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Remitters in Dubai

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1. Introduction

The United Arab Emirates (UAE) experienced strong economic growth during the last decades allowing its nationals to enjoy one of the highest incomes per capita in the globe. A consequence of this surge in economic growth has been a large demand for foreign labour. Although, the UAE ranks 13th in the world in terms of total migration inflows, foreign workers constitute more than 70% of the population making it the third immigration country by percent of population (RATHA and XU, 2008). As such, for the previous decades the country has enjoyed a booming economy that stands on the shoulders of foreign workers. As expected, these workers send large sums of money back home every year.¹

An important share of remittances from the UAE originates in Dubai, the second largest Emirate of the UAE. This Emirate is home to the headquarters of many multinational companies (e.g. the headquarters of Halliburton and the regional headquarters of companies such as IBM and Johnson & Johnson) and, as such, has a large concentration of high skilled foreign workers. Yet, according to our estimates, these high skilled workers are not the only ones sending large sums of money abroad. The construction industry in Dubai has also been flourishing in recent years. The Emirate prides in having several of the world's tallest and more modern buildings and many prestigious international hotel chains. These facts have lead to the creation of a celebrity vacationing spot in which it is easy to recognize screen idols, sports superstars and business-world big shots. As

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1 This article concentrates on remittances from foreign workers in Dubai. See NAUFAL and VARGAS-SILVA (2010) for a broader discussion of remittances in the Middle East and North Africa region and the Gulf Cooperation Council countries.

a result, Dubai has earned the title of the “Vegas of the Gulf” (GARDNER, 2005). Keeping this high pace of growth and luxury has made the Emirate dependent on low skilled foreign workers, mainly from Asia. However, even with all this recognition about the importance of the UAE and specially Dubai for global migration and remittances, there are hardly any studies exploring the remittances from the Emirate. Our intention in this short paper is to fill this lacuna by providing a clearer picture of remitters in Dubai.

2. Foreign Workers in Dubai

It is important to make a distinction between the type of migrants in Dubai (and the Gulf Cooperation Council (GCC) countries) and migrants in other parts of the world. The term “expatriate” is commonly used to denote migrants in Dubai in order to stress the fact that people who move to Dubai for work most likely will not eventually become citizens. There are no clear nationalization policies and although there are multiple generations of expatriates living in the Emirate, these have no claim to citizenship. As a result, Dubai has developed into what can be described as a permanent guest-worker type society in contrast to other destination countries such as the United States that are considered immigrant type societies (CHAND and PALDAM, 2004). The exception is marriage to a UAE male citizen, which still grants citizenship to foreigners, nonetheless, the majority of expatriates are male.²

Accordingly, using the term migrant may not capture completely the dynamics of people mobility in Dubai. Furthermore, almost everyone who moves to Dubai had a job already secured. Expatriates are issued work visas before their move to the region such that the vast majority of expatriates belong to the labour force. For that reason, we use the term foreign workers to better describe the expatriates in our sample.

The sponsorship system for visas in Dubai is known as the *kafala* System. Under this system, workers in Dubai enter into an agreement with a *kafeel* or sponsor (this can be an institution or individual employer) in which they obtain a visa and a residence permit in exchange for their commitment to work for the *kafeel*. It is common for the *kafeel* to ask the foreign workers for their passports and sponsors often refuse to hand back the passports to the workers if these want to transfers employers (ZACHARIAN, PRAKASH, IRUDAYA and RAJAN, 2004).

2 However, female domestic workers represent the largest and fastest growing work force in the UAE (SABBAN, 2004).

Another feature of the UAE lies in the type of accommodations available to foreign workers. For many foreign workers part of the “fringe benefits” offered is subsidized housing. These accommodations include two main categories: non-labour camp and labour camp. For instance, many of the companies supplying labour to the construction or service industry in the Emirate offer workers labour camp accommodations in addition to their regular payment. However, these accommodations are far from luxurious, and in most cases even decent living, usually consisting of a series of dormitories in which 8 to 12 men sleep in each room and share a bathroom for each two or three rooms. In the case of Dubai, the type of accommodation indicates an important group distinction. One group can be categorized as “regular” labour migrants and the other represents “exploited” labour migrants, a separation that is strongly correlated with differences in skill levels. Therefore, in the discussion of the data we concentrate on the differences between these two groups of foreign workers.

