ASPECTS OF LABOUR MIGRATION FROM INDIA: A MACROECONOMIC ANALYSIS

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CERTIFICATE

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This to certify that the dissertation entitled@ **'Aspects of Labour Migration From India: A Macroeconomic Analysis'** submitted by Rajeev Kumar, in partial fulfillment of the requirement for the award of the degree of **Master of Philosophy (M. Phil)** of this University, is his original work and has not been submitted for the award of any other degree of this university or any other University.

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CHAPTER -ONE

INTRODUCTION

It is evident from our past that people had been migrating across countries and continents for various socio-economic and political purposes. In the present time, the quantum of international migration is so high that it has become a major factor in global change. Large numbers of people are migrating these days either permanently or for short duration, as economic migrants or as refugee and asylum seekers. More than 130 million now live outside the country of their birth.

The pace of migration from India accelerated after the emergence of capitalism in certain parts of the world. The migration from India was basically to supplement the requirement of this Capitalist development. Labour migration nowadays is playing a crucial role in the economic development of the world. Migration is a multifaceted phenomenon, which is of vital importance in economic development, manpower planning, urbanisation and social change.[1] Migration is an area of study, which permits multidisciplinary approach in social science that is sociology, demography, anthropology, economics and history.

THEORETICAL OVERVIEW:

Economists as well as geographers have taken a note on migration during late 19th century. They have emphasised on the role of wages, income, level of employment and unemployment in influencing migration flows. Various theories have been propounded to explain the phenomena with different sets of assumptions and references. We have discussed these theories at length in the

[1] Rao, M.S.A page-1

second chapter by classifying them into Neo-classical and Marxist theories. In the neo-classical microeconomic approach a potential migrant goes where the expected net returns to migration are greatest.[2] Individuals may have different propensities to migrate, even in the same region and it will depend on the level of human capital embodied in them in terms of education, language, skills and experience that determine their probability of getting employment at the place of their migration. Neo-classics add further that these flows go on until differentials in earnings are eliminated.

On the other hand, Marxist theorists on the issue, give importance to social relations of productions. They consider labour mobility as a systematic output of capitalism.[3] They emphasise on the peripheral status of the poor countries in an international system in which the rich countries are at the centre. The rich central countries serve as a vacuum drawing wealth out of the periphery to such an extent that the periphery is impoverished. This further augments the gap between the centre and periphery and therefore stimulates emigration from the periphery to the centre.

In the realm of globalisation of trade, finance and production, migration is then only source to fulfil the requirement of manpower in labour scarce countries. It is geographical imbalance in supply and demand (that is excess demand in one country and excess supply in other) that causes migration to take place. From the viewpoint of migrants, emigration is prompted by a greater opportunity to employment or higher earning abroad. However from the viewpoint of

[2] Errol D' Souza P- 624-631
3 Chandra, Navin P -1

employers, immigration is the way to fill up vacancies without pushing up wages and prices.

FLOWS RELATED TO MIGRATION, AN OVERVIEW:

There are two types of migration observed:

(1) Involuntary (2). Voluntary

Involuntary migration is generally under the compulsion of the circumstances of war, natural calamities and such other situations. On the other hand voluntary migration is generally induced by the differences in the levels of economic activities and employment opportunities among different parts of the world. The two factors are generally termed as push and pull factors respectively.

India has experienced outflow of its people across national boundaries since the ancient times. However migration of people on a significant scale came much later in colonial period and independent India. Five types of migration from India to abroad have been identified so far. These are indentured labour emigration, kangani/maistry labour emigration, free or passage emigration, brain-drain type of emigration and labour migration to west Asia. The first three types of emigration were observed in the colonial period while the other two are observed in the post independence period. Indian labour migration to the Gulf countries is a more recent phenomenon.[4]

By the end of First World War Britain hired Indian labourers to work in her colonies. But afterwards migration of Indian workers remained entirely voluntary and some times on a contract basis. The export of labour from independent India

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[4] P.C.Jain (1979) P-101

shows a distinction between the pre and post independence period in terms of not only skills but also in the destinations of the migrants. From 1950 to 1975 U.K, U.S.A and Canada remained the popular destinations of the migrants. After 1975 workers went largely to the oil exporting countries of Middle East. However the movement of migrants to the Middle East was more or less temporary as distinct from the permanent migration to the industrialised countries.

MACROECONOMIC IMPACT OF MIGRATION:

The geographical redeployment of labour produces changes in output, wages and prices of receiving countries and on unemployment and Balance of Payments of the sending countries. As far as labour exporting countries are concerned remittances are a source of foreign exchange. These countries can finance their capital imports by the remittances and thereby enhance their economic development. However it can be termed as a long-term goal. A more immediate consequence is that the outflow of labour represents a way to export unemployment and the social cost associated with it. Hence the present study would be an attempt to examine the issues or problems that arise in a wider macroeconomic context with reference to Indian labour migration.

The impact of labour flows on output and employment at a macroeconomic level depends on the magnitude of workers, the employment status before emigration and the skill composition of the migrants. First of all we shall analyse the trends of migration and trend in the skill composition of migrants. In fact the number of such migrants may not be large enough to affect employment level significantly, yet it will certainly affect our economy. If the emigrants are unemployed before their departure, it would result in direct reduction in the level of open or disguised unemployment .The migration of employed persons on the other hand may also lead to an indirect reduction in unemployment if they can immediately be replaced by other unemployed persons. However the extent of such reduction in unemployment or underemployment would depend on the size of the outflow of workers. Therefore the skill composition of the migrant workers becomes important here. The migration of unskilled workers should have little or no impact on output and should definitely reduce unemployment. However the migration of skilled workers and high skilled professionals is likely to affect the output level and the employment level if such employed migrants could not be replaced without training, which again, absorbs not only resources but time also. The loss of skills embodied in the brain drain represents income lost for the home country and income created for the host country, so that the emphasis is on the income rather than output and employment. The country of origin incurs the cost of training persons who choose to migrate. The country of destination reaps the benefits of such expensive training. Therefore it can be termed as an unrequited transfer of human capital from the former to the latter.

However if we include the return migration too in the picture, it may prove to be beneficial for the host countries. The skills are acquired by the migrants while abroad. The utilisation of such skills by them on return in home country may of course influence the productivity and output level positively. But it is another fact that people go abroad to earn money so that they can laze after return to home.

However for those countries where labour surplus is small and skills are sparse, the export of workers in these circumstances will result in a quantitative and qualitative depletion of the labour force. It will seriously affect the price level, employment, growth and development. But the Indian case is quite different here. In such a case where departure of workers does not reduce domestic output, remittance inflows should lead to some increase in national income. So long as the value of remittance exceeds the income lost as a consequence of migration of workers across national boundaries, it should lead to some increase in national income. We can use here, the national income identity: $Y = C + I + G + (X - M)$, to demonstrate the macroeconomic consequences of the changes in income and expenditure by observing the impact on the variables and major components of national income identity. An increase in (C+G) can lead to either an increase in output or it may increase price level or it may lead to an increase in imports to meet the increased demand. The difference between increase in income and increase in expenditure (ΔY-ΔG) will be saved. Thus the rate of saving will be determined according to the propensities of consumption and saving out of domestic income and foreign income. The saving can be utilised in capital formation. The increase in investment may, consequently lead to a further increase in output and income through the multiplier effect. However in a situation where output cannot be expanded multiplier will work in terms of money income rather than real income, therefore leading to inflation or rise in imports or some combination of both.

Therefore the remittances inflow arising from international labour migration can remove either the saving constraint or the foreign exchange constraint thus enabling the economy to achieve a higher rate of growth, which is somewhat similar to the role played by foreign aid in the economy. Most of all, international labour migration affects Balance of Payment (BoP) for which we can use (X-M) in the national income accounting. Remittances and capital inflows from migrants constitute a net addition to foreign exchange receipts. In the absence of such receipts Balance of Payments deficit would be larger and foreign exchange reserve, smaller.

POLICY PERSPECTIVE:

In order to develop our macroeconomic analysis further we need to examine policies and related problems. What have been the government policies towards remittances? It is evident that emigration to the industrialised countries is confined largely to persons with high technical qualifications and professional training. However migration to Middle East remained mostly temporary. Unskilled, semiskilled or skilled persons migrated to these countries. Policy regime for financial investments by non-resident Indians (NRIs) or persons of Indian origin (PIO)[5] living abroad is similar. Investments in government securities, National Saving certificates or UTI are exempted from wealth tax, income tax and gift tax. Special concessions are also available for portfolio investment in shares and for company deposits.

In spite of all these incentives, capital inflows in the form of portfolio investment by NRIs have remained insignificant. Focus of policy regime has been on high skill, high-income migrants who live abroad permanently in the industrialised countries or in the developing world. There has been a constant

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[5] A non-resident Indian is defined as an Indian citizen who stays abroad for employment or to carry out a business or for any other purpose for an indefinite period. However a person is deemed to be of Indian origin if he held an Indian passport at any time or if either of his parents or any of his grand parents were an Indian and a permanent resident of undivided India at any time. A wife of a citizen of India or a person of Indian origin is also deemed to be of Indian origin even if the person may be of non-Indian origin.

effort to induce them to provide repatriable financial resources if they continue to live abroad and to make industrial investments if they wish to return home. Little is emphasised, about the low skilled, low income, temporary migrants, mostly working in the Middle East.

OBJECTIVE AND THE SCOPE OF THE STUDY:

The major object of the present study is to present a thoroughly revised and updated profile of migration from India to abroad along with financial flows. It is an attempt to look into the matter through available theories on the theme and thus analyse major issues by relating the migration to open economy macroeconomics. It will try to answer all questions related to macroeconomics of migration in the context of Indian economic structure. What determines the flows of labour and what are the net welfare effects on the economy? Thus an attempt will be made to analyse the development impacts of labour migration. The major thrust will be to prepare a policy document for these flows in order to procure maximum benefits from these flows and not only individual benefits. The question remains that why people migrate and how migration across national boundaries affects the economic welfare of migrants or their households. We have a very extensive literature on this issue. Our object, in the study, will remain to estimate and analyse the labour flows and the financial flows associated with international labour migration and to analyse the macroeconomic impact of such migration on the labour exporting country with reference to the Indian experience.

The research will mainly concentrate on out- migration in an analysis of primary and secondary sources available with government agencies such as the

Emigrants Division, Ministry of Labour, Ministry of External Affairs, Ministry of Tourism and publications of RBI, journals on labour economics and publications of other research institutions will also be used for further information. Although it is desirable to analyse issues related to return migration too, yet, owing to the lack of data, it is impossible to incorporate in the present study.

DATABASE:

We have great lack of data in the field of international labour migration. Such data insufficiency is greater than in any other field. The census of India does not record out-migration from the country. The data maintained by the Protector General of emigrants at union ministry of labour is one source of information but this source is limited, as it records only those who require emigration permission in order to leave the country. Those people possessing professional qualifications or those who travel to join subsequent contracts after completing the first do not require the clearance from the emigration authority. Therefore it is not easy, if not impossible, to conduct any systematic, full fledged analysis of the impact of the migration phenomenon on Indian economy and in the absence of such analysis, policy formulation rests unfortunately on a shaky base.

Two types of data requirements are predominant. First is related to international economic flows related to migration and the second pertains to the wide range of statistics on various dimensions and parameters of the domestic linkages of the labour and remittances flows.[6] The need arises for a comprehensive data on the outflows and inflows of labour from the economy and

[6] Saith, A

on the inflow of remittances and physical and financial transfers into the economy.

We do not have reliable data on, both outward and inward migration. For out flow of workers, the numbers are available for those whose migration has been handed by the protector General of Emigrants at the Ministry of labour, Govt. of India. However these figures do not reflect the correct estimation and we cannot assume them directly as the indicators of total outflow of labour.

There are certain limitations to this database. Firstly, the figures do not reflect a true estimate of emigration flows in each year to UK and US. Immigration statistics in US published by the immigration and naturalisation service make a distinction between 'new arrivals' and 'adjustments'. Immigration statistics in UK make a distinction between those 'accepted on arrival' and those 'accepted on removal of time limit. There is no similar distinction in the available immigration statistics for Canada. However for a longer time frame, say a decade, these data will provide a measure for magnitude of emigration from India. Secondly we do not have any data for immigration to UK from 1951-1961. Thirdly, there is acute shortage of information on emigration to other parts of the industrialised world such as Western Europe and Australia. Furthermore it is very difficult to obtain recent database, if it is available, for the three major destination countries US, UK Canada.

First of all there are private recruitment agencies (PRAs), which handle substantial clandestine migration of workers. They play a dubious role in this context. Secondly, a significant number of migrants do not register with the PGE and travel out on a tourist visa initially and then somehow manage to stay back there. Thirdly for an increasingly significant section of Indian labour migration, number of registration or emigration clearance is required. Persons with graduate or above qualifications and persons with any technical degree or diploma are exempted from emigration clearance, even if a person is going abroad for the second time for work, needs no emigration clearance.

LITERATURE REVIEW:

We have very rich literature on the subject, but most of it is basically microscopic, dealing with the individual migrant's household. We can use them as the foundation of our macroeconomic study. But we cannot aggregate individual cost and benefit to derive the macroeconomic view, because of the divergence between private and social costs and benefits. The literature has some exceptional writings too, which consider the macroeconomic implications and consequences of migration in the wider context of development. Our objective here is a study that will be confined to a simple analysis, which would enable us to discuss the macroeconomics of Indian experience with labour migration. Because most of the literature is microscopic in approach, we would have to rely heavily on the meagre literature based on macroeconomic approach. One among such existing literature is Prof. Deepak Nayyar's *"Migration, Remittances and Capital Flows"* published in 1994. This work is in itself very comprehensive and encompasses in itself the whole set of issues related to macroeconomics of Indian experience with international labour migration. Owing to the scarcity of such literature on the subject, we would have to rely upon this work. But every endeavour will be made to update the study thoroughly so as to highlight all the recent issues related to the subject.

CHAPTERIZATION SCHEME:

The second chapter will highlight the prominent theories proposed by both the schools, namely Neo-classical and Marxist. Third chapter will outline major trends, including recent ones, in the labour outflows and financial inflows. A distinction is made between emigration to industrialized countries and labour exports to Middle East. Major trends are analysed in the financial inflows arising due to migratory flows. In doing so both types of financial inflows viz remittances and capital flows are analysed comprehensively. The fourth chapter throws light on the importance of these financial flows in relation to various macroeconomic indicators such as output, employment level, consumption levels, savings, capital formation, exports, imports etc. This chapter, thus analyses the macroeconomic impacts of labour migration on Indian economy. Chapter five is meant to prepare a policy framework in the light of recent trends in labour flows and associated financial flows and their impacts on the economy. All sorts of issues are given due importance while preparing a policy draft in the sphere of international migration from India to abroad. It also prescribes certain measures to maximize the benefits from labour migration. Chapter six gives a concluding note on the whole study.

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CHAPTER -TWO

THEORETICAL BACKGROUND

The very basic question which arises in the mind is that why do people migrate? Why these migrants leave their home and countries? What attracts these persons to go voluntarily abroad? Why the migrants go to some particular countries and not the others? What are macroeconomic conditions that attract them in the destination countries? All theories, so far given to describe the migration phenomena, are classified in the two categories: 1.Neoclassical school of thought and 2.Marxist approach. Both the theories generally explain the phenomena in terms of supply and demand forces. Supply side explanations are based on individuals' expectations for a better life and better means of livelihood abroad. However on the demand side explanation is built on the factors responsible for creating demand in the labour receiving countries.

