

# CHAPTER I

## INTRODUCTION

### 1. General Background

The phenomenon of migration is as old as the history of mankind. With the development of human civilization, there has been rapid growth in transportation and communication sector in the world. People are moving from one place to another since ancient period and the continuous movement has been an international phenomenon. Though Nepal has experiences of cross-border migration from the ancient past especially to India, China and Bhutan, it has taken speed up in the recent past as the global economy opened up gradually and the host economies (Gulf countries, South Korea, Malaysia etc.) welcomed our labour force to work. Human resources are the wealth of nation and its importance has tremendously increased in recent years for unskilled, semi-skilled and skilled people have shown tremendous inclination towards foreign employment resulting in substantial growth of remittance economy (Dahal, 2004). Thus, the role of remittance has also appeared important in maintaining the economy intact. Recognizing the importance of remittances in the Nepalese economy, this study has been carried out to assess its current position and its role in the economy.

Increase in demand for oil has created the new job opportunities in the oil exporting countries and decrease in the population growth rate in the developed countries made a shortage of human resources in these countries to keep their economic growth. These developments make a demand for unskilled and semi-skilled labors from the developing countries in these countries. Many millions of people are now living and working in another countries far way from their countries of birth. There is a flow of millions of people from South to North and flow of billions of dollars from North to South. These people regularly remit a substantial proportion of their earnings to their families. The financial flows generated by these migrants by way of remittances are very substantial (The World Bank, 2006).

The wave of globalization and liberalization has induced the Nepali youths for better living standard, which is the important pull factor for international migration. Beyond this, high population growth, unemployment, food scarcity, political instability are also the strong pull factors (Singh,2006).Currently due to widespread conflict in the country many workers view foreign employment as their only viable option .After the origin of Maoist insurgency it has not only broken the employment opportunities but also has distorted peace and social order. In such miserable situation, remittance has become the only source to sustain the economy of Nepal. According to the Macro Economic Indicators of Nepal, tatistics of the country's central bank, reveal that the Nepali economy earned Rs.97536.2 million in 2005/06 (NRB,2006).Various causes influence the migration of an individual .It has positive as well as negative impact on both origin and destination of a migrant. The current major issue and the impact of migration is remittance. The remittance has done well in these days to a recipient country in the process of economic prosperity.

For developing country like Nepal remittance has become a major form of transfer of resources from industrialized countries (NRB, 2006). Currently due to widespread conflict and huge unemployment situation in the country many workers view foreign employment as their only viable option. Remittance have helped to boost individual household consumption, reduce poverty and provide temporary financial relief at household and community level (Pant,2006).The number of Nepali households receiving remittances has increased from 23 to 53 percent between 1995 and 2004 (Singh, 2006).In Nepal's case, the impact of remittances on poverty has been positive as revealed by the *Nepal Living Standards Survey(2003-2004)* which showed that the poverty level, defined in terms of absolute head counts, had declined from 41 percent in 1995/96 to 31 percent in 2003/04 .Besides remittance, the other factors responsible for the decline in poverty are; rise in agriculture wages, rise in non-agriculture wages and income, rise in urbanization and a drop in dependency ratio owing to decline in

fertility. The growing remittance has led to a surplus in the current account, thereby strengthening the overall balance of payments position.

Till recently, the flows of remittance from the formal channel were very less as compared to informal channel. Person seeking to remit funds can use variety of means like the transfer facilities of banks, services of dedicated money-transfer operators like Western Union or Money gram, or non-bank financial institutions like credit union, micro-finance institutions and exchange offices. The other unconventional means of remittance are individual business people, traders, ethnic stores, travel agencies, gas stations and courier and bus business. Normally, remittance service provider functioning without regulation or oversight of the financial supervisions for its remittance services is considered as informal systems and others regulated and overseen by competent government agencies for its remittance services is called as formal remittance system.

In Nepal, much of early migrations were the result of push factors like exploitative agrarian relations, lack of employment opportunities, high population growth rate and political instability (NRB, 2004). As the number of workers going abroad for employment continues to rise, the corresponding growth of remittances has become a critical flow of foreign currency in Nepal.

### **1.1 Meaning of Remittance**

According to BBC English Dictionary, Harper Collins Publishers, 1994, “Remittance is a sum of money that you send as payment for something”. However, to express the layman’s meaning (for specific purpose) of remittance is a sum of money that is earned by the home workers in host countries in exchange of their services and remitted to the home country. Nowadays, people are even excited to use the jargon as a substitute word for worker’s remittance earning as “Migradollar” (NRB, 2007). Like wise, remittances are “the portion of

international migrant worker's earnings sent back from the country of employment to the country of origin" (Puri and Ritzema, 1999).

Central Banks record official flows of remittances as part of their Balance of Payment Statistics, which are then reported to the International Monetary Fund (IMF). Depending on the exact definition adopted, remittances are usually calculated as the combined value of "workers remittances" and "labour income" or "compensation of employees" for migrants working abroad for either more or less than one year. Besides this remittances reflect the monetary dimension in the complex web of linkages that exists between migrant Diasporas and their home countries (Dennis, 1991). The term 'remittances' is normally limited to denote monetary and other cash transfers, transmitted by migrant workers to their families and communities (NLSS,1996). The IMF has a broader definition, which includes three categories:

- ) Workers' remittances or transfers, in cash or in kind, from migrants to resident households in the Country of origin;
- ) Compensation to employees or the wages, salaries, and other remuneration, in cash or in kind, paid to individuals who work in a country other than where they legally reside; and
- ) Migrants transfer involves capital transfers of financial assets as they move from one country to another and stay for more than one year.

## **1.2. Statement of Problem**

The proportion of migrants from poorer developing countries has become increasingly significant. Considering, to the potential positive effect of remittance, the country has accorded priority in promoting overseas employment and mobilizing remittance so as to maximize the benefits from these transfers. But Nepali informal sectors has been developed and flourished due to ineffective commercial systems. Most of the Nepali workers who went abroad use to send through informal channel, as *hundi*. Need for a quick and effective money transfer

system gave rise to informal *hundi* system. Since, when such informal sector is utilized, any direct or indirect tax revenues the government would gain from these transfers are lost (Singh, 2006). Except *hundi* the usual ways to send money are through friends and relatives and carrying it by oneself.

It is very difficult to estimate the accurate number of Nepalese people working outside the country. The statistics released by Labor Department is not also clear to provide the accurate data. The first, reason for this is there is not any record of numbers of people migrated for foreign employment to the countries like India, USA, UK, Australia, Japan etc. Secondly, people gone to these countries for the purpose to gain education or treatment also do not return back and remain there as income earner. Thirdly, people also migrated to European countries pretending as refugees. Fourthly, a lot of people are migrated to these countries through the way of India. Since, there is no any boarder restriction between Nepal and India. Fifthly, people remains for more than the proposed year they are appointed to work.

A recent feature of international labour migration is the increasing feminization of migration whereby the participation of women is constantly increasing. But some of the discriminatory policies with regard to foreign labour migration have created unnecessary and sometimes insurmountable difficulties for women who wish to go abroad to work.

Remittances can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption, and poverty and income distribution. Remittances have been crucial in reducing poverty levels in rural Nepal. Like in the other countries of the world, a large portion of remittance has been utilized in Nepal for consumption purposes, purchase of real estate and house, paying off the loan, purchase of jewelry and as bank deposits (NRB, 2002). Thus, real growth of the economy has not been realized yet due to the remittance flow. Experts still argue, remittance money only supports direct consumption that-

very little is actually diverted to development oriented and job-creating investments.

At these circumstances, following questions need to be answered while talking about foreign employment and remittances in Nepalese context.

- ) What is the pattern of remittances inflow in Nepal?
- ) Does government effort exist to harness maximum benefit from remittance?
- ) Should women be given opportunities as migrant labour?

### **1.3 Objectives of the Study**

The general objective of the study is to analyze the foreign employment and workers' remittances in Nepalese perspective. However, the specific objectives are:

- ) To study the historical track records of migrants and workers' remittances in Nepal,
- ) To evaluate the existing government policies about foreign employment and role of government to harness maximum benefit from remittance,
- ) To analyze the issues pertaining to Nepali women migrant workers.

### **1.4 Significance of the Study**

For millennium people have migrated in search of economic opportunity. In the nineteenth and early twentieth centuries, technological advances and untapped natural resources drove movements of population from Europe and Asia to the Americas. International migration generated enormous improvements in people's lives. Immigration enjoyed higher wages, countries of destination profited from increased supply of labour, and countries of origin saw labour market pressure ease (The World Bank, 2006). The money that migrants send home -remittances is an important source of extra income for migrants' families and for developing countries. Over the past two decades, barriers to cross-border trade and financial

transactions have fallen significantly, while barriers to the cross –border movement of people remain high.

In Nepalese context, remittance has become one of the major sources of foreign exchange earning. Foreign exchange earning plays a very significant role for the development of developing country like Nepal. A few years back, significant sources of foreign exchange were contributed from tourism, export of garments, carpets, handicrafts, small trade, foreign aid, ect. Now the remittance has been playing a pivotal role in the country's economic development by relaxing the foreign exchange constraints and strengthening the balance of payments, among others. The various uses of the remitted funds vary in their potential to reduce poverty and create economic security for the household and community (Pant, 2006). The situation of labour emigration and remittance has also significantly become a burning issue in the micro level. The number of Nepalese absent from their homes and gone to other countries is 762 thousand, 96 percent out of these 762 thousand (except India) has moved for employment purpose (CBS,2001).The NLSS -1997 shows 23 percent of the total households had been receiving the remittance. But now, it has increased to high ratio than that.

Moreover, remittances assist in alleviating poverty of the family of migrants in the home country by supporting their income through transfers. Remittances have been crucial in reducing poverty levels in rural Nepal too .The reduction in poverty in Nepal from 42 to 31 percent between 1995 and 2004 was a direct result of remittance flows to the poorest sections of society (CBS, 2004).

Furthermore, remittances assists in augmenting national income by providing foreign exchange and raising national savings and investments as well as by providing hard currency to finance essential imports hence curtailing any BOP crisis (Buch et.al, 2002). Remittance can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption, overty and income distribution.

Remittance constitutes an integral part of household livelihood strategies. They make direct contribution to raising household income, while broadening the opportunities to increase income. They also permit households to increase their consumption of local goods and services. At a community level, remittances create multiplier effects in the domestic economy, producing employment opportunities and spurring new economic and social infrastructure and services, especially where effective structures and institutions have been set up to pool and direct remittances. Remittance can bring a change, especially in remote rural areas where state resources have not been effective (Pant, 2006). It has also been shown through a community and family–level approach that remittances enable better health care, nutrition, housing and education (Chimhowu et. al, 2005).

In the past, the kind of job of Nepalese workers abroad was only the armed forces. After the restoration of democracy, international job market was opened, and the Nepali laborers were hired especially in the Gulf, East and South East Asia. Now situation has changed, Nepalese workers are performing in the different countries as professionals too. In the new phenomenon of entering into the WTO, efficient and skilled labor force is required and diversification in the skill and destination are equally important (Seddon, 2003).

The emergence of remittance as a central issue for development policy has generated some reaction and confusion among politicians and academicians pertaining to the nature of remittances. Some have cited remittances as promoting migration from poor countries, and hence leading to reduced labor pool, lower per capita income, increased income inequality, and negative ‘demonstration’ effects (Ellerman, 2003). This term has been loosely used to diagnose the exchange rate volatility, inflation, loss of competitiveness on international markets, and other effects, such as real estate appreciation, owing to an influx of foreign exchange (including remittances) into a country (The World Bank, 2006). Still, other researchers are of the view that geographic distance and asymmetric information



between remittance senders and receivers lead to problems of moral hazard, whereby recipients may engage in activities contrary to the wishes or interests of senders. At the same time some scholars suggest that returning migrants increase social capital through exposure to new technology, ideas, languages and people, and produce intangible but important benefits to societies (Bhattarai, 2005).

Nevertheless, many of the research studies that question the benefits of remittances seem to minimize several basic issues. The hard reality is that remittances exist since many countries cannot provide sufficient employment and income for their citizens (Pant, 2006).

Thus, getting all these global and Nepalese scenarios the study entitled “A Study on Foreign Employment and Workers’ Migration in Nepal” will be one of the important reference materials to future planners, researchers, academicians and the people who are curious to learn about this subject matter.

### **1.5 Limitations of the Study**

The fundamental limitations of this study are as of:

1. There is lack of information to justify this study as a complete one. The study covers short time span, this is because analysis of historical track records of migrant labour was very complicated due to the lack of proper data tabulation system within the government level. Very few literatures were found in the websites and in other printed form and my approaches in the concern authorities was not perfect to do a complete study in this vague subject.
2. Another limitation of this study is primary information is taken from the in-depth interviews and informal discussion with the experts. All the experts and key respondents could not be met due to the unavailability of their time. Initial

plan was to contact 10 different professionals and experts to talk on this issue but only six of them were available in the specified time of the study.

3. Furthermore, people going abroad through approval of GoN only covers the foreign employment data but there exist a large number of Nepalese people going through illegal way i.e. without approval to Government and at the same time having open boarder with India is also creating difficulties to identify the authentic migrant record.

## **1.6 Organization of the Study**

This thesis contains five chapters .The first chapter is introductory chapter. This chapter presents the general background of the study, major problem of the study, objectives of the study, significance, limitations and the organization of the study. The Chapter two begins with a conceptual framework of foreign employment and remittance economy of Nepal, historical evidence of foreign employment, theories regarding foreign employment and its relation with different variables under the title “Review of Literature”. Empirical finding on Foreign Employment and Remittances in Nepal is another matter of review. The third chapter contains research methodology. Design of the study, nature and sources of data, data collection method, sampling technique and data analysis technique are described in this chapter. The fourth chapter presents Analysis and Interpretations of the study under the headings- Foreign Employment and Workers’ Remittances in Nepalese Context and Act/Policies Regarding Foreign Employment and Remittance Economy of Nepal. Moreover, this chapter deals about issues of Nepali women in foreign labour migration. On the basis of the analysis of research objectives in this thesis, it is possible to draw some conclusions and make some suggestive measures, which is presented in the last chapter of this thesis in chapter five.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

#### **2. Conceptual Framework**

In recent years a number of studies have been studied by various individuals and organizations on the topic of “remittance” with regard to foreign employment and remittance economy of Nepal. However, few of these researches have been devoted to practical realities and are mostly based on micro-level studies.

International labour migration is one of the salient features of the globalize world, emanating from a combination of push and pull factors, including poverty, unemployment, demand of the labour market, political conflicts, improved communications and transport, among others (Shrestha, 2006) .It has been one of the most dynamic phenomena of the last four decades and will be an ever-challenging issue in this era of globalization. It will only become more important as a subject as it has an impact on the socio-economic conditions of both labour-origin and labor destination countries (The World Bank, 2006). There exists virtually no country that does not contribute to international labor migration either as a receiving country or country of transit. Considering the recent scenario this study is conducted to dig out the ground realities on Nepalese remittance and its direct impact in economic growth and poverty alleviation. The various theories, principles, models of remittance and labour migration are examined in this chapter.

#### **2.1 An Overview of Labour Migration**

Over the past three decades, policies in the area of labour migration have developed along four major paths: growing restrictiveness and selectiveness in the admission of labour migrants in developed countries; a significant increase in the number of countries, particularly developing countries that have become host to foreign workers the rising recognition that the rights of migrant workers and their

families need to be protected and the adoption of regional agreements on the free movement of persons (UN, 2002).

