismatch.

Keep in mind, this apparent supply and demand relationship conceals some critical disconnects. If it was likely that the welder listed in the table was the trained, certified Pakistani welder who applied for the job in his own country, then training investments might be realistic. Unfortunately, it is equally possible that not only is he not a welder, he has no welding qualifications or vocational training and actually receives the salary of a low-skilled worker. The real welder may be working as a low-skilled labourer or maintenance engineer.

Table 4 indicates indirectly a problem relating to the realities of attempting to break down the categories of skilled, semi-skilled and unskilled. For example, those registered under each category may not have any formal skills qualification or the same qualification might be considered semi-skilled in one country but actually is considered skilled in another. It is also possible that the worker categorizations reflect the official designation of the visa rather than the job that is actually being performed.

Additionally across South Asia, the classification of workers in the different skill levels is somewhat arbitrary. In particular, there is a lack of common terminology to describe occupations or jobs, which does not allow for easy comparisons of worker categorizations. In Nepal, for example, the Department of Foreign Employment lists 10,000 migrant worker jobs but they are not categorized.

Table 4. Overview on the most common occupations of Bangladeshi and Pakistani workers in GCC countries, 2010–2012

	Bangladesh		Pakistan	
	2011	2012	2010	2011
Skilled				
Welder	1 832	1 105	5 352	2 981
Foreman	61	965	2 773	1 022
Supervisor	629	1 823		
Mason	837	6 971	38 085	18 839
Carpenter	1 191	1 937	22 555	10 985
Electrician	528	605	15 731	8 731
Technician	645	809	17 483	12 601
Mechanic	17	47	9 978	6 844
Semi-skilled				
Driver	1 368	390	33 501	21 283
Tailor	345	873	5 264	2 512
Painter	129	308	7 747	4 247
Steel fixer	54	92	16 781	8 508
Plumber	147	502	8 301	4 736
Cook	585	1 251	4 245	2 634
Waiter	341	628	NA	NA
Unskilled				
Labour	7 515	6 767	NA	NA
Agriculture	561	10	NA	NA
Cleaning	13 461	13 857	NA	NA
Other types	1 544	771	NA	NA
Female labourers	505	313	NA	NA

Note: For various reasons, this information is not available for India and Nepal. The data here represents some of the GCC countries but not all but at least provides a proportional reflection of various occupations. NA=not available.

Source: Based on the destination country studies.

The disconnections between demand and supply are the result of the recruitment process. This is primarily driven by the need to supply workers according to visa allocation categories, to speed up the recruitment process (often, the approval process is more complicated for higher skill levels) and to minimize the fees paid to authorities by a recruiter and wages paid to workers. A typical avoidance strategy to accelerate the recruitment process, pay lower recruitment charges and avoid quota restrictions on skilled workers involves re-categorizing skilled or semi-skilled workers as “unskilled”.

The following description from the Nepal country study (for this analysis) gives a flavour of how the avoidance strategies work.

The number of ‘professionals’ going abroad is significantly less compared with the other categories of migrants. However, according to recruitment agency officials interviewed for this study, the Department of Foreign Employment (DOFE) data on skill-level trends of migrant workers is not reflective of the situation. The recruiting agency officials cited two reasons for this discrepancy: (i) Employers and/or recruitment agencies have to pay a certain fee to the destination government to procure visas for migrant workers. This fee is higher for high-skilled positions compared with low-skilled positions. (ii) There is a quota in certain destination countries on the number of skilled workers an employer can bring in from other countries, and they cannot exceed this quota even if they have a preference for workers from certain countries for various reasons.

Both of these factors provide an incentive for employers and/or recruitment agencies to report to governments that they seek to bring in low-skilled workers when in fact they are planning to bring in skilled workers. Because they procure visas for low-skilled workers, the official Demand Letter that they forward to the recruitment agency in an origin country will mention a demand for low-skilled workers. The recruitment agencies in the destination country forward a separate, unofficial, Demand Letter outlining their “real” demand, which consists of a demand for skilled workers. But the counterfeit Demand Letter is the one that is subsequently used by recruitment agencies in the origin country to get pre-approval and final approval from the government. Incidentally, these letters are the source of DOFE data on skill-level trends of migrants (Centre for the Study of Labour and Mobility, forthcoming).

The country studies found a number of avoidance strategies, to the extent that, although there is a clear but limited demand for semi-skilled and skilled workers, the recruitment process is likely to redirect workers between these categories and across skills towards low-skilled positions.

Furthermore, although there is some testing for those characterizing themselves as having a particular skill, it is often rudimentary, non-specific; often it is absent – it is common for workers to classify themselves. In fact, in the absence of recognized certification, semi-skilled or skilled workers can be self-classified, classified by local experience (ustad shagird⁴) or classified by previous experience in a destination country – the latter being the most valued.

For example, the Centre for the Study of Labour and Mobility in Nepal explained in a recent publication:

Some recruitment agency officials noted that workers who have a Council for Technical Education and Vocational Training (CTEVT) certificate still have to pass a skills test, and the preference only applies at the initial ‘filtering’ stage. Another recruitment agency official, however, noted that their firm did not give any preference to CTEVT certificate holders, and all applicants had to sit through a skills test. Recruitment agency officials noted that CTEVT certification had limited value because the technology in use in destination countries was more advanced or modern than what is used at technical and vocational education and training (TVET) institutions in Nepal. However, all recruitment agency officials agreed that previous (relevant) job experience in a destination country was highly desirable, especially for skilled positions, and experienced applicants received preferential treatment. They also highlighted that applicants with previous destination-country experience typically earn more on average than first-time applicants, even for the same position.⁵

The recruitment agencies in the destination country forward a separate, unofficial, Demand Letter outlining their “real” demand, which consists of a demand for skilled workers.

The Centre for the Study of Labour and Mobility also described the following relationship between vocational training and migrant labour demand in Nepal:

...there are indications of a significant mismatch between the nature of skills training provided by the CTEVT sector in Nepal and the kind of occupations that migrant workers engage in while abroad. A comparison of skills training provided by the Vocational and Skills Development Training Centre (VSDTC),⁶ for instance, indicates that while 43 per cent of training is provided in technical fields, only 14 per cent of workers are engaged as technicians while abroad. Notably, most workers are engaged in such professions as manual labourers (44 per cent), for which training is not required, or as security guards (14 per cent), for which prior experience in the security forces are more appropriate. The trends do indicate a disparity between the supply and demand in the TVET sector of migrant workers.⁷

⁴ The informal apprenticeship system is in use in Pakistan. Similar systems exist in India and Bangladesh.

⁵ *Labour market and migration trends in Nepal*, August 2014.

⁶ VSDTC is a government institute with 16 training centres across the country that offers a range of courses from seven days to six-month training courses. Every year, it attracts approximately 16,000–23,000 trainees.

⁷ Centre for the Study of Labour and Mobility, August 2014. Bahrain is in the process of establishing a labour market information system.

Although a number of reports reviewed for the country studies included TVET training investment in their recommendations, it is clear that such investment would only be worthwhile if a higher degree of real control was imposed on the recruitment process. Under present conditions, recruitment either ignores or has a tendency to disconnect migrant workers' skills with labour demand.

In sum, the main determinants for low-skilled labour from South Asian countries appear to be price (wages), availability, general health and physique, perhaps connections, recruiter catchment area and such criteria as perceptions about the attitudes and behaviour as well as experiences of certain nationalities. Their education and skill levels as well as their occupations prior to migration have a subordinate role.

Perceptions of the general skills of migrant workers by nationality

Although the numbers and origins of foreigners in the different countries and sectors typically are determined by the economic cycles and related skill needs and labour costs, preferences for certain nationalities have emerged over time.

Initially in the GCC region, migrants came from other Arab-speaking countries in the Mediterranean, such as Egypt, Lebanon, the Syrian Arab Republic and those of the Levant. The Arab migrants provided a range of skills, from untrained manual labour to highly qualified medical, scientific and administrative specialties. Then the interest in an increased Arab presence in the Gulf region waned because of price, flexibility and ideology. In the workplace, Asians were increasingly seen as “less expensive to employ, easier to lay off” and “more efficient, obedient and manageable” (Kapiszewski, 2006). Asians also were described as willing to migrate without their families, whereas Arab migrants tended to bring their dependants and settle permanently in the Gulf, a tendency perceived as potentially threatening by governments of the Gulf States. Arab workers are still sought out for jobs that require knowledge of Arabic, such as receptionists, administrators and sales personnel. But their numbers had fallen by the early 2000s, to only 31 per cent of total foreign labour (Kapiszewski, 2006), and has more or less remained at that level. An exception, for historical reasons, is the large number of Egyptians working in the agriculture sector.

Employers, government workers, recruiters and the general population in the various GCC countries have fairly established perceptions of Asian migrant workers, by nationality. And these perceptions have strong influence. Employers are likely to make hiring decisions based on perceptions; if they fear that workers from a certain country are likely to strike if disgruntled, for example, they likely will avoid hiring workers of that nationality. Or if they think a certain nationality is more skilled in a specific area, they may favour workers from that country. Perceptions, however, can be changed. They certainly should be examined and considered when predicting hiring outcomes.

Employers' perceptions may relate to occupations, training and skills, specialization or area of work, language, nationality, the government of workers' origin, work ethics, religion, etc. The following perceptions are in no way comprehensive; they are, at best, anecdotal insights taken from the four GCC country study reports.

General perceptions of migrant workers

In relation to training and skills, Filipino workers receive particular praise from employers in GCC countries, and recruiters market them at a higher price. This is largely a result of positive perceptions of Filipino training organizations as well as Filipinos' better command of English. Employers often assume that Filipino workers will be qualified for technical or administrative roles; recruits of other nationalities may not receive consideration for these positions because of that perception. The reputation of Filipinos within the GCC countries has been fostered for years by government and training actors in the Philippines. (The Government of the Philippines, through their embassies in the GCC countries, conduct research and development activities into labour market trends as well as occupations in demand, which is sent to the Philippines to support related action.)

In Saudi Arabia, Pakistanis are often mentioned in the context of driving and transport. Most drivers seem to come from the Khyber Pakhtunkhwa Province and have worked as drivers prior to emigration because of the busy transport industry in that region. Due to high levels of supply, an active recruitment network has been developed so that recruiters, employers and passengers all expect drivers will be Pakistani; candidates from this region enjoy a comparative advantage owing to the recruitment and hiring systems in place.

All recruitment agency staff interviewed for this labour market analysis noted that migrant labourers from South Asia have to speak either English or Hindi/Urdu. Arabic is of little to no use because few migrant workers will be in direct contact with Arabic-speaking nationals. Hindi is needed because many human resource personnel, supervisors on construction sites and others involved in the recruitment of migrant labour mostly come from India or, to a less extent, from Pakistan, Bangladesh or Nepal.

Negative perceptions of migrant workers

Negative perceptions about workers based on nationality affect their labour market entry and well-being within the GCC countries. Some of the negative perceptions relate to irregular migrant status, and some of that is correlated with certain nationalities. There are a number of problems related to irregular migration to a GCC country, in particular from Ethiopia and Yemen to Saudi Arabia because of the proximity. Many migrants use their religious pilgrimage as a way of staying irregularly in Saudi Arabia.

Some nationalities are now banned from working in GCC countries. For example, no new permits have been issued to Bangladeshi workers for Kuwait since 2006 and the UAE since 2012, and Pakistani workers have not been allowed into Kuwait since 2011 (although that ban is under review).⁸ No clear explanation for the restrictions was found during the studies – many reasons were offered that indicate elements of unpredictability with “managing” labour migration from South Asian countries (see the next section).

Anecdotal evidence suggests a growing trend towards employing workers from Africa, such as Ethiopians, and from South-East Asian countries, such as Vietnamese and Cambodian domestic workers. The trend seems associated with nationalities that can be paid lower wages or salaries.

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GCC governments are keen to balance the presence of nationalities to reduce dependence on particular countries. A Cabinet Decision in the UAE in July 2005 introduced a rule regulating workforce diversifica-

⁸ See “Ban on recruitment of Bangladeshis may be lifted”, in Kuwaiti Times, 8 Jan. 2014, <http://news.kuwaittimes.net/ban-recruitment-bangladeshis-may-lifted/>; and “Kuwait to lift ban on Pakistani visas”, in Kuwait Times, 5 Apr. 2014, <http://news.kuwaittimes.net/kuwait-lift-ban-pakistani-visas/>.

tion: Companies are grouped into three categories, which allows them to recruit not more than 30 per cent (category A), 31–74 per cent (category B) and more than 75 per cent (category C) of workers with the same nationality and applies a rising administrative fee in relation to the level of homogeneity of their workforce (Kolb, 2014).

Not all recruitment is affected by perceptions. Within the construction industry, for instance, few perceptions exist about workers. This is especially true for contractors who do not specialize. A construction site safety manager in Saudi Arabia described workers in general as lacking skills, later remarking that, “They come from the usual places: Bangladesh, Pakistan, India, Nepal.” When asked how workers communicated with one another, he remarked, “They speak in their language unless spoken to – we communicate in English or by signs and calls.” Recruitment materials that referred to the four countries of origin reflected this lack of distinction between workers. This situation is similar in other GCC countries and outside the specialized occupations, where little distinction is made based on the skills or prior training of workers.

General perceptions by nationality

The following summarizes how nationals from countries of origin are perceived by employers and recruitment agencies that were consulted in each country study.

- Bangladeshi workers are seen as competitive in terms of willingness to accept low wages. Yet, as noted, no new visas for Bangladeshi workers have been issued in Kuwait since 2006 and the UAE since 2012. No official reasons were given for this suspension, but some interviewees in the private sector linked them to a movement of labour unrest shortly before the ban, in which Bangladeshis had taken a major part. Being Muslim is sometimes to their advantage and sometimes to their disadvantage.
- Indian workers are seen as more professional than those from other South Asian countries, and India is considered good recruiting ground for skilled migrants. As the Indian economy strengthens and its workers’ wages increase, skilled Indians willing to go abroad seem harder to find. As one recruiter reported, it has now become necessary to visit individual villages in a recruitment drive because construction workers are no longer willing to go to the city to apply for a job in a Gulf country. Among the selected countries of origin in South Asia, the Indian Government has one of the most developed regulatory mechanisms for migration.
- Nepali workers are usually regarded as hard-working, obedient and dependable. The formal migration process out of Nepal, however, is perceived as overprotective and overregulated. According to interviewees, skill levels are relatively low, but wages are not far below what Indians expect, which Nepal recruiters and policy-makers tend to copy.
- Pakistan tends to provide less-qualified labour, and its nationals tend to be employed in agriculture, as drivers or in low- or semi-skilled positions in the construction sector. Pakistani labour is typically seen as inexpensive. Being Muslim is sometimes to their advantage and sometimes to their disadvantage; for example, in Saudi Arabia, drivers are free to wear the shalwar kameez (the traditional outfit worn by Pakistani men and women), whereas there is debate in Kuwait on whether this type of clothing should be banned (for drivers).

Level of education

Most recent data from the Gulf Labour Markets and Migration website⁹ indicates that, although many expatriates have obtained some level of education prior to arrival in a GCC country, the majority (on average more than 60 per cent¹⁰) have less than a secondary education. Data on the education level of South Asian workers is not disaggregated, but it can be assumed that a large proportion does not have a secondary education.

⁹ See www.gulfmigration.eu.

¹⁰ In Qatar, 63.5 per cent of all migrant workers have less than a secondary education, while in Saudi Arabia it is 57 per cent and in Kuwait it is 67 per cent. The figure for the UAE could not be accessed.

The occupations most frequently pursued by migrants, such as low-skilled construction and tradesman, typically do not require schooling past the elementary level. Nevertheless, these positions do demand that workers use specific skills and competencies difficult to acquire without worksite experience or participation in a practical vocational training programme. The employer response to this dynamic has been to consider all incoming workers as low-skilled, regardless of their previous work history in their country of origin, level of basic education or innate ability. The arrival of workers with no documented skills reinforces employers' perceptions about expatriates' general lack of skills. These perceptions negatively affect wages and ignore the value of training that a small portion of foreign migrants may have received in their country.

2.3 MALAYSIA AS THE DESTINATION

Non-national workers in Malaysia are somewhat better integrated into the labour market, working sometimes alongside Malaysian workers. As a result, the characteristics of the labour market are different than in the GCC countries. Most of the available data, however, is not disaggregated by migrant and national.

The unemployment rate in Malaysia declined steadily between 1985 (at 5.3 per cent) and 2000 (at 3 per cent) before slightly rising to 3.2 per cent in 2012 (Table 5). It has remained low, both for male and female employment since then, signifying a tight labour market scenario. An unemployment rate of lower than 4 per cent is generally considered full employment in Malaysia. Since 1985, youth unemployment has remained relatively high, varying between 8 per cent and 13 per cent.

Table 5. Data on employment in Malaysia, 1985–2012 and projections to 2025 (%)

	1985	1990	2000	2010	2012	Projections 2025
Employment ('000)	5 653.3	6 685.0	9 269.2	11 899.5	12 723.2	13 300
Total number unemployed ('000)	336.8	315.2	286.9	404.4	396.3	NA
Unemployment rate (%)	5.3	3.7	3.0	3.3	3.2	NA
Unemployment rate, by age cohort (%)						
Youth* (15–24 years)						
Others (25–64 years)	13.1	12.7	8.4	10.2	10.3	NA
	2.2	1.0	1.4	1.6	1.4	NA
Unemployment rate, by sex (%)						
Male	5.0	4.0	3.0	3.1	2.9	NA
Female	6.7	5.4	3.1	3.6	3.2	NA

Note: * = Youth unemployment is defined as the number of unemployed youth (15–24 years) divided by the youth labour force (employed + unemployed). Similarly, 'others' refers to those unemployed in their age cohort (15–64 years). NA=not available.

