BIISS JOURNAL, VOL. 40, NO. 1, JANUARY 2019: 41-66 biiss journal

Benuka Ferdousi

LOCALIZATION OF JOBS IN THE GCC REGION: IMPLICATIONS FOR BANGLADESH

Abstract

The Gulf Cooperation Council (GCC) region is home to about three fourth of Bangladesh's expatriates. In 2018, labour migration from Bangladesh to the GCC countries fell by about 60 per cent. Although fluctuation is common in overseas employment, this fall in labour migration to the GCC appeared as a concern because it took place at a time when the Gulf countries had started a renewed drive for localization of jobs. In this context, this paper attempts to see the implications of recent drive on localization of jobs by the GCC countries on overseas employment of Bangladesh. The paper argues that although the earlier localization efforts in the GCC region achieved little success and the success of recent localization drive is still uncertain, there is not much room for complacency for labour sending countries either. Growing youth unemployment and uncertain future of oil are mounting pressure on the governments of the GCC countries and hence things might not go as before. It, therefore, seems that although the labour countries like Bangladesh may not worry just now, they should get themselves prepared for change in the GCC labour market in long run, if not in short run.

Keywords: Saudization, Localization, Segmented Labour Market, GCC Labour Market, Bangladesh Labour Migration

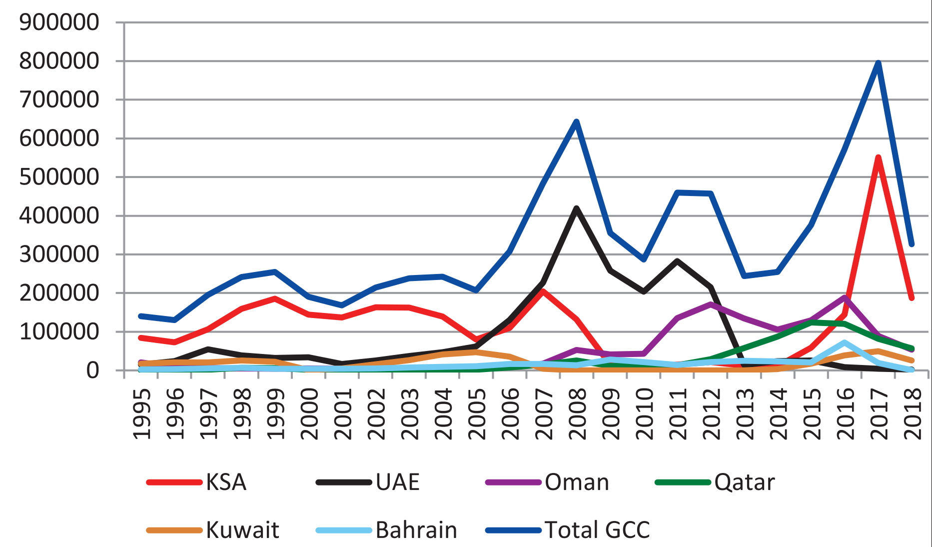
1. Introduction

History of labour migration from Bangladesh (after independence) is closely related with the Gulf countries. During the boom in oil price in 1970s, demand for low skilled labours in the Gulf countries increased tremendously which acted as the pull factor for labour migration from Bangladesh while pressure of unemployment and poverty at home acted as the push factor. Since then, a total of 12,199,194 Bangladeshis went abroad in search of a better living and 75 per cent of them went to the GCC countries. Among the GCC countries, Kingdom of Saudi Arabia (KSA), with 30 per cent of Bangladeshi expatriates, tops the list of destination followed by the United Arab Emirates (UAE) and Oman which account for 20 and 12 per cent of the country's expatriates respectively.

Benuka Ferdousi is Research Fellow at Bangladesh Institute of International and Strategic Studies (BIISS). Her e-mail address is: benukabd@gmail.com

Figure 1 shows the trend of labour migration from Bangladesh to the GCC. One can see that labour migration from Bangladesh to all GCC countries except KSA has been falling for two consecutive years; 43 per cent in 2017 and again 26 per cent in 2018.[1] After ban of seven years, labour migration from Bangladesh to KSA resumed in 2015 and witnessed an unprecedented growth in 2017 so much so that despite falling trend in all other GCC countries, total labour migration reached a historic peak in 2017. This trend of migration to the Kingdom reversed dramatically in the very next year leading to a 60 per cent fall in Bangladesh's overseas employment to the GCC.

Figure 1: Overseas Employment from Bangladesh to GCC Countries, 1995-2018



Source: Bureau of Manpower Employment and Training (BMET).

Fluctuating trend in overseas employment is quite natural because overseas employment of a country depends on many factors ranging from bilateral economic and political relations to economic and political condition in destination country to status of global economy. Nevertheless, the recent fall in labour migration to the KSA and the declining trend in other GCC countries deserve attention as those are taking place amidst a renewed drive for localization of jobs by the GCC countries.

The GCC countries have long been trying to localize jobs, i.e., to replace migrant workers with national ones. They have reinforced their attempt recently in the wake of financial crisis caused by fall in oil price starting in 2014. This recent drive of the GCC countries is swelling the rank of returnees in major labour sending countries.

[1] Bureau of Manpower Employment and Training (BMET), available at http://www.old.bmet.gov.bd/BMET/stattisticalDataAction, accessed on 03 March 2019.

Given that remittance is the second highest source of foreign currency earnings in Bangladesh after Readymade Garments (RMG) and that GCC countries account for overwhelming share of Bangladeshi expats, it is imperative to see the implications of such attempts on the country's overseas employment.

In this context, the paper attempts to examine the implications of recent drive on localization of jobs by the GCC countries on overseas employment of Bangladesh. The paper is organized as follows. Following the brief introduction, section 2 describes the evolution and nature of GCC labour market to see the context in which the GCC states took repeated attempts to localize jobs. Section 3 attempts to evaluate their earlier localization efforts to see why the earlier efforts had little success in reducing foreign labour dependency. Section 4 discusses the recent drive of GCC countries on localization of jobs and looks into its impact on migrant workers. Section 5 tries to examine whether as a labour sending country Bangladesh should worry about the recent localization drive and then tries to find out its implications (if any) for Bangladesh's labour migration. Section 6 concludes the paper. The paper is a qualitative one and it uses secondary data from relevant government and non-government institutions. Besides article journals and books, various reports, documents and newspapers have been consulted.

2. GCC Labour Market: Evolution and Nature

This section aims to provide a brief description of GCC labour market. First, it will attempt to see the economic structure of GCC on which its labour market is built upon. Then, following a sketch of evolution of GCC labour market, the nature of GCC labour market will be described in brief.

2.1 *GCC Economy and Role of Government*

GCC countries are heavily dependent on oil revenue. One can see from Table 1 that in GCC region fossil fuel, majority of which is in the form of oil, accounts for about half of GDP, 66-94 per cent of export and about 80 per cent of government revenue. Even in the UAE, the least fossil fuel dependent country, about 40 per cent of GDP and 65 per cent of government revenue comes from fossil fuel.

Table 1: Dependency of GCC States on Fossil Fuel

Country	Fossil fuels as % of GDP	Fossil fuels as % of exports	Fossil fuels as % of government revenue	Share of petroleum in export (2017)	Oil rent as % of GDP (2013)
Kingdom of Saudi Arabia	45.1	85.7	78	73.3	43
Kuwait	62.6	94.3	80	80	56
Oman	49.7	66.1	87	55	40
United Arab Emirates	38.9	31.1	65	43	24
Qatar	54.4	91.7	80	38	26
Bahrain	26.2	73.1	85		5

Source: Laura El-Katiri, *Vulnerability, Resilience and Reform: The GCC and The Oil Price Crisis 2014–2016*, New York: Center on Global Energy Policy, Columbia University, December 2016, p. 6; OEC, "Economic Complexity Ranking", available at https://atlas.media.mit.edu/en/rankings/country/eci/;World Bank, accessed on 12 December 2018.

Despite long-standing call for diversification, GCC economies remains to be largely oil dependent where many of the established industries like petrochemicals, steel and aluminium are energy-sensitive and hence depends on oil market. Another common feature of GCC economies is that the government is the primary employer for nationals and government spending acts as engine of growth, including that of private sector.[2]

Table 2: Share of Public Sector Employment in Total Employment of Nationals in the GCC, 1990-2008

Country	1990	2000	2006	2008
Bahrain	68	80	38	29
Kuwait	42	75	87	86
Oman	76		50	47
Saudi Arabia	70	82	73	72
Qatar			89	88

Source: Martin Baldwin-Edwards, *Labour Immigration and Labour Markets in the GCC Countries: National Patterns and Trends,* The London School of Economics and Political Science, Global Governance, London, UK, Number 15, March 2011, p. 15.

