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Research Paper

Labour Migration to Gulf Countries and Implications for India

Assistant professor, Department of Economics, Lady Shri Ram College for Women, University of Delhi. New Delhi.

Abstract: *This paper tries to explore the labour migration to the Gulf Counties and explores how important this is not only for the destination counties but also for Indian labour market the economy which gets huge remittances from these gulf countries. We further explore how COVID 19 has serious implications to the job market and remittances to India*

Keywords: *labour, migration, Covid 19, remittances.*

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I. Introduction:

India is the leading country with Indian migrants abroad as well as the world's top recipient of remittances. "Migration has major impacts on both the people and the places involved. When supported by appropriate policies, migration can contribute to inclusive and sustainable development in both origin and destination countries, while also benefitting migrants and their families[1]". With the oil boom in the 1970's in the GCC (Gulf Cooperation Countries), the demand for labour increased substantially, Indian labour served as a backbone for these countries. Such migration not only served as a valuable source of income for India and as a backbone of the economies of high-migration states through transfer of remittances but through such migration, Indian migrant workers have made substantial contributions to the economic development of Gulf States.

The numbers grew steadily as the Gulf economies expanded exponentially in the decades to follow. The Gulf initiated its policy of inviting foreign workers because of a small local workforce. Gulf countries were particularly interested in recruiting more labourers from India and other South Asian countries due to South Asian workers' readiness to accept poorly remunerated low skilled jobs.

South Asian workers did not demand political rights nor interfered in the political and cultural spheres of the Gulf countries, which was significant for the ruling elites to stabilise their power and authority. In return, the Gulf regimes allowed labour migrants (both skilled and unskilled) to be pillars of construction, oil and other integral sectors of their economies.

We are going to discuss the economics of labour migration to gulf countries, the impact of such migration and finally discuss how COVID19 pandemic has impacted the economic conditions of migrant workers.

Trends in labour migrations to GCC countries:

Around 8.5 million Indians live and work in the Gulf countries, table 1, one of the largest concentrations of migrants in the world. The geographical and historical proximity of the Arabian Peninsula to India makes it a convenient destination for Indians, and today migrants from across India are working and living in the Gulf countries (Saudi Arabia, UAE, Qatar, Bahrain, Oman and Kuwait).

[1] United Nations Department of Economic and Social Affairs, 2019

Table 1

South Asian Countries	Stock of Migrants	Per cent
India	8,904,781	31.5
Bangladesh	3,103,607	11.0
Pakistan	3,065,435	10.8
Sri Lanka	726,331	2.5
Nepal	665,441	2.3
Afghanistan	448,806	1.6
Total numbers of migrants from South Asia	16,914,201	60
Total number of migrants from rest of world	11,224,371	40
Total number of migrants in GCC countries	28,138,572	100

Source: GOI: Ministry of External Affairs

To understand the magnitude of Indian migration to the Gulf, it is important to compare it with migration from other South Asian countries. According to *the UNDESA Migration Report 2017*, out of the total 28 million foreign workers in the Gulf countries, 16.9 million (60 %) comprise workers from South Asia. In total, 31.5 % of migrants are from India, followed by Bangladesh (11 %), Pakistan (10.8 %), Sri Lanka, Nepal and Afghanistan. Other than these South Asian countries, the Philippines are another major source of foreign workers.

Destinations of Indian migrants to GCC countries

Within the GCC countries, Saudi Arabia and UAE are the most popular destinations for Indian migrants, which together constitute 68 percent of the total migrants as on 2018, table 2. Further classification shows that men dominated the migration, who mainly work as labourers or technicians in the construction sector employed as semi- skilled and skilled workers, table 3. Women are mostly employed in households/ domestic service.

