

The Impact of Global Economic Crisis on Migrant Workers in Middle East

H.R.Uma¹⁺

¹University of Mysore

Abstract. The recent global economic crisis has affected all regions of the world. The drop in economic activity has serious implications for employment; in the worse-case scenario job losses could reach as high as 59 million. Migrant workers may face reduced employment and migration opportunities, worsening living and working conditions and increasing xenophobia. Within India, the migration to the Middle East has been from a few concentrated regions Kerala has contributed significantly to the outflow of workers to the Middle East. From the available estimates, it can however be clearly gauged that the majority of the migrants belonged to the unskilled and semi-skilled category while only 10 per cent were in the professional category. This paper tries to picture out the impact of present global recession on these migrants who are settled in Middle East.

Keywords: Migrants, Labours, India, Middle East, Global Economic Crisis

1. Introduction

The recent global economic crisis has affected all regions of the world. The drop in economic activity has serious implications for employment; in the worse-case scenario job losses could reach as high as 59 million. Migrant workers are likely to confront unemployment, rising precarious work conditions, and fewer overseas employment opportunities. The global economic crisis is posing new challenges for the world's 100 million migrant workers. They may face reduced employment and migration opportunities, worsening living and working conditions and increasing xenophobia. Although no massive return of migrant workers has been observed so far, the crisis is having repercussions on their earnings and the remittances they send home.

Contraction of the economy and rising unemployment may prompt destination countries to introduce more restrictive labour migration policies. Origin countries, which often heavily depend upon the remittances from migrant workers, respond to the impact of the crisis by exploring new labour markets and introducing reintegration and employment packages. To date, no mass returns of migrant workers have been observed, but new outflows from some countries of origin have slowed down. For example, in Mexico, the net outflow dropped by over 50 per cent between August 2007 and August 2008. Potential migrants, considering the high costs of migrating and reduced employment opportunities in the destination, have chosen to stay home.

At the same time, the number of returning migrant workers in 2008 remained similar to the previous two years. Voluntary return programmes implemented by destination countries have fallen far short of the targeted numbers. Migrant workers often choose to remain despite deteriorating labour market conditions in order to preserve social security benefits. The adverse economic and employment situation in the origin country also discourages them from returning. The depth and extent of the crisis varies across regions.

Labour Migration has moved to the top of the policy agenda of many countries of origin and destination. It is estimated that there are about 80 million migrant workers around the world. Three key determining factors will continue to fuel this kind of movement: the “pull” of changing demographics and labour market needs in many industrialized countries; the “push” of population, unemployment and crisis pressures in less-developed countries, and established inter-country networks based on family, culture and history. A large

+ Corresponding author.

E-mail address: umahr_mahesh@yahoo.co.in.

proportion of labour migration occurs in an irregular manner, with a clandestine industry ready to abet it. Increasingly, governments at both ends of the migration spectrum are developing regulatory mechanisms to manage labour mobility to their individual and mutual benefit, and that of the migrant.

In an emerging global scenario where the immediate future is viewed as the 'age of migration' this paper tries to detail out the trends, pattern of migration flow to the Middle East from India.

Since Independence, two distinct types of labour migration have been taking place from India. The first is characterized by a movement of persons with technical skills and professional expertise to the industrialized countries like the United States, Britain and Canada which began to proliferate in the early 1950s. The second type of migration pertains to the flow of labour to the oil exporting countries of the Middle East which acquired substantial dimensions after the dramatic oil price increases of 1973-74 and 1979. The nature of this recent wave of migration is strikingly different, as an overwhelming proportion of these migrants are in the category of unskilled workers and semi-skilled workers skilled in manual or clerical occupations.

2. Labour Migration to the Middle East

2.1. Pre 1973 Period

Although migrant labour flows into the Gulf region were considerably accelerated by the dramatic oil price increases of 1973-74 and 1979, the region's dependence on foreign workers dates to the oil induced economic boom which followed the initial discovery of oil on the Gulf shores in the early part of the twentieth century. Available evidence, indicates that most of these foreign workers were recruited from British India. Indians accounted for nearly 94.3 per cent of the total clerical and technical employees. It is estimated that by 1950, the large oil companies in the Gulf employed nearly 8000 immigrants from the Indian sub-continent (ibid).

