Understanding South Asian Labor Migration

Prepared for United States Government Office of South Asia Analysis

By
Meghan Doherty
Brian Leung
Katie Lorenze
Amanda Wilmarth

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List of Abbreviations
ALFEA – Association of Licensed Foreign Employment Agencies (Sri Lanka)
BMET – Bureau of Manpower, Employment and Training (Bangladesh)
BSF – Border Security Force (India)
DoFE – Department of Foreign Employment (Nepal)
GCC – Gulf Cooperation Council
LeT - Lashkar-e-Taiba
MFEPW – Ministry of Foreign Employment Promotion and Welfare (Sri Lanka)
MOIA – Ministry of Overseas Indian Affairs
SLBFE – Sri Lanka Bureau of Foreign Employment
SLFEA – Sri Lanka Foreign Employment Agency
Foreword

The La Follette School of Public Affairs at the University of Wisconsin–Madison offers a two-year graduate program leading to a Master of International Public Affairs degree. In this program, students develop analytic tools with which to assess policy responses to issues, evaluate implications of policies for efficiency and equity, and interpret and present data relevant to policy considerations.

A team of students in the Master of International Public Affairs program produced this report for the United States Government Office of South Asia Analysis. The students are enrolled in the Workshop in International Public Affairs, the capstone course in their graduate program. The workshop challenges the students to improve their analytical skills by applying them to an issue with a substantial international component and to contribute useful knowledge and recommendations to their client in a clear and balanced fashion. It provides them with practical experience by applying the tools of analysis acquired during three semesters of prior coursework to actual problems clients face in the public, non-governmental, and private sectors. Students work in teams to produce carefully crafted policy reports that meet high professional standards. The reports are research-based, analytical, evaluative, and (where relevant) provide prescriptive responses and always recommendations for real-world clients. This culminating experience is the ideal equivalent of the thesis for the La Follette School degrees in public affairs. While the acquisition of a set of analytical skills is important, it is no substitute for learning by doing.

The opinions and judgments presented in the report do not represent the views, official or unofficial, of the La Follette School or of the client for which the report was prepared.

Timothy Michael Smeeding
A&S Distinguished Professor of Public Affairs and Economics
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Executive Summary

Temporary labor migration in South Asia has distinctive features that merit examination. Many South Asian countries have a large proportion of their citizens working abroad, particularly in the Gulf Cooperation Council (GCC) countries. There is also a considerable amount of intraregional migration, which can be seen in the case of India, as it receives the highest number of in-migrant workers in the subregion. This large-scale migration, which has increased substantially over the past three decades, has significant economic impacts. A major concern stemming from these impacts are widespread dependence on remittances in the sending countries. Additional concerns include security implications from irregular migration and informal remittance channels, and general lack of complete and reliable data on labor migration.

To better understand the situation of temporary labor migration in South Asia, this report examines migrant flows among India, Bangladesh, Sri Lanka, and Nepal, as well as to GCC countries. There are strong pull factors to the Gulf for low and semi-skilled labor due to greater earnings potential and more job opportunities. A typical labor migrant to the Gulf region is young, lower skilled, and male (with the exception of Sri Lanka, which has seen predominantly female migration in the form of domestic work in GCC countries). Within the subregion, migrants are drawn to India for a variety of reasons, including more opportunities in India’s cities in the form of unskilled labor. For impoverished Bangladeshi workers, India is an attractive destination due to the low cost of migration. For Nepali labor migrants, India serves as a transit country where irregular channels are used to travel abroad. However, net migrant flow data are not available for migration within the study area, making it difficult to gauge precise migration numbers among these countries.

What emerges from our examination is a picture of classic economic migration. The impacts of this mass economic migration stem primarily from remittances, which have both microeconomic and macroeconomic effects. In all four countries in our study area households use remittances for consumption and investment in human capital, thus working to alleviate poverty at the micro level. At the macro level, some study country governments have used remittances to finance balance of payments deficits. In addition to economic impacts, we also highlight security concerns at the border and risks associated with migration from South Asia to the Gulf, including human rights violations.

Domestic poverty and unemployment combined with higher wages and greater employment opportunities abroad have promoted unprecedented levels of migration both within the South Asian subregion and to GCC countries. The impacts of these persistent migratory flows present several areas of concern for the stability of the subregion, and, as such, warrant further research. To allow for more accurate assessments and mitigation of national and regional risks related to labor migration, we strongly recommend monitoring both changes in labor demand in the GCC countries as well as Indian border relations. We also recommend improved monitoring and data collection systems for irregular and total migrant flows and for remittances received through informal channels.
Introduction

Migration has been a common phenomenon in South Asia for hundreds of years, especially between bordering countries. Apart from intraregional migration, the Gulf oil boom sparked a different type of labor movement from South Asia to the Middle East beginning in the 1970s. Since then, South Asian countries have sent a significant number of temporary labor migrants to work abroad and send remittances home. In this report, we examine different aspects of temporary labor migration within Bangladesh, India, Nepal, and Sri Lanka (henceforth referred to as the study area or study region) and from the study region to the countries of the Cooperation Council for the Arab States of the Gulf, known as the Gulf Cooperation Council (GCC). The GCC countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).

Over the last decade, the number of South Asian migrant workers going abroad has continuously risen, reaching into the hundreds of millions in 2013. It is important to note, however, that these officially recorded figures for out migration and remittances neglect irregular and informal activity. Keeping this underestimation in mind, the fact that formal remittances comprise such a high percentage of South Asian gross domestic product (GDP) signals the region’s reliance on temporary labor migration.

The objective of this report is to identify areas of concern and topics that warrant additional research in regard to South Asian migration. We begin with a note of clarification on migration data and then examine labor migration flows among India, Bangladesh, Sri Lanka, and Nepal, as well as to GCC countries. In addition to discussing out migration and migrant demographics, each country profile explains the prevailing government migration policies and remittance schemes. Next, we consider the overall picture of migration in the study area, including common flow patterns and push and pull factors. Within the framework of general trends, we also discuss the economic impacts and stability implications of migration in the area. Lastly, we conclude by identifying the most pressing concerns and topics that merit further attention.

About Migration Data

Although the study area countries are improving data collection systems, the lack of standardized migration data both in the study area and around the world makes it difficult to accurately describe the number of migrants abroad, their demographics and skill levels, and rates of return. While there are several models in the academic literature devoted to remittance patterns and reasons individuals choose to migrate, there appears to be no model for projecting irregular, and in turn, total migration flows. Therefore, this analysis relies on total and bilateral migrant stock data from the United Nations (UN) and the World Bank (WB), as well as official and estimated annual migrant flow data from the sending countries. While both stock and flow data help paint a picture of the current state of migration, both present challenges in terms of analyzing temporary labor migration.

Migrant Stock vs. Migrant Flows

Migrant stock refers to the number of foreigners living in receiving countries. Total migrant stock is the estimated total number of foreigners in a specific receiving country, while bilateral migrant stock refers to the number of foreigners from a specific sending country living in a specific receiving country. Migrant stock does not differentiate temporary or long-term labor
migrants from permanent relocation, family unification, or other types of migration. Additionally, while the data do not differentiate between regular and irregular migrants, both types of migrants are generally expected to be present (Ozden et al. 2011). Migrant stock numbers are drawn mainly from receiving country population censuses, which estimate the foreign population (either by foreign birth or citizenship). The World Bank and UN build on this census data (which is generally collected every 10 years), as well as population growth projections, to estimate annual migrant stock. These data may understate the foreign population if regular or irregular migrant populations are unaccounted for intentionally or otherwise. Furthermore, though UN and WB migrant stock data are similar for GCC countries, their estimates of migrant stocks within the study area vary considerably as shown in Figure 1. In our analysis, we use the more conservative estimates from the UN Trends in International Migrant Stock data.

Figure 1 Differing Migrant Stock Estimates from Study Area: 2000

Migrant flows constitute the actual number of people migrating from a sending country in a specific time period, usually one year. Depending on the source, these data may be disaggregated by destination, type of migration (i.e., labor versus non-labor), education level, and skill level. The data, where available, tend to come from official government sources and are generally compiled monthly or annually. Study area migrant flows are generally only available for more recent years, and only include regular (documented) migrants. Because these flows do not include estimates of irregular migrants (including both undocumented migrants and migrants who have overstayed their visas), they may significantly understate the actual number of workers going abroad. For our study area, only Bangladesh provides official flow data specific to receiving countries prior to 2007. To estimate Sri Lankan and Indian flows to the GCC region
and total annual flows, we use available migrant flow records\(^1\) and forecast back as necessary; for Nepali flows we use the total flows and work permits issued\(^2\) and 2010 country-level flow data. Bangladesh, Sri Lanka, and Nepal do not provide migration flow data for India, despite the high incidence of migration to India.\(^3\)

**Return Migration**

The study area countries currently do not keep official records on numbers of returning labor migrants. To estimate return migration flows back to the study area countries, we use the UN Trends in International Stock data from 2000 and 2010 and official or estimated flow data for 2001 through 2010. We then use our returnee estimates to get a sense of net labor migration, which is different from the standard net migration rates from the World Bank and other sources that include *all* immigration and emigration. Because our estimate, again, does not specifically account for irregular migrants, we use it as a simple approximation of how many regular labor migrants are returning home or staying abroad during the 10-year or average single year period. Average annual migrant flows and estimated return rates from the GCC for each study area country are in Table 1 Return Migration Rates. For more details on our estimation methods for out migration flows and return flows, please see Appendix A: Estimating Return Migrant Flows.

<table>
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<th>Table 1 Return Migration Rates</th>
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<td><strong>Bangladesh</strong></td>
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<td>Average Annual Migrant Flows 2001-2010</td>
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<td>Average Annual Return Migration 2001-2010</td>
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<td>Estimated Return Rate From GCC Countries</td>
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Source: United Nation 2013; BMET 2014; MOIA 2013; MOIA 2011; NIDS 2011; SLBFE 2011a

Taking the uncertainty surrounding regular, irregular, and return migration into account, we now examine the situation of labor migration in each study country.

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\(^1\) Sri Lankan data are only available for 2007-2011. We estimate flows back to 2001 based on the available total flow data from 2001 to 2009, and individual flow and percentage of flow data from 2007-2011 using Excel’s FORECAST function

\(^2\) Nepalese estimates based on official migrant flow data from 2010, and estimated flow from 2001-2009 based on official record of total migrant flows and work permits issued, using the same distribution to individual countries as the 2010 flows.

\(^3\) Nepal and India have an open border agreement, making it unnecessary for Nepal to monitor or record movement from Nepal to India.
I. Country Profiles
Since the early nineteenth century, emigration from South Asia has played a vital role, both economically and politically, for the region. Since the 1970s, the oil-exporting countries of the GCC have continued to draw sizeable numbers of workers from South Asia. Additionally, as the strongest economy in the region, India and its job opportunities and wages are a strong pull for temporary labor migrants within the region, most notably from Nepal and Bangladesh.

Despite a common colonial history and shared borders, the study region countries vary widely in development status, demography, and migration characteristics. Figure 2 shows the differing levels of development for the study region and GCC countries as determined by the United Nations Development Programme’s Human Development Index (HDI). In light of these differences, we examine the situation of migration with regard to migrant demographics, stocks and flows, the mechanics of migrant remittances, and government management of migration for each country. We then summarize the differences and similarities in Table 2.

A. Bangladesh
Bangladesh has a population of over 154 million, constituting the second highest population count and highest population density of the area. As of 2012, the GDP per capita is approximately US$750, and has been growing by 4.5 to 5.5 percent since 2005 (World Bank 2014a). Current unemployment estimates range from about 5 percent to over 13 percent (CIA 2014b; World Bank 2014a; Hussain et al. 2013). Because a large percentage of its population is dependent on the agricultural sector, underemployment has also been a large problem historically. With economic gains and current job creation lagging behind population growth, the Bangladeshi government actively encourages international labor migration.
I. Out Migration

In 2013, over 409,000 migrants left Bangladesh through official channels to work abroad (BMET 2014). The average number of migrants leaving Bangladesh each year has ranged from 250,000 to 875,000 since 2000, peaking in 2008 and dropping sharply to 475,000 in 2009. Reasons for the large drop include the economic slowdown, rising unemployment and collapse of the construction sector in Middle Eastern countries, as well as increasing competition from other labor-exporting countries (Masum Miah, Khan, and Rahman 2013). The United Nations estimates Bangladeshi migrant stock to be over 7.7 million people, including over 3.2 million in the study area (almost entirely in India), and nearly as many in the GCC countries, mostly in Saudi Arabia and the UAE (United Nations 2013). While these numbers indicate that over 40 percent of Bangladesh’s international migrant stock lies in India, the Bangladeshi government does not track or recognize labor migration to India.

