

Foreign Employment and Remittance Economy A Case of Western Nepal

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Abstract—There has been a rapid increase in remittance inflows in Nepal since the last decade. Contribution of remittance to foreign exchange earning exceeds total export, foreign direct investment (FDI) and foreign aid but economic growth is not improving simultaneously. This paper overviews the trend of foreign employment and remittances in western Nepal. It has been carried out to analyze the role of foreign employment and remittance in household of migrants in Nepal. Nepal is one of the highest remittance receiving countries in the world, in percentage of gross domestic product (GDP).

Monthly income of foreign employment is determined by different factors like, country of destination, nature of job, years of schooling and skill development training. Using the most recent household survey data, this paper analyzes the nature of individual migrant's level of education, skill development training, country of destination and nature of job and monthly income. The study shows that 54.5% of the migrants have passed their 10 years of schooling. It also shows that the majority of the migrants (81%) were unskilled and physical labor. The most of the labor were migrated to Qatar, UAE, Saudi Arab and Malaysia for physical labor and majority of them earn low income of Rs.20,000.

Keywords: country of destination, education, foreign employment, migration, nature of job, remittance, training etc.

1. INTRODUCTION

Foreign Employment can be defined as the form of the dependent relationship of an employee on an employer outside the territory of the country where the employee pursues activity according to employer's instructions at the time and in the place determined for that purpose by the employer for the remuneration agreed upon in advance. Similarly, Remittance is the process of sending money to remove an obligation. This is an important source of foreign income for developing countries like Nepal. Now a days, this source of foreign income has been growing rapidly in each year in developing countries. Due to the establishment of different agencies like Western Union, International Money Express (IME) etc. in several district headquarters of the country, the remittance flows has become popular for transferring cash or money in time to the recipients. 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 recorded in balance

of payments account. In this regard, it is estimated that unrecorded flows through informal channels are believed to be more than 50 percent of the recorded flows in developing countries (Ratha, 2005).

2. OVERVIEW OF FOREIGN EMPLOYMENT AND REMITTANCE IN WORLD

Globalization and advances in communication and transportation have greatly contributed to people migrating temporarily outside of their home country in search of a better life; also termed as the new era of mobility (United Nations, 2006), natural persons move to foreign countries as exports of service labor.

According to World Bank report 2016, the top three recipients of remittances—India, China, and Philippines—each received 72.2, 63.9 and 29.7 \$ billion respectively in 2015. But smaller and poorer countries tend to receive relatively larger remittances when the size of the economy is taken into account. Expressing remittances as a share of GDP, the top recipients were Tajikistan (41.7%), Kyrgyz Republic (30.3%), Nepal (29.2%), Tonga (27.9%) and Moldova (26.2%). Remittances are thus more evenly distributed across developing countries than private capital flows. Nepal comes in the third rank in the world in remittance recipient of its GDP in 2014. When we compare the remittance recipients among South Asian countries, Nepal comes in the fifth rank. It received 6.6 billion US \$ in 2015.

According to World Bank Report 2016, Nepal is the first, in context to share of remittance in GDP among the South Asian countries to receive remittance. The contribution of remittance income in GDP of Nepal is about 30 per cent, which is the highest contribution in South Asia. So, remittance income in Nepal plays an important role in its economic development.

3. OVERVIEW OF FOREIGN EMPLOYMENT AND REMITTANCE IN NEPAL

The flow of international migrant remittances has increased more rapidly than the number of international migrants. Remittances have played a pivotal role in most of the

developing economies lately and Nepal is no exception to this general trend. Nepal has a long history of labor migration. For around 200 years, Nepali men and women have been leaving their homes to seek employment and living abroad. 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).

A total of 3,619,981 foreign employees have gone abroad through licensed companies by the end of fiscal year 2016/17. Of the outbound foreign employees to major labor destination countries with labor permit, 155,113 were female while 3,464,868 were male.

