

The Expat Debate in Kuwait: A Balancing Act in which Technology and Skills form the Key to the Solution

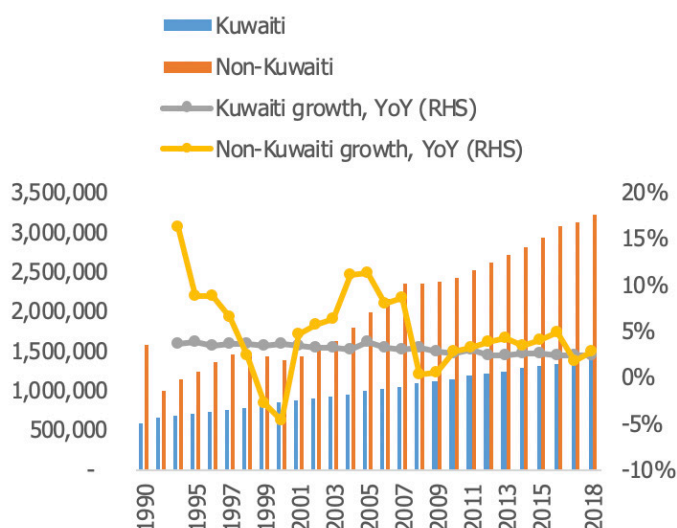
Summary

- In Kuwait, the disparity in the population's composition has long been an economic as well as a social problem.
- The imbalance can be seen in the large number of expatriates compared to the locals as well as the high number of low-skilled expatriates.
- This imbalance has taken the spotlight lately with the predominant view that expats reduce the job opportunities available for citizens and put a strain on infrastructure and public services.
- The solution to this problem should be measured: it should balance the economic needs, jobs and resources for citizens, and the growth needs, of a growing and competitive economy.
- Reducing low-skilled expat population through technology and increasing citizens' participation in the private sector by bridging the skill gap should be at center of any solution.

Expats Outnumber Citizens, Creating an Imbalance

The Kuwaiti population grew at the annual rate of 4.2% since 2000; this was driven mainly by the steady arrival of expatriates (non-Kuwaiti), whose population grew at an annual rate of 4.8% in comparison to the national population growth of 2.9%. The inflow of expatriates rose continuously over the years, and now, they account for 70% of the total Kuwaiti population of 4.6 million (as of 2018), as against 62% in 2000.

Exhibit 1: Kuwait's Population over the Years



Source: PACI

The other GCC countries where foreign nationals outnumber the local population are UAE, Qatar and Bahrain. UAE and Qatar have a significant expat population, around 88.53% and 87.3% of the total population respectively.

Exhibit 2: Demographic indicators: GCC, 2018 (in Thousands, unless specified)

Country	Total Population	Nationals	Non-Nationals	% of Non-Nationals
UAE	9,457	1,085	8,372	88.53%
Qatar	2,744	348	2,395	87.30%
Kuwait	4,622	1,403	3,219	69.65%
Bahrain	1,503	689	813	54.11%
Oman	4,601	2,579	2,022	43.95%
KSA	33,414	20,769	12,645	37.84%

Source: Bahrain, Oman, KSA Government authorities; Qatar, Kuwait: Gulf Research Center; UAE: The media lab.

The demographic and economic disparity between the GCC and the developing countries of Asia have encouraged the movement of workers from where they are available in surplus. Kuwait's private sector and the domestic labor market employ a large number of foreign nationals. Moreover, expats from western countries significantly employed in sectors such as hospitality, finance and banking. Unchecked reliance on expatriates, particularly those lower in the skill value chain, may have a long-term structural impact on the Kuwaiti economy.

