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Labour Migration and Remittances in the Hindu Kush-Himalayan Region

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Introduction

More than 65 per cent of the 210 million people in the Hindu Kush-Himalayan (HKH) region face malnutrition, degradation of resources, frequent natural hazards, and/or food insecurity. Economically utilisable resources and livelihood options for additional income generation at the local level are limited, and this has boosted migration to unforeseen levels. Today, labour migration is one of the major livelihood strategies of mountain people.

For ICIMOD, international labour migration is a major global development issue, posing opportunities and challenges for both migrant sending and migrant receiving countries. In the next decade, international migration will continue to loom in the HKH, driven by the global financial crisis, food insecurity, climate change, globalisation, and escalating income disparities.

Labour Migration

Close to 15 per cent of the world’s total migrants come from the HKH countries. India, China, Bangladesh, and Pakistan are among the largest migrant sending countries in the world (see dark blue bar in Figure 1), and many of these migrants are from the HKH areas of these countries, although the exact number is not known. Growth rates of migration in these countries are striking. Since the 1980s, migration from Nepal has tripled, and from China has doubled, and has grown robustly elsewhere.

Labour migration in the HKH is not a new phenomenon. People have been on the move since time immemorial. They migrate to improve their lives and the lives of their families, to learn new skills, to gain new experiences, to find better jobs, and to flee insecurity, disaster, and famine. They render cheap services to urban growth centres and have supported industrialisation and modernisation. Rural-urban migration has always been an indicator of change and economic development. However, in recent years, the overall
The effects of global change have increased migration considerably, particularly among young people. The interdependence of countries worldwide explains how labour surpluses in developing countries can meet the labour demands of high and middle-income countries. People in developing countries are now, more than ever before, aware of opportunities elsewhere. Better communication technologies and falling transportation costs enable previously immobile people to migrate. The economic upturn in the region’s urban centres and the demand for cheap and flexible labour, particularly in the Gulf countries, focuses the spotlight on labour migration as a livelihood strategy for HKH households.

Both domestic and international migration are widespread in the HKH. Almost half of the international migration is to countries within the HKH region. Both domestic and international migration are found throughout the HKH. Rural-urban migration is one of the most widespread global demographic trends and is also predominant in the HKH. Urbanisation rates in Nepal are almost 30 per cent and China has about 120 million internal labour migrants. Domestic migration is often the first step in building resources to migrate internationally. Half of international labour migration is directed to other low income nations, and the other half to middle and high income countries. Data for South Asia shows that about 38 per cent of South Asian migration is within the region and an additional 12 per cent is directed to other developing countries. This is one of the highest South-South migration rates in the world (see Figure 2).
The major drivers of South-South migration are different from those of South-North migration. South-South income differentials are relatively modest, but proximity as well as ethnic, community, and family ties significantly reduce migration uncertainties and costs. The Afghanistan-Iran migration corridor is one of the largest in the world. The potential for Afghans to succeed financially in Iran is significantly higher than at home as monthly wages are up to four times higher. Transnational social networks are a driving force for migration to Iran. Afghans settle in cities where relatives and families reside as they depend on them for immediate assistance, such as shelter and food, and rely on them to find them employment upon arrival [UNAMA 2008].

Further, seasonal migration is a major driver for South-South migration in the HKH. Thousands leave to satisfy the demand for agricultural labour during the planting and harvesting season or to escape the harsh mountain winter.

The largest South-South migration in the HKH is observed in Nepal. More than 70 per cent of Nepal’s migrants go to India (HMGN 2001), attracted by only slightly higher income opportunities, affordable transportation costs, and, foremost, visa-free entry. For the poor, even the acquisition of official emigration documents such as a passport, is frequently an insurmountable hurdle, thus visa-free entry becomes even more important. The following map highlights the relationship between poor emigrants and South-South migration. The districts coloured in red record more than 10 per cent of their population migrated to India. These districts are at the same time some of the most deprived and poorest districts of Nepal.
Overseas labour migrants are largely attracted by the Gulf countries as their booming construction sector offers vast employment opportunities for unskilled workers. Other magnets for low-skilled migrants are the growing Asian metropolises. Highly skilled migrants, on the other hand, primarily search for opportunities in North America, Europe, and Australia (Figure 4).
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Migration Benefits for the Mountain Poor: Social and Financial Remittances

