India-related labour issues in the Gulf
November 2013 to January 2015

N. Janardhan

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N. Janardhan
Political Analyst, United Arab Emirates, and
Honorary Fellow, Institute of Arab and Islamic Studies, University of Exeter
DEMO-India – Developing Evidence based Management and Operations in India-EU Migration and Partnership (DEMO: India-EU MaP)

The Demo: India-EU MaP project, co-funded by the European Commission, is a continuation of the Carim India project (www.india-eu-migration.eu) and it examines the multiple facets of Indian migration to the EU. Its overall aim is to improve migration management between India and the EU, strengthen EU-India relations, and produce in-depth empirical knowledge about the different migration streams and pathways of Indian nationals in the EU. Its specific goals include providing:

1. Evidence based research for more informed policy making and state intervention.
2. Improved source country capacity in managing migration.
3. Raising awareness among potential migrants of the risks of irregular migration.
4. Collaboration with civil society groups.
5. Empirical research and analysis of Indian communities across the EU, and their impact.

The project is led by the Indian Centre for Migration in Delhi with the partnership of the Migration Policy Centre, RSCAS, EUI.

For more information:
Robert Schuman Centre for Advanced Studies (EUI)
Villa Malafrasca
Via Boccaccio 151
50133 Florence
Italy
Tel: +39 055 46 85 817/892
Fax: + 39 055 46 85 755
Email: mpc@eui.eu

Robert Schuman Centre for Advanced Studies

http://www.eui.eu/RSCAS/
Abstract

This research work reviews and analyzes Gulf-Indian labour issues from late 2013 to early 2015. It revolves around the impact of the Saudi Nitaqat and amnesty programmes; bilateral cooperation to improve coordination on labour matters; impact of remittances on workers’ families; and the *kafala* system. It argues that while the nationalization of workforce programmes will get increased attention in future, they will also fall short of their intended goals because of profit-driven market dynamics and lack of adequate expertise among the native population. The paper also draws attention to new reports that highlight the positive influence of remittances and sponsorship systems in reducing global inequality and poverty alleviation, thus countering those alleging human rights abuse.

**Key words:** India, Gulf, Nitaqat, Kafala, human rights
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1. Introduction

Other than oil and trade, Gulf-Indian relations continue to hinge on expatriates. Between six and seven of the 20 million expatriates living in the six Gulf Cooperation Council (GCC) countries are Indians. This makes them the largest community among the nearly 25 million Indians living abroad. As a result, nearly half the $70 billion remittances that India receives comes from the Gulf countries.\footnote{The Economic Times (New Delhi), 1.12.2014: India’s highest amount of remittances comes from the Gulf.}

Another factor that is important to remember in the context of the Indian community in the Gulf is that at least half of them are unskilled workers and single; about a quarter of them are semi-skilled, again most of them single; and the rest are professionals and businesspeople, living with their families.

A combination of the above factors means that the Indian expatriate community plays an important role, both for the countries of origin and the countries that they work in. Naturally, there are considerable efforts on the part of governments on both sides to manage the expatriate community as effectively as possible.

This research work is an attempt to review and analyze Gulf-Indian developments pertaining to labour issues from November 2013 to January 2015. The literature for this exercise was obtained from the India-specific articles collated in the Gulf Labour Markets and Migration programme website (http://www.gulfinthemedia.com/gulflm/index.php).

The empirical and objective analyses – from the perspectives of the labour-sending and labour-receiving countries, as well as human rights – broadly revolves around the following themes:

- impact of the Saudi Nitaqat (quota system for nationals in the workforce), and amnesty programmes on Indian workers; and the response of the central and state governments in India to help returnees;
- Gulf-India cooperation to improve coordination on labour matters;
- impact of remittances on workers’ families in India as laid out in two controversial and differently-concluded studies; and
- the debate revolving around the Kafala (sponsorship) system, even though it is not directly related to Indian expatriates in the Gulf.

2. Nitaqat-hit returnees

Indians topped the number of expatriates who took advantage of the amnesty period granted to ‘illegal’ workers. About 1.4 million Indians in Saudi Arabia availed themselves of the grace period that ran from early April to early November 2013.\footnote{Gulf News (UAE), 19.12.2013: 141,000 Indians return from Saudi Arabia.} The amnesty was offered to all expatriate workers in the Kingdom who did not have valid work and residence permits. This was a follow-up to the second phase of Nitaqat, first launched in 2011. The Nitaqat policy makes it mandatory for all Saudi companies to reserve a certain percentage of their jobs for Saudi nationals.

By the end of the amnesty, about 141,000 Indians returned home from Saudi Arabia without facing penal action or a ‘ban’ on their possible return. The rest stayed on in the Kingdom after rectifying their work permits by changing their job titles and professions, or changing sponsors and renewing their expired work permits, or renewing their iqamas or residence permits.
Though detailed data for Indian returnees is still unavailable, about 35,000 reportedly hailed from the northern state of Uttar Pradesh, 13,000 from Andhra Pradesh and 7,500 from Tamil Nadu, both southern states, while 10,000 were from West Bengal in the east.³

The exact number of returnees from the southern state of Kerala, which traditionally sends the most Indians to the Gulf, is also uncertain. But, at least 22,000 returnees registered for assistance to start self-employment programmes as part of a rehabilitation scheme developed by the state government. This was part of an exclusive budget of about $8.5 million for the rehabilitation of returnees.⁶

The registration process for self-employment programmes was coordinated by the Non-Resident Keralites’ Affairs Department (NORKA), which acts as an interface between the people from the state working abroad and the state government in addressing their concerns, safeguarding their rights and rehabilitating them.