Source: Department of Statistics, 2013.

The Malaysian Department of Statistics produces regular data on the labour market but only by broad economic sectors. Until 2000, when it disaggregated public and private sector data in a more representative manner, it did not distinguish between the two sectors. With the increasing participation of the private sector in health care, education and other social services, the community, social and personal service sector can no longer be considered as government services, as it was in previous years. Table 6 provides an overview of the workforce in Malaysia.

Table 6. Composition of the workforce in Malaysia, 1985–2025 ('000)

	1985	1990	1999	2008	2012	Projections for 2025
Total number of jobs	5 653.4	6 685.0	8 837.8	10 897.3	12 723.2	13 300
Male	3 700.5	4 310.7	5 851.2	6 851.1	8 093.5	
Female	1 952.8	2 374.3	2 986.5	3 808.5	4 629.7	
No. of employed	3 636.1	4 412.4	6 602.5	7 951.1	9 527.0	NA
No. of self-employed	1 189.8	1 383.9	1 489.1	1 851.1	2 115.3	NA
% of formal sector jobs	NA	NA	NA	NA	91.8	NA
% employed in the informal sectors	NA	NA	NA	NA	8.2	NA
Skill level of jobs						
Unskilled	426.6	519.8	937	1 362.5	1 932.6	NA
Semi-skilled	129.2	144.8	348.3	1 496.4	1 284.3	
Skilled	1 820.4	2 176.9	3 030.1	5 254.6	6 386.1	
Highly skilled	3 276.9	843.5	4 522.3	2 546.1	3 121.2	

Note: NA=not available.

Sources: Department of Statistics, 2012 and 2013.

Malaysia is a popular destination country for the recruitment and employment of migrant workers (Table 8). In 2013, 18.2 per cent of the workforce was a migrant. Yet, estimating the real stock and flow of migrant workers in the country is difficult due to the fluidity and relatively large presence of undocumented workers. Even official data on documented migrant workers from various sources vary considerably. The Department of Immigration keeps records of all migrants with valid work permits. These are stock figures and are the most reliable estimates of documented migrants in the country, especially since the late 1990s. Estimates from previous years are not reliable because the majority of migrant workers did not have valid work permits.

Based on work permits issued, more than an estimated 2.3 million documented migrants worked in the country in 2013 (Table 7). In addition, more than an estimated 1 million undocumented migrants worked at the same time. An estimated 100,000 refugees also in the country in 2013 are classified as undocumented migrants or migrants in irregular status because they are not officially recognized as refugees. Thus, estimates of foreign migrant workers in Malaysia vary, from 2.3 million documented migrants to as high as 3.3 million, accounting for 18 per cent to 25.8 per cent of the workforce, respectively (Kanapathy, 2014).

Table 7. Estimates of foreign migrant workers in Malaysia, 1990–2013

	1990	2000	2010	2013
Total number employed ('000)				
Local	6 685	9 269.2	12 303.9	12 788
Foreign (total)	290.0	807.1	1 850.5	2 332.3
Documented migrant workers	290.0	807.1	1 817.9	2 250.3
Expatriates	NA	NA	32.6	82.0
% of foreign workers (documented)	4.3	8.7	15.0	18.2

Note: NA=not available.

Source: Department of Immigration, unpublished data; Seventh Malaysia Plan, 1996–2000, 1996 (for 1990); Department of Statistics, 2013, www.statistics.gov.my/portal/download_Economics/files/DATA_SERIES/SURVEY10/PDF/TABLE1.pdf [accessed 6 Nov. 2014].

Occupations and skills

The majority of migrant workers from Malaysia are engaged in low-skilled low wage jobs. In 2013, low-skilled migrants accounted for 96.4 per cent of all documented migrant workers in the country. The high-skilled migrants who are issued an employment pass accounted for only 3.6 per cent, but their numbers have more than doubled since 2010.

As shown in Table 8, the countries of origin have changed drastically, especially since 2000, when about 75 per cent of the documented low-skilled migrant workers were from Indonesia. In 2013 their share fell sharply, to less than half (at 45 per cent). Malaysia has been a preferred destination for Indonesians because of similar language and culture, geographical proximity as well as the extensive Indonesian migrant and social network systems developed over the years. But the improved performance of the Indonesian economy in recent years has increased wages and employment opportunities at home and reduced the incentive to seek overseas employment. More migrants are now recruited from South Asian countries. Nepal is currently the second-largest source of migrant workers (at about 17 per cent), followed closely by Bangladesh (at 14 per cent).

Anecdotal evidence suggests that Nepali workers in Malaysia generally prefer to be employed as security guards because of the wage; they are paid around 1,000 ringgit (MYR, or \$306) per month, excluding overtime payment. Other than as security guards, they are generally employed in the manufacturing and retail sectors.

Table 8. Number of documented foreign workers in Malaysia, by sector and nationality, 1990–2013

	1990		2000		2010		2013	
	No.	%	No.	%	No.	%	No.	%
	('000)		('000)		('000)		('000)	
Foreign*	242.0	100.0	807.1	100.0	1 817.9	100.0	2 250.3	100.0
By sector								
Domestic helpers	–	–	177.5	22.0	247.1	13.6	169.9	7.6
Manufacturing	25.1	10.4*	307.2	38.1	672.8	37.0	751.8	33.4
Construction	25.1	10.4	68.2	8.5	235.0	12.9	434.2	19.3
Services	76.0	31.3**	53.7	6.7	165.3	9.1	269.3	12.0
Agriculture	115.8	47.9	200.5	24.8	497.7	27.4	625.1	27.8
By nationality								
Bangladesh	59.5	24.6	158.1	19.6	319.5	17.6	322.8	14.3
India	7.3	3.0	18.9	2.3	95.1	5.2	124.0	5.5
Indonesia	168.0	69.4	603.5	74.8	792.8	43.6	1 021.7	45.4
Nepal	0.2	0.1	0.7	0.1	251.4	13.8	385.5	17.1
Pakistan	1.2	0.5	3.1	0.4	28.9	1.6	50.7	2.3
Others	5.8	2.4	22.8	2.8	330.1	18.2	345.8	15.4

Notes: * Includes mining; ** Includes domestic helpers.

Sources: Malaysia, Department of Immigration as cited in Ministry of Finance, 2004/2005 (for 1990); Malaysia, Department of Immigration (unpublished data, 2014).

About a third of all low-skilled migrants are employed in manufacturing, while agriculture absorbs about a quarter. The construction sector, which employed about a tenth of the migrants since 2000, increased its share among migrant workers to about a fifth in 2013, following expansion of the construction industry. There has been a sharp fall (by about 30 per cent) in recent years in the presence of domestic helpers following a ban imposed by the Indonesian Government on the migration to Malaysia for domestic work, from around 247,000 in 2000 to 170,000 in 2013.

Migrant workers in Malaysia are classified by wages/salary. The salary cut-off has been revised gradually upwards, from an initial MYR1,500 (\$459) per month. Migrants earning MYR5,000 (\$1,529) or more a month are regarded as “expatriates” who must apply for an employment pass and, generally, are classified as high-skilled workers. Those earning less than MYR5,000 a month are referred to as “foreign workers” who must apply for a work permit, known as a visit pass, for temporary employment. Generally, they are low-skilled workers. There is no distinction between low-skilled and semi-skilled workers.

Table 9 indicates that the majority of high-skilled migrants in Malaysia come from India (at 20.1 per cent in 2014), followed by China (at 12.5 per cent). This is understandable because both these countries have a surplus of high- and low-skilled workers. Indonesia is also an important source country not only for low-skilled labour, but in recent years it has become the third-largest origin country for high-skilled labour. Bangladesh (at 5.3 per cent) and Pakistan (at 3.6 per cent) are also important origin countries (within South Asia) for high-skilled labour. Only 0.4 per cent of high-skilled migrant labour in Malaysia is from Nepal (Malaysia, Department of Immigration, 2014).

Table 9. Number of high-skilled expatriates in Malaysia, 2010 and 2014

Country	2010		2014	
	Number	%	Number	%
Bangladesh	1 878	5.8	4 443	5.3
India	5 888	18.1	16 977	20.1
Nepal	173	0.5	338	0.4
Pakistan	1 406	4.3	3 074	3.6
Indonesia	1 735	5.3	6 516	7.7
Singapore	1 249	3.8	2 457	2.9
Thailand	573	1.8	1 762	2.1
Myanmar	521	1.6	978	1.2
China	3 206	9.8	10 525	12.5
Japan	2 248	6.9	5 029	6.0
Republic of Korea	1 399	4.3	2 511	3.0
Taiwan Province of China	589	1.8	1 181	1.4
Iran	706	2.2	1 933	2.3
Australia	1 023	3.1	1 637	1.9
Others	9 989	30.7	24 938	29.6

Source: Malaysia, Department of Immigration, unpublished data.

The Malaysia Government has realized that a heavy reliance on foreign workers has longer-term undesirable consequences for the country. Yet, Malaysia is striving to attain middle-income status by 2020 by growing its economy at an average of 6 per cent per annum. The Government has targeted the creation of 3.3 million jobs, with at least 60 per cent considered high-skilled, to achieve its goal.

The majority of the potential jobs are in the domestic-oriented service sectors, such as education, tourism, wholesale and retail trade and the electrical and electronics industry. These are some of the older industries that need to be upgraded by the adoption of new technologies and the application of enhanced skills and new ideas and ways of doing business. Other targeted sectors with high potential for growth and the creation of skilled jobs include financial and business services, oil and gas, and communications content and infrastructure. These are all knowledge-intensive industries for which skilled talents are to be sourced nationally and abroad.

Based on the skill structure of some of the key growth sectors, such as agriculture, palm oil, rubber and the electrical and electronics industries, Malaysia will continue to import low-skilled general workers for related occupations, such as agricultural workers, low-level workers for the manufacturing sector and other sectors for which no local workers can be found.

2.4 INDIA AS THE DESTINATION FOR NEPALI LABOUR MIGRANTS

Although India is a major destination country for migrant workers from many South Asian countries (mostly from Bangladesh and Nepal), the country study, for various reasons, only looked at India as a destination for Nepali workers. And even then, it only looked at Delhi and Uttar Pradesh State.

The 1950 India–Nepal Treaty of Peace and Friendship established a close, strategic relationship between the two neighbours. The treaty allows the free movement of people and goods between the two countries and collaboration on matters of defence and foreign affairs. This open-border policy presents a number of challenges to discussing labour migration. First, there are no records on how many individuals cross the border (workers from Nepal into India or Indians into Nepal), where they go and for what purpose. Second, the open border facilitates human trafficking – mainly women and children to work in Indian brothels, circuses, mines and other high-risk areas. Third, a larger number of cross-border marriages, seasonal migration and a long history of Nepali settling permanently in India render classifications difficult (Sharma and Thapa, 2013). These reasons make it impossible to report with certainty on the migration system, process and numbers; the following presents available information on patterns and characteristics of labour migration from Nepal to India.

Estimates of Nepali migrants in India

A meaningful analysis of Nepali migration to India is complicated by difficulties in distinguishing between types of migrants. There are mainly three categories of Nepali communities in India. The first are the Nepali whose families settled in India and speak Nepali but hold Indian citizenship and consider themselves Indian-Nepali. The second category has come to India in search of work opportunities and considers themselves as Nepali by origin and Nepali by citizenship. This can be further categorized into those who have been living in India for a long time and those who recently arrived, those who are single and those who moved with family. The third group of migrants consists of workers who come for short-term work and eventually go back to Nepal. The latter group includes seasonal migrants.

As Sharma and Thappa (2013) noted, largely unknown is the whereabouts of many Nepalis in India, the sectors they work in and the conditions in which they work. According to Sharma and Thappa, other than statistical data for the ‘absentee population’ in various surveys, including the Census, the Government of Nepal has largely ignored its migrant population in India. The researchers found data on migrants in the Census findings for the two countries, but they also found widely varying figures over the years (the only convergence occurred with the 2001 Census, with Nepal reporting a total of 589,050 Nepalis in India and India reporting 596,696. Unofficial estimates, however, are larger, ranging from a high of 3 million to an oddly precise 892,312. According to the 2009 Nepal Migration Survey (NIDS and World Bank, 2009), an estimated 867,000 Nepali migrants worked in India (but the report noted that the survey was carried out at the peak of the Nepali farming season, when many migrants who typically reside in India were back working on home farms).

Sharma and Thappa also found various discrepancies in the Census data. For example, the 2001 Nepali Census affirmed the perception that migration was a male prerogative, but the Indian Census for the same year challenged that view: Nepal's Census showed that of the 589,050 Nepali migrants in India, 88 per cent was male and only 11.7 per cent was female. The Indian Census recorded that of the total 596,696 Nepalis in India, only 45.3 per cent was male and 54.7 per cent was female.

Nepali migration to India is typically described as mostly subsistent in nature, thus providing no contribution to the upward social mobility of households (Brusle, 2008).

The demand for Nepali working as chowkidars (watchmen) in factories, once common, is declining. But there is increasing demand for Nepali workers in hotels and restaurants, as domestic workers and caregivers for the elderly in middle-class households in cities, as security guards and in the construction, manufacturing and agriculture sectors. Anecdotal evidence suggests that while a small percentage of migrants from Nepal are working in government offices, with the police or army, the majority of young migrants are engaged in menial and low-paying jobs in the informal sector.

Most of the Nepali migrants start to work in India at a young age and travel back and forth until they are old. Only some take their family to India. Nepali migration to India is typically described as mostly subsistent in nature, thus providing no contribution to the upward social mobility of households (Brusle, 2008). Specific patterns, such as the tendency to move from an area of origin in Nepal to certain areas in India, are visible. Most migrants in India come from the mid- and far-western parts of Nepal.

According to a recent study, there is an increasing demand for Nepali workers in smaller towns and cities in India. The study examined the functioning and role of organizations of Nepali citizens in India and reported that the main destinations of Nepalis in India are Delhi, Mumbai, Gujarat, Bangalore, Kerala, Pune, Ludhiana, Amritsar and the hill towns of Almora, Nainital, Shimla and Pithauragadh (Bashyl, 2014).

An alarming aspect of Nepali migration to India is the long-running trafficking of women and children, mostly for commercial sex work and labour exploitation. Unfortunately, current data on the problem is scarce. The National Human Rights Commission (Nepal) cited in its national report for 2012–2013 (NHRC, 2013) that 13,000 persons were trafficked (and around 16,000 persons almost trafficked). Although the number includes all forms of trafficking, the majority of these cases are thought to be trafficking for sexual exploitation and the major destination would be India.

Uttar Pradesh and Delhi as transit areas to other destinations within India and beyond

Fieldwork for the India country study was conducted in Delhi and Uttar Pradesh State, two major destinations of migrant workers from Nepal. A major factor that influences the decision of where to migrate is the historical ties, specifically the long-ago recruitment of Nepalis into the British Indian Army and later into the Gurkha regiment of the Indian Army. Several Gurkha soldiers who had settled in the border regions of Uttar Pradesh after retirement were interviewed for the study. These soldiers often facilitate the migration of Nepali to India. With no legal formalities involved, their facilitation is limited to arranging a temporary place to stay and familiarizing new migrants with the conditions in the job market. The historical ties and free border movement have led to strong social networks facilitating the movement of Nepali workers to India, particularly to destinations that are closer to Nepal, such as Delhi and Uttar Pradesh State.

The field research indicated that Nepali migration is becoming geographically more heterogeneous. In contrast to the previous norm, workers from Nepal in search of jobs now adopt a circular migration route; for example, first going to Uttar Pradesh and then moving to distant places, such as Kerala in the South or Kashmir in the North, depending on the tourist season.

Because legal restrictions on migration to foreign countries continue to be stringent in Nepal, several migrants go to India, gain some experience and then migrate to their preferred destination country. India is also a common transit country for women seeking domestic work in the GCC countries. The age ban allowing only women older than 30¹¹ to directly leave Nepal has driven younger women who are in desperate need of income to follow this route through India. Most are young and have attained secondary school educational qualifications. Discussion during the research interviews suggest that a large portion of them use social or kinship networks in India to establish contacts with recruiting agents to obtain the relevant visa and work permit to migrate to other countries.

Qualifications and skills

Evidence from the field research indicates that the majority of Nepali migrants in India have little education and few, if any, skills. Among the migrant respondents who were interviewed, the education qualification of almost all, including old and new generation workers, was less than 10th standard, with few exceptions.

The poor skill endowments of the first generation of Nepali workers in India can be attributed to the lack of educational opportunities and poverty. But even the second-generation migrant workers seem to lack marketable skills. There could be several reasons for this. Despite living in India, they are somehow unable to access the opportunities for education and skill development, restricting their upward mobility. Lack of awareness about the existing opportunities as well as a low level of negotiating skill contributes to the persistence of such a situation. However, the interview discussions indicate that in those instances in which migrants could acquire new skills by overcoming the challenges, they were able to obtain decent and rewarding employment opportunities.

The age ban allowing only women older than 30 to directly leave Nepal has driven younger women who are in desperate need of income to follow this route through India.

Perceptions of Nepali migrant workers

Indian employers who had hired Nepali migrants interviewed for this study considered them to be hard-working, honest and loyal.

Working conditions

The majority of Nepali migrants working in factories reported receiving minimum wages. The minimum wage in India is set by state governments and varies from 118 rupees (INR, or \$2.18) per day in Bihar to INR185 (\$3.40) per day in Haryana. The salaries received by Nepali migrant workers vary according to the type of workplace position and experience. Those working in government offices receive better salaries, benefits and job security than their counterparts in the private sector, such as in hotels and restaurants. There were a few exceptions in which some Nepali workers in upscale hotels and restaurants were drawing larger wages. The anecdotal conditions of hotel and restaurant workers in Gorakhpur seemed wretched. The regular wage they received was so low that several respondents were hesitant to reveal it.