THE NEOCLASSICAL APPROACH:

It is hypothesized in this approach that except involuntary movements other movements are due to inequality in economic opportunities across the countries and various regions. There are three models in the approach:

1. Lewis model **2.Ranis and Fei model** **3.Todaro model**

The earliest Neo-classical framework can be found in Lewis model (1954), which was modified later by Fei and Ranis (1961). Both the models are two sector models of development. Although they describe the internal rural - urban migration in subsistence economy yet these can be applied to international labour migration also.

According to Lewis, migration occurs from subsistence to modern economy because wages in traditional sector are low. Wages in urban sector are higher due to upward pressure on wages created by the trade unions and due to higher standards of living in the urban economy. In response to this wage differential surplus labour starts moving to urban sector from subsistence sector. Subsistence labourers are those, whose Marginal Productivity is zero and supply is unlimited. Therefore their departure would not affect the output in the subsistence sector.

Lewis Model:

Lewis divides the economy of an underdeveloped country in two parts: - (1) The modern or capitalist or urban sector (2) subsistence or traditional sector. He defines the capitalist sector as *that part of the economy, which uses reproducible capital, and pays capitalist for the use thereof.*[7]

Capitalists have the sole control over the use of capital. They hire the services of labour in the process of production. Subsistence sector, on the other hand, is that part of the economy which does not use reproducible capital. Output per capita is much lower in this sector than in the capitalist sector. Marginal productivity of labour in agricultural production in the traditional sector is very low or sometime equal to zero. It indicates underdevelopment and disguised unemployment.

As the capitalist sector grows as a result of economic development, it draws labour from the traditional sector. Therefore, output per head of workers who move to modern sector, increases.

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[7] Lewis, W.A. in Aggrawala & Singh Page – 400-409

Lewis has explicitly assumed that the supply of such labour force is unlimited. According to him, *'shortage of labour is no limit to the creation of new sources of employment'.*[8] According to Lewis Migration will take place only in the condition that capitalists pay them a wage higher than their average product in the traditional sector. Usually wages in the capitalist sector are 30 percent higher than in the traditional sector.

In the production process capitalists generate surplus. A part of this surplus is saved and reinvested in new capital formation. Lewis further assumes the inter-sector immobility of capital. It implies that new capital formed will be reinvested in the same sector and therefore it will result in the further expansion of the productive capacity of the capitalist sector. This, in turn, will create more jobs in this sector and therefore more labour force will move towards this sector. This process will go on until all surplus labour in the traditional sector is eliminated, and will came to a halt at the point where capital accumulation has caught up with population growth. Lewis adds further that it can stop before this point is reached if real wages rise so high as to reduce capitalists' profits to the level at which all profits are consumed and there is no net investment.

Then he extends his model to an open economy. In the case of capital accumulation catching up with the labour supply, wages begin to rise above the subsistence level and capitalists' surplus is adversely affected. If there is surplus labour in other countries the capitalists can avoid such a situation by taking resort to either of the following or both: - (1) by attracting labour inflows from other countries with surplus labour or (2) by exporting capital to those countries where surplus labour exists.

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[8] ibid, page -403

Fei & Ranis: -

Fei and Ranis have modified Lewis' model. In this model the agriculture sector (traditional sector in Lewis' model) is required to perform a series of vital functions in the economy including the supply of manpower, food and raw materials as well as savings to accelerate the expansion of the industrial sector. Similarly the industrial sector must expand in such a way so as to absorb the maximum numbers of agricultural workers with the minimum allocation of the economy's scarce saving fund.

But how do rural savings emerges? Fei & Ranis assume that real wage in agricultural sector is equal to the average productivity of labour. This hypothesis is named by them as the '*constant institutional wage*' hypothesis.

When a portion of labour force from the agricultural sector is given employment in the industrial sector, average productivity labour increases in the agricultural sector and therefore surplus increases. This surplus can be used for the development of workers in the industrial sector. Thus the allocated agriculture manpower (turned into industrial work force) and the resulting total agricultural surplus (converted into industrial capital) together represents the contribution that the agriculture sector makes to new expansion of the industrial sector.[9]

In the urban sector the migrant labour works for a wage that is identical to their marginal productivity (MP) and thereby generates surplus. This surplus being generated and reinvested creates further job opportunities. Therefore migration continues until a point is reached where the marginal product of labour

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[9] Fei & Ranis,in S.P. Singh, page – 23

in the subsistence sector starts rising above zero. Such a point where the surplus labour ceases to exist is called the '*turning point*' by Lewis. Ranis and Fei argue that migration will continue in such a situation until when not only labour productivity in subsistence sector becomes positive but also the workers in the subsistence sector start earning the same wage. If the capitalist sector has to draw any more workers from the subsistence sector, wages in the capitalist sector has to be raised. Such a point where the capitalist sector has to start competing with the subsistence sector for workers is termed as the '*commercialisation point*' by Ranis and Fei. Therefore migration from a subsistence economy occurs, according to Lewis, in response to wage differentials between the origin and the destination until the surplus labour at the origin is removed. According to Ranis and Fei migration would occur in response to a wage differential, even in absence of surplus labour at the origin. Borjas in 1994 presented a model of emigration in a closed economy. Accordingly immigration alters factor returns so that benefits outweigh losses resulting from redistribution effects.[10]

In Hecksher-Ohlin model, international trade has a strong effect on wages. We assume a two-country world where skilled labour H and unskilled labour L are the two factors of production with similar constant returns to scale production functions. In the absence of transport costs and prices of commodities will be equalised across countries. It means equalised wages in the absence of factor intensity reversal *(Factor price equalization theorem).* Wages are therefore determined by the world prices and level of technology. Each country is diversified in the production of both goods; As long as such

[10] Borjas (1994)

diversification exists, immigration will have no effects on factor rewards or wages.

Net welfare gains from immigration depend on the attributes of the migrants. If productivity is an attribute of a worker (emigrant has low productivity wherever he works) there will be no welfare gain from migration. But if productivity is an attribute of a country (low productivity is then the result of poor policies adopted by the nation) migration will increase productivity and there will be positive welfare effect from migration. Treffler has developed a model, which shows that immigration raises the productivity of domestic labour force and there is an optimal level of immigration beyond which further immigration reduces domestic welfare.[11]

Lewis as well as Ranis and Fei implicitly assumed that there is no demand constraint in the capitalist sector that can restrict the migration flows if: *the rate of job creation in urban sector equals the rate of migration in the sector.* Then only migrants can get job as soon as they arrive in the destination. There are certain conditions those need to be fulfilled to maintain the above equality:

(1) Capital accumulated in the modern urban sector must be reinvested in the same sector that is no inter-sector capital mobility.

(2) Rate of capital reinvestment must be sufficient to meet the rate of labour migration.

(3) Investment should not be in the labour saving technologies; otherwise labour absorption rate will diminish and there will be overflow of labour in the capitalistic sector.

[11] Treffler

Todaro Model:

Todaro model postulates that migration proceeds in response to rural urban differences in expected income rather than actual earnings. Migrants consider the various labour market opportunities available to them in both rural and urban sectors and choose the one that maximizes their expected gains from migration. Expected gains are measured by the differences in real incomes between rural and urban work and the probability of a new migrant obtaining an urban job. Rural urban migration will continue until the expected urban income is equal to expected rural income.[12] One basic question, which Todaro has answered in advance, is why wages are higher in the capitalist sector due to excess demand of labour or other reason. It is elaborated that wages are higher in the capitalist sector because of the structure of the sector, the presence of trade unions and higher standard of living. Todaro explains that migration occurs in response to increased expected income at the place of destination rather than actual wage differentials.

$$\Phi = \Psi \cdot N/(S - N) = \Psi/(S - N)$$

Where:

Φ = the chance to get a job in the urban sector. It is not a probability, rather a ratio between new job openings relative to the number of job aspirants at a point of time.

Ψ = the net rate of job creation in urban sector.

N = the level of employment in urban sector.

S = total labour force in urban sector.

[12] Sasikumar, S.K.(1999) p-55

Suppose that 'r' is the wage in rural sector and 'w' is the wage in the urban sector then expected wage differentials of an individual:

$$d = w - r$$

Todaro had taken both demand and supply sides into account, unlike Lewis, to explain the migration phenomena. On the demand side there are consideration of getting a job at the place of destination. Chance or probability of getting a job is a function of the rate of urban job creation and the excess of urban labour force over the urban employment.

The Neoclassical school of thought based their theories on two assumptions –

1) Migration of workers is caused by the difference in wage rates between different regions.

2) Migration will stop if differentials in earnings and employment rates between regions are eliminated.

3) Labour markets induce the flow of labour migration. Migration decisions stem from disequilibria or discontinuities between labour markets, other markets do not directly affects the decision to migrate.[13]

Hence the differences in the income and employment opportunities are regarded as most important factors to induce migration.

The neoclassical models of migration can fairly work in the case of internal migration where labour mobility is unlimited unlike in the case of international labour migration where migration laws are quite restrictive.

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[13] Sasikumar, S.K. 1999 p-5

THE NEO MARXIST APPROACH :

Neo Marxist theories of migration are based on the Marxian model of capitalist development in a feudal society. Main proponents of this approach are NIkolinakos (1975). Piore (1979), Sassen (1988), Friedman (1986), Beverstock and Smith (1996). They all have looked the international labour migration in historical perspective. NIkolinakos focused his analysis on early stage of development of capitalism. Piore's has focused his study on the labour market structures of the developed countries that cause a demand for labour. In contrast to Nikolinakos Sassen, Friedman and Beverstock have focused on the later stage of development of capitalism to analyse the process of migration across borders.

Unlike Neo-classical, Neo-Marxists have introduced migration theories in the context of inter countries flows, from less developed countries to more developed countries. As the capitalism grows developed countries become more and more dependent on developing and underdevelopment countries. As a country develops and her citizens become economically rich, the structure of labour market undergoes a change and native workers start shifting to the highly qualified, better-paid and socially reputed jobs. Vacant jobs at the lower ranks will then be filled by import of labour from foreign countries. Such dualism in the labour markets is discussed by Piore (1979) and termed as 'dual labour market theory'. Migrants from all over the world entering in the secondary market (lower end of the labour market) of the developed countries have more or less similar attributes. These migratory flows are typically from underdeveloped countries, induced by the industrial society to fill the particular set of vacancies. The process of industrialization taking place in the destination countries and therefore labour shortage causing a demand for migrant labour is similar to all voluntary migratory flows for work across the countries. Although Nikolinakos and Piore have written for particular countries yet we can make some general observations based on their theories that can be applied world over.

As mentioned earlier, Neo Marxists consider developed countries at the centre and underdeveloped countries at the periphery. As domestic labour in a developed country move up for socially more respectable jobs, there is a net demand for low status, low profile and low-income jobs. Then migrant labourers from the periphery get attracted towards the centre. These workers are used as '*reserve army*' to fulfil this excess demand. These types of flows are generally temporary.

Piore is among those theorists who have supported the demand side or pull factor behind the migration phenomena. He has emphasized that the structural inflation and economic dualism, in industrialised countries' economies, are responsible for inducement of migrants to enter them. Sassen has also emphasized on pull factor. From this study we can draw certain trends capable of generating demand for expanded workforce –

- Expansion of Advanced Services
- Significant Increase in Investment
- Massive Growth of High-Tech Industries.

Such trends generate demand for low wageworkers as infrastructural requirement. Difficult working conditions are not acceptable by the well-to-do native workers. Beverstock and Smith have put their opinion that the demand for these workers is created within trans-national corporate bodies. Accumulation of capital and growth of economic activities seem to be the centre force, to attract labour, and generate the demand for migratory flows. In general we can sum up the supply side and demand side determinants as the following: -----

SUPPLY SIDE DETERMINANTS: On supply side we have the following factors responsible for migration:

(1) Massive population growth in the developing countries without a corresponding rise in employment opportunities.

(2) The adoption of such a structure of formal education which is less conducive to development but certainly more conducive to mobility.

(3) The communication revolution by which even poor people are becoming increasingly familiar with higher living standards in rich countries.

(4) A rise in family incomes, particularly relative to the cost of travelling across the countries.

(5) Growing inequality between developing countries and developed countries.

DEMAND SIDE DETERMINANTS: There is no constraint on the international labour migration from supply side. What determines the level of immigration is the demand for labour in the economically rich and labour scarce countries.

The cheaper imported labour can reduce labour scarcity in particular occupations and thus raise the profitability by completely using the industrial capacity. By doing so, they can avoid wage push inflation. Therefore it helps them to remain competitive globally.

Now the question arises why do they not raise the capital intensity in the production or slow down the overall growth rate and reduce labour demand? It is not being done by them due to the following reasons:

In an industrial economy most firms, which hire immigrant labour on small scale are labour intensive, highly competitive with low profitability and face highly price elastic demand for their products. Many of them are also afraid of cheap imports. Therefore neither they can raise wages nor substitute capital to scarce labour. Moreover it is job profile rather than income, which makes indigenous workers reluctant to these jobs which immigrants, take up. These are generally unskilled jobs, are at the lower rungs of the social ladder, offer little opportunity for advancements or further skill acquisition, involve hard work in unpleasant conditions and are surrounded by considerable degree of uncertainty.

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CHAPTER - THREE

FLOWS RELATED TO MIGRATION FROM INDIA TO ABROAD:

India is a country with a population of about one billion people. By landmass, it is one of the largest countries of the world and has a long history of migration starting when the British moved parts of the population of India, Sri Lanka, Malaya and other countries to work in developing plantations. Movements of unskilled labour increased in 1970's and export of labour to Gulf countries began after the oil prices boom in 1975. India's geographical position is such that she has to remain in contact with Persian Gulf region and South- East Asian countries for trade in goods and movements of people. Hence India has been in such contact for several centuries. During the colonial regime it was the interest of the foreign rulers that caused Indians to move to other countries. But after independence it was the interests of individual migrants that caused them to move across countries. Since the independence labour outflow from India can be classified in two ways. The first is the movement of the people with technical skills and professional expertise to the industrialised countries like the USA, UK and Canada. This type of migration began immediately after the independence. The second type of migration pertains to the flow of labour to the oil exporting countries of the Middle East. World oil prices have increased dramatically in 1972-73 and 1979. Such increases in oil prices caused the people to look for potential higher earnings in these countries. However this category of migrants is mostly skilled, unskilled or semiskilled workers in manual or clerical occupations.

MIGRATION TO INDUSTRIALIZED COUNTRIES TRENDS AND PATTERN:

Emigration from India to industrialised countries since independence has been growing. Certain important characteristics, of the labour flows from India to industrialised countries since independence are quite noticeable.

Such outflows remained mostly permanent. This is evident from the fact that the proportion of emigrants, who return to India, after a finite period, is almost negligible.

A large percentage of these migrants is of those who possess professional expertise, technical qualifications or other high skills.

For a large proportion of these migrants, the destination countries are United States of America, United Kingdom and Canada and recently Germany and Australia. This is most plausibly due to the common spoken language.

However we do not have enough databases for this general characterisation. In India, surprisingly we do not have any source of information on the emigration to industrialised countries. Whatever information we have on the composition of these flows is thus based on the immigration statistics of the countries of destination. Therefore the whole analysis of such emigration is based on immigration statistics of the countries of destination.

The available information on the emigration to three major destination countries namely U.S.A., U.K. and Canada began from the very beginning of 1950s and the number of emigration remained very modest. During the 50s the annual migration to U.K., USA remained below 400 persons. However, subsequently the trend reversed completely as migrants started moving to USA more substantially than to Canada. During 70s and 80s we observe a sudden spurt in the number of migrants to USA.

