

Foreign Labour Migration, Economic Growth and Remittances in Nepal

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Abstract

This paper examines the history and current situation of foreign labour migration in Nepal, which is in increasing trend. This paper highlights on some major push and pull factors, impacts of labour migration and remittances. The role and impacts of remittances in Nepal are also another key issue of this paper. The objective of paper is to discuss historical aspects and highlights the role of remittances in Nepal. The paper is developed with the help of secondary sources of information and discussed only on Nepalese foreign labours. The existing exploitative working environment in destinations of Nepalese migrations labpurs, lack of skills and trainings among labour migrants including government to government agreement between labour sending (Nepal) and labour receiving countries to protect rights of labour migrants also has been discussed. This paper also highlights the need of effective foreign labour policies based on scientific research. There is need of reliable and proper environment of investment of remittances in productive sectors as well as use of migrant's skills and knowledge to achieve prosperity of nation.

Key words: Labour Migration, Poverty, Remittances, Economic Growth and Investment

1.1 Introduction

International labor migration has surged in recent years with an increasing number of workers moving across international borders for work. The stock of international migrants increased from 154 million in 1990 to 244 million in 2015 (UNDESA, 2015). An estimated three million Nepalese are migrant workers who have gone abroad earning foreign currencies. The nation, with 26.4 million population has sent more than 10 percent of its people to work far away, who are of productive age group, i.e. from 20 to 40 years of age. This figure does not include the population who are employed in India, estimated to be around 3 million (MoLE, 2014).

Government data shows that a majority of the migrant Nepali workers are engaged in 4D works (Difficult, Dirty, Dangerous, Demeaning) in various countries, from Qatar to Malaysia and from South Korea to Israel. The number of Nepalese workers leaving home for foreign employment is increasing every year. An official figure shows that a total of 5,

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27,814 Nepali men and women (number of women are insignificant, though) left the country in a single year, fiscal year 2013-2014, ending mid-July (MoLE, 2014). Data maintained by Ministry of Foreign Employment does not include records of individuals who leave the country for foreign employment to Indian and illegally via India or with support of middlemen. One of the Nepal's major exports is labours, and most rural households now rely on at least one member's earnings from foreign employment.

1.2 History and trends of labor migration in Nepal

The history of formal labor migration begins in 1814-1816, after the Nepal-British India war. A total of 4,650 Nepalese youngsters were recruited to the British armed forces as a British-Gurkha regiment after the conclusion of the war and signing of the Treaty of Sugauli in 1816. India has been a traditional destination for Nepalese migrants. The primary reasons for this are geographical proximity, historical and cultural links, and a large and open porous border. The 1950 Treaty of Peace and Friendship between India and Nepal formalized free border movement of people. The bulk of these migrants are employed in the private, informal sector. These migrants hold semi-skilled and unskilled jobs in restaurants and factories or are employed as domestic workers, security guards, and maids.

Similarly, the migration of Nepalese people for other employment purposes, such as working in the tea states of Darjeeling and the forest of Assam, India, began in the second half of the 19th century. International labor migration, mostly to Gulf States, Malaysia and other South East Asian countries is a new phenomenon of migration in the Nepali context with about a 30 years' history. Unexpectedly, foreign labor migration has developed in such a way that it has shifted the agricultural-based Nepali economy towards remittance-based economy.

As reported in the Nepal Living Standards Survey (NLSS) 2010/11, 53 per cent of households in Nepal have at least one absentee living within or outside the country. And it is the absentee population currently away from the country that has been increasing significantly over the years. According to the census data, between 2001 and 2011, there was more than a two-fold increase in the number of Nepalese living away from the country (Table, 1). The implications of this trend is significant, the average annual growth rate of Nepal's absentee population between 2001 and 2011 was 9.2 per cent (CBS, 2014)