¹¹ At the time of writing this report, the Government of Nepal was reviewing the impact of the ban on female migration for domestic work in the GCC countries and considering alternative means to protect women during such employment. This includes lowering the age for the ban to 25 years of age.

The Nepali workers interviewed for the study said they were unable to negotiate their wage. They seemed to accept whatever wage was offered. Because the wage to be paid exclusively rested on the discretion of the employer, in many cases the workers received the minimum wage or lower. The negotiating capacity of Nepali workers seems to increase in relation to experience and education level. Most respondents cited work experience as the most important factor for their promotion and salary increment.

Several labour migrants from Nepal indicated during the research interviews that they experience discrimination at work and in their place of residence. The degree of discrimination is often determined by the economic position of the migrant. In several instances, the discrimination was subtle, but a few migrants said they are hassled by security personnel when they cross the border.

Lack of support for Nepali migrant workers

There are social organizations working to support Nepali workers. They arrange get-togethers, celebrations, cultural programmes, sports activities. Some operate at the national level, while some narrow their focus to a local level, targeting specific regions. Some help Nepali workers who have been trafficked, denied their salary or have been stranded. These organizations include Prawasi Nepali Sangh Bharat, Mool Pravah Akhil Bharat Nepali Ekta Samaj, Nepali Jana Samparka Samiti, Nepal Bharat Ekta Munch and Akhil Bharat Nepali Ekta Samaj and are often directly or indirectly associated with political parties in Nepal. The representatives of these organizations acknowledged that they have not been able to work effectively to resolve problems that Nepali migrants experience in India. This is attributed to two factors: (i) lack of adequate financial and human resources, which limit an organization's area of operation as well as their services; and (ii) in some instances, the lack of support extended by the bureaucracy within the Indian establishments hinders their efforts to provide services to migrants. According to some of the organization representatives, when they approach the authorities, such as provident fund officials, regarding problems encountered by Nepali workers, they are typically told to contact the Nepali Embassy.

There is provision in trade union membership in India to protect the rights and interests of all workers. An employer in an enterprise employing more than ten employees is required to have a mandatory trade union. But the awareness or membership of trade unions was quite low among the migrant workers interviewed during the study's research. Even if some workers were aware of the trade union provision, it was not easy for them to become a member. Many factories and hotels employing more than ten workers do not have a trade union. One of the respondents during the research told the story of an employer who fired a worker who had joined a union. The employer discouraged trade union membership by providing the workers monetary incentives and other benefits. Providing such benefits was advantageous to the employer because it enabled him to escape providing social security benefits and other entitlements, such as the provident fund. Other workers became reluctant to risk their job for union membership after the worker was fired. But Nepali workers seem more vulnerable and prone to exploitation when they are not members of a trade union.



Migrant workers dig into a field in Qatar © ILO/Ape Image

Labour migration policies in countries of destination

Chapter 3 Labour migration policies in countries of destination

Although labour migration is a necessary feature of many economies and brings many benefits, it also poses common challenges to destination countries. Large influxes of foreign workers into any economy, even if controlled by quotas or other policies, potentially threaten the livelihood of nationals and raises security fears and concerns over the cultural impact, welfare dependency and more. These pressures become policy drivers, and the general response of governments is to produce a range of remedial and protective policies.

Labour migration policies implemented by the GCC countries generally reflect an awareness of the need to maintain the flow of migrant labour, a specification of the types of workers needed and a concern to prevent settlement and to ensure eventual return. This is linked to efforts to make space for nationals in the economy, even though that relates more to the enhanced training of and attitude change in nationals rather than controlling migrant labour.

In wealthy countries with high levels of migrant labourers from poor countries, policies are needed to drive human rights and worker protection. Policies that cover the conditions of sponsorship, visa types, workers' rights, minimum wages and monitoring responsibilities have become the centre of attention in GCC countries.

Policies are abstract intentions to implement actions. What is actually implemented might not be the same. Policy implementation may fail through inadequate regulation, deliberate sabotage, neglect or lack of capacity and organization. Within the GCC countries, there is a protracted failure of governments to reform the kafala system, recognize freedom of association, implement a comprehensive labour inspection system, ensure migrant workers' access to justice, address the absence of affirmative action regarding female workers' participation and to pressure the recruitment process to be more service oriented and less costly for workers.

The Colombo Process¹² and Abu Dhabi Dialogue¹³ were designed as platforms for discussion and collaboration around these and other issues related to temporary labour mobility between Asia and the GCC countries. These are important processes with considerable potential to create better conditions for migrants that need to be more widely embraced.

¹² The Colombo Process (2003) is a regional consultative process on the management of overseas employment and contractual labour for countries of origin in Asia. It has 11 members (Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Viet Nam), with eight destination-country participants (Bahrain, Italy, Kuwait, Malaysia, Qatar, the Republic of Korea, Saudi Arabia and the UAE). The dialogues continue to evolve around three themes — (i) protection of and provision of services to migrant workers; (ii) optimizing benefits of organized labour migration; and (iii) capacity building, data collection and interstate cooperation.

¹³ The Abu Dhabi Dialogue (2008) has 20 member states: 11 countries of origin (Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Viet Nam) and nine destination countries (Bahrain, Kuwait, Malaysia, Oman, Qatar, Saudi Arabia, Singapore, the UAE and Yemen). It focuses on developing four areas for partnerships between countries of origin around the subject of temporary contractual labour: (i) developing and sharing knowledge on labour market trends, skill profiles, workers and remittance policies and flows, and the relationship to development; (ii) building capacity for more effective matching of the labour supply and demand; (iii) preventing illegal recruitment and promoting welfare and protection measures for contractual workers; and (iv) developing a framework for a comprehensive approach to managing the entire cycle of temporary contractual work that fosters the mutual interest of countries of origin and destination.

Based on previous experiences with reforms, the capacity to implement any policy consistently so that the intended aim is achieved is limited. Nevertheless, there is a trend to move away from individual sponsorship to large and partially regulated recruitment agencies in the GCC countries, particularly in Saudi Arabia. This is a slow process because the supporting policies are inconsistently implemented and work against established interests and habits.

Labour migration policies in Malaysia are far more elaborate. These policies have evolved over the years and have been shaped by a number of factors, including primarily economic growth and structural changes and associated labour market imbalances, national security and diplomatic relations with origin countries. Legal breaches by migrants as well as pressure from interest groups, such as trade unions, employers' associations and human rights organizations, have contributed to the development of detailed labour migration policies.

From a largely market-determined process, cross-border labour inflow into Malaysia has evolved into a highly state-regulated process to control, manage and protect migrant workers. The Government has introduced a variety of policy instruments to manage the quantity, quality and structure of migrant workers, the recruitment process, their wages, working conditions and overall welfare as well as to address irregular migration.

Bilateral agreements and memoranda of understanding on labour mobility

Bilateral labour agreements and memoranda of understanding (MOUs) assume special significance because they reflect the principle of shared responsibility between origin and destination countries. Such agreements can usefully supplement regional and multilateral efforts in the area of labour migration and mobility. During the 1950s and 1960s, bilateral labour agreements had an important role in governing labour mobility and protecting migrant workers, especially in Europe. With the oil crisis and recession in Western economies in the 1970s, there was a virtual stop to immigration flows under bilateral arrangements. In the post-1990 period there has been a resurgence of a “second generation” of bilateral agreements and MOUs across many parts of the world, including the GCC region.

During the 1950s and 1960s, bilateral labour agreements had an important role in governing labour mobility and protecting migrant workers, especially in Europe.

The ILO has long recognized the potential of bilateral labour agreements as a good practice in the governance of labour migration flows between countries and the protection of migrant workers. ILO Recommendation No. 86, accompanying the Migration for Employment Convention, 1949 (No. 97), contains a model bilateral labour agreement as an annex that has influenced many bilateral agreements and whose principles remain valid. Guideline 2.3 of the ILO Multilateral Framework on Labour Migration urges member States to “promote, where appropriate, bilateral and multilateral agreements between destination and origin countries, addressing different

aspects of labour migration, such as admission procedures, flows, family reunification possibilities, integration policy and return, including in particular gender-specific trends” (ILO, 2006).

In contrast to the “first-generation” agreements focusing mainly on labour recruitment, more recent agreements cover multiple objectives, including promotion of labour mobility, curbing irregular migration and fostering migration and development links. The second generation of agreements between South Asia and GCC countries has mostly taken the looser form of MOUs, most probably because they are easier to negotiate and implement than a bilateral agreement, are more flexible to modify with changing economic and labour market conditions and are generally easier to use when dealing with low-skilled admissions. In general,

bilateral agreements are more formal and binding than MOUs, which can be described as a softer option that provides a broad framework to address common concerns.

Although MOUs can be criticized for not having legal implications, being too broad and not regularly monitored or evaluated, they have a political value that signals growing cooperation between origin and destination countries.

3.1 LABOUR MIGRATION POLICIES IN GCC COUNTRIES

The following summarizes the main labour market policies in the GCC countries.

Kafala, or sponsorship, system

The recruitment and the issuance of temporary work permits and visas in the GCC countries is guided by the *kafala*, or sponsorship, system.¹⁴ The sponsorship system is regulated, and implicitly, therefore, it is a policy that all migrant workers must have an approved sponsor. These sponsors can be individuals or companies, but they have a regulated set of rights over each sponsored worker.

This system ties migrant workers to an individual or a company that acts as the *kafeel* (sponsor) for a specific contract period. The worker cannot enter, leave or transfer employment without first obtaining explicit written consent from the sponsor. Although it is against the law in all GCC countries, some *kafeel* exert further control over migrant workers by confiscating their passports and travel documents. In a study conducted by Qatar University, about 90 per cent of low-income workers reported having their passports confiscated (Jayaprakash, 2013). This illegal practice prohibits freedom of movement, both in terms of employment and travel and puts workers under full dependency on the *kafeel* for their sustenance. To leave the country or transfer employment to another employer, a worker must obtain the sponsor's consent in the form of an exit visa or a non-objection certificate. The system also requires sponsors to work within labour ministry quotas assigned to them for the importing of labour of certain types. This has created an under-the-table market in sponsorships, from sponsors with surplus quotas to those needing more. The *kafala* system is heavily criticized, with some arguing that it has largely failed because it does not bring about better control over foreign labourers but rather facilitates a steady increase in their numbers due to the profits of the private *kafeels* while others regard it as a proxy for slavery.

Professional workers, mainly from Western countries, such as engineers and top-level managers, are less affected by the system because they typically cannot be replaced as easily. For low-skilled male and female labourers, mainly from Asia, the system ensures that wages are low and enables exploitation and abuse by employers.

In Saudi Arabia, the *kafala* system is being dismantled slowly, but even that is having unpredictable effects that vary by skill level and, to some extent, sector. For domestic labour and other low-skilled labourers hired in small numbers, the recruitment agencies now increasingly act as sponsors, changing the nature of the system. For low-skilled and semi-skilled labourers hired in large numbers (by manufacturing plants or construction companies), "mega recruitment agencies" (see the next section for more detail) are trying to get a foothold in the market but are finding it difficult. For manufacturing plants or construction companies, which comprise most of the market, the *kafala* system is still important. Company owners may pay others for use of their *kafalas* or pay off government officers (or leverage family ties) to obtain visas. As the crack-down on this practice continues, however, companies may have no choice but to use the mega recruitment

¹⁴ The term *kafeel* refers to the sponsor.

agencies (although they report that they will simultaneously try to mechanize production processes to reduce worker numbers because the recruitment agencies would be more expensive). In mid-skilled and high-skilled jobs, sponsorship is still required and abuses can continue, but theoretically these workers should be better positioned, especially given recent changes that allow workers to change employers under certain, strictly defined conditions.

Qatar, Kuwait and the UAE have announced that they intend to reform the kafala system. But these moves will face major resistance among those currently benefiting from the system and will not change in a short period of time.

Labour and human trafficking laws

All countries have enacted labour laws, setting minimum standards and employment regulations. They cover such issues as the number of working hours per day, overtime compensation, monthly compensation, weekly rest and annual leave. They also regulate labour disputes and issues related to human trafficking. In all countries, however, domestic helpers as well as agricultural workers and seafarers are excluded from the labour law.

In Saudi Arabia, strict regulations have been enacted for migrants entering the country illegally. Anecdotal evidence suggests that a number of South Asians entering overstayed. According to a January 2014 news story in *The Express Tribune*, Pakistan reported that some 120,000 Pakistanis were deported in the past five years from Saudi Arabia and approximately 63,000 Pakistanis were deported from the UAE between 2009 and 2013 (Gishkori, 2014).

In theory, bilateral agreements and labour and human trafficking laws address all important elements of labour migration. Nonetheless, the negotiation power of the countries of origin has been weak, resulting in only basic issues covered.

Bilateral agreements and MOUs

All agreements signed by South Asian and GCC countries focus on the protection of workers prior to departure, regulation of recruitment processes, provisions pertaining to the payment of wages/salaries, the content and form of contracts, methods for resolving disputes and frameworks for monitoring the agreements.

MOUs between countries of destination and Bangladesh, India, Nepal or Pakistan

Qatar has signed labour-related MOUs with Bangladesh (1988, 2008), Nepal (2005, 2009), Pakistan (1978, 2008) and India (1985, 2007).

Saudi Arabia has signed an MOU with India on domestic workers (2014).

Kuwait has signed labour-related MOUs with Pakistan (1995) and India (2007).

United Arab Emirates has signed labour-related MOUs with Bangladesh (2007), India (2006, 2011), Nepal (2007) and Pakistan (2006).

3.2 LABOUR MIGRATION POLICIES IN MALAYSIA

Work permits

The principal policy instruments to manage foreign workers in Malaysia are the work permit and the foreign worker levy. The work permit is the principal instrument for regulating the intake of migrant workers. Work permits allow migrant workers to reside and work temporarily in Malaysia, with the sole objective of meeting domestic labour market needs. Varying terms and conditions are attached to these permits to target labour requirements.

The issuance of a permit for temporary employment of foreign workers is governed by stringent regulations to safeguard the rights of Malaysians to employment and to ensure that employers do not substitute local labour with cheaper foreign labour. Migrant workers are restricted to selected occupations in targeted sectors or industries. Recruitment can only be made directly by employers or through accredited recruitment agencies after providing credible evidence of difficulties in hiring local workers and through bilateral MOUs, which exist with Bangladesh, China, Indonesia, Pakistan, Sri Lanka, Thailand and Viet Nam.

Work permits are issued for a restricted duration to discourage permanent settlement and to impress upon employers the temporary nature of the low-skilled labour intake. The duration of employment has been revised several times. Currently, migrant workers are granted work permits valid for a year, and they can be renewed annually for a maximum of three years. If they are skilled workers, their length of stay can be extended for another two years. The 3+1+1-year ruling does not apply to domestic maids, who can be employed for as long as their services are required or up to the maximum age of 45.

Following requests from employers, the Government agreed to extend the duration of work permits in selected industries.¹⁵ Employers can now extend their foreign workers' services beyond the five-year period, provided they can furnish information within six months that their workers are skilled. During the six-month period, the employer is encouraged to send workers for further training to improve their skills. Relevant organizations, such as the Department of Skills Development and the Construction Industry Development Board, are entrusted with the task of verifying the skill level of the migrant workers. If migrant workers are certified as skilled, the Home Ministry will extend their stay. Their work permits must be renewed annually based on merit, and a grace period of three months is given to allow them to leave the country once their services are terminated.

Migrant workers (with the exception of those high-skilled, referred to as expatriates) are not allowed to bring along their dependants, and they must be within 18 and 45 years of age when they arrive in the country. The nationality of migrant workers is also limited, and different nationals are permitted to work in various low-skilled and semi-skilled occupations in different sectors (Table 10).

Table 10: Nationals from origin countries allowed to work in selected sectors in Malaysia

Approved sectors	Nationals of
Manufacturing Plantation Agriculture Construction Service	Indonesia
	Cambodia
	Nepal
	Myanmar
	Lao People's Democratic Republic
	Viet Nam
	Philippines (men only)
	Pakistan
	Sri Lanka
	Thailand
	Turkmenistan
	Uzbekistan
	Kazakhstan
Services (cooks, wholesale and retail trade, barber, metal/scrap/ recycle, textile) Construction (fixing of high-voltage cable only) Agriculture and plantations	India

Source: Malaysia, Immigration Department, 2014.

¹⁵ Employers were reluctant to send back their trained foreign workers and recruit new ones for fear that it would disrupt their production and delivery schedules.

Foreign worker levy

A levy on the employment of foreign workers was initiated in 1992 to recover the costs incurred in managing migrant workers and to reduce employers' dependency on foreign labourers (Table 11). The annual levy varies by sector and skills. Unlike Singapore, which imposes a smaller levy on higher-skilled workers, Malaysia imposes a larger levy on higher-skilled workers, which appears to contradict the national policy to encourage skill-intensive industries. The rationale in the Malaysian case is to impose a smaller levy on sectors perceived as facing critical labour shortages, while a larger levy is imposed on sectors where the problem of excess labour demand is perceived as less serious. In other words, the aim is to ensure that foreign workers augment the local labour supply but do not compete for jobs.

Table 11. Schedule of statutory payments for foreign workers in Malaysia

Type of payment	Amount
Levy	Manufacturing and construction – MYR1,250 Plantation – MYR590 Agriculture and domestic helper – MYR410 Services: Welfare home – MYR600 Island resort – MYR1,200 Others – MYR1,850
Visit pass (temporary employment)	MYR60 per year
Visa MYR15–MYR100 per year (depending on nationality)	
Processing fee	MYR125 process charges for various work permits
Security bond deposit	MYR250–MYR1,500 per worker
Foreign worker compensation scheme under the Workmen's Compensation Act, 1952	MYR86 per worker per year + 5% service charge
Medical examination (conducted by FOMEMA)	MYR180 per year for men MYR190 per year for women
Cost of selection, interviews and transportation to bring in workers and for documentation	Employers spend MYR3,000–MYR5,000 per worker for every recruitment (depending on source country)

Source: Malaysia, Immigration Department, 2014.

