

When rentier patronage breaks down: the politics of citizen outsiders on Gulf oil states' labor markets

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Abstract:

In oil-rich Gulf monarchies, fiscal constraints and demographic growth are leading to the exclusion of young citizens from the established social contract as government jobs – the dominant channel of patronage in the region – are becoming unavailable to them. We show that such outsider citizens constitute a new, politically consequential social class that is exposed to a much less attractive private labor market where they compete with low-cost migrant workers. The dualization of labor markets for citizens provides a new lens for understanding regional political unrest since the late 2000s and new group interests emerging around labor and migration policy, in which labor organizations representing outsiders have started to display solidarity with migrant workers. The new insider-outsider cleavages require a revision of rentier state theory's claims about (the absence of) class formation and the role of inequality in rentier politics. They help us expand and refine Eurocentric theories of labor market dualism.

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I. Introduction

In 2020, the number of Saudi civil service employees grew by 10,165 to a total of 1,273,535 individuals. 13,316 employees – a mere 1.04% of the incumbent stock of civil servants – left the civil service, mostly due to retirement. Adding up the two figures tells us that a total of 23,481 new civil servants were hired.¹

This compares to a number of about 400,000 Saudi citizens reaching working age every year. This rate of government hiring would be considered low in most wealthy countries. It is miniscule by the historical standards of the Saudi rentier state, where the government for decades used to absorb the vast majority of job-seeking citizens. While the historically accumulated stock of Saudis in public employment remains huge – far above the typical share of public employees in both advanced and developing countries – citizens who newly enter the job market nowadays have only a small chance of joining the bureaucracy.

As this paper will show, this drastic disjuncture between government employee stocks and flows reflects a reconfiguration of patronage systems that has been underway since the 2000s across the Gulf rentier states, especially in Saudi Arabia, Bahrain, and Oman, countries with relatively lower oil rents per capita. It has accelerated in recent years due to fiscal constraints resulting from low oil prices combined with continued growth of the working-age citizen population. The result is the exclusion of a new generation of citizens from the established social contract, of which government jobs are by far the most important fiscal and social component.

Citizens increasingly have to make do on the private labor market, hitherto dominated by migrant workers. Nationals do enjoy relative privileges in this market through national employment quotas and access to citizen-only welfare mechanisms. Yet the sheer size and low cost of migrant labor makes it difficult for citizens to effectively compete for private jobs, let alone attain the easy working conditions and high wages available in government. GCC labor markets have come to be doubly segmented between insider citizens, outsider citizens with much smaller material privileges, and migrant workers as the ultimate outsiders.

This paper investigates the political economy of newly emerging labor market divides among GCC citizens that have hitherto been undocumented in literature. It spells out and empirically investigates implications of these divides for politics in two key areas: a) post-2010 political protest across region, with Bahrain and Oman as core case studies and b) the discussion and negotiation of labor and migration policy, with Bahrain as the main case study. In both fields, insider-outsider distinctions have become salient. In post-2010 protests, citizen outsiders and their specific demands for government jobs and for insider-level labour rights and welfare have played a central role – ahead of strictly political demands. In labor and migration policy negotiations, outsiders have interests that are different from those of insiders, and at least in the case of Bahrain, they pursue them collectively when allowed. While opposed to increased migration, outsider citizens demand improved labour rights for foreigners so as to not be outcompeted by them – the mirror image of labour market insiders’ (and private employers’) interests, who want large numbers of easily controlled migrant workers.

While existing literature has identified socio-economic grievances as key for protests in Bahrain and Oman (Louër 2015; Moritz 2018; Valeri 2015; Wright 2010), dual labour market

structures have not been identified as specific driver. The concept allows us to explain who mobilizes, which specific demands are made, and points to key underlying social and class cleavages. It also provides a much more differentiated, and in parts counterintuitive, account of labor and migrant policy interests.

Theoretically, the paper spells out the implications of dualism for rentier state theory, the dominant paradigm for explaining politics in high-rent states, which traditionally assumes fairly inclusive wealth-sharing policies for citizens – or at least wealth sharing that is not systematically divided by generation and employment status. The emerging material cleavages among insiders and outsiders imply a drastic reconfiguration and curtailment of the rentier social contract, similar to how the emergence of dual labor markets in many European countries has fundamentally reshaped the continent’s formerly inclusive employment and welfare regimes.

Previous literature has raised inequality in rent distribution as a challenge to rentier state theory, but has usually focused on small-scale, informal networks and ascriptive identities as drivers of uneven patronage (Okruhlik 1999; Gengler 2015; Mitchell and Gengler 2019). We point out, by contrast, that rentier exclusion is now acquiring a modern, horizontal class dimension, raising the prospect of new forms of political mobilization and interest group politics. The paper does not deny that ascriptive identities like sect or tribe can matter but argues that these too tend to become more salient when isomorphic with labor market cleavages.

Dual labor markets create new challenges for keeping the peace in rentier societies. While the Gulf oil monarchies remain rentier states, and patronage remains central to their ruling

model, the political consequences of their established distributional structures are changing fundamentally, and they are starting to face very different, more complex class structures and interests.

The paper contributes to an ongoing debate about the revision of rentier state theory (Herb 2014; Gengler 2015; Okruhlik 1999), and reacts specifically to calls to investigate horizontal cleavages (Gengler, Shockley, and Ewers 2021). It provides an empirical complement to and conceptual deepening of formal models analysing the political economy of public employment in resource-rich states (Bjorvatn and Naghavi 2011; Robinson and Verdier 2013). Finally, the paper brings theories of labor market dualism, mostly developed on OECD cases, to high-income rentier states.

While segmentation in the GCC is uniquely deep in several ways, key aspects of labor market dualism in the region strongly resemble well-documented insider-outsider systems in developed economies. These include the relative shrinkage of core insider strata over time, the fact that costs of economic adjustment are disproportionately borne by outsiders, and that welfare systems are organized around insider needs. This underlines both the reach of these theories' fundamental concepts and the potential for adjusting and refining them in new contexts.

The paper seeks to contribute to a broader agenda of understanding dualism outside of the Global North (Rueda, Wibbels, and Altamirano 2015), a research program that still in its infancy. While its empirics focus on rich rentiers in the GCC, its insights are likely to be relevant also for other states that heavily rely on government employment as a patronage tool yet struggle to extend such generosity to new cohorts of outsiders, as is the case with many

MENA countries outside of the Gulf (Assaad 2014). They could also be relevant for countries where citizen outsiders compete with large, low-income migrant populations. Such doubly divided labor markets exist not only in the GCC, but also in diverse cases like Brunei, Singapore, Hong Kong, Malaysia, or Jordan.

After relating the paper's core arguments to existing literature on rentier theory and dual labor markets, we provide a descriptive overview of the emerging dualism of labor markets for GCC citizens, followed by analyses of how dualism has shaped 1) GCC political unrest and 2) interests and lobbying around labor policymaking, with Bahrain as case study. We conclude by putting the new political economy of GCC labor markets in comparative perspective.

II. Literature Review and Theory

This section positions the paper's arguments in relation to two strands of literature: It first discusses how the concept of labor market dualism can help revise and enrich rentier state theory. It then explains how specific insights from the dualism literature on OECD cases can inform our analysis of the GCC. It concludes with the formulation of hypotheses about the impact of dualism on GCC politics.

Traditional rentier state theory posits that resource-rich authoritarian regimes trade widespread material patronage against citizens' acquiescence to their rule (Luciani 1987; Ross 2001). As the economic system is dominated by distribution of rents rather than production, there are no conventional economic classes among citizens (Hertog 2010; Luciani 1987). According to Luciani, while there can be inequality in distribution, this does not matter for political life as it is a more rational strategy to manoeuvre for individual advantage

rather than to try to make collective claims, for which there is no clear material basis (Luciani 1987, 74).

These assertions have been challenged from several angles: First, Herb has argued that a modified form of class analysis is in fact applicable to high-income Gulf rentier countries (Herb 2014). He shows that the material interests of the state-employed citizen middle class are juxtaposed to those of the local private sector, which pays few taxes and employs few nationals, thereby enjoying no organic links to the vast majority of citizens. While neither group might produce much, Herb argues that they are in a zero-sum conflict over government rents (migrant workers, who constitute the bulk of the private working class, are politically disenfranchised and excluded from rent distribution in this set-up).

Secondly, several authors have argued that inequality in distribution can be politically consequential, showing that it can affect satisfaction with government, lead to political frustration and, in some cases, create unrest (Mitchell and Gengler 2019; Okruhlik 1999; Herb 1999, 242; Valeri 2015). Using Qatari survey data, Gengler and Mitchell demonstrate that “inequality [in distribution] erodes economic satisfaction among all citizens, but especially among those who have the least” (2019, 85). This is consistent with findings from behavioural economics that unequal distribution, even if it takes the form of gifts and leaves everyone better off, can lead to frustration and a sense of injustice (Fehr and Schmidt 1999; LoBue et al. 2011).

When discussing inequalities in rentier distribution, literature has mostly focused on micro-mechanisms like nepotism, clientelism, or *wasta* (personal mediation) and the role of ascriptive identities like tribe or sect (Gengler 2015; Valeri 2015). Inequality structured along

such lines can indeed create dissatisfaction, but it can also be used for divide and rule tactics. Classical literature on clientelism argues that vertical links of patronage, while creating exclusion, undermines the formation of horizontal class identities and claims (Scott 1972). Due to the ubiquity of state-financed patronage, Gulf rentier states are arguably extreme cases of vertically structured polities, potentially undermining horizontal collective claims.

That said, exclusion can in principle also take a class dimension rather than being structured along individual, small-scale lines – and can thereby become politically potent due to its scale and public salience. The example of Shiite citizens in Bahrain shows that the visible exclusion of a large, identifiable group from government patronage can lead to large-scale mobilization (Gengler 2015). This paper argues that new, large-scale excluded groups are now emerging in the region on the basis of age and class rather than ascriptive identity, demonstrated with a range of aggregate labor market data. The newly emerging class consists of younger labor market outsiders from across society who lack the access to government jobs that their parents enjoyed.

The importance of government employment for the GCC social contract cannot be overstated: Nowhere else do governments employ as large a share of citizens (Herb 2014) or spend as much on public sector wages per capita (Tamirisa and Duenwald 2017); a large share of the employment is generally seen as surplus, patronage employment (Forstenlechner and Rutledge 2010; Herb 2014; Hertog 2010). Formal theorists have proposed that patronage via state employment solves political commitment problems, especially in resource-rich regimes (Robinson and Verdier 2013), and buttresses the political stability of rentier regimes (Bjorvatn and Naghavi 2011). Exclusion from this channel of patronage therefore is of potentially large political significance; as Bjorvatn and Naghavi point out, when rentier

regimes' patronage employment offers lose credibility, the potential of political conflict increases (Bjorvatn and Naghavi 2011). Similarly, Ali and Elbadawi argue that large state employment is a rational strategy for high-rent regimes, while repression – a more conflictual approach – is the rational strategy for mid-rent regimes that cannot offer comprehensive public employment (Ali and Elbadawi 2016). Some GCC countries are in the process of becoming mid-rent regimes.

The emergence of an outsider stratum is not desired by regimes; as we will see in section IV, it instead results from a drop in per capita rents in combination with a historically grown, rigid patronage regime that is organized around public sector jobs. Michael Ross has argued that rentier states can use patronage to reshape social groups, potentially helping them to prevent the formation of independent opposition (Ross 2001). Conversely, however, the breakdown of patronage can unintentionally create new, excluded social groups that are less easily controlled by regimes. Patronage can create class structures – like Michael Herb's middle class of state employees – but systematic exclusion from patronage can similarly create large-scale classes. In the GCC, as we will see, this emerging exclusion is predominantly based on age rather than ascription or other politically salient identity markers, making the excluded class all the wider. As mass entitlements turn into selective (albeit very sticky) insider privileges, the social basis of Gulf rentier states is narrowing and its political economy changing fundamentally. Such groups are less easily controlled by regimes and, due to their class basis, less easily divided through identity-based appeals.