Table 2

Population of Overseas Indians in Gulf States, 2018.	
Country	**Overseas Indians**
Bahrain	316175
Kuwait	929903
Oman	689145
Qatar	692039
Saudi Arabia	2814568
UAE	3104586
Total	8546416

Source: GOI: Ministry of External Affairs

Table 3:

Migrant Inflow (2015)				
	Male	**Female**	**Total**	
Behrain	228273	74362	302635	3.7
	75.4	24.6		
Kuwait	748549	313209	1061758	13.0
	70.5	29.5		
Oman	671881	105751	777632	9.5
	86.4	13.6		
Qatar	556448	89129	645577	7.9
	86.2	13.8		
Saudi Arabia	1308558	585822	1894380	23.2

*Corresponding Author: XXXXXX

	69.1	30.9		
UAE	2710332	789005	3499337	42.8
	77.5	22.5		
Total	6224021	1957278	8181299	100

Source: GOI: Ministry of External Affairs

Reason for Migration

The decision to emigrate for work is influenced by a number of factors, especially the availability of employment at home, within the home country and at the destination. Wages earned, skill levels, living and working conditions, cost of migration and cultural factors also influence such decisions.

There has been deceleration of employment growth in India prior to 2011–12, which worsened further from 2013–14 to 2015–16. From 2013–14 to 2015–16, total employment in India shrank by about 0.4 per cent per annum, i.e., an estimated reduction of 3.74 million persons in employment.26 Labour bureau statistics too recorded a drop in the number of jobs: from 480 million in 2014 to 467 million in 2016.

In 13 years between 2004-05 and 2017-18, table 4 shows that employment grew by .8 percent compared to the population growth by 1.6 percent. This growth in employment was primarily in the urban areas and while rural employment contracted.

India is one of the world’s youngest nations, but employment data according to age groups shows that youth employment (those between the ages of 15 and 29) has fallen by 16 million between 2004 and 2017-18.

Table 4

Labour force and unemployment trends in India , 2005-2018

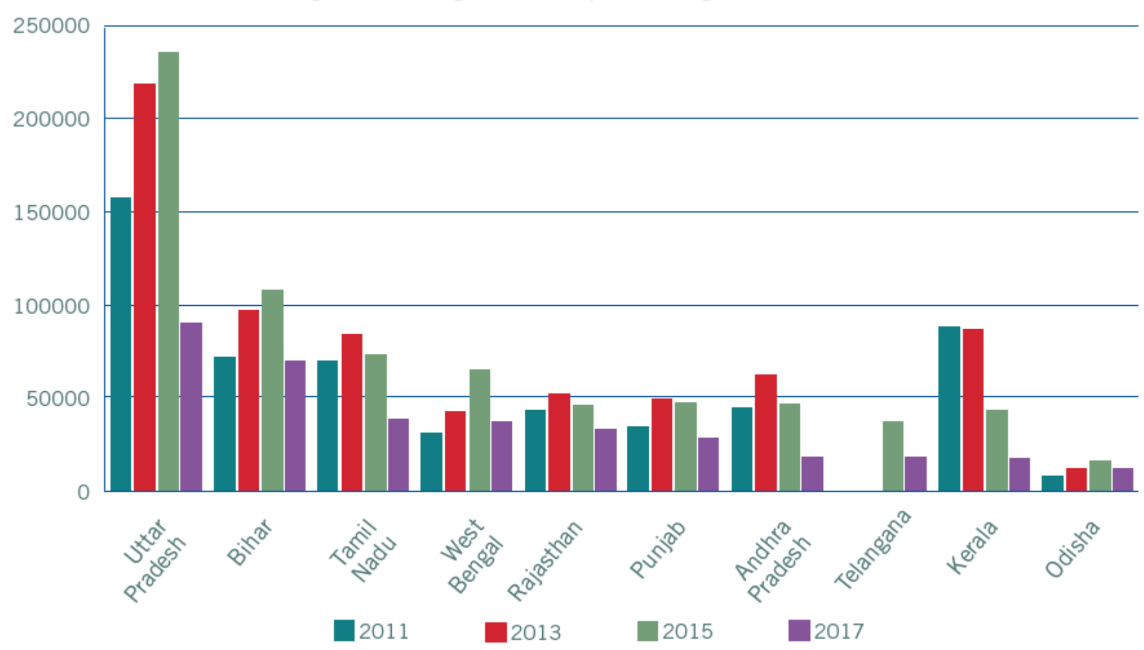
	Overall Population				**Youths (15 to 29 years)**		
	2004-05	**2011-12**	**2017-18**		**2004-05**	**2011-12**	**2017-18**
Total employment(million)	459.4	474.2	465.1		154.2	138	115.7
Labour Force	470.2	484.8	495.1		163.1	147	140.7
WPR%	42	38.6	34.7		53.3	41.9	31.4
LFPR%	43	39.5	36.9		56.4	44.6	38.3