The levy was originally fully borne by workers until 2009, when the Government decided to shift the burden to employers. The 2009 decision was to control the number of foreign workers in the country at that time. With the implementation of the national minimum wage and following requests from employers, the levy is now again passed onto migrant workers.

Bilateral agreements and MOUs

On socio-political grounds, Malaysia has only allowed the recruitment of migrant workers from a few selected countries but varies the selection of countries from time to time. The Government has signed several agreements with labour-exporting nations, including Bangladesh, India, the Philippines and Thailand. These agreements specify the skills required and the sectors in which migrants are to be deployed.

Previous bilateral agreements were unsuccessful because the recruitment process was too slow and failed to meet rapidly rising market demands and thus stem the inflow of undocumented workers. Bilateral agreements were revised in order to deal with abuse and exploitation by unscrupulous recruitment agencies. The government-to-government agreements were reintroduced in February 2002 to ensure that the recruitment process is more systematic, transparent and beneficial to all parties. Foreign workers were

previously recruited by private employment agencies or by employers directly working in collaboration with foreign worker employment agencies overseas. Under the revised arrangements, the import of foreign workers courses through the government agreement, but the services of some private employment agencies are used to process the recruitment, depending on the agreement signed with the labour-exporting country.

The framework of agreements signed between Malaysia and the labour-exporting countries include several clauses covering the responsibilities of both signing parties. Of significance are the following clauses:

- ensure that the home country is responsible for repatriating a migrant worker upon expiry of their work permit;
- migrant workers cannot have a criminal record;
- migrant workers must be a genuine jobseeker;
- migrant workers should be proficient in Malaysian or English; and
- the exporting country must conduct pre-departure orientation programmes to provide migrant workers with basic knowledge of the Malaysian way of life and cultural sensitivities and of their contractual rights.

The Malaysian Government signed bilateral labour mobility agreements with India (2009) and Bangladesh (2003, 2012). The Nepal Government is currently drafting a new labour agreement with Malaysia¹⁶ for the protection of the rights, interests and safety of Nepali workers. The draft agreement is expected to include internationally accepted norms and provisions, ranging from minimum wages, maximum working hours, gratuity and leave to food, accommodation and health services, among others. Like other South-East Asian governments, the Government of Malaysia is in the process of developing and signing a regional agreement in 2015 that will increasingly allow the free mobility of professionals and highly skilled workers among all ASEAN countries (including Malaysia).¹⁷

3.3 LABOUR MIGRATION POLICIES IN INDIA

Contemporary migration between Nepal and India is the result of various social and political agreements between the two countries. As previously explained, there is no legal restriction to the movement of people between the two countries through the Peace and Friendship Treaty of 1950. The Treaty states that the citizens of both countries are permitted to cross the border without producing an official document and grants the same rights and facilities to Nepali citizens in India as those offered to Indian citizens in Nepal, including “privileges of a similar nature”, such as ownership of property and participation in trade and commerce.

The treaty is not explicit about an open-border system and only has one article related to migration. The article does not mention equal treatment and employment opportunities to Nepali workers. Nor does it clarify “other privileges of a similar nature”. Its textual vagueness has frequently caused problems, especially in the case of Nepali migrant workers’ relation to the Indian State.

Bilateral agreements and MOUs

India has not signed any bilateral agreements or MOUs as a country of destination. India has signed MOUs with Qatar, Saudi Arabia, Kuwait and the UAE and with Malaysia as a country of origin only.

¹⁶ The earlier MOU on manpower in 2009 was a failure because the Nepal Government was not in favour of a clause allowing Malaysia to create a recruitment base in Kathmandu to source Nepali workers.

¹⁷ For further information, see http://migration.ucdavis.edu/mn/more.php?id=3868_0_3_0.



Potential Nepali migrant workers stand in a queue to process necessary documents ©ILO/Bikram Rai

Recruitment and selection practices

Chapter 4 Recruitment and selection practices

Over the past 30 years, private recruitment agencies in both sending and receiving countries have come to drive substantial flows of workers. These private companies have formed well-organized and profitable networks that provide a number of services to migrant workers and overseas employers. Some of their employment services were previously performed by government agencies. Government services in most countries of origin are now often restricted to regulating and monitoring the process and to protecting the rights and welfare of migrant workers. Many countries of destination have introduced new measures to regulate private employment agencies. Yet, serious gaps exist between procedures and between what is prescribed by national policies and the existing regulations as well as the actual experience of migrants.

There is little enforcement and action in the case of misconduct. This leaves workers vulnerable to abuse and exploitation by some unscrupulous recruitment agencies, brokers and their sub-agents. In fact, it seems that the recruitment process has taken on a life of its own – in terms of setting the price for foreign labour and the buying and selling of access to the labour market. Consequently, exploitation and abuse occur regularly, sometimes to the extent it can be defined as trafficking or resulting in forced labour situations.

In short, labour demand is connected to labour supply by the system of recruitment and selection. This often has a buffering and distorting effect, such that real economic trends and migrant labour demand do not necessarily filter through to the supply side. In effect, demand is what appears in the countries of origin, at that end of the recruitment pipeline – it defined by those whom recruiters recruit rather than the expression of specific skills requirements in a destination country. And those recruited, may not end up doing what they think they have been recruited to do.

4.1 RECRUITMENT AND SELECTION PRACTICES IN GCC COUNTRIES

Initially, the recruitment of foreign labourers to the GCC countries was arranged and controlled through direct government-to-government negotiations. As the number of workers grew, countries of origin needed to have private sector involvement, and a system of licensed recruitment emerged (Shaham, 2009, p. 2). In parallel, the countries of origin revised their emigration rules and established dedicated bureaus within ministries to supervise recruitment agencies, review and approve contracts, register migrants and ensure by means of guidelines and embassy support that there was adherence to minimum wages, decent working conditions and required provisions for the welfare of migrants (Shaham, 2009, p. 2). All these mechanisms were put in place to facilitate the recruitment of foreign labour.

The majority of migrant workers are employed for specific sponsors with approved visas. But many are recruited through agencies with access to visas from sponsors with surplus requirements or recruitment agencies with a block allocation and then seek work on arrival.

Currently, the recruitment and selection of foreign labour to the GCC region is a complex, inconsistent and poorly defined process that varies widely by country, sector, occupation and firm size. In terms of the range of legal options, a candidate worker from a country of origin arrives at a country of destination via: a recruiter based in the country of origin; a recruiter from the GCC country; the firm or the individual directly; through social networks; or (for a few) through a government-to-government arrangement or a combination of these routes. Government actors in origin countries and the GCC countries determine the specifics of any given candidate's recruitment process primarily through labour-sending agreements (MOUs or bilateral agreements). Workers might be recruited

individually (such as domestic helpers) or they might be recruited in batches for specific assignments (such as factory workers, foremen, supervisors, managers and even cooks).

The sponsorship systems

The kafala system, described previously, is still the dominant recruitment mechanism in the GCC countries. But it has steadily come under attack for encouraging a number of illegal operations, excessive rent-seeking and as a mechanism that stimulates human rights violations. Some technical reforms of the system have been undertaken relating to modifications in employer restrictions, such as retention of passport, internal travel rights, rights to bring family, transfer of sponsorship and insurance. Such reforms have floundered, however, due to the lack of political will and capacity to implement and monitor them. Yet, despite the negative impacts for migrants, there seems to be no clear evidence that the kafala system has had a deterrent value for workers aspiring to migrate.

The majority of migrant workers are employed for specific sponsors with approved visas. But many are recruited through agencies with access to visas from sponsors with surplus requirements or recruitment agencies with a block allocation and then seek work on arrival. Or they work for companies that are restricted by quotas for national employees.

Setting migrant labour numbers and quotas

The role of the government in the countries of destination, in particular the labour or planning ministry, in determining the type and scale of foreign workers needed is obscure. Governments have undertaken assessments of economic priorities and may have diversification policies (discussed in Chapter 5), but the extent to which these policies are connected with foreign worker quotas is unclear. In general, it is up to employers to negotiate the paperwork needed to recruit workers. Because recruitment has developed into a lucrative business, demand is driven by profit-seeking agencies, which often assess the demand and supply market based on who can be marketed rather than which skills are specifically needed.

Although economic planning has not been a particular determinant in setting labour demand, labour nationalization policies in the GCC countries have influenced the issuance of work permits and visas. The clearest example, reflected in more minor ways in other GCC countries, is Saudi Arabia's Nitaqat Law. The law specifies a system that categorizes firms by primary economic activity and size, sets "Saudization"¹⁸ targets based on the ratio of national to foreign workers (measured by visas obtained by the firm) and

¹⁸ In 2011, the Saudi Ministry of Labor introduced the Nitaqat Law for Saudization. The purpose of this law is to provide employment opportunities to Saudi nationals ahead of foreigner.

tracks progress towards the set target. The issuance of visas and ease of additional visas is dependent on performance towards the targets.

Across the GCC countries, the enforcement of labour nationalization policies has led to changes in patterns and costs of recruitment and ultimately has the potential to change the balance of labour type in the medium term.

Implementation of recruitment

Migrant labour recruitment is a major industry. Those who hold the supply have the power to set the price for job placement – the recruitment agencies, brokers or their sub-agents in both countries of origin and destination. In practice, the price for any of these jobs is unregulated and allowed to increase, depending on how much sending agencies and employers are willing to pay. Although there are often legal restrictions to minimize the share of migration costs that migrant workers must pay, in practice these costs are typically passed on to migrant workers. Ironically, the lower the skill level – and consequently the lower the salary level – the larger is the share that migrant workers must pay. In the case of professionals, employers nearly always cover all the migration-related costs. This leads to exploitation, fraud, abuse and a wide range of illicit and illegal practices related to low-skilled and semi-skilled migration. Sub-agents also benefit from a lack of regulation or control because they are able to operate with impunity, again at the expense of migrant workers.

The need to have a more controlled system of recruitment to enforce labour nationalization regulations has led towards the use of larger, more regulated recruitment agencies. The impact of this trend has the potential to change the rationale behind a continued reliance on low-skilled labour or impede the modernization of many business processes (see the discussion in the next section). For example, in an effort to streamline recruiting processes and to reduce the trading of visas between sponsors and recruitment agencies, the Saudi Ministry of Labour centralized all Saudi-based recruiting efforts through a set of ten licensed “mega recruiters” in May 2013, initially in relation to the sourcing of Filipina labour but subsequently expanding to all countries of origin. In the UAE, there is a similar development of “manpower supply companies”.

The country study commissioned for Saudi Arabia found that employers have some misgivings about these mega-recruitment firms. One employer, in describing the cost-benefit decisions involved in choosing between mega-recruiting companies and foreign-based recruiters, speculated that workers recruited through these agencies – armed with the knowledge that they could reject unfavourable positions – might be less likely to stay at a new job. The concern is indicative of employers’ reluctance to engage with these new firms. It is also not clear to what extent the employees of these agencies identify and find ways to avoid the “improved” recruitment processes and seek personal benefits from this well-intended system. How much the new system increases the cost of low-skilled labour may determine whether employers begin to shift towards more skilled labour.

Recruitment trends relating to low-skilled labour

GCC governments see themselves as developing into knowledge-based economies. Yet, in key sectors, companies have little incentive to move towards more capital-intensive technologically based business solutions while labour-intensive processes remain extremely cheap. As a result, workers have little incentive to invest in skills development prior to migrating. The extensive reliance on low-skilled labour impedes the development of worker-reliant quality-control mechanisms and discourages contributions that workers can make to improve production or construction processes. Indeed, the absence of collaborative interaction between managers or supervisors and workers severely impedes the adoption of modernized, technologically based production processes prevalent in East Asia or Western economies because they rely on dynamic worker inputs into quality control and improved production processes.

The combination of nationalization policies, such as the Nitaqat Law in Saudi Arabia, the increasing control over visa trading and the concentration of recruitment in the hands of large and more expensive recruitment agencies may further drive up the price of low-skilled labour. This might trigger a shift towards higher-skilled workers who are more productive. This, in turn, may finally begin to end the present “addiction” to production processes that rely on cheap labour and prevent employers from using skilled labour in ways that reflect productivity trends in advanced countries. Under this scenario, low-skilled labour recruitment will decline in the long term.

The realization of this scenario also depends on the capacity of recruitment agencies, employers and governments to develop transnational skills recognition mechanisms to select workers capable of using more advanced technologies and processes.

Recruitment trends relating to emerging economic developments

In general, the studies on the countries of destination indicate a continuing reliance in the short and medium terms on low-skilled labour, within which semi- and high-skilled labour are mostly included.

Variables that may affect migrant labour demand relate to:

- labour nationalization mechanisms, such as the Nitaqat Law in Saudi Arabia, which has the capacity to restrict access to visas for some employers, affect migrant labour costs and substitute imported labour with nationals;
- expansion and contraction of public infrastructure and government-funded mega-projects²⁰ largely controlled by the fiscal break-even point between oil revenues and public expenditure;
- the penetration of skilled workers in more technologically oriented employment, particularly in the manufacturing sector, supported by developments in vocational training programmes.

Migrant worker employment projections for Saudi Arabia, for example, involve a substantial amount of conjecture due to a lack of data, rapidly changing labour policies, uncertainty about oil revenue over the next decade and the merging of recruitment and migration institutions (there and in countries of origin). These uncertainties notwithstanding, Saudi Arabia will continue to rely heavily on foreign labour for the foreseeable future, especially in labour-intensive sectors.

Recruitment trends relating to country preference

A short-term labour-demand factor of interest to countries of origin is the relative preference for workers from specific countries. Factors affecting this demand dimension are:

- domestic labour-market demand in countries of origin, including the level and implementation of a minimum wage, in comparison with wages and conditions in countries of destination;
- the type and scale of collaboration between recruiters (including the mega recruiters) and newer markets in countries of origin;
- the extent to which larger employers, who are able to recruit through foreign agencies and agents rather than domestic mega recruiters, maintain their preferences for particular countries of origin;
- the extent to which recruiters (including the mega recruiters), with their own preferred labour sources, are able to expand their recruitment services to larger employers; and
- the extent to which countries of origin cultivate a positive reputation with particular countries of destination.

²⁰ Such as the construction of the world's tallest building, the country's first two subway systems, six or more enormous economic and industrial cities in Saudi Arabia and the World Cup infrastructure in Qatar.

4.2 CURRENT RECRUITMENT AND SELECTION PRACTICES IN MALAYSIA

Pre-departure process and procedures in origin countries

The process of recruitment commences in the origin country when there is an initial inquiry or job order from a Malaysian recruiting agent or employer, with the necessary documents. The recruitment process is fairly similar in all origin countries, with only minor variations. In the origin countries, potential migrant workers either register directly with recruitment agencies or go through intermediaries, known as labour brokers or sponsors. Generally, prospective migrants who are less educated and knowledgeable of procedures to gain employment overseas and prospective migrants from rural areas often rely on labour brokers.

The majority of migrant workers in Malaysia are low-skilled or semi-skilled. The low-skilled workers are largely employed in the agriculture and plantation sectors, while the semi-skilled workers are employed in the manufacturing, construction and service sectors. Hence, assessment of their capabilities is rudimentary and differs according to the employment sector. In addition to pre-departure orientation, some migrants undergo further training before departure. However, such training is usually brief and specific to the job.

For the agriculture and plantation sectors, candidates are assessed based on their physical and mental attributes. They must be physically and mentally fit to work in tough conditions in remote areas. During the interview, the candidates are usually briefed on the nature of the job, conditions of the work site and hardships they may encounter. Some of the bigger recruiting companies also show video clips of the nature of the work involved. The construction sector hires both general and semi-skilled workers, such as welders, brick layers and carpenters. In this case, potential candidates are requested to show proof of their skills, either through basic training certificates or through previous employer endorsements.

Pre-employment processes

Before 2014, recruitment in Malaysia was either done by employers (direct recruitment) or through recruitment agencies or outsourcing companies. As of December 2013, a parliamentary decision was made to discontinue the services of recruitment agencies and outsourcing companies and that all recruitment was to be made directly by employers. As a result of this decision, employers have to deal directly with recruitment agencies in the countries of origin. This has led to heavy criticism by Malaysian recruitment agencies and others involved in recruiting migrant labour. The shift was largely a response to an executive order signed by the US President in 2012 on Strengthening Protections Against Trafficking in Persons in Federal Contracts. The executive order forbids recruitment fees and the use of outsourcing companies.

Employers have to submit all applications for new foreign workers to the one-stop Local Centre of Approval at the Ministry of Home Affairs. There is one exception, for the application for foreign domestic helpers, which is submitted to the Immigration Department. Once approval is granted, the employer has to pay the levy at the Local Centre of Approval. Employers then apply for the workers' visa (Visa with Reference, or VDR) and the permit for temporary employment. A list of documents must be submitted to the Immigration Department before the application can be processed.

Foreign workers have to remain outside the country while the application is processed. Employees will only be allowed to enter Malaysia after the application for VDR and work permit have been approved. The foreign worker must obtain the visa from the Malaysian representative offices overseas, usually the Malaysia Embassy. Once migrant workers enter Malaysia, they must undergo another medical test at any

FOMEMA-registered clinic or health centre within one month of entry. Anyone who fails the test will be repatriated. They must then obtain the work permit sticker (for their passport) at the Immigration Department. Documents needed include the original approval letter from the Local Centre of Approval (Ministry of Home Affairs), the original receipts of payments made and passport.

