

# Policy Report

## Special Issue

*Vision 2030 and the Socio-Economic Reform  
Process: The Future of Labour and Migration in  
Saudi Arabia*

No.6

# A View from South Asia Countries of Origin

## Changing Contexts, Perceptions, and Policies Towards Migrating to Saudi Arabia

Bilesha Weeraratne

### Executive Summary

Saudi Arabia's economy, with a GDP of USD 1.07 trillion, depends heavily on foreign labour with migrant workers making up 75 percent of the workforce, making labour migration from South Asia crucial to economic functioning. Saudi Arabia's diversification strategy relies on attracting skilled labour, but migrant workers still face challenges. While Saudi policies and legal systems such as Saudisation, *kafala* system, *iqama* (residency) rules and regulations; and Nitaqat programme address national priorities, they also contribute to limiting workers' mobility, increasing chances for exploitation, and creating barriers for migrant workers, especially in low-skilled sectors.

Rising global demand for migrant workers and improved migration opportunities in countries like the UAE may reduce Saudi Arabia's labour supply. However, economic challenges, climate change, and political instability continue to push workers toward Saudi Arabia, despite increasing migration opportunities elsewhere. The current approach and policy provisions in Saudi Arabia need to be changed. That is because bilateral labour agreements (BLAs) and memorandums of understanding (MoUs) focus mainly on specific groups, leaving other workers, particularly low-skilled workers or undocumented migrants, unprotected. Moreover, there is a weak oversight when it comes to recruitment agencies which are unregulated and that leads to exploitation, high costs, and fraud.

Recent reforms to the *kafala* system leave vulnerable workers, like domestic and undocumented workers, exposed to abuse. Policies like *Nitaqat* and *Iqama* (residency) may push migrants towards undocumented status due to increased costs for firms. Additionally, Saudi Arabia's family unification and permanent residency policies limit workers' ability to settle and bring their families, reducing long-term prospects and quality of life.

Moreover, remittance fees remain high, reducing the economic benefits of migration. Saudi Arabia should reduce these costs to meet Sustainable Development Goal 10.c, which calls for reducing

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remittance costs to less than three percent of the total value by introducing policies that lower these fees, which would foster competition among remittance providers and/or support state-run, low-cost channels.

This policy brief puts forward the following recommendations.

- Strong demand for South Asian migrants: Gulf countries need both low-skilled workers and highly skilled workers (due to technical competencies), but external shocks can destabilise this demand.
- Improve enforcement: Strengthen implementation and enforcement of rules and regulations for migrant workers.
- Engage international organisations: Consider allowing organisations like the ILO and IOM to establish offices in Saudi Arabia to support migrant workers.
- Recruitment standards: Ensure recruitment in countries of origin attracts the required skilled workers for Saudi Arabia.
- Reintegration programmes: Involvement in providing support for the return and reintegration of temporary migrant workers.
- Competitor strategies: Understand strategies adopted by competing labour-receiving countries and simplify mechanisms in KSA to enhance its attractiveness as a country of destination.
- Reduce remittance costs: Adopt measures to reduce the cost of sending remittances from KSA to South Asia.

## Context and Importance of Issue

The Kingdom of Saudi Arabia (KSA) has a stable and growing economy, with a GDP of USD 1.07 trillion, making it the 19th largest economy in the world in 2023<sup>1 2</sup>. Labour migration to KSA from South Asia is a critical component of the country's economy and an essential factor in shaping the labour market landscape. The key characteristic of the Saudi economy is its reliance on foreign labour, with migrant workers making up about 75 percent of the total workforce as of the fourth quarter of 2023<sup>3</sup>.

Saudi Arabia's Vision 2030, launched in 2016, aims to diversify the economy and reduce dependence on oil by creating new opportunities and positioning the Kingdom among the top 15 global economies. A key aspect of this vision is attracting a skilled workforce, both domestically and internationally, through initiatives that improve education, vocational training, and the living conditions of expatriates. In 2022, nearly half of all non-national workers in the Kingdom came from South Asian countries such as Bangladesh, India, Pakistan, Sri Lanka, and Nepal<sup>4</sup>, and are integral to Saudi Arabia's workforce, particularly in the private sector. While Saudi nationals largely fill public sector jobs, female foreign workers are most often employed in the domestic sector (no data disaggregated by nationality available) while male foreign workers predominantly occupy private sector positions, often facing lower wages and less favourable working conditions than nationals employed in the sector.

