

THE FINANCIAL CRISIS IN THE GULF AND ITS IMPACT ON SOUTH ASIAN MIGRANT WORKERS

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Research Objectives

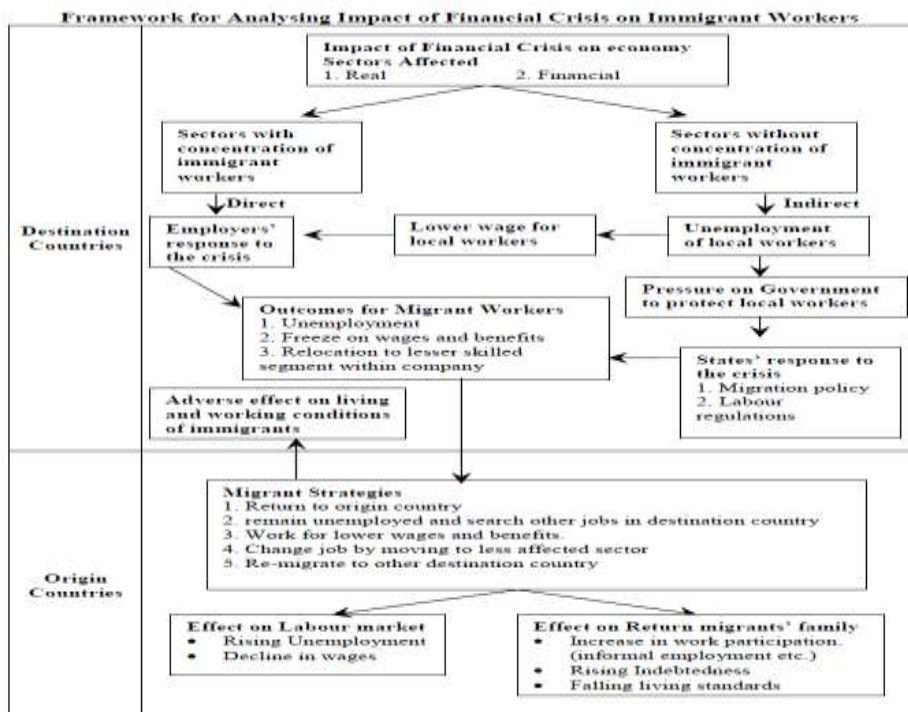
- Assess the impact of recession on key industries in GCC which employ a majority of migrant workers from South Asia and the migrants' strategies of coping with the crisis**
- Assess the extent of repatriation of migrants and depletion in remittances due to the crisis.**
- To analyze the effect of return migrants on their respective households in their home country**
- To understand emerging changes in characteristics of labour supply, employment and livelihood diversification of affected households.**
- Identification of key measures to be undertaken by various stakeholders such as SAARC and both countries of origin and destination**

Approach

- **Five countries of Origin reports-Pakistan, Bangladesh, Sri Lanka, Nepal, India. (1 day Seminar in March 24)**
- **Seven destination country reports-Two member team from CDS (1 day seminar in January/February 2010)**
- **Emigrant households survey – 50 in 4 countries of South Asia – 250 from 5 states in India – total 450**
- **Eligibility – currently the household has a member working in the Gulf**