It is believed that the typical Bangladeshi labor migrant works abroad for two to three years before returning. Although the Bangladeshi government does not track return migration, our own estimates indicate that over a 10-year period from 2000 to 2010, return migration from the GCC countries was approximately half of regular migrant flows (Islam 2010).

1a. Migrant Demographics

Currently about half of the temporary labor migrants from Bangladesh are low-skilled, 16 percent are semi-skilled, 31 percent are skilled, and 3 percent are professionals (UNESCAP 2013). As Figure 3 shows, the proportion of skilled labor migrants has been declining and more recent flows have been mostly low and unskilled workers (Siddiqui et al. 2004).

![Figure 3 Bangladeshi Migrants by Skill Level, Excluding Indian Migration 2001-2011.](source: Bangladesh Economic Review 2012)

A recent survey of 100 aspirant and 100 returnee Bangladeshi temporary labor migrants indicated that over 80 percent had at least a primary education, and nearly 60 percent had a
secondary education or above (Asia Foundation 2013). As Figure 4 shows, current aspirant migrants tend to be more educated than the returnees who preceded them; this indicates that despite education becoming more widespread in Bangladesh, lagging job growth has continued to lead to unemployment and underemployment.

Figure 4 Bangladeshi Migrant Education Levels.

Women constitute only about 5 percent of regular labor migrants from Bangladesh (UNESCAP 2013). This is in part because Bangladesh’s garment sector, whose exports reached approximately $20 billion in 2012, comprises mostly female workers (Das et al. 2013). Approximately 80 percent of female labor migrants are domestic workers (UNESCAP 2013).

1b. Flows to GCC Countries

According to the United Nations Department of Economic and Social Affairs, Bangladeshis make up 13 to 14 percent of the world’s total migrant population in the GCC countries (United Nations 2013). These countries contain over 40 percent of the world’s Bangladeshi migrant stock and received nearly 60 percent of annual regular labor migration flows last year and the first two months of 2014. Data from 1976 to 2013 reveal that Saudi Arabia, UAE, and Oman are the most popular destinations, encompassing approximately 30.2, 26.4, and 9.7 percent of migrants, respectively. In 2013, over 240,000 out of 409,000 labor migrants left Bangladesh for the GCC countries (BMET 2014). Oman and Qatar were the most popular destinations by far, comprising 32.8 and 14.1 percent of formal Bangladeshi migration, respectively (BMET 2014).
lc. Migration within the Study Area

Labor migration from Bangladesh to Nepal is relatively insignificant and practically non-existent in Sri Lanka. India, however, is a main destination for Bangladesh’s labor migrants, which is depicted in Figure 7 below. Bangladeshis are estimated to make up more than 60 percent of the world’s total migrant population in India, with over 3.3 million Bangladeshis living there (United Nations 2013). Even though more Bangladeshi migrants work in India than in all six GCC countries combined, Bangladeshi government statistics do not include migration to India (United Nations 2013).

ld. Other Migrant Destinations

Migration from Bangladesh to Organisation for Economic Co-operation and Development (OECD) countries has also increased in recent years, with main destinations including the United Kingdom and the United States. This is partially due to the Bangladeshi government’s exploration of new labor markets to balance against the risk of instability in the Middle East. Figure 6 shows the percentage of regular labor migrant flows to the GCC countries has changed significantly over the last 10 years.
Overall, Figure 7 below shows that the Bangladeshi migrant populations, while heavily concentrated in India and the GCC countries, are found throughout the world. Other countries with large Bangladeshi migrant populations include Malaysia and Pakistan.
2. Government Management of Migration
The Bangladeshi government encourages international labor migration as a way to “make significant contribution towards accelerating economic development of the country, such as addressing unemployment problems, poverty reduction and increasing foreign exchange reserve” (Bangladesh Economic Review 2012).

Bangladesh’s Bureau of Manpower, Employment, and Training (BMET) operates 42 District Employment and Manpower Offices that provide business and entrepreneur training to returning migrants to encourage investment of their financial resources. Studies have shown, however, that they lack the funding to provide sufficient services (ILO 2013). Additionally, a new Welfare Branch of the BMET was established to assist in repatriation of stranded migrant workers and the remains of workers who die overseas, as well as to assist families in the collection of owed salaries or remittances. In 2011, BMET assisted the heirs of 112 deceased workers in collecting Tk.1.18 crore, roughly equivalent to US$200,000 (Google Finance 2014). The year before, they assisted the heirs of 526 deceased workers to collect Tk.7.78 crore, about US$1 million (Bangladesh Economic Review 2012). The BMET, along with Bangladesh Overseas Employment and Services Limited (BOESL) and the Skills Development Fund, also encourages skills and migration training.

The Bangladeshi government banned female migration abroad in 1997 in response to widespread reports of physical and sexual abuse of migrant domestic workers, principally in GCC countries. Although the ban was lifted in 2004, restrictions limiting females’ ability to migrate through regular channels remain in place (UN RCM Working Group 2012).

3. Mechanics of Remittances
In 2012, formal remittances accounted for 12 percent of Bangladesh’s GDP, amounting to over US$14 billion (World Bank 2014a). The remittances have been growing at an average of over 17 percent per year since 2002 as shown in Figure 8 below (UNESCAP 2013). Actual total remittances are likely to be much higher than official statistics report since significant amounts are transferred through informal channels and are thus unaccounted for. The Asia Foundation’s 2013 survey of 75 Bangladeshi migrants found that nearly two thirds sent remittances through formal bank remittance channels, 8 percent used Western Union or another commercial money transfer service (Asia Foundation 2013). Of the remaining respondents who were able to remit money home, more than half used informal hundi middleman channels, also known in the region and as hawala. For more information on hawala, see Appendix B: Informal Transfer Mechanisms and the Hawala System. Recent increases in remittance values likely stem from government reforms aimed at increasing the use of formal remittance channels (UNESCAP 2013).
Remittances are the largest single source of foreign exchange for Bangladesh and are critical in supporting Bangladesh’s balance of payments and ability to import capital goods and materials for industrial development (Masum Miah, Khan, and Rahman 2013). Remittances are significantly larger than foreign direct investment (FDI) and official development assistance (ODA). In 2010, they were nine and five times higher than FDI and ODA, respectively (UNESCAP 2013).
The Bangladeshi government has implemented several reforms to ensure that remittances flow smoothly into the country. The process of establishing Bangladeshi bank branches abroad has been simplified by making arrangements among 300 foreign exchange houses, 42 Bangladeshi banks, and 16 microfinance institutions for operating and promoting remittance distribution networks. The Probashi Kallyan Bank was established to facilitate faster and safer remittance of labor migrant wages. The bank also assists returning migrants by helping them invest their earnings and provides migration loans, migrant savings accounts, and money transferring services (Probashi Kallyan Bank 2012).

B. India

India is the largest country in the world and the wealthiest country in the study area with a population of 1.24 billion and a GDP of US$1.84 trillion as of 2012 (World Bank 2014c). Despite recent economic growth, India has rampant poverty and extreme economic disparity (UN RCM Working Group 2012). About 20 percent of the population lives below the World Bank’s poverty line and unemployment is a concern throughout the country. Current estimates of unemployment are approximately 8.5 percent and per capita GDP is approximately US$1,500 (World Bank 2014c).

1. Out Migration

India has the highest rates of out migration in the South Asian subregion and is one of the top ten out migration countries in the world (UN RCM Working Group 2012). Decades of migration have created the world’s second largest diaspora after China with estimates ranging from 25 to 30 million Indians living abroad (UN RCM Working Group 2012; MOIA 2012). Labor migration has dramatically increased in recent years. In 2005, India sent 549,000 regular labor migrants abroad. This figure grew to 800,000 just two years later (Migration News 2008). From 2000 through 2010, regular migrant flows have averaged approximately 519,000 per year.

1a. Migrant Demographics

The majority of labor migrants to the GCC countries (70 percent) are unskilled or semiskilled laborers who stay abroad for short period of time before returning to India (India Labour Archives 2012). They have a high rate of turnover, “as their contracts are for short periods of employment, usually not more than two years at a time” (Khadria 2008). After their contracts are complete, they must wait one year before returning to the region. While there, they fill employment gaps as artisans, technical workers, construction workers, farm laborers, and household maids (India Labour Archives 2012). Migrants in these positions usually have little to no education and are unmarried (MOIA 2000).

The remaining 30 percent of Indian labor migrants in GCC countries are skilled professionals who become employed in various positions such as doctors and engineers (India Labour Archives 2012). Migrants to this region are primarily from South India—with 20 percent from Kerala and 20 percent from Tamil Nadu—and work in services and construction (UN RCM Working Group 2012). The majority of skilled laborers headed to GCC countries migrate to Saudi Arabia and Oman. Oman is a unique migration destination in that it hosts at least 2,000 Indian doctors and draws from all regions of India as opposed to just southern states (MOIA 2012).
The majority of labor migrants from India are young males. This is due partially to gender norms but also to recent population growth, which has created a relative surplus of labor in the country. Furthermore, about 60 percent of its population lies within working ages of 15 to 55 (Ministry of Home Affairs 2011). Though women have been historically discouraged from working, recent data show that this phenomenon is changing. Today, “25 to 30 percent of rural and 15 to 18 percent of urban women participate in the labor market” (UN RCM Working Group 2012). Obtaining numbers on how many women migrate for work is difficult, however, as the Ministry of Overseas Indian Affairs does not produce sex-disaggregated data.

1b. Flows to GCC Countries
The 1970s oil boom in the Persian Gulf triggered labor shortages that have continued to pull Indian migrants to the GCC countries (Azeez and Begum 2009). In recent years, “more than 95 percent of low and semi-skilled workers migrated to GCC countries” (UN RCM Working Group 2012). As of 2013, there are over 6.8 million Indian migrant workers in this region. Saudi Arabia and the UAE contain the largest Indian migrant stock at 1.7 and 2.8 million, respectively (United Nations 2013; Naujoks 2009). In 2007, over 809,000 low-skilled Indian migrants acquired emigration clearance to work in the Gulf, almost doubling the 2003 figure (MOIA 2000, 200; Breeding 2010).

1c. Migration within the Study Area
Indian labor migration to Nepal, Bangladesh, and Sri Lanka is less common than to other regions. In most cases, the Indian stock in these countries is due to historical migration. Migration flows between India and Nepal have occurred since ancient times when Indo-Aryans entered the south of Nepal to seek shelter against political persecution (Gartaula 2012). The initial Indian-born population from historical migration is still present today; there are estimates that “the majority of the settlers of south Nepali provinces, such as the Terai, are ethnic Indians”
(Naujoks 2009). According to UN data, 763,800 Indians live in Nepal as of 2010, the majority of which are women (see Figure 11 below) (United Nations 2013). It is difficult to establish the number of labor migrants within this population since Nepal does not consider them “migrants” at all due to the open border between the two countries, which was established by the Treaty of Peace and Friendship of 1950.

**Figure 11 Migration Flows to Nepal by Sex, 1990 – 2013**

![Indian Migrant Stock in Nepal 1990 - 2013](image)

Source: United Nations 2013

UN data indicate that there are approximately 32,600 Indians living in Bangladesh as of 2010 (United Nations 2013). However, based on Bangladeshi news articles, there appears to be an issue with irregular migration from India. One such article estimated that there are 500,000 Indian migrants working illegally in Bangladesh, mostly in low-skilled professions (The Bangladesh Chronicle 2014). These migrants are accused of entering from bordering states such as West Bengal, Meghalaya, and Assam using short-term tourist visas and staying past the expiration date (The Bangladesh Chronicle 2014).

Migration to Sri Lanka dates to the nineteenth century. The Tamils in Sri Lanka’s Central Province were brought by the British from South India to work on plantations, mostly for tea (Srinivasan 2013). Currently, Sri Lanka is not a major destination for Indian labor migrants but UN data estimate 318,700 Indians currently living there (United Nations 2013). A large portion of this population is a descendant of historical migration who continues to stay in Sri Lanka but is of Indian descent.

