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An Analysis Of The Social Insurance
System In Kuwait.

by

Moudi Al-Houmoud

A thesis presented for the Degree of
Doctor of Philosophy
in the City of London University.

October, 1979

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Abstract

The oil boom in Kuwait, starting in the mid-1940s, brought about several economic and social changes. Economic activities have developed very greatly with increasing numbers of immigrants from different countries entering the country, providing the quality and quantity of labour required to build a new economic infrastructure.

The government sector has grown accordingly in order to carry out the requirements development have demanded, in the process absorbing Kuwaitis previously engaged in various crafts. The number of Kuwaitis in the government sector has increased considerably, as they have come to enjoy guaranteed work, high earnings, and social security benefits paid during disability and old age.

Kuwaitis in the other sectors of employment, and non-Kuwaitis in all sectors, have lacked these social security benefits. With the introduction of the Social Insurance Law in 1976, Kuwaitis in the other sectors were granted income maintenance in the event of sickness, industrial injury, disability, and old age; and this protection will be provided for their dependants after the death of the insured contributor.

One aim of this new legislation is to persuade Kuwaitis to move from the overstaffed government sector to other sectors, especially to the private sector, which has up till now been run mainly by non-Kuwaitis. It is also an intention of the legislation to redistribute the surplus national wealth derived from oil to

long-term rather than immediate ends, by providing generous retirement benefits for Kuwaitis. This was designed mainly to avoid the inflationary consequences and the social disorientation which might result from pumping an excessive degree of wealth into the economy in just a few decades.

The social insurance programme has shortcomings which not only might obstruct the attainment of its own objectives, but more seriously might conflict with overall national development plans. Indeed the adoption of early retirement provisions, and the absence of a fixed retirement age policy, may adversely affect the supply of Kuwaitis in the labour market.

Government neglect of non-Kuwaitis in the area of social security benefits may also affect the future supply of foreign labour required, as it also leaves the majority of the labour force in Kuwait without protection against future economic and social risks. It may well increase social and economic costs in the future.

Nevertheless, the shortcomings discussed in the study in no way lessen the significant contribution recent changes in social security reform have made to the welfare of the Kuwaiti population.

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Chapter 1

Introduction

"The real freedom will be achieved only as social security and human welfare become the main concerns of men and nations."¹

The quotation above epitomises an ideal objective, which may be attempted by a modern society by means of its social security actions. This objective began to be realised in previous centuries by societies which adopted schemes to free the individual, to some extent, from concern about meeting his essential needs, should he become fatherless, sick, unemployed, poor, or old.

The same objective was the theme and the centre of the social policy of the Islamic states from the 7th to the 16th centuries A.D. The individual's security from birth and during childhood, and later, in old age, and even in times of hardship arising from sickness or disability, was a main concern of the state, which provided this security for every individual in the Islamic community. It was provided in such an automatic way that it preserved individual dignity: only those physically capable of work but not working, or those with an income incapable of supporting a designated minimum living standard were subject to a means test,

It was also provided for every citizen regardless of his race or religion. During the reign of the caliph Umar² all

¹W. L. Mackenzie King: speech in Toronto, October 1942.

²Umar Eben al Katab, the second elected caliph of the Islamic empire, 635 to 645 A.D.

newborn babies had to be registered, and they were eligible for a monthly pension of 100 dinars each, and a certain amount of food. This was increased during their minority until they became capable of earning their own living.³ These benefits were also provided for the aged and the disabled.

These benefits were financed by taxation, comprising:-

"Al-Zakat", imposed on income above a certain level, at the fixed rate of $2\frac{1}{2}\%$ per annum;

"Al-Karaj", i.e. taxes on property; and other general revenues of the public treasury.

The philosophy behind this advanced social security system sprang from Islam, the dominant religion in the empire. This religion held society to be responsible for supporting its needy members. The state, therefore, as representative of that society in a form capable of consistently carrying out functions decided upon, had to provide where necessary for the minimum needs of its citizens for food, shelter, and clothing, and in most cases it in practice provided more than the minimum.

The philosophy could be activated by the right of the poor to lay a claim in a court of law that these benefits ought to be provided by the state and by wealthy citizens. The latter's right of possession was not absolute, in legal terms, while there were poor in the community. The state had the power to requisition private wealth, and to seize it by force if necessary,

³ Judge Abu Yousif: "Al-Karaj", presented by Dr. Abdullah al Nafisse to a social security meeting. Kuwait, January 1978.

if its own resources failed to meet the requirements of the needy.⁴

The right to receive social security benefits was reserved in particular to servants of the state, who were entitled to a house, an animal (as a mean of transport) and a grant on getting married.⁵

Most of the legislation in the field of social policy that was in force during the Islamic empire was neglected after the Turkish capture of the caliph in 1517 A.D. Western imperialism, when and whenever it appeared, furthered the decline in the application of this philosophy in all areas inhabited by Muslims, by providing an apparently economically more successful model of individual enterprise and self-reliance.⁶ However, 10 centuries after the decline in the first Islamic empire had set in, states where Islam was the dominant religion in the 20th century began to provide social security for their citizens. Turning this time to the West, in order to learn from its experience in the field, schemes were introduced with little adaptation to local circumstances and often in total ignorance of the historical experience of the Muslim world.

Western Experience

The roots of the 20th century social welfare policies in the western experience may be traced to the 16th century with

⁴Dr. Enad al-Dean: "Social Justice", quoted by Fahmi Howida: discussion on justice in "Al-Arabi" monthly magazine. Kuwait, Nov. 1978, p.48.

⁵Dr. Mustafa al-Seball: "Socialism in Islam", also quoted in the article in reference no. 4, above.

⁶Only "apparently", as the Muslim inhabitants were unaware of the poor, left behind in the Western home countries.

the introduction of the poor laws into different parts of Europe.

In Germany, a series of imperial edicts in 1530, 1548, and 1577 made each town and community responsible for its own poor. Those edicts were in force until 1880, when Bismarck enacted the national scheme against sickness, accident, and old age, which was the first example of state compulsion on a large national scale. In England the poor laws of 1547 and 1601 made the local justices responsible for raising funds and administering poor relief in cash or in kind when it was required.⁷ France introduced a similar poor law system in 1536, which made every parish responsible for its poor; and in a law of 1586 gave the parish authorities the right to impose a compulsory poor rate.

Charity remained as an important motive of the poor laws in Europe for a long time,^{*} until the impact of the great depression 1930 brought about changes in economic circumstances - in particular the tragedies of large-scale unemployment and the destruction of personal savings by hyperinflation - with a consequent change in attitudes to welfare. People made demands

For more discussion on the subject see:

⁷ Maurice Bruce. The Rise of the Welfare State. Weidenfeld and Nicholson, London, 1973.

^{*} Beside poor laws many European states imposed taxation for the relief of destitution, also, few other contributory social insurance schemes were introduced in Germany and England well before 1930: see pages 129 and 130.

for new measures against the high rates of poverty, sickness,⁸
and unemployment.⁹ Gradually the positive role of the state was
emphasised as a new attitude towards social security was provoked:
governments were expected to accept the role of caring for the
people, to ensure not only the basic support provided by the
poor law, but also the establishment of all the social security
standards which had come to be expected in civilized society.

A new era started in Western experience with Sir William
Beveridge's report in 1942, in Britain, which made Britain a
pioneer in applying a universal social insurance legislation that
was a comprehensive, co-ordinated system of minimum protection -
the welfare state. Since then there have been many developments
in the field in all European countries, which have become more
concerned with the provision of welfare systems for their citizens.

Several years later the U.S.A. started to apply the idea
of social security to protect its citizens against the risks of old
age, invalidity, and unemployment. It was only in 1935 that the
term "social security" (as opposed to the implementation of
comprehensive schemes) was authoritatively used for the first
time in the U.S.A.; and the Social Security Board was
established to administer the scheme of unemployment, sickness, and
old age insurance.

⁸David Callund. Employee Benefits in Europe 1978.
Callund and Co. Ltd., London, 1978.

⁹Samuel Mencher. Poor Law to Poverty Programme.
University of Pittsburg Press, U.S.A., 1967.

Measures for future security

Despite the differences in culture, religion, and the date of introduction of social security measures, the systems adopted in the different countries satisfied in various ways certain fundamental needs of the individuals in any community. It was the principle of mutual rights and the responsibilities of the individual and the community which motivated governments in the first place to provide economic and social security for those citizens who failed to provide it for themselves either because of extreme youth or old age or because of sickness or unemployability. The charitable systems that sprang from religious principles had proved to be inadequate for meeting the increasing demands for social security in expanding and industrialising societies. New methods had to be instituted.

Private insurance, run on commercial lines, based on policies on the individual's own initiative (though income tax relief on premiums was sometimes provided by the state,¹⁰ with employers supporting in some cases) was the only method to be found besides the poor laws and the haphazard and generally inadequate assistance available from charities, to provide an alternative income for individuals in time of need. In fact, the weakness of private insurance as a means of ensuring economic security in the future has always been that the people most in

¹⁰In Great Britain: see "Simon's Taxes: Handbook on the Consolidated Taxes Acts 1970," London: Butterworths, 1970, p.109.

need of insurance, namely those with the lowest wages, the most irregular employment, and the least savings, could not afford to purchase protection unaided. On the other hand, the general propensity to short-term economic consumption tends to make individuals short-sighted in allocating their income to provide for future needs. Moreover, the decline of personal saving because of the collapse of the financial structures of many countries during the depression in the 1930s and in wartime, proved the insufficiency of this method alone in coping with future risks. This makes it necessary for governments to provide and contribute to other measures to counteract the consequences of unemployment, disability, sickness, and death, for both the worker and his dependants.

Social insurance and social assistance were introduced as two different aspects of a social security system. Social assistance depends solely on government finance for the provision of benefits for those unable to earn their own living. It was proposed to finance social insurance mutually by both the state and the working individual in contrast to private insurance and to the charity principle implicit in a social assistance system. Social insurance under this concept of combined contributions deviates from the strict application of the "equity" principle in insurance theory, which requires approximate actuarial equivalence between total premiums paid by an insured and total expected benefits received. Arising from its "social" postulate, social insurance tends more towards the "adequacy" principle whereby the benefits provided

ought to be sufficient to maintain a reasonable minimum standard of living for the beneficiary. To combine equity and adequacy is a difficult task as Reinhard A. Hohaus has explained:-

"Because of its voluntary nature... private insurance must be built on principles which assure the greatest practicable degree of equity between the various classes insured... Social insurance, on the other hand, is moulded to society's need for a minimum of protection against one or more of the limited number of recognised social hazards...Hence, just as considerations of equity of benefits form a natural and vital part of operating private insurance, so should considerations of adequacy of benefits control the pattern of social insurance...The foregoing need not necessarily imply that all considerations of equity should be discarded from a social insurance plan: rather the point is that, of the two principles, adequacy is more essential and less dispensable." 11

In general, people and governments become more concerned to provide a reasonable degree of social security by the provision of both social insurance and social assistance. This concern was reflected in the I.L.O. conference in Philadelphia in 1944, which called for more extensive application to social security. It explained and defined social security as:-

"the security that the society furnishes through appropriate organisation, against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means cannot effectively

¹¹ Reinhard A. Hohaus: "Equity, Adequacy, and Related Factors in Old Age Security", The Record, American Institution of Actuaries, June 1938, pp 82, 84.

provide by his own ability or foresight alone or even in private combination with his fellows. These risks being sickness, maternity, invalidity, old age and death. It is the characteristic of these contingencies that they imperil the ability of the working man to support himself and his dependants in health and decency." 12

A state's social security policies, according to the I.L.O. definition, are only those which are designed to prevent and cure diseases and to support the needy when unable to earn, and to restore them to gainful activity if and when it becomes possible.

Sir William Beveridge has also defined social security as:

"A scheme of social insurance against interruption and destruction of earning power and for special expenditure arising in birth, marriage or death." 13

Beveridge stressed that a comprehensive service of social security should be designed to combat the major obstacles in the path of social progress - want, disease, ignorance, squalor and idleness. According to him, an adequate level of employment, a comprehensive health service and a scheme of children's allowances are the three assumptions fundamental to the success
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of a social security plan.

Thus the term "social security" describes the programmes that the government (national and local) provides to protect the people from certain contingencies, and maintain for them a minimum

¹²I.L.O. Approaches to Social Security. Geneva, 1944, p.80

¹³Sir W. Beveridge: "Report on Social Insurance and Allied Services" 1942.

¹⁴Ibid, p.239.

income if their earning power has been interrupted by old age, ill health, infirmity, retirement or loss of support by death of another person, and also to meet exceptional expenditures connected with birth, death and marriage. And to provide social security for the members of the community in adequate quantity and quality when it is required. The two approaches have been established, namely social assistance and social insurance. Both are found to remedy the deficiencies in poor relief, and both have the same objectives of liquidating the great evils that threaten society, so that they have become complementary to each other.

Social Assistance

Social assistance represents the unilateral obligation of the community towards its dependent groups.

"Social assistance schemes are services financed and administered, wholly or in part, by the national government. Thus every single member of the population of the country concerned is a potential beneficiary of the scheme." ¹⁵

It is also as Mamoria has defined:

"A device to provide benefits for persons of small means granted as of right and in amounts sufficient to meet a minimum standard of need and financed from taxation or general revenues." ¹⁶

¹⁵ I.L.O. Introduction to Social Security. Geneva, 1970, p.33.

¹⁶ Mamoria C.B. Principles of Social Security. Kitab Mahal, 1965, p.14.

It evolved from the poor law as a result of specialisation of services for different categories of needy citizens. Basically, the social assistance approach contains five areas:

A. Old Age and Invalidity Pension

The Old Age and Invalidity Insurance Convention of 1933 provides the granting of non-contributory allowances as a right to needy, invalid, or aged persons. Under this area are the widowed, the elderly, and invalid persons, who are not receiving social insurance benefits because they or their bread-winners are not insured.

Receipt of the pension does not involve any diminution of civil rights; award of the pension is not conditional upon the absence of relatives legally liable and able to support the claimant. The fundamental character of the non-contributory pension is that it is payable as of right and in consequence is granted to persons¹⁷ fulfilling statutory conditions and to such only.

B. Mother's Pension

This is the scheme to maintain the families of younger children who have no fathers to support them. The essential object of these schemes is to enable the mother to care properly¹⁸ for children at home, without having to go out to work.

The child is deemed to be dependant under most countries'

¹⁷I.L.O. Approaches to Social Security. p. 9.

¹⁸Ibid. p.11.

laws until he/she reaches the age of 18. Also, when the child is an orphan, the pension is paid to the foster mother to enable her to care for him.

In many cases the mother has the right to this pension, not only if she is a widow but also if her husband is alive but not supporting his family because of invalidity, or because he has left it and his obligation to maintain it cannot be enforced.

In practice, the amount of the pension varies according to the means of the family and the number of dependent children.

C. Medical Assistance

Public policy also provides for the payment of the cost of medical care for needy members of society. It may be provided as free medical care or at reduced fees. In many cases the state maintains public hospitals for the treatment of physical and mental diseases. The tendency now in many states is to provide free national health services for their citizens, or health services with minimum charges to the patient, on a large scale.

Maternal and Child Health

It is also the responsibility of the government to maintain the medical service for mothers and their infants. The health of the mother and children is usually the concern of two branches of social assistance: one responsible for pre-natal supervision and obstetrical care and the other for the health of school children, extending beyond the sphere of medicine into those of nutrition and education (school meals and medical services).

D. Unemployment Assistance

Unemployment is a problem of modern, industrial society which was not apparent to the same degree in agricultural society. It results in two main problems. These are (a) unemployment or income deficiency resulting from the fact that workers are deprived of their ability to contribute to their own support, and (b) the wider economic cost, arising from the fact that unemployed workers represent idle resources and hence a loss of potential output to the community. The latter is seen as an obstacle in the path of economic growth. The essential purpose of unemployment assistance is to provide an income for people when they are out of work. It becomes very important for the unemployed to maintain himself and his dependants in the case of involuntary unemployment, or if the beneficiary has already exhausted his benefits under social insurance which may be in cash or in benefits in kind. At the same time the state should try to re-train the unemployed and support him until he is re-employed in suitable employment. To be eligible for unemployment benefit, an unemployed person must be in need, capable of work, registered at an unemployment office and willing to accept employment defined as suitable for him or her, having regard to his or her age, physique, and normal occupation.

E. Rehabilitation of the Disabled Person

Social assistance for the rehabilitation of disabled persons includes all measures taken by the government for the education, training or sheltered employment of physically defective children and

adults, specially the blind, deaf and seriously crippled, irrespective
19
of their means. Most countries of the world are adopting this
idea and giving the disabled rehabilitation courses in public
institutions directed by the government or in subsidised private
institutions. These courses vary according to the disabled's
age, sex and his ability, but they have a common objective which
is to re-create a productive person from being disabled and to
help him support himself and his dependants.

Social Insurance

As mentioned earlier, social insurance is mid-way between
mere social assistance to certain groups in society, and private
insurance.

The I.L.O. has defined Social Insurance as:-

"a scheme which provides benefits for persons of
small earnings granted as of right in amounts which
combine the contribution effort of the insured with
subsidies from the employer and the state." 20

It is also defined by J.L. Cohen as:

"an agreement is legally enforceable to pay a certain
sum of money or goods and services in kind as a
compensation against the loss resulting from certain
given contingencies which lead to a diminished capacity
to earn or to increase of expenditure." 21

The social objectives behind this scheme become more important
than the insurance methods. By common agreement the concept

¹⁹Ibid. p.19.

²⁰Ibid. p.81.

²¹Cohen J.L. Social Insurance and the Worker, I.L.O.
Information Committee, London, 1975.

embraces industrial accident insurance, workmen's compensation, health, old age, invalidity and unemployment insurance.

More recently there has been a tendency to extend the term to government measures for the guarantee of certain wage minima such as those called family allowances and minimum wage legislation.

Scope of Social Insurance

The contingencies that should be included under the social insurance scheme are divided by the I.L.O. into two categories:

- (i) Biological contingencies, including contingencies which arise due to biological factors such as sickness, invalidity, maternity, old age and death.
- (ii) Economic contingencies due to economic factors such as unemployment.

It can be said that the scope of social insurance consists of:

- (A) Pension Insurance
- (B) Sickness Insurance
- (C) Workmen's Compensation
- (D) Unemployment Insurance.

A. Pension Insurance

This covers three risks: old age, invalidity and premature death of the bread-winner. It is a contributory scheme which aims to provide an adequate regular income for the retired, invalided or the dependants in case of death. The basic scheme of the compulsory, contributory pension scheme is the retirement

fund. Generally, public demand for pension protection is stronger and more far-reaching than that for medical or sickness benefits, but it is also more difficult to furnish because of the very high immediate cost and the absence of an extensive system of voluntary institutions. In general, salaried employees and independent workers are more interested in pension insurance than are other groups in the community.

The normal pensionable age has been set in most countries of the world at 65. Women have been assumed to become unemployable at an earlier age than men with the result that their pensionable age is often 60 years.

After retirement or invalidity, the pensioner becomes entitled to cash benefits and also to benefits in kind. The invalidity pension should not be greater than the old age pension which is substituted for it when pensionable age is reached. In almost all schemes, the right to a pension is made conditional upon the completion of a qualifying period, which involves the payment of a minimum number of contributions since entry into that insurance. Finding a comprehensive scheme covering the whole labour force and including other groups in society has become the concern of governments throughout the world.

B. Sickness Insurance

The principal aim of compulsory sickness insurance is now understood to be the improvement of the standards of health

for workers and their families, thereby reducing its future liabilities. Sickness insurance functions are to provide preventative and curative medical care and partial compensation for loss of wages in case of illness of non-occupational origin, for a limited period.²²

According to the I.L.O. Recommendation (1944) the sickness insurance scheme should include, besides preventative and curative benefits for employed people, a maternity insurance which is a protection for the female worker in her maternity period and after the delivery of her child. Sickness insurance benefits may include also funeral benefits (some countries) and also medical treatment in the public or private hospitals (benefits in kind).

Sickness insurance has been applied from the beginning to persons employed in industry and commerce. The extension of sickness insurance to the farming population is a late development. It became a necessity in agricultural countries where there are large districts with a sparse population and only few medical facilities. Also, non-manual workers whose salaries exceed a certain level are also excluded and many attempts have been made to include all these categories under the provision of a sickness insurance scheme.

C. Workmen's Compensation

This is mainly based on the employer's liability for occupational risk, and it protects only the employed person. Small employers in general have been exempted from liability in many countries,

²²I.L.O.: op. cit. p.45.

with domestic servants and many agricultural workers often excluded. Accident insurance comes into existence as a means of enabling employers to cover their liability for compensation; it is often made compulsory in order to secure that the worker's claim shall be met. Such schemes cover both the risk of occupational diseases contracted in the course of work, and of industrial injuries which result in three states - temporary incapacity, permanent incapacity, or death. The insured party is entitled to cash benefits, that is a regular payment or in the case of disability a lump sum, and medical expenses: he is also entitled to benefits in kind such as medical treatment and drugs.

D. Unemployed Insurance

Unemployment insurance covers the risk of inability of the able-bodied to find suitable employment. It is recognised that it is society and industry who are responsible for this problem and not the worker himself. So it is the responsibility of the employer to support the employed and insure him against this risk. The scope of compulsory unemployment insurance in many countries embraces persons employed in industry and commerce whereas the agricultural worker is often excluded. The unemployed has the right to cash benefits, that is a certain payment for a limited period (generally 26 weeks) until he is employed again in a suitable job, or he will then be entitled to social assistance from the state. Also he will have the right to benefits in kind, such as training facilities in order to re-fit him into such jobs as are

available.

Social Assistance and Social Insurance

Social assistance and social insurance are the two parts which link together to form a comprehensive social security system. In most countries social assistance is the auxiliary of social insurance. It has to provide necessary benefits in kind which the insurance scheme does not afford, it substitutes for insurance benefits when the individual does not fulfil the qualifying conditions or has exhausted his right (unemployment cases), and it supplements the cash benefits of insurance where these do not meet individual needs.

Overlapping occurs between the two schemes in many cases, especially in the fields of old age, incapacity and death provisions. The national system's role is to define the area of each scheme and their relations to each other. Co-ordination remains inefficient and unsystematic until the legal provisions of related schemes are fitted into one another and administrative links are established between them. Co-ordination is required between the two schemes both in the mapping out of their functions and in the details of their contacts; often, however, co-ordination goes no further than designation in general terms of the field for which each scheme is competent.²³

Finally, the degree of combination between these two measures

²³ I.L.O.: op. cit. p.89.

of future security varies between countries according to general policy, the national goals, and the perceived national interests of each state. Where some, such as Britain, and Canada provided more recently occupational schemes to top the flat rate benefits, others, such as the European Socialist countries, depend entirely on a contributory state social security to supply such benefits. Countries also differ in their methods of administering programmes. Administration by private insurance companies may be found existing alongside state administration as in Britain. Totally state administration may be found in the U.S.S.R. and the other Socialist countries. In fact the decision on the type of administration of such schemes also depends on state policy and the desire to maintain a strong private sector or otherwise.

Chapter 2

2.1. Aims of the Study

The intention of this study is to review and analyse the social insurance system in Kuwait. Particular attention will be paid to the Social Insurance Act of 1976, which was introduced by the Kuwaiti government to provide social and economic protection for its citizens (and their dependants) working in any economic sector, against the contingencies of old age, disability, sickness and death. This Act was the result of a government initiative to achieve several social and economic objectives either directly, by encouraging Kuwaiti labour to move towards the private sector and create a distribution of labour market such that effective control of the different sectors were kept in Kuwaiti hands, or indirectly, by providing a favourable psychological environment in which to work and produce.

It is also an aim of this study to throw some light on the recent Kuwaiti experience in this field and compare it with the relatively longer and tried experiences of foreign countries, in order to determine the status of the Kuwaiti social insurance system in comparison with international standards. Determining the status of the system among the local populace is another area of concern in the study; to which end a survey was carried out among the labour force (both Kuwaiti and non-Kuwaiti), to measure

¹ explained in detail in Chapter 6.

their opinions on the system, and their perceived prospects for the fulfilment of its objectives.

2.2. Importance of the Study

There is an increasing need for the government of Kuwait to adopt more effective policies in order to develop its local labour resources, at the same time as encouraging foreign labour to play a part in fulfilling the government development plans. The social insurance programme is the sound start of a new era of social legislation that, if developed on the right lines ought to play a significant part in promoting security and stability in the labour force as a whole.

Despite its importance, preliminary research on only a very limited scale was carried out by the government before the 1976 legislation was enacted. Moreover, limited further research has been carried out since the establishment of the Public Institution for Social Security, which is still involved in the initial training of staff to carry on its designated functions, while at the same time beginning to deal with the execution of policies.

This study is a pioneering one in the field as it is the only attempt made so far in Kuwait, to investigate and reconsider the historical development of social security legislation in the three sectors, and it is also an attempt to evaluate the existing system in the light of foreign experience, and, more importantly, in the light of local opinion in Kuwait.

In January 1979, the Kuwaiti television service presented a

series of meetings between the director-general of the public institution, and the researcher to discuss and clarify the matters involved in the execution of the 1976 Act. Many of these matters will be pointed out and discussed in this study.

The study obtains its importance from several aspects, which are:-

2.2.1. The need for a thorough study to explore the possible ways of attaining consistency and compatibility between the social security system and the other government policies. The lack of prior research is the reason for the existence of many areas of conflict which arise between the 1976 Act and the overall objectives of the government's national plan.

2.2.2. The principle of distributing the national wealth only to Kuwaitis, which is implicit in the current social security legislation without regard for its wider impact needs to be reconsidered.

There is also a need for more research to re-examine the possible consequences of the failure to provide for non-Kuwaitis such security which may effect seriously the foreign labour stability and productivity, and thereby create possible political unrest. The additional actuarial cost of providing security for non-Kuwaitis under the social insurance system in the longer term as opposed to the short term must also be considered.

2.2.3. The limited awareness of the Social Security System in

Kuwait amongst the inhabitants in general and Kuwaitis in particular and of private institutional ways of providing personal and family security is also important. Neither personal saving nor commercial private insurance is popular with the public. (This will be discussed further in Chapter 7). Moreover, social insurance is a completely new idea with which most are unfamiliar.

The Kuwaiti individual tends to develop habits of increasing consumption that leave him with only a little or no savings to hedge against future economic risks. Compulsory social insurance ought not to be the only method of protecting the Kuwaiti against future contingencies. More government support ought to be given to public information and persuasion, orientated towards an increasing awareness of alternatives and freedom of choice between available means of providing for future protection.

2.3. Survey of the Literature

2

The literature on social security began to flourish fairly recently by comparison with that on many other areas of knowledge. It has grown greatly over the past forty years. The unspecialised nature of the subject, depending on a knowledge of law, economics, sociology, and politics, has always deterred the general writer in

² Although the term 'social security' has been used in the literature to cover a wide range of social insurance, social assistance, and other welfare programmes, in this study the term is used in most cases as a synonym for social insurance alone.

this field. Moreover, authors and scholars tend to deal with the individual experience of one country, since the particular cultural, political and economic factors of that country play a significant part in the formation of its social security policy.

Before 1930 published work consisted mainly of official documents in the form of government reports, which form a rich source of evidence on the political and legal aspects, although they add little to the information now contained in the general literature on the subject. The literature flourished after World War 2 and particularly after the publication of the Beveridge Report of 1942, "Social Insurance and Allied Services". This was the first report in the field of social security that became a subject of debate and further discussion by other scholars throughout the world. It was intended to deal only with the situation in Britain, but it introduced totally new concepts in social security, which interested people in many other countries. Many other English scholars have contributed thereafter.

"Social Security", edited by William Robson, was published in 1943 shortly after the Beveridge report, by the Fabian Society. It discussed the areas of old age, unemployment, and sickness insurance, and family allowances, with an evaluation of Beveridge's concepts in dealing with these contingencies.

"Social Security and Society", by Victor George, discussed

the role of social class conflict in the formulation of social security, stating that such conflict should be considered an integral part of society, influenced by other institutions and forces in society and influencing them in turn. The British experience of class conflict in the evolution of a social security system, may also apply to other countries.

A new trend in the British social security literature is the discussion of the need for reforms in order to meet the programme's objectives in the light of social and economic change. The "Poor and the Poorest" by B. Abel Smith and T. Townsend, 1965, called for radical review for the social security system to regard the increasing numbers of the poor in the population. Others are "The Rise of the Welfare State", 1973, by Maurice Bruce (ed). "Social Security: Another British Failure", 1972, by Sir John Walley and "Poverty and Equality in Britain" by J.C. Kincaid³ 1973, provided more critical views.

American scholars have also contributed to the literature of social security. A pioneering scholar is Mrs. Eveline Burns.

³Other selected references:

- . Brian Abel-Smith. "The Reform of Social Security". Fabian Research Series No. 161. London: Fabian Publications Ltd., September, 1953.
- . Michael Edward Rose. The English Poor Law. David and Charles, Newton Abbot, 1971.
- . Harold E. Raynes. Social Security in Britain. London: Sir Isaac Pitman & Sons Ltd., 1957.
- . B.B. Gilbert. The Evolution of National Insurance in Great Britain. London: Michael Joseph, 1967.
- . A. Harding Boulton. Law and Practice of Social Security. Bristol: Jordan and Son Ltd., 1972.

Her book, "Social Security and Public Policy", 1956, was a thorough study covering the essential and continuing issues of the risks to be covered, the benefits to be provided, and the administration required. It may be regarded as one of the main reference works on social security.

"Social Insurance", by J. M. Rubinow, 1969, is another example of a comprehensive book on the subject. The author reviews the historical development of social security in Europe and the U.S.A., explains the development of various types of social insurance up to the time of publication, the social theories underlying them, and the main problems arising from the schemes in the U.S.A.

Samuel Mencher, in his book "Poor Law to Poverty Programme", 1967, presents a frame of reference for understanding the complex system of modern economic security programmes. The issues, trends, ideas, and ideologies considered relevant for contemporary policy have been explored in his book through the analysis of the common foundation of English and Western European policies as compared with those in the U.S.A.

Many other scholars mainly in Europe but in other countries too, have contributed to the literature, but many of their writings

⁴Selected references:

- . Lewis Mariam. Relief and Social Security. Washington D.C.: Brooking Institute, 1946.
- . Robert J. Myers. Social Insurance and Allied Government Programmes. Homewood, Ill.: Richard D. Irwin, Inc., 1965.
- . Shirley Jenkins (ed.). Social Security in International Perspective. New York: Columbia University Press, 1969.

were applicable only to their own countries. A good example of this is Albert K. Rosenthal in his book: "The Social Programme of Sweden: A Search for Security in a Free Society," 1969. This book is a very valuable study which provides a thorough examination of Sweden's experience in social security and public health, analysing the impact of the Swedish programmes on individual freedom, and comparing this experience with the American one.⁵

The International Labour Organisation (I.L.O.) has made a considerable contribution to social security literature since its establishment in 1919. Basic works in this field have taken the form of reports, books, periodicals, etc.

"Approaches to Social Security", 1944, was the first comprehensive reference book to be published in this field. It indicated the main social security programmes and the description of each scheme is detailed and clearly defined.

"Introduction to Social Security", Geneva, 1970, is another valuable book in the general social security field by the I.L.O. It too explains the changing pattern of benefits and administration and discusses the issues of rural and immigrant workers throughout the world.

⁵ For other regional experiences of social security see:

- . K.G. Michanek. Social Insurance in Sweden. Stockholm: The Swedish Institute, 1962.
- . W.B. Sutch. The Responsible Society in New Zealand. Christchurch: Witcombe and Tombs Ltd., 1971.
- . Pierre Mouton. Social Security in Africa. Geneva ILO, 1975.
- . Chong Kee Park. Social Security in Korea. Seoul, Korea: Korea Development Institute, 1975.
- . S.D. Punekar. Social Insurance for Industrial Workers in India. London. Oxford University, 1950.

After the establishment of the International Social Security Association (I.S.S.A.), much other published material was added to the literature, especially the two periodicals of social security, the "ISSA Review", and "Social Security Abstracts".

Memoranda to the different countries, and agendas of conventions, are other sources for details of international legislation and actions, that are of great importance for the researcher in this field.

As far as research by students has been concerned only little has been done in this area. In the U.K. few theses or dissertations have been submitted. In the general field of social insurance, two were submitted at the University of London twelve years ago. They are: "The development of national insurance in Israel", by Abraham Doron, 1967; which discusses the evolutionary stages of the social insurance system in Israel, and the conflicting interests shaping its development. This was also the theme of the other thesis which is "The development of national insurance in Greece to 1946", by George Isalikis, 1967. A few other academic researches were followed in specialised areas of housing, pensions and child care.

Contribution to the Arabic literature in this field is very limited. A few regional studies have been published, and these mainly discuss a particular country's experience. There have been studies on Egypt, Iraq, Syria and Lebanon, but those have

usually failed to analyse the prevailing social security system in a systematic way, such as relating it to the overall economic and social policies of the nation. Nothing has yet been published in Kuwait or the Gulf area.

While the literature on the subject of social security in many languages is large and varied, certain general characteristics can be identified.

a. Analysis is usually made from a single country or regional viewpoint, with the study concentrating on the particular social security system in question. Attempts are usually made, although not always, to analyse how the system fits into the particular cultural, economic, and political structure in the country or region concerned. There has been little in the way of studies comparing and contrasting social security systems embracing a wide range of countries.

b. The descriptive, historical approach dominates many of the studies. There have been few empirical studies, even though the effectiveness of a system depends on public perception and evaluation.

⁶ Selected References:

- . A.W. Sarajaldon. Social Security Act in Syrian Arab Republic Syria, Damascus. Dar-al-Fateh, 1969. (In Arabic).
- . S.M. Al-saied. Social Security Act in Iraq. Iraq, Bagdad Al-Mareif , 1968. (In Arabic).
- . _____ . Work and Social Security in Islam. Iraq, Bagdad: Al-Mareif, 1970. (In Arabic).
- . M.F. Al-Fuli. Social Security. Egypt, Alexandria: Abdeen Publishing Co., 1964 (In Arabic).
- . A. Al-Kadi. Social Security in Arab Countries. Egypt, Cairo: Dar al-Ketab al-arabi, 1968. (In Arabic).

c. There has been inadequate discussion in the literature on the criteria by which a particular system (or even systems in general) should be judged. Although the social justice principle is implicitly assumed as the criterion of evaluation, it may be said that this relates more to social assistance than to social insurance programmes. There is a case for arguing, although this is inadequately brought out in the literature, that a social insurance system should also be judged in terms of the extent to which it supports explicit national economic and social goals, when they exist.

2.4. Fieldwork and Research Methodology

The lack of published work, field research, or official studies in the field of social security in Kuwait, dictated the need for a field survey to be conducted on a representative sample of the population, to test certain general hypotheses germane to the study (see Chapter 7.1).

The field survey was carried out with the assistance of the University of Kuwait and the Kuwaiti Ministry of Planning. Financial support was forthcoming from the University of Kuwait. Field interviewers were provided by the Ministry of Planning. Without the assistance of both institutions the conduct of this work would hardly have been possible.

The results of the fieldwork are stated, tabulated, and analysed in Chapters 7, 8 of the thesis.

2.4.1. The Questionnaire Design

The questionnaire was designed to cover four main areas of investigation, beside other questions to gain basic information regarding the respondents' sex, nationality, age group, social status, residence period for non-Kuwaitis, educational status, occupation, sector of employment, and number of dependants.

A. The first group of questions were intended to investigate aspects of the existing security insurance system and personal savings and private insurance policies held; these are covered by questions 11, 13, 12 and 15 in the questionnaire (see Appendix f). Some attempt to assess overall job security was made in questions 6, 7 and 8. Workers' awareness of retirement age policies was tested by questions 9 and 10.

B. The second group of questions was designed to deal with the Kuwaiti workers' awareness of the scheme and the benefits provided by it, and their view as to its adequacy. (Questions 15, and 16 to 21.)

C. The third group of questions related to possible effects of the social insurance system on Kuwaiti inter-sector mobility. The actual and potential mobility were dealt with in questions 3, 4, 30, 31 and 34. These questions also sought to tentatively measure inter-sector mobility of non-Kuwaitis, under the assumption that they would be covered by social insurance in the future.

D. The fourth group of questions concern non-Kuwaitis in the

work force. Their perceived priorities regarding social security benefits in relation to equal pay, permanent residence, were sought in question 23; their tendency to settle in questions 5, 24 and 25; and their potential regional mobility in questions 26, 27, 29 and 30.

.. Originally the questionnaire was designed in English. Later it was translated into Arabic with the assistance of Kuwait University and the Public Institution for Social Security. All the field interviews were held in Arabic.

E. Pilot Questionnaire. A pilot questionnaire was conducted upon 15 employees, both Kuwaitis and non-Kuwaitis. The questionnaire was adjusted and altered in some particulars following the results for the pilot test. The English form of the questionnaire appears in Appendix F.

2.4.2. The Sampling Design and Sampling Procedures

The sampling method used in this survey was designed to ensure adequate data from both Kuwaitis and non-Kuwaitis. As the demographic compositions of the Kuwaitis and non-Kuwaitis in the country differ significantly and it is of special interest to compare these two groups, the sample was formulated with this comparative objective in mind.

The sample was determined and drawn up under the supervision of the Central Statistical Office. A two stage area probability sampling plan was followed.

A. The first stage. The Kuwaiti population was divided into

geographical areas comprising 311 sectors according to the 1975 census. Each sector consists of an average of 125 households.

Before the sectors were sampled, the population was stratified by:

- (i) The three governorates in Kuwait: Kuwait City, Hawalli and Ahmadi.
- (ii) Within each governorate by the number of Kuwaiti households in each sector. A random sample of 10% of the sectors was taken, giving 30 sectors. Each household in the 30 selected sectors was listed giving the household name, address, occupation and nationality. The completely listed households form the sample frame for selecting the sampling units. All the non-employed and retired were excluded from the sample.

B. The second stage. A systematic sample of 10% of each sector was taken. The systematic selection depended on the census numbers that were assigned to each household. Every tenth number being selected as a sampling unit starting with No. 10... 20 etc. The size of the total sample was based on the expectation of obtaining a response rate of between 85% and 90%.

The size of the total labour force and the achieved sample sizes:

	Total labour Force		Sample size		Sample Fraction
	Number	%	Number	%	
Kuwaitis	91,844	30.2	133	37.8	0.0014
Non-Kuwaitis	212,738	69.8	218	62.2	0.00103
TOTAL	304,582	100	351	100	

Limits on the Sampling Frame and Sampling Procedures

A. Sectors with no permanent dwellings (A1 Ashish Area) and with temporary huts, were excluded from the sample frame before the sector was sampled because of several difficulties:

- (i) The unproven nationalities of most of the Bedouin who occupy these areas.
- (ii) The high degree of illiteracy of those people at the first stage of the transition from desert life to a settled urban life. They are unaware, most of the time, of state policies which affect the employment structure, such as the new scheme, although they may be eligible to become direct beneficiaries of the benefits provided.
- (iii) Their continuous mobility within these areas causes another difficulty in tracing the households according to census numbers.

B. Non-Kuwaitis are represented by a relatively small number of households and that was caused by nationalities other than Arabs who form about 21% of the total labour force and who are represented by only 10 households within the sample because of:

- (i) 45% of the latter group are Iranian workers, who usually enter the country illegally so they are unwilling to be interviewed in any case.
- (ii) On other occasions, the interviewees were non-Kuwaiti workers who spoke neither Arabic nor English which made it too difficult to interview them successfully.

In both cases, and where there were difficulties in interviewing

respondents of other nationalities, they were replaced by other households, mainly non-Kuwaiti Arabs selected according to the same selective procedures.

The small stratum size of the latter group does not permit meaningful analysis, so Arabs and other nationalities were presented as one 'non-Kuwaiti' group. Other nationalities were only shown on a separate group wherever there was a need to do so.

C. Another defect of the sampling frame was that some of the census figures were already out of date since they were produced three years ago. Wherever information was available the census data was adjusted.

2.4.3. Field Operations

The survey was financed by the University of Kuwait post graduate research funds.

It was supervised and conducted by the Ministry of Planning, Central Statistical Office, under the strict guidance of the researcher.

A total of 20 interviewers and 6 supervisors and data compilers from the Central Office pool were recruited to carry out this survey. The fact that all the interviewers had had previous experience and were highly qualified field interviewers should be mentioned.

Two training sessions were held for the interviewers and their supervisors. These sessions were conducted under the supervision of the researcher, two members from the Central Statistical Office and the survey conductor.

The actual field work took place in April 1978 and continued

for two weeks. Each interviewer carried out 18 interviews.

The supervisors supervised the interviewers' work in the field and later they reviewed the completed forms of the questionnaire. Non-responses were rechecked again with respondents. All the field work and the revision was completed by the end of May 1978. The rate of completion was high at 97.5%.

2.4.4. Data Processing

The 351 completed questionnaire forms were coded by the computer centre in Kuwait University. The cards were punched in this centre.

Part of the data processing was done in the computer centre in Kuwait. Further data processing was done in the City University computer centre. A total of 351 forms was processed in two groups of Kuwaitis and non-Kuwaitis, and then 62 cards relating to middle and top managerial positions were reprocessed separately for further comparative purposes.

2.4.5. Data Analysis

The information obtained from the survey will be tabulated and analysed in the context of several issues germane to the study in Chapters 7 and 8. The statistical analysis adopted will seek to determine whether relationships between relevant variables exist or not.

In testing the research hypotheses (issues), simple statistical tests will be applied. The main one used is chi-square (χ^2)

distribution which is a robust test and appropriate for analysing data in a tabular form.

The χ^2 distribution as a test of association is

$$\chi^2 = \sum_{j=1}^t \sum_{i=1}^s \frac{(O_{ij} - e_{ij})^2}{e_{ij}}$$

With number of degrees of freedom = $(S-1)(t-1)$

where O_{ij} = observed frequencies in row i and column j .

and e_{ij} = expected frequencies in row i and column j under the null hypothesis
and $S \times t$ Cells .

The significance level (α) to reject the null hypothesis has been taken at $\alpha = .05$.

Other bi-variate significance tests employing the t distribution have been used together with descriptive statistical measures where appropriate. On occasions, it was interesting to explore possible dependencies between particular variables and this required controlling other survey variables to avoid spurious correlations. Multi-variate statistical analysis of the data would permit the exploration of correlations controlling for a given set of other variables. Unfortunately, the data was of both a parametric and non-parametric form which rendered the use of multi-variate analysis inappropriate. However, this did not pose a significant problem, in view of the large sample,

as it was possible to sub-divide the sample to isolate the variables which we wished to investigate.

2.5. Organisation of the thesis

Chapter 3 affords a description of the historical development of labour legislation in Kuwait in three sectors; the government sector, the private sector and the oil sector. The development of both retirement and social assistance schemes within these labour policies is discussed respectively.

Chapter 4 contains a discussion of the recent social insurance legislation and its three major schemes, namely old age, disability and sickness, and death insurance; industrial injuries insurance; and voluntary insurance.

Chapter 5. A brief comparison is made between the British, Libyan and Kuwaiti programmes. Differences and similarities are stressed.

Chapter 6. A description of the national development objectives, which are used as a criteria for judging the current Social Insurance System, is given. Areas of conflict are identified.

Chapters 7 and 8 contain an outline of the issues to be explored in the empirical survey and an analysis of the survey findings.

Chapter 9. Suggestions and prospects for reform of the social insurance system are discussed. It contains actions thought necessary in the short and long run, with ways that their implementation may be achieved efficiently.

Chapter 10 summarises the study's major findings .

Chapter 3

Historical Background of the Social Security System in Kuwait

Kuwait is an Arab, Islamic country which was a small town of less than 100,000 inhabitants three decades ago, with tribal connections with the surrounding Arab countries.

The inhabitants of town and desert were self-sufficient. The town's men used the sea as their main source of income either by fishing and diving for pearls in the summer season or by developing an international trade between the African and Indian coasts during the winter. The tribesmen lived by animal husbandry and desert forage.

Beneath the city and the bay and under all parts of the desert lies oil, the source of the country's current wealth, which has brought about Kuwait's sensational development and has resulted in a huge increase in its population since exports of oil were first made to the outside world in 1946. Subsequently, accelerated growth and capital accumulation have brought about modernization and prosperity in Kuwait. The state has been using its wealth since then to build, expand, and modernise the social and economic infrastructure. The intention was to contribute to the socio-economic well-being of the Kuwaitis, and to satisfy the principle of wealth-sharing by channelling part of this public wealth into the hands of the citizenry. Free education, public health services, and generous remuneration, along with retirement benefits for public employees and an advanced social assistance programme for the needy members of society, were all parts of the public policy to provide a more

developed and prosperous life for Kuwaitis.

In this chapter we will throw a light on some of the environmental factors which affected and were affected by the changing socio-economic structure, and as a result had direct and indirect effects on the evolution of social security concepts prior to 1976, as parts of the overall labour policies in the different economic sectors. The social assistance programme will be discussed briefly as an important part of the comprehensive social security system, but it will not be our main concern. Finally, labour policies will be investigated from their introduction in the three sectors, to the present time. This investigation is essential in order to follow the evolution of the social insurance principles, which were considered an integral part of the broad labour legislation in the three sectors.

3.1. Environmental factors affecting the evolution and development of the social security system in Kuwait

The idea of social security was not completely new in Kuwait as it had appeared there before the early 1970s. Many principles and concepts of social security appeared in labour policies developing in the three sectors as a direct result of many changing environmental factors in the mid-fifties. Those environmental factors affected by the changing socio-economic development had contributed to the evolution of social security in its present form.

3.1.1. Income from oil

As mentioned earlier, oil became not just the main but almost the sole source of Kuwait's income in the period since its exploitation began. Few if any other sources, such as trade or the fishing industry, have contributed to the national income in significant amounts when compared to oil revenues. The contribution of oil to total government revenues has increased from 84.1% in 1967 to 98.3% in 1977. The process of investing oil revenues is creating changes in the socio-economic structure, some beneficial and some adverse. Some of them have been explained as follows:-

"The wealth that oil represented proved both an advantage and a problem. It opened up the possibility of material comfort and development in Kuwait that would have been impossible without oil. But it also made Kuwait a centre of regional and international pressures that transformed the very demography of the country. These pressures were two-fold: the wealth of Kuwait made control of this wealth an objective of a number of countries heretofore uninterested in Kuwait, and the distribution of the wealth into the economic mainstream of the country gave rise to the need for a labour force of a size and skill level not available among the original inhabitants of Kuwait. The population of the country swelled through assimilation and immigration, and the government promoted this growth for the purposes of developing the country's physical plant and services and to give the country international weight." ¹

The continuing dependence on oil as the primary single source of income has always involved an awareness of the probability that oil reserves must eventually be depleted (or of an

¹ Stanford Research Institute, "Social and Economic Impacts of the Kuwait Government Compensation Increase of 1971-72 and Recommended National Compensation Policies", Ministry of Planning, Kuwait, May 1974, pp III 2.

opposite possibility, that demand for oil and its by-products might decrease, admittedly a remote possibility). Because of the overdependence on a single raw material, the government is trying to find alternative sources of income. It is seriously promoting diversification through industrialisation and the creation of a strong services sector, which are both developing very slowly, and do not yet make a noteworthy contribution to the GNP. The increasing oil revenues assisted in providing generous remuneration standards and non-contributory old age pension in 1955. Later it also enabled the government to support the contributory old age pensions for public employees. At the present time, these revenues support to a great extent the new social insurance schemes. Oil revenues contributed also to the other social and welfare service, which would be impossible to be provided without this wealth.

3.1.2. The growth of the government sector, and the establishment of the Civil Service Commission

The quick transition of the economy, as a result of the sudden increase in government revenues, required the staff of the civil service to be increased accordingly.

The private sector had not yet developed sufficiently to cope with the increasing economic development, and government was deemed to be responsible for generating most of the economic activity in the country through its expenditures. It was estimated during the 1960s that about a third of the labour force was government employed, and about 90% of all employed people in Kuwait owed their employment directly or indirectly to the government. In

1976 the government's employees numbered 116, 451, or 54.7% of the total labour force.

Because of the increasing size of the government sector, and the increasing complexity of the labour relations structure in this sector, the Civil Service Commission was established under the provisions of the Civil Service Act of 1960 to regulate and administer employment relations. It was established under the presidency of the minister of the treasury and was given very wide powers. Its director-general was made directly responsible to the council of ministers.

Its power came mainly from two sources: first, the fact that it could ask for and receive over a quarter of the entire Kuwaiti budget,² to be used for employment purposes; and secondly, because it gained control over the whole government employment structure. It established the grades on the government's employment ladder, which is also used as a basis of calculation of salaries and wages. It executed civil service law; and it formerly administered the public employees' pension scheme (transferred to the Public Institution for Social Security in 1976).

3.1.3. Structure of the labour force

Local manpower in Kuwait was attracted from the traditional crafts to the developing sectors, mainly the government and oil sectors. But the insufficiency in the quality and quantity of this

²K.D. 519 million in 1972/3, and K.D. 2,172 million in 1977.

local manpower encouraged the government to seek alternative sources of labour.

Assimilation of the desert Bedouin was one method of providing the quantity of unskilled labour required; but immigration was the only option open to the government to provide both the quantity and the quality necessary to cope with the growth in the economy. The number of non-Kuwaitis grew from 92,851 in 1957 to 522,749 (52.5% of the total population) in 1975. They dominated the labour force with a steady majority of 69% to 69.8% during the years 1957 to 1975.

One of the purposes of the 1976 Social Insurance Act was to encourage Kuwaitis to enter the non-government sectors, in order to reduce or eliminate this non-Kuwaiti dominance. This is discussed in greater detail in Chapter 6.

Kuwait has attracted many nationalities, but mainly Arabs, who number 233,689, while non-Arabs number only 64,726, mostly Asians and Europeans. The labour force is growing steadily, with an average growth rate of 11.0% p.a. from 1957 to 1965 and similar percentages the years after, which is very high compared to that of other countries in the region.

Table 3.1.

Growth of labour force in certain Arab countries³

country	labour force projections (thousands)				annual growth rate (%)		
	1970	1975	1980	1985	1970 -75	1975 -80	1980 -85
Egypt	9,174	10,350	11,741	13,426	2.5	2.5	2.7
Iraq	2,395	2,770	3,229	3,784	2.9	3.1	3.2
Jordan	564	641	737	857	2.6	2.8	3.1
Kuwait	282	431	637	911	8.8	8.1	7.4
Libya	488	556	625	721	2.4	2.6	2.9
Saudi Arabia	2,109	2,355	2,649	3,025	2.2	2.4	2.7
Oman, Bahrain Qatar, UAE	290	331	381	441	2.7	2.8	3.0

³Source: I.L.O.: labour force projections, 1965-1985
(Geneva, 1971) parts I & II.

Non-Kuwaitis, with their widely differing customs, affected many of the norms and traditions which had prevailed for a long time in Kuwaiti society; and a new form of multiracial society began to arise. No longer were they simply labour to be employed for a limited time: they had become, with their dependants, large communities with long term objectives and aspirations. Their claim to equality of treatment with Kuwaitis is now the most urgent issue in Kuwait. They are trying hard to achieve equality in wages, compensation, and most social services. Their social security is

another issue, which has come to the surface with the application of the 1976 Social Insurance Act, and they are also working to obtain such rights for themselves as well.

3.1.4. Cultural Patterns and Family Structure

The traditional pattern of interdependence between individuals and families has always played an important role in providing security for the elderly, sick, and less able members of the family. This was a reflection of an important and affirmative ethic which placed on the son, responsibility for the welfare of his parents and other elderly or infirm in the family. This family role discouraged or delayed the introduction of the contemporary idea of social security in Kuwait. But with the progressive change in lifestyles and the growth of economic independence, the traditional patterns were weakened and started to give way to the developed norms of the nuclear family, although at the present time the extended family system has not yet disappeared completely and many old people are still being supported and cared for by the younger members of their families.

The government took up its new responsibility of caring for the elderly, disabled, and other dependants. It provided these benefits through the public pension system and later through the extensive programme of social insurance and social assistance.

3.1.5. The Public Health Programme

One should not ignore the role of public health in the process of introducing national insurance benefits. This programme, which is one of the most comprehensive and advanced programmes in the world, provided a health service for every citizen in the country. It has been developed in the early stages of the country's development as one of the main tools in the creation of the welfare state. One indicator of the size of this sector is the total of expenditure, which was K.D. 60 million, or 6.5% of total government expenditure in 1977.⁴

The extensive health programme was an important factor facilitating the introduction of labour policies in its early stages, and it maintained extensive care for the labour force in the event of sickness or industrial injury. It will also be another factor in the comprehensive social security system, after the unification of its main parts, i.e. the social assistance programme, social insurance, and public health. No sort of co-ordination between these parts has yet been achieved at the present time.

3.2. The Social Assistance Programme

The economic and social measures introduced during the period since oil began to be exploited, caused the mutual help which had been customary in the former small-scale society to become insufficient to meet the increasing minimum demands of

⁴For more details on the public health system, see Appendix B (public benefit programmes).

the needy, as the highly inflated cost of living became unattainable by persons of small means. It became necessary then for the government to adopt a social policy in order to protect needy citizens and provide them with social services, and to take on the role of protecting them, in place of their relatives, who deemed themselves no longer to be responsible for them.

The establishment of the Ministry of Social Affairs and Labour

In December 1954, the higher executive committee of the government announced the formal establishment of the Social Affairs and Labour Department and stated its main purposes as:

"The improvement of standards of social life to cope with the economic and social developments in the country... and take the responsibility of maintaining healthy labour relations between the employees and their employers." ⁵

The committee has also stated the objectives of this social affairs department to be:-

- (1) Maintenance of social justice between members of society in the state of Kuwait;
- (2) Improvement of the living standards of Kuwaitis in the country by maintaining healthy labour relations;
- (3) Providing social security for people who cannot earn their living because of disability, old age, or infirmity. In principle, providing the necessities of life for needy people in the country.

By law, the Social Affairs department (which became the Ministry of Social Affairs and Labour in 1962) is held responsible

⁵M.H. Hashimi: "The Social Assistance Development in Kuwait" University of Kuwait 1975.

for the social assistance system in Kuwait. This assistance is paid by the government to the old, disabled, widowed, orphaned and sick people. To provide its services, the Ministry established two main departments:

- (1) The Social Assistance department, which sets the bases for social assistance and defines the financial aspects for this assistance.
- (2) The Social Research department, which carries out social research in order to define who are the people in need and also to re-examine outstanding cases to determine their merits.

To enjoy this non-contributory scheme, the needy person must have Kuwaiti nationality (see 3.3.1. E. i.). This requirement is still valid.

The social assistance system has undergone great development since 1955.⁶ It may be classified in three stages.

3.2.1. The First Stage: 1955-1959

This may be regarded as the experimental stage, when the basis for providing assistance was settled and many regulations were passed to regulate and introduce the new scheme for the benefit of society. The needy person was specified as:

- (a) The permanently disabled person, either through old age or injury;
- (b) One suffering loss resulting from catastrophes such as fire or flood;

⁶ Ibid.

- (c) Students' families;
- (d) A family whose bread-winner, not employed by the government, had died; or
- (e) Chronically sick people.

The department has set a minimum level for the assistance, which should not exceed 65% of the standard of living, or a minimum of 100 Ropies (old currency in Kuwait) and a maximum of 300 Ropies per month.⁷

During this period, and following the co-ordination principle, the department was held responsible for all kinds of social assistance provided by other authorities in the country (order No. 25 of the higher executive committee).

3.2.2. The Second Stage: 1959-1968

During this stage, two social laws were passed. Act No. 19/1962, amended in 1964. In passing this Act the legislature intended to deal with the causes of poverty in society and not just to examine the consequences, needing assistance as a remedy. After granting a person this assistance, the attempt was to be made to find out why he needed it.

In the same period, the legislature expanded social assistance to cover more contingencies. Beside the contingencies already covered (loss of bread-winner, disability, old age, sickness), the law now provided assistance for the chronically poor, those

⁷ 1 Ropie = K.B. 0.070

whose earnings were not sufficient to meet family responsibilities (mother and child care, and student families), by supporting their families.

The argument that social assistance may have the effect of providing motivation towards voluntary unemployment and malingering, is always valid; the department reviewed its social assistance policies during the period, in order to provide a system sufficient for meeting the requirements of the needy person, while at the same time not providing a motivation for voluntary unemployment. Many provisions were proposed by the department, such as:

(a) Earnings from another source would not cause assistance to be cut automatically. On the contrary, the beneficiary could continue to receive both of them, while the assistance was decreased by certain amounts. This policy was adopted to encourage the needy to continue working and not to feel it necessary to choose between the two sources of income.

(b) To encourage productive employment, assistance was only sufficient for essentials, not enough to live on for any length of time.

(c) It was thought that even a disabled person could be productive in some ways. For this purpose the Ministry established the Vocational Institute. This institution provides physical and vocational rehabilitation by education and training, for sheltered employment of physically defective children and adults without means, especially the blind, deaf and others who are seriously

crippled. After their training period, the government has the responsibility of finding them suitable jobs, so that they can support themselves and any dependants they may have.

Also, during this stage, the Ministry passed many orders adjusting assistance according to the increasing cost of living in the community.