The emigration database for England till July 1962 is not available because till then the Common Wealth nations were not subject to immigration control. However during 1960s, immigration to UK remained at its largest; thereafter it slowed down in 1970s and remained more or less stable at an insignificantly lower level in the 1980s.

According to an estimate by P.C.Jain, at the beginning of 1980s, 750000 people of Indian origin lived in UK, 250000 in Canada and 365000 in US (about one and a half million people of Indian origin lived in Europe and North America).

Table-1 : Distribution of 'people of Indian Origin' living in different parts of the world in 1989, estimated by P.C. Jain :

U.K.	790000
U.S.A.	815000
Canada	250000
Australia	200000

Table-2: Number of Indian Migrants Living in Industrialized countries In the Year 1993, estimated by Visaria and Visaria:

U.K.	1000000
U.S.A.	1000000
Canada	375000
Australia	99000

Table-3

Immigration from India to selected Industrialised countries

Year	U.S.	Canada	U.K.
1963	1173	737	15500
1964	634	1154	13000
1965	582	2241	17100
1966	2458	2233	16700
1967	4642	3966	19100
1968	4682	3229	23100
1969	5963	5395	11000
1970	10114	5670	7200
1971	14310	5313	6900
1972	16926	5049	7600
1973	13124	9433	6240
1974	12779	12731	6650
1975	15773	10106	10200
1976	17487	6637	11020
1977	18613	5514	7340
1978	20753	5112	9890
1979	19708	4517	9270
1980	22607	8491	7930
1981	21552	8263	6590
1982	21738	7792	5410
1983	25451	7051	5380
1984	24964	5513	5140
1985	26026	4038	5500
1986	26227	6970	4210
1987	27803	9747	4610
1988	26268	10432	5020
1989	31175	8836	4580
1990	30667	10662	5040
1991	45064	N.A.	N.A.
1992	36755	N.A.	N.A.
1993	40121	N.A.	N.A.
1994	34921	N.A.	N.A.
1995	34748	N.A.	N.A.
1996	44859	N.A.	N.A.

Source: Nayyar (1994) and Khadria (1999) N.A. - Not Available

Aggregated figures for Canada reveals that rate of annual outflow of work force from India remained 280 persons per year in 1950s 2572 persons per year in 1960s, 7290 persons per year in 1970s and 7930 persons per year in 1980s (Table-3). However in terms of proportion of total emigration in Canada, Indian migration remained 0.2 percent in 1950s, 1.8 percent in 1960s, 5.1 percent in 1950s, 1.8 percent in 1980s (Table-4). For UK, it is evident that emigration to U.K. from India slowed down since independence. Annual outflow to UK had been 12560 persons during 1960s, 8304 persons in 1970s and 5148 persons in 1980s (Table-3). The proportion in the total emigration to UK from all other countries also declined steadily (Table-4).

In Table-4 the dimensions of immigration from India to selected industrialised countries are outlined in an aggregate form separately for each decade. On an average the number of PIOs in USA increased at the rate of 212 persons per annum during 1950s, 3121 persons per annum during 1960s, 17208 persons per annum during 1970s, 26184 persons per annum during 1980s and 40000 persons per annum during 1990s. India's share in the total migration to US has increased substantially in 1970s to 3.8 percent from 0.9 percent in the last decade and decreased slightly in the following decade (See Table-4).

Thus we find that immigration from India constitutes a negligible proportion of total immigration to the industrialised world during 1950s, but this proportion registered a rapid increase during 1960s and 1970s to stabilise at more than 3.5 percent in US and almost 6 percent in Canada during the 1980s. Over the whole period (1951-90) immigration from India accounted for 2.6 percent of the total immigration in US, 3.1 Percent of total immigration in Canada and 13.8 percent

Table - 4

Significance of immigration from India in Industrialised countries

Immigration to	1951-60	1961-70	1971-80	1981-90
U.S.A				
From India	2120	31214	172080	261841
From all countries	2515000	3322000	4493000	7338000
India's share (percent)	0.1	0.9	3.8	3.6
Canada				
From India	2802	25722	72903	79304
From all countries	1574841	1409677	1440338	1336767
India's share (percent)	0.2	1.8	5.1	5.9
U.K.				
From India	N.A.	125600	83040	51480
From all countries	N.A.	635000	7329000	510870
India's share (percent)	N.A.	19.8	11.3	10

source : Nayyar (1994) N.A. - Not Available

of total immigration in the United Kingdom (Table-4). Let us now focus on the occupational distribution of the Indian emigrants to these countries (no information is available on the occupational distribution or skill composition of immigration from India to U.K.)

Table-5 depicts the occupational distribution of the Indian immigrants to the USA for the period 1971- 1990. It is clear from the table that in the first half of the 1970s, persons with professional expertise, technical qualification and managerial talents constituted a large proportion of emigrants from India to the US. But their share registered a decline over time and by the second half of the 1980s the relative importance of white-collar workers and blue-collar workers

Table-5

Immigration from India to U.S. by major occupation groups (1971-90)

Occupation group	1971-75	1976-80	1981-85	1986-90
Professional and Technical	4721	1070	914	974
	(11.1)	(3.5)	(2.8)	(2.1)
Entrepreneurs, Managers and Administrators	567	210	221	687
	(1.3)	(0.7)	(0.7)	(1.5)
Clerical and Sales	2337	800	484	774
	(5.5)	(2.6)	(1.5)	(1.7)
Service	549	179	236	432
	(1.3)	(0.6)	(0.70	(0.9)
Farming, Horticulture and Animal Husbandry	2063	454	1225	2208
	(4.8	(1.5)	(3.7)	(4.7)
Skilled workers	5956	955	790	1899
	(1.4)	(3.2)	(2.4)	(4.1)
Occupation not classified	1814	3634	6139	9430
	(4.2)	(12.2)	(18.8)	(20.2)
Total workers	18007	7302	10009	16404
	(42.3)	(24.3)	(30.6)	(35.2)
Total non-workers	24625	22909	22648	30243
	(57.8)	(75.7)	(69.4)	(64.8)
Total Immigration	42632	30271	32657	46647
	(100.0)	(100.0)	(100.0)	(100.0)

Source: Nayyar (1994)

among the immigrants from India registered an increase. The category 'professional and technical' here includes scientists, engineers, doctors, lawyers, architects, teachers and others with professional expertise and technical qualification. The category 'skilled workers here' includes workers engaged in manufacturing, craft, repairing, and fabrication for USA and workers working in mining, oil and gas, processing, machinery fabrication or repair, construction, transport, material handling and crafts for Canada. Certain drawbacks of the data on composition are noticeable. First it is observed that the share of dependants of working emigrants in total immigration is very high and is increasing over the period since independence. Around 30 percent to 65 percent of total migrants to US from India are without any occupation that is, they are dependent on other migrants. The share is even more in Canada, from 60 percent to 75 percent. Secondly in Canada, among the immigrants classified as workers, the share of those whose occupation is not classified has grown from 10 percent of total immigrant workers during 1971-75 to more than 57 percent of immigrant workers during 1986- 90. Hence it will be more legitimate to use the number of total immigrants with reported occupations, rather than the total number of immigrants for the purpose of comparison.

It is clear from the Table-5 that occupational composition of immigrants from India to U.S., during the period under study have changed significantly. But India still remains a very important source of immigrants with professional and technical qualifications for the U.S., however, the share of such immigrants, in the total immigration with an occupation is declining. The table reveals that professional, technical, executive, administrative, and managerial occupation groups accounted for 88 percent of immigrants with an occupation during 1971-75 and 57 percent during 1986-90. The remaining occupation groups accounted for merely 12 percent of immigrants with an occupation during 1971-75 and 43 percent of immigrants with an occupation during 1986-90. If we look at the total immigration to US of highly skilled workers from all countries of the world, India contributes greatly. India contributed as much as 19.5 percent in the period 1971-80 and 13.4 percent in the period 1981-90. But India's share in the total immigration to USA was low at 3.8 percent in 1970s and 3.6 in 1980s.

Table-6

Immigration from India to Canada by major Occupation group

Occupation group	1971-75	1976-79	1982-85	1986-90
Professional and Technical	31623	20586	15461	19160
	(43.4)	(26.9)	(15.7)	(13.5)
Executive, Administrative and Managerial	1503	3574	5059	8292
	(2.1)	(4.7)	(5.2)	(5.8)
Clerical and Administrative support	1620	2491	2326	3982
	(2.2)	(3.3)	(2.4)	(2.8)
Sales	375	704	1317	1989
	(0.5)	(0.9)	(1.3)	(1.4)
Service	800	788	2115	6453
	(1.1)	(1.0)	(2.2)	(4.5)
Farming, Forestry and Fishing	214	1311	2675	4646
	(0.3)	(1.7)	(2.7)	(3.3)
Skilled workers	1637	2512	2823	3583
	(2.2)	(3.3)	(2.9)	(2.5)
Total of above (with occupation)	37772	31966	31776	48105
	(51.8)	(41.8)	(32.4)	(33.8)
No occupation or occupation not reported	35140	44595	66403	94035
	(48.2)	(58.2)	(67.6)	(66.2)
Total Immigration	72912	76561	98179	142140
	(100.0)	(100.0)	(100.0)	(100.0)

source : Nayyar (1994) p20

Let us now switch over to Canada, to analyse the trend in composition of occupations of emigrants. Table-6 gives some clues about the trend in composition of emigrants' occupations. It is already mentioned that out of total emigration to Canada from India, share of non-worker emigrants remained higher and the number of emigrants without any classified occupation remained large. So we can use the number of emigrants with reported occupations to derive certain conclusions. What changes occurred in the composition of occupations of migrants from 1971-75 to 1986-90? During this period share of professional, technical, entrepreneurial, managerial and administrative occupation groups declined from 32.7 percent to 23.8 percent; the share of skilled workers declined from 36.8 percent to 27.2 percent and the share of white collar workers (clerical, sales and service) remained almost unchanged; but the share of workers engaged in farming, horticulture and animal husbandry rose from 12.7 percent to 31.7 percent. The contrast in terms of skill composition of immigrants to Canada and US is worth noticing. In Canada the share of persons with professional expertise, technical qualifications or managerial talents were lower, whereas the share of skilled workers as also of workers engaged in primary sector was distinctly higher, however, the reverse is true for USA.

Skill composition of emigrants to UK from India is not available. It is plausible to argue, though impossible to establish, that until 1960s a large proportion of emigration from India to UK was constituted of unskilled, semiskilled or skilled workers. As immigration laws became progressively restrictive it is almost certain that during the 1970s and the 1980s the occupational distribution of immigrants from India was determined by skills or expertise perceived to be scarce in UK. Thus it is reasonable to infer that after

1970 the skill composition of emigration from India to the UK was similar to the skill composition of emigration from India to North America.[14]

LABOUR MIGRATION FROM INDIA TO MIDDLE EAST TRENDS AND PATTERN:

Emigration of Indian labour towards Middle East, especially to the oil exporting countries is a recent phenomenon. The hike in oil prices during 1973-74 and afterwards led to a considerable increase in the revenue of oil producing and exporting countries in the Gulf region. As development programs that included amenities like schools, hospitals, houses, improvement of transport and communication etc. were taken up. It gives rise to a massive investment program, resulting in demand for not only highly skilled technical experts but also skilled, semiskilled and unskilled workers. Therefore the main outflow of emigrant workers over the last few years has been to the Gulf countries, where a few million workers are estimated to have been employed. The maximum number of Indian workers is in Saudi Arabia. Other major employers are U.A.E, Oman, Kuwait, and Bahrain.

Two characteristics of migrants to Middle East are worth noticeable. First these workers are at the lower end of the spectrum of skills and also of incomes before their departure from India and in their place of work in the Middle East. Second, an overwhelmingly large proportions of temporary migrants, who return to India after a short period of work abroad, generally a contract for two years. Hence the pattern of emigration to Middle East is quite distinct from the patterns

[14] Nayyar, Deepak Page – 23

of migration to other destinations. Migrants are not allowed to settle permanently in these countries of destination.

The labour market in west Asia being highly transitory, the skill composition as well as, the volume of Indian migrant work force varies from time to time. The skill composition of Indian migrants to Middle East is dominated by the unskilled and semiskilled followed by administrative staff and skilled workers.[15] There has been a phenomenal increase in the total volume of Indian migration as a result of booming oil economy in the Gulf countries. In spite of the old maritime connections between India and West Asia, migration to the Gulf countries had been small till the end of the Second World War. In 1948 there were, about 14000 Indians in West Asian countries.[16] In the next two decades Indian population in these countries almost tripled. Thus in 1970-71 there were a little over 40000 Indians in West Asia. There were about 3500 Indians in Bahrain, Kuwait and Muscat in 1948, but this number increased to 22000 in 1970-1. The number of Indians in Qatar and Saudi Arabia in 1948 was nil but it increased to 3000 in 1970-71. This rapid increase of Indians in the Gulf countries was mainly due to the increase in oil export and the beginning of development process as mentioned earlier. Birks and Sinclair also found a significant number of Indians coming to Gulf countries in European companies and Government agencies. According to them there existed 247700 Asian workers in 1970 in the Arab region, comprising of Bahrain, Kuwait, Qatar, and UAE. The volume of

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[15] Jain, P.C. (1989)
[16] Jain, P.C. (1982)

Indian migrants workers early 1990s increased quite rapidly since early 1970s and it stood at about 1505000 in the early 1990.[17]

<u>Table–7:</u> Estimated Number of Indian Migrants Living in Middle East In the Year 1993 (as in Visaria & Visaria)

Saudi Arabia	700000
U.A.E.	500000
Oman	280000
Kuwait	15000
Bahrain	110000
Qatar	8000
Total (Middle East)	1820000

The number in year 2000, according to the Ministry of External Affairs' estimate, was 3578604.The country wise distribution has been depicted in Table-8. Throughout the period from 1975 to 2000, there was a rapid and generally continuous increase in the size of the Indian migrant population in Bahrain, Oman, Qatar, Saudi Arabia and UAE. On the other hand the size of the Indian migrant population in Kuwait, Iraq and Libya registered rapid growth until 1983, than it was followed by a decline. However Kuwait managed to fetch substantially huge migrants during 1990s from India. The population of Indians in Kuwait reached very high in 2000. Due to the shrouding war clouds over Iraq, Indians started coming back from there and no fresh migrants entered into there. Hence the population of Indians remained only 80 in year 2000. In 1975

[17] Birks and Sinclair 1980 P- 24

Table-8

Estimate of the Indian migrant population in the Middle East

Country	1975	1979	1983	1987	1991	2000
Bahrain	17250	26000	30000	77000	1000000	130000
Iraq	7500	20000	50000	35000	N.A.	80
Kuwait	32105	65000	115000	100000	88000	288589
Libya	1100	10000	40000	25000	12000	12000
Oman	38500	60000	100000	184000	220000	312205
Qatar	27800	30000	40000	50000	75000	125000
Saudi Arabia	34500	100000	270000	380000	600000	1500000
U.A.E	107500	152000	250000	225000	400000	1200000
Others*	-	38000	21000	20000	10000	10730
Total	266255	501000	916000	1096000	1505000	3578604

*Others includes Iran, Jordan and Yemen N.A. - Not Available

Source:

a. For 1975 data; *International Migration and Development in the Arab Region*, p139 by Birks and Sinclair (1980)

b. For 1979, 1983, 1987& 1991 data; Deepak Nayyar (1994), p32

c. For 2000 data; Ministry of External Affairs, Govt. of India, New Delhi (figures for 2000 are unpublished)

according to an estimate there were more than 2.6 lakh workers in the Middle East[17] (SeeTable-8). In mid 1970s U.A.E. was the most popular destination among Indian workers both in rural and urban areas. More than one lakh workers from Indian peninsula were there in 1975. Among other major countries of destinations for Indian migrants were Bahrain, Saudi Arabia, Oman, Kuwait and Qatar. Almost one tenth of total migrants workers from Asia living in Middle East were from India. Since 1981 onwards about one million workers have annually left to seek their fortune in Middle East.[18] Since 1980 annual Indian labour migration to Middle East has been more than one fifth of total Asian labour outflows to Middle East. The number of Indian labour migrant population in Middle East almost doubled from 1975-9. In this period Kuwait and Saudi Arabia imported large number of Indian workers. So the population of Indians almost doubled in these countries from 1975-9. (The figures in the Table-8 are estimated by Indian embassies in the respective countries). In 1983 there were at least 9 lakh Indians in the Middle East. According to an estimate by P. C. Jain there were around one million workers in West Asia in the beginning of 1980s.[19] The five-fold increase between 1975 to early 1980s exhibits the increase in working population and not the dependent population. The number of non-working migrants has been very low as governments in these countries have been very restrictive in this regard.

