
The Trends of Foreign Employment and Remittance Inflow in Nepal

Ram Kumar Pant*

* Assistant Professor, Mid-West University, Nepal. E-mail: pantskt194@gmail.com

DOI: <https://doi.org/10.3126/jsdpj.v2i1.63256>

Abstract

This paper discusses the employment situation of Nepalese youth in foreign countries and its impact on remittance. The main objective of this study is to assess the impact of foreign employment on remittance. This study is based on secondary data and quantitative analysis is adopted. The available data has been interpreted using descriptive statistics as well co-relation coefficient test. The study shows that the remittance inflow in the country has highly increased, though migration of youths has decreased compared to past years. There is a vast gap between male and female migrants. The number of male migrants is substantially high as compared to female migrants and the number of youth migrants going abroad for foreign employment is studied to be high in Gulf countries. The study further reveals that migration has a huge contribution to the nation's economy as well as to the livelihood of their households with the inflow of remittance.

Keywords: Employment, migration, remittance, foreign and labor

Introduction

The history of human migration dates back to the inception of civilization itself. Since the emergence of our species, humans have continually ventured into new territories in pursuit of sustenance and habitation. This migratory pattern, prevalent since the Stone Age, has not only facilitated the transfer of physical traits but has also acted as a conduit for the dissemination of cultural elements such as tools, customs, social structures, and the exchange of innovative ideas.

Pandey (2005) has noticed key historical migratory events including the Gothic expeditions spanning the 3rd to the 6th century A.D., the Arab invasions during the 7th and 8th centuries, and the Ottoman Turks' invasion

from the 14th to the 16th centuries. However, starting from the 17th century, migration shifted from being a collective endeavor by nations to becoming more individualistic, with families taking precedence over mass movements. The Industrial Revolution played a pivotal role in reshaping migration trends, marking a significant shift towards international migration.

In recent years, it has become a prevalent trend for Nepalese youth to seek employment opportunities in various countries. The scale of labor migration and remittances in Nepal is remarkable, offering a promising avenue for 'inclusive' growth in the country's future. Nevertheless, this phenomenon is not without significant challenges, as migrants often face high risks and costs, and there is a notable lack of concerted efforts to leverage remittance inflows for the nation's development. While exploitation is not sporadic, there are formidable obstacles hindering attempts to ameliorate the situation (Jones and Basnett, 2013).

Labor migration plays a pivotal role in Nepal's economic and social development. Remittances accounted for about 22.7 percent of Nepal's total GDP in the fiscal year 2022/23 (ADB, 2023), showcasing the substantial impact of labor migration. Additionally, at the household level, the influence of remittances has contributed to a reduction in the nation's poverty rate. While the government acknowledges the significant contribution of migrant workers to the national economy, it is also mindful of the myriad challenges faced by these workers throughout the migration process. In this context, the study has focused on how the newly approved foreign migrant has made an impact on remittance and the overall aspects of the economy. The research attempts to find the research gap between high remittances even in the low newly approved migration. The research focuses on how the decreasing number of labor migrants has contributed to increasing remittance in the nation and studies the co-relation of labor migrants with remittance.

Materials and Methods

The main objective of the study is to assess the impact of foreign employment of Nepalese youths with their remittance inflows in Nepal. This study operationalizes employment as a mutual agreement between an employer and an employee, where the employee offers specific services, and in return, the employer compensates them with a salary or hourly wage for their work. Foreign employment, often referred to as temporary migration, involves individuals moving from their home country to a foreign nation with the primary objective of working and earning income in foreign currency. This study follows a quantitative research approach using secondary sources of information published by various journals and related books, online papers, economic review papers; Ministry of Labour, Employment and Social Security, NRB, and other bulletins of the Ministry of Finance and statistical data from National Statistics Centre have also been employed in the study. The textual thematic method is adopted for literature analysis.

Analysis and Discussion

Global Context of Migration and Remittance

The driving force behind such journeys transformed from mere survival needs of food and shelter to a pursuit of enhanced economic opportunities and improved living standards. The Industrial Revolution played a pivotal role in reshaping migration trends, marking a significant shift towards international migration. This period witnessed a substantial movement of people from rural to urban centers across the globe, transcending national borders.

