

# Global financial crisis and return of South Asian Gulf migrants: patterns and determinants of their integration to local labour markets

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# Global Financial Crisis and Return of South Asian Gulf Migrants:
Patterns and Determinants of their integration to local labour markets

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*Abstract: Studies record that a large number of South Asian migrant workers in the Middle–East had to return to their home countries owing to the global financial crisis and loss of jobs. However, their distress of loss of job in the gulf is compounded by the fact that in their own home countries the rehabilitation and reintegration of these workers is tedious and often the returnees are thrust with forced choices. This paper, based on a primary survey conducted in five south Asian countries, namely; Nepal, Sri Lanka, Bangladesh, Pakistan and India, concludes that on return, the employment status of REMs were in general worse off than in their host country with high share of casualisation, self employment and unemployment in the crisis year and a decline in their average monthly earnings. The analysis suggests that those who found employment on return was in fact driven by economic compulsions to reduce their job search period and cost.*

Key words: Global Financial Crisis, Return Migrants, South Asia, Employment, Wages

JEL code: J2, F22, N15

## 1. Introduction

The global financial crisis had many casualties including financial sector debacle, export stagnation and falling oil prices. However, these effects were largely visible in the developed world and the oil rich regions. While most of the developing world remained relatively insulated from the global crisis mainly due to its poor integration to the global market and also due to the strong regulatory role the governments still imparted in many of these countries[1]. Yet, the crisis reached these countries mainly transmitted through its effects on international migration. No other part of the world depends on migration and remittances as a source of economic development than the south Asian region, where a large number of migrant workers have found substance in their dreams and back home their hearths burn. The crisis, in this case, the decline in the GDP growth in general in the

[1] The Output of advanced economies grew at 3 percent and -0.6 percent during 2008 and 2009 respectively, while the corresponding growth rate for emerging and developing economies was much better at 6.1 and 2.4 percent (IMF, 2009).

Middle East region led to the loss of jobs, and means of livelihood to many workers from south Asia. However, the loss of job in the gulf is compounded by the fact that in their own home countries the rehabilitation and reintegration of these workers is tedious and often the returnees are thrust with forced choices.

Migrants returning to their home country would imply more workers in these developing economies which are already overburdened with shrinking jobs due to the effect of the crisis[2]. Though the overall effect of the global crisis on South Asian developing economies has been less compared to developed economies, given the fact that the inherent capacity of such economies is weak any decline in the growth rates would greatly diminish their ability to cope with an influx of return migrants. The moot question then, for the return migrants, boils down to their employment prospects in their home country and its determinants. This study tracks a set of return migrants in five south Asian countries and looks into the process of reintegration of these migrants into the labour markets of their home countries.

This paper is based on a primary survey conducted in five south Asian countries, namely; Nepal, Sri Lanka, Bangladesh, Pakistan and India. The survey was conducted in 2009, as part of a larger study on the impact of financial crisis on migration in the Centre for Development Studies and funded jointly by the Asian Development Bank through their SANEI research funding initiative and both Ministry of Overseas Indian Affairs, Government of India. The survey was administered by local academic institutions in their respective countries. A small sample of 50 return migrants (REMs) and their households were covered in each country, except in India, where the sample size was 250 return migrant households, in total the sample size being 450 households and return migrants.

The next section provides by an analysis of the patterns in return migration. Section 3 deals with the patterns and process of reintegration of the migrants into their local labour

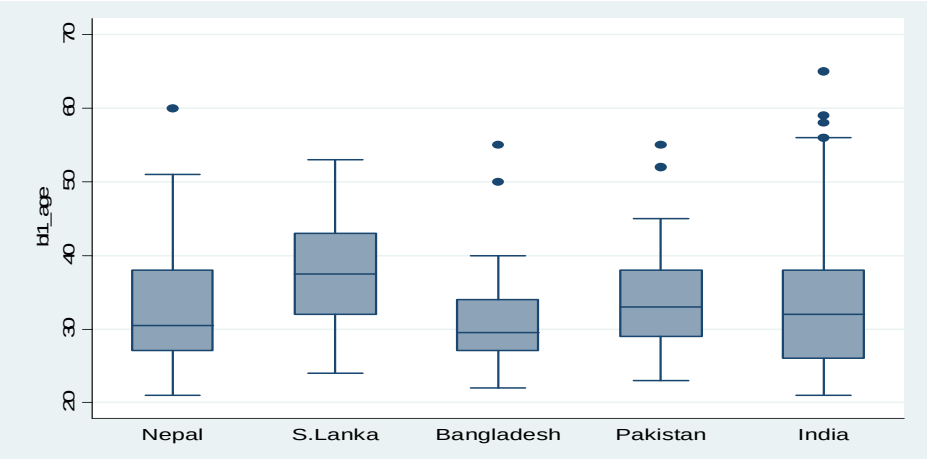
[2] Estimates show that growth in South Asia decelerated in 2008[2], falling from 8.6 per cent in 2007 to below 7 per cent. It is projected to decline further to around 6% or below in 2009, before recovering to around 7 per cent in 2010(Asian Economic Monitor, Asian Development Bank, various issues)

markets. The question of their positioning in the labour market and its determinants is analyzed in Section 4. The last section provides the concluding remarks.

## 2. Profile of the Return Migrants and their Household

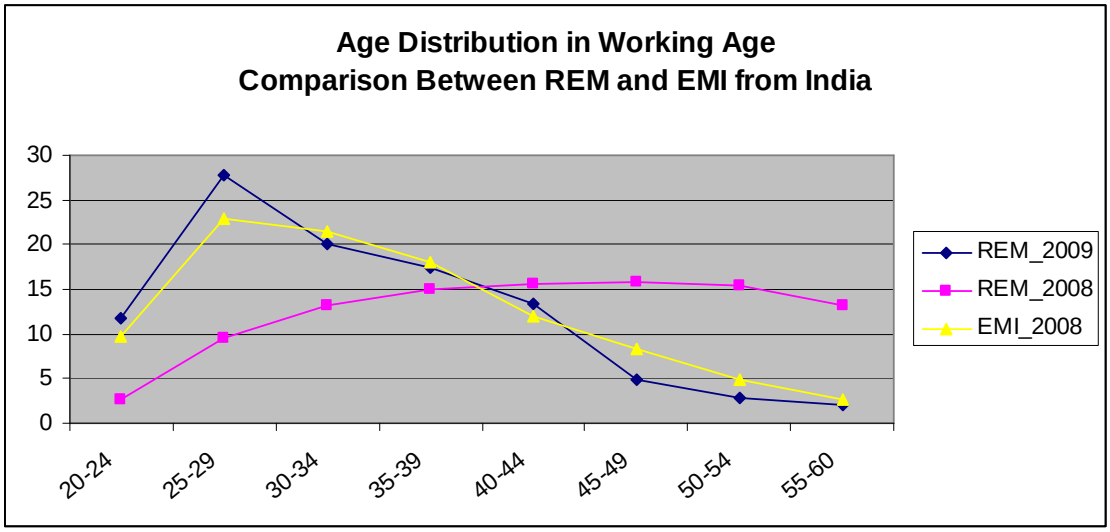
*The Return Migrants:* Before we look at the patterns in employment of the return migrants, we provide a profile of the return migrants. As shown in Fig 1 the median age of return migrant ranged between 29 for REMs in Bangladesh to 39 in Sri Lanka. As can be seen from the box plots the two whiskers of most countries seem to be evenly distributed, except in case of India wherein the presence of a substantial share of REMs above the age of 40. For males, in general, the age range 30-39 is at the centre of their working age range. It is at this peak working age that most return migrants had to return back to their home countries. During periods of normalcy, the average age of REMs would be in the higher range of 40 to 45. However, this lower range of age of REMs after the crisis shows that while the more experienced workers would continue to remain in the host country, it was the younger workers with lesser experience that had to leave the host country.