Gulaty and Mody place the total Indian migrant population in Middle East in 1982 at just over one million out of which 800000 were estimated to be in the category of workers. The eight countries (listed in the table) have accounted for more than 95 percent of total labour imports from India. From 1983 to 1987 population of Indians in Middle East increased much lesser than in the period from 1977 to 1983. It was most probably due to the economic slowdown caused

[18] Arnold , F. and Nasra M. Shah, P-3
[19] Jain, P.C.(1982)

by the fiscal constraints faced in many countries. Such fiscal constraint was caused by the massive investment programs undertaken during past ten years. The Indian population in Iraq, Kuwait, Libya and U.A.E. actually decreased during 1983-7. In the case of Iraq and Kuwait, this was perhaps, due to the ongoing tension between these two countries. However the slowdown in economic activity in other countries was main reason for slowdown in labour imports.

In the year 2000 the Indian population in Middle East increased to more than 3.5 million. A little less than this total were in Saudi Arabia. Therefore Saudi Arabia has been the major labour importing country since 1983. Next to Saudi Arabia, U.A.E. is the most important destination of Indian migrant labour force. Almost one third of total Indian population in Middle East is in U.A.E. Among other significant importers of Indian labour force are Bahrain, Kuwait, Oman and Qatar. In Iraq we do not have a significant Indian population. In 2000 there were merely 80 persons in Iraq. Before the war on Iraq in the current year started almost all remaining Indians were repatriated from there.

The annual outflow to Middle East would have been around 47000 during 1975-9, 83000 during 1979-83, then decreased to 36000 per annum in the period 1983-7 and increased in 1987-91 to 81800 persons per annum. An enormous increase is observed recently in this trend, as annual rate of outflow has increased to more than 200000 persons. (Table-9)

From Table-9 it is clear that labour outflow to Middle East has grown enormously after late 1970s up till the Mid 1980s. After mid 1980s there has been a slow down in the in labour outflow. In the early 1990s the labour outflow

Table-9

Annual labour outflow from India to Middle East (1976-2001)

Year	Number of persons
1976	4200
1977	229000
1978	69000
1979	171000
1980	236200
1981	276000
1982	239545
1983	224995
1984	205922
1985	163035
1986	113649
1987	125356
1988	169888
1989	125786
1990	143565
1991	191502
1992	416784
1993	438338
1994	425385
1995	413334
1996	404214
1997	416424
1998	333546
1999	200679
2000	209168
2001	244647

Source: Annual report, Ministry of labour, Govt. of India

again received momentum. From 1992–7 the annual outflow remained more than four lakh per annum, which is more than in any period. Afterward there is a steep decline in the outflows once again.

Figures on suspensions of emigration clearance in Table–10 as obtained from the Protector General of Emigrants in The Ministry of Labour, reveals that there is no supply constraint on these outflows. As many as six lakh people applied for the emigration clearance in 1987 but only 1.25 could finally get permission to migrate. The rest had to stay back. From 1987 onwards more and more people succeeded in getting the clearance from Protector General of Emigrants. This can be attributed particularly to the increase in the number of private recruitment agencies. These agencies helped the migrants in obtaining the clearance. In 1993 around 5.6 lakh people applied out of which 4.38 lakh people finally obtained the permission and the rest 1.27 had to stay back.

<u>**Table-10**</u>

Suspension of Emigration Clearance*

YEAR	NO. OF SUSPENSIONS GRANTED (IN LAKHS)
1987	4.68
1988	3.52
1989	2.76
1990	2.51
1991	2.37
1992	1.95
1993	1.27

*Emigration check not required for ECNR category

Source: Ministry of labour, Govt. of India, *Annual Report, 1993-94*, part-I

Country wise classification represented in Table–11 reflects that in the case of Bahrain, Indian labour outflows were at a peak level in 1980s, thereafter declined in the later half of the same decade. It again increased from 1992 onwards and reached the same level as in early 1980s. Bahrain has a very small landmass on the shore of the Arabian Sea. In comparison to landmass this much outflow is significantly large.

Table-11

Country wise outflow of Indian workers to Middle East (1982-2001)

Year	Country								
	Bahrain	Iraq	Kuwait	Libya	Oman	Qatar	S. Arabia	U.A.E	Others
1982	17069	35268	9764	10433	39792	14357	78297	19277	15288
1983	18894	13001	14490	5900	49120	772	83235	25559	7024
1984	15514	11398	5466	5179	43223	4362	88079	24286	8410
1985	11246	5855	5512	2449	37806	5214	68938	21286	4729
1986	5784	5040	4235	2552	22417	4029	41854	23323	4415
1987	6578	2330	7354	2272	16362	4751	57234	24931	3594
1988	8219	4284	9653	593	18696	4654	85289	34029	4471
1989	6520	5085	5679	632	16574	7991	49710	26189	5406
1990	6782	1650	1077	305	34267	3704	79473	11962	4345
1991	8630	114	7044	-	22333	-	130922	15446	7121
1992	16458	26	19782	-	40900	-	265180	60493	13971
1993	15622	-	26981	-	29056	-	269639	77066	19974
1994	13806	-	24324	-	25142	-	205875	75762	20476
1995	11235	-	14439	-	22333	-	256782	79674	28866
1996	16647	-	14580	-	20113	-	214068	112644	26162
1997	17944	-	13170	-	29994	-	214420	110945	29951
1998	16977	-	22462	-	20774	-	105239	134440	33654
1999	14905	-	19149	1129	16101	-	27160	79269	42966
2000	15909	-	31082	1198	15155	-	58722	55099	32003
2001	16382	-	39751	334	30985	13829	78048	53673	11645

Source: Annual report, Ministry of labour, Govt. of India

Indian labour migration to, Iraq has been decreasing since mid 1980s and at present there is almost no Indian. In the case of Kuwait trends are almost same as for Bahrain. But in the recent period, unlike in the past, there has been large-scale migration to this tiny country. Year 2001 has witnessed the peak levels of labour outflows to Kuwait from Indian.

Libya has not been an attractive destination for migrants. We do not see at present any significant outflows to this country for the period 1991-8. It might be due to the geographical location of this country and not so good politico-economic relationship with India.

Oman has been very lucrative destination for Indian migrants. It might be due to the historical trade relations between the two countries and good diplomatic relations at present. Throughout the period we observe large-scale migration to this country. Although there was a slowdown in later half of 1980s, yet in the other years the outflows remained large. This is surprising in the sense that Oman is also a very small country.

We note very small labour force going towards Qatar until 1990 and thereafter we do not have any information available. In 2001 however 13829 Indian workers went to this country. The number is not very small. Among all countries Saudi Arabia has been the most popular country of destination for both rural and urban migrants. More than two lakh Indian workers entered Saudi Arabia annually in search of employment in the period 1992-7. Due to a large geographical area her labour absorbing capacity is very high. There had been trade relations between two countries from very old time. Therefore the migration to Saudi Arabia has been very high. It is worth noticing that demand for labour in Oman and Saudi Arabia did not decrease in spite of widespread slowdown in the West Asia. The most plausible reason is that these countries did not discontinue their development and investment program.

U.A.E. is also another important destination for Indian labour force in Middle East. More than one lakh Indian workers migrated to this country during 1996-8. In other years also the number has been quite significant.

The eight countries (listed in the Table-12) have accounted for more than 95 percent of total labour imports from India. Out of these countries Kuwait, Saudi Arabia, Oman and U.A.E. have fetched as much as 80 percent of total labour outflows from India to Middle East. This concentration may be attributed

Table-12

Country wise percentage distribution of outflow of Indian workers to Middle East (1982-2001)

Year	Country								
	Bahrain	Iraq	Kuwait	Libya	Oman	Qatar	Saudi Arabia	U.A.E	Others
1982	7.1	14.7	4.1	4.4	16.6	6	32.7	8	6.4
1983	8.4	5.8	6.4	2.6	21.8	3.5	37	11.4	3.1
1984	7.5	5.5	2.7	2.5	21	2.1	42.8	11.8	4.1
1985	6.9	3.6	3.4	1.5	23.2	3.2	42.3	13.1	2.9
1986	5.1	4.4	3.7	2.2	19.7	3.5	36.8	20.5	3.9
1987	5.2	1.9	5.9	1.8	13.1	3.8	45.7	19.9	2.8
1988	4.8	2.5	5.7	0.3	11.6	2.7	50.2	20	2.6
1989	6.8	4	4.5	0.5	13.2	6.4	39.5	20.8	4.3
1990	4.7	1.1	0.8	0.2	23.9	2.6	55.4	8.3	3
1991	4.5	0.1	3.7	-	11.7	-	68.4	8.1	3.7
1992	3.9	0.0	4.7	-	9.8	-	63.6	14.5	3.4
1993	3.6	-	6.2	-	6.6	-	61.5	17.6	4.6
1994	3.2	-	5.7	-	5.9	-	62.5	17.8	4.8
1995	2.7	-	3.5	-	5.4	-	62.1	19.3	7.0
1996	4.0	-	3.5	-	7.3	-	51.7	27.2	6.3
1997	4.3	-	3.2	-	7.2	-	51.5	26.6	7.2
1998	5.1	-	6.7	-	6.2	-	31.6	40.3	10.1
1999	7.4	-	9.5	0.5	8.0	-	13.5	39.5	21.4
2000	7.6	-	14.8	0.5	7.2	-	28	26.3	15.3
2001	6.6	-	16.2	0.13	12.66	5.6	31.9	21.9	4.7

source : see table 5 and table 6

to the regional variation in demand for labour in the different nations. These capital rich countries were at the stage of labour intensive production, particularly in construction sector where work is very much labour intensive. These countries have small populations, smaller workforces and relatively low stock of human capital and enormous wealth. So small are the indigenous workforces that in some countries the migrant workers represent almost whole workforce.[20]

If we look at the skill composition of Indian migrants to Middle East we find that unskilled workers have been in large numbers. The source of skill composition is solely Ministry of Labour. Table-13 depicts the skill composition trends of Indian migrants to Middle East. Almost 40 percent of total migrants were in the unskilled category. In this category we include construction workers, farm labourers and household servants.[21]

On the other hand the share of skilled workers has also been very large. In almost each period this share remained more than 40 percent. In the 1980s almost 50 percent of the total migrants were from this category. Among skilled workers we include skilled workers in construction sector (carpenters, welders, steel fixers, painters, blacksmith, fabricators, fitters, equipment operators, riggers, barbers etc.) and skilled workers in other activities (drivers, cleaners, electricians, plumber, mechanics, air conditioner mechanics, tanners, shoemakers, goldsmiths, fishermen, sailors, tailors, cooks and waiters etc.)[22] White-collar workers constitute a small proportion of the total labour force migrating to Middle East. It remained around two percent in almost each period. Among white-collar workers, clerks, typists, salesmen, accountants, secretaries, cashiers, and office attendants are included.[23]

Among the highly skilled personnel nurses, lab technicians, radiologists, junior engineers, technicians surveyors, computer operators, foremen,

[20] Birks and Sinclair 1980 P- 24
[21] Nayyar, (1994) page-29
[22] Ministry of Labour, Govt. of India
[23] Ministry of Labour, Govt. of India

supervisors, and draughtsmen etc are included. The share of this category of workers ranges from 2- 7 percent, throughout the period. While the share of others has been from 5 percent to 14 percent.

A serious problem with the data is needs to be mentioned here. The problem is due to the exclusion of those in the category of ECNR (Emigration Clearance Not Required). We have no official or unofficial data on this category of migrants. In this category very high skilled persons are included like doctors, engineers, teachers, lawyers, management personnel etc. Owing to this limitation we would not be able to estimate very accurately, the impact of these outflows on employment levels in the economy.

Table-13

Trends in skill composition of Indian migrants to Middle East (1984-2000)

Skill category	1984		1986		1988		1990		1992	
	No.	%	No.	%	No.	%	No.	%	No.	%
Unskilled workers	88575	43	15577	40	91116	54.2	58779	48.7	17345	71.5
Skilled labour	86014	42	53432	47	47219	28	48776	40.4	3532	14.5
White collar workers	7477	3.6	7351	6.5	4377	2.6	1603	1.3	68	0.3
Highly skilled workers	6495	3.2	5958	5.2	7190	4.3	8950	7.4	247	1
a. Paramedical staff	2630	1.3	1175	1	1349	0.8	434	0.4	18	0.1
b. Technical and supervisory personnel	3865	1.9	4783	4.2	5841	3.5	8516	7	229	0.9
Others	17361	8.4	1331	1.2	18284	10.9	2565	2.1	3074	12.7
Total	205922	100	113649	100	168186	100	120673	100	24266	100

Source: Ministry of labour, Govt. of India

The rate of increase in the migrant population, however, varied between countries so that there was a change in the population distribution over the years. Indian emigrants went to Saudi Arabia on a large scale than to any other country of the Middle East throughout the period 1982-2001, excluding two years in a row viz 1998 and 1999, when they chose to go to U.A.E. Between 1975 to 2001, the share of Saudi Arabia in the total Indian migrants population in the West Asia rose from 13 percent to 68 percent. However we note that number of migrants to Saudi Arabia decreased rapidly during 1998-1999, and it lead to reduction in total outflow to West Asia from India. The annual outflow, which increased to the tune of more than four lakh in 1996, decreased to almost two lakh per annum in 1999 and slightly above two lakh in 2000. This happened primarily due to a general slump in the employment market in Saudi Arab region because of the following reasons —

1) Increasingly determined efforts to enforce Saudisation resulting in replacement of expatriate labour by Saudi Arabia Nationals in as many areas as possible.

2) The more rigorous scrutiny by Saudi Authorities before issuing visas for recruiting labour from other countries.

3) General economic constraints as a result of fall in oil prices.

This led to overall job cut in the OPEC region.

Middle East type of contract migration does not represent a permanent loss of human capital. We may term it as a process of circulation rather than migration. But as the skilled manpower is removed from the domestic labour market there may be noticeable effects on the domestic availability of labour skills. The concentration of migrants in blue-collar jobs suggests that some sectors have disproportionately suffered losses, particularly the construction sector. Weiner (1982) referred to shortages of labour in the construction of industry in Kerala. If we assume that labour markets are sufficiently competitive, wage data reveals the presence and absence of skill shortages induced by the migration. Wage should rise in case of shortage of skills. However the construction wages in the Indian labour market have not risen very rapidly. This is most plausibly due to a relatively wage elastic domestic labour supplies. The informal system of training in this sector has been conducive for a rapid increase in the supply of workers possessing necessary artisan skills.