**Table 1: Stock of employed persons in KSA by sector and country of citizenship: 2022**

|                        | <b>Bangladesh</b> | <b>India</b> | <b>Nepal</b> | <b>Pakistan</b> | <b>Sri Lanka</b> |
|------------------------|-------------------|--------------|--------------|-----------------|------------------|
| <b>Private sector</b>  | 1,748,060         | 1,401,187    | 311,846      | 1,214,314       | 45,273           |
| <b>Public sector</b>   | 364               | 7,319        | 2            | 2,748           | 9                |
| <b>Domestic sector</b> | NA                | NA           | NA           | NA              | NA               |

Source: (GLMM 2022) <sup>5</sup>

Migrant labour in KSA is critical due to the country's ongoing infrastructure and development projects under Vision 2030, including the ambitious 2034 FIFA World Cup and the construction of the tallest building, which are expected to increase demand for migrant workers, particularly in the construction and infrastructure sectors. However, this growing demand for labour faces competing global trends that could affect the supply of migrant workers to KSA. These include the rising global demand for care workers, especially in Western countries with more favourable migration policies, and the increasing ease of migration to the other Gulf countries such as UAE's job seeker visit visa scheme. These factors may decrease the flow of migrant workers to KSA, as workers may prefer destinations with fewer cultural restrictions, better protection, and potential pathways to citizenship.

South Asia as a labour-sending region faces a complex interplay of socio-economic factors that make KSA an attractive key destination. While the South Asian economy is expected to grow, job creation has not kept pace with the growing working-age population, leading to continued reliance on migration. Climate change, particularly its impact on agriculture, has also contributed to rising migration trends from countries in South Asia as households seek income diversification through remittances. Recent and ongoing challenges like political instability, weak investment climates, and slow economic reforms in countries such as Pakistan, Bangladesh, and Sri Lanka, will likely continue to push labour migration to Saudi Arabia. On the contrary, Nepal, despite its stable economic outlook, may continue to experience strong migration flows to KSA, especially as demand for labour in Qatar and Malaysia declines, while India's projections for strong economic growth and job creation could taper off future migration trends to KSA. As such, the dynamics of labour migration to KSA are shaped by a mix of local economic conditions, global labour demands, and political and socio-economic factors that will continue to evolve over the coming years, making it a critical issue for both migrant workers and the KSA economy.

### **Critique of Policy Options**

Labour migration from South Asia to KSA is governed by a set of institutional frameworks and policy agreements. South Asian countries such as Bangladesh, India, Nepal, Pakistan, and Sri Lanka have well-established structures to manage migration, with dedicated ministries and agencies that oversee migration, protect workers' rights, and provide welfare support. Each South Asian country has agencies focused on migrant labour management. For example, Bangladesh's Ministry of Expatriates' Welfare and Overseas Employment (MEWOE), India's Protector General of Emigrants, and Sri Lanka's Bureau of Foreign Employment (SLBFE) play critical roles in coordinating migration to KSA. These institutions provide support to migrants before, during, and after their time abroad, offering services like financial assistance, dispute resolution, and reintegration programmes. In addition, BLAs and MoUs between South Asian countries and KSA regulate aspects of labour migration, such as recruitment standards, worker rights, and employment conditions. These agreements also aim to protect workers, particularly in