Exhibit 3: Comparison of Kuwaitis and Non-Kuwaitis, 2018 (in Thousands unless specified)

Key Indicators	Kuwaiti	Non-Kuwaiti
Population	1,403	3,219
Percentage of Males	48.90%	70.00%
Percentage of Females	51.10%	30.00%
Age structure		
Up to 14 years	34.90%	12.40%
15 to 24 years	19.10%	8.50%
25 to 59 years	39.40%	75.80%
Greater than 59 years	6.60%	3.30%

Source: PACI

Workforce's Structural Imbalance

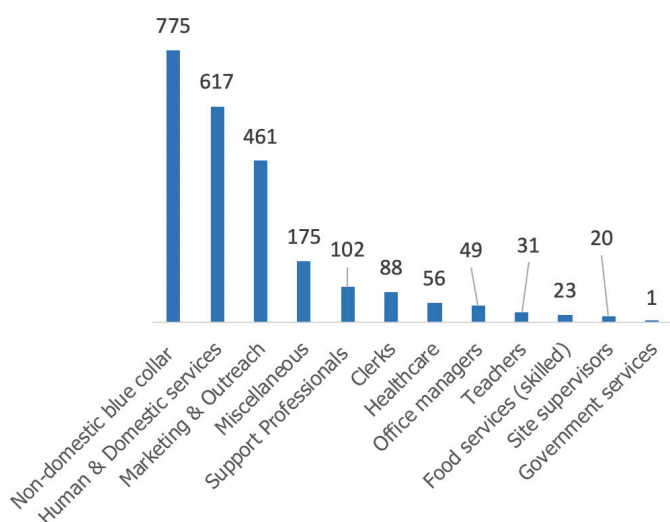
Following the oil boom in the 1970s, urbanization began to take place in most GCC countries, including Kuwait. The need to develop its infrastructure and provide other services to cater to the growing demand and increased economic activity was restricted by the size of the native workforce. Thus, the influx of the non-Kuwaiti labor provided a good and cost-effective solution to the worker shortage. The shortage of workforce due to lower population of nationals and large-scale need for labor led to continued dependence on expatriates; while expatriates were encouraged by the higher standards of living and better income opportunities compared to their native country. Especially the Asians have flocked to Kuwait. Among them, Indians alone represent 31.45% of the total non-Kuwaitis. In the case of expats from Arab countries, Egyptians constitute a significant share (20.83% of the total non-Kuwaitis).

Exhibit 4: Kuwait Expatriate Population by Nationality, 2018
(in Thousands unless specified)

Nationality	Total	In percent
Asia	1,868	58.05%
India	1,012	31.45%
Bangladesh	281	8.73%
Philippines	214	6.65%
Pakistan	109	3.40%
Sri Lanka	94	2.91%
Nepal	70	2.19%
Arab	1,261	39.18%
Egypt	671	20.83%
Syria	160	4.97%
Saudi Arabia	128	3.96%
Africa	47	1.47%
Others	42	1.31%
Total non-Kuwaitis	3,219	

Source: PACI

Exhibit 5: Expatriate Workforce by Occupation
(in Thousands; Rounded)



Source: PACI

Nationals constitute just 4% of the workforce in the private sector

(excluding the 'domestic workers' subgroup). Kuwaitis employed in the public sector are mainly in professions such as inspector of government department, military army as soldiers, corporal or sergeants, secretary or general clerk, correspondents and passport representatives. Conversely, non-Kuwaitis are employed in sectors such as household activities, construction, in wholesale, retail and low-skill roles. They are mostly employed as cleaners, drivers, servants, and caretakers in the household sector. Other professions in which the majority of non-Kuwaitis are employed include electrical workers, vehicle drivers, and nursing.

With regard to highest educational qualification, more than 80% of non-Kuwaitis have received only intermediate or primary education, which sharply contrasts with Kuwaitis, who on average have secondary education or above. The expatriates in the country are largely male, unskilled and employed in low-skill and low productivity jobs, as the household and private sectors are the largest employers of expatriates (IMF). The rest benefit from being employed as teachers and professors in the educational sector, medical staff and doctors in hospitals and managers in various corporates.