Millions of youths especially from developing nations have been leaving their nations for better opportunities of earning as well as for settlements. Globalization as well as regional integration of economies has been the key factor to grow the mobility of migrants across borders. The growing poverty and eagerness of labor migrants to earn for their own needs and

family which is termed as push factors has compelled them to move from one place to another, from one region to another, and from one nation to another. In the 21st century, labor migration has reached the climax of the policy agenda of many countries. About 272 million global population which accounts to be 3.5 percent is assumed to be outside the native nation in order to have a better opportunity for employment for their improved living standard (MoLESS, 2020).

Brucker and Jahn (2011) worked on data on German workers between 1975 and 2004. Their examination focused on the impact of foreign workers on wages in the reevaluation of labor market effects. Immigrants or foreign workers have varying effects on the unemployment rate, contingent on factors such as education, work experience level, and wage flexibility. When there is a high labor supply coupled with high wage flexibility and low unemployment, companies are inclined to hire additional workers at lower wages, potentially substituting for individuals with lower education and experience in the labor market. However, this dynamic may not hold for highly skilled workers, as their presence may ultimately benefit local skilled workers in the long run.

Mukhopadhyay and Oxborrow (2011) conducted an analysis of work based on green card status, utilizing data sourced from the National Immigration Survey (NIS). The work was categorized using four-digit and five occupational categories derived from the census, including professional and managerial, health, services, sales, and administrative. An explicit distinction was made between green card recipients (coded as R = 1) and non-recipients (coded as R = 0). The research aimed to estimate the impact of acquiring permanent residency in the United States on the wage increase for foreign workers.

Apart from empirical research on the impact of foreign workers on wages conducted in continental Europe and the United States, similar investigations have been carried out in ASEAN countries, particularly Malaysia (2014) In this context, professional foreign workers and technical supervisors exhibit a positive correlation with foreign wage levels but display a negative relationship with capital goods and local wage rates.

Consequently, the growth of high-tech industries underscores the importance of collaboration between industries and universities to produce skilled labor.

Ismail et al. (2014) found that foreign workers tend to reduce the wages of local workers in Malaysian companies, especially in the service sector, although this effect differs for professional wages. Yean and Siang (2014) conducted an estimation of wage and labor demand levels using the Cobb-Douglas production function. Their findings indicate a very slight negative impact of the use of foreign workers on all workers, both foreign and local, and across various work groups in the Malaysian manufacturing sector during the 2000-2006 period.

Empirical Review in Nepalese Context

In Nepal, the Foreign Employment Act of 2064 (with amendment) governs such overseas employment. The primary allure of foreign employment lies in the substantial disparity in earnings, driven by the higher exchange value of money in employer countries. According to the Department of Foreign Employment, prior to the global pandemic (COVID-19), approximately 1500 Nepalese youths were departing daily for jobs overseas. While foreign employment has undeniably served as a cornerstone in diminishing national poverty, elevating living standards, and acting as a source of foreign currency, its long-term implications for the country warrant consideration that countries are recently emerging as prominent destinations for Nepali migrant workers. The countries like Malaysia, Gulf nations, and Central and Eastern Europe are attractive destinations for Nepalese youth migrants. The number of labor approvals issued for the Maldives increased from 2450 (including 1789 new approvals) in 2017/18 to 6591 (2735 new approvals) in 2021/22. Recently Jordan, Malta, and East Asian country Japan are becoming new emerging destinations with a significant increase in Nepali migrants. The migrants rise in those destinations might be due to the flexibility policy of those nations (DoFE, 2022). The self-declaration of safe and employment opportunities, the migrants are attracted to those destinations (DoFE, 2022).

Adhikari (2020) states that along with the increasing foreign employment, so many hurdles and challenges are appearing like fraudulent activities, instability inside the country, insecurity of workers, smuggling and human trafficking, and lack of information in the destination countries. The manpower agencies involved in foreign employment seem to be more profit-oriented rather than service being irresponsible towards the employees. The government is not found effective in providing service delivery in order to respond to the demands of the public. The government of Nepal is less serious about paying attention to the security of the labor migrants through its better policies and activities.

Similarly, Chaudhary (2020) argues that remittances in Nepal play a significant role in improving the socioeconomic situation at the household level bringing social and political awareness; the increasing incomes due to remittances, the expenditure capacity has considerably risen.

