Leaving Hills and Plains. Migration and Remittances in Nepal

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Introduction

Back in 1983, Goldstein and his colleagues in their analysis of the 1981 Population Census data concluded that Nepal was experiencing a transformation from a hill-rural to a "plains-urban society" (*ibid.* 61). Indeed, by 2001 the Population Census showed that, for the first time ever, the population residing in Nepal's southern belt, the Tarai, exceeded the hill and mountain population. Thus, at a first glance, these population changes indicate that part of their predictions have come true. On the other hand, even today Nepal remains a predominantly rural country. It has one of the lowest rates of urbanisation in the world, particularly in comparison to other South Asian countries (see Sharma 2003, Gutschow and Kreutzmann 2002). Urbanisation rates increased enormously and rapidly from about 2% during the 1950s to nearly 10% in 1991 to stand at about 16% in 2001 (HMG/NPC/CBS and UNFPA 2002, Sharma 2003). Yet, when compared to 29% in India (18% in the early 1960s) or even to Pakistan (22 and now 38%, based on UNDP 2007) these figures indicate that Nepal is far from becoming an "urban" society.

At the same time, this "ruralness" is often understood to imply that until today the Nepalese economy has remained an agricultural one. A classic quotation is one pointing out the "overwhelming importance" of agriculture (NESAC 1998: 99; see also Gill 2003). Official data still put the agricultural labour force at 75-90% (HMG/ NPC/CBS 1993, see also HMG/ NPC/CBS and UNFPA 2003, Dahal 2004: 20). Similarly, the important role attributed to the Agricultural Perspective Plan in the mid-1990s supports this view. International sources tend to quote these figures, as does NESAC in their Human Development Report for UNDP (*ibid.* 1998). Indeed, Nepal's physical space still is, by and large, an agricultural one. On the other hand, quite a number of scholars have pointed out that the importance of agriculture for the overall economy needs to be drastically revised. Seddon and his Nepalese colleagues have even argued that the "overwhelming concentration on the role of agriculture has blinded researchers and policy makers alike" (*ibid.* 2001: 20; see also Graner and Seddon 2004).

Indeed, this pre-occupation overlooks one of the most salient features of the Nepalese economy today, namely the predominant role of labour migration (Seddon *et al.* 1998, 2001; Graner and Seddon 2004, Dahal 2004, Graner 2008, Bruslé 2008). This has two major implications. At local and household level, this sector massively contributes to "subsidising" agricultural households. As a logical consequence, we have argued that it is largely inappropriate to refer to these households as agricultural ones (Graner and Karmacharya 2001; Graner and Seddon 2004). Secondly, at national level, labour migration and remittances guarantee a massive influx of foreign currency earnings, exceeding that from other major sources, even taken together. At the same time, labour migration is not a new phenomenon. It was addressed as a matter of concern back in the 1920s (see below).

This article aims at shedding some light on several important aspects, the most crucial one being the changing patterns in the choice of destinations. India was the top destination until the early/mid-1990s and its western regions remained so until recently. At the same time, internal labour migration to the (semi-)industrial sector, mainly to work for carpet manufactories in the Kathmandu Valley, surged during the early and mid-1990s. Thirdly, more recent developments in migration to the Gulf region and to Malaysia are about to dwarf the importance of any other type of migration. Methodologically speaking, this article is based on a critical (re-)assessment of several studies that have been conducted over the past decade, such as the Nepal Living Standards Survey (NLSS; HMG/NPC/CBS 1997a and 2004a) and the Nepal Labour Force Survey 2008 (GON/NPC/ CBS 2009). In addition to NLSS publications, the files from the original database (HMG/NPC/CBS 1997b, 2004b) have been further analysed by the author, particularly in terms of regional disaggregations. Assessments on the part of various scholars, particularly David Seddon, Ganesh Gurung and Jagannath Adhikari, and the (re-)- assessments made in joint articles with two of these authors (Graner and Gurung 2003, Graner and Seddon 2004) constitute another major secondary source.

For primary data, this article is based on the findings of two interrelated studies on labour migration. The first one focused on migrants working for carpet manufactories in the Kathmandu Valley and was carried out by the author between 1997 and 2006, (partly) funded by the German Research Council (DFG). This is based on a quantitative survey (n=1780) as well as on village-level household surveys in Jhapa district, the eastern Tarai (n = 250). The quantitative part includes demographic data regarding migrant workers (age, gender, education, family composition and district of origin) as well as working histories (year of migration and of starting work) and access networks. In addition, household surveys include detailed information on all family members and a comprehensive investigation into all places of work, income, reasons for change, expenses and remittances sent to the household of origin. This second type of survey also includes migrants choosing other destinations, which extends the study to international migration. Remittances from all these migrants support the notion that Nepal is undergoing a transition from an agricultural society to one based on labour migration, as encompassed by the term "remittance economy" (Seddon *et al.* 2001).