The entire process may take three to eight months or even a year and cost the employer between MYR5,000 and MYR8,000 for each migrant. In most instances, the cost of recruitment is shared between the employer and the migrant worker, whereby the amount spent in Malaysia is usually borne by the employer, while the rest is paid by the worker. In the case of small and medium-scale industries, the total transaction costs are largely borne by the migrant. The employer may fund the initial recruitment costs but deduct them later from the migrant's monthly wages. There are instances, especially in the case of large multinational corporations, in which the employer bears the entire cost of recruitment.

Informal recruitment channels

Although the recruitment and selection process in Malaysia seems to be tightly regulated, in parallel there is an informal or illegal hiring process operated by unregistered labour agents. Migrants are often dependent on a number of intermediaries who recruit, train and place them with prospective employers. They may have little or no education and awareness of the legal process and hiring procedures. Not all of these intermediaries are registered or law-abiding. Some unregistered recruitment agencies in Malaysia exploit migrants by charging fees in excess of what is legally permitted. Often, it is the labour broker who introduces potential migrants from villages to a recruiting agent who overcharges them. This vast network of labour brokers is unregistered and unregulated. Such practices lead to workers borrowing excessively and falling into debt or even debt bondage situations prior to arrival. Even in the case of registered recruiting agencies, migrants may have problems.

Common problems include gaps in orientation information, such as the difference between workers' pre-employment expectations and actual employment realities. Workers are often falsely promised wages and benefits only to find out that they are not able to earn what they hoped for and are unable to send their family the remittances they expected. The worker discovers that deductions are large, and they are unable to cope with this reality. Such cases have even contributed to suicides.

Malaysia has been a major destination country for migrants, especially from South Asia, since the late 1990s. Thus, a fairly efficient migrant network system has evolved over the years, allowing prospective migrants to use these informal networks to seek employment. Prospective migrant workers bypass the intermediaries and approach employers or recruitment agencies in Malaysia directly through these informal networks, which consist of friends, village counterparts or family members. By doing so, they are able to reduce the cost of accessing overseas employment by half. There are no estimates on the number of migrant workers who use these informal channels.

4.3 CURRENT RECRUITMENT AND SELECTION PRACTICES FROM NEPAL TO INDIA

In India, although several recruitment agencies, advertisements, job sites and company websites are available, through which workers can contact potential employers, the Nepali migrant workers consulted for the study do not rely on them. Most of the respondents reported that they came to India through the informal social network, either with their relatives or friends or on their own. A few respondents said that they were hired through contractors, but even they were contacted through the network of friends and acquaintances.

The majority of the male migrants interviewed worked as night watchmen and cleaned cars in the morning; those jobs have been handed over to them from friends and co-villagers. For women workers from Nepal, the situation was much more difficult. The majority of them came to India not for work but to seek medical treatment or join their husband. Many stayed on in India, mainly to seek better education for their children. Women from Nepal make use of the social networks of their husband or male kin who organize jobs for them; the men accompany their women to negotiate with their employers (Thieme and Müller-Böker, 2004). As noted, many young women use India as a transit channel for a job as domestic helper in one of the GCC countries.

For low-skilled labourers, who are the majority of workers from South Asia, the recruitment interview revolves around the willingness to work for the low wages on offer and is often dependent on the worker being able to leave at short notice.

4.4 ASSESSMENT, CERTIFICATION, TRAINING AND EXPERIENCE IN RECRUITMENT AND SELECTION

According to Westin (2014, p. 28), the only country of origin in Asia with training programmes that have a major role in recruitment procedures is the Philippines. “Formal training programmes in other labour origin countries may successfully improve candidates’ vocational skills, but employers and recruiters are either unaware of these programmes, do not value them, or do not require that workers deploy the skills that these training programmes develop,” Weston writes.

For low-skilled labourers, who are the majority of workers from South Asia, the recruitment interview revolves around the willingness to work for the low wages on offer and is often dependent on the worker being able to leave at short notice. Potential candidates typically have little education and relevant work experience. According to recruitment agents interviewed for this study, previous work experience from abroad is often an advantage when applying for work in the GCC countries. For Malaysia, the opposite has been reported, with employers preferring employees who have no prior work experience in Malaysia or other countries of destination. Employers and recruitment agents in the GCC countries highlighted that potential hires are usually not assessed but that the recruitment and final selection is commonly based on interviews conducted by local recruitment agents in the country of origin.

For skilled migrant candidates, experience is one of the most important selection criteria. Relevant education and training also has a major role, but relevant work experience is the final deciding factor. Some employers conduct tests in the countries of origin and after arrival in the GCC country. Certificates from training institutions in countries of origin have only a marginal, if any, influence in the selection process for work in GCC countries.

Foreign workers with tertiary qualifications must seek recognition of their certificates and degrees by the ministry responsible for higher education, especially if they want to work for the public sector. Overall, there seems to be no common system for dealing with assessment, certification, training and experiences in the recruitment and selection of migrant workers in any GCC country.

With the exception of the Philippines, prior TVET experience (in a country of origin) is largely ignored or given no particular weight in the recruitment process for work in a GCC country. This is either because

of a poor reputation, low perceived relevance or lack of equivalence. This is not to say that such training is irrelevant because it may help workers adapt to workplace demands if they should happen to end up working in a job related to their area of specialization.

Some big recruiting agencies provide basic hands-on training in welding, brick-laying, plastering etc. to workers in origin countries, such as India and Pakistan, before their departure. Such training programmes are carried out through collaboration with local training institutions. In the manufacturing industries, workers are screened for their ability to respond to instructions from a supervisor. Hence, candidates must have a minimum of secondary education and must pass simple IQ and mathematics tests, in addition to a medical test.

One of the potential benefits of a more consolidated recruitment system under the mega recruiters in Saudi Arabia is the introduction of more standardized selection criteria, such as a transnational certification system that is aligned to TVET systems in the countries of destination. Rising labour costs might necessitate better labour productivity in relation to the cost of migrant labour, which should lead origin countries to be proactive in developing workers' skills (rather than remaining reactive) to achieve increased labour market leverage.

Thus, two forces are at work: the gradual consolidation of the recruitment process under larger agencies offering the possibility of better regulation and standard and the longer-term trend towards higher labour productivity. The first is emerging already, but there is considerable scepticism that the huge vested interests, which undermine better standards, can be controlled. The second is a long-term development, which may not replace the demand for low-skilled labour but may create additional opportunities.

Two possible short-term measures, which may begin the introduction of more skills-related demands in the recruitment process, were highlighted in the Saudi Arabia country study:

- the possibility that minimum skills qualifications may be introduced in Saudi Arabia as part of the visa issuance process
- competition between recruitment agencies may lead to some agencies adding the capacity to source better-skilled workers as a competitive edge.

Given the minimal role of TVET training in labour migration selection, it is clear that investments in aligning TVET systems with projected demand would have little value if not accompanied by efforts of governments, employers and recruitment agencies to come to some understanding on common recruitment procedures and a common approach to skills certification in the recruitment process. Achieving a common approach will need to involve private companies and recruitment agencies in destination countries. Even this will need supplementing with the factors that have given the Philippine skills training its competitive edge – the enhanced performance value demonstrated by semi-skilled or skilled Filipino workers in the field. Selection that takes into account skills training supported by certification can be used as a means of reducing the numbers of applicants or as a real acknowledgment of value added.

Skills development in GCC countries

Historically, the education and skills training systems in GCC countries have been of poor quality and focused on rote learning in the classroom. Over the past few decades, all countries have invested heavily towards improving their education as well as skills training systems. But student and parental preferences remain on general and tertiary education routes to a guaranteed public sector or possible white-collar position rather than the technical-vocational routes leading to a blue-collar job. Investments in education, including establishing branches of international universities, have tended to follow this preference. Most

high school graduates in GCC countries still opt for a university degree, with some degrees regarded as most desirable (medicine, pharmacy, engineering and business). Those who enter vocational education often see the completion of vocational qualification only as a stepping stone for higher education.

Owing to the lack of GCC nationals working in the technical occupations over the past few years, the technical and vocational skills sector has received increasing attention, with various elements of vocational training systems being developed in an attempt to provide skilled national labour. This has included the development of qualification frameworks in Saudi Arabia and related assessment and certification systems. Although the main target group for the training system in the GCC countries is the national population, the assessment and certification methods and tools could also be applied to migrant workers. However, the completion and implementation of these frameworks are pending and, more specifically, employers' uptake of the systems remains to be seen.

There is some indication that technical training in countries of destination for nationals will increase in importance and contribute more to employment. The factors driving this change are:

- The increasing saturation of the traditional destination for graduates in GCC countries – the public sector.
- The greater risk to employers in the manufacturing sector not complying with the Saudization measures,²¹ which have stimulated vocational training programmes for nationals and are directed at filling the increasing availability of technologically focused roles and positions. The backwash effect of this will be to create a recognized vocational training and certification structure, which TVET systems in countries of origin can try to adapt in order to help migrants participate in the manufacturing sector in destination countries.
- The longer-term move towards reducing reliance on low-skilled/low-cost labour and raising labour productivity as a necessary element in modernizing production and business processes will create, as in the manufacturing sector, more employment suitable for skilled nationals at acceptable levels of remuneration. This is occurring in Saudi Arabia, but similar developments are expected in other GCC countries in the long term.²²

Skills development in Malaysia

The Department of Skills Development, formerly known as the National Vocational Training Council, was set up in September 2006 under the Ministry of Human Resources. It is the main agency for the development and certification of standards under the National Occupational Skills Standards. To date, it has developed more than 700 certified standards, which cover certificate, diploma and advanced diploma qualifications. However, these are rarely used for the certification of the skills of migrant workers because they are predominantly low-skilled workers who are engaged in routine manual tasks. Migrant workers do participate in training conducted in the country's various training institutes, especially in the case of the manufacturing and constructions sectors. Manufacturing firms send their workers, irrespective of nationality, for short-term courses conducted under the Human Resource Development Fund Scheme, while construction firms send workers for training carried out by the Construction Industry Development Board.

²¹ Especially under the Nitaqat Law.

²² A UAE/Kuwait skills pilot project will identify a group of construction and service workers from India, Pakistan and the Philippines that have been recruited by UAE and Kuwait employers to work in pre-selected construction and service occupations. The workers will be tested against the occupational standards developed by the respective qualifications authorities in Kuwait and the UAE and, if tested competent, they will receive a certificate. If not yet competent, the project will offer these workers the opportunity to be periodically tested and certified for upgraded skills, document their accumulated skills throughout their employment and enter into agreements with the participating countries of origin on the mutual recognition of upgraded skills. The sample will be monitored for the purpose of identifying and measuring the impact of pilot activities in terms of the desired outcomes. Kuwait and the UAE will present the pilot plans to the next meeting of senior officials of the Abu Dhabi Dialogue process and seek their formal adoption of the pilot as a sponsored activity.



Migrant workers transport metal rods at a construction site in Qatar © ILO/Apex Image

Trends and their implications for demand of South Asian labour migrants

Chapter 5

This chapter discusses various trends in the countries of destination selected for this study. The trends are divided into three areas: (i) population, (ii) economic development and (iii) employment and occupations in demand (information in all three areas was not available for all countries).

Although demand for and availability of external labour is the engine driving migration (fuelled and fed upon by the interests of intermediaries), developments in destination countries' domestic labour policy are, in theory, a regulator of the scale of demand. However, there are several variables with increasing influence to impact the situation:

- increasingly large national youth populations entering the workforce;
- saturation of traditionally reserved employment sectors;
- changing skills demands (for nationals and migrants);
- changing economic sectors – decline, growth and diversification; and
- concerns about the large number of migrant workers relative to the national population.

The variables differ by country and by each government's ability to connect and balance domestic and external labour in a policy-driven manner. Thus, domestic labour policies will drive or inhibit demand for South Asian labour migrants.

The term “population” refers to both nationals and non-nationals. The labour market trend analysis' interest in population trends is confined to the areas that may affect demand for external labour of certain kinds:

- where national population increase or educational attainment levels are bringing an increasing proportion of youth into the labour market, thereby forcing government policy responses directed at providing jobs for national youth, often by restricting migrant labour or fencing off employment sectors in various ways;
- where long-term migrants have become de-facto, though not necessarily legal, permanent residents, thus occupying positions in the labour market, and, if they are with their families, potentially creating future labour supply; and
- where the national supply of labour, regardless of population trends, is skewed by cultural restrictions relating to gender or other forms of occupational segregation.

These population factors represent pressures or influences on government policies and private-sector responses relating to migrant numbers. Population-led pressures of various kinds on the labour market may drive increasingly urgent policy responses, some of which may appear directly to have a knock-on effect on migrant labour trends. But the capacity to make a policy response stick effectively is what actually connects the trends and the policy initiatives to the migrant labour situation. Where this capacity is faulty, as it often is in GCC countries, the pressure has not been relieved in the way intended.

5.1 TRENDS IN GCC COUNTRIES AND THEIR IMPLICATIONS FOR DEMAND OF SOUTH ASIA LABOUR MIGRANTS

Population trends

The biggest challenge for all GCC countries is that their national populations, with the exception of Saudi Arabia, is small in relation to their geographical size and their vast natural resources – in terms of population density and in comparison to the populations of neighbouring and partner countries (Fargues and Brouwer, 2013).

The exploitation of the oil and gas resources and related economic development and the growing need for human resources as a production factor have resulted in tremendous economic growth in all GCC countries. This growth has been achieved through migrants, who are brought in for work purposes on a short-term basis and usually are not entitled to the social and political rights of the national population. In the early stages of the countries' economic expansion, these migrant workers came mainly from other Arab countries, such as Egypt, Jordan, the Occupied Palestinian Territory, Sudan, the Syrian Arab Republic and Yemen. Following political tensions in the early 1980s, the Arab migrants gradually were replaced by workers primarily from South Asia, who are regarded as less politically risky and less costly.

Though still small in size, the GCC countries have experienced high growth rates of their national populations, with annual rates of 2.9 per cent for Kuwait, 3.3 per cent for Qatar, 2 per cent for Saudi Arabia, and 2.8 per cent for the UAE for the period 2005–2020 (Fargues and Brouwer, 2013). These high birth rates have been the result of extreme pro-nationalist measures introduced by all governments in the region, involving the initiation of public housing projects, encouragement of early marriage through large grants, full governmental subsidies for education, generous child allowances and the opportunity to freely employ domestic helpers and other support. Due to societal changes, this high population growth is not expected to last. It is estimated that fertility rates are declining and will reach parity with the global average by 2050 (GIC, 2012), at 2.36 births per 1,000 women (UN, 2012).

Even though the GCC countries' populations have increased substantially, from 3.5 million in 1950 to more than 42 million, the growth has not converted to a domestic labour force capable of sustaining each country's economy. It is still evident that all GCC countries will depend on a non-national population (Table 12).

Table 12. National and foreign populations in GCC countries

	Qatar 2012	Kuwait 2013	Malaysia 2010	Saudi Arabia 2013	UAE 2010
Total population	1 341 193	3 965 144	28 960 000	29 994 272	8 264 070
National population	82 813	1 242 499	26 790 000	20 271 058	947 997
Foreigners*	1 258 380	2 722 645	2 270 000	9 723 214	7 316 073
% of foreigners in total population	93.8%	68.7%	7.8%	32.4%	88.5%
% of females in foreign population	11.2%	34.9%	NA	28.4%	22.3%

Note: * Foreigners do not include undocumented workers. NA=not available.

Sources: Qatar=QSA, 2012; Kuwait=Public Authority for Civil information, 2013, www.paci.gov.kw; Malaysia=Department of Statistics, 2010; Saudi Arabia=Saudi Arabian Monetary Agency, 2013; UAE=National Bureau of Statistics, 2011.

A significant sub-group of the population is the group of better-skilled foreign workers with family who have managed to reside and work in GCC countries for many years. They have become de facto (though not legal) permanent residents, thus occupying positions in the labour market that would otherwise be filled by new migrants or by nationals.

Over the past decade, foreigners born in the GCC countries and their lobby groups have been pressuring governments to increase the opportunity to naturalize. Restrictive immigration policies directed at preventing naturalization have so far been successful and are being maintained. Naturalization has occurred in the past, but the numbers remain small and refer to migrants from other Arab states. There is no data to estimate the number of these de facto permanent residents, but de Bel-Air (2014) estimates that they number between 1 million and 2 million in Saudi Arabia, which is approximately 15 per cent of the total number of migrants. Similar estimations are not available for the other GCC countries; but the existence of these de facto citizens has to be considered when looking at future immigration trends, not just because of their position in the labour market but because of the migration incentive value of naturalization. As populations begin to reach replacement level by the mid-century as projected, the issue of naturalization can be expected to resurface. The issue is highly complex in political and social terms and contains serious potential for conflict.

A third pressure, which could influence the flow of migrant labour, is the low participation rate of national women in the GCC labour markets. In the past, their participation was limited by religious norms and tradition. For example, in Saudi Arabia, national women were not allowed to work in the presence of men. This has resulted in only 16 per cent of Saudi women participating in the workforce. In the other countries, the percentages are larger, at 24.5 per cent in the UAE, 35 per cent in Qatar and 45 per cent in Kuwait (Zovighian, 2012). Improvements in the education of women, economic needs and changing attitudes have resulted in an increase of women in the workforce. Their participation in the labour market can potentially substitute for some migrant workers. However, as with their male counterparts, the majority of GCC women aspire for employment in the public sector and occupations other than those filled by migrants.

Given the small size of the native populations, it is clear that the GCC countries cannot sustain the present economic activities and future growth, even if their populations continue to grow and if more national men and women participate in the labour market. The vast majority of the national population (with some exception for Saudi Arabia) is not willing to work in low-skilled or semi-skilled blue-collar jobs. The naturalization of non-nationals could potentially have large impact on the flow of migrants. The numbers of foreigners being naturalized remains small, and this is being reinforced by existing legislation, which is unlikely to change in the near future. With an estimated population growth to 50 million by 2020 and to about 65 million in 2050, according to the Gulf Investment Cooperation (2012), these countries will continue to rely on the migration of foreigners for a long time.

