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**Ambivalent Anxieties of the South Asian-Gulf Arab  
Labor Exchange**

by

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# **Ambivalent Anxieties of the South Asian-Gulf Arab Labor Exchange**

John Willoughby\*\*

## **Abstract**

[This paper focuses on one unique feature of rapid social and economic transformation of the Arabian Gulf region: its unusually heavy reliance on expatriate labor from South Asia. While concentrating on issues affecting the whole region, this essay presents more specific information on two of the regions most heavily implicated in this labor exchange: the emirates of Sharjah and Dubai in the United Arab Emirates and the state of Kerala in South India. Despite worries amongst Arabs about the loss of national self-sufficiency and despite understandable complaints of labor exploitation from South Asians, the ambivalent anxieties unleashed by the intensive utilization of South Asian labor in the Gulf are likely to be a permanent political economic product of the labor networks, remittances and capital flows emanating from a still emerging Arabian Sea economy.]

**Key words:** [Migration, Gulf, South Asia]

**JEL classification:** [O1, Economic Development; 053, Asia including the Middle East; J61 Geographic Labor Mobility; J8, Labor Standards]

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# **Ambivalent Anxieties of the South Asian-Gulf Arab Labor Exchange**

**John Willoughby\***

## **Introduction**

No region in the world economy has experienced more profound economic and social changes over the past half-century than the Arabian Peninsula. Once an economic backwater, the Arabian Peninsula now boasts high living standards, rapidly rising literacy rates, and a modern infrastructure of roads, airports, and mobile phone and internet networks. This paper focuses on one unique feature of this rapid social and economic transformation: the unusually heavy reliance on expatriate labor from South Asia. While concentrating on issues affecting the whole region, this essay also presents more specific information on two of the regions most heavily implicated in this labor exchange: the emirates of Sharjah and Dubai in the United Arab Emirates and the state of Kerala in South India.

## **Empirical Overview**

One significant feature of the economic and social developments of the past fifty years is the rapid population growth in the Arabian Peninsula due to high birth rates and significant in-migration.

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**Table 1**  
**Population Growth of the Arabian Peninsula, 1950-97**  
**(Thousands)**

	<b>1950</b>	<b>1960</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>1997</b>
<b>Bahrain</b>	116	156	220	347	503	620
<b>Kuwait</b>	152	278	744	1,357	2,143	2,153
<b>Oman</b>	413	505	654	988	1,524	2,256
<b>Qatar</b>	25	45	111	229	490	522
<b>Saudi Arabia</b>	3,201	4,075	5,745	9,372	15,800	19,500
<b>UAE</b>	70	90	223	1,015	1,589	2,696
<b>GCC Total</b>	3,977	5,149	7,697	13,326	22,049	27,747

*Source: Kapiszewski, 2000.*

**Table 2**

**Increases in the Utilization of Expatriate Labor in the Gulf**

	<b>Number in thousands (Date in parentheses)</b>	<b>Number in thousands</b>	<b>Percent of total workforce (1995-97)</b>
<b>Bahrain</b>	81 (1981)	181 (2001)	62
<b>Kuwait</b>	546 (1980)	981 (2000)	84
<b>Oman</b>	432 (1993)	530 (2001)	65
<b>Qatar</b>	179 (1986)	300 (2000)	82
<b>Saudi Arabia</b>	391 (1974)	3,000 (2000)	64
<b>UAE</b>	505 (1980)	1,300 (2000)	90
<b>Total</b>			75

Source: Gloria Mareno Fontes Chammartin, "Women Migrant Workers' Protection in Arab League States", in *Gender and Migration in Arab States: The Case of Domestic Workers*, ed. By Simel Esim and Monica Smith (Beirut: ILO, Regional Office for Arab States, June 2004): 12.

While Tables 1 and 2 document the Arabian Peninsula's heavy on expatriate labor, the data also highlight important differences among the GCC states.<sup>1</sup> While the internal population growth has been high in all countries, per capita GDP seems to regulate the degree to which expatriate labor is used (table 3). Thus, those nations with lower per-capita GDP rely more on their national workforce, while the more wealthy nations of Kuwait, Qatar, and the United Arab Emirates manifest both greater expatriate presence in their society as well as higher internal population growth. Despite Saudi

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<sup>1</sup> GCC stands for Gulf Cooperation Council. The members of the GCC are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Yemen has applied for membership, but the monarchies of the region are suspicious and perhaps threatened by its republican structure. As we shall see in the conclusion, important issues related to labor migration also hinder Yemen's entrance into the GCC.

Arabia’s weaker reliance on foreign labor, approximately fifty percent of expatriate workers within the GCC are employed there.

**Table 3**

**Per Capita GDP and the Presence of Expatriates in the National Population**

<b>GCC Countries Ranked by Per Capita GDP</b>	<b>Per Capita GDP (PPP 1999)</b>	<b>Percentage of Expatriates in Total Population</b>	<b>Percentage Growth of National Population (1950-1997)</b>
Qatar	\$18,789	67	528
UAE	\$18,162	76	840
Kuwait	\$17,289	66	389
Bahrain	\$13,688	39	231
Oman	\$13,356	28	298
Saudi Arabia	\$10,815	31	322
GCC		39	330

*Sources:* Kapiszewski, 2000, and United Nations Development Program, 2001.

Based on these broad data, it is reasonable to posit two demand factors that stimulate labor migration to the Gulf. First, the creation of an infrastructure for exploiting the petroleum riches required both highly trained professionals and manual laborers. Neither the skill levels nor size of the indigenous population were adequate for this export-led growth. Second, as per-capita GDP rose, the demand for durable consumer goods, leisure services, educational and health services, and information technology generated a powerful employment multiplier effect that pulled foreign workers into a broad array of occupations.<sup>2</sup> In addition to these demand factors,

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<sup>2</sup> El Musa has argued that the oil economy provided no backward or forward linkages to Gulf economies. The absence of backward linkages—that is, the development of industries to supply the technologically sophisticated oil industry—is a plausible claim. On the other hand, the huge rise in living standards has spawned enormous forward linkages indicated by the development of service industries that require

increasing national incomes in combination with state redistribution policies that are not linked to work effort have provided strong supply-side incentives for national households and businesses to substitute leisure for labor through the hiring of expatriate workers.

### **National vs. Expatriate Workers: The UAE Experience**

To delve further into this dependence on expatriate labor, the economy of the United Arab Emirates provides an instructive case in point. Its reliance on foreign workers highlights in the extreme the differences between national and non-national workers characteristic of all the Arabian Peninsula. Most UAE nationals work for the UAE government.<sup>3</sup> It is reported that a notable portion of national workers fails to perform their tasks with much alacrity or efficiency.<sup>4</sup> Absenteeism in the government sector is a constant problem. Yet, the average government salary reported in 1996 was AED 107,600—approximately U.S. \$30,000 per year. Moreover, it is likely that UAE nationals received an average amount significantly higher than that, since non-nationals within the government tend to cluster in the lower salary echelons. With the exception of the crude oil sector—which employs only 2 percent of the workforce—and the finance and insurance sectors, no other employment sector offers compensation that equates to half the amount of the government sector (table 4).

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significant technological capability [Sherif S. El Musa, “Technology and the Dynamics of Socio-Economic Change,” *The Middle East Journal* 51 (Summer 1997): 358-72].

<sup>3</sup> There is significant presence in the oil industry, the financial sector, and the state-owned telecommunications sector.