3.2.3. The Third Stage: 1968 until the present time

This stage began with the passing of Act no. 5/1968 which re-classified cases for social assistance purposes and added new contingencies to be covered and new categories of needy people to be supported:-

- (i) The Kuwaiti female, married to a non-Kuwaiti who is disabled for any reason and cannot support his family;
- (ii) The unemployed person, that is, the person who is able to work but cannot find work for any reason. Assistance for this person was to be temporary;
- (iii) The imprisoned person, and his dependants, during his imprisonment and until he was able to find a job.

New policies to help the needy become self-supporting were introduced. The needy person could receive his assistance as a lump sum equal to one year's payments, so that he could start a business under ministry supervision and advice until he could depend on himself to run it. This was a valuable idea to encourage self employment, and to utilise idle human resources. However,

it is not taken much advantage of in practice, because of the lack of qualified personnel among the ministry staff, able to carry it out. According to the Act the family entitled to assistance for more than one reason, such as old age and student assistance, receives only the highest of the different benefits. Also it provides the bases for assistance, which are the number of family members, and their social situation. New levels of assistance (maximum and minimum amounts) were provided as well.

In 1971 the law was amended by Act no. 30, which increased the amount of assistance. In 1974, ministerial order no. 6 was passed, increasing assistance by almost 100% in order to meet the rising cost of living in the country (Table 3.2).

Revision

During the 25 years since 1955, the social assistance system has undergone continuous revision, and it has been the subject of different laws and ministerial orders. A close view of these changes is required in order to evaluate the system and its progress. In fact the changes can be summarised as:

- (1) The number of members of one family, which could be covered by the scheme used to be 8 members (father, mother and 6 children). It is now 14 members (father, mother and 12 children or dependants).
- (2) The scope of the social assistance scheme: many new contingencies are now covered by the scheme and many new categories of needy people have been brought under the scheme's

provisions. According to Act no. 5/1968, assistance is payable to the old aged, disabled (entirely or partially), dependants (children, widows), a sick person and his family, an imprisoned person and his family, a Kuwaiti woman with a disabled non-Kuwaiti husband, the victims of fire damage and flood, and also to needy families with mother and infants, and students.

(3) The continuous readjustment of social assistance payments according to the increasing cost of living. (See Table 3.2.)

In fact, from the introduction of the scheme in 1955 and until 1976, all the developments and changes have occurred in three areas: the number of persons covered; the contingencies covered; and the amounts of benefits. On the one hand, increases in benefit were always made without any scientific study of the cases and their merits, or of the actual needs of the people who received it. It was doubled twice (100% the last time in 1974) which indicates that increases are made which are unrelated to any study of the economic aspects (the increases in assistance are higher than the actual increase in the cost of living). On the other hand, the number of members of the family which could be covered was increased to 15 people. This number is relatively unrealistic. Most families in most cases do not increase to this number, and in practice, the scheme might provide an unintended motive to increase the number of children in order to get more from the scheme.

Generally, no studies have been undertaken to evaluate the

Table 3.2.

Government Welfare Payments, Number of Recipient Families
Justification of Need

(1967-1976)

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	
Thousands											
Thousand Dinars											
Ability	516	521	463	293	323	325	291	299	250	247	
Ability	2,202	2,154	1,873	1,168	1,255	1,193	955	940	815	760	
Parents families	89	83	73	49	54	52	43	40	32	46	
Illness	204	190	159	98	111	116	112	122	146	112	
Widowhood (Women)	1,597	1,605	1,372	869	975	849	601	549	460	422	
Orphanage & Celibacy	1,261	1,141	884	507	501	471	304	256	206	173	
Orphanage	433	393	367	225	248	215	143	136	129	134	
Orphanage	296	246	126	74	123	233	178	174	108	174	
Orphanage of host	117	116	86	40	35	34	20	9	—	—	
Total	6,715	6,449	5,403	3,323	3,625	3,488	2,647	2,525	2,146	2,068	
Number of Families											
Ability	487	499	515	531	595	657	739	862	826	796	
Ability	3,067	2,964	2,892	2,892	3,062	3,132	3,158	3,200	3,089	2,910	
Parents families	107	100	90	113	135	137	151	137	107	125	
Illness	231	207	204	191	209	241	241	375	541	356	
Widowhood (Women)	2,234	2,213	2,148	2,135	2,321	2,256	2,108	1,962	1,801	1,621	
Orphanage & Celibacy	2,216	1,989	1,736	1,542	1,556	1,514	1,361	1,152	969	821	
Orphanage	867	789	710	678	699	709	630	593	555	571	
Orphanage	307	247	159	146	220	509	636	581	343	616	
Orphanage of host	110	97	94	81	65	59	56	39	—	—	
Total	9,626	9,105	8,548	8,309	8,862	9,214	9,080	8,901	8,231	7,816	
Number of individuals											
Ability	2,091	2,131	2,151	2,206	2,419	2,533	3,936	4,551	4,426	4,132	
Ability	6,999	6,935	7,048	7,265	8,009	13,485	14,543	14,753	14,309	13,408	
Parents families	316	297	295	318	380	428	1,017	947	767	906	
Illness	828	765	732	749	844	1,199	1,203	1,803	2,583	1,818	
Widowhood (Women)	5,293	5,268	5,182	5,340	6,509	10,580	10,334	9,669	8,894	7,993	
Orphanage & celibacy	3,506	3,184	2,770	2,611	2,764	7,670	6,530	5,535	4,650	3,909	
Orphanage	1,465	1,355	1,183	1,137	1,342	3,324	2,990	2,749	2,625	2,800	
Orphanage	2,115	1,570	935	902	1,462	2,364	3,018	2,753	1,751	2,928	
Orphanage of host	469	463	446	382	308	245	280	192	—	—	
Total	23,082	21,968	20,742	20,910	24,037	41,828	43,851	42,952	40,005	37,894	

Source: Annual Statistical Abstract. Kuwait: Ministry of Planning, 1976.

system and its results in practice during these 24 years; whether it met the stated objectives or not, or if the stated objectives are still valid now, or should be changed. There have been no attempts to determine the scheme's effects on the labour market and the labour force; whether the scheme is a motivation to increased employment or to voluntary unemployment; or the position of rehabilitated people in the labour market.

At the same time, no serious attempts have been made, nor executive orders passed, to provide a real remedy for certain cases which ought to be solved by the ministry's actions. No serious attempt has been made to reinstate the rehabilitated in the labour market: practical experiment showed that the private sector and some government agencies do not accept people who have graduated from the vocational institute.

3.3. Labour policies in the government, private, and oil sectors, and the evolution of social insurance principles

A direct result of the policy of assimilation of the rural inhabitants, into urban life, and of the vast inflow of immigrants into the country, was the complicated nature of labour relations in the different sectors of employment. The need for regulation was growing, and it had become clear that labour relations resting on organisations resembling European mediaeval guilds, adequate during the sea-trading period in the country's history, were insufficient to deal with the new situation.

A new labour policy was defined by the government in the Government Employees Cadres Act of 1955, which later underwent further development as a result of the changing and growing economy. Private and oil sectors were subject to labour legislation thereafter.

A fact which ought to be stressed at this stage is the absence of any systematic development of comprehensive social insurance legislation. A few, often contradictory, rights established on an ad hoc basis were provided for retirees from the government sector, and some industrial injuries benefits for workers in the private and oil sectors. Prior to 1976, any social insurance that existed was embodied mostly in labour legislation, and appears under labour regulations within the broad framework of labour policy in each sector. The short timespan of Kuwaiti modernisation, the recent date of most labour legislation, and the labour force's heterogeneity, were some of the factors behind the lateness of the social insurance programme's introduction. For a long time retirement pensions were provided only for public employees, through a separate scheme, administered along with civil service law, by the civil service commission. No retirement pensions were generally available for private or oil sector workers, amongst whom the percentage of Kuwaitis had dropped to 10% or less in many cases. Only workmen's compensation was specified by law in these two sectors; and it was administered and supervised by the employers.

A summary will follow of the historical development of social

⁸ except those provided privately by employers, for certain groups, especially the top management positions.

insurance, as it emerges within labour policies, in the three sectors in turn. A detailed discussion of the entire labour legislation in the different sectors is to be found in Appendix A.

3.3.1. Government Sector

A. The Government Employees' Cadres Act of 1955 was the first law to be passed to regulate labour relations in this sector. The main objectives of the law were to draw defined boundaries for labour policy and labour relations in this sector, and to channel the oil wealth to the Kuwaitis on an organised basis through wages policy and pensions for public employees, financed totally from general revenues. This law was the first to introduce the idea of a pension system; but it was provided only for the Kuwaiti government's employees. Retirement pensions were not applied efficiently under this law;⁹ and pension claims became rather a burden on the public treasury. The law proved to be a total failure in attempting to cope with the growing numbers of public employees and with the new type of labour relations.

B. The 1955 Act was withdrawn and Civil Service Act no. 7 was passed in 1960, to regulate labour policies in the government sector. This Act adopted more developed standards in dealing with recruitment, promotion, leave and service termination cases for

⁹ No formal information on the operation of this law is available; so the judgement made here is based on individual enquiries addressed to a number of elderly people, beneficiaries under its provisions.

government employees, and provided for administration by the civil service commission. The Act made 60 the normal retirement age, although mosque preachers were allowed to remain at work until 70. It also dealt with resignation, dismissal, redundancy, and other causes of service termination. The Act provided for maternity benefits of two months of leave on full pay (plus 100 further days without pay, if they were suffering from post natal illness). Widows were to receive four months and ten days leave (under Islamic law) on full pay.

C. Besides the Civil Service Act, the Amiri Decree no. 3/1960 was published, regulating public employees' retirement pensions, and establishing for the first time the contributory principle in the financing of retirement benefits, but only for Kuwaitis. A separate fund was established under this decree, to invest and administer the retirement funds under the direct supervision of the Minister of the Treasury. The funds in this scheme contain the contributions of the employees, at 5% of their monthly salaries, and an equal contribution from the government.

Upon his retirement the pensioner was eligible for a pension equal to a maximum of 75% of his final basic salary with a minimum of K.D. 15 for higher grade employees and K.D. 9 for the lower grades. Early retirement, with full pensions for the rest of his life, was made possible if the employee had reached 50 and had served at least 15 years, or if he had served 20 years whatever his age. A retirement gratuity, for those who failed to

meet the conditions of eligibility for a pension, of a lump sum up to a maximum equal to five years' salary, was granted. Survivors are eligible for the pension (or the gratuity), in the event of the death of the insured, to be divided between them in fixed percentages (Appendix A).

Commutation was another right provided for those who desired to commute a proportion of their pension as a lump sum. This was based mainly on the desire to encourage people to continue their productive contribution to the economy, by providing them with capital, while not depriving them entirely of their pensions.

D. Although the 1960 enactments were a relatively early attempt to provide public employees with social insurance benefits, mainly pensions, the regulations for dealing with such a scheme were to be found divided between the two main laws, the Civil Service Act, and the Public Employees' Pension Decree. The Act defined the age of retirement, and maternity benefits. The Decree regulated only the retirement provisions. At that time, the pension fund was not autonomous: it was administered by the Ministry of the Treasury, which was also directly responsible for the Civil Service Commission.

E. During the period following the Act and the Decree of 1960, a few problems arose in the application of the government pension system:-

(i) The case of a public employee obtaining Kuwaiti nationality

after his employment had begun: was he eligible to a pension calculated on his total period of service or only on the period subsequent to his acquisition of nationality? In principle an individual may acquire nationality only if his father or mother is a Kuwaiti. In a few cases he may acquire nationality after he has spent 25 years in Kuwait practising a profession much in demand in the country. In the latter case, he will acquire the second category of nationality which will not enable him to exercise any political rights. The government used only the ^{period of} latter acquirement of Kuwaiti nationality for calculating the pension, which is still the case.

(ii) The two laws made no provision for adjusting pensions to offset the effects of inflation. So the government passed two regulations, Decree no. 14/1961, and Decree no. 34/1972, both of which granted new allowances to pensioners and survivors.

(iii) The new ministerial positions established in 1962 and after the enactment of Act no. 7/1960, the prime minister and other ministers, were covered by Decree no. 4/1971, which granted a maximum pension of 75% of the final salary, or a retirement gratuity, for this new category of government employees.

(iv) Other groups with jobs of a different nature, such as the armed forces and the national guards, were subject to different legislation for their retirement pensions and other retirement benefits. Act no. 27/1961 provided this group with more generous

benefits because of the unusual nature of their employment.

Their pension scheme was also a contributory one directed by the Ministry of the Treasury.

3.3.2. Private Sector

The private sector was the second to be placed under labour legislation. At the time it was expanding to a considerable size with the continuous inflow of non-Kuwaitis possessing the skills required by the economy. Non-Kuwaitis came to form the overwhelming majority in the private sector, Kuwaitis being usually found only in managerial positions. (See 6.1.3.)

The first labour Act was introduced in 1959, to regulate the newly complicated labour relations in this sector, but it was repealed after a short time, and replaced by Labour Act no. 38 in 1964, which is still in force. The Act defined a broad framework for labour policy in fixing wages, hours of work, and sickness leave, and in the events of industrial injuries and service termination. The Act also established limited rights for the worker in the event of some social risks occurring. It covered him against industrial injuries and occupational diseases, providing him with benefits in cash and in kind. No retirement benefits were provided. Instead, the law provided for a terminal lump-sum indemnity up to a maximum of one and a half years' final salary. Maternity benefits were provided on the same basis as that for the civil service (see 3.3.1.A. above).

Within the broad framework of labour policy as defined by the latter Act, a few points ought to be stressed:-

A. Although the Act provided certain benefits in the event of industrial injury or occupational disease, their administration was left to the employer himself. No mutual or government department was designated to carry out this task. Moreover the law did not impose any legal obligation on the employer to insure his workers against these risks, a fact which usually resulted in claims being unpaid because of the employer's unwillingness to meet his financial obligations.

B. The Act also provided the employer with the right to reject his employee's claims if he could prove that the employee was responsible for an accident, or if the claimant breached his contract before its termination. In most cases workers were unable to do either.

C. No retirement pension scheme was provided. Although such a scheme would have provided the labour force with more security, it was obstructed by the following factors:-

(i) The labour force structure in the private sector, and the high percentage of non-Kuwaitis, which would have had unfavourable effects on such a scheme if the non-Kuwaitis returned to their home countries, especially as many of them treated Kuwait as a source of short term gain but not as the location of a stable home, which always caused the fear of an outflow of national funds in the

form of pensions for those who chose to leave Kuwait on retirement.

(ii) The small percentage of Kuwaitis in this sector, in view of which there was no need to adopt this method of distributing wealth to them.

(iii) The shortage of staff qualified to deal with an extensive pension scheme, especially in view of the small number of potential beneficiaries who were Kuwaitis.

D. Despite the rights of the employees in private organisations, defined according to the law, in practice interpersonal relations govern labour regulations and the employer is the ultimate arbiter of power in many cases. This fact has been observed in a large number of employers failing to obey the law and successfully denying the employees their rights to disability and terminal indemnities. Even if the employees received benefits, the amount actually paid varied considerably from case to case in identical circumstances.

The absence of official records of disputes on this question deters discussion in detail, but a growing number of such disputes has been brought to the Ministry of Labour recently. There is no doubt that since the introduction of the 1976 Social Insurance Act considerable protection has been afforded to Kuwaitis employed in the private sector. As we shall discuss later at length, it is necessary to extend this protection to non-Kuwaitis too.

3.3.3. Oil Sector

The oil sector was the third economic sector to appear, in the late 1940s. It has a new and different nature than the other privately owned enterprises mainly engaged in trade, forming the private sector which motivated the government to treat it as a separate sector characterised with large scale industries that are operated on more advanced technological bases and contains mainly the big oil companies. One of the main problems facing the foreign oil companies operating in Kuwait in the early stages of oil exploitation was the unavailability of skilled and semi-skilled workers. The only source of labour was the Kuwaiti nationals, but they were mainly engaged in sea-trading, fishing, and animal husbandry. Relying on this labour, which was unskilled and largely illiterate, created the problem of a high rate of labour turnover, especially in the spring season when the locals returned to their traditional crafts. The labour turnover is estimated to have reached 30% to 50% of the labour force in this sector.¹⁰

The only solution to this problem was to attract foreign labour. This was made easier by the poor living standards in neighbouring countries and by the influx of Arab refugees subsequent to the Arab-Israeli war of 1948. Many nationalities were attracted to Kuwait, especially Iranians and Indians, to form a very heterogeneous

¹⁰ Albert Bader and Simon Siksek: Manpower & Oil in Arab Countries, Beirut: AUB, end.

labour force. New problems started to evolve in the field of labour relations in this growing sector, which was employing about 6.6% of the labour force in Kuwait in 1957. Its different nature as a new industry and the heterogeneity of its labour needs have given rise to the following problems:

- (i) The nature of qualifications required and skills necessary for oil operations (technical skills);
- (ii) The high percentage of immigrants in the sector's labour force; and
- (iii) The gap between the foreign management (Western) and the different categories of labourers (Kuwaitis, other Arabs, other Asians).

Despite its different nature the oil industry operated for ten years without any labour regulation by the state, and then operated for a further ten years subject to the provisions of the Labour Act of 1959 and Act no. 38/1964 thereafter, until the legislature recognised the need for separate legislation, distinct from other labour legislation in certain respects, to regulate labour relations in this sector and passed Act no. 28/1969 for that purpose. It must be pointed out that the enactment of the oil sector labour law amounted to a frank confession by the legislature that the labour law in the private sector was too defective to regulate labour relations satisfactorily in the oil sector. The private sector labour law would not have provided complete justice for the workers in its application to this sector, and it would not have provided the protection desirable in such a dangerous industry.

The oil sector labour law provided a higher level of benefits for workers in this field, both in kind and in cash, in the event of their sickness or industrial injury. A terminal indemnity, up to a maximum equal to one and a half years' salary, payable as a lump sum, was provided as of right upon an employee's service termination. A new feature was the recommendation to establish a pension fund or saving scheme for employees. Although no regulations were passed for organising such schemes, the legislature gave the employer the choice of establishing one scheme or more and it held him responsible for organising and administering them.

In fact this latter policy may indicate a change in social policy, and a desire to promote more social security for employees in their old age, even though it was not made mandatory but left on a voluntary basis. A few companies have followed the recommendation and established a pension scheme for their workers, such as the Kuwait Oil Co., and the Kuwait National Petroleum Co., but the rest have not provided such schemes.

The Act also provides the female worker with the benefits mentioned above (see 3.3.1.A.).

3.4. Conclusion

The main conclusion which may be drawn from this outline of the development of labour policies in the three sectors prior to 1976 is the absence of any systematic development of a unified social insurance scheme. Some benefits were provided for all the labour

force, but with varying levels, such as workmen's compensation, sickness benefits, and maternity benefits. Other benefits such as old age pensions and retirement gratuities were provided on a compulsory basis for government employees, but on a voluntary basis for those working in the oil sector. Private employees were deprived of this right, and had only the right to a lump sum. Moreover, even within a single sector we could find one or more laws providing employees with different benefits, their equivalents being usually provided by a single comprehensive programme in other countries. But in the late sixties, a major change was noticed in the national policy toward providing greater future security provisions for its citizens, mainly during their old age. The early introduction of the public health system assisted in providing sickness and industrial injury benefits on a compulsory and comprehensive basis in the three sectors.

Chapter 4

4.1. The introduction of the Social Insurance Act 1976.

The need for a unified system of law to deal with the social security of employees became more pressing with the growth in the economy, and with the desire to reallocate Kuwaiti labour more evenly across the economic sectors (described further in Chapter 6). The excess staffing in the government sector was the most obvious indicator of the urgent need to motivate Kuwaitis to seek employment in the private or oil sectors in order to contribute effectively to the productive parts of their country's economy. But the great differences between the social security benefits available to employees in the different sectors was an important obstacle to the job-mobility desired; and Kuwaitis continued to seek the greater security available in government employment.

The civil service commission, being the administrative body most closely concerned, was the first to realise the need for a separate unified social security system for Kuwaitis in whatever sector they were employed. No demand from employees had yet been articulated at that time. The reason may be that the four decades of Kuwait's modernisation was too short to allow the people's mentality to develop in the appreciation of their real interests, at least sufficiently to cope with the rapid changes in economic affairs.

As a result the government has taken upon itself the

responsibility for taking initiatives of many kinds, including the social insurance legislation, despite the lack of popular demand in most cases, or even a lack of the opposition which greets many government actions. This became clear in the course of the evolution of the Act, as well as in the other labour legislation (mentioned in Chapter 3), which was introduced piecemeal in the three sectors of employment, government, private, and oil, in response to needs as and when they were noticed by the government.

4.2. The preparation of a National Insurance Bill

The social insurance bill passed through several stages before its enactment in its present form.

4.2.1. First stage: Proposals for a social insurance system.

A proposal for a social insurance system was put forward by the Ministry of Labour and Social Affairs upon a request from the Civil Service Commission in a report presented to the Planning Board in May 1966, requesting assistance from the Board in carrying out research and investigation into the requirements any proposed social security scheme would need to satisfy.

The second source of such proposals was the larger companies in the private and joint sectors (their proposal was presented by the Chamber of Trade and Commerce to the Planning Board in the early 1970s). These companies felt that the lack of social security was the main reason deterring Kuwaitis from accepting employment

in these two sectors, and that action ought to be taken to overcome this problem. The Kuwaiti Company for Trade, Construction, and Foreign Investment took the initiative by organising a committee including representatives from the companies concerned, to discuss the matter.

The General Union of Kuwaiti Workmen and Employees was also interested in such proposals and expressed the need for such a system in order to provide more social security for both non-Kuwaitis, to encourage them to settle in Kuwait, and Kuwaitis, to encourage job-mobility among them. The General Union also presented to the government the draft of a social security scheme.

4.2.2. Second stage: With these demands for social security legislation coming from different sources, the proposals entered the stage of practical consideration in April 1971 when the crown prince issued an order to set up the Social Policy Committee. Its main tasks, as stated in the order, were to carry out the planning for the state's social policies in the fields of health, housing, social services, and social justice. Under the pressure of certain interested groups, mainly labour, companies, and some members of the general assembly, the committee at its second meeting regarded the subject of social security as the main subject to be investigated and considered.

A. Soon after this, in June 1971, a British expert¹ was called in to assist in the preparation of the scheme, and a sub-committee was formed to carry out this task. The Social Policy committee defined the following objectives for the sub-committee and the expert:-

- i. providing an income for members of Kuwaiti society whose income has been interrupted by old age, disability, sickness, or death of the breadwinner;
- ii. providing comprehensive social security for Kuwaitis in order to facilitate their mobility among the different economic sectors; and
- iii. providing insurance cover against industrial injuries for employees, especially for those working in small firms in the joint and private sectors, where the responsibility for providing such insurance places a heavy economic burden on employers with limited financial resources.

With Mr. Patterson's assistance the first draft was drawn up and presented to the Social Policy Committee. It was a comprehensive scheme to cover the entire labour force (Kuwaitis and non-Kuwaitis) against the social contingencies of old age, sickness, injury, maternity, and death. But the draft received severe opposition from the groups interested, especially the

¹Mr. A. Patterson, of the British Department of Health and Social Security, who had previously been involved in the preparations for the Cypriot, Maltese, and Jamaican schemes. Mr. Patterson was interviewed by the researcher in London and his role in preparing for the Kuwaiti bill was discussed.

government and the employers. The opposition was ill-considered, and based on a failure to systematically study the consequences of including non-Kuwaitis in the light of the longer term needs of the Kuwait economy.

B. Later, another proposal was presented by the sub-committee with the assistance of an I.L.O. expert and Mr. Patterson.

This proposal was based on two separate schemes, one for public employees and the other for the labour force in the other sectors.

The two schemes were also comprehensive, including Kuwaitis and non-Kuwaitis, and providing benefits against the different risks in employment. Special provisions for payment of benefits abroad were included as the majority of the labour force were considered likely to leave Kuwait upon retirement. The actuarial basis for the schemes was formulated by the U.K. Government Actuaries Department, which submitted a detailed report on the position of the proposed schemes.

In common with the first, the second proposal was also rejected without regard for the wider and longer term consequences arising from the discrimination against non-Kuwaitis.

It was clear that opinion was against comprehensive provisions to include both Kuwaitis and non-Kuwaitis, which the government was not ready to accept at the first stage of such legislation, and which employers also opposed because of the financial responsibility that would be placed on them as a result.

On the other hand, the General Union was in favour of such comprehensiveness, but failed to win its point.

4.2.3. Third stage: Upon the rejection of the two proposals submitted, the committee sought another assistant, an Arab expert, who had had previous experience in the field in other countries. After four months, he presented the third draft which satisfied the opposing views in many cases; but this draft also met with several criticisms from the government and the employers:-

- i. the differences between definitions of earnings in the different sectors
- ii. neglect of the rights already gained by employees in the government and oil sectors, and
- iii. the difficulty in applying such a scheme to smaller companies and its effects on them.

The sub-committee failed to present alternatives to the proposals with respect to the above points, and referred the whole subject back to the Social Policy Committee.

4.2.4. Fourth stage: On the 17th September, 1973, in accordance with an order issued by the committee, a three man sub-committee (composed of a representative from the civil service commission² and two other experts in the field) was formed to work out

²The representative of the civil service commission was Mr. Hamad Al Jowan, who was later appointed director-general of the Public Institution of Social Security, the other two experts being Dr. Ahmad Al Khashef and Dr. Al-Kadi, both from Egypt.

a social insurance scheme.

The new sub-committee considered the third draft and began to make the alterations required. In November 1973 the final draft was transferred to the legislative department of the civil service commission for the final revision. It was ready in March 1974 to be handed to the council of ministers which also discussed it thoroughly, and the final draft was presented as a bill in the General Assembly at a later date. The bill was under debate for approximately one year until it was finally approved in October 1976.

4.2.5. In preparing for the system the lack of local experts in this field caused the government to seek to learn from other countries' experiences in preparing draft legislation. The British and the I.L.O. ~~experts~~ suggested comprehensive systems in accordance with internationally accepted standards, which would have provided social security for everyone in the labour force regardless of nationality or sex. Clearly, these suggestions were based on entirely different principles from those followed by the Kuwaiti government, which are:-

a. Retirement and compensation benefits to be regarded as part of the whole remuneration package, and as such they may be as much objects of the principle of generosity as other payments to Kuwaitis are; and

b. Utilising this programme as a channel for redistributing oil-wealth, solely to Kuwaitis, as it is regarded as their ultimate

right, and non-Kuwaitis have limited right to share this wealth with them. Therefore, according to this principle, there is no need to maintain equality between these two sections of society.

As a result, both the original proposals appeared to be failures, according to Kuwait's underlying principles and national philosophy.³

Therefore, local and other Arab experts who were familiar with the country and who would be more aware of the national interest and of the pressures exerted within the country, were called upon. These experts went to the extreme of ignoring the non-Kuwaitis, and followed the underlying principles without alteration, or compromise between the conflicting interests, and introduced a programme that was at the same time generous to a fault (see Chapter 6), and exclusively for Kuwaitis.

It may now be seen that a weakness common to the proposals made by both outsiders and by the local experts was their failure to suggest an intermediate stage, acceptable to the government, providing adequate social security for non-Kuwaitis while preserving the lion's share of the country's wealth for its citizens. Between the two extremes, of complete equality of treatment for everyone living and working in the country, regardless of nationality, and of

³In addition there were the practical difficulties, the outflow of capital, and the lack of qualified administrative staff, given in greater detail in Chapters 6 and 9.

confining the distribution of the country's wealth to its citizens, excluding non-citizens, the government chose the latter, though with the express intention of introducing social security for non-Kuwaitis later.

It should also be stressed that the time allowed for planning, evaluating, and introducing the programme was relatively short. Although the first proposals had been made ten years previously, practical consultations were not held until 1971. Consequently the preliminary studies were inadequate. More seriously the lack of local expertise prevented due thought being given to the likely consequences of creating a special status for Kuwaitis within the labour force, and of the hidden costs of this situation, in the form of the likely effects on the mentality of non-Kuwaitis, probably realised in reduced productivity and more seriously, in a reduced desire to settle in the country with the concomitant cost of retraining and cultural adjustment.

4.3. The present Social Insurance Act no. 61 of 1976

Under its three schemes the Social Insurance Act provides the security most urgently needed against social contingencies. From its inception until June 1978, social insurance cover has been extended to 57,670 Kuwaitis within the three sectors, distributed as follows:-

Table 4.1.

Social insurance cover of Kuwaitis in the three sectors, June 1978

<u>Sector</u>	<u>Employers</u>	<u>Insured Employees</u>
government	45	53,282
oil	11	3,134
private	194	1,254
total	250	57,670

Source: The Public Institution for Social Security: annual report 1977-8, Kuwait, 1978, p.19.

Being the largest employer, government with its 45 ministries and departments contains the highest number of registered insured employees potentially enjoying under this programme more generous benefits and provided on a broader basis than those previously enjoyed.⁴ The oil and private sector employees are covered for the first time by a state scheme. Moreover, many different groups may join voluntarily.⁵ For all classes covered, three separate schemes were designed. The first covers old age, disability, sickness, and death insurance. Industrial injuries are embraced in the second scheme. Voluntary insurance is covered in the third, although this scheme has not yet been implemented.

⁴See Chapter 3.

⁵See 4.3.3. below.

4.3.1. Old Age, disability, sickness, and death insurance

A. Coverage

Cover against old age, disability, sickness, and death is the main provision of the Act, covering all Kuwaitis employed gainfully in the different economic sectors. All Kuwaitis employed are compulsorily covered, whether or not they have a fixed wage or salary, and whether their contract of employment is written or oral. No distinction is made as to sex; the only requirement being Kuwaiti citizenship. All foreign nationals are excluded.

Police, military and national guard personnel are also excluded as they enjoy the coverage of a separate retirement scheme relating more closely to the nature of their work. The self-employed, employers, assemblymen, municipal councillors, and mayors are subject to voluntary insurance under the scheme, under which they may select a set of benefits and contributions to suit themselves.

B. Qualifying Conditions

Individuals are eligible for old-age pensions in the following cases:-

1. If the service of the insured is terminated by abolition of the post, or by non-disciplinary dismissal, or by death or total disability;
2. Where the insured is governed by the provisions of Act 40/1976, termination of service arising from the exhaustion of entitlement to sick leave; and

3. If he is in hazardous employment at risk from occupational disease or injury, provided he has served a minimum of ten years.

The pension in cases 1-3 will be calculated on the notional basis of fifteen years of subscriptions or on his actual subscription period, whichever is the greater.

4. Reaching the legal retirement age (of 60)⁶ or if the insured is dismissed by judicial order, provided the period of subscription is at least fifteen years;
5. The scheme guarantees the insured his full pension in case of service termination for other reasons (not stated in the law, but may be stated by ministerial order) if his service period is at least 15 years and if he has reached the age of 50, or if he has already made contributions for 20 years;
6. The married female employee, who has to retire for other reasons not stated above, if her contributory period to the scheme is 15 years, whatever her age is. Her pension in this case will not be subject to any reduction.
7. Temporary immediate benefits in the case of the sick employee whose service is terminated by sickness and whose entitlement

⁶ The law has not stated clearly the age of retirement, but this age was expressed in the Retirement Act for public employees no. 3/1960 where it was stated as 70 for mosque workers.

to sick leave has already been exhausted. During the time he is not entitled to a pension, and provided he has not chosen to be paid a lump sum gratuity, he will be entitled to a "temporary pension", calculated on the notional basis of 15 years of contributions. The pensioner will be medically examined periodically (on dates determined by the institution). His benefits would be suspended if he failed to satisfy the institution's regulations.

C. Type and amount of benefits

The primary amount on which all benefits are calculated is the final month's pay. In the government sector, and in the oil and private sectors, further considerations have to be taken into account.

(a) Government sector

The final month's pay is computed to consist of the basic pay plus travel allowances, social allowances for spouse and children, and high cost of living allowance.

(b) Oil and private sectors

The final month's pay is computed to consist of the basic pay, determined in accordance with Labour Act 38/1964, plus any allowances, commissions, and periodical grants. If the employee is paid at piece rates, his final month's pay will be computed to be the average of the final three months of payments he received.

In any case, only earned incomes between K.D. 88 and K.D. 720 per month are used for calculating benefits. (Earned

incomes below or above those limits are treated as if they were at those limits respectively).

(i) Old age pensions

In the previous cases of old age or of death or disability caused by non-occupational disease, a pension will be paid to the pensioner monthly (or to his heirs in the case of his death). The pension will be calculated as 65% of the final month's pay for the first 15 years of subscription. For each year of contributions in excess of 15, it will be increased by 2%, up to a maximum of 95% of the final month's pay and inflation-proofed during retirement.

In the private and oil sectors, final month's earned incomes of more than 120% or less than 100% of the average monthly pay in the final five years are computed at those limits respectively. This provision is not applicable to those employed under collective agreements, and whose pay and promotions are governed by those agreements.

(ii) Early retirement

Early retirement is possible provided 15 years of contributions have been paid and the insured is at least 50 years old, or provided at least 20 years of contributions have been paid whatever the age. Retirement by resignation is also possible. Reductions in the pension will be calculated at the following rates:-

Table 4.2.

Reduction in pension in case of resignation

<u>Age at resignation</u>	<u>Reduction in pension</u>
Less than 45	5%
45 to 52	2%
More than 52	No reduction

Note: Age at resignation is taken to be the nearest whole year.

In the oil and private sectors, termination of contract at the employee's own volition will be treated as resignation. Also, in cases of dismissal for misconduct, absenteeism, or disclosure of industrial secrets, he will be treated as having resigned and will therefore receive the reduced benefits. If an employee leaves his job for fear of occupational disease, industrial injury, or physical assault at the hands of the employer or his agent, or if the employer breaches the contract, then the employee will not be treated as having resigned and will therefore receive benefits at the full rate.

D. Financing the scheme for insurance against old age, disability, sickness and death

Benefits for the elderly and the disabled, and for dependants in cases of death, will be paid from the OADSD fund,⁷ financed basically by contributions. But the fund's income has several sources:

(i) Continuing regular sources such as the periodical contributions of employees, employers, and the state:

1. The insured will contribute 5% of his monthly pay;

⁷OADSD: The Old Age, Disability, Sickness, and Death Fund.

2. The employer will contribute a sum equal to 10% of the insured's monthly pay;
3. The government will contribute an annual sum equal to 10% of the annual salary of the insured. (The government will also be legally responsible for meeting any deficit in the institution's budget, to be obtained from general revenue);
4. Profits on investment of the institution's funds;
5. Aids, contributions, and legacies acceptable to the board of directors.

(ii) Temporary sources during the transitional period:

1. These are the funds transferred from the accumulated capital of the former government retirement scheme to the OADSD fund. This includes the net present value of the commitments and the accumulated capital of the retirement fund established under amiri decree 3/1960 on the effective date of implementation of the OADSD scheme.

The assessment of the value of these commitments will be calculated on the bases of the contributions and the benefits provided for in this Act on the same actuarial bases as those used in calculating the rates of contribution to the new scheme (i.e. 5% from the employee, 10% from the employer, and 10% from the state).

The amounts due shall be paid by the public treasury as a lump sum or by instalments stated in Table 4.3 following:-

Table 4.3.

Amount of the annual or monthly instalments for a sum of K.D. 100

The period of the payment (annual instalment)	Instalments			
	In case of annual instalments		In case of monthly instalments	
Years	Dinar	Fils	Dinar	Fils*
5	23	097	1	881
10	12	951	1	55
15	9	634	-	803
20	8	24	-	654
25	7	95	-	578
30	6	505	-	530

* K.D.1. equals £1.70 K.D. 1 equals 1000 fils.

NOTES: 1. The first monthly instalment is due one month after the transfer has begun.

2. The first annual instalment is due one year after the transfer has begun.

2. In respect to the personnel in the oil and private sectors, where there were no retirement schemes before, the service termination gratuities for the period preceding the subscription to the institution will be transferred to the new OADSD fund. This amount will be the responsibility of the employer, employees, and the state.

a. The employer should pay the termination gratuities for the employees and for the period preceding their subscription in the

new scheme. These gratuities should be calculated according to Labour Act 38/1964 (as stated in Chapter 3) on the notional assumption that the insured employee's service with his present employer will terminate on the date of his subscription in the institution. This will be applicable to the insured personnel in the oil sector who are governed by the provisions of Act 28/1969. These amounts shall be paid in full by the employer on commencement of the subscription of the insured and within 30 days and according to monthly or annual instalments as stated in Tables 4.3 and 4.4.

- b. On the other hand, the insured personnel in both sectors (oil and private) are responsible for paying an amount for a presumed period equal to half the period of their actual previous service at the rate of 5% of the annual pay on commencement of the subscription, for each of the years of the personnel service period. These amounts should be paid on lifetime instalments bases according to Table 4.4, or on limited period instalments as shown in Table C1 (Appendix C).

Table 4.4.

The Monthly Instalment for life for the sum of K.D. 100

The age of the insured at first instalment	The monthly instalment Din./Fils	The age of the insured at first instalment	The monthly instalment Din./Fils
Up to 20	0.478	41	0.634
21	0.491	42	0.648
22	0.494	43	0.662
23	0.498	44	0.678
24	0.508	45	0.694
25	0.512	46	0.712
26	0.517	47	0.730
27	0.523	48	0.750
28	0.523	49	0.772
29	0.529	50	0.796
30	0.535	51	0.821
31	0.541	52	0.848
32	0.548	53	0.876
33	0.556	54	0.908
34	0.563	55	0.941
35	0.572	56	0.977
36	0.581	57	1.017
37	0.590	58	1.095
38	0.600	59	1.105
39	0.611	over	
40	0.622	60	1.155

Notes :

1. For computing age, parts of a year will be taken to the nearest whole year.
2. The instalments will cease in a case of total disability or death.
3. The payment of the first instalment will be due during one month from the transfer taking place.

- c. The difference between the total amount for the whole previous service period and the combined amounts paid by the employer, plus the insured employee's, will be paid by the public treasury and will be determined on the same actuarial principles advocated in estimating the percentage of the subscription according to Table 4.3.

Example

If the service period for an employee in the private sector is eight years, the amounts that should be paid to the institution are:

- (1) service termination gratuity paid by the employer and calculated on the basis of eight years, which will be $1/2$ of the total amount that should be paid;
 - (2) an amount paid by the employee and calculated on a presumed period equal to half the real service period which will be four years or $1/4$ of the indemnity;
 - (3) the $\frac{1}{4}$ difference will be paid by the state .
- (iii) Certain periods of service, not treated as contributory, will be disregarded in calculating the pension:-

1. Periods of suspension without pay and periods during which the insured ceased to work and thus received no salary (this provision does not apply to insured persons in the private or oil sectors).
2. Any service periods before acquiring Kuwaiti nationality.
3. Periods preceding the implementation of this law for which the

insured is deprived of his rights to pension or terminal indemnity by disciplinary order or sentence of a court.

4. Periods preceding the implementation of this law for people in the private and oil sectors whose services had already been terminated.

On the other hand, if the insured requests it, and by administrative order, other periods may be counted in calculating pensions. These include periods of voluntary work without pay. They will be included only if without them a pension would not be payable, and the insured will have to pay contributions into the scheme, equal to the minimum payable by salaried employees, for the period in question. To be counted, these periods must constitute experience relevant to the insured's normal work.

E. Ministers' pensions

Government ministers, like other occupational groups, are covered by the pension scheme in their retirement. The term of office in Kuwait is usually four years. Then the minister either resigns or is re-elected for another term.

Ministers will be entitled to a full pension if they have completed a full term or even if they have completed only one year in office. If the minister has completed four years his pension will be 75% of his final salary.

In both these cases and in the event of death, the pension will be calculated on a presumed period of four years in office,

notionally treated as 15 years of service. If the minister has also served in other ministerial or other positions covered by the scheme he will be entitled to a higher pension. Additional years will be treated in proportion.

In virtually all these cases, the pension must not exceed 100% of the salary on the basis of which it is calculated.

F. Retirement gratuities

In some cases, when the insured cannot satisfy the requirements for attaining a full pension, he is eligible for a lump sum grant varying in accordance with his contribution period and his final earnings. This grant will be calculated on the basis of 10% of his final pay for each of the first five years of his service, 12% for each of years six to ten, 15% for years eleven to fifteen, and 20% for each year in excess of fifteen.

Death grant

The survivors of the insured are entitled to a grant, in the event of his death, equal to his monthly pay or pension for two months, but not less than K.D. 100.

G. Simultaneous receipt of pensions and salaries

Article 115 of the Social Insurance Act indicates clearly that the insured may not combine the retirement pension with any pay he may receive from an employer or from the public treasury, except within the limits laid down by ministerial order 5/1978.

The insured may receive both his pay and a pension

unconditionally, if he is working in the private or oil sectors, after leaving the government service. He may do so after 15 years government service if he is at least 50 years old, after 20 years at 45, or after 25 years regardless of age.

The fact that the order permits an unlimited combination of pensions and salaries only for those re-employed in the oil and private sectors springs from the desire to re-allocate Kuwaiti labour to those sectors. To encourage those who have spent long periods in government service to take part in the private or oil sectors, without depriving the government of its labour force, the limits of government service given above have been prescribed.

Pensioners may receive other kinds of compensation or grant from the public treasury, but not any pay for employment along with their pensions.

The pensioner may not in any case be paid both his own pension and a share in any other pension as a direct beneficiary, as the primary objective of this law is only to support the insured in case of need, and this should be guaranteed sufficiently by his pension alone.

H. Calculation of previous service periods, and the addition of notional periods

If for any reason the insured person is re-employed after retirement, in any type of work covered by the provisions of this Act his retirement pension will be suspended and his new service periods will be added to his earlier ones. His pension will be

recalculated on the basis of the two (or more) periods combined.

If the insured failed to qualify for a retirement pension but received instead a retirement grant he will have to refund this grant before a pension can be paid. He may refund it either by a lump sum or by instalments (given in Tables C1, C2, C3 in Appendix C). He will be responsible also for the interest due in either case which will be 5% per annum if the period from receipt of the grant to the date of refund is not more than three years, 6% per annum if the period is not more than five years, and 7% per annum for any period exceeding that.

Instalments will have to be paid by the insured until the grant and the interest accrued are repaid, or until he is 60, whichever is the sooner. If he has already reached that age he will not be allowed to refund the grant by instalment (except in a few specified exceptional cases). In a case of total disability occurring after the insured has been required to refund a grant and before the first instalment becomes due, he will not have to refund the grant.

Notional periods

The Kuwaiti scheme provides for notional periods to be added to the actual periods of contributions, for the purpose of calculating pensions. This would appear to be unique in the field of social insurance, not having been provided previously either in Kuwait or elsewhere. The effect of the notional periods is to increase a pension, or to ensure payment of a pension not otherwise available.

The intention is to encourage nationals to save more of their income than the 5% compulsory contributions to the scheme, and thus to increase their retirement pensions. It was not designed to provide an adequate pension by itself but only to support pensions based on actual service. It is also designed to support and be co-ordinated with other provisions of the Act. It is provided only for those compulsorily covered by the law. Insured persons under the age of 50 may not use it to obtain an early retirement pension.

Those whose pension qualifying periods are reduced (married women and workers in hazardous conditions) will not benefit from this right.

Insured persons combining a pension and pay from the private or oil sectors before the implementation of this Act under Art. 127 will not benefit either.

The main objective was to benefit the relatively older workers especially those without the minimum period qualifying for pension.

On each occasion the insured may acquire any number of notional periods, consisting of either three or six months, up to the maximum of five years of notional periods.

The contribution may be paid as a lump sum or by instalments. It may be paid either while the insured is still working, or within one month after service termination, within the limits of an amount varying in each case shown in Tables D1 to D5 in Appendix D.

⁸ Only a general idea is given here for reasons of space, but more details are available in ministerial order 3/1978 (Appendix D).

4.3.2. Industrial injuries insurance

Industrial injuries insurance applies to injuries clearly definable as work-connected, as well as to occupational diseases. As most occupational accident cases involve total or partial disability - either temporary or permanent, industrial injury insurance guarantees two types of benefit: medical services and cash benefits.

A. Employment covered

All Kuwaiti employees who work for an employer governed by the provisions of these regulations, even if they are stationed abroad, and in the three sectors, government, private, and oil, are subject to this scheme.

B. Types of benefit

(i) Medical Treatment

The basic principle in this section is that the injured employee has the right to be medically treated, either in the public hospitals or in the institution's hospital, or in the place of work if there are sufficient medical arrangements and hospitals concerned with the treatment of its personnel. This medical treatment includes all the medical expenses that the injured person would need, such as the services of specialists, hospitalisation, surgical operations, X-rays, medicine, and home medical care. It also includes rehabilitation services and artificial limbs. The injured has the right to these kinds of treatment and any further medical expenses, but he has to follow the instructions given by the institution,

concerning periodic medical examinations. He would lose these rights if he failed to comply with such instructions. In case of injury, it is the institution's responsibility to notify both the employer and the injured about the date of completion of the treatment and the amount of disability that might have resulted, if any.

(ii) Cash Benefits

The injured has the right to two kinds of cash benefits i.e. temporary sickness benefit, and a pension if he becomes disabled. Sickness benefit equal to his normal pay would be paid to the injured during his absence from work. Although the employer must disburse the pay of the day on which the injury occurred, whatever the time of its occurrence, this benefit would continue to be paid until the date when the injured is due to report back to duty or until disability is confirmed or death occurs. Also, this benefit is liable to be suspended if the injured fails to comply with the treatment instructions, and payment shall be resumed on his compliance therewith. The confirmation of disability will be decided by a medical committee.

C. Amounts of Benefits

The benefit for total disability or death is 95% of pay, and inflation-proofed, which is the maximum benefit which can be paid to the disabled or to his dependants. For partial disability, the benefit rates will be determined as a partial pension according to the proportion of disability reported by a medical board: the allowance

will be determined by ministerial order. In any case, the disabled will be entitled to an injury pension or the equivalent capital value of this pension if the disability is permanent.

The injured will have no right to such benefits if he injured himself intentionally or if he was injured under the influence of alcohol or narcotics, or if he violated the safety instructions posted in conspicuous places in the place of work - with the exceptions, if death, or permanent disability exceeding 25% of total disability, have resulted. Medical re-examination shall be done four times at the most, and upon the request of the institution, or of the injured, after the date of confirmation of the injury. The injured must comply with the institution's requests, or if he fails to do so, his injury payment will be suspended until he satisfied these regulations.

D. Investigation Procedures

The investigation in an occupational accident should be carried out by the institution. This investigation should indicate the causes of the accident, witnesses' statements, and the statements of both the employer and the injured.

E. Occupational Diseases

The institution is responsible for arranging for periodical medical examination of personnel who are liable to contract occupational diseases. The institution should notify the Ministry of Labour about any occupational diseases that have developed among the injured personnel. At the same time, it is the institution's

responsibility to arrange for medical examinations, for those workers on termination of their service, and after that at certain times. Upon the completion of treatment, the injured will have to report back to duty within two days, or within two weeks after notification of a proportion of disability.

F. Industrial Injuries Fund

- (i) Industrial injuries are always regarded as the sole responsibility of the employer. He is the sole contributor for this insurance. His contribution shall be paid monthly at the rate of 2% of the total monthly pay of his insured personnel. The law allows the board of directors to modify this contribution according to conditions in the place of work. If the employer has established good and clear precautions providing more protection for the workers, his contribution may be reduced. On the other hand, his contribution may be increased, but by no more than double, if the employer fails to meet the safety requirements in the place of work. So, the employer's contribution is the main and the first source of funds.
- (ii) Another source of funds is the returns on the investments made with the monies of the fund.
- (iii) Income arising from related activities of the institution in connection with this fund.
- (iv) Aids, contributions, and bequests acceptable to the board of directors.

4.3.3. Voluntary Insurance

A. Personnel covered

Voluntary insurance is established to cover some categories of the labour force not covered by the compulsory provisions.

These categories are:

- (i) Employers and self employed people.
- (ii) Individuals who are engaged in freelance trades.
- (iii) Members of the national assembly, the municipal council and mayors.
- (iv) Other categories may also be included by a ministerial order after the approval of the board of directors.

B. Voluntary Insurance Fund

The contributions of the personnel insured are the main source of this fund. These contributions will be paid in accordance with the following Tables (4.5 and 4.6), and according to the age of the insured, and to the income category that he selects from the Tables.

Table 4.5

Monthly subscriptions as a percentage of monthly income

Age at the time of subscription	The monthly subscription as a percentage of monthly income
Less than 45 years old	15%
45 to 54 years old	20%
55 years old and more	25%

Note: In determining the number of years, parts of a year will be taken to the nearest whole year.

Table 4.6

The categories and the monthly income for each category

Category No.	Monthly income Dinar	Category No.	Monthly income Dinar
1	80	10	290
2	100	11	320
3	120	12	360
4	140	13	400
5	160	14	450
6	180	15	500
7	200	16	550
8	230	17	600
9	260		

The fund is augmented by the returns on investment of the fund's monies and from the institutions related activities in connection with this fund.

The insured will pay premiums according to his category number, and he has the right to be transferred to a higher category under certain conditions, to be decided in each case by the minister.

C. Type of benefits

This kind of insurance will provide the insured personnel with a pension in the case of old age, disability, disease, or death, and a retirement gratuity if he is not eligible for a pension.

The insured are not at present covered against industrial injury, but it could be included by a ministerial decision upon the approval of the board of directors. In that case, the insured would contribute 2% of his monthly earned income against this risk.

(i) Entitlement to pension

1. The insured has a right to his pension if he reaches the age

of 65 and has already paid subscriptions for fifteen years, or earlier if he has paid subscriptions for twenty years. In the latter case, his pension will be reduced according to Table 4.2.

2. A monthly pension will be paid to the insured in the event of his total disability, or to his dependants in the event of his death, whatever the period of his subscription happens to be. This pension will be calculated on the basis of 15 years subscription, or his actual period if it is more than 15 years. The rate of benefits will be 65% of the last monthly income category for the 15 years. The rate is increased by 2% for each year in excess, with a maximum limit of 95% of this category of income.

(ji) Retirement gratuity

If the insured is not entitled to a full pension, he will be granted a gratuity as a lump sum. This gratuity will be calculated as 10% of his last subscription category for each of his last five service years, 12% for the preceding five years, 15% for each of the five years before that, and 20% for each year in excess.

4.3.4. Survivors' benefits and Commutation

In the event of the insured's death, the pension will be paid to the dependants or the direct beneficiaries, whether they are Kuwaitis or not. These beneficiaries might be:

- (a) a husband who is not able to work or earn his living, a widow or widows who have not re-married after his death;
- (b) children, less than 26 years old (unless they are disabled

after this age or unless they are students in higher education and not more than 28 years old) - a daughter has a right to her share until she gets married, and she will receive it if she is divorced;

- (c) parents - one of them or both if they are entirely dependent on the insured's earnings. The mother has the right if she has been widowed or divorced before her son's death. Her share will cease if she marries again, and restored in the event of a first divorce subsequent to her son's death;
- (d) brothers and sisters if they are dependant completely on the insured for their living. To be eligible, sisters must be unmarried, divorced, or widowed for the first time;
- (e) grandchildren if their father died after they became eligible for the pension. They will receive their father's share as long as they are too disabled to earn their living, or students under the age of 28 and in higher education.

If for any reason, the share of any previous beneficiary has ceased, the pension will be re-distributed between the rest of them.

Also, the beneficiary may have a share in an injury pension, along with his share in the ordinary pension, without limitation, and he may combine his share and any other periodical payment from an employer or from the public treasury.

According to ministerial order 5/1978, the beneficiary may combine more than one share (for example, his shares in his father's and mother's pensions) up to a maximum of K.D. 80,

which may be increased by only 50% from the excess shares with a definite limit of K.D. 160. For the orphan the maximum will be K.D. 120, in which case the excess shares will be re-invested on his behalf by the institution. In any case the minimum limits for the shares are K.D. 50 for the widow, K.D. 40 for each of the two parents, and K.D. 25 for any other beneficiary. The pension would be divided between the beneficiaries according to Table C4 in Appendix C.

Commutation

The other right granted by the Kuwaiti scheme to compulsorily insured personnel is the one by which the institution may substitute a lump sum for the pensioner's right to a pension. The substituted portion may not exceed 50% of the pension. The amount of the substituted portion will be affected by age and the amounts shown in the following Tables.

Table 4.7

The commuted value for the sum of 1 dinar of pension

Insured age at commutation	Commutation value Dinar	Fils	Insured age at commutation	Commutation value Din.	Fils
40	174	.276	53	123	.000
41	170	.760	54	118	.764
42	167	.160	55	114	.528
43	163	.464	56	110	.286
44	159	.684	57	106	.032
45	155	.820	58	101	.832
46	151	.860	59	97	.636
47	147	.852	60	89	.664
48	143	.796	61	85	.788
49	139	.704	62	82	.008
50	135	.564	63	78	.336
51	131	.400	64	74	.772
52	127	.212	65		

Notes:

1. For the purpose of calculation, months (or any smaller parts of the year) will be taken to the nearest whole year.
 2. In determining the age of the insured a medical report will be considered as a factor.
 3. No commutation for unhealthy persons.
 4. No commutation for those who have already reached 65 years of age.
-

The beneficiaries of an insured or of a pensioner will not have the right to commute their shares in the pension.

Deduction of the commuted portion of the pension will not cease except in case of death or on the waiver of the commutation. The insured also have the right to refund at any time the commuted portion, by the amounts stated in Tables C5 and C6 (Appendix C).

Although this right had previously been provided by the retirement Act of 1967, few were actually familiar with it or claimed it. There were only seven claimants in October 1977. Following the introduction of the 1976 Act, the number has increased to 314 claimants out of 1850 newly retired old age pensioners, in the period from November 1977 to June 1978 inclusive, with a monthly average of 38 claimants. The total amount commuted was K.D. 2,382,076.403 during the same period. One reason for such growth in claimants is thought to be the increase in benefit level under the new system which will surely mean higher amounts in the form of a lump sum commuted pension.

4.3.5. Organisational Structure

Kuwait has grouped all its social insurance programmes (OADSD, industrial injuries, and voluntary insurance) under a single administrative agency, the Public Institution for Social Security. Centralising the whole programme under a single agency is a widely-accepted approach to administering social security that has been applied in many countries. It has many advantages such as maintaining the coordination necessary between the different schemes, and avoiding duplication of effort and functions. For Kuwait in particular the shortage of skilled staff to administer schemes is another factor dictating the centralising of functions. This will also guarantee similar treatment to persons in similar circumstances.

The public institution has its separate, independent budget and it will be audited directly by the Minister of the Treasury. The government bears the cost of setting up the institution, which will be responsible for administering and executing the social insurance law.

The management of the institution will be undertaken by the board of directors, with the Minister of the Treasury as chairman, and the following as members:

1. The director general of the institution.
2. A representative from each:
 - (a) The ministry of social affairs and labour;
 - (b) the civil service commission;
 - (c) Kuwait chamber of commerce and industry;

(d) the General Union of Kuwait Workmen and Employees.

The members will be elected for three years subject to the minister's agreement.

3. Three specialised and experienced members appointed by an amiri decree upon recommendation by the minister for a period of three years, subject to renewal for two similar periods.

The Board's duties

The board of directors, as the highest level of administration, will be responsible for laying down the general policy of the institution and in particular for ratifying the annual budget and the final accounts before they are submitted to the authorities concerned. To approve the annual general report of the institution, to propose laws and by-laws for the execution of the social security provisions; finally, to decide on the organisation of the institution's financial and administrative affairs.

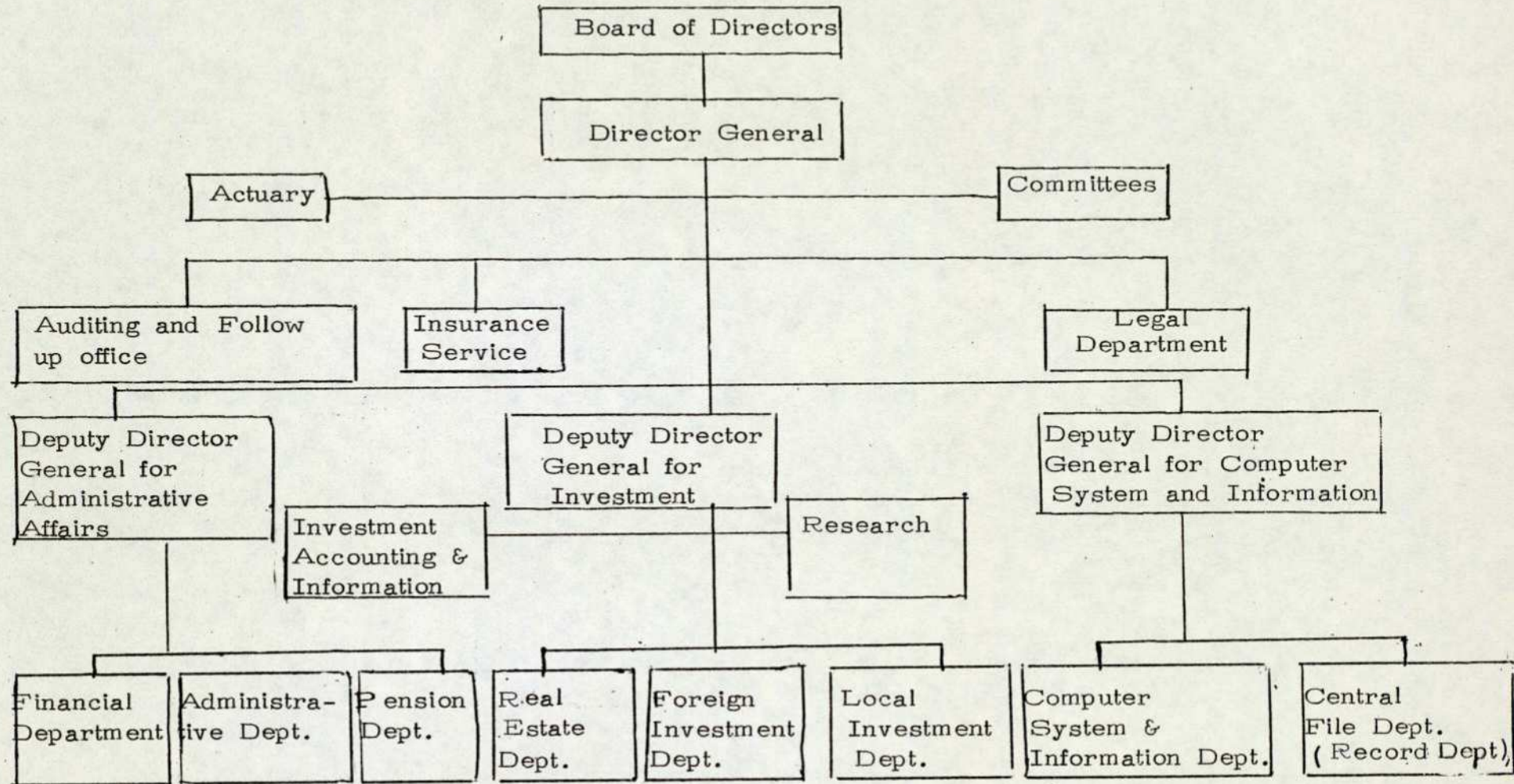
The institution will be represented in all cases by the director general, who will sit with the other parties; besides being responsible for the management functions within the institution. His responsibility will include submitting the annual accounts, the annual budget, and the annual report to the board of directors, the organisational structure is shown in figure 4.1.