Such large-scale recruitment of workers from the Indian sub-continent could be attributed to two factors: a) proximity of the region to the Gulf; and b) India being under the colonial rule, the leading oil companies, which were primarily British, hardly faced any procedural deterrents in transporting workers on a formal basis.

In addition to the formal recruitment channels, a large number of Indian workers reached the shores of the Gulf through informal methods. Evidence points to the fact that thousands of Indians, who reached Bahrain on their own, were absorbed by Bahrain Petroleum Company (BAPCO) during the 1930s and 40s. This 'loyalty' along with the hard working nature of Indians was one of the primary reasons for the preference which the Indian workers got in the Gulf labour market during this period

As far as the occupational composition of the Indians migrating to the Gulf during this period is concerned, most of the Indians absorbed by large oil companies were recruited as clerical staff, skilled artisans and as semi-skilled manual workers. In fact, Indians accounted for nearly 23 per cent of the total labour force.

The data clearly shows that out migration which a mere 4200 was in 1976, increased at a phenomenal rate through the late 1970s and reached its acme with more than 2.76 lakh in 1981. It then went on to decline in 1982-a decline which accelerated over the next few years.

Within India, the migration to the Middle East has been from a few concentrated regions Kerala has contributed significantly to the outflow of workers to the Middle East.

From the available estimates, it can however be clearly gauged that the majority of the migrants belonged to the unskilled and semi-skilled category while only 10 per cent were in the professional category. One of the estimates holds that 14 per cent of the migrant workers were employed in professional, technical and managerial occupations, while about two-thirds were semi-skilled or unskilled workers (Eevit and Zachariah, 1978). Such type of skill-composition among the migrant laborers may be explained by the structure of demand which prevailed in the Middle East labour market, more than anything else.

Both economic and political factors certainly have slowed down the flow of migrant labour from the major labour exporting countries to the Middle East. The decline was experienced by more or less all the

major labour exporters to the Middle East. In the case of Pakistan, annual outflow of workers to the Middle East declined from 141,416 in 1982 to 121,812 by 1987; for Bangladesh, the decline was from 62,186 in 1982 to 54,500 during the same period. In the case of Republic of Korea, the decline was more significant as the number of workers leaving for the Middle East declined from 151,583 in 1982 to 44,753 by 1986 (Amjad, 1989). This trend of decline in the outflow of contract workers to the Middle East was quite visible in the case of India also. Below Table depicts the trends in annual outflow of labour to the Middle East during the period 1982-1989 as measured by the statistics on emigration clearance.

Table 1: Annual Labour Outflows from India to the Middle East: 1982-89

Year	Number		Year	Number
1982	224257		1986	109234
1983	217971		1987	121812
1984	198520		1988	165924
1985	160396		1989	125786
<i>Source: Ministry of Labour, Government of India</i>				

It is very clear from the available data that the outflow of workers engaged in construction activities, skilled and unskilled taken together, declined not only in absolute terms but also as a proportion of the total out migration. This can be attributed to the completion of major construction projects taken up during the boom period and also the cut in expenditure on construction followed by many Gulf States. In contrast, the percentage of skilled workers engaged in non-construction activities and also of white-collar workers and of high skill workers have registered an increase, showing clearly the changing demand pattern in the Gulf labour markets. The need felt in the Gulf States for more and more investment of social overhead capital is shifting the demand for manpower towards professional and technical categories and away from unskilled and semi-skilled labour. It is now up to the labor exporting countries to gear up to this changing labour market scenario.

Another important development that took place in the Gulf labour markets during this period was changes occurring in the supply-demand equations of the migrant laborers. The Gulf labour market experienced a decline in demand for migrant workers during this period. However, in the meantime, viewing the Gulf as an important destination to earn valuable foreign exchange resources, many labour surplus Asian countries entered the fray of supplying manpower to the Gulf labour markets, the outcome of which was the emergence of an excess supply of labour. The main effect of the reduction in demand coupled with the excess supply was immediately registered in the Gulf labour markets through a reduction in wages and salaries. There also took place large-scale freezing of fringe benefits and other perks.