2.2 *Evolution of GCC Labour Market*

Prior to the development of oil sector as the primary source of income, number of foreigners was relatively few in the largely agrarian and nomadic population of the

[2] Laura El-Katiri, *Vulnerability, Resilience and Reform: The GCC and the Oil Price Crisis 2014–2016*, New York: Center on Global Energy Policy, Columbia University, December 2016, p. 6.

GCC.[3] During the late 1930s when crude oil exploration started on a large scale, the GCC countries had to depend on foreign labour force due to small population and lack of skill among the native labour force. Majority of the foreign labour force in this period were from neighbouring Arab countries.[4] The composition of foreign labour force of the region changed during the oil boom of 1970s. This time, due to increasing regional political tension, the GCC states started hiring Asian labours to meet their rapidly growing demand for expansion of infrastructure, public and private services. Asian labourer, who were hired through 'guest worker' model, were considered by GCC states as logical replacement for Arab workers because of their geographical proximity, historical economic ties to the region, and above all their abundant supply at very low wage rate.[5]

Increasing dependence on foreign labour in turn changed the composition of GCC labour market dramatically. By early 1980s, foreign workers constituted more than half of the total labour force in each of the GCC states and this trend strengthened in the following years (see Table 3).

Table 3: Share of Expatriates in GCC Labour Force and Population

Country	Share of expatriate in labour force (%)					
	1975	1985	1990	199	2000	Share of expatriate in population (%)
Saudi Arabia	42.9	64.9	59.8	55.8	50.6	32.7
Kuwait	69.8	81.2	86.1	82	83.2	69.2
Bahrain	39.5	58	51	63.2	76.7	52
Oman	34.1	64.2	70	61.7	74.6	44
Qatar	80.6	89.7	91.6	87.1	94.3	85.7
UAE	84.8	89.5	89.3	90.4	85	88.5

Source: Nasra M. Shah, "Socio-demographic transitions among nationals of GCC countries: implications for migration and labour force trends", *Migration and Development*, Vol. 1, No. 1, June 2012, p. 142; Martin Baldwin-Edwards, op. cit., p. 9; Gulf Research Centre, GLMM Database, available at https://gulfmigration.org/total-population-and-percentage-of-nationals-and-non-nationals-in-gcc-countries-latest-national-statistics-2010-2015/, accessed on 07 December 2018.

[3] Martin Baldwin-Edwards, *Labour Immigration and Labour Markets in the GCC Countries: National Patterns and Trends,* The London School of Economics and Political Science, Global Governance, London, UK, Number 15, March 2011, p. 7.
[4] Júlia Palik, "The Challenges of Dual-Societies: The Interaction of Workforce Nationalisation and National Identity Construction through the Comparative Case Studies of Saudisation and Emiratisation", in Philippe Fargues and Nasra M. Shah (eds.), *Migration to the Gulf: Policies in Sending and Receiving Countries,* Cambridge: Gulf Research Center, University of Cambridge, 2018, p. 116; Steffen Hertog*, Arab Gulf States: An Assessment of Nationalisation Policies,* Gulf Labour Markets and Migration programme (GLMM) Research Paper No. 1/2014, p. 5.
[5] Júlia Palik, op. cit., p. 117.

2.3 *Nature of GCC Labour Market*

Baldwin summarizes the characters of GCC labour market as follows:[6]

- Low participation and employment rate among the nationals (see Table 4).
- Extreme segmentation of the labour market, especially between public and private sector and national and foreigner workers where nationals are mainly employed by the government while majority of the jobs in private sector are done by the foreign labour (see Figure 2).
- Rising unemployment rate among the women and the youth.
- Jobs highly concentrated in service and construction sectors; female are almost exclusively employed in service sector, with migrant women in housekeeping and native women in service like education and social services.
- Recruitment of foreign workers through *kafala* system, a system that not only ensures the flexible and temporary character of foreign labour force but also obstructs mobility of foreign labour.

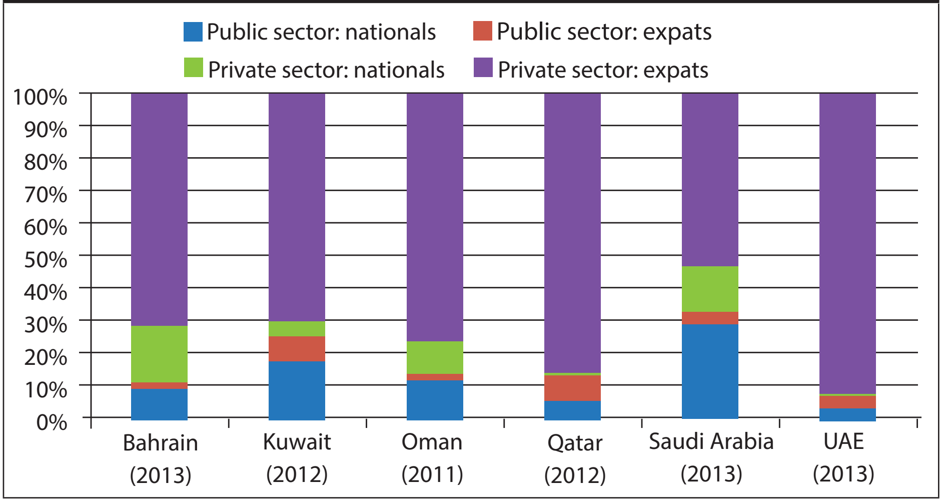
Table 4: Labour Force Participation Rate (15+) of Nationals in GCC, 2008

Country	Labour Force Participation Rate (Male and Female National)
Saudi Arabia	36.3
Kuwait	51.1
Qatar	49.3
UAE	45.6

Source: Martin Baldwin-Edwards, op. cit., p. 13.

[6] Martin Baldwin-Edwards, op. cit., p. 6.

Figure 2: Distribution of Employment by Sector and Nationality in the GCC



Source: Steffen Hertog, *Arab Gulf States: An Assessment of Nationalisation Policies,* op. cit., p. 4.

The most discussed feature of GCC labour market is its segmented character which is closely related with other features of the labour market. And, while explaining GCC labour market, instead of traditional Human Capital Theory which explains the distribution of jobs and incomes by differences in human capital,[7] analysts mostly use Theory of Segmented Labour Market. Human capital theory views workers in low wage jobs simply as low productivity workers who are unwilling or unable to obtain the skills necessary for access to higher paying jobs while Segmented Labour Market Theory views the labour market not as a single competitive market but as a composition of several non-competing segments which, facilitated by presence of various institutional barriers, reward human capital unequally.[8]

According to Segmented Labour Market Theory, labour market is divided in primary labour market characterized by higher wage, better working condition, stability of employment and opportunity for improvement and secondary labour market characterized by absence of one or more of these desired features of employment. Advocates of this view argue that jobs of primary labour market are rationed and certain groups who are disadvantage or discriminated against like women, blacks, immigrants and other minorities find it difficult to get a job in primary labour market. Various non-economic and institutional barriers including barriers on

[7] See, for example, Jacob Mincer, *Schooling, Experience and Earnings,* New York: National Bureau of Economic Research, 1974.

[8] Ibrahim Mohamed Abdalla et al., "Labour Policy and Determinants of Employment and Wages in a Developing Economy with Labour Shortage", *Labour*, Vol. 24, Issue 2, June 2010, p. 166; Sandra Jackstiene, "Labour Market Segmentation: Theoretical Aspect", *Ekonomika ir vadyba: aktualijos ir perspektyvos*, Vol. 4, No. 20, 2010, pp. 53-63.

labour mobility prohibits these groups from finding a job in primary labour market.[9]

With low participation rate of national labour force, overwhelming concentration of employed nationals in government jobs which pay the nationals several times higher wages compared to the foreigners engaged in private sector (see Table 5) and *kafala* system which successfully restricts the mobility of foreign labour, GCC labour market offers a classic example of segmented labour market.

Table 5: Average Monthly Wage in the Private Sector in Saudi Arabia, 2004-2007, (SR)				
Year	**2004**	**2005**	**2006**	**2007**
Saudis	4367	3878	3596	3624
Non-Saudis	1037	1028	1060	1011
Total	1385	1360	1384	1354

Source: Steffen Hertog, "A comparative assessment of labor market nationalization policies in the GCC", in Steffen Hertog (ed.), *National employment, migration and education in the GCC*, Berlin, Germany: Gerlach Press, 2012, p. 6.