4.3.6. The investment of the institution's funds

There is no doubt that this responsibility is a very great one, especially as the institution holds the relatively large funds of the scheme of old age, disability, sickness, and death in the first stage,

Figure 4.1.

The organizational structure of The Public Institution For Social Security



which amounted to K.D. 44,854,000 from the period 1st October 1977 to 30th June 1978, of which K.D. 28 million was the total contributions from the three sectors. These funds will grow with the increasing number of people insured, as well as the funds accumulated from the people voluntarily insured.

Diversification and capital security are the two principles to be followed in the investments. Investment decisions are taken by a special committee set up by the Minister with the consent of the board. This committee has complete authority to invest the public institution's funds, its advice being followed and administered by the board. The investment policies have been worked out and put into practice; although nothing has been published or publicly discussed on the matter, But the board policy decided on, may be deduced by examining the investments made during the financial year ending 30th June 1978.⁹ Local investments were preferred to foreign ones: 97% of the funds were invested locally, K.D. 43 million out of total investments of K.D. 44.3 millions, i.e. only 2.6%, or K.D. 1.16 million, were invested in foreign projects.

Safety was also sought in the choice of local investments, where 61% were in the form of bank deposits, and 3.4% in construction projects. The remainder, 35.6%, was invested in bonds and other kinds of safe bank deposits.

⁹The Public Institution for Social Security: Annual Report, Kuwait, 1977-78.

The institution has made no real contribution to subsidising or financing the establishment of industrial projects. This may be due to the short period since the institution was established, the absence of well-established policies in long-term investments, and the severe shortage of well-qualified personnel in this field.

The future of the institution's role in the overall economic development of the country, will depend mainly on the way the institution's funds are invested, in order to serve the long-run national objectives, as well as safeguarding public funds in order to meet future claims by its beneficiaries.

Chapter 5

Comparison of Programmes - Kuwait, Libya and Great Britain

Following the description of the social insurance system in Kuwait, it may be fruitful to make a relatively brief comparison with other social insurance systems. The Libyan and the British systems have been chosen for this purpose. The comparison has been included in this study in order to gauge the relative status of Kuwait's system and its benefits, in comparison with well-developed systems elsewhere, in terms of similar social risks, the population groups covered in each country, and in more general terms the underlying principles and trends in each system.

It should be pointed out that the degree of a system's development does not necessarily depend on the level of the country's economic development. It may be observed that even so economically developed a country as the U.S.A. does not have a well developed social security system, whereas the systems in the European countries have been well developed. Political philosophy is an important factor in this respect directly affecting the degree of development of the state social security system in a particular country.

In the U.S.A. since 1935 the purpose of the social insurance programme has been to build a middle level of protection for old age, lying between the lower level of social assistance provided on a means-test basis, and an upper level without limit, consisting of private insurance. The three-level approach has become an accepted principle, but U.S. administrations since 1935 have always

placed most emphasis on the provision of protection by private mechanisms, rather than by those of the federal government; although a new trend is evident in that country is to provide more federal protection for employees.

The philosophy underlying the state's role in many European countries, in caring for their citizens, has been responsible for the evolution of several of the most developed programmes in the world. Private insurance has been utilised on a more limited basis in these countries, to provide social security for citizens. For example, in Britain there has been a new trend since 1956 to promote more occupational schemes in accordance with the view that they offer a more desirable method of provision for old age than any type of universal state scheme. This trend has been recently encouraged by the Social Security Act 1975.

Also, in making such a comparison it must be borne in mind that a social security system suitable for one country may not be suitable for another for economic, demographic, or cultural reasons. But this should not outweigh the fact that countries introducing schemes more recently have the opportunity to introduce improved and more developed schemes, within their own financial limits. Kuwait, with its limited experience in this field, has leaned on the experience of other countries by incorporating revisions in their schemes, thus encapsulating years of development.

So an attempt will be made, in the following part, to compare the three systems chosen, taking into account the different actuarial

bases and cultural backgrounds as well as the social philosophies underlying each one. First the comparison will state the general provisions under the three systems in terms of benefits, coverage, eligibility, finance, and administration. Secondly, similarities and differences between the three systems will be outlined.

5.1. The choice of Great Britain and Libya

Limitations of time and space prevent a comparison of more than two systems. The decision to select the British and Libyan systems was made because of the potential for interesting comparison. The British system is a good example of an advanced and mature system. Its comprehensiveness is another distinctive feature, in terms of risks covered, groups of the population covered, and types of benefit provided. The selection of the Libyan system was because of economic and cultural similarities between Kuwait and Libya. Moreover, in recent years Libya has become a major competitor of Kuwait for the limited supply of labour in the Middle East, which has resulted in an indirect competition between the two countries in attracting foreign labour.

Libya, like Kuwait, relies mainly on oil revenues, which enable the government to adopt and to finance its development plans, and to provide many different social services for its citizens. Social insurance is an important example. Its generous comprehensive benefits for residents in the country are thought to have a great

effect in attracting foreign labour.

As in Kuwait, there is an increasing need for foreign labour in Libya. With the enormous change in economic status resulting from the oil discoveries in Libya, and the rapid development in all the country's activities, wages have also increased, accompanying the increased demand for labour, which exceeds the available local labour force. To meet the national plan and to carry out development throughout the country, imported labour is required, so policies have been adopted, more attractive to foreign, especially Arab, labour.

Libya requires the same specialised qualified personnel, technicians, and skilled labour as Kuwait. As stated in a study recently made, Kuwait is suffering a growing emigration of its labour force to employment in other countries in the Middle East, including Libya.¹ This study also stated that nearly 14% of the Libyan labour force are expatriates, Arabs and other nationalities, and the demand for these workers is increasing, as shown in Table 5.1 (from the Libyan three years plan).²

The main difference between Kuwait and Libya is that Libya has realised that social insurance benefits affect labour mobility to some degree, and has made increasing use of the fact in attracting foreign labour.

¹Ministry of Planning, "The Strategy of labour force mobility in Kuwait". Kuwait, March 1975.

²1972-1975 plan was used for comparison, because of the unavailability of information from the recent Libyan National Plan.

Table 5.1.

Estimated Numbers For Demand and Supply of Labour From the Libyan and Foreign Labour Force, Classified According to Occupations (1972-1975).

Occupation	Demand			Supply						Foreign Labor Needed
	Total	Surplus in Usage	Substitutes	Total	University Graduates	Teaching Inst. Graduates	Vocation, Health Training	Trained Labor	Unskilled Labor	
SPECIALISTS	8850	7900	950	4620	3090	1530				4230
Engineers	1800	1600	200	650	650					1150
University Staff and High School	2590	2390	200	1090	1090					1500
Doctors	710	630	80	100	100					610
Dentists	50	40	10	10	10					40
Pharmacists	100	90	10	15	15					85
Chemists	3600	3150	450	2755	1225	1530				845
SUPERVISORS AND TECHNICIANS	31110	27230	3880	11780		7410	2170	2200		19330
Engineering Technicians	5980	3500	680	1810		310	1300	200		4170
Teachers in Intermediate Elementary Levels	18400	16500	1900	6300		6300				12100
Doctor's Assistants	730	630	100	560			560			170
Nurses and Midwives	2200	2000	200	310			310			1890
Supervision Levels in the Government	3800	2800	1000	2800		800		2000		1000
VOCATIONAL WORKERS	7340	5900	1440	7340		6000		1340		
SKILLED AND SEMI-SKILLED WORKERS	80700	58010	22690	58260		290	20350	37620		22440
Agricultural Workers	18600	12000	6600	17100		70	1550	15480		1500
Mining Workers	1170	800	370	770			380	390		400
Mechanics, Etc.	8000	5600	2400	5900		220	4300	1380		2100
Electricians (different skills)	2670	1900	770	2170			1900	270		500
Builders, Carpenters	21500	17500	4000	7500			5080	2420		14000
Drivers (chauffeurs)	13400	10000	3400	13400			1300	12100		
Service Workers, Others	11760	6860	4900	7820			5840	1980		3940
Nurses, Midwives Ass't	3600	3350	250	3600		1300	2300			
NON-SKILLED WORKERS	35000	23560	11440	27200					27200	7800
TOTAL	163000	122600	40400	109200	3090	15230	22520	41160	27200	53800

Source: "Study on Strategy of Labour Force Mobility in Kuwait. Ministry of Planning, Kuwait, 1975.

5.2. Stages in the evolution of the three systems

Before comparing the three systems, we ought to mention briefly the evolution of each programme, as their development and maturity depend mainly on the stages through which the systems have developed.

The British system is one of the oldest in the world. It was developed because of the needs and aspirations of the people. The Poor Law of 1601 was the first attempt to establish on a uniform basis throughout the country, the existing systems of helping needy groups in society, though the means provided were very meagre. It remained the basis of the system for three and a half centuries, though in 1795 a critical period began for the future of social security in England. As a result of high food prices, poverty increased to unprecedented levels, bread was hardly obtainable by the poor, and economic conditions for the surplus labour had deteriorated so far, that the Speenhamland system was introduced to relieve them. This system supplemented the earnings of a family by amounts varying with the price of bread and with the number of children in the family, derived from taxation. Different amendments to the poor law thereafter failed to meet the increasing need for adequate protection against poverty, while preserving the dignity of the individual.

A new administrative structure for the poor law was introduced in 1834 when "Poor Law Unions" consisting of parishes grouped

together for the purpose of administering the poor law, began to be formed, although the parishes themselves retained the financial responsibility for their own poor until 1865.

Pensions and public health began to be subjects attracting the attention of politicians at the end of the 19th century,³ and the beginning of the 20th; but the first Public Health Act had been passed in 1848⁴ to improve sanitary conditions in Great Britain. In 1908 the Old Age Pension Act was passed, being the first attempt to provide relief in the form of cash (outdoor relief) for all needy people over the age of 70, since the majority of this group refused to seek residential help (indoor relief) in the poor law unions' workhouses.⁵

Unemployment relief was the next point of attraction to social reformers amongst the politicians, as the lower classes suffered from severe poverty especially in times of economic depression. The first attempt made by the state to tackle this problem was the 1911 Unemployment Act. Following this, much legislation was passed, in fact a new act or amendment almost every year, dealing with unemployment.

³When the franchise was extended to include the urban working class.

⁴The "Year of Revolutions" on the continent of Europe, and of Chartist demands in Britain.

⁵Because it often involved loss of liberty, dignity, and self-respect.

Between the first and second world wars, there was more legislation, particularly legislation designed to cope with the increasing proportion of elderly people in the population, which made a contributory scheme seem essential. Moreover, more interest was shown in providing protection for widows and orphans, which was the last field to be covered by a state scheme in Britain. It was not until 1925, that the Widows and Orphans and Old Age Contributory
6
Pensions Act was passed.

Hospitals, outpatients' departments, and many medical services were increased by the Public Health Act of 1936. Pensions were provided for women at 60, in 1940 by the Pension Act, which also provided supplementary pensions. They became the responsibility of the Unemployment Assistance Board, which was renamed the Assistance Board.

During the second world war a committee under Sir William Beveridge's chairmanship was appointed, to review social security; and its findings were presented by Beveridge in his remarkable report in 1942. The report proposed improvements to the piecemeal reforms made earlier in the century. It introduced the fundamental concepts in social insurance of universal contributions and a universal right to benefits subject to a means test.

"The Beveridge scheme for comprehensive social security is clearly rooted in our 1920-21 unemployment insurance legislation. With this legislation Britain firmly turned its back for nearly forty years on the alternative concept of social insurance as a protection of standards established by the individual worker in his or her employment, which had animated Bismarck, Churchill, and Lloyd George, and would guide the development of social insurance in

⁶ Women received the vote in 1918.

most European countries and also in (the) U.S.A."⁷

The Beveridge Report of 1942 proposed -

- (a) family allowances;
- (b) a national health service for everyone in the country;
- (c) a single system of national insurance to take the place of the old schemes of workmen's compensation, unemployment insurance, and pensions insurance;
- (d) in place of the poor law, social assistance for all who are in need, administered on a national basis out of central government funds.

The main features of the national insurance system were:-

- (i) universality (highly paid professional workers, the self-employed and the non-employed as well as manual workers);
- (ii) no special or separate provision for particular groups of workers;
- (iii) flat rate benefits in return for flat rate contributions;
- (iv) the same rates of benefit for unemployment, sickness, widowhood and retirement, and higher rates for industrial injuries;
- (v) direct government administration without the help of friendly societies, insurance companies, trade unions and other independent organisations.

This report has had an enormous effect not only in Britain but throughout western Europe as it enunciated an entirely new

⁷ Sir John Walley: Social Security: Another British Failure? Charles Knights & Co Ltd., London, 1972.

concept of social security. The National Insurance Act of 1946, based on the Beveridge Report, was passed in order to provide benefits in cases of unemployment, maternity, and retirement, and to provide Widows' and guardians' allowances, and death grants. It was superseded by an Act of 1959 which introduced for the first time an earnings related supplement to the basic old age pension. This was further developed in the Social Security Pensions Act 1975, which came into force in April 1978.

It should be said that the changes in the British system from the 17th century until the middle of the 20th century were brought about by individuals with a special interest in the people's welfare, and by politicians animated by the desire to build a better society in which to live and work. These were individuals like Asquith, Lloyd George, Churchill and Beveridge. Another powerful influence was the labour organisations which played an important role in pioneering insurance schemes (in the "friendly societies" and trade unions) and in applying political pressure on the state to do likewise.

After 1948, developments from Beveridge were acts merely updating national insurance pensions and benefits, and national assistance standards, to take account of rising prices and earnings levels, or to make adjustments whenever they are required (until the Act of 1975, which provides a new direction in the social security field towards more occupational schemes).

For the purposes of the comparison, benefits will be stated

as they were provided from April 1978 although some provisions will not be fully applied before 1998 (such as the earnings related portion of pension, payable in full only 20 years after the scheme has been in force.).

The Libyan system of social assistance and social security

Libya has a longer experience than Kuwait in the field of social security legislation dating from the Italian colonial period. Unlike the British experience which sprang from the people's needs and in response to their demands, the Libyan experience started by witnessing a system applied almost entirely to non-Libyans, when the Italians introduced this protection for their personnel in the colony. Three institutions existed at that time, each concerned with one branch of insurance, and all of them confining their activities to foreign labour in Libya, i.e. personnel of Italian citizenship. Only one institution extended its coverage to a small number of Libyan employees. These institutions were:

- (i) Libyan branch of the Italian National Employment Accident Institution. This provided medical care and certain cash benefits in the event of industrial injury, for about 22,000 Libyan and non-Libyan manual workers.
- (ii) Libyan branch of the Italian National Social Insurance Institution. This provided certain cash benefits in old age, invalidity, death of breadwinner, or unemployment, for about 4,500 non-Libyans;

⁸ Mohamad Wasfey: "Social Insurance in the Kingdom of Libya." Article published by ILO, Geneva, 1966.

(iii) Italian Africa Social Welfare Institution. This also provided certain benefits in cash and in kind for non-Libyan employees in the event of sickness or maternity.

These three institutions continued to operate in Libya until 20th February 1957, when the social insurance law (no. 53) was enacted, providing the citizens of the kingdom of Libya with insurance cover. This law set up the National Social Insurance Institution, and included all employees in the kingdom without distinction between nationals and non-nationals. It provided them with equal benefits, depending on equal rates of contribution, against the risks of sickness, industrial injury, old age, and death. Unemployment insurance applied only to Libyans.

But with the increasing revenues from oil and the change of regime to a socialist one in 1969 the need has become urgent for more coverage, and for increased benefits under the existing social insurance scheme. Many amendments have been passed, such as Act no. 21 of 1962, Act 27 of 1967, Act 14 of 1968, and lastly Act 59 of 1970. In 1973, the government passed a more comprehensive system as the Social Security Law no. 59, to amend and annex the existing Social Insurance law no. 53 (1957) and the pension scheme. This latter law is intended to combine the two systems at a later date, with comprehensive social security cover.

Its comprehensiveness is an application of the political philosophy of the new socialist regime, which involves an extended role for the government in providing social security benefits and

other necessities for citizens. This was made possible by the increasing wealth from oil exploitation, which has been utilised for part of the financing of the system, for non-Libyans as well as for Libyans. The new scheme is also financed by insured persons' contributions. This is in accordance with the basic tenets of Islamic law, the sharia. It follows sharitical principles in securing social solidarity and reciprocal aid and support between individuals, in order to improve the conditions of both the individual and society. It is inspired by Islamic progressive principles based on ideas of social justice, intended to promote the contribution made by every individual, and to reduce his reliance on others.

For the purposes of comparison we will consider the Law no. 53 of 1957, as amended by the recent social security law.

Kuwait

Unlike the other two countries, Kuwait's experience with social security legislation is fairly recent, as we have already mentioned.

The Social Insurance Act introduced in 1976 should be seen mainly as state intervention on behalf of working people, mainly Kuwaiti citizens, and those who acquire Kuwaiti nationality, (see 3.3.1.E.i). Demand for such a scheme came only indirectly from the Kuwaiti labour force, which as we have observed is concentrated in the government sector.

It can certainly be said that this scheme was intended as a political instrument to create a better balance of Kuwaiti labour in

the different economic sectors. The government service is no longer the only place where Kuwaitis are needed: they are also needed in industry and private establishments. The scheme has another advantage in that it permits a further reallocation of the national wealth derived from oil revenue. Unlike a gratuitous increase in wages, this programme allows wealth to be reallocated without causing additional inflationary pressures. It is of course also true that the scheme was intended to meet the need for a more widespread protection against the different social and economic contingencies among the Kuwaiti population. It may seem surprising that there was no strong demand by Kuwaitis for change. Perhaps this is in fact because their former livelihood based on the sea had been much less susceptible to irregular economic depressions or recessions than is the case in industrial countries. The rapid increase in disposable income that has occurred may also have reduced their concern for having protection against adverse contingencies in the future.

5.3. Comparison of Programmes

We can observe significant differences between the three systems, depending on the different historical evolution, cultural aspects, and social principles directly affecting each system. Furthermore, the methods of determining the types and levels of benefit, as well as methods of financing each system are also subject to major differences. Nevertheless a comparison may be

of benefit if it is based on the acceptable international standards for the different benefits provided, and for their levels, and if it also considers the applications of the general concept of social justice which ought to be maintained in such programmes.

It should be mentioned here that the comparison would have been more useful if the different benefits related to an approximately comparable level of income for a single individual, or for a family of a specified size.⁹ But the unavailability of detailed information about the Libyan programme prevented the researcher from following such a procedure. Instead, the comparison will investigate the similarities and the differences between the three systems.

5.3.1. Coverage

Differences exist between the three countries with regard to the categories of persons protected under the respective social security systems.

The Kuwaiti scheme is mandatory for all Kuwaiti employees, even those performing voluntary, unpaid labour, in all economic sectors. The self-employed, employers, assemblymen, municipal councillors and mayors, are voluntarily covered. Policemen, defence personnel, and national guards are excluded, as they have a separate scheme more closely related to the nature of their work.

The Libyan social insurance system includes under its provisions all workers, Libyan and others, who are or have been in Libya,

⁹This approach was followed by the Union Bank of Switzerland in a study produced in 1977: "Social Security in 10 Industrial Nations", Zurich, 1977.

although the non-Libyans enjoy limited benefits. It includes all persons who are gainfully employed under a written or oral contract of service. The main exceptions are:-

- (i) domestic servants, unless employed by a commercial establishment;
- (ii) self-employed craftsmen;
- (iii) seasonal workers, only with respect to unemployment insurance;
- (iv) foreign nationals residing in Libya for their employment in diplomatic missions or with foreign armed forces;
- (v) foreign officials employed by the government or a public institution under a contract;
- (vi) crews of foreign ships and aircraft present in Libyan territory for purposes other than international navigation;
- (vii) classified and unclassified officials of the government and of public institutions, and members of the armed forces and police, but with the proviso that the scope of insurance may be totally or partially extended to them by resolution of the council of ministers.

Voluntary coverage may be provided for any of the aforementioned exceptions for any or all types of insurance except unemployment.

The British system provides coverage for all residents. A self-employed person is not covered for unemployment benefit or any of the industrial injury benefits. He can claim exemption if his earnings are less than £950 a year. A non-employed person may pay voluntary contributions for retirement pension, widow's benefit and death grant. A married woman may pay contributions

and so qualify for a retirement pension while her husband is still working or she may rely on his insurance. The system has the most comprehensive provisions of the three.

5.3.2. Type and level of benefits

A. Old age, invalidity, and death benefits

Old age, invalidity, and death benefits are those provided most widely within social security systems in the world, and for a long time they were the only benefits offered apart from limited family allowances. In general, we mean by the level of benefits provided by the different schemes, the standard of living which may be maintained by pensions or other benefits after retirement or in the event of invalidity or death, compared with the present standard of living the employee and his family enjoy.

Kuwaiti pensioners or invalids or their dependants in the event of the insured person's death, are entitled to 65% of the final monthly pay if the insured has 15 contributory years in the scheme. This pension will be raised by 2% of that pay for each contributory year in excess, up to a maximum of 95% of the final monthly pay, the base pay being a minimum of K.D. 88 per month and a maximum of K.D. 720 per month and is fully inflation-proofed.

Special provisions have been made for ministers, who may enjoy 65% of their final salary as a pension after only one contributory year (which is regarded as equivalent to the 15 years of other employment). If he has served the normal full ministerial term of

four years he is eligible for 75% .

Reduced benefits will be paid in case of resignation.

A retirement grant is provided for those who cannot satisfy the qualifying periods for a pension. This grant will be paid as a lump sum and will be calculated at the rate of 10% of the final monthly pay for each of the last five years, 12% for each of the previous five years, 15% for each of the five years before that, and 20% for any year in excess of 15.

The Libyan scheme provides a level of provision lower than Kuwait's, for the aged, invalids and survivors, but for a wider group of population, as it includes nationals and non-nationals alike. The pension is calculated at 50% of the average earnings during the final year of employment, or of the special income calculated for contributors engaged in a free profession, arts and crafts, or the self-employed. This percentage may be increased by 2% for every additional year of contribution. The minimum pension is L.D. 30 per month, and the maximum is 80% of the final monthly pay or L.D. 150 per month, whichever is the less, plus a supplement of L.D. 4 per month for a wife (L.D. 6 if she is over 60), and L.D. 2 for each child. This pension is inflation-proofed.

A retirement grant is provided for those who retire before satisfying in full the conditions and terms of eligibility for a pension. This grant will amount to the total contributions made by the insured, his employer, and the government on his behalf, since his entry into the scheme.

With more people covered, British social insurance provides
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a retirement pension made up as follows:-

- (a) a basic pension of £19.50 per week;
- (b) graduated pension related to earnings in the years 1961-75;
- (c) additional pension related to earnings since April 1978.

The pension age is 65 for men and 60 for women. A pensioner's wife, if she is over 60, can receive a pension by virtue of his insurance. If she is under 60, he can receive an allowance of £11.70 for her. A supplement of 25p. is paid on each benefit to a pensioner over 80. The pension paid to a male pensioner under 70, or a female under 65, is subject to the earnings rule. Under this rule, a retirement pension is reduced by 5p. for every 10p. earned between £45 and £49 per week, and by 5p. for every 5p. over £49. This basic pension is inflation proofed.

A reduced pension is provided if the contribution requirements are not met.

State graduated pensions were introduced in April 1961 and wound up on 5th April 1975. The maximum graduated state pension accrued during the period was £45.51 per annum for men and £37.94 for women.

The new earnings related pension builds up to approximately 25% of relevant earnings, which are earnings between the basic state pension rate and seven times that amount. The benefits

¹⁰ The amounts of benefits in the British schemes were obtained from David Callund. Employee Benefits in Europe 1978. Callund & Co. Ltd., London, 1978. The information has since been updated to the latest figures.

described in the Social Security Pensions Act of 1975 will not be payable in full until the scheme has been in force for 20 years (in 1998). It is a final salary-based scheme and inflation-proofed during retirement. For employees retiring before 1998, the pension will be 1.25% of relevant earnings for each year of membership after April 1978. Recently many employees have enjoyed supplementary earnings-related benefits provided through private group insurance plans taken out by their employers.

An invalidity pension will be paid to an insured person who continues to be unable to work after 28 weeks of incapability. It is paid at the same rates as the basic old age pension and supplements plus an invalidity allowance of £4.15 per week for persons under 40, £2.60 for persons 40 to 49, and £1.30 from 50 to 59 (55 for women).

An invalid pensioner receives an allowance of £5.35 for every dependant child. This is in addition to the child's benefit of £4 a week which is now payable for every child (including the first child in a family who was excluded from the 1945 scheme of family allowance).

An attendance allowance is also paid in cases of severe disability. After six months of disability this would vary from £10.40 to £15.60 per week, depending on the degree of attention needed. If the insured has failed to satisfy the contribution requirements for invalidity pension he may qualify for a non-contributory invalidity pension paid for at least 28 weeks.

In a study made by the Union Bank of Switzerland, it was shown that in Britain in 1977 for an income category of £2,620 per annum, 81.6% of net earnings (after deduction of income and social security taxes) was the level of total benefits paid to old age pensioners, while for the £6,550 category the level was 64.5%.

Finally, in all three countries, pensions are adjusted according to changes in wages and the cost of living, but only in Great Britain are the adjustments made automatically, every year, and according to the changes in the retail price index.

B. Survivors' Benefits

This section deals with support of family dependants in the event of death of the insured, before or after retirement.

The Kuwaiti scheme provides these benefits for the following dependants; the deceased's spouse, children, and siblings, and his sons' children. The widow is entitled to her share until the event of her remarriage, a widower if he is disabled and was dependent on his wife's earnings. The deceased's mother, if divorced, is entitled until the event of her remarriage. The children are entitled until their 26th birthday (or 28th if they are in receipt of full-time higher education). Disabled brothers,

¹¹ Union Bank of Switzerland: op. cit. This study showed that Britain tends to provide a reasonably high level of benefits, and tends to occupy the 4th to 6th position in the list of ten countries, regarding the risks of old age, family allowance, sickness benefits and first place regarding unemployment benefits.

sons' children, and dependent sisters and eligible (the latter until the event of their marriage and again in the event of a first divorce). The dependants are entitled to different shares (shown in Appendix C, Table C4) up to a maximum equal to the full pension.¹²

The Libyan scheme provides survivors with benefit in the event of the insured person's death only if he was entitled to a pension. If not, survivors will receive his gratuity as a lump sum which will be paid to the widow with children, or divided equally between any orphans. Also, the grant will be divided equally between widows of polygamous marriages.

If a pension had been payable, 50% will be paid to the widow or divided equally between widows, 20% to each orphan under 18 (daughters only until marriage), and 40% to each orphan if both parents are dead. The insured person's parents may receive up to 40% of the pension each if there are no widows or orphans, provided that the insured's father is over 60. The maximum survivor's pension is 100% of the original pension.

There is also a **funeral** grant of L.D. 50 payable to the survivors.

In Britain a widow is entitled to survivor's benefits under four headings:-

- (i) Widow's allowance, provided for a widow whose husband had paid 25 flat rate contributions before April 1975 or contributions in any one tax year from 6th April 1975 on earnings of at least 25 times the lower earning limit, (LEL):¹³

¹² More details may be found in Chapter 4.3.4.

¹³ This lower earnings limit (LEL) is fixed every year in April. It is now £19.50, the rate of the basic retirement pension.
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the flat rate is £27.30 per week for 26 weeks;

- (ii) widow's supplementary allowance is an earnings related benefit paid for 26 weeks, if the deceased husband had been paid more than 50 times the LEL: its maximum is £16.25 per week (the amount depending on earnings subject to N.I. contributions in the previous tax year);
- (iii) widowed mother's allowance paid to a widow with a dependent family, payable after the 26 week period of the widow's allowance (see i), at the flat rate of £19.50 per week;
- (iv) widow's pension payable after the 26 week period of widow's allowance (see i), to a widow aged 40 or more years, when her husband dies or a widowed mother's allowance has ended: it is £19.50 per week for a widow aged 50 or more, reduced by 7% for each year of age under 50.

For an orphan, both of whose parents are dead, aged less than 16 (or 19 if in receipt of full time education), an allowance will be paid to the child's guardian and will be £5.35 per week for each child, in addition to the child's benefit of £4 per week.

Also, the scheme provides a grant of £30 on the death of an adult and a reduced amount on the death of a child.

C. Sickness and Maternity

In Kuwait, the social insurance law does not make provisions for benefits in case of sickness, especially temporary sickness, unless the employee is entitled to benefits provided by civil service or labour laws. Under the civil service law, during sickness, the

government employee is granted leave, for six months on full pay, six months on half pay, six months on quarter pay, and six months without pay. Under the labour law/^{no. 38} during sickness the Kuwaiti employee will receive the following proportions of his wages:-

1st 6 days	100%
2nd 6 days	75%
3rd 6 days	50%
4th 6 days	25%
5th 6 days	0

and for the employee in the oil sector who is subject to the Act no. 28/1969 for the oil industries he is entitled to:

6 months	100%	of his earnings
2 months	75%	"
one and a half months	50%	"
one month	25%	"
one month	0	"

Only if the insured has exhausted all his sick leaves under the labour law and the oil industry and civil service laws will he be entitled to a pension under the social insurance act, which will be calculated on his actual service period or an assumed 15 years, whichever is the greater.

The same applies to maternity benefits, where a Kuwaiti female who is employed by the government or the private/^{or the oil} sector, enjoys the benefits provided by civil service Act no. 7/1961, two months leave on full salary, and 100 days without pay in the event of sickness after confinement.

Medical services and treatment are provided by the public medical service, by which sick persons and expectant mothers receive free medical and hospital treatment without time limit.

In Libya, the insured has a right regardless of when the disability commences, to permanent as well as temporary benefits, both in kind and in cash upon termination of work due to a disability amounting to 60% or more, arising from ill health, sickness, or an injury not imputable to an industrial accident. The pension is 40% of the full pension plus 0.5% for each of the first 20 contributory years, and 2% for every successive year, with a minimum of L.D. 30 and a maximum of 80% of final earnings or L.D. 150 whichever is the less.

A short-term benefit equal to 60% of wages is payable in cash up to a maximum of one year.

Maternity benefit is equal to 100% of wages, for a total three months period before and after childbirth. There is also a maternity grant which is L.D. 3 per month from the fourth month before confinement, and there is a birth grant of L.D. 25 for each birth. Medical treatment is also provided free in sickness and in maternity, including hospital treatment and rehabilitation. Other benefits in kind are child care nurseries and children's homes.

The British scheme provides sickness benefits in cash and in kind, temporary and permanent. The national health service provides full medical attention for all residents. Medical and hospital treatment are free. Dental treatment is free for children and mothers of newborn children (up to 12 months after childbirth) and at minimum cost for other groups.

Flat rate temporary cash benefits are paid to persons

incapacitated by illness, after the fourth day of sickness and up to 28 weeks at the following rates:-

	<u>£ per week</u>
single person (man or woman)	£17.45
Supplement for adult dependant	£9.75
Supplement for each child	.85

The insured is also entitled to supplementary earnings related sickness benefits calculated in the same way as the widow's supplementary allowance (see 5.3.2.B. (ii)).

If incapacity to work becomes permanent, the insured is entitled to the flat rate invalidity pension (see 5.3.2.A. above), and to an earnings-related pension. An attendance allowance may also be paid if the sick person required help in the home.

A maternity allowance is paid if a woman has been fully insured for over 50 weeks, amounting to £17.75 per week for 18 weeks beginning eleven weeks before the expected date of confinement, but it is not payable if the woman is at work. A maternity grant of £25 in a lump sum is also payable. Supplementary earnings related benefits are calculated in the same way as the widow's supplementary allowance (5.3.2. B.(ii)).

D. Industrial Injuries

Considerable difference in benefits and compensation levels exist between the three countries when incapacity or disablement arises from an accident at work or an occupational disease, but in all three countries these benefits are substantially higher than those

paid in the event of sickness not attributable to one's occupation. Inquiry will be made here into the income level of the injured and his family compared to the normal income level.

The sufferer from an industrial injury in Kuwait will be entitled under the social insurance act to an injury grant equal to 100% of his pay before injury, paid daily, weekly, or monthly, until he resumes working, his disability is proven, or he dies. In a case of permanent partial disability, he would be eligible for a pension proportional to the percentage of his disability, which would be decided by officials of the ministry of health.

In a case of permanent total disability, the insured would receive the maximum pension of 95% of his last earnings regardless of his years of contribution.

The insured has a right to full medical treatment in the public hospitals or abroad, at the institution's expense. Free medical treatment includes the services of general practitioners, specialists, hospitals, surgical operations, X-rays, rehabilitation, and artificial limbs.

According to the Libyan scheme the injured person receives a lump sum grant, and a pension proportional to the degree of disability, from any date after the injury. Short term benefits equal 70% of pay, for a maximum of one year.

A disability pension will be paid in a case of permanent incapacity to the extent of 60% or more. His pension will be calculated as 50% of his earnings in the last year, plus 2% for

each year in excess of 20 years, with L.D. 30 per month as the minimum and L.D. 150 per month or 80% of the final earnings whichever is the less, as the maximum. A partial disability pension is payable if there is 5% to 29% disability.

Medical care is also provided in this case and includes free dental care and supply, repair and renewal of prosthetic appliances for missing or deformed parts of the body, and optical and hearing aids.

The British system provides temporary and permanent benefits both in cash and in kind. Temporary injury benefits are paid for 26 weeks from the fourth day after the injury at £18.50 per week, plus a supplement for an adult dependant of £9.75 and for each child of £0.85 per week (in addition to the child benefit of £4 per week).

A permanent disability pension will be paid as a basic pension plus earnings related supplements. The basic pension is between £6.38 and £31.90 per week, payable if the disablement is between 20% and 100%. A disablement grant is payable if the disability is 19% or less. The disablement is measured by loss of a faculty rather than loss of working capacity. Thus a man might be assessed at 100% although he had gone back to his old job and was earning as much as before the accident.

An attendance allowance is payable for the disabled who is severely injured and needs to be in the care of another person. This allowance is paid after a period of six months at a rate

between £12.76 and £25.40 per week depending on the degree of attention required. A special hardship allowance of up to £12.76 per week is provided also for the disabled as long as the benefits and the allowance do not exceed £31.90 per week.

An unemployability supplement of £19.50 per week is paid to those permanently unfit for work as a result of industrial injury or occupational disease. The special hardship allowance and unemployability supplement are not simultaneously paid.

In a case of injury or disease the full cost of medical treatment is paid by the national health service (N.H.S.).

e.g. Let us consider the two income categories, £2,620 per annum and £3,930 per annum, for a family in Britain with three children. The low income family of a man who is incapable of work would receive an income of 92.0% of gross final earnings (before deduction of taxes and social security contributions) if he was drawing sickness benefits, and 133% if the incapacity was caused by an industrial injury. For the second family, the gross invalidity benefits would be 57.6% of gross final earnings if the incapacity was due to an illness and 85.4% if due to an industrial injury.

E. Unemployment Benefits

Unemployment in Kuwait is not considered to be an important issue because the demand for labour notably exceeds the country's available labour resources, particularly for technical, professional and vocational posts, as well as other posts which require a certain

degree of skill or even unskilled labour (see 6.1.1). With a number of 4,873 persons or 5.3% of the total Kuwaiti labour force are unemployed, the need for such insurance is minor. So the Social Insurance Act makes no provision for it. Indeed such benefits might encourage Kuwaiti labour to drift away from the labour market, a tendency needing to be controlled.

Unemployment insurance has been adopted in the Libyan scheme, where the unemployed is entitled to 50% of assumed earnings for a period of three months, renewable. This right is reserved for nationals only.

In Great Britain, with its long industrial history where unemployment has always been a serious risk, more generous benefits are provided. The full benefits may be claimed only if the contribution conditions have been met. If they are only partially met, a reduced benefit is payable.

The flat rate unemployment benefit is £15.75 per week for a man or a woman. Benefit for an adult dependant is £9.75, and for each child £.85 per week. The unemployed is also eligible for earnings related benefits which are calculated in the same way as the widow's supplementary allowance (5.3.2.B.G.B.ii). These benefits are paid only to a person who is physically able to work and willing to accept suitable work, and satisfies the contributions conditions.

F. Family Allowances

Family allowances are not provided for the Kuwaiti labour

force by social insurance. They are available only under civil service law, whereby government employees have a right to social allowances, marriage allowance, and fixed sums as child benefits for up to ten children.

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Libyan social insurance has provided this right, and a family allowance is payable monthly at L.D.4 for the wife and L.D.2 for each child.

In Great Britain all residents are entitled to these benefits. From April 1977, tax free child benefits replaced family allowances and from April 1979 the benefits provided are £4 per week for each child. Orphans are paid an additional £5.35 per week. Children aged 16 to 19 have benefits paid for them only if they are in full time education. Since October 1977 university students have not been eligible for child benefits, but they can claim maintenance allowances

Income tax allowances for children were at a reduced rate from April 1978, as follows:-

	<u>£ per annum</u>
Each child under 11	100
Each child 11 to 16	135
Each child over 16	165

Since April 1979, they have been abolished.

G. Commutation Benefits

This type of benefit is not widely recognised or applied in other countries. The Kuwaiti scheme is described above (see

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Minimum for spouse (paid for one if both are employed) is from K.D. 65 for high paid employees to K.D. 55 for low paid workers. Allowance for children is the fixed sum of K.D. 10 paid monthly up to 10 children.

Chapter 4.3.4. for full details).

Neither the Libyan nor the British schemes provide such benefits.

5.3.3. Eligibility

Eligibility for full old age pension depends in every case on a minimum age that differs, dependent on each country's moral code, demographic structure, and economic conditions. This age may vary in the same country according to sex and to type of work.

Eligibility for other kinds of benefits depends also on specified conditions in each case, either for invalidity benefit or for others.

The pensionable age is not fixed in the Kuwaiti scheme, although it is given as 60 in the civil service law. But it may be up to 70 for some types of job. Early retirement is possible with 15 years service at 50, or 20 years at whatever age. A married woman has the right to retire after 15 years service whatever her age. Resignation is also possible but a reduced pension is then payable. In the case of voluntary insurance the age is 65, or 20 years service with a reduced pension. Notional periods help the insured to meet the minimum contribution periods to be eligible for a pension. No qualifying period is required for a disability gratuity or pension.

Regarding survivors' benefits, the orphan will be eligible for his share until the age of 26 (or 28 if he is in full time higher education).

. The pensionable age in Libya is 60 for men, and 55 for women,

and for men in hazardous occupations. 20 years of contributions are required for a full pension.

Eligibility for an invalidity pension requires an extent of 60% or more permanent incapacity. If the disability is less than 60% but not less than 30% the invalid will be eligible for a partial invalidity pension.

Survivors will be eligible for pensions only if the deceased was insured at the time of his death. If he had not satisfied the eligibility requirements for a pension, a lump sum will be paid to the survivors.

For sickness benefits, six weeks of contributions are required during the previous three months. Maternity benefits require 12 months entry into insurance and at least 16 weeks of contributions must have been paid during the previous 12 months, and 26 weekly contributions in the last 12 months preceding the beginning of unemployment are required for unemployment benefits.

An orphan must be under 16 to enjoy the benefits.

There is no age requirement for widow's benefits.

Under the British system the old age pension is subject to an earnings test until the age of 70 for men and 65 for women, although the retirement age is 65 for men and 60 for women. The invalidity pension is available only after exhausting the 28 weeks of sickness benefit.

To qualify for sickness benefit or invalidity pension, an insured person must:-

- (i) have paid at least 26 contributions before April 1975 or have paid, in any income tax year since then, a total of at least 25 times the contribution payable on earnings at the lower earnings limit;
- (ii) in the relevant tax year, have paid or been credited with a total of at least 50 times the contribution payable on earnings¹⁵ at the lower earnings limit.

To qualify for a maternity grant, a woman or her husband must satisfy the contribution conditions for sickness benefit with 25 substituted for 50 in condition (ii).

To qualify for a maternity allowance, a woman must satisfy the contribution conditions for sickness benefit.

The contribution conditions for unemployment benefit are the same as for sickness benefit, but only contributions which the insured person has paid or had credited to him as an unemployed person are taken into account.

5.3.4. Financing the Social Insurance Schemes

The vast majority of social insurance programmes throughout the world are financed by contributions from workers and employers as a percentage of earnings, usually with a maximum prescribed. In most programmes the government is responsible for part of the cost, by a fixed percentage of the employer-employee contributions, by a fixed annual sum, by a commitment to make up any deficit

¹⁵ See footnote 13 on page 144.

and sometimes by a tax-relief on employee-employer contributions. Moreover, the administrative costs associated with running the schemes are nearly always funded by government from general tax or other revenues.

Three separate funds have been established under the Social Insurance Act in Kuwait. The old age pension fund is financed by contributions based on the individual employee's monthly pay, 5% to be paid by the employee, 10% by the employer, and 10% by the government, which is also obliged to make up any deficit.

The industrial injuries fund (covering also occupational diseases) is financed by a monthly payroll contribution, normally 2%, paid by the employer.

The voluntary insurance funds are financed solely by the insured. Contributions are made in accordance with tables giving categories of contributions and benefits (see Tables 4.5 and 4.6).

The Libyan system is also financed by contributions from employees, employers, and the government, in the following proportions:-

- (i) the beneficiary up to a maximum of 25%
- (ii) the employer 35%
- (iii) the government from 40% upwards

The employees' and employers' contributions are shown in Table 5.2.

Table 5.2.

Wage Class	**Assumed daily wage (L.D.)*	Actual Weekly Wage (L.D.)*	Weekly contributions L.D.*		
			Employer's share	Insured person's share	Total Contribution
1	0.700	less than 0.900	0.400	0.050	0.450
2	1.250	Between 0.900 and 1.599	0.650	0.125	0.775
3	2.300	Between 1.600 and 2.999	1.100	0.250	1.350
4	4.400	Between 3.00 and 5.799	1.900	0.600	2.500
5	8.700	5.800 and over	3.500	1.350	4.850

** Week equals 6 working days.

* L.D. equals £1.60 in June 1979 and it is 1,000 Fils.

Source: All the amounts in the section were obtained from "Social Insurance Law", National Social Insurance Institution, Libya, 1972.

The government subsidy is included in the annual state budget, according to the institution's needs.

In the British system the Exchequer provides, out of general taxation, the whole cost of child benefit and supplementary benefit and almost the whole cost of the national health service. The national

insurance contribution for an employed person is related to his earnings below a limit equal to about seven times the current lower earnings limit. He pays $6\frac{1}{2}\%$ and his employer pays 10%.

Employers' contributions rank for tax relief but the employees' contributions do not. If retirement is deferred the employees' contributions cease at normal retirement age but the employer's contributions will continue until the actual retirement. The Exchequer pays a supplement of 18% of total N.I. contributions.

Contracting out to private plans is permitted for the earnings-related parts of retirement pensions and widow's benefits. To be approved, an occupational plan must meet the standards set by the Occupational Pensions Board (O.P.B.). In this case, reduced contributions are required to be paid by both the employer and the employee to the state for providing the basic pension. If an employed person is contracted out, his national insurance contribution is reduced by $2\frac{1}{2}\%$ of his earnings and his employer's is reduced by $4\frac{1}{2}\%$.

In the U.K. governments have from time to time viewed national insurance contributions paid by employers as a source of general tax revenues and so contributions made cannot be directly related to the direct cost of providing the benefits under the scheme. This was evident in October 1978, when employer contributions were raised from 12% to $13\frac{1}{2}\%$, for employees not contracted out of the state pension scheme. But the differential between contributions payable with respect to the earnings-related pension purport to reflect the actuarial costs.

5.3.5. Administration

In some countries the social security systems are administered by government departments while in others they are administered by separate agencies established by law with various degrees of autonomy, subject to government supervision. Such institutions are governed by boards, frequently composed of representatives of employers, employees, and the government. The centralisation of schemes applies in some countries with unified social security programmes administered by a single agency. In others, several institutions administer different programmes either by type of employment or by type of risk covered.

In Kuwait, the social insurance law's three schemes of (i) old age, disability, and sickness insurance, (ii) industrial injury insurance, and (iii) voluntary insurance, are centralised under the administration of the Public Institution of Social Security. The institution is independent regarding its budget, which is separate from that of the government, and it is autonomous under the Minister of the Treasury. It is governed by the board of directors which includes the director general, and representatives from the ministry of labour and social affairs, the civil service commission, the Kuwaiti chamber of commerce and industry, the Kuwaiti general confederation of labour, and three other experts in the field of social insurance.

Centralisation of the scheme's administration is necessary, especially at the present time with the lack of personnel qualified

in this field and the small number of people insured, which does not justify separate agencies or departments. The subordination of the institution to the Ministry of the Treasury is a special case not paralleled in other countries, where the direct supervision of such an institution is more likely to be undertaken by the Minister of Labour. But the accumulated old age pension funds of the 1961 scheme were directed and invested by the Ministry of the Treasury, according to the state investment policy; so the new scheme follows the same practice; but the investment policies are now determined by a committee and not by the minister.

In Libya the social insurance law and the social security law of 1973 are administered by the Public Social Security Institution which is subject to state control and supervision by the minister of social affairs and social security.

Administration is by a governing body composed of the director general of the institution who acts as chairman, and six members well acquainted with or experts in the social security field, under the supervision of the Supreme Council of Social Security. This council is composed of the ministers of Youth and Social Affairs, Health, Labour, the Treasury, Education, and the Civil Service, and the director of the institution. Centralisation of the unified social security schemes guarantees uniformity in treatment and avoids duplication of procedures, besides being necessary in the prevailing shortage of qualified staff.

In Great Britain a single government department, viz, the

Department of Health and Social Security, is responsible for social security policy and for the administration of child benefit and national insurance. It has a central office in Newcastle-upon-Tyne, which deals with statistics, contribution records, the payment of pensions and child benefit by means of books of orders which can be cashed weekly at post offices, and many other branches of work. The Department has some 400 local offices where the public can make enquiries, obtain leaflets, fill up claim forms, etc. Unemployment benefits are paid at employment exchanges.

The supplementary benefits commission is responsible for supplementary benefits, the new name for the social assistance proposed by Beveridge, and other schemes of income-tested allowances.

5.4 Conclusion:

Similarities and differences between the different schemes.

The discussion of the three systems so far, has indicated that although the three countries have provided various degrees of security for their citizens by meeting their financial and health needs in time of trouble, they have followed different paths to these ends. Some schemes have been developed from the country's traditions, interests, needs, resources, and political aspirations. Other countries have provided benefits in the absence of demand articulated by the people. As a result, differences exist in administration, finance, and risks and people covered. As our main concern is the Kuwaiti scheme we will focus on those of its basic features which differ from those

of the other two schemes and throw a light on the gaps in the new scheme but whose existence does not necessarily indicate a weakness in the system, as each scheme is constrained by its cultural environment and founded on entirely different actuarial bases.

5.4.1. Territoriality and nationality in coverage

' "Territoriality" means that a programme is designed to provide coverage and pay benefits primarily, if not exclusively, within the territory of the country that made it. "Nationality" means that a programme is designed to protect primarily, if not exclusively, the nationals of the country that enacts it.'

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Although comprehensiveness is one of the Kuwaiti law's characteristics for all employed and self-employed Kuwaitis in all economic sectors, it does not provide any cover for other residents. Expatriates, employed and self-employed alike, are not permitted to acquire citizenship or the rights that go with it. This "second-class worker" status regarding social insurance benefits for the foreign employee may have a significant negative effect on his productivity and his desire to settle in Kuwait in the future. For further treatment of this point see Chapter 8.

The British system is the most extensive of the three as it provides coverage for all residents regardless of citizenship. The foreign worker enjoys the same benefits as the national and is subject only to the contribution test for eligibility.

¹⁶William M. Yoffee: International social security agreements: U.S. Department of Health, Education and Welfare: U.S. government printing office: Washington D.C., 1973.

The pension under the British scheme is payable abroad; but when pension rates are increased, the increase is not paid to a pensioner who has already qualified for his pension and become resident abroad, unless he is in a country which has concluded a reciprocal agreement with the United Kingdom.

Under regulations of the European Economic Community and reciprocal agreements with countries outside the community, many people coming to Great Britain can qualify immediately for British benefits by virtue of their insurance or residence in other countries. Immigrants who are in need, whether they are drawing national insurance benefits or not, can apply, like everyone else in Great Britain, for supplementary benefits, which are paid subject to a test of need - not a means test.

In Libya the law follows the territorial approach, extending its provisions to all nationals and foreigners in the resident labour force, although non-nationals are not entitled to unemployment or social assistance benefits, and other benefits are limited for them. Also, the law has made it clear that no pension will be paid abroad either for a Libyan, or for an employee of other nationality.

5.4.2. Level of Benefits

From the comparison it may be seen that the Kuwaiti system maintains one of the highest levels of benefits not only compared with the other two countries, but also in the world. With a minimum of inflation-proofed pension of 65%, and a maximum of 95%, the pensioner (old age or disabled) and the survivor may enjoy almost

the same standard of living as before retirement, disablement, or the breadwinner's death.

Although the differences in living standards, currencies, and financing methods in the three countries may affect this picture, the level of benefits in Kuwait, in the absence of a tax system, may ensure a higher living standard than either the British or the Libyan systems can ensure for their pensioners.

With the exceptions that benefits are not provided in cases of unemployment or maternity, the Kuwaiti system must also be considered as a comprehensive scheme regarding the risks covered.

5.4.3. Complexity in the Calculation of Social Security Benefits

The British social security system is one of the most complex schemes in the world. Its complexity arises from the application of different laws and amendments regarding the same risk for the same individual in many cases. For example, the old age pensioner is entitled to the basic pension and to the supplementary pension for his dependants. At the same time he is entitled to an earnings-related pension, as well as to other benefits that he may claim in the event of disability. This complexity need not deter the insured from claiming their rights. The DHSS will take account of all their contributions. But the system has always required a complicated administrative structure with a high cost of administration which must definitely increase the hidden costs of the whole programme. No doubt this affects the effectiveness of the system and of the administration of public funds.

The more recent schemes have tried to avoid such complexity in order to obviate ignorance by the insured about what is available to him.

The Libyan scheme is less complex than the British, and the new social security law is a unified system which provides almost all kinds of benefits to the residents as a whole under a single administrative agency.

The Kuwait scheme also tried to incorporate simplicity at the outset on principle. For example, the formula for calculating a pension: the pension is based on the total monthly pay (basic pay, social allowance, children's allowance, and high cost of living allowance). The pension is calculated as 65% of the final month's earned income if the contribution period has been 15 years. The percentage will increase by 2% for each year in excess of 15 up to a maximum of 95% of the salary, a simple formula which will enable the insured to calculate his pension for himself.

5.4.4. Financing of the System

The Kuwaiti and Libyan systems both depend on the combined contributions of employees, employers, and the government as sources of financing the different schemes. Government, through its national wealth from oil, finances the system directly from general revenue. This contribution enables the system in both countries to provide a fairly high level of benefits and in Libya to provide a more comprehensive programme. In both systems the employer has to

contribute to the national social insurance funds and he has no right whatsoever to contract out for the purpose of providing these benefits, although he is allowed to maintain supplementary schemes in addition to the state scheme.

The British method of financing social security is sketched in 5.3.4. which represents a completely different method than those followed in Kuwait or Libya.

In Kuwait contracting out could have significant positive effects on the development of the private financial and insurance sector in the country, which is one of the main national objectives. But this method seems unlikely to be adopted under the present system of government contribution to such schemes and in the absence of a tax system in the country. No doubt contracting out would entail substantial transfer payments from the government to private insurance companies as its share in financing the schemes, which is not likely to be acceptable to the government in the meantime. No alternative solutions have been proposed, and the complete underwriting of the system by the state was the only method to be adopted.

One should not forget the great difference in the principles behind government subsidies to social security, which exists between Britain on the one hand, and both Kuwait and Libya on the other. In Britain, to the extent that government support (i.e. to benefits and to the costs of administration) comes from general taxation, some redistribution of income and wealth is affected in this way.

This places economic and political limits on the generosity that may be shown in that support. This is not so much the case in Kuwait or in Libya, because social insurance contributions made by the state, issuing eventually as benefits paid to pensioners, are a means of allocating oil wealth over a long period, thus avoiding short-term inflation caused by a sudden surge on money into the economy, an event which would effectively diminish the value of that wealth in real terms.

Much of the wealth in Britain is generated by the labour of many individuals working in industries, where a good proportion of the value added is paid from outside the economy; so increases in that wealth are likely to be more gradual, and spread over a longer period of time, than wealth derived from the large-scale capital-intensive exploitation and export of very valuable minerals which happen to be lying in the ground, which is the chief source of wealth in Kuwait and in Libya. The generous level of future benefits in Kuwait and in Libya is an attempt to secure the same benefit to the people in the long run as they might obtain in a highly industrialised country such as Britain. In this respect, the delayed reallocation of disposable wealth is better than an immediate distribution of largesse would probably turn out to be in practice.

5.4.5. The Social Security System and Social Attitudes and Values in a Society

There can be no doubt that the social attitudes and values in a society affect the type of system likely to be favoured at any given

time for a particular society. Values attached by the members of the community to economic welfare and a higher standard of living for themselves and their families, and attitudes towards the responsibility for the support of oneself and one's family directly affect the number of survivors that may be included under the cover of an insured person's pension. Attitudes towards the aged and their role in society will affect as such the means adopted by any particular system to ensure their welfare.

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In Kuwait a widow (or widower of an insured wife), the children of the insured, his siblings, parents, and the children of his sons may all be covered and have a prescribed share of the pension if they have been dependent mainly on him for support. The responsibility for supporting other members of the family as well as wife and children is a widely accepted principle in Arab society and was adopted in Kuwait's scheme of social insurance.

Under the same principle, the child has a right to be supported by that pension until reaching 26 (28 in full time higher education), or for an unlimited time if disabled. The beneficiary survivor has the right to receive a combination of shares in pensions, up to a maximum of K.D. 160 per month, any excess being reinvested for him by the institution.

Moreover, in accordance with the principle of social responsibility and with the desire to afford opportunities for prolonging productive life, the Kuwaiti system allows the pensioner to commute part of his

¹⁷ For more discussion on this subject, see Eveline M. Burns: Social Security and Public Policy: McGraw-Hill Book Co., Inc., New York, 1956. pp 272.

pension expectations as a lump sum to be used as capital in setting up a new enterprise, while continuing to pay him an adequate pension to support him meanwhile or in case the enterprise should fail.

The importance of the married female worker and her position in society is also stated, and assured by the right to retire at any age given a complete contribution record for 15 years. This also arises from society's view that the role of the female is to be with her family.

In both Great Britain and Libya, the survivors covered under the schemes are widows and orphans (and in Libya dependant parents if the insured's father is 60 or over). In both countries, to enjoy survivor's benefits the age of the orphan must be below 16 (or 19 in full time education). The childless widow in Great Britain must be over 40 to enjoy any widow's permanent benefits. The insured female may retire at 60, which is younger than the age for the insured male, but she cannot receive a retirement pension earlier than that. She has obtained a better deal under the new Social Security Pensions Act of 1975 which gives her equal treatment in respect of benefits and contributions to be paid, unless she prefers to retain the married woman's/widow's right to pay reduced contributions.

Chapter 6

The Social Insurance System and the National Development Plan

A country's social insurance programmes are closely interrelated with its social, economic and political policies. They affect and are affected by socio-economic objectives. The inclusion of national insurance as one part of social security programmes, within the national development plan, should be instituted to obtain maximum compatibility with other national development objectives and to diminish, or reduce to the minimum, the conflict that might arise between them. As suggested by one of the authorities in the field of social security, "Social Security programmes intelligently conceived need not work at cross-purposes with the objectives of development planning, and when integrated with the development plan can actually¹ help realise these objectives".

