

## Economic Implications of Outward Migration: Evidence from India

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### Executive Summary

Migration has been one of the dominant forms of human activity since time immemorial. The process has been escalated with the advent of globalization, and internalization of different sectors.

Outward Migration from developing to developed countries has been a prominent picture. Therefore, migration acts as a major channel of income-generation and poverty reduction in poor households.

India is major player in the international migration scenario; with huge surplus of skilled, semi-skilled, and highly skilled professionals with a net migration (immigration-emigration) of -2.7 million in 2020.

Most of the migrants are in the age-group of 20-64 which forms the working population

Highly skilled workers flock towards developed nations like USA, UK, Australia, while low and semi-skilled workers are in high demand in Gulf countries and Middle-East.

53% of the international migrant stock comprise of females in India in 2019; which points to gender parity in international market

United Arab Emirates received highest number of immigrants from India, followed by USA, Saudi Arabia, and Pakistan. The number of Indian immigrants have been on a rise in countries like Australia, Canada on account of their easy and quick immigration policy.

According to world migration report 2022, India is top remittance-recipient country of \$83.9 billion in 2020; of which 17.9% comes from United Arab Emirates.

The paper aims to summarize the key economic factors that pushes and pulls migrants from India to other foreign countries; which reflects the gap between bilateral economies.

The last section aims to identify the loopholes in the system and suggests use of appropriate economic policy measures to overcome the potholes with the purpose to limit the outflow of migrants from India. Policy interventions oriented towards specific target-migrant groups can help reverse the process of draining of Indian labour force.

### Overview

Migration and movement have remained one of the most dominant forms of human activity. People used to migrate from one location to another in search of food, fuel, and shelter since time immemorial (Raveinsten 1885). With the advent of civilizations, they started moving to places with fertile land with sources of water for the purpose of cultivation. With further rolling over time, social modernization caused societies to develop, and people start to trade and exchange merchandise. This led to the further diversification of societies into more developed regions and eventually, indicates an increase in labor mobility across different regions (Zelinsky, 1971).

Nonetheless, cross-border migration appears to be one of the most superior outcomes of globalization especially from developing economies to the developed ones; in search of better opportunities. As a result of which, market economies are flourishing drastically with regard to trade and exchange leading to the rising cross-border migration of labor across a variety of enterprises and institutes located in foreign territories. Consequently, skill development, specialization, and

division of labor came up to meet the needs. This indicates growing intra-country and inter-country trade and exchange induced migration and vice-versa. (Schiff 1994,Czaika and Mayer,2011)

This process has gained further momentum with revolutionary technologies, improved transport and communication systems; accompanied by loosening of trade barriers, virtually making the universe as a global village. The internalization of education and employment has therefore contributed to the reduced cost of international trade and investments across the globe.(Cf.Wade,2004)

This is no denying fact that migration acts as a diversified source of livelihood and income generation especially in the developing countries in terms of remittances and better living standards. (Awumbila and Ardayfio-Schandorf,2008; Waddington,2003; Nyberg-Sorenson,2002). Remittances from abroad are one of the most prominent linkages between migration and development in low and middle-income countries. Stark and Taylor(1989) find positive pieces of evidence suggesting how poor households cope with poverty and deprivation through channels of inter and intra-country migration.

On one hand, migration taking place on a global level helps utilize the comparative advantages and brings foreign capital and investment into the domestic economy; but entails significant costs and benefits for any developing nation.

#### Background: Migration in India

India is a major player in the international migration landscape. As per International Migration Report 2020, India accounts for 4.9 million of the international stock of Migrants<sup>1</sup>, with a net migration<sup>2</sup> of -

2.7 million (-0.4%) per 1000 population as of 2020(See figure 1). A negative value suggests that more people are leaving India than entering the country on account of a wide range of factors pertaining to better opportunities and lifestyle vis-a-vis on account of forced displacement due to war, catastrophe, marriage, and other purposes.

1 International migrant stock is the number of people born in a country other than that in which they live, including refugees.

2 Net Migration= (Immigration- Emigration). A negative value suggests number of emigrants exceeds immigrants in particular country. Net migration divided by total population gives us net migration Rat