The oil glut in the early 1980s resulted in a reduction of development expenditure in most Middle East States which had an adverse impact on the demand for labour, thereby slowing down the flow of migrant labour into the region. Besides, most of the construction activities which were taken up in the Middle East in the 1970s and which employed large number of migrant workers had been completed by the 1980s resulting in large-scale displacement of the guest workers. The apprehensions were further aggravated by the events relating to the Gulf crisis of 1990 which forced nearly 1,60,000 Indians to return home from the war-zones in distressed conditions (Varma and Sasikumar, 1994). It is also important to note that there has been a clear shift in the pattern of labour demand in the Middle East - a shift away from several categories of unskilled and semi-skilled labour and towards service, operations, and maintenance workers requiring higher skills - thus generating new opportunities for labour exporting countries.

Table 2: Annual Labour Outflows from India to the Middle East: 1990-98

Year	Number of Persons
1990	143565
1991	197889
1992	416784
1993	438338
1994	425385
1995	415334
1996	414214
1997	416424
1998 (upto Oct, 1998)	355164

Source: Ministry of Labour, Government of India.

Apart from acting as a 'safety valve' for the massive unemployment problems at home, migration to the Middle East would continue to be an important source of foreign exchange for a country like India faces severe balance of payments problems .

The decade since 1973-74, saw a dramatic increase in the number of migrant workers in almost all the oil exporting Gulf States. Overall the number of migrant workers in these countries rose from 800,000 in 1972 to 1.71 million in 1975 and further increased to an estimated 2.82 millions by 1980 (Birks and Sinclair, 1980; Demery, 1986).

In the Middle East and North Africa, the economic growth rate registered a 6.1 per cent rate in 2007. For 2008, the rate is predicted to be 5.6 per cent. It is expected to only decline to 2.3 per cent in 2009.

The large financial reserves accumulated in recent years by oil-exporting member countries of the Gulf Cooperation Council (GCC), which enabled them to intervene to sustain economic activity, helped to mitigate the effect of the crisis in the region. Projected GDP growth for the GCC countries is expected to be 0.7 per cent in 2009 and 5.2 per cent in 2010A low degree of integration in the global economy, effective policy responses, and the limited exposure of the banking system to structured products helped these countries avoid a major downturn in economic activity. Reductions in exports, foreign direct investment, tourism, and remittances are the major vehicles transmitting the crisis to countries of origin in the region. No massive returns from any of these destinations have been witnessed to date. It can be presumed, however, that from the perspective of origin countries the impact should be felt in two ways. Some returns, in a limited scale, are bound to happen. This will apply to workers employed in countries that link employment contracts to residence permits. If they lose their jobs as a result of the crisis, workers will have to return to their home countries. This is the case of workers employed in the Gulf countries. Migrant workers whose employment contracts and residence permits are not linked are likely to sit out the crisis in their countries of destination.

It is clear that the global economic crisis has had a negative impact on migrant workers' employment and migration opportunities. Yet, the absence of data on the volume of migrant workers and the numbers of those who have lost jobs presents a challenge in understanding fully the impact of the crisis. Little information also exists regarding the employment conditions of migrant workers, who may be willing to take precarious work conditions and pay cuts rather than face unemployment.

Research has repeatedly brought out that the segmentation of labour markets makes the vast majority of migrant workers take up jobs that natives in destination countries spurn or make themselves unavailable for. These are low-skilled, low-paying, jobs, including in the informal economy. There are also highly-skilled jobs in sectors where native labour supply cannot keep up with demand, such as health and education. Uncertainty and threats to livelihoods can make the most perceptive individuals and organizations blind to reality.

In addition to perceived competition for jobs, times of crisis are fertile grounds to publicize identities ideas and dogmas. Groups always exist who seize upon these opportunities. Migrant workers and their families thus become victims of discrimination and fall prey to violence and xenophobia. In reality, the interests of the host societies and populations to promote social stability and the integration of migrants also become victims of such heinous acts.

Regional differences in the impact of the crisis indicate the necessity of adopting measures that specifically address the regional and national context. Bolstering social protection measures and implementing immigration regulations responsive to labour market needs would benefit both destination and origin countries in all regions.

3. Reference

- [1] Ibrahim Awad, Director of the International Migration Programme at the International Labour Office, published a new study entitled "*The global economic crisis and migrant workers: Impact and response*".
- [2] Cerna, L. (forthcoming) *Policies and practices of highly skilled migration in times of the economic crisis*. Geneva, ILO.
- [3] ILO (2009) *Global employment trends, Update May 2009*. Geneva.
- [4] J. Passel and D. Cohn. (2009) *Mexican Immigrants: How Many Come? How Many Leave?* Washington DC, Pew Hispanic Center.