Labour migration can be an effective strategy for livelihood adaptation and contribute to the sustainable reduction of poverty in the HKH. Migration generates financial and human capital, which, if leveraged for development, is a potential driver for poverty reduction. Results from macro-economic studies suggest that, on average, a 10 per cent increase in per capita official international remittances leads to a 3.5 per cent decline in the proportion of people living in poverty (Adams and Page 2005). In Nepal, remittances are responsible for almost 20 per cent of the poverty decrease since 1995, against a background of armed insurgency and economic downturn (Lokshin et al. 2007). Hence, for the more than 140 million people living in poverty in the HKH, labour migration is one of the most powerful opportunities for prosperity.

Migrants affect the wellbeing and development of their community and country in a multifaceted way. Labour migration can help individuals and their families to increase their income, acquire and improve skills, improve their social status, build up assets, and improve their overall quality of life. Labour migration provides new opportunities to unemployed and underemployed citizens and eases the effect of excess labour in their home countries. Transnational migrant communities promote development in their home countries through trade, investment, and technology transfer. The new financial, human, and social capital provided by migrants has great potential to stimulate economic growth and reduce poverty. Migration can provide benefits through both social and financial remittances.

Social remittances

Social remittances are those benefits beyond the effects of financial flows, such as the acquisition and transfer of new skills and improved knowledge. The consideration of social remittances offers a more comprehensive approach to the analysis of migration. In terms of Sen’s theory of freedom for development, migration can offer people the opportunity to expand their ability to control their own lives and enhance their substantive choices (Sen 1999).

Sushila Rai, a Nepalese migrant domestic worker, describes her experience

“While working in Hong Kong I experienced many things – the way people treat a dependent or independent woman. I have gained much experience and my confidence has grown. Now, I have a say in decision-making at home. My husband does not shout at me. I have bought a piece of land and four rickshaws and I am creating a means of livelihood for four other families…” (Jolly and Reeves 2007)
Migrants acquire new ideas, skills, perceptions, and technologies, which they carry back to their home country. They stimulate a flow and exchange, not only of financial resources, but also of ideologies, which influence and often challenge traditional structures at home. A case study in Afghanistan revealed that 73 per cent of the interviewees had learnt new skills during their work experience abroad (UNAMA 2008). Such new human capital is a powerful factor in modernisation and social change. Experiences in Bangladesh, India, Pakistan, and Nepal have repeatedly shown such an impact in small towns and villages (International Organization for Migration 2005). Social and gender equity are also observed to improve considerably among migrant households.

Of particular interest are empirical studies that show a changed perception towards education. Migrant versus non-migrant households in Pakistan show 54 per cent higher enrolment rates for girls and 7 per cent for boys. The dropout rate for girls decreased by 55 per cent and 7 per cent for boys in migrant households. Further, the number of years of schooling increased by 1.5 years for girls and 1 year for boys. Figure 5 highlights the same trend in Nepal. A recent World Bank study showed that among remittance receiving households, education is given the highest priority by the poorest households.

Improved health care among members of migrant households is another crucial impact of labour migration. For poor mountain people, health care is a low priority as treatment and medicines are expensive. The additional

**Figure 5: Use of most recent remittances by spending quintile in 2006**

![Figure 5](source: Ferrari 2007)
income from remittances makes health care more affordable, giving the poor better access to medical treatment.

In Nepal, poor households with a remittance inflow prioritise health right after expenditure on consumption, education, and loan payments. The first impact studies in Pakistan show that young children from migrant households have higher weight-for-age and higher height-for-age scores, and these gains are sustained as the children grow older (Mansuri 2007).

**Financial remittances**

Worldwide, migrants remit almost US$ 318 billion, almost 80 per cent of which is directed to developing countries, and, since 2002, flows have almost doubled. For the HKH countries, remittances are particularly significant. They received close to US$ 70 billion in 2007, or 21 per cent of global flows. No other region has such a large inflow.