Wagle (2009) states that migration has resulted high increase in remittance which has a positive impact on reducing poverty and inequality and suggests that a large number of benefits are in favour of a socio-economically advantaged class of the society. Shrestha (2008) explains that the indicators have shown that the remittance inflow has not supported the microeconomic stability of the nation. Most of the remittances have been spent on consumption and have kept the economy afloat. So much research has proved that large amounts of foreign earnings have been spent to purchase land, buildings, education of children, and services (Dhakal, 2013). In the study conducted by Daniela Glocker and Victor Steiner, it is demonstrated that a history of prolonged unemployment significantly elevates the likelihood of individuals, both men and women, entering self-employment (Glocker and Steiner, 2007). Another investigation by Sapkota (2013) reveals the impact of remittances on inducing Dutch disease effects and highlights the need for policy improvements to enhance the investment climate in Nepal. In a similar way, Nunley emphasizes that the responsibilities associated with foreign employment should not be underestimated (Nunley, 1971). Additionally, Uprety (2017) and Srivastava and Chaudhary (2007) underscore the significant role of

remittances in economic development due to their contribution to increased consumption expenditure.

In Nepal, remittances have become a primary source of foreign exchange, playing a crucial role in providing support to family members who remain in the country. It has been proven that remittances sent by migrant workers serve as an effective means of reducing poverty. While foreign employment contributes positively to the economy, the existing facilities are insufficient to cope with the growing trend of migration. Challenges such as insufficient information on overseas job opportunities, a lack of skill training, inadequate pre-departure preparation, and a lack of assurance regarding a safe working environment and the rights of migrant workers are additional barriers that hinder the enhancement of foreign employment and remittance inflows (Shrestha, 2008).

Nepali migrant workers persist in addressing labor shortages, particularly in Gulf Cooperation Council (GCC) countries and Malaysia. Nepal holds the distinction of being the third-highest recipient of remittances as a percentage of GDP globally, and it stands at the forefront among the South Asian Association for Regional Cooperation (SAARC) nations, according to the World Bank (2019).

Since the mid-1980s, Nepalese workers have been migrating to Gulf countries and Malaysia for employment. In the fiscal year 1993/94, the Department of Foreign Employment issued a mere 3605 labor approvals (MoLESS, 2020). Subsequently, the numbers have steadily risen, reaching 527,814 in 2013/14. The majority of labor migrants from Nepal are male, constituting over 80 percent of the total migration. While Malaysia was the preferred destination for Nepalese youth in the past, the number of workers seeking employment in the country has declined. Although there is a decreasing trend in the overall migration to Gulf countries, Qatar has emerged as the primary destination for Nepali migrants, followed by the UAE, Saudi Arabia, Kuwait, Bahrain, Malaysia, Oman, Afghanistan, Japan, and South Korea, respectively, in the last three years (NRB, 2077 BS).

Currently, nearly all rural households rely on the income of at least one member, whether derived domestically or internationally. Over the past decade, foreign labor migration has emerged as the cornerstone of the Nepalese economy and society. The resulting remittances have constituted over a quarter of the GDP in recent years, reaching a substantial figure of 879.3 billion NPR in the fiscal year 2018/19. Nepal is receiving billions of rupees sent by Nepalese workers from different parts of the world. It could be many times higher even with the existing number of Nepalese workers abroad if Nepal can strategically and systematically manage the foreign employment process and remittance transfer. Nepalese migrant workers face a host of hurdles in their home country and their destinations (NRB, 2007; Ghimire, 1996; Gurung, 2002; Pant, 2006).

