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Gulf Migration, Remittances and Economic Impact

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ABSTRACT Globalisation around the world has resulted in labour movement between labour markets. Migration from one country to another country has become a common phenomenon. This international migration contributes to the development of both sending as well as receiving countries even though the contribution to sending country is significant. The contribution of migration to development can be seen at family level and community level. At family level, migration may improve household earnings, food, health, housing and educational standards. At the community level, improvement can be noticed in health, education, sanitation and infrastructure benefiting both migrants and non-migrant households. The oil boom of 1973 in Persian Gulf motivated the oil exporting countries in the region to come out with development plans constrained by labour shortages. This new labour market attracted both skilled and unskilled labour from the countries like India, Sri Lanka, Pakistan, Bangladesh and South East Asian countries. The poverty, unemployment, low wages and poor standards of living in India caused many Indians to migrate to Gulf to encash the new opportunities. In India the southern state of Kerala received much attention in the 1970s in view of the large number of emigrants to gulf countries which resulted in a paradigm shift in the socio-economic conditions of certain regions in Kerala. It is worth noting that Kerala State alone received Rs.18465 crores of remittances from gulf regions during 1999-2004. On an average, remittances from gulf country contribute 22 percent of state income. This paper examines the contribution of gulf migration to Indian economy. Attempts are made to study the volume of remittances and its impact on the economic development. Efforts are also made to bring out the consequences of migration on social conditions and its impact on labour market.

INTRODUCTION

Migration is a universal phenomenon. The origin of migration can be traced to the origin of human kind. Migration takes place in two ways; external migration and internal migration. External migration occurs when people migrate from a country to foreign country. On the other hand internal migration occurs from region to region within a country. If we look back to the history, we can notice the contribution of migration to the development of countries like America and Middle East countries.

Migration can be voluntary or involuntary movements. Voluntary migration is a movement of people from region to region or country to country to earn a livelihood. Apart from this there is forced migration due to natural calamities, wars, and diseases etc., called as involuntary migration.

In India internal and external; voluntary as well as involuntary migration can be noticed from the history. But in the recent past, say during last three or four decades voluntary external migration has gained momentum due to complexity of modern human life and fast changing socio-economic conditions. People are migrating to the countries like USA, Middle East, Canada, European countries, South Asian countries and others to find better occupational opportunities. These migrants vary from unskilled workers to large scale businessmen.

GULF MIGRATION FROM INDIA

After 1970, there was a major shift in the migration trend in India. The oil price increase in 1973 gave rise to a massive investment programme by the oil producing Arab countries, resulting in an increase in demand for labour (Shekhar 1977). These oil producing countries permitted the immigration of workers from other countries. This process resulted in a massive emigration of workers from India to gulf countries. The boom in software industry during 1990 to 2000 also motivated the computer professional to migrate to USA, European countries, South Asian Countries and gulf countries.

In India the southern state of Kerala received much attention in the 1970s in view of the large number of emigrants to gulf countries. The emigration to Gulf countries totally changed the socio-economic conditions of certain regions in

Kerala like Malappuram, Kasargod and Thrissur. The changes have been eroded into the consumption pattern, investment pattern, life style, religion and education. As a result, economically and culturally, some parts of the state simulate the Gulf countries. Some of the migrants have come back and settled down in their native places seeking self employment. .

There are few studies on migration from Kerala to Gulf countries and its impact on the economy. The study conducted by Zachariah et al. (2002) observes that migration from Kerala to other states of India and to countries abroad has become so rampant that its impact is felt in every aspect of life in the state. At present almost all families in Kerala seem to have been affected by the Gulf migration in one way or other. Migration has affected every facet of life in Kerala- economic,social political and even religious. The study conducted by Zachariah et al. (2002) focus on the areas like dimensions of migration, human resources, desposition of remittances, consumption and economic consequences of migration.

The major reason for migration from Kerala is the economic benefits. Zachariah et al. (2002) opine that through migration the economic status of the households may improve which gets reflected in their consumption standards, quality of housing property and income. Nair and Pillai (1994) observes that the main cause for migration is the scarce employment opportunities in Kerala. According to Kannan and Hari (2002), Keralites working abroad constituted 10% of the total workforce in Kerala.

Through migration, on an average four lakh Indians get employment every year. As evident from the data shown below (Table 1), during the period 1993-2004, majority of the migrants are from Kerala followed by Tamilnadu and Andhra Pradesh. There has been a steady decline in Kerala's contribution to migration since1998 ,but at the same time the share of Tamil Nadu and Andhra Pradesh have increased by considerable numbers (Table1). One of the reasons for decline in labour migration from Kerala during 1998-2004 is that larger number of people migrating from Kerala now is graduates, who are engaged in skilled and professional related activities in the Middle East countries. These categories of migrants do not require emigration clearance whereas the majority of migrants from Tamil Nadu and Andhra Pradhesh require emigration clearance to immigrate to foreign countries as they are mainly unskilled workers. (Srivastava and Sasikumar 2003; Irudaya 2003).

