



International Conference on
**Migration, Remittances and Development
 Nexus in South Asia**

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**Foreign Labor Migration,
 Remittance and Development:
 A Case of Nepal**

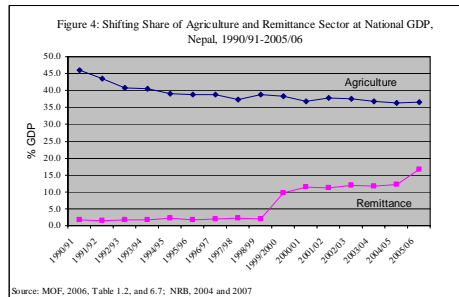
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The country's economic situation

**Migration and remittances changing the structure of national
 as well as household economy:**

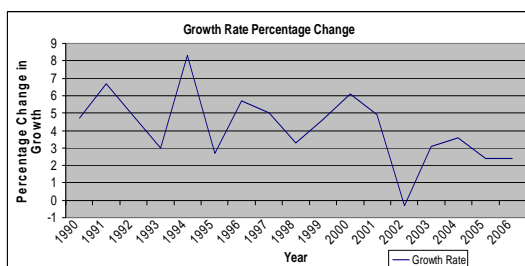
- Human migration is not a new phenomenon but its nature is changing – increased volume and changes in destination and work type.
- About 0.2 million Nepali go to overseas country every year – except India. 3 % of the world's population (175 million people) are migrants.
- Remittances have become a major economic feature. Contribution of 16-25 % to GDP (depending on different estimates)
- Remittances have become associated with poverty reduction. It is considered the main factor for reducing poverty from 42 % to 31 % in 8 years.
- Sustainability of remittance-induced economic growth and development is often questioned – especially in the context of recent global financial melt-down.

Shifting share of..



Source: Adhikari and Suwal, 2007 (draft report).

Fig. 1: Economic growth rate in Nepal.



Source: Economic Surveys, GoN.

Migration : A new inevitable economic sector

- Increasing access to global opportunities essential as we enter to WTO and allow free flow of goods, services and capital.
- Present economic growth rate not able to generate employment opportunities for 0.3 million youths who enter market every year, mostly SLC failure.
- ... means opportunities in 'global market' has to be sought.
- Various benefits are possible – knowledge and skill transfer... money for investment in small businesses, farming and the like (not been tapped yet)

State's interest in migration

Lack of interest period (1950-1990)

- emphasis on internal development
- perception (state-sponsored – radio, papers, textbooks) that it is bad ... brave or 'bir history' showing contempt on migrant labourers.
- Nationalism in Panchayat period (restrictive policy eg. difficult to get passport).
- Concept that if there is development – migration will reduce

Growing interest (1990 onward)

- Migration continued despite restriction
- Learning from other countries like Sri Lanka and Philippines.
- Decline in agri. production despite investment
- Realization of growing contribution to economy
- Globalization – emphasis on taking benefits from global market
- Pravasi Nepali – respected, source of investment.
- PRSP (10th Plan, 11th lan) – poverty focus; migration taken as a way to reduce poverty.
- Institutional development – separate department, New Act 2007

Data on labor migration (census reports – 0.76 million, mainly in India)

Year	Total Population	Absentee population	Absentee as % of total	Male	Female
1942	6283649	87722	1.4	-	-
1952/54	8473478	198120	2.34	173619 (87.6)	24501 (12.4)
1961	9741466	328470	3.37	-	-
1971	-	-	-	-	-
1981	15425816	402977	2.61	328448 (81.5)	74529 (18.5)
1991	19149387	658290	3.44	548002 (83.2)	118288 (16.8)
2001	23499115	762181	3.24	679489 (89.2)	82712 (10.8)

Source: CBS (1986, 1992, 2002)

Table 4.2: Nepali foreign emigrants in different censuses according to the ecological belts of Nepal (% ages of total emigrants)

Ecological belts	1941	1952/54	1961	1981	1991	2001
Hills and Mountains	98.63	97.13	95.09	91.10	77.7	70.2
Tarai	1.49	2.87	4.91	8.90	22.3	29.8

Source: CBS (1986, 1992, 2002), Kansakar (1978).

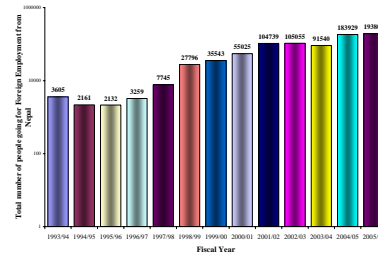
Data on migration (our other studies)
0.7 million excluding India.
2.2 million including India

Table 1: Number of people working abroad (excluding India) in 2002.

