
THE GEORGE WASHINGTON UNIVERSITY

THE ELLIOTT SCHOOL
OF INTERNATIONAL AFFAIRS

THE INSTITUTE FOR MIDDLE EAST STUDIES

IMES CAPSTONE PAPER SERIES

EVALUATING REFORMS IN THE WORKFORCE: A
COMPARATIVE STUDY OF THE KAFALA SYSTEM IN BAHRAIN
AND QATAR

NOUF AL SADIQ
YIHUI WU

MAY 2015

THE INSTITUTE FOR MIDDLE EAST STUDIES
THE ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS
THE GEORGE WASHINGTON UNIVERSITY

© NOUF AL SADIQ & YIHUI WU, 2015

INTRODUCTION	2
DEFINING THE KAFALA SYSTEM.....	3
LITERATURE REVIEW	5
UNDERSTANDING THE HISTORY OF THE KAFALA SYSTEM IN THE GULF	9
FRAMEWORK OF ANALYSIS.....	12
ECONOMIC CONSTRAINTS IN BAHRAIN AND QATAR	14
CASE STUDIES.....	18
PRESSURES TO REFORM THE KAFALA SYSTEM IN BAHRAIN.....	19
PRESSURES TO REFORM THE KAFALA SYSTEM IN QATAR	27
CONCLUSION	36
BIBLIOGRAPHY.....	37

Introduction

There has been a heavy reliance on low skilled-migrant workers in the Gulf States following the oil boom in the 1970s. Working conditions that are unique to Gulf States is the Kafala system, which grants temporary residency to foreign workers. The great influx of migrant workers created a demographic shift in Gulf States, granting a small portion of the indigenous society a share of the private sector. This explains why most Gulf nationals are employed in the public sector. The Kafala system is prevalent throughout the Gulf States. This research paper assesses the political and social conditions that allowed Bahrain to be the first Gulf State to take steps towards reforming its Kafala system in 2009 and why Qatar is lagging behind in its reforms. While both countries are faced with immense pressure to reform their labor laws and Kafala system, this paper argues that Bahrain is faced with a greater urgency to deliver on these reforms than Qatar.

By examining the role of labor markets in Bahrain and Qatar, we can see that reforming the Kafala system in the short-term is urgent in Bahrain, but isn't as imperative in Qatar. This is because Bahrain has entered into a post-rentier state, giving the government more incentive to cater to demands by internal and external actors. Qatar, on the other hand, with its abundant hydrocarbon reserves, can maintain a monopoly over domestic decision-making. This paper assesses the reactions of main stakeholders to changes in the Kafala system in Bahrain and Qatar. Given the different political and economic constraints facing the two countries, particularly that Bahrain has entered into a post-rentier economic phase while Qatar hasn't, this paper suggests that reforms to the Kafala system in Bahrain will be partly shaped by the desires of stakeholders, while in Qatar, the government can maintain absolute control over its policies. This paper will present two case studies. The study focusing on Bahrain will show that the government's reforms

to the Kafala system has in some instances conflicted with the desires of stakeholders who have an interest in maintaining the Kafala system, whereas the study on Qatar will show that the government has been the main driver of reforms, facing fewer conflicts with stakeholders. By drawing this comparison, this paper will attempt to answer the following question: Has the pace of government reforms in the Kafala system been a response to the demands of different stakeholders?

Defining the Kafala System

Integral to this paper is the definition of the Kafala system. Kafala is essentially a sponsorship system that is used to regulate the flow of migrant labor in the MENA region. It is a system whereby a foreign low skilled migrant worker is sponsored by a kafeel (national employer), who assumes full legal and economic responsibility of the makfool (foreign worker) (Colton 2010)¹. It is rooted in the Bedouin tradition of hospitality, by which a host is responsible for his guest (Murray 2012)². This system legally binds a worker to his/her employer, since workers cannot leave their position without an exit visa issued only with the permission of their employer (Amnesty 2013³; Human Rights Watch 2012⁴). This guest workers program was instituted to secure foreign laborers by discouraging their assimilation into local society and by maintaining a certain degree of separation between foreigners and locals (Murray 2012; Baldwin-Edwards, Martin 2011⁵; Gardner 2010⁶). Since low-skilled migrant workers cannot

¹ Colton, Noora Ann. "The International Political Economy of Gulf Migration". Middle East Institute. 2 February 2010.

² Murray, Heather. "Hope for Reform Springs Eternal: How the Sponsorship System, Domestic Laws and Traditional Customs Fail to Protect Migrant Domestic Workers in GCC Countries." Cornell International Law Journal (2013). Cornell University. Web.

³ Amnesty International. "Qatar: Treat Us Like We Are Human: Migrant Workers in Qatar." 18 November 2013.

⁴ Human Rights Watch. "Qatar: Building a Better World Cup: Protecting Migrant Workers in Qatar Ahead of FIFA 2022." 12 June 2012

⁵ Baldwin-Edwards, Martin. "Labor immigration and labor markets in the GCC countries: national patterns and trends." Global Governance, London School of Economics. March 2011.

eventually obtain citizenship, nor can they gain permanent residency, they are considered temporary residents in their host countries (Naufal, Termos 2010)⁷. The system seeks to offer cheap labor to the private sector, it limits the possible effects on national identity, and it easily addresses any security concerns that might surface due to the large presence of foreigners (Ruhs, 2012)⁸. As is clear by this definition, the Kafala system deprives migrant workers of their freedom of movement, i.e., the right to switch jobs or obtain an exit visa (Amnesty 2013; Human Rights Watch 2012).

Before moving forward, it is vital to define what we mean by “reform”. In Qatar, migrant workers can’t switch jobs or leave the country without obtaining the permission of their sponsor. In Bahrain, although it claimed that it has abolished the system, workers still can’t change jobs freely and without restrictions. Reforming the Kafala system is defined as reducing the control of kafil to the makfool by increasing the migrant worker’s freedom of movement. This definition entails that reforming the Kafala system is an ongoing process in both countries. Therefore, we can determine that Bahrain has taken vital steps towards improving worker’s freedom of movement, while Qatar hasn’t taken any, indicating that it has a long way to go towards reforming its Kafala system.

A vital component of this paper is determining who are the main “stakeholders” reacting to these policy changes. External actors include NGOs, International Organizations, such as the ILO and Human Rights organizations, and regional partners. Internal actors differ in Bahrain and Qatar. For Bahrain, it is SMEs, the unions, and members of parliament. In the case of Qatar, it is SMEs, members of parliament, and foreign corporations. Both definitions are vital to the

⁶ Gardner, Andrew. “Labor camps in the Gulf states” in Migration and the Gulf Viewpoints Special Edition. Washington DC: The Middle East Institute. 2010.

⁷ Naufal, G. and A. Termos. "Remittances from GCC Countries: A Brief Outlook." Middle East Institute. 2010

⁸ Ruhs, Martin. ““Can’t change one without the other”: reforming labor immigration and labor markets in the Gulf.” Blog post on The Compass Blog. School of Anthropology, University of Oxford. 27 March 2012.

arguments made in this paper, and the case studies presented later in this paper will offer a wider analysis on the interactions between the state and these stakeholders.

Drawing on the literature of political economy, in particular labor market and rentier state theories, this paper will take on a macro approach to the topic of the Kafala system by evaluating state policies and state economies and reactions to these policies by main-stakeholders. This system exists in all Gulf States, but to varying degrees, due to the different economic and political makeups of each country. This study focuses solely on two Gulf States, Bahrain and Qatar, specifically because of the disparities in these countries' policies governing low-skilled migrant workers and because of the different pressure sources that led to policy reforms. Interestingly enough, while Qatar has tried to distinguish itself from the rest of the Gulf by portraying itself as a regional powerhouse both commercially and diplomatically⁹, its Kafala system and labor environment is progressively worse than Bahrain who is seen to be more repressive as evidenced by the table below.

	Bahrain	Qatar
Institution	LMRA (2006)	Sponsorship
Internal Mobility	Yes	No
Notification Period	Not Required (2012)	NA
Exit Visa	Not Required	Permission of Sponsor
Legislation	2009 Decision No. 79 2012 Labor Law	2004 Labor Law 2009 Sponsorship Law
Passport Confiscation	Common	Common

Literature Review

Previous approaches to evaluating the Kafala system in the Gulf consist of studying migration patterns of low-skilled workers to Gulf States in search of better economic opportunities, wherein economic migration is defined as a choice to move to improve their

⁹ Kamrava, Mehran. *Qatar: small state, big politics*. Cornell University Press, 2013.

standard of living. Another popular approach to studying the Kafala system has been to document human rights violations. The heavy presence of foreign cheap labor in the Gulf has garnered both domestic and international attention, particularly because these workers are often subjected to human rights abuses and violations. This approach often leads organizations to compare domestic labor standards in Bahrain and Qatar with laws put forth by international treaties and conventions. Examples of this approach can be seen in a detailed report by Amnesty International entitled “The Dark Side of Migration” (2012)¹⁰, which looks at how the legal framework in Qatar allows employers, be it institutions or individuals, to exploit migrant workers. Similarly, a report by Human Rights Watch entitled “Building a Better World Cup” (2012)¹¹ focuses on the harsh physical conditions that face these workers in Qatar. In the same manner, another Human Rights Watch Report entitled “For a Better Life” (2012)¹² focuses on the abuse workers face in Bahrain despite government reforms introduced in 2009. These publications approach the topic of the Kafala system from a human rights perspective focusing heavily on the experience of low-skilled migrant workers in the Gulf.