Approach-II

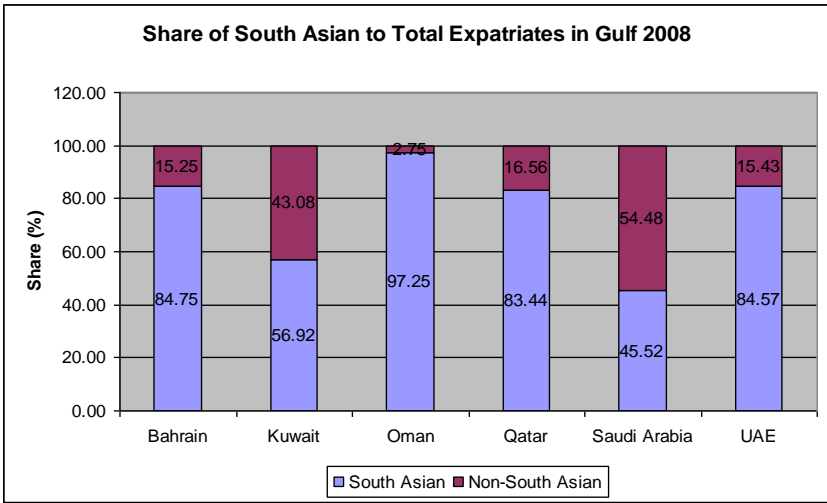
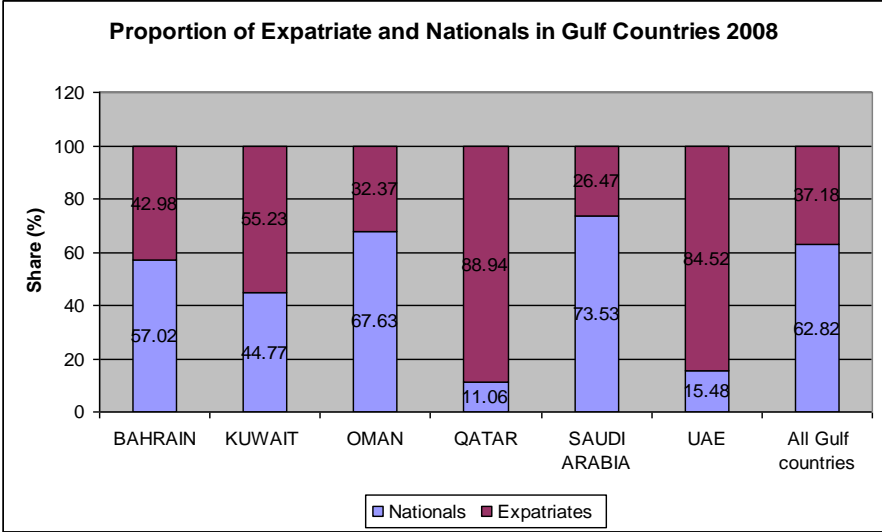
- **Return emigrant survey – 50 in 4 countries of South Asia – 200 – Eligibility – Forced return due to economic crisis**
- **5 states in India – 250 – Total 450**
- **Workers Survey – 50 workers each from six countries of Gulf and Malaysia – 350 workers**
- **Resurvey of emigrants of the Kerala Migration Survey 2008- Proportion lost jobs and returned and not returned – 6000 emigrant and return emigrant households**



Growth of population and GDP in GCC countries.

Country	Population (Million)				GDP Growth 2000-08 (%)
	2000	2008	Increase	Increase (%)	
Kuwait	2.217	3.443	1.226	55.30	6.68
Qatar	0.606	1.098	0.492	81.19	11.17
Saudi Arabia	20.474	24.897	4.423	21.60	3.91
UAE	2.995	4.764	1.769	59.07	7.74
Bahrain	0.670	0.779	0.109	16.27	6.29
Oman	2.402	2.769	0.367	15.28	5.36
Total Increase	29.364	37.750	8.386	28.56	-