(Labour) Migration - theoretical approaches and implications

Studies on migration can be undertaken from a variety of theoretical angles. For demography and demographic geographers, it is a classic field of research, following up on ideas from Ravenstein's "Laws of Migration" published back in 1885. One particular type of these are so-called "gravitational models", that largely draw on Lee's "push & pull" theories (1966; for Nepal see Kansakar 1973/74 and 1982 or H. Gurung 1989). Other possible theoretical approaches are the ones from (neo-classical) economists, focusing on incomes and wage differentials or analyses based on DFID's livelihood framework. Many other studies apply a combination of these approaches, in a more or less convincing line of argumentation. A rather outspoken criticism about these types of migration studies is made by Bolaria (and Elling Bolaria 1997). Their main argument is that "the focus on migration as movements of people distracts attention from the economic role migrants play in the receiving country" (*ibid.*). In addition, it is of no less importance to investigate labour relations in the country of origin (see Graner 2007, 2008).

One rather promising theoretical approach, I would argue, is institutional theory. This aims at combining Giddens' theory of structuration and approaches generally classified as "new institutional economics" (North 1990 and 1995; Hodgson 1988, 2002). North makes a major contribution to clearly distinguishing between institutions, namely "the rules of the game" on the one hand, and organisations, namely the players who define the rules, on the other. His main argument is that institutional changes usually occur when some "players", in the form of individuals and/or organisations, have a vested interest in changing the rules of the game (*ibid.* 1990: 5ff). In a later article, he adds that "institutions are not necessarily or even usually created to be socially efficient; rather they [..] are created to serve the interests of those with the bargaining power to create new rules" (*ibid.* 1995: 18). In addition, Hodgson pointed out the need to replace methodological individualism by an institutional analysis, as documented in his chapter on a "farewell to the economic man" (*ibid.* 1988: 51ff; see also 2002: xvi; for details see Graner 2007: chapter 2.1 ff).

Analysing migration from this vantage point aims at identifying particular "agents" involved in promoting and/or modifying migration processes. Among these "agents" the State with its government and administration need to be attributed a core position. With regard to (labour) migration within and from Nepal, the two most relevant policies and pieces of legislations are the resettlement policies dating back to the 1960s and the Foreign Employment Act (HMG/ML&J 1985). Yet, many other rules have had an indirect but decisive impact, as for instance tax regulations for agriculture or the policies promoting (carpet) industries. In addition, many more institutional regulations are rooted in the social and economic history at particular locations. For foreign labour migration, other agents may also be found in the private sector economy, as for instance manpower agencies or the banking sector that massively influence the "flow" of migrants, to use this inaccurate and inappropriate naturalistic metaphor.

Crucial Features of the Nepalese Political Economy: Agriculture and Labour Migration

For Nepal, the changes in population distribution referred to by Goldstein document government policies for economic development implemented from the 1960s onwards. As demographic pressure and low productivity in the hills were perceived as major obstacles to economic development, resettlement schemes were designed for several Tarai districts, following the projects to eradicate malaria during the 1950s. In terms of research, in-migration to the Tarai has been the major focus of most of these migration studies, hence the southern region has always been depicted from this angle (see Paudel 1983, Kansakar 1979 and 1982, Gurung 1989, Shrestha 1985). At the same time, until recently, the notion of out-migration received very little attention.

The process of "temporary" labour migration from the hills dates back at least to the early 19th century, when so-called "Gurkhas" were first recruited into the British Indian army (for details see Seddon *et al.* 1998, 2001; see also Bruslé 2008). At the same time, army recruitment was heavily regulated by ethnicity criteria and also partly according to one's education, thus privileging a few ethnic groups in the mid-Western and Eastern regions, such as the Gurung, Magar, Rai and some Limbu. At the same time, many other Nepalese groups were left with much less attractive labour markets, such as manual labour in India. An early reference to the latter type can be found in a source dating back to the 1920s. When Collier, a British forest official, was asked to design a new forest policy for Nepal his report also pointed out the urgent need for the intensification of agriculture. This was "to lessen or completely stop the contemporary drain of the country's menhood to India" (*ibid.* 1928: 252; quoted in Graner 1997: 36/37).