**Fig 1 Age Distribution of Return Migrants**



A comparison with the emigrants in 2008[3], the year that immediately preceded the crisis period shows that in India, the return migrants in 2008, a normal year, followed a regular expectation curve (See Fig 2). The return migrants among the younger age groups were very less compared to older age groups. The peak age group of REMs was 35-54. But in the crisis year, the peak age group of REMs were 25-29 followed by 30 -34. Moreover, the pattern shows that the REM pattern in 2009 followed exactly the same trajectory as that of the Emigrants in 2008. This suggests that REMs of the crisis year were the ones who had migrated in the immediate preceding years. In other words, the crisis had affected the recent young migrants the worst compared to older and more experienced migrants in India. This pattern may be more or less the same in other South .Asian countries as well.

**Fig 2 Comparison of the Age Distribution between REMs and EMIs from India**

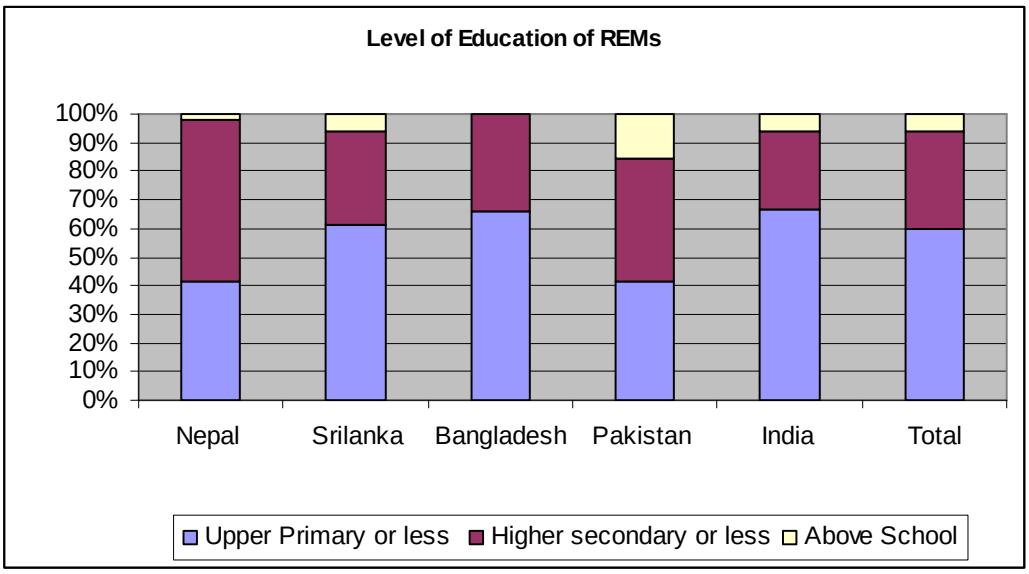



In general it can be seen that the level of education of the REMs were low. More than 60 percent of the REMs due to the crisis had only completed their primary level schooling or less, while another 34 percent had only completed their secondary or higher secondary level of education ( See Fig 3). However, this is not uniform across all countries. For India and Bangladesh, more than 65 percent of the REMs had education les than upper primary, while for Pakistan and Nepal it was only near 40 percent. Pakistan and Nepal

[3] The database for this comparison is the Migration Monitoring survey done by the Migration Research Unit of the Centre for Development Studies with the financial assistance from the Department of Non-Resident Keralite Affairs, Government of Kerala.

had the largest number of return migrants who were educated more than upper primary school.

**Fig 3 Level of Education of Return Migrants**




A comparison with the patterns in education level of REMs in 2008 with that of REMs in 2009 shows that there was a kind of self selection in crisis related migration. Firstly the self selection process can be seen in case of normal year REMs as well (Table 1). For instance, when the emigrants (EMI) with below primary level of education in 2008 were 14.7 percent, in 2008 the REMs were 23.5. Thus a larger share of less educated workers seemed to be returning while the share of those going to the gulf is lesser. But as the skill level increases the share of EMIs increased much larger than REMs, with the highest gap at graduation level or above, 27 percent EMIs to 10 percent REMs. However in the year of the crisis this self selection seems to have accentuated, wherein only 6.4 percent of REMs were graduates while it was 66.6 percent of REMs who were just upper primary completed or lower. Thus, the crisis seems to have forced more of the less educated to return to their home country rather than stay on in their host country, while relatively lesser share of REMs were educated beyond school level. If schooling can be taken as a proxy for skills then it can be stated that the potential for resilience and stability increased with education in times of crisis.

| Table 1 Level of Education of Return Migrants in India: 2008 and 2009 | | | |
|---|---|---|---|
| | | Emigrants /REM in 2008 | |
| | REM 2009 | EMI 2008 | REM 2008 |
| Below Primary | 34.1 | 14.7 | 23.5 |
| Upper Primary Completed | 32.5 | 38.6 | 44.1 |
| Secondary Completed | 27 | 26.7 | 22 |
| Graduation Completed | 6.4 | 20 | 10.3 |
| **Source: Primary survey (2009);Zachariah and Rajan (2010)** | | | |

*The features of the REM households:* Now, we look into the characteristic features of the typical migrant household (Table 2). This is to highlight the conditions of life, as well as the pressure that is exerted on the migrant worker to meet the demands of his household. The typical migrant households are fairly large with nearly 5 members. But there exist substantial inter-country variations. While in Pakistan the household size was more than six members, in India was less than 5 members, for Sri Lanka and Nepal it was approximately 4 members, and for Bangladesh it was less than 4 members. Now, if we look at the average dependency ratio, Pakistan which has the highest household size also has the highest dependency ratio[4] at 3.2.This meant that approximately 3.2 non-workers depended on every worker in the sample household. For Sri Lanka the corresponding ratio was 2, while for India and Bangladesh it was approximately 1 and for Nepal was less than one.