From the Table 2 it is clear that the number of graduate Non Resident Keralites (NRKs) in various countries in the year 2004 have increased by 133 percent compared to 1999.Sametime NRKs with primary education have decreased by 40.7 per cent in the year 2004 compared to 1999. The increase in NRKs with education below primary level is only marginal.

Table 2: Increase in the number of non resident Keralites by education, 2004

Education	*1999*	*2004*	*% increase*
Below primary	141854	151355	+6.7
Primary	282918	167787	-40.7
Below Secondary	856823	1108022	+29.3
Secondary	573631	761473	+32.7
Degree	181395	422596	+133
Total	2036622	2611233	+28.2

Source: Zachariah and Irudaya (2004).

Table 1: Statewise distribution of migrants from India

Year	*Andra Pradesh*	*Karnataka*	*Kerala*	*Maharastra*	*Punjab*	*Rajasthan*	*Tamil Nadu*	*Others*	*Total*
1993	35,378	34,380	155,208	35,248	14,212	25,243	70,313	68,156	438,338
1994	34,508	32,266	154,407	32,178	12,445	27,418	70,325	61,638	425,385
1995	30,284	33,496	165,629	26,312	11,852	28,374	65,737	53,650	415,334
1996	29,995	33,761	167,325	25,214	11,751	18,221	64,991	62,956	414,214
1997	38,278	40,396	156,102	25,146	12,414	28,242	63,672	52,174	416,424
1998	30,599	11,535	91,720	24,657	26,876	19,824	69,793	80,160	355,164
1999	18,983	5,287	60,445	9,871	15,167	9,809	47,402	32,588	199,552
2000	29,999	10,927	69,630	13,346	10,025	10,170	63,878	35,207	243,182
2001	37,331	10,095	61,548	22,713	12,422	14,993	61,649	57,913	278,664
2002	38,417	14,061	81,950	25,477	19,638	23,254	79,165	85,701	367,663
2003	65,971	22,641	92,044	29,350	24,963	37,693	89,464	104,330	466,456
2004	72,580	19,237	63,512	28,670	25,302	35,108	108,964	121,587	474,960

Source: Complied from various annual report of the Ministry of Labour, Government of India.

Table 3: Distribution of annual labour outflows from India to gulf countries (2000-2004).

S. No.	*Country*	*2000*	*2001*	*2002*	*2003*	*2004*
1.	U.A.E.	55099	53673	95034	143804	175262
2.	Saudi Arabia	58722	78048	99453	121431	123522
3.	Kuwait	31082	39751	4859	54434	52064
4.	Oman	15155	30985	41209	36816	33275
5.	Bahrain	15909	16382	20807	24778	22980
6.	Qatar	N.A.	13829	12596	14251	16325
	Total	175967	232668	273958	397395	423428

Source: Annual Report, Ministry of Labour, India (2004).

Among the total migrants from India, majority have chosen the gulf countries as their destination (Table 3).Therefore, Gulf countries are the important destinations for Indians to seek better job opportunities. Indians working in the Middle East mostly in UAE and Saudi Arabia- amount to only one percent of the country's total labour force-through their remittances have considerably impacted the regional economies of poorer Indian states like Tamil Nadu and Andhra Pradesh in addition to Kerala (Steve, 2005).

Contribution through Remittances

Recently much attention has been given to the role of remittances in the economic development of developing countries. Remittances are generally defined as that portion of migrants earnings sent from the migration destination to the place of origin. Remittances can be sent in cash or kind. But, usually the term remittances is limited to indicate the monetary and other cash transfers by immigrants to their families at home country. Remittances reflect the local labour working in the global economy and have been shown to explain partly the connection between growth and integration with the world economy (Adison 2004). According to a World Bank report workers remittances provide valuable financial resources to developing countries, particularly the poorest (World Development Finance 2005). The remittances from migrants working abroad are important for both families of migrants and the balance of payment of their home country. The remittances contribute significantly to the gross domestic product as well as foreign exchange earnings of developing countries.

It is interesting to note from Table 4, that India has ranked first among all other countries in terms of volume of remittances with US$ 11 billion and contributed 2.6 percent of the gross domestic product in the year 1999. According to International Migration Report 2002, India has received US$ 9.034 billions in the year 2000 compared to US$ 2.352 billion in the year 1990. Meanwhile the contribution of remittances to gross domestic product during the year 1999-2000 was 4.4 percent compared to 1.5 percent during the year 1991-92 (Srivastava and Sasikumar 2003). In the year 2003, India shared 73% of the total remittances received by South Asian Countries and 15% of the world wide remittances (Table 5).