Similarly negative notions were common until quite recently in Dixit's article on "Lowly Labour in the Lowlands" (1997), Khadka's "Passport to Misery" (1998), or Poudel's article on "Migration. Boon or Bane" (2003). All of these vividly indicate the ambivalence or even rejection regarding the way how (many) academics and journalists address migration. On the other hand, labour migration and remittances are increasingly upheld as an important contribution to diversifying and thus securing household incomes. One major single piece of research that has significantly changed our understanding of labour migration was a study undertaken by Seddon and his Nepalese colleagues Ganesh Gurung and Jagannath Adhikari (1998, 2001, 2002). By characterising the Nepalese economy as a "remittance economy" (*ibid.*) they set in motion a series of research studies addressing and even focusing on labour migration (for example Dahal 2004; Shrestha 2004, Thieme 2006, Shahi 2005, Bruslé 2008, NIDS 2007 and 2008).

At a time when contemporary data set annual remittances at somewhere between four and 12 billion Nepalese rupees (NRB 1999 and NLSS 1995/96, respectively), Seddon *et al.* came up with a "guestimation" that their total value ranged between 40-55 billion Nepalese rupees (see Figure 1). They above all allowed for massive scope in upwardly re-assessing them, stating that they "may well add up to 69 billion" (*ibid.* 2001: 34ff). As a result, this largely and long disregarded aspect of the Nepalese economy suddenly became a most vibrant issue, discussed by politicians and academics alike. While their study was a thorough point-in-time analysis, it must be pointed out that this sector, at the same time, is undergoing quite significant changes both in terms of values and destinations.

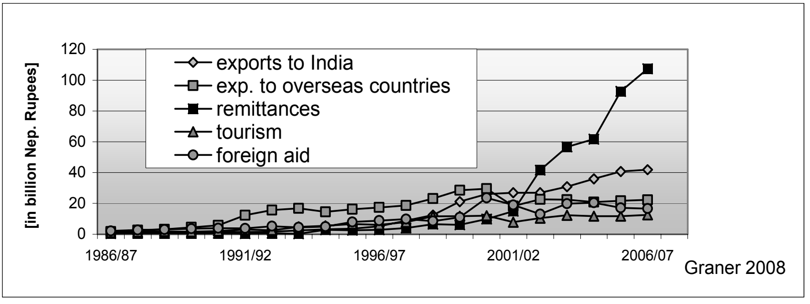


Figure 1**: Foreign currency earnings by the Nepalese National Bank NRB (1990)**

First of all, there have been substantial increases in remittances. This can be shown by analysing more recent data about foreign currency earnings from the Nepal Rastra Bank (2004 onwards; see Figures 1 and 2). While exports (mainly carpets) to overseas countries flourished during the mid-1980s and 1990s (see below), remittances increased tremendously over the past decade. From 2002/03 onwards, remittances have even been the single largest source of foreign currency earnings. By 2005/06 total values exceeded 100 billion Nepalese rupees (i.e. 1 billion euros) and reached about 160 billion rupees (i.e. 1.6 billion euros) by 2008. Thus, they exceed the four other major sources (exports to India, exports to overseas countries, tourism and foreign aid), even when combined (see Figure 2).