Despite major barriers to migration, irregular migration has grown in recent years in Asia due to, among others, restrictive labour migration policies which are not in line with labour market needs. There is consensus that irregular migration is undesirable and must be minimized particularly as it often results in putting workers in a position of vulnerability to violation of their basic human rights (The World Bank, 2006). Until the first war, international migration played a key role in the integration of economies on both sides of the Atlantic. After the Second World War, migration of workers contributed to economic and social integration between countries in South and North. During both these periods, labour went hand in hand with capital mobility, and migration was key factor in the globalization of economies. International migration now seems to be excluded from the new process of globalization (Barham and Boucher, 1998).

At the beginning of the twenty-first century, the total number of persons living outside their countries of origin worldwide was 175 million including 120 million migrant workers and their families according to the ILO estimates. It is estimated that 20 million African men and women are migrant workers and that by 2015 one in ten Africans will live and work outside their countries of origin. While migration is bound to grow and offers development opportunities for both countries of origin and destination as well as for individual migrant workers, ill-conceived or inadequate policies have led to a series of problems that are of direct concern to the International Labour Organization and its constituents (UN, 2002).

Many developing country governments encourage international labour migration, more often implicitly than explicitly. By providing employment for both unskilled and skilled workers, emigration offers an outlet for domestic frustrations that might otherwise present serious political problems, and can produce large inflows of valuable hard currency remittances. The consequences of international

migration for development in countries of origin and destination remain hotly debated (The World Bank, 2006).

## **2.2 Theories Regarding International Labour Migration and Remittance**

There is no single, well-developed theory of international migration. In view of this state of the art and the recent growth in trans-border population movements, the International Union of Social Scientists in Population (IUSSP) has formed a Committee on South-North Migration, which is systematically examining international migration theories, their assumptions, supporting evidence, and policy implications. Among the various models attempting to explain why international migration begins, five major approaches can be discerned;

### **2.2.1 Neoclassical economics (Macro Theory)**

Macro Theory (arguably the body of theory most familiar to the World Bank staff) views geographic differences in the supply and demand for labour in origin and destination countries as the major factors driving individual migration decisions. Among the assumptions of this model are that international migration will not occur in the absence of these differentials, that their elimination will bring an end to international movements and that labour market are the primary mechanisms inducing movements. Government policy interventions affect migrations by regulating or influencing labour markets in origin and destination countries.

### **2.2.2 Neoclassical economics (Micro Theory)**

Micro theory focuses on the level of individual rational actors who make decisions to migrate based upon a cost-benefit calculation that indicates a positive net return to movement. In this approach, human capital characteristics that raise the potential benefits of migration and individual, social or technological factors that lower costs will lead to increase migration. Differences in earnings and

employment rates are key variables and governments influence migrations through policies that affect these (e.g., through development policies that raise incomes at the point of origin, decrease the probability of employment at destination or increase the costs of migration).

### **2.2.3 New Economics of labour Migration**

According to the literature on remittances a number of theories have emerged to explain the causes behind the migrants' decisions to send funds (cash and goods) to their relations back home. An important research on the motivations to remit has been developed under the framework of the 'new economics of labour migration' or 'NELM'. Families in migrant-sending areas particularly rural communities have indulged migration by sending one or more members off as migrants (normally, sons and daughters of the household head who subsequently share part of their earnings with the rural household through remittances. The NELM theory states that imperfections in rural credit and risk markets (for instance, farmers' inability to obtain credit and insure against income loss) generate incentives to participate in migration by sending family members to work in the city or abroad. Migrants function as financial intermediaries, substituting for the missing rural bank or insurance institution. Once they are set up at their destinations, migrants provide the family members at the origin with required capital through remittances and with income insurance or simply the promise to remit if the origin household suffers and adverse income shock. Generally, the motives behind remittances can be grouped under three headings: (i) the altruistic motive (ii) the self-interest motive and (iii) implicit family contract: loan repayment and co-insurance.

#### **2.2.3.1 The Altruistic Motive**

According to the altruism or livelihood school of thought ,remitting is an obligation to the household .A model of pure altruism would envisage that as migrant incomes rise a portion of the incremental income is passed on to the origin

household through remittances. Remittances are dispatched owing to affection and responsibility towards the family. The altruistic model states that sending remittances brings satisfaction to the migrant out of a concern for the welfare to his family. When motivated by altruism, remittances can vary based on the number of household members that migrate and the poverty status of the receiving household although it has been shown that poorer households obtain a larger proportion of their total income from remittances than do non-poor ones.

### **2.2.3.2 The Self-Interest Motive**

A divergent motivation is to assume that the migrant is primarily stimulated by and economical and financial self-interest, when sending remittances to the home country. The argument supporting this line of theory is that at every point in time, the successful migrant in the foreign country saves. Subsequently, the migrant wants to know how (in which assets) and where (in which country) to accumulate his wealth. The home country is the obvious place to invest, at least part of his assets by purchasing property, land and financial assets among others. These assets could generate a higher rate of return than assets in the host country though their risk profile can also be greater.

### **2.2.3.3 Implicit Family Contract: Loan Repayment and Co-insurance**

Economic theory has devised explanations of the remittances process that take the family-rather than the individual as the major unit of analysis .According to this theory, families seem to develop an implicit contract among those who choose to reside abroad, the migrant and those who stay at home. The contract is a combination of the elements of investment and repayment .As per the loan repayment theory the family invests in the education of the migrant and usually finances the costs of migrating (travel and subsistence costs in the host country).This is the loan (investment) element of the theory. The repayment part happens after the migrant settles in the foreign country and his income profile

begins to rise over time and is in a position to begin repaying the loan (principal and interest) back to the family in the form of remittances. Whatever the motivation to migrate and remit, the different uses to which the remitted funds are applied vary in their potential to reduce poverty and create economic security for the household and community. Remittances that form part of productive investment seem to have an effect on long-term poverty reduction, leading to less vulnerability at both household and the community level. Furthermore, if remittances are utilized in domestic consumption, the impact could be only of short duration and may lead to a rise in inter-household inequality.

#### **2.2.4 Dual labour Market Theory**

The theory holds that demand for low-level workers in more developed economies is the critical factor shaping international migration. To avoid the structural inflation that would result from raising entry wages of native workers, and to maintain labour as a variable factor of production, employers seek low-wage migrant workers. In this model, international migration is demand-based and initiated by recruitment policies of employers or governments in destination areas. Wage differentials between origin and destination areas are neither necessary nor sufficient conditions for migration. The options for government policy intervention to affect migration are limited short of major changes in economic organization in destination areas.

#### **2.2.5 World Systems Theory**

The theory focuses not on labour markets in national economies, but on the structure of the world market notably the “penetration of capitalist economic relations into peripheral, non-capitalist societies” which takes place through the concentrated actions of neo-colonial governments, multinational firms, and national elites. International migration is generated as land, raw materials, and labour in areas of origin is drawn into the world market economy and traditional



systems are disrupted. The transports, communications, cultural and ideological links that accompany globalization further facilitate international migration. In this view, international migration is affected less by wage or employment differentials between countries than by policies toward overseas investments and toward the international flow of capital and goods.

#### **2.2.5.1 Network Theory**

The theory stresses that migrant networks serve to reduce the costs and risks of international migration and thus to increase the likelihood of movement. The development of such networks are often facilitated by government policies toward family reunification and, once started, migrant networks can make international flows relatively insensitive to policy interventions.

#### **2.2.5.2 Institutional Theory**

The theory points to the fact that once international migration has begun, private and voluntary organizations develop to support and sustain the movement of migrants. These include a variety of legal and illegal entities that provide transport, labour contracting, housing legal and other services many of which have proven difficult for governments to regulate.

#### **2.2.5.3 Cumulative Causation Theory**

The theory holds that by altering the social context of subsequent migration decisions, the establishment of international migration streams creates “feedbacks” that make additional movements more likely. Among the factors affected by migration are the distribution of income and land, the organization of agricultural production, the values and cultural perceptions surrounding migration, the regional distribution of human capital, and the social labeling of jobs in destination areas as “immigrant jobs”. Again once a “migration system” has developed it is often

resistant to government policy intervention. The IUSSP Committee concludes that theories regarding the initiation or perpetuation of international migration need not and should not be viewed as contradictory or mutually exclusive. Rather, it is entirely possible that individuals engage in cost benefit calculations that households act to diversify labour allocation and that the socio-economic context within which these decisions are made is determined by structural forces operating at the national and international levels. The task of assembling and evaluating the empirical evidence to support, refute, or refine these theoretical approaches is currently in progress.

### **2.2.6 Remittance and Its Relation with Different Variables**

The theory of remittance or its relations with different variables has not yet been established. This is because there is no perfect relationship of it with other variables. The causes of migration, place of destination, types of work engaged in destination, environment of destination, family causes and a lot of variables affect volume of remittances and its use and impact. However, any specific model has not been fit yet. Different scholars and academicians have tried to theorize their empirical researches in a conclusive frame.

Ray Chaudhari (1993) has quoted five different researches conducted by (a) H Rempel, R.Lobdell (b)G.E.Johnson and W.E. Whitelaw in Kenya (c)Rempel and Lobdell in Pakistan (d) B. Banarjee in Delhi (e) ILO and presented by A.S.Oberai and HKM Singh. Their common idea is propensity to remit of all migrants and proportion of remittance is equal and depends on the types of work got abroad, level of education of migrants, marital status, origin of migrant rural or urban. The proportion of income remitted is more or less same of all types of migrants, but the amount of remittance certainly is not equal. What Ray Chaudhari contributes by his own research is about use of remittances. As first, initial consumption pattern largely affects the use of it. If the recipients is below the poverty line his /her elasticity of demand on necessary things is high, i.e. it encourages local

consumption expenditures .If s/he is above the poverty line, it makes him/her rise in income status so consumption pattern shifts to goods for facility and for luxury .Secondly, expenditure of remittance of receiving household depends upon availability desired commodities or services too. If they are not available they lead to establish wholesale and retail unit .Thirdly, the use of it depends on propensity to save and it is affected by level of income and ceremonial duties like marriage. If they are high, one's propensity to invest reduces. The fourth element, proposed by Chaudhari that affects the use is value system and attitude towards different types of occupation.

The World Bank (2006), Global Economic Prospects: Economic implication of remittances and migration indicate that remittances can lead to economic growth simply by increasing the migrant's household income, regardless of whether this additional income is spent on consumption or savings. For example, Ratha (2003) indicated that if remittances are invested, they contribute to output growth, but they generate positive multiplier effects if consumed. There is evidence that remittances have enabled economic growth through greater rates of investment. Even more certainly, remittances have important multiplier effects, raising income levels in the economy beyond the households of remittance recipients.

Furthermore, significant empirical evidence indicates that remittances lead to positive economic growth, whether through increased consumption, savings or investment. In addition to absolute indicators of growth and macro economic stability (Lucas, 2005), remittances may have distributive effects on poverty and inequality. Of the two factors the effect of remittances on poverty seems much less controversial, because remittances per se do not lower anyone's income. Remittances contribute to household income and thus, in the short run, reduce poverty.

### **2.2.7 Historical Evidence of Nepalese Foreign Employment**

Foreign labour migration is not a recent phenomenon in Nepal. For about 200 years Nepali men, and to a lesser extent women, have been leaving their homes to seek employment abroad. But both the scale and the nature of migration have changed significantly over that period.

During the oil boom in the 1970s, the labour-surplus economies of South Asia were able to supply cheap labour to meet the growing labour demands in the Middle East Asia (Singh, 2006), although Nepal was a late entry in taking advantage of labour demands. The more formal and temporary migration began after people started to work in British army following the Sugauli Treaty that was signed on December 2, 1815. This Treaty permitted British Gurkhas for military service. In recent time the scope for out-migration for military services has declined and more and more people have migrated for other types of jobs. It was only after the 1990s that policy makers and academicians began to fully acknowledge the importance of remittances sent by Nepalese employed abroad for enhancing the livelihoods of the households, including those in rural regions (Pant, 2006). Nepalese had fled from excessive taxation, compulsory and unpaid forced systems, and fear of land appropriation by state authorities during and after the unification of the country. The large part a migration triggered by 'push factors' associated with the harsh socio-economic conditions and feudal agrarian conditions where the exploitation of tenant-cultivators was a consequence of the expansion of the state (UNIFEM & NIDS, 2006).

The pace of the foreign employment increased dramatically after 1996 due to shrinkage of economic opportunities in the country. The massive unemployment inside the country is the main reason behind the rapid growth of the workers migration to the other countries.

### **2.2.8 Empirical Findings on Foreign Employment and Remittances in Nepal.**

A number of studies have been undertaken in different regions of the developing countries on differentials, patterns, trends consequences and implication of migrant remittances. Though, an adequate concentration on this aspect is lacking in Nepal which may be due to the lack of reliable data or lack of the interest among researchers. In Nepal, researches on migration started from the 1970s and most of them were associated with internal migration. However, these reports have been devoted to practical realities of how the money is transferred, utilized and regulated. Some of the prominent one found during this study are as follows:

- a) David Seddon of University of East New Anglia has been involved in some research works on the issue of labour migration. His recent article in a website ([www.migrationinformation.org](http://www.migrationinformation.org)) is published under the title of “Nepal’s dependence on Exporting Labour”. He has also been involved in other number of researches/studies in association with Nepal Institute of Development Institute (NIDS).
- b) Prominent Research Work by NIDS is “New Lahures” published in the year 2004.
- c) Similarly UNIFEM, GoN and SAMANATA have conducted a rapid assessment social investigation under the title of “Policies, Service Mechanisms and Issues of Nepali Migrant Women Workers” in the year 2006.
- d) Ganesh Gurung of NIDS has prepared a report on the “Foreign Employment and Remittance Economy of Nepal” in 2002.
- e) UNIFEM and NIDS have published a research under the title “Nepali Women and Foreign Labour Migration” in 2006.

Besides, research in the mid 1990s, undertaken by Seddon, Adhikari and Gurung the report available as *The New Lahures*, revealed –virtually for the first time –the extent and the significance of foreign labour migration, and the volume and value of remittances sent back to Nepal. The figures presented, although based on careful

primary research, were shocking and too many unbelievable. At that time (in 1997 to be precise) it was estimated, on the basis of investigations in most of the countries concerned, that approximately 100,000 Nepalese were working overseas (in countries other than India), with about 250,000 employed in the public sector in India (army, police, force and civil services), and a further substantial number (possibly as many as 750,000) working in the Indian private sector. These migrant workers, it was suggested, were sending back to Nepal a minimum of Rs 35 billion a year, and possibly as much as Rs 69 billion. This was equivalent of 13 percent and 26 percent of Nepal's GNP respectively.

Likewise, Kansakar in his research conducted by CEDA entitled, "Migration, Remittance and Rural Development" stated that –migration has become a safety valve to maintain equilibrium between population growth and opportunities. He remarked that remittance constituted large source of foreign currency and provided recipient families with higher socio-economic status, education and technical skill (Kansakar, 1982).

Another study on Foreign Employment and Remittance Economy of Nepal commissioned by Department for International Development (DFID) project conducted by David Seddon et.al. This study reveals remittances in rural livelihood, scale of the remittances, recent trends in migration from the Terai and policy recommendations. This project suggested that in 1997 and 1998 the flow of remittances totaled was estimated to be the equivalent of 13 percent and 25 percent of GDP respectively. Moreover, the substantial increase in migration to the Gulf and Malaysia seems plausible that, despite a possible decline in migration and remittances from the Far East and other parts of South East Asia, the overall level of remittances will have increased in the intervening years. Moreover, the findings of the DFID research suggested that the actual volume and the importance of remittances to the Nepali economy had been significantly understated. The authors emphasized the need for a thorough reconsideration of Nepal's balance of payments. This study could be considered a pioneering attempt to describe and

analyze the pattern and process involved in foreign migration and remittances (David Seddon et. al, 1999).

