



ILO Acting Regional Director for Arab States Frank Hagemann (right), ILO Director-General Guy Ryder (centre), and Kuwaiti Ambassador to the UN Jamal Al-Ghunaim (left) at a signing ceremony in Geneva in which Kuwait pledged new funding for ILO projects in the occupied Palestinian territory.

Frank Hagemann Deputy Regional Director for Arab States International Labour Organization

Gulf Affairs: What is the role of the ILO and how is it working with and supporting governments in the Gulf?

Frank Hagemann: The International Labour Organization (ILO) works around the world on policy and a practical level with governments, workers and employers towards what we call “Decent Work” for all. In short, Decent Work sums up the aspirations of people in their working lives—for opportunity and income; rights, voice and recognition, professional development, and gender equality. How do we achieve this? Through innovative programs to create jobs and develop enterprises, through promoting social protection as well as standards and rights at work, and by strengthening social dialogue. Our fundamental, overarching objective is to make social justice a reality.

This is our global mandate. But in the Gulf Cooperation Council (GCC), there are a number of unique circumstances that come into play. For example, the Gulf countries form the largest migrant-receiving region in the world. In 2013, migrant workers accounted for 45 percent of the region’s overall population.

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This cannot but have a profound impact on the social fabric of societies and local labor markets. Also, the way labor migration is being governed has unfortunately resulted in widespread abuse of foreign workers, including situations akin to forced labor.

A fair share

To address this issue in the GCC and indeed in other regions around the world, the ILO has developed a Fair Migration Agenda through which we join forces with all players in the world of work to give migrant workers decent working conditions and a fair share of the prosperity they help create.

This is a very exciting time for the ILO regional office in the Arab states, because we have just signed an important agreement with the United Arab Emirates, which serves as a good example of how we support GCC governments. The agreement initiates a two-year ILO project to build the capacity of the UAE's Ministry of Labor to manage and monitor its labor market for the benefit of all workers, including migrant workers. It's an ambitious UAE-funded project that we have great hopes for, as it will provide policy makers with the tools and information to better govern the labor market and monitor progress. It will enhance labor inspection capacity to monitor working conditions, develop dispute prevention and resolution mechanisms, and improve access to justice for migrant workers. The project will see the ILO and UAE working together to also develop a national occupational safety and health policy.

In addition to numerous such projects in the region, we also support Gulf countries with training programs on a number of issues, including on how to develop and implement national employment policies. For example, we are currently conducting a series of training sessions for GCC policy makers on developing a comprehensive, unified and systematic approach to collecting and analysing market data based on international standards.

I would also like to take the opportunity here to refer to the generous support of GCC countries for our projects elsewhere in the Arab world. The Kuwaiti government recently pledged new funds to support the ILO's Decent Work Agenda in the occupied Palestinian territory, bringing its total contributions to this important program to US\$3.5 million since 2009.

Gulf Affairs: What are the main challenges facing labor markets in the GCC states?

Hagemann: The GCC is a dynamic region undergoing a vital process of rapid economic growth and diversification into new sectors. Yet significant challenges persist in the labor market. We were just discussing over-dependence on cheap migrant labor; this has come at the heavy expense of GCC nationals. It has resulted in rising unemployment amongst them and little national employment in the private sector.

Two labor markets

There are, in fact, effectively two labor markets, segmented by nationality. The first is the public sector market which remains the most promising employer for nationals, offering higher wages, better benefits, shorter working hours and more job security.

Public employment is perceived as an entitlement for GCC nationals, and a reason behind their relatively

high unemployment rate given their unwillingness to settle for what is perceived as inferior conditions in the private sector. The welfare system is also encouraging workers to line up for public sector jobs at the expense of private sector employment.

The second is the private sector, dominated by migrant workers, many of whom are low-skilled and accept low wages.