NORKA organized short-term training sessions at the district level on how to run a successful business or self-employment programme. The government plan included a subsidy on both the capital and interest on short- and long-term loans to help them in resettlement. The maximum loan amount offered was about $32,000. A 10 percent subsidy was also offered to all those who started an enterprise in agriculture, manufacturing, trading and the service sectors.

Due to various delays, the loan disbursement process started only in December 2014. But even before that, the programme had few takers because of the risks involved in starting a new business. Instead, the government offered sops to private firms willing to recruit returnees. The incentives included interest subsidies on loans and the facilitation of clearances of new projects. The incentives were available to firms that hired at least 25 percent of their fresh recruitments from among the Saudi returnee pool.

An interesting observation from a local official was that accommodating returnees in the domestic market was not a difficult task. ‘Labour-deficient’ Kerala depends on internal migrants from other states for a large number of unskilled and skilled jobs in the state. According to the official, the number of migrants working in the state is almost equivalent to the number of people from Kerala working abroad.⁵

The problem, however, was that apart from not wanting to avail themselves of loans and start businesses, most returnees were unable to get used to working in the state or anywhere else in India. Most of them preferred to go back to the Gulf as a job abroad paid better and enhanced their social status.

In fact, most of those who returned from Saudi Arabia managed to find jobs again in the Gulf. According to data available for about 750,000 Indians, “747,000 Indian workers left home in 2012. Of this number, 357,000 came to Saudi Arabia and 364,000 went to other GCC countries. This means that 96 percent of the total number of Indian workers came to GCC countries,” a Saudi official said.⁶

This trend of Indian returnees going back to the Gulf has another parallel from the 2008-2010 period. Due to the impact of the financial crisis and the resultant global economic slowdown, the GCC labour market also experienced contractions and related problems, particularly in the private sector. According to a survey on professional job losses, while the GCC average was 10 per cent, the figure was highest in the United Arab Emirates (UAE) at 16 per cent and lowest in Oman at six per cent.

³ The Indian Express, 4.11.2013: Most Indian workers meet Nitaqat deadline, regularise stay in Saudi.
⁵ Khaleej Times (UAE), 11.11.2013: Kerala offers sops to firms recruiting Saudi returnees.
Overall, the economic crisis affected the GCC’s surging population growth, especially that of expatriates. Dubai, for example, was tipped to see the number of residents reduced by eight per cent in 2009 and by two per cent in 2010, mostly because of the real estate and construction sectors slowing down. Continued economic growth in Abu Dhabi and Qatar, however, cushioned them against further economic slowdown and outflow of expatriates. The UAE labour ministry corroborated this. While 405,000 visas were cancelled between October 2008 and March 2009, 662,000 new ones were issued. Thus, more expatriates found, rather than lost, jobs in the UAE in this period.

With regard to Indians in particular, about 200,000 in the UAE reportedly returned home due to the real estate slump. India stressed at that time that its economic growth, despite the global slowdown, was capable of reabsorbing any surplus workforce that returned from the Gulf. Some of these assertions were backed by figures emerging out of Kerala state.

While 173,000 workers from Kerala returned home from the Gulf between October 2008 and June 2009, about 97,000 went back to fresh jobs in the Gulf. In addition, 142,000 people from Kerala also took up new employment in the Gulf (Janardhan 2012a). This means that more people got jobs in the Gulf during the crisis period than those who lost work. “We were expecting Kerala to be very badly affected, but both migration and remittances have not been affected much. Kerala migrants have been able to adjust,” stressed a report from the Centre for Development Studies, Kerala.

Forecasts, then and now, about rapid economic development in India discouraging Indian workers from taking jobs in the Gulf, especially in the unskilled segment, have not materialized. This is, perhaps, due to the unequal economic development in different parts of the country. What it has done to some extent, however, is to change the profile of Indian workers going to the Gulf.

Instead of workers from South India, where economic development has been better, going to the Gulf, there was a marginal increase in the numbers of those hailing from parts of North India, where economic growth has been slower. The same trend was visible with Nepalese workers edging out Indians in Qatar’s construction sector, because the former were willing to accept lower wages than Indians.

3. New schemes

The fallout of the Saudi Nitaqat and amnesty programmes, nevertheless, served as an opportunity for the Kerala government to roll out a raft of welfare measures for people from the state working in the Gulf countries as part of its $8.5 million dollar programme. These included:

- new arrangements to check the profession and visas of unskilled workers travelling to the Gulf countries to ensure that they are not cheated by unscrupulous agents and middlemen;
- train and upgrade skills, as well as conduct an orientation programme for its residents prior to their departure to the Gulf;
- and set aside funds for workers’ litigations abroad and repatriate the mortal remains of workers from the state in case of death abroad.\(^7\)

While the Indian and various state governments reacted promptly to the fallout from the two crises, there is every likelihood that such situations could repeat themselves either in Saudi Arabia or in another Gulf country. This is because the nationalization of the workforce is a recurring theme across the six-country bloc, even though implementation strategies and success rates vary.

Saudi Arabia has announced that its third phase of Nitaqat will begin in April 2015. This will increase the Saudization quotas for big firms from 25 to 41 percent, the same as in the retail and

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\(^7\) Arab News, 2.2.2014: Indian state allocates 500 million rupees for expats.
wholesale trade sector. For big groups, this will be raised from 29 to 66 percent. According to the new terms, companies have to meet the new quotas if they wish to expand their operations, get visas for workers and have access to the other services offered by the Ministry of Labour.

But, as in the past, the government knew it would be difficult to implement the nationalization programme as effectively as desired because of the lack of skilled national workers in the job market. There is also the problem of the reluctance of the private sector to further this programme at the cost of their business growth.