Seddon, in his book, "Foreign Labor Employment and Remittance Economy of Nepal" shows the history of labor migration from Nepal. Data backs at least to the beginning of the early 19<sup>th</sup> century and closely linked to British imperial politics. Recruitment of so called "Gurkha" soldiers into the (British) India army was institutionalized in 1816 after Nepal had lost the war with the British East India Company. Prior to that some Nepalese had sought employment in the army of the Sikh ruler Ranjit Singh in Lahore and other joined them after the defeat of the Nepalese army by the British. This tradition, until today is reflected in the name 'Lahure' for soldiers. But today it is regulated by the "Foreign Employment Act". With the enactment of foreign employment act, Nepalese started to migrate beyond India particularly to the Gulf, where oil boom had created massive demand for foreign labor. There was significant growth of Nepalese migrants in East Asia, South East Asia and the Gulf. However, this study also deems to identify the actual status of foreign labour employment and inflows of remittances in Nepalese economy (Seddon, 2000).

Most of the government institutions and agencies like Nepal Rastra Bank, National Planning Commission, Ministry of Labor and Transport, Department of Labor and Transport Management etc. are giving more focus to this topic in the over last few years. According to the special study of the NRB research department carried out entitled, "Foreign Employment, Remittance Economy and Nepal". This survey generates some information different issues relating to foreign employment and remittance economy of Nepal. The study has covered the ten districts of the four development regions through a sample survey. According to this study, 86 percent of the Nepalese migrant workers went to Gulf countries. Out of the total migrant labor force 26.9 percent earns around Rs.50 thousand yearly, 28.8 percent earns Rs.50 to 100 thousand per annum; 12.5 percent earns Rs.100 to 150 thousand per annum and 31.9 percent earns more than Rs.150 thousand. This survey also

revealed that, 85 percent of the Nepalese migrant are involved in general labor work, 13 percent are in army service and 2 percent are in foreign government service. 26 percent of all households surveyed received remittance of Rs.500 thousand, 25 percent have received Rs.50 thousand, 15 percent have received Rs.50 to 100 thousand. 16 percent have received Rs.500 thousand per annum. Similarly 19 percent of all remittance sent through banking channel, 21 percent orders, 7 percent by *hundi* and 36 percent by mixed of all channels. The total remittance received in the fiscal year 2000/01 was recorded Rs.15.90 billion. It has also realized the false work of Manpower Agencies, contribution of remittance to the national economy and high use of *hundi* (NRB, 2002).

Furthermore, NRB disclosed that the remittance earnings were primarily used for household purposes, purchase of land, purchase/maintenance of house, repayment of loan and interest for migration and other purpose, paying off loan, buying jewellery, financing migration of other family members and as bank deposits. This study has tried to include every cast/ethnic groups, geographical region and different people from different socio-economic background, the income level and expenditure pattern are mostly affected by socio-economic academic background and geographic region.

Likewise, study by Theieme and Wyss entitled, “Migration Patterns and Remittance Transfer in Nepal: A case study of Sainik Basti in Western Nepal” analyses the migration process from the perspective of migrants and their non-migrating household members exploring the institutional regulations that structure the organization of migration and the cash flows involved. The main aim of the study was to identify how migrants contribute to the social and economic improvement of communities or even nation state. The results of the study are based on a case study conducted in Sainik Basti, Western Nepal 2002. The study also found that savings are remitted back home mainly by carrying them personally or by using the *hundi* system. The study highlights the main outcomes of migration are increased financial capital, education of children, migration



specific knowledge and increased social capital. Thus, this article is, therefore, a further contribution to the analysis of patterns of labour migration and is meant to clarify the contributions of migration of people's livelihoods (Theieme and Wyss, 2002).

Seddon and Graner in their research, *Nepal's Remittance Economy: A Decade of Change 1996-97 to 2003-04*) explains the flow of labour migrants from Nepal to work abroad has been increasing dramatically over the last decade, so too has the flow of remittances back into the country. This article draws attention to the detailed information on migration and remittances that can be derived from a comparison of the two major Living Standards Surveys of 1996/97 and 2003/04 and consideration of how the data from these two surveys compare with that from other sources. The article discusses some of the methodological and economic issues arising from such a comparison. Moreover the number of Nepalese involved in labour migration is likely to increase, rather than decrease and the importance of labour migration for Nepali economy and society will continue to be of major significance (Seddon and Graner, 2004).

Khanal and Kanel study entitled, "Remittance Income and Minimization of Economic Fluctuations" which was sponsored by IPRD, Katmandu, found that during 1996-2004, remittance income increased by more than three and a half folds. Also, among the remittance –receiving households, the share of remittance income went up to 31.9percent from 23.4percent during the same period. The share of remittance income in private consumption and import of goods reached 14.6 and 41.8 percent respectively in 2003. The large inflow also helped to overcome the worsening current account deficit. In view of imports from third countries and private consumption being highly influenced by remittance income, remittance income has contributed considerably to raise revenue, stabilize prices and augment output in the economy. Thus, a detailed empirical analysis evidently proved that remittance income is playing a crucial role in minimizing the

vulnerability of the economy and also supporting longterm growth to some extent (Khanal and Kanel, 2005).

Shrestha in his article published in NRB publication titled "Foreign Remittance: A Panacea for Nepalese Economy" has stated that remittances are important to Nepal at the both micro and macro level as the income of the recipient and the foreign exchange reserve of the country. He argues that remittances generate positive multiplier effects in output if they are consumed and contribute to economic growth productively. He states that bringing more remittance money through formal channels is critical. Further more, when the informal sector is utilized, any direct or indirect tax revenues the government would gain from this transaction are lost. In his study he found that remittance money can create real-estate bubbles and tends to support overvalued exchange rates .Beyond this he suggests that social mobilization and awareness are necessary requisites for effective use of remittance money. Thus, the government should enhance coordination and implement innovative micro –credit programs and incentives to increase migrants’ investment in local community development projects. He finally states that, this is not a battle one can win today; it requires a lot of attention, goodwill and complete enforcement strategy (Shrestha, 2005).

A study entitled ‘Nepali Women and Foreign Labour Migration’ published by Nepal Institute for Development Studies (NIDS) and United Nations Development Fund for Women (UNIFEM) conducted with a view to enhance the understanding of the different aspects of women’s foreign labour migration. The major part of the research involved in this study was a survey of 86 Nepali Migrants Women Workers that was undertaken in three towns –Pokhara, Dharan, and Kathmandu. The survey results provide one of the first primary sources of information on the phenomenon of women’s labour migration in Nepal based on a sample of urban women. The research, regarding the remittances earned by women labour migrants, based on data gathered from different migrant association in various destination countries, is estimated, that they contribute more than 10 percent to the

total remittances entering in the country. The survey of women migrants revealed that, even though all socio economic and cultural groups have participated in foreign labour migration, the dominance of particular ethnic/caste groups and social classes is widespread. The survey also revealed that there is a direct and positive correlation among the variables like 'education', 'types of work undertaken in the destination countries', and 'income' (UNIFEM and NIDS, 2006).

Kollmair et.al, in their study new figures for old stories: Migration and remittances in Nepal highlights that labour migration and remittances are an important mainstay of Nepal's economy. Research proved evidence that migration to India contributes to secure livelihoods. In rural communities with little cash income, even small transfers of cash can be highly valuable to reduce risk of seasonality, harvest failure and food shortages .In addition the study found each person less in the household reduces the total food consumption. The study also pin points that with regards to factors contributing to external migration to Nepalese young adults have changed much. Finally, the study concludes that it seems unlikely that migration from Nepal will drastically decrease in near future (Kollmair et.al, 2006).

Thapa in his article "Remittance and its Economic Impact: An Analysis" published in NRB publication has stated that economic growth of the country remained hobbled by the long running insurgency and political instability. The status of the Nepalese economy reveals that the state being unsuccessful to foster development, in such miserable situation remittances have been playing a pivotal role in the country's economic development by relaxing the foreign exchange constraints. The inflow of remittances not only fulfilled the economic needs of the country but huge amount of foreign currency was also gathered .Thus, it won't be an exaggeration that the country's economy was regulated by remittances (Thapa, 2006).

Himal South Asian highlights Nepal's evolution towards accepting and incorporating the labour of its overseas workers. Singh in his analysis in Himal South Asian explains about transfers channels and larger effect of remittance in the economy. In his analysis he has explained that working within the formal sector, the biggest reason that people are still using informal remittance methods is simply a lack of awareness. Furthermore, he states that when the informal sector is utilized, any direct or indirect tax revenues the government would gain from these transactions are also lost (Singh, 2006).

Panta in his article published in NRB occasional paper concludes- in Nepal, a large of remittance are utilized for consumption of purchasing houses, or other investments, they produce positive impact on the economy by stimulating demand for goods and services .More over, the positive macroeconomic or development impact of remittance could become more effective if migrants form associations and their commitment to their home country becomes 'institutionalized' (Panta, 2006).

Like wise, Ghimire in his M.A. thesis concludes that- however, plan and policies seem good but the remittances are stilled transferred less by formal channels .The diversion into productive sector has not been materialized according to desire of the Tenth Plan. It has only reduced the debt liability of a family of migrant workers (Ghimire, 2005).

From the review of above stated literatures, it is concluded that foreign employment and remittances are important components of national economy. The status of Nepalese economy reveals that state being unsuccessful to foster development, in such miserable situations also remittances have been playing pivotal role in the countries' economic development by relaxing the foreign exchange constraints. Foreign employment helps to divert large amount of remittance into national economy. Remittances have positive impact on national economy as well as household economic conduction but this is not satisfactory

because maximum parts of the remittances have been used in household expenses like loan repayment, house maintenance and social spending. Moreover, from review of above literatures it is also identified that a recent feature of foreign labour migration is the growing participation of women in the labour market.

### **2.3 Act and Policies Regarding Foreign Employment and Remittance Economy of Nepal**

While talking about act and policies regarding foreign employment and remittance it is essential to observe the phenomenon that deals the issues of foreign labour migration. This chapter has approached to reflect most of the national provisions especially the government's foreign employment act, improved amendments in act and government's policies in different time periods.

#### **2.3.1 Nepalese Foreign Employment Act-2042(1985)**

The foreign Employment Act-2042 is the act no 26 of the year 2042 and the date of Royal Seal and Publication are on 2042/7/14/4. This is act made to provide for the 44 matters relating to foreign employment, which was first amended on 2049 B.S. The basic features of this act can be summarized as follows;

1. It deals about license process of employment agency and foreign employment enterprises.
2. Provision of prior permission to be taken by the license holder employment agency.
3. Provision of giving public information to the potential migrant workers through the advertisement.
4. Compulsory involvement of government representatives during the selection process of the workers.
5. Justifiable contract mechanism between the recruitment agency and the worker.

6. Counseling: The recruitment agency should provide information on the subject of the country to be visited by the worker. The information includes geographical location, culture, labour laws as well as economic, political and social conditions of the concerned country.
7. Complain Mechanism is also provisioned for the benefit of the worker: If the employment agency has not fulfilled its contract responsibility or license-holder who has not taken necessary and appropriate action to make the contract conditioned fulfilled.
8. Compensation- The license holder or employment agency has to provide compensation to the worker in case they could not find contracted job or any exploitation or injuries occurred by the worker Current act on foreign employment act in most senses a control oriented.

The preamble of Foreign Employment Act-2042 has specified that the idea behind this act is to regulate and manage foreign employment from the government level. The act came in practice in 1985 and foreign employment was quite new working area of the government. The manpower agencies were not experienced and other private sector institutions were not capable enough to work on foreign employment. According to Labour and Employment Promotion Department- Control mechanism on foreign employment is government's obligation to reduce the exploitation of migrant workers.

The control mechanism in one way is good for the welfare of migrant workers but on the other hand it has some practical problems. Licenseholder recruitment agency in most the case work with time constraint and they should supply the workers in the specified time of foreign companies. But in some cases, as mentioned in the Foreign Employment Act, due to the long administrative process will hinder the recruitment companies to send the workers on time.

Government is now in the process of formulating new employment act and migration policy separately, which is under discussion. Proposed new employment

act and migration policy are the output of second labour conference organized by the Ministry for Labour and Transport Management. These policies will come out as in improved form than the existed control oriented Foreign Employment Act-2042 and the National Labour Policy-2056.

### **2.3.2 National Labour Policy 1999**

National Labour Policy (NLP) 1999 (2056) has dealt the government policies and program on different labour issues where the issue regarding the promotion and reliability of international labour migration is also highlighted to some extent. The provision mentioned in the NLP on the issues of international labour migration is like a complementary action to increase the effectiveness of Foreign Employment Act-2042. While observing the document, the last point in the objective section of the policy is dealt about foreign employment service profession. The provision is “by providing continuity to foreign employment service profession, special attempts shall be made for its institutional development” Similarly, in the policy section of NLP, under the “Employment Promotion, Trainings and Human Resource Development” has mentioned about foreign employment stating that “to increase foreign employment and to make reliability on it, appropriate 46 changes and amendment on prevailing Foreign Employment Act and Policy to encourage foreign employment company shall be adopted”. The working policy section of NLP, four major policies regarding migrant workers is incorporated. The policies are:

- a) For the protection of rights and security of Nepalese workers in foreign country, diplomatic mission of Nepal, to the countries where the greater possibility of foreign employment exists and other government agencies shall be mobilized and in addition labour attaché shall be kept according to necessity
- b) For the expansion of foreign employment and increment of the reliability of its business, a high level advisory committee shall be constituted with the

- participation of Ministry of Labour, Home, Finances and National Planning Commission and foreign employment entrepreneurs' organizations
- c) For the development of foreign employment, if necessary, foreign employment institution shall be established, with the participation also of the private sector and
  - d) To encourage the skilled human resources to the self employment or foreign employment, the program to expansion the selfemployment and foreign employment shall be preceded ascampaign by providing loans at the concession rate without security.

In the filed wise working policy of NLP 1999 under tile of “Training, Employment and Skills Development” has emphasized “to create environment to send Nepalese worker in maximum number to maximum countries for employment be expanding foreign employment worker” and for this purpose, the program of sending epalese workers in the foreign employment as skilled labour shall be given, and the involvement of private sector in the training program are also included. Provision regarding the rules and regulation of NLP especial emphasis has given to establish bilateral labour relation committee in the enterprise level. At the same section the ratification of the important conventions amongst the convention passed by the International Labour Organization (ILO) is also stated. By observing all these provisions and policy oriented activities of NLP it is found that the government looks very sincere and dedication to increase the effectiveness of 47 international labour migration. Nepalese government is accepted the importance of foreign labour migration in our context and the sincerity of government is reflected in NLP.

### **2.3.3 Government’s Policies after Foreign Employment Act 1985**

Ministry of labor was organized in 1981. Foreign Employment Act was enacted in 1985 and it was amended twice. It was based on the premises that “it was desirable to control and regularize foreign employment”. The act has given a lot of authority



to GoN to control and regularize foreign employment business. It will specify the countries for employment, the license will be given to person/organization when they maintain criteria provided by GoN and only license holder or manpower agency(MPA) is authorized for this business; MPA should maintain touch and transparency with GoN from demand by employer abroad, advertisement for laborers and selection process to departure of labor from country.