Citizens on the private labor market are not only excluded from the perks of public employment. Another key part of the old social contract – access to cheap migrant labor with limited rights (Rutledge 2018) – also does not clearly apply to them as they are directly

competing with such migrant workers. As a consequence, citizen outsiders' rational preference should instead be to reduce migration, but also to improve the rights of migrants already within the country so as to reduce employers' incentives to prefer foreign workers. This is another way in which outsiders' interests differ fundamentally from those of insiders.

We argue that the new forms of exclusion are best understood as form of labor market dualism. A wide literature on European countries has demonstrated that labor market outsiders are a socially and politically relevant category. Segmentation is particularly well documented for Southern European labor markets, where loss of economic competitiveness from the 1970s on led governments to loosen labor standards for new entrants, while unions successfully defended the entitlements of existing employees in core sectors (Boeri 2011; Saint-Paul 1996). Markets are therefore divided into a core of insiders with permanent contracts and extensive benefits on one hand and a precarious periphery of outsiders with temporary contracts and much reduced benefits and rights on the other. New entrants disproportionately bear the costs of economic adjustment.

Palier and Thelen argue that the actors and institutions that guaranteed relative economic egalitarianism in France and Germany up to the 1970s – employers and unions in core industrial sectors – now underwrite a system of exclusion (Palier and Thelen 2010). The core continues to provide insider privileges yet has been shrinking. New labor market entrants in the service economy, among sub-contractors and in the temping sector are excluded from insider benefits (Berger and Piore 1980; Thelen 2014).

In dual European labor markets, welfare systems are typically organized around insider-only contributory institutions, traditionally relying on a single male earner model to cover families.

The losers in this two-tier system are disproportionately the young, women, and lower skilled workers who only enjoy barebones non-contributory welfare provision (Palier and Thelen 2010).

Research has shown that insider-outsider divisions in Europe and, in some cases at least, in Latin America impact welfare policy preferences (Berens 2015), voting behaviour (Rovny and Rovny 2017), and party politics (Lindvall and Rueda 2014). This paper will demonstrate that despite the very different institutional context, emerging insider-outsider cleavages among GCC citizens have started to structure social exclusion, welfare systems and political mobilization in similar ways to the European experience.

Like industrial employment in Europe, GCC public employment used to underwrite relative egalitarianism among citizens when most (male) citizens had the opportunity to become insiders. As in Europe, the relative shrinkage of the insider core now underwrites social exclusion among citizens – a form of unintended “institutional drift” in which the same formal institutions produce drastically different political consequences over time (Hacker, Thelen, and Pierson 2015). Similar to Europe, the cost of economic adjustment is borne by outsiders – historically migrants, but also increasingly younger outsider citizens. Finally, welfare systems for outsiders in the GCC remain underdeveloped just like in Europe, as welfare remains organized around insider needs.

This paper will provide descriptive statistical evidence about the growing size of citizen outsider strata and the extent to which they are underprivileged. Beyond this, it will test the political salience of insider-outsider divisions in the fields of contentious politics and labor policy negotiations. The key hypotheses, based on the above analysis, are as follows:

H1: In countries with substantive numbers of citizen labor market outsiders, these will play a key role in social unrest.

H2: Demands to improve the labor market status of outsiders will be central in protest events.

H3: Labor and migration policy interests of outsiders differ systematically from those of insiders; in particular, outsiders want to reduce migration while simultaneously improving the rights of migrants in the country.

III. Data and methods

The paper relies on case literature and a wide range of primary sources, including government data, to corroborate our descriptive account of deepening labor market segmentation. It draws on original survey data generated in Saudi Arabia to document citizen labor market preferences. For the case studies on political protest and labor policy negotiations, we draw on field interviews conducted over more than a decade with business representatives, workers, union representatives, and government technocrats (see appendix section A.10 for a full list), Arabic newspapers, official statements, and campaign material from political movements and unions, and an analysis of social media posts by Gulf labor activists and protesters (an important source given the constraints on public debate in other fora).

There are limitations to available data: Country-level labor data are sometimes incomplete and not always provided in comparable formats. There is also no survey data that would allow distinguishing insiders' and outsiders' perceptions and demands on an individual level. And as labor policymaking tends to happen behind closed doors, demands of key stakeholders are often not visible – with the important exception of Bahrain. Despite all this,

in all cases where there are data or qualitative sources are available, the evidence systematically points towards deep insider-outsider cleavages and their salience in politics.

The case study sections on political unrest and on group interests in the labor and migration policy-making process rely on deductive process-tracing (Bennett and Checkel 2015; Beach and Pedersen 2013), in which we spell out the observable implications of dual labor market structures for political behaviour and test these against a range of qualitative case evidence (or “causal process observations”) from the above sources (Collier 2011).

In the protest case studies, the key observable implications of dualism are that outsiders are key participants in public mobilization and that core demands align with their material interests. We show that this is indeed the case and that the overall shape and content of the protests is less compatible with rival explanations. In the case study on labor and migration policymaking in Bahrain, we develop a range of observable implications about specific policy demands of labor market outsiders, insiders, and employers (see table 3), and test them against observed lobbying and public statement by relevant groups.

Our case choice within the GCC is driven both by substantive relevance of cases and availability of sources: Special focus is put onto Bahrain, Oman and Saudi Arabia as the cases with the most advanced dualization; the other three cases are mostly used as contrast cases. We undertake a short comparison with political protest in Kuwait, a negative case without substantial outsiders among citizens, to assess whether the nature of protests is different there. For policymaking, we focus on Bahrain as case study due to the much more public and hence more observable nature of policy discussions there; we are tentative about the external validity of our findings from this case.

As this paper investigates a large new topic, it is in parts exploratory and leaves important gaps. We cannot investigate individual attitudinal correlates of insider and outsider status, voting behaviour of insiders and outsiders (e.g. in Bahraini elections), and the internal stratification of outsiders, which in some cases can also be precariously employed in government and can be part of mixed households that also contain insiders (Baker 2023).

IV. Old and New Dualisms in GCC Labor Markets

Before investigating the new segmentation GCC among citizens, we quickly review what we know about previously established hierarchies in Arabian labor markets. A growing literature investigates dualist employment in Gulf oil monarchies in terms of the segmentation between privileged, mostly government-employed nationals and migrant workers with limited rights who mostly work in the private sector (Babar 2020; Herb 2014). The differential in privileges between the two groups is stark: Government jobs, the bedrock of the Gulf rentier state since at least the 1970s, are secure, generally well-paid, typically require short working hours and come with generous social benefits. They are fiscally and socially more important than any other form of welfare, public goods provision, or market regulation (Hertog 2010; Herb 2014).

Private employment conditions for foreign workers, by contrast, are much harsher, with long working hours, low average wages, low job security and, historically, a “sponsorship” system that puts strict restrictions on workers’ rights to switch employers, which undermines their ability to bargain over wages or work conditions and has contributed to a range of abuses. While some white-collar foreign employees in the region are well-paid and internationally mobile, most foreigners are subalterns with no path to permanent residence and fewer labor

rights than migrant workers in most other countries (Babar 2020; Hertog 2014).¹ From the perspective of state-employed citizens, the mass import of low-wage foreign workers has kept inflation under control and made a wide range of cheap personal services available to GCC citizens, making it an important subsidiary element of the rentier social contract.

This segmentation of labor markets has had several economic consequences: The benchmark set by public sector employment undermines citizens' motivation to accept available private sector jobs (Hertog 2014; IMF 2013). The increasing cost of public employment has led to growing public debt and started to crowd out other types of state spending (Tamirisa and Duenwald 2017). In the private sector, sponsorship system and the availability of almost unlimited labor from low-income countries allow employers to pay very low wages, often below workers' marginal product (Naidu, Nyarko, and Wang 2016).

Economic and regulatory segmentation of citizens and migrant workers has led to deep cultural and political divides between them. The region saw a significant period of joint collective action and protest in oil sectors that involved both locals and foreigners during the heyday of Arab nationalism in the 1950 and 1960s (Chalcraft 2011; Vitalis 2007). Yet since then the material privilege attached to citizenship has greatly increased and a large share of migrant labor from the wider Arab world has been supplanted by culturally more distant Asian workers (Kapiszewski 2006).

The traditional division of economic status and interests between citizens and migrants is well established in the literature. Yet the growing, and potentially more politically

¹ The terms "migrant" and "foreigner" are used interchangeably in the paper.

consequential, divides *among* citizens on the labor market complicate their interests vis-à-vis both governments and migrant workers.

Insider-Outsider Divisions Among GCC citizens

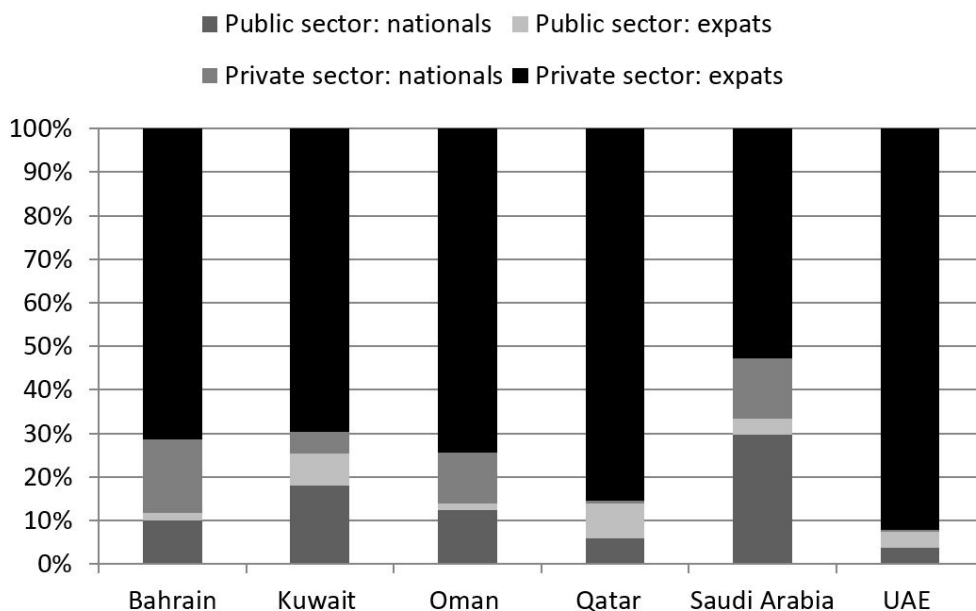
We argue that similar to continental Europe, strains on the old economic model in the GCC have led to a dualization of labor markets in which new generations of citizens are excluded from insider benefits – although insider jobs in the GCC case are permanent government positions, not well-protected private ones. Outsider jobs in the private sector are less attractive, moreover, not only due to lower job security this sector, but due to competition with another, lower tier of outsiders: low-wage foreign workers. Privately employed citizens do in fact enjoy a number of government-provided privileges such as national employment quotas, citizen-only wage subsidies, and unemployment and training benefits. Yet they have to compete with an almost unlimited pool of international workers whose reservation wages are set in countries of origin like Pakistan, India or the Philippines – a situation that qualitatively distinguishes GCC labor markets from virtually any other labor market.²

As a result, citizen unemployment in the relatively poorer (or “mid-rent”) Gulf monarchies Bahrain, Oman and Saudi Arabia has been rising, and when citizens are in private employment, they typically work longer hours, enjoy less job security and earn much lower wages than their peers in the public sector. They struggle to obtain the middle-class living standards that the social contract in the region has historically provided to its citizens. This section provides a descriptive overview of the resulting double segmentation of GCC labor markets. It also shows that for now, citizens in the higher-rent GCC countries Kuwait, Qatar and the UAE are largely shielded from this dualization. Due to substantial limitation on publicly available data, the figures available can differ somewhat from case to case – yet the

overall evidence of an emerging labor market dualism among lower-rent GCC countries is difficult to dispute.

Figure 1 below shows that foreign workers continue to dominate private employment in the GCC while most citizens remain government employed – although the share of citizens in private employment in mid-rent countries has become significant.