Region	Number		Total
	Male	Female	
Asia	612,888 (93.14)	23,148 (67.09)	640,147 (91.84)
Gulf	461,854 (69.76)	3,650 (10.58)	465,504 (66.79)
East, Southeast	150,620 (22.75)	19,498 (56.51)	170,503 (24.46)
Other	4,140 (0.63)	-	4,140 (0.59)
Australia	8,000 (1.21)	2,000 (5.80)	10,000 (1.43)
Europe	29,582 (4.47)	6,256 (18.13)	35,838 (5.14)
Africa	580 (0.09)	-	580 (0.08)
North America	7,300 (1.10)	3,100 (8.98)	10,400 (1.49)
TOTAL	662,076 (100.00)	34,504 (100.00)	696,965 (100.00)

Source: NIDS Unpublished report submitted to UNIFEM, Kathmandu. Considering that there are about 1.5 million (based on the average of various estimates) Nepali workers in India, the Nepali population working in foreign countries comes to about 2.2 million.

Figure 2: Migration Trend in the Past Years (except India)



Some features of foreign labour migration

- Mainly from hills and mountains (70 % now, but declining)
- 75 % labor migrants are unskilled and 25 % are semi-skilled.
- A large majority (80 %) is from 20-30 years age bracket.
- 75 % are high school drop-out.
- Per capita remittances declining for many (especially Gulf and India). Reverse flow to UK and developed countries (last year UK alone 5 billion Rs; it will grow – mortgage payment in US by Nepali).
- Remittances from India declining – partly because of large migration due to conflict. Keeping money in Indian banks because of conflict (now also).

Women as labour migrants

- Especial nature of migration in the past – male selective.
- DoL data – only 161 in 1985-2001. Now 892 in 2003-04 (mainly in HK). In 2003-04, only 3 women in Kuwait, but there are at least 5000 there (Kantipur Dec 22, 2005.)
- Has increased after mid 1990.
- 10.8 % of absentee population were women and 83 % went to India.
- Contribution to remittances – 10 % (10th plan).
- Save more than their male counterparts.
- NIDS study for UNIFEM in 2002 – about 7 lakhs Nepali foreign migrants (except India), and 5 % women.
- Mainly go to Southeast and East Asia –
- 60 % work as domestic help.
- Extreme discrimination and harassment while migrating.

Remittances (government sources) – last year Rs 66 billion, 14 % of GDP.

Yearly Flow of Remittance according to Government source 1999-2003 (Rs. million)

Items	1999/2000	2000/01	2001/02	2002/03	2003/04
Remittances	36818.1	47216.1	47536.3	54203.3	58587.6
Pensions	5941.0	6309.1	8269.6	7327.3	7906.2
Total	42759.1	53525.2	55805.9	61530.6	66493.8
GDP	366251	393566	405632	435531	437546
Remittances as % of GDP	11.67	13.60	13.76	14.13	14.06

Source: Economic Survey (Fiscal Year 2003/04), HMG/Ministry of Finance, 2004, Table 6.7, p.40. For GDP – same – Table 1.1, p. 1 Exchange Rates: 1 US\$ to Nepali Rs. in 1988=67.60, 1999=68.15, 2000= 70.40, 2001=74.65, 2002=78.00, 2003 = 75.5 (approx).

Remittances : Various other estimates

Table 2: Estimates of remittances

Agency	Year	Amount (Rs billion)	Reference
HMG	2002/03	62	Source: Economic Survey (Fiscal Year 2003/04), HMG/Ministry of Finance, 2004, Table 6.7, p.40.
Nepal Rastra Bank	2002	74	Kantipur (daily broadsheet), June 2002, p.9
Himal Khabar Patrika	2003	115	Himal Khabar Patrika, 15-29 March, 2003
NIDS	1997	35*-69**	Seddon, Adhikari and Gurung, 2001, The New Lahures, Kathmandu.
Researchers Graner and Seddon	2005	77-110	Graner and Seddon (1995)

*Assuming that only 250,000 Nepali work in India in public sector.

** Assuming that about a million Nepali work in India in various sectors of the economy.

Remittances (NLSS surveys)

Table 4.5. Remittances by region of origin as revealed from NLSS surveys.

