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the journal of humanity and society

Class Formation, Labor Market, and Inequality in Gulf Cooperation Council Countries

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Abstract: This paper examines the inequalities between national and non-national workers through class formation in the Gulf Cooperation Council (GCC) countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. These inequalities are constructed over non-standardized salaries, work conditions, and the rights deprivations that arise from the kafala system due to demographic imbalances in the region. From this point of view, this paper's main argument is that inequalities exist between nationals and non-nationals in the labor market. At the same time, this paper argues that Gulf states have made some arrangements such as extending the kafala system and controlling salaried payments to eliminate labor market inequalities. The secondary data, including the participation of nationals and non-nationals in the labor market and their minimum and maximum salaries, have been used to present the inequalities in the labor market. This paper uses qualitative analysis and the interpretive technique to provide clear understanding. This paper's main finding is that although some strategies exist that have increased the rights of non-national workers in the Gulf countries, the salary and personal-rights inequalities in the labor market, as well as discrimination with respect to one's home country to still exist. In this way, the article's main objective is to make an essential contribution to the literature on the political economy of Gulf countries by presenting the current situation of nationals and non-nationals in GCC countries' labor markets following the government regulations that strengthen the labor rights.

Keywords: Class formation, inequality, labor market, rentier economies, GCC countries.

Öz: Bu makale Körfez İşbirliği Konseyi ülkelerindeki (Bahreyn, Birleşik Arap Emirlikleri, Katar, Kuveyt, Suudi Arabistan ve Umman) sınıf oluşumu üzerinden ülke vatandaşları ve yabancı işçiler arasında meydan gelen eşitsizliği inceleyecektir. Bu eşitsizlikler, bölgedeki demografik dengesizlik nedeniyle uygulanan *kafala* sisteminin getirdiği hak mahrumiyetleri ve maaşlardaki ve çalışma şartlarındaki standart dışı uygulamalar üzerine inşa edilecektir. Buradan yola çıkarak, bu makalenin temel argümanı körfez ülkelerinin vatandaşları ile yabancı işçiler arasında kamu ve özel sektörünü içeren toplam emek piyasasında eşitsizliklerin olduğuna yöneliktir. Ayrıca bu makale, körfez ülkeleri tarafından bu eşitsizliklerin azaltılması için kafala sisteminin yumuşatılmasına ve minimum maaşların kontrol edilmesine yönelik düzenlemelerin yapıldığını da iddia etmektedir. Bu iddiaları desteklemek için yerli vatandaşların ve yabancı işçilerin kamu ve özel sektörü içeren toplam emek piyasasına katılımlarını gösteren ikincil veriler kullanılmakta ve yorumlanmaktadır. Bu makalenin anlaşılır olması için nitel çözemleme analizi ve yorumlayıcı teknik kullanılmıştır. Bu çalışmanın temel bulgusu, körfez ülkelerinde yabancı işçilerin haklarının iyileştirilmesine yönelik son dönemlerde birtakım politikalar geliştirilse de işçilerin ülkelerinden kaynaklı maaş ve özlük hakları eşitsizliği hala devam etmektedir. Böylece bu makale Körfez ülkelerinin yönetimlerinin işçi haklarını iyileştirmeye yönelik gerçekleştirdiği birtakım politikalar neticesinde emek piyasasındaki yerli ve yabancı vatandaşların mevcut durumunu ortaya koyarak bölgenin politik iktisadı literatürüne önemli katkıda bulunmayı hedeflemektedir.

Anahtar Kelimeler: Sınıf oluşumu, eşitsizlik, emek piyasası, rantçı ekonomiler, KİK ülkeleri.

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DOI: 10.12658/M0560
insan & toplum, 2020.
insanvetoplum.org

Başvuru: 30.06.20
Revizyon: 10.07.20
Kabul: 31.08.20
Online Basım: 13.10.20

Introduction

The six-member states of the Gulf Cooperation Council (GCC; i.e., Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates [UAE]) have each experienced improved prosperity due to the massive accumulation of wealth generated through natural resource revenues. Because a significant proportion of their revenue is generated from their natural resources, these economies are not considered to be manufacturing economies. However, they are more accurately defined as rentier states, which infers the states to distribute the rents generated from their oil resources. Therefore, the political economy of GCC countries can be considered by discussing the demography and labor market, *kafala* (sponsorship) system, nationals and their privileges, non-nationals and social conditions, and migrant workers and their rights in order to understand the inequalities in GCC countries' labor markets.

Concerning the integration of GCC countries into the world economic system, a discrepancy appears to exist between the nationals and non-nationals working in these GCC countries. These countries depend on a higher number of non-national workers. In GCC countries, while nationals mostly work in the public sector with higher benefits, non-nationals are employed in the private sector with lower benefits. Therefore, one may say that although nationals in the region work in the public sector, the capitalist classes are also governed by the nationals through their privileges in the labor market (Hanieh, 2011, p. 14). In this respect, class formation in the Gulf region has developed through an analysis of value flows between and within the interlocking circuits of capital across the region. These value flows have facilitated the process of capitalist class formation and are distinguishable by a particular configuration of labor unique to GCC countries (Hanieh, 2011, p. 38).

Along with a general background on the political economy of GCC countries, this paper argues an inequality to also exist between nationals and non-nationals in GCC countries' labor markets, even if they work in the same place and position. Corresponding to this argument, the main question of the paper seeks how inequalities have come about in GCC countries' labor markets. This paper aims to answer this question by presenting the role of class differences between nationals and non-nationals in the labor market and explaining the nature of this inequality in the labor market. Although other reasons exist for inequalities in GCC countries' labor markets, this paper must be stated to focus only on inequalities related to the *kafala* system. As a result, this article superficially addresses the inequalities among non-nationals because the main focus is on the inequalities between nationals and non-nationals.