But the change in wages cannot depict the whole idea. Skill loss has a qualitative dimension, since replacement workers are not necessarily perfect substitutes for those leaving the country. Some commentators have suggested that workers acquire skills during their overseas assignment that can be put to good use on return to home but there is little evidence that this is indeed the case.

FINANCIAL FLOWS ASSOCIATED WITH LABOUR FLOWS:

Trends in the remittance inflows are outlined in the Table -14. Inflows of remittances accelerated with the boom in oil prices during mid 1970s. Afterwards these inflows slowed down in the late 1980s. There is no controversy regarding the source and reasons of these heavy inflows of remittances as the presumption of increase in the oil prices in all over the world during 1970s is widely accepted. We cannot go ahead to test the hypothesis, as there is no published data on private transfers by country of origin. The apex bank (RBI) in

Table-14

Private Transfer Receipts

Year	Remittances* in	
	US $ mn	Rs crore
1981-82	2333	2082.8
1982-83	2525	2431
1983-84	2568	2648.3
1984-85	2509	2981.9
1985-86	2219	2715.5
1986-87	2339	2990.6
1987-88	2725	3532.7
1988-89	2670	3865.4
1989-90	2295	3823.9
1990-91	2069	3711
1991-92	3587	9418.9
1992-93	2651	8124
1993-94	5265	16513
1994-95	6200	25416
1995-96	8506	28660.2
1996-97	12367	43968.1
1997-98	11830	43764.4
1998-99	10341	43494
1999-00	12290	53280
2000-01	12873	58756
2001-02	12192	58136

*Remittances include gifts also

Source: RBI, Ministry of labour & Economic survey 2003

India has been publishing region wise classified data on private transfer payment in the Balance of Payments statistics.[24] Such practice was stopped by the Reserve Bank of India by late 1990s. Therefore we have a lack of recent data on these region wise transfer payments. Instead we have total private transfer data (Table-15). The credit entries on account of the private transfer payments are

[24] Reserve Bank of India reports on currency and finance

Table-15

Private Transfer payments in India's Balance of payments by Region

Year	Sterling area	Dollar area	OECD Area	Rest of Sterling area	Total
1970 - 71	372	843	114	35	1364
1971 - 72	579	939	194	33	1745
1972 - 73	459	1003	159	32	1653
1973 - 74	736	1041	139	67	2033
1974 - 75	1107	1267	349	76	2799
1975 - 76	2481	2280	502	149	5412
1976 - 77	3542	2871	664	380	7457
1977 - 78	6157	2502	786	848	10293
1978 - 79	6075	2720	949	848	10592
1979 - 80	9783	3809	1192	1536	16320
1980 - 81	15286	3490	1684	2227	22687
1981 - 82	13168	4896	1866	2440	22370
1982 - 83	14961	4465	1828	4149	25410
1983 - 84	14757	5239	2119	5735	27850
1984 - 85	15297	5932	2220	7713	31162
1985 - 86	14507	6002	2578	5266	28354
1986 - 87	16539	5323	2617	5427	29906
1987 - 88	16830	12955	3943	7193	38654
1988 - 89	14563	12955	3993	7193	38654
1989 - 90	15696	7998	5434	9111	38239
1990 - 91	16899	8645	4633	6083	36260
1991 - 92	35553	36270	9464	12901	94189
1992 - 93	40336	20741	13603	6560	81240
1993 - 94	59633	28700	12940	12164	113437
1994 - 95	135475	73559	23900	21808	254742
1995 - 96	151278	86385	28561	31386	287684
1996 - 97	153051	226851	31179	31002	442083

Source: RBI, *Report on currency and finance* (annual issues) classified by regions defined in terms of the Sterling Area, the Dollar Area, the OECD Area and the rest of non-Sterling Area. The Dollar area is defined as to be comprised of USA, Canada, the Central American Countries, and a few countries in The Latin America.

It seems most plausible that private transfer payments from the dollar area originated in The USA and Canada. The data till 1986-87 is adjusted to the entries in the imports under PL – 480 scheme. Data afterwards on these private transfers from dollar area, published by the Reserve Bank of India, excludes grants under P L – 480 scheme. Hence no adjustment is required to be made thereafter in the data.

The OECD region in India's Balance of Payments statistics is formed by the countries of Western Europe, excluding United Kingdom and including Turkey. The Sterling Area comprises of the Commonwealth countries, United Kingdom, Ireland and Caribbean Islands, some countries in the East and West Africa (such as Kenya, Tanzania, Zambia, and Nigeria), the Persian Gulf states in the Middle East (Bahrain, Kuwait, Oman, Qatar, United Arab Emirates), South Asia (Pakistan, Bangladesh and Sri Lanka), parts of South-East Asia (including Hong Kong, Malaysia, Singapore), Australia, New Zealand and Fiji.

The data from 1970-1 to 1990-1 on private transfer payments in the Table-15 has been disaggregated to make a rough estimate of the remittances received from major labour importing countries that is United States, Canada, and Gulf countries.[25] Certain assumptions are made in the estimation. It is assumed that private transfer payments from the dollar area have originated

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[25] See Nayyar – 1994

mainly from USA and Canada. Therefore the entries for the Dollar Area in the table, after adjustments to imports under P L – 480 imports, are considered as remittances from Canada and US till the year 1986-7 and no adjustment have been made thereafter. (Table-16)

Table-16

Estimated composition of Remittances to India by origin

Year	North America	UK and Australia	Middle East oil exporting countries	Rest of the countries	Total
1970-71	284	223	37	261	805
1974-75	670	443	259	830	2202
1976-79	1566	1013	4813	2046	9438
1982-83	3363	2494	13708	4743	24308
1986-87	5323	3675	13368	5540	29906
1990-91	8645	4844	14449	8322	36260
1993-94	28700	14908	57665	12164	113437
1996-97	226851	38263	145967	31002	442083

Source: Data for 1970-71 to 1990-91 is published in Nayyar (1994), for 1993-94 &1996-97 data see last table.

Remittances from OECD region are supposed to have originated mainly in Western Europe. Very crucial assumptions have been made by Prof. Nayyar to disaggregate remittance inflows from sterling area. The thrust has been to estimate remittances from UK and Middle East separately. It is perceived from the migratory trend before 1970 that the major components of remittances from sterling area originated in UK. Afterwards the share of Middle East must have risen very sharply. The share of Australia and UK in private transfer payments to India from the Sterling Area was 60 percent until 1973-4, 40 percent in 1974-5 and 25 percent in 1975-6, whereas the corresponding shares of Gulf States remained 10 percent, 20 percent and 50 percent. From 1976-7 to 1990-1 the share of Gulf States remained around two third of total remittances originated from the Sterling Area. The share of Gulf States might have been the some two third thereafter and remaining one third might have come from U K, Australia and other developing countries in equal parts.[26]

The region rest of the non-Sterling Area comprises the remaining countries of the world, including some countries of Europe, most of the countries of Latin America and Africa, and the Asian countries not included in the Sterling Area. Many oil-exporting countries from west Asia and North Africa particularly Saudi Arabia, Iran, Iraq and Libya are included. The remittances from this region might have originated mainly from Iran, Iraq, and Libya after the oil boom. It is assumed that around 90 percent of total remittances originated from the region might have come from these countries during 1980s and almost 80 percent thereafter. Hence a rough estimate is prepared in the Table-16 on the remittance inflows from three major labour importing regions of the world. From the table it is clear that total remittances, valued at current exchange rates, increased from less than one billion rupees to Rs 2.2 billion in 1974-5, Rs 9.4 billion in 1978-9, Rs 24.3 billion in 1982-3, Rs 29.9 billion in 1986-7, Rs 36.26 billion in 1990-1, Rs 113.4 billion in 1993-4, and Rs 442 billion in 1996-87. Remittances from Middle East have increased very sharply after mid 1970s from merely Rs. 0.26 billion in

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[26]For details on the assumptions see Nayyar 1994.

1974-5 to Rs. 4.8 billion in 1978-9, Rs. 13.7 billion in 1982-3 and Rs 15.3 billion in 1986-7 and stagnated thereafter at around Rs 14 billion in 1990 – 1.

Similarly remittances from North America, U.K. and Australia also registered increase after mid 1970s. The inflows rose from Rs.0.5 billion in 1970-1 to Rs. 1.1 billion in 1974-5, Rs. 2.6 billion in 1978-9, Rs 5.8 billion in 1982-3, almost Rs 9 billion in 1986-7, Rs. 13.4 in 1990-1 and Rs 43 billion in 1993-4. Remittances from other countries have shown a moderate increase over the period from 1970-1 to 1996-7. These flows increased from Rs. 0.26 billion in 1978-9 to Rs 4.7billion in 1982-3, Rs 5.5 billion in 1986-7, Rs. 8.3 billion in 1990-1 and Rs 31 billion in 1996-7.

The above figures, however, may not depict a true picture of trends in remittance inflows at current exchange rates. This is due to the move from fixed exchange rates to floating exchange rate regime and from the exchange rate stability to instability. However the spurt in remittances inflows since 1975-6 is mainly due to the economic boom in the oil exporting countries of Middle East due to massive increase in the oil prices. As mentioned above this economic boom has resulted in massive flow of immigrants towards Middle East, skilled and unskilled both. This huge migration to these countries, whose economies were prospering, became the major source foreign exchange earnings for India. These remittances were supplied to support their families here. The migrants also saved money there, which they brought in on their return. From Tables-3, 8 and 16 it is evident that remittances per capita from the migrant population in the Middle East were far higher than per capita remittances received from industrialized countries. In 1980-1 remittances per capita were Rs 3415 from North America, Rs 3417 from U.K. and Australia. However the remittances per capita received from Middle East countries were estimated to be Rs 20155 in the same year.[27] This is in spite of the fact that average income level of the low skilled workers in the Middle East countries was much lower in comparison to average income level of high skilled migrants in the industrialized countries. So we can perceive that the propensity to save out of income among migrants to Middle East was much higher than among migrants in the industrialized countries. The ability to remit in the case of a contract labour is extremely high (between 30 percent to 70 percent of their income). This is due to an extremely high propensity to save out of current income of workers belonging to the skilled and semi-skilled category. However saving levels of professionals and high-income migrants are very low.[28]

We have a second type of financial flows, namely capital flows, associated with the international migration phenomena. These capital flows are usually in the form of repatriable deposits kept by migrants. These deposits are entered in the capital account of the Balance of Payment. The provisions for non-residents external rupee account (NRER) was made in 1970. Thereafter in 1975 NRIs and PIOs were allowed to keep foreign currency non residents (FCNR) account denominated in US dollar or pound sterling and in Deutsche Marks or Japanese Yen also since 1988. The balances along with interest rates in these accounts is repatriable. Total outstanding deposits in NRER account stood at Rs 217 billion at the end of the year 1991-2 after a steady increase from Rs 7 billion in 1975-6.[29] On the other hand share of FCNR accounts in total

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[27] Nayyar 1994, page-48

[28] Rashid, A, 1989. page- 11

[29] Nayyar, 1994, page-53

inflows rose from a negligible level in 1981-2 to an average level of 81.8 percent during 1989-90. The amounts outstanding in external account denominated in Rupees stood at 75 percent of the total deposits outstanding. However this proportion decreased to less than 40 percent by the end of the 1990s.

Table-17

Private Long-Term Capital Flows In India's BoP (Rs million)

Year	Credits	Debits	Net
1980-81	2187	1416	71
1981-82	2920	1736	1184
1982-83	4426	2345	2081
1983-84	9624	2657	6967
1984-85	14667	3740	10927
1985-86	26113	5190	20923
1986-87	32184	9609	22575
1987-88	39556	17173	22383
1988-89	65976	33537	32439
1989-90	100692	68594	32098
1990-91	154191	121049	33142
1991-92	291815	196104	95711
1992-93	316047	216433	99614

Source: RBI Reports on Currency and Finance (annual issues)

Apart from these repatriable deposits in external accounts there were capital inflows and the capital outflows associated with such repatriable deposits. It is presented in the Table-17, as evidence on private long-term capital flows in India's Balance of Payments. However due to change in the definition adopted by the Reserve Bank of India on Balance of Payments recently, no such data is available after 1992-3. The figures in the Table are entered in the capital account of the Balance of payments. The long term here means for at least one year period. These entries include foreign official loans received and repaid by the private sector.

Increases in the Table-17 on the credit side roughly measures the capital inflows in the form of deposits, while on the other hand increase on the debit side measures the capital inflows. In the form of repayment of the principal and the payment of interest accrued.

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CHAPTER – FOUR

Macroeconomic impacts of international migration from India

So far we have analysed composition and direction of both the labour outflows and financial inflows in detail. Emigration from India since mid seventies has been enormous. Financial flows that resulted from these labour outflows have also been significant in such an economy where mounting balance of payment deficit, fiscal deficit and current account deficit on one side and rapidly accumulating external debt on the other side had been cause of concern for economists and policy makers of the country.

Has the labour outflow been beneficial in the case of India? If yes, in what ways? Does it have any impact on output and employment? How do the financial inflows affect consumption, investment and savings and certain other macroeconomic indicators such as exports, imports and balance of payments? Let us examine in detail these issues in the light of theoretical framework for an open economy.

Effects of migration on output and employment:

We have analysed the size and skill composition of the labour outflows. Most of the workers migrating to Middle East are in the category of temporary migrants. Hence return migration needs to be noted. The database is very scarce for the size and composition of migrants to Industrialized countries and we have no information about migrants to Industrialized countries and the clandestine and illegal migration taking place. Hence we are not in a position to find out the effects of labour migration on our macroeconomic indicators with much accuracy. If we compare the total informed number of migrants to total population and total work force, it comes out to be negligible and prima facie one can assume the insignificance of such meagre out flows.

Table-18

ESTIMATED STOCK OF MANPOWER IN INDIA BY MAJOR CATEGORIES

ESTIMATED STOCKS	CATEGORIES
GRADUATES IN	
Medicine	359700
Dentistry	20700
Agricultural science	216500
Veterinary science	42700
Commerce	4037800
Science	3479300
Arts	7663100
Total graduates	15819800
POST GRADUATES IN	
Arts	3341300
Science	695500
Commerce	728500
Total postgraduates	4765300
ENGINEERS	
Degree holders	798400
Diploma holders	125550
Total engineering personnel	923950
NURSING PERSONNEL	
General Nurses	250500
Auxiliary Nurses and Midwives	222500
Health visitors	23150
Total nursing personnel	496150
GRAND TOTAL	22005200

Source: Ministry of labour, Govt. of India, New Delhi

From Table-18 we notice that in 2000 we had about 1.58 crore graduates, 47.6 lakh postgraduates and around 7.98 lakh engineering graduates. Therefore the total number of workers who can be assumed to go through the complex immigration laws of industrialized countries stood at around 213.6 lakh. However the figures for the same for 1981 had been around 93.6 lakh.[30] It can also be assumed that those who migrated to industrialized countries would have been at least graduates so that they could follow rules and procedures of immigration laws. If we can compare the number of immigrants to USA, UK and Canada from India, with total number of graduates and more qualified, total workforce, total employment and unemployment we get insignificant proportion even during the peak years of migration. During 1981 emigration to these countries was not more than 0.39 percent of total educated population (with at least graduate degree). The number of workers among graduates and more qualified population according to NSSO estimates were 58 lakh in 1997-8. Therefore emigration to industrialized countries as a proportion of total number of graduates and more qualified people remained 0.54 percent in 1977, which decreased to 0.49 in 1983 and 0.38 in 1987. These outflows remained at 0.64 percent in 1977, after that declined to 0.55 percent in 1983 and 0.43 percent in 1987, of the total number of estimated employment among graduates and above. (N.S.S.O. conducts survey on employment and unemployment at the interval of five year: There are two classifications (1) Usual status and (2) Current weekly status. According to usual status the estimated employment among graduates and above was 48.9 lakh in 1977-8, 69 lakh in 1983 and 98.4 lakh in 1987-8) However as a proportion of total of unemployed graduates and above, the emigration to industrialized countries remained 3.5 percent in 1977, 3.6 percent in 1993 but declined later on to 3.1 percent 1987. These proportions are quite significant.