Source: IMF Database



Share of Employment (%) across Economic Activities in GCC Countries, 2007

Activity	Bahrain	Oman	Kuwait	Qatar	Saudi Arabia	UAE
Agriculture, Hunting & Forestry	0.47	9.09	2.60	1.92	4.69	5.0
Fishing	0.01	0.44	0.08	0.43	*	*
Mining & Quarrying	0.49	1.96	1.90	5.27	1.32	1.3
Manufacturing	17.54	10.77	4.43	8.69	7.28	13.0
Electricity, Gas & Water Supply	0.13	0.33	0.01	0.66	0.96	1.2
Construction	29.86	34.68	14.23	37.14	10.22	20.6
Wholesale, Retail Trade & Car Repairs	24.62	16.18	14.03	12.28	16.10	20.0
Hotels & Restaurants	6.55	5.97	2.89	1.96	3.20	4.2
Transport, Storage & Communication	4.20	1.30	3.85	4.33	4.42	6.2
Financial Intermediaries	3.46	0.29	1.21	1.09	1.08	1.4
Real Estate & Renting Services	7.54	1.77	5.59	3.43	3.22	3.3
Public Administration and Defence	0.01		14.75	6.35	18.03	10.8
Education	1.24	0.76	5.23	3.16	11.96	**
Health & Social Work	0.24	1.91	2.40	2.55	4.33	**
Community & Personal Services	2.11	1.08	4.18	1.54	2.26	4.5
Domestic Services	0.06	9.96	21.86	8.79	10.79	8.4
Extra -Territorial Org. & Bodies	0.21	2.59	0.11	0.21	0.13	-
Not Classified by Economic Activity	0.30	0.90	0.66	0.18	0.01	0.01
Total	100	100	100	100	100	100

Growth of GDP, Investment and Current Account

Country	GDP Growth 2000-08 (%)	Investment Rate (% GDP)	Current Account Balance (% GDP)	
			2000-03	2004-08
Kuwait	6.68	16	23.43	36.33
Qatar	11.17	33	24.44	30.01
Saudi Arabia	3.91	20	8.02	26.27
UAE	7.74	23	10.07	16.31
Bahrain	6.29	19	3.704	11.08
Oman	5.36	16	8.95	8.34

Source: IMF Database, World Bank...

FDI flows and stocks in relation to investment and GDP in the GCC economies

Country	FDI inflow as a percentage of gross capital formation			FDI stock as a percentage of GDP		
	2006	2007	2008	1990	2000	2008
Kuwait	0.8	0.5	0.2	0.2	1.6	0.6
Qatar	19.2	24.2	25.6	0.9	10.8	21.6
Saudi Arabia	29.4	31.8	46.1	18.8	9.3	24.4
UAE	38.9	37.2	24.9	2.2	1.5	26.7
Bahrain	74.4	40.1	35.6	12.8	73.6	69.9
Oman	18.9	24.6	17.7	14.7	13.2	22.8
West Asia	23.3	22.1	21.8	10.2	9.7	18.0

Source: UNCTAD, 2009

Projects affected by the crisis, GCC.

Country	Projects and Finances involved			
	Projects under construction	Projects cancelled/on hold	Total project worth (\$)*	% Cancellation
Saudi Arabia	442	106	387	19
Kuwait	90	18	114	17
UAE	1372	566	900	29
Bahrain	148	54	36	27
Qatar	124	7	42	-
Oman	95	8	38	8

Source: Proleads.

Note: *All projects including cancelled/on hold.