For the mountain poor, remittances are increasingly the most direct, immediate, and significant contribution to their livelihoods. Remittances are primarily used for consumption to fulfil basic needs for food, water, shelter, and clothing. In Nepal, almost half of all hill households receive remittances that represent close to 35 per cent of their income (HMGN 2004). A large portion of remittances are invested in building assets such as houses or to purchase land. Savings are a source of later investment capital for small enterprises and to ease credit constraints on small businesses. Such

![Figure 6: HKH countries have highest inflow of remittances](image-url)

* No data available for Afghanistan and Bhutan; Data Source: World Bank 2008

The HKH region has the highest inflow of remittances of any region in the world.

Remittances reach the poor directly.
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remittances are a major factor in poverty reduction in Nepal. Afghans in Iran send 67 per cent of their monthly wage back home, and as many are the head of their household and the sole breadwinner for their family, this money often represents the sole source of income for their families [UNAMA 2008]. A case study in Pakistan’s North-West Frontier Province and Jammu and Kashmir highlands, two highly food insecure districts, showed that up to 60 per cent of surveyed households rely on remittances to support their livelihoods. Almost 90 per cent of them depend on these inflows as their primary source of income, and for half of them it is their only source of income [Steinmann 2005].

Further, remittances are countercyclical to economic downturns in recipient countries afflicted by civil conflict, natural disasters, or economic crises. They serve as a critical form of social insurance as migrants are likely to transfer more earnings to support families in need. Under such circumstances, remittances are a lifeline to the poor and often keep the economy alive. The HKH region is one of the most disaster prone areas in the world and remittances play a critical role in improving disaster preparedness and in post-disaster reconstruction. Remittances allow people to invest in safer housing, as well as property, and to recover faster than non-remittance recipients when disaster strikes. In the highlands of Azad Kashmir and the North-West Frontier Province, remittance recipients have fortified their houses by building with cement instead of loose stone or mud, which made them less vulnerable to the earthquake tremors in 2005. A study showed that in the aftermaths of the quake, remittance recipients possessed more livelihood resilience than non-recipients and were not forced to sell assets to pay for shelter and health care (Steinmann 2005).

For most HKH countries, remittances are a major source of external financing, and are showing robust growth.

At the macro-economic level, remittances are a major source of external financing for most HKH countries. India and China each received more than US$ 25 billion in remittances in 2007, and Bangladesh and Pakistan rank among the top 15 remittance-recipient countries in the world. The Indian and Chinese diaspora are the largest remittance-sending groups in the world and show striking growth rates. For India and China, remittances grew from US$ 3 and 0.7 billion respectively in 1992, to US$ 27 and 26 billion in 2007. This corresponds to a growth of 60 and 50 per cent, respectively, since 2002. Also for Bangladesh and Pakistan, remittances have more than doubled since 2002. Nepal's inflow multiplied from only US$ 111 million in 1990, to an estimated US$ 1,600 million in 2007. This represents almost 18 per cent of the country's gross domestic product,

1 Studies in Indonesia, Thailand, and Mexico already proved an increase in remittances during times of crisis (World Bank 2005).
making Nepal one of the top remittance-receiving countries worldwide by share of GDP (Figure 7). The annual flow from Iran to Afghanistan is almost US$ 500 million dollars, which is approximately 6 per cent of the national GDP of Afghanistan. This is equal to the telecommunications market share of the whole Afghan economy (UNAMA 2008).

More than the sheer volume of remittances, the nature of the flows is also remarkable. Remittances are more reliable and less volatile than other external financing flows such as official development flows, foreign direct investment (FDI), and capital market flows (Figure 8).
Finally, to put the magnitude and relevance of remittances into perspective, the comparison with inflows of foreign aid is striking. Figure 9 highlights the disparity between remittances and aid inflows to HKH countries.