Even with regard to the ongoing *Nitaqat* programme, Saudi businesses have urged a delay of between one to three years. The Council of Saudi Chambers (of commerce) said: “We understand the ministry’s desire to increase the Saudization rate to accommodate new Saudi graduates from universities and technical institutes. However, the ministry must take into account the reality in the market. The market does not have adequate number of qualified Saudi hands to fill industrial jobs. Private companies do not attract enough Saudi workers when they advertise to fill vacancies, even after offering good salaries and benefits.”

These kind of obstacles are not new. They can be traced back to more than a decade ago. In September 2002, Saudi officials declared that from March 2003, all expatriate taxi drivers – mostly from India and Pakistan – would be replaced by nationals within a few years. With the proposal not making headway because of the reluctance of Saudi private taxi companies, it was later announced that the substitution process would take longer to implement. The last word on this has not yet been heard (Janardhan 2012b).

On a positive note, however, the Saudi government clarified that three years of the *Nitaqat* scheme has helped 750,000 Saudis find new jobs in the private sector. More Saudis could have found jobs, but about 682,000 women refused to accept the private sector employment offered to them by the labour ministry’s *Hafiz* unemployment assistance programme. Further, the demand for foreign workforces, which is both cheaper and easier to hire and fire, meant that more than 1.7 million work visas were issued in 2013 despite the *Nitaqat* scheme. This naturally affected the Kingdom’s nationalization initiatives as this large-scale recruitment took place when more than a million Saudis were awaiting employment.

A November 2014 report revealed that the average unemployment rate among nationals in the Gulf countries is 27.2 percent, which is twice the average global rate. It is feared that governments will not be able to provide welfare for citizens much longer due to the slump in oil prices and the increase in the population. Further, the industry and services sectors would not be able to absorb local graduates in large numbers because of their inadequate skill sets.

What these trends indicate is that while the nationalization of workforce programmes will get increased attention in future, they will also fall short of their intended goals. This is because of the factors discussed above – including inadequate skills among nationals to meet private sector demand, lack of interest among nationals working in the private sector, and the private sector’s reluctance to employ nationals, among others.

While foreign workers are benefitting from these factors, the sending countries should be wary of possible changes in the medium term. Bahrain and Oman have had better success rates in their nationalization drives because they are economically less prosperous than their other GCC

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8 *Arab News*, 29.1.2015: New Nitaqat quotas difficult to implement.
9 *Arab News*, 7.10.2014: Recruitment of 1.2m expats defeating Saudization drive.
counterparts. Saudi Arabia and Kuwait may follow suit, leaving the UAE and Qatar as the last in the bloc to effectively follow this policy.

Looking ahead, to encourage nationalization of the workforce, the GCC states may adopt a unified mechanism to rationalize the employment of foreign workers and to regulate their movement within the member countries. A related proposal was discussed by the GCC labour ministers in November 2014. The meeting did not propose an immediate cut in the expatriate workforce in member countries. “The ministers agreed not to reduce the percentage of expatriate workers. Instead they agreed on job rationalization and employment of citizens by preparing them to replace expatriates in a number of areas through training and rehabilitation programmes,” one of the GCC labour ministry official said.\textsuperscript{12}

But \textit{Nitaqat} met a few objectives. A total of 200,118 private sector companies out of 1.8 million in the ‘Red Zone’ were closed down by the end of 2013, according to the Saudi labour ministry. It was pointed out that 58.6 percent of these firms are micro and small enterprises, which are required to employ at least one Saudi national. Further, 180 large companies remain in the ‘Red’ and ‘Yellow’ zones for not meeting the required quota of Saudi workers.

\textit{Nitaqat} also applies to 255,833 companies, which have 10 or more employees, whereas small companies with less than 10 employees, known to be in the ‘white’ zone, are exempt, but are required to employ at least one Saudi national.\textsuperscript{13}

\section*{4. Welfare schemes by other states}

During the period under review, several other provincial governments in India launched programmes catering to people from their states working in the Gulf.

In an effort to help Indians in the Gulf states, particularly Saudi Arabia, the southern Indian state of Andhra Pradesh launched a Web portal (www.apnri.ap.gov.in). This was supposed to help deal with various difficulties faced by the people hailing from the state. The welfare measure came in response to demands from political parties in the state for rehabilitation of workers hailing from the state following the \textit{Nitaqat} crackdown.\textsuperscript{14}

The main objective of the portal was to generate a database of people from the state in the Gulf and to help provide services pertaining to the authentication of educational certificates, the attestation of certificates and documents.

The state-level pilot project covered five districts of Adilabad, Kadapa, Karimnagar, Nizamabad and West Godavari, from where most of the state’s people working in the Gulf hail. The capital city of Hyderabad was the headquarters for creating management information and application system of non-resident Indian (NRI) affairs on migration profiling and other online services. A help desk was also established at Hyderabad airport with a database available with passport portal linkage.

In January 2015, the north Indian state of Uttar Pradesh followed Andhra Pradesh’s trend and rolled out a host of welfare measures to help workers from the state in the UAE. The state government set up an exclusive Web portal and hotline service for NRIs from the state to ensure assistance in case of emergencies, to monitor their problems and to coordinate with the central government. The services were specifically meant to help families of the NRI workers to contact government officials if any problems arose while getting in touch with family members earning in the UAE.

\begin{itemize}
\item \textsuperscript{12} \textit{The Peninsula} (Qatar), 27.11.2014: No immediate plan to cut expat workforce, say Gulf ministers.
\item \textsuperscript{13} \textit{Arab News}, 13.9.2014: 200,000 Nitaqat-hit firms close down.
\item \textsuperscript{14} \textit{Arab News}, 25.11.2013: Website launched for Andhra NRIs.
\end{itemize}
A migrant resource centre, where NRIs from the state in the UAE could lodge their complaints 24X7 and seek advice when needed, was part of the welfare initiatives. NRIs from the state could avail themselves of a state-specific fast track NRI Card, which would get them preferential treatment at government offices considering their limited time to complete their paper work while on vacation.15

But given the record of poor implementation of such services in the past, it remains to be seen whether such facilities will actually be used by the workers or their families, or how effective such mechanisms will be in offering relief to those who need it.