This paper will explore the conditions and parties that are influencing the direction of reforms in Bahrain and Qatar. Although this analysis is based on secondary research, it fills in a gap in the literature on the Kafala system by examining reactions of major stakeholders to government reforms. This approach will allow us to assess the unique domestic conditions that paved the way for reforms in these labor market. In order to do this, we will be focusing on

¹⁰ Amnesty International. *Qatar: The dark side of migration: Spotlight on Qatar’s construction sector ahead of the World Cup*. Amnesty International, 2013. Print.

¹¹ *Building a Better World Cup: Protecting Migrant Workers in Qatar Ahead of FIFA 2022*. New York: Human Rights Watch, 2012. Print.

¹² Mostofi, Mani. *For a Better Life: Migrant Worker Abuse in Bahrain and the Government Reform Agenda*. New York, N.Y.: Human Rights Watch, 2012. Print.

theories addressing labor markets and market development since the Kafala system is part of a larger debate about labor market nationalization, integration, and regulation.

Literature on the political economy of the Gulf States has dedicated a great deal to the rentier theory and the implications it has on oil driven development. Iranian scholar Hossein Mahdavy first introduced the Rentier State Theory (RST) in the 1970s following the oil boom in the Gulf¹³. It garnered further attention by two of the most popular rentier theorists, Hazem Beblawi and Giacomo Luciani in the 1980s.¹⁴ The theory gained popularity among leading scholars in Middle East Studies throughout the 1990s and early 2000s including Lisa Anderson¹⁵, Michael Ross¹⁶, and Michael Herb¹⁷. The RST seeks to explain the process in which rentier states derive a large proportion of their national revenues from external rents and serves as mainly a “social function, rather than an economic category”.¹⁸ Since labor market policies aim to provide full employment for nationals and to regulate labor markets in a way that maximizes productivity and produces economic growth,¹⁹ the RST theory explains how Gulf States galvanized oil rents to guarantee citizens a job in the public sector, wherein employment conditions and benefits are much higher than in the private sector. As a result of such policies, low-skilled labor immigration has been used to staff the private sector.

The RST points to the idea that Gulf monarchs effectively created welfare states by deriving their legitimacy to rule through instituting major welfare programs made possible only

¹³ Mahdavy, Hossein. "The patterns and problems of economic development in rentier states: The case of Iran." *life* 1000 (1970): 1.

¹⁴ Beblawi, Hazem. "The rentier state in the Arab world." *Arab Studies Quarterly*(1987): 383-398.

¹⁵ Anderson, Lisa. "The State in the Middle East and North Africa." *Comparative Politics* (1987): 1-18.

¹⁶ Ross, Michael L. "Does oil hinder democracy?." *World politics* 53.03 (2001): 325-361.

¹⁷ Herb, Michael. "No representation without taxation? Rents, development, and democracy." *Comparative Politics* (2005): 297-316.

¹⁸ Luciani, Giacomo, ed. *The Arab State*. Univ of California Press, 1990.

¹⁹ Hertog, Steffen. *The private sector and reform in the Gulf Cooperation Council*. LSE Kuwait Programme. 2013.

by oil rents²⁰. The theory contends that since the state does not derive its wealth from its citizens through taxation, governments have fewer incentives to include citizens in public affairs. As a result, citizens do not have the leverage to push for more rights and representation in government.²¹ As a counter narrative, there is literature focusing on the limitations of the rentier theory, which explains how rentier states are particularly vulnerable to loss of legitimacy should political rents begin to run out. Kaldor, Karl, and Said address this in *Oil Wars* as they write; “Comparative political science indicates that redistributive states are especially vulnerable to erosion of the ruling bargain and consequent loss of regime legitimacy if mechanisms for co-opting support and depoliticizing society begin to break down.”²²

As a measure to reinforce regime legitimacy, public sector jobs in GCC countries have served as a safety net for nationals. For years, GCC countries distributed oil wealth to create public jobs for its nationals.²³ This strategy solved short-term unemployment of nationals, but created market distortion in the long term. High pay and benefits in the public sector created a strong incentive for nationals, especially those with less education, to find employment in the public sector.²⁴ Therefore, nationals have been reluctant to enter into the private sector. At the same time, the Kafala system created a private sector dominated by foreign workers who accept low wages, and as a result, are seen as more competitive than nationals. These policies have caused market segmentation, which is “the historical process whereby political economic forces encourage the division of the labor market into separate sub markets, or segments, distinguished

²⁰ Ibid.

²¹ Ibid.

²² Kaldor, Karl and Said, *Oil Wars*. 20 May 2007.

²³ Kingdom of Bahrain. "From Regional Pioneer to Global Contender: Economic Vision 2030" 2008

²⁴ Behar, Alberto. "Labor Market Reforms to Boost Employment and Productivity in the GCC." *Annual Meeting of Ministers of Finance and Central Bank Governors*. 2013.

by different labor market characteristics and behavioral rules.”²⁵ In the context of GCC countries, labor market segmentation is the division of labor markets into the public sector and the private sector, wherein large portions of nationals seek high-wage public sector jobs and most foreigners work in low-wage private sector. When rent is sufficient, the strategy of employing nationals in the public sector is viable. However, when rent runs out, the state can no longer keep creating jobs for its nationals in the public sector. In such instances, states try to address this issue by creating more jobs in the private sector. Nonetheless, labor market segmentation stands as an impediment to this policy.

In order to increase the competitiveness of nationals, Gulf countries have been making efforts towards reforming their labor laws and improving working conditions. Abolishing the Kafala system from this aspect can increase average wages of the private sector by granting foreign workers greater mobility and driving their wages up, which ultimately narrows the wage gap between the two sectors²⁶. Although the Kafala system is still deeply rooted in both countries, Bahrain and Qatar acknowledged its contrasting effects in both driving and impeding private sector development²⁷. This analysis adds to the complexities of reforming the Kafala system.

Understanding the History of the Kafala system in the Gulf

The Kafala system emerged after Gulf States witnessed an influx of foreign workers that came as a result of the discovery of oil in the 1950s-1970s and the major development projects

²⁵ Reich, Michael, David M. Gordon, and Richard C. Edwards. "A theory of labor market segmentation." *The American Economic Review* (1973): 359-365.

²⁶ Callen, Tim, et al. *Economic Diversification in the GCC: Past, Present, and Future*. No. 14/12. International Monetary Fund, 2014.

²⁷ State of Qatar. "Qatar National Development Strategy 2011~2016" 2011
Kingdom of Bahrain. "From Regional Pioneer to Global Contender: Economic Vision 2030" 2008

undertaken by these governments.²⁸ Immigration in the Gulf was mainly from poor neighboring Arab countries in search of employment opportunities, namely Omanis and Egyptians. These immigrants found opportunities in the Gulf because nationals lacked the necessary skills to develop the region's infrastructure.²⁹ There was also an influx of migrant workers as a result of domestic political unrest in Yemen after the civil war, Iraq after the Baathist coup in 1968, and Palestine after the Arab-Israeli war in 1948.³⁰ This changed after the oil boom in 1973, which enabled Gulf governments to undertake unprecedented developmental efforts to modernize. The wave of migrant workers following this period became mainly Southeast Asian and South Asian workers.³¹ This shift in the workforce was due to the growing suspicion of Arab migrants and worries over Arab expatriate workers spreading their radical socialist, pan-Arab ideologies among Gulf nationals.³² Many Arab immigrants were jailed and prosecuted under those charges. This coincides with what Andrew Whitley writes in "Minorities and the stateless in Persian Gulf politics" (1993) that,

"Expatriates have often been perceived by the nationals as disloyal to their hosts, and even as potentially dangerous political agents who spread hostile ideas or work as a 'fifth column' for the benefit of foreign powers."³³

Another political factor that encouraged Gulf governments to shift away from Arab workers was the first Gulf War. Arab expatriate workers were expelled because their governments had supported Iraq in its plans to take over Kuwait. Apart from the political factors, the subsequent shift to Asian workers was also driven by financial factors, since the large supply of Asian workers drove down wage costs.

²⁸ Fargues, Philippe. "Immigration without inclusion: non-nationals in nation-building in the gulf states." *Asian and Pacific Migration Journal* 20.3-4 (2011): 273-292.

²⁹ Ibid.

³⁰ Ibid.

³¹ Louër, Laurence. "The political impact of labor migration in Bahrain." *City & Society* 20.1 (2008): 32-53.

³² Ibid.

³³ Whitley, Andrew. "Minorities and the stateless in Persian Gulf politics." *Survival* 35.4 (1993): 28-50.

States implemented the Kafala system in order to regulate the flow and growing numbers of migrant workers in the region.³⁴ In the period 1970-1980, Sharon Stanton Russell and Michael S. Teitelbaum reported in “International Migration and International Trade” (1992) that Asian workers constituted 63% of the Gulf workforce in 1985, compared to only 12% of all workers in 1970.³⁵

Although Gulf States vary in their demographics, they share their dependency on foreign cheap labor.³⁶ The effects of increased labor migration in the Gulf vary according to the country’s economy, the type of Kafala system in play, and the various rights that are extended to migrant workers. Philippe Fargues writes in “Immigration Without Inclusion: Non-Nationals in Nation-Building in the Gulf States” (2011) that the Kafala system is unique because it is designed to keep migrants and nationals separated, even though they occupy the same space. Fargues writes that, “Decades of intense, but temporary, migration have resulted in citizens and non-nationals growing as two separate entities without a new, mixed population emerging from their co-existence.”³⁷ In other words, Gulf States succeeded in preventing migration assimilation. For this to happen, governments instituted harsh laws to govern the lives of low-skilled laborers.