3. Earlier Efforts of Localization of Jobs: An Evaluation

Overwhelming share of expats in workforce and population amidst an increasing native youth population became a concern for all GCC countries by as early as 1980s.[10] The governments realized that it would no more be possible for them to provide job for all their young people who were joining the workforce every year at a growing number. They tried to direct their youth to private sector for employment which by that time had already been saturated by low paid foreign migrant workers.[11]

It is in this context that the concept of localization of job emerged in the GCC countries. Governments of all GCC countries have been repeatedly including localization of jobs in their consecutive national plans. It is called Saudization in Saudi Arabia, Emiratization in the UAE, Omanization in Oman, etc. Whatever the name is and whatever be the particulars, main objectives of this localization efforts were:[12]

- Increased employment for native people across all sectors of the domestic economy.

---

[9] Kevin Lang and William Dickens, "A Test of Dual Labor Market Theory", *American Economic Review*, Vol. 75, No. 4, February 1985, pp. 792-805; Sandra Jackstiene, op. cit.; Ibrahim Mohamed Abdalla et al., op. cit.

[10] Horinuki Koji, "Controversies over Labour Naturalisation Policy and its Dilemmas: 40 Years of Emiratisation in the United Arab Emirates", *Kyoto Bulletin of Islamic Area Studies*, Vol. 4, No.1&2, March 2011, p. 44.

[11] Dr Adel S. Al-Dosary and Syed Masiur Rahman, "Saudization (Localization) – A Critical Review", *Human Resource Development International*, Vol. 8, No. 4, December 2005, p. 496.

[12] Robert Looney, "Saudization and Sound Economic Reforms: Are the Two Compatible?", *Strategic Insights*, Volume III, Issue 2, February 2004.

- Reduce and reverse over-reliance on foreign workers.

- Recapture and reinvestment of income which otherwise would have flowed overseas as remittances to foreign worker home countries.

Localization of jobs has been a common concern for Gulf countries for years. Hence, there exists a plethora of literature on localization effort in various GCC countries.[13] Most of the literature argues that so far localization efforts by GCC countries achieved little success because they failed to address the micro and macro factors which perpetuate the segmentation of labour market in these countries. Macro factors include:

- Heavily oil-dependent economy where the non-oil sectors are labour intensive and are indirectly dependent on government spending.

- States' use of public job as a means of distributing a part of oil revenue with a view to maintaining stability of regime.

- Large gaps in wage and labour rights between public and private sector which is partly promoted by the pattern of government spending (easy access of nationals to government jobs which pay higher salary, benefits and pensions, requires less skill, demands less working hour and provide various privileges compared to private sector).

Micro factors include:

- Mismatch between the skill demanded by the private sector and skill achieved by nationals since despite repeated calls for education reform, there has been little changes so far.

- Unwillingness of nationals to take up jobs in private sector since better jobs (in terms of wage, benefits, working conditions and rights) are available in public sector thanks to generous government spending.

[13] See, for example, Dr Adel S. Al-Dosary and Syed Masiur Rahman, "Saudization (Localization) – A critical review", op. cit.; Dr Adel S. Al-Dosary and Syed Masiur Rahman, "The Role of the Private Sector Towards Privatisation", *International Journal of Arab Culture Management and Sustainable Development,* Vol. 1, No. 2, January 2009; Horinuki Koji, op. cit.; Robert Looney, "Saudization and Sound Economic Reforms: Are the Two Compatible?", op. cit.; Robert Looney, "Saudization: A Useful Tool in the Kingdom's Battle Against Unemployment?", *Journal of South Asian and Middle Eastern Studies*, Vol. XXVII, No. 3, Spring 2004; Anthony H. Cordesman, *Saudi Arabia Enters The 21st Century: Economic, Demographic, and Social Challenges*, Washington, DC: Center for Strategic and International Studies, 3 December 2002; Manal Soliman Fakeeh, *Saudization as a Solution for Unemployment: The Case of Jeddah Western Region*, Ph.D Thesis, University of Glasgow, May 2009; Steffen Hertog, *Arab Gulf States: An Assessment of Nationalisation Policies,* op. cit.

- Unwillingness of private companies to recruit nationals instead of expats as locals are much costlier than foreigners since there is almost unlimited supply of labour from sending countries who work at much lower wage, have greater skill and are willing to compromise greatly in terms of labour rights.

According to them, the first generation localization efforts characterized by quotas and prohibitions (limitation of specific jobs to nationals) could not address the micro and macro factors mentioned above and hence merely led to a very uneven distribution of cost across businesses. Consequently, these localization efforts had led to evasion and in some cases corruption between businesses and labour administration. In many cases, these efforts have given rise to various forms of "phantom employment" of nationals instead of real employment.

Steffen Hertog observes that after the failure of first generation "Localization" policies, GCC economies have recently opted for market-based mechanisms for attaining higher national employment results. The basic idea behind reforms taken in GCC economies in 2000s is that nationalization has to be induced through market mechanisms, primarily by narrowing the wage and rights gap between locals and foreigners.[14] He also observes that market based localization policies had brought some success in most of the GCC economies but the process was halted in 2011 with the advent of Arab Spring which prompted the GCC governments to again proceed to creation of more government jobs, increasing unemployment and other welfare benefits and thus reversing the process of localization.

4. Recent Drive on Localization of Jobs in the GCC

This section will first attempt to illustrate the context in which recent drive on localization of jobs is taking place in the GCC countries. In other words, it will try to see which factors have prompted these countries for this thrust. Then it will endeavour to see the various ways the governments of the GCC countries are attempting to replace foreign migrant workers with native ones. Finally, it will draw on the impacts of recent localization drive on migrant workers.

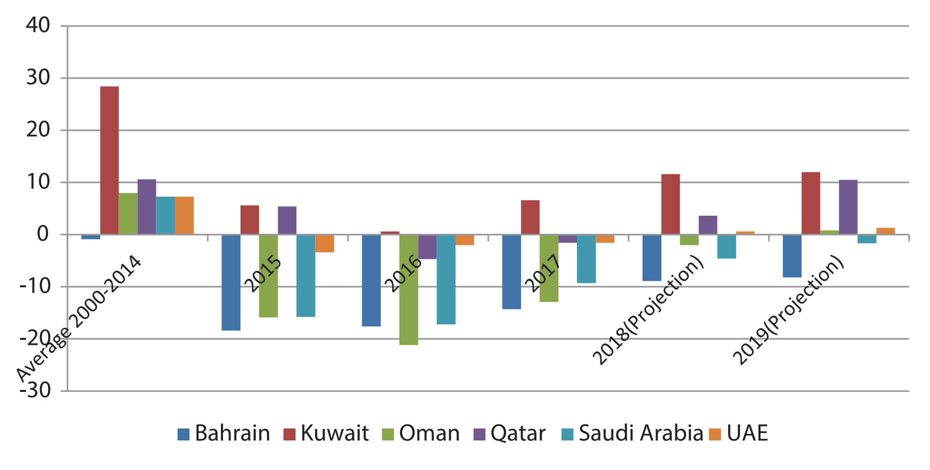
4.1 *Oil Price Fall, Financial Crisis and Revamped Localization of Jobs in the GCC Region*

Price of crude oil, the life line of the Gulf countries, plunged dramatically in 2014 from US$ 115 per barrel to US$ 30 per barrel and the fall continued thereafter. Fall of oil price by 43 per cent over the last four years[15] acted as a heavy blow to the oil-

[14] Steffen Hertog, "Arab Gulf States: An Assessment of Nationalisation Policies", op. cit., p. 7.
[15] Luiz Pinto, "Sustaining the GCC Currency Pegs: The Need for Collaboration", Brookings Doha Center Policy Briefing, February 2018.

dependent economies of the GCC (see Figure 3 and 4). In 2015, KSA, UAE, Oman, Bahrain saw budget deficit by the amount of 3-18 per cent of GDP while Kuwait and Qatar saw their budget surpluses to fall from 28 and 11 per cent of GDP to 5.6 per cent and 5.4 per cent respectively. The situation further deteriorated in 2016 for all GCC countries.

Figure 3: Budget Balances in GCC Countries, 2000-2019



Source: International Monetary Fund, *Regional Economic Outlook: Middle East and Central Asia*, p. 14.