In another move initiated in March 2014, about 1.4 million blue collar Indian workers in Saudi Arabia started benefitting from a new social security scheme introduced by the central government’s Ministry of Overseas Indian Affairs.16 Called the Mahatma Gandhi Pravasi Suraksha Yojana (Overseas Protection Plan), it consists of three major components:

- free of cost insurance cover;
- old age pension;
- resettlement savings.

A few months earlier, the scheme was introduced by the Indian mission in the UAE, and was expected to benefit at least 600,000 workers initially.17

According to the scheme, a beneficiary will get life insurance cover under a plan from the Life Insurance Corporation of India, the premium for which will be paid by the government. In the event of death or permanent disability in an accident, a sum of $1,200 will be paid to the family of the deceased. In case of natural death or partial disability in an accident, an amount of $600 will be paid.

Under the National Pension System and return and resettlement savings, the worker needs to pay about $100 a year, to which the government will contribute about $35 dollars for male workers and $55 for women workers for five years. The savings will be managed by credible public sector pension funds and the worker will be eligible to receive a regular monthly pension at 60 years of age. It is possible for the worker to continue investing even after returning to India.

The beneficiaries will be able to withdraw their accumulated return and resettlement savings as a lump sum upon their return to India. But a worker must make a minimum of $100 contribution to be eligible for the security scheme.

A few other initiatives aimed at helping workers include:

- A labour guide entitled “Employment in the Kingdom of Saudi Arabia: A guide for Indian workers” was launched. This is a 54-page booklet containing all the relevant labour-related information that the Indian expatriates need to know for life in the Kingdom.18
- A first of its kind centre – Pravasi Seva Kendra (NRI Service Centre) – was opened in Jeddah to provide Indian expatriate workers with legal guidance on labour issues and health counselling.19
- A Qatari Ministry of Labour initiative will now help aggrieved Indian workers to file complaints against their employers in several Indian languages, using self-service machines. Among many Asian languages introduced by the Ministry of Labour were Hindi, Urdu, Tamil

15 Khaleej Times, 8.1.2015: Indian state’s welfare plans to assist expatriates in the UAE.
16 Saudi Gazette, 19.3.2014: 1.4m Indians to benefit from new social security scheme.
17 Gulf News, 29.10.2013: 600,000 Indian expats eligible for pension in UAE.
19 Arab News, 7.12.2014: Center opened to guide Indian expatriates on labour problems.
and Bengali. All a worker needs to do to lodge a complaint is follow three simple steps to fill a form using the self-service machines. A printout of the complaint with all the relevant data can then be submitted to the labour affairs department at the labour ministry, which will resolve disputes amicably. The new device aims at removing communication barriers created by many workers’ lack of knowledge of Arabic and English.20

- All non-resident Indians, including those in the Gulf, will now be able to cast their vote through electronic ballots or through their nominees residing in India. On both counts, logistical details have not yet been announced. The Election Commission discarded other possibilities – postal ballot and internet voting – fearing manipulation. Moves are afoot to provide similar opportunities for migrant labourers within India, who constitute nearly 30% of the total population.21 In Kerala, however, NRIs were allowed to vote in the 2011 state elections. Many politically active and enthusiastic NRIs from the UAE – who were members of the Kerala Muslim Cultural Centre, linked to Indian Union Muslim League political party – chartered flights to cast their ballot. This was the first opportunity for those living abroad to express their political choice.22

But one less positive measure is a tax on remittance fee. In a disincentive, especially to low-income Indians in the Gulf, New Delhi started levying a service tax on “fees or commission” charged by banks and financial institutions for facilitating remittances from abroad. For example, the remittance fee from the UAE to India costs up to $6. A part of this amount – between $1.5 and $3 – is paid to the agents in India, which will now bear the new service tax. Although it is a small amount for a single transaction, an agent doing thousands of transactions has to pay a huge amount as tax, which is most likely be passed on to the remitters from the Gulf.23

This is unjustified because NRIs deserve incentives for bringing foreign currency into India. Further, while the government provides incentives to rich exporters in India to promote inward foreign currency remittance, the tax on service fee in the Gulf context hurts millions of poorer workers.

Another report highlighted how complaints from Indian workers in some Gulf countries have gone up with the highest number being reported from Qatar. Between January and November 2014, a total of 13,610 grievances were registered, as against 12,720 recorded in 2013. While 2,991 complaints were filed from Qatar, 2,973 were from Saudi Arabia. Complaints were mostly related to non-payment, delayed payment or underpayment of salaries, long working hours, inadequate living conditions, physical harassment, non-renewal or the late renewal of visas and labour cards.24

Justifying the high number of complaints from Qatar, which is in the midst of a major development drive, especially the 2022 FIFA World Cup, 277 Indian nationals died in Qatar in 2014. The number of deaths in 2011, 2012 and 2013 were 239, 237 and 241 respectively.25

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20 The Peninsula, 16.7.2014: Labour complaints in Asian languages allowed.
21 The Hindu (India), 13.1.2015: NRIs can vote from abroad.
22 Gulf News, 16.3.2014: Chartered flights for Keralites who wish to vote.
23 Gulf News, 26.11.2014: India begins levying service tax on remittance fee.
24 Press Trust of India, 27.11.2014: Complaints by Indian workers working in Gulf on the rise.
5. Pressure on higher wages and guarantees

There were contradictory reports on Indian government efforts to influence the Gulf countries to raise the wages of millions of Indians in the region. The Ministry of Overseas Indian Affairs (MOIA) justified this demand for increased salaries on the grounds of inflation in India, the value of the Indian currency and a rise in the cost of living in the Gulf. The Indian missions in the region, however, denied that any such demand existed.