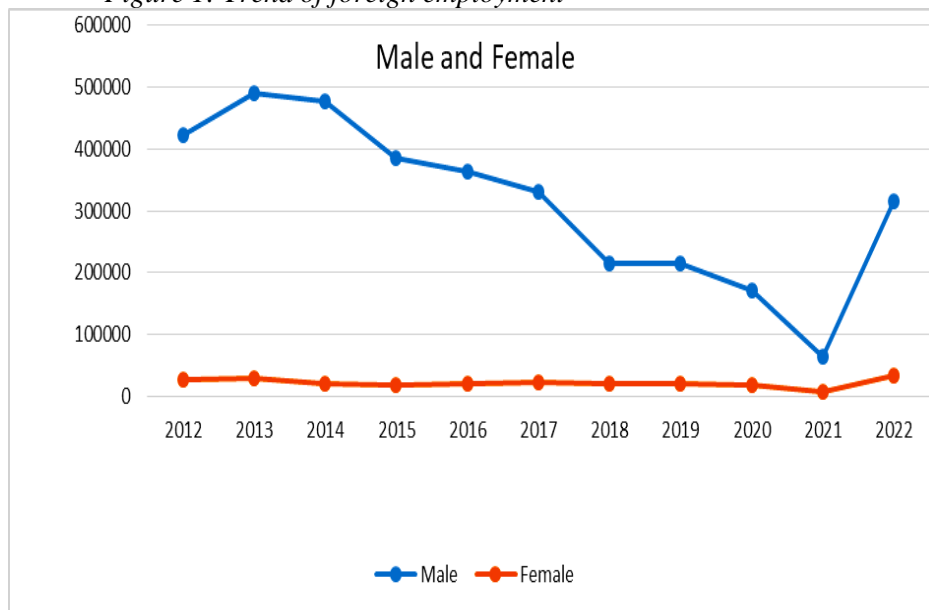
Trend of Foreign Employment in Nepal

Between the fiscal years 2019/20 and 2021/22, over 1.1 million labor approvals were issued. Notably, the number of labor approvals experienced a substantial decline during the COVID-19 years of 2019/20 and 2020/21. However, there was a resurgence in 2021/22 as the impacts of the pandemic gradually waned. During 2020/21, Nepal saw the return of 203,934 migrants, and in 2021/22, this number increased to 470,978. While the lack of comprehensive data prevents definitive conclusions, it is likely that a significant proportion of these returning migrants have subsequently migrated again, particularly in recent months (MoLESS, 2022).

Labor migration from Nepal remains primarily dominated by men, with female migrant workers constituting less than 10 percent of the total labor approvals issued in 2021/22. In 2021, the number of male migrants was 64,903, significantly outnumbering the 7,018 female migrants. This gender imbalance underscores the prevailing dominance of male participation in labor migration. Madhesh and Koshi Province are the regions contributing the most to the migrant worker population, each representing over a fifth of the total labor approvals issued in 2021/22. Conversely, Bagmati accounts for the largest share of women migrant workers engaged in foreign employment (MoLESS, 2022).

This study is confined to newly approved labor migrants and the remittance even from other sources apart from newly approved labor migrants.

Figure 1: Trend of foreign employment



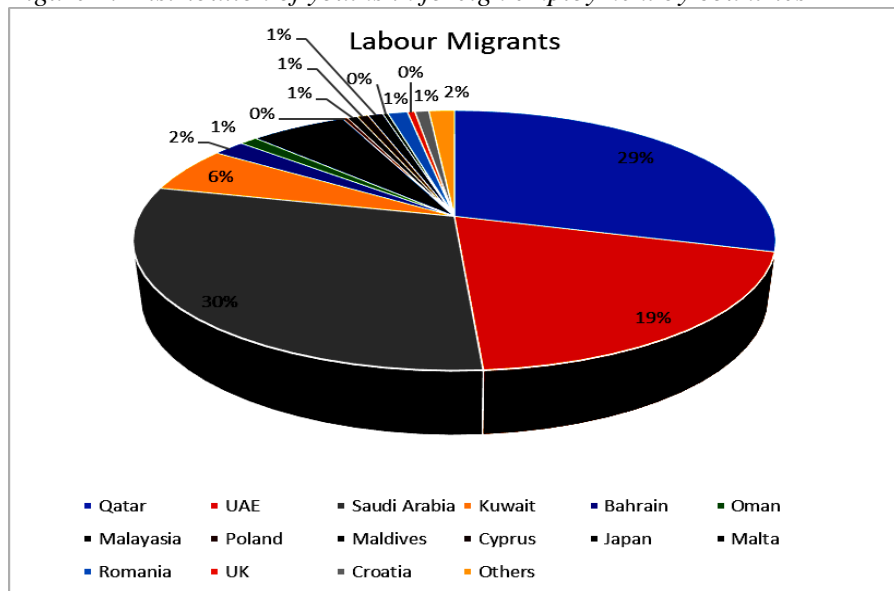
Source: (MoLESS, 2022)

Figure 1 shows that the trend of males as compared to females is high; more or less the same trend with slight changes in the years except in the year 2021. The year 2021 has shown a decreasing trend of females in foreign employment. The highest percentage of males in foreign employment is found between the years 2012- 2014. The trend of male migration depicts negative in the preceding years till 2021 but the high increase is found in the male migrants by 92.2 and females 7.79 percent in the year 2022.