Table 1: Total Number of Absentees Residing Outside of Nepal

SN	Year	No. of Absentee
1	1952/54	1,98,120
2	1961	3,28,470
3	NA	
4	1981	4,02,977
5	1991	6,58,290
6	2001	7,62,181
7	2011	19,17,903

Source: Population Census of Nepal 1952/54, 1961, 1971, 1981, 1991, 2001 and 2011

NA= Not Available

A majority of international migrants continue to go to India, possibly a reflection of geographic proximity, cultural ties, and the open border with India. Following India, most migrant workers are destined either for countries in the Middle East or ASEAN member states (primarily, Malaysia). During the Fiscal Year 2013/14, approximately 44.2 per cent of the total labour permits issued were to migrants going to the Gulf countries 23 and a further 39.6 per cent to those going to Malaysia (MoLE, 2014), (Table, 2).

Table 2: Destination Countries of International Migrants

SN	Destination Countries	Percent of Migrants
1	Middle East	37.60
2	India	37.60
3	ASEAN Countries	13.00
4	European Countries	3.30
5	Other Asian Countries	2.90
6	USA and Canada	2.50
7	Other Countries	2.10
8	Not Stated	1.10

Source: Central Bureau of Statistics, 2014

2 Objectives:

The objectives of this paper are:

- To introduce the history of labour migration of Nepalese people,
- To highlight the use of remittances and economic growth in Nepal

3. Data and Method

This paper is entirely based literature surveys related on foreign labour migration of Nepalese people and absentee population in various censuses of Nepal. Therefore this article is based on secondary sources of information.

4. Push and Pull Factors of Nepalese Labor Migration

The push and pull factors behind labor migration are almost the same in Nepal as in other parts of the world. Poverty, limited employment opportunities, deteriorating agricultural productivity, and armed conflict are some of the motives behind international labor migration. With limited arable land, landlessness is pervasive and the number of landless households has steadily increased in the agricultural sector. In the non-agricultural sector, the slowdown in growth, especially since 2000/01, due to the Maoist insurgency and exogenous shocks has further retarded the pace of employment creation. The conflict had also created difficult living and security conditions, especially in the rural areas. It had also prompted people to look for overseas employment (IMF, 2006).

Push factors drives people to leave home and pull factors that attract migrants to a new location. Push factors occur within sending states, that is, those that send migrants abroad, while pull factors occur within receiving states, that is, states that receive immigrants from sending states abroad.

Push factors are negative aspects of the sending country, while pull factors are positive aspects of the receiving country. In fact, these differentiating factors are really two sides of the same coin. In moving migrants must not only see a lack of benefits at home (push factors) but also a surplus of benefits abroad (pull factors).

4.1 Push Factors

Push factors come in many forms. Sometimes these factors leave people with no choice but to leave their country of origin. Unstable government, repeated strikes and closure and investment unfriendly environment in Nepal lose the confidence of Nepali youth. Many active labor forces do not see any future in the country even after the restoration of peace and the system derived from the people's movement led by 12 political parties and civil societies.

4.1.1. Lack of employment/Poverty:

Economics provides the main reason behind migration. In fact, according to the International Labor Organization, 164 million people are migrant's workers – a rise of 9 per cent since 2013, when they numbered 150 million. (ILO, 2018).In some countries jobs

simply do not exist for a great deal of the population. In others, the gap between the rewards of labor in the sending and receiving country are great enough so as to warrant a move. Nepal has recently experienced a surge in emigration due to a combination of these factors. The greatest challenge facing Nepal is creating enough jobs for its burgeoning population. The exact unemployment rate in Nepal has always been debatable. However, it was estimated around 3.3 per cent unemployment rate and 25.2 per cent population is found below poverty line in 2011 (CIA, 2013). As per the report of IMO, 2012, 75 per cent people are unskilled, 23 per cent are semi-skilled and only 2 per cent are skilled in Nepal. Hence, most of the people who moved for labor migration are unskilled.