How can this contradiction be explained? While the Indian government in Delhi could have made this announcement as a reaction to domestic political pressure for better wages for those working in the Gulf, the Indian missions knew very well that such a demand would be disliked by the Gulf governments. In most cases, foreign governments cannot dictate the pay of its citizens in the Gulf. The decisions to hire are made by labour recruiters in individual countries, which have not set minimum wages for migrant workers.

And, since the Gulf governments prohibit union activity, workers rarely have opportunities to organize themselves to seek higher wages. Most, importantly, any such move to increase minimum wages risks pushing many Indians out of the market, because the workforce from other South Asian countries is ready to work for lower salaries.

The Indian government may have sought to influence the wages through recruiters at home because the latter must rely on the cooperation of local government authorities to operate in India. An internal memorandum prepared by the MOIA said that if workers are offered wages below specified minimums, ministry officials “would deny emigration clearance” for such workers. This would eventually hurt the business of recruiters.

In Saudi Arabia, the Indian embassy reportedly increased the recommended minimum salary posted on its website from $180 to $320 a month in early 2014. In the UAE, the minimum wage for Indian blue-collar workers also reportedly rose from $320 to about $400 in late 2014.

The fact, however, is that even when Gulf recruiters agree to certain wage levels, the numbers do not necessarily stick. Some workers are promised one salary when they sign up in their home country, then forced to renegotiate lower wages when they arrive in the Gulf. It is difficult to see how this ‘dual contract’ malpractice can be remedied.

Some countries, like Saudi Arabia, publicly threatened to reduce the Indian workforce and hire lower-paid workers from Bangladesh and Nepal instead. Riyadh said:

If this is a decision that is applied throughout India as a whole, meaning no one gets out of India for work unless with that limit, then this is a sovereign decision for the country and we will not interfere. But if it is a special decision to raise wages for whoever comes to work in the kingdom, then we oppose it and do not accept it, as it would be an act of discrimination and we don’t accept that in international agreements. 26

Debunking the issue of government pressure on higher wages, the Indian mission in the UAE said no request or demand for revision in minimum wages was made in the UAE. It clarified that the last revision was made in March 2011 and that if wage changes had occurred more recently, it could be that recruiters were enforcing the changes belatedly.

In this context, it is worth revisiting the debate on the issue of foreign governments trying to influence minimum wages and labour law changes about a decade ago. In particular, the GCC governments were concerned about demands for labour law changes from the United States and the European Union during free trade agreement negotiations (FTA). The UAE, for example, aborted FTA negotiations with the United States on these grounds.

26 Reuters, 17.11.2014: India urges higher pay for millions of Gulf workers.
In 2008, the GCC countries also faced pressure from several Asian countries to pay minimum wages for unskilled workers. However, the GCC countries resisted the proposal for several reasons, including fears that higher wages would add to inflation, which was at an all-time high due to the depreciating dollar.

For example, though India was partly successful in implementing a minimum wage of $300 for maids in Saudi Arabia, it failed to expand this to other unskilled workers, after the Kingdom refused to sign a memorandum of understanding to do so. Likewise, it managed to increase salaries informally in some cases in Bahrain. But it failed to formally enforce a minimum monthly wage of $265 for all unskilled Indian workers, instead of the then prevailing $160-$225 a month.

The attempts to increase minimum wages did not uniformly succeed then, and it would not in the future. The workforce-exporting countries realized that companies in the Gulf would simply substitute workers from other countries who were willing to work for lower salaries. So when the Philippines’ government attempted to set minimum wages, the demand for Filipino maids dropped by 50 percent.

Kuwait, however, introduced a minimum wage for some low-wage jobs such as cleaners after violent protests by Bangladeshi workers. But the rule was not always implemented strictly. With regard to the UAE, India had said: “We understand the (UAE) government’s cautious approach...We cannot force the government here into anything. But we can set a certain form of minimum wage for our own workers” (Janardhan 2012a).

As a result, in the current context, the Indian government introduced other safeguards to protect the rights of Indian domestic workers in the Gulf. One such example was the decision that Kuwaiti employers must submit a bank guarantee of $2,500 when bringing woman domestic workers from India to Kuwait. Starting September 2014, this meant a security deposit with the Indian embassy in Kuwait. This measure is also operational in Saudi Arabia and Oman. The logic is that if any sponsor violates the contractual obligations, the deposited money can be used to protect the interests of the worker, including clearance of unpaid dues or hospitalization of workers in case of maltreatment.

An angry Kuwaiti National Assembly responded to this move by voting to give its health and labour committee the power to draft a law on the establishment of a company for the recruitment and employment of domestic workers. Some members of parliament called for retaliatory actions against New Delhi and urged the government to consider halting the recruitment of manpower from India to oppose bank guarantees. They described the Indian decision as a breach of the law and diplomatic norms, as well as of Kuwaiti law and the constitution. Preserving the rights of Kuwaiti citizens, expatriates and foreign workers in Kuwait is the duty of the Kuwaiti government and not the Indian embassy, the MPs warned. They also claimed that accepting the Indian decision would encourage similar measures by other countries.27

6. GCC-India cooperation

A significant step that would positively help hundreds of thousands of Indians in the Gulf is the GCC labour ministers’ agreement on minimum terms in the contracts of domestic workers to improve the working conditions of over 2.4 million foreign maids.