It is also worth noting that on the average in a migrant household about 80 percent of the household's total income in 2008 was derived from the migrant remittances. Across countries it ranged between 60 percent and 80 percent. This shows the importance of remittances in these households' income. Given the very high level of dependence of these households on remittances, the compulsions on the migrant workers to continue working even during crisis situation needs to be recognized. Even when they return to their home countries, the duress on these workers to find alternative sources of income would be substantially high.

The asset levels of the migrant households show that they belong to the average households with their household asset score being around 12 on a maximum achievable

[4] Dependency ratio is defined as the ratio of non-workers to workers in the household..

scale of 24[5]. The poorest asset level position was for Bangladesh, while the best was for Sri Lanka at 13. From the point of view of crisis resilience, the ownership of these assets plays a very important role in determining the ability to diversify into other areas of employment.

To have a glimpse of the effect of the crisis on the household, we look into per capita income levels of the migrant and their households in these countries. The decline in the earnings of the migrant is visible in their households as well. In their households the per capita income declined such that the 2009 per capita income was only 65 percent of the 2008 per capita income. This is visible across all countries. However, it may be noted that while the share of per capita income declined along with that of migrant average income, the decline in per capita across all the countries were lower than that of the decline in migrant's income. This implies with the crisis the households also diversified into other income sources, than remittances which helped them tide over the crisis partially.

**Table 2 Conditions of the migrant household**

| | Nepal | Sri Lanka | Bangladesh | Pakistan | India | Total |
|---|---|---|---|---|---|---|
| Household size | 4.1 | 4.4 | 3.7 | 6.1 | 4.7 | 4.7 |
| Dependency Ratio | 0.6 | 2 | 0.9 | 3.2 | 1 | 1.2 |
| Household's income dependence on remittances[6] | 0.8 | 0.7 | 0.6 | 0.7 | 0.8 | 0.8 |
| Asset Score | 12 | 13 | 8.8 | 12.4 | 12.8 | 12.2 |
| Asset Index | 0.50 | 0.54 | 0.37 | 0.52 | 0.53 | 0.51 |
| Migrant's average monthly income in 2008 (USD) | 327.7 | 364 | 61.8 | 332.9 | 246.9 | 257.9 |
| Migrant's average monthly income in 2009 as share of 2008 (%) | 60 | 34 | 80 | 58 | 56 | 54 |
| Per capita monthly average income in 2009 as share of 2008 (%) | 70 | 49 | 49 | 62 | 70 | 65 |

**Source: Primary survey (2009)**

[5] For the assets considered and the construction of the asset index please refer to section on variable definitions, construction and hypothesis in this paper.

[6] Household's income dependence on remittances is defined as the share of migrant remittances in total income of the household in 2008.

## 3 .Trends and patterns in employment of return migrants

To understand the change in employment status of the migrant workers after their return due to the crisis we compare the employment status of the sample between the two periods 2008 and 2009, the first year is a normal year and the second being a crisis year. As can be seen below in Table 3, 51.3 percent of the regular workers in 2008 had shifted their status to casual workers in 2009, while another 17 percent of the unemployed in 2008 also became casual workers. Only 29 percent of the casual workers in 2009 belonged to the category of casual workers in the previous period. Among the regular workers in 2009, 94 percent were regular workers in 2008 as well. Among the self employed in 2009, almost 50 percent had a regular employment in 2008. Among the unemployed in 2009, 73 percent were regular workers in 2008. Among those who did not report their employment status in 2009, 56 percent were regular workers in 2008. The non-reporting of their employment status in 2009, while reporting it for 2008, also points to possibility of non-reporting due to the social stigma attached to reporting a lower employment status in 2009 compared to 2008. One important conclusion can be made from this, that the employment status of the return migrants were in general worse off than in their host country. There is a clear trend towards casualisation, self employment and unemployment in the crisis year, while formal regular employment share declined drastically during the crisis.

**Table 3 Change in Employment Status between 2008 and 2009**

| | | Employment Status in 2008 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Casual workers | regular workers | Self Employed | Unemployed | Not reported | Total |
| Employment Status 2009 | Casual workers | 29.0 | 51.3 | 2.6 | 17.1 | 0.0 | 100 |
| | regular workers | 0.7 | 93.9 | 1.4 | 1.4 | 2.7 | 100 |
| | Self Employed | 5.3 | 48.7 | 40.8 | 1.3 | 4.0 | 100 |
| | Unemployed | 2.6 | 73.1 | 3.9 | 18.0 | 2.6 | 100 |
| | Not reported | 2.8 | 55.6 | 2.8 | 9.7 | 29.2 | 100 |
| | Total | 6.9 | 69.3 | 8.9 | 8.2 | 6.7 | 100 |

**Source: Primary survey (2009)**

Just as the status of the workers changed after returning to their home countries their earnings also decreased substantially. The return migrants in the sample experienced a 46 percent decline in their average monthly earning in 2009 compared to 2008 (See Table

4). This decline was felt among workers of all employment status. The largest decline was for self employed and casual workers who became unemployed following the crisis. Casual workers who became regular workers on return also experienced a near 100 percent decline in their earnings. This is true across countries of origin as well. The average monthly income of the migrants in 2009 had declined in all the countries. For the Sri Lankan migrants it declined drastically such that the income in 2009 was only 34 percent of their income in 2008. It may be noted that the Sri Lankan migrant was on the average earning the highest among all the countries, and it was they who experienced most drastic cut in his income. For Bangladeshis who earned the least among these countries still earned 80 percent of their income in 2008.