Figure 1: Distribution of national and foreign workers by sector

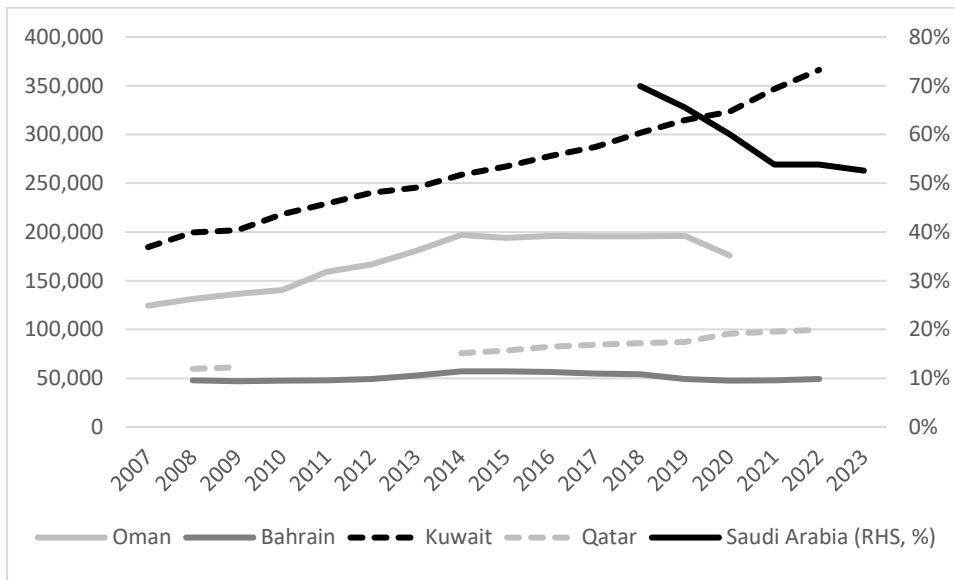


Source: national authorities, various recent years

In all cases, working age citizen populations have continued to grow at fast rates (see figure A.1 in the appendix). Figure 2 shows the continued growth of citizen jobs in the public sector in the two high-rent countries with available data, Qatar and Kuwait. Trends are quite different in mid-rent countries where wage budgets have become unsustainable (Tamirisa and

Duenwald 2017) as per capita resource rents have declined (see A.2 in the appendix).² In Bahrain and Oman, public employment has clearly stagnated in numbers since the mid-2010s despite continued population growth (and public employment has grown only slowly in Bahrain even before then). In Bahrain, new hires in administrative positions constituted less than 8% of total new hires among Bahraini citizens in both 2020 and 2021, considerably less than in private fields like trade or construction,³ continuing a 2010s trend of relative decline in public employment (Gengler 2019, 53).

Figure 2: Citizens employed in public sector



Source: national authorities (see appendix A.4a-b)

Note: Saudi figure shows proportion of publicly employed Saudis among all Saudi employees

The format of Saudi labor statistics has changed several times over the years, making it impossible to create a coherent longer time series. Yet we know that public employment as a

² See also Gengler and Lambert (2016) and Mahmah and El Kandil (2018) for analyses of emerging GCC fiscal constraints.

share of the total has dropped fast since 2018, albeit reflecting less an absolute drop in public than a quick growth in private employment. The age distribution of public employment in mid-rent Gulf countries skews older, with very few young citizens holding public jobs, while in Qatar citizens of all ages predominantly hold government jobs (see appendix A.3a-c).

Saudi Ministry of Civil Service data also show that there is practically no turnover in public employment: Insiders never leave. Of the 13,316 whose service ended in 2020, the vast majority took either regular or early retirement; 719 died on the job and only 618 resigned.⁴ Similar to Europe, insiders have borne little of the cost of economic adjustment in the GCC: While fiscal deficits in the GCC have led governments to drastically reduce the intake of new public employees, there have been no redundancies and regimes have by and large left existing benefits untouched (Hertog 2010; 2014).

Table 1 below indicates that exclusion from public employment is materially consequential: Available numbers, while incomplete and covering different years, consistently show that citizens earn substantially more in the public sector than in private employment (see also Tamirisa and Duenwald 2017). The figures likely understate the difference because private sector averages are pulled up by a small segment of high earners; the divergence in median wages is bound to be even larger. At the same time, the numbers of privately employed citizens are growing fast in the mid-rent countries (see appendix A.4a-b), making the differential more socially consequential.

Table 1: Average monthly wages for citizens

	Bahrain (BD, 2011)	Kuwaiti men (KD, 2022)	Kuwaiti women (KD, 2022)	Saudi men (SAR, 2023)	Saudi women (SAR, 2023)	UAE (AED, 2009)
government	910	1,910	1,337	14,053	12,872	16,940
private sector	589	1,380	822	11,412	5,373	13,550
Private/public	64.7%	72.3%	61.5%	81.2%	41.7%	80.0%

Sources: Labour Market Regulatory Authority (Bahrain), Central Statistical Bureau (Kuwait), GASTAT (Saudi Arabia); 2009 Labor Force Survey (UAE)

Deep differences between insiders and outsiders are also reflected in the age structure of wages, which is particularly unequal as more recent entrants predominantly obtain lower-paid private sector jobs (see appendix A.5a-b). The age gradient of wages is much steeper in the GCC than in the OECD; younger citizens earn less everywhere, but the effect is much stronger in GCC cases with available data.

While outsider citizens are losing out on substantial benefits, they remain privileged relative to migrant workers who, as table 2 shows, earn drastically less in the cases for which we have data. This is true even when controlling for level of education and type of job (IMF 2018).

Table 2: Average monthly wages of privately employed nationals and foreigners

	Bahrain (BD, 2019)*	Kuwait (KD, 2015)	Saudi Arabia (SAR, 2020)	UAE (AED, 2009)
Citizen	590	1,269	8,031	13,550
Foreigner	254	201	4,658	2,615
Ratio foreigner/ citizen	43.1%	15.8%	58.0%	19.3%

Source: national authorities

* The Bahraini figure is for total “labor cost”, not wages. The wage differential is likely larger as non-wage costs (administrative fees, transport, accommodation etc.) are proportionally higher for foreigners.

Official statistics also show substantially longer working hours for foreigners, and their employment status is much more precarious: They are constrained in their ability to switch

employers, are more frequently the victims of abuse, and typically have to leave the country once they lose their job (Babar 2020; World Bank 2018).

Citizens outside of the public sector are only semi-outsiders as they still enjoy relative privileges compared to foreign workers. Governments have tried to increase private citizen employment through quota rules and by reserving particular occupations to nationals. These policies have met with mixed success, however, given that foreigners are much cheaper to employ and easier to control, incentivizing employers to skirt nationalization rules (Hertog 2014; Peck 2017). Bahrain and Oman have also set monthly minimum wages for citizens of \$660 and \$840 respectively, which again tends to make low-cost foreign workers more attractive. Creating relative privileges for citizens on the private market, however modest, tends to work against their employability.

In the last two decades, GCC governments have also created new unemployment insurance and assistance systems, temporary wage subsidies and training and job placement mechanisms that are exclusively available to citizens. The volume of these programs remains limited; benefits tend to be temporary and they do little to bridge the gap to the wages and job conditions available in the public sector (World Bank 2018). Because public jobs have historically functioned as quasi-welfare mechanism, assistance mechanisms for low earners remain patchy and only modestly funded – not least because gigantic public salary bills have been crowding out other forms of expenditure (Tamirisa and Duenwald 2017). As in Europe, social assistance systems for outsiders remain underdeveloped.

The fact that citizens enjoy relative privileges in the private labor market compared to migrant workers does not mean that they are well off. All three mid-rent countries have seen

the emergence of working poor among their citizens. The most frequent monthly wage bracket of Bahrainis newly entering the labor market in Bahrain in 2019 was 300-349 BD (\$800 to \$925).⁵ Even in a country with free education and healthcare and almost no taxation, this is a borderline poverty wage; unsurprisingly, low private sector wages for citizens have been a key issue for Bahraini labor unions (AlWasat 2008, 60).

In Oman, 79,000 out of 262,000 Omanis employed in the private sector in 2019 earned between 325 and 399 OR a month (\$840 to \$1040). In Saudi Arabia, 660,000 of 1.75 million Saudis contributing to social insurance via private employment in 2019 earned only 3000 SAR per month (\$800).⁶ While some of these workers likely are “phantom employees” only on the payroll to fulfil nationalization quotas, a good share of them are genuine workers.⁷ Both traditional and social media in the region are full of complaints about low private sector wages for citizens. Some Bahrainis call themselves “Indians of the Gulf”, in a racialized reference to the low income and status of Indian migrant workers (*Dunia Al-Watan* 2006).

In sum, compared to other high-income countries, new citizen entrants on GCC labor markets are at a particularly large disadvantage relative to older incumbents in the public sector, whose privileges are particularly deep and stable. While the labor conditions of citizens in the private sector are better than those of low-wage migrants, they face wage competition on a scale that does not exist in other economies.

Unsurprisingly, survey data from across the region show that government remains the employer of choice for GCC job-seekers, not only due to higher wages but also due to better job security, shorter working hours, less work pressure, longer holidays, and better benefits (Thompson 2020; The National 2016; Doha News 2013). This pattern is confirmed and

further fleshed out in original survey data generated in Saudi Arabia in March 2014. The survey was designed by the authors and conducted by Yougov in Riyadh, Jeddah, Tabuk and Baha and included 428 Saudi nationals aged between 20 and 30, 40% of whom were unemployed, 54% employed and 6% in education (see appendix section A.6 for further detail). 70% of the respondents indicated a preference for a government job even if a private sector job with the same working hours and salary was available, reflecting the importance of the public sector's non-wage benefits.

The strong preference for public employment has led to “waithood” in which young citizens with completed education refuse to take low-paid jobs and usually live with their parents. Levels of unemployment among cohorts under 30 are high, reaching 30% and more for young women in particular (see appendix, A.7). A larger share of unemployed are jobless for more than 12 months and most have no previous employment experience, both reflecting the durable exclusion of new labor market entrants (see A.8, A.9).

In recent years, authorities in the region have undertaken some steps to improve labor rights of foreign workers, narrowing the legal gaps between citizen and non-citizen employees (Louër 2015; World Bank 2018). There is anecdotal evidence that young nationals are more willing to accept less well-paid and prestigious private sector jobs than a decade ago, although probably out of necessity more than conviction. In the Saudi case, the difference in wages between citizens and foreigners has shrunk (IMF 2018, 32). Yet a large gap remains in both employment costs and in the working conditions that citizens and low-income foreigners are willing to accept. As long as local employers can source workers from an essentially flat labor supply curve from the Global South, full equality of wages would entail significant pauperization of the citizen population.

V. Labor Market Outsiders and Political Unrest

Outsider citizens constitute a growing and politically consequential social stratum that is excluded from core patronage mechanisms yet harbours insider expectations on lifestyle and employment. In our 2014 survey of young Saudis, 72% indicated a preference for working 7 hours or less a day, an expectation clearly shaped by the public sector benchmark. According to the 2019 Arab Youth Survey, 82% of young respondents in the GCC agreed that it was the government's responsibility to provide jobs for all citizens (Asda'a BCW 2019).

If labor market dualism and the disjuncture of expectations and outcomes for outsiders matters politically, this should be salient in popular politics. It should notably influence who mobilizes politically and what their demands are. There are two key observable implications:

- (1) labor market outsiders will be more involved in contentious politics due to their clearer socio-economic grievances,
- (2) demands voiced in contentious politics will reflect outsider interests, notably provision of public jobs and provision of welfare equivalent to what insiders receive.

This region's recent history aligns with these predictions: The relatively rare instances of public protest across the region since 2010, while triggered by the regional context of the Arab Spring, typically involved citizen outsiders – unemployed and low-paid private sector workers – and their material interests. Bahrain and Oman are the cases with the most visible and sustained unrest.

Oman

Country experts generally see socio-economic grievances as the key drivers of the 2011 unrest in Oman (Moritz 2018; Valeri 2015). The country at the time faced both private

underemployment of nationals and youth unemployment above 25% (Valeri 2015). Local social media is full of complaints about nepotistic hiring in government, the general decline in government jobs since 2000, and low wages levels in the private sector.⁸

Most protesters appear to have been unemployed or underemployed, holding low-income jobs like driver or office helper.⁹ Protesters demanded that unemployment and low wages be addressed and, critically, called for an end to favouritism in public sector hiring (Louër 2015; Valeri 2015). Other key issues raised by the demonstrators included the lack of job security created by fixed-term contracts in the private sector and the lack of career prospects, which some of them ascribed to the presence of foreign workers in more senior positions.¹⁰ All of these clearly are material concerns of labor market outsiders.