The deal followed the latest round of the Abu Dhabi Dialogue, launched in the UAE in 2008, between ministers from the twelve Asian workforce-sending countries and the GCC states. Formulated in association with the International Labour Organization, the deal is aimed at “preventing abuse in the recruitment process, protecting workers’ rights, improving regulation and strengthening oversight of private recruitment.”

While the devil in this case lies not in the details, but the degree and efficiency of implementation, the blueprint of the contract sets:

- daily work at eight hours;
- limits overtime to two hours;
- requires the provision of decent accommodation;
- stipulates the right for days off;
- bans employers from keeping employees’ passports;
- ensures the freedom of domestic helpers to move or live outside the home of the employer and to travel at any time;
- commits employers to provide air tickets for the workers at the end of the contract.

The measures also include initiatives and programmes for wage protection, speedier settlement of labour disputes, a skill development and testing programme and a pre-departure orientation initiative. In particular, the wage protection programme obliges all employers in GCC countries to transfer salaries of workers to banks to ensure payment and easy monitoring.\(^{28}\)

The UAE, which first introduced the Wage Protection System (WPS), in 2009, has found this system to be very beneficial. This electronic system launched in cooperation with the UAE Central Bank ensures that companies transfer the wages of their workers through banks, money transfer companies and other service providers, rather than by making cash payments. The Ministry constantly reviews the electronic system and its ATM card-based operations. By the end of 2014, the UAE’s WPS involved over 250,000 companies and covered nearly four million workers (UAE 2015).

In addition, India and Saudi Arabia signed an Agreement on Labour Cooperation for Domestic Service Workers Recruitment. Some of the main features of the agreement are: it protects the rights of both the employers and domestic workers and regulates the contractual relation between them; ensures the authenticity and implementation of the employment contract; takes measures against recruitment agencies who violate laws; and establishes a mechanism to provide round the clock assistance to domestic workers.\(^{29}\)

It stipulates that maids must be given free time for at least eight hours daily and a fifteen-day paid vacation annually or 30 days after two years of service. The National Recruitment Committee fixed the monthly salary of Indian maids at $330, plus return economy air tickets to visit home. The deal states that employers must deposit the maids’ salaries in their bank accounts in the Kingdom at the end of every month and show proof of payment for their domestic workers.

Employers are also obliged to help workers transfer their salaries back home and maids should be given enough freedom to contact the embassy or the consulate, or their family members. Further, an age stipulation was introduced: Indian maids looking for employment in Saudi Arabia must be between 25 and 50 years.\(^{30}\)

Another Saudi-India agreement pertaining to recruitment of Indian domestic workers, including maids, was signed. This agreement was to protect the rights of domestic workers as well as their employers and to regulate the contractual relationship between the two parties. It also sought to organize the recruitment process and to control the cost of recruitment in both countries. It stipulates that domestic workers should:

\(^{28}\) Agence France-Presse, 28.11.2014: Gulf, Asia okay steps to protect foreign workers.

\(^{29}\) Khaleej Times, 3.1.2014: India, Saudi Arabia ink landmark accord on domestic workers.

\(^{30}\) Arab News, 30.8.2014: No change in Indian housemaids’ recruitment pact.
- have no criminal records;
- be trained in specialized centers in household work;
- be educated in the Kingdom’s customs and traditions;
- be knowledgeable about the terms and conditions of the employment contract.31

These terms assume importance because an average of over 550 Indian women go to the GCC countries for work every week, according to the Indian Ministry of Social Affairs. In 2013, 29,637 work visas were issued for women.32

Another significant example of Gulf-India cooperation in the labour domain is the pilot initiative launched by Kuwait and the UAE to train 2,500 workers in India, Pakistan and the Philippines, before coming to work in the construction sector in the Gulf. The workers will be recruited randomly and will be trained to work for Gulf-based enterprises. The UAE Ministry of Labour said the workers’ skills will be assessed while in the UAE.

The two-year initiative was commissioned in late 2014 and will be a skill assessment and certification project. The two countries have also decided to establish a website to assess the skills of workers recruited from the three countries.

Based on a Kuwaiti proposal, a centre will evaluate professional skills and the capabilities of an expatriate worker before recruitment in Kuwait. The centre will issue a certificate on the basis of tests. The centre also aims to secure the rights and obligations of both employers and workers alike. A number of relevant international organizations, including the World Bank and International Labour Organization are involved in the project.33

The logic behind the move is that the entry of trained and qualified expatriate workers would positively affect the GCC economies, thereby enhancing the stability of the region.

Three more agreements deserve attention:

- A treaty to allow Indian prisoners in Qatar and Qatari prisoners in India to be shifted to their respective countries so that they can be closer to their families while serving the remaining part of their sentence, thus facilitating their social rehabilitation. India has so far signed such agreements with more than twenty countries, including Saudi Arabia and Kuwait.34

- An agreement to set up centers for crash courses in Arabic in cooperation with Saudi Arabia in order to equip Gulf-bound workers with working knowledge of Arabic. This will be done in cooperation with the King Abdullah International Center for Arabic Language Services, which will help set up such centers in all parts of India to help workers to fit into their respective vocations in the GCC countries. A knowledge of Arabic is expected to bridge the communication gap between the employer and the employees. It has been pointed out by officials that most labour problems occur due to poor communication skills between the sponsors and employers. The first such centre is expected to open in New Delhi as it is home to several foreign missions from Arab countries.35