In order to achieve this objective, this paper is comprised of six sections. Following the introduction, the literature review examines studies on inequalities in GCC countries' labor markets by focusing on the inequalities between nationals and non-nationals, blue-collar and white-collar workers among the non-national population, public and private sectors, and males and females. The third section frames a theoretical structure focusing on the class formation in the region. This provides an understanding of the fact that the historical class structure of the society within the Gulf region, which heavily based on the natural resources revenues. The fourth section, Demographic Imbalances Between Nationals and Non-Nationals in the GCC Countries, analyses the labor market in the region from the perspectives of nationals and non-nationals. The fifth section, Challenges of Migrant Workers in the Gulf Region, highlights the inequalities in the labor market, such as domestic issues and low wages for the migrant workers in the region. The last section concludes with an overall evaluation taking into consideration all of the evidence

Surveying the Literature on Inequalities in the GCC Labor Market

A growing body of literature exists on the subject of Gulf countries' political economies with debates that generally focus on energy policies (Reiche, 2010), rentier system (Beblawi, 1987), financial development (Grassa & Gazdar, 2014), economic diversification (Hvidt, 2013), and investments (Ari et al., 2019) in the Gulf region. In the last decade, human rights defenders and critical studies have remarked on migrant workers' conditions in the region. Studies on inequality in GCC countries generally focus on gender (Al-Waqfi & Al-Faki, 2015; Murray & Zhang-Zhang, 2018), country of origin (Alfarhan & Al-Busaidi, 2019; Forstenlechner & Rutledge, 2011; Tong & Al Awad, 2014), and citizenship status (Berrebi et al., 2009; Buttorff et al., 2018; Hanieh, 2010, 2011; Harry, 2007; Hasan, 2015; Martin & Malit, 2017; Picot, 2014). In addition to categorized studies on inequalities in GCC countries' labor market, some studies are also found to discuss ethnic aspects in the Gulf regions' labor market such as Nepalese in Qatar (Bruslé, 2010), Indonesians in Saudi Arabia (Diederich, 2004), Indians in Bahrain (Gardner, 2010), and British in the Gulf region (Gardner, 2010; Walsh, 2014).

Before discussing inequalities in the region's labor market, importance is had in expressing the rentier state concept that constitutes the foundation of GCC countries' political economies in order to understand the foundations of inequality and how states formed in the region. Beblawi (1987, p. 383) construed rents as "the income derived from the gift of nature." Therefore, the most fundamental characteristics of rentier states are allocation and redistribution (Schwarz, 2008). In GCC countries, this feature is achieved by distributing the revenues obtained from the export of natural resources to the nationals as well as to the non-nationals who work in the GCC countries. However, what is important here is how this distribution takes place within the region. Because distribution in these countries deepens nationals' commitment to the rulers and internal relations of the country, nationals are given privileges by keeping traditional ties strong (Schwarz, 2008, p. 609). This distribution reveals the role the rentier system has had in how the GCC countries' states formed with a limited national population. In such a system, the distribution is patrimonial from the royals to the elites and to the nationals, respectively, being national-centered instead of labor-centered (Schwarz, 2008, p. 610). Thus, in GCC countries' broader political economy, the private sector depends on foreign workers under the hegemony of local capitalists. This situation has embedded the *kafala* system in the political economy of the region in order to perpetuate the dominance of nationals and to control the non-nationals (Hertog, 2013, p. 179).

After presenting a general background on the rentier system, significance is given to indicating the inequalities in GCC counties' labor markets. Although female participation in the labor force is high in developed countries, it has not increased in developing countries. This situation shows itself similarly in the Gulf countries. However, this situation differs in the Gulf countries because of their rentier state economic system. Studies have shown inequalities to exist in working conditions and salaries with respect to gender. While this situation varies among the Gulf countries without discriminating between male and female employees, it shows inequality to be present in the working conditions and salaries among domestic and foreign workers. The working conditions and salaries of workers from Western countries can be completely different than that of workers from Asian countries (Al-Waqfi & Al-Faki, 2015). In addition to these, the differences between female workers and local women have recently been shown to improve through career-oriented development. Thus, together with the new job opportunities in the Gulf countries, women have joined the labor force more intensely. However, Murray and Zhang-Zhang (2018) argued that the imbalance in female participation in the region may be related to regional norms, traditions, and discriminations. However, the increase in women's technological development and education levels in the new order will increase female participation in the labor force, which will have an impact on development (Murray & Zhang-Zhang, 2018).

Commonly debated second in studies on inequalities in GCC counties' labor markets is the national origin of foreign workers (Kapiszewski, 2004). These studies are divided into two groups. While the first group addresses the difficult working conditions of migrant workers from Asian countries, the other group addresses the privileged opportunities of white-collar workers mainly from Western countries, also called expatriates. In this case, although the workers have the same status as foreign laborer due to being located in GCC countries, considerable inequality exists between these two labor groups (Alfarhan & Al-Busaidi, 2019). However, although improvements have been made in terms of minimum wage as a result of agreements labor-exporting countries have made with GCC governments, the employment opportunities and salaries of blue-collar as well as white collar Asian migrant workers have been revealed to differ from locals as well as other white-collar foreign workers in the same category based on country of origin (Tong & Al Awad, 2014). In summary, the conditions of migrant workers located in the Gulf region are said to vary according to national origins rather than standardized work conditions.