MPA should show contracts between employer and MPA, and MPA laborers. Government has the authority to intervene for the welfare of laborers. The provisions have been made such that MPA should send laborers within four months from contract; if can't be sent; the laborers should be repaid with 18 percent interest of the amount taken from laborers. Government can investigate fraud works with laborers and MPA will be punished if such works were found; every cheating case of foreign employment will be government plaintiff. Government can reject the employment proposal when it is against the rule of the related country. Guardian's permission for female and children is necessary. So, this act is base for newly introduced foreign employment sector .On this course, 513 MPAs have received authority for this business till 2009 July according to the Labor Department. However license has been provided since 1986 (Rajpatra, 1986) the process of documentation initiated only from 1997/98 i.e. record of migrant workers is unavailable before 1997/98. Government permitted to send laborers to different countries in different period. Government of Nepal has officially permitted the following 107 countries for foreign employment till July 2009.

#### **2.3.4 Labour and Employment Policy 2005**

Recently, Nepal introduced "Labour and Employment Policy 2005". The long term goal of existing Nepal's employment policy is to create investment friendly environment, provide productive, indiscriminate, exploitation free, disciplined, safe and fair working environment to the active labor force, and assist to develop

internationally competitive national labor market (Economic Survey, 2006).By creating investment friendly environment, all the manpower of sustainable economic development. Practice of forced labor comprising bonded labor will be eradicated. The international standard of labor will gradually be practiced in the workplace of formal and non-formal sector in order to increase productivity through establishing good labor relationships. The system of social security will be developed which will be inclusive of non- formal sectors. The labor market will gradually be made safe, fair, competitive and flexible including the development and promotion of entrepreneurship safety and healthy. In addition, employment policy 2005 will help create an environment for ensuring equal access of female, *dalits*, indigenous people and displaced people to employment, eradicating child labor, and making labor and employment administration effective, capable, fast and effective.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3. Introduction**

This study comprises analytical as well as descriptive type. The title of the study “A Study on Foreign Employment and Workers’ Remittances in Nepal” as the current belief and reality of role of remittances in Nepalese Economy assumed in higher position, it is believed time honored to conduct a study on this area to dig out the ground realities.

#### **3.1 Research Design**

Mostly explanatory and some quantitative information are collected to observe the Foreign Employment and Remittance Economy in Nepalese context. The descriptive type of research is designed to make the analyzed facts more meaningful and useful for the propose.

#### **3.2 Nature and Sources of Data**

It is so because of the qualitative nature of the research the main sources of data used in this study are basically, the secondary data which are obtained from published and unpublished sources by the various governmental and non-governmental organizations.

The following materials and sources were extensively used for secondary data during the study period.

1. Various issues of Economic Survey, Ministry of Finance/GoN.
2. Population Census Reports, Central Bureau of Statistics (CBS).

3. Quarterly Economic Bulletin, published quarterly by the Nepal Rastra Bank (NRB) and other relevant publication of NRB.
4. Publications of Ministry of Labor and Transport Management (MoLTM).
5. A study by UNIFEM and NIDS entitled, “Nepali Women and Foreign Labour Migration”, 2006.

In addition, information provided by Government, Non-government, Multinational Organizations and their websites, articles written by different scholars on the issues of International labour migration and so on are used as per the requirements. Primary sources of data are collected through in depth interviews, experts and direct discussion, telephone, conversation and email.

### **3.3 Primary Data Collection Method**

Primary information on the issues was also taken with the help of an indepth interview with the experts and the persons working on migrant workers’ issues. Some open questions were asked to them to get their inputs.

### **3.4 Sampling Technique**

The primary data sampling process of this study was convenience and judgments sampling. In order to collect information through in-depth interview, experts and the people working on the issues of foreign employment was identified and they were approached through direct discussion, telephonic conversation and email. The sample size for in-depth interview of this study was 10 and people selected for that purpose were experts involved in research and study on foreign employment. They were government officials mainly from foreign employment entrepreneurs; inter governmental agencies and media persons with reporting bit on foreign employment. The major aim behind the selection of such diverse sample is because of getting bunch of information from different perspectives and to analyze them in a proper way.

### **3.5 Questionnaire Preparation**

A structured questionnaire was designed for this study. There was a conversation among the concerned individuals. During the interview session with the experts, basically personal experiences were noted down. The questionnaire asked is given in “Appendix 2”.

### **3.6 Data Analysis Technique**

Available data of this research has been analyzed through the descriptive technique i.e. interpretation of presented table and figures in words and the explanation of qualitative information.

## **CHAPTER IV**

### **ANALYSIS AND INTERPRETATIONS**

#### **4. Foreign Employment and Workers' Remittances in Nepalese Context**

Nepal has a longstanding history of international labor migration .It was about 200 years ago that Nepalese started to seek work abroad and send remittances back to their families in Nepal. This chapter mainly focuses the earlier and current status of foreign employment, trend and macro economic impacts of remittances in Nepalese context. Moreover, issues pertaining to female migrant workers are also observed.

##### **4.1 International Migration Patterns of Nepal**

In the early nineteenth century, the first Nepalese men migrated to Lahore(today's Pakistan)to join the army of the Sikh ruler Ranjit Singh, there both they are later migrant workers earned the nickname “Lahure”(Seddon et.al 2002).During the eighteenth century, the mountain kingdom of Gorkha(today part of Nepal)grew in strength and size. The Gorkha soldiers gained a reputation as fierce warriors, and stories and legends surrounding the soldiers began to grow. During the Anglo – Nepal war of 1814 to 1816 the British discovered how brave and skilled Nepalese soldiers were .The more formal and temporary migration began after people started to work in British army following the Sugauli Treaty that was signed on December 2,1815. This Treaty permitted British Gurkhas for military service. During the oil boom in the 1970s, the labor –surplus economies of South Asia were able to supply cheap labor to meet the growing labor demands in the Middle East Asia (Singh,2006), although Nepal was a late entry in taking advantage of labor demands. In recent time the scope for out –migration for military services has declined and more and more people have migrated for other types of jobs. It was only after the 1990s that policy makers and academicians began to fully

acknowledge the importance of remittances send by Nepalese employed abroad for enhancing the livelihoods of the households, including those in rural regions (NRB, 2006).

The pace of the foreign employment increased dramatically after 1996 due to shrinkage of economic opportunities in the country. The massive unemployment inside the country is the main reason behind the rapid growth of the workers migration to the other countries. According to MoLTM estimate, every year more than 300,000 to 350,000 new laborers enter into the labor market. Likewise, there are now an estimated 12 lacs Nepalese are working in 40 countries, excluding India. In the Gulf region alone, about 400,000 Nepalese are working in Bahrain, Kuwait, Saudi Arabia, Qatar and the UAE (Economic Survey, 2003).The demand was so high that Nepal had to open a consulate in Qatar to supplement the efforts of the embassy in Saudi Arabia. Malaysia first opened its domestic job market to Nepalese in 2001, and it is estimated that about 150,000 workers have legally entered the country since then. Around 70,000 are estimated to work in Hong Kong. Large numbers are also illegally employed in the rest of Southeast Asia (NRB, 2006).

Table 4.1 shows the calculations for the numbers of international migrants from Nepal, the population census of 2001(CBS, 2001) indicates that 3.3 percent or 7,621,181 persons are abroad .Considering an average household size of 5.27(NLSS, 2003/04) and presuming that only one person per household is absent but a rate of 4.63 percent is absent in 2003/04(Kollimar M. et.al, 2006).Likewise, the authors' own calculations, based on the case studies conducted under the NCCR North-South programme supplemented by other local level case studies, these case studies show an average percentage of absent persons of 4.8 percent on village level. Thus, totaling 1,154,576 population abroad (Kollimar M.et.al, 2006).

**Table 4.1: Estimated Number of International Migrants in Nepal**

<b>Census</b>	<b>Population Total</b>	<b>Average household size</b>	<b>Number of households</b>	<b>Population Abroad</b>	<b>Population abroad percentage</b>
Census 2001	23,151,423	5.44	4,255,776.29	762,181	3.29
NLSS 2003/04	24	5.27	4,592,971.05	1,120,846	4.63
Case Studies	24,204,957	5.27	4,592,971.05	1,154,576	4.77

Source: Based on the study by Kollimar M.et.al., 2006

#### **4.1.1 Nepalese Migrant Workers Employed in Different Regions of the World**

Government of Nepal has officially permitted the 107 countries for foreign employment till July 2006. Records show that Nepalese people have spread all over the world from South Asia to American, Europe, Africa and Atlantic ocean .The following table 4.2 presents the detail data of Nepalese migrant workers employed in different part of the world.



**Table 4.2: Nepalese Migrant Workers Employed in Different Regions of World**

FY	Arabian Coutries	East Asia	Sout East Asia	Other Asian Coutries	Africa	Europe America Australia	Other	Total	Growth Rate
1997/98	3308	297						3605	-
1998/99	1299	860						2159	-40.1
1999/00	2015	114					5	2134	-1.6
2000/01	2638	522	51				48	3259	52.7
2001/02	7166	347	89				143	7745	137.6
2002/03	26883	696	171	46				27796	258.9
2003/04	34098	1119	180	71	14	32	28	35543	27.9
2004/05	42862	681	11313	47	12	61	89	55025	54.8
2005/06	50719	689	53708	58	16	84	89	104739	90.3
2006/07	59269	1345	44062	70	6	85	161	104998	0.23
2007/08	53805	2119	45892	462	16	115	337	102786	45.13
2008/09	71141	1085	66322	842		229	84	139703	-8.23
2009/10	93205	414	82798	931		82	6	177436	27.11
Total	4,43,801.	8231	304994	2,527	64	688	980	761164	

Source: Economic Survey 2009/10.

Above table show that Nepalese people employed abroad accounted to 7, 61,164 from 1999/00 to 2009/10. Out of the total, more than half of the laborers went to Arabian countries. The next region of choice is south. East Asia where 3, 04,994 have gone for employment. The third highest number of workers has been employed in East Asian countries followed by other Asian countries, Africa, America, Europe, Australia, and all other countries. These numbers show that the major destinations of Nepalese migrant workers are the Gulf region and South East Asia. This data does not show migrant workers in India and migrant workers officially unregistered even in these regions. If we look into the growth of emigrated labor force it seems fluctuating but the trend is increasing. In a period of 1997/98, the number has increased from 3,605 to 7, 61,164 which is 211.14 times more. Annual growth rate is tremendous in every fiscal year except 2006/07 in which year growth was very slow. The year 1998/99, 1995/96 and 2008/09 has a negative growth. It shows that more and more number of people are seeking foreign employment which further results in the growth of remittance in the economy.

#### **4.1.2 Nepalese Migrant Working in Different Countries**

Restoration of democracy in 1990s opened the door of international labor market. Near about 8 million nonresidential Nepalese are spread over forty countries (Department of Labor, 2007). The supply of Nepalese youth in foreign countries in search of work is increasing day by day at a high rate. The distribution of Nepalese about as shown by the population census of 2001 is presented in the following table 4.3.

**Table 4.3: Number of Migrant Nepalese Working in Different Countries in 2001**

S.No.	Countries	Number of People	In Percent
1	India	589050	77.28
2	Saudi Arabia	67460	8.85
3	UAE	12544	1.65
4	Malaysia	6813	0.90
5	Qatar	24397	3.19
6	Hong Kong	12001	1.97
7	Korea	2679	0.35
8	Singapore	3363	0.44
9	Kuwait	3688	0.48
10	Bahrain	2737	0.35
11	Japan	3720	0.49
12	China	1354	0.17
13	Russia and Other	747	0.09
14	Other Asian Countries	3849	0.51
15	Australia	2497	0.32
16	United Kingdom	7271	0.95
17	Germany	1638	0.21
18	France	250	0.03
19	Other European Countries	1998	0.26
20	USA, Canada and Mexico	9557	1.25
21	Other Countries	1877	0.24
Total		762181	100

Source: Central Bureau of Statistics, *Population Census, 2001*

Above table 4.3 shows that total absentees of the country, reported by the population census Report 2001 is 762,181. Out of this number 589,050 people i.e. 77.3% of total absentees have gone to India, which implies that migration in Nepal is still associated with India. Major destination of Nepalese emigrants except India are Hong Kong, Malaysia, Saudi Arab, Qatar, UAE, UK and USA. More especially, only three Gulf countries Saudi Arab, Qatar and UAE have contained 60 percent of Nepalese absentees except India. This brings the fact that Nepalese emigrants are mainly in this three Gulf countries.

**Table 4.4: Number of Nepalese Migrant Workers in Different Countries in Selected Fiscal Years**

FY	Saudi Arabia	Qatar	UAE	Malaysia	Total
2003/04	17867	8791	6360	171	33184
2004/05	17966	14086	8950	11306	52308
2005/06	21094	19895	8411	52926	102526
2006/07	17990	26850	12650	43812	101302
2007/08	16875	24128	12760	45760	99523
2008/09	13366	42394	12626	66291	134677
2009/10	18261	58266	15441	82798	174766

Source: *Economic Survey 2009/10*

Above table 4.4 indicates that up to FY 2004/05 Saudi Arabia received the maximum number of Nepalese workers in one country and Qatar followed by. In 2005/06 Malaysia received the highest number followed by Saudi Arab. From 2006/07 on wards Malaysia remained first and Qatar remained second most important country. The importance of Saudi Arab has some what diminished in those years as a principle employing country for Nepalese foreign workers. It is also the evident from the table that there is rapid growth in the demand for

Nepalese workers in Malaysia and Qatar. There is stable demand in United Arab Emirates. The declining trend for the demand of Nepalese workers in Saudi Arab has again increased since 2009/10.

#### 4.1.3 Current Status of Foreign Employment

The number of Nepalese going for foreign employment is increasing year by year. The decade long internal conflict in the country created negative effects to the industries especially among other sectors of the economy. Due to which, some industries were completely closed down, some were partially closed down, and those which were in operation also could not operate in the full swing. As a result, many of the labors working in those industries were forced to be deprived of being employed. On the other hand, because of government's effort for making small and smooth government, new employment opportunities could not be opened and hence the number people for foreign employment increased further.

**Table: 4.5: Country-Wise Foreign Employment**

S.No.	Country	Total number up to FY 2008/09	Total number up to FY 2009/10	Total number until Baisakh of FY 2010/11	Total
1	Saudi Arabia	131683	19507	30608	181798
2	Qatar	148152	58233	48937	255322
3	UAE	63585	17184	19442	100211
4	Bahrain	4853	530	955	6338
5	Kuwait	8760	738	1956	11454
6	Oman	758	77	465	1300
7	Hong Kong	3167	176	307	3650
8	Malaysia	5480	196	62948	367615
9	South Korea	4457	1389	683	6359
10	Other Countries	4457	1389	931	6777
	Total	591400	182192	167232	940824

Source: *Economic Survey 2009/10*

Because of the lack of employment opportunities in the country, the number of foreign employment seeking Nepalese has been rising. Besides Malaysia and Korea, most of the workers are going to the Arabian countries to avail jobs. By the end of FY 2008/09, the number of job seekers going for foreign employment with holding official permission had reached to 5,91,400 (Table 4.5).As shown in table 3.5 including the additional foreign employment seekers 1,82,192 of FY 2009/10 and 1,67,232 until April(Baisakh) 2010/11 , the total number of officially permitted foreign employment seekers up to the date has reached to 9,40824.