Among the HKH countries, Bangladesh and Nepal have one of the highest aid inflows in terms of share of gross domestic product. However, the volume of incoming remittances was still many times the amount of foreign aid received in 2007. This trend can be seen across all HKH countries. And yet, the real scale of remittances is largely unknown due to the vast amount of unrecorded flows. In view of this, remittances are claimed to reach the poor more directly and efficiently than foreign aid, underlining their role in contributing to poverty reduction once more.

Challenges and risks involved in migration for mountain people

Beyond the opportunities that social and financial remittances carry for the HKH region, several risks need to be considered and addressed in relation to labour migration. The most predominant argument against migration is the loss of highly skilled workers (the ‘brain drain’). The successful return of
migrants with improved skills and acquired capital is criticised as a myth rather than reality, as home economies usually cannot offer an attractive environment for migrants to return to. This is particularly true for skilled migrants who are often unable or uninterested in reintegrating or investing in their country of origin. If migration is not macro-managed, it cannot be guaranteed that human capital\(^2\) is developed or that skills relevant to the home environment are acquired.

The high social and financial costs, and increased vulnerability and drudgery for families of migrant labours are additional risks of migration. In the Himalayas, labour migration is a highly engaged process. According to official statistics, up to 40 per cent of all economically active males are absent abroad in certain districts of Nepal. Furthermore, the generational dimension to mountain migration is so extreme that in certain areas almost no youth are left. Apart from the high social cost of family separation, labour migration also leads to the feminisation of mountain economies, with increased drudgery and vulnerability for women, children, and the elderly. Cases of exploitation, harassment, and violence against migrants and their families, as well as the health risks posed by new diseases, are well known. On the financial side, migration requires substantial initial funding, which generally has to be covered by loans. Also, remitting to remote mountain areas is expensive and inconvenient as local financial services are sparse. Microfinance products such as savings and investment services, or much needed insurance packages covering injury or death of migrants, remain hard to obtain. Ultimately, investment opportunities in rural areas are also limited, which leads to a diversion of funds to already crowded urban centres.

To many host countries, labour migrants are vital as they provide low-cost labour and cover the shortfall in the national workforce. Nevertheless, certain host countries are concerned about large immigration numbers and cite negative social and economic influences such as pressure on local infrastructure, job markets, wages, and the social welfare system\(^3\). The validity of such concerns is questionable (International Organization for Migration 2005), nevertheless they do explain why the GATS\(^4\) Mode 4 negotiations are progressing slowly.

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\(^2\) There is some evidence to suggest that in a few cases a downgrading or deskilling of migrants happens. In such situations it is not just the immigrants but also the host country that fails to reap full benefits from the available human capital.\n
\(^3\) In the United Arab Emirates and other Gulf Cooperation Countries, foreign workers constitute the majority of the workforce.\n
\(^4\) The General Agreement on Services (GATS), MODE 4, is negotiated under the World Trade Organization (WTO) and defines the framework for the movement of natural persons, i.e., individuals, that travel from their own country to supply services in another.
Climate change, food insecurity, and the recent economic crisis are additional global drivers for labour migration. In the HKH region, case studies and modelling studies indicate that more irregularities in precipitation and the availability of water are expected in the future. This will lead to a decrease in crop production and available natural resources, which in turn will require longer seasonal labour migration to support families back home. The current financial crisis is already being held responsible for declining remittance flows from affected high income countries. Developing countries need to prepare for a drop in remittances. Although there is little knowledge available on the implications of these global challenges for the HKH region, it is clear that the poorest will have the least resilience to cope with these changes and will be hit hardest.

ICIMOD’s Response to Opportunities and Challenges

The Himalayan region, with its diverse economic, political, and social landscape, poses regional challenges for migration and development. ICIMOD, the first mountain learning and enabling centre, has a unique regional mandate for the eight countries of the Hindu Kush-Himalayas: to enable and facilitate the equitable and sustainable wellbeing of the people of the Hindu Kush-Himalayas by supporting sustainable mountain development through active regional cooperation. ICIMOD is a regional platform where scientists, policymakers, development specialists, academics, and civil society meet and share knowledge, ideas, innovations, and perspectives. Through this regional outreach, ICIMOD can facilitate cross-country learning and exchange on migration and remittances, like no other organisation.