Description	1995/96	2003/07
% households receiving remittances	23.4	31.9
Average amount of remittance per recipient household (nominal Rs)	15,160	34,698
Share of remittances (%age)		
from Nepal	44.7	23.5
From India	32.9	23.2
From other countries	22.4	53.3
Share of remittance on the income of recipient households	26.6	35.4
Per capita remittance amount for all Nepal (nominal Rs)	625	2,100
Total remittances received in Nepal (nominal Rs)	12.9 billion	46.3 billion

Source: NLSS, 2003/04 Vol II, Table 15.0 (p. 74), (CBS, NPC/HMGN). In another estimation made by Elvira Graner and David Seddon (2005: 39) share of the remittances from Gulf was estimated at 2.7 % in total remittances in 1995/96 and 26.5 % in 2003/04.

Contribution to Household Economy

- **Survival strategy** (livelihood security) – for a majority of households
- **Savings and investment strategy** (only in few cases - wealthy households)
- Contribution to poverty reduction (42 % to 31 % in 8 years – mainly by remittances). If remittances were not there, it would have dropped to only 36 %.
- Generation of some employment by the investment of remittances especially in urban areas like Pokhara, and Kathmandu.
- Diversification of livelihoods at household level.

.. Contribution to household economy

- Investment – food security (including medical), social capital development – education of children, land acquisition and housing, enterprise development.
- Family life: family breakdown, children taking wrong course, drug addiction, HIV/AIDS.

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Village study

Contribution from outside income (1989-90) in Lahachok-Riban village

Ethnic groups	Contribution of off-farm work to total employment	Contribution to total income
Brahmin	16.2	24.9
Gurung	48.9	59.4
Chettri	29.2	25.6
Dalits	22.3	9.1
All	29.7	37.4

Types of work(1989-90) in Lahachok-Riban village (household number and % in brackets)

Work types	Brahmin	Gurung	Chettri	Dalit	All
Civil job/Nepal	9 (40.9)	6 (12.8)	4 (26.7)	-	19 (17.7)
Other work/Nepal	3 (13.6)	2 (4.3)	-	1 (4.1)	6 (5.6)
Indian army	1 (4.5)	25 (53.2)	7 (46.7)	2 (8.7)	35 (32.7)
British army	-	6 (12.7)	-	-	6 (5.6)
Manual work/India	6 (27.3)	4 (8.5)	2 (13.3)	10 (43.5)	22 (20.0)
Factory work/India	3 (13.6)	4 (8.5)	2 (13.3)	10 (43.5)	19 (17.4)
Total	22 (100.0)	47 (100.0)	15 (100.0)	23 (100.0)	107 (100.0)

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Village study

Table 5: Class and employment in foreign lands and within the country (number of households, number of people) in Lahachok VDC (as of January, 1999).

Class Wealth Rank	Household population	Employ. in Households	Foreign lands People	Employ. in Households	Own country People	Total Households	People
Class A	63 (10.0)	-	-	1 (0.8)	1 (0.6)	1 (4)	1 (0.3)
Class B	63 (10.0)	4 (2.7)	5 (2.7)	4 (3.1)	4 (2.5)	8 (2.8)	9 (2.9)
Class C	63 (10.0)	5 (3.3)	5 (2.7)	6 (4.6)	9 (5.5)	12 (4.3)	14 (4.0)
Class D	63 (10.0)	14 (9.3)	14 (7.5)	9 (6.9)	9 (5.5)	23 (8.2)	24 (6.9)
Class E	63 (10.0)	17 (11.3)	19 (10.2)	6 (4.6)	6 (3.7)	23 (8.2)	25 (7.2)
Class F	63 (10.0)	22 (14.7)	28 (15.1)	10 (7.6)	14 (8.6)	32 (11.4)	42 (12.0)
Class G	63 (10.0)	23 (15.3)	27 (14.5)	23 (17.5)	26 (16.0)	46 (16.4)	53 (15.2)
Class H	63 (10.0)	18 (12.0)	21 (11.3)	24 (18.3)	26 (16.0)	42 (14.9)	50 (14.4)
Class I	63 (10.0)	22 (14.7)	31 (16.7)	17 (13.0)	23 (14.2)	39 (13.9)	54 (15.5)
Class J	63 (10.0)	25 (16.7)	36 (19.4)	30 (22.9)	40 (24.7)	55 (19.6)	76 (21.8)
Total	630 (100.0)	150 (100.0)	186 (100.0)	131 (100.0)	162 (100.0)	281 (100.0)	348 (100.0)

(Figures in brackets are percentages)

Wealth Rank	Foreign Employment	Domestic Employment
Poorest 30 % hh	Negligible	Negligible
30-50 %	Medium	Low
50-70 %	High	Medium
70-90 %	High	High
90-100 % wealthiest	Very High	Very High

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Village study

Table: Employment in foreign countries by wealth class (number of households and people) in Lahachok VDC (as of January, 1999).

