

Advantages of expatriate labour economics essay



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Many researches in UAE have shown that this is only region in the whole world which is mostly dependent upon the non-national labour i. e. labour from other countries. The main reason for this is considered to be the demographic imbalance in the region. These non-national labours are also called as temporary labour. On one hand, these relationships are beneficial for the country, while on the second part, it has given rise to many issues as well. Indeed, this is considered to be one of major challenges both for government and the citizens as well. The ratio of non-national labour to national labour is very easily noticeable. The labour markets are highly partitioned and consumption of productive technologies is very limited. The labour assigned is very cheap and elastic. Sometimes, demographic imbalance and country's national demographic profile are considered to be two different issues, but directly or indirectly they are linked with each other, affect each other. Talking or discussing about one will somehow point to other. Researchers have shown that the policy makers are not concerned about reducing the number of such non-national labour which is no less than like foreigners in the country.

This issue is a major concern for one more reason as well. The reason is the response of the higher authorities which are ruling the states. The responses of all the states have added to the demographic imbalance in one way or the other. Some of them have increased the salary of the government employees, even by 100 percent without caring about the merits. As a result, the newly graduates will be inclined more towards the government sector or public-sector jobs, and the private sector will continue to require more non-national staff to accompany them.

During the Arab Spring, the protestors who called for the reformation in the GCC were the nationals only and they demanded for more government jobs. With this we can see that demographic imbalance is an emotional issue, but the main growing concern is that it affects the employment of nationals.

DEMOGRAPHIC IMBALANCE IN UAE AND HOW IT IS AFFECTED BY EXPATRIATE LABOUR-

Now we study the demographic imbalance in the country. The total population has been increased by a considerable rate within half a century. In 1950, the overall population was 40 million and by 2005 it was increased to 40 million, which is considerably a very frequent population increase in all over the world in that period. Even in five years, the population has just doubled in UAE i. e. from 2005 to 2010. It is estimated that by 2020, the population will grow another third. Particularly with the workforce, the demographic imbalance is noticeable in all the states. It is most in Qatar and UAE. Both these economies are richest across all natural-resource-wealth countries as well as have vast economic diversification projects going on in the nations. So, both the economies will continue to require large number of temporary non-national labour because these nations have a very small amount of workforce and inadequate number of good skilled labour. (Labour Law in Dubai UAE, 2012)

We cannot say that there is a good amount of employment provided by these countries. It is said that unemployment is prevailing in the young nations at a high rate. The public sector is not able to put the young, yet to be employed people, to employment and this applies to a majority of the people. Unemployment is the biggest issue across the gulf. In Saudi Arabia,

the government provided many facilities in the public sector and increased wages, somewhere to 100 percent. But all these pieces of bates were not enough to fight the unemployment. This led to many unexpected consequences. Many employees of private sector left their firms and companies in order to take advantage of the facilities provided in the government sectors. This resulted in per capita resource to be lowest in the countries like Oman, Saudi Arabia and the three GCC nations.

Issue of demographic imbalance has become a topic of discussion among the citizens. It has also become an issue of serious concern. In a survey in 2007, 600 Emirates were surveyed and the demographic imbalance in UAE was ranked the top most imbalanced nation regarding its demography and also as a big and serious future challenge for the citizens as well as the government. After so many comments by the media and the public statements, many government agencies are now trying to take the measures to reduce the risk and consequences of the issue.

Due to extraction of hydrocarbons on large scale, no colonial power showed interest in getting involved in the affairs of the country which was semi-nomadic in its population. Even under the rules of Dutch British and Portuguese etc. There was no noticeable change in the migration. The life remained unchanged for centuries and no colonial rule for long time.

In early seventies, the country developed with a rapid rate hence number of foreign residents also grew at a frequent rate. People wanted work from demand as well as from supply side. There is a huge inflow of migration in the GCC because there are very few rules which exist to regulate the

foreigners in the country. The foreigners will always be considered as temporary migrants only, not the immigrants. In other countries, there are some legal formalities and rules and regulations for naturalization. But GCC is rule fee. (Is UAE still attractive for expatriate workers? , 2011)

The Arab rulers had great ambitions and development plans at the time of independence. At that time new nation states were emerging out and they required manpower and skilled workforce in a great quantity and quality, which were inadequate at that time. This led to migration inflow of foreign and unskilled labour in the nation. At that time there was a lack of strategic planning for migration and the focus was only on the development of the infrastructure in the country and services. This developed an economic development model, which emphasized on the deployment of non-national workers. This created an effective system in which income was drawn from the citizens not from the merits. This ability to shelter labour and buy technology and knowledge revealed that human-capital is not the key priority every time.