Foreign Employment by Countries

More than 90 percent of Nepalese youths who have been to foreign employment are working in Malaysia, Qatar, Saudi Arabia, UAE, Kuwait, and Bahrain which are the major destinations for foreign employment. The highest percentage of labor migrants are working in Saudi Arabia. The data shows that the highest number of youths have been employed in Saudi Arabia (30%) followed by Qatar (29%) (Figure 2). The trend of labor migrants has changed then the figure of the year 2021. The lowest employment is found in Poland and Malta (0.3%). The figure above depicts that most of the unskilled Nepalese youths have a trend to go for employment in Saudi Arabia, Qatar, UAE, and Malaysia. The migration trend of Nepalese youths in Gulf countries is found to fluctuate from the year 2019-2020. Before the year 2021, the trend of choosing those nations had declined but has risen in the years 2021/22.

Figure 2: Distribution of youths in foreign employment by countries



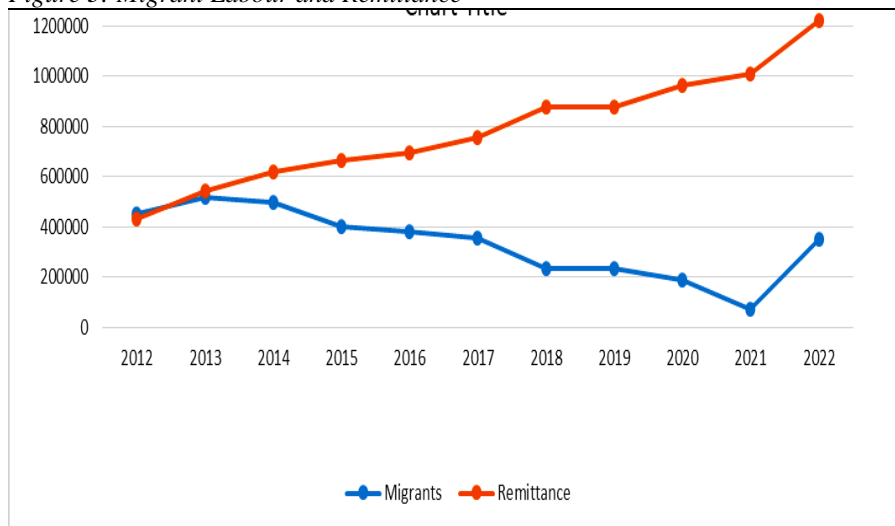
Source: (MoLESS, 2022)

Migrant Labour and Remittance

Foreign employment of Nepalese youths is found a vast gap between the past and present data. In the past, the number of foreign employing youths was higher than at present but the remittance was lower than the present. The data shows the total number of migrants is decreasing every year but the remittance is increasing. In the year 2013, the migrant number was the highest of all i.e. 519638, this number has arrived at 72081 by the year 2021. The remittance in the year 2012 was the lowest i.e. 434581.7 million which has increased to 1007307 million by the year 2021. The remittance is found to be in increasing order.

The country had sent highest number of youths for foreign employment in the year 2013. In the following proceeding years, the trend has been studied reduced heavily. In the years 2012 and 2013, there was a correlation between migration and remittance then in the preceding years the gap continued widening. Remittance substantially increased and migration heavily declined till the COVID-19 Pandemic years. In the year 2022, the migration of employees is found to be an uprising trend. However, the remittance has increased positively in all the years with a substantial amount. It is because of the high receipt of amounts with skilled professionals and devaluation of Nepalese currency along with the other sources apart from remittance from the newly approved labor migrants.

Figure 3: Migrant Labour and Remittance



Source: (MoLESS, 2022 and NRB, 2022/23)

The mean and median of labor migration and remittance over the past ten fiscal years is about 321 thousand and 7 hundred billion respectively which is shown in Table 1.