The tendency of the Nepalese seeking foreign employment shows that the highest number of Nepalese i.e. 3, 67,615(39.07 percent of the total) have gone to Malaysia. Likewise, Qatar with 2, 55,322 (27.14 percent), and Saudi Arabia with 1, 81,798(19.32) are the second and third largest destinations of the Nepali foreign employment seekers, respectively. Similarly, the other major destinations of Nepali workers have been; United Arab Emirates 1, 00,211(10.65 Percent), Kuwait 11,454 (1.22 percent), Bahrain 6,359(0.68 percent), and other countries 6777(0.72 percent).

Among the total 1, 67,232 workers that are gone for foreign employment until the Baisakh of current FY 2010/11, 62,948 have gone to Malaysia, 48,937 to Qatar, 30,608 to Saudi Arabia, and 19,442 to UAE. Similarly, 955 workers have gone to Bahrain, 465 to Oman, 307 to Hong Kong, 683 to South Korea, and 931 to other countries, during the same period. According to the data received from the Ministry of Labor and Transport Management, number of people visiting abroad for employment in various fiscal years is as follows:

**Table 4.6: Status of Foreign Employment**

S.No.	FY	Number of Workers Visiting Abroad	Growth Rate in Percentage
1	2003/04	35543	-
2	2004/05	55025	54.81
3	2005/06	104739	90.35
4	2006/07	105055	0.30
5	2007/08	106660	1.50
6	2008/09	135992	27.50
7	2009/10	177506	30.53
8	2010/11*	108985	-38.60

Note: \* = First eight months' figure.

Source: *Economic Survey, 2010/11*

In the above table 4.6 it is evident that except the year 2010/11 the number of workers visiting abroad is at increasing number. During the last eight year period the highest number of workers visiting abroad is accounted 1, 77,506 and 1, 35,992 respectively in the FY 2009/10 and 2008/09. But, the first eight months' figure of FY 2010/11 shows the declining number of workers visiting abroad. Likewise, while observing the growth rate of each year comparing the former year's number of workers visiting abroad the growth rate shows fluctuating trend. The highest growth rate was achieved in the year 2005/06, which was 90.35 percent. The lowest growth rate was accounted in the year 2006/07 which was only 0.30 percent of former year. Likewise, the growth rate was accounted negative in the first eight month of the year 2010/11, which was 38.60 than the former year's. Although foreign employment has been emerging as a major source of employment and income generation for last few years, for the optimum utilization of this source, there is vital need of providing skill based training as required by foreign employment.

#### **4.1.4 Workers' Remittance**

Workers' remittances, as defined in the IMF Balance of Payments manual, published in 1993 (fifth edition), are current private transfers from migrant workers who are considered residents of the host country to recipients in their country of origin. As IMF's (World Economic Outlook, 2009), migrant remittances are calculated as sum of workers' remittances, compensation of employees, and migrant transfers. If the migrants have lived in the host country for less than a year, their entire income in the host country should be classified as compensation of employees. Workers' remittances are transfers, whereas compensation of employees is considered factor income. Although the residence guideline in the manual is clear, this rule is often not followed for various reasons. Many countries compile data based on the citizenship of the migrant worker rather than on their residency status. The distinction between these two categories—workers' transfers and compensation of employees appears to be entirely arbitrary, depending on country preference, convenience, and tax laws or data availability. This fact has been recognized at the World Bank since the 1980s, and workers' remittances have been treated as part of labour income and added to exports of goods and services in calculating debt service ratios. Due to the difficulty in classifications, countries have often classified workers' remittances either as other current transfers or as transfers from other sectors. In case of Nepal also before 2005 and after 1974, data were recorded as remittances where pension received was also included. It is only after 2006/7 that BOP format is followed and data are recorded as workers' remittance.

#### **4.1.5 Trends and Impact of Workers' Remittances: Nepalese Perspective**

Because of the close relation (socio-cultural, economic, geographical, free entry and exit in the border etc) with India it was common to go in search of job and work in India by the Nepalese workers from the ancient past. The inflow of the workers' remittance is a historical phenomenon to Nepal. However, its volume



was small in those days. As the developing as well as developed nations encouraged to import the labour service especially the Gulf countries, Malaysia, South Korea etc, the inflow of workers' remittance got a sharp rise and now it has become a major source of foreign exchange earning of the country.

There are 59 financial institutions (20 banks, 3 other financial institutions and 36 remittance companies) involving in channelizing the worker's earning. Nepal Rastra Bank has provided "letter of intent" to 61 additional interested institutions for directing remittances through the official channel.

It was only after the 1990s that policy makers and academicians began to fully acknowledge the importance of remittances send by Nepalese employed abroad for enhancing the livelihood of the households, including those in rural region.

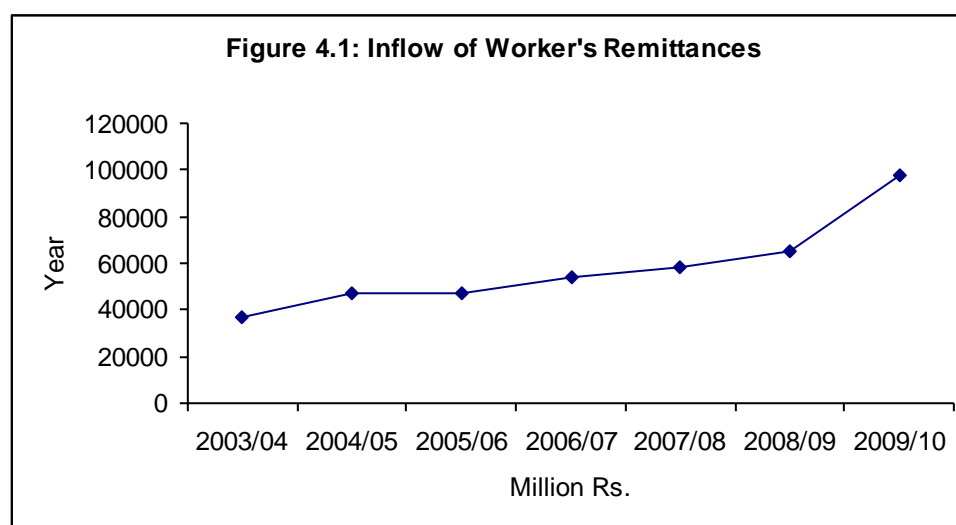
During the past few years, Nepalese have sought overseas employment as both the agricultural and non-agricultural sectors struggle to create new employment opportunities and also because of the Maoist Insurgency. (Seddon, 2005). Many Nepalese workers have seen migration as their only viable option and seek foreign employment to support family members who remain in the country. These workers find relatively low-paying jobs in India, the Middle East and Malaysia.

According to the data provided by the Department of Labour and Employment Promotion, the number of workers going abroad for employment has increased by almost 30 percent in 2009/10 as compared to 2008/09 (Table 4.6). With the increase in the number of workers, the inflow of remittances has also taken an upswing. Remittances rose from Rs. 36.8 billion in 2003/04 to Rs. 97.7 billion in 2009/10. Moreover, due to policy initiatives undertaken by the concerned authorities for enhancing the inflow of remittances through the official channel has been going up (NRB, 2006).

**Table 4.7: Growth of Workers' Remittances****(In Rs million)**

FY	Worker's Remittances	% Change in Remittances
2003/04	36818.1	-
2004/05	47216.1	28.2
2005/06	47536.3	0.7
2006/07	54203.3	14.0
2007/08	58587.6	8.1
2008/09	65541.2	11.9
2009/10	97688.5	49.0

Source: Nepal Rastra Bank, *Quarterly Economic Bulletin*, Mid-April, 2011



#### 4.1.6 Global Trends of Workers' Remittance

International migrant remittances have become an important source of external finance in developing countries. According to the World Bank, remittances received by developing countries, estimated using officially recorded data, went up to \$167 billion in 2009, a rise by 73 percent from 2001 (Table 4.8). But actual

amount are probably larger because flows through informal channels exclude official data collection. Low-income countries, led by India, posted an increase of US\$ 18 billion during this period (WB, 2006). This amount, however, includes only transfers through official channels. Econometrical analysis and available household surveys show that unrecorded flows through informal channel may add 50 percent or more to recorded flows. The major portion of the increase in remittances to developing countries from 2005 to 2009 was concentrated in Latin America & Caribbean, South Asia, and to East Asia & Pacific and lesser degree to Middle East North Africa, Europe and Central Asia, and Sub-Sahara (Table 4.8).

**Table 4.8 Global Distribution of Workers' Remittance**

Particulars	1995	2000	2005	2006	2007	2008	2009	2010e	Change (%)
<b>Developing Countries</b>	31.2	57.8	85.6	96.5	113.4	142.1	160.4	166.9	73
Lower Middle Income	13.9	30.00	42.6	47.4	57.3	72.5	83.5	88.0	86
Upper Middle Income	9.1	14.5	20.0	22.3	23.0	27.8	33.0	33.8	52
Low Income	8.1	13.3	22.8	26.8	33.1	41.8	43.9	45	68
Latin America and the Caribbean	5.8	13.4	20.1	24.4	28.1	34.8	40.7	42.4	74
South Asia	5.6	10.0	17.2	19.2	24.2	31.1	31.4	32.0	67
East Asia and Pacific	3.3	9.7	16.7	20.1	27.2	35.8	40.9	43.1	114
Middle East and North Africa	11.4	13.4	13.2	5.1	15.6	18.6	20.3	21.3	41
Europe and Central Asia	3.2	8.1	13.4	13.0	13.3	15.1	19.4	19.9	53
Sub-Saharan Africa	4.9	3.2	4.9	4.7	5.2	6.8	7.7	8.1	72
<b>World (Developing and Industrial)</b>	<b>68.6</b>	<b>101.6</b>	<b>131.5</b>	<b>147.1</b>	<b>166.2</b>	<b>200.2</b>	<b>225.8</b>	<b>232.3</b>	<b>58</b>
Outward Remittances from Developing Countries	6.1	12.5	12.1	14.3	18.7	20.2	20.2	-	-
Outward Remittances from Saudi Arabia	11.2	16.6	15.4	15.1	15.9	14.8	14.8	-	-

Source: World Bank, *Global Economic Prospects*, 2010

Note: e = estimate, - = Data not available

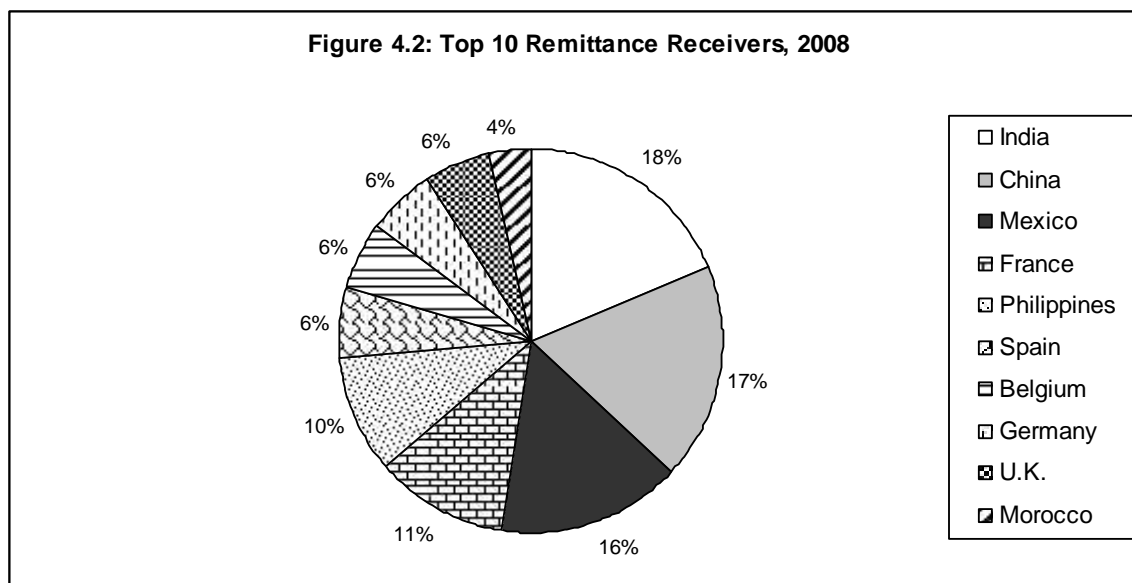
#### 4.1.7 Officially Recorded Remittance Inflows of Different Countries

The table 4.9 below shows the amount of remittance received in the year 2004. The top 10 remittance recipient countries in 2004 are China, India, Mexico, Philippines, Spain, Belgium, Germany, UK and Morocco. Among developing countries India, China, Mexico, and the Philippines were among the top recipients. At the same time India has reported the highest increase in remittance inflows which is accounted \$21.7 billion.

**Table 4.9: Top 10 Remittance Receivers, 2008**

S.No.	Country	US \$ billion	Percentage
1	India	21.7	18.67
2	China	21.3	18.33
3	Mexico	18.1	15.58
4	France	12.7	10.93
5	Philippines	11.6	9.98
6	Spain	6.9	5.94
7	Belgium	6.8	5.85
8	Germany	6.5	5.59
9	U.K.	6.4	5.51
10	Morocco	4.2	3.62

Source: The World Bank, *Global Economic Prospects*, 2010.



#### 4.1.8 Macro Economic Impact of Remittances

Remittances can generate positive effects on the economy through various channels such as savings, investment, growth, consumption, and poverty and income distribution. At the national level, remittances make a crucial contribution to GDP.(NRB,2007). Since remittances bear no interest, do not have to be repaid, and their utilization is not tied to specific investment projects with high import content, they have a more positive effect on BOP than other monetary flows as direct investment or loans. The significant macro economic impact of remittance is analyzed as following.

##### 4.1.8.1 Foreign Exchange Earnings

Worker migration has been a major source of foreign exchange earnings in the country. Before 2004, Gorkha Remittance, Merchandise export and tourism expenditure were the major source of foreign exchange earning in country, but since then, worker’s remittance have become the main foreign exchange earner. The impact of remittances on national economy can also be illustrated by the fact that it has surpassed export, tourism earning and Gorkha remittances as the top contributor in the foreign exchange earnings of the country (Table 4.10). The

workers' remittances accounted for about 52 to 62 percent of foreign exchange earnings during the periods 2006-2010, where as the receipts from other sources as accounted in table 4.10 during the same period shows less percent share of foreign exchange earnings. The share of remittances in total foreign exchange earnings was 62.4 percent, 54.9 percent, 58.6 percent, 53.2 percent percent in 2005/06, 2006/07, 2007/08, 2008/09 (Table 4.10).