1d. Other Migrant Destinations

Prior to World War II, migration consisted primarily of indentured labor on plantations or mines in the British colonies (Guyana, Jamaica, Fiji, Malaysia, Singapore, Sri Lanka and Burma). After the war the migration landscape changed, with increased flows to OECD and GCC countries. As of 2001, 14 percent of the Indian diaspora was in North America, 13 percent in Africa, 10 percent in Europe, 6.5 percent in the Caribbean, and 3.3 in Oceania (Naujoks 2009).
Initially, workers to the OECD were usually unskilled and filled a low-wage labor gap in the receiving countries. However, there was a shift in the 1990s with the boom of the software industry, which led to an increased demand in OECD nations for highly skilled migrants as well. Today, flows of high skilled laborers to OECD countries are characterized as permanent rather than temporary migration (UN RCM Working Group 2012; Khadria 2008).

Figure 12 Top Indian Migrant Destinations, 1990-2013

Source: United Nations 2013

2. Government Management of Migration

The first legislative action to manage migration was the Emigration Act of 1983, which defines emigration authorities, registration of recruiting agents, permits for recruitment by employers, emigration clearance, and offenses and penalties. The Indian government’s newfound interest in its diaspora eventually evolved into the establishment of the Ministry of Overseas Indian Affairs (MOIA) in 2004. The MOIA manages all matters relating to Indians abroad, including Persons of Indian Origin (PIO) and Non-Resident Indians (NRIs) (MOIA 2013). PIOs have Indian ancestry but are not formal citizens of India. NRIs are citizens who have temporarily migrated to another country for any purpose for at least six months. MOIA has five divisions–Diaspora Services, Financial Services, Emigration Services, Economic Division and Management Services. Some of its duties include formulation of policies for improving emigration management, proposing legislative changes, implementing emigration reforms (including institutional changes and e-Governance), formulation of welfare schemes for emigrants, and promoting bilateral and multilateral co-operation in international migration (MOIA 2013).

Regarding temporary labor migration, the MOIA grants clearance for migrants, ensures their welfare while abroad, and works to maximize remittance potential. As of 2011, MOIA requires emigration clearance to all low-skilled and semi-skilled migrants (both male and female) moving to any GCC country (MOIA 2013). Clearance permits are not required for “certified nurses, professionals, and persons who have been staying abroad for more than three years” (Naujoks 2009). Additionally, migration to 54 countries, including those in the study area, the United
States, Australia, New Zealand, most European countries, Thailand, and Singapore do not require clearances (MOIA 2013).

3. Mechanics of Remittances

Remittances to India accounted for 3.7 percent of GDP in 2012, totaling US$69 billion (World Bank 2013). This is a significantly larger income flow than FDI or ODA, which were US$24 billion and US$3.2 billion, respectively, in 2012 (World Bank 2012). India is the biggest recipient of remittances in the study area, but its remittances as a percentage of GDP are deceiving, since its GDP dwarfs that of its South Asian neighbors.

Remittances have increased dramatically in recent years, with formal channel remittances growing at an average of nearly 17 percent per year since 2002 (World Bank 2012). Estimates from 2000 were $15.8 billion and rose to $53.8 billion in 2009 (MOIA 2013). In many cases, data on remittances are an underestimate, as many migrants use informal channels, such as hawala, to send money home. (See Appendix B: Informal Transfer Mechanisms and the Hawala System for more information). However, it is believed that these channels do not play a major role for India, as many temporary labor migrants hold “special accounts with Indian banks that have established a presence in the gulf countries” (Naujoks 2009).

Despite the large number of skilled migrant workers abroad, almost half of India’s remittances come from the low and semi-skilled migrants working in GCC countries and in Southeast Asian countries such as Singapore and Malaysia (UN RCM Working Group 2012). GCC remittances, mostly from the UAE and Saudi Arabia, constitute 2.4 percent of GDP. This is due in part to low consumption expenses of unskilled workers in the Gulf since their families do not live with them (Khadria 2008). Figure 13 shows the breakdown of India remittances by country.

Figure 13 Indian Remittances by Country of Origin

![Figure 13 Indian Remittances by Country of Origin](image-url)
C. Nepal

Despite the subregion’s impressive record of economic growth and poverty reduction since the turn of the twenty-first century (Devarajan and Nabi 2006), Nepal has struggled more than any other country in South Asia to develop its economy. With a population of 27 million, Nepal has a per-capita GDP of about US$600, the lowest in the study area (World Bank 2014d). Unemployment is a growing problem, but precise rates are difficult to gauge. While the CIA and the World Bank estimate unemployment at more than 40 percent (CIA 2014a; World Bank 2014d), government data from the 2010-11 Nepal Living Standard Survey (NLSS) suggest that unemployment levels are much lower, approximated at only two percent (S. Sharma and Thapa 2013).

1. Out Migration

The number of Nepali migrants has been steadily increasing over the past two decades, with the largest spike in out migration occurring in the 1990s. In 2006-07, over 214,000 workers left for employment abroad, compared to just over 2,100 in 1994-95 (Shrestha and Bhandari 2007). According to the Nepal Department of Foreign Employment (DoFE), the upward trend has continued as approximately 384,200 individuals left the country for overseas jobs in fiscal year 2012 (E Kantipur 2012). Despite the ever-increasing numbers of migrants leaving the country, the migration outflow in 2010 was limited to only 24 countries, even though more than 109 countries are open for foreign employment (NIDS 2011). In other words, Nepali migrants flock to the same receiving countries, mainly to GCC members and India.

1a. Migrants Demographics

Migration is ubiquitous in Nepal. Nepalis migrate from all three geographic regions of the country: the Mountains, the Hills, and the Terai (Sapkota 2013). Both the poor and rich migrate, but the likelihood of a household having a member working abroad is highest when the household belongs to the middle class, defined as around the fourth quintile in terms of wealth (Sapkota 2013). Economically, households with the least wealth tend to send members to India, whereas India’s attractiveness declines rapidly as wealth increases. For the GCC countries and Malaysia, the relationship is nonlinear: migration increases as wealth goes up, peaking at the fourth wealth quintile before declining at the wealthiest levels (Sapkota 2013). While migrant workers originate from all 75 of Nepal’s districts, regular labor migration is most prevalent in the southern districts that border India. See Appendix C: The Nepali Caste System for more information on migrant origin and the Nepali caste system.

Migration tends to be a male phenomenon in Nepal. Only 6 to 7 percent of migrant workers are female; however, on average, they earn and remit more than men (NIDS 2010). Male Nepali migrant workers tend to be employed in low-skilled sectors, such as manufacturing, construction, and transportation, whereas the majority of female migrants work either as caregivers or housemaids (Baruah and Tuladhar 2012). Approximately 2 percent of Nepali migrant workers are skilled, 23 percent are semi-skilled, and 75 percent are unskilled (Verite 2013). Eighty percent of foreign workers are between 20 and 30 years old and are mostly from poor rural areas. Regarding educational background, an overwhelming proportion of migrant workers have failed their School Leaving Certificate (SLC) or are high school dropouts. Only 20 to 30 percent have passed their SLC and an “insignificant proportion seems to have access to higher education” (G. Gurung 2004). It is important to note that GCC migrants tend to be older than migrants to other...
countries, which is likely caused by stepwise migration. In many cases, migration involves multiple moves, whereby an individual might first move to somewhere relatively nearby their origin, and then move progressively farther away with each subsequent migration (Williams et al. 2010).

1b. Flows to GCC Countries
Nepali migrants have been pulled to the GCC countries ever since the 1970s oil boom in the Persian Gulf. Of the 1.2 million migrants who travel to countries apart from India, 64 percent migrate to the Gulf countries (Jones and Basnett 2013). According to the DoFE, the top destinations for Nepali migrants within the GCC are Qatar, Saudi Arabia, and UAE, which saw approximately 91,000, 86,000, and 53,000 migrants in fiscal year 2012 to 2013, respectively. After those three countries, the number of migrants drops off sharply with Kuwait having received 14,401 migrants in fiscal year 2012 to 2013 (DoFE 2013). Most of this migration is low-skilled and consists of young migrants aged between 25 and 30 years old. Similar to India, the probability of migration to the Gulf peaks at the fourth quintile of wealth (Jones and Basnett 2013).

1c. Migration Within the Study Area
Labor migration from Nepal to Sri Lanka and Bangladesh is relatively insignificant, while India is the main destination. Finding precise numbers for Nepali stocks and flows into India, however, is difficult due to the open border between the two countries. Since the unregulated two-way flow of people across the border continues unabated, many analyses of Nepali migration leave out flows to India and vice versa. Some estimates have put the figure at anywhere between a few hundred thousand to a several million. Censuses conducted in 2001 in both countries and UN data (charted in Figure 14 below) agreed that the number is below 600,000 (Sharma and Thapa 2013; United Nations 2013). Depending on the figures used, some studies suggest that India is the most common destination for Nepalis, accounting for 72 percent of migrants. Of these migrants, 2 million undertake seasonal migration while 867,000 go to India for permanent work, meaning the migrants do not return home (Jones and Basnett 2013).

As previously mentioned, the work destination for migrants varies depending on wealth. Because migrating to India is inexpensive (neither a passport nor an employment permit is necessary, and there is no need to pay manpower agent commission fees), it makes sense that the poorest and least educated opt to migrate there (Sapkota 2013).
1d. Other Migrant Destinations

A small portion of Nepali labor migrants travel to OECD countries, namely the US, UK, and Australia. Other than India and the GCC countries, Malaysia receives the most Nepali migrants. In 2010, there were approximately 362,000 documented Nepali workers living in Malaysia (NIDS 2011). The second largest concentration of Nepali migrant workers in East Asia is in South Korea, which has approximately 3,200 Nepali migrants working under a significantly reformed Employment Permit System (EPS). South Korea is becoming a new hotspot for Nepali migrant workers largely due to the introduction of EPS. Other destinations in Asia include Afghanistan, Pakistan, and Hong Kong (NIDS 2011).
2. Government Management of Migration
The Department of Immigration (DOI) and Immigration Offices (IO), under the auspices of the Ministry of Home Affairs, works to organize and regulate Nepali migration through three legal instruments: Immigration Act, 2049 BS; Immigration Rules, 2051 BS; and Immigration Procedure, 2065. The provisions of these documents address basic immigration questions such as requirements for obtaining visas and other administrative regulations (DOI 2013).

The Foreign Employment Act of 1985 marked the first effort by the Nepali government to formalize labor migration. Since its inception, the Foreign Employment Act has gone through four iterations with the most recent in September 2007. It entails three explicit requirements to work abroad legally. Despite their importance, recruiting agencies frequently evade these rules. First, every migrant must possess all documents provided and approved by the DoFE, the most important of which is a work license. The ability to grant or deny work licenses provides the government with enormous discretionary power, which is evidenced through the widespread practice of unofficially banning Nepalis from working in certain countries, as was the case with Afghanistan until 2012. Second, the act requires strict approval measures meant to align the expectations of migrant workers with those of their employers through contracts that specify wages and detail the nature of employment. Third, Section 22 of the act requires all Nepalis leaving for foreign employment to depart only from Nepali airports (DoFE 2007). In an effort to maximize compliance to these rules, DoFE maintains a website where aspirant migrants can find necessary resources for legal migration. Given the large number of fraudulent recruiting agencies, the government maintains a public list of licensed agencies (DoFE 2013).

In addition to establishing instructions on how to migrate, the Act calls for the Government of Nepal to resolve any problem facing a worker who is employed abroad. The original 1985 Act had placed this responsibility almost exclusively on the recruitment agencies or agents, but the onus has been shifted to the government. In the event of a war, epidemic or natural disaster, the
government is obligated to bring back workers through diplomatic missions or labor attachés (Sijapati and Limbu 2012).

Another provision of the Foreign Employment Act of 2007 allows the government to enter into bilateral employment agreements or treaties with other countries with which it has diplomatic ties. The Government of Nepal has entered into five such bilateral agreements with Bahrain, Qatar, UAE, South Korea, and Japan (Sijapati and Limbu 2012). Migrants are allowed to work in countries where the government does not have bilateral agreements, but the absence of support makes the approval process much longer.

In 1998, the government banned all female migrants from going to the Gulf countries in response to a national uproar, which was sparked by the suicide of a Nepali maid who had been abused in Kuwait (Bajracharya and Sijapati 2012). This ban was partially lifted in 2003, allowing women to work only in occupations other than domestic work. It was lifted completely in 2010. Ironically, the lifting of the ban did little to decrease females from migrating, as they continued using illegal channels (e.g., using India as a transit country) to migrate to the GCC region. Continuing the theme of indecision, the government reinstated the ban in 2012 for women under the age of 30.

