



**International Labour Organization
ILO Regional Office for the Arab States**

MAGNET
Migration and Governance Network
An initiative of the Swiss Development Cooperation

**Proposal for a Policy Dialogue
on Jobs Creation, Labour and Employment Aspects of the Kuwait
Development Plan**

Draft

Proposal for a Policy Dialogue on Jobs Creation, Labour and Employment Aspects of the Kuwait Development Plan

To support the implementation of the Kuwait Development Plan 2015-2020 (KDP), the Government has requested ILO's technical assistance to assess some of the KDP's implications for labour market and migration governance.¹

The KDP development model stands to impact, through social and economic transformations, the quantity and quality of jobs the Kuwait economy is likely to create in the medium to long term.² Policy makers may therefore need to be aware of its implications for the creation of productive jobs in order to increase the labour market participation and employment prospects of the current and future national labour force.

The response of the labour market of nationals and non-nationals to development policies and productive transformation in the economy depends on three main factors, which interact with the model described by the KDP, and affect the capacity of the plan to achieve its objectives:

- First, the replacement demand of laborers depends on the jobs made available by generational exits from the labour market (workers who retire over a certain period).
- Second, in the short term, the education and skills development system will affect the competencies and skills base of the national labour force in Kuwait (youth, first entrants, as well as adult workers). In the longer term, the related institutions will coordinate closely with the KDP model in aligning the capabilities of Kuwaiti nationals to jobs created by structural and technological transformations in the economy.
- Third, labour market policies and institutions, such as active labour market policies, as well as the system of incentives and regulations will play a role in increasing employment and participation of Kuwaitis in the labour market.

Ultimately, the quantity and profile of jobs and employment patterns resulting from the KDP model will shape labour immigration, and specifically the quantity and quality of foreign labour requirements.

The main objective of the collaborative effort between the Government and the ILO is to conduct an appraisal of various policy options for the plan, by emphasizing diverse and distinctive labour market implications. By shedding light on the level and composition of labour demand across the occupational categories, ILO's work will be

¹ Her Excellency Rola Al-Dashti, Minister of Planning of Kuwait requested through a letter that the ILO provide technical assistance to the Government of Kuwait to understand the labour implications embedded in the KDP. The ILO mobilized assistance through its Project "*Improving the Governance of Labour Migration in the Middle East (MAGNET)*", funded by the Swiss Agency for Development and Cooperation (SDC).

² The notion of a development model and development policies used in this note, for practical purposes, coincides with the spheres of policies addressed by KDP. The plan aims to transform Kuwait into a regional trade and financial hub through sustained economic development, both in terms of growth and diversification.

designed to help derive implications for labour migration, expressed through concepts such as lack of domestic supply and need for foreign workers. Consequently, for achieving the target of nationalization envisaged in the KDP, the proposed ILO input would be to support analysis of the options for structural transformation and technological development, and provide guidance on the industrial and sectoral policies as well as education and training policies that can be expected within the country-specific context to absorb nationals.

The methodology used revolves around an interactive approach between the ILO and the Government, for the ILO to better qualify national interests on the employment of Kuwaitis and non-nationals in the domestic economy. To achieve this, a policy dialogue with the Government is proposed at both management and technical levels. The policy dialogue will revolve around a three-step approach:

1. Consultations with decision makers and key technical officers of the Government - Ministry of Planning, Ministry of Labour, and other line ministries and Government Agencies involved in the formulation of the Plan - to understand current employment targets and envisaged structural transformation goals.
2. Applied research and preparation of policy papers prepared jointly by ILO experts and Government advisors to explore options and scenarios for productive transformation of the economy that help the country to achieve development, job creation and employment objectives, and to identify country-specific policy options and their related constraints; this will take into account analysis of both capabilities for investment and for deploying revenues from natural resources for financing productive transformation; and
3. Preparation of a technical note consolidating the discussions and research, which would aim at providing practical policy design guidelines for targets related to productive transformation and the labour force nationalization and expatriates' requirements. The note would include policy options on how to reach them, a sequence of proposed measures, as well as pros and cons and trade-offs of different options.

One of innovative aspects of this approach is to quantify labour impact variables, so as to provide a tool to discern differences between the intentions spelled out in programming documents and the reality emerging from observing Kuwaiti economy and society.