Another discussion in the literature is citizenship status in GCC countries (Hasan, 2015; Martin & Malit, 2017). Being a GCC national provides these nationals with excessive privileges due to GCC countries' economic systems being rentier economies. This situation causes inequality between the region's nationals and non-nationals. Looking at the literature, one example of this situation in the region is the *kafala* system. While the *kafala* system provides nationals with some privileges, it provides a control mechanism over foreign workers due to the demographic imbalances in the region (Hasan, 2015). In the end, this system directly condemns non-nationals compared to nationals. This practice has been the most controversial issue from human rights prosecutors; hence, most recently steps have been taken for working groups in terms of the *kafala* system. However, workers should not have conflicts with their sponsors, otherwise they always face the risk of losing their job and right to work.

The literature shows that inequalities in GCC countries' labor markets are mainly focused on inequalities in gender, between nationals and non-nationals, and in foreign workers' country of origin. According to the literature, gender studies in terms of inequalities can be seen to have become more prevalent in the past decades. However, examining the issue of inequality in rentier economies such as GCC states from a broader perspective rather than focusing only on gender is important. The issue of gender can be considered among just nationals or just non-nationals. However, inequality in these countries needs to be discussed through nationalities, and then more specific issues because of the demographic imbalances and the rentier system. Therefore, instead of gender-based studies in the literature, in this study, inequality in the labor market is approached from a broader perspective, and attention is drawn to the nationals and non-nationals distinction that has emerged with the rentier system and becomes more evident with the *kafala* system. While doing this, this paper mainly focusses on the inequalities between nationals and non-nationals by presenting its historical background and regional political economy dynamics as a theoretical framework; and supporting through available data about the demographic structure and wage standards in the region. However, it is important to state that the data are general because 'state-formation [in the rentier states] has not been accompanied by political accountability [and] transparency' (Schwarz, 2008, p. 604). As a limitation, this paper has, thus, suffered from a lack of specific data.

The Theoretical Framework of Class Formation in the Gulf

The rentier state perspective has led to discrimination amongst class relations and strict hierarchical structures in GCC states (Hanieh, 2010, p. 38). Therefore, the generation of oil revenues and its distribution implicit facilitates class formation. At first glance, class formation in GCC countries implies natural resources to have an essential influence on the nationals in the Gulf region. Therefore, class formation in GCC countries takes into consideration how management by the rentier economies generates strict discrimination between nationals and non-nationals (Ayubi, 1996; Bromley, 1994). This can be related to the discussion of political and business elites and their privileges in the market, which Asad (1972, p. 137) observed:

> The political elite [nationals in this paper] may indeed act in the capacity of entrepreneur, middleman or representative, but it does so as a middleman who has a privileged monopoly in relation to his tribal 'clients' [non-nationals in this paper]. As with all holders of crucial monopolies this gives the elite-middlemen dominant power over others [non-nationals in this paper]. (as cited in Caton, 1990, p. 90)

From this perspective, examine the historical class formation in the Gulf region is essential in order to understand the contemporary position of the nationals in the region. The relationship between nationals and non-nationals has been modified as a result of the distribution of wealth and its accumulation through oil revenues. In this relationship, the nationals of GCC states have constructed a strict system of control over the more populous non-nationals (Hanieh, 2011) through the *kafala* system in order sustain the rentier system with a limited local population as presented in Table 2. This system means national's class structure and domination of society becomes more pronounced. Therefore, the resulting revenue generation means that relations between the upper and lower classes become especially strained (Caton, 1990, p. 78).

The class structure in GCC countries may be categorized in terms of three layers. First are the royal family whose members have taken on a role in the process of decision making and are engaged in business, which has led to the formation of a mostly upper class during the capitalist development era of GCC countries. Second is the middle layer of professionals and nationals employed in government and private businesses who form an emerging middle class. Finally, the labor/working class of urban workers and migrant workers form the third layer of the class structure (i.e., the lower class; Kostiner, 1990, p. 243). The population of migrant workers is predominantly made up of people from countries in the Middle East. However, over the last few decades, it has included increasing numbers of workers who have come from Asian countries such as Bangladesh, Pakistan, Sri Lanka, India, and the Philippines (Hanieh, 2011). Although migrant labor accounts for the most significant majority of the workforce, migrant workers are afforded no citizenship rights. Thus, the class structure is continuously being remodeled, and this obstacle has prevented the development of class consciousness and organization.

In these rentier economies, the infrastructure and construction projects and service and private sectors largely depend on migrant workers, as seen in Table 1. Therefore, the role the control mechanism has over migrant workers has mainly been given to the private sector. Since the 1960s, certain restrictions have been introduced to provide control over migrant workers in the region because of demographic imbalances. This system inevitably gives exorbitant privileges to the nationals in the region. In addition to these privileges, nationals mostly work in the public sector with flexible working hours, high salaries, and other advantages. In contrast, the private sector has become a sector dominated by migrant workers with low salaries (Hertog, 2014, p. 5). This has led to a gap between nationals and non-nationals in terms of salaries (*see* Figure 5) and rights (Hertog, 2014, p. 3). In order to understand class formation in GCC countries from this point, how the rents of natural resources are distributed, how the state defines their nationals when forming classes, and how the state controls migrant workers need to be considered. Accordingly, the historical process of class formation as a rentier economy and the contemporary reflection of this process on the relationship between nationals and non-nationals need further examination.

Overall, GCC countries have gained political power through financialization, enabling the redirection of state revenues to an emerging capitalist class, and massive control over oil incomes (Hanieh, 2010, p. 41). Hence, the distinction between state and private capital has become ambiguous within GCC countries. In most cases, nationals have played a pivotal role in the public sector that is closely linked to their control over the state. Moreover, in each GCC country, the accumulation of excess capital has historically amalgamated the state and the nationals, who have recently united around capital flows and risen to dominate GCC countries' economies (Hanieh, 2010, p. 58).