[30] Census of India 1981

We have no information on the employment status of these migrants before their departure. We can only assume that at least persons with professional expertise and technical qualification would have been employed before their emigration. It is also possible that some of them might not have tried to take up any job, though otherwise they were capable of getting job. As these migrants did not return back and we had a large reservoir of qualified persons, it can be concluded that such migration did not affect employment and output level significantly. As it pointed out above, these migrants constitute significant proportion of total number of unemployed graduates and above. These migrants are more or less permanent. Out of these migrants the number of those who were employed before their departure is of significance to the economy. The vacancies created by their departure will be filled up by those who are considered next best in terms of skills, qualifications and talent. Therefore the net result will be a reduction, even if not significant, in unemployment, but these replacements would result in some deterioration in the quality of the workers. There shall be some benefits in terms of reduction in unemployment. But there will be loss in terms of outflow of human capital embodied in brain drain. The cost of training and educating of these professionals is not too less to ignore. The cost may exceed the gains of any in the form of capital inflows and foreign exchange receipts. The whole cost is bore by India while benefits are reaped by industrialized countries in terms of income created by them in the country of destination. Remittances if sent by them are meant be used by their own families or relatives, however the cost of training them was borne by the whole society. Hence this brain drain meant a privatisation of the benefits and socialization of the costs for India, while it meant an internalisation of the benefits and an externalisation of the costs for the industrialized countries.[31]

The story remains the same for the temporary migrants workers from India to Middle Eastern oil exporting counties. The number of such migrants has been quite significant over the years. However its comparison with the total employment and unemployment in the economy shows insignificant ratios. In 1981 labour outflows to these countries remained at 0.13 percent of the total workforce. Migration figures to Middle East dipped subsequently so that the share remained merely 0.05 percent in 1990. However during 1993 when migration to Middle East was at its peak the ratio to total workforce again rose to 0.13 percent that the previous level of 1981. Thereafter in 2000 the ratio again dipped to 0.06, the level of 1990, as the total number of migrants decreased.[32] The decrease in the ratios is due to slowing down of outflows during second half of 1980s. During the peak time of outflows, in year 1993, these ratios are estimated to be 0.15 and 1.6 percent respectively. Similarly in the year 2000 when migration to Middle East declined sharply the ratio of such migration to employment estimated and employment reported in organized sector remained 0.06 percent and 0.75 respectively. The migration to these countries as a percentage to total estimated unemployment in the economy, are calculated to be 2.9 percent for 1983, 1.5 percent in 1988, 2.17 in 1993 and thereafter fall to 0.79 percent in 2000. These ratios though very small have some significance for the economy. It is evident from the Table-13 that as much as 40 percent of the total emigration to Middle East is constituted of unskilled workers. It is very much

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[31] Nayyar, 1994, page-67
[32] Workforce estimates are taken from NSSO – Economic Surveys and census.

possible that these migrants would have been either underemployed in the subsistence agriculture farms or unemployed landless agricultural labourer in the rural sector, and underemployed or unemployed (particularly as casual wage labour) in the urban sector. Around 50 percent of the total migrants to Middle East are either skilled workers or white-collar workers. Some of them would also have been either unemployed or semi employed before their departure. Some of them who were in construction sector and those with high skill (around 5 percent of the total) were probably employed at the time of their departure. Data shows economic outflows of skilled, semiskilled and high-skilled workers also. We have a large reservoir of each type of labour spread over the whole country from unskilled to high skilled labour. Many of them are not able to secure employment. In the state of widespread unemployment in the country, the vacancies created by these employed, skilled and highly skilled workers migrants will be filled up by those who are almost equally educated and talented and looking for job. So it will have a net beneficial effect on the employment level in the country by reducing open and disguised unemployment. Emigration of unskilled workers from country is beneficial in all respects. Such an effect on employment has been quite visible during early 1980s and late 80s and from 1993 to 1997, when the magnitudes of outflows were very large.

While considering the benefits of outflows we need to note the return migration too. There is no information available on the return migration. In the period of large return migration the net outflow becomes small and net effects on the macroeconomic variables negligible. This happened in mid 1980s. It is difficult, in the absence of information to examine effects of return migration yet it seems that the effect could not have been significant. The return migrants may cause unemployment to rise in some places where job opportunities are not much. Remittances can induce, to some extent an effect on employment. These flows can bring about an increase in the employment by creating final demand through consumption and investment. However to analyse the employment effect of remittances, it is important to reconcile the macro and micro dimension of consumption and investment behaviour. Consumption and investment for the individual migrant's family may be just a transfer payment for purchasing land and property or second hand goods. From a macro economic perspective, even additional consumer expenditures of migrant's family could induce investment in later stages, through the response of other decision makers in the economy. But additional investment concentrated in any particular sector may not have an additive effect but rather a substitutive effect.

Impacts on saving and Investment:

In Table-19 the remittances are expressed as a percentage of macroeconomic variables like Gross Domestic Product, Private Consumer Expenditure, Gross Domestic Savings and Gross Domestic Fixed Capital Formation. The remittances thus expressed are in very small fractions. This is not puzzling because of the large size of our economy. In the year 1971-2 remittances were not significant in relation to these macroeconomic indicators. However these gained importance subsequently and peaked in 1980-1 before losing importance again in late 1980s. Afterwards from mid 1990s remittances have been in much significant proportions of macroeconomic indicators. In 1980-1 remittances were 1.6 percent of GDP, 2.1 percentage of Private Final

Consumer Expenditure, 7.4 percent of gross domestic savings and 8.1 percent of GDFCF. The corresponding figures for the year 2000-01 have increased to 3.1 percent, 3.6 percent, 11.9 percent and 12.8 percent respectively. These figures suggest that if all remittances had been used for consumption, they would have accounted for say, 3.6 percent of Private Final Consumer Expenditure or if all these remittances in the same year had been saved, would have accounted for 11.9 percent of Gross Domestic Savings.

Table-19

Remittances in relation to some macro economic indicators

Year	Remittances as a percentage of			
	GDP at market price	Private final consumption expenditure	Gross domestic savings	Gross domestic fixed capital formation
1971-2	0.2	0.3	1.3	1.3
1975-6	0.5	0.7	2.8	3.2
1980-1	1.6	2.1	7.4	8.1
1985-6	1	1.5	5.3	5
1990-1	0.7	1.1	3.2	3.1
1995-6	2.6	3.2	9.6	9.9
2000-01	3.1	3.6	11.9	12.8

Source:

a. For 1971-2, 1975-6, 1980-1, 1990-1 see Nayyar (1994), p72
b. 1995-6 and 2000-1 data on GDP, Private consumer expenditure, GDS and GDFCF are taken from
c. National Accounts Statistics
d. Data on Remittance is taken from Table-14

Given these magnitudes it can be perceived that by the early 1990s the impact of remittances on these indicators i.e. income, consumption, and savings have been very small. But from the later half of 1990s, as the evidence shows, remittances have been significantly affecting these indicators.

People migrated form some particular regions more than from other regions. As result of this remittances are not evenly spread throughout the country, rather concentrated in particular regions of high migration. For example according to an estimate during 1980-1 Remittances received in Kerala were to the tune of 25 percent of total State Domestic Product. This proportion has been estimated to be far higher for certain districts of the state.[33]

Now let us have some analysis of the impact of other financial inflows in the form of repatriable deposits, on the economy. From the mid 1980s the net inflows into the external accounts maintained in India by NRIs were equivalent to 0.4 percent of GDP, 0.5 percent of private final consumer expenditure, 2.1 percent of the gross domestic savings and 1.9 percent of gross domestic fixed capital formation. At their peak level in 1988-9 these net inflows into external accounts were equivalent of 0.6 percent of GDP, 0.9 percent of private final consumer expenditure and 3.0 percent of both gross domestic savings and gross domestic fixed capital formation.[34]

Theoretically these deposits should provide resources to banks to finance investment but in practice these are used for consumption and investment both. The amount deposited in these accounts is not that much to have some significant impact on the total investment in the country. Theoretically it is justified that such deposits along with remittances can be a substitute for savings and can remove the foreign exchange constraint. Savings can be used to augment

[33] Gulati and Mody, 1985 Page- 33-4
[34] Nayyar1994, Page-77

either consumption or investment or a mix of both. Foreign exchange can be utilized to curtail the deficits in the Balance of Payments. So excess investment over domestic savings can be realized with the help of these repatriable deposits. In India national accounting identity (Y=C+I+G+Net Factor Income from abroad) is treated in slightly different way. Remittances received are not included in the net factor income from abroad. However the domestic resources equivalent to remittances receipts enter into consumption, savings and investment. Therefore the part of remittances saved is included in the domestic savings.

IMPACTS OF REMITTANCES ON MAJOR COMPONENTS OF BoP:

International labour migration affects Balance of Payment the most, through the financial flows associated with migration. In the Table-14 we have presented the magnitudes of remittance inflows. The significance of remittances with relation to some BoP components is presented in the Table-20. It is clear that from mid 1970s the importance of remittances has increased very rapidly. This reached at a significantly high level in 1980-1, as remittances were in that year as much as 32.7 percent of total exports, 17.1 percent of total imports, 36 percent of total balance of trade deficit and 17.2 percent of all current account receipts. In later half of the 1980s their significance began to decline and reached at a very low level in 1990-1. This was due to the uncertainty prevailing over Gulf countries in the context of war clouds on Iraq. Once the problem was over, remittances have shown enormous importance in the later half of 1990s. During 1995-6 remittances received were enough to cover almost 75 percent of total balance of trade deficits. These figures are very significant in the context of burgeoning balance of trade deficits. During these years remittances received were as much as to cover almost 20 percent of total import bill and equal to almost 25 percent of total exports earnings.

Table-20

Significance of remittance in respect of selected components of India's Balance of Payment (some trends)

Year	Remittances as a percentage of			
	Exports	Imports	Balance of trade deficits	Current Account receipts
1971-2	7.2	5.6	25.5	5.3
1975-6	10.1	8.9	74.8	7.3
1980-1	32.7	17.1	36	17.2
1985-6	23.5	12.8	28.3	13.9
1990-1	11	7.6	24.2	7.9
1995-6	26.4	19.6	75.3	16.9
2000-01	28.6	21.7	89.9	16.2

Source:

a. Figures for the years 1995-96 and 2000-01 calculated by using data on remittances from Table-14

b. Data on exports, imports, Balance of Trade deficit and Current Account receipts available in the *RBI, reports on currency and finance, part-II*

Hence it is clear that these financial flows associated with international labour migration from India were indeed significant in the context of Balance of Payments. These inflows have helped by financing a large part of India's total trade deficits and therefore reduced the current account deficits to manageable levels. Now let us have a look on the trends in exports and imports to countries of Middle East and try to find out how these variables remain affected by Indian population in the region. Immigrants must have some particular wants to be satisfied only by the goods produced in their native countries. This will affect Balance of Payment favourably by augmenting exports. Contrary to this, workers abroad tend to develop taste for products available in their countries of destination and try to import those items upon returning home. This will operate to offset the positive effects of remittances on current account.

Let us analyse first the impact upon India's exports. Labour flows from India to Middle East have been very large. These migrants upon their arrival in destination countries will demand their own country's product particularly food and beverages. Table-21 and 22 outlines the export figures to Middle East from 1970-1 to 2000-1. A comparison is also made with total exports of India. The effects of oil price boom and decline can easily be noted. The exports to Middle East as a percentage of total exports show that in 1970-1 merely 6.0 percent of total exports went to Middle East. Then came the oil price boom of 1973-4 and consequently a large migration to these oil-producing countries. This in turn resulted in sudden spurt in demand for Indian goods in these countries. Therefore the share of exports to Middle East in Total exports increased to around 14 percent in mid 1970s. Thereafter, owing to slump in to oil prices, this share remained stagnant until the year 1981-2. It happened despite the fact that total exports to Middle East grew. Afterwards their share in total exports declined in later 1980s to previous levels of early 1970s. The most plausible explanation to this phenomena, may be, that India could not remain competitive in the increasingly stiff competition, as some West European and Asian countries entered in the trade with Gulf countries. It is expected in the wake of declining share of Indian imports of Middle East countries.

Table-21

Trends in India's exports to the labour importing countries of Middle East

(Rs million)*								
Country	1972-73	1976-77	1980-81	1984-85	1987-88	1990-91	1995-96	1999-00
Bahrain	31	243	166	360	337	628	1984	2609
Iran	248	1470	1232	1341	1386	1408	5186	6588
Iraq	110	476	515	488	173	435	22	2140
Kuwait	150	1174	967	1072	1056	737	4532	6685
Libya	36	133	170	148	52	100	-	-
Oman	24	318	337	582	822	1015	3663	5753
Qatar	33	202	173	214	171	309	1178	1541
S.Arabia	121	772	1695	2718	2956	4181	16121	32168
U.A.E	93	1673	1523	2545	3136	7868	47716	89921
Total	846	6461	6778	9468	10089	16580	80402	147405
(Million dollar)								
Bahrain	4	27	21	30	26	36	34	60
Iran	32	165	156	113	107	79	151	152
Iraq	14	53	65	41	13	24	6	49
Kuwait	19	132	123	90	81	41	132	154
Libya	5	15	22	12	4	6	-	-
Oman	3	36	43	49	63	56	107	133
Qatar	4	23	22	18	13	17	34	36
S Arabia	16	87	214	229	228	233	470	741
U.A.E	12	187	193	214	242	435	1391	2072
Total	109	724	857	796	778	927	2325	3401

*Rupee values at current prices and current exchange rates

Source: statistics published by DGCI&S, Calcutta

From Table-21 it is visible that there was a spurt in India's exports to Middle East after mid 1970s. From 1972-3 to 1976-7, India's exports to:

- Bahrain and Kuwait show an eight-fold increase.
- Iran, Libya, Qatar, Saudi Arabia multiplied six times.
- Oman increased 13 times.
- U.A.E. increased 18 times.
- Middle East, as total, increased more than 10 times.

These observations are very significant to outline the importance of labour emigration from India. AS Indian population increased in Middle East demand for Indian product increased there.

In the case of Kuwait, Saudi Arabia, U.A.E., Libya these trends are very unambiguous. Trends in Indian exports to these countries are clearly explained by trends in Indian labour outflows to these countries. However in the case of other countries such as Iraq, Qatar, Oman trends are much similar to that for the above three countries.

Table-22 shows that bulk of Indian exports went to U.A.E. and Saudi Arabia. Both the countries fetched more than 75 percent of the total imports to Middle East from India. It is not surprising because almost 67 percent of the total Indian population in Middle East in 1991 was in these two countries and in 2001 this share was more than 75 percent. For the rest of the countries too, the trends are more or less similar and need no elaboration.