<sup>4</sup> While commenting on the problem of the unemployment of national citizens, Kapiszewski (2000, 10-11) states that, “Another reason for unemployment is nationals’ work ethic. Nationals are often disinclined to enter low-skilled posts while, at the same time, the educational systems are not well equipped to deal with the problem of how to reorientate traditional work values. In the majority of cases, nationals are ready to enter only occupations that are culturally acceptable, high in social status, typical ‘modern’ and connected with the white-collar environment.”

Most governments are now encouraging private banks and other financial enterprises to employ more national citizens in this high-wage sector. Even if nationals completely supplanted expatriate labor in the financial sector and saturated this industry, it would be unlikely that UAE nationals would then move into the low-wage retail trade or manufacturing sectors.<sup>5</sup>

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<sup>5</sup> By comparison, the poorer male citizens of Oman, Bahrain, and Saudi Arabia do work in relatively low-paid jobs. In these countries, the percentage of expatriate workers is significantly lower.



**Table 4**

**Average Annual Compensation by Economic Sector in UAE, 1997**  
**(Thousands of Dollars)**

<b>Economic Sector</b>	<b>Percent of Workforce</b>	<b>Annual Compensation</b>	<b>Percent of Government Services Compensation</b>
<b>Crude Oil</b>	1.6	24.2	82
<b>Agriculture</b>	7.6	3.8	13
<b>Mining and Quarrying</b>	0.3	7.2	24
<b>Manufacturing</b>	11.8	6.7	23
<b>Electricity, Gas, and Water</b>	1.8	13.2	45
<b>Construction</b>	19.1	10.4	35
<b>Wholesale and Retail Trade</b>	17.3	7.3	25
<b>Restaurants and Hotels</b>	3.8	6.0	20
<b>Transportation, Storage, and Communication</b>	7.3	10.2	35
<b>Finance and Insurance</b>	1.5	26.5	90
<b>Real Estate</b>	2.5	7.6	26
<b>Government Services</b>	10.9	29.5	100
<b>Social and Personal Services</b>	4.6	7.9	27
<b>Domestic Services*</b>	10.0	2.8	10
<b>Weighted Average</b>		10.4	35

*Source:* International Monetary Fund, 1998.

\*Does not include room and board expenses borne by employer.

The UAE's highly unequal compensation structure suggests a profound bifurcation between the national population and the non-national population. It is not that nationals do not work in "blue-collar" occupations; male citizens do work for the government as security guards or in public safety. Rather, the evidence suggests that this

work is protected and rewarded with disproportionately high compensation. Moreover, the bifurcated wage structure even understates the difference in the two labor forces, since nationals receive subsidized supplies of energy, free medical care, free higher education, and free land. In addition, many families receive substantial cash transfers through programs such as the “marriage fund” during key stages of their lives.<sup>6</sup>

This snapshot of labor segmentation ignores the very real divisions within the expatriate workforce. For example, there is a caste of highly-paid European and North American professionals who have also settled in the region. Moreover, South Asian and Arab professionals have also settled in Gulf on an almost permanent basis. The multicultural look of a city like Dubai obscures the highly segmented lives that such workers live. It is not unusual for adults in their social lives to only associate with those of the same nationality, religion or ethnicity.<sup>7</sup>

### **The Impact of the Out-Migration of Keralite Workers on the Economy of Kerala<sup>8</sup>**

Historical accounts suggest that starting with the oil price boom of the early 1970s, Gulf countries began to turn away from employing low-wage Arab labor from Yemen and Egypt and toward the even cheaper labor reserves in Pakistan.<sup>9</sup> Toward the end of the 1970s, in-migration from India increased as the relative presence of Pakistani

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<sup>6</sup> The only exception to the pattern of the national workforce receiving high pay for labor services is in the agricultural sector, where Emiratis tend land in the oil-poor emirates of Ras Al Khaimah and Fujairah. Most of the nationals in the police force and military come from these emirates as well.

<sup>7</sup> Most Asian professionals hail from South Asia. There is also a significant presence of Filipino and South Korean professionals, who enjoy higher prestige. This hierarchy is malleable and differs according to one’s perspective. For an excellent discussion of issues of class, ethnicity, and status in Kuwait, see Anh Nga Longva, *Walls Built on Sand: Migration and Exclusion in Kuwait* (Boulder, CO: Westview Press, 1997).

<sup>8</sup> It is difficult to be more precise about the national composition of the expatriate workforce. The governments of the region are sensitive about their dependence on expatriate labor and do not publish the labor force data that are undoubtedly available to them.

workers diminished.<sup>10</sup> The Gulf War of 1991 intensified this trend, especially with the expulsion of large numbers of Arab workers from Egypt and Palestine.

B.A. Prakash, who has studied Indian migration to Gulf countries during the past two decades, notes that emigration of Indians to the Gulf divides in four stages:

1. 1976-1979: Beginning of out-migration.
2. 1980-1983: Rapid growth.
3. 1984-1990: Declining growth.
4. 1991-1994: Revival and intensified growth.<sup>11</sup>

Data from the Indian Ministry of Labor support Prakash’s migration typology. Moreover, the steadily rising stock of Indian workers in the Gulf imply that out-migration from the region slows when in-migration falters. This synchronicity of labor import and export has resulted in a steady rise in the pool of Indian migrants to the Gulf during the last two decades (tables 5 and 6).

**Table 5**

**Annual Labor Outflow from India**

<b>Year</b>	<b>Number in Thousands</b>
1977-79	263.7
1980-82	751.7
1983-85	401.9
1986-88	409
1989-91	460
1992-94	1,325.5

Source: Prakash, 1998.

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<sup>9</sup> Sharon Stanton Russell and Muhammad Ali Al-Ramadhan, “Kuwait’s Migration Policy Since the Gulf Crisis,” *International Journal of Middle East Studies* 26 (November 1994): 569-87.

<sup>10</sup> For data on Pakistan, see Jonathan S. Addleton, *Undermining the Centre: The Gulf Migration and Pakistan* (Oxford: Oxford University Press, 1992).

<sup>11</sup> B.A. Prakash, “Gulf Migration and Its Economic Impact: The Kerala Experience,” *Economic and Political Weekly* 12 December 1998: 3210.

**Table 6**

**Indian Migrants in the Arabian Peninsula and Gulf**

<b>Year</b>	<b>Number in Thousands</b>
1979	501
1981	599
1983	916
1987	957
1990	1,235
1991	1,650
1996	2,800

Source: Prakash, 1998.

These and other figures imply that Indian workers comprise slightly less than 40 percent of the total expatriate population, while fifty percent of Indian migrants come from Kerala. Since the mid-1990s, evidence suggests that at least until the year 2000, the in-migration of South Asian workers continued at an intense pace. For example, Zachariah, Mathew, and Rajan report that between the late 1980s and late 1990s, the annual rate of migration from the state of Kerala increased by 120 percent.<sup>12</sup> It is important to realize that even though Kerala is one of the smallest states in India, Kerala's population is larger than all the Gulf States and Saudi Arabia combined. Moreover, this aggregate Arabian population includes the resident Keralite expatriate population (which is probably between 5 to 10 percent of the total.)<sup>13</sup>

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<sup>12</sup> K.C. Zachariah et al., "Impact of Migration on Kerala's Economy and Society," *International Migration* 39 (2001): 66.