Demographic Imbalances between Nationals and Non-nationals in GCC Countries

Nationals with Exorbitant Privileges

After the discovery of oil, foreign workers were employed for their contribution to the country's oil production. At that time, foreign workers' salaries and living conditions were better than that of the local people. With this economic development in the Gulf region, the increase in the number of foreign workers and the resulting demographic imbalance necessitated some regulations in the regional labor market because a new economic order was needed to distribute natural resource revenues to the nationals (AlShehabi, 2015, p. 9). Similar to this past arrangement of economic order, these countries have nationalization policies (i.e., Bahrainization, Kuwaitization, Omanization, Qatarization, Saudization, and Emiratization policies) that have prompted nationals to work in the private sector in the last decades (Buttorff et al., 2018). Two main reasons exist for the nationalization policies in GCC countries.

Firstly, GCC states have aimed to diversify their nationals in both the public and private sectors. However, the nationalization policies have not been at the level intended by GCC states due to the attitudes of both employers and nationals. Two main reasons exist for this result: The private sector has not been attractive to nationals because of lower salaries and weaker opportunities, and employers are not willing to hire nationals because they cost employers more (AlShehabi, 2015, p. 6). While non-nationals are subject to strict rules, nationals are not subject to the control mechanism, with some having rights such as being able to change their job preferences, training, dismissal procedures, compensation rights, health insurance, and pensions if they work in the private sector (Hertog, 2014). In addition, the public sector pays nationals much more than non-nationals working at the same level and offers shorter work hours and longer annual vacation opportunities (Hamaizia, 2015, p. vi). In this case, the nationalization policy has become more applicable to the public sector; hence, dismissals have taken place with respect to the characteristics and origins of the non-nationals in the public sector, and then nationals are hired in place of the non-nationals. Secondly, the nationalization policies in GCC countries are for preventing unemployment problems in the younger generation that has increased over the region, because any potential unemployment among the younger generation can cause possible political unrest in the future, as seen during the Arab Spring in the Middle East due to the demographic imbalance in the region (Bel-Air & Zahra, 2014, p. 1).

Table 1

GCC Employed Population by Nationality and Sector of Employment (2017-2018)

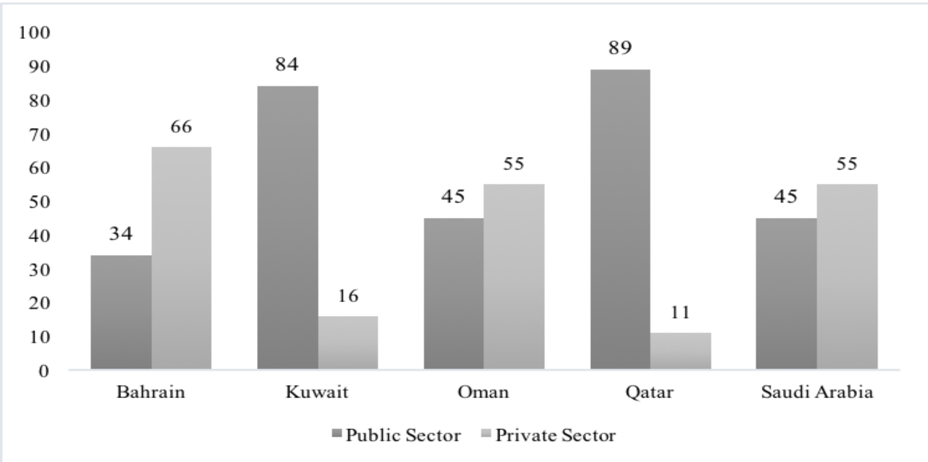
Sector of Employment	Country and Reference Period	Bahrain (2018)	Kuwait (2018)	Oman (2017)	Qatar (2017)	Saudi Arabia (2018)	UAE
Government	Nationaeels	53,932	335,253	195,680	84,348	1,391,163	n.a.
	Non-nationals	9,730	123,014	36,383	123,064	78,011	n.a.
Private	Nationals	104,882	63,104	2e38,688	10,210	1,718,824	n.a.
	Non-nationals	499,275	1,616,312	1,502,808	1,596,340	7,128,654	n.a.
Domestic	Nationals	-	-	-	-	-	
	Non-nationals	91,852	648,346	292,881	172,406	2,371,390	
Total	Nationals	158,814	398,357	434,368	94,558	3,109,987	n.a.
	Non-nationals	608,857	2,387,672	1,832,072	1,891,810	9,578,055	n.a.

Note (a). The Government sector may not include employees in the security and military sectors.
Note (b). Domestic means those employed as cooks, gardeners, drivers, and security guards.
Note (c). In this table, the UAE has been excluded due to lack of data. Source: Gulf Labor Markets and Migration, retrieved from https://gulfmigration.org/

Despite nationalization policies, demographic imbalance in the region is still a problem. As seen in Table 1, a demographic imbalance exists between the total domestic and foreign workers in the Gulf countries. According to Table 1, while Saudi Arabia has a higher national population, Qatar has a lower national population in the region. According to this structural imbalance, these states need to have certain policies in order to protect their citizens due to being a rentier economy. However, this situation leads to increases in the current inequalities between nationals and non-nationals.

Figure 1

Nationals' share in the national labor market by sector (2017-2018).