In broader terms, the development of a social security system represents a search by the community for the best possible compromise between conflicting objectives; so the chosen programme ought to strike a balance between the objectives, within the broad framework of any socio-economic development plan for the country.

6.1. Kuwaiti National Development Objectives

The first national development plan for Kuwait was announced in 1966 to cover a span of five years. The second and third were

¹Paul Fisher: 'Social Security and Development Planning: some issues in the role of social security in economic development.' Published by Evarette N. Kassalaw, Social Security Administration, Washington, D.C. 1968. p.24.

also announced to cover the years from 1971-72 up to 1980-1.

In the latter plans, as in the previous one, national objectives had been stated. Among the long-term development goals, four will be investigated for the purposes of this study. The social insurance scheme will be discussed and evaluated in terms of these objectives.

6.1.1. Maintenance and Development of Human Resources

"The human factor is the essential factor in national development. The situation is more serious in Kuwait, where the number of Kuwaitis is far less than the economic activities require, which causes the country to be in continuous need of foreign labour...The problem has become more pressing because of the increasing need for this factor in the service sector which requires a relatively larger labour force than the other sectors do. Because of this need, the development of local human resources is an urgent matter as it is the basic objective among all the national development objectives." ²

Investment in human resources is a constructive and essential investment and one which contributes to increasing a country's long term productive capacity: this is especially so in Kuwait, where there is only a population of limited size. There is not as yet a sufficiently trained nucleus of technical, professional, and management personnel. The Kuwaiti labour market has always suffered from an acute shortage of manpower, which creates opportunities for a foreign contribution to the labour force. Non-Kuwaitis were brought into this country to support and supplement the national labour force, but they now predominate, with a majority of 52.5% of the total

²translated from: "The National Development Plan 1976-77 to 1980-81. Kuwait: Ministry of Planning, 1976, p. 15.

population and a majority of 69.8% of the labour force.

The picture is made clear in the following table:-

Table 6. 1

Total Population and Labour Force in Kuwait in 1975

Remarks	Sex	Numbers			Percentages		
		Kuwaitis	Non Kuwaitis	Total	Kuwaitis	Non Kuwaitis	Total
Total Pop.	M.	236,600	307,168	543,768	23.8	30.9	54.7
	F.	235,488	215,581	451,069	23.7	21.6	45.3
	Tot.	472,088	522,749	994,837	47.5	52.5	100.00
Total Labour Force*	M.	84,367	185,009	269,376	27.7	60.7	88.4
	F.	7,477	27,738	35,206	2.5	9.2	11.6
	Tot.	91,844	212,738	304,582	30.2	69.8	100.00

Source: Annual statistical abstract, Ministry of Planning, Kuwait, 1976.

* Aged 15 years and over.

Policies for developing manpower depend mainly on encouraging education for Kuwaiti nationals and providing better quality educational services, besides providing technical, scientific and specialised education; establishing more vocational institutes for training skilled and semi-skilled labour; encouraging women to participate more in education and in the labour force.

Other services such as health, housing and other social services should, in time, be provided and maintained for all the inhabitants of Kuwait. Measures for developing manpower should be maintained for non-Kuwaitis as well as for Kuwaitis, besides promoting a more stable environment in which they can produce and function properly. Both Kuwaitis and non-Kuwaitis form Kuwaiti's human resources which should be developed and maintained.

6.1.2. Diversification

It is the national planners' intention to promote diversification of the economy and to build a productive base for national income wider than that provided by oil revenues.

"There is obvious imbalance between the revenues derived from oil and natural gas, and those derived from other natural and human sources in the country. This difference existing between the contributions of the different economic sources makes it necessary to develop other sources of income in order to create the balance desired between the sectors of the national economy." ³

Diversification is always the main concern of the national planners, because of the continuous fear of an inevitable collapse of the economy at some indeterminate date in the future when oil production will have ceased because oil reserves will have become uneconomic to exploit. Diversification is to be understood to embody the following elements:

(i) Industrialisation

"The government strategy to promote the national goal of diversification of sources of income by industrialisation, is underlined clearly as: 'Finding an industrial policy, dependant on capital investment in the form of advanced

³Ibid. p. 167.

technology, but without causing unacceptable social costs to arise, and to provide a suitable climate for such investments in both industrial and services projects." ⁴

The oil extraction industry has been the main industry in Kuwait, but petrochemical industries have become increasingly important in recent years. Some other light manufacturing industries have been established either by private initiatives or by the government, and sometimes jointly by private enterprises and government. Rubber, fertilizers, leather, textiles, paper and paper products, and furniture are the main types of light industry. Most of these industries are operated on a small scale and their contribution to the national income is relatively small. Heavy industries are still in their first stages, and they make, as yet, no significant contribution to the national output. The manufacturing sector contributed only 0.05% to the gross national product. There are 3,000 industrial establishments employing 19% of the labour force. The shortage of skilled and semi-skilled labour and the shortage of managerial and technical talents form the main obstacles to the plans for increasing industrial output. Also the shortage of raw materials and the unavailability of markets for the industrial products form another major obstacle in this field. There is no doubt that success in industrialisation policies depends mainly on the availability of trained human resources and the introduction of recent technology as an alternative solution for some of the lack of skilled manpower.

(ii) Developing the Financial and Services Sectors

The financial and services sectors are to be encouraged and

⁴Ibid. p.11.

developed in order to create the desired balance between the various economic sectors regarding their contribution to the national income.

"It is generally agreed among economists interested in the matter, that the development of the financial sector is an objective depending for its success on the commercial nature of the Kuwaiti economy in the recent past. Since the discovery of oil there, it has continued to be the second most important sector, oil being the first."⁵

The most valid argument for encouraging this sector nowadays, is the importance of Kuwait as the main financial centre in the Arabian Gulf area, and in the Middle East as a whole. Kuwait could survive after all its exploitable oil has been recovered only if it continued to perform financial services for the other countries in the area. This potential development depends not only on access to investible funds but also on the creation of a whole range of professional expertise and the necessary financial infrastructure. This sector encompasses the banking system, starting with the Central Bank of Kuwait, commercial banks, six of which are entirely privately owned, and two owned jointly by private investors and the government, and three other specialised banks, namely the Savings Credit Bank, the Industrial Bank, and the Kuwait Real Estate Bank.

The second component in this sector is the investment companies, most of them privately owned. The insurance industry is the third component, comprising five indigenous privately owned companies and branches of several foreign companies operating in the Kuwaiti market.

⁵ Ibid. p.

Exchange bureaux are a common feature in this sector, all of which are privately owned.

The financial sector has developed rapidly with an annual average growth rate of 51.4%. Its contribution to the GNP rose from 1.98% in 1970-71 to 4.6% in 1975-76.⁶ The establishment of the Kuwaiti Stock Exchange in 1976 has already assisted the growth of this sector where stocks exchanged in the first year of operation amounted to K.D. million 76. The financial institutions along with other establishments in the services sector employ 26% of the total labour force.

6.1.3. Establishing Kuwaiti Predominance in the Affairs of Kuwait

It is also a prime objective of the national planners to re-establish Kuwaiti - as opposed to non-Kuwaiti - control over the full spectrum of social and economic development in Kuwait.⁷

As mentioned before, non-Kuwaitis predominate in the Kuwaiti labour market in both government and private appointments. This may be explained by the higher qualifications they possess, as opposed to Kuwaitis, who in general have received less education, possess less skills, and have less incentives to work hard under the existing government policy of recruiting Kuwaitis in the public sector, and under the totally free programmes of social benefits provided for Kuwaitis and their families.

6

The Commercial Bank of Kuwait: Annual Report 1977: p.55.

7

Stanford Research Institute: 'Social and economic impacts of the Kuwaiti government compensation increase 1971-2' Ministry of Planning, Kuwait 1974.

The Kuwaiti government is the main employer in the labour market. It employs approximately one third of the total labour force. Kuwaitis have an unrestricted right to be employed by the government. This policy is responsible for the overstaffing in the government sector, while the private sector has never attracted Kuwaitis; or if it does, it does so only on a very limited basis, and it attracts only highly educated Kuwaitis. Guaranteed government employment with security in terms of a pension based on salary upon retirement, has been more attractive for the Kuwaiti than in private sector employment, where there has been no security (until the 1976 Act), and where promotion and salary increases depend mainly on performance and efficiency. Hence, for a long time, the non-Kuwaitis have tended to run the private sector with an overwhelming majority at all levels. They formed 94.3% of the working personnel in this sector; this may also be seen in the following table:

Table 6.2.

Distribution of Kuwaitis and Non-Kuwaitis in the Government Sector and Private Establishments

Sector	Kuwaitis		Non-Kuwaitis		Totals
	Nos.	Percentages	Nos.	Percentages	
Government	46,769	40.2	69,682	59.8	116,451
<u>Private</u>					
Employers	4,982		16,246		
Employees	2,718		111,978		
Totals	7,700	5.7	128,224	94.3	135,924

Source: Annual Statistical Abstract, Ministry of Planning, Kuwait, 1976.

6.1.4. Promoting and maintaining increased economic and social relations between Kuwait and the other Arab states, and between Kuwait and the rest of the world.

"The Kuwait economy depends basically on the outside world to provide its essential requirements. The small size of its population will make it necessary to continue to depend on an increasing number of expatriates in the labour force to meet its economic growth. In this respect, international cooperation is an important policy to be followed within the defined boundaries of this plan."⁸

Kuwait depends mainly on the Arab states to satisfy its need for skilled and semi-skilled labour. Egypt, Syria, Lebanon, Iraq, Jordan, and other Arab countries, as well as Palestinians, supply Kuwait with more than 48% of its labour requirements. The government respects this situation and it feels that it reinforces the other relations that tie Kuwait to the Arab world. It promotes and maintains many economic activities which strengthen and support these relations in the economic as well as in the social field.

Neighbouring friendly powers such as Iran, India and Pakistan are also main sources of labour for Kuwait. And Kuwait always makes a sizeable economic contribution to many activities that promote and improve strong relations with these countries. It is also the national goal to encourage those economic and social ties that exist with other countries.

6.2. The Social Insurance Act and its effects on the Development Plan

The enactment of the social insurance law of October 1976 was a decisive landmark in the history of Kuwait's social legislation. It was planned and enacted with a primary objective, to protect

⁸ Ministry of Planning: National plan 1976-77 to 1980-81. Kuwait, 1976, p.315.

Kuwaiti workers and their dependants from the threat to economic security posed by old age, disability, and the death of the breadwinner.

6.2.1. As this objective complements other socio-economic development plans, it has positive effects on these objectives such as:-

A. The Desirable Effect on Savings

Social insurances' accumulated funds (that originated from the deduction of certain percentages from workers' remuneration, to be used for providing cover against future risks), could be used generally to fulfil two main national tasks

(i) providing an important mean for future security for workers in time of hardships, and

(ii) providing a source of funds to help finance the economic development projects. In Kuwait the estimated funds accumulated from the programme are approximately K.D. 62 million in 1978.⁹ These funds could play a useful part in the development plans if they were used according to well planned investment policies. Individuals can feel that they are contributing to the country's development.

(iii) In Kuwait, the function of accumulating funds through social insurance programmes has another important dimension as it serves in reallocating the present wealth to the future rather than current expenditure, to provide another source of income in future while helping reduce the rate of inflation in the country.

Although the social insurance programme could act by itself

⁹The Public Institution of Social Security: "The Annual Report", Kuwait, 1977-78.

as a means for providing national savings, it might also have an important effect on personal saving patterns. This effect is being a controversial issue, where some scholars found a highly significant inverse relationship between personal saving and social insurance expenditure, as the latter tend to depress private savings.¹⁰

This opinion may lend support to the general idea that persons will substitute the anticipated social security pension benefits for other forms of saving. With retirement income assured by the social insurance programme, individuals would save less by their own. In this respect, the effect on personal saving may differ according to the provided level of social insurance benefits. High levels of inflation-proofed state protection that is comparable to or exceeds (due to inflation readjustments) the present earning's level may not provide much encouragement for more private saving (the provided 65% to 95% inflation-proofed pension for the Kuwaiti workers may likely reduce his motives to save by himself).

Moderate minimum levels may motivate people to save in order to maintain improved standards of living in their old age or invalidity, that they have been used to. Providing such minimum levels of basic benefits may also encourage the provision of group schemes provided by the employers as an incentive for their employees. Occupational schemes are good examples in the British, Canadian and American systems. These private group plans are

¹⁰ Martin Feldstein, "Social Security and Private Savings", Harvard Institute of Economic Research, Paper No. 361, May 1974.

designed to provide an upper layer to top the basic rates of benefits provided by the state. With the minimum state basic rates, the occupational plans (especially in Britain) are designed to maintain approximately 50% to 60% of final earnings for the average-income employee, which leaves a considerable difference between the worker's present earnings and the future anticipated income which could be reduced¹¹ by private savings carried by the worker himself.

On the other hand, other scholars indicate that the relationship between social insurance and personal savings could be a positive one, where social insurance benefits cannot be substituted for personal savings and thus, the availability of such programmes may¹² well provide an incentive for individuals to save more. They stated that when a social insurance programme is introduced, especially pension schemes, workers are made better informed about the possible economic risks to which they are exposed and this prompts them to make greater provision than they would otherwise. A study of social security savings throughout the world indicates that social security saving results in an increase in the existing level of household saving especially in countries where appreciable saving¹³ has been mobilised through a social security system.

¹¹ Many other incentives were also designed such as the tax relief system, which was adopted by many western countries, to motivate individuals to save.

¹² Philip Cagon, "The effect of Pension Plans on Aggregate Saving" a sample survey, New York: National Bureau of Economic Research 1965.

¹³ Franco Reviglio, "Social Security: A means of Savings Mobilisation for Economic Development", IMF staff paper, July 1967.

Again, in this respect, the level of future benefits under the social insurance programme may directly affect the size of personal saving where the promise of some minimum level of income in future could provide more motivation to supplement it through other forms of voluntary savings. Whether the expansion of a social insurance system increases or decreases individual decisions to make personal provision is an empirical question that can only be answered in a particular country over a particular period of time.

Unfortunately, in the case of Kuwait, the absence of information about the level of personal savings accumulated either before or subsequent to the instigation of the social insurance programme restricted any further analysis or predictions in this matter.

B. The Redistribution of Income

Although the redistribution of income is not the primary objective of social insurance programmes, these programmes have been effectively utilised in many countries in part as means of redistributing income (through the collection of payroll taxes and the simultaneous distribution of pension benefits), from those actively employed generations to the unemployed older generations (horizontal redistribution), and between the different income groups (vertical redistribution).¹⁴ The latter aspect of the redistributive impact of social insurance programmes is always applied through its old age benefit structure which is heavily weighted in favour of those with low earnings records (see 5.3.2. A.)

¹⁴For more discussion on this subject see: Felix Pankert, "Social Security and Income Distribution: A comparative study". International Labour Review, November 1968.

This redistribution effect is less important in the Kuwait system than in other systems. This arises partly from the fact that proportional benefits are a fixed percentage of previous earnings, (without any adjustments or modifications in favour of the lower-earning group), which limit the redistribution of income between individuals at different levels of income by providing larger benefits for those with higher income upon their retirement.

However, the Kuwaiti system has an important role in distributing income over time, (this is accentuated by the fact that there is no tax system in Kuwait), as it was designed to reallocate the present national wealth in the form of generous benefits for the aged in the future.

C. Providing a more secure social environment for workers

There is no doubt that comprehensive coverage for workers and their dependants will provide a greater feeling of security which could have a beneficial effect on the individual's productivity in his job.

The new Act provides the Kuwaiti worker with benefits which are very generous compared with other countries. Where the maximum pension was up to 75% of final pre-retirement earnings under the former state pension scheme, which it will be recalled was for government employees only, the new scheme provides Kuwaiti workers with 95% of final pre-retirement earnings as the maximum retirement benefit after 30 years service, and it is

inflation-proofed during retirement. This generosity can be explained not only by the redistribution reasons explained earlier but also by the government's aim to induce the older generation, which is mostly illiterate and unskilled, to retire, so as to replace them with more educated and better trained Kuwaitis.

D. Inter-Sector Labour Mobility

However, the main motivation behind the introduction of 1976 scheme was to help achieve a better Kuwaiti/non-Kuwaiti employment balance in the economy. It was the planners' intention, by providing a comprehensive scheme for Kuwaitis in the private, and oil sectors, to persuade Kuwaiti labour to move from the over-staffed government sector to the private sector, which is run mainly by non-Kuwaitis. Up to the present, no empirical or academic study has been undertaken to attempt to gauge the possible effects of the social insurance system on Kuwaiti inter-sector labour mobility. One aspect of this study will try to investigate this effect to some degree. These results will be stated in Chapters 7 and 8.

6.2.2. Areas of Conflict between the Social Insurance Scheme and the National Development Plan

In spite of the positive effects that the new Act of Social Insurance has on other development plans, and the efforts to maintain compatibility between different national objectives, conflicts do exist in some cases between the scheme and the other economic and social development objectives. It is our concern in this chapter to point out the conflicts that might arise and might limit the attainability

of national goals as they are stated in the development plan. There will be no further discussion of corrective measures here. This will be the subject of discussion in successive chapters.

A. Maintenance of Human Resources, Future Need for Foreign Labour and Coverage Under the Act

The 1976 Act represents the first attempt in Kuwait to frame what might be called a social security system, providing a wide range of benefits for the elderly, disabled and dependants in Kuwait. It includes under its coverage all Kuwaitis but excludes from its provisions all the non-Kuwaitis who work in all four economic sectors (government, private, oil and joint sectors). The reasons for the exclusion of non-Kuwaitis were stated by the government officials as:-

- (i) Non-Kuwaitis usually have limited periods of residence in Kuwait coinciding with their lengths of contract. After their contract termination, non-Kuwaitis return to their home countries or seek employment in other countries. In this situation - where the majority of non-Kuwaitis, forming the majority of the labour force, is not permanently settled within Kuwait - their retirement or social insurance benefits will generally flow out of the country. This will create a burden on the economy as more payments flow out of the country in the long run.
- (ii) The nation's wealth depends in the first place on a natural resource, oil, which is not related to labour productivity.

This wealth, according to the national philosophy, should be the possession of Kuwaitis only, and it should not be transferred to others. And as national insurance forms, in certain aspects, one channel of redistribution of this wealth in the form of generous benefits, so it is likely to be hard for Kuwaitis to accept that it should be applied to non-Kuwaitis.

- (iii) There is thought to be the question of whether a programme which was inclusive of non-Kuwaitis could be properly administered at present. The shortage of personnel qualified in the field of social insurance forms an obstacle in the way of the application of any more complicated and comprehensive scheme that included non-Kuwaitis as well as Kuwaitis. It is a matter of priorities and step-by-step planning as the national planners have stated.

Besides the exclusion from the new Act coverage, foreign labour are also provided limited educational, housing, and other social services. Certain questions ought to be asked here. First, is the need for foreign labour only temporary as stated by the officials? Second, if this discriminating treatment is incompatible with the national goal of the maintenance of human resources, which refers to both nationals and non-nationals.

As the first population projections made by C. Buchanan's demonstrated (Table 6.4), that the need for foreign labour will continue for the foreseeable future (next 15 years). That predominance was also forecast in Ministry of Planning's projections for the next 20 to 25 years (Table 6.3.)

Table 6.3.

Population Projections 1975

Population Projections			(1975-2000)					
Years	Percentage		Total	Non-Kuwaitis	Kuwaitis			
	Non-Kuwaitis	Kuwaiti			Total	Females	Males	
Numbers in thousands								
Variant I								
1975	54.8	45.2	972.6	532.7	439.9	217.7	222.2	1975
1980	55.4	44.6	1,318.6	729.9	588.7	291.3	297.4	1980
1985	56.5	43.5	1,687.6	954.0	733.6	363.0	370.6	1985
1990	57.7	42.3	2,161.0	1,246.8	914.2	452.4	461.8	1990
1995	58.8	41.2	2,768.7	1,629.5	1,139.2	563.7	575.5	1995
2000	60.0	40.0	3,547.9	2,128.2	1,419.7	702.5	717.2	2000
Variant II								
1975	54.8	45.2	953.9	522.3	431.6	213.6	218.0	1975
1980	55.4	44.6	1,234.1	683.2	550.9	272.6	278.3	1980
1985	56.0	44.0	1,521.7	851.5	670.2	331.6	338.6	1985
1990	56.5	43.5	1,876.4	1,061.1	815.3	403.4	411.9	1990
1995	57.1	42.9	2,314.4	1,322.3	992.1	490.9	501.2	1995
2000	57.7	42.3	2,853.9	1,647.8	1,206.1	596.8	609.3	2000
Variant III								
1975	54.7	45.3	937.4	512.9	424.5	210.0	214.5	1975
1980	53.1	46.9	1,101.8	585.3	516.5	255.6	260.9	1980
1985	53.1	46.9	1,308.6	695.2	613.4	303.5	309.9	1985
1990	53.1	46.9	1,554.7	825.7	729.0	360.7	368.3	1990
1995	53.1	46.9	1,845.9	980.6	865.3	428.2	437.1	1995
2000	52.1	47.9	2,144.1	1,116.4	1,027.7	508.5	519.2	2000
Growth Rates								
Variant	1985-2000		1975-1984					
	Non-Kuwaiti	Kuwaiti	Non-Kuwaiti	Kuwaiti				
I	5.5	4.5	6.5	6.0				
II	4.5	4.0	5.5	5.0				
III	3.5	3.5	4.5	4.0				

Source: Annual and statistical abstract, Kuwait. Ministry of Planning, 1976.

Table 6.4.

First Estimate of Future Population of Kuwait to 1990 Assuming
1965 Death and Fertility Rates and no net Migration post 1.1.1969

Year	Kuwaitis		Non-Kuwaitis		Totals
	Number	%	Number	%	
1980	414,000	40.1. or 37.4	519,000 or 692,000	59.9.or 62.6	1,033,000 or 1,106,000
1985	510,000	41.8.or 39.3	709,000 or 788,000	58.2.or 69.7	1,219,000 or 1,298,000
1990	631,000	43.1.or 40.6	834,000 or 921,000	56.9.or 59.3	1,465,000 or 1,552,000

Source: Colin Buchanan and Partners: 'Studies for National
Physical Plan for State of Kuwait and Master Plan for
the Urban Area' 1st April 1969.

It is clear from these population projections that non-Kuwaitis will continue to form the majority of the population in Kuwait and a majority of the labour force, which will continue to increase, according to ILO projections, for at least the next 15 to 20 years (see 3.1.3.) So it is not a temporary phenomenon, which will last for only a few years, but can be expected to be a permanent feature, at least for the foreseeable future.

Having discussed long-term projections, let us more precisely

examine the more short-term need as stated in the current national plan i.e. for the five years up to 1981.

Table 6.5.

Labour Demand up to 1980/81

Economic Activity	Labour Supply 1975	Labour Demand 1980/1	Difference	Percentage		
				1975	1980	Diff.
Agriculture	6,671	10,250	3,580	2.5	2.5	3.1
Hunting Fishing Industry	843	1,500	660	.3	.4	.6
Oil and Natural Gas Industry	4,476	5,100	610	1.5	1.2	7
Quarrying and Mining	383	660	280	.1	.2	.3
Manuf. Industries	24,467	34,400	9,930	8.2	8.3	8.6
Elect. & Water	7,271	12,000	4,730	2.4	2.9	4.1
Construction	32,256	2,000	9,740	10.8	10.2	8.5
Wholesale & Retail Trade	39,559	57,000	17,440	13.3	13.8	15.2
Shipping & Storage	11,822	15,400	3,580	4.0	3.7	3.1
Transportation	3,863	5,400	1,540	1.3	1.3	1.3
Financial, Insurance & Real Estate Institutions	6,523	8,400	1,880	2.2	2.0	1.6
Public Administration & Defence	68,887	91,600	22,710	23.2	22.2	19.8
Stationary Serv.	4,430	6,640	2,210	1.5	1.6	1.9
Educational Serv.	29,879	41,950	12,070	10	10.2	10.5
Health Services	12,548	23,300	10,750	4.2	5.7	9.4
Social Services	1,634	2,100	470	.5	.5	.4
Recreational Serv.	2,478	3,500	1,020	.8	.9	.9
Personnel & Household Services	39,370	51,000	11,630	13.2	12.4	10.1
Total	297,360	412,200	114,840	100	100	100

Source: National Development Plan 1976-77 to 1980-81
Ministry of Planning, Kuwait 1976.

The total of personnel in the labour market was only 297,360 at the beginning of 1976, while the total of personnel required for carrying out the plan's projections is 412,200. This indicated the need for 114,840 more individuals during the plan's period of operation, for the various economic activities throughout the country. According to the official estimates, the number of Kuwaitis continuing to work during the period of the plan will be 89,200, while the supply of Kuwaitis entering the labour force will be 30,400. This will increase the Kuwaiti element of the national labour force to 119,600. Non-Kuwaitis continuing to work in Kuwait during the plan's period is expected to number 155,000. Adding the numbers of Kuwaitis and non-Kuwaitis together and subtracting this total, 274,600, from the total required, 412,200, gives us a shortfall of 137,600 in the numbers required to meet the planned national objectives. In spite of a growth in Kuwaiti nationals entering the work force, which might represent some 33% over the period, the only way to obtain this labour is to import it from outside Kuwait.

This above indicates the short and long-term need for foreign labour. It is in the national interest to provide a more favourable environment for expatriates to encourage them to settle and share in economic development as the need for them is liable to increase with time and the costs associated with training and cultural adaptation must be assessed.

In practice, under present circumstances, differences may arise

between the employment policies and rights of Kuwaitis and of non-Kuwaitis, in terms of different wage policies, which provide Kuwaitis with better incomes for the same job. If he is available, the Kuwaiti has the legal right to demand a foreigner's job, regardless of whether or not he is as qualified as the non-Kuwaiti.

The national planners were aware of the existing differences and of the psychological effects of these policies on expatriates, which may affect their productivity. While they have tried to explain the government's efforts towards eliminating these differences, they have at the same time introduced new social insurance legislation which accentuates rather than reduces the actual and perceived economic status of nationals and non-nationals.

Social security coverage in particular is becoming a concern of the labour force, and workers, especially the more educated, are becoming more aware of the uncertainty of their future with respect to disablement, sickness or death. At this time the Kuwaiti social insurance law excluded the majority of workers from that protection (for the reasons stated earlier). It is not possible to say whether this discrimination against non-Kuwaitis will affect their productivity with any certainty, but it is unlikely to help. One way in which it may adversely affect productivity is that it may discourage the desire for permanent settlement; and their commitment to the development of the economy may well be reduced. The cost of retraining new personnel to replace those who might not have left

the country had they been encouraged to stay, is an additional and important factor.

B. Early Retirement for Kuwaitis

The aim of trying to encourage an increase in the proportion of Kuwaitis in the work force would suggest that the national planners should not discourage Kuwaitis to retire too soon. The Act provides the Kuwaiti national with the right to retire when he reaches 60 (70 for preachers and workers in mosques) according to the provisions of the Civil Service Act: no retirement age is made explicit in the Social Insurance Act. But it provides him with the right to retire after the age of 50 if he has completed 15 years service or 20 years service whatever his age. In this case he will enjoy 65% of his previous earnings as retirement benefit. Thus there is some contradiction between the national plan aimed at achieving a better balance between Kuwaitis and non-Kuwaitis in the main sectors in the economy and the lack of pensionable age under the Act. While the motive behind the Act of attempting to replace ill-trained Kuwaitis with younger and better trained Kuwaitis for certain key posts is sound, this conflict arising from the blanket application of the pension provision across the whole Kuwaiti labour force is one worthy of attention.

C. Industrialisation and the National Insurance Scheme

The shortage of skilled labour is the main obstacle preventing

many developing countries from carrying out their industrial plans. This problem is much more serious in Kuwait than in some other countries, because an adequate supply of labour - including mix of skills and cultural adaptation - is not available. To meet the overall regional needs in the Middle East, Kuwait has had to compete with neighbouring oil-rich countries for this labour to an increasing degree in recent years. As stated in the National Development Plan the manpower required for achieving the quantitative objectives in the industrial plan are:

Table 6.6.

Labour Supply and Labour Demand for Manufacturing Industries in
Kuwait

Profession	Labour Supply 1975	Labour Demand 1980/1	Difference
Physical Scientists	165	280	115
Engineers	450	595	145
Doctors & Assistants	345	620	275
Technicians & other Scientific Professions	565	980	413
Total Technical & Related Professions	1,594	2,700	1,106
Managers	325	550	225
Clerical Workers	1,823	3,050	1,227
Production Supervisors	15,919	21,000	5,081
Sales and Services Workers	228	300	72
Agricultural Indus- trial Workers	164	200	36
Services Workers	884	1,200	310
Workers not other- wise classified	3,530	5,400	1,870
Total workers	19,449	26,400	6,951
GRAND TOTAL	24,467	34,400	9,933

Source: National Development Plan 1976-77 to 1980-81.
Ministry of Planning, Kuwait, 1976, p.334.

Table 6.7.

Supply and Demand for Labour in the Natural Gas Extraction Industry
in Kuwait

Profession	Labour Supply 1975	Labour Demand to 1980/81	Difference
Physical Scientists & Related Technicians	64	80	16
Engineers & Related Technicians	466	505	39
Physicians & Doctors' Assistants	80	90	10
Other Technical Professions	148	150	2
TOTAL	758	825	67
Managers	106	120	14
Clerical Workers	952	1,020	68
Sales & Services Personnel	423	445	22
Production Supervisors & Foremen	250	300	50
Miners, Quarrymen & Well Drillers	152	175	23
Other Production Workers	978	1,120	142
Ships' Technicians & Deck Workers	135	145	10
Other Workers	721	950	329
TOTAL WORKERS	2,224	2,675	451
GRAND TOTAL	4,475	5,100	625

Source: National Development Plan 1976-77 to 1980-81
Ministry of Planning, Kuwait, 1976. p.333.

The labour force required for carrying out the industrial plans for manufacturing industry is 34,400, and for the oil industry it is 5,100. The grand total is 39,500. The labour supply at the outset of the plan's period was 28,942. This indicates a requirement of 10,558 additional workers in order to meet the industrial goals.

Estimates of the manpower supply in Kuwait during the plan's period show that the expected number of Kuwait University graduates is:

Commerce & Economics	445
Science	860
Petroleum & Engineering	<u>80</u>
Total	<u>1,385</u>

There will also be a few Kuwaiti graduates of foreign universities. The number of vocational education graduates is not officially estimated, only the number of enrolled students is available, which is 2,107 in 1976/1977. In fact, even given the most optimistic estimate i.e. that these numbers of Kuwaitis will be employed by industrial establishments (which is unlikely because Kuwaitis prefer the white collar jobs), the total supply of Kuwaitis will not meet the demand for labour, and the need for foreign labour will continue to exist.

In the industrial field the national planners were aware of this problem and tried to adopt a more attractive policy. The severe shortage of skilled manpower throughout the Middle East placed a pressure on the national planners to provide more favourable working

conditions for the right sort of qualified people. A comprehensive social insurance system could be used as one source of attraction. It is important for an employee in any field of employment to be able to demand income protection against unforeseen circumstances; as far as the industrial worker is concerned, it may be perceived to be more important because he tends to be more subject than a white collar worker to injury and occupational disease.

As Ricardo Moles stated:

"...The development of the industrial sector with a view to establishing a domestic economy with a diversified and technical modern structure constitutes one of the basic aims of the developing countries, irrespective of the growth of other economic sectors and of attempts to raise the levels of productivity in the latter by improved application of technology. As is well known this is both an economic and social programme in which the human factor intervenes in a decisive manner, thus requiring intense efforts in the field of technical education and social security...

"...social security encourages the expansion of this sector - the industrial sector - by providing protection for workers and creating the psychological and sociological conditions required for an increase in productivity..."¹⁵

One may argue that the workers in this sector are covered by Labour Act no. 38 which covers the worker in case of industrial injury and occupational disease as well as their terminal indemnities procedures. But Labour Act no. 38 (1964 nevertheless provides far less in the way of benefits than those provided by the new social security Act. The new Act provides for individuals working in the same conditions and subject to the same hazards, different treatment according to nationality (non-Kuwaitis forming a massive majority

¹⁵ Moles, R. Ricardo: 'Social Security and Economic Planning' study published in The planning of social security series: ISSA, Geneva, 1973, p.68.

in this field, are not covered). Moreover there are weak industrial relations between the non-Kuwaiti worker and his employer, who can usually dismiss the worker without legal hindrance. And the most valid point is in the supply and demand of qualified personnel, who require very highly planned services to be laid on before being attracted to settle in Kuwait (rather than merely taking financial advantage of working in Kuwait for only a short time).

D. Public Underwriting of the Social Insurance Scheme and Its Effect on Private Insurance

The service sector, including financial services, could be an important, potential export from Kuwait to the Gulf and the Middle East. Indeed, according to the national plan, this aim is to create Kuwait into the main financial centre in the Middle East. Upon enactment of the social insurance law, all employers having arrangements with private insurance companies to provide cover for Kuwaiti workers against risks such as old age, industrial injuries, and sickness, including occupational diseases, had to transfer these contracts to the Public Institution for Social Security (article 3). The employer no longer has the option to engage in private contracts with insurance companies except where he provides benefits supplementary to those provided by the public social security institution or provides optional benefits for his non-Kuwaiti employees.

Thus, the business of private insurance companies was reduced at a stroke by the enactment of the 1976 Act and this is

likely to result in some future contraction in the long run, because one of its most profitable sources of business and hence employment will have been removed. There is no information on the volume of insurance policies and funds transferred from the private sector to the Public Institution for Social Security. Published statistics group together all accidents including car accidents, industrial injuries, and other accidents at work; likewise life insurance policies broken down into group schemes and private policies are not available. Only in the joint sector is any pertinent information available: 'workers' compensation' premiums amounted to 125,859 K.D., which is 6% of total premiums against this and other risks in this sector. Despite the lack of information on the short-term effects of this policy move, the fact remains that the removal of important sources of business, especially pension schemes, from the private insurance sector cannot but impair the longer term potential of developing a viable private financial services sector.

As remarked by Eveline M. Burns, private underwriting 'reserves for private enterprise a field that would otherwise be monopolised by government'. The intention of such private administration would be that even if underwriting public insurance programmes by private insurance companies would not be very profitable in itself, it would make contacts which would lead to other,

¹⁶ For more discussion on this argument see: Eveline M. Burns. Social Security and Public Policy. McGraw-Hill, London 1956. pp. 177-184.

more remunerative business.

It is worth mentioning again the successful experience of both the British and the US systems, which have adopted this method in certain cases for some types of social risk, which may be insured under private contracts. Indeed, private pension schemes give rise to and support a wide variety of financial enterprises apart from insurance companies: investment advisers, actuarial consultants, financial marketing and legal services. And of course the varied investment of large funds has helped to develop a flexible capital market. The situation is completely different in Kuwait in the absence of a taxation system, and where the national insurance scheme is financed by contributions from the employee amounting to 5% of his salary, 10% from the employer and 10% from the government. In the case of private underwriting in the absence of a tax system, there were perceived to be political and economic problems of government made payments to insurance companies (arising from its contribution mentioned above). The Kuwait government preferred not to deal with such problems at this time, but they would appear to have failed to consider the longer term implications.

The government's decision to make administration of the system exclusively public has meant a transfer of a considerable amount of funds of the existing plan, contributed by the employers for the benefit of their Kuwaiti employees, to the Institution.

¹⁷Ibid.

It also means that the private sector will lack this source of funds in the future. Despite the justifications already given for the necessity of centralising the programme's funds (see 5.3.5.), it will have not only immediate but also long-term destructive effects on the potential operations of this sector, which the government is trying to enlarge and promote. It indicates a clear conflict between the government goal in this respect, and the policies it has followed in the transfer of funds. This reflects the fact that such a policy will bring consequences undermining the fulfilment of national goals for potential growth, employment, and the creation of expertise in this field.

E. Proposed Kuwaiti Predominance in Employment

It is the long-term objective of the national planners to re-establish Kuwaiti predominance, especially in leading and vital posts in the country. The government has followed this policy regarding government recruitment and promotion policies. It has also encouraged the private sector to follow the policy of giving Kuwaitis priority in employment, thus giving them the chance to lead their own country. This objective seems to be hinted at also by the fact that the new Social Insurance Act covers only Kuwaitis. More liabilities have been placed on the employers, especially in the private sector, regarding Kuwaiti employees. The employer has to pay 12% of the payroll as a monthly contribution, (10% for pension and 2% for industrial injury scheme). He will be prosecuted by the public institution if he fails to meet his obligations. This legally powerful protection, plus the extra benefits

that the employer has to pay, may, however, deter him from employing Kuwaiti personnel, which would defer the attainment of the objective of rebalancing Kuwaiti employment between the employer and his foreign employee, who is not covered by statute. It may induce the employer especially the smaller employer, to prefer foreign labour, which is cheaper and has fewer legal rights regarding benefits in case of injury, sickness or redundancy.

F. The impact of the Social Insurance Act upon Kuwait's relations with other countries, especially other Arab countries

Because of Kuwait's heavy dependance on other Arab countries, as well as on countries in the rest of the world, for labour and for goods and services required to maintain a high standard of living for an increasing population, it has always endeavoured to maintain strong and friendly relations with other states. Kuwait has adopted a variety of methods to promote this goodwill; but the exclusion of non-Kuwaitis from the social insurance act has been a retrograde step in these international relations. It has opened a clear breach in many agreements made between Kuwait and other Arab and non-Arab countries, in the field of security. These agreements are:-

- i. The Arab agreement on minimum standards of social security for Arab workers and the equality of treatment between nationals and non-nationals in a host Arab country, has been openly violated by Kuwait, which accepted this agreement at the third Arab Ministers Conference on 29th Novemebr 1967.

ii. The International Labour Agreement no. 117/1962, which stated clearly that there should be equal treatment for all workers without any discrimination on the grounds of sex, colour, race, religion, etc. Kuwait acceded to this agreement by an amiri decree in 1967.

iii. The UN convention of 16th November 1972 regarding migrants and their right to equal treatment. Kuwait voted in favour of this convention.

Despite the acceptance by Kuwait of these agreements, its position in practice, regarding non-nationals, has been very different. In fact, the exclusion of non-nationals has put Kuwait in a critical position within the Arab community and among other states.

6.3 Reasons for Conflict

The question which must now be asked, is why such conflict has been allowed to arise between the long-term national objectives already formulated, and the new Social Security System. the reasons for this would seem to have been:

i. The planning of the system was carried out in isolation, and with little regard, if any, to the interdependence with other economic and social policies. Besides a relatively short time was devoted to study, plan and draft the legislation. Although proposals were first made ten years ago, the actual planning was carried out only three years ago, by several different committees (see Chapter 4), and finally by the three-man government committee which represented

- only the government's views, not those of employers or of labour;
- ii. Inadequate contributions made by economists and other social scientists. The result has been a lack of any serious studies on the proposals and their future prospects. Moreover, the Ministry of Planning did not carry out any of the basic research or investigation necessary in this field before drafting the bill in its final form;
- iii. Uncertain government attitudes towards the future of foreign labour in the absence of national policies for population in general and immigration in particular. The lack of definition of policy deterred the planners from grasping the opportunity offered of introducing benefits for non-Kuwaitis;
- iv. The conflicting interests of the predominant power of employers (especially in the commercial sector), and the insignificant, rather weak influence of such labour organisations as exist. The General Union failed to obtain its demand for universal coverage, in the face of strong opposition from the employers, who opposed any increase in their financial responsibilities towards their employees beyond what had to be conceded; and
- v. Finally, it may be said that the planning process of social insurance does not involve only social and economic considerations, but it is also subject to other political aspects which may dominate the process and sometimes divert the scheme from the national objectives. This is explained by the following quotation:

"It is inherently in the nature of social welfare phenomena that decisions concerning them are political decisions, and priorities in executing social welfare programmes are by definition politically determined priorities. This situation must no doubt impose severe restrictions on the initiative of social planners who may be tempted at times to substitute themselves for political decision-makers." ¹⁸

6.4. Conclusion: Gaps existing in the Kuwaiti system

From the earlier discussion in chapters 4, 5 and 6, it could be concluded at this stage that the Kuwaiti system of social security, with its generous type and level of benefits for the Kuwaiti population, which will ensure better prospects for the elderly, the disabled, the sick, and their families, contains noticeable gaps owing their existence to the principles underlying the scheme, to the social philosophy reflected by the system, to the isolated approach followed during its planning, and above all to the practical limitations on operating a universal system. These gaps cause, in many times, conflict to arise between the Act and the other national goals, which may seriously affect the attainment of the overall, long-term national plans.

6.4.1. The regressive income-related benefits provided by the Kuwaiti scheme were the direct result of the adoption of fixed proportion contributions. The fixed contribution as a proportion of income (25% from the three contributors for each insured (see 4.3.1.D.) normally amounts to a regressive government subsidy through its 10% share. In this case casual workers, who are the lowest paid, are least likely to enjoy adequate benefits provided,

¹⁸ Rys Vladimir: 'Social Security and Social Planning in Contemporary Society'. Studies and research no. 2 of the planning and social security, ISSA, Geneva, 1971. p.23.

although such people are generally those targets of social security programmes that are the most pressing in their needs.

In fact the argument of individual equity and social adequacy is always presented in social security programmes, where adequacy¹⁹ is the main concern while maintaining a sufficient degree of equity.

The benefits formula under such programmes is always a weighted one such that a proportionately higher rate of benefit applies to those with low earnings than to those with higher earnings. This is the case in the systems in most developed countries (as mentioned in 5.3.2.A.), and which the Kuwaiti system failed to ensure.

6.4.2. The second matter to be considered is flexibility in the application of the law. The legislators gave a considerable degree of authority to the minister to make ministerial orders in some areas, in order to provide more flexibility to the system. Flexibility is desirable, especially in the execution of ministerial orders supporting or amending existing provisions; but it could be dangerous if essential rights under the law, such as the settlement of similar cases of eligibility to pensions, other than those stated by the law, were subject to it. Similarly with the estimation of percentage of disability from industrial injury or occupational disease (Art. 42).

This also applies to the employer's normal contribution to industrial injury pensions, which is 2% of the payroll, adjustable upwards or downwards by a ministerial order and according to an

¹⁹ For more discussion of the relationship between individual equity and social adequacy in social security programmes, see Robert J. Myers. *Social Insurance and Allied Programmes*. Richard D. Irwin Inc., USA, 1965, pp.6-26.

assessment made of the employer's safety precautions. Adjustments downwards pose a danger to the rights of the insured and to the institution's funds, especially since the assessments are very subjective in the absence of standards by which to measure the level of safety. A fixed percentage might be justified on the ground that all industries are inter-dependent, and should stand in together on equal terms, the safe industries helping to pay for accidents in dangerous industries. The best plan might be to set a fixed contribution, which would be increased if the employer failed to meet safety requirements in the place of work.

6.4.3 The maximum of old age and disability pensions is 95% for all personnel insured under the scheme, except for ministers, who receive a pension of 100% of the base salary. Public opinion does not regard this exception to be justified. They see it as a social injustice and an imposition arising purely out of the relative positions of power of ministers and of other insured persons.

6.4.4. According to the Act, the insured is entitled to an inflation-proofed pension; but no systematic mechanism of adjusting pensions has been proposed e.g. a published cost of living index. Adjustments are made by ministerial order. This is an adverse step because experience has shown that such adjustments have always been made on an arbitrary and ad hoc basis. During the 16 years that the 1960 pension scheme was in force, two main adjustments were made: the first by Act no. 14/1961, which

provided a high cost of living allowance for pensioners and beneficiaries, replaced later by the social allowance in 1972. The second was in 1974. It provided an increase for pensioners and other beneficiaries of 20% to 30% based on the pension and social allowance combined.

6.4.5. The policy of no fixed age of retirement, which enables the insured to retire at 50, provided he has at least 15 years of contributions, impresses the labour force; but it may be against the national interest. It is not consistent with the increasing shortage of labour in Kuwait, so a definite position ought to be taken up by the government on the matter of social priorities and the national interest, versus the policy of making people contented in the short run, which can have undesirable long term effects (see Chapter 9)

6.4.6. There is the serious shortfall in the system's coverage, in that it excludes non-nationals without giving any credit to those with a long period of residence and contribution to the economy. This discrimination between Kuwaitis and non-Kuwaitis widens the existing gap between them and creates a more unsatisfactory position as far as foreigners are concerned. When the law was enacted it was expected that the system would be in a position to meet all needs arising from social contingencies, for the entire labour force, not just for Kuwaitis.

Problems of the large amount of money necessary to finance such a scheme tend to be less in Kuwait than in other countries.

The only serious limitation on such a comprehensive scheme covering all workers is the shortage of expert staff to administer it . Hence long term step by step planning is required to extend the coverage of this scheme in the future, to make it more compatible with the national interest than it is now .

Chapter 7

Empirical Survey

Present Employment and Future Prospects of Kuwaitis

It was thought necessary to conduct an empirical survey to acquire information germane to a variety of issues relevant to the study. While the Kuwait social insurance plan was being prepared, very few investigations were made, and no research was done, either by the Ministries of Planning or of Social Affairs and Labour, or by any independent body such as the University of Kuwait or any other institutions or individuals.

A lack of formal or informal research has characterised the introduction of most of the new social projects in Kuwait. If any research is done it is to a very limited extent, and done with only short-term ends in view. It may be said that the whole effort preparatory to the new social insurance system, was concerned with reviewing the existing laws applicable to the different sectors, and with reviewing the experience in this field, of a few other Arab states; and few, if any, activities were directed towards the planning of any coordination between the proposed system and the already existing economic and social development plans in the country. No effort was made to ascertain the views of the labour force, although it was to be the direct beneficiary of the system. No public discussions or debates were held for this purpose either. There were merely a few press conferences and mass meetings

held after the enactment of the new law to explain and discuss its provisions.

The dearth of any empirical information, and the total absence of statistics in this field, has therefore dictated the need for a survey. The survey was designed to collect the basic information required for determining the possible effect of the new system on the Kuwaiti and non-Kuwaiti labour force, for determining its possible effect on existing national objectives and plans and for acquiring information in support of changes in the system to embrace non-Kuwaitis.

In this and the following chapters, the information collected will be tabulated and analysed to test several issues which have arisen in the course of earlier discussion.¹ Consequently, in this chapter we will briefly discuss the government's present recruitment policy and its unbalancing effects on the employment of Kuwaitis in the different sectors.

Later, taking the empirical survey's results into account, an attempt will be made to assess the possible effect of the introduction of the system on the preferred redistribution of Kuwaiti labour across the different sectors in the economy.

The Kuwaitis' awareness of the benefits provided will also be discussed in this chapter (7.4.). To assess the degree of awareness of the system, the questions used were designed to require yes/no answers. This technique carries with it, unfortunately, an inbuilt bias in that respondents not properly aware of the situation

¹ See Chapters 5 and 6.

being questioned tend to give affirmative answers. But Kuwaiti workers suffer from a high level of illiteracy. Therefore more complicated questions might have been beyond comprehension, causing similar or worse biases than the one caused by the technique used.

Besides, the pilot survey showed that the degree of bias could be reduced to a minimum if the interviewers were trained to reformulate the questions orally in order to check the interviewees' honesty in this respect. They were so instructed in the second training session and several examples were provided to make them aware of the situations which might arise in the field.

In general, this part is intended to provide a general indication of the Kuwaitis' knowledge and to throw some light on the effectiveness of the institution's efforts to educate the public about the system.

7.1. Issues to be tested

There were several issues needing to be tested by means of the field survey, in order to assess the possible future effects on the new social insurance system, if it remains unchanged. These issues are:-

7.1.1. Inter-sector mobility of Kuwait's labour force.

It was one of the main underlying objectives of the national planners to utilise the scheme as a means of reallocating Kuwaiti labour between the economic sectors. But no attempt was made to assess this objective, and no systematic investigations have been

carried out to test whether this scheme has been effective in bringing about the movement of Kuwaitis from the overstaffed government sector to the private sector, which is dominated mainly by non-Kuwaitis.

7.1.2. Awareness among Kuwaitis of the new Social Insurance System

There is no doubt that the Kuwaitis' awareness of the benefits provided for them is the chief factor governing the use they make of these benefits. Sometimes, there is a time limit beyond which a claim to benefit is invalid (e.g. notional periods); or benefits may increase or decrease with time, or with reference to the applicant's age (e.g. commutation). In such cases a certain amount of knowledge is essential if applicants are to claim their benefits at the optimum moment. It is therefore very important to assess potential applicants' perception on these matters.

7.1.3. The empirical survey will also focus on the status of non-Kuwaitis and on the possible effects of security in the light of other differentials in remuneration and employment policies that exist. An overall assessment of perceived security was sought as opposed to the income preservation arising from a social security system. The assessment of foreign labour perceived security/insecurity feelings that may be important, as any positive need for security which is found in the survey would clearly be enhanced by coverage under a wide based social security system. This will be analysed in terms of:-

- (i) Their regional mobility, their potential to seek alternative opportunities in other countries in the Middle East.
- (ii) Their future interest in settling in Kuwait and their willingness to invest their own time and money in the Kuwaiti economy.
- (iii) The extent that this lack of security deters certain skilled workers from coming to Kuwait.

7.1.4 The survey will also focus on other controversial issues such as:-

- (i) To what degree the argument is valid that non-Kuwaitis are less likely to settle in one job, and have no objection to changing their type of job as they seek more financial gain in the short term.
- (ii) The need for non-Kuwaitis is a temporary one, which does not justify the application of long-term social benefits for this group.

7.2. Government recruitment policy and its effect on the present employment of Kuwaitis

Until recently, in accordance with the government's recruitment policy, every Kuwaiti, whatever his level of education, had an unlimited right to be employed by the government in a post commensurate with his qualifications. But the national planners became concerned about the under-utilisation of labour in the government sector, while simultaneously there was a shortage of labour in the other sectors. Even inside the government service there were tasks necessary

for maintaining the economy, which had increasingly come to be performed by immigrant labour.

Government positions have always been more attractive to Kuwaitis than positions in other sectors have been, because of:-

(i) The greater security of employment in this sector compared to that in other sectors in terms of the guaranteed periodical wage increases and retirement pensions which used to be provided only to Kuwaitis in government service.

(ii) The absence of predetermined standards of performance.

No real standards had been used, against which to measure the performance of government employees at the various levels of employment. Promotions were based mainly on seniority rather than on satisfactory performance. Poor performance or even non-performance of duties had never caused dismissal or demotion.

(iii) Weak control measures. These always gave the government employees a chance to do a private job during time supposedly to be spent in their government job. No real system of accountability had ever been established.

(iv) The government policy of distributing the national wealth through government guaranteed jobs and salaries, which gave the Kuwaitis an unlimited right to work in this sector, as mentioned before, as a way of sharing in the national wealth.

On the one hand, these factors created an acute double problem of simultaneous overstaffing with inappropriate allocation of Kuwaiti

labour in this sector. Overstaffing took the form of the superfluous numbers of underemployed Kuwaitis engaged and retained by the government. Inappropriate allocation took the form of the appointment of staff insufficiently qualified for carrying out the required tasks. On the other hand, the overstaffed government sector created a shortage of Kuwaiti labour in the other sectors, especially in the private sector, mainly run by non-Kuwaitis. More recently turnover of non-Kuwaiti labour motivated the private sector to seek Kuwaitis, especially for leadership positions, and put pressure on the government to adopt incentives, directed to persuading more Kuwaitis to apply to this sector for employment.

In fact, no studies had been done on designing such incentives, although social insurance was intended to act as an incentive, to create the required balance. The short period of time since the inception of the new social insurance scheme does not yet permit one to make significant measurements of the effects of the scheme. It may have a greater effect on potential rather than on immediate mobility of Kuwaiti labour between the different economic sectors.

7.2.1. Current employment of Kuwaitis in the sample

Table 7.1.

Distribution of Kuwaiti labour in the sample ²

Sector of Employment	Kuwaiti Labour	
	N	%
Government sector	96	72.2
Private "	11	8.5
Oil "	12	9.0
Joint "	14	10.5
Total	133	100.0

² Tables in this chapter contain information derived solely from the survey, except where stated otherwise.

The sample is an accurate reflection of the actual distribution of employment in the economy, in which the majority of Kuwaitis are employed by the government and the lowest percentage is that employed by private establishments. The oil and the joint sectors each employ more Kuwaitis than the private sector does, probably because these two sectors are more subject to government regulations and therefore provide relatively more security for their workers.

7.3. Assessing possible effects of the introduction of social insurance on inter-sector mobility

Inter-sector mobility may be divided into potential mobility, in the short run, at the inception of the scheme (which may have motivated the Kuwaiti employee to seek employment in the private sector), and potential mobility in the long run. It is human nature to be reluctant to change jobs in the short run, but to be more willing to do so in the long run. This may be the case with the mobility of Kuwaiti labour, which probably did not increase significantly immediately after the scheme came into force, but which might increase more gradually, thus allowing labour to approach the desired more even distribution between the sectors. But, because of the comprehensive coverage provided by the social insurance scheme, the Kuwaiti worker (especially with moderate qualifications) might not see sufficient reason to change to a job in a different sector, even if he were offered a better salary there; but with further incentives he might consider taking such a step in the long run. A further potential impetus towards mobility is the influence of parents on their children's choice of employment. They may recommend

their children about to enter employment, to apply for jobs in a sector offering more prosperity and/or security even if they themselves had lacked such an opportunity.

7.3.1. Potential mobility in the short run

The immediate mobility of Kuwaiti labour in the short run, especially to the private sector, could not be measured reliably, since the scheme was introduced recently, but the direction of this mobility is likely to throw some light on the future movement of Kuwaiti labour. At this stage and for the purpose of this comparison, the oil companies will be treated as part of the government sector, because they are publicly-owned. The joint companies in which the government hold 90% to 99% of the capital will also be treated with the government sector. Other companies in which the government has smaller holdings will be treated along with private companies.³

Kuwaitis in the sample were asked:-

"If the social security system is applied over all the sectors - as is the situation now - would you:

- a. stay in the government;
- b. move to the private sector;
- c. stay in the private sector;
- d. move to the government sector?"

³The interviewers explained this to each respondent.

Table 7.2

Mobility of Kuwaitis in the short run

Labour mobility choices given the opportunity	Labour force		Labour in each of the 4 choices
	N	%	Total labour in each sector* % ^x
stay in government position	79	59.4	67.5
change to private position	38	28.5	32.47
stay in private position	13	9.8	92.8
change to government position	1	0.8	7.14
no response	2	1.5	
Total	133	100	

* Labour in government + oil + joint companies with 90% to 99% government share, numbers 117 households; labour in private + other joint sectors numbers 16 households.

^x of those who will change (keep) employment from the total employed in each sector.

Although it would be hard to predict the general movement of Kuwaiti labour between the sectors from the limited size of the sample, and because of the relatively short period of the system's operation so far, it may be said that to a certain degree the responses show that there is some indication of a tendency to move towards private positions. This is because the majority of those already employed

by this sector are willing to continue working in it, and only 7.14% show a preference for transferring to government positions. We should remember that in this context the government sector includes the oil industries as well. On the other hand, a significant percentage of the government labour force show their willingness to transfer to the private sector if a suitable opportunity arises, while 67.5% of the employees in this sector are willing to continue in their present positions.

The potential mobility among the different sectors of employment in the short run may also be assessed by the preferences stated by each Kuwaiti employee for the different sectors of employment, regardless of the sector in which the employee is currently engaged.

Table 7.3.

Potential inter-sector mobility of Kuwaitis

Present sector of employment	Preferred sector of employment	govern-	private	oil	joint	total
		ment %	%	%	%	%
government		67.7	21.9	8.4	2.0	100
private		9.0	91.0	0	0	100
oil		25.0	0	75	0	100
joint		14.3	7.1	7.1	71.5	100

Here, the picture is a little clearer. Although the government sector might lose about 32% of its present labour force, significant

proportions in the oil and joint sectors would be willing to be reallocated to the government. Note that those working in the private sector are the least willing to contemplate a transfer to the government, and not at all to the other sectors. The joint sector is not so attractive for its labour force, and the majority of those willing to transfer are interested in the government sector.

A. The perceived influence of social security on the preference for sectors of employment

To assess the influence of the social insurance benefits and their effect on the decision of the employee to prefer a specified sector of employment, the employee was asked to place in order of priority the different factors which might have some effect on his choice.

Table 7.4

Reasons for preference for particular sectors: choices

preferred sector of employment \ factors	shorter working hours	longer vacations	higher pay	easier work to do	greater job security
government	5th	3rd	2nd	3rd	1st
private	4th	3rd	1st	5th	2nd
oil	3rd	4th	1st	5th	2nd
joint	3rd	4th	2nd	5th	1st

According to the response, higher pay, and greater job security, are the chief factors determining selection of or preference for a particular sector of employment. Those preferring government employment placed easier work to do in that sector, 3rd (which

probably reflects the overstaffing in that sector, mentioned earlier in this chapter). At this stage it is probably safe to suggest that greater security (i.e. social insurance benefits and the right to occupy the job permanently) may be a significant factor in encouraging Kuwaitis in government employment, as they were most concerned about this factor, to move to other sectors, given that additional security has now been provided universally by the new Act.