There were some more positive effects of unregulated migration. It created a very high and good standard of living. The domestic employees in the gulf are more than the family members in many households. 96 percent of people employ domestic help to grow their children and these workers have to perform 80 percent of the task done by the parents and carry out their responsibilities. This shows that people in these nations are dependent upon the foreign and non-national labour and they impact them directly in one way or the other.

There are some political impacts of demographic imbalance as well, which must not be ignored. In 1950s and 1960s, the migrants also brought political ideas with them which proved to be challenges before the ruling powers of the gulf. The migrants like Egyptians and Yemenis, spread ideas of socialism, Nasserism etc. These challenges were faced and defeated by the new emerging states, after 1970. These states brought development and new leaders among public who brought up local conservative nationalism. They also gave rise to neoliberalism. Due to this, the political invasion of non-nationals was decreased during the period of 1970s and 2000s. The migrants became just the temporary belongings and not of so much importance and were no more a challenge to the ruling powers of the nation at that time. This strengthened the political powers of the monarchies of the gulf and at present they are quite powerful than they were in the earlier time. The migrants now play a significant role in the economy, government provision services and in contracts between the common people and the rulers. They are benefitting the by their cheap employment and domestic staff.

Depending upon the foreign labour has also become crucial to key infrastructure as well. Today, the population is more from the Indian subcontinent. This may further put an impact on the foreign as well as domestic policies of UAE as in India, the economic and military will continue to grow. (Moving to The United Arab Emirates, 2012)

If there is a large migration, then there is some cost of migration as well. The cost of migration can be measured in terms of-

Remittance outflows.

Labour-market rigidities.

Infrastructure costs and

Low productivity levels.

There is some risk to the society which is difficult to measure but it may include losses like culture, their values and norms and their language. It may affect other factors like increment in crime, hatred, may affect civil unrest and may also leave an impact on foreign policies of the nation.

It is clear that non-nationals are required, but it would be good for any country, including UAE, to stop depending on them completely as a source of rent. However, on the other hand, the demographic imbalance is a necessity, both in terms of economy and life style.

There are some policy options and responses, which are equally important to be considered. These policy responses can be featured in three ways-

Labour- market nationalisation in the country.

Educational reforms in the country.

Change in the sponsorship system which is going on.

The nationalization policies seem to be failed today. These policies may be considered as incomplete successes or complete failures. The demographic imbalance needs considerable reforms at two levels- regulatory and societal levels. These can be realised only if there are major changes in the economic model as well as in the ruling bargain. These transitions are beneficial, but

this is also known that every transition does not benefit each and everyone. Some might have left behind due to skill sets which are not enough. Yet, there are no such solutions which can be put forward. Those solutions which were quite considerable were not agreed upon by the private sector. One of the approach which emerged out as a solution was to allow the non-nationals to stay maximum for 6 years. This was a costly approach and would only replace one group of non-nationals with other. (UAE Government Announces Changes in Expat Work Visas)

The demography is affected by various factors like birth rate, death rate and migration. These factors are also responsible for demographic change. In some of the GCC countries, the frequent drop in birth rates may be reduced by pro-nationalist policies. The rate may even be accelerated, like in Oman, where there are many campaigns to promote birth. But the imbalance can be addressed by managing the migration properly and more closely and regulating migration in different ways. This situation is very unique and hence needs unique solutions. There are many things which are taken care in demography rather than just aiming at reducing the number of foreigners or regulating them or decreasing their rate of growing. It must also ensure safety to the citizens by mitigating the risk factors and by increasing their standard of living. It is always a question that regulating the foreigners and making the citizens risk free can work together for long term or not.