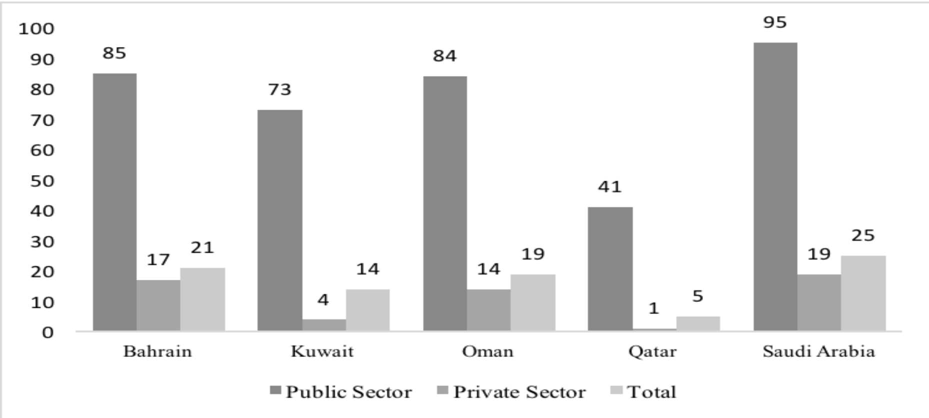


Source. Author's calculations from Gulf Labor Markets and Migration, retrieved from https://gulfmigration.org/

According to Figure 1, the greatest imbalance is observed in Qatar. While 89% of nationals prefer to work in the public sector, 11% of nationals work in the private sector. A similar trend exists in Kuwait and Qatar. Bahrain has a partially more balanced rate compared to Qatar and Kuwait. In Saudi Arabia and Oman, nationals work in both the public and private sectors at 45% and 55%, respectively. According to this figure, the public and private sectors in countries with higher national populations such as Oman and Saudi Arabia can be indicated as appearing more balanced those with less.

Figure 2

Percentage of nationals in the overall labor market by sector (2017-2018).



Source. Author's calculations from Gulf Labor Markets and Migration, retrieved from https://gulfmigration.org/

According to Figure 2, which shows the sector preferences of nationals in the overall labor market, 17% of workers in the private sector in Bahrain are nationals while 85% of workers in the public sector are nationals. The total participation of nationals in the overall labor market is 21% in Bahrain. Omani nationals' participation rates are found similar to those in Bahrain. In Kuwait, while 73% of the public sector is composed of nationals, this rate is 4% in the private sector. Kuwaiti nationals make up 14% of the overall labor market. According to Figure 2, Nationals in Qatar, being one of the most remarkable countries, constitute 41% of the entire public sector while constituting only 1% of the total private sector. Qatari nationals make up 5% of the overall labor market. Another noteworthy country is Saudi Arabia, where nationals compose 95% of the total public sector. Here, Saudi's participation in the entire private sector is 19% and 25% in the overall labor market. According to Figure 2, Saudi Arabia has the highest participation of nationals in the overall labor force while Qatar has the least. In summary, these results are inevitable effects of the rentier system, where the countries distribute the available wealth to their nationals through the public sector in order to support them and provide them with some priorities over non-nationals due to the hierarchical structure of GCC countries that have limited local populations.

Working Class

Along with the establishment of the oil industry and the required infrastructure, the labor market became categorized as highly skilled workers (British or American), semi-skilled workers (mainly Indian), and low-skilled workers (nationals; Errichiello, 2012). Following the development of the regional oil industries, the first wave consisted of Arab workers from Egypt, Syria, Yemen, Jordan, and Palestine between the 1940s and 1970s because they have similar cultures and the same language as the locals (Kapiszewski, 2004, p. 115) No cultural or social problems exist in the region among them. In the 1970s, skilled workers came to the region from Arab geographies, Western countries, India, and Pakistan (Kapiszewski, 2004). Between 1980-1990, workers from Asian countries such as Indonesia and the Philippines started to participate in the labor market. However, Arab workers were deported from the region due to Gulf countries' political stances resulting from the political conflicts and war that occurred in the Arab region from 1991 to the end of the decade (Kapiszewski, 2004). In the next stage, most workers coming to the Gulf region came from Asian countries (Forstenlechner & Rutledge, 2011, p. 30; Thiollet, 2016, p. 21). As such, both social and cultural differences and the increase in the number of imported labors led to increased inequalities in the regional labor markets.

The process of formulating a capitalist class occurred at the detriment of the working classes in GCC countries (Hanieh, 2010, p. 55). In this context, nationals work under good conditions due to the rise of natural resource revenues whereas the non-national working class earn less than the living wage. Therefore, these countries have been able to establish a strict system of control over the society in the region, a repressive system that ensures their continued control over society. The transition to state-led oil companies and institutions has influenced GCC countries' class structures, which have developed a national and non-national hierarchy. Therefore, most nationals from GCC countries have achieved good working conditions or managerial positions in the public sector (Hanieh, 2010).

The migrant workforce has played an essential role in terms of developing GCC countries' wealth. On the surface, the development of these states' wealth appears satisfactory, but behind this increasing wealth lies a darker truth about exploited migrant workers (Reijenga et al., 2013). This ostentatious development highlights the regional class differences. A paradox exists within GCC countries' class structures that occurred during the economic crisis in late 2008 whose effects reflected most on migrant workers then on nationals. When the financial crisis occurred in late 2008, most migrant workers in the region were deported, and those who remained suffered poor working conditions such as low wages. Indeed, many migrant workers became stranded in the UAE because they did not have enough cash or a passport to enable them to leave. As a result, suicides increased dramatically among migrant workers due to the desperate working conditions (Hanieh, 2011). This situation can be seen in periods of declining oil prices or any other crisis that affects the Gulf region. However, non-nationals are willing to work in GCC countries because, even if they get lower salaries with respect to the Gulf region's standard, the salaries they receive are higher than what they would get in their home countries, and they transfer the money to their families in their home countries.