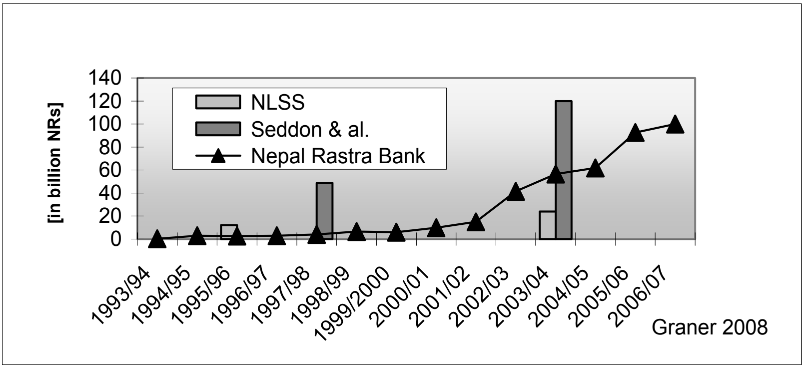


Figure 2**: Assessments for remittances from various sources**

These tremendous increases can also be substantiated by the two Nepal Living Standards Surveys (NLSS). First of all, the share of households receiving remittances has increased, from 22% to about 31.9%. At the same time, average amounts have also increased quite significantly, from about 15,000 Nepalese rupees annually to nearly 35,000 Nepalese rupees (i.e. about 260 and 470 US dollars; *ibid*. 1997a: 63 and 2004a: 74/77). By 2008 average amounts again more than doubled to about 80,000 Nepalese rupees (i.e. 800 euros; GON/NPC/CBS 2009: 165). Interestingly, the first NLSS did not extrapolate the sample households to national level. When done so by the author(s) for an earlier publication, we estimated total remittances at 15.795 billion Nepalese rupees (Graner and Karmacharya 2001; see also Graner and Gurung 2003). Yet, the NLSS 2003/04 puts the total value of remittances in the first NLSS at only 12.957 billion Nepalese rupees (*ibid*.). The NLSS also reveals that many of the persons and households classified as agricultural have in fact incomes from diverse sources, including wage labour either locally or elsewhere, i.e. are involved in labour migration.

Another important feature is that there have been substantial changes in terms of regional origin. India and a few South Asian countries (mainly Hongkong) were the main countries of origin back in 1995/96. This issue has been extensively covered in various articles (Dixit 1997; Müller-Böker 2007) and field studies, such as Kansakar (1982), Adhikari (1995), Basnet

(1997), Ghimire (1997) and more recently Shahi (2005), Kaspar (2005), Wyss (2004), Thieme (2006), and Bruslé (2008). At the same time, it must be pointed out that of all the remittance estimations the Indian data are the most controversial and contested ones. Besides, the importance of India as a destination has dramatically declined over the last decade (for details see Graner and Seddon 2004).

At the same time, the Gulf countries, mainly Saudi Arabia and Qatar, have experienced a rather significant increase in labour migration from Nepal. While remittances from India have increased by about 220% within this eight-year period (1995/96 to 2003/05), those from the Gulf countries have increased by about 3,000% (see Figure 3). As a result, the Gulf countries and Malaysia have emerged as the most prominent destinations over the past decade (see NIDS 2007, Graner and Seddon 2004, Graner 2008). A third series of the NLSS is to be carried out in 2009/10 and its data will certainly contribute to a better understanding of current patterns of labour migration. In addition, the recently released Nepal Labour Force Survey also supports the findings from the last NLSS. While remittances from India account for only 13.4%, Qatar and Saudi Arabia alone account for 36.2%, and Malaysia for another 19.2% (GON/NPC/CBS 2009: 165).

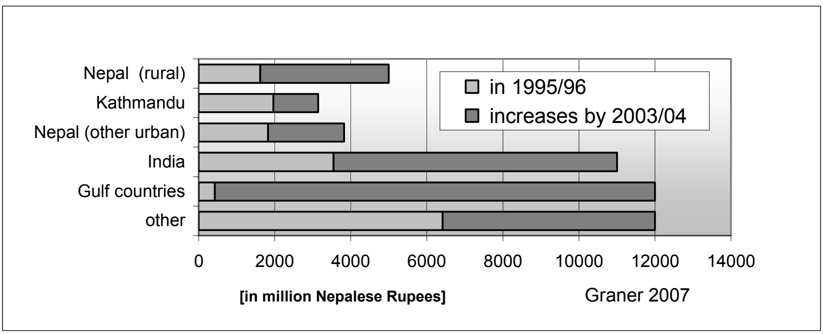


Figure 3**: Remittances from (foreign) labour migrants (NLSS 1995/96 and 2003/04)**

Yet another essential feature, and one that is difficult to clearly identify, is migration due to political instability during Nepal's past decade of civil war (see also Gill 2003: 26ff). Thus, villagers who were harassed by both the Maoists or/and security forces left their parental homes for a better or at least safer future at either nearby urban areas or in the Kathmandu valley. Methodologically, it is difficult to identify refugees crossing into India or those staying in Nepal (internally displaced people; IDPs) from other (e)migrants forced to leave their homes. Besides, politically speaking, these figures are highly sensitive and are likely to be instrumentalised by various parties. Accordingly, figures vary from less than 10,000 persons (HMG/Home Ministry in 2003/i) to 400,000 (CSWC 2004/i; UNFPA 2005/xi) or even 300,000 to 600,000, as suggested by the Nepalese Ministry of Finance (2005/v; all quoted from NIDS 2007: 34). Yet, even if the latter figure is correct, the number of households involved amounts to about 100,000 to 200,000. By contrast, the number of labour migrants is generally estimated to be about 1.5 to 2 million (NIDS 2006: 20).