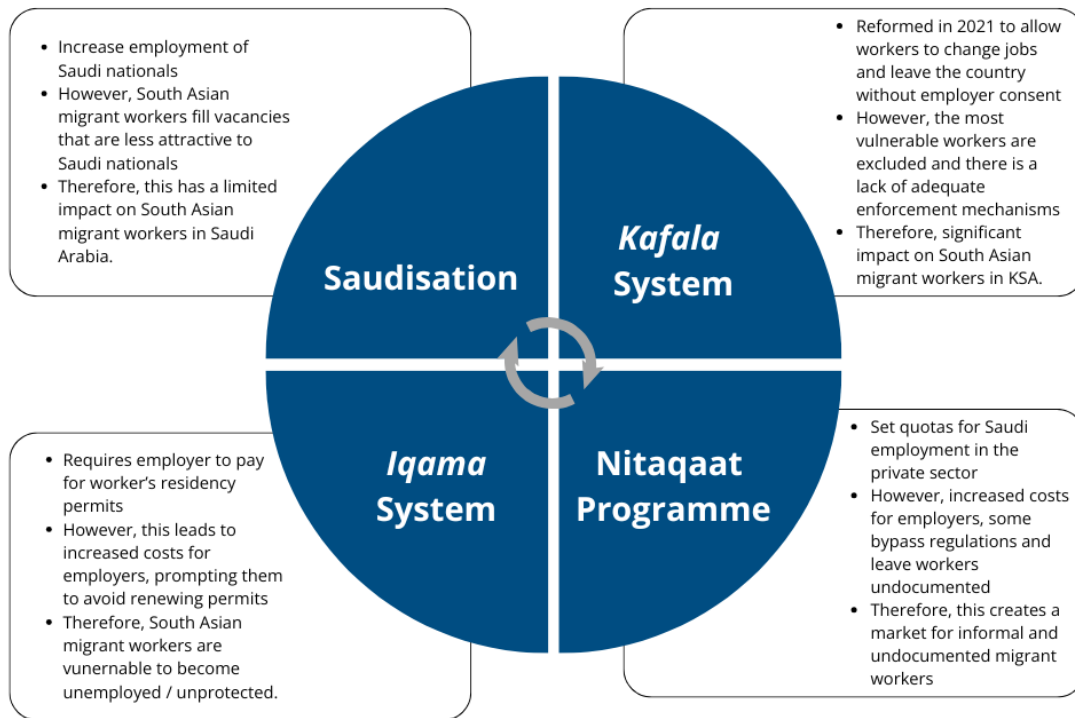
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sectors like domestic labour, through more targeted policies. Despite these frameworks, several challenges hinder effective migration management. Many BLAs and MoUs focus on specific worker categories, such as female domestic workers, and exclude broader sectors in the labour market. For example, Nepal has not yet finalised a comprehensive BLA that covers all migrant workers, leaving large portions of the workforce without protection. In South Asian countries, monitoring mechanisms remain inadequate, especially when informal sub-agents are involved. These agencies often operate without sufficient oversight, leading to exploitation, high recruitment costs, and fraudulent practices, such as misrepresenting job conditions or charging excessive fees. Gender-specific barriers, particularly for female domestic workers, persist. For instance, Bangladesh has imposed quotas on female migration to KSA, while Nepal has placed a ban on sending female domestic workers to countries without BLAs, including KSA, and Sri Lanka has an age-specific barrier for sending female domestic workers to KSA. Although intended to protect women, these restrictions limit their access to legitimate employment opportunities and often push them into unregulated migration channels, where they are more vulnerable to abuse.

KSA's labour and migration policies, including Saudisation, the *Kafala* system, and the *Iqama* and *Nitaqat* programmes, have significant implications for South Asian migrant workers. While these policies aim to reduce dependence on foreign labour and increase employment for Saudi nationals, their impact on South Asian workers, particularly in low-skilled sectors, remains minimal. Saudisation aims to increase the employment of Saudi nationals in the private sector. However, South Asian migrants predominantly fill roles that are less attractive to Saudi nationals, and these sectors remain exempt from Saudisation targets. As a result, despite KSA's efforts to reduce foreign labour dependency, the demand for South Asian workers in low-skilled jobs is expected to persist, with limited impact on overall migration trends. The *Kafala* system has been widely criticised for its exploitation of migrant workers, as they are heavily reliant on their sponsors for employment and residency status. Although reforms in 2021 allowed workers to change jobs and leave the country without employer consent under certain conditions, critics argue that these changes are insufficient. Many of the most vulnerable workers, such as domestic workers and undocumented migrants, remain excluded from these reforms. The discretionary power of employers over workers' status continues to leave migrants vulnerable to abuse, with inadequate enforcement mechanisms to hold sponsors accountable for violations like wage non-payment and mistreatment. The *Iqama* rules and regulations, which require employers to pay for workers' residency permits, leads to increased costs for employers, prompting some to avoid renewing permits, leaving workers unemployed or undocumented. The *Nitaqat* programme, which sets quotas for Saudi employment in firms, has also increased costs for employers, leading some to bypass regulations and leave workers undocumented. Additionally, the nationality-based quotas under *Nitaqat* create disparities in migration opportunities, further entrenching reliance on informal and undocumented labour markets, which undermines workers' legal protections and rights.