4.1.2 War/Persecution and Political instability:

Some migrants are impelled to cross national borders by war or persecution at home. During the Maoist insurgency (1996-2006) many people were pushed to move abroad. Youth population displaced by Maoist-led 10 years-long armed conflict found foreign employment a lucrative and safe alternative for a living and safety, which in time turned to be a necessity for them. Additionally, after the restoration of multi – party democracy in Nepal (1990) there has not been a stable government to make some sound policy to utilize the active labor force in own country. Rampant corruption and flourishing nepotism culture in Nepal have made further disappointment to the Nepali youth. Hence, the frustrated youth are propelled to drive overseas.

4.1.3. Culture of foreign labour Migration:

There are many villages in Nepal where labor migration has been established as a culture of the communities; that is, going abroad for work for a while and returning with some money and the experience of living in a different geographical location, preferably in towns and cities. The influence of friends, relatives and well-wishers has also played a prominent role in the promotion of labor migration in Nepal.

4.2. Pull Factors

Whereas push factors usually drive migrants out of their countries of origin, pull factors generally decide where these travelers end up. The positive aspects of some receiving countries serve to attract more migrants than others.

4.2.1. Higher standards of living/Higher wages:

Economics provide both the biggest push and pull factors for potential migrants. People moving to more developed countries will often find that the same work they were doing at home is rewarded abroad with higher wages. They also find a greater safety net of welfare benefits. Aware of this situation, migrants are drawn to those countries where they can

maximize benefits. The government of Korea has offered basic salary Rs. 60,000 per month to Nepali labors where in Nepal even the Nepal government officer receives half of the salary offered in Korea. Hence, higher wages is one of the strong factors to lure to migrate.

4.2.2 Labor Demand:

Almost all developed countries have found that they need migrants' labor. Rich economies create millions of jobs that domestic workers refuse to fill but migrant workers will cross borders to take. High demand of Nepali labor in Korea, Malaysia, Qatar and other countries with attractive perk and handsome salary make Nepali youth to migrate.

Other pull factors include superior medical care, education, simply a personal fondness of a certain place, whether it may be linked to culture, language, weather conditions or other influencing factors. It can be concluded that the majority of emigrants didn't emigrate to increase educational or social status or to enjoy urban facilities. But they emigrated because of 'economic failure' at homes and their objective was to raise money in order to upgrade their economic status. It is true in the sense that some people have got opportunities to go to USA, Japan, and Germany, United Kingdom etc. as a cook, student, and business men visas.

5. Economic Growth verses Share of Remittances to GDP (%)

According to World Bank report for 2016, concluded that Nepal is leading the way with an estimated USD 6.6 billion in remittances equivalent to 31.3 percent of the country's GDP. With regard to remittances by percentage of GDP, Nepal (31.3 percent) was followed by Kyrgyzstan (USD 2 billion, 30.4 percent of GDP), Tajikistan (USD 1.9 billion, 26.9 percent of GDP), among others. Qatar, Saudi Arabia, India and the United Arab Emirates remained the biggest source of remittances for Nepal in 2016. In addition, Nepal saw a GDP revenue of USD 21.1 billion in 2016, ranking 96th in the global ranking in terms of purchasing power parity.

Whereas according to the World Bank's Migration and Remittances Factbook of 2016 report, Nepal has been featuring among the top remittance recipient countries over the last three years. When it comes to remittances (as a percentage of GDP), Nepal (29 percent) stood third in the list of largest remittance recipients following Tajikistan (42 percent) and the Kyrgyz Republic (30 percent) in 2015. Nepal, with 29.2 percent remittances as a share of GDP, was also among the top 10 recipients in 2014. These information shows Nepal dependency on foreign labour migration as well as role share of remittances in GDP of Nepal has been increased significantly.

Nepal was among the top ten emigration nations in 2013. When it comes to migration corridors, Nepal featured among the top 10 list for forming migration corridors with India

and Saudi Arabia. Here, it is noteworthy that remittances to Nepal have almost doubled over the 2007-16 period boosting the country's status as the top remittance-dependent nation. Sending money home in Nepal has Contributed to the SDGs, and the contribution of remittances to Nepal's GDP has grown from 17 percent in 2007 to 32 percent by 2016 (IFAD, 2016).