Exhibit 6: Non-Kuwaiti Population (over 10 Years of Age) by Highest Educational Qualification, 2018
(in Thousands; Rounded)

Qualification /age group	10 – 19	20 – 24	25 – 59	Greater than 59	Total
PG Studies	-	0	6	1	8
University	-	2	155	14	171
Diploma	-	2	94	6	102
Secondary	2	23	241	15	281
Intermediate	55	53	591	15	715
Primary	75	19	104	10	208
Read and Write	22	73	973	22	1,091
Illiterate	0	5	89	15	109
Not stated	47	12	186	7	251
Total	201	188	2,440	106	2,935

Source: PACI

Evaluating Regional and International Models

Regional Observations

The GCC countries aiming to transform into a knowledge-based economy are keen on attracting and retaining high-skilled expats. The region is also establishing business friendly policies on immigration to foster the economic growth of the countries. Among the GCC countries, Saudi Arabia unveiled the Privileged Iqama (residence permit) scheme, popularly known as the Saudi 'Green Card'. This offers a number of benefits for wealthy and highly skilled expatriates. The UAE launched a 'Golden Card' system to grant permanent residency for expat investors, entrepreneurs and researchers who could positively contribute to the success of the UAE economy. The introduction of such special residence permits facilitates the admission of innovative entrepreneurs, attracting global talent to the region.

International Observations

Drawing insights from countries such as Canada and Singapore, which have also largely relied on migrant workforce for development, could be useful. Most migrant-receiving countries target the entry of high-skilled foreign workers to boost productivity while low-skilled workers help in overcoming the shortage of labor. For instance, as Singapore developed and its citizens became educated, the income levels rose, and the lower-level blue-collar jobs such as construction laborers, sanitation staff and domestic helpers were avoided by the nationals. It had to rely on its Asian neighbors for labor and imported workforce

from Philippines and India to deal with the issues.

On the other hand, Canada, in its attempt to attract skilled workforce, adopted the point system for residence permits. In this system, those with high levels of education, requisite work experience, and language skills were rewarded with higher points, and their arrival was encouraged. Similar to Canada, developed countries such as UK, Japan and Australia use point-based system to select skilled workers, for residency, based on characteristics such as their educational qualifications, work experience and occupation.

On the contrary, on the workforce-rebalancing front, a key concern is Kuwaitization, defined by the Kuwait Labor Market Information Systems (LMIS) as '[...] a greater role for nationals in the labor market in general and especially in the private sector labor market'. This ties in with the national economic development plan to make the nation a regional trade and finance hub. This type of knowledge economy paradigm, naturally, requires a very skilled labor force. A key indicator of such professional skills is a post-secondary level of education. This can, in turn, be a key driver of Kuwaiti labor productivity, which means that the Kuwaiti private sector companies should look to boost investment per worker in learning and development.

The Solution should Aim to Balance National Interests with Economic Needs

Though the need for a non-national workforce is highly likely to continue over the coming years, Kuwait must address the imbalance between the expat and local population considering the demands of economic expansion and socio-economic needs. A criteria-based approach focusing on the range of available opportunities can aid the country's economic growth. Such an approach will strategically redirect resources and skills, increasing the nationals' participation in the labor force in the private sector and also attracting foreign talents to reduce the imbalance.

Recommendations

- Companies/firms can apply technologies to automate their process; this could potentially reduce the large influx of low-skilled laborers into the country.

- Alternatively, Kuwait can adopt a new labor market strategy that balances both national and economic interests; for instance, the International Labor Organization (ILO) suggests that GCC governments should link their economic visions with labor market policies in order to enhance internal labor market mobility and increase productivity.
- Labor reforms should focus on stemming the illegal labor force due to 'visa trading'.
- While on the one hand, Kuwait should reduce the low-skilled workers through use of better technology, on the other, Kuwait also needs to attract high-skilled expats in its pursuit to transform into a knowledge-based economy. Kuwait could draw insights from other countries' approach to attract high skilled workers. It could also explore the residency point-based programs (Canada, Australia, and New Zealand) of various countries to encourage the inflow of talented foreign workers with advanced and specialized skills.
- As Kuwait attracts a considerable number of high-skilled expats, improvements in management would increase non-oil GDP growth. In addition, the economy would benefit from higher purchasing power of high-skilled expats with higher disposable income.
- Transformation to knowledge economy and attracting high-skilled expatriates should be connected with making Kuwaitis 'skill ready' in due course of time. This will require considerable investment in training the youth in skills that will be demanded by the knowledge economy.