KSA's restrictive policies on family unification and permanent migration further discourage long-term settlement and integration for migrant workers. Family reunification policies are highly selective, based on income and occupation, and the associated high taxes and levies deter many workers from bringing their families to the country. Although some reforms allow for limited permanent residency, these remain largely inaccessible to most South Asian workers. As a result, KSA is often viewed as a temporary destination, where migrants travel alone leaving family back in South Asia, with long-term plans to migrate to Western countries from Saudi Arabia.

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Despite some reforms, including changes to the Kafala system, issues like forced labour, wage theft, and limited rights continue to undermine the well-being of migrant workers. Saudi Arabia's limited engagement with international labour standards and reliance on bilateral agreements with sending countries hampers effective enforcement of labour rights. The absence of independent oversight and the practice of "double contracts" further complicate workers' legal status, leaving them vulnerable to exploitation. The imbalance of power between Saudi Arabia and migrant-sending countries weakens efforts to improve working conditions, for example when South Asian governments compete for employment opportunities and struggle to negotiate better terms for their nationals. KSA's position as a preferred destination for South Asian migrant workers is based on a tradeoff between its high wages, coupled with a high cost of living and amount of remittances that can be sent back. High remittance costs, particularly from KSA to countries like Bangladesh, discourage migrants from sending money home, reducing the overall economic benefits of migration. To meet SDG 10.c, which calls for reducing remittance costs to less than 3 percent of the total value, Saudi Arabia should introduce policies that lower these fees, fostering competition among remittance providers or supporting state-run, low-cost channels.

**Policy Recommendations**

There is a strong demand for South Asian low skilled migrant workers in KSA due to their hard-working nature and being less demanding for working conditions and high-skilled workers due to their technical competencies. However, large external shocks can destabilise this demand. It is important to be mindful

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of foreign worker-related costs borne by firms and the related push for migrants to become undocumented workers in KSA when introducing policies such as Nitaqat and Iqama.

Therefore, KSA could benefit from improved implementation and enforcement of rules and regulations on migrant workers, and revisiting opportunities for international organisations such as International Labour Organisation and the International Organisation for Migration to establish offices in KSA.

Similarly, it would be ideal for KSA to pay attention to the type of recruitment conducted in countries of origin to ensure attracting the required skilled workers and facilitate the successful return and reintegration of temporary migrant workers coming into KSA. Here KSA can learn from South Korea and its exemplary role in contributing towards return and reintegration of temporary migrants under their Happy Returns Program.

It is also important for KSA to understand the strategies adopted by competitor countries of destination to attract migrant workers like the UAE and its job seeker visit visa scheme and also facilitate reducing the cost of remittances to South Asia. Here, KSA may benefit by learning from the UAE, where they introduced a framework in 2023 for the “use of local currencies in cross border transaction and cooperation for interlinking payment and messaging systems between India and the UAE”<sup>6</sup>.

## Endnotes

- 1 **The World Bank 2024: World Bank. Saudia Arabia Overview, in:** <https://data.worldbank.org/country/saudi-arabia>.
- 2 **Government of the Kingdom of Saudi Arabia: Vision 2030.**
- 3 **Gulf Labour Markets, Migration and Population Programme (GLMM) 2023: Saudi Arabia: Employed population (aged 15 and above) by nationality (Saudi/non-Saudi), sex and age group (Q4, 2023). Gulf Labour Market and MIgration Programme.**
- 4 **GLMM. 2022. Saudi Arabia: Non-Saudi population by country of citizenship and sex (selected countries, 2022). Gulf Labour Markets and Migration Programme (GLMM), in:** <https://gulfmigration.grc.net/saudi-arabia-non-saudi-population-by-country-of-citizenship-and-sex-selected-countries-2022/>.
- 5 **Ibid.**
- 6 **KNOMAD 2024: Remittances Slowed in 2023, Expected to Grow Faster in 2024.**

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## Contact

Philipp Dienstbier  
Director  
Regional Programme Gulf States  
European and International Cooperation  
philipp.dienstbier@kas.de

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