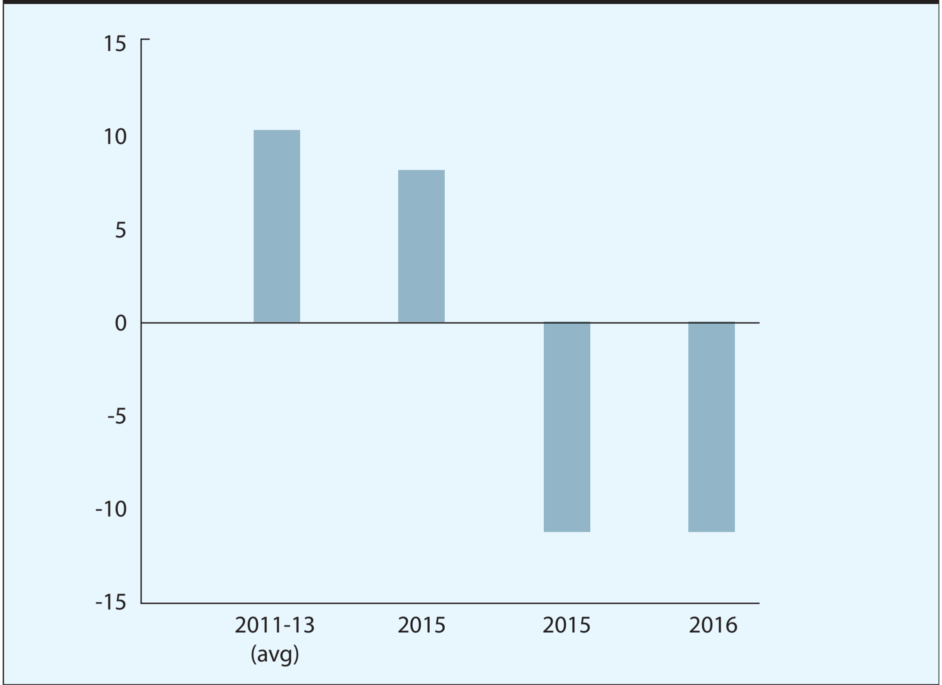
Figure 4 shows that as a result of decline in oil revenue, real public expenditure in GCC countries fell by about 10 per cent in two consecutive years – 2015 and 2016. And, it is the foreign migrant workers who had to bear the brunt of this cut. For example, faced with a budget deficit of 16 per cent of its GDP in 2015, Saudi Arabia had to cut its infrastructure and transport budget by 63 per cent in 2016.[16] Due to the budget cut and delayed payment by the government, many construction companies could not manage the money to pay their employees who remained stranded and in some cases even suffered from food shortage. Bin Laden Group, KSA's largest construction group, alone laid off about 50000 workers in a few months in 2016 many of whom were left stranded in the country.[17] Similar was the case with Qatar. Thus, shrinking of construction sector in GCC region left thousands of migrant workers from India, Philippine, Bangladesh and Nepal in a marooned condition.[18]

[16] Adam Bouyamoum, "Saudi Arabia cuts spending after posting record $ 98 billion budget deficit for 2015", *The National*, 28 December 2015, available at https://www.thenational.ae/business/saudi-arabia-cuts-spending-after-posting-record-98-billion-budget-deficit-for-2015-1.104894, accessed on 13 November 2018.

[17] Amy Kazmin and Simeon Kerr, "India offers aid to stranded workers in Saudi Arabia", *Financial Times*, 01 August 2016, available at https://www.ft.com/content/364db72c-57c2-11e6-9f70-badea1b336d4, accessed on 22 January 2019.

[18] Rama Lakshmi, "Thousands of Indian workers stranded in Saudi Arabia without pay or provisions", *The Washington Post*, 01 August 2016, available at https://www.washingtonpost.com/world/middle_east/thousands-of-indian-workers-stranded-in-saudi-arabia-without-pay-or-provisions/2016/08/01/4cae2d00-

Figure 4: Change in Real Public Expenditure in GCC Countries (Year-on Year % Change)



Source: Aasim M. Husain et al., "Economic Reform and Political Risk in the GCC: Implications for U.S. Government and Business", *Middle East Policy Council*, Vol. XXIII, No. 3, Fall 2016.

Financial crisis led by the fall of oil prices, revamped the localization effort all over the GCC. Saudi Arabia adopted Vision 2030 in 2016; other countries soon followed the suite. Kuwait and Oman adopted similar visions in 2017. Qatar already had National Vision 2030, Bahrain had Economic Vision 2030 and the UAE had Vision 2021.

One common feature of the visions mentioned above, except that of the UAE, is emphasis on localization of jobs. For example, Saudi Arabia's "Vision 2030" vows to reduce Saudi unemployment rate from the existing 12 per cent to 7 per cent[19] by

---

a08c-4611-b975-cef59ff83d3a_story.html?noredirect=on, accessed on 16 January 2019; Beh Lih Yi, "'Bring us home,' plead Filipino migrants stranded in Saudi Arabia", *Reuters*, 08 August 2016, available at https://www.reuters.com/article/us-philippines-migrants-saudi-idUSKCN10J1E5, accessed on 25 January 2019.

[19] These are the kingdom's 'official' unemployment rates which does not include the large numbers of working-age Saudis who are not looking for a job and hence are not counted as part of the labour force. Recent government figures show that the labour force participation rate of the kingdom, meaning people who are in jobs or who say they are looking for work, is 36.4 per cent, about half the global average, say economists. "More than 1 million Saudis on unemployment benefit", *Reuters*, 28 March 2012, available at https://www.reuters.com/article/us-saudi-unemployment-subsidy/more-than-1-million-saudis-on-unemployment-benefit-idUSBRE82R0L320120328, accessed on 29 January 2019.

2030 by creating 450,000 private sector jobs for Saudis by 2020. Given that expatriates account for 90 per cent of the KSAs private sector jobs,[20] job creation for Saudis in the private sector implies replacement of foreign workers by native workforce.

Similar is the case with other GCC countries. Qatar's National Vision 2030, adopted in 2008 considers over dependence of migrant workers as a source of economic, social and cultural challenge.[21] "New Kuwait" 2035 Development Plan attempts to bring down the proportion of expatriates to the country's total population from 70 to 60 per cent by 2030. Oman's Vision 2040, adopted in January 2017, aims to cut down the number of expats in Oman and thus bring down their share from the current level of 44.5 per cent to 33 per cent by 2040.[22]

4.2 *Various Dimensions of Localization of Jobs: KSA and Others*

In their drive to localize jobs, KSA has taken the following measures:

- Over the period of 2014-2018, KSA has declared about 75 types of jobs as limited to nationals only.[23]

- With Saudi Vision 2030, the kingdom is implementing its *Nitaqat* system with renewed force in recent years. In *Nitaqat* system, all farms are catergorized in various ranks based on their compliance with the 'saudization' target. Farms with higher rank are given various incentives such as flexibility in recruiting and managing migrant workers, lower processing fees, etc. while the lower graded farms get limited immigration and sponsorship benefits and are fined for redundant migrants at the amount of US$ 640.

- Also in 2017, the Ministry of Civil Service in Saudi Arabia asked all ministries and government departments to terminate all contracts with expatriate workers within three years.[24]

---

[20] Ahmed Al Omran, "Saudi Arabia raises the alarm over rising unemployment", *Financial Times*, 24 April 2018, available at https://www.ft.com/content/df579534-47c3-11e8-8ae9-4b5ddcca99b3, accessed on 12 June 2019.

[21] National Development Strategy and Ministry of Development Planning and Statistics, State of Qatar, *National Development Planning and Implementation Human Development, Sustainable Development and National Well-being*, p.10.

[22] "Oman's vision 2040", *Times of Oman*, 03 January 2018, available at https://timesofoman.com/article/125303/Oman/Expat-population-likely-to-be-throttled-back-by-2040, accessed on 15 June 2018.

[23] "More jobs off-limits to expats", *Arab News*, 16 August 2015, available at http://www.arabnews.com/featured/news/792061, accessed on 26 May 2019; Rafiqul Islam Azad, "Saudi job policy to affect Bangladeshi workers", op. cit.; "41 job types designated as Saudi only", *Arab News*, 16 December 2018, available at http://www.arabnews.com/node/1421836/saudi-arabia, accessed on 05 June 2019.

[24] "Saudi Arabia's public sector will fire all expat workers within 3 years", available at https://stepfeed.com/saudi-arabia-s-public-sector-will-fire-all-expat-workers-within-3-years-9052, accessed on 18 November 2018.