<sup>13</sup> If we accept Kapiszewski's report that 39 percent of the total population in the GCC countries is expatriate and that 40 percent of the foreign presence is Indian, this means that between 15 and 16 percent of all residents in the GCC countries are Indian. It is commonly estimated that half of all Indians in the Gulf and Saudi Arabia hail from Kerala. Thus, approximately 7.5 percent of the total population is Keralite. The figure for the UAE would be approximately 15 percent.

## **The Economic Impact of Out-migration on Kerala**

The effects of out-migration on Kerala are less well known than the impact on the host Gulf countries. If macroeconomic and labor market conditions approximate W. Arthur Lewis's model of unlimited labor services being supplied at subsistence wages, then any outflow of workers would benefit the home country.<sup>14</sup> Even if wages did not rise from the outflow, the inflow of remittance payments would boost living standards of Kerala. If, on the other hand, the quite finite professional labor permanently leaves the home country, then such a "brain drain" could cripple its productive capacity.

Unlike those of most of the Indian sub-continent, the social indicators of Kerala show that female and male literacy rates are over 90 percent; life expectancy is over 70; and birth rates have recently fallen below replacement levels. In other words, while economic indicators would place Kerala in the Third World, social indicators suggest a more developed society than the Gulf States.<sup>15</sup> As such, Kerala does not epitomize Lewis's model of a land peopled by desperate, impoverished, and unproductive workers. Nevertheless, the economic circumstances of the migrants suggest that unemployment along with the demand for temporary workers to fill "unskilled" jobs describes Keralite workers employed in the Gulf.

To provide a picture of the workers from Kerala in the Arabian Peninsula, the Center for Development Studies in Trivandrum and the Indo-Dutch Program on Alternatives in Development sponsored a survey of 10,000 households to assess the

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<sup>14</sup> The classic statement of the Lewis perspective is in W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School* 232 (1954): 139-91.

<sup>15</sup> Data and analysis that highlight the unique nature of Kerala's development path can be found in Jean Dreze and Amartya Sen, *India: Economic Development and Social Opportunity* (Delhi: Oxford University Press, 1995).

reasons for and consequences of migration. Tables 7 and 8 summarize data on the destination and origins of Keralite workers.

**Table 7**

**Emigration Destination of Keralite Workers, 1998**

<b>Destination</b>	<b>Number (thousands)</b>	<b>Percentage</b>
Saudi Arabia	519	38.1
UAE (total)	405	29.7
Abu Dhabi, UAE*	133	9.7
Dubai and Sharjah, UAE*	272	20.0
Oman	142	10.4
Bahrain	77	5.7
Kuwait	69	5.1
Qatar	64	4.7
USA	30	2.2
Other	57	4.2

*Source:* K.C. Zachariah, E.T. Matthew and S. Irudaya Rajan, *Dynamics of Migration in Kerala: Dimensions, Differentials and Consequences* (Thirunananthapuram: Centre for Development Studies, Indo-Dutch Program on Alternatives in Development, October 2000).

\*Abu Dhabi, Dubai, and Sharjah are the three largest emirates of the UAE. The UAE figures do not include emigration to the other emirates of the UAE and thus are a slight underestimate.

**Table 8**  
**Occupational Distribution of Emigrants**  
**(By percentage)**

Occupation	Before Migration	After Migration
State/Government Employee	2.2	2.5
Semi-government Employee	0.6	0.9
Private Sector Employee	15.4	40.8
Self-Employed	13.9	4.4
Unpaid Worker	0.8	0.0
Agricultural Laborer	1.8	0.1
Non-Agricultural Laborer	34.1	47.5
Job Seeker	26.5	0.7
Voluntarily Unemployed	0.2	0.2
Student	1.5	0.4
Household Work	3.2	2.6

*Source: K.C. Zachariah, E.T. Matthew and S. Irudaya Rajan, Dynamics of Migration in Kerala: Dimensions, Differentials and Consequences (Thirunananthapuram: Centre for Development Studies, Indo-Dutch Program on Alternatives in Development, October 2000): 95.*

The migrating workers are overwhelmingly (90 percent) young males in their mid-20s. They tend to work as laborers or in other low-wage jobs; 26.5 percent are listed as job seekers in Kerala, and 47.5 percent work as non-agricultural laborers in the Gulf. Approximately half of them are married. While 27 percent of the households in Kerala practice Islam, 51 percent of the emigrants are Muslims. Although functionally literate,

two-thirds of the migrants have no higher or technical training.<sup>16</sup> These workers come from the state's poorer districts.

Zachariah, Mathew, and Rajan have constructed a measure of the intensity of migration by district. The Migration Prevalence Ratio (MPR) measures the number of people who have migrated and/or returned per 100 households.<sup>17</sup> In addition, the Household Migration Rate (HMR) measures the number of households per 100 that have members who are presently working outside Kerala or who have returned.

**Table 9**  
**The Intensity of Keralite Migration**

<b>District of Kerala</b>	<b>Migration Prevalence Ratio</b>	<b>Household Migration Rate</b>
Pathanmthitta	98.6	59.4
Thrissur	88.5	49.8
Malappuram	78.1	52.2
Alappuzha	72.7	38.9
Palakhat	65.1	37.1
Thirunananthapuram	61.6	44.9
Kasargode	60.7	38.1
Kollam	59.4	41.7
Koshikode	48.4	37.7
Kannai	42.4	35.4
Ernakulam	37.3	25.4
Kottayam	35.9	27.5
Wayanad	19.6	16.0
Idukki	11.5	7.6
<b>Total for Kerala</b>	<b>59.0</b>	<b>38.5</b>

*Source:* K.C. Zachariah, E.T. Matthew and S. Irudaya Rajan, *Dynamics of Migration in Kerala: Dimensions, Differentials and Consequences* (Thirunananthapuram: Centre for Development Studies, Indo-Dutch Program on Alternatives in Development, October 2000).

<sup>16</sup> Ibid, 75-81.

<sup>17</sup> This includes migrants to other parts of India as well as international emigration. In recent decades, emigration has outweighed internal migration by Keralites.



These data show that while migration to the Gulf may have minimal impact on the huge Indian economy, it profoundly affects the society and economy of Kerala. Thirty-nine percent of all households have at least one member who is working or has worked outside of the state.<sup>18</sup> The number of people who have worked outside Kerala is more than half of the total number of households in the state. For this reason, remittances have sharply raised per capita income above per capita gross domestic product. In the early 1980s, for example, the district of Malappuram reported a per capita income figure 69 percent higher than the per capita gross domestic product.<sup>19</sup> For this reason, Kerala's per capita consumption levels are amongst the highest in India, even though Kerala is a relatively poor state within a very poor country.<sup>20</sup> Data collected from survey data show more precisely how out-migration has changed the living standards of Keralite workers. Table 10 lists key consumer durables and calculates the percentage of households that have such items. It is clear that those households that have sent working members out of Kerala fare significantly better than non-migrant households.<sup>21</sup>

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<sup>18</sup> K.C. Zachariah et al., *Dynamics of Migration in Kerala: Dimensions, Differentials and Consequences*. (Thirunananthapuram: Centre for Development Studies, Indo-Dutch Program on Alternatives in Development, October 2000): 89. I.S. Gulati and Ashoka Mody, "Remittances of Indian Migrants to the Middle East: An Assessment with Special Reference to Migrants from Kerala State," Working Paper 182 (Trivandrum: Centre for Development Studies, November 1983).

