

RESEARCH BRIEF

Facilitating Labour Migration from Nepal: Sustainable, or a Structurally Self-Incapacitating Development Trajectory?

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Nepal has witnessed rapidly growing rates of labour migration since the country's democratisation in the 1990s. By now, around 1,500 people leave the country every day to take up employment abroad (Adhikari, 2012). The total registered labour migrants for the fiscal year 2011/12 is 384,665 (Department of Foreign Employment [DoFE], n.d.). This is almost as high as the new entrants into the labour force annually. The main reward for Nepal is the high level of remittances, around \$5 billion for 2012 (World Bank, 2012).

For 2011, remittances accounted for 22.3% of Nepal's Gross Domestic Product (GDP)—nearly as much as agriculture. Nearly half of the country's households receive money from family members abroad, and there is even a correlation between remittances and Nepal's reduced absolute poverty rates in recent years. Both the households and the state now seem to be dependent on a means of income that is external to the country's own development.

This paper asks:

- Is Nepal, by promoting and facilitating labour migration as a central tenet of its development strategy, perpetuating the structural grounds which create the roots of labour migration in the first place?

Employment-motivated migration from Nepal has long traditions. Nepali Gurkha soldiers have been recruited since 1816 by the British. Migration to the north-eastern India began in the 1820s, for work on tea plantations or the extraction of lumber, coal, or oil (Sijapati & Limbu, 2012). Nepal itself was at this time in its most isolationist state, with domestic power struggles and a hard reality of feudalism for the majority of the population. The migration trail to India continued even after the British rule ended.

Gurkha soldiers and others who returned to their villages with savings and pensions were often the wealthiest people there (Shakya, 2009), motivating further migration. Circumstances in the 1970s led many young Nepalis to seek opportunities farther afield than India. When democratisation took root in Nepal in the 1990s,

the big institutionalisation and quantitative transformation of labour migration occurred quite swiftly.

As multiparty politics took shape, passport issuance was decentralised, facilitating travel abroad. Formal permissions to go abroad for employment were granted by the government from 1993 onwards. Overseas migration gained additional momentum in 1996 as the Maoist insurgency, which started that year, escalated into a stifling civil war (Gurung, 2012).

The trend continues. Employment opportunities are insufficient to absorb around 400,000 annual entrants into the work force. The motivation for many Nepalis to migrate has been impoverishment or lack of employment (Shakya, 2009), whereas some view migration as a livelihood strategy (Wyss, 2004). The political instability, frequent closures, and strikes are also reasons to seek employment abroad (Gurung, 2012).

Regulation of labour migration has happened stepwise but it is still not all-encompassing. The first legislation enacted by the Nepali government was the 1985 Foreign Employment Act (FEA1985), which acknowledged that labour migration might yield gains for the country. Before that, the government had only facilitated recruitment of Nepalis to foreign military service, and an exchange of individuals to learn technical skills, mainly for use in agriculture or engineering (Sijapati & Limbu, 2012). FEA1985 contained provisions for the government to hold workers back who were deemed to be “required for the economic development of Nepal” (FEA1985, Chapter 9, Section 2a). This principle was

justified as a means to inspire economic growth domestically (Sijapati & Limbu, 2012).

The Foreign Employment Act of 2007 (FEA2007) focused on securing the rights and safety of migrants. Its main objective is to make foreign employment safe, managed and decent, and to protect the rights of all instances involved. The establishment of regulatory bodies, such as the Department of Foreign Employment (DoFE), the Foreign Employment Promotion Board, and labour attachés in popular destination countries, is meant to make labour migration more transparent and accessible for everyone (Sijapati & Limbu, 2012).

The Foreign Employment Policy of 2012 (FEP2012) was intended as a link between the various Nepali rules and acts and prevalent international conventions. It aims to make foreign employment safer and more reliable, but also to “utilise the economic and non-economic benefits to alleviate poverty and maximise the contribution of foreign employment for the country’s sustainable economic and social development” (Sijapati & Limbu, 2012, p. 52). FEP2012 aims to encompass the entire migration process, from start to finish and beyond, by reintegrating the returned migrant and utilise his skills (Sijapati & Limbu, 2012).