**Table 4 Percentage Change in Earnings of return migrants between 2008 and 2009**

| | | Employment Status in 2008 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Casual workers | regular workers | Self Employed | Unemployed | Not reported | Total |
| Employment Status 2009 | Casual workers | -15.0 | -64.4 | -95.1 | 638.0 | 0.0 | -45.7 |
| | regular workers | -100.0 | -32.0 | 26.9 | 0.0 | 194.3 | -29.1 |
| | Self Employed | -59.0 | -47.7 | 3.4 | 0.0 | -72.7 | -38.2 |
| | Unemployed | -100.0 | -61.0 | -100.0 | 0.0 | 0.0 | -61.9 |
| | Not reported | -68.0 | -97.3 | -66.7 | 0.0 | -100.0 | -96.7 |
| | Total | -27.1 | -50.8 | -14.5 | 160.9 | 84.7 | -46.1 |

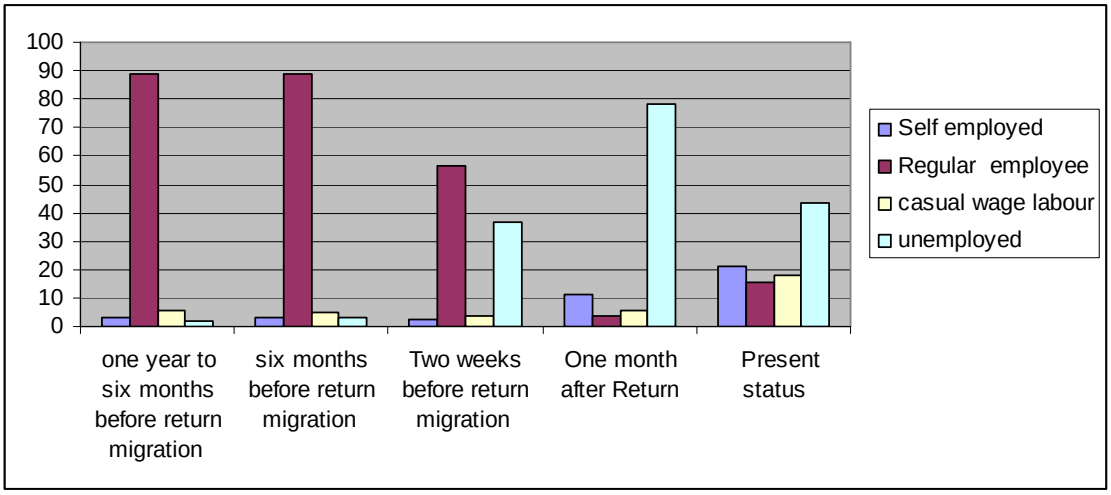
**Source: Primary survey (2009)**

The survey had covered the immediate employment history of the return migrant during the crisis as a cross sectional picture of five time frames. The employment status were enquired for the period one year to six months prior to return, six months prior to return, two weeks before return, one month after return and the present status[7]. It can be seen that while regular employment was enjoyed by nearly 90 percent of the workers during the first period and second period, i.e. one year preceding the return and six months preceding the return, two weeks before the return, the share of regular employment declined to 55 percent, and the share of unemployed increased from near zero in the pervious period to about 33 percent (Fig 4). One month after their return, however, unemployment among the group increased to more than 75 percent, while there was some increase in self employment to 10 percent. In the host country, the present

[7] The average time for return migrant workers between the survey and the REMs in their home country was approximately 10 months.

status of these migrants were such that about 42 percent of them were still unemployed, while 20 percent of them found self employment, while 18 percent of the workers took up casual employment and regular employment had the smallest share at 15 percent. This is a clear account of how the crisis led to loss of jobs in the gulf and on their return their integration into the labour market at lower employment status which included lower wages.

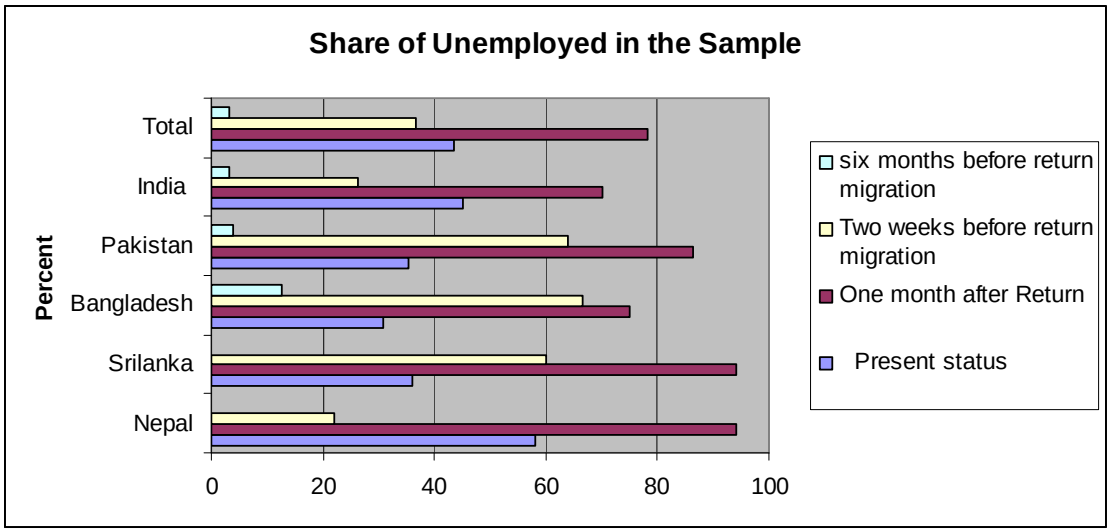
**Fig 4 Changes in Employment Status and reintegration to local labour market**




**Note: For the detailed table see Appendix Table 1**

Across the five countries there are some differences in the patterns of reentry to the labour market. Immediately after returning more than 75 percent of the workers remained unemployed across all countries, but in their present status, it can be seen that unemployment, though has declined in all the countries, the share seems to be high for Nepal and India, where the share was 58 percent and 45 percent respectively. While for the rest of the countries the share of unemployed declined to 35 percent or less. Thus there seems to be country specific variations in the way the workers have entered the home labor market and found jobs.

**Fig 5 Share of Unemployed in Sample: Inter-temporal and Inter –Country Differences**




**Source: Primary survey (2009)**

In terms of employment pattern also there were considerable inter country variations following the crisis (Table 5). Though the was a general increase in casual employment, it was the highest in Bangladesh at 27 percent of the workers. Here, as we had seen earlier, the unemployment rate as the lowest. When we consider both these trends together, it seems to suggest that Bangladeshi migrants, on return to their home country could not afford to wait unemployed for opportunities probably due to their household conditions. Moreover, these migrants who had the lowest level of education could not expect to get highly skilled regular employment. While in Nepal and Sri Lanka the largest share of workers joined as regular salaried workers in their countries. While in India and Pakistan the most attractive propositions were for self employees, accounting for 25 and 31 percent share respectively.