Three main reasons exist why GCC countries import high numbers of foreign workers: firstly, these countries had had no formal educational background until recent decades; secondly, these countries have no nationals working in the low-class sectors due to insufficient populations and the fact that rentier economies import, so they need unskilled labor forces, particularly in the service sector (Al-Ubaydli, 2015, p. 7); and thirdly, most companies working for the government are private, so these companies employ non-nationals in order to reduce their costs (Martin & Malit, 2017, p. 115). As seen in Table 2, the number of non-national workers in the Gulf region are higher than the number of nationals due to these reasons.

Table 2

Total Population and Percentage of Nationals and Non-Nationals in the GCC Countries

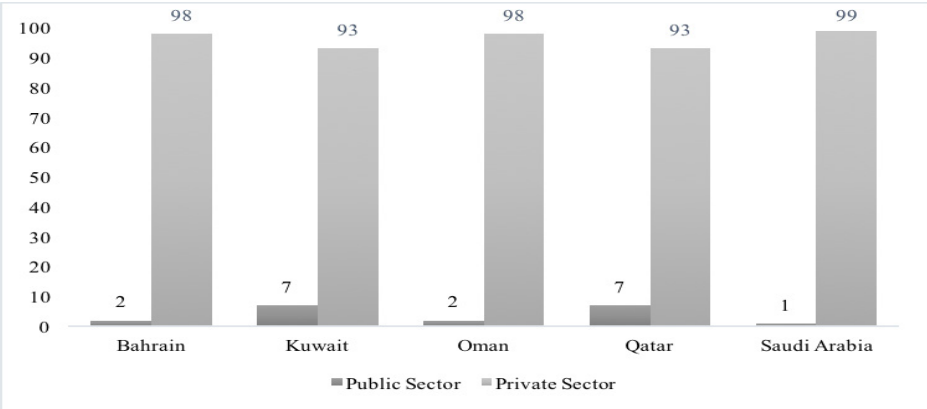
Country	Total Population	Nationals	Foreign Nationals	% of Nationals	% of Non-Nationals
Bahrain (2017)	1,501,116	677,506	823,610	45.1	54.9
Kuwait (2018)	4,640,415	1,398,952	3,241,463	30.1	69.8
Oman (2018)	4,656,133	2,606,585	2,049,548	56.0	44.0
Qatar (2018)	2,743,932	348,479	2,395,453	12.7	87.3
Saudi Arabia (2018)	33,413,660	20,768,627	12,645,033	62.2	37.8
UAE (2016)	9,121,176	1,153,576	7,967,600	12.6	87.4

Source. Gulf Labor Markets and Migration, retrieved from https://gulfmigration.org/gcc-total-population-and-percentage-of-nationals-and-non-nationals-in-gcc-countries-national-statistics-2017-2018-with-numbers/

The Gulf region has been attracting migrant workers since the discovery of oil in the late 1930s. However, this migration increased after the 1990s due to financialization and investments in tourism and other service sectors. According to the latest available data as depicted in Table 2, GCC states have a total approximate population of 56 million, 51.9% of whom are from other countries. As presented in Table 2, four out of six GCC countries have a non-national population that exceeds the nationals' population. However, despite the economic development in GCC countries, nationals' attitudes towards migrant labor along with the increased dependence on migrant workers have led to a growth in inequality in the region. In states like Qatar and UAE, around nine out of 10 people are from foreign countries.

Figure 3

Distribution of the non-national population in the labor market by sector (2017-2018).

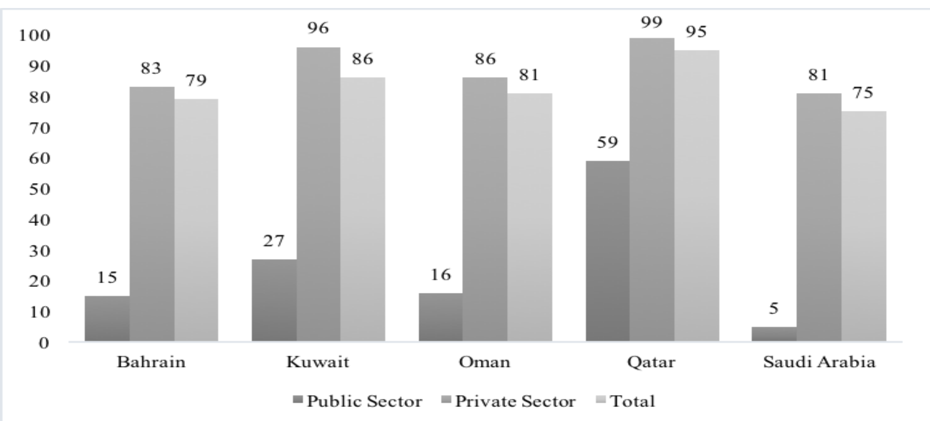


Source. Author's calculations from Gulf Labor Markets and Migration, retrieved from https://gulfmigration.org/

As seen in Figure 3, 98% of the non-national workers participate in the private sector in Bahrain and Oman, 99% in Saudi Arabia, and 93% in Qatar and Kuwait. Although these countries encourage nationals to work in the private sector, this sector is dominated by non-nationals despite the poor working conditions (Hertog, 2014, p. 5).

Figure 4

Percentage of non-nationals in the overall labor market by sector (2017-2018).



Source. Author's calculations from Gulf Labor Markets and Migration, retrieved from https://gulfmigration.org/

As shown in Figure 4, non-nationals in Bahrain represent 15% of the entire public sector and 83% of the total private sector with a 79% share of the total labor market. As for Kuwait, non-nationals make up 27% of the total public sector and 96% of the total private sector with an 86% presence in the overall labor market. Oman has trends similar to Bahrain, with the highest percentage of non-national workers in the entire public sector, total private sector, and the overall labor market at 99%, 95%, and 59%, respectively. Lastly, while Saudi Arabia has 5% of the entire public sector as non-nationals, 81% of the entire private sector and 75% of the overall labor market are non-nationals. According to Figure 4, Qatar is the country with the highest dependency on non-nationals, while Saudi Arabia is the least dependent. These figures support Hanieh's (2011, p. 3) statement that "A low-paid migrant workforce constitutes the majority of the labor force in all GCC states and the polarization of wealth between citizen and noncitizen residents is extremely high."