Table: 1 Country wise foreign employment up to F.Y. 2016/17

S.N.	Country	Male	Female	Total
1	Qatar	962,338	9,337	971,675
2	Malaysia	1,089,231	24,845	1,114,076
3	Saudi Arab	761,408	4,631	766,039
4	UAE	415,829	38,411	424,240
5	Kuwait	72,276	38,783	111,059
6	Bahrain	39,667	3,452	43,119
7	Oman	24,510	4,529	29,039
8	S. Korea	33,072	1,790	34,862
9	Lebanon	1,159	11,436	12,595
10	Israel	2,219	4,290	6,509
11	Afghanistan	9,172	42	9,214
12	Japan	14,609	793	15,402
13	Other	39,378	12774	52,152
	Total	3,464,868	155,113	3,619,981

Source: Ministry of Labor and Employment (Economy Survey 2016/17)

The reasons behind migration are almost the same in Nepal as in other parts of the world. The reasons can be broadly classified into two parts i.e. pull factors and push factors. The push factors are poverty, limited employment opportunities, deteriorating agricultural productivity, and armed conflict in the source country. The pull factors are high wage rate, sophisticated modern life, new place and new people and culture in destination

According to the current data of World Bank, Nepal's remittance contribution to GDP is in increasing order. When the trend was analyzed from 2010 to 2016, it was seemed like this:

Table 2: Remittance Inflow and Contribution to GDP of Nepal

	2010	2011	2012	2013	2014	2015	2016
Remittance inflow (Million US \$)	3,464	4,217	4,793	5,589	5,889	6,730	6,607
Contribution of Remittance to GDP %	21.6	22.3	25.6	27.7	29	29.6	-

(Source: World Bank annual remittances updated data Oct. 201)

The trend seems increasing and it is because of the fact that thousands of Nepali are going outside of the country per day. From an economic point of view, the economy of the country is also be borne by remittance as 30% GDP is being contributed by the remittance which is indeed the good part.

4. OBJECTIVE OF THE STUDY

The general objective of the study is to assess the impact of foreign employment and remittance on the households of migrants'.

5. LITERATURE REVIEW

The literature review is broadly grouped into theoretical framework which includes international or global information and literature and national context which includes all Nepalese information and literature relating to impact of labor migration and remittance on the households of migrants. For the purpose of literature review, various theories, principles, models of foreign employment and remittance are examined.

5.1 International Experience of Foreign Employment and Remittance

According to World Bank (2016), more than 247 million people, or 3.4 percent of the world population, live outside their countries of birth. Although the number of international migrants rose from 175 million in 2000 to more than 247 million in 2013 and will surpass 251 million in 2015, the share of migrants has remained just above three percent of world population for the last fifteen years.

In the present era of globalization, the vast majorities of migrants no longer live and work in developed countries alone, as is often assumed. About one third of the above mentioned 191 million migrants have emigrated from one developing country to the other and an equal proportion have migrated from developing countries to developed countries. Likewise, migrant workers are no longer engaged only in menial work. Many of them are highly skilled workers (SAARC, 2006). Although the migration for work is more recent for women than for men, female migrants constitute nearly half of all migrants worldwide; in developed countries, they outnumber male migrants (SAARC, 2006).

Flows of remittances can be also seen as a function of migrants' family status or their relationships with other people. One can reasonably expect that migrants with a spouse and children left behind are likely to remit more because of their families' immediate consumption needs. Several studies found that the number of children at home had a positive effect on both the propensity to remit and the amount of remittances (Johnson and Whitelaw 1974; Lucas and Stark 1985; Massey and Basem 1992). Household headship is also a strong predictor of remittance flows (Lucas and Stark 1985; Massey and Parrado 1994); it is likely that being the head of a

household of origin carries a greater obligation to provide for the needs of the family left behind.