Indeed, labor industries control the shifting needs of hundreds of thousands of businesses in the Gulf.³⁸ From this, we can deduce that central decision-making and state-run bureaucracy were intentional policies created by the state to regulate its labor laws and further exert its control

³⁴ "The Kafala: Research on the Impact and Relation of the Sponsorship System to Migrant Labor Bondage in GCC Countries." Asia Pacific Mission for Migrants, 1 Sept. 2014. Web.

³⁵ Russell, Sharon Stanton. *International migration and international trade*. Vol. 160. World Bank Publications, 1992.

³⁶ "Gulf Economies Should Diversify to Sustain Strong Future Growth." *IMF Survey Magazine* 3 June 2014. Print.

³⁷ Fargues, Philippe. "Immigration without inclusion: non-nationals in nation-building in the gulf states." *Asian and Pacific Migration Journal* 20.3-4 (2011): 273-292.

³⁸ Hertog, Steffen. "A Comparative Assessment of Labor Market Nationalization Policies in the GCC." (2015). *LSE Research Online*. The London School of Economics. Web. <[http://eprints.lse.ac.uk/46746/1/A_comparative_assessment_of_labor_market_nationalization_policies_in_the_GCC\(lsero\).pdf](http://eprints.lse.ac.uk/46746/1/A_comparative_assessment_of_labor_market_nationalization_policies_in_the_GCC(lsero).pdf)>.

over domestic and foreign actors. This same logic extends to the Kafala system since it is centrally controlled, chiefly by the labor and interior ministries of these countries. These ministries can enforce decisions with little involvement by other institutions.³⁹ Migrant workers are issued work permits issued by the Ministries of Labor along with a residency permit from the Ministries of Interior, indicating the centralization of the Kafala system within the Ministry of Interior. Therefore, it is the Ministry of Interior that determines how long a migrant worker can stay in the country.⁴⁰ This centralization results in a misallocation of resources, wherein some companies have a surplus of workers, while others have a deficit, and one in which workers are not necessarily being sponsored by the businesses that need them the most.⁴¹

Framework of Analysis

This paper offers a comparative analysis of the Kafala system in Bahrain and Qatar by introducing two case studies addressing reforms to the system in both countries. It makes the argument that despite the fact that governments have the legitimacy to reform the Kafala system, the policies and practices of these governments are also driven by the interests of stakeholders. The timing for introducing policy reforms is also worth analyzing since it provides a greater indication of mediation between the state and stakeholders and puts this interaction within a greater political context. Therefore, our case studies will make a distinction between the government's short-term goals and long-term goals.

In some instances, long term goals and short term goals may have competing priorities.

While short term goals require prompt action by the government and call for immediate results,

³⁹ Lori, Noora. "Temporary Workers or Permanent Migrants? The Kafala System and Contestations over Residency in the Arab Gulf States." *Center for Migrations and Citizenship* (2012). Print.

⁴⁰ Ibid.

⁴¹ Hertog, Steffen. "A Comparative Assessment of Labor Market Nationalization Policies in the GCC." (2015). *LSE Research Online*. The London School of Economics. Web. <[http://eprints.lse.ac.uk/46746/1/A_comparative_assessment_of_labor_market_nationalization_policies_in_the_GCC\(lsero\).pdf](http://eprints.lse.ac.uk/46746/1/A_comparative_assessment_of_labor_market_nationalization_policies_in_the_GCC(lsero).pdf)>.

long term goals require time and planning. For example, when a country is experiencing political turbulence, the government may prioritize political stability over its other goals, especially those that do not produce immediate results. In the long term, both Bahrain and Qatar are working for economic stability, which mandates coordinating at a strategic level. The table below outlines the countries short and long term goals.

Government	Short term	Long term
Bahrain	Political Stability	Sustainable Economy
Qatar	Regional Influence	Sustainable Economy

Due to travel restrictions to Bahrain and given the difficulty in obtaining primary sourcing, this paper is extensively based on secondary sources. It does not contain interviews with migrant workers or recruitment agencies in the Gulf. Given the difficult nature of collecting data in the Gulf region, we will rely on statistical data collected by international organizations, such as The World Bank, The International Monetary Fund, The United Nations (The International Labor Organization), The Gulf Labor Markets and Migration (GLMM) program, The U.S. State Department, and Human Rights Watch. While data availability on GCC countries has improved⁴², we must call into question its reliability⁴³. Most of the data used in this paper were collected by international organizations such as The World Bank and International Monetary Fund.

⁴² Roper, Steven D., and Lilian A. Barria. "Understanding Variations in Gulf Migration and Labor Practices." *Middle East Law and Governance* 6.1 (2014): 32-52.

⁴³ For example, according to Bahrain's labor market indicator, there are more female foreign construction workers than foreign male workers. The wages of female foreign construction workers are also much higher than that of foreign male workers. This statistical trick is used to increase average wages for foreign construction workers by making up numbers for a group that receives less attention.
Source: http://blmi.lmra.bh/2014/12/data/lmr/Table_B06.pdf

Economic Constraints in Bahrain and Qatar

Growing concern over depleting oil reserves has prompted both Bahrain and Qatar to undertake major economic diversification efforts. As part of such efforts in the wider Gulf region, both Bahrain and Qatar launched their visions for 2030. Bahrain's Vision 2030 sets a goal of successful "transformation to an economy driven by a thriving private sector - where productive enterprises, engaged in high-value-added activities, offer attractive career opportunities to suitably skilled Bahraini nationals."⁴⁴ Similarly, Qatar's vision states that it "must continue to invest in its people so that all can participate fully in economic, social and political life."⁴⁵ Creating a prosperous private sector is a common goal found in Bahrain and Qatar's 2030 Visions. This includes language detailing the problem of labor market segmentation and the need to increase employments of nationals in the private sector. Various strategies have been carried out to break the division of the public and private sector, including education and skill training for nationals, setting quotas for employment of nationals in the private sector, and subsidizing nationals working in the private sector. It is clear from both visions that governments are trying to find ways to develop the private sector.

While the logic behind their development plans is remarkably similar, they differ in the political and economic conditions facing them. For instance, on the issue of depleting oil reserves, Bahrain will arrive at a post-oil era much earlier than Qatar. According to the U.S. Energy Information Administration, proved reserves of crude oil in Bahrain are 0.12 Billion Barrels compared to 25.24 Billion Barrels in Qatar⁴⁶. The number of proved reserves of crude oil for Bahrain hasn't changed since 2002 and Bahrain has been relying heavily on its shared oil

⁴⁴ "Bahrain National Vision 2030." Economic Development Board, 1 Oct. 2008. Web.

⁴⁵ "Qatar National Vision 2030." The General Secretariat for Development Planning, 1 July 2008. Web.

⁴⁶ Source: www.eia.gov

field with Saudi Arabia⁴⁷. However, Qatar can keep deriving most of its wealth from oil reserves and abundant gas reserves⁴⁸. This has incentivized Bahrain to push for a more independent private sector in the short-term.⁴⁹

Just two years after it announced its Vision 2030, Bahrain was not able to balance its 2010 fiscal budget partly due to constraints on its very limited oil reserves. Oil revenue, which has made up at least 80% of Bahrain's government revenue since 2007, fell short of government spending. On the other hand, Qatar has maintained a surplus each year with less than 50% of its government revenue coming from gas and oil. The World Bank warns that if Bahrain does not carry out labor reforms, its fiscal deficit could reach 10% of its GDP in 2015.⁵⁰

Bahrain is always facing a problem of total debt. Data from the Central Bank of Bahrain shows that the country's debt to GDP percentage has risen from 8.5% in 2009 to 43.87% in 2014.⁵¹ Increase in Bahrain's debt raised doubts about debt solvency, especially with the recent fall in oil prices in 2014. Furthermore, since half of Bahrain's debt is in sukuk (Islamic equivalent of bonds)⁵² Bahrain could face a major default if its debt continues to increase. Nevertheless, in the case of Bahrain, it is safe to assume that Saudi Arabia will continue to give political rent to the country, which will enable Bahrain to continue its rent-seeking behavior.

Although Bahrain is faced with the threat of oil depletion, it has managed to increase its oil production by nearly 50% in 2012- 2015.⁵³ Evidently, increased government spending is the real driver behind the country's growing deficit. The spending steadily grew from BD 700

⁴⁷ Saxena, Avinash. "Major Saudi-Bahrain Pipeline Contracts Set." *Gulf Daily News* 20 Jan. 2015. Web. 20 Apr. 2015. <<http://www.gulf-daily-news.com/NewsDetails.aspx?storyid=394259>>.

⁴⁸ Source: www.eia.gov

⁴⁹ Kingdom of Bahrain. "From Regional Pioneer to Global Contender: Economic Vision 2030" 2008

⁵⁰ Mottaghi, Lili. "MENA Quarterly Economic Brief: Plunging Oil Prices." (2015).