Nepal's modest industrialisation - internal labour migration to work for carpet manufactories

While migration to India dates back a long way, labour migration to "industrial" centres within Nepal is a relatively recent phenomenon. This situation changed suddenly when the production of carpets for the international market proved to be an enormous labour market. When compared to labour migration to India, figures are much lower. Yet, I would argue that it brought about the first ever "industrial" labour force in the country, accounting for about half of the entire labour force in manufacturing. All in all, most publications estimate that the sector includes about 300,000 persons (CWIN 1993, Shrestha 1991). However, based on an in-depth study I would revise this figure to about 150,000 to 200,000, even for the peak years during the mid-1980s and mid-1990s.

In terms of the labour force, four aspects are of vital importance. One is that carpet manufacturing was the first significant labour market for women, who constitute about half of the labour force. Secondly, the labour force mainly comprises teenagers and young adults. Thirdly, this demand was met almost exclusively by labourers originating from hill and Tarai districts, bringing about a massive process of migration to the Kathmandu Valley, linking the local rural labour force to the global economy. Fourthly, the labour force includes many workers with a low standard of education and from poor backgrounds. From this perspective, their earnings and remittances have been, and partly still are, vital components in securing rural livelihoods.

As argued above, in order to analyse labour markets and labour migration, institutional theory is a major approach. From this vantage point, the carpet industry has a number of core agents who need to be identified. During the initial stage, Tibetan refugees and international agencies, such as the International Red Cross and then the Swiss Development Corporation, were instrumental (for details see Hagen 1975; Gombo 1985: 98ff; CCIA 2003). Gradual increases in demand and production during the 1970s and 1980s brought about the opening of further factories, located in and around Kathmandu, established by businessmen of Tibetan as well as Nepalese origin. (see also O'Neill 1997).

These were strongly encouraged by the Nepalese government who heavily subsidised production and international advertising. By doing so, they gradually promoted carpet production from a niche industry to Nepal's number one employment sector.

Thus, production grew rapidly, at annual growth rates of about 20 to 90% between 1980 and 1994 (TPC 1973 onwards). At the same time, there was a constant need to train and integrate new labourers. In terms of business economics, there was a strong concentration among trade partners from Germany, who accounted for up to 85% of all exports. This lack of diversification brought about a situation where German traders held a virtual monopsony when bargaining, or rather pressuring, for lower rates (see below). Thus, the integration of Nepal into the "global" economy was merely an episodic phenomenon, where the "rules of the game" were largely regulated by foreign, i.e., German, businesspeople (for a detailed account see Graner 2007: Chapter 4.1ff).

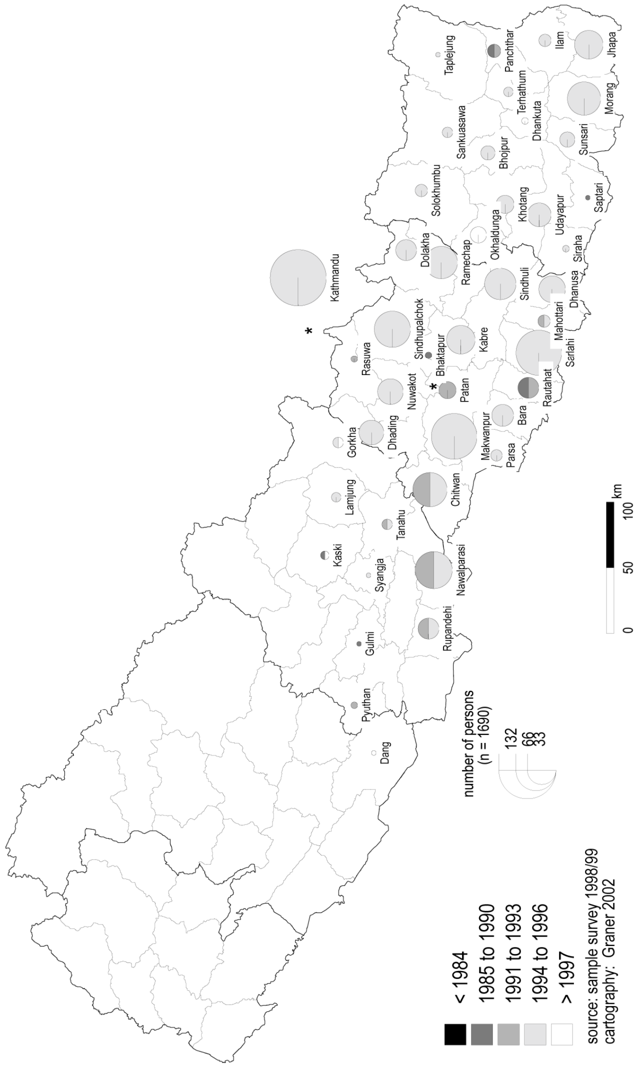
With regard to the labour force, one core issue when considering institutional theory is the process of recruiting labour. Though in the first years, middlemen and contractors (*thekkadar*) made an important contribution, this changed later on. Comprehensive networks of village friends and family members were soon to evolve. Yet, *thekkadar* maintained their positions of power by regulating access to on-the-job training periods. This was documented when interviewing labourers during the late 1990s. Nearly all of them (n= 1,780) reported a training period of 2 to 5 months organised by a *thekkadar*. While they merely received food and lodging, the carpets produced during their training period were sold at nominally reduced rates. Workers are mainly from rural districts around the Kathmandu valley, as well as other districts in the eastern and sometimes western region (see Figure 4). Regarding age composition, it appears that the option to take up work at carpet manufactories was, and is, predominantly chosen by 16-25 year olds, i.e., "adolescent youths" (79 %) rather than children (for details see Graner 2001 and 2007; see also CPS/Rugmark 1999, Rai 1994).