Table 1: Descriptive Analysis of labor and remittance

Description	Labour Migration	Remittance
Mean	335828.36	786731.36
Median	354098	755058.6

Source: (MoLESS and NRB, 2022)

Table 2: Correlation analysis of labor and migrant

	<i>Remittance</i>	<i>Labour Migration</i>
Remittance	1	-0.703414199
Labour Migration	-0.703414199	1

Source: (MoLESS, 2022 and NRB, 2022/23)

Table 2 shows that the correlation coefficient between remittance and labor migration is -0.703414199 . It indicates that there is a high degree of negative correlation between remittance and labor migration. However, in this analysis, other determinants such as education and age of migrants, education migration, exchange rate with respective destination country, and experience of migrants have been excluded.

Table 3: Effect of remittance on migration

	Coefficients	Standard Error	P-value
Intercept	1175852	140820.5	1.56967E-05
Migration	-1.15869	0.390274	**0.015781971
adjusted r_square	0.494792		

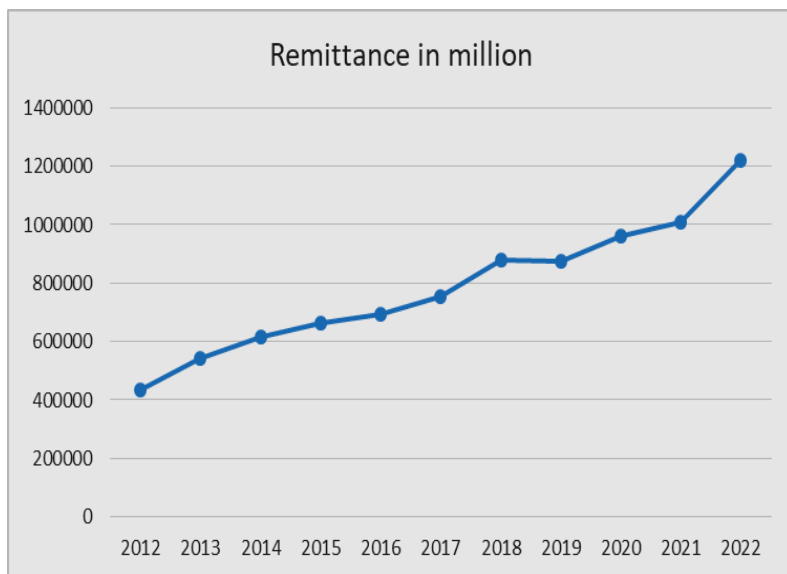
*** Significant at 5% [Source: MoLESS, 2022 and NRB, 2022/23]]*

The simple regression analysis of remittance on migration shows that when 1 unit of migration increases, the remittance decreases by 1.16 million and the relation is statistically significant at 5 percent. The adjusted r square is 0.49 which indicates there might be other factors affecting remittance

Figure 4 shows that remittance has continuously increased every year though the number of migrants decreased. The highest decrease in remittance has been studied in the year 2022 which is 1220559.5 million

and the lowest remittance in 11 years is studied at 434581.9 million. Even during the pandemic period, remittance is found to be increasing trend.

Figure 4: Remittance by year



Source: (NRB, 2022/23)

Conclusion

In this study, the number of foreign employment is seen decreasing in number to previous years and labor migrants denote new approval labor migrants. The study shows number of females working in foreign employment has been found too low than males. However, the remittance is found increasing. An inverse relationship has been found between foreign employment and remittance. The reason for the high remittance on the decreased number has been found devaluation of Nepalese currency, high payment for skilled workers in the destination countries and from other sources besides new approval labor migrants. Most of the Nepalese

youths have been found for foreign employment in Saudi Arabia, Qatar, Malaysia, UAE, and Malaysia, and least in Poland and Malta.

It is a fact that Nepal's economy is heavily dependent on foreign remittance. The government of Nepal should better work in the formulation of policies and work effectively in order to minimize the risks and challenges faced by Nepalese migrants in the destination countries. The government should also be serious about maximizing the remittance and capable of utilizing that remittance for the country's all-round development that leads to sustainable happy and prosperous life of the people through sustainable development programs. Apart from this, the government needs to make a plan for a self-sustained economy. It is also argued that the flow of Nepalese youths day by day is not the absolute solution for the long-run economy of Nepal. The productivity sector of the nation will be shrunk if the employment opportunities abroad by Nepalese youths are overwhelming. The earnings from foreign employment are mostly spent on the consumption of goods and services. It can be assumed that the total earnings from foreign employment and its consumption of goods and services have less meaning and need to be balanced in light of income and consumption.