Table 4: Top 20 developing countries in the world in remittances, 1999

Country	*Remittances (US$ in million)*	*Percentage to gross Domestic Product*	*Rank*
India	11,097	2.6	1
Philippines	7,016	8.9	2
Mexico	6,649	1.7	3
Turkey	4,529	2.5	4
Egypt	3,196	4.0	5
Morocco	1,918	5.5	6
Bangladesh	1,803	4.1	7
Pakistan	1,707	2.7	8
Dominican Republic	1,613	11.0	9
Thailand	1,460	1.1	10
Jordan	1,460	21.2	11
El Salvador	1,379	12.3	12
Nigeria	1,292	3.5	13
Yemen	1,202	24.5	14
Brazil	1,192	0.2	15
Indonesia	1,109	0.8	16
Ecuador	1,084	5.8	17
Sri Lanka	1,056	6.9	18
Tunisia	761	4.0	19
Peru	712	1.2	20

Source: Irudaya Rajan S (2003).

In the year 2003, the total volume of remittances received by India rose to US$ 17.4 billion compared to US$ 11.1 billion in the year 2001 showing an increase of US$ 6.3 billion (Table 6). About 50-60 percent of total remittances received by India has come from Middle East countries (Nayyar 1994).

According to Reserve Bank of India, Indians worldwide remit about US$ 15 billion a year contributing about 3% of the gross national product.

Table 5: Remittances to major remittance recipient countries (2000)

Country in region	*Share region wise*	*Worldwide*
India	73%	15%
Mexico	34%	8%
Phillippines	43%	8%
China	43%	8%
Turkey	27%	6%
Egypt	35%	5%
Spain	20%	4%
Portugal	19%	4%
Morocco	20%	3%
Bangladesh	12%	2%
Jordan	17%	2%
El Salvador	9%	2%
Dominican Rep.	9%	2%
Greece	10%	2%
Nigeria	65%	2%
Yemen	12%	2%
Main Countries		75%

Source: Manuel Orozco (2003)

So far this year, India's economy has grown at a greater than expected 7% thanks to a strong consumer spending – spending that is bolstered by expatriate Indians (Steve 2005).

The major share of remittances from Gulf countries is received by Kerala. The South Asian Migration Study, 2004 conducted by Centre for Development studies, Thiruvananthapuram, estimates the annual remittances to Kerala during 2004 to Rs.18, 465 crores (Zachariah and Irudaya 2004).

The contribution of remittances to Kerala economy is more significant compared to its contribution to the overall Indian economy. Compared to Indian economy whose share in remittances from all countries is about 3% of the Gross Domestic Product, the share of Kerala is 22% of Net State Domestic Product. (Irudaya 2003; Zachariah and Irudaya 2004) The importance of remittances in Kerala economy can also be noticed from other comparisons. The remittances were 1.74 times the revenue receipts of the state, 1.8 times of the annual expenditure of the Kerala Government and 7 times of what the state received from the Central Government. The remittances were sufficient to wipe out 60% of the states debt in 2003. The remittances in 2003 were 15 times the export earnings from cashew and 18 times that from marine products. The effect of remittances on Kerala's per capita annual income in 2003 was an increase of Rs.5, 678 (Zachariah and Irudaya 2004). The Kerala's per capita income reached 49 percent above the national average in 1999-2000 (Kannan and Hari 2002).

Table 6: Developing countries with highest remittance flows 2001 and 2003.

Country	*2001*	*2003*	*Change*
India	11.1	17.4	6.3
Mexico	9.9	14.6	4.7
China	1.2	4.6	3.4
Pakistan	1.5	4.0	2.5
Philippines	6.2	7.9	1.7
Poland	1.1	2.3	1.2
Bangladesh	2.1	3.2	1.1
Brazil	1.8	2.8	1.0
Columbia	2.1	3.1	1.0
Vietnam	2.0	2.7	0.7
All developing countries	84.6	116.0	31.4

Source: IMF Balance of Payment Statistics Year Book 2004 and World Bank Estimates.

Contribution to Development

The impact of gulf migration on development is more visible in Kerala State since 50 percent of the Indian contract workers in gulf countries are from Kerala (Nair 1998; ILO 1988). The contribution of gulf migration to development can be seen in various areas like housing, transportation, town planning, educational and religious institutions, amenities and other infrastructural facilities. The main impact of migration is on housing sector.

After 1970s, Kerala has witnessed the construction of palatial houses thanks to the remittances sent by the migrant workers from gulf countries. According to Kerala Migration Study conducted by Centre for Development Studies, Thiruvananthapuram, an index of the value of the house of an emigrant was 7.05 compared to 4.3 of a non-migrant. Same time 87 percent of migrant houses are electrified compared to 66 percent of the non-migrant (Zachariah et al. 2002).