In addition to demographic imbalances and their impacts on inequalities in GCC countries' labor markets, a significant difference also exists between skilled and low skilled non-national workers. While skilled workers, mainly white collar workers coming from Western countries, have some privileges in the region such as receiving higher salaries and being provided with good working conditions in order for the GCC region to achieve global competitiveness (Advani, 2019, p. 7), low skilled workers, who are generally blue-collar and from Asian countries, receive low salaries. In addition to salaries, skilled workers have been attracted to the region through some incentives such as accommodation, transportation, education costs for their children, and full insurance coverage. The categorization of non-nationals differs in the region. For example, high-skilled workers are called expatriates while low-skilled workers are called migrant workers (Picot, 2014, p. 18). This situation presents the class discrimination among non-nationals. From the perspective of labor rights, Thiollet (2019, pp. 25–26) has expressed this discrimination as:

> … with a rapid increase in local wealth and living standards as well as booming urbanisation, domestic and construction workers are two groups that particularly suffer from abuses and exploitative practices, the former at household level, the latter through mass-scale migrant import. If labor reforms introduced protective measures, such as maximum work hours, mandatory insurance, a cap in recruitment fees and sometimes minimum wages, they also institutionalised inequality in access to rights, notably by excluding domestic workers from mainstream labor law.

This classification shows how GCC countries have sustained their rentier economies by creating a non-national labor market with limited legal rights.

Furthermore, expatriates do not consider themselves as migrants in the country, they live and work in there as nationals because their working conditions and salaries are above the standards of the country they work in as well as their home country. However, although the salaries and working conditions of the migrant workers are quite low compared to the conditions of the region, this class works despite the difficulties as they have better conditions than their home countries. In spite of their low working environment and salaries, migrant workers work in the Gulf region to support their families or make a life for their future in their home countries (Picot, 2014, p. 78) in addition to contributing to their home countries through remittances (Al-Ubaydli, 2015, p. 10).

Challenges of Migrant Workers in the Gulf Region

Residential Inequalities of Migrant Workers: Kafala System

Labor-related regulations in Gulf countries aim to provide control of non-nationals workers, who constitute more than half the total labor market (Kamrava & Babar, 2011, p. 1). Therefore, the modern use of the *kafala* system appeared in the region during the 1960s and 1970s (International Labour Organization [ILO], 2017, p. 3) as a control system over migrant workers. Although acquiring a residence permit can differ for each GCC country, the residency rights for non-nationals generally depend on their sponsors. Mainly two types of the *kafala* system are found. The first involves non-nationals working in companies or domestic jobs through a sponsor. The second us the *kafala* system that allows non-nationals to do small and medium business such as grocery, barber shops, and restaurants on condition that their sponsor receives a monthly payment (Advani, 2019, p. 10). In both cases, sponsors are both economically and socially responsible for the non-national. Sponsors in a sense are officially responsible for non-nationals' every action in GCC countries.

First of all, the *kafala* system makes nationals' domination of non-nationals possible. All non-nationals must have a sponsor to enter and exit a country under the *kafala* system. Along with this system, government agencies give nationals responsibility of their sponsored non-nationals as a control mechanism over the non-national labor market in GCC countries (ILO, 2017, p. 3). These sponsors must be nationals or companies owned by nationals, the basic rule being in possession of residence in the region. Many workers have never met their sponsors because intermediaries act as the contact person with the workers, and the sponsor receives a commission (Martin & Malit, 2017, p. 121).

In some cases, non-national workers, mainly low-class workers from Asian countries, find a job in GCC countries through intermediaries who mostly have the same citizenship as the low-class worker; these workers come to the region as workers in a group. These intermediaries can lead to black markets for migrant workers emerging in the region (Al-Ubaydli, 2015, p. 1). For every case in the *kafala* system, if the sponsor reneges on a contract, the non-national worker has no right to stay in that country any longer. For this reason, non-national workers avoid any case of disagreements with their sponsors because the sanctions may be severe (Martin & Malit, 2017, p. 121).

Secondly, the *kafala* system creates problems for non-national workers to make plans, which leads them to feel insecure; however, this system provides security for the side of GCC governments. For example, non-nationals' children who have been born, raised, and related a social life in a GCC country also have to leave the country if their working parents are dismissed or loss their residency for any reason. The whole family has to leave the country, and these children are not entitled to any residency in their country of birth where they have lived all their life. In recent decades, ownership rights have been given to non-nationals in designated areas. If non-nationals have property in these areas, they can have permanent residence status but not citizenship. However, most non-nationals are not able to acquire property in these areas because of they are exorbitantly expensive.