- The UAE has signed agreements with India, Bangladesh, Egypt, Ethiopia, and the Philippines to get their workers medically tested at home before joining the work market in the

32 Saudi Gazette, 16.7.2014: SR1,000 minimum pay for Indian maids.
33 Khaleej Times, 24.11.2014: Ministry of Labour to select, train 2,500 workers.
34 Gulf Times, 2.12.2014: Indian cabinet okays prisoner transfer treaty with Qatar.
35 Arab News, 31.12.2014: Centres for crash courses in Arabic to be set up in India.
UAE. This is to ensure that prospective workers with pulmonary tuberculosis, hepatitis B and HIV/AIDS are tested before they arrive in the country. This, it is reasoned, will stop the spread of the latest strains of infectious diseases. Further, it is also been seen as an effective way of helping some workers avoid spending money to come to the Gulf to work without knowing their health condition. In the current scenario, jobseekers with infectious diseases are denied a work permit.

The Ministry of Health started implementation of a double check medical screening for citizens of Indonesia and Sri Lanka applying for work/residence permits in 2011. Applicants from these two countries are required to visit approved medical centres in their home countries and to be tested there for tuberculosis, hepatitis B, HIV, leprosy, malaria and syphilis. Only in instances where a valid medical certificate is issued with a negative test result will an applicant be permitted to apply for an employment entry visa for the UAE. The requirement to complete a post-arrival medical check-up in UAE also remains in place.  

7. Studies on the impact of remittances

Two controversial reports about the impact of remittances on the workers’ families back home were released during the period under scrutiny. The results of both studies offer a positive perspective compared to the oft-cited human rights reports which criticize the inhuman working and living conditions and other labour violations in the GCC countries. In particular, both reports point out that remittances have contributed to poverty reduction.

The first study suggests that Indian unskilled workers are making a crucial difference to their families’ living conditions back home. The study by Michael Clemens of the Centre for Global Development finds that the workers were earning salaries that were two-and-a-half times more than what they would have earned in India. The remittances they send home were also improving their families’ situation.

“The fact is that Indians moving to work in the UAE have contributed to the reduction of poverty, obtained hundreds of thousands of jobs, and provided Indian families with billions of dollars, which were transferred by workers from their average monthly earnings”. The survey also found that the labourers’ families were 30 percent more likely to own their own businesses as compared to families with no members working abroad.

Indian workers who had come to work in the UAE before the global financial crisis of 2008 had greater opportunities as compared to workers that came after the crisis, the report found.  

Another argument that the Gulf countries could point to in order to counter the pressure of human rights activists and groups is one put forward by University of Chicago law professor Eric Posner in a book entitled The Twilight of Human Rights Law (Posner 2014). In the book and in an article in New Republic co-authored with Glen Weyl, it is argued that the GCC countries sponsorship systems contribute significantly to the reduction of global inequality.

Foreign migrant workers earn vastly more in the GCC nations than they would at home in Bangladesh or India, where they would make around $1,000 per year. By welcoming migrant workers, the GCC countries do more than any other rich country to reduce global inequality. Through migration, Qatar’s per-person contribution to the reduction in global inequality is almost three times that which would be achieved by eliminating all inequality in the United States, and many times that created by taxes and transfers in any of the rich countries that belong to the Organization for Economic Co-operation and

36 Gulf News, 11.11.2014: FNC discusses medical screening in labour-exporting countries.
37 The National (UAE), 2.2.2015: Families gain from Indian labourers in the UAE.
Development. If you take into account remittances – in UAE, for example, migrant workers send home more than 75 percent of their salary – the reduction in inequality is even greater.

Migration has such large benefits because people in poor countries start from such a low base. If you give $4,000 to someone who earns only $1,000, that person’s income increases fivefold, dramatically reducing inequality. If you give the same amount to a poor person in the United States making $12,000, the donation would increase his or her income only by a third. In fact, increasing the income of a truly poor person in a poor country by a factor of five is precisely what would allow her access to the basic goods, like education and health that are the empty promises of human rights treaties. This is why helping the poorest people in the world does so much more to reduce global inequality than do the welfare states of OECD countries, where money is shuffled around between the super-rich and (by global standards) the not-so-poor (Posner and Weyl 2014).

Posner and Weyl acknowledged the shortcomings in the political systems of Gulf states, but argued that “reducing inequality will require uncomfortable trade-offs. Qatar would not welcome so many migrant workers if it had to give them generous political and civil rights…”. They further noted that the West’s emphasis on human rights and the role of institutions such as the United Nations Human Rights Council has failed to pre-empt growing global inequality.

To top it all, they advocated the adoption of Gulf-style labour systems by Western countries. “If the OECD countries copied the migration policies of the GCC countries, they would reduce global inequality by much more than their welfare systems do within their borders,” they suggested.

However, the arguments of both reports might be countered by pointing out that the studies have focused narrowly on financial gains, but not the emotional cost. For example, family life is restricted to about two months every twenty four months. Some children then only see their fathers once every two years. The study also failed to note whether the community or local village benefitted in any way from migration.

8. Kafala debate

The kafala or sponsorship system has been widely debated in migration and human rights milieus in recent years. Though it is not exclusive to the issue of Indians in the Gulf, but involves all the expatriates in the region, developments in this realm are, nonetheless, relevant.

In early 2014, Qatar proposed amendments in the country’s sponsorship law. The government announced plans to eventually abolish the kafala system and reform the exit permit system. However, it did not set any time for implementation of the proposed changes. It is not clear how long these procedures would take and whether the proposals would see further changes during this process.

