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Research on the Path of Reforming the Foreign Labor System in the Gulf Cooperation Council Countries

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Abstract

This article focuses on the practical needs and path exploration of the reform of the foreign labor system in the Gulf Cooperation Council countries. By analyzing the current status of the system, the reasons for reform, and existing problems, a reform framework is proposed to strengthen the protection of rights and interests, enhance institutional flexibility, and strengthen multi-party collaboration. Based on the latest statistical data and typical cases, the study emphasizes the need for reform to balance the needs of economic transformation and human centered care, providing replicable practical experience for labor governance in the Gulf region.

Keywords

Gulf Cooperation Council Countries; Foreign Workers; Kafala System; Localization of Labor Force; Governance Collaboration.

1. Introduction

The Gulf Cooperation Council countries have achieved leapfrog development in social infrastructure and industrial upgrading through the accumulation of wealth from the oil economy and the use of foreign labor groups. However, the labor management system formed by relying on the Kafala System has gradually exposed structural contradictions such as lack of rights protection, rigid management, and difficulties in social integration[1]. With the advancement of economic diversification strategy and the improvement of global labor governance standards, institutional reform has become an inevitable choice. This article is based on empirical research, systematically analyzing the reasons for reform, existing problems, and optimization paths, providing theoretical support for policy-making.

2. Current situation of foreign labor system in Gulf Cooperation Council countries

2.1. Core Content of the System

The Kafala system is centered around "employer sponsorship", where foreign workers must obtain a work visa through local employer sponsorship and are not allowed to change employers or occupations without authorization during the contract period. This system grants employers absolute control over their workers, including withholding passports, restricting freedom of movement, and so on[2]. Although some countries, such as Qatar, have taken advantage of the World Cup to promote reforms, institutional inertia still leads to frequent violations of labor rights in industries such as home economics and construction. [3-4]For example, Filipino domestic workers often face difficulties such as overtime work, wage arrears, and sexual harassment, and their appeal channels are blocked due to limited government assistance[5].

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2.2. Scale and Distribution of Foreign Workers

As of 2023, the total number of foreign workers in the Gulf Cooperation Council countries exceeds 29 million, accounting for over 50% of the employed population. Among them, there are about 8.89 million Indian immigrants, mainly distributed in countries such as the United Arab Emirates (3.42 million) and Saudi Arabia (2.8 million), engaged in "3D" (dirty, tiring, and dangerous) industries such as construction, transportation, and home economics[6]. There are about 200000 Filipino laborers, concentrated in the field of domestic services, whose "professional nanny" brand effect complements the shortage of local labor force. The total amount of remittances from foreign workers reached 131.5 billion US dollars, accounting for 6.2% of the GDP of the Gulf Cooperation Council countries and becoming an important pillar of the importing country's economy.[7]

3. Reasons for the Reform of the Foreign Labor System in the Two GCC Countries

3.1. Internal Pressure

The demand for economic transformation is the core driving force. The Gulf Cooperation Council countries are implementing strategies such as the "2030 Vision", which requires reducing dependence on oil and developing diversified economies such as manufacturing and tourism. Local labor tends to prefer government and state-owned enterprise positions due to high welfare policies, and the gap in technical positions in the private sector needs to be filled by foreign labor. However, the rising youth unemployment rate (such as 29.6% in Saudi Arabia) and the contradiction between labor localization policies have become prominent, forcing the government to balance the use of foreign labor and the promotion of local employment. In addition, issues such as social stratification and marginalization of stateless populations exacerbate social governance pressures.

3.2. External Drive

The International Labour Organization (ILO) continues to pressure Gulf Cooperation Council countries to comply with international standards such as the Convention on the Elimination of Forced Labour. Human rights organizations frequently expose cases of labor rights violations, damaging the country's international image. Bilateral agreements such as the India Saudi Arabia Labor Cooperation Agreement and the Fiji Agreement on the Protection of Domestic Workers require the improvement of working conditions for workers. The global pandemic further exposes the vulnerability of foreign workers and forces institutional adjustments.

4. The Main Problems Existing in the Foreign Labor System of the Gulf Cooperation Council Countries

4.1. Insufficient Protection of Rights and Interests

The Kafala system resulted in workers being placed in a 'legal subordinate position'. Employers may unilaterally terminate contracts, restrict freedom of movement, and even withhold wages. Domestic workers are more susceptible to mental and physical abuse due to living in their employers' homes. For example, over 60% of Filipino domestic helpers in the United Arab Emirates have experienced wage arrears, and 30% have reported experiencing verbal or physical violence. The stateless population (such as 93000 in Kuwait and 70000 in Saudi Arabia) lacks legal status and is unable to enjoy basic rights such as healthcare and education, forming a "forgotten marginalized" class.