**Table 4.10: Major Sources of Foreign Exchange Earnings and Significance of Workers' Remittances (In Million Rs)**

Year	FEE <sub>a</sub>	ME <sub>b</sub>	GR <sub>c</sub>	TE <sub>d</sub>	WR <sub>e</sub>	ME <sub>b</sub> as % of FEE <sub>a</sub>	GR <sub>c</sub> as % of FEE <sub>a</sub>	TE <sub>d</sub> as % of FEE <sub>a</sub>	WR <sub>e</sub> as % of FEE <sub>a</sub>
2003/04	64250	23724.4	1288.2	11691	36818.1	36.9	2.0	18.2	57.3
2004/05	89823.2	29789.7	3557.5	11969.2	47216.1	33.2	4.0	13.3	52.6
2005/06	76153.4	18311	4334.2	7798.4	47536.3	24.0	5.7	10.2	62.4
2006/07	98682.5	22578.9	4221.4	10369.4	54203.3	22.9	4.3	10.5	54.9
2007/08	120643	22489.6	40467.4	12337.4	58587.6	18.6	33.5	10.2	48.6
2008/09	123268	20851.9	5012.8	11814.8	65541.2	16.9	4.1	9.6	53.2

Source: *Economic Survey 2010*

Note: % = Percentage

FEE<sub>a</sub> = Foreign Exchange Earnings

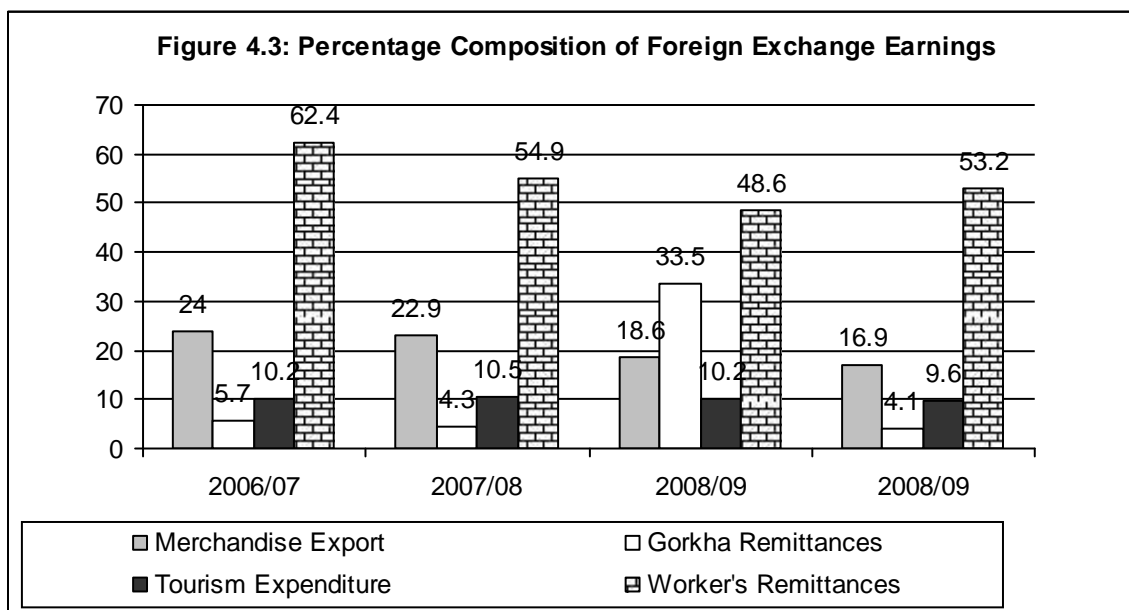
ME<sub>b</sub> = Merchandise Export

GR<sub>c</sub> = Gorkha Remittances

TE<sub>d</sub> = Tourist's Expenditure

WR<sub>e</sub> = Workers' Remittances





Source: Based on the table 4.10

#### 4.1.8.2 Poverty Impact of Remittance

Studies on the poverty impact of remittances have demonstrated that remittances make a pivotal contribution to reducing poverty and vulnerability in most households and communities. In Nepal's case, the impact of remittances on poverty has been positive as revealed by the *Nepal Living Standard Survey (2007-2008)* which showed the poverty level, defined in terms of absolute head counts, declined from 42 percent in 1999/00 to 31 percent in 2007/08.<sup>1</sup> Other studies have also supported the government's findings on the significance of remittances.<sup>2</sup>

#### 4.1.8.3 Balance of Payments

The growing remittances have led to a surplus in the current account, thereby strengthening the overall balance of payments position. That it has surpassed exports as the top contributor in the foreign exchange earnings of the country after

<sup>1</sup> Besides remittances, the other factors responsible for the decline in poverty included, among others, rise in agriculture wages, rise in non- agriculture wages and income rise in urbanizations and a drop in dependency ratio owing to a decline in fertility.

<sup>2</sup> For instance, according to the Asian Development Bank (ADB), in FY 2007/08, the economic recovery was led by remittance-driven consumption expenditure. For details, refer ADB (2005).

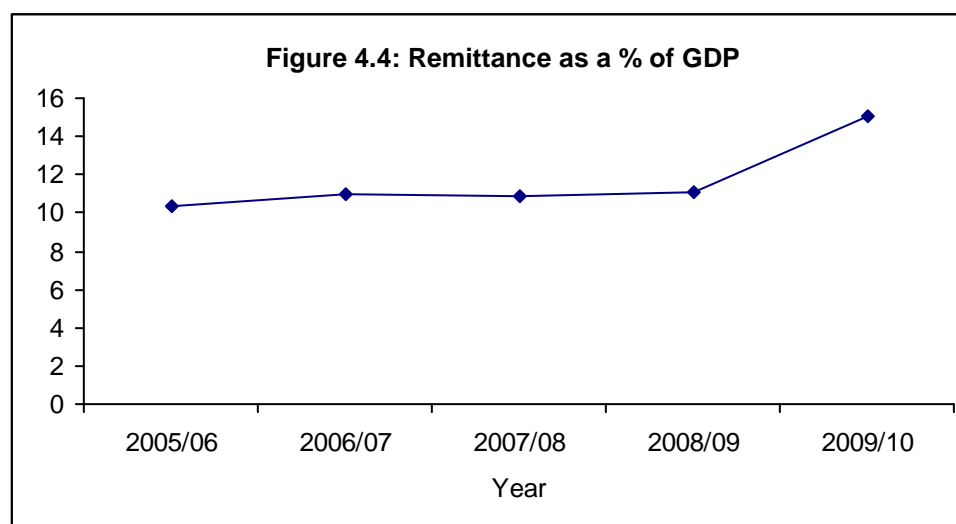
2005/06. Likewise, while observing the Remittance to GDP ratio also shows the increasing trend (Figure 4.3). Remittance to GDP ratio was accounted 10.34, 11.01, 10.91, 11.11 and 15.11 respectively in the years 2006, 2007, 2008, 2009 and 2010. The figure reveals the increasing ratio except in the year 2007/08. The share of remittances in recent year 2009/10 is accounted at highest position of 15.11.

**Table 4.11: GDP Ratios between FY 2005/06-FY 2009/10 (at current market prices)**

**(In Million Rs)**

Year	GDP	Worker's Remittance	Remittance/ GDP
2005/06	459443	47536.3	10.34
2006/07	492230	54203.3	11.01
2007/08	536749	58587.6	10.91
2008/09	589412	65541.2	11.11
2009/10	646469	97688.5	15.11

Source: *Economic Survey, 2009/10*



Source: Based on the table 4.11

#### 4.1.9 The Value of Remittances

Nepal earns a significant part of its national income from remittances, even though official figures do not reveal exact fact. Recent estimation of the value of remittances to the national economy are shown in table 4.12 below. Seddon, Adhikari and Gurung's study (2001) – which was based on careful primary research as well as analysis of secondary data suggests that in 1997 about Rs 29 billion was received in Nepal as remittances from 'overseas' (a term use to distinguish all other foreign countries from India) .It is particularly difficult to estimate the value of remittances from India, largely because uncertainties about the number of migrant workers involved.

**Table 4.12: Inflow of Remittances from Abroad in 1997**

Region	Workers (Estimated)	Remittance (Estimated in NRS billion)	Workers (Possible)	Remittances (Possible in NRS billion)
The West	15000	4.4	15000	4.4
The Gulf	40000	1.5	40000	1.5
East and South	44000	23.0	44000	23.0
East Asia				
India	250000	6.0	1000000	40.0
Others	1,000	-	1000	-
<b>Total</b>	<b>35000</b>	<b>35.0</b>	<b>1100000</b>	<b>69.0</b>

Source: as estimated by Seddon, Adhikari and Gurung in *The New Lahures* (2005)

Various reports indicated that about 250,000 Nepalese were employed in the public sector in India and the money they brought to Nepal was estimated at Rs 6 billion .Ignoring those in the private sector this would bring the total remittances to a minimum to about Rs 35 billion. But it is certain that a very large number of Nepalese worked chose a tense in India in the private sector and sent remittances home. On the assumption that around one million Nepalese were employed in

India and sending remittances back, it was estimated that they would contribute about Rs 40 billion to the overall value of remittances from abroad. That produced a total of about Rs 69 billion (in table 4.12). On this basis, somewhere between 13 percent and 25 percent of Nepal's GNP came from remittances (Seddon, Adhikari, & Gurung 2004, 2005 and 2006).

**Table 4.13: Various Estimates of Remittances**

Agency	Year	Amount (Rs. billion)	References
Himal Association	2007	115	<i>Himal Khabar Patrika</i> , 15-29 March (2007)
Nepal Rastra Bank	2006	74	<i>Kantipur</i> (Boardsheet daily), June 2006, p.9.
Government of Nepal	2006/07	62	Economic Survey (Fiscal Year 2007/08).
NIDS	1997	35*-69**	Seddon, Adhikari and Gurung (2005). <i>The New Lahures</i> , Kathmandu
Elvira and Seddon	2003-04	77-110	Elvira and Seddon, 2009:39

Note: \* Assuming that only 250,000 Nepali work in India in public sector.

\*\* Assuming that about a million Nepali works in India in various sectors of the economy.

In 2002, *Kantipur* reported that the governor of the Nepal Rastra Bank had stated that Nepal received remittances of about Rs 74 billion a year.<sup>3</sup> With national income (GNP) estimated at Rs 410 billion for that year, remittances is said to have

<sup>3</sup> According to a article –“Remittances Rs 74 billion a year”- in *Kantipur* daily June .2002.p.9

contributed 18 percent to this income (Table 4.13).A more report in *Himal Khabarpatrika*<sup>4</sup> estimated the total value of remittances to be Rs 115 billion.<sup>5</sup>

The Economic Survey published by Government of Nepal for the fiscal year 2003/04, provides estimations of remittances, in the ‘balance sheet’ of the national economy (table 4.14) , suggesting that Nepal received about Rs 62 billion in 2002/03, a significantly lower figure than the other two recent estimates. Official figures have always historically underestimated the flow of remittances into Nepal .But even these show that the contribution of remittances to national GNP has been growing over the last four years both in absolute terms and as percentage of the GNP.

#### **4.1.10 Nepali Women Migrant Workers**

A recent feature of foreign labour migration is the growing participation of women in the labour market. This is often overlooked in the description and analysis of international migration and in the discussion of the flows of remittances arising there from. Rapid globalization and the associated changes in the structure of economy and society have created new opportunities in the more developed and expanding economies for women from the developing world. The widespread shift from heavy to light industry and into electronics, software, and most importantly, to service industries, has created a new and different market for women seeking employment. Despite various difficulties and substantial discrimination at all levels and throughout the migration process, Nepali women have shown that they are as capable as men in taking up employment opportunities in foreign countries.<sup>6</sup>

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<sup>4</sup>March 15-29, (2003)

<sup>5</sup> Rs 38 billion was estimated to come from 0.4 million Nepalese in the Gulf and Malaysia, Rs 23 billion from the 1.4 million Nepalese in India, Rs 8 billion from currently and retired Indian army personnel ,and Rs 43 billion from 0.15 million Nepalese in other countries (including the USA, the UK, Japan, South Korea, and Taiwan)

<sup>6</sup> In June 2004 about 15,000 Nepalese were found stranded in Mumbai, India, where they had gone in order to travel to Iraq illegally. Of them, a significant number were women .This new evidence show that women also migrate in illegal way.

Causes behind demand of Nepali migrant women workers is because their honesty and competence to bare the responsibility of household works like making food, taking care of children and old age people. Nepali women are ready to work in low wages due to the lack of bargaining power and they are devoted to work in any circumstances because of ignorance about their rights.

Women migrant workers have the lack of information about the administrative process of departure, the country of destination, salary they can obtain for their work and possible risks and challenges that have to bear during and after their departure. Lacking information is because of common platform to be in touch with the concern people and authority. Another problem woman has to face in her family to get permission for foreign employment. Security of young women and question of sexuality is aroused by the family members, so the capacity to take the common household decision is always obstacles to the potential migrant women workers.

Another barrier for women is the lack of knowledge of authorized channel to assure their safe migration. So, most of the women go for work through the informal network. Nepalese government does not have a scheme to provide comprehensive training and pre-employment information to the female migrant worker. The available pre-departure training is just for formality to obtain the certificate. The economic exploitation of women is more serious issues than men. Some of the cases indicate that women are paying 60 percent annual interest of their loan to arrange their traveling in abroad that give them more financial burden and less opportunity to save money during their work in abroad. Consolidate efforts of banking sector is also lacking to provide money in soft loan and capitalize their earning in an organized way. Most of the women migrant workers are engaged as a domestic worker and that is completely the informal sector. Government has not developed a scheme to provide skills that is essential to work in informal sector and even the trainees are also not sincere to get appropriate training that requires to them. In all sense women are found to be in uncertainty

and confused position. The level and harassment is also very high. Their health issues are not properly addressed and they have not informed about their rights and duties.

Thus it is found that, migrant women workers are more vulnerable to situations of risk because of a number of factors and these factors are inter-linked right from the government policies to the availabilities of opportunities, the social and gender roles of women, their vulnerability to violence as well as their access to information and services. While policy by itself is not solely responsible for the problems of migrant women workers, it lays the foundation for some of the issues, which have emerged. The institutional framework, the social fabric and the lack of information compound these issues. All these aspects affect migrant women workers live negatively, sometimes resulting in psychological and physical trauma (UNIFEM, 2002). But in some cases, the provision of foreign labour migration has also contributed to empower women economically and socially. Nepali women migrant workers in Hong Kong and South Korea can be an example where women have access on latest technologies like mobile and internet; they are taking part in social events and unskilled women are now skilled to perform their work in informal as well as formal sector. Recent report of Nepal Living Standard Survey 2008 has indicated that women are contributing 11 percent of the total remittance sent in Nepal. Other studies are also indicated that women are saving more than men.

#### **4.1.11 Estimation of Women Migrant Workers Abroad**

For the successful execution of commitments made before international community regarding women to improve the existing condition efforts have been made since 2055 B.S. through the provisions of policies and institutional and legal arrangements, and through various other programs. This program has been continued up to now. Comparatively, the existing status and condition of women is lagged behind and slackened since the position of women in Nepal is determined

mainly by patriarchy. And as such there seems to be an urgent need for social and economic strengthening of the women in order to relieve them from such situation .In such context, the women workers in foreign employment are insignificant but exists.

The analysis of the census data provides some valuable information about migrant workers but there is still a lot things lacking to know more and more precisely, about women migrant workers and their employment abroad. Statistics from the Department of Labor shows that the number of people visiting abroad for employment during FY 2009/10 was 177, 506, whereas number of people visiting abroad for the same purpose during the first eight months of FY 2010/11 is 121, 546. During, FY 2009/10, the number of female workers visiting abroad for employment was 828, whereas the number for 2010/11 is only 277. The government has also not discouraged this process. It has recently even decided to open an embassy in the State of Israel primarily to make the Nepalese women eligible for employment in that country as required by its law Indication.

The Foreign Employment Act 1985 provided liberty for women migrant workers but put restriction. They should have the permission of government and guardian as well to go for foreign employment .The amendments in different times changed the words but no fundamental change in the provision seems. Government prohibited woman workers to join unorganized sector in Gulf on 16<sup>th</sup> may 1997 and again opened on 16<sup>th</sup> November 2000 by cabinet level decision but provision was made such that the decision should be given keeping the facilities, salaries and nature of work .All these flexibilities in the provisions show that Nepal is not yet open hearted about female migrant workers and yet has not practiced the fundamental human rights. However these provisions /restrictions have been made for securities of the female workers but these do not suffice rather they divert the unofficial migration through mafia. At the same time recently government have even decided to open an embassy in the State of Israel primarily to make the Nepalese women eligible for employment in that country as required by its law



.Thus, to encourage the female for foreign employment bilateral agreement about security of women migrant workers is very essential rather than to restrict.