During demonstrations in Muscat in January 2011, protesters carried signs asking for salaries, jobs, and social equality (Al-Jazeera 2011). New large demonstrations happened in February, with protesters asking for higher salaries for incumbent workers (Ashqar 2011). Private sector workers also wrote a petition to Sultan Qaboos asking to reduce the private sector pensions age from 60 to 55 as in the public sector and to impose the same social contributions onto private employers as in government¹¹ – effectively asking for an extension of insider benefits.

In late February 2011, the northern town of Sohar witnessed probably the best-documented and most violent recent protest events in Oman. After being informed by government representatives that no jobs were available for them, young unskilled Omanis started a sit-in at the Ministry of Manpower office, triggering several days of larger protests across the town (Valeri 2015). The majority of protesters seem to have been unemployed or underemployed

in low-wage private jobs.¹² Social media posts made by protesters at the time indicate demands for an increase of the then minimum wage of 150 OR to at least 500 OR and a prohibition of employing Omanis in unsuitable jobs such as janitor or street cleaner (Free Liberal Network 2011).

That the protest was directed at a public employment agency reflects the engrained expectation that government itself should provide good jobs under the old social contract (Valeri 2015). Protesters demanded government jobs more than employment in general.¹³ We can consider this a “doubly decisive” piece of process-tracing evidence (Collier 2011): It clearly aligns with our hypothesis that outsider grievances about a violated social contract drive unrest – and it is not easily explained with alternative explanations such as general, society-wide unhappiness with economic conditions (e.g. inflation), resistance to political exclusion and repression, or ideological and identity political motivations. As the standoff with security forces escalated, several protesters were killed (*BBC News* 2011). Protests in front of Ministry of Manpower branches across the country would nonetheless recur in subsequent years (Middle East Eye 2019; al-Shaibany 2018).

The 2011 protests triggered a wide range of welfare measures by the regime, including the increase of the minimum wage for nationals in the private sector from 150 to 200 OR and a new job seeker allowance, but also the creation of 50,000 new government jobs in an already bloated bureaucracy (Valeri 2015). While aiming to placate outsiders, the reaction reinforced the dependence of the Omani social contract on government employment and shifted insider-outsider boundaries rather than removing them. Within a few years, the expansion of insider patronage also led to an unsustainable expansion of Omani government debt.

Bahrain

Bahrain saw by far the largest protests in the GCC during 2011, which their peak were about regime change more than employment issues. Yet they had their roots in socio-economic discontent; the concerns and informal organizations of labor market outsider played a key role in the run-up to the protests.

Ali Salman, the leader of the main Shiite opposition group Wifaq, used to lead regular demonstrations of unemployed youth in front of the Ministry of Labor, in a striking similarity to the more spontaneous 2011 mobilizations in Oman. His arrest in 1994 triggered a mass uprising that lasted until the end of the decade (Louër 2015).

Informal organizations of unemployed citizens continued to be key constituents of the Bahraini political opposition in the 2000s. One was the “Committee of the Unemployed and the Low Paid Citizens” – a name that explicitly captures its members’ outsider status – which was created in 2003. The Committee’s key demands included the extension of social benefits for all citizens and their unification across government and private employment (AlWasat 2003). It became notorious for organizing demonstrations that morphed into riots in front of the Ministry of Labor and the Civil Service Bureau, which manages government recruitment. The symbolic claim to be given insider status could not be clearer.

When the Committee was repressed by Bahraini authorities in 2008, a new Committee for Unemployed Graduates, an offspring of the Bahrain Youth Society for Human Rights, took up similar protest activities (Louër 2015). In 2010, it submitted a petition with signatures of over 860 unemployed college graduates asking to be hired by the Ministry of Education (A. Hassan 2010).

Leading Shiite opposition groups have prominently complained about the exclusion of Shiites from public sector hiring in Bahrain (Louër 2015; Al-Madhoub 2009). In *Al-Wifaq's* proposals to solve unemployment, it assigns the government the role to guarantee jobs for citizens (Al-Ekri 2005). The National Democratic Action Society (or *Wa'ad*), Bahrain's largest leftist opposition party, has repeatedly complained about nepotism in public hiring that excludes both poor Sunnis and Shiites and only benefits elite families (Wa'ad 2007). Similarly, the post-communist Progressive Democratic Tribune (or *Minbar*) has prominently decried favouritism in public sector hiring (Salman 2009).

In sum, labor market outsiders have been a key constituency of popular protests and the Bahraini political opposition. Complaints about exclusion and demands to be accorded insider status have been central for both. And although outsider status in Bahrain overlaps with sectarian identity, protests and dissident organizations have been mostly concerned with young Shiites' material interests as outsiders, not religious or cultural demands.

Other Cases and Summary

The other four GCC monarchies survived the 2011 wave of Arab uprisings relatively unscathed. That said, demonstrations of unemployed graduates were among the very few non-sectarian public protests that Saudi Arabia witnessed in 2011. Before and during the Arab uprisings, unemployed and underemployed teachers assembled repeatedly in front of Ministry of Education offices in Riyadh and Jeddah, demanding government jobs. Some of them complained to journalists that their pay in private schools was below the official unemployment benefit of 2000 SAR per month (\$533) and amounted to a mere fifth of public teachers' salaries (Arab News 2011). Similar complaints recurred on online forums for

unemployed Saudis (Btalah, n.d.). There is a longer history of protest in Shiite towns in the Eastern Province, which also flared up in 2011. While religious identity has played a key role in these, they are also rooted in socio-economic exclusion, including from government hiring (Matthiesen 2014) – a case of sectarian identity intersecting with labor market marginalization.

The one other GCC case with sustained protests in the wake of the 2010-11 Arab uprisings was Kuwait. Developments there differed substantially from mid-rent countries, however: Protests were middle-class based and concerned themselves primarily with political demands regarding the electoral system, constitutional reform, and rejection of censorship and arrest of political dissidents (Coates Ulrichsen 2014; Diwan 2012). Kuwait is a country too rich to have a significant citizen outsider stratum (see figure 1), and its de facto public employment guarantee remains broadly intact (El-Katiri, Fattouh, and Segal 2011). That economic and labor market demands played no central role in public mobilization therefore fully aligns with our theory.

In sum, the most visible protests in Oman and Saudi Arabia during the Arab uprisings involved labor market outsiders and demands for insider status. In Bahrain, outsider mobilization and demands were also critical in the run-up to the broader-based protests of 2011. The unusual location of many demonstrations in front of government institutions that can accord insider status dramatically reflects demonstrators' expectations of state-provided jobs. And while labor market demands were mostly absent in Kuwait's protests, this is due to the absence of a significant outsider stratum in Kuwait's citizenry.

Even for the mid-rent GCC countries, we cannot completely rule out alternative explanations for protest like society-wide economic grievances, resistance to political repression and political exclusion, or political ideology and identity cleavages. They all plausibly played a role. Yet they have limited explanatory leverage by themselves as they cannot convincingly account for (1) who demonstrated and (2) what they demanded and who they directed their demands to. Even in Bahrain, where Shite identity and political ideology played a salient role, it mostly became effective when overlapping with outsider status.

The aftermath of the protests is also theoretically revealing, as regimes continued to strategically use insider status as political patronage tool. All GCC rulers announced major spending initiatives to placate their citizens – and instead of universal grants or modern social assistance systems, most of the money was pledged to new jobs in government, boosting established insider systems (Hertog 2011). This reflects both the political salience of outsiders' claims for insider status and regimes' fear of touching insider entitlements, making systemic reform difficult and (fiscally unsustainable) expansion of insider status the easiest option for placating protesters. This shows that lack of formal organization among most GCC insiders does not make the withdrawal of patronage risk-free: The GCC public jobs guarantee is of great symbolic importance and any withdrawal of insider privileges could easily create focal points for protest (Knutsen and Rasmussen 2018).

Outsider mobilization peaked in 2011 and, while recurring episodically, has largely been under control since then. Yet the new double segmentation of Gulf labor markets creates potential challenges for continued authoritarian stability in the region. At a minimum, the GCC faces the gradual emergence of more conventional class structures among citizens – albeit still accompanied by a large class of precarious non-citizen outsiders.

Herb argues that privately employed citizens in principle have a stronger interest in a thriving private sector (Herb 2014), which could help lessen the zero-sum conflict he describes between citizens and local capitalists. Outsiders are also, however, more autonomous from state patronage while potentially frustrated by their exclusion from it. GCC rulers have historically used threats to dissidents' careers in governments and state universities as a means of political control (Hertog 2010; Lacroix 2011). Such soft tools of repression are not available vis-à-vis labor market outsiders.

Renewed violent protests by Omani unemployed in several cities in May 2021 – again in front of Ministry of Labor offices – show the continuing potential for unrest (Reuters 2021; Al-Balushi 2021).

Unemployed and underemployed youth were at the core of protests across the whole Arab world in 2010/11. While the GCC monarchies have stronger infrastructural power than other Arab countries, their socio-economic structures are becoming more similar to those of the wider region. This is not to say that they are in danger regime change; we do, however, see potential for increased social tensions.

VI. New Class Relations in the Gulf Rentier State

The distinction of labor market insiders and outsiders has become politically salient not only during episodes of protest but has also started to shape GCC industrial and class relations during quieter times, notably affecting the formulation of labor and migration policy. Insider and outsider citizens have systematically different material interests in these areas, most strikingly regarding the treatment of migrant workers: While curtailed labor rights for

migrants in the consumer service economy are an implicit part of the old rentier social contract for insiders, outsiders have an interest in reducing competition with migrant workers in the private sector by improving their labor rights. This creates new opportunities for class solidarity with the migrant underclass. This is potentially very consequential given that the GCC is home to more than 10% of the global migrant population (York 2022).

This section spells out the structural interests of different economic constituencies in GCC labor markets and compares the conjectures to the empirical track record of lobbying by various groups in the cases where it has been open enough to be documentable, primarily in Bahrain and to a lesser extent Oman. It closely aligns with theoretical expectations, demonstrating the explanatory power of class analysis focused on the insider-outsider cleavage.

Material Interests Regarding Labor and Migration Policy

Table 3 below gives an overview of where the material interests of private employers, citizens in the public sector, citizens in the private sector and foreign workers lie in principle. It distinguishes three types of policies around which the regional labor and migration debate has revolved during the last two decades: policies to reduce the supply of migrant labor to the country, policies to improve the labor rights of migrants already in the country, and measures to increase the share of nationals in private employment. The matrix of stakeholders and policies creates 12 potential policy demands, numbered in the table, of which we have clear theoretically predictions for 11. We focus on the substantively most relevant ones [1-5, 7-9] in our process-tracing (Beach and Pedersen 2013; Bennett and Checkel 2015).¹⁴

Table 3: Structural interests of employers and employees in public and private sectors

	<i>Reduce supply of migrant labor</i>	<i>Improve labor rights of migrants in the country</i>	<i>Nationalization of private employment¹⁵</i>
<i>Private employers</i>	No [1]	No [2]	No [3]
<i>Citizens in public sector</i>	No [4]	No [5]	Unclear [6]
<i>Citizens in private sector</i>	Yes [7]	Yes [8]	Yes [9]
<i>Non-citizens in private sector</i>	No [10]	Yes [11]	No [12]

Material preferences of private employers are straightforward: Like in most countries, they should be interested in unlimited access to migrant labor with limited rights. In the specific context of the GCC, they should also be opposed to costly rules obliging them to hire nationals. These conjectures [1]-[3] are consistent with policy lobbying by employers and business associations across the region (Hertog 2010; Louër 2015; Valeri 2012): They have systematically resisted policies to reduce the number of foreign workers through quotas or taxes, have fought attempts to improve migrant rights through sponsorship reforms, minimum wages and similar steps, and have resisted nationalization policies, which they perceive as a cost factor.¹⁶

In purely material terms, citizens employed in the public sector should have an interest in cheap migrant labor [4] with limited rights [5], as this helps keep consumer prices low and makes convenient personal services available to them. Their demands regarding nationalization of private employment are less clear.¹⁷ Conjectures [4] and [5] are consistent with survey evidence from Qatar which shows that Qatari citizens (who mostly depend on government employment) want to maintain the sponsorship system which limits migrant labor mobility (Diop et al., 2017).¹⁸ Qatar’s Consultative Assembly, which arguably represents both citizen and business interests, recently proposed a partial reversal of the

sponsorship liberalization that happened in 2020 (The Peninsula 2021). In Kuwait, unions primarily represent state-employed citizens and do not seem to actively lobby on migrant labor rights issues (Herb 2014). The parliament, which again primarily represents the interests of government-employed Kuwaitis, has rather worked against migrant labor rights, including on sponsorship (Fattah 2017; Izzak 2022). It deviates from public servants' material interests only in its attempts to impose quantitative restrictions on migrant workers, a policy that seem to be driven by cultural, not material concerns. These attempts have not led to any concrete policy changes, leaving it unclear what would happen if actual shortages of migrant workers led to consumer price inflation and bottlenecks in the local service economy.