- Attempts have been taken to make the foreign workers costlier to the employer than before. For example, at the beginning of 2018, an additional levy of SR400 per month per expat worker has been imposed for companies where expats outnumber Saudis and SR300 per month per expat worker for companies where number of expat worker is equal to that of Saudi workers. Moreover, this levy is set to increase every year. [25]

- KSA also took several other measures which are meant to make migration to the kingdom a less profitable option than before, particularly for the semi skilled and low skilled labours. It has imposed a new tax on dependents of expatriates in July 2018. The fee starts at SR100 for each individual dependent per month. The monthly fee is set to increase to SR400 for each dependent in 2020.[26]

- In KSA, 'saudization' is being accompanied by rigid implementation of existing migration rules resulting in increased number of deportation. For example, in the KSA, if a migrant works in a company other than that for which he had been hired, he becomes illegal. Although such practice has been in place for many years and the law enforcers have been lenient so far, under the new policies, the authorities are now enforcing the law very strictly.[27]

As mentioned before, neither KSA was alone in localization effort, nor was it a new phenomenon. Table 6 shows the various measures taken by the GCC countries even before the oil price shock, many of which was implemented with renewed vigour after 2014.

[25] Francoise De Bel-Air, *Demography, Migration and Labour Market in Saudi Arabia*, Gulf Labour Markets and Migration (GLMM) Explanatory Note, No. 5/2018, p. 6.
[26] "Expat dependent fee takes effect in Saudi Arabia", *Gulf Business*, 03 July 2017, available at https://gulfbusiness.com/expat-dependent-fee-takes-effect-in-saudi-arabia/, accessed on 10 November 2017.
[27] Porimol Palma, "Saudi job market shrinking fast", *The Daily Star*, 08 October 2018.

Table 6: Approaches to Localization: Various Policy Measures in the GCC	
Demographic Balancing Incentives for citizens' higher fertility (UAE)	**Human Capital Formation** Promoting citizens' study and training in technology and medicine (all GCC)
Organizational Development Strict implementation of ILO standards for remuneration and workplace conditions (Oman) Subsidized start-up loans for national entrepreneurs (UAE) Allowing employers to recruit from and encouraging the Bahrainis to compete in the local labour market (with the non-nationals) (Oman)	**Economic Engagement** State subsidy (up to 50 per cent) of private sector pay for native worker (KSA) Quotas for natives in public/private employment (KSA, Kuwait, UAE, Qatar) Reform/near-abandonment of the *kafala* system (Oman, Bahrain) Subsidies for hiring of indigenous workers (to decrease cost of hiring citizens) (Oatar, KSA)
Demand Management: Targeting Migrants Closing migrant employment in specific sectors or professions (all GCC) Ceiling of proportion of foreign workers in company (KSA, Kuwait, UAE) Tax on non-diversity of nationalities (i.e. ≥30 any nationality) (UAE)	**Demand Management: Targeting Employers** Raising costs of hiring foreign workers (Bahrain, Kuwait, Oman) Reducing labour-intensive projects in the public sector (Kuwait)
Demand Management: Targeting Investors Preferential award of government contracts to private companies satisfying nationalization quota objectives (Oman) Restrictions on visa issuance (Bahrain, KSA) Taxes on hiring migrant workers (Bahrain, Kuwait, Oman) Social responsibility tariff (e.g. an annual US $ 3180 fee for every migrant employee) to increase the cost of hiring non-nationals (Oman)	**Supply Management: Targeting Citizens** Directing new labour market entrants to the private sector (all GCC) Skills upgrading for citizens, especially in technology and medicine (all GCC) On-the-job training facilities and priorities (targeted cooperative programs) (UAE) Public-Private-Partnership (PPP) in recruitment, training, and retention (UAE)
Supply Management: Targeting Migrants Health insurance to be paid by migrant workers (Kuwait, KSA, UAE) Degree validation fee to be paid by migrant workers (UAE) Direct tax on migrant workers (KSA) Deportation of irregular migrants (all GCC)	**Supply Management: Targeting Economic Structure** Development of economic sectors for nationals' employment (Bahrain, KSA, Qatar, UAE) Using the Market Information System as a job data bank (Oman)

Source: Samiul Hasan, "Workforce localization in the GCC Countries: Policies, Practices, and the Labor-Exporting Countries' Responses", *Philippine Political Science Journal*, Vol. 36, No. 2, 2015, p. 151.

4.3 *Impact of Recent Localization Drive on Expat Workers*

In the years immediately after the adoption of localization efforts, GCC countries succeeded to reduce the number of expat workers to a significant extent. According to Saudi Labour Market Update, a quarterly report published by Jadwa Investment, a total of 1.8 million expat workers left KSA over the period of 2017-2018. According to the report, the departures were mostly correlated with the expat levies and expat dependent fees.[28] According to a survey conducted by recruitment specialist Robert Walter, Saudi national hiring has doubled in 2018 and the survey expects this trend to continue onto 2019.[29] In Oman, more than 115,000 foreign workers left the country between March 2016 and March 2018 as a result of the Omanization drive.[30]

A report of KNOMAD (The Global Knowledge Partnership on Migration and Development), a World Bank initiative, shows that the localization drive of the GCC states has severely affected employment opportunities of migrants from South Asia, particularly from India, Pakistan and Bangladesh[31] – the top three labour sending countries for GCC. According to the report, India, the top most labour sending country for the GCC region, experienced a 25 per cent drop in migrant workers' deployment to the GCC in 2017 and 12 per cent drop in the first three quarters of 2018. The situation was worse for Pakistan whose migrant workers' deployment reduced by 41 per cent in 2017 and further dropped by 26 per cent in the first eight months of 2018. Bangladesh migration to GCC dropped by about 60 per cent in 2018.

Naturally, India, Pakistan and other labour sending countries are concerned about the recent developments of the GCC states and are looking for solution.[32] Like other source countries, Bangladesh has reasons to be worried about these developments in the GCC countries. To have an idea on the extent by which Bangladeshi migrants might be affected by these new policies, one example can be given. Almost 60 per cent of the mobile phone shops in Riyadh were run by Bangladeshis, and around 80,000 Bangladeshis were involved in the business. But after the declaration of September 2018, foreigners would no longer be allowed to do such business. As

[28] Jadwa Investment, *Saudi Labour Market Update 2018*, p. 3.
[29] "Saudization to continue at brisk pace, pay hikes of professionals in Kingdom highest in region", *Arab News*, 19 February 2019.
[30] "Oman faces property crash as foreign workers leave", *The National*, 12 May 2018.
[31] "Job Opportunities recede for South Asian Migrants in GCC", *Gulf Times*, 30 March 2019, available at https://m.gulf-times.com/story/625149/Job-opportunities-recede-for-South-Asian-migrants-, accessed on 21 July 2019.
[32] See, Samiul Hasan, op. cit.; G. Gurucharan, *The Future of Migration from India: Policy, Strategy and Modes of Engagement,* India Centre for Migration, Senior Fellowship Programme Report 2013; "Arabian Nights are over: Gulf no longer the dream land for Indians", *Economic Times*, 07 June 2018, available at https://economictimes.indiatimes.com/nri/arabian-nights-are-over-gulf-no-longer-the-dream-land-for-indians/articleshow/64493367.cms?from=mdr, accessed on 17 June 2018; Bureau of Emigration and Overseas Employment, Government of Pakistan, *Mid Year Analysis of Manpower Export January-June 2019*, available at https://beoe.gov.pk/files/statistics/yearly-reports/2019/mid_2009.pdf, accessed on 09 July 2019.

a result, these 80000 Bangladeshi migrants became unemployed and many of them had returned home.[33] Bangladeshi Ambassador to Riyadh Mr. Golam Moshi estimates that about 2 lakh Bangladeshi migrants could be affected by the new Saudi policy.[34]

According to officials from Expatriate Welfare and Overseas Employment (EWOE) Ministry of Bangladesh, around 2,000 Bangladeshi workers were deported by the KSA every month in 2018, making the total figure of deportation 24,000,[35] while according to BRAC's Migration Program till August 2018, at least 48,000 workers have returned from the Middle Eastern countries most of whom were Saudi returnees.[36]

Bloomberg reports that during 2017-2018, while 1.6 million expats left Saudi Arabia, the number of Saudis employed outside the security and military sector increased by only 50,000.[37] It implies that the young Saudis are not taking up the jobs made vacant by the exodus of expats. In case of Oman, however, the fall in the number of expats has been associated with fall in unemployment among its native workforce.[38]

Although the figures of exodus of expats are significant, from data of two years one cannot say for sure that the declining trend of foreign labour recruitment by GCC states will continue or that this decline will be permanent because fluctuation in foreign labour migration is a common phenomenon. Exodus of expats from GCC countries at the times of oil price shock or vulnerability of GCC economies to ups and downs of oil market are also not new.[39] For the present case, much will depend on how the GCC economies will fare in future and whether or not any structural change will take place in GCC economy and labour market. And, this is what the following section will deal with.