GDP Growth Rate (%) of Various Countries

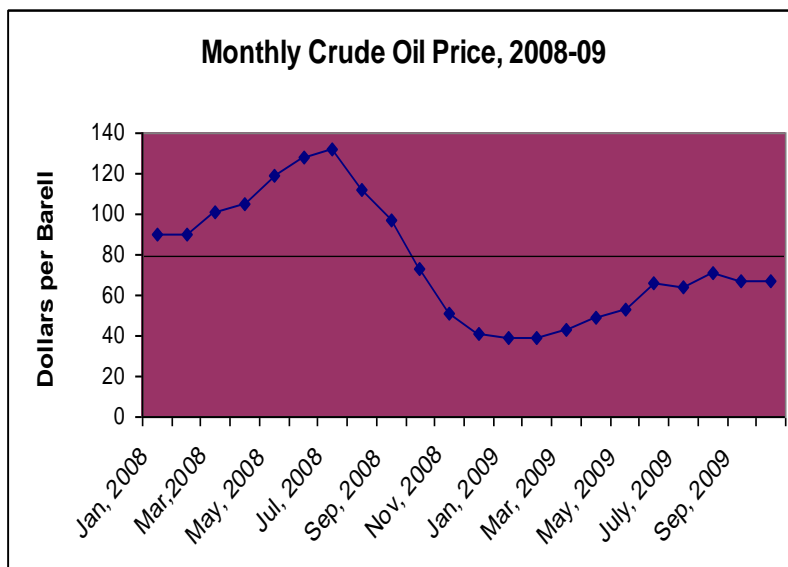
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Country of Destination											
Bahrain	4.62	5.19	7.25	5.64	7.85	6.65	8.07	6.12	2.64	3.47	3.94
Kuwait	0.22	3.01	17.33	10.24	10.62	5.14	2.51	6.33	-1.14	2.39	4.34
Oman	7.51	2.57	2.01	5.33	6.02	6.79	6.38	6.18	3.02	3.80	6.00
Qatar	6.32	3.20	6.32	17.72	9.24	15.03	15.35	16.40	17.99	16.37	8.90
Saudi Arabia	0.55	0.13	7.66	5.27	5.55	3.03	3.52	4.63	-0.91	2.90	4.40
United Arab Emirates	1.70	2.65	11.89	9.69	8.19	9.39	6.34	7.41	-0.60	1.55	3.29
Country of Origin											
Bangladesh	4.83	4.85	5.78	6.11	6.30	6.53	6.32	5.59	5.00	5.38	6.01
India	3.89	4.56	6.85	7.90	9.21	9.82	9.30	7.29	4.52	5.61	6.89
Nepal	5.63	0.12	3.95	4.68	3.12	3.72	3.19	4.70	3.60	3.25	4.81
Pakistan	1.98	3.22	4.85	7.37	7.67	6.18	6.02	5.95	2.50	3.50	4.50
Sri Lanka	-1.55	3.96	5.94	5.45	6.24	7.67	6.80	5.95	2.20	3.59	4.98
Major Developed Countries											
Japan	0.184	0.262	1.414	2.744	1.934	2.039	2.392	-0.641	-6.197	0.515	2.168
United States	0.751	1.599	2.51	3.637	2.939	2.779	2.028	1.111	-2.751	-0.049	3.53
United Kingdom	2.462	2.097	2.818	2.758	2.058	2.838	3.022	0.707	-4.086	-0.396	2.121

Source: World Economic Outlook Database, April 2009.
Note: Forecasted Data for 2010 and 2011.

Crude oil price and volume

Year (5 year average centered)	Nominal price (dollar per barrel)	Nominal price adjusted for inflation	Nominal price adjusted for inflation and exchange rate
1976	11.63	8.30	8.65
1983	29.83	11.23	15.15
1990	18.17	4.79	5.38
1997	17.12	3.58	4.39
2000	27.60	5.42	7.93
2001	23.12	4.44	6.70
2002	24.36	4.58	6.65
2003	28.10	5.17	6.53
2004	36.05	6.49	7.57
2005	50.64	8.91	10.40
2006	61.08	10.50	12.20
2007	69.08	11.59	12.62
2008	94.45	15.33	15.99

Source: www.opec.org/library/AnnualStatisticalBulletin/PDF/ASB2008.pdf accessed on 26 September 2009.



Gulf Overview (economy)

- Current oil price (October 2009) is almost closer to January 2008
- Growth is predicted to improve; there are also clear signs of growth picking up
- Migration Policy (localization)
- Demographic Dividend (high adult population among national with education)
- Public investment continues
- Lot of stimulus packages (Dubai approves 42% increase in its budget; Abu Dhabi injects Dh 16 billion into local banks)
- Had a huge surplus due to high oil price during 2008

**Estimates of Return Emigrants to South Asia from the Gulf due to Financial Crisis,
2009**

Country	Stock of Emigrants	Return Emigrants due to crisis
Kerala	2193412	61036
India	5050000	140526
Pakistan	2300000	64002
Bangladesh	900000	25044
Nepal	250000	6957
Sri Lanka	975000	27131
South Asia	9475000	263660