Nevertheless, child labour was publicly discussed as a severe threat to the credibility of the industry. Malpractices had been exposed by journalists as well as by NGOs, most prominently by Child Workers in Nepal (CWIN). In their booklet "Misery behind the Looms" (1993), they claimed that children make up 50% of the labour force. Above all, it was a team of rather misinformed TV journalists from Germany who felt the need, and competent enough, to address this issue in front of a German audience. In their documentary, broadcast as part of a TV series called Panorama, they claimed that child labour accounted for 90%. Generally speaking, this piece of (mis)information was held responsible for the rapidly declining rates that were still officially at 54 US$/m2.

At the same time, it must be pointed out that rates had started to decline much earlier. One of the most important changes in the production process had been installing carpet washing facilities in Nepal from the late 1980s onwards. This had a positive implication, namely that rates for carpets could be increased because they could be marketed as a "finished product", rather than only a semi-finished one. On the other hand, within a few years rates rapidly declined and, above all, a massive trend for over-producing had set in (for a detailed account, see Graner 2007: Chapter 4.7ff). In addition to gradually saturating the markets in Europe, there was increasingly often a visible drop in quality. Furthermore, later on German importers instrumentalised the debates, or rather discourses, about child labour, in order to (re-)bargain and drastically reduce the latest rates, often below the legally regulated rates.

Needless to say, this loss of export earnings affected both entrepreneurs and workers in a hard way. During the recession, the labour market declined dramatically to about half (see Graner 2001). Thus, the situation of a permanent labour shortage within a short period of time completely changed to one where the number of labourers outnumbered demand by far. This implied a constant fear of losing one's work due to uncertain and declining orders and to continuous closures of small- and medium-scale manufactories (see Graner 1999). The bargaining positions of both entrepreneurs and workers declined substantially because of this, reducing both wages and remittances (see below). Attempts on the part of the workers to (again) improve their wages and working conditions brought yet another crucial agent on stage, namely trade unions. Yet, vis-a-vis the "global" recession their demands had little impact (NICWU 1996; for details see Graner 1999: 213). Besides, Manandhar's oxymoron of "divided unions" (2001) is a vital metaphor which sums up nicely their internal bickering.

Figure 4: **Labour migration to carpet manufactories in the Kathmandu valley during the 1990s**



International labour migration - heading 'overseas' (*bidesh*)

When considering the current pattern of labour migration, the massive increases in labour contracts for the Gulf countries and Malaysia are altogether certainly the most vibrant aspect of the Nepalese economy. This is confirmed by various sources. In addition to the Nepal Living Standards Survey (see Figure 3) and the Nepal Labour Force Survey 2008, data from the Dept. of Labour at the Labour Ministry document annual increases in labour permits for overseas countries at double-digit rates, of about 25-85% over the past decade (*ibid.*). Increases have been particularly marked from 2001/02 onwards. While annual departures were usually at less than 10,000 (official) permits, there are now about 100,000, and at times even more.

Similarly, data available at the Administrative Offices at each of Nepal's 75 districts where passports are issued show impressive growth rates. In Jhapa, one of the country's most dynamic districts for labour migration, these have increased about four- to fivefold within the past decade (for details see Graner 2007: Chapter 6.3 ff). At rates of 5,000 Nepalese rupees per passport (i.e. about 50 euros) costs are rather high, equivalent to an average monthly wage for many workers or their annual savings. Thus, "purchasing" a passport can be seen as a proxy indicator for taking up overseas employment. Until recently, passports were only valid for five years and thus labour migrants needed to obtain a new passport for each contract. Now passports are valid for ten years, allowing for more than one migration period.