3. Mechanics of Remittances

Figure 17 Nepalese Remittances, 1993-2012

![Figure 17 Nepalese Remittances, 1993-2012](chart)

Between 1974 and 1990, formal channel remittances ranged between 1.2 percent and 3.3 percent of GDP. Figure 17 above shows remittances increased sharply to 10.7 percent of GDP in 2002, corresponding with the increase in out migration. Remittances peaked at 21.2 percent of GDP in 2008, decreasing slightly to 18.5 percent of GDP in 2010 (Sapkota 2013), and recovering to an astounding 25 percent of GDP in 2012 (World Bank 2014d). Since 2002, formal channel remittances have grown at an average of over 22 percent per year.
Nepal was the sixth-highest receiver of remittances in the world in terms of share of GDP in 2010 and 2011, and remittance inflows are now the largest contributors to foreign exchange reserves in the country. As a share of GDP, remittances have far outpaced ODA and FDI. Figure 18 depicts the top ten remittance receipts by country.

Figure 18 Nepalese Remittances by Country of Origin

It is believed that the majority of remittances to Nepal are still channeled through informal means, primarily via courier or hand-carry, in-kind remittances, and hawala. Remittances passed from India to Nepal (estimated at 90 percent of total actual remittances) use all three of these methods (Ozaki 2012). Given the potential positive impact of remittances, mobilizing them as capital for the country’s economic development is a priority for the Government of Nepal. The central bank, Nepal Rastra Bank (NRB), issues licenses to private sector organizations for remittance-transfer businesses, also known as money transfer organizations (MTOs) (Ozaki 2012). NRB has arranged to provide a commission of NRs 0.15 (US$0.002) per US dollar to licensed money transfer companies in addition to the prevailing buying rate. MTOs are the most preferred option for receiving remittances in Nepal because of their extensive presence and reliability, and because they require less documentation as compared to a bank (Ozaki 2012).

Nepali banks have developed partnerships with host country banks. For Nepali migrants working in India, there is the Reserve Bank of India’s Indo-Nepal Remittance Facility. This one-way, cross-border remittance scheme allows a remitter to transfer funds of up to 50,000 Indian rupees from any branch that is a part of the National Electronic Funds Transfer (NEFT) system to Nepal. The beneficiary receives funds in Nepalese rupees (Reserve Bank of India 2012). Remitters do not need to have a bank account in India to participate, making this formal option convenient and attractive. Even beneficiaries who reside in areas not serviced by bank branches can benefit from this scheme by arranging for a money transfer company in Nepal to deliver the cash. In Qatar, Nabil Bank, Himalayan Bank, Nepal Bangladesh Bank, and Nepal Investment Bank have partnered with Doha Bank to offer remittance services to Nepali workers (Ozaki 2012).
D. Sri Lanka

Nearly three decades of war in Sri Lanka distorted the economy, hindered development, and reduced the country’s potential growth but its macroeconomic situation greatly improved and the island has become a middle-income country (IMF 2011). In the years after the conflict drew to a close in 2009, Sri Lanka experienced the highest growth rate of any country in South Asia, leading poverty and unemployment rates to fall (World Bank 2014e). With a population of just over 20 million, Sri Lanka’s GDP per capita is US$2,923 (World Bank 2014e). Overall unemployment is at 4 percent as of 2012; it has steadily decreased from approximately 14 percent in the 1980s. Youth unemployment remains higher, at around 14 percent for males and 23 percent for females (World Bank 2014e).

1. Out Migration

There are 1.7 million Sri Lankan migrants working abroad, with approximately 200,000 departing for foreign employment each year. “Sri Lanka has seen a tenfold increase in migrant numbers in the last two decades” (UN RCM Working Group 2012). GCC countries and other countries in Western Asia are major destinations for foreign employment, accounting for 94 percent of Sri Lankan migrant workers (UN RCM Working Group 2012). In addition to temporary labor migration, another important facet of emigration from Sri Lanka is the exodus of the ethnic Tamil community (Arunatilake, Priyanka, and Dushni 2011)

1a. Migrant Demographics

Most labor migrants from Sri Lanka fall in the unskilled category, and the majority are females going to work as housemaids abroad. “In 2010, the skilled labor category accounted for 26.69 percent of all migrants while professionals accounted for 1.12 per cent, middle level workers 2.52 per cent, and clerical workers 2.93 per cent” (MFEPW 2013).

*Figure 19 Sri Lankan Foreign Employment by Skill Level, 2000-2006*

![Migrant Employment by Skills](source: IOM 2009)
The majority of the migrant workers from Sri Lanka are between 25-29 year age group. This trend holds true for all skill levels except for the professional category, where the majority are in the 30-39 year age group (MFEPW 2013). The majority (in absolute terms) of Sri Lankans leaving for foreign employment depart from the Colombo district (in the Western Province). “However, the departures per population reveal that the Eastern Province tends to record the highest numbers leaving for foreign employment” (MFEPW 2013). For more information on regional origin of Sri Lankan migrants, see Appendix D: Subnational Origin of Sri Lankan Migrants.

Up until the early 2000s, the majority of Sri Lankan migrants were females. “However, currently it is more or less equally distributed among the sexes “(MFEPW 2013). The fact that Sri Lankan labor migration has traditionally been more feminized makes it unique in the subregion. “The vast majority of women migrants from the country works as domestic helpers in Western Asia” (UN RCM Working Group 2012). For example, in 2009, 74 percent of Sri Lankan migrants working in Saudi Arabia were female domestic workers; they made up 55 percent of Sri Lankan migrant workers in Kuwait in that same year. The high number of females migrating to Kuwait and Saudi Arabia, where protection of domestic workers is limited, has been an area of concern for the Sri Lankan government (UN RCM Working Group 2012).

Male migration has been steadily rising with recent growth is due to the “increased demand for skilled and unskilled jobs in the construction and manufacturing sections” in countries such as Qatar, Saudi Arabia, and Jordan (MFEPW 2013). This is coupled with the fact that female departures for foreign employment have diminished in recent years due to increased employment opportunities at home and the government’s discouragement of mothers migrating (IOM 2009).

Figure 20 Sri Lankan Migrant Departures by Sex, 1986-2010

![Graph showing departures for foreign employment by sex, 1986-2010](source: SLBFE 2011a; National Center for Migration Statistics)
1b. Flows to GCC Countries
Similar to the rest of the study area, Sri Lankan migrants have been pulled to the GCC countries since the 1970s oil boom. According to the Sri Lankan Bureau of Foreign Employment (SLBFE), as of 2011, the GCC countries absorbed over 84 percent of Sri Lanka’s labor migrants (SLBFE 2011a). Saudi Arabia is the largest receiver of Sri Lankan migrants in the region, receiving over 26 percent of departures for foreign employment, or roughly 70,000 Sri Lankans per year. Most of this migration is low-skilled and overwhelmingly consists of female domestic workers (SLBFE 2011a).

Figure 21 Departures for Foreign Employment from Sri Lanka to GCC Countries, 2007-2011

Source: SLBFE 2011a

1c. Migration within the Study Area
Temporary labor migration from Sri Lanka to other countries in the study areas is rare, with fewer than 100 hundred annual departures for regular foreign employment to India and Bangladesh and none to Nepal from 2007 to 2011 (SLBFE 2011a). However, India is the main host country for Sri Lankan refugees. “The escalation of the conflict in Sri Lanka brought about a wave of emigration after 1983, resulting in a widely dispersed Sri Lankan population. By the 1990s, some 200,000 Tamils had fled to India” (Paus 2005). Today, about half of the 140,000 Sri Lankan refugees still living abroad reside in India (UN RCM Working Group 2012).

1d. Other Migrant Destinations
In light of the conflict, Sri Lankans also fled to OECD countries. “Between 1983 and 1998, more than 450,000 Sri Lankan Tamils sought asylum in Western Europe or North America” (Wayland 2004). Important destinations include France, Germany, the UK, and Canada (UN RCM Working Group 2012). “Over time, the numbers of such people leaving the country for political reasons were joined by those seeking to emigrate for economic reasons as well” (Arunatilake, Priyanka, and Dushni 2011). Considerable numbers of Sri Lankans have increasingly sought permanent migratory status in developed countries such as Canada, the United States, Sweden and Australia, especially following efforts by those countries to attract particular skilled migrants.
(Arunatilake, Priyanka, and Dushni 2011; MFEPW 2013). Between 2000 and 2007, Canada granted 26,400 resident visas, and from 2004 to 2008, the United Kingdom granted 6,670 resident visas to Sri Lankans (MFEPW 2013).

Other Middle Eastern countries (apart from GCC members) also serve as important destinations for Sri Lankan migrants, primarily Jordan and Lebanon. Together, the two countries account for approximately 7 percent of annual departures for foreign employment (SLBFE 2011a). As with the GCC countries, Sri Lankan labor migrants to Jordan and Lebanon are overwhelmingly female and work as domestic housemaids (Agunias 2011; Jureidini and Moukarbel 2004). Other important destinations for labor migration include the Republic of Korea, Maldives, Cyprus, Malaysia and Singapore (UN RCM Working Group 2012).

Figure 22 Top Sri Lankan Migrant Destinations, 1990-2013

2. Government Management of Migration

The Sri Lankan Government has increasingly promoted migration for foreign employment in recent years due to high debt and a chronic trade deficit that have led to a depletion of the country’s foreign exchange reserves (UN RCM Working Group 2012). At the same time, “Sri Lanka is struggling to strike a balance between maximizing the development benefits of migration while protecting migrant workers and their families” (Arunatilake, Priyanka, and Dushni 2011).

The first major legislative act surrounding the governance of labor migration was the SLBFE Act of 1985, which created the Sri Lankan Bureau of Foreign Employment (SLBFE), and is the primary piece of legislation pertaining to Sri Lankan workers abroad (Arunatilake, Priyanka, and Dushni 2011). With this act, the SLBFE was established “to manage the emigration of workers through the licensing of employment agencies, data collection on migrant workers, setting of standards and negotiation of employment contracts and the provision of welfare measures for the
protection of overseas Sri Lankan workers” (Arunatilake, Priyanka, and Dushni 2011).

The SLBFE originally functioned under the Ministry of Labour and is now under the purview of the Ministry of Foreign Employment Promotion and Welfare (MFEPW). The MFEPW was created in 2007 and provides training and career guidance on foreign employment, oversees the welfare of migrants (through the SLBFE), controls the terms and conditions of foreign employment, and regulates fee levying of employment agencies. The MFEPW also oversees the Sri Lanka Foreign Employment Agency (SLFEA) and the Association of Licensed Foreign Employment Agencies (ALFEA). The SLFEA was established in 1996 for directing youth to foreign employment, and it functions with local and foreign employment agencies to secure employment opportunities for Sri Lankan citizens abroad. ALFEA, which was also created with the SLBFE Act of 1985, is a compulsory member organization for all licensed foreign employment agencies in the country. All ALFEA members are subject to supervision by the SLBFE, which monitors its activities. The ALFEA resolves licensee disputes, formulates a code of conduct for licensees, and makes reports to the SLBFE and the Minister on matters relating to recruitment for foreign employment (Arunatilake, Priyanka, and Dushni 2011).

While many functions of the MFEPW and the SLBFE overlap, the former is more geared toward promotion and regulation of foreign employment, while the latter is dedicated to protecting migrants. Its main means of doing so include: maintaining comprehensive databases of migrants, foreign employers, and Sri Lankan recruiters; developing standard contracts and operating 29 training centers that provide pre-departure orientation for migrants; negotiating a Memoranda of Understanding (MOU) with labor-receiving countries; and registering migrants going abroad. The SLBFE also offers special pre-departure training for female domestic workers going abroad for the first time. This training consists of 12 modules, including Arabic language, use of household appliances, traditions and customs of the Gulf States, and counseling on medical issues (SLBFE 2011b).

3. Mechanics of Remittances
According to the Central Bank of Sri Lanka, remittances have been on the rise: US$3.3 billion in 2009, $4.1 billion in 2010, and $5.1 billion USD in 2011 (MFEPW 2013), accounting for 8.9 percent of GDP in 2009 (UN RCM Working Group 2012). Foreign employment is the “dominant sub-economy” of Sri Lanka and has generated substantial remittance inflows (MFEPW 2013). “Remittance inflows have been one of the more stable sources of foreign capital inflows to Sri Lanka” (Arunatilake, Priyanka, and Dushni 2011). Remittances were nearly twice the size of foreign aid received as of 2007 and far exceed FDI inflows (Arunatilake, Priyanka, and Dushni 2011). Although Sri Lanka’s remittance growth is the smallest of the study area countries at 16.6 percent, it is still higher than the 11 percent growth rate for all formal channel remittances worldwide (World Bank 2012).