With all the restrictions mentioned above, one would wonder about the incentives to move to Dubai. In fact, there are clear benefits of moving to the Emirate. One of the main benefits is the tax-free environment. Dubai contains a number of free trade zones that allow foreign investors and corporations to operate with no taxation. This tax exemption attracts many young professionals to the Emirate. Another attraction of Dubai is its low crime rates and relatively safe environment. In addition, Dubai is tolerant in regards to religious diversity and foreigners do not have to follow a strict religious code like in other Middle Eastern countries. Yet, the main incentive to move to Dubai is the availability of jobs and the opportunity to earn salaries that are superior to home salaries.

3. The Survey

The survey was part of a larger initiative by the Dubai Economic Council to investigate the remittances behaviour of foreign workers living in the Emirate. The collection of the data took place during the spring of 2008 from a representative sample of foreign workers based on the 2005 census of the Emirate. For the purpose of the sampling unit, the households were split into two categories: non-labour camp and labour camp households taking into consideration their actual proportion in the total population of Dubai.

The original sample includes 1,577 individuals. The focus of the survey was remittances and, therefore, it only includes information on those who responded yes to the question whether they send money back home, which decreases the size of the sample to 1,504 individuals. There are 977 foreign workers who

constitute 553 regular households and 527 workers who form 50 labour camp “households”.

Table 1 presents some descriptive statistics of the total sample of foreign workers in the survey separated by the type of accommodation. The ultimate majority is comprised of males (over 90%). This fact is more striking for labour camp workers that are almost all male. Also, most of the foreign workers in the sample are under 44 years of age (around 87%) with a strong concentration (especially for labour camp workers) in the 25–34 years of age range. This range typically represents workers in their most productive years (especially for the construction industry). Most workers have arrived recently to the UAE (where more than 70% said that they have been in the UAE for less than 10 years), but about 34% of those living in non-labour camp accommodations have spent more than a decade in the UAE, a proportion that decreases to 15% among labour camp workers. However, perhaps the more clear difference between the two groups of foreign workers is in terms of education. About 43% of the non-labour camp workers have a university degree, while this is true for only 6% of the labour camp workers. The main source of remitting labour is India (56.9%), followed by Pakistan (14.4%), Philippines (6.6%) and Bangladesh (6%).

4. Remittances

4.1 Levels

In Table 2 we present the level of remittances (range) in both, the last 12 months and on the last occasion that the workers remitted. Almost 40% of foreign workers in our sample remit an amount between 5,000 and 9,999 United Arab Emirates Dirhams (AED). One AED was close to US\$0.27 in 2008, which means that a bit less than half of the workers remitted between US\$1,350 and US\$2,700 during the previous 12 months. A good portion of foreign workers (19%) did remit more than 14,999 AED (about US\$4,050) during the last year. The difference in the remitting patterns across accommodations is very clear with smaller amounts flowing from those living in labour camps. The same observation is also seen for the level of remittances on the last occasion. However, in this case more than 80% of foreign workers sent less than 5,000 AED on the last occasion. This small amount of money sent on the last occasion fits well with the frequencies of remitting, since Table 3 clearly outlines the fact that the majority of workers (57%) remit more than 12 times per year.

Table 1: Remitters by Accommodation

	All	Non-Labour Camp	Labour Camp
Gender			
Male	93.7	90.8	99.1
Age			
15–19	0.4	0.3	0.6
20–24	7.0	7.4	6.5
25–34	51.5	43.6	66.0
35–44	28.5	33.0	19.9
45–54	9.9	11.7	6.6
55–64	2.6	3.8	0.4
Marital Status			
Married	75.7	74.7	77.4
Country of Origin			
Bangladesh	6.0	4.4	9.1
Egypt	2.8	3.5	1.5
India	56.9	51.0	67.9
Iran	1.1	1.3	0.6
Lebanon	1.1	1.7	0.0
Nepal	2.1	1.4	3.4
Pakistan	14.4	14.2	14.8
Philippines	6.6	8.8	2.5
United Kingdom	1.4	2.2	0.0
MENA Region	5	6.5	2.1
Years living in the UAE			
< 1 year	8.7	9.3	7.6
1–4	33.0	32.3	34.1
5–9	31.1	24.5	43.5
> 10 years	27.2	33.9	14.8
Education Level			
Uneducated	2.8	2.7	2.8
Read and Write	7.6	6.7	9.3
Some Schooling	59.9	47.9	82.2
University	29.7	42.7	5.7

Notes: 1. Under the variable Country of Origin, the countries listed constituted at least 1% of the sample. 2. Under the variable Labour Status, Other includes (training programs, disabled, housewife, retired and unemployed). The Tables reports the percentage of foreign workers in each category.