Now let us have a look at the trends in the composition of these exports to major labour importing countries of Middle East (see Table-23). These figures so outlined so as to test the hypothesis that migrant workers have particular wants (e.g. ethnic food) to be satisfied by the goods produced in their native country.

Table-22

India's Exports to Middle East, country wise (Rs Million)*

Country	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
Bahrain	627.9	1214.6	1446.3	1956.8	1854.2	1984.2	2226.7	2396.6	2106.9	2609.4	3539.8
	3.8	3.5	3.1	3.0	2.7	2.5	2.4	2.2	15.7	1.8	1.8
Iran	1408.1	3020.5	3314.3	5009.6	4921.8	5186.3	6921.6	6376.5	6673.9	6588.2	10369
	8.5	8.7	7.2	7.6	7.2	6.5	7.5	5.8	49.7	4.5	5.4
Iraq	434.5	1288.7	-	122	7.5	21.7	76.9	416.3	1488.8	2139.8	3838.5
	2.6	3.7	-	0.2	0.0	0.0	0.1	0.4	11.1	1.5	2.0
Kuwait	737.3	237.5	3135	3323.5	420	4532.2	5492.3	6907.9	6884.9	6684.9	9096.1
	4.4	0.7	6.8	5.0	0.6	5.6	5.9	6.3	51.3	4.5	4.7
Oman	1014.7	1822.4	2156.8	2625.5	1225.8	3663.2	4149.5	4071.5	4897.3	5753.3	6606.7
	6.1	5.2	4.7	4.0	1.8	4.6	4.5	3.7	36.5	3.9	3.4
Qatar	308.7	471	778.3	910.4	939.9	1177.7	1132.6	1637.4	1674.1	1540.9	2906.7
	1.9	1.4	1.7	1.4	1.4	1.5	1.2	1.5	12.5	1.0	1.5
Saudi Arabia	4180.7	8656.9	11800.9	16020.3	13678.9	16121	20489.7	25645.3	32528.2	32168.2	37595.4
	25.2	24.8	25.6	24.2	20.1	20.1	22.1	23.3	242.4	21.8	19.5
U.A.E	7867.6	18155.5	23540.5	36301.5	39730	47715.6	52186.5	62776.3	779538	89920.9	118666.3
	47.5	52.1	51.0	54.8	58.3	59.3	56.3	57.0	5808.7	61.0	61.6
Total	16579.5	34867.1	46172.1	66269.6	68113	80401.9	92675.6	110227.2	13420.2	147405.6	192618.5
	100	100	100	100	100	100	100	100	100	100	100

*figures in untitled rows indicate percentage out of total
source: DGCI&S, Calcutta

Table-23

The composition of India's exports to Persian Gulf countries and Saudi Arabia

Countries	Food, beverages and tobacco	Raw materials	Chemicals	Machinery and transport equipment	Other manufactured goods
Bahrain					
1976-77	27.7	1.9	3.6	16.5	46.5
1980-81	45.6	1.8	2.9	12.2	36.1
1984-85	51.2	14.6	3	8.9	21.6
1990-91	48.5	8.4	1.6	6.4	35
1995-96	32.1	8.6	2.8	7.2	49.3
2000-01	22.8	3.6	1.4	7.4	64.72
Kuwait					
1976-77	25	2.3	1.3	13.2	53.7
1980-81	55	4.7	1.7	10.1	27.9
1984-85	51.7	4.9	1.8	6.4	33.9
1990-91	49.2	2.1	2	5.9	40.7
1995-96	43.63	6.1	2.2	3.7	44.4
2000-01	45.2	3.1	2.4	5.1	44.1
Oman					
1976-77	11.2	3.9	3	9.9	66
1980-81	35.6	2	6.3	10.4	44.7
1984-85	48.9	2.7	5.3	8.8	32.3
1990-91	40.3	1.6	7.3	7.8	42.1
1995-96	24.3	10.7	5.1	13.1	46.8
2000-01	29.1	2.3	5.1	13.3	50.2
Qatar					
1976-77	20.1	4.7	2.6	5	62.5
1980-81	30.7	2.3	2	5.2	59.3
1984-85	59.3	1.5	2.5	5.6	30.2
1990-91	35.6	7.7	1.8	9.1	45.7
1995-96	19.1	9.5	2.3	8.9	60.2
2000-01	14.1	8.9	3.4	10.4	63.2
S. Arabia					
1976-77	18.7	3.2	3.5	10.4	60.4
1980-81	34.2	1.7	2.3	11.4	50.2
1984-85	56.6	3.1	2.6	5.2	31.9
1990-91	61.9	2.3	3.2	5.1	27.5
1995-96	45.5	6.4	6.3	5.3	36.5
2000-01	45.1	1.4	7.6	4.2	41.8

Countries	Food, beverages and tobacco	Raw materials	Chemicals	Machinery and transport equipment	Other manufactured goods
UAE					
1976-77	18.8	3.6	2.1	7.6	62.2
1980-81	49.4	6	2.6	5.1	34.9
1984-85	49	3.6	2.2	5.8	38.7
1990-91	27.4	2	3.2	4.8	62.6
1995-96	59.3	6.6	9.7	12.3	12.2
2000-01	14.7	8.8	3.9	5.2	67.4

Source: Statistics published by DGCI&S, Calcutta

Note: The rows do not add up to 100 on account of some unclassified exports, which constitute a very small proportion of total.

The figures in the Table-23 reveal that Indian food, beverages and tobacco were in great demand in Middle East throughout the period after mid 1970s. Raw materials, chemicals, machinery and transport equipments constituted no more than one fifth of the total. Demand for other manufactured goods also remained significantly high in almost all countries.

However from the data in Table-24 on total Indian exports to Middle East and world a different trend is visible. Indian exports to Middle East as a percentage of total Indian exports to the whole world shows a declining trend until 1991-2 and is stagnating thereafter between 7 – 9 percent. This is in spite of the fact that total exports to Middle East grew. But the total exports to world also grew. The most plausible explanation to this phenomena may be loss in the competitiveness of Indian Exports in Middle East markets. The number of Indians living in industrialised countries is small, in comparison with total population of these countries, to affect the export earnings of India significantly.

In spite of it we can say that migration has certainly been important source of export earnings. It seems that in the absence of migration, India's exports performance to Middle east would have been worst than this. Hence labour migration induced increase in exports earnings.

Table-24

India's exports to the Middle East and the World (Rs. Million)

Year	Exports to the oil exporting countries of the midlemeast	Total exports (to the world)	Percentage share of Middle East in total Exports
1970 - 71	917	15352	6.0
1971 - 72	691	16082	4.3
1972 - 73	846	19708	4.3
1973 - 74	1637	25234	6.5
1974 - 75	4499	33288	13.5
1975 - 76	5604	40263	13.9
1976 - 77	6461	51427	12.6
1977 - 78	6467	54079	12.0
1978 - 79	6587	57260	11.5
1979 - 80	6573	64184	10.2
1980 - 81	6778	67107	10.1
1981 - 82	8309	78059	10.6
1982 - 83	7703	88033	8.8
1983 - 84	8037	97707	8.2
1984 - 85	9468	118552	8.0
1985 - 86	8998	110120	8.2
1986 - 87	7552	104519	7.2
1987 - 88	10089	157194	6.4
1988 - 89	11800	202320	5.8
1989 - 90	18072	276810	6.5
1990 - 91	16630	325530	5.1
1991 - 92	34867	439759	7.9
1992 - 93	46172	536054	8.6
1993 - 94	66270	696558	9.5
1994 - 95	68113	826087	8.2
1995 - 96	80402	1061901	7.6
1996 - 97	92676	1185882	7.8
1997 - 98	110227	1301006	8.5
1998 - 99	134207	1416035	9.5
1999 -00	147405	1590233	9.3
2000-01	192619	2035710	9.5

source : Statistics published by DGCI&S, Calcutta

Table-25

Tourist arrivals in India (1972-2000)

Year	From labour importing countries* of Middle East	Total arrivals	column 1 as a percentage of total
1972	7956	342950	2.3
1973	10289	409895	2.5
1974	12173	423161	2.9
1975	19387	465275	4.2
1976	33917	533951	6.4
1977	45899	640422	7.2
1978	52327	747955	7.0
1979	58708	764781	7.7
1980	63660	800150	8.0
1981	74631	853148	8.7
1982	77369	860178	9.0
1983	73647	884731	8.3
1984	64062	835503	7.7
1985	75153	836906	9.0
1986	97462	1080050	9.0
1987	101477	1163774	8.7
1988	97258	1239992	7.8
1989	94894	1337232	7.1
1990	83014	1329950	6.2
1991	91771	1236120	7.4
1992	99117	1434737	6.9
1993	83472	1442643	5.8
1994	82476	1562010	5.3
1995	74031	1762228	4.2
1996	73040	1923695	3.8
1997	70218	1973647	3.6
1998	59013	1974815	3.0
1999	66920	2025869	3.3
2000	81666	2641157	3.1

*Labour importing countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE

source : Ministry of Tourism, New Delhi

The last issue in the macroeconomic impact analysis is whether migration has some linkages with tourism earnings or not? It seems that those Indians who have settled abroad would like to visit India as tourists. So it can be expected that more tourists will come from those countries where large number of Indians are permanently settled. But, unfortunately, we do not have classified data on tourist arrivals. We do not know the number of foreigners, PIOs and NRIs , who and tourist arrivals. It can be assumed that such tourist arrival was more or less as a result of increase in oil export earnings of these came India as tourists, separately. Instead we have country wise total tourist arrival data. Around 25 percent of total tourists came from South Asia, South East Asia and Africa between 1970-90. Over the same period almost 30 percent of total tourists came from U.K., U.S. and Canada.[35]

Table-25 depicts that the share of tourist arrival from Middle East in total tourist arrival increased from 1972 to 1982; thereafter it declined in the next two years and again increased in 1985 to previous level of 1972. Since 1986 the share is steadily declining. It does not seem from these figures that there is any correlation between migration and tourist arrivals from these countries.

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[35] Nayyar, D. Page-91

CHAPTER - FIVE

POLICY AND PLANNING FOR INTERNATIONAL LABOUR MIGARTION

The forgoing discussion has highlighted comprehensively on the all dimensions of international migration from independent India. However at each step of the research it was felt that India is lagging behind, in the sense that she has no concrete policy in the area of migration. However it is very much necessary to have a sound immigration policy in order to reap the benefits from labour exports. This chapter will develop the macroeconomic analysis further by highlighting the major issues in the area of migration policies and associated problems. The first section will describe the existing policy regime for labour flows and financial flows. The second section will consider the issues and problems associated with migration flows, financial flows and capital flows in the context of national development. The third section prescribes certain remedial suggestions.

Labour Flows:

Policy regime has ignored the expected benefits from labour outflow. Hence there was no effort to adopt some proper plan in the sphere of labour out flow. There was even no step taken towards directing the labour outflow to the most profitable regions.

We can notice two broad characteristics of the immigration policy of India. First there is no migration authority in India to monitor, regulate or stimulate the emigration of persons with technical qualifications or professional expertise. Even a person who holds merely a graduate degree or some diploma in technical trade may go abroad for work abroad without any emigration clearance. If we have something in the name of immigration policy, that relates to migration of unskilled and semiskilled workers in manual or clerical occupations. Second the policy is concerned entirely with out migration. Very little attention is paid towards return migration in the policy document.

As we have noticed in the first chapter emigration from India to industrialized countries remained largely confined to persons with technical qualifications and professional expertise. Very few persons with such qualifications have been immigrating to Middle East. Labour outflows to Middle East remained largely temporary and confined to those people who possessed either no skill or very ordinary skill. These people are generally provided manual works.

The first step in the direction of immigration policy was taken up by the then British government by enacting an Emigration Act in 1922. According to the Act the recruitment agents were required to obtain a license and to follow the specified rules and procedures in sending workers for work abroad. However a decision by the Supreme Court in 1974 simplified the rules and regulations for licensing and registration of the recruiting agents. As a result of this decision, a large number of Primary Recruitment Agencies (PRAs) mushroomed in the metropolitan and other major cities. However, thereafter, remained a whole story of exploitation of migrant workers by these agencies. The main victims of these agencies were workers with low skill or no skill and low income.

The malpractice by these agencies ranged from extortion to fraud. The Government later on in 1977 interfered to reduce such malpractice and exploitation by maintaining that persons other than income tax payee, professionals or those with post graduate degree were only obliged to obtain a clearance for emigration from the Protector General of Emigrants. Hence Government created two categories of migrants:- (1) Those with ECNR (Emigration Clearance Not Required), (2) Those with ECR (Emigration Clearance Required) status. In providing such clearance for emigration, the Protector General of Emigrants was required to examine the terms and conditions of the employment contract to ensure that the wages and working hours were not exploitative and that adequate provisions was made for travel expenses, accommodation and medical care. These certain minimum norms helped the migrants a lot to reduce their exploitation. Then came the Emigration Act 1983 to further diminish the problems faced by unskilled labour in emigration process. In this act provisions were made so that all recruitment agents were required to register themselves with the Protector General of Emigrants. They were under compulsion to obtain a permit. They need to specify that in case of any violation of the Act by them, will be an offence punishable with imprisonment. As earlier PGE was required to examine whether the provision for travel were made or not as also whether the wages and working and living conditions are in conformity with the specified norms. If any foreign employer wants to recruit workers directly, he has to obtain a permit for it. A divergence between the letter of the law and the actual experience of the migrant workers remained, however.[36]

The other things a migrant is required to obtain are passport and visa/work permit issued from the country of employment, duly signed employment contract etc. before migrating.

[36] Nayyar, D. Page-98

One important aspect of the migration policy to be noted here is that the government has classified the employers into several categories and they are bound to follow different procedures. The prescribed policies so far did not influence the profile of emigration from independent India. The policy integration of the government in the sphere of labour flows remained very minimal. This is due to the fact that the size and composition of the labour outflows have been demand determined rather than supply determined. Although the desire to migration has played some role, yet labour migration was entirely dependent on the possibilities of getting job in the countries of destination. We can say that force of demand rather than supply in combination with immigration laws determined the labour flows from India. In the case of labour migration to Middle East the labour importing countries have to consult recruitment agencies about the number of workers required, their skill composition, wage levels and working conditions. The recruitment agents are required to make basic decisions. Hence the recruitment agents have been assigned a major role to play by monitoring the demand and supply of migrants. Hence workers who wish to go abroad for work have to enter into such labour market. The only role government has to play in the whole process in to ensure that the terms and conditions of employment contract are in conformation with those specified minimum norms, so that the exploitation of workers is not possible.

In respect of return migration, too, there is no administrative system, which can record the number of such workers on a regular basis. Exceptionally we can get some information about the returning migrants from the records of Central Board of Custom and Excise, Ministry of Finance, Government of India. However this information is not complete as it merely records the number of those who either availed of transfer of residence concessions or mini-transfer of residence facilities. Therefore proper agency should be set up to record the magnitude and composition of returning migrants also.

Furthermore there is no concern for the trade in human capital to Middle East and distribution of gains between the trading partners. Labour migration from India in the form of unskilled, semiskilled and skilled is demand determined. That is, the composition and dimension of outflows of such type of labour is determined entirely by the labour importing countries. As we have large supply of skilled, semiskilled and unskilled labour we have no constraint imposed from the supply side. But if we find shortage of certain specific skills in any region due to heavy outflow of labour, we will need to chew upon the composition and regional distribution of migration. Hence we need to adopt a policy that will result in a more even-spread of migration workers across India. Similarly the return migrants should also be distributed across the country rather than in some specific regions. We have almost no information on the return migrants, which is a serious concern for any concrete policymaking. We need to monitor the composition and dimension of the return migrants.