This segmentation means that government budgets are shouldering the increasing costs of nationals entering the public sector. Oman, for example has already started running a budget deficit due to the increase in government salaries and subsidies, and Saudi Arabia is expected to do so within two years.¹

It has also led to uncompetitive education systems and low levels of skills, together with a mismatch between supply and demand for skills. Although education is free for nationals at all levels, there are few incentives to choose one major over another, as many nationals seek a degree—any degree, regardless of the subject—simply to guarantee a job in the public sector.

Related challenges are the high unemployment rates of women, especially amongst the most educated, and *underemployment*—many nationals are at work, but mask cases of being underemployed because of overstaffing, skills mismatch and underutilization.

Public sector dependence

So what can be done in the face of challenges so deeply entrenched in the very fabric of society and economy? Well there are no easy answers, but, in the first instance, GCC countries must work on changing the prevailing culture in which citizens rely on the public sector and expect it to continue to act as a guaranteed employer. Further development of the private sector and increased efforts towards higher productivity are clearly needed. Indeed, a key challenge is finding more ways to diversify the economy and develop non-oil tradable sectors, which in turn would generate sustainable private sector employment. Job opportunities must be created for women, given the increase in their labor force participation rates. Developing the education system, including technical and vocational education and training, is crucial for improving employment prospects for nationals.

Gulf Affairs: Where in terms of labor standards are the Gulf states falling behind? In which areas do you see progress?

Hagemann: It is encouraging to see that some progress has been made in improving the working and living conditions of the mostly migrant labor force. But there are still significant challenges, for instance regarding the regular and full payment of wages, minimum standards of occupational safety and health, and access to justice in cases of abuse. Some of the issues appear to be related to the visa sponsorship system by which workers are closely tied to their employers. In some instances this leaves them little choice but to accept the unacceptable, due to their inability to change employers. Some Gulf states appear to be

¹ Booz Allen Hamilton. *Building a Diversified Economy: How Gulf Cooperation Council (GCC) Nations Can Stimulate Private-Sector Innovation and Sustain Long-Term Growth*. 2014.

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rethinking the utility of the current shape of this system, both to avoid the potential for abuse inherent in an unbalanced employment relationship, and to achieve more flexibility in the labor market.

Progress has also been made in overcoming some of the limitations on women's ability to participate in the labor market under equal conditions, although more needs to be done to counter gender-based discrimination.

With regards to trade union rights, freedom of association is severely restricted in most countries of the Gulf, at least for migrant workers, who make up the majority of the labor force—with the exception of one country, Kuwait, none of the Gulf states have ratified the fundamental ILO conventions in this area: Convention 87 and Convention 98.

However, Gulf states have made certain legislative efforts to enhance the protection of workers through better labor laws, as well as the enforcement of existing legislation through better labor inspection systems. The political will to improve labor inspection systems is also reflected by the fact that almost all Gulf states have ratified the main international convention in this area: Convention 81. In particular, efforts have been made in some countries to enforce limitations of working hours, regular payment of wages and minimum standards for workers' accommodation.

Gulf Affairs: All the Gulf states have implemented labor nationalization initiatives: Emiratization, Saudization, Kuwaitization, etc. What are your insights on this and what can be done to promote the participation of nationals in the private labor force?

Hagemann: Each of the GCC countries has set out national development strategies to diversify the economy and reduce dependence on the hydrocarbon sector, and to create jobs for nationals. But there has not been a significant improvement in the rate of national and youth employment in the Gulf region. It has become clear in recent years that the shortage of jobs for nationals is not due to inadequate job creation, but to the *types* of jobs created, and to underinvesting in education and skills.

Of the millions of jobs created in GCC countries over the past decade, most were low-paid construction jobs, filled by low-skilled expatriate workers. But many also went to highly educated expatriates because of a lack of nationals with the necessary skills.

Job diversification

One effective way to achieve diversified job-rich growth for GCC nationals is through an integrated approach to develop socially responsible and sustainable enterprises in these countries. The ILO stresses that enterprise development can be fostered in the region through the creation of favorable policies and regulations, the delivery of supportive services to existing and potential entrepreneurs, and promotion of an entrepreneurship culture through formal and vocational education institutions. For the GCC region, these strategies can contribute to the decrease of nationals' dependency on the public sector for employment and encourage their active participation in the labor force, including private sector employment.