Likewise, according to the study undertaken in 2010 by UNIFEM and NIDS, making use of information provided by workers' associations, the Nepali embassy and other staff in government offices, and other sources. From that 2010 study, number of Nepali migrant women workers in foreign lands (apart from India) is estimated as 78,308 .The study shows that the largest number of Nepali women have gone to Saudi Arabia for work. Of the total female migrant labour force, about 48 percent work in Saudi Arabia: the other important country for foreign migration is Hong Kong where about 18 percent (14,500) of Nepali women work. The other important countries for Nepali women migrants, in terms of number of women working there, are the USA, the U.K, Japan, Lebanon, and Australia .The study shows that about 79 percent of migrant women work in Asia, mainly East and South East Asia, 12 percent in Europe and Australia and 9 percent in North America.

#### **4.2 Government's Policies in Various Periodical Plans**

Various periodicals plans after seventh plan have given special emphasis to harness maximum benefit from foreign employment and remittance. The Seventh Plan documented nothing special to uplift foreign employment even though it quoted 'this service will be implemented in an organized manner'. It specially realized the supply constraints of skilled manpower within the country, so focus was given to increase skilled manpower.

The Eighth Plan was the first in Nepalese planning history, to refer directly to the objectives of encouraging foreign employment and stated an intention 'to create appropriate conditions for increasing employment opportunities at home and abroad'. In the same year 1992, the Association of Foreign Employment Agencies

(NAFEA) was established. In 1998, Foreign Employment Act was amended for the second time.

The Ninth Plan set long –term objective and associated every policy and program to alleviate poverty, and it has stated “to create a society that is cultured, development oriented and endowed with skills through alleviating the prevailing wide spread poverty in the country. The same plan aimed to reduce poverty from 42% to 10% by 2017 A.D. For this, foreign employment was also realized as one of the tools and aimed to make an autonomous institution in order to promote this sector as well as to maintain credibility. Because of it, Labor and Employment Promotion Commission was materialized in 1997. The Ninth Plan insisted the function of diplomatic missions in the related countries to maximize foreign employment ,to enhance its credibility and to protect and defend rights and interests of the Nepali workers abroad ([www.labournepal.org](http://www.labournepal.org)).

Moreover foreign labor migration promised that ‘institutional arrangements will be made in order to make foreign employment opportunities simple and well managed for the Nepalese labor force. The other thing Ninth Plan, committed to formulate Policy to provide more employment opportunities abroad utilizing unskilled, skilled and technically skilled man power. During the Ninth Plan, Foreign Labor Regulation was also enacted in 1999 as the more elaboration of Foreign Labor Employment Act that made extra provision for secured foreign employment to a worker. Where the GoN has the authority whether to permit the MPAs proposal for sending a team of workers or not; GoN requires legal status of employer abroad, whether terms, conditions and facilities are provided according to respective countries’ regulations or opinion of Royal Nepalese Embassy and whether salary is more than US \$ 125 or not (Article 8). The regulation has tried to make MPAs transparent and the MPA should advertise it mentioning all the information which is necessary like about employers, country where to go, post of workers ,eligibility , salary and facilities and cost to pay MPA(25% of first

month's salary). Not only this, MPAs should give information to government about laborers once in six months ([www.labournepal.org](http://www.labournepal.org).)

The Tenth Plan refers in general terms to a positive policy towards promoting foreign employment. It also refers to programs for promoting foreign employment, providing entrepreneurship training for returning migrant workers and imparting skills to departing migrant workers. The Plan has formulated various programs along with activating diplomatic mission to identify various sectors to search working environment and strong monitoring system; it has proposed loan facilities to workers, skill development, involvement of backward groups and remote areas. The labor sector plan includes an ambitious target to expand the number placed in foreign employment from 104,739 in 2001-02 to 550,000 in 2006-07 ([www.labournepal.org](http://www.labournepal.org)). The important glance of the Tenth Plan is utilization of remittance; the legal provision and market relation of country are intended to teach to returnees who have practical knowledge so that small industry and entrepreneurship will be encouraged. The words in the plan document seem sweet and harmonious but what have been translated into action is important which seems very weak and low achieving. So, implementation side seems unmatched as compared to target.

Thus, by studying the different periodical plans we can conclude that The Eighth Plan aimed to systematize foreign employment. The Ninth Plan concentrated on welfare and rights of workers and active diplomatic missions, the current Tenth Plan has insisted on utilization of foreign employment to maximum extent by producing skilled manpower.

#### **4.3 Policies for Remitting of Earnings**

Migrant workers' remittances are a strong source of foreign exchange earnings for Nepal. There is rapid increase in the remittance flow in our economy. Workers remittance is now considered as a backbone of our economy. According to a study

by David Seddon for the DFID, the value of foreign remittance from migrant laborers could be equivalent to percent of official gross domestic product (GDP). In the context of growing importance of remittance in our economy and the increase in the flow of the same, there is a challenge to deliver the same through safe, cheap and quick channel to the ultimate recipients who live in remote rural area.

Due to lack of employment opportunity and other means of earning in the country millions of Nepalese from low income group families are forced to go abroad for employment. There is a widespread complaint from the Nepalese migrants that they are not getting the wages and work as per the contract signed with the recruitment agencies in Nepal. Nepalese workers are even send to jails and sometimes forced to return home without work. In spite of these several incidents, the concerned authorities are not taking these issues seriously to avoid the occurrence of the incidents for protecting the interest of these migrant workers. Many of these workers have sold their land or taken loan from the local lender at a very high cost of interest while going for foreign employment. The life of these workers and their family members in such a condition will be miserable.

Therefore, the government should take these matters seriously and make an appropriate arrangement either to send these people with out any charge including other incidental expenses or return the money spent by them while going for foreign employment. As per the survey carried out by the Nepal Rastra bank in 2001, 32.50 percent take loan and around 8.1 percent sold their house and land for foreign employment The amount send by the migrant workers is mostly used for household expenses and purchase of land and building. There is an uncalled competition especially amongst British Gorkhas to build up new houses from their earnings, which is not productive. The government should try to mobilize these remittances for more productive purpose by various means like issue of bonds, encouraging the savings and investments etc.

The Nepal Rastra Bank's initiative to encourage the commercial banks and the money transfer companies for inward remittance has increased the flow of workers remittance through formal channels. Commercial banks and money transfer companies are able to tap the money transfer business and provide more sophisticated services to remittance recipients but may not serve the needs of poorer recipients, particularly in rural areas without the broader participation of the down market financial institutions. Therefore, there is an urgent need for the participation of cooperatives, rural micro finance institution, non-governmental organization working in the villages, to strengthen the remittance service.

Considering, the importance of the remittance in our economy Government of Nepal have to take various measures to protect the interest of the migrant workers and their families. Though there is legal provision in Foreign Employment Act, 1999, to protect the interest of the migrant workers, but the implementation and monitoring of the same is very weak. For example as per section 15 of the said act every manpower company should brief in advance to the intended workers, before leaving for foreign employment, about the working environment, custom, economic, social and political situation etc. further section 17 states that workers should be sent at minimum cost, the earnings of the workers should be transferred to their family by simple channels and carry out the welfare activities for the benefits of the migrant workers or their families.

The foreign employment companies should also brief in advance about the nature of the job, working environment, minimum wages, the responsibilities of the workers while working abroad etc. However, the monitoring and supervision of the activities of the foreign employment companies is very weak from the concerned government authorities.

#### **4.4 Current Policies to Maximize Benefits from Remittances**

Owing to the potential positive effect of remittances, the country has accorded priority in promoting overseas employment and mobilizing remittances so as to maximize the benefits from these transfers. In respect, effective March 29, 2002, the Nepal Rastra Bank (NRB) countries central bank has began granting license to private sector organizations interested in remittance-transfer business (NRB, 2007).

Other policy initiatives have also been undertaken so that remittances could be directed through the banking channel. For instance, as per its Monetary Policy and Program for 2002/03, the NRB had arranged to provide 15 paisa per US dollar as commission to licensed private firms in addition to the prevailing buying rate. (NRB,2002a).Moreover, permission was granted to manpower agencies, engaged in sending Nepalese nationals to work overseas, to open foreign currency account in the Nepalese commercial banks out of the foreign currency income that they earned under the existing rules. A list of policy measures are summarized below:

- Loan facilities up to Rs. 100,000 provided by the banks for the purpose foreign employment has been recognized as deprived sector credit.
- Money transfer companies are allowed to work as an agent of the host country's money transfer companies or can open representative office or the liaison office as per the host country's legal framework.
- "Ka" graded license of Nepalese financial institutions can operate the remittance function themselves without prior approval of NRB. However, "Kha", "Ga" and "Gha" graded financial institutions are also allowed to operate such function by taking permission from NRB.
- Nepalese remittance companies /firms etc if they wish to operate their own representative office/license office abroad should produce bank guarantee of Rs 5 million for single country and Rs 10 million for multiple countries .Such companies do not need extra bank guarantee if they wish to operate as an agent of foreign remittance companies.

- If Nepalese money transfer companies want to serve only as an agent of foreign remittance companies, they should provide guarantee as following:
  1. Rs. 600,000 for 1 Remittance Company
  2. Rs.1 million for 2 remittance companies
  3. Rs 15 million for 3 remittance companies
  4. Rs. 20 million for more than 3 remittance companies.
- License holder remittance companies are allowed to open and operate bank account in convertible foreign currency; however, any deposited amount in the form of remittances is allowed to be held for a maximum period of 7 days only.
- Nepalese remittance companies working as agent or representative of foreign remittance companies can issue bank guarantee up to 2 million US Dollar from the commercial banks (without approval of NRB) to the principal companies for the purpose of receiving advance payment.

#### **4.5 Government Laws and Policies Affecting Women’s Migration for Work**

In Nepal, the Constitution of 1990s states in its directives principle to the government that the state can take measures to generate employment opportunities for women and raise their socio-economic status. But up to the present, this has not resulted in any significant policy measures. On the contrary, there are major obstacles and barriers prevailed in the policies and laws that restrict equal opportunities for women to seek opportunities abroad. There are a lot of discriminatory laws, policies, and procedures in relation to women’s migration, but many of them have also arisen from cultural traditions also. As the cultural traditions relating to women’s access to resources and property and the freedom for mobility varies in different cultures. Since most women work in countries where gender equity and women’s treatment are far from satisfactory, migrant women are also found to face discrimination and problems in destination countries. Besides this, lack of information, low levels of education, lack of confidence and economic restrictions for mobility are other factors that make it difficult for women to undertake migration and earn money for themselves and their families.

Even though, due to the lack of promotional policy of the government and the lack of coordination capacity among the government bodies, women are not very much benefited from the foreign employment. The Constitution of Kingdom of Nepal 1990 has guaranteed the right to equality between and women but at the same time Government's Foreign Employment Act-2042 has adopted restrictive policy to enjoy those rights freely because women get permission for foreign employment with the consent of their husband or parent. Due to the lack of labour attaché in the labour sending countries women do not have applicable forum to secure their rights from the state level. Government has deduced the yearly budget of the Ministry of Labour and Transport Management due to the existed armed conflict of the country. So it is very 58 hard to them to mobilize human and financial resources to divert the labour administration for the welfare of migrant workers.

Reintegration of women migrant worker is very much lacking. State does not have policy to create employment opportunities to the returned back female migrant workers with skills. Their earning is not spent for productive work in the home country. Private sector also does not have schemed to use the remittances in the productive work.

Despite these restrictions and a magnitude of forms of discrimination, women have increasingly managed to leave their homes and seek employment abroad; there is still lack of information about the total volume of migrant to different countries and their contributions to the total value of remittances that enter Nepal. So the current demand is to create economic options for the returned female migrant workers in home country and use their skills and money for national development.

#### **4.6 Discriminatory laws and Policies and Impact on Women's Rights to Work**

A recent study on discriminatory laws in Nepal and their impact on women have revealed that discriminatory laws against women regarding foreign employment are against women's empowerment .On the one hand, within families and



communities, many eligible and capable women are forced to become economically dependent on others. The economic dependency results in social subordination and discrimination, which in turn psychologically transforms into their low self-esteem. On the other hand, those women who are tempted and attempt to seek foreign employment through non-legal means, have become victims of serious consequences, many times resulting in the violation of their human rights(FWLD 2000).

Discriminatory laws and policies impact negatively on women's right to work. The regulation needing guardian's permission to go abroad, to get citizenship, and to obtain passports for adult women and not for men is discriminatory against women. The Ministerial decision of March 1998 to prohibit migration for work in Gulf countries is a vivid example of the State's discriminatory action against women.

Some organizations strongly advocated for a "safer migration" policy and practice, while others were in favor of "immediate ban". After some discussion, the ban was lifted and the women were given permission to work in organized sector. However, the debate on the violation of women's right to employment and the freedom of the choice of profession continued. Recently, the ban on women to work as domestic workers in Gulf countries was lifted by the budgeted proclamation of 12 July 2009 by the Government. The parliament reinstated on 24 April 2009 also passed a landmark proclamation and has proposed for amendments to all discriminatory laws that are against women. The House of Representative passed a resolution against existing "patriarchal" citizenship laws on 30 May 2009. Until now, citizenship was awarded only if the father of the applicant had Nepali citizenship but from now, onwards citizenships can be acquired on the basis of mother's citizenship also. On the same day, the parliament has also asked the government to reserve 33 percent of seats for women in all state bodies until proportional participation by women is attained. At present women, occupy only 5 percent of position in the state machinery.

The proclamation has also asked the government to propose amendments to all discriminatory laws against women. There are 28 provisions in the Civil Code (11<sup>th</sup> amendment) that are discriminatory from the gender perspective. Similarly, there are 20 existing acts, which have 53 discriminatory provisions, and out of 35 existing rules, there are 85 discriminatory provisions against women. However, the discriminatory laws and rules have been re-drafted to make it non-discriminatory.

#### **4.7 Discriminatory Laws and Policies and Current Situation of Nepal Foreign Employment**

Initially, remittance in Nepal was introduced with Gorkha remittances. The Gorkha were renowned for good qualities of soldiers. That is why British India formally required Nepalese youths as regular army, which later divided into British and Indian army. When the preamble of foreign employment Act 2042 has specified that the idea behind this is to regulate and manage foreign employment from the government level. The act came in practice in 1985 and foreign employment was quite new working area of the government. The manpower agencies were not experienced and their private sector institutions were not capable enough to work on foreign employment. National labour policy 1999 (2056) has dealt the government policies and program on different labour issues where the issue regarding the promotion and reliability of international labour migration is also highlighted to same extent. Now a day, Nepalese going abroad are not only for armies but also spread all over the world for work and mostly they are concentrated in Gulf areas in civilian front.

When introduced "Labour and employment policy 2005". The long term goal of existing Nepal's employment policy is to create investment friendly, environment provide productive indiscriminate exploitation free, disciplined safe and fair working environment to the active labour force and assist to develop internationally competitive national labour market. Any Nepali to go for work

legally, he/she needs to get permission from the department of labour under the ministry of labour and transport of the government of Nepal. From the official report of labour department it is known that 107 countries are at the government list where Nepalese are allowed to go for work. But still some people are found going abroad without permission and working in the government restricted areas too. Number of people going abroad for work have been increased for the last few years, especially the organization of armed conflict in Nepal. Major concentration of Nepali migrant workers was in Gulf states for the very but the dynamics has been changed and people are migrating towards Malaysia. Since, the past three years even through the number of people going the Gulf States is still significant.