In order to analyse changes in labour migration, the Nepalese government needs to be seen as a decisive agent. The current institutional framework of foreign labour migration dates back to the Foreign Employment Act of 1985. This includes two vital regulations. First of all, only registered manpower agencies are allowed to arrange for working contracts in countries other than India. Secondly, these manpower agencies can only operate in countries where governments have signed bi-lateral Memorandums of Understanding with the Nepalese State. These MoUs also usually need to include regulations that respect international labour laws, as for instance compliance with national minimum wages. Yet, the latter are not always respected. One further vital issue is that the Nepalese government sometimes prohibits particular forms of working contracts. This includes domestic work for women, since there have been a number of serious incidents. At the same time, this may encourage "undocumented" migration (see Gurung 2003, NIDS 2008) where permits are arranged via "informal" channels and/or Indian agencies.

These institutional arrangements are also manifest when analysing the changing pattern of the choice of destination. During the mid-1990s permits for Saudi Arabia accounted for about 60-70% of all labour permits to overseas countries. From the late 1990s onwards, other destinations have gained momentum. Most recently, Qatar has evolved as the single largest destination, while during the mid-2000s it was Malaysia, acconting for nearly 40% in 2006. For the government and for the banking sector, the latter destination has been of particular interest as remittances are usually sent through the official banking system, and thus to the coffers of the State (see Graner and Seddon 2004, based on NLSS 2003/04). This also reveals the crucial role of the banking sector, a research field that has so far been vastly neglected.

At the same time, the massive value of remittances from the Gulf region needs to be re-assessed for previous years. As argued before, Seddon *et al.* have grossly underestimated the contribution of these countries during the late 1990s (at about 36,000 Nepalese rupees per person and at a total volume of 1.5 billion Nepalese rupees; *ibid.* 2001: 52/53, i.e. about 22.2 million US dollars). This figure has been revised in a series of articles and found to be at least triple that amount (Graner and Gurung 2003; Graner and Seddon 2004). Due to the recent increases in labour migration, remittances have increased to at least 12-15 billion Nepalese rupees (i.e. about 120-150 million euros). For 2008, the NLFS documents remittances of about 42 billion Nepalese rupees (i.e. 420 million euros) from Saudi Arabia and Qatar alone (GON/NPC/CBS: 165). When based on data from the Nepal Rastra Bank, this amount is likely to range somewhere between 60 and 90 billion Nepalese rupees.

In contradistinction to labour migrants at carpet manufactories, the western and eastern regions are strong suppliers. While migrants from the western region originate from both the hills and the Tarai, those from the eastern (and central) regions are usually mainly from the Tarai. This could be interpreted as an indication of the much higher attractivity of the latter destinations. Interestingly, labour migration from districts in the eastern and central Tarai has increased quite significantly within this decade. By 2008, eight eastern Tarai districts alone (Sarlahi to Jhapa) account for more than 30% of all labour migrants who obtained permits from the Department of Foreign Employment during the past two years (see Figure 5). Back in the year 2000, many migrants came from the western region, mainly hill districts (like Syangja, Kaski, Parbat, and Baglung), although even then Jhapa was the single largest provider (for details see Graner and Gurung 2003: 308 ff).

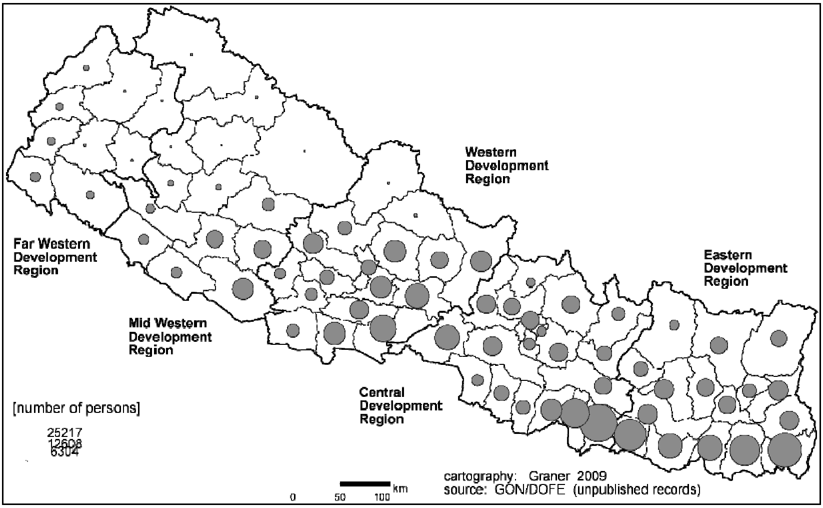


Figure 5: **Districts of origin of labour migrants to the Gulf countries or Malaysia (2006-08)**