The material interests of citizens active on the private labor market are directly opposed to those of employers and, largely, those of publicly employed citizens. Outsider citizens should be interested in policies that reduce the supply of migrants who compete for jobs with them [7], be it through quantitative restrictions or through taxes and fees on migrant labor that shift up its supply curve. For the same reason, but perhaps less obviously, outsider citizens should be interested in improved labor rights for migrant workers already in the country [8]: The more labor rights migrants enjoy, the less likely are employers to prefer foreign workers, as they are harder to control or exploit (Hertog 2014). The sponsorship system in particular provides incentives for employers to hire more easily controlled foreigners rather than nationals as national workers are easily lost to competitors while foreign workers are bonded to employers who can potentially underpay and over-work them. Finally, private labor market nationalization rules like quotas or the reservation of specific professions for nationals are obviously in the interest of outsider citizens [9].

Only Bahrain, Oman and Saudi Arabia have significant segments of outsider citizen and only in Bahrain have they been able to organize relatively freely at least until 2011 (Louër 2015), making their actual “revealed preferences” difficult to discern. A case study of Bahrain below will illustrate, however, that the organized interests of citizens on the private labor market align with the conjectures made here. Sparser evidence from Oman’s politically more controlled unions also supports them.

The material interests of non-citizen workers are perhaps the most obvious: They have no interest in policies that would reduce their supply (i.e. their access to the local labor market) [10]; they should want better labor rights for themselves [11]; and they have no interest in nationalization policies that could lead their substitution by nationals [12]. Foreigners’ interests are not systematically articulated through local interest groups or patronage structures, however, so they count for little in the labor policy process.

Two key points emerge from the above discussion: First, the material interests of citizen insiders and outsiders on the labor market diverge substantially – not unlike the disparate interests in dual labor markets in Europe. Secondly, the interests of foreign workers and citizens in the private sector only overlap in one, though potentially significant area: They both have an objective interest in improving the rights of migrants already in the country.

Case Study: Bahrain

This section will investigate labor politics in Bahrain in more detail, focusing especially on the interests of outsiders ([7]-[9]). Bahrain is a particularly relevant case as it has by far the most mature structures of organized labor in the region and the largest share of citizens active

on the private labor market. At the same time, ascriptive identity is particularly salient in Bahraini politics, making it potentially a “hard test” for class-based theories.

In the course of the post-1999 partial political liberalization under new ruler Hamad bin Isa, the government issued the 2002 Workers Trade Union Law, which authorized firm-based, sectoral and umbrella labor associations admitting both citizens and foreigners (Louër 2015).¹⁹ All leaders of the new trade unions were citizens and most of them were close to Shiite opposition group *Al-Wifaq*, which in turn represents a demographic that is disproportionately excluded from government employment (Gengler 2015). Drawing on a tradition of labor mobilization that goes back to the 1930s, the unions represent a genuine mass constituency.

The largest contentious issue in Bahraini labor policy since the mid-2000s has been the reform of the migrant worker sponsorship system. Both unions and labor-related political movements have taken public stances on this matter, which continues to be debated to the present day. The origins of the reform lie in a 2004 McKinsey report, which led reformist Crown Prince Salman bin Hamad to propose a bundle of labor policy changes. The first key proposal was to allow foreign workers free mobility between employers in order to increase labor market efficiency, reduce abuse and improve wage levels in the private sector. The second key item was a monthly fee of 75 Bahraini Dinar (about \$200) and a bi-annual contract renewal fee of 600 BD (about \$1600) that employers would need to pay for every foreign worker (Al-Hasan 2012).

The objective of the two measures was to facilitate private sector Bahrainization by a) narrowing the gap in labor rights between citizens and foreigners and b) effectively reducing

the supply of cheap migrant workers through increasing their cost.²⁰ From an employer perspective, increased employment costs through fees are economically equivalent to a quantitative reduction in supply that pushes up wages.

Business associations in Bahrain, while generally loyal to the regime, opposed the Crown Prince's proposals (Devi 2008). In an unusual reversal of roles, the newly legalized unions as well as the main opposition group *Al-Wifaq* supported the government's reform drive (Al-Hasan 2012; Louër 2015).

This position makes sense in light of the material interests that *Al-Wifaq* and the unions represent: A considerably higher share of Shiites – the majority ethnic in Bahrain – are employed in the private sector compared to the politically dominant Sunni minority (Gengler 2015). As we saw above, exclusion from public jobs and complaints about unemployment were salient in *Al-Wifaq*'s political discourse from at least the 1990s on. Given the exposure of its constituency to the private labor market, and the smaller share of Shiites in the Bahraini business class, *Al-Wifaq* was close to the new unions from the get-go (Louër 2015).

Supporting the reforms meant potentially improving private employment opportunities for Bahraini citizens by narrowing the employability gap between citizens and foreigners.

The eventual reform package ratified by Bahraini parliament in 2008 was a diluted version of the original proposal: While sponsorship was largely abolished (at least on paper), the monthly and bi-annual, employer-borne fees on foreign workers were reduced from 75 to 10 BD and from 600 to 200 BD respectively – barely making a dent in the labor cost gap between citizens and migrants. The reduction in fees resulted from lobbying by business groups as well as resistance to the reform by Sunni parliamentarians (Al-Hasan 2012), who

represented both private business and a state-employed Sunni citizen constituency. Further suggesting that the positions taken vis-à-vis the reform were primarily driven by material interests, a newly formed, informal “Committee of the Employers” representing smaller companies was jointly led by a Shiite firm owner and a highly conservative Sunni salafi entrepreneur (Louër 2015). To the extent that class cross-cut sectarian identity, class won out.

Further reversals to the labor reform drive happened after the mass uprising in 2010-11, in which *Al-Wifaq* played a central role and which was harshly repressed by Bahraini security forces. Potentially as reward for employers’ loyalty to the regime, and as punishment for *Al-Wifaq*, the government temporarily suppressed the 10 BD monthly fee and stipulated a new lock-in period forcing new foreign workers to wait at least a year before switching employers (Louër 2015). The partial reinstatement of the sponsorship system recreated some of the legal segmentation between citizen and foreign workers that citizen labor activists had lobbied against. To increase its control over the associational landscape, the government also issued new legislation allowing parallel unions both on the firm level and nationally, a step demanded both by Sunni Islamists and (by then fairly political peripheral) Marxists who felt crowded out by *Al-Wifaq* (Fardan and Abdullah 2011).

The partially overlapping interests of citizen workers and migrants in the private sector have become clear also in other areas. Unions, while led by citizens, have advocated for migrant worker rights in terms of safety standards and working hours (M. Hassan 2008). The Secretary General of the General Federation of Bahrain Trade Unions (GFBTU), the country’s main labor federation, has called for stronger enforcement of labor rights for foreigners and equality of working hours in the private sector. He decried that most foreign

workers in Bahrain are not aware of their labor rights and work between 12-15 hours (Buhazza 2010) – a situation that creates illicit competition for Bahraini workers.

Political movements close to the labor movement have made similar demands. *Wa'ad* has published several statements supporting foreign workers' rights (Wa'ad 2007). The 2006 annual report of the Bahrain Society for Human Rights, which is closely linked to *Wa'ad*, denounced how foreigners disproportionately suffer from delayed salary payments and are victims of human trafficking. It asked for foreigners to be compensated for abuse, supported workers' right to join unions independent of nationality, and called for Bahraini-migrant solidarity in strikes (Bahrain Society for Human Rights 2007). On other occasions, *Wa'ad* called for workers to receive the same raises regardless of nationality and for improvements in foreign workers' housing and work safety (Wa'ad 2008).

Unions have tried to actively recruit foreign workers as members, especially in sectors with many migrant workers in which a citizen-dominated union would invite divide and rule tactics by employers.²¹ The established unions explicitly rejected the creation of parallel unions pursued by the regime in 2011 because they feared this would lead to a division of the labor movement by nationality.²² The new, parallel “Bahrain Free Labor Unions Federation” created in 2011 has indeed campaigned explicitly on a migrant worker rights platform, claiming that established unions ignored them (Al-Watan 2012), which given their above-mentioned engagement for foreign workers is not really true.

At the same time, the original national labor federation GFBTU has also assisted the Labor Market Regulatory Authority in a large-scale campaign to deport thousands of illegal and informal foreign workers from the country – a policy directly aimed at reducing the supply of

foreign workers in the local market. It has also called explicitly for measures to limit the influx of migrant workers (Al-Hasan 2012). Similarly, *Wa'ad*, in the annual report cited above, asked the government to stop giving citizenship to foreigners (Bahrain Society for Human Rights 2007). It has complained that Bahrain's continued dependence on cheap foreign labor constitutes a threat to the country's demographic structure and its national identity and called on government to actively reduce the number of unskilled foreign workers (Wa'ad 2008). Finally, the post-Communist *Minbar* movement has complained about the growing number of foreigners in Bahrain, argued that their presence exacerbates Bahraini unemployment, and asked for limits to the duration of their stay in the country (Alsamak 2008; Khalifa 2008).

As hypothesized above, to the extent that interests of citizen workers in the private sector have been formally articulated, this has resulted in a push for nationalization [9] (Bahrain Mirror 2020; Louër 2015). Theoretically more interestingly, it has also led to demands for reducing the migrant labor supply [7] and for better migrant labor rights [8] – both serving the objective to reduce competition with citizen outsiders in private employment. A prominent letter from *Al-Wifaq* in 2005 explicitly argued that the private sector preferred foreign workers due to their acceptance of lower wages and terrible working conditions (Al-Ekri 2005), showing an acute grasp of the material stakes at play in labor and migration policy.

Other Cases and Summary

Other GCC countries either have few privately employed citizens or have offered less space for citizens on the private labor market to engage in collective action, so we cannot be sure whether they would articulate similar organized interests as happened in Bahrain. That said,

interviews and social media analysis suggest that outsiders in Oman and Saudi Arabia harbour a strong sense of competition with foreign workers, blaming their influx for joblessness and low wages (Alkhowaiter 2022).²³ While Saudi Arabia has no unions, Omani unions remain state-controlled and primarily focused on Omanis' work conditions. Yet they have stated that a reduction in migrant workers is needed to save Omani employees,²⁴ suggesting an interest in reducing the supply of foreign workers. There are also incipient signs of associational solidarity with already present migrants: Omani union leaders have mentioned the need to improve foreigners' work conditions.²⁵ They have specifically supported liberalization of the sponsorship system, publicly explaining that this will create a more level playing field between Omani and foreign workers (which, as argued above, would improve the employability of citizens)²⁶ – positions that have earned them public criticism.²⁷

It is possible that Bahrain foreshadows developments in the rest of the region: It is the most advanced GCC country in terms of private employment of citizens; given fiscal constraints across the region, the size of this outsider class is set to expand in other countries too, and at least informal discussions about its material interests are bound to grow. This makes it plausible that its interests will become better understood and more visible even in authoritarian contexts with fewer associational freedoms. That said, there are countervailing forces of nationalism and, sometimes, anti-migrant xenophobia (Ullah et al. 2020) that might prevent citizen outsiders from demanding improvements in migrant labor rights although these would be in their own rational interest. The articulation of such interests might require formal private sector unions, which currently only exist in Bahrain and Oman (although Saudi Arabia has firm-level worker councils and has considered the licensing of unions).