B. Potential inter-sector mobility of Kuwaitis, and the age-factor

Table 7.5

Potential inter-sector mobility of Kuwaitis according to their age-groups *

Sector of employment	age gp.	less than 25		25 to 34		35 to 44		over 44	
		%		%		%			
		pres.+ emp.	pot+ emp.	pres. emp.	pot. emp.	pres. emp.	pot. emp.	pres. emp.	pot. emp.
government	80	57.5		46.9	26.5	42	30.8	62.8	58.1
private	2.5	5		8.2	24.5	15	15.4	14	11.6
oil	10	32.5		12.2	24.5	10	25.6	4.7	14
joint	7.5	5		32.7	24.5	33	28.2	18.5	16.3
Totals	100	100		100	100	100	100	100	100

* Number of respondents in age-groups are 40, 38, 21, 34 respectively.

+ pres. emp. is present employment.

+ pot. emp. is potential employment.

Although the largest number in each age-group is that employed by government, the youngest and the oldest groups than of the other two groups are employed in this sector.

- i. The positions guaranteed for the school-leaver or the college graduate, in the government sector, is the main basis for the

80% of the group in this sector, especially as the private and oil sectors require their staff to be in most cases experienced before appointment.

- ii. The generation over 45 is also employed by the government regardless of a lack of qualifications or skills, which prevents them being employed in the other sectors.

Regarding potential mobility, the government sector is becoming less attractive especially for the younger generations who are interested in transferring to the oil or private sectors after acquiring some experience in the government sector. The oldest are less attracted to the private than the oil sector, as the private sector makes more demands for skills and qualifications. The age-groups from 25 to 44 are also becoming less attracted to the government sector, more attracted to the oil sector in particular and to the private sector. (Oil is the most attractive sector taking all age-groups together, at an average of 24.2%. This could be explained by the government ownership of the oil companies, which provides the same advantages to the employee as those enjoyed by government employees, as well as the better pay policy in this sector.) The private sector is also becoming more attractive to Kuwaiti labour, but varying according to age.

³ Applying the χ^2 distribution to test the following hypothesis H_0 :-

H_0 : Age of employee has no effect on his desire in potential mobility from the government sector to the other sectors.

H_1 : Younger generations are more willing to move from the government employment to the other sectors in the economy, than older employees.

The computed $\chi^2 = 20.926$. The χ^2 distribution with 9 df (degrees of freedom) at 5% level of significance is 16.9190.

This suggests that H_0 should be rejected, and H_1 will be accepted.

C. Potential inter-sector mobility of Kuwaitis; and the level of education

The assumption here is that Kuwaitis with higher levels of education may tend to prefer employment in the other sectors private, joint, oil rather than the government, as they possess more qualifications making them in demand by the different organisations within the sectors.

4

H_0 : Education has no effect on the potential mobility of the Kuwaitis.

H_1 : Kuwaitis with college and higher education levels are more willing to move toward the other sectors of employment from the government sector.

The computed $\chi^2 = 57.446$. χ^2 distribution with 9 df at .05 level of significance is 16.9190. H_0 will be rejected.

Table 7.6.

Potential inter-sector mobility of Kuwaitis according to their level of education*

Preferred sector of employment	Level of education	Less than inter- mediate education		Secondary education		College graduates		Post-graduates	
		pres. emp.	pot. emp.	pres. emp.	pot. emp.	pres. emp.	pot. emp.	pres. emp.	pot. emp.
government		90.4	69.9	73.3	50.	34.8	21.7	-	-
private		5.5	9.6	3.3	10.	21.7	39.1	-	-
oil		2.7	20.5	6.7	30.	17.5	17.5	33.3	33.3
joint		1.4	-	16.6	10.	26.	21.7	66.7	66.7
Total		100	100	100	100	100	100	100	100

* Number of respondents in each category is 73, 30, 23, 6 respectively.

Although the last group, post-graduates, is of limited size, and hence can only give a general indication, it is evident that those with intermediate education and above show in general decreasing interest in government sectors relative to other sectors in the economy.

7.3.2. Potential mobility in the long run

As already noted, the social insurance system might have more potential effect upon the redistribution of Kuwaiti labour. Significant effects are more likely to appear in the long term rather than in the short term because natural conservatism inhibits rapid change. To assess potential mobility in the long run, different measurements were taken in order to indicate tentatively the potential mobility of the present working force in the future and to assess the potential mobility of the next generation as influenced by the recommendations of their parents. Kuwaitis were asked to determine the type of job (sector) they would like their son (daughter) to work in:

- a. government sector, b. private sector, c. oil sector, d. joint sector.

Table 7.7.

Potential mobility of Kuwaiti labour in the long run

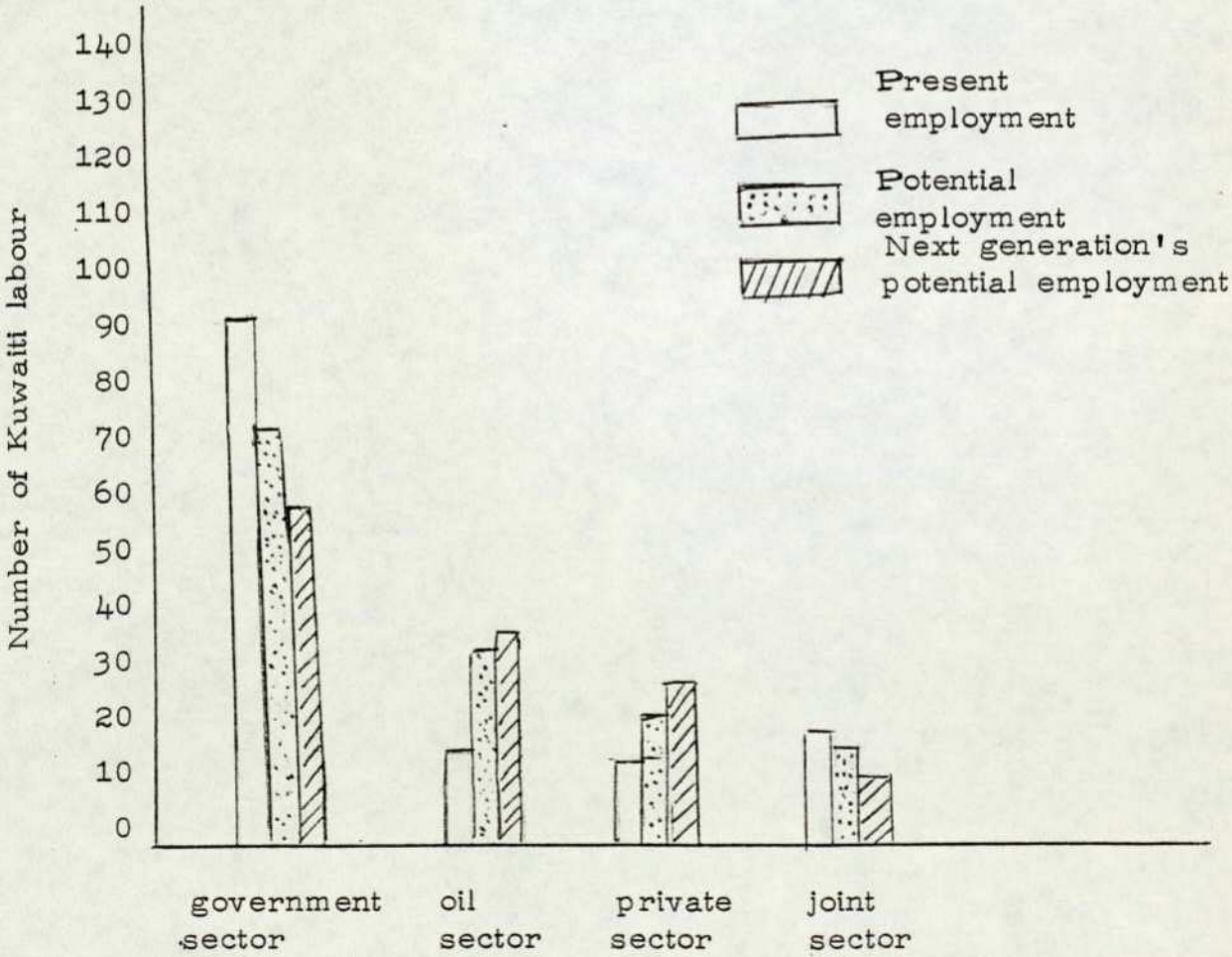
sector of employment	present employment		preferred employment sector for present working force		recommended employment for next generation of labour force	
	N	%	N	%	N	%
government sector	96	72.2	70	53.4	57	42.8
private sector	11	8.3	19	14.3	23	17.3
oil sector	12	9.0	31	23.3	32	24.1
joint sector	14	10.5	13	9.0	10	7.5
non responses	-	-	-	-	11	8.3
total	133	100	133	100	133	100

As the potential mobility of the present working force was assessed by recording each worker's stated preference of sector of employment, regardless of his present sector, the potential mobility of the next generation was assessed by asking the sample households which sector they wished their children to enter. Taking the present distribution of Kuwaiti labour as a base, the private and oil sectors are likely to increase their shares, while the government and joint sectors will probably suffer a diminution in their proportions of Kuwaiti labour, but the diminution indicated for the joint sector is too small to be significant. Likewise, as

perceived by the present generations, the potential distribution of Kuwaiti labour in the next generation has shown the same trends continuing. The eleven non-respondents were either without children, or could give no clear idea of their children's future. Possibly this may indicate only that parents are more willing to contemplate change at one stage removed (i.e. for their children) than for themselves. When it comes to actually giving their children advice, other factors operating at the time may outweigh these trends, so the final column of the table should not be regarded with the same degree of confidence as the middle column.

Figure 7.1

Kuwaiti employment development across the economic sectors



These assessments may indicate that there could be some movement of Kuwaiti labour across the economic sectors in the short run as well as in the long run. The social insurance system may be one incentive motivating such movement, but there is no certainty that it is the most important factor. In fact many other factors such as rising wages, prestige, and better opportunities offered by the private sector to Kuwaiti labour are likely to contribute significantly to preference for change as a result of the new attitude towards private employment in Kuwait.

Further studies and investigation ought to be directed towards this vital subject, the employment structure in Kuwait, in order to determine the positive as well as the negative effects of each course of action and to predict the direction of this movement, so as to avoid the misallocation of national labour, which might create problems similar to the one existing in the government sector.

7.4. Kuwaiti labour and its awareness of the new system

The social insurance system is compulsory for all Kuwaiti employees, irrespective of whether the salary is fixed or not, and voluntary for the self-employed, employers, national assemblymen, municipal councillors and mayors. According to the sample, 98.4% of the Kuwaiti households are compulsorily covered by the scheme (the rest being eligible for voluntary coverage). As mentioned in Chapter 4 the scheme provides many benefits in kind as well as cash benefits in case of sickness, disability, industrial injury or occupational disease, old age and death of the breadwinner. It

also provides other benefits such as commutation and the right to add notional contributory periods to the actual period of service. This additional period may be up to a maximum of five years in order to let the beneficiary be eligible for old age pension and also to increase the amount of pension. To assess the Kuwaiti employee's knowledge about these different types of benefits, simple yes/no answers were sought, despite the disadvantages that this method may involve (see page 212)

7.4.1. The old age and disability pension scheme

It is a contributory scheme providing a maximum of 95% of final monthly earnings, inflation-proofed during retirement. The employee contributes 5% of his monthly income; the employer and the state contribute 10% each. As mentioned above the right to an old age pension is vital for the worker as it is his main source of income after retirement. Questions were asked on whether the respondents were aware (a) of the benefits provided in old age and in the event of disability, and (b) the amount of the pension in each case. The following responses were given.

Table 7.8

Awareness of old age pensions

The Responses	The amount of old age pension		The method by which the pension is calculated	
	N	%	N	%
Yes	67	50.4	46	34.6
No	66	49.6	76	57.1
No response	-	-	11	8.3
Total	133	100	133	100

In general, the Kuwaiti respondents showed less awareness about their right regarding the method of calculating their future pension. This may be due to illiteracy, which may prevent many of those, especially in the older generations, from doing so, while the younger generation being more educated would be more aware (see 7.5.2.).

7.4.2. Both cash and in kind benefits are provided by the scheme in cases of sickness or industrial injury. Benefits in kind being particularly the right to be sent abroad for treatment unavailable in Kuwait. Sickness benefits are paid in addition to salary during sickness leave, and in case of partial or total disability other grants are paid. The sampled Kuwaiti labour were also asked: " - sickness benefits both in cash and in kind are provided for you: are you familiar with your rights in cases of sickness or industrial injury"?

Table 7.9.

Awareness of benefits in case of sickness or injury

<u>Response to whether the respondents are aware of sickness benefits</u>	<u>N</u>	<u>%</u>
Yes	57	42.9
No	76	57.1
Total	133	100

7.4.3. Commutation is another right to Kuwaiti labour. It provides for a lump sum upon retirement, of up to 50% of the pension and for a period decided by the institution regarding the insured person's health and the amount of his residual pension which would be not less than K.D. 200 per month in any case. The pensioner would still receive the remaining proportion of 50% monthly. This right was granted to give pensioners the opportunity to start a new productive career if they wished to, and it is linked to other governmental facilities to establish new economic activities. This unique right carries with it the risk of the pensioner misusing the funds provided; so extensive control is imposed by the Public Social Security Institution, which is very effective. Also, great efforts have been made to inform those about to retire, and those already retired, about this right and how to make use of it.

Table 7.10

Awareness of the right to commutation

The response to whether the respondents are aware of this right	N	%
Yes	34	25.6
No	97	72.9
No response	2	1.5
Total	133	100.0

A large majority of the sample were not aware of this right.

7.4.4. The right to add notional periods is a unique right provided by the new programme of social insurance and not to be found even in some developed programmes. This right gives the Kuwaiti, during his working life, or up to "one month" after retirement, to add notional contributory periods to his actual periods of service, by paying premiums to acquire a three months optional period each time up to a maximum of 5 years, to be eligible for a pension if his actual periods fail to have that effect, and will also have the effect of increasing his service period for the purpose of calculating his pension.

On this question the following responses were obtained:

Table 7.11

The right to contribute notional periods

The response	N	%
i) Gives more security	50	37.5
ii) Does not provide more security	20	15.1
iii) Did not know about the right to add to pension	63	47.4
Total	133	100

Again nearly 50% do not know about this right and even many of those that do, do not perceive it to provide extra benefits. Kuwaiti's awareness of this benefit is essential as the right in this case must be claimed within the time limits laid down, above. Generally speaking the majority of the Kuwaiti sample knew very little about the benefits they might enjoy from the system, although they had a vague idea that it was comprehensive. They knew they would receive an old age pension, but the majority did not know the basic rates or the calculating method according to the number of periods of service.

7.5. Factors affecting the degree of awareness among Kuwaiti employees

Several factors might have a direct or indirect effect among Kuwaiti employees on their degree of awareness of their rights under the new system. Age, level of education, sector of employment, and type of position, may influence their awareness in differing degrees.⁵

⁵H₀: The different factors of age, education, and sector of employment have no effect on the Kuwaiti employee's awareness of the benefits.

(this f.n. continued on next page)

7.5.1. Awareness of benefits and age of respondents.

The prior assumption made here is that the older generations would be more aware of the system and its future benefits than the younger generations would be, as the former are going to be more immediately affected, especially by old age pensions, adding notional periods, and commutation rights.

f.n. 5 continued.

H_1 : Aged, those more educated and those Kuwaitis employed by the government sector are more aware of the benefits provided.

Type of benefit \ Fac- tors	1. Age	2. Education Level	3. Sector of employ- ment
Amount of old age and disability pension	Accept H_0 at 5% level	Reject H_0 at 5%	Reject H_0 at 5% level
Method of calculating future pension	Accept H_0 at 5% level	Reject H_0 at 5%	Reject H_0 at 5% level
Sickness and injury benefits	Accept H_0 at 5% level	Reject H_0 at 5% level	Accept H_0 at 5% level
Commutation benefits	Accept H_0 at 5% level	Accept H_0 at 5% level	Accept H_0 at 5% level

χ^2 distribution with 3 df at 5% level of significance is 7.81473.

Table 7.12

Age, and awareness of the system

Type of Benefits	Age Group		Less than 25		25-35		35-44		over 44	
			%		%		%		%	
			Yes	No	Yes	No	Yes	No	Yes	No
amount of old age and disability pension			56.4	43.6	56.8	34.2	38.1	61.9	37.1	62.5
method of calculating future pension			42.9	57.1	47.2	52.8	42.1	57.9	20.5*	73.5
sickness and injury benefits			36.5	38.5*	47.4	52.6	38.1	61.9	38.2	61.8
commutation benefits			12.8	87.2	36.8	63.2	33.3	66.7	23.5	76.5

* shortfalls in percentages due to non-responses.

Among the first age-group (younger than 25), a low awareness of benefits may be observed. This group consists of school leavers, graduates, and the newly employed, who are mostly unfamiliar with these or other rights early in their employment. The same may also be seen of the oldest age-group, showing a very low awareness of benefits under the Social Insurance Act despite their age and the objective interest to them of the benefits provided. The majority of this age-group is uneducated (being illiterate or of very low literacy) so they cannot understand or benefit from the information put out by the social security institution regarding their future rights. The other two groups show more awareness, from 33% to 56% being aware of the scheme and of their rights. These findings suggest that age makes only a little difference in the awareness (as a function of interest) of individuals' rights under the scheme.

7.5.2. Level of education, and awareness of the scheme.

The level of education is the other factor which might have some effect on awareness of the benefits, among Kuwaiti labour. As we have seen earlier, the older generation tends to be less aware of them, and this might be due to the lower level of education they have received. The prior assumption made here is that the younger generation may have a better opportunity, as they are more educated, to claim their benefits under the new scheme, than the older people (mostly illiterate) are able to do.

Table 7.13

Level of education and awareness of the system

Type of benefits	level of education							
	less than intermediate education %		secondary education %		university graduates %		post-graduate qualification %	
	Yes	No	Yes	No	Yes	No	Yes	No
amount of old age and disability pension	31.5	68.5	66.6	33.3	79.2	20.8	83.4	16.6
method of calculating amount of pension	19.	71.0*	50	46.6*	54	46	66.6	33.6
sickness and injury benefits	31.5	68.5	53	47	67	39	33.3	66.6
commutation benefits	19.1	80.9	26.6	73.4	46	54	34	67

* shortfall in percentages due to no responses.

Education appears to have more influence on the degree of awareness the employee may acquire where those with a college education or more, show more awareness than those with less education, or no education at all.

7.5.3. Sector of employment

Prior to 1976, retirement benefits were provided only for Kuwaiti public employees. Others did not enjoy this right, although they were covered against the risks of disability, industrial injury, and sickness, under the labour laws in force in each sector. The prior assumption made here is that people in the government sector would be more aware of the new system, as they would already be familiar with the pensions as well as with other types of benefit provided for them before the introduction of the Social Insurance Act.

Contrary to the prior assumption mentioned above, the information provided by Kuwaiti labour in the sample showed that people sampled in the government sector tend to be less aware of the system than those in the other three sectors. This might be explained again by the low level of education of government employees in general, which would, according to the findings presented in Table 7.13 above, make them probably less aware of the system than the employees of the oil, joint and private sectors would be, as the latter have a higher level of education, and as such they are more able to understand the information provided by the Public Institution of Social Security.

Table 7.14

Sector of employment, and awareness of the system

Types of benefit/ sector of employment	government sector %		private sector %		oil sector %		joint sector %	
	Yes	No	Yes	No	Yes	No	Yes	No
amount of old age or disability pension	41.7	58.3	63.6	36.4	75	25	85.7	14.3
method of calculating the amount of a pension	24	65.6*	45.5	54.5	75	25	75	25
sickness and injury benefits	39.2	60.8	50	50	58.3	41.7	50	42.8*
commutation benefits	18.75	81.25	36.36	63.64	50	50	53.8	46.2

*shortfall in percentages due to non responses.

7.5.4. Kuwaiti officials' and executives' awareness of the scheme

It was important at this stage to assess the awareness of the scheme amongst the 24 Kuwaitis in the sample, occupying managerial and executive positions in organisations in the different sectors of employment. Their awareness of the scheme is not only important for its own sake, but essential, since they form the link between management and the Kuwaiti staff. The group were asked the same questions, and their responses were:-

Table 7.15

Executives' awareness of the system

types of benefit	Yes		No		Total
	N	%	N	%	
amount of old age and disability pension	22	91.6	2	8.4	24
method of calculating the amount of a pension	18	75	6	25	24
sickness and injury benefits	12	50	12	50	24
commutation benefits	14	58.3	10	41.7	24

Although a significant proportion of Kuwaitis in this group were not fully conversant with the different benefits available (especially sickness, injury and commutation benefits) they were in general more aware of the scheme than are the other Kuwaitis in the sample. They have acquired a higher level of education, which ought to give them the ability to benefit more from the informational programmes

provided by the institution, and they certainly occupy higher managerial positions which require them to be more familiar with policies, law and regulations affecting themselves and their staff.

But there can be no doubt that they ought to be more aware of all the benefits, as their jobs often cause them to be the only people to inform other employees of their rights. 19 of this group think that the scheme will provide adequate protection in general for Kuwaiti citizens, while the other five had not yet formed a definite judgement.

7.6. General judgements on the new system

Although the previous discussion shows a low level of awareness of the individual benefits provided by the system, the majority of Kuwaiti employees in the sample stated as an overall judgement that the scheme would provide them with all necessary protection for the future.

Table 7.16

General judgement of the system's adequacy

Is the scheme adequate for providing future income for the worker and his family?	N	%
Yes	92	69.2
No	5	3.8
Unable to judge	35	26.3
No response	1	0.7
Total	133	100

The majority also stated that they were not aware of any defects in the scheme and that it was quite adequate and effective in providing the benefits stated. When they were asked to specify perceived inadequacies in the Act according to different benefit, the following responses were received:

Table 7.17

Judgement of areas of defects in the scheme

<u>Areas of defects in the scheme</u>	<u>N</u>	<u>%</u>
Old age benefits	5	3.8
Disability and death benefits	5	3.8
Industrial injuries benefits	8	6.0
Sickness benefits	6	4.5
More than one kind of defect	7	5.3
No defect	74	55.6
No response	28	21
Total	133	100

7.7. Conclusion

The social insurance system will certainly provide more security for Kuwaitis in all sectors*, which may have a notably favourable psychological effect and may motivate Kuwaitis to seek employment in any of the four sectors without fear of future risks which otherwise might have decreased or terminated family income. It is not possible to measure reliably the mobility of Kuwaitis from the government to other sectors in the short period of application of

* with the exceptions mentioned in 4.3.3.

the Act or by a simple questionnaire approach alone. But the responses in the sample do give some suggestion that there might be increasing interest among government employees to move to other sectors.

From the national standpoint, it is desirable that the younger and better educated employee be persuaded to move from the government to the private and oil sectors. It is less important for the older employee, since because of age and low qualifications, he can hardly be expected to be efficiently employed in other sectors.

Although Kuwaitis know about the scheme's comprehensiveness and adequacy in general, the majority is not yet aware of the range of benefits provided. This is caused mainly by the inadequate efforts of the Public Social Security Institution in promoting understanding of the scheme to the public on its inception. This includes explaining in detail the benefits provided and the methods of claiming them. Since its establishment, the Public Institution has put several programmes through the media; but these programmes have tended to be too general in scope and directed too narrowly at the educated minority. So the majority has not yet perceived the full benefits of the scheme, although this knowledge may well be essential, especially in regard to the rights that have to be made within a specified time period. such as adding notional periods to pension benefits. In general, those young employees within the range of age groups from 25 to 34, those more highly educated, especially with college education or more, those employed outside the government, and those

in more professional posts, are more aware of the system. But the older and less educated respondents were shown to be less well informed about the benefits. These latter groups ought to be more aware because of their nearness to retirement age, so that they will be able to claim benefits at the right time and in the right manner.

Chapter 8

Non-Kuwaitis, their Current Employment, Prospective Stability, and Future Security in Kuwait

This chapter is mainly concerned with the issues relating to the majority of the labour force - non-Kuwaitis - who form the cornerstone of Kuwait's economic development. With their relative expertise and energy, much in demand in the Gulf region, they have contributed and are still contributing significantly to building the economic infrastructure of Kuwait. In spite of their important role in the country, they have always been regarded by the state as a class of employees without claims or expectations of equality with the citizenry. By the terms of the laws and regulations, permission for a non-Kuwaiti to live in Kuwait is dependent entirely on his being employed, or on being a dependant of an employed person with sufficient income to support him. In the employment market many differences exist between expatriates and Kuwaitis regarding employment opportunities, promotion, and remuneration,¹ and lately, rights under the social insurance system.

The national goal of creating an elite of qualified Kuwaitis able to hold leading positions in any of the economic sectors, has been responsible on some occasions, for the replacement of an expatriate by a qualified Kuwaiti, and even on occasion for giving a Kuwaiti the post, despite the advantage that would be gained by

¹ A new attitude towards foreign labour has been displayed in the Civil Service Act no. 15 of 1979, which provides an equal basis for pay policy in the public sector for both Kuwaitis and non-Kuwaitis, although the Act has not yet been fully implemented.

giving it to a more qualified and experienced expatriate, several of whom were available. This policy has caused great concern among non-Kuwaitis about their future in Kuwait. Recent studies have indicated that there was no justification for such concern:

"There is little evidence to indicate that non-Kuwaitis are being replaced on a significant scale, if at all. The steady expansion of the economy and labour force of Kuwait ensures that a non-Kuwaiti, who presumably came to Kuwait in the first place because he had some sort of work capability and found a job, can find another job in the country if he loses his first one." ²

Although only apparently insignificant numbers of replacements have taken place, as stated in the quotation above, the few instances which have occurred, or merely the adoption of such a policy in principle, might have a significant effect on the rest of the work force, who thus become unsure when they might be replaced or where they might be transferred to. Another point which the quotation attempts to underline is the presumed psychological effect on the person forced to seek another job for reasons beyond his control. In practice he may not be willing to change his job, and may regard his only choice to be to leave the country.

This policy, along with other discriminatory treatment of non-Kuwaitis, has contributed to the creation of a feeling of insecurity. There is no doubt that this perceived, or real, insecurity may adversely effect the non-Kuwaiti's prospective contribution to the Kuwaiti economy in the future. The more likely effect of such a situation might be on their desire to settle in Kuwait, and on their

²Stanford Research Institute, op. cit. p. V-10.

propensity to seek alternative employment in other countries when and where this is possible. The more serious effects are on the long term national objectives of developing manpower for the purpose of industrialisation and diversification of the sources of national income. The most definite effect is on the overall economic cost, which may well increase because of the loss of trained personnel before having made their full potential contribution to the economy, and the cost of training new entrants into Kuwait to replace those who had left (see Chapter 10.3.).

8.1. Assessing the non-Kuwaitis' perceptions of insecurity

To assess the degree of insecurity among the non-Kuwaiti employees is a difficult task. But it was thought desirable to at least gauge some measures of perceived insecurity. One of the questions used in the survey to assess this was:

"Do you feel at the present time that there is some risk of losing your current job?"

Table 8.1.

Non-Kuwaitis and perceived insecurity *

	N	%
Generally feel secure in job	169	77.5
Generally do not feel secure in job	45	20.6
Do not know	4	1.9
Total	218	100

* All tables in this chapter are derived from the survey, except where stated otherwise. Although the majority indicated that they felt secure, those not feeling

so, form a significant percentage (over 20%). Such responses, however, need to be examined with care. The percentage expressing job insecurity may well represent only part of the real figure; some of the non-Kuwaiti respondents may not have liked to disclose their real feelings, as they feared that their responses might jeopardise their current employment. An interesting exercise is to compare responses by Kuwaiti workers to the same question. This is given in Table 8.2.

Table 8.2.

Kuwaitis and Perceived Job Insecurity

	N	%
Generally feel secure in job	116	87.2
Generally do not feel secure in job	17	12.8
Total	133	100

There was a lower percentage of Kuwaitis indicating that they felt insecure. Indeed this difference between Kuwaitis and non-Kuwaitis is statistically significant at the 5% confidence level.³ The fact that Kuwaitis feel insecure at all is surprising; it may arise from the deep-rooted fear of oil-depletion in the distant future.

- ³ H_0 : There is no difference between Kuwaitis and non-Kuwaitis regarding the perceived insecurity feelings in their jobs.
- H_1 : Non-Kuwaitis tend to develop more perceived insecurity feelings about their jobs.

Applying the χ^2 distribution to test the above hypothesis (H_0) we obtain a value of 4.669. The .05 significant level for the χ^2 distribution with 1 df (degree of freedom) is 3.84146.

Clearly the computed value is in excess of the .05 level of significance and we would be inclined to reject H_0 and accept H_1 .

In the short run Kuwaitis may also feel insecure because of their heavy dependence on better-qualified foreign labour, which puts Kuwaitis in a weak competitive position in the labour market, and this no doubt enhances their feelings of insecurity.

A. Perceived insecurity and sector of employment

Table 8.3 shows in general, that employees in the government sector (both Kuwaitis and non-Kuwaitis) feel less secure than those working in the other sectors. Although Kuwaitis have an unlimited right to be employed in the government sector, and they are not subject to redundancy or to any other type of dismissal (unless they commit a criminal offence or otherwise break the law), those in this sector still tend to feel less secure than those in the other sectors. One can only hypothesise on the reason for this. A likely explanation is because of their generally lower qualifications:

- i. This makes them less competitive compared with non-Kuwaitis in this sector; and which
- ii. It also makes them more vulnerable to replacement if and when more educated and qualified Kuwaitis enter the workforce. Their colleagues in the private, oil, and joint sectors are usually more educated and possess managerial skills, which make them more in demand and make them feel more secure.

Table 8.3.

Perceived Insecurity by Sectors of Employment

sector of employment	government: %		private: %		oil : %		joint : %	
	Ks*	non-Ks*	Ks	non-Ks	Ks	non-Ks	Ks	non-Ks
Generally feel secure in job	82.1	78.2	90.9	79.2	100.0	91.7	100.0	87.8
Generally do not feel secure in job	16.8	21.8	9.1	20.8	0	8.3	0	12.2
Do not know	1.1	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100

*Ks = Kuwaitis; non-Ks = non-Kuwaitis.

Non-Kuwaitis:-

- i. Although the government sector might be the most secure place for non-Kuwaitis in terms of statutory labour regulations, the employees in the sector showed greater perceived insecurity than did their colleagues in the other sectors. The implied adoption of a Kuwaitization policy, and the greater opportunities for promotion offered to Kuwaitis than to non-Kuwaitis in this sector may outweigh all other factors.
- ii. Those working in the private sector showed a greater degree of insecurity probably because of the absence of any legal requirements preserving their rights.
- iii. In the oil and joint sectors also, a certain degree of insecurity was indicated among non-Kuwaitis, but it tends to be less than among the employees in the other sectors, as a certain amount of legal protection is provided, and performance and experience are criteria more widely used in engaging and promoting staff.

Generally, non-Kuwaitis in the four main sectors of the economy feel less employment security than the Kuwaitis.

B. Perceived Job Insecurity among Non-Kuwaiti Professional Personnel

Non-skilled and semi-skilled non-Kuwaiti labour could always be replaced easily; so for this reason they may feel considerable insecurity in their job. Those with professional skills, on the other hand, are not easily replaced; hence one might conjecture

that they should feel relatively more secure. To test this, the responses of the 38 non-professionals were considered separately. Within this group, 21% expressed a feeling of insecurity in their present jobs (see Table 8.4.). Subsequent questioning revealed that these feelings were based primarily on the fact that Kuwaitis are more interested in occupying the key professional and management positions in the different sectors. Lower grade jobs could be done by any nationality: Kuwaitis are generally not interested in the blue-collar or lower-paid jobs.

Hence non-Kuwaiti professionals tend to be more concerned about their future jobs than was expected. Indeed there is no statistically significant difference between these two broad socio-economic groups of non-Kuwaitis on this question.

Table 8.4.

<u>Non-Kuwaiti Professionals, and Perceived Insecurity</u>		
	N	%
Generally feel secure in job	29	76.3
Generally do not feel secure in job	8	21.1
Do not know	1	2.6
Total	38	100

The perceived insecurity on non-Kuwaitis may have several direct effects:

- i. On their general performance in the jobs.
- (iii)
- ii. On their job stability, /and on their willingness to reside in Kuwait in the long term.

8.1.1. General attitude towards the job

An attempt was also made to assess the relative degree of contentment between Kuwaitis and non-Kuwaitis in their present jobs. This provides a general indication of job satisfaction which in turn will throw additional light on the relative perceptions of job security between the two groups. Both groups were asked to state their degree of contentment with the current jobs.

Table 8.5.

General Attitude Towards the Job

attitude towards the job	Kuwaitis		Non-Kuwaitis	
	N	%	N	%
very content	52	38.4	44	20.4
content	64	48.9	139	64.7
not content	17	12.8	32	14.9
total	133	100.1	215	100

Kuwaitis seem to have a higher degree of contentment with their jobs than non-Kuwaitis. This is borne out by the χ^2 tests on the data.

Degrees of contentment might vary by age (Table 8.6.)

H_0 : General attitude toward the job is similar among Kuwaiti and non-Kuwaiti labour.

H_1 : Kuwaitis in general have a more favourable attitude and more job satisfaction than non-Kuwaitis.

The computed $\chi^2 = 15.126$. χ^2 value from the Tables, with 3 df at .05 level of significance is 7.814. H_0 will be rejected and we will accept H_1 .

Table 8.6.

<u>General Attitude Towards the Job, and Age-Groups of Kuwaitis and Non-Kuwaitis</u>								
attitude towards the job	under 25 %		25 to 34 %		35 to 44 %		over 44 %	
	Ks*	non-Ks*	Ks*	non-Ks*	Ks*	non-Ks*	Ks*	non-Ks*
very content	40.0	16.7	22.4	15.3	35.9	18.5	39.5	29.5
content	45.0	66.7	61.2	61.0	51.3	72.3	46.0	61.4
not content	12.5	16.6	12.2	22.0	7.7	9.2	14.5	4.5
totals	97.5+	100.0	95.8+	98.3+	94.9+	100.0	100.0	95.4+

*Ks = Kuwaitis. non-Ks = non-Kuwaitis.

+ shortfalls in percentages due to non-responses.

Again, in all age-groups, non-Kuwaitis seem to be less
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content than Kuwaitis are. In general, older non-Kuwaitis tend to be more content than younger ones. Age in this case appears to have an effect on non-Kuwaiti contentment with the job. The older man has probably had more time to adapt himself and to develop more favourable feelings towards his job.

This variation by age is not evident to the same degree among the Kuwaiti work-force. This may be due to the wider opportunities open to the younger Kuwaiti generation when choosing their jobs and their better education.

In general, the largest number in both groups made the middle choice, with smaller percentages at the extremes in every case. The survey findings do show Kuwaitis have more favourable attitudes towards their jobs than non-Kuwaitis, which might reflect a greater perceived degree of job security. Such inferences must, of course, remain tentative.

8.1.2. The stability of non-Kuwaitis in their jobs

One popular argument often advanced in Kuwait is that non-Kuwaitis tend to be less stable in their jobs than the Kuwaitis, occupying several jobs during their residence in Kuwait in order to maximise their short-term financial gains. This argument might be based on the observed absolute number of jobs which non-Kuwaitis occupy during their residence. This argument ignores the fact

⁵Number of Kuwaitis in the age groups are 40, 38, 21, 34 persons respectively. Number of non-Kuwaitis are 12, 70, 83, 53 persons respectively.

that the non-Kuwaiti is usually appointed according to a contract specifying a limited period of two to four years, which, though renewable, may be terminated if either or both parties does not wish to extend it. Upon the contract's termination, or even before in some cases, the non-Kuwaiti may find himself forced to look for another job if he has decided to stay in the country. The Kuwaiti is protected by law against any dismissal from a government job; and the dismissal by the private employer for redundancy is also limited in the case of Kuwaiti labour. In general, the non-Kuwaiti tends to be more subject to constraints forcing him to occupy several jobs than the Kuwaiti is.

A. To test this job instability hypothesis, both groups were asked the following multiple-choice questions:-

1. How many jobs have you been employed in since entering the Kuwaiti labour market? (a) one job (b) two jobs (c) three or more?
2. When did you start working for your present employer?
(a) less than one year ago (b) between one and three years ago (c) between three and six years ago (d) over six years ago?

Table 8.7.

Number of Jobs Occupied by Kuwaitis and Non-Kuwaitis In the Sample Since Their Entry Into The Kuwaiti Labour Market

number of jobs occupied	Kuwaitis		Non-Kuwaitis	
	N	%	N	%
one	81	65.3	122	57.1
two	31	25.0	72	32.7
three or more	12	9.7	21	10.2
total	124	100	205	100

While Kuwaitis have held relatively fewer jobs than non-Kuwaitis, the disparity is not significantly different at the 5% level.⁶ The picture may become clearer if we analyse the information given above, according to the age groups of the respondents.

⁶H₀: Kuwaitis and non-Kuwaitis tend to have similar stability patterns in the job. They both tend to occupy a similar number of jobs since their entrance to the Kuwaiti labour market.

H₁: Non-Kuwaitis tend to occupy more jobs than Kuwaitis and in this respect, they might be classified as less stable in their jobs.

The computed $\chi^2 = 2.832$. The χ^2 value at .05 significance level with 2 df is 5.99147. The H₀ will be accepted.

Table 8.8

Number of Jobs Occupied by Kuwaitis and Non-Kuwaitis, And Their Age-Groups

age groups number of jobs occupied	under 25: %		25 to 34: %		35 to 44: %		over 44: %	
	Ks	non-Ks	Ks	non-Ks	Ks	non-Ks	Ks	non-Ks
one	90.0	75.0	55.1	61.0	46.2	40.2	60.5	65.9
two	7.5	16.7	30.6	30.0	41.0	42.1	32.5	25.0
three	2.5	8.3	8.2	9.0	12.8	17.7	7.0	9.1
total	100	100	93.9*	100	100	100	100	100

* shortfall in percentages due to non-responses.

It can be shown that age is a significant factor for both Kuwaitis and non-Kuwaitis - explaining the variation in the number of jobs.⁷ This is what one might suppose a priori. Non-Kuwaitis within the age group 35 to 44 tend to have occupied more jobs than non-Kuwaitis in other age-groups. Ninety per cent of young Kuwaitis (under 25) have so far occupied only one job,⁸ compared with seventy five per cent for non-Kuwaitis of the same age-group.⁹ This represents the largest difference between the Kuwaitis and non-Kuwaitis as classified by age. The reason for this is likely to arise from the fact that relatively more Kuwaitis go into higher education than non-Kuwaitis and hence enter the work-force at a later date. For the oldest age-group (44 years and over) non-Kuwaitis tend to have occupied less jobs than Kuwaitis. In fact, if one ignores the under 25 year old age category, the difference between the two groups decreases noticeably.

H_0 : Age has no relationship with the number of jobs occupied for Kuwaitis and non-Kuwaitis in general.

H_1 : For both Kuwaitis and non-Kuwaitis age has a significant effect on the number of jobs occupied. Where the latter tend to increase with the advance in age (more for age groups 35 to 44).

The computed $\chi^2 = 23.70457$. χ^2 value with 6 df at .05 level of sign is 12.5916. H_0 will be rejected.

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see footnote 5 for numbers in each age group. The percentages may provide a general indication only, where some groups are very small, and it may not show reliable indication.

Responses to Question 2 (see p. 258) can also be used as another indicator of the degree of non-Kuwaiti/Kuwaiti job stability.

Table 8.9.

Number of Years in the Present Job

number of years in the present job	Ks		Non-Ks		Total	
	N	%	N	%	N	%
Less than 1 year	26	19.5	21	9.8	47	13.5
1-3 years	17	12.9	38	17.8	55	16.1
3-6 years	20	15.0	51	23.8	71	20.4
More than 6 years	70	52.6	104	48.6	174	50.0
Total	133	100	214	100	348	100

Almost a majority of non-Kuwaitis, as well as a majority of Kuwaitis have held their present jobs for more than six years. The median number of years that non-Kuwaitis have been in their current jobs is just under six years, if one assumes that the responses in the 3-6 year category are evenly distributed across the category; and the median for Kuwaitis as little over six years on the same assumption. It is clear that the two groups exhibit a fair degree of stability.

The employee's age is likely to have some effect on the number of years in the present job. The application of a χ^2 test to the data in Table 8.10 for Kuwaitis and non-Kuwaitis supports

this hypothesis.

Table 8.10.

Employees' Age, and Number of Years in his Present Job

No. of years in the present job	under 25: %		25-34: %		35-44 %		over 44: %	
	Ks	Non-Ks	Ks	Non-Ks	Ks	Non-Ks	Ks	Non-Ks
less than 1	40	8.3	20.4	15.6	7.7	7.7	2.3	9.1
1 to 3*	27.5	75.1	20.4	25.4	0.0	10.8	4.7	2.3
4 to 6	27.5	8.3	20.4	35.6	12.8	24.6	7.0	13.6
more than 6	5.0	8.3	38.8	23.4	74.5	56.9	86.0	75.0
Total	100	100	100	100	100	100	100	100

* years or parts of a year.

The majority of young Kuwaitis (under 25) have been employed for less than one year, having recently entered the labour market; while the majority of non-Kuwaitis in the same age group have occupied the job for one to three years. In the second age group, Kuwaitis and non-Kuwaitis are spread more evenly between the different numbers of years in the present job. In the older age

H_0 : Age has no effect on the number of years in the present job.

H_1 : Generally, the younger generation within the first and second groups of age tend to have less than 6 years in their jobs, where the older generation are more likely to hold the job for more than 6 years.

Computed $\chi^2 = 110.4313$.

χ^2 value is 16.9190 with 9 df at .05 SIGN level.
 H_0 will be rejected.

groups, the majority of both Kuwaitis and non-Kuwaitis have occupied their jobs for more than six years, although Kuwaitis slightly exceed their non-Kuwaiti colleagues in the number of years in their present jobs.

B. For non-Kuwaitis it is clearly important to view the number of jobs they have occupied in the light of their period of residence in Kuwait in determining their job stability.¹¹

Table 8.11 shows that in category 1, a large majority of about 72% is in column D having held only 1 job, and a slightly smaller majority of 66% is in column H. In category 2, 70% is in column D and 70% is in, this time, column J. (The majority of employees in these two categories is on short contracts of one to three years duration). In category 3 it is still a majority at 63% in column D but a majority at 51%, this time, in column K having occupied their present job for more than 6 years).

¹¹ H_0 : For non-Kuwaitis, total period of residence in the country has no relationship with the number of jobs they occupied.

H_1 : Non-Kuwaitis with longer periods of residence in Kuwait, are more likely to occupy more than one job during their residency.

Computed $\chi^2 = 15.27262$. Obtained $\chi^2 = 12.5916$ (with 6 df at .05 SIGN level. H_0 will be rejected.

Table 8. 11.

Non-Kuwaitis in Kuwait, Their Period of Residence, Number of Jobs They Have Occupied and Number of Years in Their Present Job

Category Number	Number of Respondents	Period of Residence	Number of jobs occupied			<u>Number of years in present job</u>			
			1 job	2 jobs	3 jobs	Less than 1 year	1-3 years	3-6 years	More than 6 years
A	B	C	D	E	F	G	H	J	K
1	32*	less than 4 years	23(71.8)	6(18.7)	1(3.1)	8(25)	21(65.6)	3(9.4)	N.A.
2	33*	4-7 years	23(69.7)	9(27.3)	1(3.0)	1(3.0)	5(15.2)	23(69.7)	3(9.1)
3	41*	8-11 years	26(63.4)	7(17.1)	7(17.1)	4(9.8)	3(7.3)	11(26.8)	21(51.2)
4	112*	more than 11 years	50(44.6)	50(44.6)	12(10.7)	8(7.1)	9(8.0)	14(12.5)	80(71.4)

*shortfalls in percentages due to non-response.

It seems likely that the shift in the number of years that a majority in each category has held its present jobs, corresponds with the increase in the number of years of residence.¹² The decrease in the percentage of those who have held only one job is continued until it becomes a minority in category 4. But many contracts are for four years, so people in category 1 are less likely to be able to change jobs than those resident for more than four years. Nevertheless, even those in category 4 show a stronger preference, at 71.4% for remaining in the present job for more than six years, than those in category 3.

C. Also the picture might be more clear if we focused on Kuwaiti employees and the number of jobs they have occupied and the number of years they have held their present jobs.

Table 8.12.

Kuwaitis. Number of Jobs They Have Occupied and Number of Years in the Present Job

No. of jobs occupied	No. of years in present job								
	Less than 1 year		1-3 yrs.		3-6 yr		6 &.more yr		Total %
	N	%	N	%	N	%	N	%	N of grand total
one job	21	16.9	9	7.3	14	11.3	37	29.9	81 65.4
Two jobs	1	0.8	5	4.0	4	3.2	21	16.9	31 24.9
Three or more jobs	2	1.7	3	2.4	1	.8	6	4.8	12 9.7
Total	24	19.4	17	13.7	19	15.3	64	51.6	124 100

¹² In category 1, those in column F form a minority, so it follows that the same must apply to years in one job (J). The same applies to those in column K.

The majority of Kuwaiti respondents have held only one job and are likely to hold it for more than six years, but then they cannot be dismissed (especially those in governmental positions). It could be said that there is no clear evidence to support the argument that non-Kuwaitis are seeking only increased wages and that as a result they change their jobs more often. The difference in job stability between Kuwaitis and non-Kuwaitis found in the survey is small, as is summarised in Figure 8.1.

8.1.3. Assessing potential stability on non-Kuwaitis and their potential regional mobility

Expatriates enter the country in the hope of achieving several objectives, which must therefore be considered as factors attracting people to work in Kuwait in the first place. The high wage policy, which will probably enable the expatriate to improve his standard of living, and enable him to accumulate a proportion of his income as savings for future needs, is the first and most attractive factor for expatriates considering taking a job in the country in the first instance. Especially for other Arabs, a favourable social life, which is reflected in social freedom and in access to many social activities; expanding foreign communities have established their own cultural enclaves. Educational and free medical services for the expatriate and his dependants, and other social services, are all factors encouraging foreign labour to work in Kuwait. The reasons for choosing Kuwait were classified by non-Kuwaiti

Percentage of
Kuwaitis and non-Kuwaitis and number of
jobs occupied

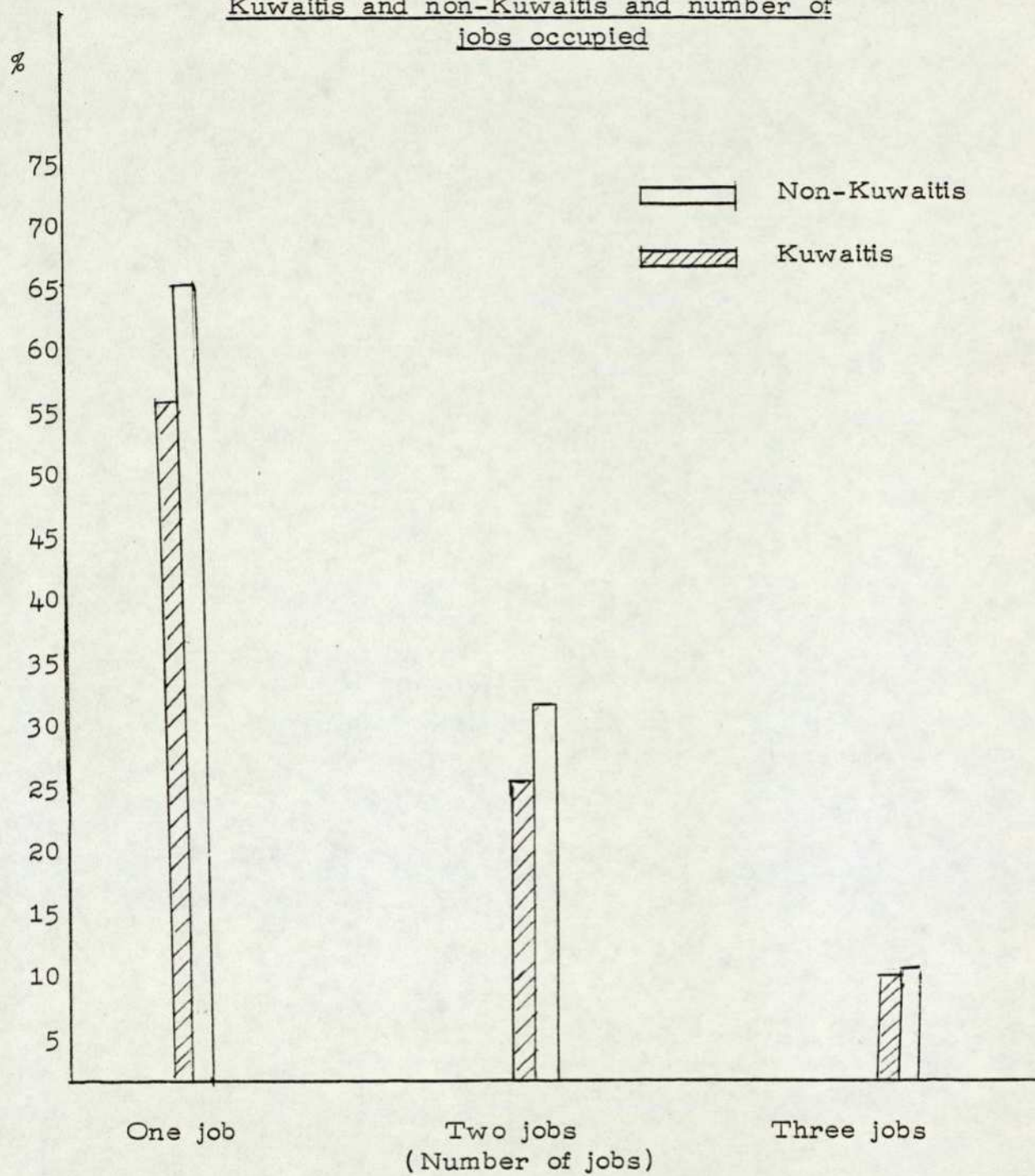


Figure 8.1

labour in the sample as follows:-

A. Reasons for choosing Kuwait as a place of work

The factors behind expatriates' choice of Kuwait as a country to work in are made clear in the following Table:-

Table 8.13

Main reasons for choosing Kuwait: all non-Kuwaitis in the sample.

Reason for choosing Kuwait	N	%
friends or relatives	50	23.0
increased earnings and savings	94	43.0
better social life	69	31.7
no response	5	2.3
totals	218	100

The highest percentages of expatriates gave increased earnings and savings as their main reason for choosing Kuwait. In many cases this is the logical reason for the foreigner to leave his country to seek better opportunities elsewhere. But 31.7% chose the better social life, indicating a possible desire to settle and become a permanent part of Kuwait society, as mentioned earlier, because Kuwait has an increasingly better social life in terms of welfare services available, and social activities in the form of social clubs, children's and families' recreational facilities, and relatively better organised foreign communities. This has been shown in the 23% who chose Kuwait for this reason.

The expatriates were asked about the objectives they felt they had achieved during their residence in Kuwait. The question put to them was:-

"What do you think you have achieved most from working in Kuwait:-

- a. a higher financial position;
- b. a better social life; or
- c. better job security?"

The number of those expatriates in the sample who stated that they had achieved what had been their chief objectives when they first came to Kuwait is shown in the following Table:-

Table 8.14

Chief objective achieved: non-Kuwaitis

Objectives achieved	N	%
improved financial position	88	40.4
better social life	51	23.4
improved security of employment	56	25.7
no response	23	10.5
total	218	100

In spite of the 10% who did not respond (for reasons unstated) the dominant response was that of the 40.4% who felt they had improved their financial position. A sizeable proportion indicated

¹³ There is no way of checking what their desires were on entering Kuwait; so the Table may only represent the present state of satisfaction.

¹⁴ Possibly they felt they had not achieved their objectives.

the attainment of a better social life and an improved security in employment. Improved job security was given in one out of four responses.

B. Preferred periods of residence and potential stability in Kuwait

A situation of stability may be conceived, in which the expatriate might spend the remainder of his life - or at least the remainder of his productive life - in the country, and raising a family who would come to regard Kuwait as their home. But too many restrictions have been placed on foreigners to make this likely. Permission to settle only operates during the validity of a work permit or up to the expiration of a contract, after which the foreigner must leave the country. The law of permanent residence has not yet been introduced despite the country's need for skilled labour. In other words the government has not yet enunciated a clear population policy for the future, and therefore the old policy of restrictions on permanent settlement still applies.

But under the regulations current on expatriates' residence, many expatriates have been in the country for long periods, sometimes exceeding 30 years. Many others are also willing to settle in Kuwait for similar periods of time. The fact that the expatriates may not continue to reside in the country if they are not working or dependant on a working member of the family, probably motivates many who would really prefer to settle in Kuwait to return to their home countries, or to emigrate to another country

where they will be allowed to retire after working a reasonable period of time. This deprives Kuwait of their contributions to the economy for the remainder of their working lives.

The object at this stage is to assess the potential stability of foreign labour, under the current regulations, and to see if they would prefer to settle in Kuwait for long periods or just for a short time. The assumption made here is that the expatriates with relatively longer periods of residence in Kuwait are more likely to wish to settle for longer periods in the future. For this purpose, non-Kuwaitis in the sample were asked how long they thought they would stay in Kuwait from the present time:

- a. less than four years;
- b. four to eight years;
- c. nine to twelve years;
- d. thirteen to sixteen years; or
- e. more than sixteen years.

The responses appear in Table 8.15.

Table 8.15

Preferred periods of residence in Kuwait: non-Kuwaitis

	less than 4 yrs.	4-8 yrs.	9-12 yrs.	13-16 yrs.	16 yrs or more
N	3	29	34	19	132
%	1.4	13.3	15.7	8.8	60.8

The numbers indicate that the majority prefer to stay in Kuwait for the longest period asked (16 years or more); the number

preferring the shortest period was very small. While some bias is bound to exist, these findings would seem to support the view that many non-Kuwaitis would like to remain in Kuwait to work in the long term.

- (i) Relating the preferred period of stay to the actual period of residence.

In Table 8.16 it may be observed that the longer an expatriate has been in Kuwait, the longer he wishes to remain. But it should again be noted that some of those who have been in Kuwait less than four years are on contracts of up to four years. These expatriates feel less attached to Kuwait than those resident longer in the country, and they are aware of their limited rights of residence. The most they are likely to aim for is a short-term contract following the existing one.

Other employees are likely to want to stay longer, and those who have already been in Kuwait for eight years or more are most likely to want to remain for more than 12 years (see Figure 8.2).

In most countries, especially those requiring foreign labour such as Sweden or the U.S.A., a minimum of five years residence is required before an expatriate becomes eligible for citizenship rights. And since the need for foreign labour is greater in Kuwait than in the above mentioned countries it would seem desirable to have a similar qualifying time period at least to preserve our recently acquired foreign labour resources and to attract additional

Table 8.16

Preferred and Actual Periods of Residence of Non-Kuwaitis

Actual period of residence	preferred period of residence									
	less than 4 years		4-8 years		9-12 years		13-16 years		over 16 years	
	N	%	N	%	N	%	N	%	N	%
Less than 4 yrs. (32 respondents)	3	9.4	18	56.2	5	15.6	1	3.1	5	15.6
4-7 years (33 respondents)	NA	NA	9	27.3	18	54.5	0	0	6	18.2
8-11 years (41 respondents)	NA	NA	NA	NA	13	31.7	8	19.5	20	48.8
12 and more years (112 respondents)	NA	NA	NA	NA	NA	NA	10	8.9	102	91.1

Foreign Labour: Actual and Estimated Periods
of Residence in Kuwait

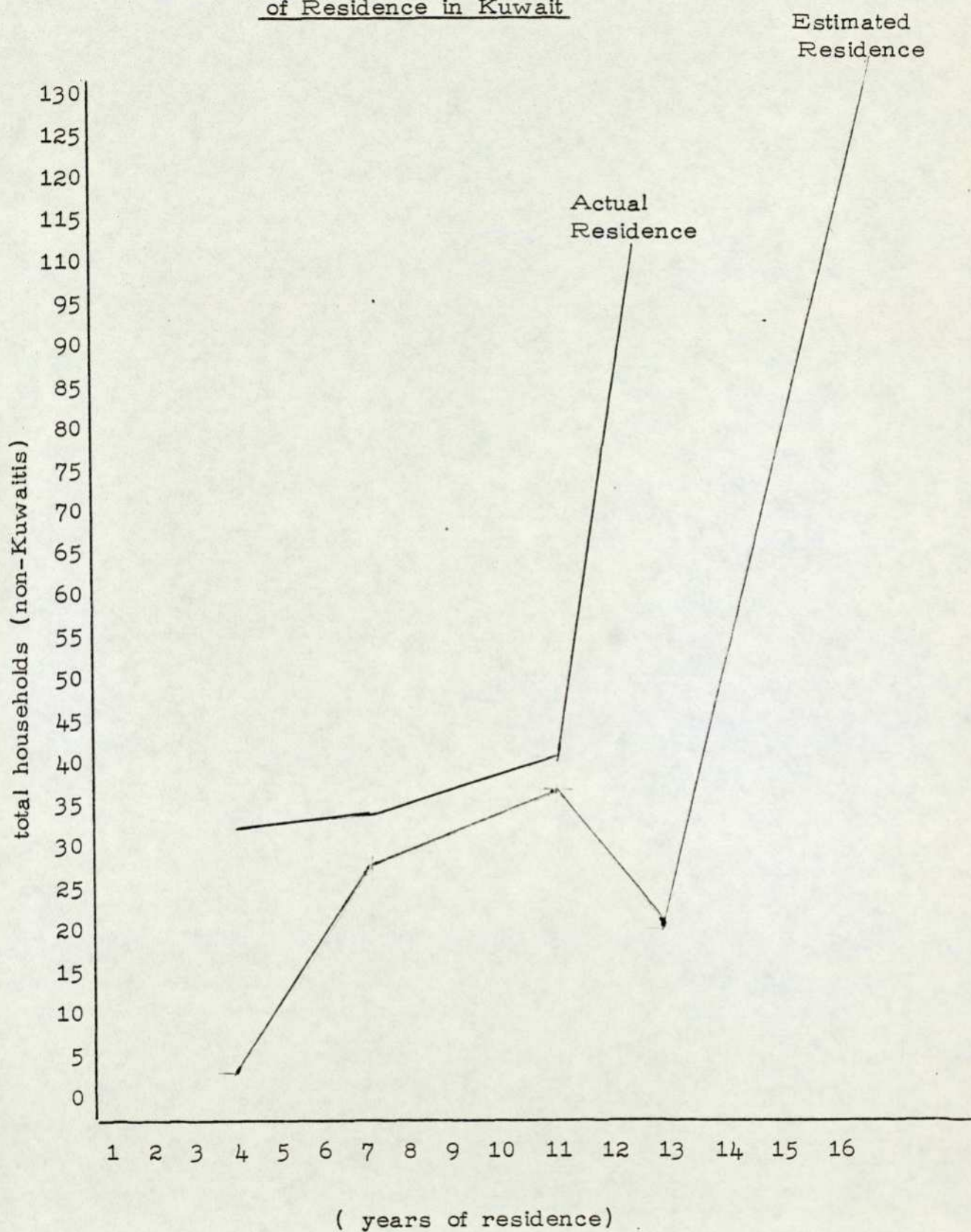


Figure 8.2.

numbers as needed.

