Business & Human Rights Resource Centre

Migrant Workers at Risk:

Trends in Gulf Construction 2018–2019

594 CONTRACTS AWARDED

82% OF CONTRACT VALUE WON BY INTERNATIONAL COMPANIES

$USD 118.9 bn

$USD 96 bn (87% in value) awarded by States, up from 56% in 2018

89 Projects awarded to companies that failed to disclose policies to address worker rights[1]

13 Companies accused of human rights abuses in the Gulf received new contracts

48 Companies accused of abuses elsewhere in the world also won contracts

Introduction

New stadiums, state-of-the-art exhibition venues, modern transport links and all other major construction projects in the Gulf are built by migrants, who make up between 60% and 90% of the workforces in the six countries of the Gulf Cooperation Council (GCC). Reforms introduced by governments in the region in recent years fall short of providing adequate protection for migrant workers. Many construction companies – both national and international – fail to meet their responsibilities under the UN Guiding Principles for Business & Human Rights, putting profits ahead of worker welfare. Low wage construction workers remain vulnerable to abuse and exploitation including withheld wages, heat stress and other health and safety concerns, restricted mobility, lack of access to grievance mechanisms, and substandard living conditions.

In 2017, the Business & Human Rights Resource Centre, together with NYU Stern Center for Business and Human Rights, and Humanity United, launched the Gulf Construction Tracker (GCT) to capture construction projects awarded to companies in the region and enable targeted advocacy for migrant workers' rights, amidst the construction boom driven by preparations for mega-international events, namely the Expo 2020 in Dubai and the FIFA World Cup 2022 in Qatar.[2] This briefing provides an update of the construction landscape in the GCC in 2018-2019, identifying companies likely to employ migrants as construction workers, and clients commissioning the most projects.

1 See Business & Human Rights Resource Centre, On Shaky Ground: Migrant Workers Rights in Qatar and UAE Construction.

2 The GCT's methodology and analysis of the construction industry in 2017 are available here.

Snapshot of the construction sector in the six countries of the Gulf Cooperation Council

During 2018 & 2019, 594 contracts were awarded in the GCC with a total monetary value of USD $118.9 billion. In 2018, the overall monetary value of contracts fell to $USD 55.7 billion compared to USD $88 billion awarded in 2017, picking-up again slightly to reach USD $63.2 billion in 2019. The most noteworthy drop in 2019 was recorded in the UAE which, according to industry experts, was due to a combination of factors including oversaturation, weakness of the property market and the near completion of construction projects linked to Expo 2020.

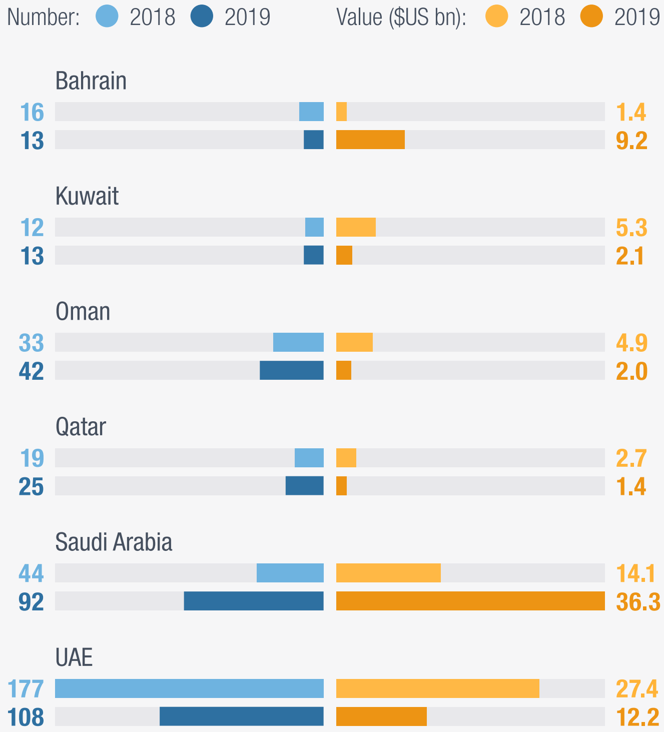
Despite the slowdown in construction and overall drop in new projects, the sector continues to play a major role in the economy of all GCC countries, with petrochemicals, infrastructure, and residential and commercial building still driving new construction.