⁵¹ Bahrain Economic Yearbook 2013

⁵² Bahrain Economic Yearbook 2013

⁵³ From 35 BBL/D/1k to 50 BBL/D/1K. Souce: www.eia.gov

million in 2005 to BD 1,829 million in 2013, which accounts for a 160% growth.⁵⁴ A large part of the expenses is the wage bill for public sector employment.⁵⁵ Bahrain's Economic Yearbook 2013 shows that 48% of its recurrent expenditure was used for manpower, 23% for transfers, and 14% for repayment of loan interest.⁵⁶ Although Bahrain's Labor Market Regulatory Authority (LMRA) records that only 36.5% of Bahraini nationals are working in the public sector, the lowest percentage among GCC countries, 57,119 in the public sector and 99,219 in the private sector⁵⁷, its public sector wage bill to GDP rate is the third highest in 5 of 6 GCC countries (10.2% of GDP following 11.2% in Saudi Arabia and 10.7% in Kuwait).⁵⁸

The growing wage bill influenced by its unemployment rate will prove to be a great obstacle for Bahrain in the next few years. With an even pace of job creation in the public and private sector from 2008-2014, employment of nationals increased around 20%.⁵⁹ However, if we examine the growth rate in job creation for Bahrainis from 2012 to 2014, it becomes clear that public sector jobs increased by 16% (8046), while private sector jobs increased by 6% (5646). These numbers suggest that creating public sector jobs is still an important component of the government's strategy towards reducing national unemployment. As a result, unemployment has stayed below 4%. However, it is noteworthy to mention that this policy is not sustainable. The following chart implies that youth unemployment may be a greater problem in the future. Given the limited capacity to increase public sector jobs, Bahrain needs to find other ways to increase job availability for nationals in the private sector.

⁵⁴ Behar, Alberto. "Labor Market Reforms to Boost Employment and Productivity in the GCC." *Annual Meeting of Ministers of Finance and Central Bank Governors*. 2013.

⁵⁵ Ibid.

⁵⁶ Source: Bahrain Economic Yearbook 2013

⁵⁷ Data for 2014 Q4, source: Bahrain Labour Market Indicator

⁵⁸ UAE not included for lack of data

⁵⁹ Source: Bahrain Labour Market Indicator

Population of Bahraini by sex and age group, 2010⁶⁰

Age group	Bahraini		
	Both sexes	Male	Female
Total	568,399	287,239	281,160
0-4	63,738	32,477	31,261
5-9	59,012	30,277	28,735
10-14	58,184	29,842	28,342
15-19	59,657	30,522	29,135
20-24	54,876	28,259	26,617
25-29	48,159	24,671	23,488
30-34	42,074	21,096	20,978
35-39	33,887	16,561	17,326
40-44	33,331	16,048	17,283
45-49	32,961	15,839	17,122
50-54	27,488	13,324	14,164
55-59	19,398	10,504	8,894
60-64	12,057	6,489	5,568
65-69	8,290	4,062	4,228
70-74	7,053	3,322	3,731
75+	8,234	3,946	4,288

Source: Central Informatics Organisation (CIO) Kingdom of Bahrain

⁶⁰ Qatar uses the aggregation of numbers of nationals and non-nationals as population in its statistics. So we can't deduct its demographic structure of nationals. From the fact that Qatar has high employment numbers of non-nationals in its public sector (57% in national statistics of 2012), we can infer that its labor shortage is greater than its employment concern.

Under such tight constraints, Bahrain cannot simultaneously maintain healthy fiscal balance, low unemployment, and low taxation (nearly zero). In the past, Bahrain has prioritized policies that address low unemployment and low taxation over healthy fiscal balance for the purposes of reinforcing political stability and attracting investment in the private sector. However, with shrinking oil revenue and greater demographic pressure in the future, this model cannot last. For Bahrain, increasing government spending with less revenue forecast is a big gamble. Qatar, on the other hand, can spare both money and time to adjust its labor policies, since not only is it guaranteed hydrocarbon revenue, it also has a stable tax income. Compared to the zero tax rate in Bahrain (with the exception of its hydrocarbon sector), Qatar levies a 10% corporate tax and a 15% social security rate⁶¹. At the same time, prominent business institutions find Qatar to be an even better destination for investment despite its higher tax rate and stricter regulation on property ownership⁶². Despite better economic conditions in Qatar, it has little incentive to reform its Kafala system.

Case Studies

The process of reforming labor laws is difficult and one that requires the rulers of Bahrain and Qatar to take part in an intricate game of chess with key domestic and international players. These players differ in each country. To study the process of how preferences influence the implementation of labor market policies and reforms to the Kafala system, it is imperative to consider actors that shape these preferences and the political and economic conditions that influence their decisions. The following case studies outline the reforms to the Kafala system in Bahrain and Qatar since 2005-onward, and also include reactions by main-stakeholders to state-led reforms.

⁶¹Source: Ministry of Finance of Qatar, 2014

⁶²Source: Ministry of Industry & Finance of Bahrain, 2015

Pressures to Reform the Kafala system in Bahrain

Faced with major political unrest since 2011, declining oil reserves, and ongoing internal political contestation among the ruling elite, Bahrain is set to face major political and economic challenges in the years to come. Among these concerns, Bahrain has had to grapple with the major economic trends the rest of the Gulf has been facing, including, a youth bulge, rising unemployment, demographic imbalances between its citizens and its expatriate workers. As evidenced in the rest of the Gulf, the growing number of low-skilled migrant workers has been necessary to maintain this rate of infrastructural development, but has created a demographic imbalance. In Bahrain, the percentage of locals barely outweighs the number of foreigners, with migrants comprising over half of the population⁶³ and approximately 83% in the first quarter of 2014.⁶⁴ By the end of the fourth quarter in 2014, the total number of employed foreign workers reached 530,809 compared to 514,156 workers in the same quarter in 2013, representing an annual growth rate of 3.2%.⁶⁵ The large presence of migrant workers has been a major source of grievance for unemployed locals, who view themselves in competition with these workers over limited resources.

Unlike its neighbors in the Gulf, Bahrain's inability to rely on its oil wealth pushed it to diversify its economy away from the oil industry.⁶⁶ As part of its effort to build a more competitive modern economy and to keep up with the growing demand for jobs, Bahrain has issued a series of labor reforms in order to improve its labor market in conjunction with international standards. The country has undertaken the most aggressive reforms to its Kafala

⁶³ Diwan, Kristin. "Royal Factions, Ruling Strategies, and Sectarianism in Bahrain." *Sectarian Politics in the Persian Gulf* (2014): 143-79. Print.

⁶⁴ Source: Bahrain Labour Market Indicator

⁶⁵ Source: Bahrain Labour Market Indicator

⁶⁶ Hvidt, Martin. "Economic diversification in GCC countries: Past record and future trends." (2013).

system. The basic idea, most clearly articulated by the Bahraini government, is that nationalization cannot be fully implemented only through laws, but it has to be motivated by market mechanisms, most of all through narrowing the wage gap between locals and foreigners, and by allowing foreigners mobility on the local market. The limited successes of conventional, top-down, interventionist methods of labor market nationalization have led to a lively debate about the nature of labor market regulation in general, and about alternative, market-based mechanisms for attaining higher national employment quotas. However, what will be clear is that an important determinant of the laws was the trade off between political stability and economic progress. To prove this, it is necessary to lay out the major reforms to the Kafala system and to shed light on stakeholders' reactions to these reforms.

Major stakeholders who have played a role in determining the direction of reforms to the Kafala system:

Internal Actors

1. Members of Parliament

The Government of Bahrain has two chambers of parliament that are elected by the King: Majlis al-Nuwwab (Representative Council) whose members belong to political parties. They have expressed concern over the tax levied on employers of foreign workers. The other elected body is Majlis Al Shura (Consultative Council) whose members are not affiliated with political parties. They are more inclined to support the government in its reforms to the Kafala system.

2. The Unions

The unions in Bahrain have a vested interest in protecting worker's rights and increasing the percentage of nationals in the private sector.⁶⁷ Therefore, they are in favor of increasing foreign worker's mobility, as it will make them less attractive to employers, and will lead to closing the wage gap between foreigners and nationals.

3. Small and Medium Enterprises

Employers of Small and Medium Sized Enterprises have benefited from the ambiguity in the laws governing low-skilled migrant workers and from the low wages afforded to these workers. Evidently, they are opposed to the taxes levied on employers of foreign workers and have voiced concern over granting workers freedom of mobility.⁶⁸

4. The Chamber of Commerce and Industry

The Bahraini Chamber of Commerce and Industry and Majlis Al-Nuwwab set-up a joint committee coinciding with the emergence of the Labor Market Regulatory Authority in 2006 to address their concerns over granting foreign workers more mobility under the LMRA. They have also expressed concern over the tax levied on businesses hiring foreign workers.⁶⁹

External Actors

5. Regional Partners

The Gulf Cooperation Council has made efforts towards addressing their concerns over the Kafala system in cooperation with one another. In October 2014, the GCC announced the birth

⁶⁷ "About Us." Bahrain Free Labours Union Federation. 15 July 2012. Web.

⁶⁸ "Reduced Fees will make Foreign Workers the Best Option and Support of Employers is not our Responsibility." Labour Market Regulatory Authority. 25 April 2010. Web. (Arabic)

⁶⁹ Al-Hasan, Hasan. "Labor Market Politics in Bahrain." *Labour Market, Unemployment, and Migration in the GCC* (2012)

of “The GCC Union for Domestic Worker.”⁷⁰ However, regional coordination over reforming the Kafala system has been extremely limited.