The proposed change implies that the current system of Qatari citizens or the private sector sponsoring expatriates would be replaced with: a government sponsorship system; or a work system governed by more formal job contracts between employers and employees. The contracts may specify the role of several parties, including the Ministry of Interior, Ministry of Labour and the judicial bodies.

The proposal states that if an employer refuses to approve the exit permit, then the employee can refer the issue to the relevant department at the Ministry of Interior and seek a solution in 72 hours.38 Qatar could also work with the sending countries to start regulated employment agencies to weed out corrupt middlemen.

Qatar’s bid to overhaul its labour sponsorship system is in response to mounting criticism about its construction plans for the 2022 World Cup. Qatar hopes that these changes will help "fend off

38 The Peninsula, 18.5.2014: Proposed changes to sponsorship spark debate in legal circles.
demands like the right to form independent trade unions and collective bargaining that would fundamentally alter the Gulf state’s social structure in which the citizenry accounts for a mere 12 percent of the population...The changes would keep the kafala system in place but would remove its most onerous bits. Sponsorship by the government promises that workers would not be exposed to the whims of their employers. Freedom to switch employers reduces a worker’s dependency.”

In an earlier attempt to reform the kafala, Bahrain became the first country in the GCC bloc to ‘abolish’ the system. Announced in April 2009 and implemented starting August 2009, the new law allowed workers to be sponsored by the Labour Market Regulation Authority and change from one employer to another without their employer’s agreement. A three-month notice was required to quit an employer.

However, the law has not been enforced strictly. The law ostensibly encourages workforce mobility and helps the government to effectively monitor workers’ rights – which was one of the reasons for the change after complaints and criticism from international human rights organisations. But its real purpose may have been for the authorities to proactively employ nationals over expatriates. As with so many workforce nationalization drives in the GCC countries, the private sector has not welcomed this move.

There has been debate about kafala reforms in other GCC countries too, but it has remained in the realm of debate for lack of clarity and for the consequences of alternative systems.

9. Conclusion

It is only fair to attempt a concluding note on the labour dynamics in the Gulf without restricting it to the Indian scenario.

Generally, incorporating population policies into overall development strategies continues to pose a challenge for the GCC countries. The high rates of population growth, emergence of new global challenges, cultural threats and fear of damage to the national fabric pose challenges for policy makers. Attempts to reduce the gap between the number of nationals and expatriates in the GCC countries and to speed up the nationalization of the workforce have not had the desired results (Janardhan 2012a).

In reality, in the wake of globalization and the accelerated pace of integration of the GCC economies into the global economy, the flow of expatriate workers will basically be determined by economic factors. This will mean granting rights that the GCC countries are not used to. Though the rules of engagement have constantly changed for them, expatriates have been more of a stabilizing, rather than a destabilizing, force. This makes it imperative for the GCC governments to take proactive, not reactive, measures to address the concerns of expatriates.

It is unlikely that expatriates or their governments will voluntarily demand any significant concessions that would alter the current arrangements. It is also unlikely that the GCC governments will offer any concessions due to the local sensitivities involved and their ramifications. In such a scenario, the nationalization of workforces becomes an important tool to address at least one component of the ‘threat’ perception.

However, the success of this strategy depends on bridging the divide between the academic curriculum and market requirements, and making nationals more competitive. This would hasten the process of building a vibrant knowledge economy.

39 Middle East Online, 27.3.2014: Qatar readying to overhaul controversial kafala.
40 www.bbc.com, 6.5.2009: Bahrain to end ‘slavery’ system.
While it is true that external influence played a role in bringing about labour reforms, it is also true that wages and other working benefits are determined by the prevailing conditions of labour supply and demand in the market.

The GCC governments are in a better economic position today than they were a decade or two decades ago – despite the slump in oil prices. As such they are unlikely to compromise any more than they have done on trade-labour issues. As a result, it would be more fruitful to adopt a cooperative approach on labour issues rather than a policy of intimidation and confrontation.

At another level, given the feeling of demographic insecurity, it is unlikely that the GCC countries would take many more steps to liberalize expatriates’ labour laws drastically. Even incremental progress would be reluctantly implemented at the governments’ pace, after taking ground realities into consideration. Any major external government push for ‘unreasonable’ change may be construed as a challenge to sovereignty, which could have an adverse impact on the expatriate communities.

A more productive alternative may lie in foreign governments using the offices of ‘apolitical’ institutions like the International Labour Organization and International Organization for Migration to impress upon the GCC governments the need to adopt progressive labour policies, to which they may be more receptive.

Further, it is important to note that the GCC governments have largely limited their involvement in labour issues to creating a fair regulatory environment for private companies – many of them owned by nationals – and migrant workers. Labour ministries have limited scope in enforcing labour laws strictly. They have no power to force companies to increase workers’ wages. At best, they could attempt to make sure that the companies pay workers according to their contracts. And, here too, excessive supply of labour over demand means that workers are willing to compromise on salaries to either get jobs or retain them; government interference is, then, redundant. Since inspections related to timely payment of salaries and provision of decent accommodation have proved effective, the GCC governments should push to strengthen them.

In such a scenario, it may be worthwhile for the GCC governments to impress upon the private sector the need to cooperate by looking beyond the profit motive. The effort should be to encourage employers in the private sector to assume more responsibility in ensuring better standards and rights for workers as part of their corporate social responsibility, and even to protect the image of the country. It appears that only a combined effort, with the active involvement of the private sector, could yield better results. It is in this way that international institutions could help create the required awareness among private sector players.

Finally, remittances and domestic political pressure factors would also continue to encourage workforce-sending countries to find solutions. This would involve devising mechanisms aimed at addressing the problems of and providing relief to their people working abroad, even if they have minimum impact on many occasions.
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