Data

In 2011/12, 384,665 (361,707 male and 22,958 female) registered Nepalis went abroad for work (DoFE, n.d.). Population censuses estimate that the percentage of the population working abroad has increased gradually.

Table 1: Number of Emigrant Population of Nepal (1952/54 to 2011)

Year	Emigrant Population	Percentage of Total Population	Population*
1952/54	198,130	2,3	8,256,625
1961	328,470	3,4	9,412,996
1981	402,977	2,7	15,022,839
1991	658,290	3,7	18,491,097
2001	762,181	3,4	23,151,423
2011	1,917,903	7,2	26,620,809†

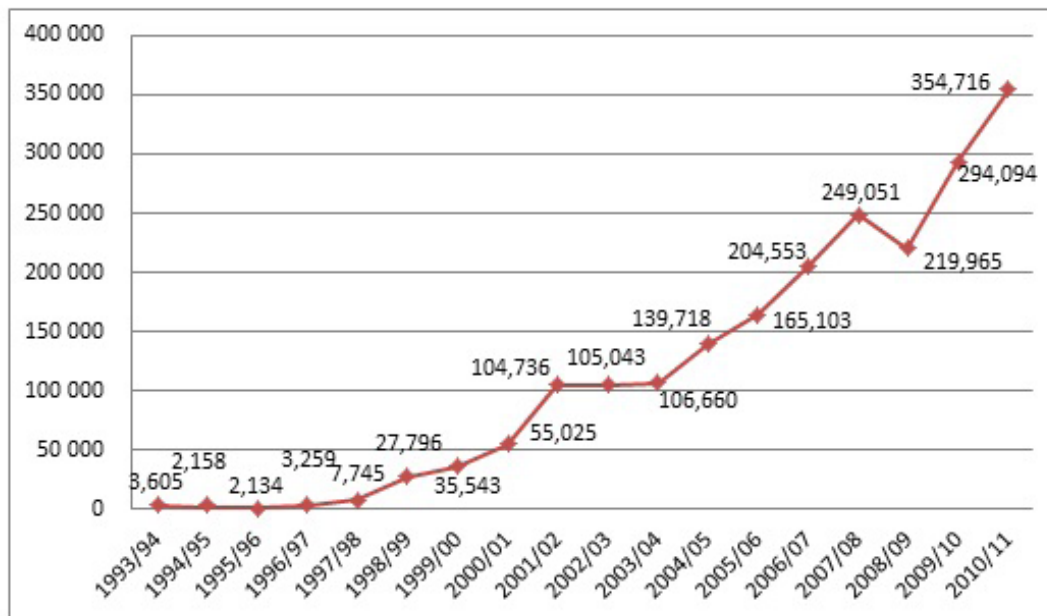
Sources: Population Censuses of respective years, Central Bureau of Statistics (CBS), 2011;

* Nepal Population Report 2011, Ministry of Health and Population, 2011; † National Population Census, CBS, <http://census.gov.np/>, 2011.

The increase in labour migrants from Nepal has been over-proportionate since the turn of the century. This coincides with the middle years of the 10-year long conflict between the state and the Maoists (from 1996 to 2006). The open border with India functioned as a shock absorber for many, as they could freely relocate in search of better options (Shakya, 2009). But momentum was building also for destination further afield.

Gurung (2012) highlighted that the dampened economic activities during those middle years

of conflict, combined with the fear of political repression from one side or the other, enticed people to migrate. As Figure 1 shows, there was a substantial increase in registered labour migrants after 1996 which has continued to grow in a near exponential fashion until today, with a slight dip coinciding with the global financial downturn. This dip highlights an important aspect of Nepali labour migration; it is wholly dependent upon the economic performance of other countries.



Source: Sijapati and Limbu (2012, p. 15)

Figure 1. Number of Work Permits Issued

India remains the most frequent destination for Nepalis. After India, the most popular destinations for 2006/07-2011/12 are Qatar (485,909 migrants), Malaysia (477,908), Saudi Arabia (345,393), United Arab Emirates (234,336) and Kuwait (54,716) (DoFE, n.d.).