<sup>19</sup> *Ibid.*

<sup>20</sup> Joseph Tharamangalam, "The Perils of Social Development with Economic Growth: The Development Debacle of Kerala, India," *Bulletin of Concerned Asian Scholars* (January-March 1998).

<sup>21</sup> While the data on consumer durables demonstrate considerable gains in material benefits for Keralite households, some have argued that the mental health costs of prolonged separation are high. This would seem to be a plausible assertion, if it were not for the fact that ethnographic and survey data are ambiguous. Leela Gulati, for example, argues that some of the women left behind gain considerable autonomy and actually experience an improvement in their marital relations. Leela Gulati, *In the Absence of Their Men: The Impact of Male Migration on Women* (New Delhi: Sage Publications, 1993)

**Table 10**

**Percent of Households Possessing Selected Household Consumer Durables by Migration Status, 1998<sup>22</sup>**

Consumer Durables	Return Emigrant Households	Emigrant Households	Non-Migrant Households
Motor Car	7	6	2
Motor Cycle	18	12	8
Telephone	31	32	11
Television	54	53	34
VCR	28	28	6
Radio	28	28	6
Water Pump	46	52	22
Sewing Machine	24	21	14
Refrigerator	41	40	13
Washing Machine	20	16	4
Fan	80	83	47
Mixer	60	66	28
Gas Stove	39	38	15
Clock	88	91	76
Iron	72	76	37
Stereo	52	51	21
Watch	95	91	79
Cycle	33	27	25
Sofa	34	34	15
Toaster	5	3	1

Source: K.C. Zachariah, E.T. Matthew and S. Irudaya Rajan, *Migration in Kerala State, India: Dimensions, Determinants and Consequences*, Working Paper II: (Thirunananthapuram: Centre for Development Studies, 2000): 129.

**Limiting Surplus Labor: Transactions Costs, Rent Extraction and the Scramble for Jobs in the Gulf**

The reality of low wages and high unemployment in regions like Kerala means that Gulf employers acquire labor within a buyer's market. Even though the income offered to many laborers is low, high unemployment and even lower wages in South Asia

push large numbers of excess workers to “bid” for jobs. That surplus labor scrambles for scarce jobs is an all-too familiar aspect of the global migration experience.

Given that institutional barriers, wage-setting customs, or efficiency wage calculations prevent the offering of lower wages that might limit the inflow of workers, then other administrative and market-based institutions facilitate this rationing of labor.<sup>23</sup> Both the UAE and Indian governments have attempted to implement administrative regulations to halt the movement of excess labor. For a worker to receive a visa for employment in the UAE, the UAE government must issue a work permit or a “no objection certificate.” In addition, the Indian government also requires evidence of employment before issuing an exit permit.

These administrative rules could in principal reduce the number of migrants to the desired amount without the emergence of markets to ration access to the Gulf labor market. In fact, however, such measures do not effectively permit the state to regulate the inflow of labor through bureaucratic command. Instead, a market in permits and “sponsorships” has emerged. Workers compete against each other for the papers necessary to obtain a visa, and this allows the seller of such certificates to extract rents through discriminatory pricing for agent services and “cheating”—the payment for services that are not delivered. These transactions costs can also be considered a rental payment. Workers are willing to accept a lower wage than that being offered in the Gulf, and thus part with purchasing power in order to gain access to jobs that pay above their reservation wage. (See the appendix for an elementary illustration of this rent extraction

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<sup>23</sup> It is not certain that market-clearing wages can be established in an environment of unrestricted migration since development theorists have long noted that the presence of surplus workers in urban areas is a common feature of Third World economies. See Michael P. Todaro, *Internal Migration in Developing Countries* (Geneva: International Labor Office, 1976).

process.) The employee surplus that workers would have attained instead is transferred to a transnational network of labor recruitment agents and Gulf sponsors of the worker.

It may appear counter-intuitive to suggest that South Asian workers would be willing to work for even lower wages than they receive in the Gulf, but the extraordinary risk-taking and willingness to contract large debt of many migrants suggest that the incomes promised in the Gulf are seductive for poor households in India and elsewhere. For example, one Keralite informant of ethnographer Leela Gulati describes the initial travails of her husband, Basheer.

Things did not move fast for Basheer. It took almost two years after our marriage to locate an agent who promised to obtain an employment permit for Basheer. According to him, we would require Rs. 15,000 (U.S. \$319) to cover the cost of the employment permit as well as the return air ticket.

To put together the money, several sources had to be tapped. But my jewelry came first. There was also the cash that my parents had given in my dowry. My mother-in-law and sister-in-law also gave up their gold.

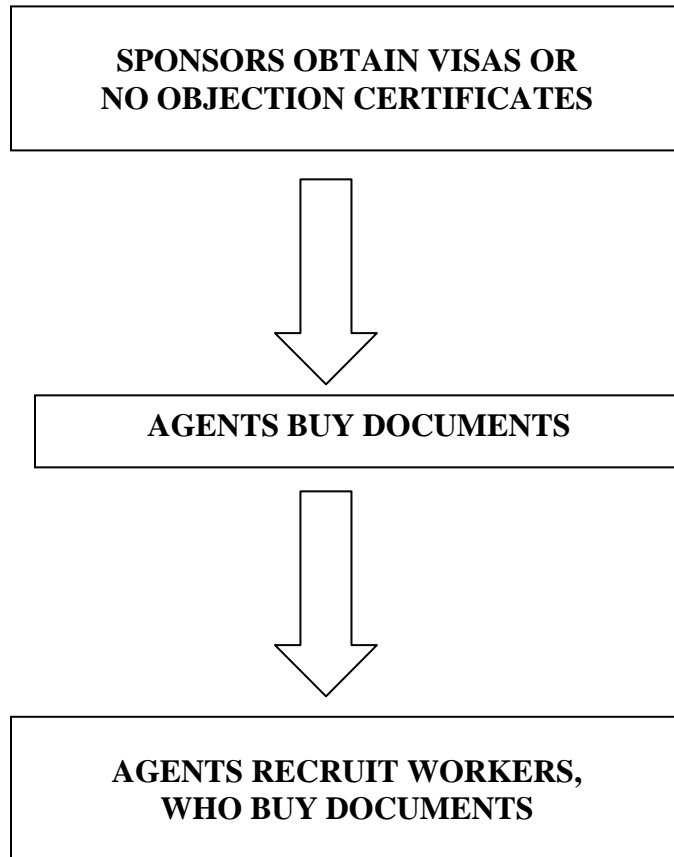
Once the money was ready Basheer became impatient and started pestering the agent. That, it turned out, was a big mistake. He was sent to Bombay on the promise that he would be given the employment voucher and ticket. But this turned out to be false. After waiting for nearly four months in Bombay where one lives on one's own, usually in a mosque and in extremely difficult conditions, he returned home empty-handed. He was angry with himself and the agent. We thought he would never make it.<sup>24</sup>

Baheer's story illustrates the most common method of recruiting labor or selling jobs. The sponsors who begin to search for expatriate workers may represent large corporations, owners of small businesses, or even individual Gulf national householders. In all cases, these "sponsors" of expatriate workers must obtain the necessary certificates from the UAE government. Large businesses or institutions normally do not inflate the number of positions required. They seem content with the potential profits by employing the workers. On the other hand, it is not unusual for heads of households or owners of

small businesses to overstate their labor requirements and then sell the excess permits to eager individuals attempting to “crack” the UAE labor market.