Agriculture remains Nepal's principal economic activity, employing about 65% of the population and providing 31.7% of GDP. Only about 20% of the total area is cultivable; another 40.7% is forested (i.e., covered by shrubs, pastureland and forest); most of the rest is mountainous (WIKIPEDIA, Economic of Nepal).

Table: 3 Economic Growth and Share of Remittances in GDP of Nepal (2007/08-2017/18)

Year	Economic Growth	Remittances Share to GDP (%)
2007/08	6.1	17.5
2008/09	4.5	21.2
2009/10	4.8	19.4
2010/11	3.9	18.5
2011/12	4.6	22.7
2012/13	4.1	29.0
2013/14	5.9	29.4
2014/15	3.3	31.4
2015/16	0.6	31.3
2016/17	8.2	28.3
2017/18	6.6	28.0

6. Findings and Discussions

6.1 Volume and use of Remittances

Since the end of the 1990s, there has been a renewed interest in the financial resources that migrants send back to their countries of origin. The main reason for the renewed attention is the growing volume of official remittances to low income countries and their potential contribution to the economic development of the receiving regions. Remittances denote household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies (IMF, 2009). Remittances include cash and noncash items that flow through formal channels, such as via electronic wire, or through informal channels, such as money or goods carried across borders. They largely consist of funds and non-cash items sent or given by individuals who have migrated to a new economy and become residents there, and the net compensation of border, seasonal, or other short-term workers who are employed in an economy in which they are not resident (IMF, 2009).

Nepal received 5.5 billion US dollars in remittance during last fiscal year, ending mid-July 2014, an increase from 4.3 billion US dollars in the previous one year. The rise in remittance income boosted the country's foreign exchange reserve as well as put the country's overall Balance of Payment (BoP) into surplus. The gross foreign exchange reserve reached to 6.7 billion US dollars in mid-July 2014, up from \$5.4 billion recorded in mid-July last year. For a country with around \$ 6 billion US dollars of annual budget, remittance has been a major chunk of Nepal's foreign currency earning sources (NRB, 2015).

Only 2.4 percent of the total remittance was used for capital formation. Out of the total remittance 79 percent was used in daily consumption, whereas 7 percent was used in payment of loans (Table, 4).

Table 4: Uses of Remittances in Nepal

SN	Use of Remittances	Percent
1	Consumption	79.0%
2	Loan Repayment	7%
3	Household Property	4.5%
	Education	3.5%
	Capital Formation	2.4%

Source: CBS, 2012

6.2 Status of Labour Migrants and Main Destinations:

Most of this foreign currency comes from the unskilled or semi-skilled workers, majority of whom shed their sweat in the hot climate of the Gulf countries, including Qatar, Saudi Arabia United Arab Emirates and Malaysia. The government's statistics show that 74 percent Nepali workers employed in foreign labor markets are unskilled. Such workers normally choose to leave for low paying labor destinations (MoLE, 2014).

6.3 Labour Migration, Remittances and Poverty Reduction:

Nepal is among the poorest and least developed countries in the world, with about one-quarter of its population living below the poverty line. Nepal is heavily dependent on remittances, which amount to as much as 30% of GDP (CIA, 2018). Country's GDP would be only one side of the whole story, as the other side would clarify how this global phenomenon has indirectly resulted in poverty reduction, employment generation, increasing household income and capital formation of the country. Remittance and migration driven economy has reduced poverty in Nepal from 42 percent in 1996 to 25.16 percent in 2012 (CBS, 2011). Reduction of poverty has helped in diversification in

livelihoods, greater ownership and acquirement of assets and capitals. This, in turn, has contributed in increased financial capital, education of the children, social capital, and migration-specific knowledge.