The majority of remittances come from labor migrants in GCC and other Middle East countries. For example, of the total remittances received in 2009, Rs. 230 billion (US$2.1 billion), or 59.9 percent, came from Sri Lankan migrant workers in that region (UN RCM Working Group 2012). As seen in Figure 23 below, four GCC countries are included in the top ten remittance sources for Sri Lanka.
According to a study of remittance-receiving households in the Kurunegala district, the most popular method for sending remittances is through the banking system. Commercial banks have come to dominate the remittance transfer market “through strong rural outreach, regulatory restrictions on competition and innovative partnership arrangements with money transfer organizations (MTOs) and exchange agents in the Middle East” (Shaw 2008). Ten percent of the respondents in the aforementioned case study used informal methods for transferring funds, including through local businesses in Gulf States and informal couriers, most of whom were undocumented migrants (Shaw 2008).

By looking at each study area country’s preferences for remittance mechanisms, government management of migration and destination countries, certain trends emerge. The following section synthesizes these differences and draws attention to the most important similarities.
E. Summary of Country Profiles
Despite the proximity of study area countries, the demographic makeup of migrants, preferences on where to migrate, and how their governments interact with migrants varies. This section compares and contrasts the study area countries with key summarized in Table 2 below.

Table 2 Summary of Study Area Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Bangladesh</th>
<th>India</th>
<th>Nepal</th>
<th>Sri Lanka</th>
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<tr>
<td>Population (2012)</td>
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<td>1,236.7 M</td>
<td>27.5 M</td>
<td>20.3 M</td>
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<td>Per Capita GDP</td>
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<td>$1,503</td>
<td>$690</td>
<td>$2,923</td>
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<td>(Constant 2005 US$, 2012)</td>
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<tr>
<td>Total Formal Remittances (Millions of Current US$, 2012)</td>
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<td>$68,821</td>
<td>$4,793</td>
<td>$6,000</td>
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<td>Formal Remittances Percent GDP (2012)</td>
<td>12.1%</td>
<td>3.7%</td>
<td>25.3%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Unskilled Migrants (%)</td>
<td>51.9% (all)</td>
<td>70.0% (GCC)</td>
<td>75% (all)</td>
<td>64.4%4</td>
</tr>
<tr>
<td>Stocks (2013)</td>
<td>India</td>
<td>UAE</td>
<td>India</td>
<td>India</td>
</tr>
<tr>
<td>Top Remittance Source (2012)</td>
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<td>Qatar</td>
<td>Saudi Arabia</td>
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<td>Female Migrants to GCC and Study Area (%):</td>
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<td>Unknown6</td>
<td>1.1% (2010)</td>
<td>48.3% (2011)</td>
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<td>Flows5</td>
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<td></td>
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<tr>
<td>Stocks (2013)</td>
<td>31.5%</td>
<td>29.4%</td>
<td>50.3%</td>
<td>42.2%</td>
</tr>
</tbody>
</table>


1. Migrant Demographics
Most migrants from the study area are young (primarily in their 20s), lower skilled, and male—with the exception of Sri Lanka, which has seen predominantly female labor migration until recent years. Female migration is also on the rise in India. In Bangladesh and Nepal, however, female migration is rare and was at one point banned by both countries to protect their citizens from abuses abroad. Despite the prevalence of low-skilled migration to the GCC countries, studies have found that labor migrants from the study area continue to flock to the region to fill

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4 Includes housemaids (43%) and unskilled labor (21.4%)
5 Flow data are to GCC countries, as flow data within the study area is not available. Migrant stock data are for both the study area and the GCC countries.
6 India currently does not track migrant flow data by gender.
the same positions, regardless of educational attainment. In other words, migrants with higher levels of education are willing to work in unskilled positions.

2. Flows to GCC Countries
Labor migrants from the study area have been drawn to the Gulf region since the 1970s oil boom, and the GCC countries are now the most common destination for low skilled temporary labor migrants from South Asia. There are over 6.8 million migrant workers from India in the region, more than any other country in the study area (United Nations 2013). Bangladesh, Sri Lanka, and Nepal all send significant portions of their labor migrants to the GCC countries, with Sri Lanka sending the most at 84 percent (SLBFE 2011a).

Of the GCC countries, UAE and Saudi Arabia are the two most common destinations, as shown in Figure 24. The two countries are the top labor migration destinations for Bangladesh, India, and Sri Lanka. While the UAE and Saudi Arabia are major destinations for Nepali migrants as well, recent employment opportunities in preparation for the 2022 FIFA World Cup have shifted Qatar to the primary GCC destination for Nepal.

Figure 24 Study Area Migrant Stocks Within the GCC Countries

3. Migration within the Study Area
Migration within the study area is most significant for Nepal and Bangladesh. India is the top destination for temporary labor migrants from these countries as well as the primary source of remittances. On the other hand, migration within the study area is relatively insignificant for Sri Lanka and India. Migrant stocks from these two countries are primarily due to historical migration or refugee populations as opposed to temporary labor migration. As Figure 25 depicts, total migrant stock from the study area has declined. Since the overall amount of migration has increased, such a decline indicates that other destinations have become popular.
4. Government Management of Migration

Study area governments have supported international labor migration as a way to fill gaps in their domestic economies, including through skills training for aspirant and returning migrants. They have carried out reforms aimed at increasing foreign employment and remittances, mainly through the creation of government agencies dedicated to labor migration. Other measures include special cooperation with national banks that help migrants open savings accounts and transfer funds from abroad.

Each of the countries has also enacted regulations to ensure the welfare of migrants while they are abroad, including through government oversight of recruiting agencies and labor contracts. Study area governments have taken special care to protect labor migrants specifically in GCC countries. As mentioned, both Bangladesh and Nepal banned females from migrating for a period of time because of the abuse and exploitation of domestic workers in the Gulf region. India requires pre-clearance for all low and semi-skilled labors departing to the GCC and Sri Lanka has a special training program for women seeking employment as housemaids for the first time.

The overall approach to migration management, therefore, is two-fold: to maximize remittances and protect migrants. It remains to be seen to what extent these measures are aimed at ensuring migrant welfare or channeling their remittances.

5. Mechanics of Remittances

The study area countries’ dependence on remittances as measured by percent of GDP varies from less than four percent for India, to over 25 percent for Nepal (World Bank 2012). In all four countries, formal channel remittance inflows are significantly larger than inflows from FDI, ODA, and official aid, both in total value and as a percent of GDP (World Bank 2012). From...
2003 to 2012, the average annual growth rate for formal channel remittances in each country is higher than the annual average for all remittances received around the world. For every country in the study area, the actual total amount of remittances and percentage of GDP is likely higher than the official numbers due to informal remittance flows.

The figures below show remittance flows to migrant-sending countries (study area) in dollar amounts by host country.

*Figure 26 Total Formal Remittances Received in Study Area by Country Origin, 2012*

*Figure 27 Total Formal Remittances Received in Study Area from GCC Countries, 2012*
Although the UAE is the largest source of remittances for the study area overall, at almost 18 percent of total remittances received, remittances receipts by individual study country vary widely, from over 22 percent in India to zero in Nepal. Only two of the top ten remittance sending countries (migrant receiving countries) are shared by all four of the study area countries: Saudi Arabia (almost 12 percent for the study area, between two and 20 percent for individual countries) and the United Kingdom (over 6 percent for the study area, between 4 and 6 percent for individual countries). Expanding to the top 20 remittance sources, common countries include the United States, Canada, Australia, Italy, and Germany. Additionally, India is a major formal remittance source for Bangladesh, Nepal, and Sri Lanka, making up approximately 50 percent, 35 percent, and 6 percent of total formal remittances, respectively. India accounts for over nine percent of total formal remittances for the study area as a whole.

Notable differences among the study area countries include the prevalence of remittances from India and Qatar in Nepal’s total formal remittances, and the much lower levels of remittances from the UAE, Kuwait, and Saudi Arabia. Zero formal remittances have been recorded from Bangladesh to Nepal and Sri Lanka, and they only comprise 6 percent of formal remittances to India.
Finally, other differences to note are the costs of remitting between different GCC countries and different study area countries, as shown in Figure 30 below.

**6. Common Factors of Migration**
Reasons for labor migration within the study area and to GCC countries are similar for the four countries; in all cases, there are both “push” and “pull” factors at play.

**6a. Push Factors**
The primary push factors that spur labor migration from the study area are high rates of poverty and unemployment. In addition, these countries have experienced significant population growth.
in recent years, thereby creating a surplus of labor in the market and a propensity for sustained unemployment. Unemployment acts as a major catalyst for labor migration to India or the GCC region. At times, urban areas in India act as the initial destination for labor migrants in the study area but are still without sufficient employment opportunities. Low wages and lack of opportunity causes migrant workers to leave urban areas and move abroad (Kulkarni 2013).

In addition, study area governments also promote international migration. This is evident in India and Nepal with their open border policy and in Sri Lanka and Bangladesh with newly created government agencies that train labor migrants.

6b. Pull Factors
Pull factors that draw labor migrants to the GCC region consist of employment opportunities and higher wages. The oil price boom in the 1970s resulted in substantial investment programs by GCC countries, thereby increasing demand for unskilled labor. Though other employment opportunities also exist (such as a need for doctors in Oman), migrants from the study area primarily fill unskilled laborer roles, which are attractive due to higher wages. Figure 31 shows minimum wages in the study area and GCC countries. Since GCC country governments do not require paying migrants the national minimum wage, we also include estimated average wages for these workers. In many cases, labor migrants can earn more than double or even triple what they would earn at home.
Lastly, chain migration significantly influences regional migration patterns. Because large amounts of labor migrants from the study area have been traveling to GCC countries since the 1970s, it has become a common option for the unemployed and unskilled.

Overall, this is a classic case of economic migration. In other words, the reason migrants choose to leave is dominated by a singular objective: to better their own lives and those of their families. For this reason, it is unsurprising that the largest impact of mass migration is economic.

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7 Source for domestic minimum wage for Bangladesh (World Minimum Wage Resource 2014a), Delhi (Wage Indicator Foundation 2011), Kerala (Paycheck India 2011), Nepal (World Minimum Wage Resource 2014b), Sri Lanka (Salary LK 2014)
8 Source for domestic minimum wage in all GCC countries (US DOS 2013a)
9 Kuwait’s domestic minimum wage applies only to private sector, UAE does not have a national minimum wage but this is the average wage for a domestic construction worker, Bahrain’s only official minimum wage is set for public sector workers and is $810/month. This figure of $405 used here is the minimum wage “guideline” for all sectors.
10 Source for average wages for migrants for Oman (Himalayan Times 2013), Qatar (Wharton School 2014), Kuwait (Shah 2006), Saudi Arabia (Bhuyan 2008), UAE (Surk 2008, 200), Bahrain (Bhuyan 2008)
11 Oman’s average wage for migrants comes from an estimate specifically for Nepali workers, Kuwait’s is for housemaids and service sector employees, Saudi Arabia’s is for housemaids from India, and Bahrain’s for unskilled laborers from India.
II. Economic Impacts of Mass Migration

Classical migration theorists have argued that who migrates is dependent on age, sex, and other socio-economic characteristics at the individual level (Ravenstein 1885; Lee 1966; Zelinsky, Cadwallader, and Woods 1993). While these characteristics are clearly important for determining who is leaving from the study area, they do not explain why they are leaving. For South Asian countries, migration fits better into the frameworks offered by neo-classical economic theorists, who believe that labor migration is a rational choice made by individuals based on the demand of labor and wage differentials between the origin and destination (Y. B. Gurung 2008).

Labor migration can have a variety of economic effects on both the macro and microeconomic level. In this section we examine the economic impacts of mass migration from the study area to Gulf countries vis-à-vis remittance flows.

A. Macroeconomic Effects: Remittances and Development

Remittances are a central aspect of temporary labor migration in the study area and in South Asia as a whole. “Evidence from Asia and the Pacific indicates that remittances in the region are relatively stable sources of external finance, compared with exports and non-FDI private capital inflows” (UNDP 2011). As shown in Figure 32, these large remittance flows constitute a significant and growing portion of GDP in the study area countries.

