SECTION IV

Reasons of Decline of Manpower During 2016

Major reasons of Declining the Pakistani Manpower in GCC Countries

A) General Reasons of Decline:

- Slumping oil prices have severely affected the countries in the Gulf Cooperation Council (GCC). This has lowered government revenues which have negatively affected spending plans and decline of manpower is also observed in India during 2016.
- The internal situation of Middle East, especially the Yemen war created economic hurdles especially for Saudi Arabia. Saudi Arabia had the "world's third largest military budget, trailing only the U.S. and China is creating burden on its economy.
- During the FY 2015-16, 618,650 Pakistanis proceeded abroad through Overseas Employment Promoters. In the same period, 812,074 demands were received. The difference between demands and permissions indicates the lack of matched manpower demand from Pakistan.

B) Reasons of Manpower Decline in Saudi Arabia.

- Kingdom of Saudi Arabia (KSA) took laws for the first time in history in order to support its dwindling economy. The Kingdom of Saudi Arabia (KSA) slashed its transport and infrastructure budget in 2016 by 63% compared to 2015. The world's biggest oil exporter is projecting a budget deficit of $87 billion in 2016. The higher budget deficit leads Saudi Arabia to cut down the development projects. Due to aforementioned reasons, Saudi Arabia approached the World Bank for economic assistance for the first time in history.
- Saudi Arabia's public departments have delayed payments to the government contractors and they seek to slash contract prices. Late payments have posed challenges to the construction industry. The previous year witnessed an increase in commercial disputes.
- After emerging this issue, many workers including Pakistanis returned to their native countries on their own. Though the number of returnee emigrants was minor (between 5000 to 11000) but media focused this issue to a large extent and due to media hype, there was a psychological impact on people and they are now hesitant to go to GCC countries. This situation directly disturbed the salary structure of the workers. Due to the impact of low salaries, people were reluctant to go especially to Saudi Arabia.

- The government sector dominates the Saudi economy. More than 70% of the workforce is employed by the government. Due to cut in Government spending's on construction related projects, it affected the labour class and our data in previous tables is testifying this fact because major decline is seen in labour category. Decline in labor category correlates the decline in construction activities.
- The **kafala system** means sponsorship system, is a system used to monitor migrant laborers working primarily in the construction and domestic sectors, in Lebanon, Bahrain, Iraq, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. The system requires all unskilled laborers to have an in-country sponsor, usually their employer, who is responsible for their visa and legal status. The Kafala system further discouraged the emigrants to go to aforementioned countries.
- The strict labour laws, the mandatory stringent kafala system & the strained/imprisoned emigrants are the major reasons of manpower decline in GCC countries.
- In Q1 2016, the construction contract awards in Saudi Arabia dropped by 51% as compared to Q1 of 2015. Due to decline in constructions contracts, a major decline was seen in labourer category.

C) Reasons of Decline in UAE and other GCC Countries.

- In 2016, the magnitude of investments made by Pakistanis in the commercial capital of the UAE has dropped significantly.
- According to the Dubai Land Department (DLD), the share of Pakistani investors in the Dubai property market in 2016 stood at AED 4.4 billion ($1.2bn), a 42.8 per cent decline compared to the previous year. The major reason behind a decline in the investment of Pakistani citizens was a fear that the UAE government would share their bank details with the Pakistani government.
- Oman expects 11% decline of overall spending and 18% reduction of project investments in 2016.

Prepared by:
Muhammad Muzzammil Basraa
Research officer
Bureau of Emigration & Overseas Employment.