**Table 5 Inter-country variations in Employment Status**

| | | Self employed | Regular salary | casual wage labour | unemployed | Others | Total |
|---|---|---|---|---|---|---|---|
| Present status | Nepal | 6 | 26 | 10 | 58 | 0 | 100 |
| | Srilanka | 8 | 36 | 20 | 36 | 0 | 100 |
| | Bangladesh | 19.23 | 3.85 | 26.92 | 30.77 | 19.23 | 100 |
| | Pakistan | 31.37 | 21.57 | 11.76 | 35.29 | 0 | 100 |
| | India | 25.3 | 9.64 | 19.28 | 44.98 | 0.8 | 100 |
| | Total | 21.36 | 15.73 | 17.84 | 43.43 | 1.64 | 100 |

**Source: Primary survey (2009)**

Looking at industrial distribution of workers, during their tenure in the gulf the largest share of workers were engaged in the secondary sector accounting for 51 percent of the workers (Table 6). Within the secondary sector itself, construction accounted for 41 percent of the workers. Another 36 percent was engaged in the tertiary sector, of which hotel, transport, storage and communication industries accounted for the largest share at 10.8 percent. Primary sector accounted for only 2 percent and another 11 percent did not report their industry of employment. This broad pattern was true for migrants from both India and Pakistan while for Nepal and Sri Lanka the patterns showed some difference. Migrants from both these countries had a higher share working in the tertiary sector than in the secondary sector, 44 and 54 percent respectively. Also, their presence in the construction industry was much lower compared to the Indians or Pakistanis. They accounted for only 24 and 20 percent share respectively in these sectors. We had earlier seen that Sri Lankan and Nepalese migrants had a larger share of regular workers and their average monthly earnings were higher than the average. These aspects indicate that their conditions of work, industry, earnings were better than workers from India, Pakistan and Bangladesh before the crisis.

After the crisis and their return there have been substantial differences in their choice of industries. Overall, the share of secondary sector declined from 51 to 26 percent, while tertiary sector increased from 36 to 44 percent. And importantly, there was a rise from mere 2 percent to 16 percent in the primary sector. This shift in the industrial structure of these workers is in consonance with the industrial structure of the host region, wherein most south Asian countries have a dominant tertiary sector while the secondary sector is underdeveloped. Moreover, this shift, especially to the primary sector and tertiary sector implies lack of employment opportunities in the host countries and hence getting accommodated in labour surplus sectors such as agriculture and low end services mainly through self employment and casual work. However, it may be noted that in case of Nepal and Sri Lanka there were no entrants to the primary sector. In case of Nepal the REMs got maximally absorbed in the Tertiary sector (71.4 percent) while in Sri Lanka they got absorbed both in the services (65.5 percent) and secondary sector (34.4 percent). As we had seen earlier, the share of REMs in Nepal and Sri Lanka had who had regular

work was higher than other countries. Also, they had higher rates of unemployment than other countries. Viewing from their previous conditions of work it can be argued that the REMs in Nepal and Sri Lanka had a greater buffer than their counterparts in India and Pakistan and they chose to remain unemployed rather force themselves into lower quality of employment. While for Pakistan and India the REM workers got involved more in tertiary sector and primary sector as self employed and casual workers.

**Table 6 Industrial Distribution of Migrant Workers: Before and After Return**

| | Country | Un-reported | **primary** | Construction | **secondary** | **H & R; TS & C** | **Others** | **Tertiary** | Total |
|---|---|---|---|---|---|---|---|---|---|
| Present | Nepal | 23.8 | **0** | 0 | **4.8** | 9.5 | 23.8 | **71.4** | 100 |
| | Srilanka | 0 | **0** | 12.5 | **34.4** | 31.3 | 21.9 | **65.6** | 100 |
| | Bangladesh | 61.9 | **26.2** | 0 | **4.8** | 0 | 0 | **7.1** | 100 |
| | Pakistan | 3 | **12.1** | 27.3 | **36.4** | 18.2 | 3 | **48.5** | 100 |
| | India | 3.7 | **20.4** | 26.3 | **31.4** | 10.2 | 7.3 | **44.5** | 100 |
| | Total | 14 | **16.2** | 18.5 | **26** | 12.1 | 8.7 | **43.8** | 100 |
| Six months before Return | Nepal | 10 | **4** | 24 | **42** | 14 | 8 | **44** | 100 |
| | Srilanka | 0 | **0** | 20 | **46** | 20 | 16 | **54** | 100 |
| | Bangladesh | 59.6 | **0** | 14.9 | **29.8** | 6.4 | 2.1 | **10.6** | 100 |
| | Pakistan | 4.1 | **6.1** | 46.9 | **51** | 12.2 | 2 | **38.8** | 100 |
| | India | 5.4 | **1.7** | 55.2 | **58.5** | 8.7 | 7.1 | **34.4** | 100 |
| | Total | 11 | **2.1** | 42.3 | **51.3** | 10.8 | 7.1 | **35.7** | 100 |

**Note: H & R; TS & C is Hotels and Restaurants; Transport , Storage and Communication**
**Source: Primary survey (2009)**

### 4. Determinants of finding employment in the home country

We turn now to ask the question what determines the status of being employed or unemployed in their home countries on return from their host countries. For this purpose we estimate a logit model with the binary choices of being employed or unemployed.

### Analytical Framework

Following the crisis the process of integration of the return migrants needs to be viewed from the context of developing economy labour markets. The typical labour markets in developing economies are characterized by surplus labour supply conditions, weak labour demand conditions and hence low wage rates. These economies, owing to their surplus labour conditions absorb a large share of their workers at low value adding industries

such as traditional agriculture or low end personal services and in poor working conditions such as being casual labour or being self employed. In other words the typical labour markets in developing economies are characterized by the presence of a large informal sector. Moreover, these labour markets work under conditions of institutional rigidities such as caste, gender and other labour market institutions, information asymmetries and segmentations.

It is into these labour markets that the migrants have to enter on return from gulf. Their ability to find employment of their choice may be limited. This may be so because of many reasons. Firstly, the industries that they have worked in their host country may not exist or may be under developed in the home country. Secondly, these workers may be over-skilled for the industries in the developing economies, and hence may not find the employment of their choice. Thirdly, though these workers may have worked in relatively poor work conditions in their host countries, they may not be ready to take up employment under similar conditions in the home country due to the social stigma attached to such types of employment in the home country.

For these reasons above, the return migrant may not find an employment of his choice immediately on arrival. Because of the weaknesses in the market, job search time and cost involved may be high. It then follows that return migrants who has the ability to undertake this job search, both in terms of cost and time, would remain unemployed rather than take up an immediate employment. However, if the opportunity cost of job search is very high then the worker may not wait for an employment of his choice, but would take up the any type of employment in any industry that is available. Now, such employment that is available with ease in developing economies would be low end work in all sectors and any type of work in low wage paying industries, industries that demand low levels of skill and experience.