5.2 National Context of Foreign Employment and Remittances

Gautam (1999) has made a study on the causes and impact of migration in Kandebash VDC in Baglung Nepal. He argued that many factors affect analysis of benefits and costs involved when people move from one place to another. It is difficult to say that movements are always beneficial. Emigration reduces masculinity ratio of the population. The absence of young males from the village increases the proportion of the women, children and old. The reduced number of active population in the village creates a lack of labor force.

At the 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. Where these have been set up and encouraged, and where the state is cooperative, remittances can bring about a change, especially in remote rural areas Pant, (2008). Remittances assist in augmenting national income by providing foreign exchange and raising national savings and investment as well as by providing hard currency to finance essential imports hence curtailing any BOP crisis (Buch et al, 2002).

Kshetry (2004) has studied the impact of foreign employment on the national economy and concluded that the single most important aspect of emigrant workers is the remittance they send to the country. He has also identified transfer of technology and management skills as another positive aspect that emigrating workers usually bring into the country. Shrestha (2004) says that in recent years remittances emerged as one of the primer source of foreign exchange received through foreign employment. Nepal Rastra Bank (2002) indicates that foreign employment can play a vital role in improving the rural economy and reducing poverty and unemployment.

Khanal and Kanel (2005) found that during 1996-2004, remittance income increased by more than three and a half fold. The large inflow 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 long term growth to some extent.

6. RESEARCH DESIGN

This study is based on primary data collected through reconnaissance household and institutional surveys, focus

group discussion (FGD) and observations. It is a micro-level study. This is an analytical type of research design. The source of information is households of migrants and elite group of the community and the type of data collection for the study area cross-sectional. The analytical type of research design is used to make the analyzed facts more meaningful and useful for the purpose.

7. HOUSEHOLD SAMPLING AND SAMPLE SIZE

A purposive sampling method was adopted to select households for questionnaire survey. Therefore, a list of migrants' household heads in all selected wards was systematically numbered from 1 to n. Two hundred and two households were chosen as total sample size. Out of the total sample size of 202, about 59 per cent of the households were chosen from Arjai VDC, about 27 per cent from Chhapahile VDC and 14 per cent from Isma Rajasthal VDC. The households which were selected as sample lie in a single northwest belt of Gulmi District and residence of different ethnic groups, different economic status. So, the researcher had selected different households from different VDCs. Prior to the household survey, the questionnaire was translated into Nepali and it was tested among some villagers in Pokharabari Tole of Arje VDC. Based on the feedback from the pre-test, the questionnaire was revised with some necessary corrections.

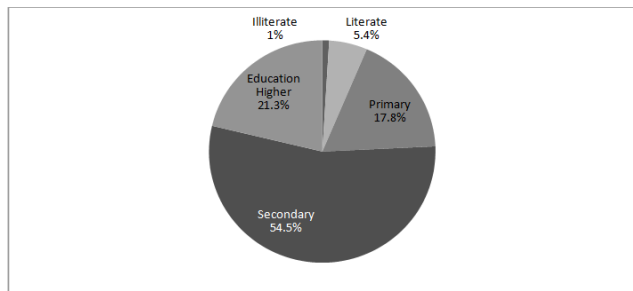
8. DATA PROCESSING AND ANALYSIS

The information collected from the field survey was processed and analyzed using SPSS. In order to describe socio-economic characteristics of the household and remittance effects on the society, descriptive statistical methods like the measures of central tendency (arithmetic mean and median), the measures of dispersion (standard deviation, quartile deviation and range), and the measures skewness and kurtosis were used.

9. FINDINGS OF THE EMPIRICAL STUDY

9.1 Education and Foreign Employment

The survey collected information on the characteristics of the individual migrants: age, education, income earned outside the home, country of destination, skill development training, cost and source of foreign employment. More recently, the effects of migration prospects on human capital formation have been the focus of several studies, which suggests that such prospects may in fact foster human capital formation and growth in sending countries (Mountford 1997). The author argues that if the return to education is higher abroad than at home, the possibility of migration increases the expected return of human capital, thereby enhancing domestic enrollment in education.