Source : NSS and PLFS

Coupled with a national unemployment rate of 7.8 per cent in November 2020, the opportunities to find formal employment with decent wages and job security are restricted. An ILO study shows that low-skilled migrant workers are earning approximately 1.5–3 times more in wages in the destination countries (Kuwait, KSA and UAE), even when the wages are compared with the highest rate of minimum wages prevailing among the different Indian states. In such a scenario, emigration for work with a formal contract and better wages are major driving motivations to leave.

Chart 1, depicts the top ten sending states in India; Uttar Pradesh has taken the lead since 2011, followed by Bihar, Kerala and Tamil Nadu. Despite a decline in 2016 and 2017 in the ECR category, it is possible that there are still large numbers of emigrants from Kerala, but that many have graduated into the non-ECR category. High poverty levels, unemployment rates and wage differences between source and destination play an important role in influencing migration choices. High-migration zones and specific districts within each of these states usually contribute the bulk of emigrants to the GCC region.

Chart 1: Migration from top 10 states



Implications for India

Reserve Bank of India shows that India receives nearly three-fourth of its remittance income from the Gulf Cooperation Council (GCC) nations and the US, table 5. "For India, the flow of inward remittances has been pivotal in financing the trade deficit (43 per cent in 2017-18). India continues to be the top recipient country with US$69 billion of remittances in 2017 sent by a large pool of skilled, semi-skilled and unskilled Indian migrants across the globe"[2].

Table 5

Remittances received from abroad 2018		
	Million dollars	**percent**
UAE	13823	22.8
USA	11715	19.4
Saudi Arabia	11239	18.6
Kuwait	4587	7.6
Quatar	4143	6.8
UK	3941	6.5
Oman	3250	5.4
Nepal	3016	5.0
Canada	2877	4.8
Austrailia	1944	3.2
Total	60535	100