### **Flow Chart I**

#### *Gaining Entry to the Gulf Labor Market*



The sponsors with excess permits often market them. The buyers could be licensed labor recruitment agencies, unlicensed agencies, or private individuals such as workers returning to Kerala on leave or because their contract and residence visa have expired. Often these permits are resold to other agents before finding a would-be emigrant. Once a worker arrives in the UAE, his travails may not have ended. Despite guarantees, it often happens that employment is not available for the worker. A search for

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<sup>24</sup> Gulati, 66.

further employment by the worker requires the expenditure of more funds to new sponsors and agents so that the worker's employment status can be regularized.

Another method of obtaining employment is to enter the UAE as a tourist and then search for a job and purchase work permits there (Flow Chart II). As Nair states, this method also leaves the worker vulnerable to exploitation.

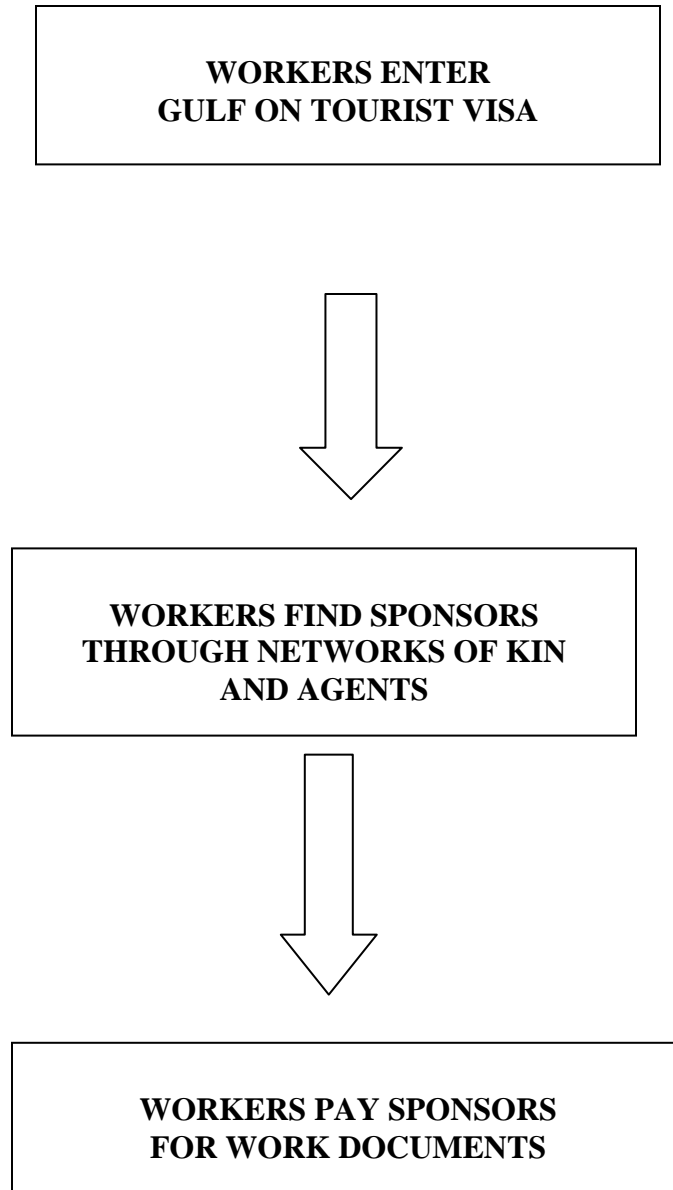
Though this method of job search is hazardous and land many of the aspirants in jail, thousands do manage to get jobs and regularize their travel and employment documents with the help of their employers. It is understood that some of the employers in the host countries find it more economical to make such on the spot recruitment because in these cases they don't have to incur the cost of making recruitments either directly or through recruiting agents. Further they could also get recruits on terms and conditions much inferior to those they would otherwise have to agree to.<sup>25</sup>

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<sup>25</sup> P.R. Gopinathan Nair, "The Process of Migration," in *Indian Migration to the Middle East: Trends, Patterns and Socio-Economic Impacts*, ed. B.A. Prakash (Rohtak: Spellbound Publications, 1998), 42

## Flow Chart II

*Alternative Method of Gaining Entry to the Gulf Labor Market*



Zachariah, Mathew, and Rajan find through their survey data that workers spent on average Rs. 77,268 or U.S. \$1,644 to obtain a job. If we subtract the ticket expense, which the worker would have to absorb whether or not he or she

had to buy the necessary certificates for Gulf employment, the total rent extracted from the average Keralite worker is \$1365 or Rs. 64,155. This payment can be viewed as rent in the sense that workers are reducing their real wage below what is being offered and transferring this difference to those who facilitate entry into the labor market. Note that each emigrant on average loses Rs. 20,654 or U.S. \$439 through “cheating” (the selling of false documents and misrepresenting employment prospects). This absorbs 32 percent of total rent payments made by impoverished Keralite workers and 27 percent of total job-seeking costs.

**Table 12**

**Per-Capita Costs of Emigration<sup>26</sup>**

<b>Type of Cost</b>	<b>U.S. Dollar Expense</b>	<b>Percentage Share</b>
Ticket	\$279	16.9
Visa	\$627	38.1
Agent Commission	\$299	18.2
Cheating	\$439	26.7
<b>Total</b>	<b>\$1,644</b>	

Source: KC Zachariah, ET Mathew and S. Irudaya Rajan, *Migration in Kerala State, India: Demensions, Determinants and Consequences*, Working Paper I (Thiruvananthapuram: Centre for Development Studies, 1999).

Note: Rs. 47 = U.S. \$1.00 at the time of this survey

The total amount of rent extracted from Indian migrant workers can only be roughly estimated. However, if we follow the data from Table 7, which tell us that 1.276 million Indian workers entered the Gulf in 1998, then the total amount of rent extracted that year from these workers would have been \$1,741,740,000. This \$1.7 billion dollar figure is clearly an underestimate of the total rent extracted from migrant workers, since Indian workers roughly represent forty percent of total immigrant labor. The total



amount of rent taken was in 1998 more likely \$4 billion. Note that this figure does not include the regular payments that workers already in the Gulf must make to sponsors to maintain their employment status. Facilitating the entry and maintenance of Asian workers to the Gulf is more than a billion dollar industry.

Those who extract the rent from job-seeking workers are Gulf nationals, expatriate business people in the Gulf, and licensed and unlicensed recruitment agents in Kerala. This largely private network of rent-seeking agents involves both Indians and Emiratis and is only imperfectly controlled by the UAE, Indian, and Keralite governments. Indian government officials weakly attempt to limit the exploitation of job-seeking agents by Indian nationals, and UAE officials have difficulty controlling the number of available visas because Emirati citizens gain considerable revenue from sponsoring expatriate workers. Nationals may either use their influence to obtain visas that can be sold to formal and informal recruiting agents in Kerala (or to Keralite workers who sell visas on their return home) or they can receive funds from agents or workers who have access to visas but need a sponsor to formalize their employment in the UAE.