ICIMOD sees labour migration and remittances as an emerging cross-border issue and aims to improve the knowledge base and to carry out country-specific assessment of labour migration and remittance related issues and opportunities to support national and regional level policy dialogue and sharing of good practices. As a platform for regional dialogue and discussion, ICIMOD will explore and develop strategies to support the best use of resources unleashed by the region’s large-scale population movement, as well as to diminish the negative effects of such movement. For the HKH region, the main priorities are as follow:

- **Data compilation** – Population movements across the HKH region are not documented or understood sufficiently. ICIMOD aims to compile secondary data at the regional level to highlight the...
migration trends of mountain people, disaggregated for gender, age, ethnic, and other social dimensions. The extent and attributes of migration (e.g., seasonal-permanent, mountain-plain, rural-urban, national-international, voluntarily-forced) and the main drivers (individual, economic, political) need to be identified. To fill knowledge gaps, case studies will be conducted on topics of national and regional relevance.

- **Networking and cooperation** – Based on its regional mandate, ICIMOD has the opportunity and responsibility to build cooperation between leading regional and international actors\(^5\) in the field of migration within and beyond the HKH region. By combining resources and expertise, new best practices and strategies can be identified and adapted to the HKH context; enhanced methodologies and technologies can be designed to leverage migration for mountain people; and innovations can be tested and upgraded throughout the region. Further, cooperation with governmental institutions and civil society partners is crucial to develop approaches relevant to national policies.

- **Leverage financial and social remittances for development** – The main challenge for ICIMOD is to leverage migration for development. Financial and social remittances have an enormous potential to accelerate poverty reduction and human capital development in the HKH mountains. Migrants need better financial and communication support services in order to migrate in the first place, to remit their earnings back to remote areas, and to have significant and innovative investment opportunities. Skill-acquirement and transfer relevant to the HKH region needs to be facilitated. The effects of changing social dynamics, such as the feminisation of mountain economies, and the impact of migration on poverty reduction, need to be fully understood in order to enhance the positive effects of migration and mitigate the negative effects.

- **Support at the policy level** – Based on the analysis of international best practices and state-of-the-art research, ICIMOD draws lessons

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\(^5\) Regional actors are, among others, the Refugee and Migratory Movements Research Unit (RMMRU) at the University of Dhaka, Bangladesh; South Asia Migration Network, Dhaka, Bangladesh; Sustainable Development Policy Institute (SDPI), Pakistan; and Nepal Institute of Development Studies (NIDS), Nepal. International actors are, among others, the International Organization for Migration (IOM), International Labour Organization (ILO), United Nations Development Fund (UNDP), International Fund for Agriculture and Development (IFAD), the Sussex Centre for Migration and Research, and the Centre on Migration Policy and Society (COMPAS).
for its regional member countries on how to leverage labour migration for development. The Centre’s objective is to sensitise HKH governments about socioeconomic migration processes and potentials in the HKH so that adequate attention is given to migrants and left behind families in respective development approaches and policies. ICIMOD’s partners are supported to developed appropriate tools to address the consequences of migration and the needs of migrants and those who stay behind.

References


About ICIMOD

The International Centre for Integrated Mountain Development, ICIMOD, is a regional knowledge development and learning centre serving the eight regional member countries of the Hindu Kush-Himalayas – Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal, and Pakistan – and based in Kathmandu, Nepal. Globalisation and climate change have an increasing influence on the stability of fragile mountain ecosystems and the livelihoods of mountain people.

ICIMOD aims to assist mountain people to understand these changes, adapt to them, and make the most of new opportunities, while addressing upstream-downstream issues. We support regional transboundary programmes through partnership with regional partner institutions, facilitate the exchange of experience, and serve as a regional knowledge hub. We strengthen networking among regional and global centres of excellence.

Overall, we are working to develop an economically and environmentally sound mountain ecosystem to improve the living standards of mountain populations and to sustain vital ecosystem services for the billions of people living downstream – now, and for the future.