![Figure 32 Remittances Received in Study Area as a Percent of GDP, 1976-2012](image)

While worldwide remittances to developing countries declined for the first time since the 1980s in 2009, the global financial crisis of 2008 had a very limited impact on remittance flows to South Asia (UNDP 2011). In fact, remittance receipts in Bangladesh, Nepal, and Sri Lanka actually increased in 2009 compared to the previous year and continued to increase in 2010. This is due in part to the majority of remittances coming from GCC countries, which were “only slightly affected by the global financial crisis” (UN RCM Working Group 2012). Indeed, “the degree of resilience to the crisis is dependent on the source countries that the migrants are
sending money from” (UNDP 2011). South Asian remittances did not significantly decrease, but Latin American and Caribbean remittances, which come predominantly from migrants in the United States, were severely reduced (UNDP 2011).

Additionally, remittances serve as a primary source of foreign income, especially compared to FDI, ODA, or exports, as seen in Figure 33. In 2009, remittances were higher than all FDI inflows for all countries in the study area and remittances overshadowed ODA flows in all of South Asia (UN RCM Working Group 2012). In Nepal, remittances also exceed exports. “In 2010, remittances were almost twice as high as the country’s export revenues” (UN RCM Working Group 2012).

Figure 33 Aid, FDI, and Remittance Inflows as a Percent of GDP

![Figure 33 Aid, FDI, and Remittance Inflows as a Percent of GDP](source: World Bank 2012)

The fact that remittance inflows have been on the rise and far outpace other sources of foreign exchange is indicative of an increasing dependence on remittances among the study countries.

On a macro level in Sri Lanka, Nepal, and Bangladesh, remittances have fueled GDP growth, financed trade deficits, and increased the investment rate (Arunatilake, Priyanka, and Dushni 2011; Adhikari 2011; Raihan and Al-Helal Uddin 2011). In Sri Lanka, for example, migrant remittances in 2010 contributed to 27 percent of total current receipts in the balance of payments (BOP) (MFEPW 2013). From 2005-2010, remittances accounted for 27 percent of total investment, up from 20 percent in the early 1990s (MFEPW 2013). In Bangladesh, remittances as a percent of exports jumped from approximately 29 percent in 2000-01 to 42 percent in 2001-02; as of 2006-07, remittances are over 29 percent of exports. In the same time period, remittance inflows have generally compensated for a deficit; in 2006-07, the BOP deficit was at 5.6 million USD and remittances at approximately 6 million (Raihan and Al-Helal Uddin 2011). In Nepal, the growth in remittances has compensated for a decline in agricultural production (Adhikari 2011). With respect to GDP growth, a 2012 study of remittances in South Asian countries from 1970 to 2008 found that each 1 percent increase in migrant remittances (as a
percent of GDP) is associated with up to a 0.02 percent increase in the economic growth rate (measured as aggregate economic output per capita) (Cooray 2012).

Because of the size of India compared to other study area countries, remittances have had significantly less of an impact on the economy as a whole. However, the state of Kerala attracted global attention in the 1970s as it experienced a shift in socio-economic conditions due to mass migration (Azeez and Begum 2009). Kerala received $2.9 billion in remittances from the Gulf region from 1999 to 2004 alone. According to one study, “remittances from gulf countries contribute 22 percent of state income” (Azeez and Begum 2009). Governments and citizens use these funds for essential aspects of development, on both the micro and macro levels. For example, in 1991, India faced a “serious balance of payments crisis” (Khadria 2008). When foreign exchange reserves fell, migrants in developed countries withdrew funds from Indian banks, requiring “immediate action for India to avoid defaulting on its international obligations or a collapse of its economy for want of critical imports” (Khadria 2010). The growing remittances from Indian workers in GCC are cited as the main contributor to India’s successful mitigation of this issue (Khadria 2010).

Not all macroeconomic impacts are positive, however. Research has shown high levels of remittances may reduce governments’ incentives for maintaining fiscal discipline and political will for policy reform by posing a moral hazard (UN RCM 2012). Remittances may also have Dutch-disease effects, whereby the influx of foreign exchange in the form of workers’ remittances appreciates the real exchange rate and decreases the international competitiveness of the domestic economy. Empirical evidence has pointed to this phenomenon in Bangladesh (Chowdhury and Rabbi 2014) and Nepal (Sapkota 2013). Lastly, despite several sources that confirm the growth power of remittances, other research negates the positive effects of remittances on economic growth. Despite such findings, a reduction in remittances would have a severe negative effect on highly remittance-dependent countries (such as Bangladesh, Nepal, and Sri Lanka). “Research indicates that a slowdown or drop in remittances would likely increase the volatility of GDP output of the country and have adverse effects on its overall welfare” (UN RCM Working Group 2012).

B. Microeconomic Effects: Remittances, Consumption, and Wages

At the microeconomic level, remittances have reduced levels of poverty and raised standards of living through consumption and investment in human capital. This includes covering food and housing costs, paying for children’s education, and meeting health needs. Payment of loans is another major use of remittances (Adhikari 2011).

In Sri Lanka, between 6.5 and 11 percent of households receive remittances from abroad, accounting for roughly 37 percent of the average household’s income (Arunatilake, Priyanka, and Dushni 2011; MFEPW 2013). On average, migrant households spend more annually and receive a higher level of income from properties, financial and physical assets, and receive income from a higher number of sources (i.e., have more diversified income sources). This shows that “at least, economically and on average, migrant households are better off compared to non-migrant households” (Arunatilake, Priyanka, and Dushni 2011). The same holds true for Bangladesh, where remittance-recipient households spend much more on food, education, healthcare, housing, and durables than households that do not receive remittances (Raihan and
Furthermore, remittances have reduced the poverty headcount ratio significantly by 6 percent in Bangladesh (UNDP 2011). In Nepal too, remittances have contributed to a decline in poverty. The poverty level decreased from approximately 42 percent to 31 percent from 1995-96 to 2003-04, mainly due to remittances. During that time, the number of households receiving remittances increased from 23.4 to 31 percent. As of 2008-09, foreign remittances contributed to 24.3 percent of total yearly income of all households. Various research has indicated that migrant remittances help meet food deficits at the household level, complementing the number of months that the local farm economy is able to meet food requirements. This is particularly true for seasonal and temporary migration to India (UNDP 2011).

In the case of India, it is again the southern state of Kerala that has been most impacted by remittances on the micro level. “Inflows of remittances from emigrants have had a significant effect on poverty alleviation in Kerala” (Rajan 2011). In 2007, poverty had declined by approximately 12 percent, with the overall percentage of poor decreasing 3.1 percentage points due to inflow of remittances from migrants abroad (Rajan 2011). Kerala has also seen a dramatic evolution of the housing market due to remittances from the GCC area (Azeez and Begum 2009).

Mass migration has other effects on the domestic economy, independent of remittances. Neoclassical microeconomic theory indicates that when a large portion of the workforce leaves, wages rise. In Kerala, wages have increased to the highest in India due to shortage of unskilled and semi-skilled workers (Khadria 2008). In Sri Lanka, shortages of construction sector workers due to migration for foreign employment, coupled with continued domestic demand for these workers, has resulted in higher daily wages for carpenters and masons. In 2011, wages increased by 11.9 and 10.3 percent, respectively, up from 6.7 and 6.9 percent increases in 2010 (MFEPW 2013). It would naturally follow that if domestic wages continue to rise, that international labor migration will fall, but this response is far off due the current dependence on remittances and weakness of domestic economies.

In conclusion, there have been mostly positive economic impacts from mass migration, both macro and micro, due to receipt of remittances. However, the high dependence on remittances puts the study area in a precarious position, as there are several stability concerns regarding these remittance flows.

### III. Stability Concerns

Due to the reliance of study area countries on remittances from labor migrants, potential deterrents to migration flows pose a threat to stability in the region. These potential threats include the volatility of labor demand in the Gulf, border security, and the vulnerability of migrant workers to abuses and human rights violations.

#### A. Volatility of Labor Demand in GCC Countries

As previously stated, the study area economies rely on remittances as a major source of foreign income. While remittances present beneficial opportunities when demand for labor in GCC countries is high, the study area countries’ increasing dependency on remittances leaves them vulnerable to labor demand shocks. Although remittances received by the study area have
recently increased, forecasting future remittance streams is difficult, as the demand for labor in GCC countries has not steadily increased over time.

The history of labor demand in GCC is somewhat tumultuous. The initial oil boom sparked a major increase in unskilled labor migrants entering the region. Only a few years later, GCC countries implemented policies restricting labor in-migration due to growing unemployment in the national population, causing a sudden decrease in entering migrants. After another surge in subsequent years, labor migration fell in 1991 due to the Gulf War and many migrants working in the region were evacuated (Khadria 2008). After another rise and fall due to fluctuations in the global economy, migration from the study area to GCC countries is once again rising.

This brief history elucidates an important characteristic of GCC demand for foreign labor, mainly that demand for labor is derived from domestic employment rates and the economic stability of the GCC region itself. If demand for foreign labor were to dry up and subsequent policies to restrict migration were enacted, there is little that could be done to preserve remittances, and a significant source of foreign income for the study area countries would disappear. Since study area countries already experience a surplus in their labor markets, there would be a surge of unskilled laborers and unemployment would rise in home countries, as migrants would be unable to travel abroad. These laborers would put stress on the region and have no choice but to look for work either in India, or in other popular destinations for unskilled labor migrants, namely Malaysia and Singapore. Assessing the effects of a sudden increase in migration to Malaysia and Singapore is outside the scope of this report, but would obviously come with challenges for the study area. Despite the outcome, a sudden influx of unemployed workers in the home countries paired with a substantial reduction in foreign income could cause dramatic instability within the study region.

**B. International Security**

Another stability concern is the international security environment of the region. Presently, the largest concerns are India’s border protection policies. Due to an increasing number of terror attacks, India is making concerted efforts to secure its borders. The majority of terror attacks on India have been carried out by the Indian Mujahideen (IM), which is considered the biggest internal security threat to India (IDSA 2014). There are reports indicating that the IM has developed links with “larger terror outfits such as Lashkar-e-Taiba (LeT), Inter-Services Intelligence, and other insurgent groups” (IDSA 2014). These developments affect labor migration because the IM receives substantial support, in the form of money and weapons, from constituencies in Pakistan, Nepal, Bangladesh, Saudi Arabia and the UAE. The next two sections describe the two borders with the largest potential to affect labor migration.

**1. Indo-Nepal Border and Bilateral Relations**

The open border between Nepal and India is mutually beneficial for both countries. The unrestricted flow of people over the years has resulted in the dissemination of ideas, culture, and settlements of people in each other’s territory, which has strengthened bilateral social and cultural relations (Das 2013). Furthermore, the border bolsters both economies through trade and employment. The openness and ease of traversing this border, however, leaves it vulnerable to exploitation by terrorists and criminals. While the border remains open at the moment, a number of recent developments suggest that it may not be as open in the future.
Recent success of counter-terrorism measures is evidence that Nepal and India are very serious about tightening their shared border. In 2013, the National Investigation Agency in India, along with various security establishments, arrested over a dozen terrorists (Das 2013). Two high profile terrorists, Adul Karim Tunda and Mohammed Ahmed Sidibappa, were among them. The exact location of where they were taken into custody, however, is debated. India maintains that Tunda was arrested at the Banbasa-Mahendernagar border point, whereas media reports state that he was arrested at the Kathmandu Airport. Regardless, it is undeniable that terrorist and criminal groups are increasingly using Nepal as a base because the border with India allows them to enter and exit India with ease (Das 2013).

Before last year, India had sought Nepal’s help to more closely monitor the border through several bilateral mechanisms, but never succeeded, even though Nepal had critical support from Saudi Arabia and UAE. The effectiveness of recent coordinated counter-terrorism measures, however, has shown Nepal that its actions are crucial for international security. Nepal demonstrated this new understanding on August 30, 2013 when the Ministry of Home Affairs prepared and began enforcing the Cross-Border Crime Control Action Plan. This plan identifies 17 types of crimes existing on its border with India and commits the Nepali government to maintaining records of criminal groups active in the border area through coordination among all security bodies (Xinhua 2013).

In conjunction with these bilateral, coordinated counter-terrorist measures, unilateral actions on India’s part have also affected the openness of the Indo-Nepal border. The Sashastra Seema Bal (SSB), one of the central armed police forces that guards India’s border areas, has been greatly augmented. The SSB has been granted search, arrest, and seizure powers under the Criminal Procedure Code and the Passport Act (Das 2013). Also, the SSB has installed surveillance cameras to mitigate crime along the border. In particular, the Indian government has been occupied with intercepting fake Indian currency notes, which are frequently found at the Indo-Nepal border (Tiwary 2014). Contraband worth Rs. 10153 lakh (US$16.7 million) (Bloomberg 2014) was confiscated in 2013 (IDSA 2014). These illegally traded goods included medicines and narcotics, arms and ammunition, forest products, and fake Indian currency notes. In the same period, the agency also rescued over 70 children from being trafficked (Gaikwad 2013).