Estimates of Emigrants who lost job in the Gulf but have not returned, 2009

Country	Stock of Emigrants	Number lost job but not returned
Kerala	2193412	39396
India	5050000	90703
Pakistan	2300000	41310
Bangladesh	900000	16165
Nepal	250000	4490
Sri Lanka	975000	17512
South Asia	9475000	170181

Outflow of Migrant Workers from South Asia to Gulf, 2005-09

	India	Pakistan	Bangladesh	Nepal	Sri Lanka
2005	454628	127810	207089	88230	192004
2006	618286	172837	307620	128306	170049
2007	770510	278631	483757	182870	188365
2008	818315	419842	643424	169510	215793
2009 *	538090	407077	N.A	152272	226299

Source: This table is based on the country papers prepared by the respective country team at the countries of origin for this project.

Inward Remittances to South Asian Countries from Migrant Workers, 2000-09

	India	Pakistan	Bangladesh	Nepal	Sri Lanka
	US \$ (Millions)				
2000	12890	1075	1968	111	1166
2001	14273	1461	2105	147	1185
2002	15736	3554	2858	678	1309
2003	20999	3964	3192	771	1438
2004	18750	3945	3584	823	1590
2005	22125	4280	4314	1212	1991
2006	28334	5121	5428	1453	2185
2007	37217	5998	6562	1734	2527
2008	51581	7039	8995	2727	2947
2009 *	47000	8619	10431	3010	2892
2009 +	53227	8856	10525	2812	3308

Crisis into opportunity?

- Salary cut; no increment and bonus and other facilities are withdrawn
- Long hours of work to compensate for the work managed by large employers
- Undocumented migration (likely to increase)
- Unemployment among local population – strong migration policy to correct the demographic imbalance – SAARC should work
- Minimum wages, social security, compensation, labor rights, abolition of kafeel system and reduce the cost of migration

Emigrant Survey (South Asia)

- 92 % received remittances from emigrants
- Not much change in the utilization of remittances
- About 10 per cent of households have reported change in their consumption behavior, investments
- Duration of migration is important for mitigating the risks

Return Emigrant Survey (South Asia)

- **11 Per cent returned due to contract completion but they expected to continue**
- **33 % contracts were terminated**
- **25% were forced to go on a long leave**
- **22% were reported salary cut and they returned**
- **25% were forced to change the contract**
- **19 households reported change of school for their children, 34 households reported postponement of the medical treatment and another 16 households postponed another emigration from their household**
- **Since return, 9 households sold land, 16 households sold their gold.**

Malaysia – Migration Policy

- The Malaysian government is working out strategies that will reduce the number of foreign workers and give more jobs to local citizens to cope with the economic crisis.
- Recently, the work permit approvals for foreign workers declined by about 70 percent.
- Up to March 2009 some 300,000 foreign workers had been sent back to their countries of origin.
- Early in 2009, the Malaysia government cancelled the visas of 55,000 Bangladeshi workers who had received approval in 2007 after labor unions protested against the hiring foreign workers due to worsening unemployment.
- March 2009: Bangladesh became a scapegoat for the Malaysian policies. 300,000 proposed work permits for Bangladeshis frozen.
- The Malaysian government decided to double the levy for bringing foreign workers and reduce their volume by half a million in 2010
- March 2009: Introduced a doubling of the levies imposed on hiring foreign workers (from RM 1800 to RM 3600).

Huge opportunity (South Asians)

- Cleaning up the migration process, reduce the cost of migration, reduce the cost for remitting the savings, capacity building (good training) and pre-departure training
- Migrant contribution to the countries of destination (more research) – use and throw policy of the countries of destination
- Labor rights, minimum wages and zero cost of migration – SAARC
- Social Security for workers in the countries of destination

Thank you