The Dialogue will also be an opportunity to better understand how and to what extent prior economic policies have contributed to achieving the productive transformation and labour market targets. This appraisal will not only be useful to understand what has worked and what has not in Kuwait and in similar contexts, but also to quantify if, and to what extent, past policy measures had an impact on labour market aggregates, and specifically on the incidence of foreign workers in the labour force. The analysis undertaken by the ILO will also aim to provide some guidance for formulating recommendations for a wage policy consistent with Government objectives.³

³ Conscious of the complexity of the challenge to be addressed, the work on scenario building aims to inform the decision making process, looking at how and to what extent labour market aggregates change as a result of economic and socio-demographic factors, under certain assumptions.

In order to initiate this policy dialogue, ILO proposes a mission of experts to Kuwait for an initial consultation on the KDP, that will allow for alignment of the proposed intervention with the deadlines to be met by the KDP team. Items to be discussed by the mission and the proposed subsequent research are annexed to this note.

Annex: Issues to be discussed as part of ILO mission and ensuing research

1. Analyze the current situation and challenges of the Kuwaiti labour market and its institutions. This would include:
 - An examination of labour market implications of existing macroeconomic policies, as well as priorities and objectives of the Government for the following programming period(s).
 - Conducting a socio-demographic analysis of labour market aggregates through a stock-flow methodology, together with the study of the long-term dynamics between economic trends, population and employment. This would include an analysis of generational variations of labour market aggregates.
 - Undertaking labour market analysis for the period 2007-2013, highlighting the occupational segmentation of national and non-national workers. The analysis would also focus on defining the “skills” variable, to understand how education, training and work experience affect a highly segmented labour market. Furthermore, the analysis would examine the composition of exits from the education system and from other VET streams, and how these are mirrored in the entries into employment.
 - Pursuing analysis of labour market policies and institutions, stressing coherence of incentives (institutions) for the private sector to make use of nationals (the labour demand side) and for Governments to invest in education and training of nationals (the labour supply side);
 - Carrying out an analysis of further economic and social policies and institutions affecting quantity and quality of national and expatriate workers’ employment.
 - Undertaking analysis of impact of the past plan(s) in terms of: i) diversifying and shifting of sectoral targets; ii) decreasing reliance on foreign labour; iii) addressing the demographic imbalance; and iv) understanding the response of labour market aggregates to economic policies.
 - Providing a note describing the set of policies and institutions composing the “national migration policy”.

2. Collect and appraise, and where appropriate and justified, develop new national case-studies that describe and analyse productive transformation patterns and labour market measures relevant to the Kuwaiti context and its policy orientations.⁴ This may include:
 - Successes achieved in reorienting the composition of investment towards high-productivity/high-wage private sector employment among nationals

⁴ An ancillary concern here is that making jobs attractive may require a policy to gear a cultural change in which employment is promoted beyond its economic implications, as an integral part of personal realization and fulfillment. This can be seen as a strategic partnership between the Ministry of Labour and the Ministry of Education.

enabled by high quality and relevant education and skills development system. Kuwait is a resource rich country that is highly dependent on oil-extraction and related industries. Based on the objectives identified by the Government, our collaborative effort will analyse options for investment, trade offs and synergies as well as constraints. It will also look at financing productive transformation and the different options the State has to deploy the revenues from exploiting resources, looking at consequent economic transformation and job generation conducive to engage nationals in employments.

- Strengthening of public sector recruitment systems based on merit and relevant competencies.
- Ensuring that migration targets are consistent with socio-economic measures and employment policy objectives.
- Establishing an active policy of structural transformation, job creation and employment that coherently favors the achievement of employment targets under the development objectives.
- Appraising the impact of fees, admission and other administrative policies on the long-term socio-economic objectives pursued through the plan, as well as the general regulatory framework to govern the labour market of expatriates.

The dialogue will therefore:

- Identify strategies in the move towards the knowledge economy in a way that will also improve the welfare of the citizens through productive and decent employment.
- Develop innovative actions in the KDP that would better align economic outcomes with labour market outcomes through industrial and labour market policies and programs aiming at an efficient and equitable “Kuwaitization” of employment.

Help to select strategic recommendations aiming to bridge the gap between production *requirements* by a knowledge-based and globalized economy, with the aspirations of citizens. The ILO would provide input to set quantitative targets on i) Nationalization of the labour force and ii) Incidence of migrant workers, together with an appropriate system of hypothesis. When quantitative targeting is of limited use, the exercises proposed will help shed light on “the direction of change” produced by economic policy on labour market aggregates.