Some industry commentators predict the start of recovery in 2020 in the region, noting in particular Saudi Arabia's plans to develop NEOM, a "mega-city" on the Red Sea coast, and award an estimated USD $2.7bn of construction awards by the end of the year across the Red Sea Project.

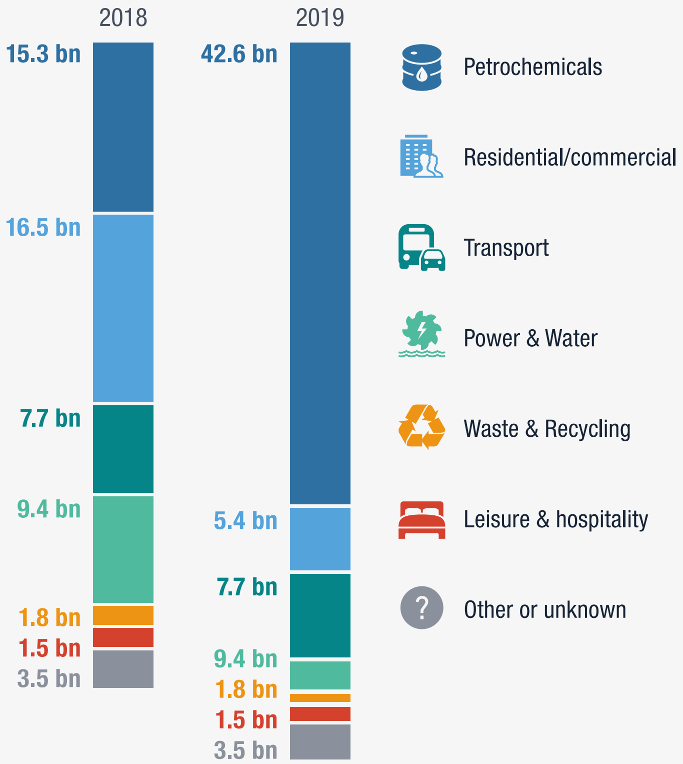
Petrochemical projects represented nearly half of the monetary value of all new awards since January 2018, with projects in Saudi Arabia accounting for about 57% and 41% of the total for 2019 and 2018, respectively. 48 contracts worth over USD $49 billion were awarded by Aramco, the Saudi oil giant whose long awaited initial public offering (IPO) took place on 11 December 2019. Saudi Arabia and the UAE also led the market in awarding the bulk of residential and commercial contracts.[3]

Both Qatar and the UAE have continued to invest in the development of their infrastructure ahead of the Expo and World Cup. 42% of the total monetary value of contracts awarded in Qatar went to infrastructure projects, predominantly building and upgrading road networks and expanding the Hamad International Airport. The UAE poured $USD 6.3 billion into transport infrastructure in the past two years, with USD$ 4.5 billion invested in 2019 alone, encompassing work on roads, railways, harbours and airports.

Number & value of new contracts per country, per year



Total values of new contracts awarded, by project type



3 In Saudi Arabia, 10 new projects were awarded in 2018 and 11 in 2019, with the value of $USD 5.1 and $USD 2.4 billion respectively. In the UAE, 82 projects were awarded in 2018 and 31 in 2019, with the value of $USD 10.9 and $USD 2.2.

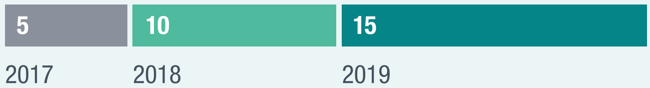
Renewables

There has been significant growth in investment in renewable energy contracts. Since January 2018, over 90% of these projects were financed– in total or in part - by governments, including national electricity and water authorities, or official, specialized renewable energy entities like Saudi Arabia's Renewable Energy Project Development Office.