References

- ADB(Asian Development Bank). (2023). Macroeconomic update: Nepal. Vol. 11. <https://www.adb.org/sites/default/files/institutional-document/912721/nepal-macroeconomic-update-202309.pdf>
- Brucker, H. & Jahn, E.J. (2011). Migration and wage-setting: Reassessing the Labor Market Effects of Migration. *Scand. J. Econ*, 113 (2), 286–317.
- Chaudhary, D. (2020). Influence of Remittances on Socio-Economic Development in Rural Nepal. *Remittances Review*, 5(1). 83-96. <https://journals.tplondon.com/rem/article/view/820>
- Dhakal, B. (2013). Remittance and its impact on education (A Case Study of Gola VDC in Bardiya district). Doctoral Dissertation, Central Department of Rural Development Tribhuvan University Kirtipur, Kathmandu, Nepal.

- Gurung, G. (2002). Foreign labor migration and the remittance economy of Nepal. *Minutes of the Discussion of the 38th Meeting of the Social Sector Economic Discussion (SSEDG)*, UNICEF.
- Glocker, D., & Steiner, V. (2007). Self-Employment: Way to End Unemployment? *Empirical Evidence from German Pseudo-Panel Data*.
- Ghimire, Bed N. (1996). Migration and Employment: A Case Study of Sandhikharka VDC of Arghakhachi District. A Dissertation Submitted to Central Dept. of Geography, Tribhuvan University.
- Ismail, R., Yussof, I., & Awad, A. (2014). The impact of foreign workers on wages: A case study of Malaysian firms. *Economic Prospect*, 8(3), 64–75.
- Jones, H and Basnett, Y. (2013). Foreign employment and inclusive growth in Nepal. <https://www.refworld.org/pdfid/523abb634.pdf>
- Ministry of Labour, Employment and social Security. (2020). *Nepal Labour Migration Report*: Government of Nepal.
- Ministry of Labor and Transport Management. (2003). *National Consultation on "Empowering the Migrant Women Workers of Nepal*. Discussion held in Kathmandu. UNIFEM. Ministry of Finance. (2007). *Economic Survey, FY 2067/68, 2071/72, 2075/76*. Kathmandu, Government of Nepal.
- Ministry of Labour, Employment and Social Security. (2022). *Nepal Labour Migration Report* [http://moless.gov.np/storage/files/post_files/Nepal%20Labour%20Migration%20Report_2022%20\(1\).pdf](http://moless.gov.np/storage/files/post_files/Nepal%20Labour%20Migration%20Report_2022%20(1).pdf)
- Mukhopadhyaya, S., & Oxborrow, D. (2011). The value of an employment-based green card. *Demography*, 49(1), 219-237.
- Nepal Rastra Bank. (2007). *A study on remittance from India*. Kathmandu, Government of Nepal.
- (NRB) Nepal Rastra Bank. (2077BS). *Nepal ma Bipreshanko Aprabah Sthiti*. Anusandhan Bibhag. Government of Nepal.
- NRB (Nepal Rastra Bank). (2022/23). Current-macroeconomic and financial situation analysis. Government of Nepal. <https://www.nrb.org.np/category/current-macroeconomic-situation/?department=red>
- Nunley, R. L. (1971). Foreign employment. *Physical Therapy*, 51(12), 1300-1302.
- Pant, B. (2006). Remittance inflows to Nepal: Economic impact and policy options. *Economic Review*, 18, 20-26.
- Sapkota, C. (2013). Remittances in Nepal: Boon or Bane. *The Journal of Development Studies*, 49(10), 1316-1331.

- Shrestha, B. (2008). Contribution of foreign employment and remittance to Nepalese Economy. *Economic Review*, 20, 1-13.
- Wagle, U. R. (2009). Experience of Nepali families with foreign remittance: *Evidence from the Nepal living standard survey*.
- World Bank. (2018). Migration and remittances: Recent development and outlook. *Migration and development brief*, 28. Washington <http://hdl.handle.net/10986/29777>.