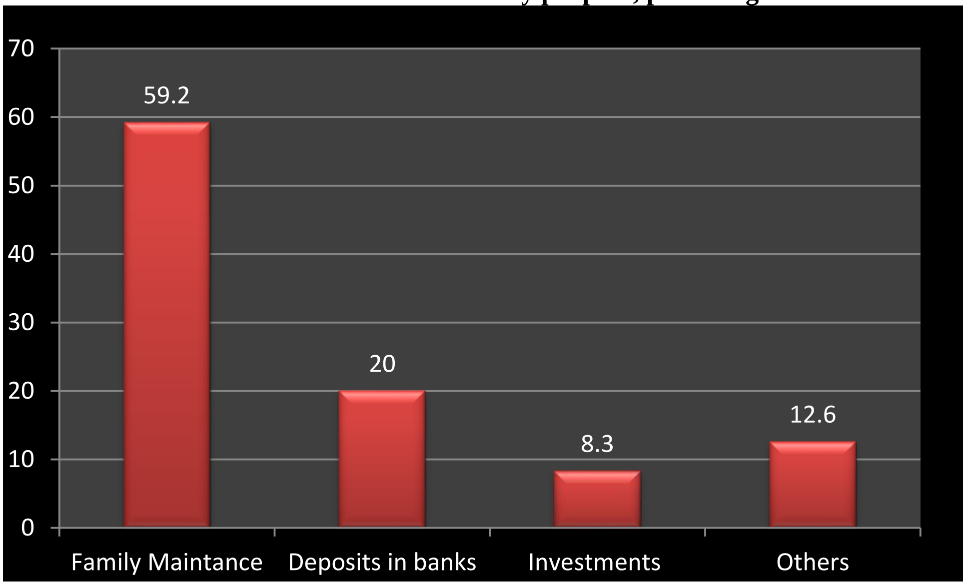
RBI

Remittances play a crucial role in development of developing economies, with significant welfare implications. Kerala, Tamil Nadu, Maharashtra and Karnataka, have accounted for nearly 60% of India's remittance receipts. However, this dynamic seems to be changing, with states like Uttar Pradesh, Bihar, West Bengal and Rajasthan emerging as recent entrants. This would imply that remittances are poised to not only benefit the less-developed states of India over the long run but also have the ability to pull up the overall growth of the country, through higher consumption from these less-developed states. Income of people rises which results in the increase of their consumption, human development as well as increasing gross capital formation

[2] RBI

which through multiplier effect will result in expansion of gross domestic product in the long run. Chart 2 shows that remittances are also invested. While 8% of remittances were invested in landed property, including housing, 20% of the remittances were deposited in banks. The remaining 12% was spent on others, including weddings and religious functions.

Chart 2
Distribution of remittances by purpose, percentage



Source: RBI

Table 6:
Statewise remittances received by different states, 2018

Per cent	
State	**Share in Total Remittances**
Kerala	19.0
Maharashtra	16.7
Karnataka	15.0
Tamil Nadu	8.0
Delhi	5.9
Andhra Pradesh	4.0
Uttar Pradesh	3.1
West Bengal	2.7
Gujarat	2.1
Punjab	1.7
Bihar	1.3
Rajasthan	1.2
Goa	0.8
Haryana	0.8
Madhya Pradesh	0.4
Orissa	0.4
Jharkhand	0.3
Uttarakhand	0.2
Puducherry	0.2
Chandigarh	0.2
Jammu and Kashmir	0.2
Assam	0.1
Himachal Pradesh	0.1
Chhattisgarh	0.1
Others	15.5
Total	100.0
Note: "Others" also includes those remittances for which banks could not identify the specific destination and, therefore, covered such transactions under "Others".	

Source: *the UNDESA Migration Report 2017*

II. Conclusion

Covid 19 not only hit the oil prices but it also lead to a massive job cut. According to the ILO report an estimated six million jobs were lost in the Arab region, and by mid 2020 and most majority of the job loss were for the migrants workers, which force many migrants' labourers to come back to India. World Bank estimates remittances to India will drop by 23% from $83 billion last year to $64 billion this year.

The jobs loss and fall in remittances is likely to have major impacts on the Indian economy:

Firstly, with already a grim situation in the domestic labour markets, migratnts returning from GCC countries is unlikely to be absorbed in the domestic labour markets thus further worsening the domestic unemployment problem.

Second, it may generate severe growth- and welfare-reducing outcomes. The estimated $20 billion fall in remittance flows will shave off more than 0.7% of GDP and have a deeper impact sub-nationally. Kerala, Punjab, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, Rajasthan and Bihar account for more than four-fifths of inward remittances. For states like Kerala, which currently receives over Rs 1 trillion in remittances, amounting to about 35% of GSDP, the impact could be profound. As noted earlier that that almost three-fifths of remittances received by households were for family maintenance purposes. Such a substantial fall in transfers may push many migrant households back to poverty and put migrant households at a more disadvantage position. A large number of households in these states are likely to experience disruptions to their financial lifelines, affecting their ability to consume, afford healthcare, and education.

Third, unlike in the past, when remittance flows exhibited countercyclical movements during contractions or recessions, they will now be procyclical with respect to GDP and might unsettle India's current account balances. The pandemic is likely to worsen India's merchandise trade deficit. Due to fall in foreign incomes, India's exports are expected to contract by $49 billion to $265 billion in FY21. While imports are also expected to fall to $350 billion on the assumption of benign oil prices, oil demand could normalize quickly. Also, production cut of 9.7 mn barrels/day under the OPEC+ deal could exert upward pressure on oil prices, increasing the import bill, and thereby, the trade deficit. In such a scenario, a fall in remittances will be a double whammy for the current account balances.

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