Class	India	Qatar	Saudi	Hongkong	Oman	UK	Total
Class A	-	-	-	-	-	-	-
(poorest)							
Class B	3 (4)	-	1	-	-	-	4 (5)
Class C	3	1	1	-	-	-	5
Class D	8	3	3	-	-	-	14
Class E	12 (13)*	4 (5)	1	-	-	-	17 (14)
Class F	20 (26)*	2	-	-	-	-	22 (28)
Class G	18(22)*	4	-	-	1	-	23 (27)
Class H	13 (16)*	3	1	-	1	-	18 (21)
Class I	20 (29)	1	1	-	-	-	22 (21)

Figures in brackets represent number of people. Others represent number of households.

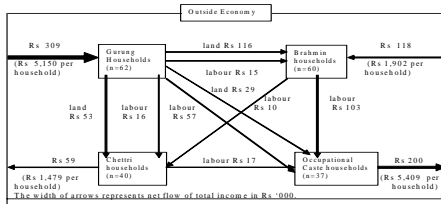
* Army jobs are concentrated in these classes.

	Indian Civil work	India Army	Gulf	Uk/Hongkong/Japan
Poor	High	Low	-	-
Medium	Low	High	High	Low
Rich	None	Low	Medium	High

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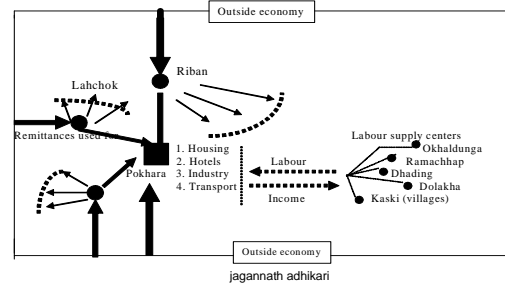
Net flow (remittances – expenses on goods and services from outside) of income from outside to Households in 1989-90 when it was more ethnically selective.
 Critique of 'Nepal in Crisis' – dynamics of change, emphasizing only on structure ... not on agency.



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Flow of remittances to villages and then to Pokhara, and directly to Pokhara (27 % income of hh). Major force for urbanization and industrialization.



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Table 6: Livelihood Strategies of households (to fulfil food deficit) and resources required in Siding village, 1996. Sample size 28 households.

Strategies (in sequence) (Location)	Rank 1	Rank 2	Rank 3	Resources required
wage labour (R-U)	10	1	-	family labour
animal husbandry (R-U)	5	10	1	forest, land and labour
service (abroad) (U)	2	1	-	labour
selling bamboo products (R-U)	2	-	-	forest, labour
weaving nettle fibre clothes (R)	2	-	-	labour, forest
service Nepal (U)	1	1	-	labour
selling potato (R-U)	1	1	-	labour
Selling forest vegetables (U)	-	2	-	labour, forest
loan (R-U)	-	1	-	household asset
business (R)	1	-	-	labour, capital
carpentry (R)	1	-	-	labour
barter-exchange (R)	-	1	-	labour

(preference ranking and multiple choice possible, Source: household survey, 1996.

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Table 7: Livelihood Strategies of households (to fulfil food deficit) and resources required in Karuwa-Kapuche village, 1996. (sample size 17 households)

Strategies (in sequence) (Location)	Rank 1	Rank 2	Rank 3	Resources needed
wage employment (U)	11	3	1	family labour
business (alcohol production and selling) (R)	2	2	2	skill, firewood, labour
selling bamboo products (R-U)	1	6	-	forest
animal husbandry (R-U)	-	2	2	labour, forest, land
temporary migration (U)	2	-	-	labour
Selling forest vegetables	-	2	-	forest, labour
carpentry (R)	1	-	-	skill
selling timber (U)	-	1	-	forest

(preference ranking and multiple choice possible, Source: household survey, 1996.

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2. Problems associated with migration

Fundamental problems and causes:

1. Unsustainability

- Fast changing technology in destination and not able to cope by our labourers due to lack of skill (reduces overall demand)
- Political causes (labor receiving countries may stop the labor; Global financial meltdown and reduced migration and remittances.
- Growing securitization of migration – developed countries linking migration with security risks and growing persecution of migrants.
- Negative competition among labor sending countries and wage rates falling.
- Lack of productive use of remittances.