5. Implications for Bangladesh

This section will first try to see whether as a labour sending country Bangladesh needs to worry about the recent drive on localization of jobs by the GCC countries and if yes, to what extent. The first question is of particular importance given that localization of job is not a new phenomenon in these countries. As section 3 has already identified major micro and macro factors which held back the earlier localization efforts of GCC, this section will examine whether situation has changed

[33] Porimol Palma, op. cit.
[34] Rafiqul Islam Azad, "Saudi job policy to affect Bangladeshi workers", *The Independent*, 23 March 2018.
[35] "Overseas jobs sharply shrink for Bangladeshis", *The New Age*, 18 December 2018.
[36] "Is the job market in Saudi Arabia shrinking for Bangladesh?", *Dhaka Tribune*, 18 October 2018.
[37] "As expats leave Saudi Arabia, no one is replacing them", *Bloomberg*, 03 April 2019.
[38] "Expat population continues to fall", *Oman Observer*, 08 April 2019, available at https://www.omanobserver.om/expat-population-continues-to-fall-2/, accessed on 10 April 2019.
[39] J. S. Birks, I. J. Seccombe and C. A. Sinclair, "Labour Migration in the Arab Gulf States: Patterns, Trends and Prospects", *International Migration*, Vol. 26, No. 3, July 1988; Laura El-Katiri, op. cit.

in this regard. It will also examine whether new situations have arisen which might contribute to the success or the failure of recent localization attempt. Then it will try to outline the probable implications of the localization efforts for Bangladesh's labour migration.

5.1 *Recent Localization Drive: Anything to Worry?*

One can recall from section 3 that several distortions like easy access of nationals to high salary government job, mismatch between required and existing level of expertise and working ethics among nationals and flow of cheap foreign labour resulted in strong segmentation of GCC labour market and previous localization efforts have failed to achieve target because those efforts could not strike this segmentation significantly. A closer look at the above mentioned factors will reveal that governments' acting as primary source of employment (which is more often than not better in terms of wage, benefits and rights compared to jobs in private sector) for nationals lies at the heart of this segmentation process.

According to some analysts, spending policy of the GCC states reflects an unwritten social contract of the rulers with their citizens through which they win the loyalty of the latter in return for various direct and indirect benefits like availability of high salaried government jobs, various subsidies and welfare benefits, exemption from income tax etc.[40] Such government spending thus contributes in the stability of the regimes against political upheavals.[41] In the words of Gause, "Oil wealth, when it is abundant, allows regimes that use it wisely to expand their support coalitions, reducing the zero-sum aspect of most political conflict, and to reduce the economic incentives for mobilization of opposition and for cross-ideological opposition coalitions to form."[42] As mentioned before, the GCC states used this technique heavily during the turbulent period of Arab Spring.

Figure 5 shows that this strategy might have practically reached its limits because the wage bill has become too large to keep rising. The wage bill now accounts for more than 10 per cent of GDP and more than 30 per cent of total expenditure in most countries. The problem is more severe in KSA where during 1997-2001, wage bill represented more than 15 per cent of GDP and about 50 per cent of total government expenditure. The situation did not improve thereafter as can be seen from Figure 5.

---

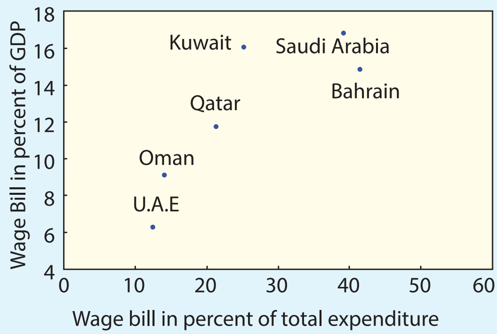
[40] Laura El-Katiri and Bassam Fattouh, "A Brief Political Economy of Energy Subsidies in the Middle East and North Africa", in G. Luciani (ed.), *Combining Economic and Political Development: The Experience of MENA*, International Development Policy Series 7, Geneva: Graduate Institute Publications, 2017, p. 55; Hazem Beblawi, "The Rentier State in the Arab World", *Arab Studies Quarterly,* Vol. 9, No. 4, Fall 1987, pp. 383-398.

[41] Many attribute the comparable political calm and stability of the majority of the GCC states amidst the Arab Spring in part to their ability to spend on their citizens in a way other Arab states could not.

[42] F. Gregory Gause III, *Kings for All Seasons: How the Middle East's Monarchies Survived the Arab Spring*, Brookings Doha Center Analysis Paper, No. 8, September 2013, p. 25.

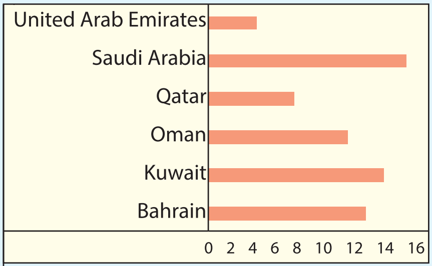
Figure 5: Wage Bill in GCC

Wage Bill in GCC (average for the period 1997-2001)



Source: Ugo Fasano and Rishi Goyal, *Emerging Strains in GCC Labour Market*, IMF Working Paper No. 04/71, April 2004, p. 3.

General Government Wage Bill as % of GDP (average for the period 2005-16)



Source: IMF, *Public Wage Bills in Middle East and Central Asia,* 2018.

High demographic pressure is making the situation worse. Over the period of 1975–1985, national population of KSA grew at the rate of 6.8 per cent a year, Oman's population grew by 7.17 per cent and the GCC national population as a whole grew by an average of 3.9 per cent a year. Arab birth rates (3 per cent per year), including those of the GCC are still among the highest in the world (global average is 1.5 per cent per year). Due to higher birth rate, GCC countries have a youth-full population and each year about 200,000 young people enters the labour force.[43] With a population of 40 per cent of which is below the age of 14, it is conceivable that the job market of GCC is going to be under tremendous pressure in future.

In fact, many GCC countries are already feeling the chill with a bulk of youth population, a significant portion of whom are unemployed. In KSA, one fourth of youth population is unemployed. Not only in KSA, in whole Arab World, 26 per cent of youth are unemployed compared to world average of 13 per cent.[44] If it is kept in mind that labour force participation rate is much lower in GCC region compared to other parts of the world, one can understand the gravity of the situation. Bulge of unemployed youth is always a headache for the state.

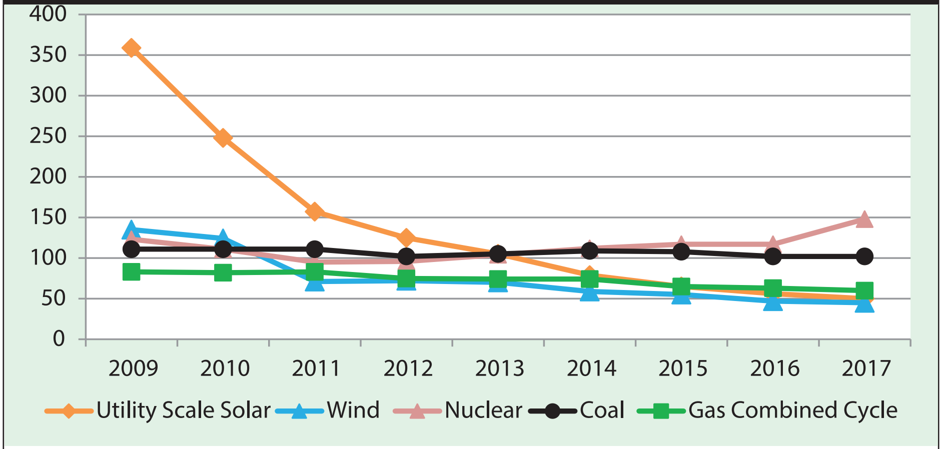
[43] Wes Harry, "Employment Creation and Localization: The Crucial Human Resource Issues for the GCC", *The International Journal of Human Resource Management*, Vol. 18, No. 1, January 2007, pp. 133-135.

[44] The World Bank, available at http;//data.worldbank.org/indicator/SL.UEM.1524.ZS, accessed on 17 June 2019.

For a long time, the GCC governments addressed the unemployment problem by creating government jobs and providing generous allowances for their relatively few citizens which served their interests too. With growing demographic pressure and consequent strain on government budget, it appears that governments may not be able to act as primary source of employment for long and the responsibility for job creation in the period ahead is likely to rest with the private non-oil sector.