6.4 Reasons of Labour Migration and Role of Remittances

Remittance, as a source of development funding, are directly linked to migration. In many instances, particularly in the vulnerable countries, this migration has been forced either by civil conflict, political persecution or economic hardships. For people from the least developed countries (LDCs), migration is often a case of running away from a very difficult situation, rather than a matter of preference. The irony of it is that having escaped their countries, migrants then assist in sustaining the economies of those very countries through remittances.

Remittances can contribute significantly to local, regional and national economic development in migrant-sending countries. In many instances, remittances form a significant percentage of total household income, acting as a substitute for earned income lost to unemployment, illness, retirement, emigration, falling wages and crop failure, among others, and ultimately protect poor families against the erosion of what are already basic household assets (Pant, 2012).

In addition, remittances has generated a positive effect on the economy through various channels such as savings, investment, growth, consumption, and income distribution. At the community level, remittances has created multiplier effects in the domestic economy, producing employment opportunities and spurring new economic and social infrastructure and services, especially where effective structures and institutions have been set up to pool and direct remittances.

6.5 Contribution of Remittances in Internal Migration and Change in life Style

Families having increased income from remittance tend to migrate from villages to urban areas, where they spend, not in investment sectors but invest money for luxurious lifestyle. Growing towns and cities across the country is an indication of money spent in better living among migrant's families. Some of the young members of the remittance earning families have been found indulged into drug addition, fly-away from education and training. Family breakaway is another implication of labor migration in the Nepali society.

6.6 Working Condition of Labour Migrants at Destination or Working Place

Most of the migrant workers abroad are working in vulnerable situations without any effective legal protection by the Nepalese government and the receiving countries' government. Workplace exploitation by employers are reported frequently. However, the

Nepalese government has not been effective in protecting its citizens. Frequent serious cases are reported in the news media about the pathetic situation of Nepalese migrants working in unauthorized countries without any legal or social protection by the host countries.

6.7 Ways to Develop Respectful Working Condition for Nepalese Labour Migrants

Now, the role and importance of Government to Government agreement (G to G agreement) between labour sending and receiving countries has been considered in order to increase the number of jobs for Nepalese youths, increase security as well as improve the migrants' working conditions at their countries of destination. A return to G to G recruitment through bilateral agreements (BLAs) and memorandums of understanding (MOU) has come to be seen as a viable migration management solution, particularly in the Asian context. The emergence of this new wave of G to G recruitment is related to government concerns regarding undocumented migration of low-wage workers as well as the human rights concerns associated with employer-tied visa arrangements (ILO, 2015).

7. Conclusion

Nepal has long history of foreign labour migration. Remittance flows are a crucial policy concern since they are very large in size, are relatively stable and provide a cushion for economic shocks, and are unique in providing direct benefits for households. However, remittances do not automatically contribute to national development. To carry out effective and efficient public policies to channel remittances into productive projects, the government has to look at what motivate Nepalese to send money home particularly beyond individual family remittances, and craft its policies to take advantage of it. While the policies and initiatives undertaken so far to augment the impact of remittances are primarily aimed at encouraging the sending of remittances through official channels, the utilization aspect of remittances has been largely ignored by the government authorities.

Directing remittances to productive investments is a challenge for the government as well as to the migrant's families. Families of migrant workers should be encouraged and trained so that they are able to undertake small businesses and entrepreneurship. This will generate jobs and help improve the domestic economy. Government of Nepal should develop sound policies with reliable environment of investment of remittances in productive sectors as well as use of migrant's skills and knowledge in Nepal. In the long run, migrant workers can come back and be reintegrated in the country's development activities with their achieved in better skills and technology.

There are still lacking of study on number of foreign labour migrants and remittances send by migrants. Existing open border, role of human traffickers including fake information and

documents, low level of knowledge and skills among migrants as well as remit through formal and informal channels are being more challenges to analyze to real the scenario and outcome of foreign labour migration.

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