Around 55% of households receive remittances, and the average amount received per household has risen to more than Rs. 80,000 per annum for 2010/11 (as of March 2013, \$1=Rs. 87).

Absolute poverty has decreased in Nepal in recent years, and remittances are partly attributed with that. Despite such an obvious positive effect,

it is also true that Nepal has become a remittance addict, both in terms of absolute and relative figures. With a still largely rural population, the overwhelming part of non-farm income in rural areas is from remittances (Adhikari, 2012). Such income to rural areas from external sources contributes to urbanisation, creating bottlenecks in the cities (Maharjan, 2012).

The data suggests that remittances have contributed fruitfully to Nepal's economy. And studies suggest that remittances are to thank for Nepal's decreasing poverty rate over the last decade and a half (Adams & Page, 2005; Central

Table 2
Remittance Flow into Nepal

Description	1995/96	2003/04	2008	2010/11
Percentage of households receiving remittances	23,4	31,9	30	55,8
Average amount received per household (Rs)	15,160	34,698	65,755	80,425
Share of remittance (%) from destination				
Nepal	44,7	23,5	16,8	19,7
India	32,9	23,2	13,4	80,3
Other countries	22,4	53,3	69,8	
Share of remittance of recipient household's income (%)	26,6	35,4	-	-
Per capita remittance averaged for all Nepalis (Rs)	625	2,100	4,042	9,245
Total sum of remittances received in Nepal (Rs)	12,9 billion	46,3 billion	185 billion	259 billion
Poverty rate (%)	42	32	-	25,16

Source: Gurung, 2012, p.9; Adhikari, 2012, p.26

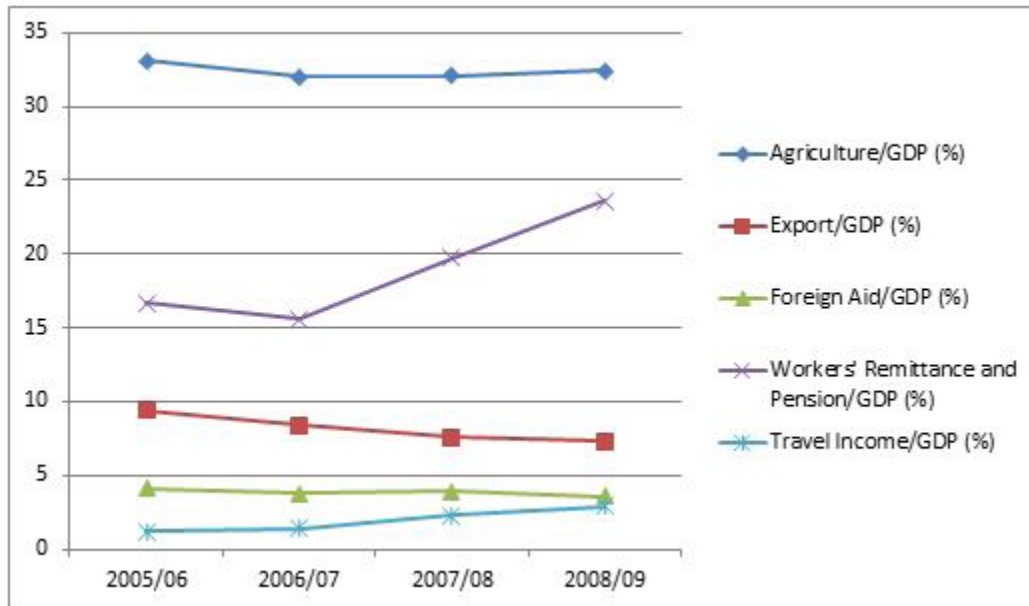
Bureau of Statistics, 2006; Sijapati & Limbu, 2012). However, most remittances are spent directly on everyday consumption (79%), with only 2.4% utilised directly on capital formation (Adhikari, 2012). Shakya (2009) argued that the current remittance flow, despite its scope, does little to facilitate economic growth and job creation in Nepal, and appeals for more entrepreneurial vision.