One of the approaches in labour market is professionalization and development of skills in the workforce. These changes will surely have positive effects on the GCC countries to stand internationally and on reality on the ground as well. The technologies for labour saving would reduce the

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need for the unskilled manual labour and would enable the private sector to pay good salaries. Any policy which results in profits and acceptance of private sector among the jobseekers would decrease the number of the foreign non-nationals required. Many countries which are developed provide vocational training and adopt strict standards for profession, have blue-collar work function, which enhance the reputation of the craftsmen. They also provide diploma programs and short-term certificate courses, which also very important.

In publically available policy documents, one aim is mentioned again and again is to increase the workforce in the citizens so that they can become more selective in the selection of foreign workforce.

Advantages of expatriate labour in the UAE-

Everything has some or the other advantage of it and there are many advantage for the expatriate labour in the UAE. The main reason that why lots of people are attracted to work in UAE is that lots of opportunities are there in UAE. Many amazing job opportunities are available for the people and with a better lifestyle for them. There are seven states in UAE and all are considered as very good place for the people for job, according to some data it has been found that nearly 50% of the population in Dubai consists of expatriates' population and this data clearly tell us that how people from different countries are attracted to work in UAE. Dubai has also showed a great growth rate and due to this more job opportunities are being created for the people and not only job opportunity but also many business opportunities are increasing in Dubai. One of the most important factor in the attraction of the people towards this region is that no tax is taken from

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the employees who come from different countries, this is the most important factor that why people are so much attracted to work in UAE. This can be well imagined that if people don't have to pay any tax then their earning will be more and their living standard will automatically improve. Also there are many free zones created in Dubai so these free zones attract more and more global companies are attracted towards Dubai and hence more and more job opportunities are being created. So it can be seen that lots of advantage are there for those who are living in Dubai so many people are migrating towards UAE and hence here we have community with multi-racial people and all lives in harmony with each other. Also the family of the people who are coming from other countries will not feel homesick because there are many spots to visit which will not make them feel that they are away from home. There are beautiful social scenes; there are clubs for sports, bars, restraint and many such things. There are lots of good schools; also the crime rate is very low so people will feel comfortable in living there and as everyone knows that there is no income tax which is the main factor which attracts people towards UAE. As we know that there is low taxation and due to this it has a positive impact on the cost of the number of items. The items include vehicles, electronic goods and many local products. The utilities are also much cheaper than many countries because government provide the facilities of subsidy on many products like electricity, gas and water. So people get double benefit as they don't have to pay the tax so they have greater savings and since the products are less costly so they can buy more things and still can save lots of money. Also English is widely used in UAE so people coming from other countries don't have problems related with language as almost everyone can speak and understands English so no

problem related to communication is there. So these were some of the advantages which attract people to work in UAE and hence many people are migrating to UAE.

If any expatriate wants employment then he has to fulfil some pre-requisite like for employment the expatriate employee have to made an application to give to the labour ministry in the UAE, the application must be approved by the labour ministry ahead of the employee enters the UAE. The validity is for three years and this can be renewed for the same time period.

An employment contract is necessary which include the employment date, date of contract, nature of the contract, terms and conditions. Contracts may be of two types, limited and unlimited employment contracts. In the limited one the contract is for some limited period of time and tells the start and end date, it can be renewed. In unlimited type, there will be only start date but no end date. The contract will only be terminated if any party wants to terminate it, for this they have to give a 30 day notice to the opposite party.

There is an article related to the test period of the employee in the law. The test period can only be for six months and during this period the employer or the employee can terminate the employment contract at any time without any compensation.

The law also state many safety measures for the employee's health. The law says that every employer has to provide every safety measure for his employees and a first aid kit should always be available if some incident happens. The employer also needs to provide the facilities like food,

transportation, means of entertainment and many such things are been provided by the employer.

The law says that the contract can be terminated in many situations where both the parties want to cancel the contracts by mutual understandings. All this has to be done according to the rules given in the law. Every method and reason for termination is given and the related rules are provided which can be followed to terminate the contract.