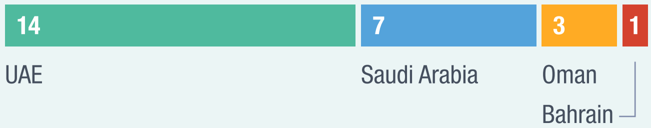
7 companies awarded contracts for renewable energy in 2018 & 2019 were involved in allegations of abuse in other parts of the world. For instance, in February 2012, a unit of Mitsui & Co. Ltd. of Japan, reached a settlement to pay USD $70 million in civil penal ties for violations of the Clean Water Act due to an oil spill in the Gulf of Mexico. In 2019, the Bahraini Electricity and Water Authority awarded Mitsui a contract to build a solar plant.

China Gezhouba Group was awarded a project to build a solar plant in Saudi Arabia and were since accused of failing to carry out comprehensive environmental impact assessments before engaging in dam construction across Africa, Asia and South America.

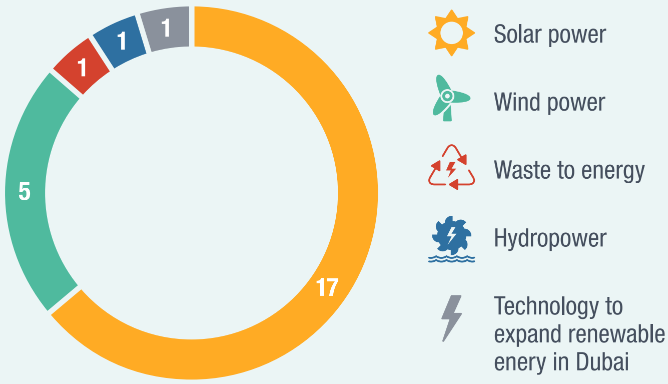
Number of renewable energy contracts per year



Number of renewable energy contracts, per country in 2018 & 2019 worth $USD 7.3 billion in tota



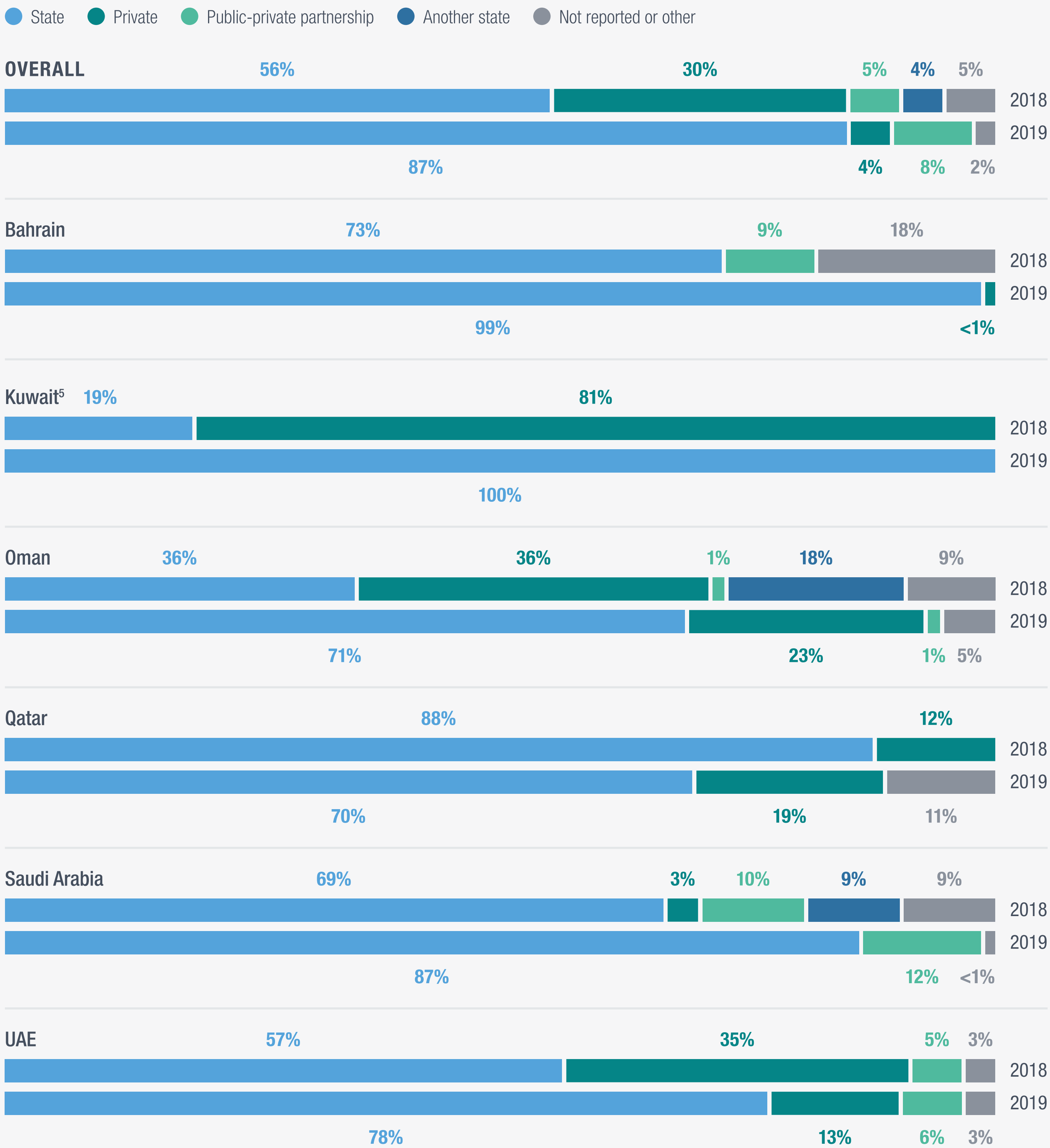
Types of renewable energy contracts in 2018 & 2019