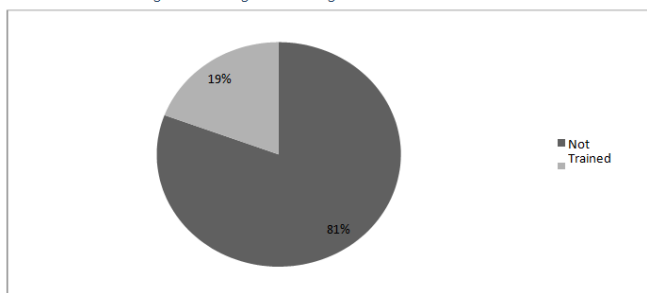
Source: Field Survey Data 2015

Figure 1 Educational Status of Migrant Workers

The figure 1 reveals that 55 per cent (more than half) of the migrants had completed 10 years of schooling. Only 21 per cent of the migrants had completed more than 10 years of schooling. 1 per cent of the migrants were illiterate. About 77.72 per cent of the migrants from the study area were literate. So, most of the migrants were literate and only 21 per cent had pursued higher education.

9.2 Skill Development Training of Migrant Workers

Skill is one of the most important factors which helps to find the proper job and increases the bargaining power of a labor. Anybody, who is trained, can earn more and get a better job than unskilled labor. The Department of Labor and Employment Promotion (DLEP) offers various services aimed at workers themselves. These services revolve around the provision of professional skills, and the DLEP has prepared programs of study and educational materials for Skill Development Training Centers. But, most of the Nepalese seeking foreign employment are said to be untrained. They do not have adequate skills due to which employed in menial work and are lowly paid. And most of the labors migrated through informal channels, where such trainings are not necessary.



Source: Field Survey Data 2015

Figure 2 Training Status of Migrant Workers

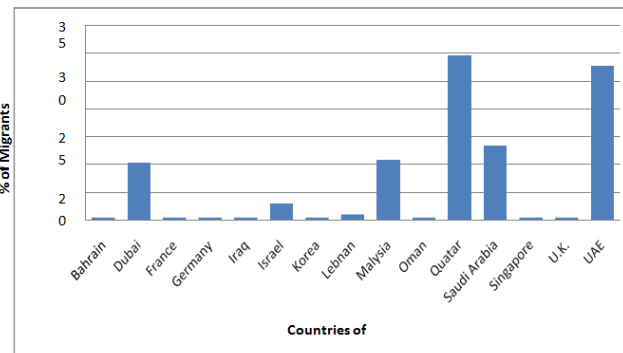
The figure 2 shows that 81 per cent of foreign employees considered themselves as unskilled before getting foreign employment. The remaining 19 per cent had skills related to driving, electricity wiring, carpentry and masonry. Some even had simple training in hotel management and computers. It

shows that most of the foreign employees were untrained, unskilled manual labor.

9.3 Destinations of Foreign Employment and Nature of Jobs

The most favored countries of destination and nature of jobs to Nepalese workers for foreign employment is defined from the perspective of the number of workers in that country.

The number of migrants and the country of destination are given in the following figure:



Source: Field Survey 2015

Figure 3 Country-wise Migration of Labor

The figure 3 indicates that about 30 per cent of the total migrants from the study area migrated to Qatar, 27.5 per cent of migrants to the United Arab Emirates (UAE). Saudi Arabia received the highest number followed by UAE. The importance of Saudi Arabia had somewhat diminished in those years as a principal employing country for Nepalese foreign workers. It is also evident from the table that there was rapid growth in the demand for Nepalese workers in Malaysia and Qatar.