Based on this analytical context it can be expected that return migrants who found employment on return were the ones who could not afford the cost of job search as well as those who expected that even if they were to suffer the cost of job search the probability of finding an employment of their choice would be very less, due to low levels of education or rigidities caused by institutional barriers such as caste. The cost of

job search would be highest for the ones that do not have any past savings to depend on, or have poor asset positions within household or if the household holds very high dependence on the migrant as the prime income earner of the household. While the ones that remained unemployed are the ones that could afford the cost of job search, owing to their past earnings or the relatively better asset position and lower household dependence on remittances.

Using this analytical framework we fit a logit model to analyse the determinants of the probability of being employed for the REM. The following model is set for analysis.

$$\boldsymbol{Emp_i = a + bX_i + u_i}$$

Wherein the dependent variable Emp =1 if the current status of the $i^{th}$ REM is employed, and Emp = 0 if the current status of the REM . The independent Variables *x* are defined below.

**Variable definition, construction and hypothesis**

From the analytical framework it can be seen that the probability of the REM being employed depends on two set of factors. One set of factors are positive factors that affect the 'employability' of an REM and hence his ability to find suitable employment. The other set of factors are negative factors that force the REM take up employment due to unfavorable economic circumstances.

*Age* is the age of the worker. The expected sign is positive on the hypothesis that workers of older age have greater experience and hence demand for them would be higher than younger workers.

*Age squared* is the square of the age of the worker. The expected sign is negative, on the argument that beyond a threshold age, their lower physical and mental ability reduces the demand for aged workers, even if they are experienced.

*Education Level* is the level of education. In the model we use three dummies, wherein education up to upper primary is the base category. The other two categories are education up to higher secondary level schooling and then education beyond schooling. We expect a positive relation with workers with higher education would have a higher demand in a labour market that typically has a dearth of skill supply.

*Industry* is the broad industrial category that the REM belonged to when he worked in the gulf. The REMs previous industry experience is expected to influence his ability to find employment in the home country. We give two broad industrial category, secondary sector and services sector as dummy variables in the model.

*Asset Index* : For building the Asset Index the following assets were considered- Land, House / Building, , Motor Car , Bike / Scooter for own use, Taxi / Truck / Lorry / Auto Rickshaw , Refrigerator, Television , VCR /DVD / MP3 player / Music systems , Land phone , Personal Computer / Laptop, Cable connection , Mobile phone. Ownership of Land and House was given a weight of 5, Motor car and Taxi / Truck / Lorry / Auto Rickshaw were given a weight of 2.5 and all the rest was given a weight of 1. In total the asset score could vary between 0 and 24. Further, the asset index was calculated as each household's asset score divided by 24.
We expect a negative coefficient for this variable. This is based on the argument that households of REMs with greater asset index have greater well being in general and probably has greater past savings that would allow the REM to remain unemployed and get involved in job search rather than be forced to take up employment that is not of his choice.

*Household Income Dependence* is the share of the REMs earnings prior to return in the total household's income. We expect a positive coefficient on the hypothesis that when the household dependence on the REM was very high during his work in the host country, it is not easy to substantially reduce this dependence. Hence the REM would be forced to accept employment of any type in any industry which in turn implies that his probably of being employed would be higher than one that has low household income dependence.

*Dependency rate* is the ratio of household members that are either in the age group of less than 15 or above 65 or number of unemployed in the household to employed. We expect a positive sign on the hypothesis that as the dependent population in the household increases, the unemployed REM would be forced to take up any form of employment to meet the household needs.

*Caste* is the caste the household belongs to. We expect that traditional social segregations such as caste would create discriminatory entry barriers to certain occupations. Hence the REM who belongs to lower castes may find it difficult to find an employment on return from the gulf , even if he is skilled and experienced. Therefore we expect that the lower the caste is the lesser the probability of finding an employment. We

have three caste groups. The lowest is the Scheduled Castes and Tribes that are defined so in India and other countries. The second lowest group is the backward castes, who are socially ranked higher than the SC/ST but below the general castes, which is the highest caste group. We introduce caste as a dummy variable in the model.

This apart, we also use country dummies to control for country based heterogeneity. Robust standard errors were estimated to correct for heteroscedasticity. We report both the logit coefficients and the odds ratios for ease of interpretation.

**Logit Model : Determinants of Employment of Return Migrants**
**(Present Status being Employed =1; Present Status being unemployed =0)**

| Variables | Logit Coefficients (z values) | Odds Ratio |
|---|---|---|
| age | 0.1714* (1.65) | 1.19 |
| age2 | -0.0022* (-1.63) | 1.00 |
| Education Secondary | -0.5650* (-1.67) | 0.57 |
| Education Above Secondary | -1.1505** (-2.06) | 0.32 |
| Asset Index | -0.0602* (-1.66) | 0.94 |
| Industry (Services) | -0.6657*** (-2.6) | 0.51 |
| Household Income dependency | 1.2618*** (3.04) | 3.53 |
| Dependency Rate | -0.2205 (-1.1) | 0.80 |
| Caste Backward | 0.9635** (2.34) | 2.62 |
| Caste General | 0.8668** (2.2) | 2.38 |
| Country(Sri Lanka) | 1.2714** (2.29) | 3.57 |
| Country( Pakistan) | 0.7717 (1.42) | 2.16 |
| Country( India) | 0.3446 (0.79) | 1.41 |
| Constant | -3.3604 (-1.63) | |
| | | |
| Number of observations | 330 | |
| Wald chi2(13) | 34.55 | |
| Prob>chi2 | 0.0010 | |
| Pseudo R2 | 0.1001 | |

Note: Z values in parenthesis; Z values estimated on the basis of robust standard errors.
*, **,*** are significant at ten, five and one percent level respectively.

**Empirical Results**

The model has overall high significance with the Wald chi2 at 34.5. It may be noted that in the analysis the observations from Bangladesh was dropped as sufficient information on the variables was not available.

As expected the variable *Age* and *Age squared* have yielded positive and negative signs respectively and both the coefficients are significant. This implies the REMs of the older age group had a greater probability of finding employment on return than younger ones. Yet, beyond a threshold age, the older REMs may not be able to find employment compared to REMs younger than them. However the odds ratios show that while older REMs has an odds of 1.19 compared to younger REMs to be employed , beyond the threshold age the odds declines to just one, meaning that the odds are not different for the older and younger REM beyond a threshold age.