In sum, we have shown that policy interests of different labor market stakeholders, when visible in public discussions and policy demands, closely align with the observable implications from table 3. A number of empirical and theoretical conclusions follow: First, citizen labor market outsiders have identifiable interests that are different from those of insiders, and at least in the case of Bahrain, they pursue them collectively when allowed. In some cases, outsider concerns overlap with those of foreign workers, adding a new complexity to the previous stark division of interests between rentier state citizens and migrants. The new segmentation among citizens can also create alliances between outsiders and the state against private business when it comes to migrant labor rights reforms, despite the generally tense relationship between states and outsiders. A new, more complex landscape of class politics seems to be emerging among Gulf rentier states that involves both new tensions and new shared interests.

VII. Conclusion

We have argued that a new type of labor market dualism has been developing in the GCC: In addition to the well-known division between government-employed citizens and privately employed foreign workers, a stratum of relatively underprivileged citizens has surfaced in the private labor market – a constituency that is excluded from the traditional GCC social contract.

The segmentation among citizens is particularly deep and rigid for several reasons: On one hand, insider privileges, while having become hard to obtain, are particularly large and sticky. On the other hand, while citizen outsiders on the private labor market enjoy significant privileges compared to migrant outsiders, these are offset by the fierce competition that the large-scale sourcing of migrant workers from the Global South creates for them. Apart from

perhaps Brunei, the GCC countries are the only rich economies in which prevailing wages in low to mid-skilled private sector jobs are largely determined by labor markets in countries like Bangladesh, India and Pakistan. The resulting double segmentation of GCC labor markets probably is globally unique in scale and depth.

As the mass entitlements of the old rentier social contract have turned into selective insider privileges, the costs of exclusion for outsiders hence are particularly high. It is no surprise, therefore, that outsiders have been at the forefront of public protests across the region since at least the late 2000s, often making explicit claims that the government make them insiders.

While the region has witnessed relative political calm since the Arab uprisings of 2010-11, future political crises could well break out around the fault lines of relative labor market exclusion that younger GCC citizens face. Bjorvatn and Naghavi's (2011) formal model of patronage employment in resource-rich states highlights such political risks, predicting an elevated chance of conflict for intermediate levels of resource rents at which funds for patronage become stretched. While GCC monarchies have many other institutional and social tools to maintain stability, a key historical instrument of co-optation is now compromised and potentially backfiring.

The region's new labor market dualism also changes politics during peaceful times: Citizens in the GCC's relatively less affluent economies are not a unified state-dependent middle class anymore but have divided economic policy interests. While public sector insiders benefit from large-scale labor imports and minimal migrant rights, citizen outsiders have an objective interest in reduced labor imports and improved migrant labor rights. At least in Bahrain, these preferences are observable in labor policy debates and lobbying. The new, if circumscribed,

potential for labor solidarity with migrants is a departure from the old rentier social contract which was buttressed by exploitation of migrants who almost completely dominated private employment (Herb 2014).

The new dualism has several ramifications for rentier state theory. We identify a key horizontal cleavage emerging among rentier citizens, going beyond earlier revisionist literature on rentier state that focused on micro-level or at least ascription-based forms of exclusion (Okruhlik 1999; Gengler 2015; Mitchell and Gengler 2019). This paper has analysed a new type of modern class cleavage that creates a non-ascriptive, large-scale form of exclusion creating new macro-level political interests, reflecting the structural maturation of rentier politics.

The paper also suggests ways in which formal models of patronage employment in resource-rich states could be refined, notably by incorporating the role of migrant labor, a significant factor in many resource-rich states also outside of the Gulf: Competition with migrant workers makes exclusion from government employment worse and potentially politically more consequential for citizens. The large-scale presence of migrants with limited rights is itself part of the social contract for state-protected insiders, however, creating conflicting political pressures for regimes in managing the migrant population.

Labor market segmentation is a promising new framework for understanding patronage and exclusion in rentier states also because such analysis can draw on a rich conceptual apparatus from international literature. As in dual labor markets in the OECD, citizen outsiders in the GCC are in a structural conflict of interest with a shrinking “core” of insiders,

disproportionately bear the cost of economic adjustment, and face welfare systems organized around insider needs.

The similarities should not be overstated, however. In addition to the double segmentation involving an unusually large stratum of migrants with limited labor rights, the political foundations of GCC labor market dualization are different: Insider privileges do not result from historically evolved industrial relations but are granted by the state, not as the result of a social partnership but as a form of top-down patronage. The rent component in this exchange is much larger and it happens outside of the market as an almost purely political transaction. As a result, it is particularly politically consequential, as evidenced by the shape of protests and labor politics across the region.

This paper is merely a first attempt to understand the emerging double segmentation of GCC labor markets. Many gaps remain. More empirical work is needed to assess how interests of the various constituencies described here are actually articulated across the region, both through qualitative research on labor politics and – to the extent possible in the region’s authoritarian context – survey work differentiating attitudes and labor policy demands of citizen insiders and outsiders in particular.

While we have argued that the depth of segmentation in the GCC is unique, there are other rentier states with large patronage systems built on public employment, notably Algeria, Iraq, Libya, and Brunei, to which the analysis in this paper could be extended. Some of this paper’s insights could also travel to other segmented labor markets in which citizen insiders and outsiders coexist with large numbers of even more precarious migrants. This is potentially the case both in advanced economies in Europe and countries in the Global South

that combine large public sectors and a migrant underclass such as Jordan or Malaysia.

Further comparative case work should explore these possibilities.

¹ The numbers are calculated from Ministry of Civil service employee exit data

(<https://data.gov.sa/Data/ar/dataset/1439-1441>) and Labor Force Survey bulletins from the General Authority for Statistics (<https://www.stats.gov.sa/en/814>).

² The only other labor market in which private employment is similarly dominated by foreigners from low-income countries is Brunei, another oil-rich monarchy.

³ <https://bahrain.opendatasoft.com/explore/dataset/01-sectoral-recruitment/table/> (consulted on 30-June-2023).

⁴ See <https://data.gov.sa/Data/ar/dataset/1439-1441> for raw, individual level data.

⁵ Data from Labor Market Regulatory Authority.

⁶ Data from General Organization for Social Insurance.

⁷ Interviews [1], [15]-[21].

⁸ See various posts on Free Liberal Network, 2011.

⁹ Communication with Omani labor expert, October 2021.

¹⁰ Ibid.

¹¹ See posts on the Oman forum: <https://avb.s-oman.net/member.php?u=8101>

¹² Communication with Omani labor expert with previous involvement in unionism, October 2021; see also posts on (Free Liberal Network 2011) forum.

¹³ Interview [1].

¹⁴ There is no clear theoretical prediction on item 6. 10-12 cover migrant workers' interests, which are obvious in principle, but less represented in the political process or public debate, so less relevant for this paper.

¹⁵ Nationalization measures differ from supply restrictions on migrant labor in that they typically allow unlimited employment of foreign workers as long as sufficient numbers of nationals are employed.

¹⁶ Interviews [2]-[21].

¹⁷ Nationalization could impose an indirect cost on civil servants as it increases production costs in the private sector and thereby consumer prices. On the other hand, it could reduce pressure on public sector hiring, which could help them preserve their share of the rents.

¹⁸ York (2022) finds that more educated Qataris oppose white-collar migration, interpreting this as a sign of labor market competition (potentially due to the unusually large presence of foreigners among state employees). As almost all Qataris still have access to state employment, the case is less relevant for our investigation of outsider interests.

¹⁹ The government continued to prohibit unionization of the public sector.

²⁰ Interview [21].

²¹ Personal communication with Laurence Louër, April 2021.

²² Personal communication with Hasan Al-Hasan, April 2021.

²³ Interview [1]. See also see various social media posts on the Soblat Oman forum: <https://avb.s-oman.net/showthread.php?t=1099129>.

²⁴ Interview [1].

²⁵ Ibid.

²⁶ See interview with Abdullah Al-Husseini, a functionary of the General Federation of Workers of Oman, on Omani news TV (Oman Mubasher), on 1 July 2020; https://www.youtube.com/watch?v=zO4oPK8g_z0&t=899s [accessed 30-Oct-2022].

²⁷ Ibid.

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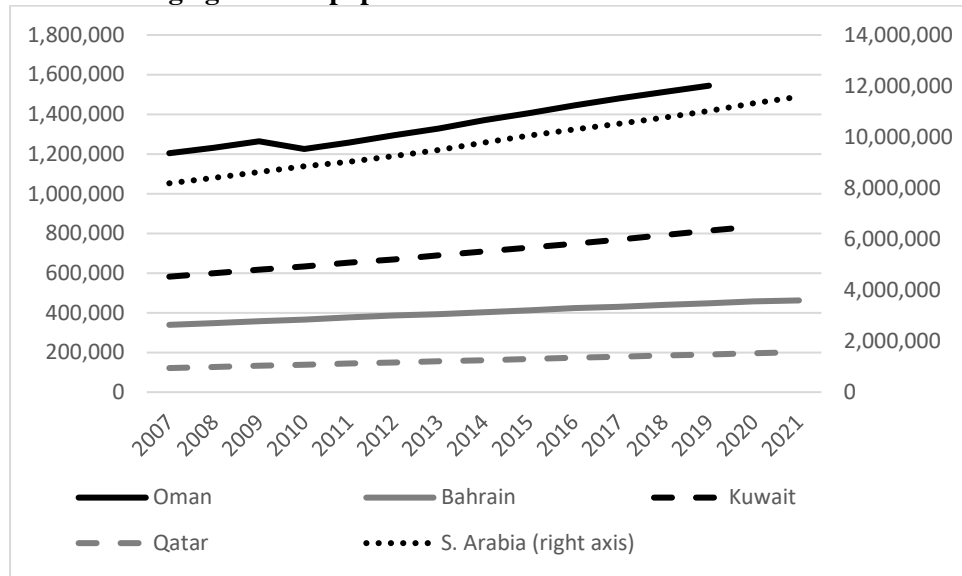
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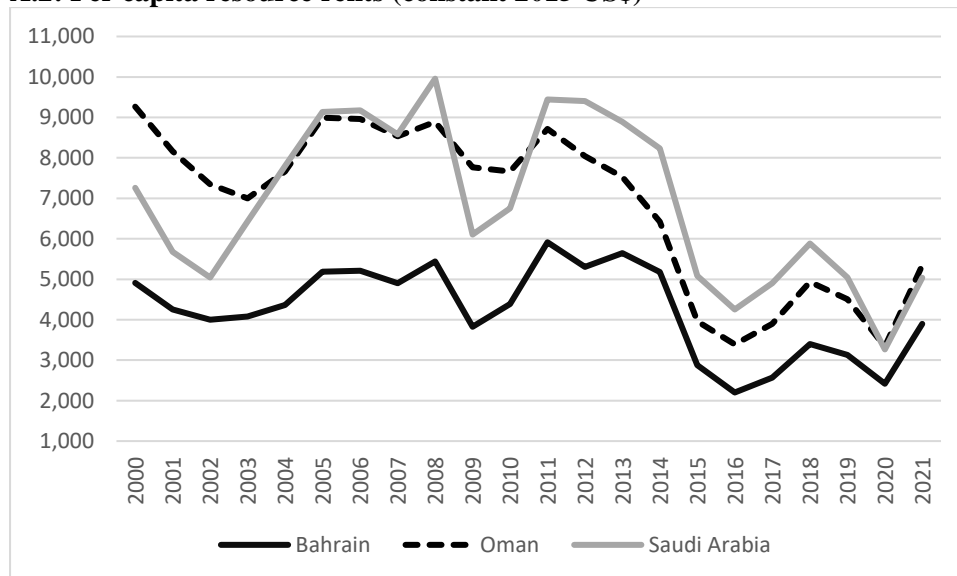
Supplementary Material