Another factor which may severely affect future capability of GCC governments to provide generous benefits and jobs for nationals is uncertain future of oil. In recent years, renewable energy is becoming increasingly cheaper than traditional energy sources like coal or oil (see Figure 6); increasingly greater share of newly added energy are coming from renewables (see Figure 7) and thus renewable energy is increasingly crowding out traditional energy sources. Electric vehicle are also expected to occupy the roads in near future. In such a situation, future of oil is really uncertain. In recent days, not only spot oil prices, price of oil futures have also declined and oil futures are not expected to rise much even in next five years.[45]

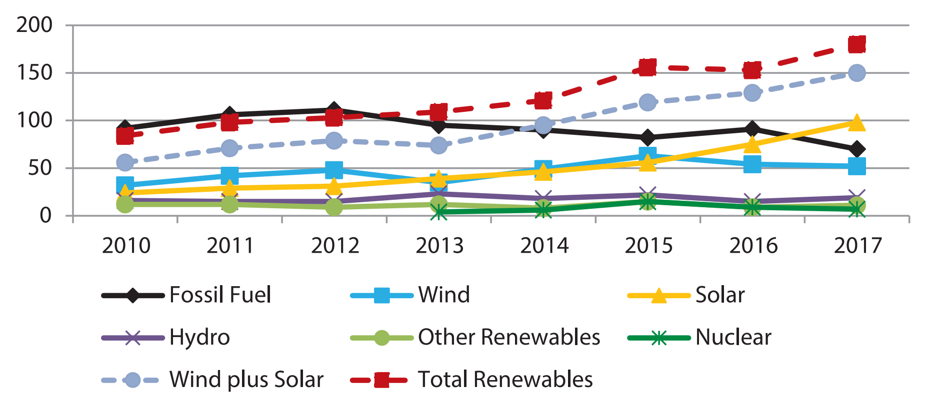
Figure 6: Cost (Mean LCOE) for Different Energy Sources ($/MWh), 2009-2017



Source: Lazard's Levelized Cost of Energy Analysis Version 11.0, available at https://www.lazard.com/perspective/levelized-cost-of-energy-2017/, accessed on 01 July 2018.

[45] Aasim M. Husain et al., op. cit.

Figure 7: Global Net Capacity Growth (GW) by Sources, 2010-2017 [46]



Source: Simon Evans, "Global Solar Capacity Grew Faster than Fossil Fuel in 2017 says Report", *Carbon Brief*, 05 April 2018.

With a view to reducing gaps between the public and private sector jobs, GCC states have taken some steps in recent years. In many GCC countries, various levies have been imposed on foreign labours which is contributing to reduce the wage gap albeit insignificantly. Reform in *kafala* system which severely limits mobility of foreign labour and make them easily exploitable, is under discussion in all GCC countries; some have already introduced some reforms. Last but not the least, in a historic attempt, the Saudi government has passed a decree in 2016 to cut the salaries of the ministers by 20 per cent and to cut the housing and car allowances for members of the advisory Shura Council by 15 per cent. According to the decree lower-ranking civil servants will also see wage increases suspended, and overtime payments and annual leave capped.[47] Experts hail that this is a positive move to make its people to look to the private sector for employment;[48] the decision however was revised later on.

In a more drastic move in 2015, Saudi Arabia announced its plans to cut subsidies on petrol, diesel, kerosene and water and to raise petrol prices by up to 40 per cent.[49] And, this move of Saudi Arabia was soon followed by Oman and Bahrain.[50] Such cuts in government subsidies was long prescribed by experts but was

[46] Net growth was obtained after accounting for power plants that have retired. Retirement is particularly important for coal (32GW), followed by gas (16GW).
[47] "Saudi Arabia Unveils First Public Sector Pay Cuts", *BBC News*, 26 September 2016.
[48] "Saudi King Cuts Once Untouchable Wage Bill to Save Money", *Bloomberg*, available at https://www.bloomberg.com/news/articles/2019-04-03/as-expats-leave-saudi-arabia-no-one-is-replacing-them-chart, accessed on 14 May 2019.
[49] "Saudi Arabia Cuts Fuel Subsidy: Nigeria Next?", *The Cable*, 28 December 2015.
[50] Aasim M. Husain, et al., op. cit.

unimaginable before 2014. In fact, the financial crisis caused by drop in oil price has made the unpopular task easier for the GCC rulers.

Although the steps are still at the nascent period having more symbolic than real value, this might turn to be the starting point of a long-term reform. These steps may encourage the native people of GCC states to work in private sector who earlier preferred to be unemployed to work in private sector. In fact, the change is already taking place, as observed by many. As observed by Ambassador Golam Moshi, "A large number of Saudis are now taking up jobs at hotels and are also working as drivers which they did not do in the past." [51]

Businesses of GCC countries are likely to oppose the localization efforts as they will be hurt by replacement of cheap and efficient foreign labour by costly and inefficient national ones. Obviously, the government will not be able to win the fight by rigid implementation of rules and decrees only; at least past history of localization in GCC says so.[52] To win this fight, the governments must take massive effort to reform their education systems, an initiative they have ignored so far despite repeated calls in various government policies.[53]

In summary, some basic micro and macro factors which inhibited the success of earlier localization efforts are still in place. Education is still far from desired reform; competitiveness of GCC businesses still depend on cheap foreign labour and the governments still depend on oil revenues to a great extent. But, at the same time, demographic pressure is building up in GCC region which in turn is creating fiscal pressure on GCC governments. Due to growing demographic and fiscal pressure amidst uncertainty over future of oil, the governments are being compelled to look for new ways to solve the unemployment problem of which localization effort is a part.

It, therefore, can be concluded that although the success of recent localization drive is still uncertain, there is not much room for complacency for labour sending countries either. Pressure is building up on the governments of GCC countries and hence things might not go as before. It, therefore, seems that although the labour countries may not worry just now, they should better get themselves prepared for change in GCC labour market in long run, if not in short run.

5.2 *Implications for Bangladesh's Labour Migration*

Labour migration from Bangladesh is male dominated (see Figure 8.c), heavily concentrated in the GCC region which is destination of about three fourths of

[51] Porimol Palma, "Saudi job market shrinking fast", op. cit.

[52] Steffen Hertog*, Arab Gulf States: An Assessment of Nationalisation Policies,* op. cit.

[53] Dr Adel S. Al-Dosary and Syed Masiur Rahman, "Saudization (Localization) – A Critical Review", op. cit.; Wes Harry, op. cit.

Bangladeshi expats (see Figure 8.a and Figure 8.b) and most of the expats go to GCC to work as labours (see Figure 8.d) who mainly work in construction, manufacturing and service sectors.

Figure 8.a : Composition of Stock of Total Labour Migrants by Destination, Bangladesh, 1968-2018

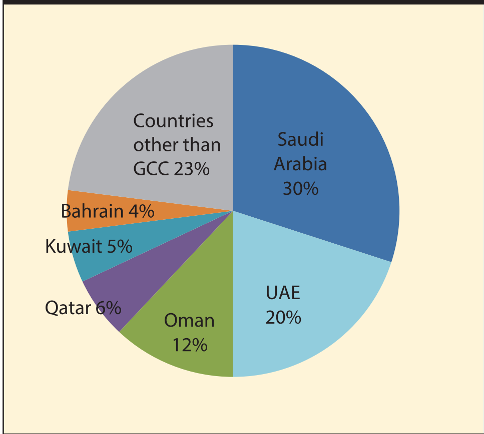


Figure 8.b: Composition of Stock of Female Labour Migrants by Destination, Bangladesh, 1991-2018