At face value, these tightened regulations are a step in the right direction for Indo-Nepal border security. On the other hand, more stringent border security has negatively affected the lives of citizens from both countries. Despite claims by SSB Inspector General Aditya Mishra that these crackdowns should not impact those living near the border, security checkpoints focused on preventing smaller smuggling are resulting in harmful economic side effects. Towns such as Khalwa Sirisiathat, a small hamlet in Nepal, and Raxaul, an Indian border town, have experienced large business losses (Gaikwad 2013). Such economic losses are by no means crippling to either country as a whole, since crackdowns only affect towns along the border, but further reform could potentially constrict vital trade activity.

In addition to proactive border security measures, India has conducted large-scale raids of hawaladars in the past when informal traders were suspected of illegal activities. Although these raids may hamper possible terrorism-related activities, they disrupt the hawala system and turn
migrants away from using it as a means to send money back home. While the preservation of the *hawala* system is not relevant to Bangladesh or Sri Lanka, Nepal’s economy depends heavily on it. This balance between the livelihood of the poor and international security requires attention (Miklian 2009).

Nepalis living and working near the border have also complained about harassment by SSB officers. Ethnically-charged remarks victimize the Madhesi people of Kahlwa Sirisia and other border villages. Nepalis are often accused by the SSB of being Maoists, an inflammatory term on both sides of the border. For Nepal, Maoism resonates negatively with the remnant feelings left over from the civil conflict, whereas for India, hatred towards Maoists stems from continued violence by Naxalists, the generic term for Communist guerilla groups in India. While the region is not politically unstable, tensions at the border could become problematic if the SSB is granted even more power by the Indian government.

2. *Indo-Bangladeshi Border and Bilateral Relations*  
India has taken much more drastic action to ensure that its border with Bangladesh is insulated from illegal immigrants and terrorist infiltration. The Indo-Bangladesh Border Fencing Project was initiated in 1989 and combines fencing off the entire border with barbed wire and floodlights, and monitoring by the Indian Border Security Force (BSF) (Shamshad 2008). Despite many setbacks to putting up the 2,116 mile-long physical barrier, India remains fully committed and projects that it may be completed in 2014 (Das 2012).

Greater BSF presence at the Indo-Bangladesh border is regarded as necessary since smuggling of contraband such as cattle, drugs, and narcotics increased between 2012 and 2013 as in the case of Nepal. Contraband worth Rs. 16234 lakh (US$27 million) was confiscated in 2013 compared to Rs. 10329 lakh (US$17.2 million) in 2012 (Bloomberg 2014; IDSA 2014). Keeping this in mind, it would make sense if India were to devote more resources to stopping these illegal channels, but the potential effects on cross-border migration are uncertain. Some believe that no amount of barbed wires, fences, and BSF officials can stop the flow of irregular migrants if there is work to be had in India (Shamshad 2008). An alternative view is that the fence is a powerful Indian symbol of protection from Islamic aggression, which if true, could have consequences for irregular migrants from Bangladesh (Pocha 2004).

The killing of Bangladeshis near the border is another topic with the potential to stir tensions. India’s border policy allows BSF personnel to use “all means necessary” and to “shoot on site” suspected smugglers that evade arrest. The laws forbid causing the death of a person who is not accused of an offense punishable by death or a life term, but atrocities have nonetheless been committed (Ganguly and Alffram 2010). Although this emotionally-charged issue was alleviated somewhat in 2011 when the BSF agreed to use non-lethal weapons while confronting suspected illegal migrants or smugglers, deaths at the border still occur, albeit less frequently.

The implementation of tighter security protocols at both of these borders has the potential to create unrest among citizens, strain bilateral relations, and, in turn, affect the ease of migration. Given Nepal and Bangladesh’s dependence on India for remittances, trade, and use as a transit country, India’s border policies are closely tied to each country’s economic wellbeing.
Furthermore, the capture of more than a dozen terrorists in 2013, along with the confiscation of contraband, imply that border security is unlikely to lessen any time soon.

C. Vulnerability and Human Right Violations Stemming from Migration

The treatment of temporary labor migrants in GCC countries presents another stability concern. Aspirant migrants experience significant challenges and abuse starting with the initial recruitment stage (Asia Foundation 2013). Recruitment agencies in the home countries lure laborers with promises of higher wages abroad and then subject potential migrants to significant fees before traveling. A recent study showed Bangladeshi workers paying around $2700 to migrate to the Gulf, immediately putting them in debt for a year and a half (based on average domestic wages) (Khalaf 2013). These high fees are often prohibitive for many already desperate, unemployed workers who subsequently choose to migrate to GCC countries through irregular channels. In addition to high fees, the surplus of labor and high unemployment rates in the study area have caused the development of a lucrative, criminal market for bringing irregular foreign workers to the Gulf (Ezeilo 2012).

There are several forms of irregular (illegal, unofficial, or undocumented) migration from the study area to the Gulf. Laborers are sometimes smuggled into the destination country by an employer or “middleman” or they are trafficked (sold into the labor market). The main victim of trafficking in GCC countries are women from the study area countries who are brought in by “recruitment agents in the guise of domestic helpers and then used as prostitutes” (Shah 2009). In addition to the “sex trade,” trafficking of child laborers is also common (Ezeilo 2012). The US State Department blacklisted all six Gulf countries due to human trafficking in 2008 (Economic Times 2008; Shah 2009). According to the latest State Department Trafficking in Persons Report, Saudi Arabia and Kuwait are still classified as Tier 3 countries, meaning that their governments do not fully comply with the minimum standards necessary to mitigate human trafficking. Oman, Qatar, and UAE have slightly improved efforts, and have thus moved to Tier 2, while Bahrain is on the Tier 2 Watch List. All of the countries in the study area are classified as Tier 2, save for Sri Lanka, which is also on the Tier 2 Watch List (US DOS 2013b).

Although trafficking and smuggling of migrants are major problems, most migrants who are considered “irregular” actually enter the Gulf legally but then overstay the duration of their work permits (Shah 2009). GCC countries have strict regulations in regard to irregular migrants and will arrest, fine or deport depending on the circumstance (i.e., means of travel by which they arrived in the destination country). There are estimates that Gulf countries deported 81,000 Indians alone in 2007 (Shah 2009).

Whether their presence is irregular or not, problems in GCC countries persist for labor migrants after their arrival. For example, a study of Nepali migrants showed that although many regular (documented) migrants are told they will be picked up upon their arrival at the airport, about half are not received, highlighting a discrepancy between recruitment agencies’ information and employer obligations. These migrants are stranded at the airport for days, unable to communicate due to language barriers and are left without food or water (Asia Foundation 2013).

Difficulties worsen when looking to actual work conditions. The majority of migrants end up working more hours than they originally agree to, especially female domestic workers, who often
work 15 to 18 hours a day. In most instances, employers do not compensate for overtime (Asia Foundation 2013). In addition to long hours, working conditions tend to be unsafe, particularly in the construction sector. Some employers “delay or don’t pay wages on time, physically abuse workers, retain passports to restrict labour mobility” (Kumar 2012). After working long hours in dangerous conditions, migrants return to their employer-provided accommodations, which are often characterized by cramped and unsanitary conditions. Migrant women are particularly vulnerable in GCC countries. Working as housemaids, they are at times confined to their employer’s home all hours of the day, thereby making them vulnerable to sexual and physical abuse (Jarallah 2009). Workers are dissuaded from striking or any other means of retaliation against these obvious offenses as destination countries have been known to deport “instigators” back to their home country immediately (Shah 2009). For many migrants, the situation in the Gulf is so dire that suicide becomes their only option. Unfortunately, the number of victims is on the rise in all GCC countries and, as one source mentions, “not a day goes by in these countries without a suicide story being reported by media outlets” (Khalaf 2013).

Qatar is currently receiving international attention on these issues. The awarding of the 2022 FIFA World Cup to Qatar has spurred countless infrastructure projects to transform Doha from a capital city into a regional and global hub. These projects are estimated at US$4 billion and are likely to dictate the migratory landscape of South Asia leading up to the soccer tournament. The human rights abuses in Qatar are a humanitarian issue with the most potential to affect bilateral and multilateral relations of South Asian sending countries with receiving countries (Amnesty International 2013). Migrants working in Qatar have their pay withheld for months and are sometimes not paid at all, have their passports confiscated and are prevented from leaving the country, and are often housed in squalid accommodations (Amnesty International 2013). South Asian governments have yet to intervene; however, future reactions to these abuses may impact migration policies in the sending countries vis-à-vis Qatar as well as Qatari politics.

Irregular migration, poor working conditions, and human rights violations occurring in the GCC countries could have stability implications for the study area for three main reasons. First, irregular migration is even more challenging to track, particularly in the cases of smuggling and human trafficking. In addition, information on the number of migrants deported back home is not currently a part of the routine management of migrants (Shah 2009). The inability for home governments to keep tabs on migrants greatly diminishes their ability to protect them and contributes to the continuation of abuses abroad. If these patterns worsen, fewer migrants may be willing to journey to GCC countries, causing a greater amount of unemployed laborers to stay in the home country. Finally, human rights violations and increased transparency on the global level can hurt bilateral relationships between study area countries and the Gulf, the effects of which could be dire for economies on both sides.

IV. Policy Implications and Recommendations

We have explored the various characteristics of mass migration within and from the study countries of Bangladesh, India, Nepal and Sri Lanka. As discussed above, push factors (mainly, poverty and unemployment at home) have combined with pull factors (higher wages and greater employment opportunities abroad) to promote unprecedented levels of economic migration both within South Asia and to GCC countries. The impacts of these persistent migratory flows present
several areas of concern regarding the stability of the region and therefore warrant further research and potential policy interventions by the home country governments.

A. Reliance on Remittances
In each of the countries within the study area, remittances overshadow both FDI and foreign aid. The high level of dependence on remittances is not a problem, per se; remittances have the potential to alleviate poverty and make up for the highly cyclical nature of FDI, as seen with the 2008 global financial crisis. However, the situation of remittances in the study area (particularly in Sri Lanka, Nepal and Bangladesh) is unique. The majority of remittances come from temporary labor migrants, and the bulk of those remittances come from the GCC countries.

As previously mentioned, labor demand in the GCC region has fluctuated since the initial oil boom, but the flow of migrants has not declined and remittances continue to grow. Should the Gulf countries experience a significant economic shock so as to eliminate the need for unskilled labor migrants, the resulting sudden and drastic reduction in remittances would have an extremely detrimental effect. Such a scenario would pose a threat both to the countries as whole, whose governments have used remittance flows to finance balance of payments deficits, and to the households that rely on remittances from abroad to meet basic needs.

As is the case with many problems facing developing countries, the best way to mitigate this issue is by strengthening the domestic economy. In the meantime, it is necessary to monitor the situation of the labor market in GCC countries and for study country governments to encourage the use of remittances for investment as well as consumption.

B. Security Issues
India’s increasingly stringent border protection policies have the potential to decrease labor migration flows out of Nepal and Bangladesh, thus depriving those two countries of much needed remittances. Therefore, the Office of South Asia Analysis should closely monitor the Indian Ministry of Home Affairs for changes in border policies, particularly those that call for more increased vigilance by security forces. Further empowerment of the SSB or the BSF could become problematic for Nepal and Bangladesh if either group continues discriminating or using unnecessary force against citizens along the borders. At the Indo-Nepal border, the Office of South Asia Analysis should take note of cooperation between Nepal and India in carrying out counter-terrorism measures, as they are the best way to identify illegal activities without dissuading aspirant migrants. For the Indo-Bangladesh border, complaints surrounding the BSF should be monitored. Even though the BSF has promised to use nonlethal force, the completion of the Indo-Bangladesh Border Fencing Project could lead the Indian government to rethink its policies.

Although it is unlikely that India will conduct further large-scale hawaladar raids, any action by the Indian government that interrupts informal remittance channels could have disastrous consequences for labor migrants. While the preservation of the hawala system is not as critical to Bangladesh or Sri Lanka, Nepal’s economy depends heavily on it. This balance between the livelihood of the poor and international security requires attention.
Complaints of human rights abuses in Qatar and any consequent policy response of study area governments should be closely monitored. As Qatar has won the bid for the 2022 World Cup, large infrastructure projects will most likely continue to increase and draw more migrants to Doha. It would be prudent for the Office of South Asia Analysis to examine any political action that sending countries may take to alleviate the plight of their migrants abroad due to the potential effect on bilateral relationships. The agencies that would initiate such action, and are therefore worth monitoring, are the SLBFE in Sri Lanka, DoFE in Nepal, MOIA in India, and BMET in Bangladesh.