(ii) Marital status and potential stability of non-Kuwaitis

The expatriate's decision to settle in Kuwait for a relatively long period or for the rest of his working life will also result from a variety of circumstances. The married worker may feel more attached to the place of work, and he will be a more probable settler than a single person would be. Again the married worker with a family in Kuwait is the one most likely to be a settler.

Table 8.17

Preferred Periods of Residence, and Marital Status

preferred period of residence	marital status		married		single	
	N	%	N	%	N	%
less than 4 years	5	2.5	1	6.3		
4 to 8 years	22	11.0	6	37.4		
9 to 12 years	33	16.5	1	6.3		
13 to 16 years	16	8.0	1	6.3		
more than 16 years	124	62.0	7	43.7		
total	200	100	16	100		

¹⁵ For the purpose of applying χ^2 , preferred periods of residence have been reclassified as up to 8 years, 9-16 years, 13 to 16 years.

H_0 : The expatriates' social status (single or married) has no effect on his desire to settle in Kuwait for longer periods.

H_1 : Married expatriates are more likely to settle in the country for longer periods than the single expatriate.

The computed $\chi^2 = 10.329$. χ^2 distribution at .05 SIGN level with 2 df is 5.99, so H_0 will be rejected.

¹⁶ H_0 : The location of expatriate's dependants in Kuwait or abroad has no effect on the expatriate's desire to settle in Kuwait.

H_1 : Expatriates with family in Kuwait are more likely to settle in the country for long periods than those with their families abroad.

The computed $\chi^2 = 3.96232$. χ^2 value (4 df at .05 SIGN level) is 9.487, so H_0 will be accepted.

The Table shows clearly that married non-Kuwaitis are more interested in settling in Kuwait for longer periods, exceeding 16 years, whereas the single are as likely to settle for four to eight years, or one to two contract terms, as for a longer period.

- (iii) Number of dependants inside or outside Kuwait and potential stability.

The other interesting point is whether those married expatriates with dependants outside Kuwait are more likely to emigrate. (142 workers in the sample support dependants outside Kuwait.

Single people may also have dependants inside or outside Kuwait, but as this group is so small, and as those supporting dependants are only part of this small group, they will not be dealt with any further here.

Although the assumption made here was that these people were less likely to reside in Kuwait for long periods, their responses given in Table 8.18 show the opposite. The large majority of 65.5% is willing to settle in Kuwait for the longest (over 16 years) period. Again, this may be explained by the desire to gain more financial benefits. Here it should be noticed also that the expatriate's nuclear family of wife and children (or some of them) may be with him in Kuwait, yet he also supports members of his extended family abroad, e.g. parents, sons, sisters, and brothers.

Although foreign people with dependants outside Kuwait, show a preference for settling and working in Kuwait for long periods, it might be thought that expatriates with their families in Kuwait would be more likely to settle for longer periods.

Table 8.18

Married Non-Kuwaitis with Dependants Outside Kuwait; and Their Preferred Period of Residence

family status \ preferred periods	less than 4 years		4 to 8 years		9 to 12 years		13 to 16 years		more than 16 years	
	N	%	N	%	N	%	N	%	N	%
less than 4 dependants	5	3.5	13	9.2	19	13.4	8	5.6	77	54.2
over 4 dependants		0		0		0	4	2.8	16	11.3
total	5	3.5	13	9.2	19	13.4	12	8.5	93	65.5

The respondents here (Table 8.19) show also a significant interest in settling in Kuwait for a long period (16 years or more).

There is in fact little difference between the perceived period of residence and whether the expatriate's dependants are inside or outside of Kuwait. Those expatriates with a large number of dependants (over 4) in Kuwait revealed a slightly higher preference (of about 43.3 %), to stay longer.

(iv) Age and potential stability

An expatriate's age probably plays a significant part in his desire to settle in Kuwait. As we saw earlier, single people, usually in the youngest age-group, are less disposed to stating that they wish to settle in Kuwait for long periods of time than married people, or expatriates with dependants (usually in the older age-groups). The older expatriates closer to retirement age might also be less likely to settle than the middle two age-groups (Table 2.20).

41.7% of non-Kuwaitis younger than 25 said they wished to settle for a maximum period of four to eight years (usually two or three contractual terms), and only about half of this group wishes to settle for longer than that (50% of this group is single). This willingness to settle increases in the other age-groups, reaching a maximum of 73.8% in the 35 to 44 years group, and then dropping slightly for the older 44 years and older group. In the 25 to 34 age group less than 50% stated that they desired to settle for more than 16 years, but a sizeable percentage, 27.1%, wished to settle

Table 8.19

Married Non-Kuwaitis with Dependants Inside Kuwait, and Their Preferred Period of Residence

family status \ preferred periods	Less than 4 years		4-8 years		9-12 years		13-16 years		more than 16 years		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
Less than 4 dependants	4	2.0	16	8.0	22	10.9	7	3.5	40	19.9	89	44.3
4 to 8 dependants	1	.5	6	3.0	8	4.0	9	4.5	74	36.8	98	48.8
more than 8	-	-	-	-	-	-	1	.5	13	6.5	14	7.0
total	5	2.5	22	10.9	30	14.9	17	8.5	127	63.2	201	100

Table 8.20

Preferred Period of Residence and Age

age-groups preferred period of residence	less than 25 %	25 to 34 %	35 to 44 %	more than 44 %
less than 4 years	0	1.7	1.6	0
4 to 8 years	41.7	18.6	7.7	6.8
9 to 12 years	0	27.1	12.3	11.4
13 to 16 years	8.3	10.2	4.6	9.1
more than 16 years	50.0	42.4	73.8	72.7
total	100	100	100	100

between 9 to 12 years maximum.

In general, across all age groups, there are sizeable percentages indicating a willingness to settle for long periods i.e. 12 years or more

(v) Education and potential stability

Are educated expatriates more willing to settle than those with a moderate level of education, or than illiterates? As educated are much in demand in Kuwait and have more opportunities of high earnings than the others do. Or does education have no effect on the desire to settle? This might be answered by related preferred periods of residence to levels of education.

Table 8.21

Preferred Periods of Residence, and Level of Education

level of education preferred period of residence	less than intermediate %	secondary %	first degree %	higher degree %
less than 4 years	0	0	6.5	4.6
4 to 8 years	2.6	12.5	18.2	31.8
9 to 12 years	3.9	12.5	27.3	22.7
13 to 16 years	9.1	7.5	7.8	4.5
more than 16 years	84.4	67.5	40.3	36.4
total	100	100	100	100

¹⁷ H_0 : Expatriates with college and higher educational levels are more willing to settle in Kuwait for longer periods.

H_1 : The majority of expatriates are willing to settle in Kuwait for longer periods, irrespective of their level of education.

The computed $\chi^2 = 41.77$. χ^2 distribution at .05 SIGN level with 6 df is 12.591; H_0 will be rejected.

The desire to settle in Kuwait for more than 16 years tends to arise more among those with low and moderate levels of education. Less than 50% of graduates prefer to settle for such a long period. The majority of those with higher degrees stated a desire to settle for a maximum of 12 years. The high qualifications of the last two groups cause them to be in demand not only in Kuwait but also in other countries, and in their home countries, which must affect any desire they might have to settle in Kuwait; the most they would seem to prefer is up to two or three contracts on a temporary basis, and then to return to their own countries.

This also shows the importance of providing policies to encourage the highly qualified expatriates in Kuwait to settle there.

C. Regional mobility in the long run.

Although expatriates show interest in settling in Kuwait for long periods, and although they also show an increasing tendency to settle in their jobs for relatively long periods, the government planners in Kuwait cannot be complacent. There is increasing competition in the Gulf area, and in the Middle East as a whole, for skilled and semi-skilled labour, and for professionals and this has motivated other governments in the region to provide inducements to attract labour.

Iraq and Libya provide potential immigrant workers with the right not only to good salaries, further education and a free health

service, but also coverage under their national insurance systems. Saudi Arabia and the UAE offer higher wages than Kuwait with social allowances, and more favourable terms regarding work-permits.

In Kuwait, a high wage policy alone, which was the chief attraction for foreign labour in the past has lost some of its effectiveness because of similar policies in other countries. Indeed the higher rate of inflation in Kuwait has depreciated savings. As a result Kuwait has witnessed an increasing ratio of emigrants to that in other parts of the region, especially in the mid and late 1970s (as forecast in a study carried out by the Ministry of Planning in 1974. See Chapter 10).

i. Of the foreign labour represented in our sample, the majority stated that as they entered Kuwait in the first place because of the wealth generated by oil, in the mid 1940s, it may be that they will wish to depart as the oil reserves become depleted. Since that event will not take place until the distant future it is impossible to forecast the exodus of labour now; although it is useful to throw

¹⁸ Iraq has provided many rights to Arab expatriates in particular, and to other nationalities if there is an agreement with their governments. Law no. 72/1978 provides them with the freedom to purchase and sell land. Order no. 52,267/1976 includes all Arabs working in Iraq in the social security system. Order no. 375/1977 guaranteed to the Arab expatriate acquiring Iraqi nationality all his rights and periods of service up to the point of becoming an Iraqi national. Order no. 384/1977 guaranteed all retirement benefits, and provided for the addition of the period of service in the home country, for the purpose of calculating retirement benefits. Libya provided such rights long before Iraq did, by social insurance Law no. 53/1957; and again, by social security Law no. 72/1973, provided full coverage for all the gainfully employed in Libya.

light on the matter by reference to the opinions expressed by labour presently in the country.

They were asked the following question:-

"If there were to be a significant fall in oil revenues in Kuwait, would you:-

- a. stay in Kuwait; or
- b. emigrate elsewhere?"

Table 8.22

Potential Regional Mobility

	if the same occupation is available		will change to another type of work		total	
	N	%	N	%	N	%
a. stay in Kuwait	100	46.9	17	8.0	117	54.9
b. emigrate elsewhere	83	39.0	13	6.1	96	45.1
total	183	85.9	30	14.1	213	100

The majority of foreign labour expressed a desire to remain in Kuwait. The largest proportion, 46.9%, if they could follow the same type of occupation with advantages similar to those in their present occupation. Otherwise they would seek employment elsewhere.

ii. To gain some insight into regional mobility of foreign labour in the future and to obtain an indirect measure of the strength of allegiance to Kuwait of expatriates, they were asked if they would recommend Kuwait to their children as a place to work and settle in.

Table 8.23

Recommend Kuwait as a Residence
for their Children

	N	%
yes	144	66.4
no	73	33.6
total	217	100

The majority find the country desirable for their children to work in in the future, and this might suggest that the present generation of expatriates would like to settle in Kuwait, if they had the opportunity, raise their children, and in the future encourage their children to take up their work there.

8.1.4. Indirect intersector mobility for non-Kuwaitis

Although the social insurance scheme will have a direct effect on the intersector mobility of Kuwaitis, that mobility may cause the scheme to have an indirect effect on the intersector mobility of non-Kuwaitis: as Kuwaitis move into jobs in different sectors this might create full employment in some sectors, (and actually cause non-Kuwaitis to be dismissed if Kuwaitis ask for their jobs), while vacancies will be created in others. On this assumption non-Kuwaitis in the sample were asked to forecast their future mobility, as shown in the following table (8.24).

The preferred movement from the government, private and oil sectors would be towards the oil sector, which indicates an increasing interest in this sector. Its higher wage and remuneration

Table 8.24

Foreign Labour's Present and Preferred Employment Structure

A Sector of employment	B C present employment		D E preferred employment		F G increase or decrease related to employment	
	N	%	N	%	N	%
government sector	101	46.3	72	33.1	-29	-28.7
private sector	72	33.3	70	32.1	-2	-2.8
oil sector	12	5.4	50	22.9	+38	+316
joint sector	33	15.0	26	11.9	-7	-21.2
total	218	100	218	100	0	0

G is $\frac{F}{B}$ expressed as a percentage

policies are important factors in this positive shift.

If we compare the matrix of data in Table 8.25 for non-Kuwaitis with the matrix of data in Table 7.3 for Kuwaitis, the government sector seems less attractive for both groups, although it is still more attractive to Kuwaitis, of whom 67.7% would still prefer to continue working in this sector than to non-Kuwaitis (55.6%). The private sector is more attractive to Kuwaitis, of whom 91.0% prefer to continue working in this sector and 21.9% would prefer to move to it from the government sector. But only 70.8% of non-Kuwaitis would prefer to continue to work in the private sector, and 17.2% would prefer to move to it from the government sector. The oil sector seems to be more attractive to non-Kuwaitis than to Kuwaitis, and the joint sector is less attractive for both groups.

Table 8.25

Potential Inter-Sector Mobility of Foreign Labour

present sector of employment preferred sector of employment		government	private	oil	joint	total
government	%	55.6	17.2	25.2	2.0	100
private	%	18.1	70.8	11.1	0	100
oil	%	8.4	0	83.3	8.3	100
joint	%	9.2	3.0	18.2	69.7	100.1
	total	91.3	91.0	137.8	80.0	400.1

8.2. Individual and group schemes of savings and private insurance to compensate for the lack of social security cover

The possibility of accumulating deposits in the form of personal savings always acts as an attractive feature to potential foreign employees in Kuwait. With the relatively high wage structure in the country, the expatriate can easily deposit some of his income in the form of cash deposits in the country's banking system, or transfer his savings abroad. He can also acquire one or more kinds of private life insurance policy as a form of savings to meet future risks, in the event of death or loss of income due to retirement.

As mentioned earlier, the non-Kuwaiti does not enjoy the coverage of the new social insurance system. This being so, he is still entitled to a lump sum as an indemnity upon the termination of his contract. During his working life, he is eligible to certain benefits and compensation in cases of sickness, industrial injury or if he develops occupational diseases. (These benefits are provided by the labour laws in force in each sector). The employer's liability to provide such benefits may be underwritten by the private insurance mechanism, and in such a case the workers would be more certain that their claim would be met. But there is no legal obligation on the employer to insure against these risks. The employer in many cases also provides pension or savings group schemes for his employees to provide them with more security.

Although such measures (personal savings, life insurance, group savings schemes, and other private insurance against other risks) could be taken out by the worker as a way of safeguarding against any future risk affecting his earning power, it could also be motivated by the lack of state social insurance coverage in this group. To test this assumption, a closer look at the savings pattern among the group of non-Kuwaitis is necessary in order to obtain a general indication of their savings and the schemes provided for them by their employers.

8.2.1. Personal Savings

Personal savings, taking the form of cash deposit accounts, are generally considered to be an essential and integral part of the individual's economic and social security. The annual personal savings rate in Kuwait was not available from the government data, while personal savings alone, for the population as a whole, were KD 2,040 million in 1975. Bank deposits and savings were KD 6,100 million according to the 1975 census. According to the sample, the average income of Kuwaitis is KD 226.6 per month, and of non-Kuwaitis KD 284.2 per month, which is relatively high compared to that of other countries in the region. (Non-Kuwaitis usually perform more than one job, usually in different sectors, at the same time). Personal savings depend in the first place on income, and then on the pattern of consumption and inclination to save. The relationship between income and percentage of savings

for both Kuwaitis and non-Kuwaitis may be seen in the following table.

Tables 8.26 and 8.27 indicate that the percentage of savings varies in proportion with the level of income. In general, the majority of both Kuwaiti and non-Kuwaiti households save less than 10% of their monthly incomes. The two tables clearly indicate the ¹⁹ difference in percentage of savings according to nationality. Non-Kuwaitis have a higher average of saving (non-Kuwaitis may also save outside Kuwait, but in this study savings refer to those savings in Kuwait), 11.23%, than Kuwaitis do, whose average is 10.37%. This difference in propensity to save depends to a great extent on the habits of consumption: low income Kuwaitis have patterns of greater consumption than the non-Kuwaitis have. This might be explained by the lower incentives to Kuwaitis to save, as the state has deemed itself to be responsible for providing totally free welfare programmes, apart from the assurance of a pension for the majority of Kuwaitis working in the government sector.

The potential for savings has always played an important role in attracting non-Kuwaitis to enter the country and to tempt those working in Kuwait to settle in the country. But it could also act as a factor motivating expatriates to seek employment outside Kuwait, as in recent years inflation has depreciated the real value of expatriates' savings to a significant extent. Rapid inflation affects

¹⁹H₀: savings patterns are the same for both Kuwaitis and non-Kuwaitis.

H₁: Non-Kuwaitis tend to save more than Kuwaitis.

Computed $\chi^2 = 12.55351$. χ^2 value with 4 df at .05 SIGN level is 9.487, so H₀ will be rejected.

Table 8.26

Income Per Month and Savings of Non-Kuwaitis

income category \ savings as % of income	less than KD 100		KD 100-250		KD 251-500		KD 501-1000		more than KD 1000		total	
	N	%	N	%	N	%	N	%	N	%	N	%
less than 10%	7	3.4	74	36.5	32	15.8	4	2.0	1	0.5	118	58.1
10 to 20%	2	1.0	16	7.9	25	12.3	7	3.5	0	0	50	24.6
21 to 30%	0	0	3	1.5	13	6.4	7	3.5	2	1.0	25	12.3
31 to 40%	0	0	2	1.0	2	1.0	2	1.0	0	0	6	3.0
more than 40%	1	.5	1	0.5	0	0	2	1.0	1	0.5	5	2.0
total	10	4.9	96	47.3	72	35.5	22	10.8	4	2.0	203	100.1

Table 8.27

Income Per Month and Savings of Kuwaitis

income category savings as % of income	less than KD 100		KD 100-220		KD 251-500		KD 501 to 1000		more than KD 1000		total	
	N	%	N	%	N	%	N	%	N	%	N	%
less than 10%	4	3.0	66	50.0	18	13.6	7	5.3	1	0.8	96	72.7
10 to 20%	1	0.8	6	4.5	4	3.0	5	3.8	0	0	16	2.1
21 to 30%	0	0	6	4.5	2	1.5	4	3.0	1	.8	13	9.8
31 to 40%	0	0	0	0	0	0	1	0.8	0	0	1	0.8
more than 40%	0	0	3	2.7	2	1.5	1	0.8	0	0	6	4.5
total	5	3.8	81	61.7	26	19.6	18	13.7	2	1.5	132	100.1

their savings by the increasing withdrawals from savings deposits to meet the rising cost of living. It should be recalled here that a large proportion of expatriates' incomes finds its way to their home countries. (There is no restriction on amounts transferred outside Kuwait.) A significant amount of income earned in Kuwait is probably held in savings outside the country: there is no available information on this.

In general it is an accepted view that as a means of insuring an individual's economic and social security, private saving is not by itself sufficient and effective.

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8.2.2. Private Life Insurance

This is the second type of personal initiative by the worker to protect himself and his family. It is the most acceptable method of reducing the possibility of insecurity for the worker in the future, as well as playing an important role in providing security, it makes a sizeable contribution to economic security in the most advanced countries. In Kuwait, life insurance of different kinds, providing an income upon retirement or death, has been growing rapidly, but still represents a very minor source of future income to families. The insurance sector in Kuwait contains five Kuwaiti insurance companies besides foreign companies with a share of the Kuwaiti market.

The situation was summarised by Mr. Shakib Shakshire, the general manager of the Kuwaiti Insurance Company as:

"One of the problems for the Kuwaiti insurance companies

²⁰ International Labour Office, Introduction to Social Security, Geneva, 1970, p.4.

has been in the life insurance part of the market because the bulk of older people are fairly naive in dealing with their financial affairs. There was no tradition of taking out life insurance, although younger people take a different view." ²¹

According to the 1975 census information, life insurance policies numbered 7,163 out of 371,903 insurance policies of all types, i.e. 1.9%. Life insurance premiums came to KD 1,387,000 i.e. 6.65% of total insurance premiums (KD 21,139,000). The ratio of population to issued policies was 139 individuals per policy.

In fact, life insurance is used to a very limited extent as an alternative source of family income protection compared with 357 million life insurance policies in force in the USA for a population ²² of 207 million in 1971, (or 0.58 individuals per policy), and in the UK 18 million policies (whole life, endowment, with or without profits, immediate or deferred annuities) in force for a population ²³ of 55.57 million (3.09 individuals per policy).

²¹ Speech to the Times, Special Report. November 4th, 1976.

²² USA Bureau of Census. Statistical Abstract of USA 1972, Washington DC, 1972, p.451.

²³ Central Statistical Office. Annual Abstract of Statistics. London: HMSO. 1973.

The use of life insurance as a method of acquiring future economic security depends on several factors. ²⁴

(i) The income level

People with higher income levels will have the financial means to purchase those policies, while people of low income levels will not be likely to.

(ii) Level of Education

Probably the more educated individual is the more aware of future risks and of the precautions that can be taken. Also, an educated person is more likely to have a higher level of income which will affect his purchasing power.

(iii) Nationality

Particularly in Kuwait, nationality may present another factor affecting the acquisition of life insurance policies. The assumption here is that for Kuwaitis, with state protection in terms of social

²⁴As only a very small number of Kuwaitis and non-Kuwaitis acquire life insurance, so the χ^2 test will not be applied to evaluate the relationship between possession of life insurance and the different stated factors above.

Instead we will apply the t distribution to test the degree of significance between two proportions. More specifically, to test whether the proportion of Kuwaitis who acquire life insurance is significantly different from the proportion of non-Kuwaitis in the same sample.

$$H_0: P_1 = P_2$$

$$H_1: P_1 \neq P_2$$

$$\hat{P} = \frac{24 + 8}{218 + 132}$$

P_1 = population proportion of Kuwaitis with life insurance

P_2 = Non-Kuwaiti proportion with life insurance

$\hat{P}$ = Estimating proportion of population under H_0 (pooled variance estimate)

$$Z = \frac{\hat{P}_1 - \hat{P}_2}{\sqrt{\hat{P}(1-\hat{P}) \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}} = \frac{.091428 - .031786}{\sqrt{.031786 \left(\frac{1}{218} + \frac{1}{132} \right)}} = 1.556 \text{ (not significant at .05 level of sign.)}$$

insurance, free education, free medical services and social assistance schemes for the aged, there is less need to acquire private insurance. But it is vital for the non-Kuwaitis, with less present security and no future protection, to have one or more insurance policies. For non-Kuwaitis, acquiring such insurance will depend also on the marital status of the worker, and whether he has a family, and also on his age.

(iv) Sector of Employment

This could affect the Kuwaitis more, especially for those employed out of government, who were until 1976 enjoying no protection during old age or disability.

Tables 8.28 and 29 show that neither Kuwaitis nor non-Kuwaitis in the lower income categories take out life insurance as an alternative personal measure for future income to any extent. Only small percentages of nationality categories within the high income brackets acquire private insurance policies, and this reflects the picture of society as a whole. As the acquisition of insurance policies depends to a great extent on income level, we find that Kuwaitis and non-Kuwaitis tend to have insurance policies dependent on their income level, although they are not taken out to any large extent by any income category. It could be said also that they are taken out slightly more by non-Kuwaitis than by Kuwaitis (Figure 8.3).

Level of education and possession of life insurance

Level of education may be a factor directly affecting the propensity to acquire private life insurance. Education increases the individual's

Table 8.28

Non-Kuwaitis, their income categories (KD per month) and the use of life insurance

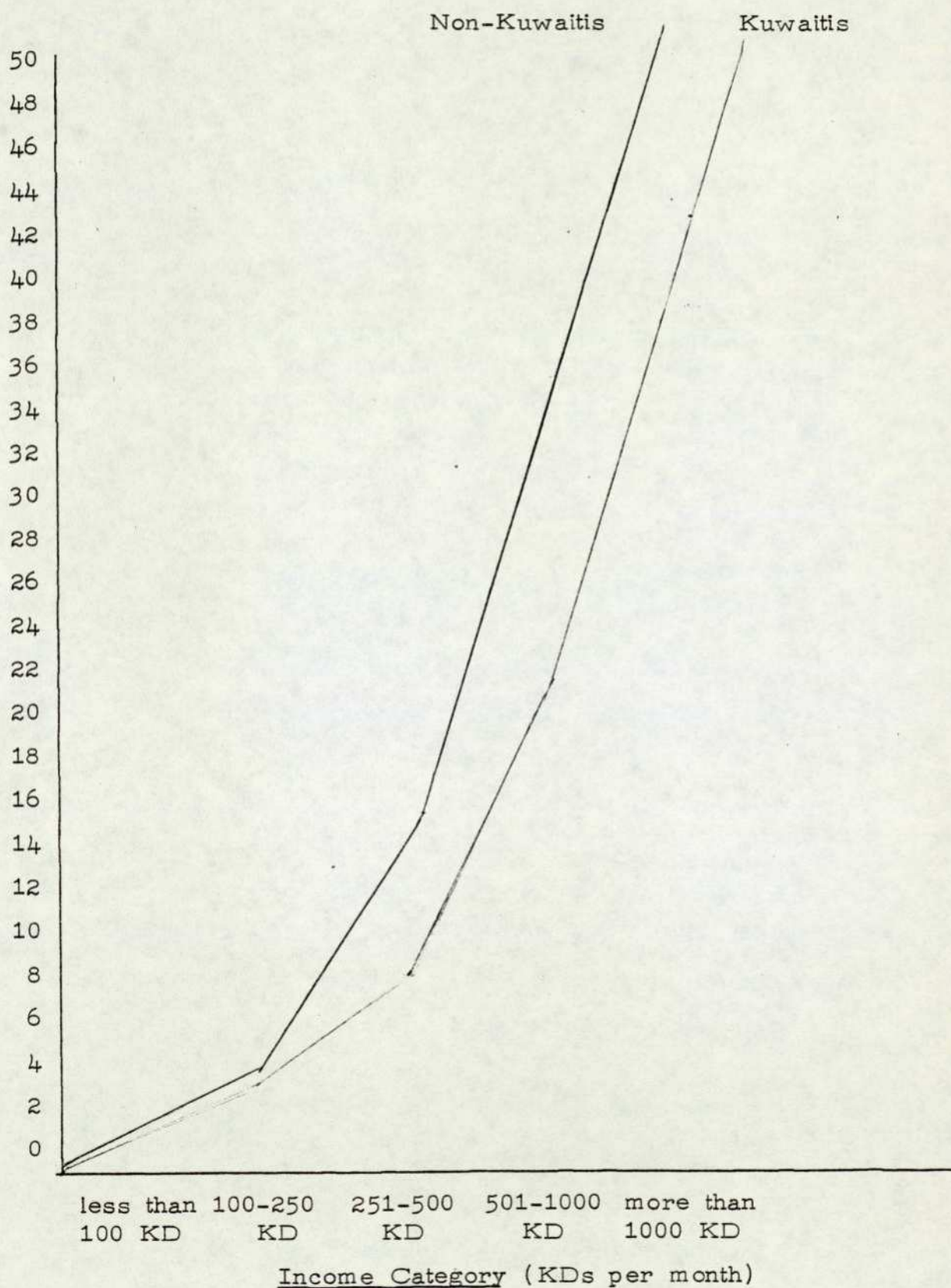
income categories having one or more insurance policies	less than 100 KD		100-250 KD		250-500 KD		501-1000 KD		more than 1000 KD		total	
	N	%	N	%	N	%	N	%	N	%	N	%
yes	-	-	4	3.7	11	14.9	8	34.8	1	33.3	24	11
no	11	100	113	96.3	63	85.1	15	65.2	2	66.7	194	89
total	11	100	117	100	74	100	23	100	3	100	218	100

Table 8.29

Kuwaitis, their income categories (KDs per month) and the use of life insurance

income categories having one or more insurance policies	less than 100 KD		100-250 KD		250-500 KD		501-1000 KD		more than 1000 KD		total	
	N	%	N	%	N	%	N	%	N	%	N	%
yes	-	-	2	2.5	2	8.0	4	20.0	1	50	9	6.7
no	5	100	79	97.5	23	92.0	16	80.0	1	50	124	94.3
total	5	100	81	100	25	100	20	100	2	100	133	100

Percentage of
people having
life insurance



The perventages of Kuwaitis and non-Kuwaitis with private life insurance policies

Figure 8.3

earning power and therefore his income level. It also affects his awareness of insurance policies and their importance as an alternative or supplementary source of income for himself and his family in the future. For both Kuwaitis and non-Kuwaitis, the relationship between education and private insurance is made clear in the following table 8.30.

The table demonstrates that the higher the level of education, the more likelihood there is of acquiring a life insurance policy, although this method is used to a very limited extent among all the education levels. This also indicates the insignificant role which private insurance plays as a source of income even for the most highly educated people in Kuwait.

Sector of employment and possession of life insurance

Another factor which may affect the decision to acquire life insurance is the sector of employment (8.31).

Sector of employment may affect the pattern of private life insurance. In the government sector, where means for future security is provided for by the state, only 3.0% hold private insurance policies, whereas in the other sectors the percentage is much higher: 8.3% in the oil sector and 19.3% in the private sector, where future income protection is provided less often.

Table 8.30

Level of Education and possession of life insurance policies

education level having insurance policy	Less than intermediate		secondary education		first degree		degree		total	
	N	%	N	%	N	%	N	%	N	%
yes	6	4.	7	9.8	15	14.8	4	14.3	32	9.1
no	144	96.	64	90.2	86	85.2	24	85.3	318	90.9
total	150	100.	71.	100.	101	100.	28	100.	350	100.

Table 8.31

Sector of employment and possession of life insurance policies

sector of employment having insurance policy	government sector		private sector		oil sector		joint sector		total	
	N	%	N	%	N	%	N	%	N	%
yes	6	3.0	16	19.3	2	8.3	8	17.1	32	9.1
no	190	97.0	67	80.7	22	91.7	39	82.9	318	90.9
total	196	100	83	100	24	100	47	100	350	100

8.2.3. Group schemes

Group insurance and saving schemes undertaken by organisations for the benefit of their workers may form, for expatriates, the main source of income or an alternative source, in the case of old age, disability, temporary injury and sickness or death. These schemes are sometimes recommended by law, as is the case in the oil sector, or carried out voluntarily by employing organisations, as is the case in the private sector, while the state social insurance scheme covers Kuwaitis employed in all four sectors.

Other voluntary group insurance and saving schemes are made by some government organisations as well as by private organisations for their workers. Savings schemes are provided in the form of deposit plans, providing an alternative source of future income for the worker. Supplementary insurance benefits are also provided by other voluntary initiatives in some oil and joint organisations (see Table 8.32).

From the table, one can see that a large majority of those working in the four sectors do not enjoy group schemes insuring against the risks of old age or disability. Only 22.5% of the non-Kuwaitis in the sample enjoy either savings in the form of a deposit scheme, or old age coverage, of whom 4.1% enjoy both schemes.

It should be noticed here that these figures include initiatives made voluntarily by the employer, who is only obliged by law to provide a terminal indemnity on expiry of a contract of employment.

Table 8.32

Group Insurance and Savings Schemes in Force for the Non-Kuwaiti Workers

Percentage of Covered Persons

sector of employment	group old age and saving scheme %	saving scheme only %	pension scheme only %	nothing provided %	total %
government	-	3.1	2.1	94.8	100
private	6.1	1.5	15.2	77.3	100
oil	25	-	25	50	100
joint	-	-	42.9	57.1	100

Regarding the employer's liability in the event of industrial injury, sickness, or occupational disease, the employer is obliged by law to compensate the injured or sick employee, with compensation differing according to the extent of injury or sickness. The employer is also responsible for meeting any medical expenses (usually the treatment is provided by the national health service). Against these risks the employer may take out an employer's liability insurance, but he is not obliged by law to do so.

The absence of reliable statistics on this matter does not permit us to throw any light on the policies available for employer's liability, although the total number of employer's liability insurance policies in Kuwait is 10,150, of which 450 are for contractor's all risks, with total instalments of KD 129,354 per annum. There is some evidence that the enforcement of the employer's legal obligation to provide cover is not very effective, especially for non-skilled workers who are not aware of their rights.

8.3 Social security and non-Kuwaitis

The perceived insecurity among non-Kuwaitis discussed earlier might be caused by the differential treatment of Kuwaitis as opposed to that on non-Kuwaitis regarding wages, employment opportunities, and remuneration policies, and also because of the absence of security measures against the several social and economic risks which face the worker during his working life or after

retirement. Old age, disability, injury, and sickness are risks which could terminate or interrupt the worker's ability to work. Being unable to work, he would not be allowed to stay in Kuwait under present government policies, since he would no longer have a job.

In a case of disability (permanent or temporary, partial or total), he would have the right to some compensation, with medical treatment and pay, in lieu of wages for a certain period of time, after which he would be made to leave the country. Employer's liability insurance, or the employer's own funds, are supposed to provide the benefits specified during this period. Likewise, in old age, and upon retirement, the expatriate will have the right to a certain amount of compensation; but he will have to leave the country if he has no job nor is dependent upon any employed person.

8.3.1. Perceived importance of social security, among non-Kuwaitis

Serious thought given to future security of income increased among foreign labour after the application of the state social insurance scheme for Kuwaitis, and it was added to the other demands made by expatriates in Kuwait. This was expressed through the media, the press and in many public meetings with the officials. To assess the importance of this recent demand, the foreign workers in the sample were asked to place the following demands in an order of priority:-

- a. equal pay for equal work;
- b. more immediate security in the job;

- c. more future security in terms of a social insurance system; and
- d. permission to live permanently or for long periods in Kuwait.

Table 8.33

Foreign workers in the sample and their priorities for the satisfaction of the four demands

Rank order	demand	1st choice %	2nd choice %	3rd choice %	4th choice %
1.	equal pay for equal work	50.2	17.9	20.7	11.05
2.	short term security of employment	20.5	42.8	25.6	11.0
3.	long term social insurance benefits	15.6	28.3	39.0	16.9
4.	permanent residence	12.7	11.3	14.6	61.3

The table demonstrates the order of priorities in non-Kuwaitis' minds. To provide a systematic ranking of these four demands, one would need to ascribe a specific weighting system for these preference orderings. But the specification of such a weighting system, which would clearly not be unique, is not necessary as the pattern in the responses is fairly clear. The rank order of these demands is given in the table. The demand for social insurance benefits ranks 3rd after equal pay and security of employment. But it should be noted that 15.6% accorded social insurance benefits as their 1st choice and 28.3% as their second choice.

It is apparent that the national planners ought to bear these

responses in mind, as disappointment in satisfying these demands might deter foreign labour from coming to Kuwait, or dissuade foreign labour already in Kuwait, from settling there. In particular, the present uncertain position of foreign labour may cause a serious net loss of trained staff who would otherwise form a basic source in the country's economy.

How strongly this factor affects foreign labour's willingness to settle, if social security benefits are not available in Kuwait but are available elsewhere? This was the subject of the following question:-

"If you were given the opportunity to leave Kuwait for another country providing you with better social security benefits, with the same salary and working conditions, would you:-

- a. leave Kuwait for that country; or
- b. not do so; and
- c. why?"

Table 8.34

Perceived importance of a social insurance system among non-Kuwaitis

The situation	N	%
1. If the same working conditions plus social security schemes are provided somewhere else I will leave Kuwait	98	45
2. Stay in Kuwait	120	55
total	218	100

Providing a social security scheme, might be a major factor

in motivating foreign labour to settle; but its absence is not the only factor motivating them to seek employment elsewhere. This indicates a fairly strong preference for such a scheme even though a majority said that they would prefer to stay in Kuwait, regardless of whether or not such a scheme exists for them.

The perceived importance of this coverage, and its effect on whether an expatriate leaves Kuwait, could also depend on other factors such as length of residence in Kuwait, education, age, etc.

Table 8.35

Period of residence and perceived importance of a social insurance system

period of residence	situation 1 leave Kuwait to other country		situation 2 stay in Kuwait		total	
	N	%	N	%	N	%
less than 4 yrs.	16	50	16	50	32	100
from 4-7 years	19	57.6	14	42.4	33	100
from 8-11 yrs.	22	53.7	19	46.3	41	100
12 and over	41	36.6	71	63.4	112	100.
total	98	45.	120	55.	218	100

Up to eleven years' residence the choice of situation 1 or 2 is not significantly different, but with the larger sample of those already resident more than eleven years, there is a significant preference for situation 2. But the recent residents willingness to stay in Kuwait would seem to be conditioned in part by the availability of social insurance in comparable countries in the region.

Table 8.36

Education and perceived importance of a social insurance system

the situation	intermediate		secondary		first degree		higher degree		total	
	N	%	N	%	N	%	N	%	N	%
1. leave Kuwait for other country	32	40.5	16	39.0	40	51.3	10	45.5	98	45
2. not to do so	47	59.5	25	61.0	38	48.7	10	45.5	120	65
total	79	100	41	100	78	100	20	100	218	100

Although the availability of social insurance may affect the choice of country of employment in the future, we may observe that it tends to be more important for the graduates, half of whom are ready to leave for another country offering social insurance, plus working conditions and wage policies commensurate with those in Kuwait.

This tendency is less amongst the groups with only intermediate or secondary education, 60% of whom are not ready to give up their employment in Kuwait if there is an opportunity elsewhere, even with social security coverage.

This again may imply that educated people ascribe more importance to such a system; and as they are much in demand, they may leave Kuwait for other countries with greater future security. Since this group shows less of a tendency to settle for long periods in a particular place unless they are induced to stay.

These same people are also more keen to have such coverage, and are more willing to contribute to such a scheme (see 8.3.3.).

8.3.2. Perceived likelihood of future cover under the social insurance system

There is no doubt that the new social insurance scheme, with its cover provided only for Kuwaitis, has caused worry among the other nationalities about their future. They have begun to state their worries about the discriminatory policies more openly. In reply, government officials have stated that the policies will be applied to all workers at some time in the future, and that the discrimination is only temporary, it being felt that citizens ought to benefit first in bringing the scheme into force.

To the foreign labour concerned, the discrimination was bound to appear in a different light (especially as no definite date for the scheme's application to them has been stated). Their degree of faith in the officials' promises to them is shown in the following table:-

Table 8.37

The future coverage of foreign labour by the social insurance system

state of belief	Kuwaitis		non-Kuwaitis	
	N	%	N	%
complete probability about future coverage (100%)	11	8.3	15	6.9
large probability (75%)	22	16.5	32	14.7
moderate probability (50%)	36	27.1	37	17.0
little probability (25%)	21	15.8	31	14.2
no probability (0%)	39	29.3	98	44.9
no response	4	3.0	5	2.3
total	133	100	218	100

The percentages of Kuwaitis and non-Kuwaitis giving the different responses do not differ significantly in the higher probability category. Non-Kuwaitis are marginally less sure of cover not being provided in the future, until the probability zero is reached, where nearly half the expatriates believe this to be the likely outcome. The Kuwaitis have a higher average probability of belief, which is 38.0%, while for non-Kuwaitis this average probability is 29.9%. ²⁵

Officials' and executives' view

Providing more social security for employees, against the risks of old age, sickness, industrial injury, and occupational diseases is the other main problem facing executives suffering from high labour turnover, especially in the private sector. Apart from the absence of legislation providing these benefits, few organisations have the financial resources to pay for them. Since the existing social insurance system excludes non-Kuwaitis, this puts an additional financial cost on firms to provide equivalent cover for expatriates, especially those they have trained, if they are not to lose them.

The management group is more optimistic about the eventual provision of cover for non-Kuwaitis than other workers, as their responses show:

$$\begin{array}{l}
 \text{Average probability for Kuwaitis:} \\
 \frac{1.00(11) + .75(22) + .50(36) + .25(21) + 0(39)}{133} = \frac{50.75}{133} \times 100 = 38\% .
 \end{array}$$

$$\begin{array}{l}
 \text{Average probability for non-Kuwaitis:} \\
 \frac{1.00(15) + .75(32) + .50(37) + .25(31) + 0(98)}{218} = \frac{65.25}{218} \times 100 = 29.9\% .
 \end{array}$$

Table 8.38

Professionals' view of future coverage of foreign labour by the social insurance system

The possibility of coverage in the near future for foreign labour under the social insurance scheme	N	%
100% possibility of full future coverage	4	6.4
75% do.	13	21.0
50% do.	14	22.6
25% do.	10	16.1
0% do.	21	33.9
total	62	100

Although about a third of this group sees no probability of the scheme's application to foreign labour, a majority (60%) sees the probability as lying between 25% and 75%.

8.3.3. Willingness to contribute to a social security system

Non-Kuwaitis in the sample were asked more specifically whether they would prefer a comprehensive social insurance system, which entailed a 5% contribution from themselves, or the present system of a non-contributory terminal indemnity. The following responses were obtained:

Table 8.39

Willingness to contribute to social security system

Kind of system	N	%
Situation A - the present system of terminal indemnity	76	35.5
Situation B - social insurance coverage depending on 5% contribution from monthly earnings	138	64.5
total	214	100

Where the majority showed real desire to be covered under a social security programme (despite losing 5% of earnings in the short run), they also showed a greater desire to have a pension, in the event of old age and disability if such a programme were provided for them. In this respect the respondents were asked whether they would prefer pensions, or lump sums in case of old age and disability:

Table 8.40

Form of benefits under the potential system of social insurance for non-Kuwaitis

Kind of benefits	N	%
Pensions in case of disability and old age	126	58.6
Lump sum benefits in cash	89	41.9
total	215	100

The majority would also prefer a pension on retirement.

a. Preference for a pension, and marital status and dependants

Although the majority would prefer to be covered under a social insurance system rather than the present system of terminal indemnity,

quite a large proportion, 41.9%, would still prefer to receive future benefits in the form of a lump sum, as at present. This might be because many non-Kuwaitis, aware as they must be of the lack of permission to reside permanently in the country, prefer to collect their benefits in a lump sum to take with them on leaving Kuwait at the end of their contracts.

Regardless of the form benefits might take in the future, those who chose the comprehensive system should be analysed in more detail:-

Table 8.41

Non-Kuwaitis with dependent families in Kuwait

marital status kind of system and kind of benefits	married		single
	with dependants in Kuwait	with dependants outside Kuwait	
	%	%	%
situation A	33.7	38.7	65.0
situation B	66.3	61.3	35.0
pension	62.6	60.8	35.7
lump sum	37.4	39.2	64.3

The married respondents with dependants in Kuwait are the more willing to contribute to a pension later on. The single prefer
26
the situation as it is now, with a lump sum later.

26 H_0 : Both single and married expatriates are willing to contribute to social insurance programmes.

H_1 : Married expatriates with families in Kuwait, are more willing to contribute to a social insurance programme.

The computed $\chi^2 = 2.3893$.

χ^2 value with ldf at .05 SIGN level is 3.841, H_0 will be accepted.

b. Age of non-Kuwaitis and their willingness to contribute to a social security scheme.
27

Table 8.42

Age, and its effect on willingness to contribute to a potential social insurance system.

	under 25 %	25 to 34 %	35 to 44 %	over 44 %
situation A	50	30.5	35.4	40.9
situation B	50	67.8	64.6	59.1

Of those under 25, only 50% prefer a contributory social insurance programme (we should recall that the majority are single, unwilling to settle in Kuwait for more than a maximum of eight years). In any case, the present system guarantees them a lump sum at the end of their relatively short residence in Kuwait. The last group also shows little greater preference for social insurance than the middle two age-groups, and these people are close to retirement, or planning to leave Kuwait after a certain period of residence there, and might for that reason be more interested in a lump sum. The majority of the middle two age-groups prefer future coverage, as they have indicated a willingness to settle in Kuwait, in which case they would benefit more from the scheme.

27

H_0 : Age of expatriate has no effect on his willingness to contribute to social insurance programme.

H_1 : Older generation expatriates are more willing to contribute to social insurance programme than the younger generation.

The computed $\chi^2 = 2.25884$ with 3 df at .05 SIGN level χ^2 is 7.814. H_0 will be accepted.

C. Education and willingness to contribute

Table 8.43

	less than intermediate		secondary		first degree		higher degree	
	N	%	N	%	N	%	N	%
situation A	33	44	15	37	22	29	6	27
situation B	42	56	25	63	55	71	16	73
total	75	100	40	100	77	100	22	100

It might be thought that acceptance of a scheme and willingness to contribute to it bear a strong relationship to the individual's level of education, partly because of a greater awareness of the benefits under the present system and partly because of a greater awareness of the need to provide for the future for themselves and their families. The results show that the majority of expatriates in each category of education preferred such a programme, although those with higher education show relatively more interest. In this respect, the application of a social insurance programme may effectively effect their desire to settle. Moreover, the more highly educated expatriates are the most in demand, and as such they might think of settling and enjoying such a system later on.

²⁸ H_0 : levels of education have no effect on the expatriate's willingness to contribute to a social insurance programme, where expatriates within all groups of education are willing in this programme.

H_1 : Expatriates with higher degrees of education are more willing to contribute to a social insurance programme.

The computed $\chi^2 = 4.45025$. χ^2 value with 3 df at 0.05 level of significance is 7.8147. H_0 will be accepted.

Table 8.44

Level of education of non-Kuwaitis and their preferences for a monthly pension or for a lump-sum terminal indemnity

preferences	level of education							
	less than inter- mediate		secondary		first degree		higher degree	
	N	%	N	%	N	%	N	%
monthly pension	46	58.2	24	58.5	47	60.3	14	63.6
lump sum	33	41.8	17	41.5	31	39.7	8	36.4
total	79	100	41	100	78	100	22	100

Preference for a pension in the future is slightly higher amongst the graduates than it is amongst the rest.

8.4. Conclusion

The massive dependence of the Kuwaiti economy on the skills and abilities of expatriates, in a world depending increasingly on high technology, requires more effective policies to be provided to maintain the maximum effectiveness of this manpower.

As shown above in Chapter 6, this dependence will apply not just for a limited period, or on a decreasing basis, but is likely to continue to apply in the foreseeable future.

The respondents in the sample perceived the need for foreign labour in Kuwait over the next 25 years as shown in the table below:

Table 8.45

The future need for foreign labour

Do you think Kuwait will need foreign labour for the next 25 years?	Kuwaitis		Non-Kuwaitis		Total	
	N	%	N	%	N	%
Yes	196	89.9	95	73.1	291	83.6
No	22	10.1	35	26.9	57	16.4
total	218	100	130	100.0	348	100.0

This need is not just a question of perception, it is a reality
(see Chapter 6).

Future requirements for foreign labour in the opinion of executives

The availability of labour is the main constraint felt by this group in putting into effect the plans of their organisations. The need for technicians and skilled labour is increasing in the oil and private sectors, and it is becoming more acute with those sectors' continuous growth. Accordingly, it is the group's opinion that Kuwait will continue to be dependent on non-Kuwaitis, a dependence which will not decrease with time or economic growth. On the contrary they expressed the opinion that it would increase and would not have disappeared even 25 years from now.

Table 8.46

Need for foreign labour in view of executives

The need for foreign labour during the coming 25 years	N	%
Yes	55	88.7
No	5	8.1
No response	2	3.2
total	62	100

Only 8% stated that the need for foreign labour would have ended on or before 25 years of time, and these five respondents explained that because of their training programmes for Kuwaitis, they would be able to fill such posts adequately in the future. But this may not decrease the need for foreign labour in the other economic activities. These training programmes are run by some companies in the oil and joint sectors, but still on very limited scales. The majority of executives explain that the developing economy was creating an increasing shortage of skilled staff to run it, a shortage that Kuwaitis can be expected to fill by themselves.

The existing regulations in Kuwait now create discriminating status between Kuwaitis and non-Kuwaitis, especially in wage policies and the knowledge that an expatriate's job may be taken at any time by a Kuwaiti might cause an unfavourable state of perceived insecurity. Likewise, permission for residence being dependent on possession of a valid work permit: an expatriate has to leave the country if he loses his job, (the law permitting permanent residence has been suggested by several government officials and independent advisers, but it has not yet been approved), might have a similar effect. There is also the long term insecurity arising from the lack of social insurance for expatriates. Injury, disability, or unexpected death of the worker may bring about unforeseen problems in the future for the worker and his family, with very little compensation under present laws.

At the same time, with the increasing competition for skilled

labour in the Middle East area, Kuwait began to lose many of its advantages in the eyes of foreign labour, and this was reflected in the increasing net emigration from Kuwait (see 10.2.3), and by those who have declared a willingness to leave if they obtained more favourable terms of employment elsewhere in the area.

This increasing external demand of labour and the existing internal discriminatory policies will no doubt have undesirable negative and adverse effects on the economy, which might suffer from losing its trained personnel after a limited period of contribution. The economy also has to suffer the expense of training the expatriates brought in as replacements. In any case there is the risk that the replacements might fail to reach the standard required. They may also be more interested in gaining short term advantages from Kuwait than in being willing to settle there, and contribute to the country on a continuing basis.

This indicates that additional immigration can no longer be relied upon to fulfil the need for skilled personnel effectively; any economic potential that exists will not be achieved unless Kuwait makes use of its current human resources (Kuwaitis and non-Kuwaitis) more effectively. It should also be realised that it is in the national interest to encourage people with the required talents to enter and to settle in the country, in order to continue their contribution to its economy. To do so, more carefully planned policies and courses of actions designed to achieve these ends need to be followed.

Equal pay for equal work, freedom to conduct a business, the right to own property, and equal rights to social services such as education and health services could play an important part in motivating foreign labour to settle. Social insurance is another means which could be utilized for this purpose. The extension of social insurance benefits to non-Kuwaitis might stabilise the labour force and induce them to bring in their families. This would be more likely to reduce the capital outflow from the country (transferred capital by expatriates to support their families abroad). The benefit here would arise more from creating additional local employment in the financial sector.

In general, the survey findings lend some support in rejecting many of the common arguments regarding expatriates working in Kuwait. The survey did not find that the majority move frequently from job to job nor that they were concerned only with short-term financial gains. Also there is little evidence that they are unlikely, or unwilling, to settle in the country for long periods. It is clearly untrue that the need for them is only temporary, thus not justifying the provision of long-term social security benefits for them.

The survey also finds a majority of foreign labour wishes to be covered by a social insurance programme and is willing to contribute to the cost of it.

The desirability of reform in the current social security system to accommodate non-Kuwaitis, and how it might be implemented, will constitute a theme in the next chapter.

Chapter 9

Recommended Perspectives for Reform

9.1 Social insurance and the process of national planning

A few facts need to be restated for the purposes of our discussion. First is the abnormal Kuwaiti economy and its rate of growth during the last three decades, resting mainly on the exploitation of oil, resulting in the impossibility of defining the economy¹ as either a "developed" or "underdeveloped" economy. The second highest per capita income in the world (about \$ 12,000 per year)² and a consistently favourable balance of payment are indicators of a developed economy; yet the heavy reliance of the economy on a single product, the inadequate indigenous supply of technical skills and labour, and an overdependence on imported consumer goods, are indicators of a developing economy.

Secondly, the capital surplus from oil production was regarded initially as the private wealth of the Kuwaitis. It found its way to the citizens through generous wage policies, increasing social and family allowances, totally free education, totally free health services, land and housing subsidies, social assistance and other social services, and latterly through a scheme of social insurance which is³ one of the most generous of any in the world. Non-Kuwaitis also

¹ For more discussion of this point, see R.El Mallakh. Economic development and regional cooperation: Kuwait. Chicago: University of Chicago Press, 1968, pp 1-22.

² John Andrews. "Kuwait imports the skills". The Guardian: Monday 26th Feb. 1979.

³ See Appendix B for more details on welfare policies and services provided for the citizens.

benefited from this wealth but to a more limited scale. They are paid less generous wages, although their wages are high compared to those paid in the poorer countries in the region. They have limited opportunities for free education, and certain restrictions on health services.

Thirdly, the fact that Kuwaitis are a minority in their own country, a situation to be found elsewhere in the Gulf, but nowhere else in the world, might be thought to justify discriminatory treatment of the foreign population, as an attempt by the Kuwaitis to preserve their rights and their wealth in their own country.

These facts, the natural results of the rapid growth in the Kuwaiti economy, created an unbalanced and an unclear situation for the country's future or its national priorities. Therefore several questions arise in national planning:-

- (i) Is capital alone the key to the process of national development?
- (ii) Will the capital surplus be available for an unlimited time, or is there a foreseeable end to so much wealth?
- (iii) What other sources are there which would generate wealth for the country after the depletion of the oil?

Although these questions are always in the centre of any economic or social debate or discussion in Kuwait, and although, when asked the government or the national planners invariably give standard replies, these replies have never arisen from defined and organised planning. Capital surplus might be the key to development, especially in developing countries suffering from a shortage of it.

In that case, capital availability ought to be a decisive factor in their national, and more precisely their economic, development.

But it has been shown in more developed countries that the existence of a ready supply of capital does not guarantee the existence of suitable or efficient economic and social development. For Kuwait the over-availability of capital will never alone be the key to the country's development. The existing shortage of indigenous skilled labour prevents the early introduction of advanced technology; nor could it be introduced on a large scale in the near future because of the high level of illiteracy and the almost total lack of technical training of the local labour force.⁴

The other two issues are also given standard replies. The oil supply must be limited (experts differ in their estimates, but the largest estimate would allow oil to be extracted for a further 70 years from now)⁵. As alternative sources of wealth, industrialisation and the development of the financial and services sectors are suggested. But neither of these sectors has contributed to the GNP an amount suggesting it has much future importance. Nevertheless the more acceptable and more likely alternative source of wealth to ensure Kuwait's economic survival in the long run is perhaps as a centre for financial, commercial, and other services for the region. This clearly depends on the availability of trained, qualified, experts in Kuwait in the future.

⁴R.E. Mallakh, op. cit., p.3.

⁵Charles Cook. "Forty Years Living off Oil". The Guardian: Monday 26th Feb., 1979 p.6.

The planning of social welfare programmes

Economic development and diversification are probably essential for national survival, but need they invariably be favoured over welfare-oriented goals? The public are also concerned, but they are always asking for economic projects which can be measured by cash returns and by effects visible in the GNP. Thus they unintentionally deprive themselves of the opportunity to press for social welfare projects of approximately equivalent cost, with comparable though indirect benefits to the country as a whole.

Practical experience has shown that the most cost-effective way of introducing these welfare programmes is to provide them as a package and to consider their overall combined effect on the other goals in the national plan. But these programmes have always attracted less attention from the planners in Kuwait, and as a result they are provided on a piecemeal basis and only when an undeniable need has been demonstrated. The lack of coordination between these programmes and the calculation of only their immediate effect rather than their long-term effects has characterised the approach to planning for such goals. This has probably deterred the development of welfare programmes. It may also have increased the cost of providing them to double what it need have been, especially in a country such as Kuwait, where the cost of such programmes forms a large percentage of its national expenditure, estimated at 46.4% for the five years of the national plan, 1976 to 1981, as shown in Table 9.1.

Table 9.1
Development plans 1976-81
Total expenditure (government and private) during the plan period
Total expenditure K.D. 4,885 mn.

Allocations (K.D.M.)	Total	Private Sector
Agriculture	33.2	20.7
Mining	88.7	4.9
Manufacturing	909.5	125.1
Land Transport	311.7	81.6
Sea Transport	334.2	93.6
Air Transport	29.2	Nil
Communications	53.8	Nil
Transport Contingency	50.1	3.9
Trade and Finance	32.8	24.0
^b Electricity and Water	538.9	Nil
^b Housing	1400.8	695.4
^a Education	275.6	Nil
^a Health	133.4	Nil
^a Social Welfare	68.8	Nil
Religion	16.4	Nil
Internal Security	34.1	Nil
Information	25.7	Nil
Public Buildings and Utilities	104.1	Nil

Source: National development plan for the period 1976-77 to 1980-81. Republished by "Gulf Prize proves elusive". The Times. Special report July 12th 1977.

- a. Those programmes form the main sections of the public welfare policy in Kuwait, where they are provided mainly free for the public.
- b. These programmes form the subsidised welfare programmes in favour of Kuwaitis (housing) and all the citizens (electricity and water).

The social insurance law of 1976 was added to the welfare programmes already in operation in the country, mainly in favour of the Kuwaiti citizens, on the same piecemeal basis, and showing very little consistency either with the other welfare programmes or with the overall national plan.