6. Sending Countries

Some sending countries have attempted to enter into bilateral agreements with the Government of Bahrain in an effort to improve working standards for their nationals. The top five sending countries in Bahrain are Pakistan, Egypt, India, the Philippines, and Iran.⁷¹ For instance, the Government of the Philippines has entered into negotiations with Bahrain about setting a minimum wage for its workers, requiring at least BD150.⁷² Similarly, the Indian Government has set a minimum of BD100 for its low-skilled nationals working in Bahrain.⁷³ In spite of the efforts of sending countries to set a minimum wage for their nationals, business owners do not always follow these guidelines.⁷⁴

7. International Human Rights Groups

International human rights organizations such as Human Rights Watch, Amnesty International, and The International Labor Organization have openly expressed their concerns over the abuses caused by the Kafala system through published reports and press releases. Although the Government of Bahrain has been unresponsive to a certain degree to their demands, improvements to the status of domestic workers under the new labor laws of 2012 indicate that international human rights organizations have had some degree of influence over internal policies.

⁷⁰ "GCC to Form Body for Joint Housemaid Hiring." Emirates 24/7 26 Oct. 2014. Web.

⁷¹ "Migration and Remittances Factbook" The World Bank. 2011.

⁷² "Slaving Away." Americans for Democracy and Human Rights in Bahrain, 1 Apr. 2014. Web.

⁷³ Ibid.

⁷⁴ Ibid.

Year	Law	Effect on Migrant	Response
2006	Law No. 19 of 2006 Regulating the Labor Market	The Establishment of the Labor Market Regulatory Authority (LMRA) + BD10 monthly fee + Internal Mobility	The Unions (pro) Majlis Al Nuwwab Int'l Human Rights Groups (pro) SMEs (against) BCCI (against)
2009	Decision No. 79 of 2009 Regarding the Mobility of Foreign Employees from One Employer to Another	Internal Mobility (3 month notice) + Tax on Businesses	Int'l Human Rights Groups (pro) SMEs (against) BCCI (against)
2011	Decision No. 15 of 2011 Amending Paragraph A of Article 25 of Law No. 19 of 2006 Regulating the Labor Market	Rollbacks on Internal Mobility: The Right to Transfer Employers (Must stay for at least a year with current employer)	SMEs (pro) BCCI (pro) Int'l Human Rights Groups (against)
2012	Law No. 36 of 2012 Issuing the Labor Law for the Private Sector	Domestic Workers Rights + Tax	SMEs (against) BCCI (against) Int'l Human Rights Groups (pro) The Unions (pro)

Law No. 19 of 2006 Regulating the Labor Market established the Labor Market Regulatory Authority (LMRA) with a mandate to regulate the affairs of low-skilled migrant workers in Bahrain.⁷⁵ The LMRA's duties include issuing work visas and licensing recruiters, among other things. Among its core policies, the LMRA aims to alleviate some of the pressure on the public sector by increasing employment of Bahraini nationals in place of migrant workers in the private sector. By doing so, the LMRA also sought to reduce the number of illegal migrants in Bahrain. The 2006 labor laws imposed on business owners a BD10 monthly fee for every foreign worker employed. Additionally, it granted workers the right to shift their employers without obtaining the consent of their current employer. Since the aim of the LMRA

⁷⁵ "Law No. 19 of 2006." *The Labor Market Regulatory Authority*. The Government of Bahrain, 1 Jan. 2006. Web. <<http://www.ilo.org/dyn/natlex/docs/ELECTRONIC/81807/89017/F986257018/BHR81807.pdf>>.

was to strengthen the competitiveness of the Bahraini workforce, it is not surprising that the law received support from the labor unions in the country.⁷⁶ The unions voiced its support for the law citing that this will allow Bahrainis to seem more attractive to business owners than foreign laborers.⁷⁷

While this law granted migrant workers more rights than they had previously, the law caused major concern among the business elite due to high economic costs incurred from taxing on cheap labor. The purpose of the tax was to raise the cost of employing foreigners and to close the gap in foreign and local wages. Throughout 2007 and 2008, Bahraini businessmen successfully defeated proposals put forth by Gulf labor ministers that sought to reduce the reliance on long-term, low-skilled migrant workers in their countries.⁷⁸ This is in spite of increased calls by Bahrain's Labor Minister Majeed Al Alawi and several Members of Parliament for a cap on the number of years expatriates could stay in the region.⁷⁹ Small and Medium Enterprises (SMEs) have even expressed their desire to run for the 2011-2014 parliamentary elections to voice their complaints, particularly that their interests have been overlooked.⁸⁰

Growing local concern over the rising presence of foreign workers is not unjustified. Foreign migrant workers are more appealing to employers for several reasons, the primary motivator being that locals are harder to fire and that foreign workers are cheaper to hire due to

⁷⁶ Al-Hasan, Hasan. "Labor Market Politics in Bahrain." *Labour Market, Unemployment, and Migration in the GCC* (2012): 117-57.

⁷⁷ "Majlis al-Nuwab Insists on Giving Foreign Workers the Right to Change Employers only after One Year of Employment," *Al Waqt*, posted on LMRA media blog on January 16, 2010, <http://blog.lmra.bh/ar/archives/2864>

⁷⁸ Toumi, Habib. "GCC to Study Alternatives to Sponsorship." *Gulf News* 19 July 2009. Print. <<http://gulfnews.com/news/gulf/bahrain/gcc-to-study-alternatives-to-sponsorship-1.501890>>

⁷⁹ Ibid.

⁸⁰ Al-Hasan, Hasan. "Labor Market Politics in Bahrain." *Labour Market, Unemployment, and Migration in the GCC* (2012): 117-57.

wage discrepancies. Not only does Bahrain not have a minimum wage for low-skilled migrant workers, but also the majority of migrant workers in Bahrain receive lower wages than Bahraini citizens.⁸¹ What is more is that there are very few regulations to regulate the inflow of migrants, such liberal immigration policies are also part of the social contract between Bahrain's rulers and the national business elite.⁸² The 2006 labor laws directly opposed the interests of business elites. Calls for Labor Minister Al Alawi's resignation by business elites may explain why Decision No. 79 Regarding the Mobility of Foreign Employees from One Employer to Another⁸³ added a provision in 2009, which stated that a foreign worker wishing to leave his employer upon the expiry or cancellation of their work permit must give his employer a three month notice before the end of his contract. This still allowed migrant workers to stay in the country legally to look for another job opportunity. Nevertheless, although this law was an added impediment to workers mobility in Bahrain, it maintained a delicate balance between the desires of the business elite and the rights of migrant workers, yet it prioritized political support over long-term labor market reform.

The mass uprisings that began in 2011 as part of the February 14 movement momentarily shifted the regime's focus and resources away from labor market concerns. Although the 2011 uprisings were in large part in response to economic grievances, the regime was focused on maintaining its political legitimacy by implementing fast, short-term solutions to structural problems in the labor market in order to appease protesters. Decision No. 15 of 2011 Amending

⁸¹ Hvidt, Martin. "Economic diversification in GCC countries: Past record and future trends." (2013).

⁸² Forstenlechner, Ingo, and Emilie Jane Rutledge. "The GCC's "Demographic Imbalance": Perceptions, Realities and Policy Options." *Middle East Policy* 18.4 (2011): 25-43.

⁸³ "Labor Law No. 79 of 2009." *The Labor Market Regulatory Authority*. The Government of Bahrain. 2009. Web. <<http://lmra.bh/portal/en/legal/show/17#.VUB-1K1VhHw>>.

Paragraph A of Article 25 of Law No. 19 of 2006 Regulating the Labour Market⁸⁴ effectively promulgated worker's freedom of mobility by allowing him/her to transfer employers without the permission of the current employer, only after spending at least one year with him/her, thus making the improvements made in 2006 and 2009 less effective in changing the hierarchical relationship between an employer and his employee. Once again, it is clear that short-term goals of stability and political legitimacy outweighed long-term economic development. While this law seems to favor the interests of local elites over other actors, it is vital to discern that this amendment's intent was to solidify the regime's control over domestic actors, and to discourage foreign workers from leaving the country at a time of political instability. Additionally, non-nationals are believed to be "easier to control", since temporary foreign workers often do not have a stake in domestic politics, and therefore, can play a role in maintaining the social contract between the rulers and their citizens.⁸⁵

It was within the context of repeated failures to start negotiations with the opposition that the 2012 new Labor laws were introduced. Law No. 36 of 2012 Issuing the Labor Law for the Private Sector⁸⁶ replaced the old law, No. 23 of 1976. The new law entitled workers to take sick leaves and introduced a clearer framework for the resolution of business disputes, but did little to increase worker's freedom of movement within the country.⁸⁷ Mixed reactions to the 2012 new labor laws give us an indication that when it comes to maintaining political stability, it will always take priority over long-term economic development. Furthermore, the trend visible throughout 2006 is that the regime manages to play the interests of some groups over others,

⁸⁴ "Decision No. 15 of 2011." *The Labor Market Regulatory Authority*. The Government of Bahrain, 2011. Web. <<http://lmra.bh/portal/files/cms/shared/file/Decision/Resolutions/لسنة/15 قانون رقم 2011.pdf>>.

⁸⁵ Ibid.