A.1: Working age citizen population



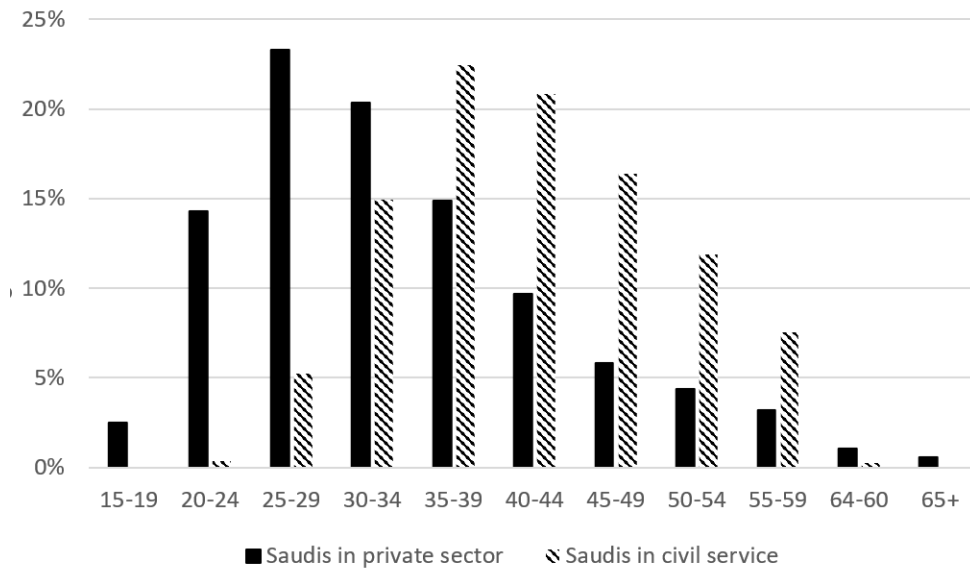
Source: national statistical yearbooks and websites, authors' elaboration

A.2: Per capita resource rents (constant 2015 US\$)



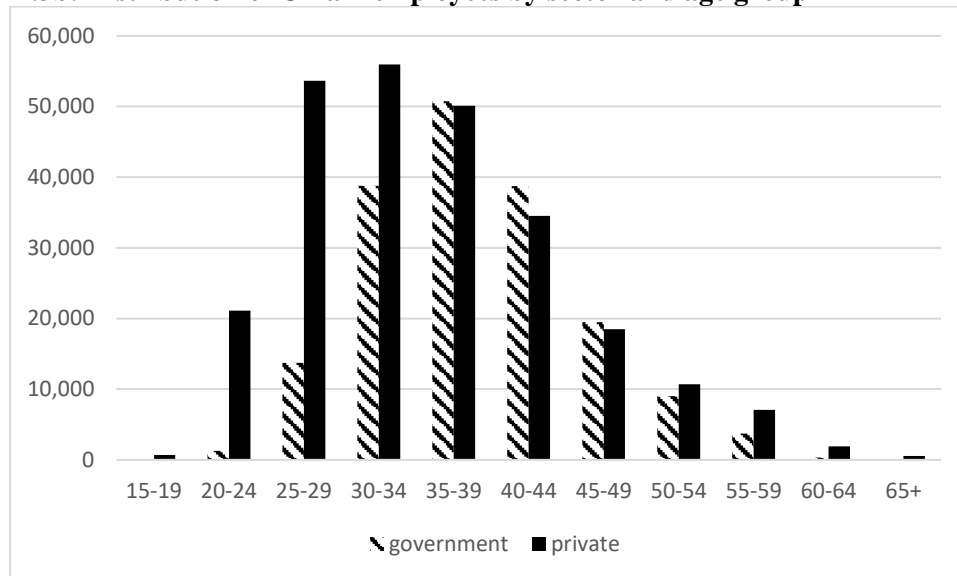
Source: calculated from World Development Indicators data

A.3a: Age breakdown of Saudi civil servants (left axis) and general citizen population (right axis)



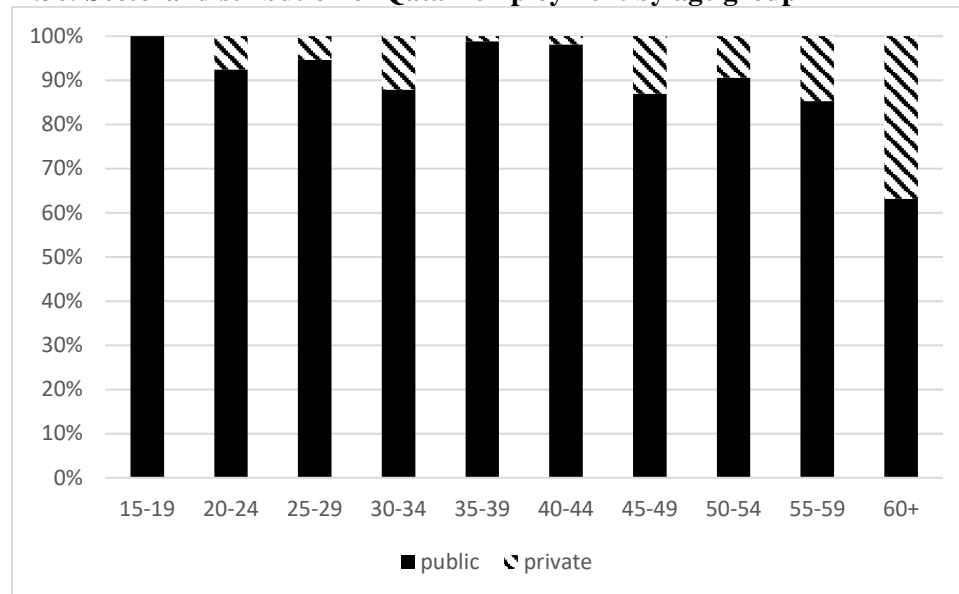
Sources: Labor Force Survey bulletin, Q4-2020 (tab 39); GASTAT population estimates

A.3b: Distribution of Omani employees by sector and age group



Source: Statistical Yearbook 2021, tables 3-4 and 4-4

A.3c: Sectoral distribution of Qatari employment by age group

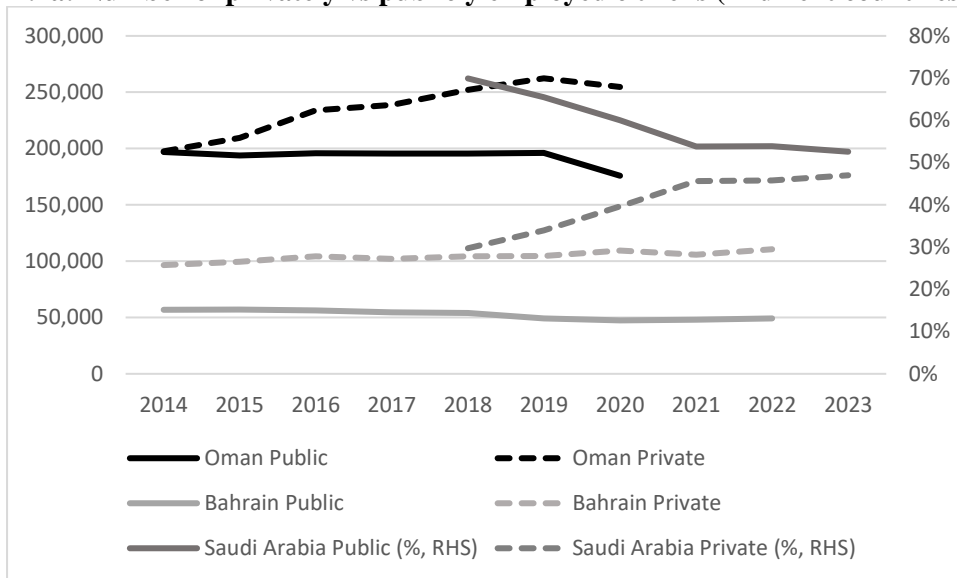


Note: public includes government and “semi-government”

Estimated based on the 2018 Omnibus survey of the Social and Economic Survey Research Institute (SESRI) at Qatar University. 371 observations; survey weights used.

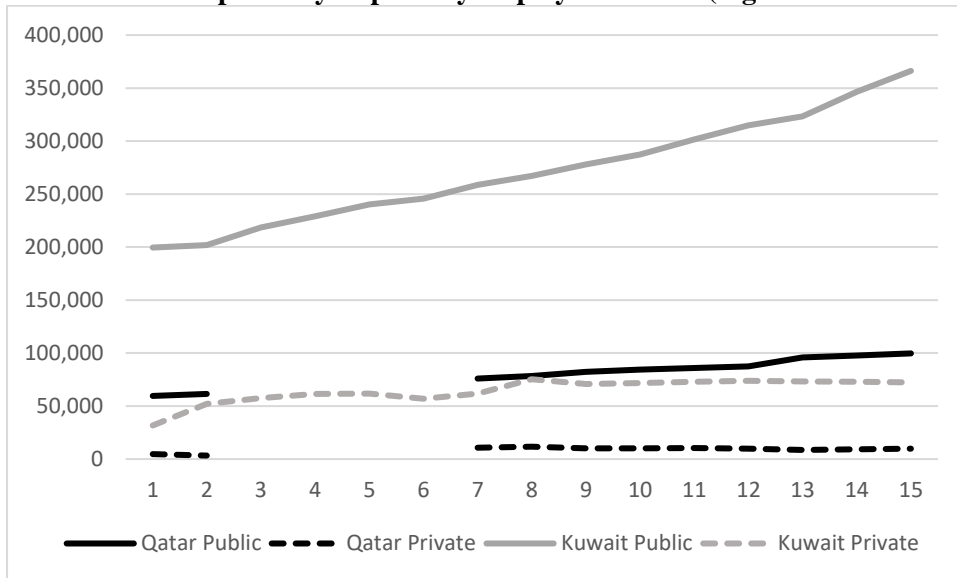
Note: The higher share of private employment for older Qataris is mostly due to the fact that most Qataris in the public sector retire in their 50s, leaving few public employment options for those of above 60 (in any case, there are only 7 observations in this category).

A.4a: Number of privately vs publicly employed citizens (mid-rent countries)



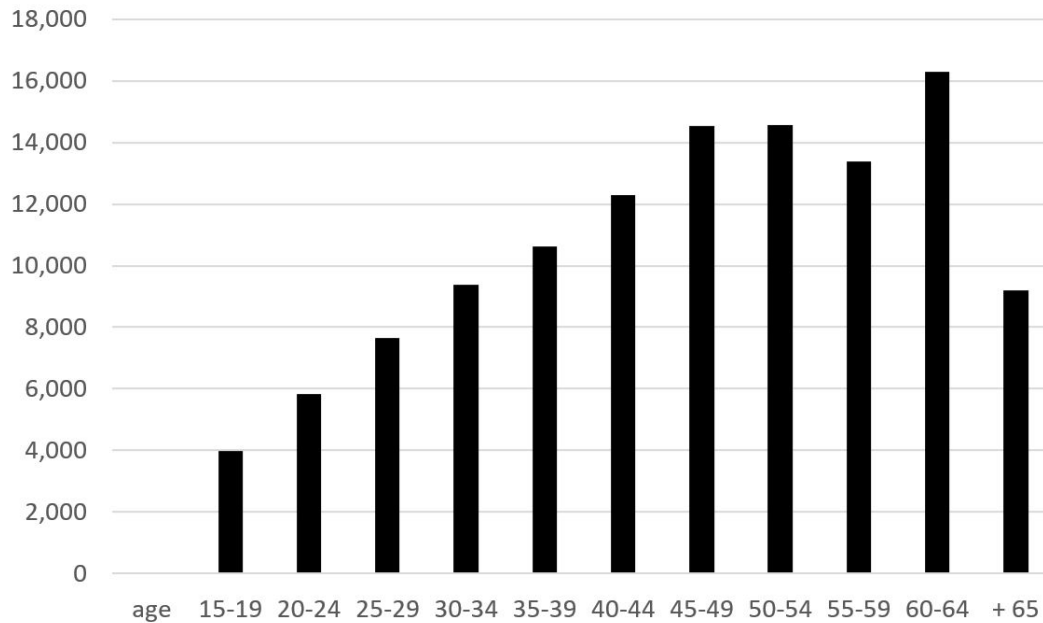
Sources: GASTAT Labour force survey bulletins (Saudi Arabia), Labour Market Regulatory Authority (Bahrain), National Centre for Statistics and Information Statistical Yearbooks (Oman)

A.4b Number of privately vs publicly employed citizens (high-rent countries)



Sources: Central Statistical Bureau LMIS bulletins (Kuwait); Planning and Statistics Authority Annual Bulletins of Labor Force Sample Survey (Qatar)