Enterprise development can contribute to more diverse economic opportunities and empowerment of citizens. Many governments in the region recognize this, and are trying to encourage the development of

the small and medium-sized enterprise (SME) sector within their economy through a combination of the above-mentioned approaches.

For example, Oman and Saudi Arabia have established several governmental projects to promote an entrepreneurial culture amongst youth and increase their skills and knowledge of enterprise development. The establishment of the *Public Authority for Small and Medium Enterprises Development* (PASMED) in Oman and the governmental entity *Riyadah* in Saudi Arabia are prominent examples of GCC governments committing to foster SME-sector growth by providing entrepreneurship education and supporting start-ups with the financial and non-financial resources needed. The ILO is supporting these initiatives in order to promote more active participation of nationals in the labor force.

Gulf Affairs: Are Gulf countries prepared with training and education avenues and employment policies to replace foreign labor or at least reduce dependence on them?

Hagemann: I mentioned previously that one of the usual explanations for the low share of nationals in the Gulf labor markets is the skills mismatch and the lack of capacity of education and skills development systems to produce new entrants to the labor market that meet employers' expectations.

It is true that the performance of Gulf students in international tests is often unimpressive. In Qatar, for instance, the mean score in mathematics, reading and science performances are one of the lowest among OECD PISA-participating countries and economies (they rank respectively 62nd, 63rd and 62nd out of 64 countries).

But one should place education and skills development systems in their national contexts.

First, resource rich countries with comprehensive redistribution and welfare programs are unfortunately linked to low performance in education. So irrespective of the progress made in the education service supply, the *demand for education* is reduced when there are limited incentives for learning and for finding a job in the private sector.

Second, demand for nationals is also low in the labor market because of the wage difference that gives an incentive for employers to hire migrant workers. Many companies are also owned jointly by national "partners" and by managing foreigners who prefer to recruit among nationals of their own countries. Working conditions are also such in many of these jobs that nationals would not accept them.

Therefore, in order to have an impact on the labor market, skills development strategies in the sub-region should go beyond quality improvements of the national education and skills systems, but also address issues related to the education demand, and to the demand for nationals in the labor market.

Gulf Affairs: How do you view women's current participation in the labor force of Gulf states, and how can it be enhanced?

Hagemann: Over the last two decades, Arab countries have witnessed improvements in terms of women's labor force participation rates (LFPRs) within the Arab region, women's LFPRs are highest in

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the GCC countries (especially in the UAE, Oman and Bahrain) with an average of around 38 percent (the global rate is around 50 per cent).

Most of the increase comes from younger women joining the labor force as a result of significant investments in education and health in recent years. Changes in societal attitudes (which have led to such outcomes as reduced fertility rates) and policy-related factors have also contributed to an increased participation of women in paid work. It must also be recognised that for many Arab women in the Gulf, hiring domestic workers has freed up time previously allocated to family responsibilities, thus allowing more women to enter the labor market.

While progress on promoting women's participation in the labor force is evident in GCC countries, it is important to note that these countries achieve lower scores on the efficient use of talent, partly because of cultural factors that affect the employment of educated women. Female labor force participation rates are low compared to other emerging market countries and from a global perspective.

In order to continue promoting women's participation in the labor force, GCC countries need to strengthen their legal frameworks on non-discrimination in line with ILO Convention 111 on Discrimination (Employment and Occupation,) and Convention 100 on Equal Remuneration. This would ensure that women and men have equal opportunities to enter the labor market and remain productive during the course of their lives.

In this context, it is also necessary to improve legal frameworks regulating the work of almost two million women migrant domestic workers in GCC countries, as their contribution is valuable to society and important in increasing labor force participation of women nationals in the Gulf region.