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4.2. Lack of Institutional Flexibility

The binding of visas and employers restricts the occupational mobility of workers. Labor changing jobs requires the employer's consent, otherwise there is a risk of illegal detention. The lack of a skills certification system makes it difficult for foreign technical workers to obtain promotion opportunities. For example, Indian workers are mostly engaged in low skilled positions, and although some have self-taught management skills, it is difficult for them to enter middle and high-level positions due to the lack of formal certification.

4.3. Poor Management Synergy

Lack of effective collaboration among government, enterprises, and social organizations. The government's regulatory power is insufficient, and enterprises ignore labor rights in order to reduce costs. Non governmental organizations (NGOs) find it difficult to intervene deeply due to legal restrictions. For example, although the Philippine government has established an overseas labor welfare fund, there is a lack of enforcement agencies within the GCC countries, making it difficult to directly protect the rights and interests of Filipino domestic workers.

5. Specific Paths for the Reform of the Foreign Labor System in the Four Gulf Cooperation Council Countries

5.1. Strengthen the Protection of Rights and Interests, and Build a Diversified Support System

Table 1. Overview of Wage Protection System (WPS) in GCC Countries

Country	Implementation Time	Core Payment Rules	Penalty Measures
UAE	July 2009	Salaries paid in AED by default; monthly payment; at least 80% of total salary paid	Suspend work permits; fines; enterprise demotion; MoL terminates cooperation
Saudi Arabia	August 2013 (phased)	Salaries paid in SAR via local banks; monthly payroll submission	Minimum SAR 3,000 fine; service suspension for 3+ months of delay; free job switch for workers
Oman	January 2014	Salaries deposited in local banks; contract update for salary changes; payment within 3 days	Fines; suspend work permits; public exposure of non-compliant enterprises
Qatar	August 2015	Salaries paid in QAR by 7th monthly; new enterprises join WPS within 30 days	QAR 2,000-6,000 fines; 1-month imprisonment; revoke business licenses
Kuwait	January 2011	Biweekly/monthly transfers via authorized banks; salary data upload required	Fines; revoke business licenses; restrict new hires
Bahrain	May 2021	Payments via CBB-authorized methods; submit worker info & transfer amount	Invalid employer work permits; fines; suspend visa applications

Through mandatory bank transfers to achieve transparency in salary payments, six countries have fully implemented WPS, clarifying payment cycles and penalties for violations - Saudi Arabia has set a minimum fine of 3000 riyals for wage arrears enterprises, and all services will be suspended if the submission of salary statements is delayed for more than three months; Qatar requires payment of wages before the 7th of each month, and violators face the risk of revoking their business licenses. The system has achieved significant results. In 2016, the number of wage complaints in Qatar decreased by 30.4% compared to 2015. By 2025, 99% of private enterprises in Oman will pay wages through WPS, and wage arrears cases will decrease by 68% compared to 2014. Policymakers ought to abolish the absolute control of

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employers over workers, such as Saudi Arabia's "abolition" of the Kafala system in 2020, which allows workers to change jobs without the employer's permission after working for one year. In 2021, the United Arab Emirates stipulated that the maximum duration of all labor contracts is 3 years, and workers can choose their own jobs after the contract expires; Bahrain prohibits employers from withholding workers' passports in 2022, with violators being fined up to 5000 dinars. Countries in the Gulf Cooperation Council (GCC) have taken steps to include domestic workers in labor regulations: the UAE launched the "Domestic Workers' Rights Protection Plan" in 2023, which specifies working hours (no more than 10 hours per day), paid leave (30 days per year), and establishes a 24-hour appeal hotline; while Qatar will establish a special fund for domestic workers in 2024, to be used for unpaid wages and legal aid. By 2024, the fund has provided support to 12000 domestic workers, as shown in Table 1.