⁸⁶ "Labor Law No. 36 of 2012." *The Labor Market Regulatory Authority*. The Government of Bahrain, 2012. Web. <http://lmra.bh/portal/files/cms/downloads/english_attachment/Updated_Labour_Law_2012_20120808105940.pdf>.

⁸⁷ ILO. *Law No. 36 of 2012: The promulgation of the labour law in the private sector*. Official Gazette No.3063

indicating that labor reforms are indeed an elite-driven policy agenda. In fact, Marc Pellas, a report for *Le Monde Diplomatique*, identified Crown Prince Salman as “the principal motor of change” for reforms in the labor market.⁸⁸ Crown Prince Salman has occupied the position of Head of the Board of Directors of the Economic Development Program (EDB) since 2008. Therefore, impediments facing the labor market do more than put into question the legitimacy of the state, but the legitimacy of the Crown Prince in particular, making the prospect of a peaceful future succession unlikely.

Pressures to Reform the Kafala System in Qatar

Daniel Brumberg was not far off when he categorized Qatar as a “total autocracy”. Not only has the state successfully created powerful institutions that have dominated the political and business arena, it successfully limited the process of policy making to a handful of individuals.⁸⁹ Qatar’s political and business environment differs greatly than Bahrain’s since it has no labor unions, and no official opposition parties. This has solidified Al-Thani’s control over the state and its future trajectory.

In the case of Bahrain, the country’s chamber of commerce and industry (BCCI) constitutes a major opposition force over reforms to the Kafala system. This is not the case in Qatar. While the Qatari Chamber represents the interests of the private sector, having a higher percentage of expatriate workers in the workforce in comparison to national workers has led the Qatari Chamber to support employers’ wishes to keep the Kafala system. Given the nature of the political dynamic between the government and business elites in the country, and due to the lack of economic drivers to reform the Kafala system, it is highly unlikely that the Qatar Chamber

⁸⁸ Kinninmont, Jane. "Future Trends in the Gulf." *Chatham House* (2015). Chatham House. Web. <<http://www.chathamhouse.org/publication/future-trends-gulf>>.

⁸⁹ Kamrava, Mehran. *Qatar: small state, big politics*. Cornell University Press, 2013.

will advocate towards reforming the system in the near future. Although one of its listed obligations is to “Organize, represent, defend and promote the commercial, industrial and agricultural interests,”⁹⁰ the Chamber is committed to fall in line with the ruling family and its policies. Because of the highly monopolized political structure in Qatar and given Al-Thani’s monopoly over state policies, it is difficult to analyze the competing interests inside the country. Therefore, the case study of Qatar will focus heavily on the influences of international human rights groups on its Kafala system. The table below outlines the major players who have solicited responses from the government over its Kafala system.

Time	Player	Publication	Response/Progress
2010	HRW	Slow Reform: Protection of Migrant Domestic Workers in Asia and the Middle East	No responses
2011	ITUC HRW	Hidden Faces of the Gulf Miracle Letter to Qatari Ministry of Labor on labor abuses	Meeting with FIFA Denied by the Ministry
2012	HRW	Building a Better World Cup: Protecting Migrant Workers in Qatar Ahead of FIFA 2022 Letter to Supreme Committee of Delivery and Legacy (SC)	SC acknowledges the problems Ministry of Labor made its commitment to reform
2013	The Guardian Amnesty International	Revealed: Qatar’s World Cup ‘Slaves’ Qatar: The dark side of migration: Spotlight on Qatar’s construction sector ahead of the World	Visit of FIFA president to Qatar Ministry of Labor hired DLA Piper for an report on labor problem
2014	DLA Piper	Migrant Labour in the Construction Sector in the State of Qatar	Both Ministry of Labor and Ministry of Interior committed to reform Workers’ Welfare Standards issued

⁹⁰ "Vision, Mission, Objectives." 2014. Web. <<http://qatarchamber.com/site/pages.php?pgid=313&atv=1>>

As evidenced by the table above, the progress of reforming the Kafala system can be better perceived through the government's interaction with hyperactive international organizations. This indicates that the government's biggest incentive to reform comes in response to criticism from international organizations surrounding its poor labor standards.

Pressure on Qatar's rulers reached its height after the country won the bid to host the 2022 FIFA World Cup on December 2nd, 2010. Prior to that, Qatar's labor laws were rarely featured on the front pages of international newspapers. By searching the databases of International human rights organizations such as Human Rights Watch and Amnesty International, we can find no reports dedicated to labor abuses in the country. The Guardian, the newspaper that later posted the most influential report on Qatar's labor problems, rarely made connections between Qatar and its Kafala system. And the only reason BBC had various articles addressing Kafala was due to the fact Tarik "Kafala" headed its Arabic language department. However, after Qatar's victory for the bid, it began facing unprecedented complaints surrounding government corruption and its harsh labor conditions.⁹¹

The International Trade Union Confederation (ITUC) was among the first to associate Qatar's labor problems with the 2022 World Cup. In May 2011, it published its Union View "Hidden Faces of the Gulf Miracle"⁹², which focused exclusively on the country's poor working conditions. In the report, General Secretary of the International Trade Union Confederation Sharan Burrow regarded that "The World Cup is a time when the eyes of the world will be on Qatar and the other nations in this region. We will do everything to see that FIFA lives up to its

⁹¹ Scott, Matt. "Millions Paid in Bribes for Qatar's 2022 World Cup Votes." *The Guardian* 10 May 2011. Web. 20 Apr. 2015. <<http://www.theguardian.com/football/2011/may/10/millions-bribes-qatar-2022-world-cup-claims>>; "Qatar Celebrates World Cup Bid Win." *Al Jazeera* 4 Dec. 2010. Web. 20 Apr. 2015. <<http://www.aljazeera.com/news/middleeast/2010/12/201012374444141404.html>>.

⁹² ITUC. "Hidden faces of the Gulf miracle: Behind the gleaming cities of Doha (Qatar) and Dubai (UAE), stories of migrant workers with few rights and inhuman living conditions." *Union View* #21

responsibilities, that multinationals providing goods for the World Cup and their supply chains are actually respectful of workers rights.”⁹³ In November, FIFA held its first meeting with ITUC to address concerns over Qatar’s labor conditions. In the meeting, ITUC stated that it "will not accept people working to build stadiums without respect for workers’ rights."⁹⁴ As a result of the meeting, FIFA agreed to “work jointly over the next few months to address labor issues with the Qatari authorities”.⁹⁵

Reactions to two reports written by Human Rights Watch indicated the effectiveness of the “World Cup” strategy, which used the event to draw attention to the Kafala system in Qatar. The organization published two detailed reports championing the protection of migrant workers in 2010⁹⁶ and then again in 2012.⁹⁷ Both reports contained in depth coverage of instances of labor abuses in the country. The reports were coupled with two letters sent on 2011⁹⁸ and 2012⁹⁹ addressed to the Qatari Labor Ministry and the Supreme Committee for Qatar 2022 (Q22) respectively, imploring them to amend the country’s labor conditions before more lives fall victim to it. The letters received contradicting treatment and responses. In its response, the Labor Ministry proceeded to deny the existence of forced labor in the country. It stated that “The Ministry has received no complaint of forced labor and it is inconceivable that such a thing exists in Qatar, as the worker may break his contract and return to his country whenever he wishes and

⁹³ Ibid.

⁹⁴ ITUC. "Qatar: No World Cup without Labour Rights." 7 Nov. 2011. Web. 20 Apr. 2015. <<http://www.ituc-csi.org/qatar-no-world-cup-without-labour>>.

⁹⁵ FIFA. "Statement from Jérôme Valcke on Labour Rights in Qatar." 17 Nov. 2011. Web. 20 Apr. 2015. <<http://www.ituc-csi.org/qatar-no-world-cup-without-labour>>.

⁹⁶ Varia, Nisha. *Slow Reform: Protection of Migrant Domestic Workers in Asia and the Middle East*. Human Rights Watch, 2010.

⁹⁷ *Building a Better World Cup: Protecting Migrant Workers in Qatar Ahead of FIFA 2022*. Human Rights Watch, 2012

⁹⁸ Human Rights Watch Letter to the Qatari Labor Ministry – September 26, 2011

⁹⁹ Human Rights Watch Letter to the Qatar Supreme Committee – May 15, 2012

the employer cannot force him to remain in the country against his will.”¹⁰⁰ Conversely, Qatar 2022 Supreme Committee’s response was quite different. The Committee not only conveyed its concern over the letter’s content, but also acknowledged that “there is much work to be done” on the topic of improving working conditions in Qatar. It emphasized the importance of guaranteeing that workers must work in an “environment that meets or exceeds international standards.”¹⁰¹ Q22’s cooperative stance gave NGOs a platform to voice their concerns in a local context.

In May 2012, Qatar announced its first commitment to reform its Kafala system. Under Secretary of the Labor Ministry Hussain al-Mulla announced that “The sponsorship system will be replaced with a contract signed by the two parties [workers and employers] ... The contract will stipulate the rights and duties of each party and will impose specific matters that the foreigner has to respect.” He also expressed the government’s readiness to set up a labor union to “receive the complaints of workers and protect their rights”.¹⁰² Although his commitment didn’t clearly address practical ways to improve working conditions for low-skilled migrant workers, NGOs saw this as a positive step towards the right direction. On the other hand, the announcement itself is not a victory, but rather its implementation is what will ultimately be the biggest challenge Qatar must overcome. Nevertheless, al-Mulla’s announcement was just enough to prove to NGOs that change is underway. Shortly thereafter, associating labor reforms with the 2022 World Cup was adopted as a common strategy by NGOs and human rights organizations. FIFPro, the World Footballers’ Union, addressed its recommendations of labor reform directly to FIFA rather than to the Qatari government. These recommendations include the abolishment of

¹⁰⁰ Labor Ministry Response to Human Rights Watch – November 1, 2011

¹⁰¹ Ibid.