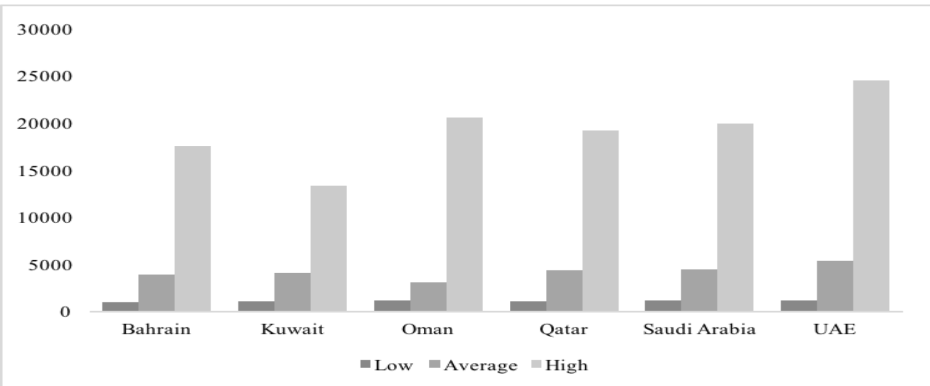
Lastly, because workers have no right to establish trade unions in these countries, they are not able to struggle for their rights. Additionally, most sponsors retain their employees' passports; hence, they are not able to flee from the country under any negative situations (Martin & Malit, 2017, p. 122). Furthermore, other rights abuses occur in the *kafala* system such as "unsafe work environments, inadequate accommodation, wage disputes, and general human rights' and workers rights' violations" (Kamrava & Babar, 2011, p. 1). However, the *kafala* system is criticized by many international organizations all over the world, such as the International Labour Organization and Human Rights Watch. As a result of international pressure regarding migrant workers' conditions in GCC countries, some countries in the Gulf have made rules more flexible regarding issues such as exit from the country of destination and transfer to a different employer. Furthermore, the UAE and Qatar have Wage Protection Systems that require employers to pay salaries through bank transfers in order to prevent wage disputes (Martin & Malit, 2017, p. 122).

Inequalities in Wages among Migrant Workers: Non-Standard Salaries

While inequality in wages has become inevitable in today's world economy, this is even more evident in some countries. For example, nationals in GCC countries' public sector receive higher salaries, while non-nationals have low salaries (Tong & Al Awad, 2014, p. 59). Severe inequalities and wage gaps exist between migrant workers and expatriates (Belser, 2016, p. 50). In these countries, expatriates, who generally receive high salaries, can bring their families to the country and may receive accommodation support. However, migrant workers' salaries are insufficient for them to look after their families in the country where they work, usually staying with other workers in the employer-provided accommodations (Martin & Malit, 2017, p. 123).

Figure 5

Average salaries in GCC countries for 2020 in US Dollars (USD).



Note (a). Salaries are based on local currency. The author has converted these currencies into US dollars as the common exchange rate.

Note (b). These are average monthly salaries, including housing, transport, and other benefits.

Source: Salary Explorer, retrieved from http://www.salaryexplorer.com/

According to Figure 5, the lowest minimum wage in GCC countries is in Bahrain around 980 USD, while the highest minimum monthly salary is seen in UAE at 1,190 USD. Looking at the highest salaries, UAE ranks first with 24,521 USD, while Kuwait positions last with 13,308 USD. As seen in Figure 5, a noticeable inequality is present in minimum and maximum salaries. However, the attitudes of the intermediaries who bring the migrant workers to the region play an essential role in terms of workers' salaries. Commissions taken by the migrant workers may differ from one intermediary to another. This may reduce migrant workers net income, as shown in Figure 5. Similarly, nationals' salaries can differ, maybe even being higher than those shown in Figure 5 because nationals may have other businesses in addition to their work in the public sector. In these cases, inequalities between nationals and non-nationals in terms of salaries can increase beyond the differences seen in Figure 5.

As seen in Figure 5, income inequality in GCC countries manifests itself among migrant workers, expatriates, and nationals. The main point here is migrant workers' situation because, despite their low salaries and low standards for work conditions and social lives, they send their savings to their families in their country of origin as a remittance. These remittances contribute significantly to the economies of the labor-exporting countries (Hasan, 2015, p. 161). Thus, discussions are always held between labor-exporting countries such as Sri Lanka, Philippines and India with GCC countries to improve the current status of these workers (Thiollet, 2016, p. 16). As a result of these meetings, developments have occurred regarding workers' rights, such as the Wage Protection System and the making the *kafala* system flexible.

Conclusion

GCC countries have presented a new face of economic welfare through their natural resource revenues and rentier economic system. In addition to the rentier economic system, the region's demographic structure has caused a certain hierarchical order to form. With the increasing number of non-nationals, this regional characteristic has brought about some new policies and educated the new generation in GCC countries. This structural problem has forced countries to monitor their non-national workers, resulting in these countries providing a control mechanism over non-nationals through nationals using the *kafala* system. Within this order, inequalities have emerged between nationals and non-nationals in the region. In addition to demographic imbalances, imbalances can also be said to exist in the participation of national and non-nationals in the labor market by sector: while nationals mostly work in the public sector, non-nationals mostly work in the private sector. In this case, employers in the private sector also prefer employing non-nationals due to their low costs compared to nationals, who have much higher costs. In addition to the region's demographic and sectoral imbalances, a severe inequality exists in labor rights. While nationals are given exorbitant privileges and responsibilities due to how classes formed in the region, non-nationals are deprived of individual rights in these countries, the most significant being that nationals are unable to acquire citizenship, even if they have worked in the region for many years. Due to the *kafala* system, their residence and work permits are subject to the nationals.

In addition to salary and rights inequalities between national and non-national workers, non-nationals also have some class discriminations within themselves, categorized as migrant workers from Asian countries and expatriates mainly from Western countries. Expatriates have higher salaries and allowances that migrant workers do not have. However, although these migrant workers receive low wages and poor conditions, they still have more opportunities than they would have in their country of origin; hence, they support their families with respect to the conditions of their home country. They also contribute to their home country's economy. Thus, labor-exporting countries aim to reduce inequalities towards their citizens by conducting meetings with GCC countries. In this stage, some arrangements have been made in the *kafala* system and salaries there to reduce the inequalities migrant workers are exposed to in the region.

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