Trends in economic development

All GCC countries are, to varying degrees, dependent on foreign migrants for the functioning of their economy. The penetration of migrant labour across so many sectors of these economies makes migrant labour trends highly susceptible to economic trends.

The relationship between migrant labour and Malaysia's economy is confined to certain sectors, which mainly need to fill low-wage jobs. Migrant labour is less important to the functioning of the economy.

Gulf oil and gas and what it means for South Asian migrants

Economic development in all GCC countries has been closely linked to the discovery of oil and gas. All GCC states remain dependent on hydrocarbon exports, ranging from 75 per cent to 90 per cent (OECD, 2011).

According to the Economist Intelligence Unit (OECD, 2011), hydrocarbons represented approximately 39 per cent of nominal gross domestic product (GDP) in the GCC countries in 2010. According to the GCC country studies, the UAE is the most diversified economy in terms of GDP (with oil at only 22 per cent of GDP), but oil still accounts for 66 per cent of its fiscal revenues. In Saudi Arabia, the petroleum sector accounts for roughly 80 per cent of budget revenues, 45 per cent of GDP and 90 per cent of export earnings. In Kuwait, petroleum accounts for nearly half of GDP, 95 per cent of export revenues and 95 per cent of government income. In Qatar, oil and gas still account for more than 50 per cent of GDP, roughly 85 per cent of export earnings and 50 per cent of government revenues (OECD, 2011).

There are a number of reasons why the oil-reliant economies are driving economic diversification. First, oil is a finite resource, and the GCC economies will need to become less dependent on oil revenues to ensure sustainable growth and a similar standard of living for future generations. Second, reducing the reliance on hydrocarbon exports will reduce the vulnerability of GCC economies to oil price fluctuations. Third, the hydrocarbon sector is more capital-intensive than labour-intensive and does not contribute sufficiently to the creation of jobs (OECD, 2011). The motivation of GCC governments to implement diversification strategies varies according to the urgency in the need to address these issues. It is clear that higher oil prices alone will not redress the problem of insufficient job creation. Unemployment and inactivity of the young and often highly educated population are cause for great concern in all GCC countries.

Diversification efforts

Major diversification efforts have focused on extending the petroleum product value chain and investment in energy-intensive industries (OECD, 2011). Petroleum-related sectors (petrochemicals, fertilizers and plastics) and energy-intensive industries have expanded and prospered, owing to the region's natural competitive advantages in this sector. Several GCC countries have specialized in energy-intensive industries, such as the production of aluminium, which can be used in the local construction, transportation and manufacturing sectors or directly exported to Asian and European markets. Emirates Global Aluminium is among the world's top-ten aluminium-producing companies, with exports making up 45 per cent of Dubai's total non-oil exports. Additional smelting plants are planned in Qatar, Saudi Arabia and the UAE.

Other major diversification efforts have taken place in the sectors of construction, real estate and tourism. The demographics, economic growth and diversification strategies have triggered a strong demand for housing, office space, infrastructure and tourism development projects. After the global economic and financial crises in 2008–2009, the real estate market experienced a sharp decline in GCC countries. This development affected Dubai severely as a result of the losses incurred by the government-owned investment company, Dubai World, which had several real-estate projects in its portfolio. As of 2010, the real estate and construction sector began to recover.

The finance and telecommunication sector are other examples of successful diversification. The telecommunications sector has proven to be dynamic, and several large operators have expanded to neighbouring GCC, Middle East and North African countries. The Kuwait-based mobile operator Zain and the UAE-based Etisalat have expanded into neighbouring countries. The financial sector has had an increasingly important role, depending on the country; for example, finance and insurance represent 6 per cent of GDP in the UAE.

Diversification also has included the development of education and health care systems. In the past few years, GCC governments have invested in all types of education and have created links with universities abroad. Branches of well-known universities from North America and Europe have opened in several GCC countries. Still, the GCC spends only 1 per cent of its GDP on research and development, compared with 2.5 per cent in the member countries of the Organisation for Economic Co-operation and Development (OECD, 2011). Thus, rapid diversification into knowledge-based, high-technology and high-value added sectors, as envisaged in most government plans, seems so far rather unlikely.

South and East Asian countries remain the GCC countries' most important trade partners because of their strategic location and strong historical ties. In 2008, these countries accounted for 51 per cent of the GCC countries' trade and that share is expected to increase. China, India, Japan and the Republic of Korea import fuels, petrochemicals, plastics and metals from the GCC and export high- or low-end consumer goods, machinery and food to the Gulf region (OECD, 2011).

Rapid diversification into knowledge-based, high-technology and high-value added sectors, as envisaged in most government plans, seems so far rather unlikely.

Although all GCC countries have attempted to expand their non-gas-and-oil sectors, the economies will remain more or less dependent on the direct and indirect revenues from oil and gas extraction. The majority of diversification efforts have been based on the expansion of industries that are labour intensive and thus have created a huge demand for foreign workers willing to accept jobs in those industries. However, there are increasing concerns that firms have substituted skills and productivity with low labour costs and that this will have negative effects on the development path of these countries (Hertog, 2013).

The MENA-OECD (2011) suggests that next-decade economic diversification will continue to be directed to petroleum-related and energy-intensive industries, in which the GCC countries have a comparative advantage. There are already attempts to move into the production of more sophisticated goods, such as plastics, packaging and rubber. The strong domestic demand will continue to fuel rapid growth in infrastructure, real estate and tourism. Related sectors, such as security and the maintenance of the infrastructure, are also projected to grow. The GCC economies are expected to further expand in the area of Islamic banking and in telecommunications in the region and further abroad.

Trade with Asia is expected to increase further, with China becoming the main partner for imports and exports by 2020 (EIU, 2010). Major investments in the expansion of ports, airports and rails (especially in the UAE) will facilitate internal movement and trade (Cooperation Council for the Arab States of the Gulf Secretariat General, 2010), such as the Qatar–Bahrain Friendship Bridge, which is to become the largest causeway in the world (a 45-km length). The Gulf Railway project, a 2,200-km railroad network, plans to link all GCC member States by 2017 (Frost & Sullivan, 2011). Like many other infrastructure projects, implementation has been delayed, but there are also other major infrastructure development projects in the pipeline or ongoing.²³

Economic development projects

The following highlights major economic development projects for individual GCC countries cited in the country reports for this study.

²³ All sources cited in MENA-OECD Investment Programme, 2011.

Kuwait: The first Kuwait Development Plan (2010–2015)²⁴ intends to improve the economic performance of Kuwait by diversifying its economy away from dependence on oil. The Development Plan includes several major projects, such as the Silk City urban centre, a major container harbour, the railway and the metro system, along with additional spending on infrastructure and services, particularly health care and education. Additionally, a significant part of public spending will be invested in the oil and gas sector to raise production capacity and modernize current facilities. The implementation of the plan is falling behind schedule but is expected to expand the labour market for migrant workers in the areas of manufacturing, agriculture and transportation. In the coming years, the construction industry is also likely to experience growth due to the Kuwait Government's support to infrastructure development, with proposals to build hospitals and 80,000 housing units. Some of the big ongoing projects are the \$7 billion Metro Project and the \$3.3 billion Kuwait International Airport terminal.²⁵

Qatar: Oil reserves are expected to enable continued output at current levels for about 50 years. Qatar's successful 2022 World Cup bid is accelerating large-scale infrastructure projects, such as a metro system, light rail system, a new port, roads, stadiums and related sporting infrastructure. In the medium term, this will result in an increase in work opportunities in the service sectors, such as hotels, restaurants, housing, maintenance, cleaning and security providers.

Saudi Arabia: Both manufacturing and the wholesale and retail trade sectors appear poised to continue significant growth, creating opportunities for more low- to mid-skilled workers. There are also indications for opportunities in new subsectors, such as automobile manufacturing and “green” construction (including advanced water treatment systems and solar panels) that will require workers with specific technical and vocational skills.

The completion of six or more economic cities throughout the country by 2020 may drive accelerated growth in the non-oil manufacturing sector. Among them, the industrial and economic uses eventually assigned at the recently announced Salwa and Airport Road Industrial City may serve as useful bellwethers for the economic direction envisioned by the country's leadership and supported by international private sector actors. In addition, Saudi Aramco recently announced construction plans for three manufacturing facilities for petrochemical outputs as well as items meant for a new retail arm of the company, signalling potential growth in both the manufacturing and trade sectors.

The completion of six or more economic cities throughout the country by 2020 may drive accelerated growth in the non-oil manufacturing sector.

Three factors contribute to uncertainty around the economic predictions and trends for Saudi Arabia. First, the somewhat unanticipated and underestimated surge in US oil production might have unpredictable consequences on the country's revenue stream. Policy-makers will need to decide whether to increase production to maintain revenue at lower prices or slow down production in an attempt to maintain a high price floor. The effects of more moderate spending by the Saudi Government as a result of the lower oil

²⁴ Midrange Development Plan 2010/2011-2013/2014, General Secretary for Supreme Council for Planning and Development, Government of Kuwait, www.cba.edu.kw/reiyadh/522/Development%20Plan_2003.ppt.

²⁵ Real Estate Sector Kuwait – Capital Standards

prices are a second root of uncertainty around the country's economic performance. Third, recent changes in the country's migration frameworks complicate efforts to predict incoming migration flows and needs. Reactions to these developments will continue for several years and may result in unforeseeable labour market shifts.

UAE: Official numbers on economic projections were not available, although they may exist inside state institutions. The Government's Economic Vision documents describe a "knowledge society" in which high-value added manufacturing, logistics and transportation, a flourishing renewable and conventional energy sector, world-class research institutions and unique tourist attractions combine to constitute a resilient economic ecosystem. Although the vision document does not specify the extent of overall construction activity, both Abu Dhabi and Dubai envisage a considerable expansion over the next decade.

In the case of Abu Dhabi, the Saadiyat Island project sets out to combine real estate development on a hitherto uninhabited island with the creation of a cultural and education zone, including a world-class university, three major museums and other attractions. High-end residential projects are set to expand from the island of Abu Dhabi, the current urban centre, not only westward to the islands of Saadiyat and Yas but also southward towards new residential centres on the mainland.

Similarly ambitious development plans exist for Al Ain and the Western region in the Emirate of Abu Dhabi. As of early 2014, Dubai was set to resume major construction activity, with megaprojects becoming a focal point for expanded construction activity, such as the Palm Jebel Ali (which was discontinued during the economic slump in 2009 but has been revived) and the Expo 2020.

Overall, the next 15 years are expected to involve a sustained large-scale construction activity in the UAE, in the course of which the current population of major urban centres is expected to double again. The sectors that find themselves at the centre of this strategy are construction and real estate, tourism and hospitality, manufacturing and logistics, as well as education and health care, with significant expected demand for all levels of workers.

Employment trends and occupations in demand

The economic trends in the GCC countries largely indicate "more of the same" – new areas of labour demand are not particularly evident, whereas a continued demand for the present profile of migrant labour is clear. Malaysia's future economic growth strategy aims at developing skills and knowledge among its nationals while reducing the reliance on low-skilled foreign labour.

The population trends and economic development in the GCC countries have resulted in, on average, a foreign workforce of 85 per cent (de Bel Air, 2014), even though they represent only 70.8 per cent of the population. The labour force participation²⁶ rate of GCC nationals has been and remains low, ranging from 58.2 per cent in Kuwait to 63 per cent in Saudi Arabia for men, and from 44.8 per cent in Kuwait to 11.5 per cent in Saudi Arabia for women.

Labour nationalization drivers

The nationalization of labour markets in the GCC countries started in the 1990s, when structural unemployment emerged with unemployment rates above 10 per cent across the region. Since then, GCC governments have increased their labour market planning efforts and attempted to nationalize their labour

²⁶ Labour force participation data is not the same as employment as the former includes the unemployed.

force by increasing the employment of their national populations at the overall and sector levels through the introduction of labour market policies and quota systems. On the demand side, policies include increasing the cost of hiring migrant labour and restricting employment of natives in certain sectors. Supply-side policies range from restricting immigrant visas and taxing migrant workers to the deportation of irregular workers. At the same time, governments have offered incentives, such as wage subsidies, for employers to increase the participation of the national population in the private sector. Although the policies have had success in the public sector, they have almost totally failed in the private sector, mainly owing to the wide salary gap between the nationals and the foreign workers and strong opposition from private employers to employ nationals in place of foreigners (Kapiszewski, 2006). A common attitude of the private sector in the GCC countries is that nationals are too costly, often lacking the skills needed and, in particular, lacking the labour productivity (work ethic) required.

Over the past decade, governments of the GCC countries have invested substantially in educating their youth, increasingly by providing them with vocational skills. But the investments have not always succeeded in providing the quality and skills requisite for the modern workplace. Anecdotal evidence suggests that the majority of vocational trainees consider their education as a stepping stone to re-entering an academic educational stream and not as a basis for their professional lives. With regard to higher education, a similar situation is evident. National students tend to favour subjects that are not in line with private sector labour market requirements. Instead, the focus of GCC students is on general and higher education subjects in the areas of humanities and social sciences (Baldwin-Edwards, 2011), with an orientation towards white-collar jobs.

Long-term unemployment and the unemployment of educated women remain key issues, and these are most significant among youth, in particular because governments in the region are now encouraging women to participate in the labour market (GIC, 2012). Youth unemployment is at 29.2 per cent in Saudi Arabia, 12 per cent in Kuwait and 24 per cent in the UAE, whereas it is less than 3 per cent in Qatar. Job creation, in particular for the youthful cohorts of GCC jobseekers, is increasingly seen as an urgent but the most challenging goal on the GCC policy agenda (GIC, 2012).

The extent to which labour substitution and quota policies will have major impact on migrant labour demand in the foreseeable future is unclear; the secondary literature consulted as well as those interviewed for the study have different views about it. On one hand, many factors are driving a move towards substitution at skill levels. On the other hand, a general addiction to low-cost labour, issues relating to work ethics and huge price differences between nationals and migrants undermine the nationalization policies. The GCC countries, in particular the Government of Saudi Arabia, will continue to find ways to include their national populations in the labour force and to increasingly reinforce their immigration and labour laws, and the expansion of quota policies, such as the Nitaqat Law.

Table 13 highlights the large differences in wage/salary levels between nationals and expatriates per sector in Saudi Arabia. There is no specific data on the wage/salary levels for Qatar, Kuwait or the UAE but anecdotal evidence suggest that the differences between nationals and expatriates are similar to those in Saudi Arabia. No sex-disaggregated data could be traced for the different wage/salary levels for the GCC countries.

Table 13. Average Saudi and non-Saudi wages, by sector, 2011

Economic activity	Saudi average monthly wage (riyal)	Non-Saudi average monthly wage (riyal)
Agriculture, hunting, forestry and fishing	4 630	1 244
Construction	3 261	1 145
Electricity, gas and water	9 185	3 487
Banking, finance, insurance	6 963	2 880
Manufacturing	6 091	1 929
Mining and quarrying	15 080	7 944
Other activities, private sector, non-social services	23 587	18 353
Social service activities in the private sector	5 075	2 331
Postal, transport and communications	8 417	2 518
Trade, hotel, catering	3 605	1 420

Source: LSE and Dubai Economic Council, 2012.

In general, these cost differences indicate the mark-up that employers will have to pay for labour nationalization in different sectors. Nationalization measures substantially increase the cost of labour, as indicated in Table 13, necessitating productivity increases to reduce the numbers of workers needed. This policy has the potential to trigger shifts away from low-cost labour towards skilled labour with higher productivity. It might also result in an increase in informal or irregular employment, but the precise nature of this development is not known at this stage.

Public versus private sector employment

Most nationals in the GCC countries choose the public sector as their employment of choice. The employability of nationals is complex in view of the social contract that prevails in the GCC countries in which public sector employment is perceived as a “right” as well as a means for redistributing the oil wealth (GIC, 2012). As shown in Figure 3, the concentration of GCC nationals is particularly striking in Kuwait and Qatar, with 84 per cent and 86 per cent of all Kuwaiti and Qatari nationals, respectively, holding public sector jobs in 2010 (GIC, 2012). Half of the employed Saudis (at 52 per cent) were working in the government sector in 2011, down from 69 per cent in 2009 (de Bel Air, 2014). Similar figures for the UAE were not available. In particular, the public sector in Saudi Arabia is reaching saturation point. But as previously noted, the private sector is often not an alternative for many GCC nationals.

As shown Figure 4, foreign labour made up 89.1 per cent of the private sector’s labour force in Saudi Arabia in 2011 – above the GCC country average of 85 per cent (de Bel Air, 2014). In 2013, nearly 65 per cent of expatriates in Kuwait were working in the private sector, almost 29 per cent as domestic workers and a little less than 7 per cent in the public sector. Qatar shows similar concentrations, with the foreign workforce constituting almost 99 per cent of the private sector. Due to the small size of the national population, 57 per cent of the public sector jobs are also occupied by non-nationals. Similar figures for the UAE could not be obtained.

Hertog (2013) pointed out that in Saudi Arabia alone, 400,000 young jobseekers reach working age every year and have to be absorbed by the labour market. In light of the increasing awareness that the revenues from the oil and gas are not infinite, the financial implications of a large public sector are considered an issue of concern. Governments are, therefore, generally in a bind. Public sector saturation and difficulties in adjusting the attitudes and skills of nationals to enter the private sector, or successfully implementing policies to stimulate this, have left an unsolved problem. In theory, the need for solutions to this problem should lead to limitations on the importing of migrant labour.