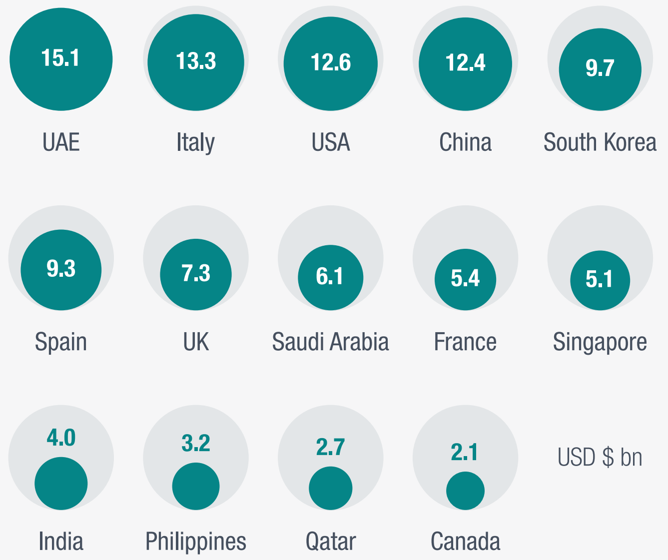
Who is awarding contracts?

In 2018 and 2019, over 81% of the overall monetary value of contracts was awarded by government entities or companies partially or fully-owned by the state. This highlights the role of states not only as regulatory bodies but also as clients, which are responsible for carrying out human rights due diligence before awarding contractors. State financing of projects jumped from 56% of the total in 2018 to 87% of the total in 2019, while purely private financing dropped sharply to 4%. Public-private partnerships were on the rise particularly in Saudi Arabia and the UAE.

Percentage of overall contract value awarded by client type



Highest Values of Combined Contracts Won,
by Country of Company Headquarters – 2018-2019



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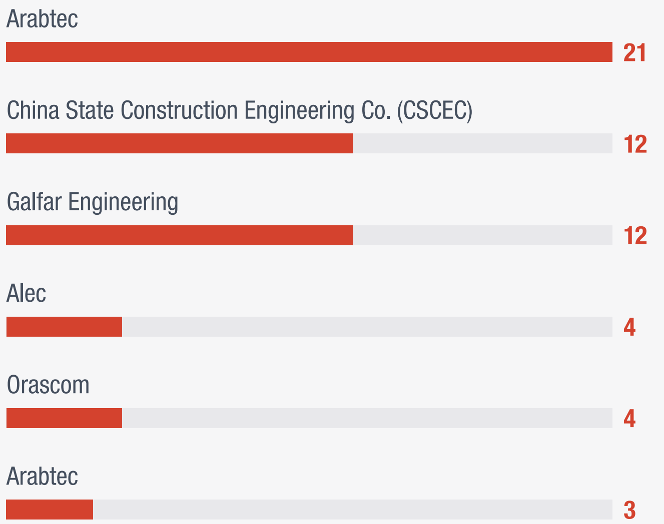

Recommendations to clients, including states

In line with the UN Guiding Principles for Business and Human Rights, carry out human rights due diligence on the labour rights and worker welfare policies of companies competing for contracts, and award contracts to construction companies with demonstrable policies and a strong record of implementation. Monitor compliance of these policies with a view to sanctioning those failing to protect workers' rights.