Within the wider framework of nationalizing the UAE workforce, often referred to as “Emiratization,” the drive by UAE entrepreneurs to sponsor expatriate workers clearly frustrates efforts for such nationalistic aspirations for the workforce. National business people attempt to subvert government policy for their own gain, while at the same time complaining about the high wages they would have to pay to their own citizens. As Addleton suggests, large-scale migration undermines the regulatory capacity

of the state to direct economic life and shows the strength of globalization processes in thwarting the goals of home and host governments.<sup>27</sup>

### **Indentured Servitude in the 21<sup>st</sup> Century**

The immigration control process is flexible and open to manipulation partly because enforcement costs are significant and partly because certain citizens within each state clearly profit from this ambiguity. I would hypothesize, however, that an additional reason for the toleration of a surplus labor pool in the UAE is that it also furnishes a reserve that facilitates the control of labor. Because the labor market is slack, workers have diminished bargaining power. Moreover, the presence of a surplus labor pool leads individual employers and the UAE government to impose extra regulations that facilitate the tracking of immigrant workers who have no legal right to reside in the UAE without a job. These extra controls tie workers more tightly to particular jobs and create a modern form of indentured servitude. Unlike colonial America, however—where indentured servitude arose to prevent workers from escaping into the hinterland—the effort to tie workers to a particular job in the Gulf is both a technique designed to extract greater worker effort and a national security response to the destabilizing threat of large numbers of unemployed non-citizen workers within a sparsely populated country.<sup>28</sup>

To illustrate the nature of this system of labor control, one can refer to the *Gulf News* of Dubai, which publishes a weekly column entitled “Ask the Law”. Many of the

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<sup>27</sup> Addleton, Jonathan S. *Undermining the Centre: The Gulf Migration and Pakistan*. Oxford: Oxford University Press, 1992.

<sup>28</sup> For the human and worker rights implications of this system of labor control, see Virginia Sherry, “Bad Dreams: Exploitation and Abuse of Migrant Workers in Saudi Arabia”, Human Rights Watch Index No. E1605, July 14, 2004.

letters revolve around the legal complexities that inevitably arise when non-citizens marry, divorce, have sex, or get into traffic accidents.<sup>29</sup> A large number of letters, however, lament the peculiarities of the UAE labor market. For example on March 8, 2002, A. Haroon of Dubai writes:

The company that has sponsored me gave my passport to another company as guarantee without my knowledge. I now need my passport. My sponsor is out of the country and my passport has been with the other company for four months. The company that has my passport needs a bank guarantee from my sponsor company. This is not possible in the absence of my sponsor and without his signature.

Can a company who is sponsoring an employee give an employee's passport to someone else without the employee's knowledge? If so, how can the employee get his passport? Can the employee take legal action?

It is impossible to know exactly the reasons behind the complex exchange that Haroon describes. Most likely, the original sponsoring company agreed to transfer Haroon to another company and simultaneously transferred the passport. Now, however, he cannot transfer to another company or leave the region without his original sponsor paying the other company some compensation for the loss of his services. Until that payment is made, Haroon must work in his new company. Whatever the precise circumstances, the *Gulf News* columnist writes:

A company which keeps its worker's passport may not use the passport for any purpose without permission from the passport's holder. A passport is kept as a security measure and may not be submitted as guarantee to a third party because there is no relationship between the worker and that party.

The worker can submit a complaint to the police or the prosecution demanding that his passport be returned to him because there is no relationship between him and the company which holds the passport as a guarantee.<sup>30</sup>

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<sup>29</sup> For example, Ashraf Iqbal asks: "Is it a crime to have sex with someone without getting married?" The columnist answers by noting that, "The United Arab Emirates is a Muslim country. Premarital sexual intercourse is illegal under the UAE laws.... According to the UAE Penal Code, he who indulges in sexual intercourse with a woman to whom he is not married even if it is with her consent, will be sentenced to no less than a year in jail." ("Ask the Law," *Gulf News*, 15 March 2002).

<sup>30</sup> "Ask the Law," *Gulf News*, 8 March 2002.

Haroon thus has legal recourse, but it is certainly possible that he does not wish to complain to the police or endure the psychological and financial strain of litigation. Further investigation could reveal that Haroon is working in a job that does not correspond to his visa. A complaint to the police might deprive him of his sponsor's protection and leave him vulnerable to deportation.

It is not unusual for employees in any labor market to lack leverage over their employers and thus be reluctant to complain or protest heavy-handed practices. In the UAE and the rest of the Gulf, the sponsors' or employers' holding the workers' passport combined with strict laws against labor organization weaken labor's bargaining power further. While formally illegal, it is clear that a trade in passports has emerged in the Gulf, which allows employers to sell their employees' labor services to another company. This arbitrary tying of a worker to an employer not of her choosing leaves him or her with little recourse. For many, the only realistic fall-back position is a return to an impoverished home country with even poorer job prospects.

The lack of expatriate worker power is one reason why non-payment of wages is one of the most common complaints of workers in the Gulf. For example, E. Lising of Dubai writes in the February 15 issue of the *Gulf News*:

I have a friend working in a company in Jebel Ali. In April, the company sent him and several others a letter saying that they would have to take four months' leave since the company did not have enough projects to support their employees. Only one month was paid for. Six months have gone by and the company has not recalled them. Is this legal?

Once again, the newspaper's columnist assures the correspondent that the workers should be compensated: "It is the responsibility of the company to find jobs for its workers."<sup>31</sup>

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<sup>31</sup> "Ask the Law," *Gulf News*, 15 February 2002.

Nevertheless, this story and many others that nearly all professional and expatriate workers know about testify to the difficulties associated with the enforcement of these laws and the real vagaries of the global market.

The answers of the “Ask the Law” columnist do reveal that there are some limits to the arbitrary behavior of Gulf employers. If the UAE government made no effort to control immigration or regulate working conditions, the pressure of large pools of unemployed workers combined with erratic and unfair labor practices could threaten social stability. The government clearly recognizes the range of possibilities for abuse. Laws are on the books to protect workers from unscrupulous employers. Moreover, the government does occasionally attempt to enforce these laws. The sporadic nature of this intervention, however, leaves a contradictory body of practices that both protect and lay the institutional framework for the systematic exploitation of expatriate workers. Given these contradictory goals, it is not surprising that governmental efforts to regulate working conditions often appear confused and contradictory.

### **The Gender Dimension of the Gulf-Asian Migration Experience**

The problem of worker abuse outlined in the previous section is most severe for female workers. Table 13 demonstrates that over thirty years there has been a significant increase in the relative importance of women expatriate workers within the Gulf Arab labor market. Some of this is due to the slow but steady feminization of retail and clerical work. More significant, however, is been a sharp rise in the use of migrant workers to perform domestic service. Because of the rise in household incomes, the creation of villas for nuclear as opposed to extended families, and the increased labor

force participation of national women, the demand for female foreign workers has risen sharply.

**Table 13**

**The Increasing Importance of Female Expatriate Workers**

	<b>Percent of Expatriate Workers that Are Female (Date in parentheses)</b>	<b>Percent of Expatriate Workers that Are Female</b>
<b>Bahrain</b>	9 (1981)	19 (2001)
<b>Kuwait</b>	13 (1980)	21 (2000)
<b>Oman</b>	10 (1993)	35 (2001)
<b>Qatar</b>	9 (1986)	26 (2000)
<b>Saudi Arabia</b>	5 (1974)	36 (2000)
<b>UAE</b>	5 (1980)	33 (2000)

Source: Gloria Mareno Fontes Chammartin, “Women Migrant Workers’ Protection in Arab League States”, in *Gender and Migration in Arab States: The Case of Domestic Workers*, ed. By Simel Esim and Monica Smith (Beirut: ILO, Regional Office for Arab States, June 2004): 12.