Table 2: Level of Remittances

AED	In the Last 12 Months			On the Last Occasion		
	All	Non-Labour Camp	Labour Camp	All	Non-Labour Camp	Labour Camp
< 1,000	2.1	3.1	0.4	45.3	38.5	57.9
1,000–4,999	13.9	18.0	6.3	43.9	45.5	41.0
5,000–9,999	38.9	32.1	51.4	4.4	6.4	0.8
10,000–14,999	26.3	21.1	35.9	2.3	3.4	0.2
> 14,999	18.9	25.4	6.1	4.1	5.9	0.2
Sample	1,504	977	527	1,504	977	527

Notes: One AED is about US\$0.27. The Table reports the percentages for each range.

Table 3: Frequency of Remittances

	All	Non-Labour Camp	Labour Camp
Only Once	1.3	2.0	0.0
Two times	3.9	5.8	0.4
3–4	8.6	13.2	0.2
5–6	7.8	11.9	0.2
7–8	5.9	9.0	0.0
9–10	2.9	4.1	0.5
11–12	11.8	17.0	2.1
More than 12 times	57.7	36.8	96.6
Sample	1,504	977	527

Notes: The Table reports the frequency at which the worker remitted during the previous 12 months (percentages for each option).

4.2 Frequency

The high frequency of transfers points to the fact that most foreign workers remit more than once in some months. Interestingly enough, almost all foreign workers living in labour camps (96.6%) remit more than 12 times a year, which contrast with only 37% for non-labour camp workers. Security concerns may account for the high frequency of remitting for labour camp foreign workers. Most of the foreign workers who reside in labour camps do not have bank accounts and therefore would have to literally, hide their money somewhere. With no privacy and no security in their accommodations, workers in the labour camps have no option but to send their money back home as soon as they earn it. Moreover, there are numerous news articles about this type of foreign workers having difficulties in accessing their passports and travelling documents and, hence, there may not be a possibility of simply carrying the money home on a family visit (WILLIAMSON, 2005).

4.3 Receivers

The top destinations for the monetary transfers from Dubai perfectly match the sources of foreign labour where India is the top destination for remittances followed by Pakistan, Bangladesh and Philippines (Table 4). Only a small portion of remittances (2.5%) are sent to a country other than the country of origin. Table 5 summarizes the relationship of the recipient to the foreign workers. The parents seem to be the top recipients of remittances from Dubai, which is consistent with the average age of workers in the Emirate. In addition, in general the nuclear family receives the majority of the remittances. This observation is consistent across both types of accommodations although there is a much stronger tendency for labour camps workers to send to their spouse (71.9%) relative to the non-labour camp workers (36.6%) even though there are no large differences in the percentages married in both groups (see Table 1). This may reflect that non-labour camp workers are more likely to have their spouses with them in the UAE.

4.4 Uses of Remittances

Food and clothing are the two most common uses of these transfers (see Table 6). Yet, there are important differences between the two types of workers. Labour camp workers' remittances tend to be used more often for educational expenses, savings, food and clothing than remittances from non-labour camp workers. Meanwhile, non-labour camp workers' remittances have a greater tendency to be

Table 4: Destinations of Remittances Flows

	All	Non-Labour Camp	Labour Camp
Bangladesh	6.2	4.7	9.1
Egypt	2.9	3.7	1.5
India	57.0	50.8	68.7
Iran	1.0	1.3	0.4
Lebanon	1.3	2.0	0.0
Nepal	2.2	1.5	3.4
Pakistan	14.3	14.1	14.6
Philippines	6.0	8.2	2.1
United Kingdom	1.5	2.3	0.0
MENA Region	5.2	7	1.9
Destinations include Country of Origin			
Yes	97.5	97.3	97.9
No	2.5	2.7	2.1
Sample	1,504	977	527

Notes: The Table reports the percentage of workers that selected each country as the main destination for their remittances.