Reviewing the main principles underlying the first retirement act for public employees (no. 3/1960), were:-

- (i) To provide adequate protection for government Kuwaiti personnel during their old age or disability;
- (ii) The right of citizens to share in the oil wealth through the government's generous contribution to the scheme's funds (but only for the benefit of public employees);
- (iii) The scheme covered Kuwaitis: non-Kuwaitis were excluded, not being provided with pensions under any other scheme;
- (iv) The exclusion of non-Kuwaitis arose from the fear of the massive transfer of pensions outside Kuwait to former expatriates who had returned home on retirement, especially as the majority of the labour force is expatriate.

After nearly 16 years, the new social insurance law no.61/1976 adopted almost the same underlying principles showing little difference in favouritism to citizens, but with an expansion in the distribution of the national wealth. The new law includes all

Kuwaiti wage and salary earners compulsorily, and the self-employed and other categories of the labour force voluntarily. The planners realised that there was no point in excluding the other categories of the Kuwaiti labour force from sharing in the national wealth through this channel, especially as public employees are those employees least engaged in generating this wealth. Besides there was a political need to provide an incentive for Kuwaitis to seek employment in sectors other than the government.

The other principles have been held constant, and non-Kuwaitis are excluded once again from the law's protection. The principle of the Kuwaiti citizens' private wealth, and the fear of heavy cash transfers abroad, deterred the planners from providing expatriates with pensions. This indicates that there was no advance in the planning of welfare programmes, an advance which ought to have accompanied the development in the economy and the corresponding development in the demand for foreign labour.

It might be thought at this stage that the welfare programmes in general, and the social insurance law in particular, have succeeded in providing security for Kuwaitis in the different economic sectors against the various contingencies that may interrupt their earning power. But it has not been very successful in providing the real security that Kuwaitis need in the long run. Its very generous high level of benefits, detailed in Chapter 4, could hardly be maintained without the surplus wealth from oil production, but it seems that the planners are not yet ready to deal with the uncertain

future of the country after its oil reserves have been exhausted. At some point they will have to make plans for the best use of any remaining surplus of capital. However the apparent success in providing security for Kuwaitis must be compared with the situation facing those members of the labour force who are of uncertain nationality. These are largely unprotected; yet in most cases they were born in the country and know no other as their own. Finally this apparent success must be compared with the situation of other unprotected nationalities in Kuwait.

9.2. Actions required for reform

The main objective of this study is to review and analyse the new social insurance law, in order to clarify the issues and principles involved. It is also an attempt to assess the need for improvements to the law within the broad context of the socio-economic national development plan. To do so, certain criteria are needed to evaluate the social insurance system, which can be employed in evaluating any social benefit programme:

- (i) its effect on national income and on economic and social goals;
- (ii) its effect on the overall package of public benefits;
- (iii) its effectiveness in meeting its own objectives.

⁶ see Alice M. Piulin. Systematic thinking for social action. Washington, D.C.: The Brookings Institution, 1971.

Once again, if we recall the benefits provided by the programme to the favour of Kuwaitis, they could be classified as follows:-

A. Pension

(Calculated according to the actual contribution period or notional period of 15 years, whichever is larger to a maximum of 95% (in the case of 30 years service).

1. In the case of old age (which is 60 according to the civil service act, 50 if the employee has 15 years of service, any age if he has 20 years of service).
2. In the case of death (paid for the survivors).
3. Total disability (not caused by work injury).
4. In case of total disability caused by work injury, the insured is eligible to the maximum limit of pension (95%) whatever his actual service period is.
5. Sickness, if the insured person has exhausted all the benefits provided for him by the labour legislation enforced in his sector of employment.
6. The female worker after 15 years of service whatever her age is.
7. Those who are employed in hazardous occupations, with a minimum service period of 10 years.

B. Retirement gratuity

Will be paid if the insured person fails to meet the eligibility conditions for a pension.

C. Temporary Compensation

For injured persons by an accident at work. This compensation is equal to his earnings before the injury, and will be paid till the death, cure or permanent disability is proved.

D. Partial Pension

Will be paid in the case of permanent partial disability and will be equal to the percentage of disability which has to be decided by a medical panel from the Ministry of Health. It also could be commuted as a lump-sum.

E. Benefits in Kind

These benefits are provided through the national health service, or on the institution's expense, in Kuwait or abroad. Provided for the sick, injured and those who developed occupational diseases.

Rehabilitation services are also provided for the disabled.

The new social insurance programme provides no coverage for both the unemployment and maternity risks. Unemployment benefits are still provided through the social assistance programme administered by the Ministry of Labour and Social Affairs. Where maternity benefits are also provided by the Civil Service Act and other labour legislation in the different sectors of employment.

According to the above mentioned criteria, and according to discussion of the programme in earlier chapters and the earlier listed provisions, several important changes ought to be introduced in the form of ministerial orders or legislative amendments, to support

the current legislation in order to meet its, and the national stated objectives in both the short and the long term.

9.2.1. Amendments for the current legislation

A. Changes in the type and level of benefits

(i) Cessation of early retirement benefits and the need for a minimum retirement age

With the general improvement in health, the gradually increasing longevity and the severe shortage of Kuwaiti manpower there is no need for a very early retirement. Retirement pensions paid after a short period of service, and reduced pensions paid upon resignation (described above in Chapter 4) have the effect of rewarding early retirement, and for that reason they ought not to be paid on such terms in future to those now at work. According to the underlying objectives of the new law it exists to protect Kuwaiti labour against hardships and to maintain its economic and social security, because of their effects on its stability and productivity. On the other hand it also exists to extend this secure environment through all the economic sectors to facilitate the mobilisation of Kuwaiti labour toward the private sector .

In fact, the absence of a fixed retirement age and the adoption of early retirement provisions in the law may cause it to hinder the attainment of its own objectives. More seriously, it will encourage Kuwaitis to retire at an early age which certainly conflicts with, or will tend to defer the attainment of the national objective of retaining Kuwaiti manpower within the labour market and encouraging it to increase its contribution to the country's

economy. At the same time, no advantages have been offered to those healthy people beyond retirement age who may be able to work productively. Deferred retirement benefits are offered in many countries with a labour shortage.

Deferred retirement benefits of increased value or the right to combine between full pension and any amount of earnings from any sector of employment, if the insured person is still employed after the retirement age, are some forms of deferred retirement benefits that are offered in many countries with a labour shortage, for example in Algeria, Canada, Finland, German Democratic and German Federal Republics and there is no reason why Kuwait should not do so in its present manpower shortage.⁷

A related provision is the right of the employee to receive simultaneously a retirement pension from government service and any amount of earnings in the private or oil sectors. The effect of this provision, along with early retirement (from the government service), will pose another obstacle to the attainment of the objective of labour mobility, at least for the next decade. As we have seen (in Chapter 4), to receive the minimum pension of 65% of final earnings, government employees will need to have served 15 years, if they are 50 years old. Therefore, those with less than 15 years' service will tend to defer their moves to other sectors, in order to take advantage of these benefits. The labour mobility objective of the law is thus unlikely to take effect at once. This was borne out by the responses to the survey,

⁷ A. Al-Qadi. The Kuwaiti Social Insurance Bill. Report to the Institution of Social Security. December, 1973.

which suggested that labour movement to the non-government sectors will be insignificant in this generation, but, as perceived by this generation, will be greater in the next generation (see Chapter 7).

It is clear then that the law has made little contribution to conserving the indigenous labour force or to encouraging its continued contribution to the economy. Instead it will encourage indigenous labour to curtail its contribution, a situation acceptable only in a country with surplus labour, the opposite to Kuwait's position. Furthermore these provisions will require increasing government subsidies to meet the cost of early retirement, a cost which will increase with the growth in the number of pensioners provided for.

The planners are aware of the probable consequences of the law. They reply to the criticism by pointing out that the uneducated and untrained generation will be removed from the labour market without hardship. However, these are the very people who are more likely to remain in government service for longer than the minimum qualifying period of 15 years, because they are the least likely to obtain employment elsewhere. The private and oil sectors require educated and trained personnel. The effect of the law may therefore be to force the government to retain its excessive numbers of inefficient employees.

(ii) The formula for determining social insurance benefits

The present practice of basing benefits on a fixed percentage

of earnings appears in theory to be acceptable, as it relates the pension received to the individual's presumed former contribution to the economy measured crudely by his previous earnings. In practice, the fixed percentage will result in a government subsidy to the higher income group, greater than that to the lower income groups. This is why many countries adopt the weighted formula for benefits (see 6.4.1.). But the matter is highly debatable: Some who argue that the higher subsidy is justified by the group's contribution to the economy hold that a fixed percentage of former earnings is the only acceptable way of determining the government contribution. Others regard it as regressive, as the real target for social security ought to be the low income groups. The public takes the second view.⁸ They strongly resent the fixed percentage subsidy, and even more the 100% of final earnings guaranteed to ministers. The introduction of a weighted formula for determining contributions, according to a regressive percentage, decreasing with any increase in income, and the removal of the privileged position of former ministers, might gain more public acceptance.

(iii) Compatibility in sickness and maternity provisions

Under the present provisions for sickness benefits, the law provides for benefits in cash and in kind. Cash benefits take the form of pensions paid after the exhaustion of sick leave and of any benefits provided by his employer. No other unified

⁸ This matter was a subject of many discussions, especially with the General Director of the Institution in his meetings with the public.

provision was made, such as for a fixed maximum sick leave, or cash benefits during this leave. The employee is subject to one of the various existing laws for the civil service, or for the private or oil industries. Under each law the employee has specific leave and payment in case of sickness, which varies in length and amount (see 5.3.2.C.).

Under the social insurance law the sick insured is entitled to 65% or more, based on his actual service, of his previous earnings as a temporary pension. This pension may be provided after a very short period of sick leave (one month) for the employee in the private sector, but only after a relatively long period (one and a half years) for the employee in government. This forms a large exception to the simple rules of social justice otherwise operating under this law. Unified provisions for the sick person ought to be made as soon as possible to provide the same sick leave with the same benefits (or differences clearly stated if they are necessary, but only because of the nature of the work, not because of the sector of employment).

The question of social justice also arises with maternity benefits. The ignorance of the right of females to be covered under the social insurance law forms, in practice, another violation to the minimum standard of the 1955 ILO convention. Although the female worker in Kuwait is entitled to two months leave with full payment of benefit, and to 100 further days, but without payment, in the event of sickness after confinement,

the benefits are very limited compared to those in other countries, which provide 12 weeks with full payment as the minimum, as well as a child birth grant (as in Libya and in Great Britain). Action to protect the female worker with more generous benefits is required especially for a society which is encouraging the birthrate and which needs the contribution of the female worker in the labour market, and more importantly, can afford such benefits.

B. Administration

(i) The system of adjusting benefits

Article (21) of the law states clearly that benefits being currently paid will be adjusted according to changes in the cost of living or in the general level of wages, by ministerial order. In fact, without an adequate system of automatic adjustment of benefits the law will not be able to fulfil its original objective, especially with the growing inflation in the country. Therefore it is important on principle to incorporate within the system permanent provision for automatic inflation adjustment. This is also necessary to gain wide public acceptance and credibility. The present system is subject to the subjective judgement of ministers: it is always thought of as arbitrary, and lacking any statistical basis (see 6.4.4. for more details).

(ii) Communications with the public

In order to gain public confidence and support for the new system, communication channels ought to be established, to the

beneficiaries and to the public at large. It was clear from the survey that more than 40% of the direct beneficiaries of the scheme in the sample were not aware of the rights available to them. That must hinder the presentation of their claims at the right time and in the correct manner.

The social security institution ought to carry out a continuous programme of providing information to its present and potential beneficiaries, especially as it has to deal with only a part of the labour force. Simple educative programmes about the system as a whole ought to be provided through the media and directed to the public, especially those with moderate levels of education and the illiterates. Regular meetings with Kuwaiti employees and workers during work time to explain the system is another method of communication that will ensure that the majority will receive the message. Although it could be a costly method for small employers in particular, it will have an important effect not only on the working staff but also on managerial staff who will be made more informed themselves about the system. Providing simple written pamphlets and publications for the use of beneficiaries is also necessary in this respect. Regular reporting of the institution's activities, including fund operations, investment policies, returns on investment, the number and categories of beneficiaries, and the types of benefit provided (or to be provided), should be made available.

The handling of claims and payments is another area of direct

contact between the institution and the labour force. The institution should make itself informed of the standards acceptable to both the beneficiaries and the employers (who form the third party in this relationship). Administrative officials ought to help the worker to obtain every right he is entitled to under the provisions of the law. The institution's officials should be motivated by the desire to gain maximum public confidence and cooperation, which the institution is in great need of in its early stages.

(iii) Research and planning system

In the new field of social security, especially in the case of Kuwait, the establishment of an adequate research and planning unit is an essential factor contributing to successful administration. Primary and basic research was not undertaken in the planning stage of the new law as it is not part of normal practice in the government sector for any of its activities. Upon the establishment of the Planning Board (later, the Ministry of Planning) little research was done in the field of manpower and none in social insurance. Consequently both operational and basic research needs to be carried out by the institution's planning unit, in which operational research is at present concentrated on the collection and analysis of data generated as a by-product of administration. The basic research needed would have to deal with long term economic and social factors affecting the need for further security, the adequacy of existing laws, and possible amendments or alternatives to these laws.

C. Training

Shortage of qualified personnel for handling the social insurance tasks is one of the main obstacles that deterred the application of the law to the entire labour force. This shortage of manpower trained for implementing the present programme may also cause a bottle-neck in achieving the programme's objectives as a great deal of any social programme's success depends on the availability of qualified people. This imposes the need for intensive training programmes to be established for all administrative and professional personnel. Such programmes could be arranged by the ILO through its technical assistance programme, and with the assistance of Kuwait University. Other training programmes for Kuwaiti administrators should be established in the well-developed departments of social security in other countries, which would give them the opportunity both to observe the practice of experienced administrators and to learn from their own experience as well as from theoretical instruction. Since its establishment, the institution has sent 9 people to the USA, for training in the investment field in particular. This policy should be extended to include more numbers of trainees in the different fields of administering the different tasks in the institution and in the field of dealing with the public.

D. Coordination with the Ministry of Labour

In many countries, supervision of the social insurance agency, if it is not a completely independent body, is undertaken by the ministry concerned with labour and social affairs. In Kuwait,

supervision of the institution is the concern of the Treasury, and the Minister of Finance is responsible (see 5.3.5.). Consequently liaison and coordination with the Ministry of Labour are effectively minimised. Although this ministry has a representative on the institution's board, coordination between the social insurance schemes and other welfare schemes directed by the ministry does not take place. The Ministry of Labour administers the social assistance programme, services for the disabled, and rehabilitation schemes.

Social assistance and other welfare programmes complement the social insurance scheme under a unified comprehensive social security programme in many countries and they are usually carried out by a single agency.

It may not be possible to follow such an approach in Kuwait while the institution has access only to a limited number of expert staff; at the same time as these welfare programmes are a success under the Ministry of Labour. But this does not lessen the importance of establishing suitable communication channels between the two bodies to maintain consistency between the different elements of the welfare programme, and to facilitate unification of such programmes in the future.

9.2.2. Additional reforms

A. The expatriates and their future security

"Without its expatriate population which now outnumbers the native Kuwaitis, the modern thriving Kuwait of today would never have achieved its present rate or progress. There would have been neither the knowledge nor the manpower

to achieve all the advances made in the past few decades of oil development.

Expatriates have made, and are still making immense contributions to Kuwait at all levels."⁹

As expressed in the above quotation, expatriates are the vital factor in running the Kuwaiti economy at all levels from 1946 up to the present, and for the foreseeable future. Kuwait is always in need of their efforts and knowledge and tries to attract increasing numbers with the growth of the economy and increasing development. Although many of them leave every year on termination of their contracts or to seek employment in other countries of the region or even to return to their home countries, the need for expatriates does not decrease. Many others enter the country to take up the tasks others have left unfinished. This large, continuous movement of expatriates in and out of the country seems to arise out of the well-defined plans or policies of individuals. The national development plan provides estimates of migration for only five years and only in the form of the separate requirements of different projects. But there is no clear and long-term immigration plan or even a population plan for the country as a whole. The uncertainty and ambiguity involving the country's future extend to the long-term involvement of the expatriates in Kuwait's economy and society.

Therefore, non-Kuwaitis are always treated as "working-class" with short expectations and are paid a discriminatory low level of

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Derek Harris. "Expatriates make their mark at all levels." The Times. Special Report on Kuwait: Monday 12th June 1978, p. VIII.

wages with reduced opportunities in welfare benefits and no right at all to social insurance benefits. The right claimed for expatriates to receive equal treatment in social insurance benefits has become a major issue on many occasions and it seems to be very desirable in theory; but it has been argued that this right cannot be exercised because it would take money, time, and scarce staff to implement it. But this argument is well undermined by the direct costs that have to be paid for this group through other services which must be provided by other activities in the economy, and which may involve comparable time and staff. (See 9.2.2.B.1. and 10.2.3.).

From the survey, it was found that the problems facing the expatriates in Kuwait, which may affect their productivity or motivate them to seek employment in another country, are mainly discrimination in payment and promotion opportunities. Correction of this discrimination forms their most strongly expressed demand and it may seriously affect their productivity and performance as they may tend to provide less effort in their job as they have less reward for the same job with the Kuwaitis.

Security in the job is their other main concern, because of the fear of losing the job solely because a qualified Kuwaiti is available for it, not because of malperformance. Long-term security in the form of social insurance benefits is another matter of concern in their view, especially after the enactment of the new social insurance law purely for the benefit of the Kuwaitis. 65.4% of

the non-Kuwaitis in the sample were in favour of this scheme, and 58.6% would have preferred to have a pension rather than a lump sum payment on retirement. And finally 45.7% said they were ready to leave the country if they were offered such protection elsewhere, with working conditions comparable to those in Kuwait.

Permission to reside permanently in Kuwait would be an important step towards facilitating the application of the social security provisions to expatriates, although they ranked it as their least important concern. The draft of the permanent residence law is under debate in the government, and no decision has yet been reached. The enactment of this law is a very necessary procedure, as it will indicate a totally new attitude towards the expatriates. With no doubt it will have a favourable psychological effect on foreign labour who will be treated not only as a working class, but full citizens with the right to reside permanently (of course the granting of such right will depend on many conditions according to the bill; first is the possession of required qualifications).

The act will give this group more trust in the government which appreciates their contribution and is concerned about their future. It certainly will make the application of other rights to this group possible, such as the pension benefits during old age or total disability, the right to establish private business, and the right to purchase and sell properties. Generally, it will serve positively the continuous need for stable labour from the new

generation of settled expatriates.

B. Separate system of social insurance for non-Kuwaitis

If we recall briefly the main problems hindering the development of manpower in Kuwait, they may be summarised as:-

- (i) The assurance of an adequate income in the event of losing the ability to earn a living;
- (ii) The assurance of this right to workers in all the economic sectors in order to create an economically secure environment for themselves and their families;
- (iii) The continuous need for and dependance on foreign labour: at the same time the need to find ways of attracting the right sort of qualified people and of encouraging those already in the country to continue making their contribution to the economy.

In fact an attempt at this stage to tackle the three problems using the single instrument of the existing social insurance law, might not be sufficient; but also, totally ignoring the third, most acute one, is not the ideal solution either. The policy of adopting a separate scheme of social insurance for expatriates might be a more reasonable solution. It would provide security for this group and help to tackle the third problem. It may also have the desirable effect on their productivity and their desire to remain in the country. It would be more consistent with the minimum standards of social security for immigrants in the ILO convention of 1962, and with the Arab league agreement of 1967 regarding

Arab immigrant workers and their rights in Arab host countries.

No attempt will be made here to draw up such a scheme because the social, economic, and actuarial information required is beyond the capacity of the research accompanying this thesis to provide; but it should be mentioned that a separate scheme would need to be planned carefully and in such a way as to provide an adequate level of economic and social security against the various contingencies, and to eliminate as far as possible the existing discriminatory attitudes, without creating further problems for this group. Any proposed programme for expatriates, should determine to provide benefits that include pensions in case of old age and total disability, which could be paid abroad or commuted as a lump-sum (depending on the government policy) if the worker preferred to leave Kuwait upon retirement. Other benefits in case of sickness and work injury (permanent or temporary partial disability) should be also met through the system. Maternity benefits for foreign female workers ought to be guaranteed also. There is no need as yet to provide unemployment benefits, as they are not provided for Kuwaitis and as the expatriate residency in the country depends mainly on his employment skills.

The possibility of adopting such a scheme needs to be determined in the light of several considerations which follow.

¹⁰ The present system grants a compensation for the worker in case of industrial injury that has to be paid by the employer, although there is no legal enforcement on the employer to insure his workers against such risks, which resulted in many cases unmet because of the employer's inability to pay.

¹¹ The Canadian Council on Social Development. Guaranteed Annual Income: An Integrated Approach. Ottawa: Runge Press Ltd., 1973, pp 34-39.

1. Is the programme economically feasible?

Despite the desirability of assuming social security benefits for this non-Kuwaiti labour force, economic feasibility of such a scheme is essential in order for the scheme to be implemented and function in the proper way. The system's source of funds is the first aspect to be determined. A combined contribution from the employee and his employer is the most acceptable source to fund such a scheme. For the purpose of this separate scheme for expatriates, the employee's contribution should not exceed the 5% paid by the Kuwaiti employee. On the other hand, the employer's contribution should be paid for both purposes - pensions, and disability and industrial injury benefits - to provide the same type of benefits as those provided for Kuwaitis.

Employer's contribution, and the size of any government subsidy, are the main points at issue in establishing such a scheme. The employer's fear of further monetary responsibilities towards his foreign labour (forming the majority in many establishments), was directly behind the earlier rejection of a comprehensive scheme for all workers. Under the existing law of employment, the employer is responsible only for an indemnity to be paid as a lump sum to the worker upon termination of his service, regulated entirely by the individual contract between employer and employee, and compensation in the event of injury at work. The compensation need not be paid from the insurance fund. But the employer has

the right to pay it from his own funds. Determining the employer's contribution is a very sensitive matter and it would have to be approached very carefully. It is clear that a government subsidy will have to be made to the scheme to provide an adequate level of benefits. One might argue that the policy of imposing a slightly higher employer contribution on behalf of the foreign worker, which entail a lower government contribution to the scheme, would motivate the employer to prefer Kuwaiti labour. This in its turn would overcome the preference for foreign labour over expensive Kuwaiti labour, which was created by the employer contributions under present social insurance law (see 6.4.5.). But it should be realized here that any further financial responsibilities on the employers may well delay and obstruct the introduction of such a system, as the employers' opposition will increase.

A government subsidy may be a fixed percentage of salary but set at a level which will provide an adequate level of benefits e.g. 10%. The government is likely to be required to financially underwrite the scheme and some flexibility in funding will be needed. This is especially as pension payments for those non-Kuwaitis remaining in Kuwait during retirement will need to be inflation-proofed. In the case of those who leave the country with a lump sum (see 9.2.2.B.4.) or whose benefits were transferred to their own countries under reciprocal agreements, the government subsidy would cease upon their departure. Also, government

will subsidise the administration of this programme if it has to be publicly administered.

In considering the economic feasibility of such a scheme, indirect costs of not having the scheme must be assessed: such as benefits expatriates already receive through other welfare activities, the possible affect on low productivity while newcomers are being trained, and finally the invisible costs of a country divided into hostile camps and the costs brought about by human insecurity and frustration.

2. Is the programme politically acceptable?

Until now, a social insurance scheme for expatriates has not gained political acceptance, without which policies and plans cannot be promulgated with any hope of success. But recently government actions aimed at solving some of the problems facing expatriates indicate that the government may be prepared to deal more seriously than hitherto with the position of the expatriates. The national planners' major objective of developing and preserving a skilled labour force has been translated into the provision of more educational opportunities for the expatriates' children and more unrestricted health services; and it may extend to further welfare benefits. The current work on producing a unified civil service law forms the first step towards political acceptance for the provision of equal pay and employment opportunities for all public workers regardless of their nationality. This law has been enacted lately and the Civil Service Commission has been charged with implementing

the law in the near future. Upon its full implementation, it will represent an important transition in political thinking regarding expatriates.

The outstanding draft of a law of permanent residence for expatriates is another example of the direction political plans seem to be taking. The enactment of such a law would facilitate the establishment of a pension law for non-Kuwaitis.

Finally, various announcements by government officials indicate the possibility of social insurance coverage for non-Kuwaitis in the near future,¹² which provides that future security for the majority of the labour force may soon receive political acceptance.

3. The public attitude

Public acceptability is another crucial factor in the foundation of a social insurance programme for expatriates. Although the majority of Kuwaitis sympathise with non-Kuwaitis in this matter, they are not yet sure if they wish to have non-Kuwaitis spending their whole lives in the country, given their often different, moral, ethical, and social backgrounds. These backgrounds will inevitably have both positive and negative effects upon Kuwait's existing social and cultural structure. Here, the social scientists ought to point out for the public that this fear is rootless, especially as the majority of the expatriates are Arabs with the same religious background

¹² The crown prince declared this to the weekly magazine Merrate Al-Amah in November 1976, and the institution's general director has made it clear in several meetings with the public, and through the media.

and similar social and cultural structure. Moreover, no doubt the possibility of damaging the Kuwaiti cultural structure will increase with the continuous flow of increasing numbers of newcomers. This danger could be lessened only if the expatriates have the chance to settle in the country for longer periods or for life where they become more likely to adopt Kuwaiti social patterns.

The deep rooted fear that the availability of foreign labour within the country will put Kuwaitis into a less competitive position in the labour market may also deter their support of such a scheme. It needs more concentrated efforts from the officials and the planners to provide more information for the public on the national plans and the position of non-Kuwaitis in the country. It may require more effort to provide real opportunities for the public to participate in the planning process of the state through attitude surveys and public enquiries, in order to obtain real support from the public for this and other actions for the welfare of the other groups in Kuwait.

4. The effect of emigration on the programme

Kuwait's society and economy are peculiar in the fact that immigrants are a majority of the population, as in its dependance on oil revenues. It cannot be denied that many immigrants come to Kuwait as a place to make monetary gains in the short run. When they are there for a while, attitudes are likely to change. Some way of separating out those with longer-term residency

aspirations from those with short-term financial goals is needed. Short-term contracts (two to four years) apply to a majority of the foreign labour especially those from Egypt, Europe and South Asia. The effect of a social insurance scheme on the numbers of migrants in both directions needs to be estimated carefully in order to avoid adverse effects on the scheme itself. The most acceptable approach for guaranteeing the introduction of a programme (and one followed by many countries requiring foreign labour), is to apply a minimum period of residence before a foreigner may be covered by its social security laws.

Table 9.2

Residence requirements for old age benefits

<u>Country</u>	<u>Years of residency</u>
Canada	Last 10 years or 40 adult years
Finland	5 years
New Zealand	Last 10 years ^a
Norway	Last 5 years ^b
Sweden	Citizenship or 10 years for aliens
Switzerland	Citizenship or 10 years for aliens ^c

Source: U.S. Department of Health, Education and Welfare, Social Security Administration, Office of Research and Statistics, 'Social Security Programmes through the World' 1975.

- a. Twenty years required if the worker was a non-resident in 1938.
- b. Aliens must have 15 years after age 20.
- c. Unless there is a reciprocity agreement with the worker's country of nationality.

A minimum period of residence in Kuwait seems necessary, especially in the case of pensions. A five to ten year period of residence in the country might be sufficient. This was also recommended by many managerial personnel in the survey. This minimum period would automatically exclude those on short-term contracts. A pension ought to be paid to the expatriate staying in Kuwait after retirement (this right is not yet provided for foreigners, and the hope is that it will be guaranteed upon enactment of the permanent residence law). For those who prefer to leave the country on retirement, a lump sum equal to the total contributions made on their behalf (with interest) ought to be paid as a retirement grant (as is the case now).

Perhaps the present exclusion of non-Kuwaitis might be modified urgently by means of nationals reciprocal agreements that guarantee equity of treatment for nationals of the two contracting countries. Such agreements should be established with countries supplying large proportions of Kuwait's labour, especially Arab countries. An arrangement to transfer a worker's benefits to his home country after the termination of his work in Kuwait would favour the worker more than if he received a lump sum immediately in Kuwait on the termination of his stay, subject to his own possibly unwise investment and providing no future security.

9.3. The implementation of the reforms with respect to the fulfilment of the national objectives

The following reforms are necessary in order to fulfil the

objectives stated in the national plan and reviewed in Chapter 6.

9.3.1. The most important reform and the first to be implemented should be to end the early retirement provisions which may be causing the country high costs in terms of financial subsidies to the OADS fund for Kuwaitis, and in terms of underused manpower. The retirement age should be fixed at 60 for men and 55 for women (this age could be 60 for women also, as the law gave the married woman the option to retire after 15 years service whatever her age is) the ages provided by the civil service law, and in most countries in the region. To replace the old, uneducated generation by young, educated and trained workers, exceptional early retirement for a limited period could be allowed with defined requirements for early retirement (for example, poor health, illiteracy with certain age, specified types of hazardous jobs). Other requests to retire early should be reviewed if we are willing to preserve Kuwaiti manpower. No doubt cessation of early retirement benefits may well cause public opposition, but the national interest in the long run should have the top priority rather than a policy of impressing the public in the short run. On the other hand, deferred retirement benefits should be designed to encourage elderly people who are still productive to continue making their contribution to the economy. Only if the law adopted a defined retirement age before which retirement were not permitted (with the exception given above), and late retirement were encouraged, would the law be more successful in meeting its own objectives and the national interest

by preserving human resources.

9.3.2. Unified provisions for sickness and maternity benefits, at least as competitive with those in nearby countries, should also be introduced. In other countries, social security laws provide between 26 and 48 weeks of paid leave for the sick, although these periods, as well as payments made, vary. But all labour covered by social security legislation receives the same leave and payments in any one country. The adoption of a unified period of sickness leave with a unified range of payments would ensure more social justice in Kuwait as well as simplifying the administrative procedures. 26 to 36 weeks would be a reasonable period according to the standard set by the ILO, and it lies between the short leave presently given in the private sector and the long leave in government. The same cash benefits should be paid regardless of the employment sector. The same could also be said about maternity benefits but where a period of 12 to 16 weeks, longer than that presently provided, ought to be granted.

9.3.3. Recognition of the long-term need for non-Kuwaitis imposes the immediate necessity to plan for social insurance and other welfare programmes for them. A firm date for the introduction of such a scheme or for the implementation of other welfare programmes should be announced in order to gain the trust and support of this group and to reduce their unsatisfactory attitudes to the country.

9.3.4. After the announcement of a definite date for the introduction of a social security plan for non-Kuwaitis, the adoption of a separate pensions scheme in case of old age and disability might be the most reasonable solution to the problem of conflicting interests between the non-Kuwaitis' right to protection and the Kuwaitis' right to the enjoyment of their national wealth. Index-linked, inflation-proof pensions could be provided through the scheme for those who decide to remain in Kuwait, and lump sum grants to those who leave the country. Other benefits should also be provided through this programme in case of sickness, maternity, temporary, total and partial disability. These benefits could be provided at the same level of benefits for Kuwaiti labour, as the case before the introduction of the 1976 Act. No doubt this programme will place an increasing financial responsibility on the employer toward his non-Kuwaiti personnel, which up to now is one of the reasons obstructing the introduction of this programme. But, here again, the comparison between the national interests in the long run and the interest of certain "employers" should be spelled clearly and urgently to avoid any further delay in attaining the overall national objectives. Reciprocal agreements should be sought to permit the transfer of benefits to a worker's own country, these benefits to be added to his previous and future entitlements in that country's scheme.

9.3.5. A social insurance system for expatriates should relate their benefits to their period of residence in the country. This applies especially to pension benefits. A system of 1/50 (which guarantees 50% of earnings after 25 years of service, and 60% after 30 years) or 1/60 which provides 2/3 of earnings after 40 years of service would ensure an adequate level of retirement benefits even by developed European standards (1/50 and 1/80 are well known systems in Europe). Relating a pensions to the total period of residence in the country (with minimum contributions paid) is suitable for non-Kuwaitis who may well have more than one job during their period of residence.

9.3.6. Administering the social insurance scheme for non-Kuwaitis

Administering a separate scheme for expatriates is a problem which ought to be carefully considered bearing in mind the advantages and the national interest. The first and more likely probability is for the programme to be administered by the government through the existing social insurance institution, or by a separate government body. Government underwriting of the programme would guarantee government support for it, and further subsidise it by paying its administrative expenses. The scheme would benefit from use of the institution's existing expertise, but the institution does not at present have the capacity in the form of

sufficient skilled and experienced staff to undertake any further work.

Until now, the private sector has not been given any role in administering the new law. On the contrary, the inauguration of the law (Article 3) required any employer providing private social insurance plans in favour of his Kuwaiti personnel to transfer these plans to the Institution, leaving him with no right to contract out, as is the case with pensions in the U.K. This law can be viewed as being in direct conflict with the national objective of developing the private sector. The future of Kuwait may depend in the long run on its financial and service sector to some degree as an exporter of services and providing greater diversification of employment opportunities.

Private underwriting of a separate expatriates' scheme would contribute significantly to the development of this sector. It may help to minimise the effective contribution of government to the scheme.

Employers could be made responsible for providing such schemes through the private sector. Combined contribution would come from the employee, the employer (his contribution should be made equal to or more than his contribution for the Kuwaiti worker), and the government. It would seem sensible that the government contributions be paid directly to the insurance companies or the financial institutions providing these schemes in

the form of cash transfers because of the absence of a tax system and to minimise misuse of these funds by employers. Government supervision is essential in this respect to ensure the benefits under the schemes are in line with those set under the reformed social insurance legislation. Under such an arrangement, a new body, accountable to the government, would be needed, to monitor these private schemes. Such a body might have representatives from the Ministry of Labour, the Public Institution of Social Security, Ministry of Planning, the private insurance companies, and the General Union of Labour. This body should relate to the Ministry of Finance, as the present Social Security Institution does. The Occupational Pension Board in Great Britain affords a good example of a body which considers applications for contracting out with respect to part of the social insurance programme there. Even under such a system run mainly by the private sector, parts of the social insurance benefit package may be better administered by the Public Institution of Social Security, such as sickness, maternity schemes, as they may involve the same arrangements and the same amount of benefits as those for Kuwaitis.

9.3.7. Enactment of the new laws in favour of foreign labour especially the permanent residence law, would facilitate the introduction of the social insurance law. As it would guarantee the right of the expatriate to live permanently in Kuwait (under certain conditions), he would be able to receive his old age or disability pension, which he could not do under the existing law.

Without the new laws the expatriate would be, as now, eligible only to a lump sum, or the government would have to accept the principle of pension transfers to other countries (which is unlikely to happen even in the distant future). The enactment of such laws and the unified Civil Service Law would have an important effect on fulfilling the national plan and on supporting the national interest by promoting social equality, improving labour productivity and preserving human dignity for the whole population.

9.4. Further studies and researches

9.4.1. Manpower and training studies for both Kuwaitis and non-Kuwaitis are required. These studies would help in finding the most effective way of using local resources, in developing training and adult education programmes, and in the reallocation of the qualified staff already available. Studies ought to be made in the overstaffed government sector to find possible solutions to its present problems in order to ensure the optimum use of its manpower.

9.4.2. Special long term studies into foreign labour are needed in order to produce a plan for immigration and the numbers of immigrants possessing certain qualifications required over a long period. Studies also need to be carried out within the foreign labour force currently in Kuwait to discover its problems, prospective plans, and factors influencing their desire to remain in the country.

9.4.3. Studies in social security are necessary in order to expand, update, and forecast the possible effects of such programmes on the labour force. It is necessary to estimate the effect of existing laws on the national plans and more precisely on the reallocation of the Kuwaiti labour force to avoid any further problems in this field. Additional research is required as social security programmes should be based on more knowledge than is currently available regarding the long term national interest, detailed demographic characteristics, and population policies.

Finally, evaluative studies should be designed, for the purpose of feedback information on existing schemes, in the form of attitude researches and interviews with the public, to develop and improve the benefits and administration, and communications with the public.

Chapter 10

Conclusion

10.1 The Social Insurance Act of 1976 is an important landmark in the development of Kuwait's social policy. It was introduced in order to fulfil already existing social and economic objectives and also to assist in arriving at other national objectives within the broad framework of socio-economic development plans.

- i. It was introduced, in the first place, to provide the relief required in cases of human destitution caused by the absence of a wage-earner in the family (premature death, accident etc., or desertion), or by inability to work (accident, sickness, invalidity, and old age). With the exception of unemployment and maternity, the new system provides adequate income protection for Kuwaiti citizens against adverse economic contingencies which might arise.
- ii. It is also the aim of the system to develop human potential by means of appropriate measures of social and economic protection, where even a minor waste of manpower is a loss for a society suffering sharply from a shortage of human resources. .
- iii. The desire to reallocate the capital surplus, which is deemed to be the property of all Kuwaitis, by sharing it among them, is another objective behind the introduction of a relatively "generous" level of benefits, which may reach an inflation-proofed pension of as much as 95% of final earnings upon retirement after 30 years

service, or in a case of total disability. The sick person is also provided with a pension (differing according to his period of service, ranging from 65% to 95%) if he has exhausted all his sickness benefits under the labour legislation in force in his sector of employment. Industrial injuries benefits are also provided at a high level. Reallocating the national wealth in the form of deferred benefits, is thought to be a wise policy with more desirable effects on the economy both in the present and in the future. It reduces the danger of inflation rising to unpredictable levels which might happen if all the wealth were to be pumped immediately into the economy, and the danger of destroying the social and cultural fabric because of excessive wealth.

Some reservations on the excessive use of this policy need to be stated.

a. The policy may help to widen the gap existing in the labour force, by the fact that benefits are provided now for Kuwaitis, and not for non-Kuwaitis, and those which may be provided for the non-Kuwaitis in the future may be less valuable. (The latter will depend for their funding mainly on contributions, with a reasonable subsidy from the government, as equality between the two groups is not likely to be aimed at, if the principle of distributing the excess national wealth only among Kuwaitis is to be maintained).

b. Although adequacy is a very important principle to be maintained

in the social insurance system, a reasonable degree of equality is also desirable to avoid social disorientation and the uneconomical leakage of manpower from the labour market.

10.2. As well as meeting its own objectives, the social insurance system ought also to assist in meeting the other goals within the overall national plan. In this respect the need for the sound and effective integration of social insurance within national planning is becoming an issue regarding quick and efficient action to avoid any internal conflicts which obstruct or delay the achievement of the national goals. It is common for the planning process in Kuwait to be piecemeal and poorly co-ordinated. This approach has proved to be inadequate, and must be held responsible for many areas of conflict existing between the system and the long term goals.

10.2.1. Although the system was intended to improve the Kuwaitis labour productivity and stability in the labour market directly, by means of the secure environment it provides, its role in this respect will probably be restricted in the absence of a fixed retirement age. With its present provision for optional early retirement it may also help to deplete the local manpower available for employment. The high level of benefits provided even in early retirement may encourage not only the uneducated older generation, but also the much-needed qualified workers to retire. The latter will merely need to have

contributed for 20 years to be eligible for a pension without any age limit, and to have a contribution of 30 years to be eligible to a pension at the highest percentage of final earnings.¹ The absence of a fixed retirement age was inherited from the former pension system for public employees which gave the age of 60 (provided by the Civil Service Act no. 7/1960) as the latest age for retirement; but which also gave the employee the right to retire well before that if he had served for 15 years and was aged 50, or 20 years whatever his age was. This Act was responsible for the uncertainty about the retirement age amongst the labour force.

This lack of certainty, coupled with the very high level of pension provided upon retirement, early or not, may cause a considerable drain upon human resources which might otherwise continue in productive endeavour. The lack of information available about retirees and their ages at retirement prevented a complete analysis of the matter. But, it may be said in general that the new Act contributed very little to the preservation of the Kuwaiti labour force. Moreover, it encouraged 1,850 retirements within the period of eight months after it came into force, or 3% of the total of insured workers for the same period. This percentage was considered very high compared to the normal annual percentage of retirements under the former pension act.²

¹ Only if he expects to be promoted, and thus achieve rates of pay closer to the maximum which may be used in calculating a pension, is he motivated to remain at work.

² The Public Institution for Social Security: Annual Report, 1977-1978, Kuwait, 1978.

The providing of early retirement benefits, along with the right to combine pension and salary from the other sectors, may well obstruct the achieving of the national objective of mobility of Kuwaiti labour to the private sector, where the majority employed by the government may delay their mobility to meet the minimum limit of service to enjoy the former benefit. Moreover the new generation may also think about this advantage which may prevent the private sector from the talented and educated people for an unpredicted period.

10.2.2. The social insurance system is also used implicitly as a means of distributing the national wealth by providing relatively "generous" benefits (compared to the standards commonly applying in advanced systems, where 50% to 60% of basic earnings are considered to be adequate).

In the meantime, and possibly in the foreseeable future, the affluence of the state, shown by the capital surplus, makes it possible to support such a level of benefits by major subsidies in the form of monthly contributions of 10% of the payroll, of administration expenses (K.D. 2.1 million were provided as an initial establishment grant in the first year), and of the obligation to meet any future deficit in the institution's funds. There is no doubt that the cost of the social insurance system will increase in accordance with the increase in the working population, with future inflation

rates, and with the increase of early retirement costs. Many other government policies may also have a significant effect on the costs of the system. The nearest example is the policy of readjustments for pensions, which will be made because of the readjustments in pay in the public sector, which have been introduced in the new Civil Service Bill, no. 15 of 1979. This new policy is expected to create a burden of K.D. 200 million in the form of pension adjustments, which the institution can by no means afford, and it will be financed entirely by government subsidy.

The question of how much we can afford in social insurance benefits is always valid not only for the present, but also for the future. It is not an easy question to answer in isolation. To answer it properly we need to make reasonably accurate estimates of the growth in population (of Kuwaitis in particular), of future mortality rates, of future government policy in investing the capital surplus, of the potential growth in the private sector, and of the ability of the economy to generate wealth beside the present heavy dependence on the single export, oil. In other words, many aspects and variables need to be studied carefully to determine the future ability of the system to meet the beneficiaries' claims. Thorough economic studies ought to be made to determine the economic justifications for providing such benefits, as against the usual justification of "keeping people happy", which might have undesirable economic and psychological consequences in the long term.

10.2.3. The outstanding problem of the non-Kuwaitis, who number 52.5% of the total population (69.8% of the labour force), is becoming more worrying to politicians and national planners. This group has succeeded in establishing and expanding settled communities, within Kuwaiti society, making increasing demands for social services, for equal employment and educational opportunities, for equal treatment in respect of employment and remuneration policies, and recently, for social security in the future.

No-one can deny the contribution made by the non-Kuwaitis to the economy as, with their qualifications urgently required by Kuwaiti industry and commerce, they form the country's broad productive base enabling the dynamic growth of the economy to continue. Their increasing pressure for recognition and equality induced the government to introduce the Civil Service Bill no. 15 in 1979. Upon its enactment this Bill will provide in the public sector equal opportunities for employment, equal rights and equal remuneration, for both Kuwaitis and non-Kuwaitis. It may be regarded as a major step in labour relations, certainly consistent with the national interest.

One consequence of the Social Insurance Act no. 61, was that it widened the actual gap between the two labour groups, probably having an adverse effect on their desire to settle in Kuwait and indirectly affecting their productivity. The social security of

the non-Kuwaitis has become a more pressing matter than ever before, which became clear in their responses to the questionnaire, in which 64% of the 218 preferred social security for the future, in the form of a contributory social insurance system, over the existing system of lump-sum non-contributory indemnities.

According to the discussion in Chapter 9.3 above, on the feasibility of establishing a separate system for non-Kuwaitis, we found that this would provide the protection needed with a sufficient level of benefits (though not necessarily as high as the benefits provided for Kuwaitis). Such a step has to be considered as urgently as possible, which might lessen the hidden costs involved: in the loss of trained, qualified workers leaving before their full contribution to the economy has been made, in the failure to attract the most suitable sort of immigrants (those who perceive a need to stay and develop the economy, rather than taking advantage of short term financial gains), and finally, in the cost of human frustration and disappointment reflected probably in poor productivity.

We now realize the seriousness of these costs as the growth rate of the foreign labour force has notably decreased in the last few years. It averaged 12.3% between 1957 and 1965 but it dropped to 4.6% in the period 1965 to 1970.³ The decrease was not caused by any decrease in demand for foreign labour, because this demand has increased continuously since 1957 at an accelerating rate. It can only be explained by the reluctance of the

³ Ministry of Planning. The Strategy of labour force mobility in Kuwait. op. cit.

non-Kuwaitis to come to Kuwait and by their preference for competing markets or for their own countries. Moreover, the number of those leaving Kuwait upon the termination of their labour contracts during the years 1970 to 1973 exceeded the number of those entering to take up work in any sector, for the same period, by 52,181 persons, or 24.5% of the 1970 foreign labour force in

⁴ Kuwait. The situation would become more dangerous if a considerable percentage of the settlers themselves became unwilling to recommend Kuwait as a good place for their children to work and settle in. As it is, 33% of the sample of 218 non-Kuwaitis stated that unwillingness without any reservations.

It is clear that providing social insurance benefits will not be sufficient alone to overcome the group's social problems. But it might, along with the equal treatment in employment provided by the Civil Service Bill, provide them with more security and encourage them to consider their future settlement in Kuwait under more favourable employment conditions. A separate contributory system of pensions, and injury, sickness and disability benefits for the settlers and their dependants, and retirement gratuities with other benefits for those who choose to leave Kuwait upon retirement, is a possible half-way solution between the conflicting attitudes and interests in the country at the present time.

The argument that the cost of such a scheme which was always viewed as a burden on the budget, and which would be more

⁴Ibid.

significant in the case of pensions transferred to non-Kuwaitis outside Kuwait has so far deterred the introduction of such a system. But it is time to take note of the cost of the alternatives, which might be equal to or exceed this cost. In fact such a cost should not be regarded as a "burden", and the term is inapplicable here.

"A public expenditure becomes a burden only when it is wasted or when it goes beyond the limits made possible by the amount of the social surplus." ⁵

No expenditure of money to raise the standard of living of the neediest productive classes, and to provide them with social security for the future, if their means fail to do so, could be stigmatized as waste. Whether such expenditures are justified by the conditions of social surplus or not, is a matter to be determined at the next stage and in the light of the growth of national wealth. ⁶

In Kuwait, national wealth has grown dramatically during the last 20 years, government revenues from oil having increased from K.D. 116 million in 1957 to K.D. 2,132 million in 1976-77, an increase of 1776%. ⁷ The surpluses after discounting total public expenditure were K.D. 25 million and K.D. 631 million respectively, in 1957 and 1976-77. So we do not have to question whether the state could have afforded a separate contributory scheme

⁵ J.M. Rubinow: Social Insurance. New York: ARNO and the New York Times, 1969, p.490.

⁶ Ibid, p.491.

⁷ Ministry of Planning: Annual statistical abstract, Kuwait, 1977.

for this group of labour in those years, had the government limited its subsidy to a certain percentage not exceeding 10% of the payroll, nor do we need to question it for the future while oil revenues continue to come in, or if, as hoped, income from other sources increase.

With the importance of social security benefits to protect the foreign workers and their families in the future, more advantages ought to be provided for them and their dependants during their working life. Education chances ought to be granted for their children through the public education system or by subsidiary private education. The present minimum charges that must be paid by expatriates for certain kinds of health services ought also to be ceased.

Government should maintain subsidiary housing policies as the inflated prices for all kinds of property or rents deter many of them to bring their families to Kuwait which lessens their chances to settle in the country. Granting of the right to purchase and sell property may also overcome or eliminate the problem of housing. Other social services for the disabled members of their families is another advantage which should be maintained. Without doubt, such benefits would have long-term favourable effects on national plans.

10.2.4. The other area of debate needing to be discussed, is the extensive role of government in the form of state supervision

of the social insurance system versus private administration. The choice depends on the state's political philosophy, and whether the government prefers to promote the state or the private enterprise of system. In any case, the criterion ought to be the efficiency of each sector in administering and investing public funds in such a way as to preserve and develop those funds, while at the same time to generate wealth and build the economy. State administration predominates when the dominant political philosophy is that the state is more capable of administering these funds. Private administration is found wherever the dominant political philosophy expresses a belief in the superior ability of the private sector to do the job.

How efficient the government or the private sector in Kuwait are in this type of administration is not easy to determine without statistics or figures. Although many foreign systems now show a tendency to promote occupational plans administered by both the state and the private sector. Special precautions are taken by the state to protect the rights of the people insured.

Kuwait has adopted the opposite extreme of an administration entirely provided by the state, which actually reduced the private sector's role by requiring all social insurance policies of Kuwaiti employees to be transferred to the public institution from the private companies. This clearly conflicts with the national goal of building a strong private sector, in order to permit a long term potential to export technical skills and services to the outside world, especially neighbouring countries. The private sector's potential development,

strength, and employment opportunities have thus suffered an apparently unintended blow. However, it may be compensated by being asked to administer a compulsory plan for non-Kuwaitis. Government subsidies might in this case be limited to the fixed percentage contribution, payable along with the employer's and the employee's contributions, though the government would also probably have to pay inflation-proofing adjustments to beneficiaries continuing to reside in Kuwait. In any case, occupational plans do not imply a low standard of benefits. Such a scheme may well prove to be a success for both the private sector and the government. Since non-Kuwaitis form a large majority of the labour force, the scheme's funds might well exceed those of the institution, and the private sector would be able to invest them. For the government, its subsidy would be minimised, as against the expansion of the administration it would otherwise require if non-Kuwaitis were to come under the Public Institution's wing.

10.2.5. For many reasons, but mainly because of the short period of time since the inception of Kuwait's development, the people, especially the Kuwaitis, are not fully aware of the methods available to insure against social risks. Private insurance is not a popular method in the middle and low income groups. Social insurance provided by the state was also a concept virtually unknown to the public before its introduction in 1976, and which up to the present is still thought to be a pension scheme and nothing more.

Ignorance of these matters is indicated by the survey in this study, which shows that 33% of the non-Kuwaitis sampled had acquired private insurance but only 6% of the Kuwaitis sampled had done so. None of those from either group with a monthly income below K.D. 100 have insurance policies, and only 1.7% of the middle income group of K.D. 250 per month enjoy such protection.

This indicates that until 1976 other than public employees, hardly any of the population with middle incomes and below, enjoyed any kind of protection against social risks except that provided by social assistance. After the introduction of the social insurance system we find that 56.8% of the 132 Kuwaitis in the sample are still not aware of the benefits available in this system, and have only a general awareness of the system's existence.

To create such an awareness of all the measures available will depend mainly on a modern education system, which should be oriented to create individual awareness, able to evaluate each system so as to choose the one most suitable to his interests. Although this may be a time-consuming process, it is essential for future economic choice.

10.2.6. The Social Insurance Act was passed to improve the already existing welfare programme in Kuwait. Public health, free education, family allowances, the social assistance scheme,

water and electricity subsidies, housing policy, and lately social insurance, are all parts of the overall public policy designed to promote the welfare state.

Despite the complementary nature of these programmes, unification has not been considered as a possible approach to dealing with them. Coordination between them is minimal at present.

Unification of isolated laws and programmes into a compact national structure is a growing tendency nowadays. This tendency is not only important from the point of view of efficient administration, but highly significant from the new longer view of the function of social security as explained by Rubinow: "it carries with it the admission that social insurance is no more an experiment, nor even a method of meeting isolated problems when they become urgent, but a universal system of social policy."⁸ Unification of the different social policies in Kuwait would be all the easier because of the relatively short life of most of them, and the uncomplicated nature of their administrations.

10.3. The proposed corrective measures (explained in detail in Chapter 9), which need to be applied at the right time are the fixing of a uniform retirement age where any payment of retirement benefits before reaching this age, as a form of early retirement, should be abolished (only in some exceptional cases for a limited period if it is necessary to achieve other national objectives such as

⁸Rubinow, op. cit. p.488.

persuading the older generation to retire with minimum hardship). The introduction of deferred retirement benefits, the inclusion of maternity benefits within the system's scope, providing compatibility of unified sickness benefits for labour in all sectors, the establishing of automatic adjustment system of pensions according to changes in wage levels or retail price index, establishing effective communication paths between the institution and the ill-informed public, carrying out more research activities in the different areas of social benefits and social merits, promoting coordination with other bodies and ministries to attain more efficiency in serving the public are all needed. The establishment of a reasonable level of future protection for foreign labour and the promotion of more occupational pension plans are other main amendments that should be provided.

Generally, application of these measures would make for more consistency between the system's own objectives and the long-term national goals.

Finally, it ought to be borne in mind that the introduction of this system is not an end in itself, instead it is only a tool for satisfying other social and economic national ends with maximum social justice and minimum social costs.

APPENDICES

Appendix A

Labour legislation and retirement provisions in the government, private, and oil sectors, already in force in 1976

First: Government sector

(1) Government Employees' Cadre Act 1955

This was the first law enacted in the country for the regulation of labour relations in the government sector. The number of employees in government departments had grown drastically with the discovery of exploitable oil reserves and labour relations had become more complicated than ever before. From then on this sector became inflated in numbers, including Kuwaitis who had left a life at sea to enjoy the ease of government clerical positions supported by increasing oil revenues, and non-Kuwaitis, especially Indians and Pakistanis, brought in to execute the more complicated clerical tasks necessarily done in English, and other Arabs who entered the country to contribute to its rapid development. It became clear that the guild type of labour relations, normal during the sea-trading period, were not sufficient to handle the new and more complex types of labour relations becoming evident, consequent on the immigration. The rapid transition from tribal life to an organised urban society needed to be accompanied by new legislative provisions capable of handling the new labour relations, and for these purposes the first act of the government employees'

cadre was passed in 1955.

Beside the desire to regulate the labour relations in this sector the enactment of the 1955 law, was intended to be utilized by the government as a means to distribute the new national wealth among Kuwaitis on the grounds that they were in a sense the rightful owners of this wealth. This philosophy was realised by higher wage policies for Kuwaitis than for non-Kuwaitis, and by the first old age pension scheme, confined to Kuwaitis, which was introduced by the 1955 act, which were financed entirely by the government from its oil revenues. This act provides for the appointment of Kuwaitis in the government, their selection, and the scale of classification in the government positions as a whole. It also regulates their retirement and their service termination. Four factors should be re-examined in this act of 1955.

1. This is applicable only to Kuwaitis in the civil service sector. Non-Kuwaitis were excluded from the provisions of this law. It may be explained thus: it is the government's intention to exclude non-Kuwaitis in order to give Kuwaitis more protection from foreigners who are more skilled and more qualified for future positions.

2. Also, it was used as a means of distributing the oil revenue for the Kuwaitis, as mentioned above.

This could be interpreted by examining the funds for

retirement of the government employees. These funds were sponsored solely by the government and without any contribution from the employees or the workers.

3. It was used in order to motivate Kuwaitis to re-allocate themselves in the government sector, to manage and administer this sector and to form the majority of its staff.

4. The government provided regulations in the government sector only where Kuwaitis are found and where their presence was desired; no similar provisions were made for the private sector, where the percentage of Kuwaiti personnel was very small.

With the development and growth of labour structure and labour relations, the act of 1955 was no longer able to cope or to regulate the new standards in the field of civil employment. The need for a new regulation became more insistent.

(2) Amiri Decree no. 7/1960 enforcing the Civil Service Regulations and its amendments

During the 1960s the country witnessed a great deal of development in all fields, which motivated the legislature to pass act no. 7/1960 to regulate the civil service and to encompass the provisions for selection, appointment and promotion of the civil servant, and also the provisions to regulate his service termination. Section nine dealt with

service termination and retirement (for both the employees and the workers). Article (141) listed the cases where service terminated and they are as follows:

- (a) Reaching the retirement age of 60, except for the mosque-preacher for whom it is 70. (7)
- (b) Sickness or bodily unfitness.
- (c) Resignation (optional).
- (d) Disciplinary lay-off.
- (e) Retrenchment.
- (f) Lay-off by the council of ministers.
- (g) If the employee has been deprived of Kuwaiti nationality for any reason.
- (h) If the employee has been convicted of a crime in which honour, honesty or morality are involved.
- (i) Death.

In the case of retrenchment the employee should be re-appointed in another position of equal status, suitable for his qualifications. If there are no vacancies he will be laid off with regard to his rights.

Similar provisions have been introduced to regulate service termination for the workers in the government sector. Their services can be terminated in any one of the previous cases (except that the retirement age

(7) The retirement age has been changed to 70 for the civil employee, 75 for the preacher - Law 40 1968.

is 65 for the civil worker and 70 for the worker in the mosques). This has also been amended to 70 and 75 years (amendment 40/1968).

Maternity Benefits

The female employee has the right during childbirth to approximately 2 months leave with full pay. The widow has the right to a widow's leave which is 4 months and 10 days with full pay, (this follows a religious order which imposes upon the female the obligation to stay in her house for 4 months 10 days after her husband's death - Islamic Regulations).

(3) Amiri Decree no. 3/1960 enacting the Civil Servants Pensions and Gratuities Regulations and the Laws issued in Amendment thereof

With the changing circumstances in government employment it became impractical to keep the old pension system which was sponsored solely by the government and which was directed and administered by the ministry of finance.

Amiri decree no. 3 was passed in 1960 to meet the increasing need for a separate contributory pension scheme for government personnel. The new law had three main objectives to achieve.