As it was discussed, most of the migrant labors were just literate; the nature of job depends on the level of education. The skill of Nepalese workers was low; most of them get employment in manual job. The migrants were categorized into 8 different jobs. Very few labors had got table work in country of destination. Due to lack of vocational training and education, they worked as physical labor.

Table: 3 Nature of Job and destination countries of foreign employee

Count ries	Qa tar	U A E	Saud i Arab	Mala ysia	Du bai	Isr ael	Leba non	Oth ers	Tot al	%
Office Boy	1	3	0	0	0	0	0	2	6	2.8
Helper /Securi ty	1	3	0	0	0	0	0	0	4	1.9
Others	0	0	0	1	0	1	0	2	4	1.9

Cook	3	6	2	4	5	1	0	0	21	10.0
Driver	7	2	0	1	3	0	0	0	13	6.2
Labour	48	37	25	18	13	4	2	3	150	71.1
Supervisor	1	5	0	0	1	0	0	1	8	3.8
Waiter	2	2	1	0	0	0	0	0	5	2.4
Total	63	58	28	24	22	6	2	8	211	100.0

Source: Field Survey 2015

Table 3 shows that 150 out of 211 or 71.1% migrants were involved in physical works as labor. 76% migrants in Qatar involved in physical works. 25 out of 28 or 89% migrants in Saudi Arab were labor. Cooking and driving is the second and third dominant work of migrant worker.

9.4 Monthly Salary and Country of Employment

It is often heard that Nepalese workers get low paying jobs overseas. So they earn less than laborers from other countries. But income earned abroad depends on the skill of the workers, salary payment by company, working country, types of company, duration of stay etc.

Table: 4 Country of Destination and Monthly Salary of Foreign Employee

Monthly Salary/Countries	Qatar	UAE	Saudi Arab	Malaysia	Dubai	Israel	Lebanon	Others	Total
0-10000	5	1	0	4	0	0	0	1	11
10001-20000	45	31	24	14	14	0	0	0	128
20001-30000	10	16	4	5	8	0	2	2	47
30001-40000	2	6	0	1	0	0	0	0	9
40001-50000	0	2	0	0	0	0	0	0	2
50001-60000	1	1	0	0	0	3	0	2	7
60001-70000	0	1	0	0	0	3	0	0	4
70001-80000	0	0	0	0	0	0	0	2	2
80001-120000	0	0	0	0	0	0	0	1	1
Total	63	58	28	24	22	6	2	8	211

Source: Field Survey 2015

The table 4 depicts that the foreign employed working in the Gulf countries earned relatively more than those in Malaysia. The average monthly salary of migrant workers from the study area was Rs.22918.37. the maximum monthly salary was Rs.120,000 and minimum was Rs.8000. There was big difference between maximum and minimum wages received. The average wages of manual labor in all countries were about

the same. The monthly salary varied between Rs.10,000 to Rs.20,000.

It can be concluded that the major occupation of the Nepalese migrant workers are physical labor as building construction and industrial work.

10. CONCLUSIONS

The biggest contribution of remittances has been found to the welfare and improved livelihood of the receiving households in terms of basic needs, better health and education and to a smaller extent in terms of savings. Most of the migrant workers had gone to the Gulf countries and Malaysia so these destinations were congested areas for the Nepalese workers. The workers of these destinations could not earn more income than other destinations, like Japan, Hong Kong, Korea.

Most of the migrants of these VDCs had gone in unskilled condition and after 10 years of schooling. So they cannot earn more like that of skilled workers. Pre-departure training for labor migrants is not only important to reduce the human and economic costs of migration; it can also be a powerful tool in raising awareness about remittance earning methods and its utilization.

Above all the researcher strongly recommended that the Government of Nepal should create employment opportunities in the country through investing on labor intensive industries. It is recommended to control the flow of young energetic human resources to foreign county for employment. It is only the temporary solution of unemployment and remittance is not dependable source of GDP in any economy. So, it is strongly recommended not to send labor for foreign employment.

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