Table 5: Remittances Recipients

	All	Non-Labour Camp	Labour Camp
Spouse	49.0	36.6	71.9
Parent	58.8	49.6	75.9
Child	39.0	34.7	46.7
Sibling	20.5	25.5	11.4
Parent in Law	3.8	5.2	1.1
Sample	1504	977	527

Notes: The Table reports the percentage of workers that selected each option as a receiver of their remittances.

spent on accommodations, medical expenses, durable goods and special events. Hence, there are different priorities back home concerning the use of the money across types of workers.

Table 6: Remittances Usage

	All	Non-Labour Camp	Labour Camp
Education Expenses	58.1	53.1	67.4
Accommodation	30.1	35.3	20.5
Savings	24.5	21.2	30.5
Medical	45.6	55.4	27.5
Durable Goods	17.2	19.7	12.5
Investment	9.7	10.9	7.4
Food	69.4	61.6	83.9
Clothing	61.8	51.5	80.8
Special Events	30.8	35.4	22.4
Sample	1504	977	527

Notes: The Table reports the percentage of workers that selected each option as a use of their remittances on the part of the receiving household.

4.5 Transfer Methods

One of the key contributions of the survey is the question regarding the methods of remitting. The question specifically asks what methods were used to remit during the last 12 months. According to Table 7, while 54% used international service providers such Western Union, a considerable portion of the foreign workers sent money home using informal channels, through *hawala* (15%) or their friends (25%). The choice of methods of remitting is also different by accommodation type. Labour camp workers seem to remit using a broader array of methods. Interestingly, it does not seem that there is a clear difference with regard to the use of *hawala* among the different groups of workers. However, we should note that for some of the foreign workers their friends could be *hawala* agents but they report it as remitting using friends.

Table 7: Methods of Remitting

	All	Non-Labour Camp	Labour Camp
Foreign Bank	19.7	23.8	12.1
Local Bank	25.5	16.3	42.7
Foreign Exchange	28.0	27.1	29.6
International Service Provider (e.g. Western Union)	54.0	44.0	72.5
Hawala	15.3	14.8	16.1
Friends / Relatives	25.1	9.8	53.5
Sample	1,504	977	527

Notes: The Table reports the percentage of workers that sent money using each of these options.

5. Conclusion

This short paper describes the key characteristics of remitters located in Dubai, the second largest Emirate of the UAE. The Emirate is an interesting case study given that it has one of the largest ratios of immigrant population to natives, yet there are no pathways to citizenship, hence, it has developed into a permanent guest worker society. Moreover, many low skilled workers in the Emirate live in labour camps, accommodations set up by their employers that mimic army barricades but with deplorable living conditions. It is common for a dozen or more workers to share a sleeping room, bathroom and a kitchen. Our analysis takes this separation in terms of accommodation into consideration and focuses on differences in remitting patterns between labour camp and non-labour camp workers.

The analysis suggests that there are clear differences in remittance patterns between foreign workers who live in labour camps and those living in “regular” accommodations. For instance, those living in labour camps have a higher tendency to remit more often even if they remit smaller amounts. One possibility is that the lack of security in labour camps has pushed these workers to remit home most of the money that they earn and as soon as possible. Nonetheless, probably because of their generally lower wages, foreign workers in labour camps send less money home in total transfers. Another interesting finding is the stronger tendency for labour camps workers to send money to their spouses (71.9%) relative to the non-labour camp workers (36.6%) although there are no

large differences in the percentage of workers married between the two groups. This may reflect the hardship faced by labour camp workers given that they are most likely unable (or unwilling given their poor living conditions) to bring their spouses to the UAE. Any future studies on remittances in Dubai should take this division between labour camp workers and non-labour camp workers into consideration.

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SUMMARY

This article provides a short description of remitters in Dubai. The data comes from a remittance survey on foreign workers in the Emirate conducted in 2008. Among other findings, our results suggest that there are key differences between those remitters who live in labour camps and those living in "regular" accommodations. For example, those living in labour camps have a tendency to remit more often, but tend to remit smaller amounts. One possibility is that the lack

of security in labour camps has pushed these workers to remit the money they earn as soon as possible. The article points out several other differences between the two groups of workers.