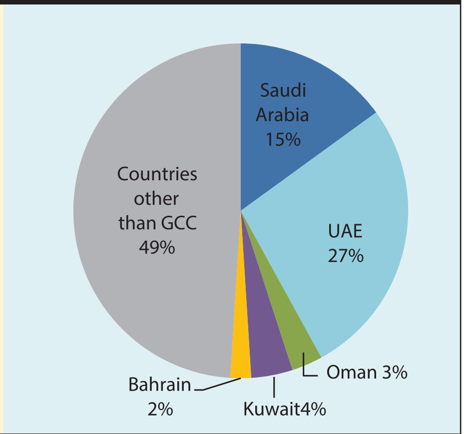


Figure 8.c: Share of Female in Total Overseas Employment, Bangladesh, 1991-2018

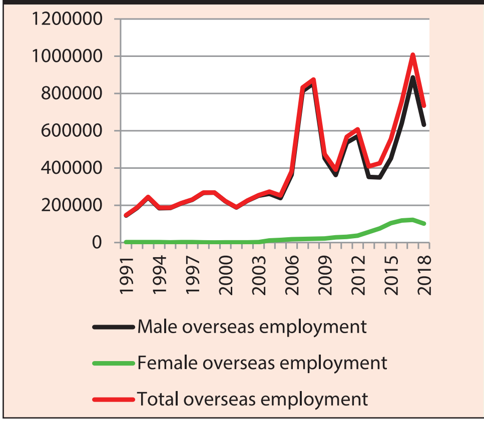
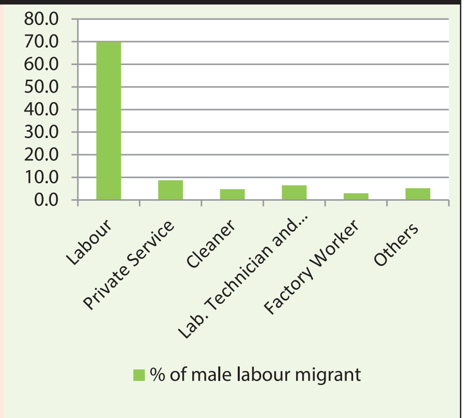


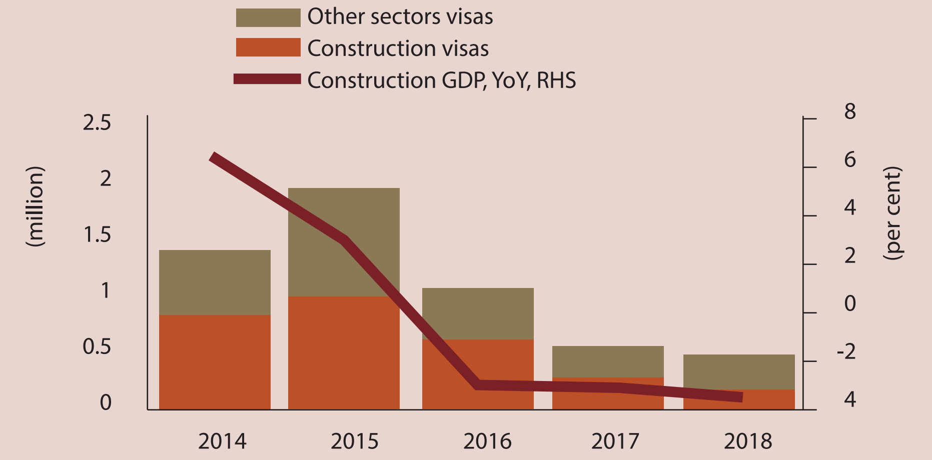
Figure 8.d: Distribution of Male Migrants by Occupation, Bangladesh



Source: BMET

Unfortunately, construction sector was one of the sectors in GCC which were most affected by the financial crisis caused by oil price shock. One of the reasons is that construction sector depends in many ways on government spending in infrastructure and transport which in turn depends on government's fiscal condition. The plight of construction workers in various GCC states during the crisis has been already described in section 4. In 2018, construction sector of Saudi Arabia saw the largest decline in the number of foreigners with departure of around 910,000 foreign workers. Moreover, as Figure 9 shows, over the last three years, Saudi Arabia has drastically reduced the number of visas issued for construction workers.

Figure 9: New Work Visa Issues by Saudi Arabia for Foreign Workers (Excluding Domestic Worker)



Source: Jadwa Investment, *Saudi Labour Market Update 2018*, p. 3.

Furthermore, one can see from Table 7 that of all the occupational groups in Saudi Arabia, Kuwait and Bahrain, production workers and labourers have the highest share of foreigners, followed by the occupational group of service holders. Higher share of foreigners may bring a part of these sectors under localization attempt. The risk of foreign workers of these sectors is increased by the fact that jobs in GCC region are highly concentrated in construction and service which implies that while trying to accommodate the unemployed youth, the governments may target these sectors first.

Table 7: Occupational Distribution of Nationals and Foreign Workers in Three GCC States

Occupation	Bahrain (2008)		Kuwait (2010)		Saudi Arabia	
	National	Foreigner	National	Foreigner	National	Foreigner
Professional/ Technical	13.5	8.8	26.8	8.8	27.9	11.9
Administration	17.4	3.2	1.7	1.5	7.2	1.7
Clerical/ related	23.5	1.3	61.5	10.8	13.8	2.4
Sales workers	6.3	4.7	0.9	5.8	5.2	13.5
Services	7.0	12.8	5.0	28.0	36.1	28.8
Agriculture	0.4	0.6	0	1.5	2.6	6.3
Production (workers and labourers)	31.8	68.5	4.2	43.6	7.4	35.4

Source: Nasra M. Shah, "Labour Migration from Asia to GCC Countries: Trends, Patterns and Policies", *Middle East Law and Governance*, Issue 5, 2013, p. 55.

With an overwhelming majority of expats working in construction, production and service, labour migration from Bangladesh is thus exposed to the risk of volatility of oil price as well as to the risk of falling in the target group of localization attempt. It is true that the low end jobs, in which most of the Bangladeshi expats are engaged, are not that attractive to the GCC nationals and at least with the present state of attitude the nationals will prefer to be unemployed than being engaged in these jobs but as indicated in the previous sub-section, growing pressure of unemployment might change the situation in future.

In Bangladesh, as of today, there exists no documentation of returnee migrants. Absence of such data makes the assessment of impact of the localization effort difficult. Even if such data were available, the impact could not have been assessed from the number of departure only. This is because those migrants, who had managed to migrate after spending a lot of money which often is borrowed, do not outright leave the country after losing a job. They try to switch job and continue staying with less income and more hardship than before. Many of them may end up in informal jobs. Localization attempt thus may impact the welfare of the migrant workers of Bangladesh which is not reflected in the figure of returnee.

Therefore, it can be said that the recent drive of localization of jobs in GCC deserves concern as it is taking place amidst mounting pressure of youth unemployment and in environment of uncertain future of oil. As a labour sending country where about 10 million people are working abroad, three fourth of whom are in the GCC, and where remittance accounts for about half of the country's foreign currency earnings, Bangladesh cannot afford to take 'wait and see' approach regarding this localization drive. Rather the country should start preparing itself for a probable change in GCC labour market which among others should include diversification of destination as well as improvement of the skill of the expatriates.

6. Conclusion

By swelling the rank of returnees and limiting the opportunity for labour migration, recent drive of localization has raised concern among the labour sending countries including Bangladesh. GCC labour market can be characterized by low participation and employment rate among the nationals, extreme segmentation of the labour market, especially between public and private sector and national and foreign workers; rising unemployment rate among the women and the youth and high concentration in service and construction sectors.

Overwhelming share of expats in workforce and population amidst an increasing native youth population has led GCC countries to attempt for localization of jobs since 1980s but those attempts achieved little success because they failed to address the micro and macro factors which created strong segmentation in GCC labour market. These factors include easy access of nationals to government job, wide gap between private and public sector jobs in terms of salary, benefits and rights, mismatch between required and existing level of expertise and working ethics among nationals and flow of cheap foreign labour.

Fall of oil price by 43 per cent over the last four years acted as a heavy blow to the oil-dependent economies of the GCC which resulted in 10 per cent decline in real public expenditure with great consequence on migrant labourers. Financial crisis caused by the fall of oil prices led GCC governments to revamp their localization effort which resulted in departure of 1.8 million expat workers from Saudi Arabia alone over the period of 2017-2018. India, Bangladesh and Pakistan - the top three labour sending countries for the GCC states saw significant decline in their labour migration to GCC.

Although from data of two years one cannot say with certainty that the declining trend of foreign labour recruitment by the GCC states will continue and although the success of recent localization drive is still uncertain, there is not much room for complacency for labour sending countries either. Growing youth unemployment and uncertain future of oil are mounting pressure on the governments of GCC countries and hence things might not go as before. It, therefore, seems that although the labour countries like Bangladesh may not worry just now, they should get themselves prepared for change in GCC labour market in the long run, if not in short run. Overwhelming majority of Bangladeshi expats in the GCC region works in construction, production and service sectors which are more exposed to the risk of volatility of oil price and more prone to be the target of localization effort. Given the sheer volume of expats and significance of remittance in the economy, Bangladesh cannot afford to take ‘wait and see’ approach regarding this localization drive. Rather the country should start preparing itself for a probable change in GCC labour market which among others should include diversification of destination as well as improvement of the skill of the expatriates.