In the fiscal year 2000/01 remittances accounted for about 12% of Nepal's GDP. For 2011 the ratio was 22.3% (World Bank, 2012), almost as much as agriculture, also making remittances the only real source of economic growth in recent years.

The main sources of remittances are Qatar (27.4%), Saudi Arabia (13.4%), India (13.4%), Malaysia (12.1%), UAE (10.8%), Israel (4.6%), United Kingdom (2.7%), and Japan (2%) (Nepal Institute of Development Studies & World Bank, 2009).

One must ask what could happen if a financial downturn were to occur in the main destination countries. Or what happens when the large-scale infrastructure construction in the Gulf States is completed? For a country that receives 22.3% of its GDP from remittances, dependencies on the demand for its work force is very high. Nepal's economy is, as it stands, dependent upon the economic performance of other countries. And the country is consequently in a position of shock volatility.

Although Nepal has grown in many aspects, the balance might not be quite right. Labour migration can plausibly continue even after the demand for workers starts to decrease in the Gulf States. However, sector diversification and growth in other industries are arguably crucial, as the development of Nepal cannot be just a by-product of other countries' development. As De Haas (2005) has found, remittances are unlikely to ever function as a panacea to un- or underdevelopment.



Source: Adhikari and Gurung, 2011, p.21

Figure 2. Macro Variables and Their Contributions to GDP

Economic development is premised on increased productivity in whichever sector (Dahal, Karki, & Upadhyaya, 1999). This can come from higher efficiency of either capital or labour. In Nepal, the knowledge and skills of the workers can be increased. Dahal et al. (1999) lamented the lack of resources and will to increase the skill pool of Nepali workers. Even basic literacy has been unreliable in Nepal, undersupplying the conditions for labour productivity. A majority of Nepali migrants work in manufacturing and construction sectors as well as domestic workers and security guards (Sijapati & Limbu, 2012). While also notable skills, these are still considered lower skills of which Nepal still has a labour surplus.

That surplus is what enables the country to continue sending so many of its young abroad for work, as the opportunity cost remains low for doing so. As W.A Lewis (as cited in Skarstein, 1999) asserted in his dualism model, an excess supply of labour over demand will propel people from what he calls the pre-capitalist sector (or in our case Nepal) to the 'modern' capitalist sector (or destination country). Taylor et al.

(1996) argued that if the labour surplus is large enough, the loss of human resources will have zero opportunity cost as long as the remaining work stock maintains the same aggregate production. As such, labour migration from Nepal can probably be maintained at or near its current rate for as long as the population density is high, without losing too much of its potential for domestic production.

Underemployment is a major challenge for Nepal. Sixty-six percent of the population is employed in the agricultural sector, contributing around 39% of the total GDP (Department of Agriculture, n.d.). Knowing that the scope for productivity increases in that sector is limited, a severe constraint is put on Nepal's whole economic basis, as it stands (Dahal et al., 1999). However, it could be argued that trying to emulate western development is a target which is exterior to Nepal, and thus lacks rooting with the country's own historical and cultural traditions.

But attitudes also change along with large-scale migration. For example, households which contain labour migrants are more likely to engage in long-term investments than non-migrant

households (De Haas, 2005). Remittances are also likely to finance further migration, as family and friends of migrants borrow money to migrate themselves. Such trailblazing is another issue which is not reversed easily, as people view migration as a route towards a better life (Wyss, 2004).

Conclusion

Employment abroad is clearly an important outlet for those frustrated by lesser opportunities in Nepal. But most Nepali labour migrants go abroad with few advanced skills, and they go mainly as part of a livelihood strategy. The direct economic impact of labour migration from Nepal is positive but it has become a dependence for Nepal – for the country as a whole and for individual households.

Labour migration will have to continue to form part of the backbone of the country's economic development, and it is very much affordable to keep it so for as long as the population density is as high as it is (Shakya, 2009). By conditioning its economic development on growth in the destination countries rather than its own performance, Nepal puts itself at risk of economic shocks. Also, by following a path of development which is not aligned with its own historical and cultural heritage, other consequences may also prove unsustainable.

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