- Remittances economy not contributing towards strong domestic economy – lack of investment of remittances that generate sustainable employment opportunities and income.
- Economy dependent on high remittances (eg. when contribution exceeds 25 % of GDP – external shocks of reduced remittance flow can be damaging). This could be the Nepali case.
- **Question on productive investment** – even consumption is also considered productive as it helps in producing healthier population when there is low nutritional level??

Fundamental Problems

2. Low income from migration:

- Low skills (Nepali workers – lowest paid)
- Irregular type (illegal nature)
- *Negative competition among labor sending countries*
- *Diversification of countries*
- *Lack of search for job opportunities*
- *Human rights violations of migrant labourers*

...

Violations of human rights of laborers

- *Long working hours*
- *There are no holidays*
- *Protests cannot be organized*
- *Returning the labor without compensating for the remaining time period of contracted work*
- *Poor working and living conditions*
- *No insurance and rescue during accidents and deaths*
- *Victimization of laborers without legal recourse*
- *Sexual exploitation and harassment*
- *Employing in a different than the pre-agreed work*
- *Lack of respect to religious and cultural practices of migrant labor*

Human rights abuses

- **Before migration - within the country/India / Bangladesh** (cheating by recruitment agencies, brokers, high charges, etc).
- **During the work – in the destination country** (unfair working conditions)
- **After returning** (reintegration to society – mainly for women – imposed stigmas).

Fundamental problems

3. High cost of migration

- High cost of migration – about 1200 US \$ in Nepal, it is only US \$ 600 in Sri Lanka.
- On average, one labor spends about 1 year to repay the initial cost if he is successful.
- Having less impact on poverty reduction.
- Leading to inequality in access and growing economic disparity.

Why high cost in migration

- Cheating in sending process (especially by recruitment agencies).
Cheatings in recruitments: in the year 2006, the number of individual fraud complaints had reached 812, and the amount for the individual complaint alone was Nepalese Rupees 359,079,610.
- Lack of information
- Corruption (most corrupt is the labor department now)
- Lack of enforcement of rules
- Difficult and cumbersome process
- Lack of literacy among the migrants
- Lack of social protection (stranded in destination countries, deaths, welfare schemes etc – death in middle east is growing ... suicides etc).
- Difficulties in reintegration in the society – shifting in the place ... like family lives in different place.

Fundamental Problems

4. High cost of remitting money:

- Cheatings in sending money home.
- Hundi – benefits and costs.
- Official – low access, high charges (but growing).
- Poor banking system or money transfer system

Eg in India – bank transfer is extremely difficult. From Gulf and other countries is also difficult. Official transfer is not in easy access.

Fundamental problems

5. Negative impacts in labor sending country.

- Social and family breakdown.
- Labor shortages, especially of the skilled human resources eg Nurses (Nepal and Africa???)
- Local production (eg farm) decline. (controversy ... it can lead to the increase.. But it is not happening in Nepal)
- HIV/AIDS and TB problem (mid and far west)

3. Improving the situation (What can be done)

Multiple entry points

Domestic level (more or less in order of priority)

- reduce cheating or fraud (immediate – now)
- more safeguards for people who want to go out (immediate – now; New Labour Act 2007 has some provision – Migrant Welfare Fund and Labour Attache in 4 countries to be sent)
- easy access to information and justice and finance (immediate)

{reduce the cost of migration and remitting money}

Domestic level...

- increase skill levels (medium term within 3 years)
- increase access of poor through information and support, reduce gender-based discriminations (medium term within 3 years)

(increase income from migration, poverty reduction, women's empowerment, income equality)

Domestic level

- support for investment in productive sector (medium to long term).
- Access to finance and incentives for productive investment
- Diversification of country, updating of skills and increase in skill training facility

{improvement in domestic economy, local employment and reducing external shock of reduced remittances if any}

International level - advocacy/action

Concept of globalization – there should be free movement of labor also (WTO should have this as provision – like MODE 4, but it needs to be taken up and refined) . It is also a factor of production.

Principally, the human security of the world will improve if there is free flow of labor.

Concept of citizenship needs to be redefined. Labor rights, human rights should be provided to all.

The present movement of people (even irregular) caused by – demand and supply imbalance and uneven development for which labor-receiving countries are also responsible.

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International Level

Desecuritize migration – delink it from security concerns.

Networking among the labor sending countries, and bargaining, eg SAARC .. Some common understanding is needed.

International instruments (like UN Convention on Rights of Migrant Labor and Their Families) ratified by labor receiving countries and more international instruments formed.

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