Who is winning contracts?

International companies continued to receive the lion's share of contracts, gaining 82% of the total monetary value awarded in 2018-2019. The proportion of contracts going to national companies was highest in Qatar, where local companies' share reached 28% and 58% of the total value for 2018 and 2019 respectively. It was followed by the UAE, where local companies were awarded 28% and 36% of contract value in 2018 and 2019, respectively. Companies headquartered in the UAE also gained the most contracts – in terms of numbers and value - in other countries in the region.

Where are companies falling short?

Research conducted by the Resource Centre, including surveys of major construction companies in 2016 and 2018, shows a failure by the overwhelming majority to meaningfully address risks to migrant workers in their operations. Companies that failed to even disclose their approach to worker welfare and engage with the Resource Centre have been awarded 89 new projects in 2018-2019, the majority in the UAE.

4 Percentage is skewed as a major contract worth $USD 4.3 billion awarded by private company. The client in this case is itself recipient of an award from the Kuwaiti Public Works Authority in previous years.

Client initiatives — toward respecting worker welfare

In May 2019, six public sector clients in Qatar pledged to embed ethical recruitment into their procurement processes. In the UAE, Expo 2020 has also committed to tackle worker welfare in its procurement processes including to address common risks related to unethical recruitment, wage delay, health and safety, and access to grievance mechanisms. These commitments must be operationalized and the relevant governments should monitor their performance and extend these worker welfare policies to all public sector clients, not least to reward leaders among companies with new contracts and penalize laggards.

Companies named in allegations

A total of 61 companies were awarded contracts in 2018-2019, despite having historically faced allegations of human rights abuses. 13[5] of these companies had been implicated in allegations of labour abuse occurring in the Gulf. The other 48 have been linked to allegations outside the Gulf.

Investigations by Human Rights Watch and BBC Panorama have alleged that Arabtec, a UAE-based company, which lists the Emirate of Abu Dhabi as a shareholder and which won 21 new contracts in 2018-2019, had links to abuses against migrant workers employed in the construction of the Saadiyat Island, Abu Dhabi. In 2009, BBC Panorama reported appalling living conditions at accommodation camps for workers employed by Arabtec, claims denied by the company.

In 2016, a joint-venture between Midmac, a Qatari construction company, and Six Construct, a subsidiary of Belgium-headquartered Besix, involved in the construction of the Khalifa Stadium in Doha was accused of failing to carry out comprehensive due diligence of its contractors and sub-contractors and inadequately responding to reports of their abuse of migrant workers.

A small number of construction companies and clients have demonstrated leadership in integrating worker welfare into their operations. Some have also joined industry initiatives aimed at improving the performance and transparency of the sector. Action must be taken by companies across the sector, however, to ensure standards are raised for all workers.

To prevent a race to the bottom of companies lowering their prices and further squeezing workers' rights to secure bids, clients must ring-fence worker welfare standards into their tendering documents and contracts with construction companies.

Recommendation for companies

Adopt and enforce robust human rights protections for migrant workers and demonstrate respect for worker rights, including timely payment of wages and managing risks of heat stress by monitoring subcontractor compliance; support the establishment of and engage with worker committees as a means of collective representation and bargaining; and, guarantee workers’ ability to freely change employment without penalty.

A full list of recommendations by the Business & Human Rights Resource Centre can be found in our January 2018 briefing “On Shaky Ground: Migrant Worker Rights in Qatar and the UAE Construction”.

5 ABB, Al-Araif, Al-Hamad,Arabtec, Azmeel, Bechtel, Six Construct (subsidiary of Besix), BIC Contracting, EllisDon, HKH, Interserve, Midmac Contracting, Saudi BinLadin Group.