



Challenges to Employing Kuwaitis in the Private Sector *by Osman Gulseven*

Oil producing countries in the Gulf region witnessed a dramatic increase in oil wealth throughout the 1960s and 1970s which contributed to rapid urban development. As these countries had a very limited labor force due to sparse populations, they imported millions of guest workers from mostly low-income Asian and Arab countries.¹ Initially, expatriate workers were needed typically for infrastructure projects. Later on, ‘expats’ also dominated the service industry in the private sector because low wages and working hours were unappealing to citizens.

Today the immigration rate in the Gulf Cooperation Council (GCC) states has reached such levels that locals have become a minority in the private labor force in every Gulf Cooperation Council state except Saudi Arabia.² Even after the initiation of nationalization policies, this remains the case, and Kuwait is no exception.³ According to the latest statistics from the Kuwait Public Authority for Civil Information, the population of Kuwait hosts about 2.8 million expatriates compared to a local population of about 1.3 million citizens. Kuwait’s dependence on guest workers has created both opportunities and challenges for the employment of Kuwaitis in the private sector.

Kuwaiti population profile

Thanks to favorable macroeconomic conditions, the Arab governments in the Gulf region have long pro-

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moted policies that encourage large families among their citizenry. In Kuwait, there are both financial and social rewards per child in the family. These policies have resulted in one of the highest fertility rates in the world, reaching as high as 6.5 to 7.2 children per female during the 1980s.⁴ While population growth has since slowed down, it is still very common to see Kuwaiti families with a large number of children.⁵

Table 1: Kuwaiti Youth Generation Profile

AGE GROUP	GENDER	
	MALE	FEMALE
0 - 4	84,390	81,407
5 - 9	82,042	79,249
10 - 14	71,173	68,988
15 - 19	67,422	64,478
20 - 24	59,963	58,129

Source: The Public Authority for Civil Information

Employment of Kuwaitis in the private sector

Similar to other GCC states, most Kuwaiti citizens seek and find employment in the public sector, whereas private businesses hire mostly imported labor. Only 90,000 Kuwaitis work in the private sector compared to 320,000 Kuwaitis working in the public sector. According to the Kuwait Public Authority for Civil Information about 1.3 million expats in Kuwait work for the private companies, 560,000 work as domestic servants, and 134,000 work in the public sector.⁶

As recent studies have suggested,⁷ a major challenge for employing Kuwaitis in the private sector is the wage discrepancy between the public and private sectors.

There is also noteworthy employment segmentation along nationality lines in the public and private sectors. For Kuwaitis, salary, job security and working hours are important factors for choosing employment in the public sector.⁸ Besides higher salaries, employment in public institutions has many perks such as reduced working hours, longer holidays and permanent job security.

A large wage discrepancy along with the cost of additional perks has motivated the private sector to employ a large number of expatriates. As a result, not only are Kuwaitis reluctant to work in private companies, but private companies are also reluctant to employ Kuwaiti nationals due to their higher expectations.

Employment of Kuwaitis in the private sector is unique in the GCC. The Kuwait government has one of the most extensive private sector employment support programs in the region.

In order to close the gap between private and public sector wages, the Kuwaiti government provides substantial financial incentives to nationals working in the private sector.

This welfare scheme goes back to Law 19 of 2000. Known as *da'm al-'amala*,⁹ this allowance is based on a specific formula for each sector, aimed at equalizing the wages for Kuwaitis working in the private sector to those of public sector workers.¹⁰

Another challenge in private sector employment is the mismatch between necessary job skills and the needs of businesses. There is a need for vocationally-skilled labor to be employed for jobs that require special training. A significant majority of Kuwaitis majored in less technical fields that are not in high demand in a competitive labor market.

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Government policies

GCC countries have very similar population dynamics and so tend to apply similar labor policies, albeit despite a lack of coordination. Current labor policies across the GCC favors the employment of nationals, which is particularly prevalent in state institutions. While this is a very logical policy, already employed in almost all Western countries, the application of this policy needs to be applied through a market-based system.

All of the current GCC labor policies tend to favor nationals. In Kuwait, this has been extended to the private sector in the form of what is called Kuwaitization. Quotas aimed at forcing private sector firms to hire more locals, Kuwaitization has had adverse impacts on companies' employment policies. Firstly, it has in many cases led to abuse or corruption, with companies using a variety of creative measures to circumvent the regulations. Secondly, it can over time impact productivity and competitiveness of Kuwaiti companies.

Conclusion

As one of the wealthiest states in the GCC, Kuwait is known for its extensive distributive system providing free or highly subsidized services for its citizens.¹¹ Employment in the public sector has been the easiest and the most feasible employment option for Kuwaiti citizens. However, with oil prices hovering around \$60 per barrel, absorbing all jobs in the public sector for the new generation is unfeasible and likely impossible.

It is also time for Kuwait to invest in its own country to create more economic activities. Large-scale regional projects such as a new railroad system or a new airport could help create many jobs for Kuwaitis. However, without productivity growth, these stimulus packages would only be temporary solutions with limited long-term effects. Therefore, investing in human capital and promoting private sector employment remains the key to sustained economic growth and employment in the region.

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¹ Yousid Khalifa Al-Yousif, "Globalization and the Oil Economies," *Topics in Middle Eastern and North African Economics* 6, (2004): 6-7.; Ibrahim Saif, *The Oil Boom in the GCC Countries, 2002-2008: Old Challenges, Changing Dynamics* (Carnegie Endowment for International Peace: 2009), 16-17.

² Ugo Fasano and Rishi Goyal, *Emerging Strains in GCC Labor Markets* (International Monetary Fund: 2004): 6.

³ Nasra M. Shah, "Labour Migration from Asian to GCC Countries: Trends, Patterns and Policies," *Middle East Law & Governance* 5, no. 1 (2013): 36.

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- ⁴ K.L Kohli and M.H. Al-Omain, "Fertility in Kuwait: 1970-1985." *Genus* 49, no. 3-4 (1993): 55-56.
- ⁵ Mustafa Younis et al., "Healthcare of Aging Population of Kuwait." *Ageing International* 40, no. 1 (2015): 36-37.
- ⁶ The Public Authority for Civil Information, <http://stat.paci.gov.kw/englishreports/#DataTabPlace:ColumnChart-MaritalAge> [accessed 10 May 2015].
- ⁷ See "Political and Economic Scenarios for the GCC," *Middle East and North Africa Programme: Future Trends in the GCC Workshop Summary* (Chatham House: 2012) and Steffen Hertog, *The Private Sector and Reform in the Gulf Cooperation Council* (Kuwait Programme on Development, Governance and Globalization in the Gulf States, LSE: 2013).
- ⁸ Rashed S. Al-Ajmi and Galal M Elhagrasy, "Factors and Policies Affecting Employment Choice in Kuwaiti Public and Private Sectors: The Role of Demographic Variables," *International Journal of Business & Public Administration* 7, no. 2 (2010): 151-152.
- ⁹ da'm al-'amala is a wage subsidy scheme for Kuwaitis employed in the private sector that is calculated according to marriage status and education.
- ¹⁰ Steffen Hertog, *Arab Gulf States: an Assessment of Nationalisation Policies* (Gulf Labour Markets and Migration programme, European University Institute and Gulf Research Center: 2014), 19.
- ¹¹ Laure El-Katiri, Bassam Fattouh, and Paul Segal, *Anatomy of an Oil-Based Welfare State: Rent Distribution in Kuwait* (Kuwait Programme on Development, Governance and Globalization in the Gulf States, LSE: 2013), 15.