Remittances in developing countries have become a life line for economic development. By remittance we mean sending income in terms of money or goods in home by the migrants or workers who have their earnings outside their home country. Now a days, this source of foreign income has been growing rapidly in each year in our country. Since long time in Nepal many migrants have been transferring their income through the un official channels. Today due to the establishment of different agencies like Western Union, International Money Express (IME) etc. in several district headquarters of the country, the remittance floor has become popular for transferring cash or money in time to the receipts. However, it is difficult to calculate the exact size of remittance flows in Nepal due to the emergence of unofficial channels even though it has recovered in balance of payments account. Remittances are especially important for our country. It would be highly beneficial to the country and major sources of foreign exchange earnings.

#### **4.8 Institutional Arrangement**

Institutional arrangement in the government level is also vital for the promotion of foreign labour migration. As per the information of concerned government official in the Labour and Employment Promotion Department, Ministry for Labour and

Transport Management is responsible for designing the policies and program regarding the subject of foreign labour migration and the Labour and Employment Promotion Department (LEPD) is working as a key implementing agency of government policies and program. Major work of LEPD is to provide work permission to the manpower agencies and verify the documents of labour migrants. It also gives due consideration to judge the cases of falsification. The cases of falsification is monitored and judged by the LEPD in Kathmandu valley and by the labour offices in other districts out of Kathmandu valley. The license process of also not very complicated and no specific technical experiences is needed for the foreign employment enterprises. In the first stage, the employment agencies need to be registered in the “Office of Company Register” under the Ministry of Industry and Commerce. Then a license for work permission is issued by LEPD. Each company has to submit a police report, 2.5 million rupees as a fixed bail bond and ten thousand rupees as service charge to obtain a license. The company should also pay rupees five thousand as a renewal fee in each fiscal year. The National Labour Policy-1999 has made a provision for the formulation of high level advisory committee for the expansion of foreign employment and increment of the reliability of its business. The advisory committee also exists at present that provides feedback to the government for making a policy and the simplification of provisions mentioned in the act. Besides these major provisions, government also conduct consultation meetings with the experts, occupational groups, trade unions and foreign employment enterprises to make rules and regulations for the promotion and management of foreign employment occupation.

## **CHAPTER V**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary**

The main objective of this study is to observe the scenario of foreign employment and workers' remittance in Nepalese perspective. Moreover, the study tried to identify the historical track records of foreign employment in Nepal and inflow of remittances in national as well as global prospects, and then evaluated the government act and policies about foreign labour migration and government's role to maximize benefit from remittances. Furthermore, the study was also concentrated to analyze the issues of Nepali women migrant workers. Secondary data were used to compare the composition of foreign employment and remittance in this study. Data are analyzed by using simple statistical tools like percentage and ratio. Charts and trend line are used to present the tabulated data.

#### **Major Findings of the Study**

From the study, following findings are drawn.

##### **5.1.1 Significance of Remittance in Nepalese Context**

It was only after the 1990s that policy makers and the academicians began to fully acknowledge the importance of remittances send by Nepalese employed abroad for enhancing the livelihoods of the households, including those in rural regions. During the past few years, Nepalese have sought overseas employment as both the agricultural and non-agricultural sectors struggle to create new employment opportunities and also because of Maoist insurgency. Many Nepalese workers have seen migration as their only viable option and seek foreign employment to support family members who remain in the country.

### **5.1.2 Conflict and Labour Migration**

Ongoing conflict and the loss of employment opportunity are found a major reason to the increment of international labour migration. Volume of migrant workers has been increased after the origination of armed conflict in Nepal.

### **5.1.3 Trends of Foreign Employment and Workers' Remittances in Nepal**

Because of the close relation (socio-cultural, economic, geographical, free entry and exit border etc) with India, it was common to go in search of job and work in India by the Nepalese workers from the ancient past. The Nepalese have served and continuing to serve in India and the other countries in the armed forces. Thus, the inflow of the worker's remittances is a historical phenomenon to Nepal. However, its volume was small in those days. As the developing as well a developed nations encouraged to import the labor service, especially the Gulf countries, Malaysia, South Korea etc, the inflow of workers' remittances got a sharp rise and now it has become a major source of foreign exchange earning of the country.

### **5.1.4 Documented Nepali Labour Migrants and their Concentration**

The official figure of government shows that the numbers of workers going abroad for employment has increased by almost 30 percent in 2009/10 as compared to 2008/09. The number of persons granted institutional permission for foreign employment was 139,696 and 182,043 respectively, in 2008/09 and 2009/10. This number does not include the migrants who are residing in India At the same time studies also reveals that the official figure very under estimates the exact number than that exist in reality. . Major concentrations of Nepali labour migrants have been Malaysia, followed by Qatar, Saudi Arabia and United Arab Emirates.

### **5.1.5 Inflow of Workers' Remittances in Nepal**

With the increase in the number of workers, the inflow of remittances has also taken an upswing. Remittances rose from Rs. 47.5 billion in 2005/06 to 97.7 billion in 2009/10. Moreover, due to policy initiatives undertaken by the concerned authorities for enhancing the inflow of remittances through the official mechanism, the share of remittances incoming through the official channel has been going up.

### **5.1.6 Participation of Women in Foreign Employment and their Share in Total Remittance Earnings**

A recent feature of foreign labour migration is the growing participation of women in the labour market. About 10.85 percent of the total foreign labour migrants are considered as women by the Tenth Plan. Remittance sent by the Nepali labour migrant is estimated more than 100 billion rupees each year and women share 11 percent of the total remittance.

### **5.1.7 Government's Effort to Channelize the Worker's Earnings**

There are 59 financial institutions (20 banks, 3 other financial institutions and 36 remittance companies) involved in channelizing the worker's earning. Nepal Rastra Bank the country's central bank has provided "letter of intent" to 61 additional interested institutions for directing remittances through the official channel. Owing to the positive effect of remittances, the country has accorded priority in promoting overseas employment and mobilizing remittances so as to maximize the benefits from these transfers.

### **5.1.8 The Impact of Remittances on National Economy**

The impact of remittances in national economy can be illustrated by the fact that it has surpassed exports as the top contributor in the foreign exchange earnings of the country after 2005/06. Likewise, the remittances to GDP ratio also increased from

10.34 percent in 2005/06 to 15.11 percent in 2009/10. The growing remittances have led to surplus in the current account, thereby strengthening the overall balance of payments position. The share of remittances in total current account receipts, for instance, soared from 29.8 percent in 2004/05 to 46.7 percent in 2009/10. Remittances have relaxed foreign exchange constraints of the country.

### **5.1.9 Poverty Impact of Remittances**

Studies on the poverty impact of remittances have demonstrated that apart from possibly increasing inequality and dependency, remittances make a pivotal contribution to reducing poverty and vulnerability in most households and communities. In Nepal's case, the impact of remittances on poverty has been positive as revealed by the *Nepal Living Standard Survey (2007-08)* that showed that the poverty level, defined in terms of absolute head counts, declined from 42 percent in 1999/00 to 31 percent in 2007/08.

### **5.1.10 Use of Remittances in Nepal**

With regard to the use of remittances in Nepal, the NRB central bank of the country had conducted a study in early 2006 covering 10 districts and 160 sample households. The study disclosed that the remittance earnings were invested as follows: household purpose, purchase of land, purchase and maintenance of new house, paying off loan, deposit in the bank and finally for business purpose.

### **5.1.11 Features of National Act**

Current Foreign Employment Act-2042 adopted by the state is control oriented and welfare of migrant worker is very much considered.



### **5.1.12 Discriminatory National Law towards Women**

This act also found discriminatory towards women due to the provision of taking prior consent with their guardians and there is less attention of the government to assure safe migration of women.

### **5.1.13 Weak Implementing Aspect of National Act**

In one sense the state's policy on foreign employment is perfect but its implementing aspect is found very weak due to the identified problems at all level. Government's action is not directed in a proper way as the policy has directed. Government is lacking financial and human resource to strengthen the capacity of labour administration. Labour migration, being a highly important source of national income, it is not in the priority of the government.

## **5.2 Conclusion**

In the 1990s increased globalization has effectively opened up new labour employment opportunities in newly industrialized countries, like Malaysia, Taiwan, and South Korea in Southeast Asia, and in the Gulf states in the Middle East, for men and women from South Asia, including Nepal. Even in developed countries, like Japan, the UK, Europe, and the USA, new opportunities for labor migrants have emerged, even though immigration controls and other restrictions ensure that many of them work there unofficially or illegally. The demand for cheap and unorganized labour encouraged labor migration from the poorer developing countries where unemployment and underemployment are widespread. In this prospect, International labour migration mostly in Gulf States, Malaysia and other South East Asian countries is a new phenomenon of migration in the Nepalese context and that only have about 30 years long history. Unexpectedly the foreign labour migration has developed in such a way, which has shifted the agricultural based economy towards remittance based economy.

Numbers of people going abroad for work have been increased for the last few years, especially the origination of armed conflict in Nepal. Major concentration of Nepali migrant workers was in Gulf States for the very beginning but the dynamics has been changed and people are migrating towards Malaysia since the past three years even though the number of people going the Gulf States is still significant. A class division among the labour migrants is also found to select the country of destination i.e. poor people are to India, Gulf States and Malaysia and rich people towards Japan, South Korea, North America and Europe.

There are various problems faced by the migrant workers both in home country and the country of destination. Unless addressing the problems of migrant worker from the policy level, solution is far behind. Nepalese Government on the one hand is not capable enough to proper implement existed policy and the other is, there are several things to do to the regulation and management of foreign labour migration. Basic things that are found to improve are amending the existed laws, promotion of labour market through the labour diplomacy, management of manpower agencies and welfare activities to the best benefit of labour migrants. The situation of women migrant workers is found more vulnerable as compared to men migrant workers. The existing law in itself found discriminatory towards women and issues of women migrant workers are not considered sincerely. Even though, migration of women in foreign employment occupation has assisted to the economic empowerment of female to some extent.

Foreign employment helps to divert large amount of remittance into national economy. Remittances have positive impact on national economy as well as household economic conduction but this is not satisfactory. Maximum parts of the remittances have been used in household expenses like loan repayment, house maintenance and social spending. Likewise, the study also reveals that bringing more remittance money through formal channels is critical. So the current need is for more effective migration management to reduce the vulnerabilities of migrant workers and safeguard the rights of migrant workers

Furthermore, we can conclude that foreign employment and remittances is one important component of national economy. Remittances have opened a new area of research to the economists and politicians. As its share and volume keep on growing, economic and financial model builders have got strong ground of empirical testing of hypothesis as “Remittance Led Growth”. So, remittance has a greater scope of expansion for a “role play” in the socio- economic development of developing country like Nepal. Nepal has an encouraging picture toward this direction. However, because of the lot of traditional or emerging new reasons, the remittance sector also would go in jeopardy if timely and proper policy measures and strategic actions are not adopted. Temporary inflow of such remittance cannot serve the long-term objectives of a country. For this, all the responsible bodies’ initiations and drives need to be directed to a safe, reliable, diversified and sustainable remittance system.

### **5.3 Recommendations**

The following recommendations are adopted for the effective management of foreign employment occupation and true utilization of remittance earnings.

1. Nepalese government has adopted liberal economy and open democratic environment as its guiding economic and political strategy. In this regard, the policy formulated by the government should be guided on that. Policies are needed to encourage the use of remittances to promote longer-term growth and income security. Nepal needs to further devise policies that;
  - (a) Send more remittances through official rather than unofficial mechanisms.
  - (b) Increase the levels of remittances by encouraging migrants to hold their savings in financial assets in the country rather than holding them abroad.
  - (c) Encourage migrants to become investor in productive assets in the country.

2. The opportunities to promote self-employment and small business formation amongst returning migrants and their relations back home needs to be recognized by the government and schemes must be targeted to assist investment in business activities.
3. The banking system of Nepal has not been developed fully both in terms of coverage and efficiency. It is necessary to expand the banking network in the rural areas. At the same time, as it might be economically viable for the commercial banks to open their branches in remote areas, which can initiate collaboration for conducting the remittance business. A large section of Nepalese workers going abroad are from lower middle class and lower class residing in the rural areas. Most of them have hardly ever used the banking service. As a result, they are not aware about the formal channels. Hence, a publicity campaign and /or a nationwide advertisement scheme needs to be developed and implemented to familiarize the rural people to remote areas with the banking services.
4. The workers will be inclined to use the banking channel only if the services provided are quick, reliable and efficient. Hence, new technologies that are constantly changing in the international banking system should be introduced in order to make the payment process quick, simple and hassle-free.
5. To invest the remittance income in productive sector, the government should initiate for the issue of development bonds like Remittance Bond, having higher rate of interest, or a kind of Mutual Fund.
6. Nepalese government should pay an especial consideration for the welfare of women migrant workers and all discriminatory laws/acts regarding the women involvement in foreign employment should be amended as per the guiding principle of the state. It is also important to realize that women face greater and different risks when they go for foreign employment. What are these risks and what can be done to reduce and cope with these risks also needs to be analyzed. Due to the lack of information and unorganized nature of their association in destination countries, they seem to face great deal of problems. Moreover, the prevailing attitude, policies and institutional framework that see women as weak

beings and have given rise to obstacles for their empowerment. So, government should pay strong initiation to enhance and empower the capacity of women to compete and make their movement easy and hassle free.

7. Nepalese government's policy on foreign employment has not been adopted in an organized way. The term "Foreign Employment" in the Foreign Employment Act-2042 is defined as the employment to be obtained by a worker to abroad where as the nature of work and the people involved on it are not specified. The existence of Non Residence Nepalese (NRN), sex trafficking, refugees and undocumented workers in abroad are not included by our act. In this regard the policy should be defined the term in itself either in a broad or specific way. This will facilitate to identify the legal status of different forms of migrant people.
8. Effective political diplomacy in the government level on migrant workers' issues is found very fundamental to respect the rights of migrant workers.
9. Government should have a proper policy that should guide them to identify new market for workers and the continuation of old market with increasing facilities to the labour migrants.

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## **APPENDIX 1**

### **List of the People Selected for In-depth Interview**

- Dr. Bhubenesh Pant, Deputy Director, Research Department, Nepal Rastra Bank, Kathmandu.
- Mr Shankar Nepal, Section Officer in Labour and Employment Promotion Department, GoN, Kathmandu.
- Ms. Saru Joshi Shrestha, Programme Coordinator UNIFEM, Field Office, Kathmandu.
- Mr Shankar Prasad Acharya Director, Foreign Exchange Department, Nepal Rastra Bank, Kathmandu.
- Dr Ganesh Gurung, Chairperson, Nepal Institute for Development Studies, Kathmandu.
- Mr. Vijaya Babu Khatri- Journalist, Kantipur National Daily.

## APPENDIX 2

### Questionnaires Asked to the Respondents

The following are the questions asked to the people on the basis of their occupational background and working expertise. Some of the questions are not relevant to all respondents. So, various questions were asked during the informal discussions with the researchers.

1. How do you observe the current trend of foreign employment in the Nepalese Context?
2. How do you analyze the current government policies regarding foreign employment?
3. What about the implementing aspects of Foreign Employment Act- 2042, National Labour Policy-1999 and “Labour and Employment Policy 2005”?
4. What are the direct impacts of remittance inflow in the Nepalese economy?
5. Is government effort conducive to harness maximum benefit from remittance inflow in the country?
6. What initiations need to be directed to a safe, reliable and sustainable remittance system?
7. Can the present inflow of remittance serve the long-term objectives of a country?
8. What about your response regarding the women involvement in the foreign employment?