This change in destination is also well documented by a village study about migrants from Jhapa during the period 1999-2006 (n=250 households). During the late 1980s and early 1990s there had been a virtual exodus of young people to carpet manufactories in the Kathmandu Valley. When income declined from the mid-1990s onwards, migration was re-“oriented” to the Gulf countries. In addition to workers from carpet manufactories, many men who had previously worked in India also re-routed their destinations, due to better pay opportunities. At the same time, younger women continued to work for carpet manufactories. Those who had married and whose husbands moved to the Gulf usually stayed at home, either with their husband’s family or at the maternal home (*maiti*; for a detailed account see Graner 2007: Chapter 6.2 ff).

These changing destinations have major implications for the village economy. Access to carpet manufactories could be easily gained, at a nominal cost. In contradistinction, access to labour markets in the Gulf region (and Malaysia) is almost exclusively regulated via manpower agencies, i.e., via “commodified” networks. Fees range between about 60,000-90,000 Nepalese rupees, which for a worker corresponds to two to three years’ salary. As a consequence, informal credit systems in rural areas have seen a tremendous revival. Credit is often given by those who have migrated earlier on, at rates ranging between 25 and 36%. These investment loans can usually be paid off within the first year of employment. If so, then the second year’s income is usually re-invested either for expenses for other family members or to provide loans to other villagers. In terms of institutional arrangements, it is also noteworthy that many of those who had worked as *thekkadar* at carpet manufactories now render formal or at least informal services for manpower agencies. In many cases, this also includes the provision of loans. While there has been a lot said about banks needing to provide such loans, there has been little follow-up.

Besides the need for high-interest loans, some of the contracts do not even comply with national minimum wages in the country of destination. Thus, there are many cases when Nepalese workers have to agree to wages that are lower than those agreed upon in the labour contract. so under such circumstances, their bargaining position is practically nil, having handed in their passports upon arrival and being barred from any activity that might even vaguely relate to "trade unionism". In addition, the current global recession has also added a new risk dimension. During the boom years of labour migration to the Gulf region, credit was a fairly safe investment for all parties concerned. Yet, this is no longer the case. When labour contracts are terminated earlier, debts can present a most serious threat. Above all, the termination of contracts is often expressed in rather euphemistic terminology, such as "temporarily suspended". If so, then there is no form of guarantee, not even from the government support schemes. Besides, not even the Nepalese government has any influence upon layoffs.

Labour Migration - a Critical Assessment

Over the past decade, the Nepalese economy has undergone a major shift from an agricultural to a remittance economy. While demographers and some economists hail labour migration as an important income strategy, migration also involves quite of number of critical issues. Conceptually, institutional theory is a worthwhile and promising approach for analysing agents who change the "rules of the game". Thus, investigations into the social, economic and political (re-)negotiation processes at both the place of origin and destination are crucial.

From this vantage point, I would argue that it is not a mere coincidence that the Nepalese government and manpower agencies stepped up their search for foreign labour markets during the early and mid-1990s. This search was actually fuelled by the rapidly declining income from the carpet industry's foreign currency earnings. At the same time, most "partner" countries have a more or less long history of engaging foreign labourers, particularly the Gulf countries (see Appleyard 1998). As a consequence, there is a distinctive hierarchy in terms of the type of work and the wages that are offered to particular countries. Nepal is one of the most recent countries where migrants have an extremely low standard of education (see Graner 2006). As a consequence, workers from Nepal are essentially taken on only as “semi-skilled” or even unskilled workers.

All in all, labour migration often implies the (constant) need to search for new labour markets where (income) conditions are still (more) favourable. However, at foreign destinations conditions for being monitored by external bodies, such as the Nepalese government or trade unions, are next to impossible. A positive impact of these various types of migration and remittances is that most migrants with younger siblings contribute indirectly to productive investments. In these cases, the workers’ younger brothers and sisters are usually allowed to attend school significantly longer than their elder brothers/sisters had done (for a detailed account, see Graner 2008: 392 ff). As education on the whole is vital for accessing better-paying labour markets, this comes as a most promising piece of information from current research.

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