1. To establish a new contributory scheme which was based mainly on saving a certain percentage from the

employee's pay, which was added to a government contribution, to be invested in order to guarantee support for employed persons and their dependents in case of old age, disability or death of the bread-winner.

2. The act of 1955 was insufficient for the development stage through which the society was passing, so there was a great need for the new decree in order to provide more security for the people, and also to maintain social justice in distribution of the oil revenue.

3. A specialised and separate fund for investing and administering the pension funds was required. This new Retirement fund was to be under finance ministry authority with, of course, its separate funds.

The scope of this law covers Kuwaiti personnel who occupy permanent jobs in the government - the civil servants - with the exception of policemen and military personnel. Also, the big exception is the non-Kuwaiti labour force employed by the same employer (the government). Article (1)

a. Retirement Pension

In his retirement, the employee received a pension calculated as $2\frac{1}{2}\%$ of his basic monthly pay multiplied by his service period up to a maximum of 75% of his final basic monthly pay and with a minimum of K.D. 15

for the more highly paid employee and K.D. 9 for the more lowly paid. (3) The retirement age for the male or female employee was 60 (and 70 or 75 for the Preacher). The employee's family was entitled to the maximum rate of pension in the event of his death regardless of the period he spent in his work. (4) In the case of resignation, he had the right to his pension if he had reached 50 years old and had already spent 15 years in service or 20 if his age was less than 50. His benefits were reduced by 5% for each year of service if he resigned and his age was under 45, and by 2% for an employee between 45 and 52. This was not applicable to the female worker if she resigned because of her marriage or within one year of getting married. The employees had to have 10 years service in case of retrenchment or non-disciplinary lay-off.

After his (her) death the pension was divided between the widow(s) who received $\frac{3}{8}$ (this amount was divided equally if he had more than one wife), and if the widow (widows) remarried or died her (their) share was divided equally between her needy sons (daughters) or went to the public treasury (5); $\frac{3}{8}$ went to his sons

(3) K.D. (Kuwaiti Dinar.) equals £1.70 (April 1979)

(4) This provision has been changed by Article 6 Law 40/1967. In the case of death or total disability, the salary should be calculated on the basis of 15 years service, but he should have spent at least five years in the job.

(5) This was amended by Article 14 Law 1960

and unmarried daughters divided equally between them; parents and dependent brothers (sisters) had the right to 1/8 of the pension divided equally between them; 1/8 went to the public treasury. The son of the dead employee maintained his right to his share of the pension until the age of 24 or for as long as he needed it if he was disabled. If the employee was entitled to two or more payments, he received the highest amount.

b. Retirement Gratuities

An employee (worker) who retired without fulfilling the conditions required for full entitlement received a lump-sum calculated on the basis of 1½ months' pay (final monthly pay) for every year of service during the first five years, 2 months' salary for each of the second five years, 3 months' salary for each year following thereafter, up to a maximum entitlement of 5 years' salary. In the case of optional resignation, the benefits were reduced by 20% for 5 years' service, 15% for from 5 to 10 years, 10% for between 10 to 15 years, and 5% for 15 years and more. This sum was increased by 5% in the case of retrenchment and non-disciplinary lay-off. It was doubled in the case of death or entire disability according to the medical report. The gratuity was divided among the beneficiaries according to the pension proportions described above in the instance of the pensioner's death.

c. Exceptional Pension and Gratuities

The legislature gave the council of ministers the right to grant an exceptional retirement pension and gratuity in certain cases recommended by the ministry of finance. This was not to conflict with the previous public provision in the pension law. In fact, the legislature intended to add flexibility to this law, so that the council of ministers would have had the right to apply retirement benefits to some new cases.

The decree gave the pensioner under 61 years old the right to commute his pension or part of it. The amount he could receive varies, but it was sometimes as much as K.D. 160 for each K.D. 1 he is receiving each month, if he is 40 years old, and it is K.D. 85 for each K.D. 1 if he is 61 years old.

Amendment No. 34/1969

One major problem which faced the application of act no. 3/1960 was the employee who obtained Kuwaiti nationality during his service with the government. The government attempted to tackle this problem by introducing decree 34/69, which explained the civil service commission's attitude, which was that the period served before acquiring Kuwaiti nationality should not count for the purpose of calculating the employee's pension; the period required should be counted only from the moment of attaining Kuwaiti nationality.

However, the legislature retained the council of ministers' right to give its decision in exceptional cases. This government attitude was restated in February 1977 by the civil service officials. (6)

(4) Decree no. 4/1971 in respect of Pension and Gratuities of the Prime Minister and the Ministers

When the pension law for the civil servants no 3 was enacted in 1960, no provisions had been provided for the prime minister's and the ministers' pensions. In fact the system of ministries was not introduced in the country until 1962. So, the government passed decree no 4 in 1971 to regulate the pension scheme for the new category of ministers and the prime minister.

After their retirement, the prime minister and the ministers are eligible for a monthly pension equal to $\frac{3}{4}$ of their final salaries, and this pension should not be exceeded in any case, if they have already spent four years in office in either continuous or separated periods. They are entitled to this retirement pension if they have spent only one year in office which may be considered (implicitly) as 15 service years.

If the prime minister or the minister was employed by the government before or after taking ministerial

(6) M. Alan Jaree "Al Gabus" - local newspaper February 1977.

office, his other service years will be added for the purpose of calculating his pension benefits; this retirement pension must not exceed the amount of his final salary. In some exceptional cases, if the prime minister or the minister has spent less than one year in office and has previously served in a government position, he will be covered by the provisions of act 3/1960.

(5) Decree no. 34/1972 Granting Social Allowance to Pensioners or Beneficiaries

The cost of living has increased to a great extent during the last few years, and especially so in the 1970s. By 1970 the cost of living had almost doubled compared with 1960 levels. The government found it necessary to increase retirement pensions in order to maintain favourable living standards for the pensioners. The first increase came in 1961 decree no. 14, which provided the pensioners with increased pensions, regardless of the size of their families or of their other responsibilities. In 1972, a similar situation was realised again and decree no. 34 was passed which granted the social allowance according to the social situation of the pensioners and their dependents. The law stated the amounts which might vary from £D.51 for the pensioner with a spouse and dependent child, K.D. 28 for the widow with a child, K.D. 45 is also granted to the female worker who has no employment, or to the

pensioner who has no land. K.D. 10 was granted for each parent and K.D. 6 for each dependent sister or brother. This ^{was} to be financed totally by the Treasury. The provision of this decree, as of the previous pension decree, is applied only to Kuwaitis. Pension benefits will cease if the pensioner leaves Kuwait for more than six months (except for health treatment or education reasons). This decree is applied also to the prime minister and the ministers.

(6) Act no. 27/1961 in respect of the Pensions and Gratuities of the Military Staff of the Army and the Armed Forces

Because of the unusual nature of the military profession and the important need for this sector in providing protection for the country in peace and war, the legislature passed act no. 27/1961 which provides this sector with more protection and more benefits in the case of their retirement, and their dependents in the event of their death. In fact, the benefits provided by this act are intended to be one of the policies intended to attract great numbers to serve in the military forces. The contributions will be paid to the Retirement Fund, where the employees' contribution is 5% from their monthly salary. The government will make a yearly contribution (not stated as a percentage

nor by an amount) to meet their claims for pension and retirement gratuities.

a. Pensions

A member of the armed forces will be entitled to the pension if he has 15 years of service and reaches the retirement age (65), or 20 years of service in the case of permanent disability or death. In the case of death in action, the pension will go up to the maximum; this is valid for captured soldiers and war veterans. The pension will be divided among the dependants after the pensioner's death: $\frac{3}{8}$ goes to his widow (widows), $\frac{3}{8}$ to his sons (daughters) divided equally among them, $\frac{1}{8}$ to his dependent parents, and $\frac{1}{8}$ to his dependent sisters and brothers. The sons and brothers (daughters and sisters) will have their share until they reach 24 years old, or later if they are unable to earn their living because of disability. This pension will be calculated as $2\frac{1}{2}\%$ of the final salary multiplied by his service period - up to $\frac{3}{4}$ the basic salary. The law provides minimum limits for the military man too. He has the right to commute his pension benefits or part of them; this varies according to his age. Also, if re-appointed to any other government position, after he reaches the pension age, he may be paid both the pension and the pay due to him in his new position.

b. Retirement Gratuity

If a person does not fulfil the requirements for a pension he receives a gratuity which will be calculated as $2\frac{1}{2}$ months' salary for each service year, if he was injured or developed a disease while on active service . If he was injured or became sick for a reason other than his work, his gratuity will be calculated as $1\frac{1}{2}$ months' salary for each service year for the first five years, 2 months' salary for each service year for the second five years, and 3 months' salary for each year thereafter. In other cases besides the preceding ones, his gratuity will be one month's salary for each year for the five years, and $1\frac{1}{2}$ months' payment for each year thereafter. (The basis will be the final salary). If he returns to the service, he has to return his gratuity either as a lump-sum or as monthly instalments so that his previous years of service can be added to his present service. Also the law has many provisions regulating the general orders in the case of scholarships, and the penalties provision; also it gave them more attractive policies for the support of their families and for education.

The unusual nature of their kind of service made it necessary to have different policies for their retirement and for benefits for their dependants thereafter.

Military personnel enjoy more benefits as they are always excluded from the provisions covering civil servants; they are entitled to different benefits up to the present time.

Second: Private Sector

1. The Labour Act of 1959

The government sector has not been the only sector to develop under the stimulus of oil revenues. Private business has also developed dramatically, with drastic consequences to labour relations, especially in the construction industry and in entrepot trade. Previous to the exploitation of oil, the only kind of labour contract known in Kuwait was the "barawh", a contract between the captain and the crew of a ship. All other labour relations were subject to individual agreements between an employer and an applicant for employment, whether Kuwaiti or not. The first labour law in the Kuwaiti private and oil sectors was passed in 1959, to regulate wage policies, immigration policies, holidays, compensation, and service termination. This unified legislation was intended to cover all labour relations in sectors other than the government, including all employees regardless of nationality.

This law was in force for only five years, when it was replaced by the labour act, no. 38/1964, which

amended the provisions of the former act, annexing them to the new one. Since the provisions of the two laws are almost the same, only act 38/1964 will be discussed below.

2. Labour Act no. 38/1964 in the private sector as amended and rectified by Law no. 43/1968

The act of 1959 proved its inefficiency in regulating labour relations as they had developed in the private sector. The private sector labour act no. 38 was introduced in 1964 to regulate the new provisions in labour relations. On this occasion the legislature requested advice from external as well as internal sources to set up the regulations for the new labour law:

- (i) The ministry of social affairs and labour's study, which was made in 1955 and included 100 private enterprises, was the main source for developing the new labour law. This study focused upon the new problems in the labour sector which needed to be met.
- (ii) The comprehensive study of the new oil sector and the report that was prepared in 1956 by the ministry and which encompasses the new labour relations in this area of activity.
- (iii) The labour law of other Arab countries that have similar economic circumstances, such as

Bahrain, Lebanon, Syria, Libya, Iraq,
and Egypt.

- (iv) The Arab League recommendations in the area of labour relations and the minimum standards of 1956. Also, the international recommendations by the I.L.O.

This act was introduced in 1964 to encompass all the labour force in this sector regardless of their nationality. Every worker and employee will be subject to the provisions of this act. In fact, in 1964 the majority of the labour force in this sector was non-Kuwaiti or immigrant. Those immigrants have the skills required for both the private and the oil sectors that Kuwaitis do not have. Kuwaitis only formed the smallest percentage at that time. So, both the Kuwaiti and the non-Kuwaiti are covered by this law; however, the non-Kuwaiti must be registered at the ministry of social affairs and must receive permission before he can work.

The new act made provisions regulating wages and hours of work, and also provided contract regulations, treatment of work termination and terminal indemnities, and industrial injuries benefits. No retirement benefits were provided for employees in this sector, where the employee was eligible for a terminal-indemnity instead.

a. Terminal Indemnities

The employer was made responsible for a terminal

indemnity which had to be granted to the employee after the termination of his service. Both the employee and the worker (Kuwaiti and non-Kuwaiti) are eligible for a lump sum after termination of service.

This indemnity will be calculated as (a) 10 days' payment for each service year for the first five service years, 15 days' payment for each service year following thereafter; this applies to the worker who receives his payment on a daily, weekly, piece-work or hourly-wage basis (b) 15 days' payment for each service year for the first five years and one month's pay for the following months up to a maximum of one and a half years' payment; this applies to the higher-paid worker and to the employee in receipt of a monthly salary.

The employee may be deprived of his right to his terminal indemnity, and he may be laid off without notice in the following cases:-

- (a) If he has made a mistake in his work liable to cause loss to his employer.
- (b) If he has openly disobeyed the safety regulations in the work-place.
- (c) In the case of absence without permission for 7 days or more.
- (d) If he has committed an offence against his fellow workers, employer or his agent.
- (e) If he has given any false information to get the job.

- (f) If he has disclosed any industrial secret
(Article 55).

The employee is entitled to half of his terminal indemnity if he has left his job voluntarily, and if he has 5 years' service; this excludes the female who has the right to her full indemnity if she leaves the job during the first six months of her marriage (56).

The employee can leave his work before the termination of his contract and still be entitled to his indemnity in the following cases:

- a) If his employer did not respect the contract provisions (redundancy payment).
- b) If he was the subject of an offence by the employers or his agent.
- c) If he has a health problem that threatens his safety. (57).

The contract will terminate in the case of disability or death, and in these cases the worker or his dependents will be entitled to the entire indemnity. (58).

b. Industrial injury benefits

No legal obligation was placed on the employer to force him to insure his workers against industrial injuries, but many private enterprises do have commercial insurance against this contingency. A worker or an employee who is injured during work, and because of it,

is subject to this provision. However, he may be deprived of this right if it can be proved that he is responsible for his injury and that he intended to injure himself, but this is not valid in the cases of his death or permanent disability - in these last two cases he will be entitled to his benefit.

Treatment Rights and Injury Benefits

The injured person shall be provided with medical care in the public or private hospitals at the expense of his employer. The injured person will receive his full payment (salary/wage) during the treatment period which is determined by the doctor. If the period exceeds 6 months, he will receive half the payment until the injury is cured, or proved permanent disability, or death. He will be entitled to an injury-benefit that will be determined according to the injuries schedule prepared by the social ministry. (63,64,65)

c. Occupational Diseases

The ministry of social affairs and labour has proposed a schedule for the classification of occupational diseases and the percentage of their harm to the worker. If the worker has developed any of the occupational diseases specified in the ministry schedule, he will be subject to the benefits that are specified in the schedule. He will have the right to medical treatment with full payment during his treatment period,

until his disease is cured, or proved disability, or death. In the case of developing the disease from more than one work-place, all his employers (the previous and the recent ones) will be responsible for the benefit that he should receive. Their responsibility will be proportional to the period of his service with each employer (with regard to the nature of the industry and whether it tends to cause such a disease to develop).

d. Maternity Benefits

The female working in the private sector enjoys maternity benefits which are: a maternity leave for 30 days before her delivery and 40 days afterwards on full pay; she has the right after that to be absent for 100 days, dependent on a medical report, but without payment. (25).

Third: Act no. 28/1969 in respect of employment in the oil operations sector

Act no. 28 started with the definition of the oil employer which is any company (national or foreign) which works in oil or natural gas exploration, and the refining industry on land or at sea. It also defined the oil employee (worker) who is subject to the provisions of this law as:-

- (i) Any person who is employed in the oil industry for an oil employer and is registered at the

NOTE: The numbers in parentheses indicate the articles number of Law 38/1964.

ministry of social affairs, regardless of his nationality.

- (ii) The Kuwaiti workers who are employed in the complementary activities such as maintenance and construction operations.
- (iii) The Kuwaitis who work in the national oil companies.

As in the public sector but not in the private sector, the worker in the oil sector enjoys a complete right to his terminal indemnity and the right to a retirement pension which may be established voluntarily in the company besides his rights to the injuries and industrial diseases benefits.

It is obligatory by law that an oil employer who has 200 or more employees must appoint a medical doctor for his employees and their families. He must maintain all medical requirements for them, even specialised treatment and surgery. This must be provided free of charge. The provisions for protection against industrial injuries and occupational diseases are the same as in labour act no. 38 for the private sector, which are applicable to this sector. In addition the employee will enjoy more benefits, which are 10½ months' payment as a compensation in case of injury, or until the injury is cured or results in proven disability or death. The injured or his family (in a case of death) has the right

to receive a lump sum grant for 1500 days' payment, and if he is fully disabled he will receive 2000 work-days' payment.

a. Terminal Indemnities

The terminal indemnity is a lump sum received by the end of the contract period and is calculated as 15 days' payment for each service year for the first five years, 15 days' payment for each following service year up to a maximum of one year's payment. This applies to the daily and weekly wage-earners. The monthly salaried employees have the right to a terminal indemnity calculated as one month's payment for each service year for the first five years, and one and a half months' salary for each of the following service years up to a maximum of one and a half year's payment.

b. Pension and Saving Systems

The legislature has advised the adoption of either a pension or a savings system in the oil sector, without proposing or imposing any instructions for regulating these two systems. It is the legislature's intention to motivate the employer to establish the pension system and promote the idea of social insurance in the future. Funding a pension or savings system will mean that the employee's rights are maintained and will be met by the fund of this system. The act left the responsibility for arranging these systems to the employer himself under

the supervision of the ministry of social affairs and labour (Article 9). Establishing either of these two schemes is a voluntary activity which may be effected by agreement between the employer and his employees. It is a method of helping the employer by releasing him from the necessity of paying big sums of money as terminal indemnities at the end of the contract period; it also helps the retired worker who will be granted a regular source of income. The method of payment and the amount of deductions were also left to be settled by discussion between the employer and his employees.

c. Maternity Benefits

The female worker enjoys the benefits granted to the female worker in the private sector. No special consideration was given to her in this period. She is entitled to the same rights granted by Article 25 of labour act no. 38/1964.

Appendix B*
Public Welfare Programs

Among the major methods that the government uses to provide economic benefits are those related to health, education and welfare. Generally these are distributed freely on the basis of need and do not require investments, payments, or work contributions on the part of the recipients.

First: Public Health

The public health program of Kuwait is known world wide for its comprehensive provision of medicines, out-patient clinics, and hospital care. Except for nominal charges for private hospital rooms, these services are free for both Kuwaitis and non-Kuwaitis. Private health services also exist, but their numbers are small by comparison. According to 1976 statistics, there are only about 250 doctors in private practice, 586 private hospital beds and 150,000 private out-patients, as compared with 1,138 doctors, 4,178 hospital beds, and 7.8 million per year out-patients in the public health services. Statistics on relative usage of the public health services by different income and national origin groups are very fragmentary. It is known that more non-Kuwaiti than Kuwaiti children are born in the maternity hospitals, even though the total number of

*This Appendix is a summary of information presented by: Stanford Research Institute: Social and Economic Impacts of the Kuwait Government Compensation Increase of 1971-72. Planning Board. Kuwait 1974. The statistical information had been updated to the recent available statistics.

Kuwaiti children is larger than the number of non-Kuwaiti children; this reflects both the higher non-Kuwaiti birth ratio and the fact that non-Kuwaiti expectant mothers may visit Kuwait to take advantage of its medical care. The same phenomenon may also occur with respect to illnesses. On the other hand, dependent families are larger among the Kuwaitis; and the number of older and chronically ill people is greater. There seems little distinguishable difference in usage by income class; poorer people have larger families and are statistically more subject to illnesses, but the richer groups are generally more aware of the benefits offered and better able, through easier transportation and access, to take advantage of them. These differences tend to offset each other, and as a first approximation, the usage of medical services by Kuwaiti and non-Kuwaiti families of all income groups can be assumed to be equal (usage is calculated on a per-family basis).

Since nearly all of the Health Ministry budget is spent for medical care services, the value of public health services can be taken as equal to the budget. For the 1972-1973 fiscal year, the health ministry's personnel and services budget was K.D. 23 million plus an estimated 4 million capital budget - a total of K.D. 27 million. When divided equally among 120,000 family

households (single-person and collective households can be omitted without great error) the value of public health services works out to about K.D. 225 per year per family.

Second: Education

Education through College is free for all Kuwaitis who desire it, and education through secondary school is available, with some limitations, to non-Kuwaitis. The system had adopted its present 4/4/4 pattern - four years each of primary, intermediate, and secondary education - preceded by two years of kindergarten, since 1956. Several additional institutes and colleges have also been established to meet the need for various specialities; they include:

The Industrial College (boys), 1954

Secondary School of Commerce (boys), 1963

Vocational Secondary School for Girls, 1967.

Generally, students attend these schools when they have completed the intermediate level (similar to the 8th Grade) and in place of the academic (arts and sciences) secondary school.

The Religious Institute program educates its all male students separately, beginning in the first grade and through the secondary level. The various special institutes serve the handicapped or "exceptional" children of Kuwait.

At the adult level, there were 138 Adult Education Centres established to wipe out illiteracy, with an enrolment in 1976-77 of 14,601 men and 6,704 women or 8,836 Kuwaitis and 12,469 non-Kuwaitis. Since literacy is a basic skill necessary for many jobs - particularly in a technologically developing country, it is essential that illiteracy be substantially reduced. Obviously, for many professional positions, a college education is necessary. Kuwait University provides training in the sciences, humanities, law, commerce, economics, and political sciences. The total undergraduate enrolment was almost 7,528 in 1976-1977 of whom 3,977 or 52 per cent were Kuwaitis; these include more Kuwaiti women than men (2,389 women to 1,588 men). Because of a substantial attrition rate, perhaps only one-third of the undergraduates will actually receive a degree. There were also 416 in 1975/1976 post graduate students in the various specialities offered.

Distribution of Kuwaitis and non-Kuwaitis in Government Schools

The government schools allow non-Kuwaitis to enrol, except in the kindergarten level which is attended exclusively by Kuwaitis. The two-year kindergarten program for Kuwaiti children aged 4 to 6 is especially important in a country with a relatively high illiteracy rate for it tends to help prepare the children for the scholastic

tasks awaiting them in school. Overall, at the other school levels, non-Kuwaiti attendance is approximately 29 per cent of the total. Although females represent about 49 per cent of the Kuwaiti population, and despite compulsory attendance laws, apparently not all Kuwaiti girls attend school. The distribution of Kuwaitis and non-Kuwaitis and the percentage of Kuwaiti girls attending the various levels follow:-

	Kuwaiti	Non-Kuwaiti	Female Kuwaiti
Primary level	68%	32%	46%
Intermediate level	66	34	44
Secondary level	57	43	46

In addition to these government school levels, the various vocational colleges and institutes also show growth in enrolments. However, enrolments in the Teacher Training Colleges and the Industrial College dropped. In the industrial college, enrolment dropped from 853 in 1969-70 to 816 in 1971-72. In the teacher training colleges, enrolment dropped from 2,547 in 1969-1970 to 1,464 in 1971-72. This drop in enrolments is important and the reasons for it should be examined closely and remedies undertaken. Both these areas are critically important to Kuwait's socio-economic system and the country's long-range plans.

Overseas Training of Kuwaitis

In 1976-77 there were 3,068 Kuwaiti students studying in Universities abroad. Table B-1 indicates the number studying in various countries.

Table B-1

Distribution of Kuwaiti Students Studying
Abroad by Country
(1976-1977)

<u>Country</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Arab Republic of Egypt	957	500	1,457
Lebanon	154	60	214
Iraq	12	11	23
United Kingdom	163	27	190
U.S.A.	957	69	1,026
France	65	39	65
Pakistan	13	-	13
U.S.S.R.	38	2	40
Other Countries	32	8	40
Total	2,352	716	3,068

Source: Annual Statistical Abstract, Ministry of Planning, Kuwait, 1977.

Although no cost statistics on the various educational levels are maintained by the ministry of education, it could be said that, in spite of equal educational

opportunities, children from the richest quintile of both Kuwaiti and non-Kuwaiti families receive almost twice the educational benefits of children from the poorest quintile. Per family, Kuwaiti children receive three times as much benefits as non-Kuwaiti children, and as a group they receive more than twice as much.

Third: Social assistance

Welfare benefits are dispensed through a conventional type of public assistance program. This program provides financial assistance to destitute Kuwaiti families only. Maximum permissible payments range from K.D. 240 per year for an individual up to approximately K.D. 1,200 for a family of 15, plus a rental allowance not to exceed K.D. 240. But in practice, most welfare payments are only a fraction of the maximum; the average payment to the 9,214 families assisted in 1971 was only 375 K.D. The limit of other earnings to be eligible for public assistance is approximately K.D. 2 per family member per month; any earnings above that amount cause an equal reduction in the amount of public assistance for which the family is eligible. By these rules, a family of 15 could theoretically receive a combined earned and public assistance income of as much as K.D. 1,800 per year (360 + 1440), or K.D. 150 per month. But considering the extreme conditions of this assumption and the much lower average assistance figures, it is doubtful if many

families even approach this level of assistance. It is reasonable to estimate that nearly all families on public assistance receive less than the K.D. 120 per month upper limit of the lowest income quintile of the Kuwaiti population.

Fourth: Householder Benefit Programs

The Kuwaiti government uses several methods to provide financial benefits to householders. The most widespread of these benefits are the subsidized electricity and water services that are operated by the ministry of electricity and water. Other much less widespread but financially even more significant benefits are provided through the land purchase program of the municipalities department and the housing program of the ministry of social affairs and labour.

A. Electricity Subsidies

Estimates of the subsidies contained in electricity and water usage by households are difficult to separate from the true economic costs, both because each service is provided for industry and other purposes as well as for household use and because the two services are intermingled as dual-purpose functions of water distillation plants. However, preliminary estimates were available for use in the benefits figures of this report, and more exact estimates are now being prepared by the ministry of electricity and water. For electricity, the cost to the ministry of providing electricity

(including a 5 per cent per year interest cost for invested capital) has recently been estimated at slightly less than 4.5 fils per kilowatt-hour. If an additional 5 per cent cost of personnel benefits (paid by the ministry of finance) is added, the total cost to the government is about 4.7 fils. The cost to householders is a flat-rate service charge of 2.0 fils, so the subsidy is approximately 2.7 fils per Kwh.

Although nearly all of the people use electricity in their homes, consumption varies over a range as wide as the range in incomes. A ministry survey taken in 1971-1972 showed that the highest 10 per cent of household consumers (in villas and other higher income accommodations) used an average of 79,200 Kwh per year; the middle 47.3 per cent of "average income" households used 19,200 Kwh each, and the "low-income" 43.7 of all households used 9,600 Kwh each.

B. Water Subsidies

The government's cost of water production (including 5 per cent interest on capital and supplemental personnel benefits) is approximately 622 fils per 1,000 gallons for fresh water and 307 fils for brackish water. Charges for filling tankers at public water stations are 300 fils per 100 gallons for fresh water and no charge for brackish water (subsequent tanker delivery to homes is done by private carrier). The net water subsidy is

322 fils per 1,000 gallons for fresh water and 307 fils for brackish water. (Water is now piped directly to about 40 per cent of all homes, but cost data for this service is incomplete and will not be considered here.)

The amounts of water consumed by households are more speculative than electricity consumption because no estimates for usage of water by income, or even for households as a group, are available. However, total fresh water consumption for 1971-1972 fiscal year was estimated by the ministry of electricity and water to be 7.4 billion gallons.

Households use about 80 per cent of fresh water* and about 60 per cent of the brackish water produced, so average annual consumption for each of 120,000 households is 50,000 gallons of fresh water and 26,000 gallons of brackish water. The resultant subsidy is K.D. 16 for fresh water and K.D. 8 for brackish water, or a total water subsidy of K.D. 24 per year for the average household.

c. Land Purchase Subsidies

By purchasing older housing and raw land with generous payments, the government has been able to assist many early Kuwaiti families to improve their

*Ahmad Al-Adsani, Co-Director, Water Resources Development Centre, personal communication, May 5th, 1973.

housing conditions and at the same time obtain the land needed to rehabilitate most of the old Kuwait city. This program has now progressed so far, however, as to create new conditions that affect the desirability of continuing the program. First, few beneficiaries remain because most of the original residents have been able to move into new housing; second, the government now owns enough land within the city to carry out rehabilitation programs needed in the foreseeable future; and third, land costs have been inflated to an artificially high degree. As a result, the major continuing economic benefit of the program is simply the subsidy that is given to landowners (many of whom no longer live within the city) whose land is expropriated.

Data provided by the land department shows that in 1972 the government paid more than K.D. 13 million for 949 separate plots. Total payments for the five years 1968-1972 amounted to K.D. 86 million for 5,495 plots. The program has been active since 1962, so the total number of beneficiaries may be in the order of 10,000 landowners (Kuwaitis only).

d. Housing Subsidies

Housing programs supplement the land purchase program by offering houses and land free or at low cost to Kuwaiti families. Several types of programs

have been used to help families obtain new or upgraded housing.

The major ones are as follows:-

Low income housing is built by the government and sold under attractive repayment conditions to individuals who have not participated in the land purchase program. Between the start of the low income program in 1962 and year-end 1972, approximately 12,479 housing units had been built.

Some 10,712 low-rent public housing units for bedouin citizens have been constructed and rented in outlying areas.

The "thousand plots" program provides housing for senior government officials. Two per cent interest loans of up to K.D. 30,000 are also provided. Building plots are sold at the cost of the plot only (improvements such as streets, utilities, and community facilities, are not charged) on which citizens can construct their own houses. No loans are provided to these recipients.

The benefits of these programs vary quite widely, and statistical data on some programs is missing, but to a first approximation the benefits can be generalized.

Costs of low income housing vary from a minimum of K.D. 1,500 for some of the units built before 1956 to a maximum of K.D. 8,000 for a few large units. Some of the smaller units have been expanded; an average cost for all the houses might be K.D. 5,000. In addition, the government supplied lots at prices ranging from K.D. 125 to K.D. 375 (averaging about K.D. 250). These lots were probably worth at least K.D. 1,000 and some are now valued at as much as K.D. 10,000. The total value of the average low-income unit, about K.D. 6,000, is therefore greater than the purchasers are required to pay, and the instalment payments are minimal. Repay-^aments are maximum of K.D. 180 per year at no interest. Furthermore about 30 per cent of the recipients are said to default on their payments without being penalized,* so the average amount paid is not more than K.D. 130 per year. The rental value alone, at 1/150 per month of the investment, would amount to K.D. 480 per year, and the interest alone at 5 per cent of the investment would amount to K.D. 170 (interest value less average payments) and K.D. 350 (rental value less average payments) per year. Beneficiaries of low income housing could, under the eligibility rules, include as much as 80 per cent of the population.⁺

*Bazzam Al Zahim, Low Income Housing, Kuwait Public Administration Institute, May 1969.

⁺Ibid.

Housing for the bedouin group is built and rented under the concept that such housing is most useful on an interim basis between nomadic and settled living conditions. These housing units cost about K.D. 900 each, plus perhaps K.D. 150 for the lot. The annual rental was originally only K.D. 24, although some units are apparently now renting for K.D. 84. The latter amount represents 8 per cent of the investment, which is equal to exactly the Kuwaiti government standard for pricing of rental property ($1/150$ of the value per month). Except to the extent that the investment is understated, this rental would not seem to represent any appreciable subsidization.

The "thousand plots" sold by the government to higher income government officials are larger and more desirable than the average low income lot, so their excess value over purchase price is undoubtedly greater - at least K.D. 1,000 each. The annual interest on this unearned plot value at 5 per cent is K.D. 50. In addition, the 2 per cent interest charged by the government for housing construction loans (assume an average of K.D. 10,000) represents an annual subsidy on private sector interest rate (assume 5 per cent) of 3 per cent per year, or about K.D. 300.

Appendix C
Additional Tables

C1 Fixed monthly instalments for a sum of 100 dinar

Age		Monthly instalment for 5 years	Monthly instalment for 10 years	Monthly instalment for 15 years
Up to	40	1.921	1.04	0.848
	41	1.925	1.113	0.854
	42	1.929	1.115	0.861
	43	1.932	1.126	0.869
	44	1.938	1.128	0.878
	45	1.944	1.136	0.888
	46	1.951	1.44	0.899
	47	1.959	1.154	0.912
	48	1.967	1.164	0.925
	49	1.976	1.176	0.941
	50	1.986	1.189	0.957
	51	1.997	1.194	0.976
	52	2.009	1.220	0.996
	53	2.023	1.239	0.920
	54	2.037	1.258	1.044
	55	2.055	1.282	1.074
	56	2.074	1.306	1.104
	57	2.094	1.336	1.140
	58	2.121	1.366	1.176
	59	2.149	1.401	1.219
Over 60		2.177	1.437	1.262

- Notes
- 1) Part of a year of age will be rounded to a whole year.
 - 2) The instalments will be stopped upon total disability or death.
 - 3) The first instalment will be due after one month from the claim of payment.

Amount of monthly instalments for a sum of 100 dinar
for a life time

Age of Insured	Monthly instalment Dinar/Fils	Age of insured	Monthly instalment Dinar/Fils
Up to 20	0.538	41	0.699
21	0.542	42	0.711
22	0.546	43	0.727
23	0.551	44	0.744
24	0.556	45	0.762
25	0.561	46	0.781
26	0.566	47	0.801
27	0.571	48	0.823
28	0.576	49	0.847
29	0.582	50	0.873
30	0.588	51	0.901
31	0.595	52	0.931
32	0.602	53	0.963
33	0.610	54	0.997
34	0.618	55	1.033
35	0.627	56	1.072
36	0.636	57	1.115
37	0.646	58	1.162
38	0.657	59	1.213
39	0.669	over 60	1.268
40	0.682	-	-

- Notes
- 1) Part of a year of age will be rounded to a whole year.
 - 2) The instalments will cease upon death.
 - 3) The instalments include interest of 5% per year.

Monthly instalment for a sum of 100 dinar and for a
limited period

Age of Insured		Monthly instal- ment for 5 years Dinar/Fils	Monthly instal- ment for 10 yrs. Dinar/Fils	Monthly instal- ment for 15 yrs. Dinar/Fils
Up to	40	2.113	1.210	0.933
	41	2.117	1.217	0.940
	42	2.122	1.224	0.948
	43	2.127	1.232	0.957
	44	2.133	1.241	0.967
	45	2.140	1.251	0.978
	46	2.147	1.262	0.990
	47	2.155	1.274	1.004
	48	2.164	1.287	1.020
	49	2.174	1.301	1.038
	50	2.185	1.316	1.058
	51	2.197	1.332	1.080
	52	2.210	1.349	1.104
	53	2.224	1.368	1.130
	54	2.40	1.389	1.158
	55	2.258	1.412	1.88
	56	2.278	1.437	1.220
	57	2.301	1.465	1.255
	58	2.327	1.498	1.294
	59	2.357	1.537	1.338
	60 and over	2.391	1.583	1.388

- Notes
- 1) Part of a year of age will be rounded to a whole year.
 - 2) The first instalment due in the month after request of installation.
 - 3) Instalments will cease upon death.
 - 4) Instalments include 5% interest per annum.

THE BENEFICIARIES' SHARES IN CASE OF THE INSURED'S DEATH

Number	Beneficiaries	Husband/ Wife/Widows	Children	Parents	Brothers/ Sisters
1	Widow (widower) only	1/2			
2	More than one widow	3/4			
3	Widow (widower) with one son	1/3	1/2		
4	Widows with one son	1/2	1/3		
5	Widow (widower) with more than one son	1/3	2/3		
6	Widows with more than one son	1/2	1/2		
7	Widow (widower) with one of the parents	1/2		1/4	
8	Widows with one of the parents	2/3		1/4	
9	Widow (widower) with two parents	1/2		1/3	
10	Widows with two parents	2/3		1/3	
11	Widow (widower) with sister or brother	1/2			1/4
12	Widows with sister or brother	2/3			1/4
13	Widow (widower) with brother and sister	1/2			1/3
14	Widows with brother and sister	2/3			1/3
15	Widow (widower) with one son and one parent or both	1/3	1/2	1/6	

Continued on next page

C4
(Continued)

Number	Beneficiaries	Husbands/ Wife/Widow	Children	Parents	Brothers/ Sisters
16	Widows with one son, one parent, or both	1/2	1/3	1/6	
17	Widows (widower) with more than one son and parents	1/3	1/2	1/6	
18	Widow (widower) with one son, sister or brother(s)	1/3	1/2		1/6
19	Widows with one son, sisters or brother(s)	1/3	1/3		1/6
20	Widows (widower) with sons, sister, brother	1/3	1/2		1/6
21	Widows (widower) with one son, one parent or both, sister or brothers	1/3	1/3	1/6	1/6
22	Widows (widower) with sons, parents, or sister, brother(s)	1/3	1/2	1/6	
23	Widow (widower) with one of the parents and one sister or brother	1/2		1/6	1/6
24	Widow (widower) with one of the parents, one sister or brother or more	1/2		1/6	1/3

Continued on next page

C4

(Continued)

Number	Beneficiaries	Husbands/ Wife/Widows	Children	Parents	Brothers/ Sisters
25	Widow (widower) with parents, one sister or brother.	1/2		1/3	1/6
26	Widow (widower) with parents, sistern and brother, and more	1/2		1/4	1/4
27	Widows with parents, or one of them, sister, brother, or more	2/3		1/6	1/6
28	One son only		1/2		
29	More than one son		3/4		
30	One son, one of parents		1/2	1/4	
31	One son, both parents		1/2	1/3	
32	More than one son, one parent		2/3	1/4	
33	More than one son, with both parents		2/3	1/3	
34	One son, sister or brother		1/2		1/4
35	One son with more than one sister or brother		1/2		1/3
36	More than one son, one sister or brother		2/3		1/4
37	More than one son, with more than one sister or brother		2/3		1/3

Continued on next page

C4
(Continued)

Number	Beneficiaries	Husbands/ Wife/Widows	Childre	Parents	Brothers/ Sisters
38	One son, one parent, with sister, brother		1/2	1/6	1/6
39	One son, one parent, with sisters, brothers		1/2	1/6	1/6
40	One son, two parents, sister, brother		1/2	1/3	1/6
41	One son, two parents, sisters and brothers		1/2	1/4	1/4
42	More than one son, both parents or one, sister or brother(s).		2/3	1/6	1/6
43	One of the parents			1/3	
44	Both parents			1/2	
45	One parent, sister or brother			1/3	1/4
46	One parent, sisters or brothers			1/3	1/3
47	Two parents, sister or brother			1/2	1/4
48	Two parents, sisters or brothers			1/2	1/4
49	One sister or brother				1/3
50	Sisters and brothers or more				1/2

The amount of commuted right to be refunded if
commutation took place before 1.10.1977

Age at the time of commutation waiver	Amounts to be refund- ed. Dinar/ Fils	Age at the time of commutation waiver	Amounts to be refund- ed. Dinar/ Fils
Up to 40	160.000	55	111.000
41	157.000	56	107.000
42	155.000	57	103.000
43	152.000	58	99.000
44	149.000	59	95.000
45	146.000	60	91.000
46	143.000	61	87.000
47	140.000	62	83.100
48	137.000	63	79.300
49	134.000	64	75.600
50	131.000	65	72.100
51	127.000	66	68.700
52	123.000	67	65.400
53	119.000	68	62.200
54	115.000	69	59.100
		70 and over	56.100

C6

Amount of commutation to be refunded if the commutation
took place after 30.9.1977

Age at the commutation waiver	Amounts to be refunded Dinar/Fils	Age	Amounts to be refunded Dinar/Fils
Up to 40	174.276	56	110.280
41	170.760	57	106.032
42	167.160	58	101.832
43	163.464	59	97.692
44	159.684	60	93.636
45	155.820	61	89.664
46	151.860	62	85.788
47	147.852	63	82.008
48	143.796	64	78.336
49	139.704	65	74.772
50	135.564	66	71.418
51	131.400	67	68.124
52	127.212	68	64.930
53	123.000	69	61.837
54	118.764	70 and over	58.776
55	114.528		

**Appendix D - Order 3/1978
Concerning Rules, Conditions & Schedules
Regarding Combining Notional Periods of
Contributions (pp. 429-433) has been
removed for copyright reasons**

D1

The addition of notional periods during the working life

Age at the time of addition request	Bases for addition amounts	
	Base (1) %	Base (2) %
Up to 35	37.5	22.5
36	37.9	23.0
37	38.4	23.5
38	39.0	24.0
39	39.7	24.5
40	40.5	25.0
41	41.4	25.5
42	42.4	26.0
43	43.5	26.5
44	44.7	27.0
45	46.0	27.5
46	47.4	28.0
47	48.9	28.5
48	50.5	29.0
49	52.5	29.5
50	54.0	30.0
51	53.6	29.5
52	53.1	29.0
53	52.5	28.5
54	51.8	28.0
55	51.0	27.5
56	50.1	27.0
57	49.1	26.5
58	48.0	26.0
59	46.8	25.5
60	45.5	25.0
61	44.1	24.0
62	42.6	23.0
63	41.0	22.0
64	39.3	21.0
65	37.5	20.0
and over		

- Notes:
- 1) The amounts which require to be paid for the purpose of adding notional periods will be determined as follows: (the base for the addition amount according to the age of the insured x annual salary x the periods to be added.)
 - 2) Base no. 1 will be used when if the total periods (actual + notional) up to the age of 50 will not exceed 15 years.
 - 3) Base (2) will be used in calculation if the notional remaining service period till age 50 is 15 years exactly.
 - 4) Regarding the age, a part of a year will be rounded to a whole year.
 - 5) Salary per annum will be calculated as monthly salary x 12 months.

Acquiring notional periods after service's termination

Age at the time of ac- quiring the notional periods	Bases for calculating the amounts of the notional periods	
	Base (1) %	Base (2) %
Up to 35		22.5
36		23.0
37		23.5
38		24.0
39		24.5
40		25.0
41		25.5
42		26.0
43		26.5
44		27.0
45		27.5
46		28.0
47		28.5
48		29.0
49		29.5
50	54.0	30.0
51	53.6	29.5
52	53.1	29.0
53	52.5	28.5
54	51.8	28.0
55	51.0	27.5
56	50.1	27.0
57	49.1	26.5
58	48.0	26.0
59	46.8	25.5
60	45.5	25.0
61	44.1	24.0
62	42.6	23.0
63	41.0	22.0
64	39.3	21.0
65	37.5	20.0
and over		

- Notes: 1) The amounts for the added notional periods will be determined as follows: the base for calculating the amount according to the age of the insured x annual salary x the required periods to be added .
- 2) Base (1), and Base (2) will be used according to notes 2, 3 in schedule E1.
- 3) Salary per annum will be calculated as monthly salary x 12 months.

D3

The amounts for acquiring notional periods according to
Article (9)

Age at the service termination	The amounts required for adding the notional periods %
40	70.
41	69.0
42	68.0
43	67.0
44	66.0
45	65.0
46	64.0
47	63.0
48	62.0
49	61.0

- Notes: 1) The amounts will be determined as follows:
The base for adding the periods according to
the age x annual salary x required periods
to be added.
- 2) A part. of a year will be ignored in
determining the age.
- 3) The annual salary will be calculated as
monthly salary x 12 months.
- 4) If the insured's age is 50 or over, the amounts
will be calculated as in schedule C2.

The amount of monthly instalment for the lifetime for
the sum of 100 dinar

Age at the time of acquiring the notional periods	Monthly instalment Dinar/Fils
Up to 40	1.473
41	1.393
42	1.317
43	1.244
44	1.174
45	1.106
46	1.040
47	0.976
48	0.914
49	0.854
50	0.796
51	0.821
52	0.848
53	0.876
54	0.908
55	0.941
56	0.977
57	1.017
58	1.059
59	1.105
60	1.155
and over	

- Notes: (1) For determining the age, parts of year will be rounded to a whole year.
- (2) The first instalment will be due at the age of 50.
- (3) The first instalment will cease upon total disability or death.
- (4) The month will be calculated as 30 days.
- (5) The minimum pension should be provided where the due instalment should be kept up to the minimum and does not affect the stated minimum in any case.

Monthly instalment for a limited period for the sum
of 100 dinar in case of adding national periods

Age at time of acquiring national periods	Monthly instalment for a period of 5 years Dinar/Fils	Monthly instalment for a period of 10 years Dinar/Fils	Monthly instalment for a period of 15 yr. Din./Fils
Up to 40	3.762	2.211	1.763
41	3.467	2.091	1.665
42	3.272	2.975	1.571
43	3.086	1.863	1.481
44	2.907	1.755	1.395
45	2.736	1.651	1.313
46	2.573	1.551	1.235
47	2.417	1.455	1.161
48	2.268	1.363	1.090
49	2.125	1.275	1.022
50	2.986	1.189	0.976
51	2.997	1.204	0.957
52	2.009	1.220	0.996
53	2.023	1.239	1.020
54	2.037	1.258	1.044
55	2.055	1.282	1.074
56	2.074	1.306	1.104
57	2.094	1.336	1.140
58	2.121	1.366	1.176
59	2.149	1.401	1.219
60	2.177	1.437	1.262
and over			

- Notes: (1) Part of a year will be rounded to a whole year in calculating the age.
- (2) The first instalment will be due on the age of 50 or on service termination.
- (3) The instalments will cease if total disability or death occurs.
- (4) The month will be determined as 30 days.

Appendix E

Points raised in discussion with Kuwaiti officials

A. MINISTRY OF SOCIAL AFFAIRS AND LABOUR

- the
1. What are main objectives of Social Security System in Kuwait?
2. Are these written? If so, who decided on them?
3. If not, what criteria were used to determine these objectives and who assumed responsibility for this?
4. What were the underlying objectives behind the proposed Social Insurance Bill?
5. From where did the original stimulus to introduce the Social Insurance Bill come?
6. When drafting the provisions of the Social Insurance Bill, was attention paid to the provision of Social Insurance Systems abroad? If so, which countries? Was the I.L.O. contacted for advice?
7. Could you outline areas where non-Kuwaiti workers are treated differently than Kuwaiti workers (a) with regard to Social Insurance Bill (b) the Social Security System as a whole?

8. Could you explain why such differences exist?
9. Is it likely that there will be a move towards providing more benefits to non-Kuwaitis over next five years?
10. Are there any other Arab countries that you know of in which there is no differential treatment between residents and non-residents regarding S.S.S.?
11. Are the areas of responsibility ^{of} the Social Insurance Department clearly delineated from those of the Social Security Department? Are there any areas of overlap? If so, what has been done to reduce these overlaps?

B. MINISTRY OF CENTRAL PLANNING

1. What are the main economic and social aims of the National Development Plan?
2. Because of the importance of labour force in achieving national objectives the government should concern itself to a significant degree with their security. What actions have been taken by the government regarding the issue?
3. Following the previous question ... the non-Kuwaitis form 57% (according to 1975 census) of our labour force. What is the government attitude towards their security?

4. It is clearly evident that Kuwait is witnessing emigration to the neighbouring countries. What is the government attitude regarding this fact? To what extent do you think this is due to the level or different treatment with regard to social insurance benefits?
5. One of the Bill's objectives is to encourage labour mobility from the government to the private section. Is there any evidence as to this mobility?
6. Do you think that the differential treatment in regard to the Social Insurance of (a) Kuwaitis working in the public sector and in the private sector and (b) Kuwaitis in the private sector and non-Kuwaitis in the private sector has any effect on the fulfilment of national economic objectives?

C. LABOUR ORGANISATIONS

1. What is the Union's role in developing the Social Insurance Bill?
2. The non-Kuwaitis have been excluded from the recent Bill. What is the labour unions' opinion?
3. Despite the fact that the non-Kuwaitis form 57% of our labour force no government actions have been taken for their security. What are the unions' attitude towards this issue?
4. Do you think that the new Bill has any effect on the mobility of skilled and professional labour from the public to private sector?

Appendix F

BASIC INFORMATION

Name (optional)

Mark (X) in the suitable box for questions (1,2,3,4,5,6,7,8)

1. Sex Male ☐ 1 Female ☐ 2
2. Nationality Kuwaiti ☐ 1 Other Arab ☐ 2
- Other Nationality ☐ 3
3. Age Group Less than 25 years ☐ 1 25 to 34 ☐ 2
- 35 to 44 ☐ 3 45 and more ☐ 4
4. Social Status Single ☐ 1 Married ☐ 2
- Divorced ☐ 3 Widowed ☐ 4
5. Residence Period in Kuwait
- (Please sum up all the periods even if they were interrupted by long leave outside Kuwait).
- Less than 4 years ☐ 1 4 to 7 years ☐ 2
- 8 to 11 years ☐ 3 More than 12 years ☐ 4
6. Educational Status
- Less than intermediate education ☐ 1 Secondary Education ☐ 2
- College Graduate ☐ 3 Post Graduate Education ☐ 4

7. Occupation

Employer ☐ 1 Self-Employed ☐ 2 Family Business ☐ 3
Wage Earner ☐ 4

8. Sector of Employment

Government ☐ 1 Private ☐ 2 Oil ☐ 3 Joint ☐ 4

9. Number of Dependants

Inside Kuwait

Less than 4 ☐ 1 4-8 ☐ 2 More than 8 ☐ 3

Outside Kuwait

Less than 4 ☐ 4 4-8 ☐ 5
more than 8 ☐ 6

QUESTIONNAIRE

Mark (X) for the correct choice

1. When did you start working for your present organisation?
between between

Less than 1 year ago ☐ 1 1-3 years ago ☐ 2 3-6 years ago ☐ 3 More than 6 years ago ☐ 4

2. How many jobs have you been employed in since entering
Kuwait Labour Market?

One Job Two Jobs Three and More

☐ 1 ☐ 2 ☐ 3

3. Which sector would you prefer to work for? (regardless of
the sector you are working in?)

Government Sector Private Sector Oil Sector

☐ 1 ☐ 2 ☐ 3

Joint Sector ☐ 4

4. What are the reasons for your preference (please clarify according to priorities as you think)?

- (a) Shorter working hours ☐
- (b) Longer vacation time ☐
- (c) More payment ☐
- (d) Easier work to do ☐
- (e) More job security ☐
- (f) Please specify other reasons ☐

5. (For Non-Kuwaitis): What are the most important factors that contribute to your residence in Kuwait?

Relatives & Friends More Payment and More Savings

☐ 1

☐ 2

More Stable Social Life

☐ 3

6. Do you feel at the present time that there is some risk of losing your current job?

(a) Yes ☐ 1 Why ?

(b) No ☐ 2 Why ?

7. Generally speaking, how do you feel about your working life as it is now?

100 0
very content content not content Don't know

8. What do you think is the best thing that you can do to keep your job?

- (a) Work Hard ☐ 1
- (b) Rely on Union ☐ 2
- (c) Others ☐ 3

9. Is there any compulsory retirement age where you work?

(a) Yes ☐ 1 What is it?

(b) No ☐ 2

10. In case of 'Yes' - what is it?

From 50-55 years ☐ 1 55-65 ☐ 2 Over 65 ☐ 3

11. In your present job, are you covered by any sort of pension or saving scheme?

- | | | | |
|-----|----------------------------|---|---|
| (a) | Savings and pension system | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | | |
| (b) | Saving system only | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | | |
| (c) | Pension system only | <table border="1"><tr><td>3</td></tr></table> | 3 |
| 3 | | | |
| (d) | No coverage | <table border="1"><tr><td>4</td></tr></table> | 4 |
| 4 | | | |

12. Please specify your income category.

- | | | | |
|-----|-----------------------------|---|---|
| (a) | Less than 100 KD per month | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | | |
| (b) | 100-250 KD per month | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | | |
| (c) | 251-500 KD per month | <table border="1"><tr><td>3</td></tr></table> | 3 |
| 3 | | | |
| (d) | 501-1,000 KD per month | <table border="1"><tr><td>4</td></tr></table> | 4 |
| 4 | | | |
| (e) | 1,000 KD and more per month | <table border="1"><tr><td>5</td></tr></table> | 5 |
| 5 | | | |

13. What has been the average of your savings as a percentage from your monthly salary over the last year?

- | | | | |
|-----|---------------|---|---|
| (a) | Less than 10% | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | | |
| (b) | 10%-20% | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | | |
| (c) | 21%-30% | <table border="1"><tr><td>3</td></tr></table> | 3 |
| 3 | | | |
| (d) | 31%-40% | <table border="1"><tr><td>4</td></tr></table> | 4 |
| 4 | | | |
| (e) | Over 40% | <table border="1"><tr><td>5</td></tr></table> | 5 |
| 5 | | | |

14. Are you covered by any life insurance plan that you have arranged yourself with a commercial insurance company?

- | | |
|-----|-----|
| (a) | Yes |
| (b) | No |

* 15. For Kuwaitis only

As a Kuwaiti - are you covered compulsorily by the Social Insurance Law?

Yes

1

 No

2

* 16. a. In case of disability and old age the new Social Insurance Scheme has provided for you certain benefits. Do you know about these benefits?

Yes

1

 No

2

b. In the case of 'Yes', do you know the method used to determine your pension payments?

Yes

1

 No

2

- * 17. Other sickness benefits, both in cash and in kind are provided for you. Are you familiar with your rights in case of sickness or industrial injury?

Yes ☐ 1 No ☐ 2

- * 18. The right to increase your pension by making further contributions is provided under the new scheme. Do you think:

- a. (i) This gives you more future security ☐ 1
 (ii) Does not give me more protection ☐ 2
 (b) I do not know about the right to add ☐ 3

- * 19. Commutation benefits are provided to give you a more productive life after retirement. Do you know about your rights under these provisions?

Yes ☐ 1 No ☐ 2

- * 20. In general, do you feel that the New Social Insurance Act provides the required and adequate protection for the citizen and his dependants?

Yes ☐ 1 No ☐ 2 Not Sure ☐ 3

- * 21. Do you think that the scheme is not adequate in any of the following cases?

- | | |
|--------------------------|----------------------------|
| (a) Old age | ☐ 1 |
| (b) Disability and Death | ☐ 2 |
| (c) Industrial Injury | ☐ 3 |
| (d) Sickness | ☐ 4 |
| (e) More than one case | ☐ 5 |
| (f) Quite adequate | ☐ 6 |

22. (For Non-Kuwaitis)

Do you prefer either situation (a) or (b)?

- (a) 1. Nothing will be discounted from your salary
 2. Having a full terminal indemnity
 3. No coverage under the Kuwaiti Social Insurance Scheme ☐ 1

- (b) 1. 5% will be discounted from your monthly salary
 2. No terminal indemnity
 3. Full coverage under Kuwaiti Social Insurance Scheme ☐ 2

*Social Insurance Scheme No. 61 for 1976

23. Please classify the following according to their priorities to you:

- | | | |
|--|---|---|
| (b) Equal wage for the same work | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | |
| (a) More immediate security in the job | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | |
| (d) More future security in terms of social security system | <table border="1"><tr><td>3</td></tr></table> | 3 |
| 3 | | |
| (c) The permission to live permanently or for long periods in Kuwait | <table border="1"><tr><td>4</td></tr></table> | 4 |
| 4 | | |

24. If we assume that there is no restrictions on your residency in Kuwait, how long do you think you will stay from the present time?

- | | | |
|--------------------------|---|---|
| (a) Less than four years | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | |
| (b) 4-8 years | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | |
| (c) 9-12 years | <table border="1"><tr><td>3</td></tr></table> | 3 |
| 3 | | |
| (d) 13-16 years | <table border="1"><tr><td>4</td></tr></table> | 4 |
| 4 | | |
| (e) More than 16 years | <table border="1"><tr><td>5</td></tr></table> | 5 |
| 5 | | |

25. What do you think you have achieved most from working in Kuwait?

- | | | |
|-------------------------------|---|---|
| (a) Higher financial position | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | |
| (b) Better social position | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | |
| (c) Better job security | <table border="1"><tr><td>3</td></tr></table> | 3 |
| 3 | | |

26. If you have the chance to leave Kuwait for another country that provides you with better social security benefits with the same salary and working conditions, would you:

- | | | |
|---|---|-----|
| (a) Leave Kuwait for that country | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | |
| (b) No. <table border="1"><tr><td>2</td></tr></table> | 2 | Why |
| 2 | | |

27. At the age of your retirement, will you:

- | | | |
|---------------------------|---|---|
| (a) Live in Kuwait | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | |
| (b) Go home country | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | |
| (c) Go to another country | <table border="1"><tr><td>3</td></tr></table> | 3 |
| 3 | | |

28. (Non-Kuwaitis). Under the assumption of full social insurance coverage, do you prefer a:

- | | | |
|--|---|---|
| (a) Monthly pension salary | <table border="1"><tr><td>1</td></tr></table> | 1 |
| 1 | | |
| (b) Lump sum instead of pension salary | <table border="1"><tr><td>2</td></tr></table> | 2 |
| 2 | | |

29. Would you recommend Kuwait to your children as a place to live and work:

- (a) Yes

1

Why
- (b) No

2

Why

30. If 'Yes', please determine the type of job (sector) you would like them to work for:

- (a) Government Sector

1

- (b) Private Sector

2

- (c) Oil Sector

3

- (d) Joint Sector

4

31. If there were to be a significant fall in oil revenues in Kuwait, would you:

	In Kuwait	Outside Kuwait
Stay in career	1	3
Change career	2	4

32. Do you think that Kuwait will need the non-Kuwaiti labour force for the next 25 years:

- (a) Yes

1

Why
- (b) No

2

Why

33. Give your degree of belief that the social security system will cover the non-Kuwaitis in the near future:

100 75 50 25 0

34. If the social security system is applied over all the sectors - as is the situation now - would you:

- (a) Stay in the government sector

1

- (b) Move to the private sector

2

- (c) Stay in the private sector

3

- (d) Move to the government sector

4

35. Any other comments.

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