¹⁰² AFP. "Qatar to Allow Trade Union, Scrap ‘sponsor’ System." *Al Arabia News* 1 May 2012. Web. 20 Apr. 2015. <<http://english.alarabiya.net/articles/2012/05/01/211482.html>>.

the Kafala system and the establishment of “an independent football players’ union”,¹⁰³ both of which are under the government’s strict control. Placing pressure on Q22 and FIFA rather than on the Qatari Ministry of Labor or Ministry of Interior was a clever approach since FIFA’s concern over maintaining its reputation and Q22’s strong desire for a successful World Cup can work as leverages against the Qatari government.

In fall 2013, external pressures culminated after The Guardian released an exclusive report entitled “Revealed: Qatar’s World Cup ‘Slaves’”.¹⁰⁴ The article was part of the Modern-day Slavery series published by the Guardian that began in April 2013. Through its own investigation, the Guardian found that in the summer of 2013, Nepalese workers “died at a rate of almost one a day in Qatar”.¹⁰⁵ The investigation also revealed evidence of forced labor, delayed payments, confiscation of passports, denied access to free drinking water at construction sites, and other labor issues previously denied by the Qatar government. ITUC added that if no further actions were taken to address the dire working conditions facing migrant workers, the death toll could rise to 4,000 in the next seven years.¹⁰⁶ The article was shared more than 97,000 times through the Guardian’s website, indicating growing interest in Qatar’s labor conditions. In November 2013, Google Trends showed that people’s interest in the Kafala system rose from 49 in September 2013 to 100 (representing the peak of interest level for this word entry). Increased international pressures by NGOs and Human Rights Organizations prompted FIFA President Sepp Blatter to pay the new Emir a visit in mid November. In his meeting with the Emir, Blatter addressed his concerns over the deaths of Nepalese migrant workers on 2022 World Cup sites,

¹⁰³ FIFPro. "FIFPro Meets FIFA on Qatar Labour Rights." 6 Mar. 2014. Web. 20 Apr. 2015. <<http://www.fifpro.org/en/news/fifpro-meets-fifa-on-qatar-labour-rights>>.

¹⁰⁴ Pattison, Pete. "Revealed: Qatar's World Cup 'slaves'" *The Guardian* 25 Sept. 2013. Web. 20 Apr. 2015. <<http://www.theguardian.com/world/2013/sep/25/revealed-qatars-world-cup-slaves>>.

¹⁰⁵ Ibid.

¹⁰⁶ ITUC. "Qatar 2022 World Cup Risks 4000 Lives, Warns International Trade Union Confederation." 27 Sept. 2013. Web. 20 Apr. 2015. <<http://www.ituc-csi.org/qatar-2022-world-cup-risks-4000>>.

stating that “we [FIFA] could not turn a blind eye¹⁰⁷”. Under tremendous pressure, Q22 expressed its deep concern and considered this issue “to be of the utmost seriousness”. In response, the Ministry of Labor announced that the international law firm DLA Piper was initiating an investigation into the matter at the behest of the Qatari authorities.¹⁰⁸ Once again, this calculated step undertaken by the authorities ensured the international community that there was opportunity for continued negotiations with the government.

The DLA Piper report released in April 2014 was a thorough “review of the legislative and enforcement framework of Qatar’s labor laws”.¹⁰⁹ It verified most allegations from NGOs and human rights organizations, including Human Rights Watch and Amnesty International. The report raised over 60 specific recommendations on labor reform, paying close attention to reformations in the Kafala system to worker welfare standards, wages, health and safety, accommodation, inspections, and access to justice. The fact that the report was conducted by a company commissioned by the Qatari government made it impossible for Qatar to deny the abuses of its migrant community any longer. In response, Q22 released its Workers’ Welfare Standards (WWS) in 2014 as a complement to its Workers’ Welfare Charter (WWC) issued in 2013.¹¹⁰ Release of the Standards was a big step forward in reforming Qatar’s labor laws, as it provided a very detailed and operational approach to addressing the issues of working conditions than previous documents. Despite its grand gesture, the Standard could not evade criticisms by

¹⁰⁷ Elliott, Robin. "Sepp Blatter Washes Hands of Workers' Plight at 2022 Qatar World Cup." *The Independent* 4 Oct. 2013. Web. 20 Apr. 2015. <<http://www.independent.co.uk/sport/football/news-and-comment/sepp-blatter-washes-hands-of-workers-plight-at-2022-qatar-world-cup-8858946.html>>.

¹⁰⁸ Gibson, Owen. "World Cup 2022: Football Cannot Ignore Qatar Worker Deaths, Says Sepp Blatter." *The Guardian* 4 Oct. 2013. Web. 20 Apr. 2015. <<http://www.theguardian.com/football/2013/oct/04/world-cup-2022-fifa-sepp-blatter-qatar-worker-deaths>>.

¹⁰⁹ DLA Piper. *Migrant Labour in the Construction Sector in the State of Qatar*. Engineers against Poverty, 2014. Print.

¹¹⁰ "Workers' Welfare." Supreme Committee for Delivery & Legacy. Web. 21 Apr. 2015. <<http://www.sc.qa/en/delivery-and-legacy/workers-welfare>>.

the media and NGOs because its recommendations were not legally binding and provided only a “theoretical protection to a small fraction of Qatar’s migrant workers”¹¹¹, as well as missed “fundamental principles and rights at work”.¹¹²

Dissimilar to what it was facing prior to 2010; Qatar is now under close scrutiny by key international non-state actors to reform its labor laws. It is expected to carry out comprehensive legislation to satisfy international standards. Shortly after the release of the DLA Piper report in May 2014, Colonel Abdullah Saqr al-Mohannadi, the human rights director of the Qatari interior ministry, announced that “We are going to abolish the Kafala system and it will move to the legislative institutions...We hope that the exit visa will be abolished completely.”¹¹³ In a similar tone, the Minister of Labor and Social Affairs Abdullah Saleh Mubarak al-Khulaifi reinforced the idea of reforming the Kafala system in July 2014 when he said that “The reforms announced in May will replace the Kafala system with a modern contract between worker and employer.”¹¹⁴ His remark was very similar to the announcement made previously by the Labor Ministry in 2012.¹¹⁵ The two statements from different ministries seemed to be inconsistent and irrelevant, which adds doubt to Qatar’s willingness to reform.

It is important to highlight the separate roles that the Ministry of Interior and Ministry of Labor play in maintaining the Kafala system in Qatar. According to Qatar’s national

¹¹¹ Gibson, Owen. "Qatar Commits to New Welfare Standards for World Cup Workers." *The Guardian* 11 Feb. 2014. Web. 20 Apr. 2015. <<http://www.theguardian.com/world/2014/feb/11/qatar-world-cup-2022-workers-welfare-standards>>.

¹¹² ILO. "ILO: Qatar’s Workers’ Charter Took Only Some ILO Recommendations." 11 Feb. 2014. Web. 20 Apr. 2015. <http://www.ilo.org/global/about-the-ilo/activities/all/WCMS_235435/lang--en/index.htm>.

¹¹³ Black, Ian, Owen Gibson, and Robert Booth. "Qatar Promises to Reform Labour Laws after Outcry over 'World Cup Slaves'" *The Guardian* 14 May 2014. Web. 20 Apr. 2015. <<http://www.theguardian.com/world/2014/may/14/qatar-reform-labour-laws-outcry-world-cup-slaves>>.

¹¹⁴ Bakr, Amena. "World Cup Host Qatar Agrees Some Foreign Worker Reforms." *Reuters* 20 July 2014. Web. 20 Apr. 2015. <<http://www.reuters.com/article/2014/07/20/us-qatar-labour-reform-idUSKBN0FP0JE20140720>>.

¹¹⁵ AFP. "Qatar to Allow Trade Union, Scrap ‘sponsor’ System." *Al Arabia News* 1 May 2012. Web. 20 Apr. 2015. <<http://english.alarabiya.net/articles/2012/05/01/211482.html>>.

development strategy 2011-2016, The Ministry of Labor's responsibilities include issuing work permits, ensuring companies to employ Qatari nationals, and data collection, while the Ministry of Interior's responsibilities include issuing exit visas, data collection, and regulating and monitoring nationality quotas. Article 23 and Article 25 on work permits in the 2004 Labor Law indicate that an expatriate can't change jobs without the permission of his employer. Article 2 and Article 18 of the 2009 Sponsorship Law stipulate that an expatriate can't leave the country without his passport or the permission of his employer. As is evident, an expatriate worker can't obtain a working permit or an exit visa without the permission of his employer. Therefore, reforms to the Kafala system require a certain level of cooperation between the Interior Ministry and the Labor Ministry since the Kafala system is facilitated by both ministries systematically.