Therefore the most important policy intervention from the government side should be to create and upgrade the information system on the labour migration from India. Proper records should be maintained about the dimensions and composition of the outflow as well as inflows. Then only we can be able to prepare some guideline for the intervention of the government in the future contract labour export and can prepare proper schemes to reabsorb the returnees. The data can significantly be upgraded, by making the registration of entry by migrant workers, necessary, in the Indian embassies in the destination countries. Adequate information should be collected about their standard of working conditions and living conditions.

The nature of the outflow data at home can be strengthened by a fuller utilization of the data already available with government departments and recruitment agencies.[37] There is need to strengthen statistical bureaus in all concerned departments. We can maintain counters at airports to register the particulars of all the migrants leaving or returning to the country. Then we can obtain data on the outflows and inflows.

The data relating to return migration can be strengthened by a proper use of the disembarkation cards in the major airports. Disembarkation cards can also be used to obtain the information as to whether the migrant worker is returning permanently or for short duration.[38]

Furthermore the data on migrants characteristics should be collected at state level so that data collected at the national level could be classified state wise. We can take the help of NSSO (National Sample Survey Organisation), to conduct detailed surveys on the international contract migration periodically. There are several Indian associations operating in the Middle Eastern countries for the betterment of Indians living there. At the time of Gulf crisis these associations have shown their importance in safeguarding the interests of Indians in emergencies.[39] These organizations should be identified and linked to Indian Embassy in the respective countries to collect necessary information about the Indians living there.

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37 S.K. SasiKumar, pp-64

38 S.K. SasiKumar, pp-65

39 Verma and Sasikumar 1994

Financial Flows:

A similar condition has to be faced in context of the data on financial flows. We however have some official data on the financial transfers made through banking system. But transfers are also made through other routs, which cannot be monitored. However migrants or their friends and relatives, when they return, can enter into India with foreign currency up to a value of US $1000, without having to declare it to the customs authorities. It is noteworthy that this money is converted into local currency and then written in the official account under the head other than remittances, tourist, travelling etc. This amount can significantly affect the records of the government on remittances. The other form of remittance flows is the import of goods by the migrants on their visits and upon their final return. Such goods are usually electronic goods, camera, watches, textiles, gold and ornaments, cars, etc. The value of these goods should be included in the estimate on remittances. Further more, goods imported up to the prescribed limit are exempted from Custom duties and are not recorded.

We can differentiate financial flows between remittances and repatriable deposits or portfolio investment. So far we do not have any concrete policy to attract or sustain the inflows of remittances. No incentives were provided in the form of premium exchange rate. It was only in 1992 when partial convertibility of the rupee was introduced. Thereafter an important change took place. Under the Liberalized Exchange Rate Management System, all current account receipts from exports, Invisibles or remittances were required to be surrendered to authorized dealers in foreign exchanges, who would provide the domestic currency equivalent, but while only 40 percent of the receipts was to be changed at the official exchange rate, 60 percent of the receipts was to be changed at the market exchange rate. Hence a dual exchange rate system was introduced. Therefore all remittances could be converted into domestic currency with a premium on the official exchange rate as long as market exchange rate was higher than official exchange rate. This provided certain incentive to remittances. Government has not put any obligations for migrant workers or their foreign employers to remit any part of their earnings to India. In the late 1950s government introduced foreign exchange control regulations which stipulated that remittances should be channelled through the official banking system and balances held abroad by migrants should be repatriated when they returned. From 1977 onwards these balances could be kept in a special account, which allowed the returnee to claim 25 percent of the amount within 5 years for any purpose including for repatriation, if the person decides to migrate once again. This was known as the Returning Indians' Foreign exchange Entitlement scheme (RIFEES). After 1987 the limit was raised to 50 percent for a period of 10 years. These accounts were denominated in rupee and were not protected against foreign exchange. In 1992 RBI introduced a new scheme under which NRIs who wish to return India can open Resident Foreign Currency Accounts denominated in US dollars worth their foreign exchange balance repatriated from abroad. The amount held in these accounts can be remitted abroad without any limit for any purpose of the account holder or dependents except for investment or for purchase of immobile properties abroad. The balances can be repatriated if the person wishes to migrate once again. Therefore we can note in brief that following incentives are provided to those NRIs or PIOs who maintain external account in India:

1. The interest rate on deposits, denominated in foreign currencies is higher than that in international capital markets, while the interest rate on deposits denominated in rupees is higher than that for domestic deposits of comparable maturities.

2. The deposits and interest accrued on them are repatriable.

3. The deposits and accrued interests are both exempted from wealth tax and income tax and gifts to residents out of these amounts are exempted from gift tax.

4. Loans and overdraft facility against the securities of these deposits are available not only in India but abroad too.

5. Foreign Currency Non-Resident (FCNR) accounts are protected from any exchange rate risk but can be kept only in the form of term deposits. On the other hand the Non Resident External Rupee Account carries the exchange rate risk but can also be maintained as current account or saving account in commercial banks.

Now if we look at the policies of Indian government towards financial investment by non-resident Indians or persons of Indian origin living abroad we find it similar to the policy regime for remittances. Investments in government securities, National saving certificates or the Unit Trust of India bonds are entirely repatriable. These deposits are exempted from any wealth tax, income tax and gift tax. There is no ceiling limit to such investments. These persons (NRIs and PIOs) are provided certain concessions also for portfolio investment in shares or debentures bought through stock exchanges, for portfolio investment in equity shares and for company deposits. However these investments are free from wealth tax in India and the dividend or interest income earned and capital gains obtained are subject to income tax at a flat rate of 20 percent. If NRIs and PIOs living abroad want to return to India permanently and desire to set up industrial unit or want to invest in existing unit were allowed from 1980s for preferential access to imports on the condition that they pay abroad in foreign exchange. In such cases these permanent returnees cannot repatriate the capital invested and the profits earned.

In spite of all the above incentives provided, the total investments by PIOs and NRIs living abroad has been very low or insignificant. From the above analysis it seems that the main focus of the policy regime has been on the high-skill and high-income migrants living abroad permanently either in industrialised countries or in developing countries. It seems that government is trying tooth and nails to induce them to provide financial resources to our economy. It is the inadequacy of the whole policy regime that they have seldom thought of low skill, low income, and temporary migrant workers in Middle East and other countries. However it is they who provide significant amounts of foreign exchange in the form of unrequited transfers. It is evident that policy makers have no concern for the emigration of technical and professional manpower. Permanent migration to the industrialized countries consists of, mostly, people of this category. These migrants termed as *'Brain Drain'* are brought up on the scarce resources on the economy. They deprive others from limited opportunities available in the country for manpower development. The cost of education of such migrants is very high and is born by the whole society. The government has no tool to discourage emigration of those who are in excess demand in the country. All the benefits of such manpower development are reaped by the individual migrants themselves.

Hence we are not on the same level in the playing field in trade with industrialized countries trade as gains from trade in human capital are not equally distributed.

Our policies towards migration as described earlier, seldom shows some interest and concern for unskilled, semiskilled and skilled migrant workers. These labour flows are mainly to the Middle East for temporary work in manual or clerical occupation. The government's concern here is to monitor the distribution of gains between the migrants and the private recruitment agencies.

The policy intervention of Indian government to maximize remittance inflows has been quite minimal. The inflow of remittances through official channels has been determined largely by the exchange rate policy and the exchange rate control regime. As we have noticed that there was a sudden spurt in the remittance inflow through official channels from mid 1970s. This happened partly due to the depreciation of the rupee vis-à-vis the US dollar during the first half of the 1970s and partly due to the exchange control regime. Therefore the illegal inflow of remittances, which was significant until the early 1970s, slowed down to almost negligible during the late 1970s. It is possible that such illicit flows surfaced once again despite the depreciation of the rupee, during the second half of the 1980s while the other factors which squeezed them earlier, may have waned in their impact and the difference between the official exchange rate and market exchange rate reappeared.[40] Even after this phenomenon government did not introduce any incentive in the form of premium on the exchange rate for remittances.

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[40] Deepak Nayyar, 1994 pp-105

Furthermore government has not so far paid any attention towards guiding the use of domestic resources provided to people through remittances. Recipients are totally free to use these resources according to their wish on consumption or investment or a mix of both. Also it is required on the part of government to transfer the savings of recipients of remittances to investors through financial intermediaries in a more systematic manner. We could provide more incentives on the savings out of remittances in the form of better rates of return on remittances placed in specified assets or deposits.

As we know that remittances can have a significant impact on Balance of Payments of labour exporting countries. Hence we should try to maximize the outflow of Indian labour to Gulf countries. We can set up some monitoring authority in each major labour importing country. These authorities can report, on the basis of labour market condition, about the labour requirements. These authorities should be linked to authorities and recruitment agencies, to provide timely and correct information on the jobs available in the Middle East. We need to maintain the same system of migration in other countries where labour demand is inevitable as a result of fast developments.

In case we are financing the investment in country from capital inflows associated with the external accounts maintained in India by NRIs and PIOs in India, we are ignoring the cheaper finance available through borrowing in the international capital markets. This is because of the fact that interest rate offered by the government on these accounts is higher than the interest rates in the international capital markets. NRIs and PIOs can borrow from the capital market of the country of their abode and deposit the funds in India to earn the arbitrage benefits from interest rates differentials. The problem here is that why should we borrow form NRIs and PIOs at a higher interest rate while we can borrow from international capital markets at cheaper rates. We cannot rely on these deposits, as these deposits are very much unstable and depending on the economic and political conditions of India in particular and world in general. As deposits are repatriable these are not reliable for the planning of investment strategy. These deposits can be withdrawn suddenly by the depositors, therefore dependence on them will expose our economy more to changes in the world economy. The fear of sudden withdrawal will always remain in the minds of investors.

At the end of the fiscal year 2000-1 the total amounts in the non residents external accounts was Rs. 1174 billion, which was then almost 1/15th of the foreign exchange reserves and equivalent to 1/40th of total external debts. Such capital flows in the form of these repatriable deposits provided foreign exchange to finance a part of the current account. Remittances are also used in India as a source of foreign exchange to finance the current account deficit. The money provided to the recipients of these remittances in the Indian rupees is decided by themselves to be used in whatever manner they like. We have, unfortunately, no official data available on the pattern of the use of such resources in the hands of the recipients.

However we can merely presume that the high skill and high income group of recipients have their main attention on the purchase of consumer durables, houses, to support essential consumption or to pay the loans borrowed to finance their emigration. In the case of low skill, low income migrants to Middle east countries it can be assumed that their remittances are mainly spent on the consumption expenditure whether for immediate consumption or on durable goods. Generally it has been observed that these migrants brought several durable goods from their country of destination at the time of their return to India. Some migrants might use remittances money to buy investment goods such as tractor and other farm vehicles.[41] In the recent past keeping imported goods was a matter of high status and prestige even in the villages. The same trends are found in Thailand in a study by Pitayanon.[42] They also used their savings to pay their loans and to purchase agricultural land or to purchase or construct new houses. Hence the major impact remained on consumption and not on investment. Thus it led to expenditure by them on unproductive activities. This is supposed to be due to the lack of entrepreneurship and education among them. The Impact of such pattern of spending out of remittances has either led to an increase in the price level or to imports and a little if any on the expansion of domestic production of manufactured wage goods. Government should try to motivate people to invest rather than consume a larger part of remittances.

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[41] Rehman, A., 2001, page-118

[42] Pitayanon in M. Abella(Ed) Rehman, A. 2001 Page -118

CHAPTER – FIVE

CONCLUSION

So far we have tried to highlight all aspects of international migration from India in the context of open economy macroeconomics. Outflows of Indians to other countries for work have been quite large after mid 1970s. Among developed countries, U.S.A. and among the underdeveloped Saudi Arabia, Kuwait, Oman and U.A.E. have been most popular destinations of Indian migrating workforce. Migration to developed countries has been, moreover, confined to high skill and high income people while migration to oil rich countries have been mainly from low income and low skill group. These outflows have been demand determined rather than supply determined. Wide prevalent differentials in the wages and larger net expected income in the countries of destinations have been major contributing factors behind these flows.

The annual outflows to the tune of three lakh or more workers at present is of immense importance for such an economy where more than one quarter of total population is below poverty line; growth in national income is irregular; per capita income is growing at a slow pace; unemployment among educated as well as illiterates is very high and rate of population growth is very high. Although benefits of such flows are realized by the migrants and their families but society as a whole is also benefited. For the society significant benefits include the creation of additional economic activities in the economy both in the course of servicing the human outflows and servicing their savings; reducing unemployment, a social evil by export of idle resources or by replacing unemployed persons in the jobs left by migrants.

In spite of massive outflows of labour, impacts on output and employment levels have been marginal. Total labour outflows in comparison to total workforce in the country have been very small. Even though the emigration to Middle East helped to reduce open and disguised unemployment, however the emigration to industrialized countries has reduced unemployment indirectly through substitution. On the other hand the returnee migrants have been offsetting the positive effects of outflows by increasing the level of open and disguised unemployment.

Labour outflows have been a major source of foreign exchange receipts in the form of remittances on the one hand and repatriable deposits by NRIs and PIOs on the other. Larger part of remittances has been received from Middle East during the last twenty years. This is due to the fact that migration to Middle East has been mostly of temporary nature. Families of migrants to Middle East are left behind, So these people migrate to earn as much as possible and save a large part of income so that they can improve their living standard and laze at home after return. However migrants in industrialized countries remit a small part of their earnings because of the permanent nature of their emigration.

In spite of massive inflows of remittances, our analysis shows, that savings and capital formation have not been affected significantly. But we could finance our balance of trade deficits and reduce our current account deficits. Resources obtained in the form of repatriable deposits by NRIs and PIOs remained a source to finance current account deficits but it proved to be an expensive option. This is akin to borrowing, and interest rates on the repatriable deposits have been higher than in international capital markets. So government could have opted for cheaper option, that is, loan. The third source of foreign exchange, associated with labour migration, has been exports. Labour migration could augment export earnings of India. Millions of Indians living in Middle East, demand goods produced in India. This results in increase in exports. On the other hand, these migrants during their abode abroad tend to develop tastes for goods produced in the countries of their destination and try to import those goods upon their return. They can afford imported goods now because of larger wealth and resources with them. But we have not analysed the impact of such imports because the lack of information.

We have tourist arrivals associated with labour migration. Those Indians who have migrated and settled abroad like to visit their motherland as tourists. We do not have disseminated information on tourist arrivals. We can not know, from the existing information, how many PIOs and NRIs are visiting India as tourists. Therefore it is not possible to estimate the magnitude of tourists arrivals associate with labour migration.

In the fifth chapter certain policy measures are prescribed so as to maximize the benefits from labour outflows. First of all government should try to stop illegal migration. The exploitation in the hands of primary recruitment agencies should be stopped by simplifying the rules and procedures of migration. Exploitation in the countries of destination should also be minimised. India should join hands with other labour exporting countries and form a common organization to put pressure on the labour importing countries to improve their labour laws. Government should try to encourage labour migration. Migrants should be encouraged to remit through official channels by providing various incentives. Recipients should be encouraged to invest more out of remittances, so that production capacity increases and new employment opportunities are created.

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