The first two factors are closely connected to each other. An increase in income allows national women to avoid cooking, cleaning and child care labor that their ancestors would have done without assistance. In addition, increases in income combined with government policies that subsidize the purchase of land by national citizens have encouraged young couples to set up their households either away from the family compound or within a larger complex containing separate villas for each nuclear household. These spatial changes in living arrangements have made it more difficult for female kin within a family to share in the household labor.

As with male employees, the primary supply of female workers has come from Asian countries. On the other hand, the data indicate that there is a “division of labor” within South and Southeast Asia. The large South Asian countries (India, Pakistan, and Bangladesh) primarily supply male workers, while Sri Lanka, Indonesia and the Philippines provide women workers to the Gulf. (Male workers from Thailand also dominate outflows of female workers from this country.)

**Table 14**  
**Outflows of Expatriate Workers by Nationality and Sex**

	<b>Total</b>	<b>Male (%)</b>	<b>Female (%)</b>		<b>Total</b>	<b>Male (%)</b>	<b>Female (%)</b>
<b>Bangladesh (1993)</b>	3412	98	2	Bangladesh (2000)	222746		
<b>Indonesia (1983)</b>	12018	52	48	Indonesia (1997)	502739	34	66
<b>Philippines (1980)</b>	38628	82	18	Philippines (2000)	253030	30	70
<b>Sri Lanka</b>	5150	67	33	Sri Lanka (2001)	183888	35	65
<b>Thailand (1986)</b>	7149	94	6	Thailand (1996)	185401	85	15

Source: Gloria Mareno Fontes Chammartin, “Women Migrant Workers’ Protection in Arab League States”, in *Gender and Migration in Arab States: The Case of Domestic Workers*, ed. By Simel Esim and Monica Smith (Beirut: ILO, Regional Office for Arab States, June 2004): 13

While there are undoubtedly demand factors at work that might lead Gulf employers to view Muslim Indonesian women as attractive candidates for domestic work, the evidence suggests that this national difference is primarily due to home country policies. India and Pakistan, in particular, have discouraged the movement of women workers to the Gulf in response to reports of mistreatment of women citizens by Gulf nationals.

This concern over mistreatment is unfortunately borne out by the information we have on conditions facing domestic workers. The common practice of taking away an employees' passport often combines with the greater isolation of individual servants within households and Gulf Arab patriarchal and chauvinistic attitudes to create a hostile work environment. The most recent studies of domestic servants in the Gulf tell us that these women workers work very long hours and often experience abuse from their employers.

A survey in Kuwait, for example, reveals that domestic servants work between 78 and 100 hours per week. About the only free time such workers would have is when they are sleeping. Beyond these excessive hours, domestics in Kuwait can expect at most only one or two days off per month. A significant minority of this workforce receive no time off at all.<sup>32</sup> Similar conditions are reported for servants in the United Arab Emirates. As Sabban argues:

Domestic service is the only paid job where employees are not allowed a day-off. For employers, giving foreign female domestic workers a day-off means relinquishing control of them, giving them opportunities to have a private life or date—an activity that is forbidden in a conservative society like the UAE.<sup>33</sup>

In addition to the long hours, about thirty percent of the workers also complained to the interviewer of verbal or physical abuse. Both male and female servants are vulnerable to harsh, derogatory criticism. Those servants recently surveyed in the United Arab Emirates, for example, say the following:

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<sup>32</sup> Martin Godfrey, Martin Ruhs, Nasra Shah, and Monica Smith, "Migrant Domestic Workers in Kuwait: Findings Based on a Field Survey and Additional Research", in *Gender and Migration in Arab States: The Case of Domestic Workers*, ed. By Simel Esim and Monica Smith (Beirut: ILO, Regional Office for Arab States, June 2004): 53. It should be pointed out that employers who were surveyed maintained that their domestic employees worked about sixty hours per week.



We are treated like strangers; we are not allowed to sit on the furniture .... I talk to other Filipinas I see in the park, they say the same thing.

Even after working for them for eight years, I still feel I am a maid, a stranger. When they talk about us they say words like: stupid, know nothings, or maid. We are always inferior in their place.

They order us in a way that hurts. They don't sympathize with us. We are vulnerable in their houses, because we are poor.<sup>34</sup>

The problem of physical and sexual abuse is particularly explosive. Almost every month, a story seeps into the press that seems to suggest that female servants often suffer from sexual harassment or worse. It is important to note that while some of the abuse does come from male relatives within the household, other male servants can also attempt to take advantage of female household workers.<sup>35</sup>

All of these issues—long hours, lack of free time, verbal and physical abuse—are linked to the lack of mobility that workers experience. All reports indicate that nearly all of the household employers hold the workers' passport. It is nearly impossible, thus, for the servant to leave the household on her own without breaking national law. In the worst cases, servants do flee and get deported back to their home country. Because, however, these workers like most other expatriate workers contract significant debt, it is especially difficult for newly arrived workers to attempt to change a hostile work environment.

One other finding that is striking is that despite all the severe problems outlined in this section, many servants report an interest to extend their stay beyond their initial visa.

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<sup>33</sup> Rima Sabban, "Women Migrant Domestic Workers in the United Arab Emirates", in *Gender and Migration in Arab States: The Case of Domesetic Workers*, ed. By Simel Esim and Monica Smith (Beirut: ILO, Regional Office for Arab States, June 2004): 95.

<sup>34</sup> Ibid.: 94.

It is clear that domestic servitude in the Gulf has become a career choice for many. The Kuwaiti data also reveal that domestic servants have an unusually high savings rate of 86% and remit a high proportion of their salary (64%). Perhaps the lack of mobility and the fact that room and board are provided by employers, allows such servants both to accumulate money capital and to finance the building and improvements of houses in their home country. In any event, more than half the informants in Kuwait plan to stay three years or more; more than a third plan of returning after their initial visa expires; and very few reject the option of returning.<sup>36</sup> The grim report of working conditions outlined in this section are just as devastating a critique of living and working conditions in the home countries than in the Gulf itself.

## **Conclusion**

It is difficult to predict the future contours of the Gulf Arab-South Asia relationship. One can say, however, that the small rich Gulf States such as the UAE, Kuwait, and Qatar will rely on foreign labor into the indefinite future. The only question is from where the labor will come.

One scenario would be that the slow unification of the GCC combined with the relative decline of large-scale construction projects would eventually create a single Arabian labor market. This would allow workers and their families from poorer Saudi Arabia and Oman to immigrate to the richer states of the peninsula. Such a movement could be supplemented by a rise in females in the labor force and a return to the large-

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<sup>35</sup> *Ibid.*: 97. Sabban suggests that much of the sexual abuse comes from older male relatives and comments that, "Most Arab Gulf countries seem to be suffering from this social phenomenon of sexually abusive older men."

<sup>36</sup> Martin Godfrey, Martin Ruhs, Nasra Shah, and Monica Smith, "Migrant Domestic Workers in Kuwait: Findings Based on a Field Survey and Additional Research", in *Gender and Migration in Arab States: The*

scale utilization of Yemeni labor in earlier times. Expatriate labor from outside Arabia would not be eliminated, but the relative importance of the South Asian workforce would decline.