In practice, both the difficulties in achieving significant national participation in the private sector workforce and the vested and lucrative interests in the migrant labour recruitment process have created an unpredictable situation in terms of the impact of labour market nationalization for future migrant labour demand.

As a consequence, the majority of the workforce in the private sector is a non-national, and this situation is, for various reasons, expected to remain in the future.

Figure 3. Nationals employed in the public sector

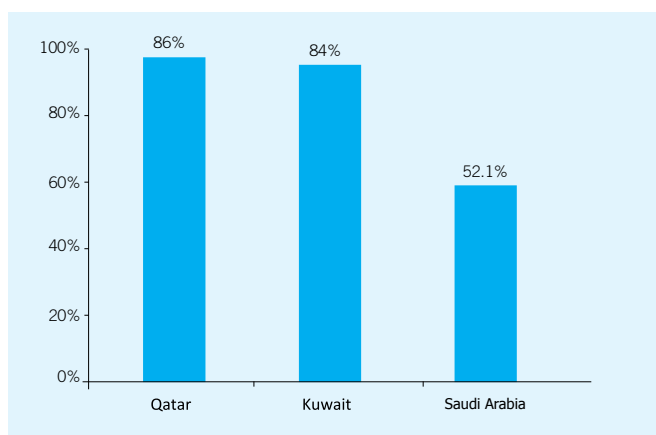
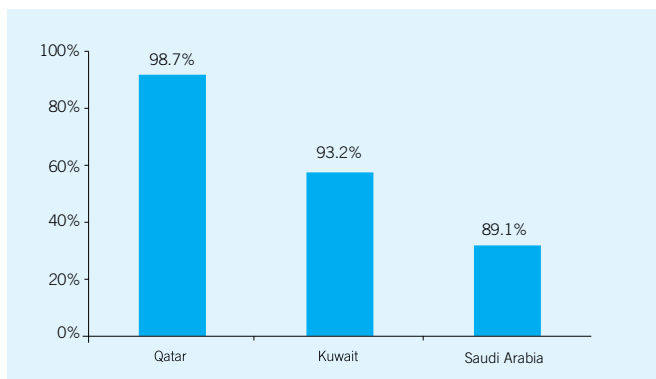


Figure 4. Migrant labour in the private sector



Source: Kuwait=PACI, 2013; Qatar=Labour Force Survey, 2012; Saudi Arabia=Central Department for Statistics and Information, Manpower Statistics, www.cdsi.gov.sa/english [accessed 2014].

The distributional pattern of employment of nationals and non-nationals has persisted for many years, which makes it difficult to reverse. At present, GCC governments can afford to subsidize this pattern.

Indicative demand for worker categories

Regardless of whether the right worker with the right skills gets the job, it is possible to indicate some future areas of demand based on economic developments, particularly since the overwhelming majority of labour demand is in the low-skilled category directly related to major infrastructure projects. Thus, taking into account the major infrastructure projects planned in Saudi Arabia, Kuwait, Qatar and the UAE in the medium term (up to 2025) and continuation of existing demand areas, the worker categories highlighted in Table 14 are projected, though in no particular numerical order or priority.

Table 14. Projected occupational categories of low-skilled or semi-skilled workers in medium-term demand, up to 2025

Construction and maintenance of buildings	Sales and services	Domestic work	Education and health
Construction supervisor/ foreman	Driver	Domestic worker	Nurse
Construction worker	Cook	House keeper	Paramedic
Welder	Waiter		Teacher
Plumber	Other hotel service staff		
Electrician	Cleaning labour		
Air-conditioning technician	Private service		
Tiler	Security guard		
Mason	Gardener		
Carpenter	Foreman		
Crane operator			
Maintenance engineer			
Civil engineer			

Source: Based on country studies, 2014.

Other than multi-annual labour force surveys, none of the GCC countries have a systematic approach to collecting labour market information, which would provide more regular data and information on occupations and skills required.²⁷ Thus, information is limited to economic sectors and occupations/jobs listed in Table 4. None of the four GCC countries in this analysis collects data on employment or self-employment, on the number of formal or informal establishments or on occupational or skill demands.

Employment of migrant labour by sector

Table 15 provides an overview on the most recent breakdown of employment of migrant labour by sector for GCC countries. The vast majority of male and female migrants work in sectors that require low-skilled labourers.

Table 15. Number and proportion of female migrant employment, by sex and economic sector in selected GCC countries (latest year)

	Number and % of males	Number and % of females	Number and % of males	Number and % of females	Number and % of males	Number and % of females
	Kuwait (2013)		Qatar (2012)		Saudi Arabia (2013)	
Total number of migrants (in %)	1 356 177 (100%)	128 720 (100%)	1 257 981 (100%)	137 793 (100%)	6 134 181 (100%)	641 489 (100%)
Economic sector						
Construction	160 013 (11.8%)	4 098 (3.3%)	582 445 (46.3%)	2 948 (2.1%)	1 591 523 (26.0%)	7 560 (1.2%)
Basic trade, wholesale & retail	602 178 (44.4%)	57 115 (44.4%)	158 506 (12.6%)	5 616 (4.0%)	1 341 755 (21.9%)	8 573 (1.3%)
Households with employed persons	–	–	56 609 (4.5%)	91 824 (65.4%)	902 795 (14.7%)	510 017 (79.5%)

²⁷ Bahrain is in the process of establishing a labour market information system.

	Number and % of males	Number and % of females	Number and % of males	Number and % of females	Number and % of males	Number and % of females
	Kuwait (2013)		Qatar (2012)		Saudi Arabia (2013)	
Community & social services	216 281 (16.0%)	47 056 (35.6%)	Included in education		140 649 (2.3%)	–
Manufacturing	132 885 (9.8%)	6 848 (5.3%)	116 992 (9.3%)	56 (0.4%)	484 516 (7.9%)	2 816 (0.4%)
Agriculture, forestry & fishing	57 885 (4.3%)	126 (0.1%)	Not specified		336 016 (5.5%)	864 (0.1%)
Transport & storage	70 081 (5.2%)	2 718 (2.1%)	70 447 (5.6%)	4 212 (3.0%)	150 830 (2.5%)	1 664 (0.3%)
Hotels & restaurants	Included in wholesale and retail		Not specified		227,559 (3.7%)	323 (0.1%)
Health care & social work	–	–	Included in education		214 444 (3.5%)	68 707 (10.7%)
Financial services & insurance	79 845 (5.9%)	8 290 (6.4%)	Not specified			30 499 (0.5%)
Public admin. & defence*	–	–	42 771 (3.4%)	2 527 (1.8%)	167 315 (2.7%)	1 246 (1.9%)
Mining & quarrying	8 837 (0.7%)	630 (4.9%)	88 059 (7.0%)	1 966 (1.4%)	26 616 (0.4%)	362 (0.1%)
Education	–	–	21 386 (1.7%)	20 078 (14.3%)	153 956 (2.5%)	29 273 (4.6%)
Real estate	Included in financial services		Not specified		34,707 (0.6%)	0
Electricity, gas & water	5 187 (0.4%)	125 (0.1%)	Not specified		20 503 (0.3%)	0
Other economic activities**	22 985 (1.7%)	1 714 (1.3%)	120 766 (9.6%)	8 565 (6.1%)	310 498 (5.1%)	10 084 (1.6%)

Sources: Author's calculations except where specified; *Saudi Arabia, Central Department of Statistics, www.cdsi.gov.sa/english [accessed 2014]; **Qatar, Labour Force Survey, 2012; Kuwait, PACI.

Trends in employment of migrant workers in the GCC countries

Attempts to nationalize the GCC labour market will continue in the future, but the success of such efforts remains unclear and not predictable, as previously noted. However, there will be little “competition” from within the GCC countries for low-skilled and most technically skilled migrant workers from South Asia because the majority of GCC country nationals will continue to aim for positions in the public sector and other managerial positions.

There will be an increase in the number of migrant workers needed in “traditional” migrant jobs, such as domestic work, manufacturing and construction as well as sales and retail, services and hospitality. Overall, these developments will have long-term implications for both the local and migrant labour markets. Whatever the success in encouraging a better distribution of nationals in the labour market, in the long term, migrant labour will have to compensate for the declining numbers of nationals. No projections or scenario modelling has been done on this issue because the variables of economic diversification, rates of population decline, compensatory effect of external investments (to oil revenues), the scale of future large infrastructure

projects and the success of national penetration of professional and managerial classes of labour are too unquantifiable at present.

The gender dimension

As Table 12 indicates, females make up a sizeable portion of the foreign population in some GCC countries (although the data includes non-working accompanying female spouses of high-skilled migrant workers).

Within the GCC countries, female nationals historically have not participated in the labour market because of their low education levels, high fertility rates and cultural restrictions. Over the years, labour force participation has increased, but remains low – with the exception of Kuwait. The increase has been the result of the changing nature of the labour market to a more knowledge-based society, together with improvements in the education of females, later marriage and declining fertility rates (GIC, 2012). However, the labour market and employment opportunities for national women remain very different to the one for female migrant workers and focuses on employment in the public sector and on highly skilled and highly paid jobs in the private sector.²⁸

Another trend in South Asia is the increasing share of female workers migrating for overseas employment. Of course, this increase starts from a low level: The share of female migration is large only in Sri Lanka, where women constitute about 50 per cent of all temporary labour migrants, compared with 6 per cent in Nepal and 1 per cent in Pakistan (ILO, 2014). Because low-skilled female migrants are one of the most vulnerable groups, policy ambiguities concerning their migration are currently limiting their movement from all South Asian countries. India, for example, only permits women aged 30 or older to migrate for low-skilled occupations; Nepal similarly bans women younger than 30 from going abroad for domestic work. Sri Lanka applies different age limits (21, 23 or 25) for women migrating for domestic work, including a full ban for those with children younger than 5 years. Given this, there are now increasing calls for promoting greater opportunities for female migration in most South Asian countries. Pakistan's new emigration policy, for example, emphasizes the importance of increasing female migration for non-vulnerable occupations.

The change from Arab to Asian foreign workers has had a great impact on the gender distribution of the GCC foreign workforce.²⁹ The majority of Arab migrants come as families, with the female spouse often staying at home and not working. In contrast, Asian migrant workers, male and female, tend to come alone because they are usually not allowed to bring their families. They come typically for short periods but with the sole purpose of working and earning money.

The majority of the female migrants from South Asia are considered as low-skilled workers. Most of these women are employed as domestic helpers or in other low-end service provider activities, such as babysitters, caregivers for the elderly and cleaners. More than three-quarters of all Asian women migrants are concentrated in a single occupation – domestic work. A small percentage of women from South Asia also work as semi-skilled or skilled workers, such as para-medicals, accountants and teachers. Employment in these occupations is often precarious, though it is less likely to be affected by economic cycles (Thimothy and Sasikumar, 2012).

The large demand for women to work as low-skilled labour is primarily led by the labour market structure of destination countries and their social and cultural practices. The shortages of available local labour and the positive economic situation in the GCC countries enabled the hiring of migrant women domestic workers.

²⁸ This varies from country to country, with Saudi Arabia having strict rules for employing women and Kuwait more open, with national women having fewer restrictions to participate in the labour market.

The rapid prosperity and expansion of the service economy has meant that there has been consistent and increasing demand for low-end and low-cost service providers. Even if national women take up paid employment, there will be a need for child care and other domestic responsibilities, which is entrusted to foreign migrants. These migrant workers form an important support base for the women of the destination country because they free up their female employers to take up paid employment outside the home. Some countries, such as the UAE, have introduced female drivers, with the majority coming from Ethiopia, to cater for the transport of single women or families.

Overall, the reliance on domestic workers has been increasing in all GCC countries, and these women comprise about 10 per cent of the total population in some countries, such as Kuwait. They also constitute approximately 70 per cent of the total female foreign labour force in the GCC countries (Fargues, 2013).

Despite these conditions, the feminization of migration to the Gulf region has had some positive impacts on several regions of South Asia. The increased remittances by female migrants have influenced the development narratives, for example in Nepal, and the increased income also has empowered women at the local and household levels (Thimothy and Sasikumar, 2012).

The gender dimension of migrant labour has a number of characteristics that, in the short or medium terms, are unlikely to change but in the longer term could have an impact.

Cultural restrictions on national women participating in the workforce are likely to find growing resistance among the increasingly better educated and more globally aware national women. This will not, for other cultural reasons, result in displacement of female migrant labour in largely menial occupations in the service sector. It is more likely to find an outlet in entrepreneurial activity in the private sector, such as retailing directed at supplying female requirements, or positions in the public sector. The inclusion of national women in the labour market and other reforms might have an impact on other sectors of the labour market, however.

Cases of abuse of female domestic workers have tended to attract a large amount of attention and have driven some migrant labour protection legislation in countries of origin and destination. The vulnerability of female migrant workers may remain one of the drivers for worker protection in general. Unfortunately, in a competitive situation, this may have the effect of encouraging recruiters to look for workers willing to ignore the risks.

5.2 TRENDS IN MALAYSIA AND THEIR IMPLICATIONS FOR DEMAND OF SOUTH ASIAN LABOUR MIGRANTS

Population trends

Malaysia's population is characterized by a much smaller national-to-migrant ratio than GCC countries – to the extent that issues relating to balance and potential political risk are not significant. Between 1991 and 2010, the total population of Malaysia grew from 18.5 million to 28.9 million. At the same time, the non-Malaysian population almost tripled, from 0.8 million in 1991 to 2.2 million in 2010. This represents an increase of the migrant population in their share of total population, from 4.3 per cent to 7.8 per cent.

²⁹ These are mainly Yemenis, Egyptians, Sudanese, Jordanians, Palestinians and Syrians.

Trends in economic development

The economy of Malaysia³⁰ has evolved from being largely agricultural based in the 1970s to being dominated by industry, with related implications for the labour market. The rapid growth in the late 1970s brought about significant structural changes and labour market segmentation. The economy grew at an annual rate of around 9 per cent from 1975 to 1980, creating labour market imbalances in the agriculture sector and motivating the initial use of small numbers of foreign labour to work in the rural plantation sector. Sustained high growth, accompanied by rapid industrialization and modernization of the economy, especially since the late 1980s, increased the speed and scale of the influx of low-skilled foreign labour into the country. There are no reliable estimates of foreign workers until the 1990s because their initial inflows were predominantly informal and unregulated.

The manufacturing sector grew at an unprecedented rate of around 14 per cent per annum from 1975 to 1980, increasing its GDP share by about 4 per cent and its employment share by about 2 per cent annually. Likewise, the services sector also grew rapidly. The expansion of urban-based jobs offered better wages and working conditions for the national population, more in line with the higher wages of the better-educated labour force. The construction sector, another high-growth industry, also faced severe labour and skill shortages from the late 1970s when Malaysian construction workers began emigrating to the rapidly growing newly industrializing economies, where wages were much higher. Severe labour shortages in the rural areas were met by a steady rise in migrant workers.

Employment trends and occupations in demand

Economic slowdown in the early 1980s and the rise in unemployment failed to stem the reliance on migrant labour. Foreign workers continued to meet labour market imbalances in low-skill, low-wage occupations that were generally deemed “3D jobs” – difficult, dirty and dangerous – and were shunned by the locals. Thus, foreign labour largely complemented local labour in these occupations and locations during this phase of development.

The second wave of migrant worker inflows coincided with the economic boom of the late 1980s until the 1997 Asian financial crisis. The speed and scale of the inflow of migrant workers during this phase was unprecedented. Migrant workers became much more diverse in terms of nationality and sex, occupation and location. The economy grew at a rate of about 10 per cent per annum from 1987 to 1997, causing widespread labour shortages and escalating wages. Within a span of a few years, the economy transformed from a situation of high unemployment in the mid-1980s to full employment by the early 1990s. Although the local labour force expanded at 3.1 per cent per annum between 1990 and 2000, it was not able to keep pace with the rate of job creation, at 3.3 per cent.

Malaysia's future growth strategy is based upon developing and utilizing the best skills and knowledge possible and reducing reliance on low-skilled foreign labour. The development goal is to become an industrialized economy with a per capita income of \$15,000 by 2020 through the implementation of the several initiatives under an Economic Transformation Programme (ETP), Strategic Reform Initiatives and Government Transformation Programme (GTP). Initiatives under the GTP aim to address the major weaknesses in the government machinery in terms of implementation and efficiency of delivery, while the ETP outlines an ambitious ten-year economic roadmap to attain the high-income status by 2020.

Under the ETP, the economy is targeted to grow at 6 per cent annually to reach a per capita income of MYR48,000 (\$14,700) within ten years. This would involve a total investment of approximately MYR1.4 tril-

³⁰ Information on the economy of Malaysia is based on the statistics of the Department of Statistics Malaysia; Economic Statistics – Times Series, 2013.

lion (\$428 billion). A total of 131 projects are to be implemented across 12 national economic areas, creating an estimated 3.3 million jobs by 2020 (Table 16). About 60 per cent of the jobs are to be high skilled. Notably, the ETP would be private sector driven, with private funding contributing about 92 per cent of total investment. The Government is to serve as the enabler and catalyst.

Table 16. Number of jobs created between 2010 and 2020

National key economic areas	Number of new jobs planned by 2020	% of jobs created
Wholesale & retail	595 000	18.0
Education	536 000	16.2
National Key Economic Areas Greater Kuala Lumpur	520 438	15.8
Tourism	497 200	15.1
Financial services	275 000	8.3
Business services	245 500	7.4
Health care	181 000	5.5
Improving electronics & electrical	157 000	4.8
Palm oil	123 400	3.7
Agriculture	74 000	2.2
Oil gas & energy	52 300	1.6
Communication content & infrastructure	43 162	1.3
Total	3 300 000	100.0

Source: PEMANDU, 2014.