The housing revolution in Kerala has increased the land prices along with prices of construction materials and wages of construction workers which had adverse effect on poor households. The best example for contribution of gulf migration to development is the construction of two international airports in Kerala namely Calicut and Cochin by the initiation and association of gulf migrants. The development can also be noticed in the commercial sector. The growth in number of commercial complexes, jewellery outlets, hotels and hospitals during 1980s and 1990s with international standards proves the contribution of gulf migration to the development.

The impact of gulf migration on development can also be seen in other parts of country. During 1980s and 1990s the gulf migrant used to travel through the airport in Bombay creating demand for accommodation and other facilities in Bombay city. About two third of migrants travel through the airport in Bombay and one seventh through Delhi (Nair 1998) This resulted in formation of many manpower consultancy firms in cities like Bombay creating ample job opportunities in the home country.

Contribution to Labour Market

Gulf migration provides four lakhs jobs for Indians every year. The major impact of the labour market is the reduction of unemployment through migration of unemployed workforce (Paul and Subash 2005). A sample survey based study revealed that 38 per cent of the migrants were originally unemployed (Nair 1986). The attractive wages and living standards in gulf countries attracted semi-skilled and un-skilled workforce from India to Middle East. This trend reduced the unemployment rate in some parts of India. The Kerala Migration study of 1998 notes that the unemployment rates in Kerala state has reduced by about 3 percent as a consequence of migration (Zakaria et al. 2002). However, this reduction in unemployment is insignificant when compared to unemployment rate in India. The total migrant in Middle East constitute only one per cent of total workforce in India. But, at the same time it has major impact on labour market in some parts of the country.

The migration has created certain problems in labour market in Kerala. The migration of semi-skilled and un-skilled workers has increased demand for certain categories of workers within Kerala. The Kerala's labour market experienced considerable shortage for semi-skilled labourers such as carpenters, welders, plumbers, drivers, electrician, motor mechanics and other craftmen (Nair 1986). There are three reasons for this change (Prakash 1998): first, the majority of migrants migrated to gulf are construction workers including workers like, electrician, carpenters, masons etc. Second, migrants use their remittances mainly for constructing new houses, repairing houses, improving land etc. creating more demand for construction workers. Third, reluctance of young people to engage manual work due to increase in education level or increase in standard of living through the earnings of parents working in gulf countries. The shortage of construction and other workforce in Kerala resulted in-migration of workers from Tamil Nadu and Karnataka to Kerala.

Another impact of gulf migration in the labour market was the increase in vocational education and training. A number of institutions have been opened in Kerala to provide the need based training to the gulf migrants. This includes construction related courses, motor operations, machine operations, welding, computer education, catering, technician, para-medical courses etc. (Paul and Subah 2005). The return migration is another feature of gulf migration. The short-term employment contracts and low wages force the migrants to return to their home country and seek employment in the domestic labour market. Many return migrants resist accepting low paid jobs in the domestic market. As a result, many return migrants started their own business enterprises which have created jobs for unemployed youth in the domestic labour market. Return migrants also migrate to other states in India searching for new business opportunities.

CONCLUSION

Migration is an important human activity in Indian history. Indians have been migrating to various parts of the world voluntarily or due to some compulsions. The major shift in the migration trend can be seen after the oil boom in the Middle East. The remittances from gulf countries have changed the economic conditions of few regions in India. Among the total Indian migrants to the gulf countries, Kerala shares nearly fifty percent of the total migrants and the remittances. The dependence on remittances from gulf countries is the important feature of Kerala economy. Remittances from Gulf countries contribute 22 percent of the Net State Domestic Product. The remittances to the state have played a major role in providing employment opportunities in many sectors. From the above discussion it is clear that the unemployment rates in Kerala state has reduced by about 3 percent as a consequence of migration. The impact of migration and the remittances it brought to the state can be seen in various areas like housing, transportation, town planning, educational and religious institutions, amenities and other infrastructural facilities. The housing facilities enjoyed by the migrants are more luxurious compared to non-migrants. The development can also be noticed in the commercial sector like commercial complexes, jeweler outlets, hotels and hospitals.

To conclude the emigration to Gulf countries totally changed the socio-economic conditions of certain regions in Kerala. It is interesting to note that, 95 percent of the total emigrants from Kerala are gulf migrants and around 18 percent of the total households in Kerala are dependant on remittances from Gulf countries (Zachariah and Irudaya 2004). Therefore, any disturbances in gulf countries would directly affect the Kerala economy. Another major threat from gulf migration is the rehabilitation of return migrants. The localisation of jobs in gulf countries will increase the return migrants. As the return migrants are resistant to accept the low paid jobs in the domestic labour market, the government should take appropriate actions to train and motivate the return migrants to seek self employment which would increase the employment opportunities in the domestic labour market.

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