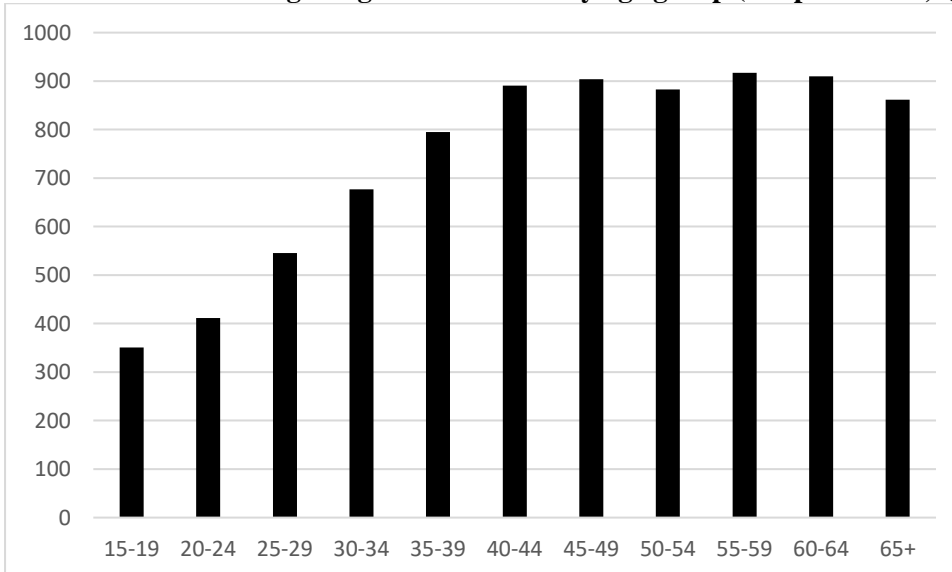
A.5a: Average monthly wages by age bracket, Saudi Arabia (SAR, 2020)



Source: GASTAT Labor force survey bulletin, Q4-2020

The age gradient of the Saudi wage distribution is much steeper than in OECD countries: The wage gap between the cohort of 15-24 year olds and the 25-54 year old cohort in Saudi Arabia is 48%, compared to an OECD average of 35%. It is higher than in any individual OECD country.¹

A.5b: Estimated average wages of Bahrainis by age group (BD per month, Q1/2021)



Source: Labor Market Regulatory Authority (http://blmi.lmra.bh/2021/03/mi_data.xml);

Note: The LMRA does not provide average wages but instead counts of the number of workers in 16 different wage brackets for each age group. The estimates here were made using the mid-points in every bracket.

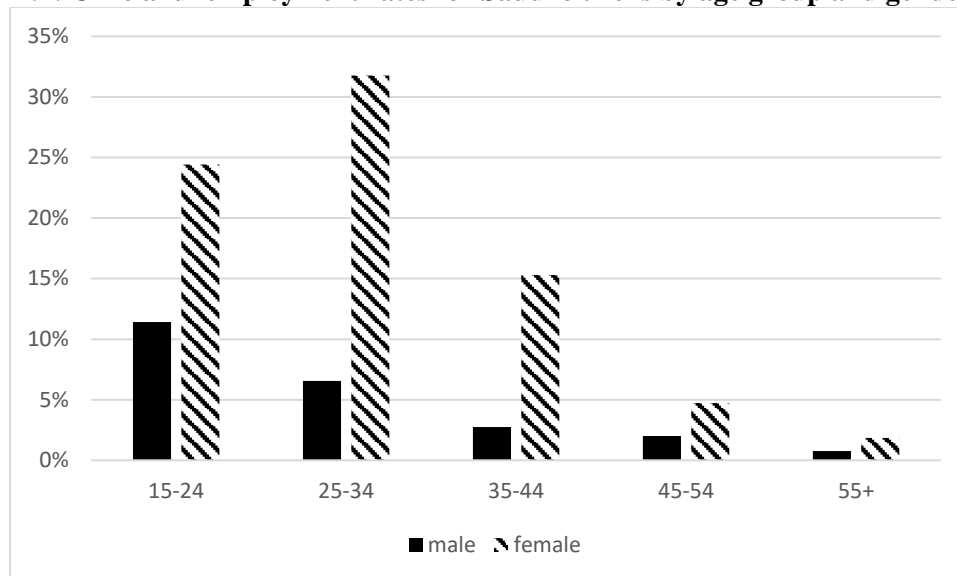
The above numbers result in a wage gap of 43% (with individual age brackets weighted by the number of workers in them). This is somewhat below the Saudi gap but still considerably above the OECD average of 35%.

¹ For OECD figures, see https://stats.oecd.org/Index.aspx?DataSetCode=AGE_GAP.

A.6 Saudi employee and job seeker survey – technical information

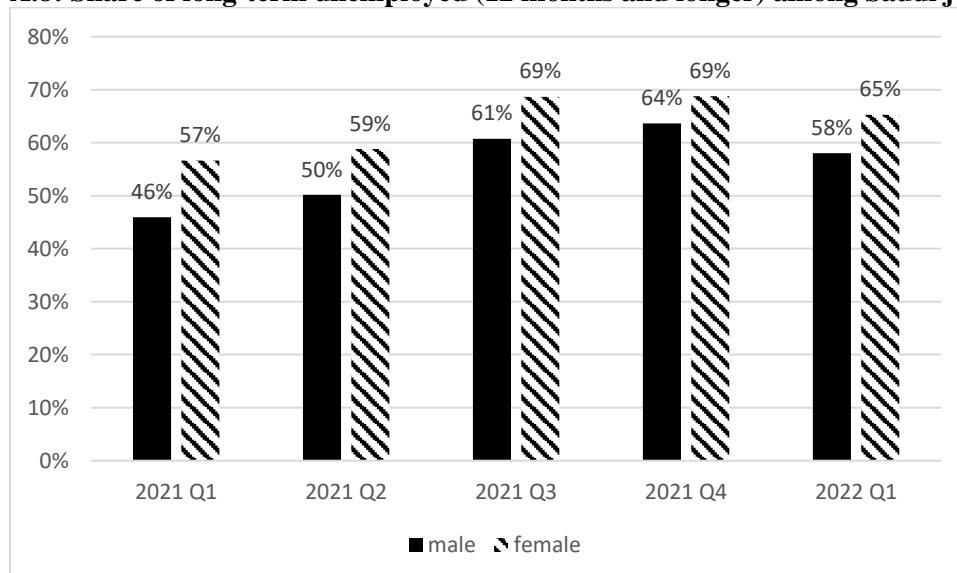
Under the guidance of the authors, Yougov conducted a survey in Saudi Arabia from 2 March 2014 to 23 March 2014, targeting both privately employed Saudis and Saudi job seekers, focusing on their employment preferences in terms of sector, occupation and a range of working conditions. The sample consisted of 428 Saudi citizens aged between 20 and 30 years of age. 54% of the respondents were reached online (using YouGov’s proprietary panel) and 46% interviewed face-to-face. The survey used Yougov’s existing sampling frame for Saudi Arabia, but stratified the sample by gender, employment status, and location in four cities (Riyadh, Jeddah, Tabuk, and Baha). The geographic spread covers the kingdom’s two most important cities as well as two peripheral cities in North and South respectively. Detailed questionnaires and raw data are available on request.

A.7: Official unemployment rates for Saudi citizens by age group and gender



Source: GASTAT Labour Force Survey Q1/2022

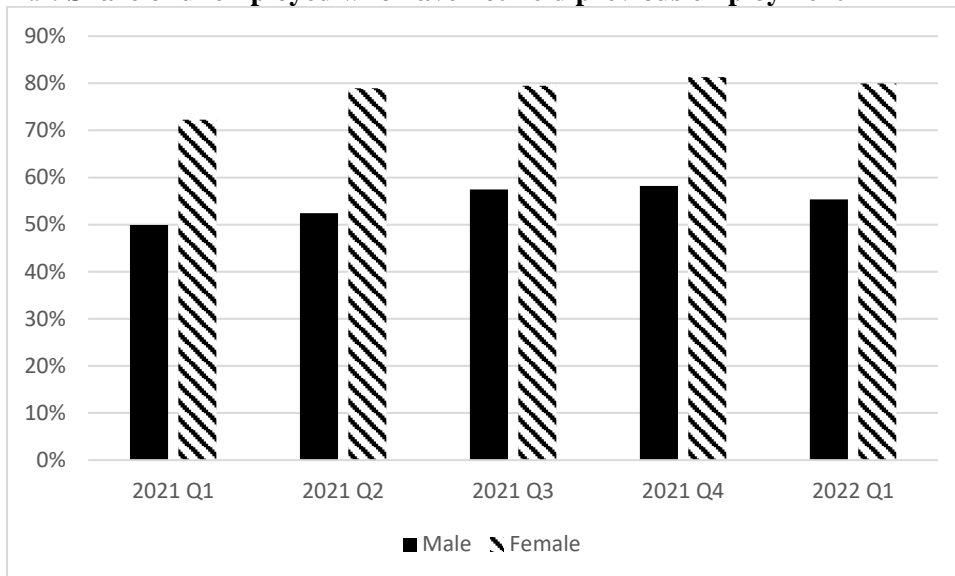
A.8: Share of long-term unemployed (12 months and longer) among Saudi jobless



Source: GASTAT Labour Force Survey Q1/2022

The shares of long-term unemployed in A.6 lie considerably above the OECD average of 39.1%, especially in the case of females. The growing share of long-term jobless, although only observed over a short period, suggests ever more durable exclusion.

A.9: Share of unemployed who have not held previous employment



Source: GASTAT Labour Force Survey Q1/2022

A.10: List of interviews

- [1] Remote interview with Omani labor expert with previous involvement in Oman's union federation, April 2022.
- [2] Interview with Qatar chamber of commerce representative, Doha, October 2018
- [3] Interview with HR manager in leading construction firm, Doha, October 2018
- [4] Interview with HR manager in leading retail firm, Doha, October 2018
- [5] Interview with senior technocrat 1 at Ministry of Administrative Development, Labour and Social Affairs, Doha, October 2018
- [6] Interview with senior technocrat 2 at Ministry of Administrative Development, Labour and Social Affairs, Doha, October 2018
- [7] Interview with senior technocrat 1 at Public Authority for Manpower, Kuwait, September 2011
- [8] Interview with human rights activist, Kuwait, September 2011
- [9] Interview with senior technocrat 1 at Ministry of Labor, UAE, April 2013
- [10] Interview with senior technocrat 2 at Ministry of Labor, UAE, April 2013
- [11] Interview with senior technocrat 2 at Ministry of Labor, UAE, April 2013
- [12] Interview with HR manager at leading bank, Dubai, July 2011
- [13] Interview with HR manager at leading bank, Abu Dhabi, July 2011
- [14] Interview with HR manager at aviation company, Dubai, July 2011
- [15] Interview with senior technocrat at Ministry of Human Resources and Social Development 1, Riyadh, May 2022
- [16] Interview with senior technocrat at Ministry of Human Resources and Social Development 2, Riyadh, May 2022
- [17] Interview with senior technocrat at Ministry of Human Resources and Social Development 3, Riyadh, October 2013
- [18] Interview with HR manager in construction company, Riyadh, October 2013
- [19] Interview with HR manager in financial sector, Riyadh, October 2013
- [20] Interview with HR manager in retail sector, Riyadh, October 2013
- [21] Remote interview with senior technocrat at the Labor Market Regulatory Authority, Bahrain, September 2014

Research ethics

The research leading to this paper has been approved at [details of institution and project approval number to be inserted in post-review version]. The project involves human participants through qualitative interviews. All the interviews were elite-level, with labour technocrats, prominent academics, and senior union representatives from different GCC countries. In all cases, the authors fully explained the full purpose of the project to them, especially the focus on the material interests and organization of labour market insiders and outsiders. A written consent form based on a template from [institution of authors] was used in all cases, offering anonymity, review of interview notes, and withdrawal of consent until the submission of the paper for publication.

No interviews were undertaken with vulnerable populations such as non-licensed citizen labour activists or migrant workers. The risk of negative repercussions for our interviewees are very low: None of them are political dissidents and thereby vulnerable to regime repression, and none of them disclosed any information that could put them at personal risk (had they done so, we would not have used this information). The interviews instead focused on material interests of citizen workers, migrant workers, and union's role in this context, all of which are publicly debated in the GCC.