The bulk of the job creation is by domestic-oriented industries, such as tourism, wholesale and retail and education in Greater Kuala Lumpur. The National Key Economic Areas Greater Kuala Lumpur is a regional economic development initiative that includes investment in infrastructure, the environment, city management and cultural, social and community facilities that meet the highest expectations of the majority of residents, workers, visitors and investors.

Based on current data on skills structure, growth sectors included in the National Key Economic Areas, such as agriculture, palm oil, rubber and the electrical and electronics (E&E) industries, are heavily reliant on low-skilled general workers. For instance, in the agriculture sector, about 70 per cent of the workers are general workers. Likewise, the E&E industries (at 72 per cent), palm oil (at 87 per cent) and rubber (at 78 per cent) also rely heavily on general workers. Although palm oil and agriculture are expected to create only 3.7 and 2.2 per cent, respectively, of the new jobs, the growth sectors are expected to continue depending on low-skill migrant workers in the near future. Since the launch of the ETP in 2010, a total of 196 projects have been established under the National Key Economic Areas, with a total committed investment of MYR219.3 billion, or approximately \$67 million.

5.3 TRENDS FOR INDIA AND THEIR IMPLICATIONS FOR DEMAND OF LABOUR MIGRANTS FROM NEPAL

Employment trends and occupations in demand

In 2009, India embarked on a major skills development initiative to create a skilled workforce of more than 500 million people by 2022. At present, only one in 20 Indians aged 15–25 years has a TVET qualification and more than 90 per cent of the workforce is engaged in the unorganized sector. The Government set up a number of institutions and initiatives aimed at improving various aspects of skills development, such as establishing a qualifications framework and related competency-based curricula/assessment, improving labour market information, teacher training and expanding the skills development programmes to reach out to many more potential learners. The National Skills Development Corporation (NSDC) has been driving an initiative to provide labour market information and projecting the skills requirements for the different states of India.

Although this data and the analysis is indicative and not based on verifiable evidence, the NSDC predicts there will be maximum demand for skilled workers in Uttar Pradesh State over the next ten years, at 37 per cent of the total incremental demand (Table 17). This is likely to be followed by demand for semi-skilled workers, at 35 per cent, and low-skilled workers at 28 per cent. Although the estimations on the supply side at the semi-skilled and minimally skilled levels indicate a surplus, this does not suggest that the skill requirements of industry will be met. It only implies that there will be sufficient human capital available; to match the skill requirements of industry, however, workers will need to be re-skilled and have their skills expanded.

Table 17. Incremental demand for labour in Uttar Pradesh State, projections to 2022

Skilled labour	37%
Semi-skilled	35%
Minimally skilled	28%

Source: NSDC, 2013.

Most of the human capital required in Uttar Pradesh is and will remain in agriculture, small-scale manufacturing units, construction and the unorganized sector, where low-skilled workers are mainly employed. Although the low-skilled category may be one in which workers have a 10th standard or less education, they will require specific industry-related training (vocational training) to be employable.

The NSDC estimates indicate a sufficient supply of skilled workforce in Delhi during 2012–2017. There is no shortage to meet the incremental demand in the Delhi National Capital Territory and satellite districts of Faridabad and Ghaziabad because these areas have a considerable number of higher education institutes to provide a skilled workforce. Although there is a shortage of skilled workers in the districts of the New Okhla Industrial Development Authority (NOIDA, in Delhi), Greater NOIDA and Gurgaon, almost 60 per cent of the incremental demand for skilled workers is in the IT and the business processing outsourcing sectors, for which the workforce usually comes from regions across the country. Considering that a skilled workforce is typically mobile in nature (employment is usually not in the region where training is received) and that there is a huge oversupply of skilled workers in other districts of the study area, there are no major concerns pertaining to the supply of skilled workers.

The NSDC predicts that there will be a shortage of semi-skilled workers. Within the semi-skilled workforce, there will be no shortage of informally trained workers because the minimally skilled workers will be promoted, based on their experience and expertise. The supply for formally trained workers will be dependent on the availability of training infrastructure and their enrolment. Based on this, there is likely to be a significant shortage of semi-skilled workers across all districts, particularly in Faridabad and Gurgaon, which have large-scale manufacturing industries.

There is an adequate supply of minimally skilled workers in the region, despite likely shortages in certain districts (Gurgaon, NOIDA and Greater NOIDA). There are needs for semi-skilled and skilled workers, but it is questionable if, when and how many Nepali workers can enter these markets because the Indian Government is doing its utmost to train and place its own citizens. There is certainly a need for improving the access, quality and quantity of TVET in Nepal to ensure the availability of better-skilled workers for the national and international labour markets.

It is also questionable if Nepali workers can benefit from the new skills development programmes of the Indian Government, given recent history of excluding them from government sector jobs and related training programmes as well as the need for the Indian Government to focus on its own citizens first.



Young Nepali men taking vocational training © ILO/Bikram Rai

Chapter 6 | Recommendations

Based on the analysis of the findings from the six country studies, the following recommendations are offered to help inform strategies for improving labour market participation in destination countries for low-skilled and semi-skilled migrant workers from Bangladesh, India, Nepal and Pakistan. The feasibility of these recommendations will vary by country due to the different political contexts, institutional capacities and labour market goals.

The recommendations reflect the labour market trends between countries of destination and origin. It is important to emphasize the equal significance of the country of origin studies, which were designed with input from the findings presented in this report. The following recommendations should be considered along with the recommendations from a specific country of origin report.

Many of the recommendations will require inter-governmental action, official regulations, policy developments, coordinated interagency action, changes in internal procedures of private organizations and private sector initiatives. They can be picked up by a number of actors, including governments of origin and destination, international agencies and NGOs, recruitment agencies, trade unions, academia, media and others concerned with labour migration.

Recommendation 1 – Connect TVET systems to labour migration needs

Labour migration can be a vehicle for balancing labour supply and demand between countries and stimulating innovation as well as for transferring and spreading skills. However, labour market information systems, labour market needs assessments and skills recognition need to be in place to avoid skills miss-match, brain waste and de-skilling. The labour market trends analysis concluded that within the migration corridors under review, there are virtually no systems of mutual recognition of educational attainment and acquired skills; nor are there comparable standards for low-skilled and semi-skilled occupations. There also appears to be a disconnection and apparent irrelevance of skills training and accreditation to income of individual migrants.

To address some of these gaps:

- Ensure that information generated by future labour market analysis and assessments of occupations and skills in demand will be used effectively for planning and improving education and vocational training to ensure a better match between supply and demand.
- Conduct an assessment of the convergence between emerging skill needs and specific, medium-skilled curricula in TVET institutions and universities. This assessment should involve labour ministry staff, TVET planners, TVET institution heads and senior instructors in countries of origin.
- Conduct study visits to TVET training institutions in destination countries and selected employers involved in the targeted industries. Study visits ensure curriculum alignment and equipment requirements and help build stronger relationships.

- Develop a system in which workers can have their qualifications and skills tested, certified and recognized, either in their home country or in the country to which they migrate. This should be done in coordination with the relevant country of destination, which can also provide testing and certification of accumulated skills throughout employment. Countries of origin and destination could enter into agreements on the mutual recognition of upgraded skills through internationally recognized skills passports.³¹ The ongoing UAE/Kuwait pilot skills project (see footnote 22) is an example in this area that should be monitored, evaluated and replicated as relevant.
- Consider a system of mutual recognition of skills and qualifications. This is typically seen in fairly advanced economies (such as in the European Union), and the application to the migration channels under review is limited.³²
- Consider joint minimum standards in cases where there is considerable variation in occupational classifications and qualification frameworks between countries of origin and destination. The approach should define a minimum level of skills and knowledge required by a particular occupational profile, sector or industry and allow for diversity between national frameworks while enabling cross-border comparison.³³ The ILO has developed a tool called Regional Model Competency Standards that can be useful as guidance.³⁴
- Develop systems for skills recognition of returning migrants. Many migrant workers return without the opportunity to have their newly acquired skills and work experience formally acknowledged in their country of origin. The ILO has developed a set of guidelines on Recognizing the Skills of Returning Migrant Workers³⁵ that provides guidance on this process.
- Review opportunities for marketing and brand building. Although the countries hiring migrant workers have access to a global skills market, employers and recruiters are steered by perceptions about skills and qualities of workers from various countries. Therefore, countries of origin need to analyse skills in demand and the matching skills available but they also need to develop a marketing strategy on how to position their workers in the market, including character attributes, such as work ethic. Such a strategy would need to overcome negative stereotypes related to national perceptions.

Recommendation 2 – Standardize recruitment practices and employer engagement

The labour market trends analysis focused on recruitment primarily from the point of view of the match between skills in demand and supply. The analysis concludes that malpractice and abuse, including high fees, misrepresentation of jobs, failure to meet placement obligations and contract substitution, are typical across South Asia's recruitment industry and in the six countries of destination. To begin addressing these issues:

- Promote an increased use of skills recognition mechanisms by the larger recruitment agencies, including recruitment agencies doing skills tests in the countries of origin. This could result in an increased demand for specific skills and selection of skills and enhance the probability that migrant workers are recruited for a job that meets their skills.

³¹ For such a system to be effective, the following is needed: specific competency standards in destination countries, testing centres, test designers and assessors in origin countries; and a certain level of trust between the two countries that institutions and assessment practices meet required standards of quality.

³² For such a system to be effective, the following is needed: both countries have national qualifications and certification systems in place, mutual trust and active dialogue among countries of origin and destination, referencing system in place which offers benchmarks in terms of levels, credits and qualification types that both the qualifications frameworks in countries of origin and destination can relate to for mutual recognition of skills and certificates.

³³ It does not include systematic recognition of certificates as in the model of Mutual Recognition of Skills and Qualifications, but it acts as a common "translation tool" to allow the skills of migrant workers to be evaluated simply and effectively. Joint minimum standards have an important role in cross-border skills recognition because they provide a guide to the minimum level of skills and knowledge required by a particular sector or industry.

³⁴ The Regional Model Competency Standards defines the essential skills required to work in a particular industry or sector. The RMCS can be customized to suit the skills recognition systems in different countries and can be used by governments, employers, workers and training organizations. The ILO has developed a number of RMCS to cover industries, including manufacturing, tourism, construction, mechanical skills and domestic work. For more information, see <http://apskills.ilo.org/resources/regional-model-competency-standards-domestic-work>.

³⁵ See <http://apskills.ilo.org/resources/guidelines-for-recognizing-the-skills-of-returning-migrant-workers>.

- Support and engage employers' organizations that are considering skill development of their (future) employees and recognition as an integral part of their business model. The pioneers can take a significant role in jointly developing skills and recognition programmes that simultaneously work to prevent abuse and ensure the protection of migrant workers and prove the profitability of such involvement.
- Support legislation and enforcement in countries of origin. Further develop and apply standards to recruitment agencies relating to processes, fees, minimum skills, management of visas, pre-departure requirements, contract verification, regulation of sub-agents and incentives for well-performing agencies.
- Support legislation and enforcement in countries of destination. The key areas of attention include prohibition of free visas and visa trading, simplifications of immigration procedures linked with job vacancies and shortages; review the options for kafala reform in the GCC countries.
- Support and promote self-regulation by private employment agencies through ethical codes of conducts. Promote membership of the International Confederation of Private Employment Agencies (CIETT) and adoption of the CIETT Code of Conduct. Encourage the development of self-monitoring schemes among recruitment agencies.³⁶ The ILO Fair Recruitment Initiative is developing benchmarks based on due diligence procedures that could be used to develop business models.
- Consider expanding recruitment options beyond private recruitment agencies. Such possibilities include public placement agencies, direct recruitment through accredited employers and e-recruitment (with labour attaché attestation).

Recommendation 3 – Promote bilateral, regional and interregional exchange and action

The South Asian countries studied in this labour market trends analysis share many challenges and opportunities related to skills, recruitment and employment of their out-bound migrant workers. The analysis concludes that issues related to the skills of migrant workers including training, certification, accreditation, recruitment and future demand, needs to be addressed through partnerships between countries. Some possibilities for further action include:

- Continue to develop and implement bilateral agreements and MOUs and ensure more effective implementation of those in place. Adopt action plans along with the signing of the MOUs and periodic monitoring and evaluation of implementation and outcomes. Bilateral agreements and MOUs should explicitly include recruitment and skills issues. The Saudi Arabia dedicated domestic worker agreement is a noteworthy improvement that has clearer provisions on recruitment as well as a standard model employment contract.
- Continue to support interregional processes, such as the Abu Dhabi Dialogue and Colombo Process. Such forums have an important role in dealing with pertinent issues, helping to develop a common position, sharing expertise and information (procedures, data collection, standardization of procedures and regulations such as development of standard or model contracts and GCC unified contracts), and providing mutual assistance. Knowledge products, technical briefs and highlighting good practices can be developed and presented in regular meetings.
- Consider the South Asian Association for Regional Cooperation (SAARC) as an important platform for South Asian countries of origin to develop common positions, share experiences in areas of mutual interest and find solutions to common problems.³⁷ SAARC can be used to address the perception of national stereotypes, discriminatory or unclear regulations relating to hiring, contracts, protection, wage mechanisms, varying skills certification and alignment with emerging requirements.

³⁶ The self-monitoring and ranking model developed by the Association of Vietnamese Manpower Agencies that ranks agencies according to their compliance with a code of conduct on ethical recruitment is considered a good practice.

³⁷ Particularly since the adoption of the Kathmandu Declaration from the eighteenth SAARC Summit, on 26–27 November 2014, where delegates from the eight SAARC countries agreed to collaborate on the management of labour migration from South Asia.

- Continue to build the capacity of trade unions to promote dialogue, gain knowledge and share experiences. The South Asian Regional Trade Union Council is well positioned to act as a vehicle for joint trade union action across South Asia and the GCC countries. Trade union agreements between countries of origin and destination should be expanded, regularly monitored, evaluated and replicated.
- NGO partnerships between origin and destination countries should be scaled up and extend to women's groups, diaspora groups and human rights groups for more impact.

Recommendation 4 – Strengthen the knowledge base and tracking developments

A lack of information on qualifications, skills and wages and how demand will evolve in the short, medium and long terms limits public and private institutions and migrant workers ability to make informed decisions and results in lost opportunities and training investment mistakes. Although this analysis brings together a range of information related to the role of skills, some information gaps remain for further research:

- Develop approaches for and undertake regular labour market assessments of occupations and skills in demand in priority sectors in destination countries.
- Study differences between the TVET curricula, assessment and certification systems within origin countries and between origin and destination countries. Assess if “alignment” is realistic, given the superior resources and more advanced employment sector in destination countries.
- Identify ways in which countries of origin can improve their competitiveness in the migrant labour market. This would include responding to emerging economic and labour-market trends and diversification from the present stereotypes relating to type of employment in countries of origin.
- Monitor legal and policy changes related to migration, recruitment of foreign workers, working conditions and labour inspection in countries of destination.
- Study issues related to recruitment networks in destination countries and the role of employers. To what extent is labour availability driven by recruiters or employers? What are the changing patterns caused by the growth of large recruiters (as in Saudi Arabia)? How can employers in the destination countries facilitate improvements in the recruitment process?
- Study issues related to salaries, remittances and migration costs. How much and to whom do low-skilled and semi-skilled migrant workers pay to migrate for jobs in the six countries of destination? How does rent-seeking in the recruitment process affect migrant savings or increase recruitment costs to the employer? Who benefits from remittances, savings, earnings of migrant workers and how?

Recommendation 5 – Expand awareness of migration processes and disseminate needed information

The labour market trends analysis identified a number of information needs that should be met. Specifically for potential migrant workers this includes information relating to migration processes, costs, stakeholders involved and processed experiences. To provide access to such information:

- Assess and strengthen online information for migrant workers. This includes an assessment of what is already available and how it can be improved, kept dynamic, and hosted sustainably; integration of pre-departure materials and other relevant preparation material; creating or expanding the network of contributors – migration resource centres in South Asian countries, links with employers, research networks and embassies; ensure country-, sector- and language-specific subsections; and promote the vehicle for information dissemination (website and mobile applications). Such information system can include an employment function specifying salary, skills, benefits, etc. for each position.

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- Develop campaigns and migrant worker resource centres to provide information and support services to potential and other migrant workers. Information is needed on skills in demand, training opportunities and mechanisms for certification before and after migration, official recruitment channels, rights and obligations and conditions of work in destination countries.
 - Design and implement pre-departure orientation courses. Ensure that the courses are sector and country specific to ensure optimal relevance for participants. In implementing pre-departure training, the quality of trainers is important – they need to be well trained and able to engage effectively with low-skilled and semi-skilled migrant workers. Participatory delivery approaches should be considered, along with engaging and interactive learning materials.



Migrant workers work on a construction site in Qatar © ILO/Apex Image

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Labour Market Trends Analysis and Labour Migration from South Asia to Gulf Cooperation Council Countries, India and Malaysia

Despite the substantial benefits generated by the South Asia–GCC migration flow, many challenges remain to ensure a fairer distribution of the profits. Much has been written on the abuses of migrant workers during recruitment and employment throughout the migration cycle, but less is known about labour demand, its relationship to skills and the impact of the recruitment process on these aspects.

Lack of information regarding qualifications, skills, wages and how demand will evolve inhibits informed decisions by public and private institutions as well as by migrant workers. This results in lost opportunities or mistakes with training investment in both source and recipient countries. Additionally, there is no system of mutual recognition of educational attainment and acquired skills based on comparable standards for low- and semi- skilled occupations.

This report addresses some of these issues with a special focus on the role of skills – including training, certification, accreditation, deployment practices and future labour demand – for both the countries of origin and destination. It is a summary of six studies, each related to a prominent destination country (India, Kuwait, Malaysia, Qatar, Saudi Arabia and the United Arab Emirates) for migrants from Bangladesh, India, Nepal and Pakistan.

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