Contrary to expectations *Education* had negative coefficients and significant at least at ten percent level. It can be seen that REMs with secondary level of education or education beyond school had a lesser probability of being employed than being unemployed. Moreover, as the level of education increased the probability of finding employment declined. A secondary level educated REM had the odds of only half the chance that of an REM who was educated just upto primary level of education. While the REM with education level of higher than schooling had the odds of only one-third that of primary educated person to find employment. Education, it seems, acts as a barrier to finding employment in the context of developing economy labour markets. It may also be argued that REMs with higher level of education probably are ready to wait longer to find skill matched employment rather than take up skill mismatched jobs, due to social stigma and higher savings from their previous employment.

The *asset index* too has a negative coefficient. Higher the level of asset index lowers the probability that the REM is employed. The coefficient is significant at ten percent level. It shows that as the household's well being is high the REM is ready to take more time to search for appropriate employment. When the REM's household asset position is low the

worker does not have the luxury of job search, but take up the first such available opportunity.

The REM's previous *industry* in the host country is an important determinant of his employment probability in the home country. The Industry dummy coefficient is negative and significant at one percent level. This indicates that if the REMs work experience had been in the services sector than the secondary sector then his probability of finding employment would be lesser than compared to workers with secondary sector experience. The service sector workers, probably do not get such employment opportunities. However, since their returns were higher than the secondary sector workers in general, it can be assumed that they are also ready to incur greater costs on job search.

*Household income dependency* came out be positive and highly significant. The odds ratio shows that the probability of the REM finding an employment is 3.5 times higher than the probability of an REM with low household dependency on him finding an employment. But dependency rate was not significant.

Again *Caste*, as expected is highly significant and positive. It implies that REMs high up in the caste order were able to find an employment while REMs belonging to the low end of the caste order had a greater probability of remaining unemployed. Both backward and general caste had odds of 2.5 times that of the scheduled castes and tribes for finding an employment on return from gulf.

Among the *country dummies* only Sri Lanka dummy came out to be significant and positive, indicating that it the probability of finding employment for REMs in Sri Lanka was 3 times higher than that of REMs in Nepal, while in other countries it was significant.

**Conclusion**

The global financial crisis had affected the stock and flow of international migration from the developing world to the developed world in myriad ways, of which one of the most

conspicuous aspects was the loss of their source of livelihood and return of thousands of migrant workers to their home country. Often the rehabilitation and reintegration of these workers is marked by forced choices of employment. This study was an attempt to understand their process of reintegration in five south Asian countries.

Analysis of the patterns shows that there was a process of self selection of REMs based on age and education, wherein the younger and less educated were over represented in the sample. The households of these REMs were large and depended very heavily on remittances as their main source of livelihood. There was a clear decline in the households per capita income following the crisis.

On return, the employment status of REMs were in general worse off than in their host country with high share of casualisation, self employment and unemployment in the crisis year, while formal regular employment share declined drastically; their average monthly earnings declined by average 46 percent and got employed in industries with poorer employment conditions. REMs from Sri Lanka and Nepal, who had better employment conditions in their host economices seem to be getting integrated to their home economies either at better conditions of work and industries, or chose to remain unemployed. While India and Pakistan REMs, who had worked at relatively inferior conditions of work in the gulf , had to find employment relatively faster than REMs in other countries. They in turn, got absorbed in industries which have inferior conditions of work.

The analysis of the determinants of being employed suggests that those who found employment on return was in fact driven by economic compulsions to reduce their job search period and cost. Hence, we find that REMs with lower education, greater household dependence, and poorer assets were the ones who took up employment, while REMs with higher levels of education, larger assets at household, lower level of household dependence and work experience in specific industries tended to remain unemployed. The direction and magnitude of the determinants of employment tend to suggest a process of forced or constrained choice of employment for REMs rather than getting involved in job search to maximize their potential gains. And the constraints

mainly was their low level of skills, weakly diversified income sources for their households and low level of household income. For the policy makers it is important to note that, in effect it is the REMs with an employment, at the time of the survey, that are worse than those unemployed. Therefore, it may be important to target remedial measures on improving the earnings capacity of the REMs along with a stronger social security net that would enhance their ability to withhold their labour when it is needed to.

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## Appendix Table 1

**Changes in Employment Status during the Crisis : An inter-country comparison**

| | | Self employed | Regular salary/sage employed | casual wage labour | unemployed | Others | Total |
|---|---|---|---|---|---|---|---|
| Present status | Nepal | 6 | 26 | 10 | 58 | 0 | 100 |
| | Srilanka | 8 | 36 | 20 | 36 | 0 | 100 |
| | Bangladesh | 19.23 | 3.85 | 26.92 | 30.77 | 19.23 | 100 |
| | Pakistan | 31.37 | 21.57 | 11.76 | 35.29 | 0 | 100 |
| | India | 25.3 | 9.64 | 19.28 | 44.98 | 0.8 | 100 |
| | Total | 21.36 | 15.73 | 17.84 | 43.43 | 1.64 | 100 |
| | | | | | | | |
| One month after Return | Nepal | 2 | 2 | 0 | 94 | 2 | 100 |
| | Srilanka | 0 | 4 | 2 | 94 | 0 | 100 |
| | Bangladesh | 10 | 0 | 10 | 75 | 5 | 100 |
| | Pakistan | 13.73 | 0 | 0 | 86.27 | 0 | 100 |
| | India | 15.42 | 5 | 8.75 | 70 | 0.83 | 100 |
| | Total | 11.44 | 3.65 | 5.84 | 78.1 | 0.97 | 100 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Two weeks before return migration | Nepal | 0 | 68 | 10 | 22 | 0 | 100 |
| | Srilanka | 2 | 36 | 2 | 60 | 0 | 100 |
| | Bangladesh | 0 | 28.57 | 4.76 | 66.67 | 0 | 100 |
| | Pakistan | 6 | 24 | 6 | 64 | 0 | 100 |
| | India | 2.89 | 67.77 | 2.48 | 26.45 | 0.41 | 100 |
| | Total | 2.66 | 56.66 | 3.87 | 36.56 | 0.24 | 100 |
| | | | | | | | |
| six months before return migration | Nepal | 0 | 93.62 | 6.38 | 0 | 0 | 100 |
| | Srilanka | 6 | 90 | 4 | 0 | 0 | 100 |
| | Bangladesh | 0 | 87.5 | 0 | 12.5 | 0 | 100 |
| | Pakistan | 7.84 | 60.78 | 27.45 | 3.92 | 0 | 100 |
| | India | 2.07 | 93.36 | 0.83 | 3.32 | 0.41 | 100 |
| | Total | 2.91 | 88.62 | 5.08 | 3.15 | 0.24 | 100 |
| | | | | | | | |
| one year to six months before return migration | Nepal | 0 | 93.48 | 4.35 | 2.17 | 0 | 100 |
| | Srilanka | 6 | 90 | 4 | 0 | 0 | 100 |
| | Bangladesh | 0 | 80 | 8 | 0 | 12 | 100 |
| | Pakistan | 9.8 | 60.78 | 29.41 | 0 | 0 | 100 |
| | India | 1.64 | 94.26 | 0.82 | 2.87 | 0.41 | 100 |
| | Total | 2.88 | 88.7 | 5.53 | 1.92 | 0.96 | 100 |