Disadvantages or the inconvenience for the expatriate labor in the UAE:

Above were the advantages for the expatriate labour who are living in UAE, but with advantages everything also have some disadvantage also and here it will be discussed about the disadvantages related to the expatriate people living in UAE. We have seen many advantages which are attracting people towards UAE but recently it has been found that there has been a good increase in the living expenses for the people, which is a big disadvantage for the expatriate people in UAE. The rate of houses has gone to touch the skies and the housing facilities have become very expensive. It can be said that the cost of housing has increased so much that it can be compared with the cost of house in the central London; this is the major drawback for the people living here. The reason for the increase in the cost of living for the past two to three years is due to high rate of inflation in UAE in this time period. With the help of a some data collected it can be verified that there is lots of increase in the inflation and the data show that the inflation rate has gone from 9% to 15% which is very much increase in the inflation rate. So it can be easily said that the overall cost of living of the people is increasing

which is a big disadvantage for the expatriate in UAE. These problems mainly exist in Dubai but Abu Dhabi the neighbouring place of Dubai has less modernization but here also many problems exist for the expatriates. The main problem is that people from outside can't buy places that is they cannot have places of their own so that they can build their own house. Due to this problem all the people have to live on rents and the rentals in Abu Dhabi are very high and according to data it has been found that the rent is around 15% higher than Dubai. Also a tax called VAT is implemented in this region. VAT stands for value added tax and it is implemented on the items which are used by the consumer on daily basis and this tax is applicable on almost everything. Some more disadvantages for expatriate living in UAE are that the overall cost of living in recent years can be comparable to major cities like London and New York, the unmarried couples can't live together, no free schooling for the expatriate children is provided, the worker can't live for forever in UAE, the workers can't change their jobs as frequently and as freely as they do in their home country, lots of rules and regulation are there if any employee wants to change his job. The working hours may be longer than the hours people are used to work also there may be some miss-match related to culture in or outside the workplace. So these were the disadvantages which suppress the advantage of working in UAE and people who want to work here will have to properly analyse all the disadvantages over the advantages. (Disadvantages of Working in Dubai)

Conclusion:

Here is the conclusion and it will contain the summary about the labour law in UAE and what are its effects. The Labour law is valid to all emirates of the

UAE; it is a federal legislation and is imposed by the ministry of labour and social affair. In this law some litigation are adjudicated by the federal and local courts of the UAE. The labour law is applicable on all the staff and the employees who are working in the UAE and it does not depend that they are UAE nationals or expatriates.

This law covers all aspect related to the relationship of employer and employee, also includes the contracts of the employment, restriction on the employment of women, maintenance of the files and records, rules related to leave, number of working hours, care related to medical, safety of the employee, termination of the contract and many other aspects are covered in the law.

The law says that the work done by the employee should gain him some benefits, that is he should be given wages for his service and the wages can be any form like cash or they can be per year, weekly, on monthly basis or hourly or any other method. If some incentive and other benefits are mentioned in the contract then these are also given other than the wages. The basic wage means the amount specified in the contract and this amount was specified by both the parties and both the parties agreed for the specified basic wage. The UAE law does not specify any minimum wage for the employees and the wages can be paid in any currency as specified in the contract.

The labour law also has some guidelines for the part time workers, the students from college and university are allowed to work part time with certain conditions given by the labour ministry. The expatriate worker who is

of 18 years or above can take a permit for short term like he can take permit for 60 days and this is a new rule by the UAE labour ministry.

The employment of the youth under the age of 15 is a crime and is banned in UAE, but the people in the age group of 15 to 18 can work by taking permission from the labour ministry, but there are many restrictions on their employment. The women can't work from 10 pm to 7 am, working in this time period is banned for women's.

The law clearly defines the number of working hours for the employee, the working hours vary according to the category of the employee. The adult employee can work for a maximum of 8 hours per day or we can say 48 hour a week but this can be increased to 9 hrs a day for some specific jobs like jobs related to hotels, guards, cafeteria and trade. If the employee needs to work on a weekend then he should be given off during the week time as a substitution.

So we have seen many advantages, disadvantages and many aspects of the labour law and it can be said that despite of many advantages the one who wants to migrate to UAE must ensure to analyze the disadvantage and also have a proper study of the labour law and all the points under it should be properly studied, analysed, and then it should be decided that he need to migrate or not. Different people have different requirements and living conditions and so some people will find it beneficial to migrate to UAE and some of them rather will prefer to work in their own country and deciding not to migrate to UAE.