5.2. Enhance Institutional Flexibility and Adapt to the Needs of Economic Transformation

The core is to cancel or simplify the requirement of "Certificate of No Objection (NOC)", and each of the six countries has its own focus on reform measures - Saudi Arabia revised its Labor Law in 2024, which stipulates that if a fixed-term contract worker resigns without a response within 30 days, it shall be deemed to have agreed, and if the employer delays the response, a written explanation shall be provided; Qatar cancelled the NOC requirement for job changes in 2020, and new employers who change jobs during the probationary period only need to pay the previous employer a recruitment fee not exceeding 2 months' salary; Oman has identified six types of situations in 2021 that do not require NOC to change jobs (such as contract expiration, employer violation, court ruling, etc.). After the reform, 242900 workers in Qatar changed jobs without employer permits from October 2020 to October 2021, and over one million migrant workers in Saudi Arabia benefited from the mobility reform from 2021 to 2025. Gulf Cooperation Council (GCC) countries have introduced such flexible employment modes as part-time work, temporary work, and shared work. For instance, the UAE allowed foreign workers to engage in multiple part-time jobs in 2021, which requires filing with the Ministry of Human Resources and Emiratisation (MOHRE); Bahrain launched the "Flexible Permit" in 2017, enabling illegal resident workers to self-sponsor and take up part-time or full-time employment.From 2017 to 2020, this program reduced illegal immigration in Bahrain by 30%; Saudi Arabia will launch a "freelance visa" for foreign talents in the technology field in 2024, allowing them to provide services to multiple companies, with a maximum validity period of 5 years.

5.3. Strengthen Multi-party Collaboration and Improve Management Efficiency

By implementing mandatory quotas and incentive measures to increase the employment rate of local citizens, countries set differentiated targets based on industry characteristics - Saudi Arabia's "Nitaqat Plan" divides enterprises into five levels: platinum, dark green, medium green, light green, and red. Platinum/dark green enterprises can freely apply for foreign labor visas, while red enterprises are prohibited from adding new employees; The United Arab Emirates requires a 2% annual increase in the local rate of technical positions for companies with more than 50 employees by 2024, reaching 10% by 2026, and companies with 20-49 employees to hire at least one local citizen by 2024; Oman's "Vision 2040" requires a local rate of 60% in the transportation and logistics industries, and 45% in the financial industry. In 2020, the number of foreign workers in Saudi Arabia's private sector decreased by 1.3 million, and the local youth unemployment rate dropped from 12.9% in 2018 to 11.8%; By 2025, the local rate of Kuwait State Oil Company (KPC) will reach 91%, and 15 Bahraini government departments will achieve 100% localization.

Encourage trade unions and NGOs to participate in labor management, such as allowing foreign workers to join local trade unions in Oman in 2023, and trade unions can participate

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in wage negotiations; Qatar will cooperate with the International Labour Organization to establish a "Labor Rights Mediation Center" in 2024, with third-party mediators accounting for 50%. By 2024, the center's mediation success rate will reach 75%; Kuwait requires large enterprises to establish a 'Labor Rights Committee' by 2025, with the participation of one third-party representative (such as NGO personnel) to supervise the compliance of the enterprise, as shown in Table 2.

Table 2. Core Content of Labor Localization Quota System in GCC Countries

Country	Key Sectors	Quota Targets	Supporting Measures
Saudi Arabia	Energy, Construction, Services	Nitaqat Program: Qualified Platinum/Dark Green enterprises hire freely; 35% local rate in private sector by 2030	Visa rights for top-tier enterprises; no new hires for red-tier; instant incentives for local hires
UAE	Technology, Finance, Telecom	10% local rate in tech roles (50+ staff) by 2026; 1 local (20-49 staff) in 2024	Visa fee reduction; train 8,000 locals yearly; 40% salary subsidy for locals
Oman	Transportation, Finance, Manufacturing	60% local rate (transport); 45% (finance); 35% (manufacturing)	Ban non-locals from 30 new roles; no gov contracts for non-compliant firms; training funds
Qatar	Oil & Gas, Private Services	50% local rate (oil & gas); 20% in private sector by 2030	Scholarships for locals; fines for non-compliance; local talent database
Kuwait	Banking, Healthcare, Oil	80% local rate (banking); 50% (oil); 30% (healthcare)	Fines up to $1,000; suspend operations; special contracts for local youth
Bahrain	Public Sector, SMEs	86% local rate (public sector); 20,000 new local hires yearly	Salary subsidy for locals; fees on foreign hires; train 10,000 locals yearly

6. Conclusion

The reform of the foreign labor system in the Gulf Cooperation Council countries is a dual result of "resolving internal contradictions" and "adapting to the external environment". With the reform of the Kafala system as the core, it has initially constructed a foreign labor management system with "guaranteed rights and interests, flexible system, and efficient management" through three major measures: wage protection system, job mobility optimization, and localized quotas. From the perspective of effectiveness, the reform has effectively alleviated the problem of wage arrears, improved labor mobility, promoted localization, and provided labor support for economic transformation.

In the future, Gulf Cooperation Council countries need to further refine policies for the protection of special groups, establish localized cost sharing mechanisms (such as government subsidies for enterprise training expenses), and improve cross departmental data sharing platforms. Its reform experience has reference significance for global resource dependent economies - the foreign labor system needs to balance "rights protection" and "economic demand", and achieve dynamic adaptation of the labor market through the coordination of multiple subjects, which is also the core logic of immigration management in the context of globalization.

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