The existing gap between proposing legislation and strict implementation in Qatar offers the Qatari government alternatives to implementing comprehensive reforms to its Kafala system.¹¹⁶ Ad-hoc policies such as improving working conditions and supervision for construction sites before and during the world cup are less costly than implementing meaningful, long-term reforms in its labor laws. Although the demands of external voices are aligned with Qatar's Vision 2030, there are ways to meet some of these demands without reversing the Kafala system. Due to the limited obligation of the Q22 and the lack of coordination between the two ministries in implementing reforms to the Kafala system, it's highly unlikely that any short-term improvement of labor standards will be maintained after the World Cup.

Although responses by key internal actors in Qatar indicate a willingness to the idea of reforming the Kafala system, the outlook of such reforms remains unclear. Decisions on policies happen in a black box in Qatar. Although Al-Thani needs to balance various forces within the

¹¹⁶ Evidence can be found in wide ranges of literatures, including but not limited to the DLA Piper report, HRW 2010, HRW 2012, AI 2013, ITUC 2014

country, its ability to institute policies independently may lead to unpredictable results. On the one hand, the new Emir can successfully use the World Cup as a “catalyst”¹¹⁷ to accelerate labor reforms that can finally bring about a “legacy of enhanced, sustainable and meaningful progress for workers across the country”.¹¹⁸ On the other hand, Al-Thani may not advocate for improving working conditions under the Kafala system. These reforms may depend on the degree to which the Qatari government cares about its international image, as well as its economic sustainability in the long run.

Conclusion

Given the different political and economic constraints facing Bahrain and Qatar, it is clear that changes in either country cannot be a precursor for change in the other. The internal political context within both countries is vastly different. While Bahrain underwent mass uprisings in 2011, Qatar has not faced major political rivalries among its local population. Whereas both countries are faced with immense pressure to reform their labor laws and Kafala system, it is apparent that Bahrain is faced with a greater urgency to deliver on these reforms than Qatar. Our analysis shows that the large presence of competitive migrant workers is a burden on the local population in Bahrain, but it is not the same for Qataris who enjoy among the highest rates of GDP per capita in the world. In the years to come, Bahrain and Qatar will have to come up with long-term structural plans to regulate the flow of migrant workers crossing into their borders. Although both countries have faced immense pressure to reform their Kafala systems by both internal and external actors, current trends indicate that the system is unlikely to disappear in the short-term.

¹¹⁷ "Workers' Welfare." Supreme Committee for Delivery & Legacy. Web. 21 Apr. 2015.
<<http://www.sc.qa/en/delivery-and-legacy/workers-welfare>>.

¹¹⁸ Ibid.

Bibliography

- Al-Hasan, Hasan. "Labor Market Politics in Bahrain." *Labour Market, Unemployment, and Migration in the GCC* (2012)
- Amnesty International. "Building a Better World Cup: Protecting Migrant Workers in Qatar Ahead of FIFA 2022." 2012. Print.
- Amnesty International. "Qatar: The dark side of migration: Spotlight on Qatar's construction sector ahead of the World Cup." 2013. Print.
- Amnesty International. "Qatar: Treat Us Like We Are Human: Migrant Workers in Qatar." 18 November 2013.
- Anderson, Lisa. "The State in the Middle East and North Africa." *Comparative Politics* (1987): 1-18.
- Baldwin-Edwards, Martin. "Labor immigration and labor markets in the GCC countries: national patterns and trends." *Global Governance*, London School of Economics. March 2011.
- Beblawi, Hazem. "The rentier state in the Arab world." *Arab Studies Quarterly*(1987): 383-398.
- Behar, Alberto. "Labor Market Reforms to Boost Employment and Productivity in the GCC." *Annual Meeting of Ministers of Finance and Central Bank Governors*. 2013.
- Callen, Tim, et al. *Economic Diversification in the GCC: Past, Present, and Future*. No. 14/12. International Monetary Fund, 2014.
- Colton, Noora Ann. "The International Political Economy of Gulf Migration". Middle East Institute. 2 February 2010.
- Diwan, Kristin. "Royal Factions, Ruling Strategies, and Sectarianism in Bahrain." *Sectarian Politics in the Persian Gulf* (2014): 143-79. Print.
- DLA Piper. *Migrant Labour in the Construction Sector in the State of Qatar*. Engineers against Poverty, 2014. Print.
- Fargues, Philippe. "Immigration without inclusion: non-nationals in nation-building in the gulf states." *Asian and Pacific Migration Journal* 20.3-4 (2011): 273-292.
- Forstenlechner, Ingo, and Emilie Jane Rutledge. "The GCC's "Demographic Imbalance": Perceptions, Realities and Policy Options." *Middle East Policy* 18.4 (2011): 25-43.
- Gardner, Andrew. "Labor camps in the Gulf states" in *Migration and the Gulf Viewpoints Special Edition*. Washington DC: The Middle East Institute. 2010.
- Herb, Michael. "No representation without taxation? Rents, development, and democracy." *Comparative Politics* (2005): 297-316.
- Hertog, Steffen. "A Comparative Assessment of Labor Market Nationalization Policies in the GCC." (2015). *LSE Research Online*. The London School of Economics. Web. <[http://eprints.lse.ac.uk/46746/1/A_comparative_assessment_of_labor_market_nationalization_policies_in_the_GCC\(lsero\).pdf](http://eprints.lse.ac.uk/46746/1/A_comparative_assessment_of_labor_market_nationalization_policies_in_the_GCC(lsero).pdf)>.
- Hertog, Steffen. *The private sector and reform in the Gulf Cooperation Council*. LSE Kuwait Programme. 2013.
- Human Rights Watch. "Qatar: Building a Better World Cup: Protecting Migrant Workers in Qatar Ahead of FIFA 2022." 12 June 2012
- Hvidt, Martin. "Economic diversification in GCC countries: Past record and future trends." (2013).
- ITUC. "Hidden faces of the Gulf miracle: Behind the gleaming cities of Doha (Qatar) and Dubai (UAE), stories of migrant workers with few rights and inhuman living conditions." *Union View* #21

- Naufal, G. and A. Termos. "Remittances from GCC Countries: A Brief Outlook." Middle East Institute. 2010
- Kaldor, Karl and Said, *Oil Wars*. 20 May 2007.
- Kamrava, Mehran. *Qatar: small state, big politics*. Cornell University Press, 2013.
- Kingdom of Bahrain. "From Regional Pioneer to Global Contender: Economic Vision 2030" 2008
- Kinninmont, Jane. "Future Trends in the Gulf." *Chatham House* (2015). Chatham House. Web. <<http://www.chathamhouse.org/publication/future-trends-gulf>>.
- Mahdavy, Hossein. "The patterns and problems of economic development in rentier states: The case of Iran." *life* 1000 (1970): 1.
- Mottaghi, Lili. "MENA Quarterly Economic Brief: Plunging Oil Prices." (2015).
- Lori, Noora. "Temporary Workers or Permanent Migrants? The Kafala System and Contestations over Residency in the Arab Gulf States." *Center for Migrations and Citizenship* (2012). Print.
- Louër, Laurence. "The political impact of labor migration in Bahrain." *City & Society* 20.1 (2008): 32-53.
- Luciani, Giacomo, ed. *The Arab State*. Univ of California Press, 1990.
- Mostofi, Mani. *For a Better Life: Migrant Worker Abuse in Bahrain and the Government Reform Agenda*. New York, N.Y.: Human Rights Watch, 2012. Print.
- Murray, Heather. "Hope for Reform Springs Eternal: How the Sponsorship System, Domestic Laws and Traditional Customs Fail to Protect Migrant Domestic Workers in GCC Countries." *Cornell International Law Journal* (2013). Cornell University. Web.
- Pattison, Pete. "Revealed: Qatar's World Cup 'slaves'" *The Guardian* 25 Sept. 2013. Web. 20 Apr. 2015. <<http://www.theguardian.com/world/2013/sep/25/revealed-qatars-world-cup-slaves>>.
- Reich, Michael, David M. Gordon, and Richard C. Edwards. "A theory of labor market segmentation." *The American Economic Review* (1973): 359-365.
- Roper, Steven D., and Lilian A. Barria. "Understanding Variations in Gulf Migration and Labor Practices." *Middle East Law and Governance* 6.1 (2014): 32-52.
- Ross, Michael L. "Does oil hinder democracy?." *World politics* 53.03 (2001): 325-361.
- Ruhs, Martin. "Can't change one without the other': reforming labor immigration and labor markets in the Gulf." Blog post on The Compas Blog. School of Anthropology, University of Oxford. 27 March 2012.
- Russell, Sharon Stanton. *International migration and international trade*. Vol. 160. World Bank Publications, 1992.
- Saxena, Avinash. "Major Saudi-Bahrain Pipeline Contracts Set." *Gulf Daily News* 20 Jan. 2015. Web. 20 Apr. 2015. <<http://www.gulf-daily-news.com/NewsDetails.aspx?storyid=394259>>.
- State of Qatar. "Qatar National Development Strategy 2011~2016" 2011
- Toumi, Habib. "GCC to Study Alternatives to Sponsorship." *Gulf News* 19 July 2009. Print. <<http://gulfnews.com/news/gulf/bahrain/gcc-to-study-alternatives-to-sponsorship-1.501890>>
- Varia, Nisha. *Slow Reform: Protection of Migrant Domestic Workers in Asia and the Middle East*. Human Rights Watch, 2010.
- Whitley, Andrew. "Minorities and the stateless in Persian Gulf politics." *Survival* 35.4 (1993): 28-50.