While none of these issues pose an imminent threat, continued monitoring is worthwhile. It is important to remember the dire situation that the majority of these migrants are in and that South Asian labor migration is derived from demand. Migrants will go wherever wages are high while taking as few risks as possible. Given the vital role that border security in arresting terrorists and intercepting contraband last year, there is sufficient reason to believe that India will continue along its current trajectory of tightening its borders and the Office of South Asia Analysis should not neglect to monitor its progress. The tightening of these borders, though seemingly improving international security, can have destabilizing effects for the poor and should be monitored.

C. Migration Data

A key problem for policymakers and observers in the study area is the dearth of accurate data on irregular migration and informal remittance flows. Although several models exist to estimate and predict migration flows, precise measures and estimates are necessary to predict potential economic and other shocks. Because the study area relies so heavily on remittances from overseas labor migration, it is essential for sending countries to know more precisely how many migrants are working abroad and how much money they are sending home to support their families and communities. Likewise, to predict and plan for effects on unemployment, health services, and other economic, social, and political stability impacts, policymakers and observers need to have an idea of how many returning migrants to expect in the event of shocks in the receiving countries.

One way to begin to combat the lack of knowledge on irregular and total migration flows is through increased cooperation with receiving countries’ immigration officials as well as survey data collection at entrance points. Additionally, surveying new bank or MTO customers in sending and receiving countries may provide insight into informal remittances. While respondents would likely be hesitant to provide details on their irregular migration status, informal remittance questions would prove less sensitive.

Because data collection is expensive and time consuming, focusing first on country pairs with abnormally high or low remittances relative to migrant stock or regular migrant flow data would likely provide the most telling information. From our simple matrix using UN estimated bilateral migrant stocks and World Bank bilateral remittance data, six country pairs stand out with remittances per migrant significantly above or below the sending countries’ average internationally, and are highlighted in Table 3 below.
Table 3 Formal Remittances per Migrant Abroad in Current US$

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<tr>
<th>Study Area</th>
<th>Bangladesh</th>
<th>India</th>
<th>Nepal</th>
<th>Sri Lanka</th>
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<td>4,768</td>
<td>69,601</td>
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<td>Bahrain</td>
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<td>-</td>
<td>2,891</td>
<td>-</td>
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<td>3,668</td>
<td>4,034</td>
<td>-</td>
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<td>4,055</td>
<td>-</td>
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<td>1,182</td>
<td>4,757</td>
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<td>UAE</td>
<td>4,133</td>
<td>428</td>
<td>5,499</td>
<td>-</td>
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<tr>
<td>Study Area</td>
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<td>7,556</td>
<td>2,763</td>
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<tr>
<td>Bangladesh</td>
<td>51,066</td>
<td></td>
<td>120,787</td>
<td>-</td>
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<td>India</td>
<td>2,196</td>
<td>2,050</td>
<td>-</td>
<td>2,955</td>
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<tr>
<td>Nepal</td>
<td>3,976</td>
<td>1,295</td>
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<td>Other Countries</td>
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<td>All Countries</td>
<td>3,868</td>
<td>1,816</td>
<td>4,858</td>
<td>4,588</td>
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</table>

Sources: United Nations 2013; World Bank 2012

This is an exceptionally salient issue for intraregional migration, as none of the countries in our study area maintain official statistics on these specific flows. Although bilateral migrant stock data and remittance data indicate a high level of intraregional migration, the actual flows are unknown, significantly increasing the risk of instability in the region in the event of shocks. Better data collection and sharing will allow officials to more accurately assess and mitigate national and regional risks related to or exacerbated by labor migration.

V. Conclusion

Instead of providing specific insights, our report paints a general picture of temporary labor migration in South Asia. Mass migration from the study area to GCC countries and within the area to India is a classic case of economic migration. Within this larger story, however, we have found stability and other implications that merit further attention. Our biggest concerns focus on lack of reliable migration data and the increasing economic dependence of study area countries on temporary labor migration to the Gulf. In many ways, Sri Lanka, Nepal, Bangladesh, and to a lesser extent, India, have built up their domestic economies around these migratory flows and there is a serious potential threat to stability should this precarious situation give way. Economic shocks, changes in bilateral relations resulting from border policies or human rights violations, and a reduction in GCC labor demand would all affect remittances and the study region in a detrimental way. We urge the Office of South Asia Analysis to monitor this delicate balance and to encourage the development of new ways of identifying and gauging migrant and remittance flows (both regular and irregular, formal and informal).
Appendix A: Estimating Return Migrant Flows

Bangladesh Migrant Flows
Bangladesh’s BMET provides country-specific migrant flow data for the GCC countries as well as 15 other countries and an “others” category, in the Middle East, Africa, Asia, and Europe. The data are available as far back as 1976, and includes data as recent as March 2014. For our analysis we use BMET migrant flow numbers from 2001 to 2010, and do not estimate flow data for individual countries, the GCC region, or total flows.

India Migrant Flows
India’s MOIA provides country-level migrant flow data for the GCC countries as well as 14 other countries and an “others” category, in the Middle East, Africa, and Asia. Although data are available for the GCC as a region back to at least 1990, individual country-specific data are not publicly available before 2002. The MOIA’s annual reports are available from 2006-2007 through 2012-2013; however, the 2012-2013 report does not include country-specific labor migration flow data like earlier reports. For our analysis we use MOIA migrant flow numbers from 2002 to 2010 and we estimate flows for 2001. To estimate the 2001 flow, we use Excel’s “Forecast” function for each of the GCC countries and the total GCC region 2001 flow.

Nepal Migrant Flows
Nepali migrant flow data are by far the most difficult to obtain. The 2010 NIDS and NCCR North-South Nepali Migration Yearbook provides total labor migrant flow data in the form of work permits issued from 1993-1994 to 2010-2011, as well as individual country level migration flow data for 2010. For our analysis we use the 2010 Yearbook migrant flow numbers and we estimate flows for 2001 through 2009 by assigning each individual country the same distribution of work permits as in 2010.

Sri Lanka Migrant Flows
Sri Lanka’s SLBFE provides country-level migrant flow data for the GCC countries as well as 49 other countries and an “others” category around the world. Individual country data are not publicly available before 2008, although growth percentage data allow us to calculate 2007 flows. For our analysis we use SLBFE migrant flow numbers from 2008 to 2010, calculated 2007 data using available data on 2007-2008 migration growth, and we estimate flow data for 2001 through 2006 using Excel’s “Forecast” function for each of the GCC countries and the total flow.

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12 MOIA [2001], cited in Naresh Kumar, “Recent Trend and Pattern of Indian Emigration to Gulf Countries: A Diaspora Perspective” (Central University of Gujarat, 2012).
Return Migration Flow and Net Labor Migration Calculations
We calculate returnee flows and net labor migration using the United Nations’ 2013 Trends in
International Migration bilateral migrant stock data, using 2000 data as our base year and 2010
as the end year.15 To estimate the return migration rate for the ten-year period, we summed
country-specific flows and added total flows between each country pair for 2001 through 2010 to
the 2000 migrant stock number, then subtract the 2010 end stock. We then divided this number
by ten to arrive at the average annual return migration flow number. To calculate the estimated
net labor migration rate, we subtracted the average annual migration flow from the average
annual return migration flow. A negative number indicates more people stayed in the receiving
country than returned to the sending country, while a positive number indicates the opposite.
Finally, we calculated the return rate as the estimated total number of returnees, divided by the
total migrant flow, for a sense of the proportion of migrants that are returning to the sending
country during the ten-year period, as returning later, if at all.

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15 United Nations. “Trends in International Migrant Stock: Migrants by Destination and Origin.” Department of
### Table A1 Estimated Return Migration Flow Calculations

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<tr>
<th></th>
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<td>54590</td>
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<td>-2267140.6</td>
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Appendix B: Informal Transfer Mechanisms and the Hawala System

There are three main types of informal remittance systems: courier (or hand-carry), in-kind remittances, and hawala. Courier services—where migrant workers carry cash with them or ask friends, relatives, or another party on their behalf—are the simplest and oldest form of transferring money. In-kind remittances occur when migrant workers can remit in form of goods or services. For example, a migrant worker can buy a durable good, such as a refrigerator or television, to be taken back to their families to sell or convert into local currencies. Migrant workers can also make deals with service providers by paying contractors’ accounts overseas in return for services in their home countries (Ozaki 2012).

The most sophisticated informal transfer mechanism is known as hawala throughout South Asia, with the exception of India, where it is called hundi. In the hawala system, money is transferred from country A to country B through two intermediaries, called hawaladars. The hawaladar in country A receives funds in one currency from the migrant worker in country A to be transferred to the recipient in country B. The migrant worker in country A receives a code for authentication purposes. The hawaladar then instructs his or her correspondent in country B to pay an equivalent amount in local currency to the designated beneficiary, who needs to disclose the code to receive the funds. Although the remittance is immediately transferred, the mechanism of compensation does not involve direct payment between the two hawaladars, thus preventing the potential for extortion (Ozaki 2012).

While these informal channels are believed to be significant in many countries ranging from 10 to 50 percent of total remittances, they are most often not recorded in the official statistics. If and when they are recorded, it is unclear to what extent they reflect actual transfers rather than imports.

---

17 OECD 2006
Figure B1 General Informal Remittance Transaction Mechanism

Source: Ozaki 2012
Appendix C: The Nepali Caste System

The Nepali caste system borrows from the Hindu *chaturvarnashram* model consisting of four broad social classes, or *varna*: (1) “sacred thread wearing,” (2) “liquor drinking,” (3) “touchable low castes,” and (4) “untouchable.” The fourth and lowest caste, referred to as Dalits, experience intense discrimination throughout South Asia, despite constitutional protections in countries such as India. They are the poorest of the poor and the most likely to migrate.18

The following map was generated by the Center for the Study of Labour and Mobility using data from Nepal’s 2011 National Population Census; it depicts the high absenteeism rates for individuals living in the Southern Terai region. There are many reasons that could explain this pattern, but proximity to India is the most commonly cited reason. The census defines absenteeism as an individual absent from the household and gone abroad for more than six months before the census date.

The Nepali Migrant Survey, carried out by the World Bank in 2009, shows that Hill Dalits have the highest probability of migrating to any destination at 50 percent, while Terai Dalits only have a 24 percent chance of migrating. The largest cohort of emigrants among Hill Dalits, Madhesi Middle Castes and Bahuns/Chhetris go to India, while in the case of Hill and Terai Janajatis, Terai Dalits and Muslims, it is the GCC countries. More than three quarters of Muslims go to the Gulf.19

Figure C1: Nepali Absenteeism by Geographic Region

![Map of Nepal showing缺席eeism by region](image)

Source: Government of Nepal 2011; J. R. Sharma and Sharma 2011

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Appendix D: Subnational Origin of Sri Lankan Migrants

The majority (in absolute terms) of Sri Lankans leaving for foreign employment depart from the Colombo district (in the Western Province). “However, the departures per population reveal that the Eastern Province tends to record the highest numbers leaving for foreign employment.”\(^{20}\) Most people from the Northern and Eastern parts of the country tend to come to Colombo as a transit point for migration. As Colombo is a capital city, there is greater access to services and information, in addition to higher availability of employment recruiters. Nearly 60 percent of licensed recruiting agencies are located in Colombo while another 10 per cent are in Kurunegala, the second-largest sending district (located in the North Western province). The lowest departures for foreign employment have generally been seen from Mullativu, Mannar, Monaragala, and Vavuniya districts. These low departures “can be attributed to the high level of poverty prevalent in this area acting as an impediment in financing the initial cost of migration and the lack of economic and information opportunities.”\(^{21}\)

<table>
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<tr>
<th>Province</th>
<th>District</th>
<th>District Total</th>
<th>Province Total</th>
<th>Percent</th>
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<tr>
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<td>Kalutara</td>
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<td>Nuwara Eliya</td>
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<td>5.16</td>
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Source: National Center for Migration Statistics 2010


References


Ganguly, Meenakshi, and Henrik Alffram. 2010. *India/Bangladesh: “Trigger Happy”:*


Kumar, Naresh. 2012. “Recent Trend and Pattern of Indian Emigration to Gulf Countries: A Diaspora Perspective”. Central University of Gujarat.