Despite the possibility of such a scenario, great cultural and political barriers will probably block such developments. The experience of the first Gulf War suggests that rulers will avoid the political challenges to authority that the presence of low-wage Arab workers might pose. Moreover, ideologically based cultural resistance to a pronounced expansion of female labor into the clerical and retail sectors remains particularly strong in the largest country of the Arabian Peninsula—Saudi Arabia.<sup>37</sup> Finally, the unification of labor markets might lead to pressures to unify social and welfare policy. It is highly unlikely, however, that the richer energy states will share their bounty with poorer, non-citizen Arabic speaking brethren.

Southeast Asia could be an alternative source of labor, rather than South Asia. Filipino labor already figures importantly in the retail and leisure service sectors of the UAE economy. In addition, Muslim Indonesia might be an obvious source for the male labor requisite for future large construction projects. On the other hand, if infrastructural construction projects decline, there would not be probably a significant shift in the origins of workers. Rather, it is more likely that the recruitment of clerical and service workers into large and small enterprises would use pre-existing channels. The large presence of a settled South Asian business and professional population and the ability of workers to sell

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*Case of Domestic Workers*, ed. By Simel Esim and Monica Smith (Beirut: ILO, Regional Office for Arab States, June 2004): 60.

<sup>37</sup> See Eleanor Abdella Doumato's perceptive analysis of the strict limits that continue to be placed on female labor force participation in "Women and Work in Saudi Arabia: How Flexible Are Islamic Margins?" *The Middle East Journal* 53 (Autumn 1999): 568-83.

the documents for entry into the Gulf labor markets facilitate the recruitment of workers of similar nationality.<sup>38</sup>

Nearly all micro-oriented studies of immigration emphasize that movements of people take place through dense, regionally concentrated social networks. It would take a significant political shift such as that catalyzed by the Gulf War for the directions of labor flows to change significantly. If, as we have argued, regional integration and the feminization of the labor force through the utilization of national women are not likely to fully develop, then significant shifts in the regional flows of people are not likely.<sup>39</sup>

For this reason, the more likely scenario is for a continuation and even deepening of the Asian/Gulf labor flow relationship. As GDP per capita grows within the Gulf region, the demands for service and professional workers will increase. Short of a major disruption in the political economic framework of the Arabian Sea economy, labor and financial flows between South Asia and the Gulf states in general and Kerala and the UAE in particular should continue. The ambivalent anxieties unleashed by the intensive utilization of South Asian labor in the Gulf are a permanent political economic product of the labor networks, remittances and capital flows emanating from a still emerging Arabian Sea economy.

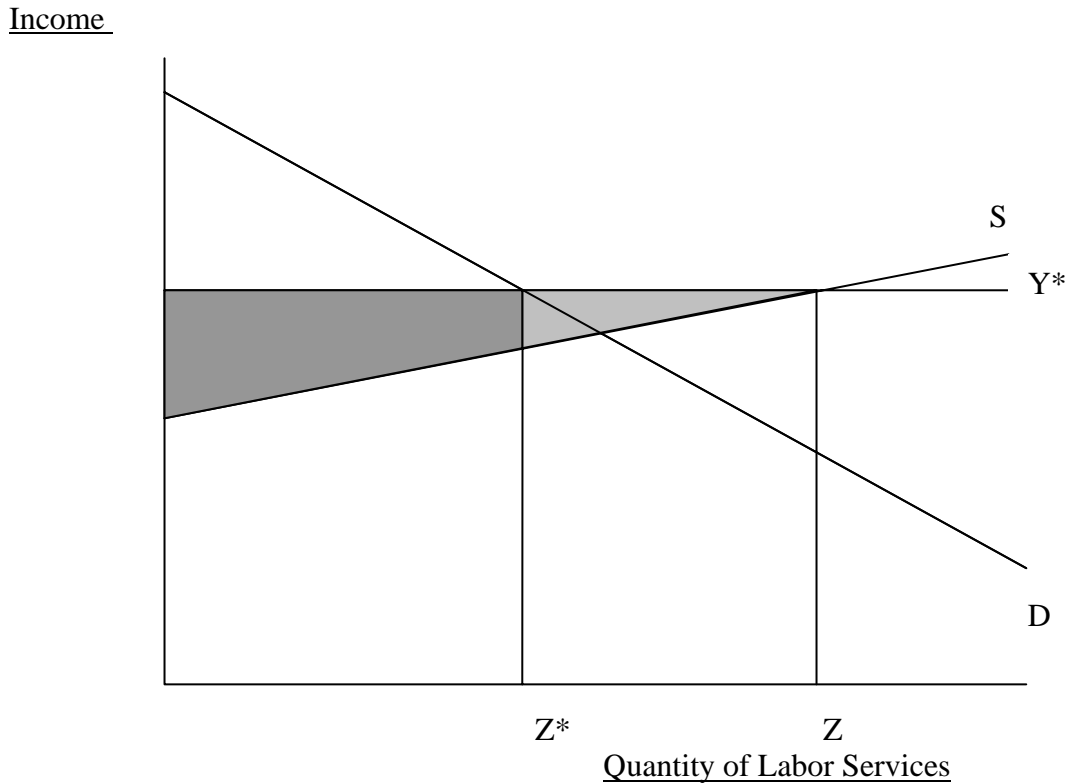
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<sup>38</sup> This paper has not explored the position of near permanent South Asian residents in the UAE. I would hypothesize that the rise of cultural and professional South Asian institutions in the Gulf helps stabilize the South Asian presence in the region and facilitates the continued presence of “temporary” Indian workers. Social scientists of the region should study this affluent group more intensively.

<sup>39</sup> This prediction relies on the assessment of Saudi Arabia’s resistance to the gendered integration of their workforce. On the other hand, there is evidence that the other Gulf States may promote more aggressively the participation of national women in the local labor force. See John Willoughby, “A Quiet Revolution in the Making? The Replacement of Expatriate Labor through the Feminization of the Labor Force in GCC Countries” (Washington: American University Working Paper, March 2005).

## Appendix

### The Extraction of Rents from Immigrant Workers



 = rent extracted from employed immigrant workers.

 = rent extracted from unemployed immigrant workers (cheated).

Workers decide whether or not to immigrate to the Gulf by comparing the income they expect to receive over the contract period with their opportunities in the home country. A higher expected income will induce more workers to leave their home country. Because South Asia has a large pool of surplus labor, this graph depicts a relatively horizontal or elastic supply curve. Demand is regulated by the employers' calculation of wage costs over the life of the contract in comparison to the workers' projected economic productivity. If custom or law sets expected income (or wage costs) at  $Y^*$ , then this disequilibrium income level will generate a permanent labor surplus. Unemployed immigrant workers in the Gulf and workers in South Asia waiting for entry

after having paid the necessary “entry” fees constitute this surplus, which on the graph is equal to the line segment between  $Z^*$  and  $Z$ .

The graph also indicates that many workers will be willing to pay the difference between the income they need to induce them to immigrate to the Gulf and the income they expect to receive. Most of these payments to agents and sponsors represent rent (or employee surplus) that the workers would have received but have instead transferred to these intermediaries. A portion of the payment may be for actual job finding services provided by the agent. Economists would not classify this payment as a rental payment.

Unemployed workers who make these rental payments have clearly been cheated. It is possible as well that employed immigrants feel cheated because they have taken jobs less remunerative and attractive than what had been promised. This type of cheating is not illustrated on this graph.

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