## Appendix Table 2

### Industrial Distribution of Migrant Workers: Before and After Retrun

| | Country | unreported | **primary** | Construction | **secondary** | **H & R; TS & C** | **Others** | **Tertiary** | Total |
|---|---|---|---|---|---|---|---|---|---|
| Present | **Nepal** | 23.8 | **0.0** | 0.0 | **4.8** | 9.5 | 23.8 | **71.4** | 100 |
| | **Srilanka** | 0.0 | **0.0** | 12.5 | **34.4** | 31.3 | 21.9 | **65.6** | 100 |
| | **Bangladesh** | 61.9 | **26.2** | 0.0 | **4.8** | 0.0 | 0.0 | **7.1** | 100 |
| | **Pakistan** | 3.0 | **12.1** | 27.3 | **36.4** | 18.2 | 3.0 | **48.5** | 100 |
| | **India** | 3.7 | **20.4** | 26.3 | **31.4** | 10.2 | 7.3 | **44.5** | 100 |
| | **Total** | 14.0 | **16.2** | 18.5 | **26.0** | 12.1 | 8.7 | **43.8** | 100 |
| One month after return | **Nepal** | 0.0 | **0.0** | 0.0 | **33.3** | 33.3 | 0.0 | **66.7** | 100 |
| | **Srilanka** | 0.0 | **0.0** | 0.0 | **0.0** | 0.0 | 100.0 | **100.0** | 100 |
| | **Bangladesh** | 88.6 | **11.4** | 0.0 | **0.0** | 0.0 | 0.0 | **0.0** | 100 |
| | **Pakistan** | 0.0 | **0.0** | 57.1 | **57.1** | 28.6 | 14.3 | **42.9** | 100 |
| | **India** | 18.5 | **25.9** | 23.5 | **29.6** | 8.6 | 4.9 | **25.9** | 100 |
| | **Total** | 35.7 | **19.4** | 17.8 | **22.5** | 7.8 | 6.2 | **22.5** | 100 |
| Two Weeks Before Return | **Nepal** | 0.0 | **2.6** | 30.8 | **53.9** | 15.4 | 7.7 | **43.6** | 100 |
| | **Srilanka** | 0.0 | **5.0** | 10.0 | **45.0** | 10.0 | 20.0 | **50.0** | 100 |
| | **Bangladesh** | 80.6 | **0.0** | 5.6 | **13.9** | 2.8 | 2.8 | **5.6** | 100 |
| | **Pakistan** | 5.3 | **10.5** | 63.2 | **63.2** | 10.5 | 0.0 | **21.1** | 100 |
| | **India** | 6.5 | **1.1** | 52.4 | **55.7** | 9.2 | 8.7 | **36.8** | 100 |
| | **Total** | 14.1 | **2.0** | 41.8 | **50.2** | 9.4 | 8.0 | **33.8** | 100 |
| Six months | **Nepal** | 10.0 | **4.0** | 24.0 | **42.0** | 14.0 | 8.0 | **44.0** | 100 |
| | **Srilanka** | 0.0 | **0.0** | 20.0 | **46.0** | 20.0 | 16.0 | **54.0** | 100 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| before Return | **Bangladesh** | 59.6 | **0.0** | 14.9 | **29.8** | 6.4 | 2.1 | **10.6** | 100 |
| | **Pakistan** | 4.1 | **6.1** | 46.9 | **51.0** | 12.2 | 2.0 | **38.8** | 100 |
| | **India** | 5.4 | **1.7** | 55.2 | **58.5** | 8.7 | 7.1 | **34.4** | 100 |
| | **Total** | 11.0 | **2.1** | 42.3 | **51.3** | 10.8 | 7.1 | **35.7** | 100 |
| One year to six months before return | **Nepal** | 12.2 | **4.1** | 24.5 | **42.9** | 14.3 | 8.2 | **40.8** | 100 |
| | **Srilanka** | 0.0 | **0.0** | 20.0 | **46.0** | 20.0 | 16.0 | **54.0** | 100 |
| | **Bangladesh** | 52.0 | **8.0** | 12.0 | **30.0** | 6.0 | 2.0 | **10.0** | 100 |
| | **Pakistan** | 0.0 | **5.9** | 47.1 | **51.0** | 11.8 | 2.0 | **43.1** | 100 |
| | **India** | 3.3 | **2.1** | 55.0 | **58.7** | 8.7 | 7.9 | **36.0** | 100 |
| | **Total** | 9.1 | **3.2** | 41.9 | **51.4** | 10.6 | 7.5 | **36.4** | 100 |

**Note: H & R; TS & C is Hotels and Restaurants; Transport , Storage and Communication**

**Appendix Table 3 Variable Definition, Construction And Hypothesis**

| Variable Name | Variable Definition |
|---|---|
| *Age* | Age of the worker |
| *Age squared* | square of the age of the worker |
| *Education Dummy* | Level of education:<br>up to upper primary is base category, education up to higher secondary level =1, Education beyond schooling= 2 |
| *Industry Dummy* | Broad Industrial Category :Secondary is base Category, Services = 1 |
| *Asset Index* | The following assets were considered- Land, House / Building, Motor Car , Bike / Scooter for own use, Taxi / Truck / Lorry / Auto Rickshaw , Refrigerator, Television , VCR /DVD / MP3 player / Music systems , Land phone , Personal Computer / Laptop, Cable connection , Mobile phone. Ownership of Land and House was given a weight of 5, Motor car and Taxi / Truck / Lorry / Auto Rickshaw were given a weight of 2.5 and all the rest was given a weight of 1. In total the asset score could vary between 0 and 24. Further, the asset index was calculated as each household's asset score divided by 24. |
| *Household Income Dependence* | share of the REMs earnings prior to return in the total household's income |
| *Dependency rate* | ratio of household members that are either in the age group of less than 15 or above 65 or number of unemployed in the household to employed |
| *Caste Dummy* | caste the household belongs to Scheduled Caste/Tribes is base category; Backward Castes = 1 General castes = 2 |
| *Country dummy* | Countries |