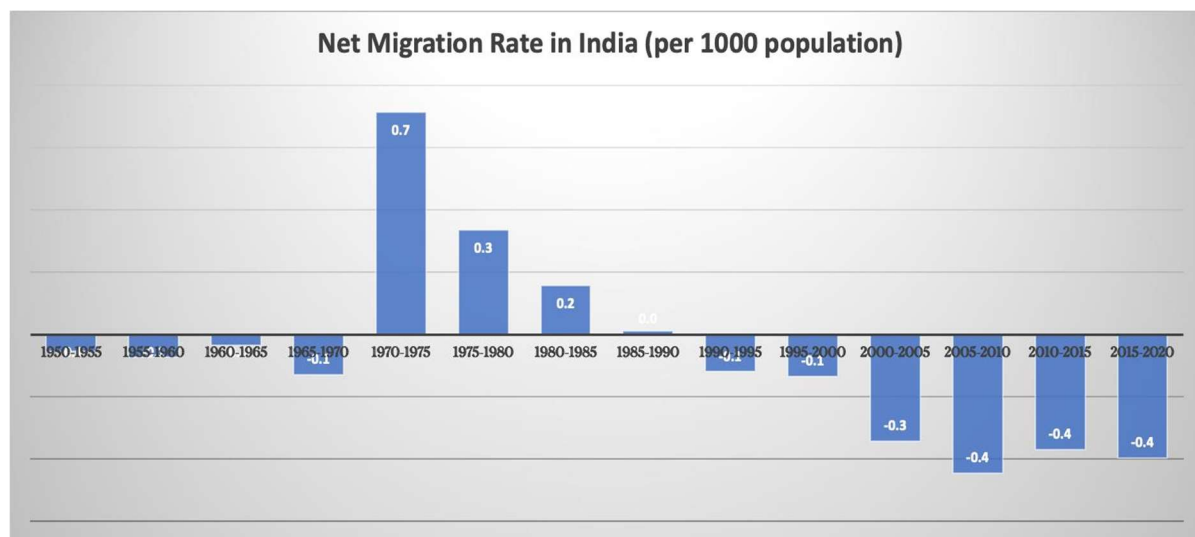


Figure 1

Source: United Nations Population Division 2019

India, being a diverse and deeply populous nation, is the powerhouse of a huge surplus of the skilled and unskilled labor force. International migration mostly occurs in the age group of 20-60; on account of better living opportunities. (See figure 2)

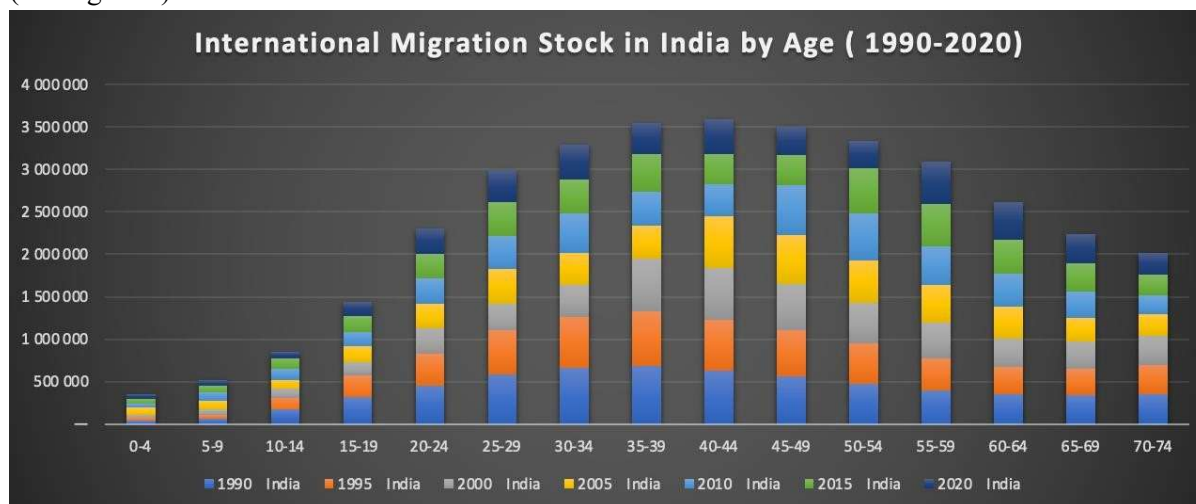


Figure 2

Source: United Nations Department of Economic and Social Affairs 2020

It has also been found that there is an equal proportion of working groups comprising males and females who move abroad (see figure 3). While a significant amount of females move abroad on account of marriage, a large number of young women are also pursuing lucrative careers in countries worldwide

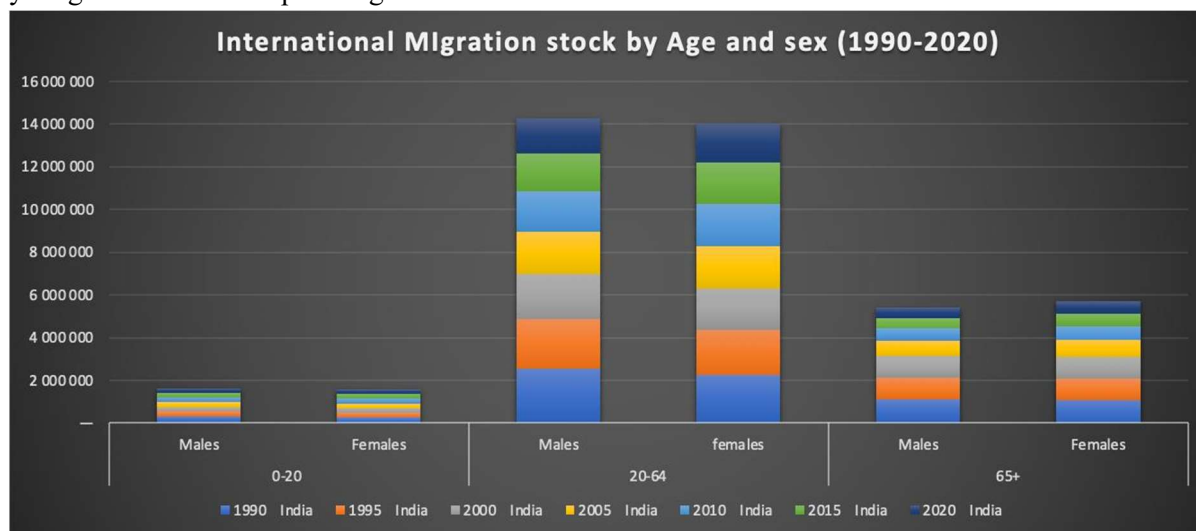


Figure 3

Source: United Nations Department of Economic and Social Affairs 2020

As per the World Migration Report (2022), 40% of total international migrants were born in Asia, of which 20% had belonged to India and China by 2020. As per UN DESA (2019), India has been placed on the top of countries of origin for international migrants. (see figure 4)

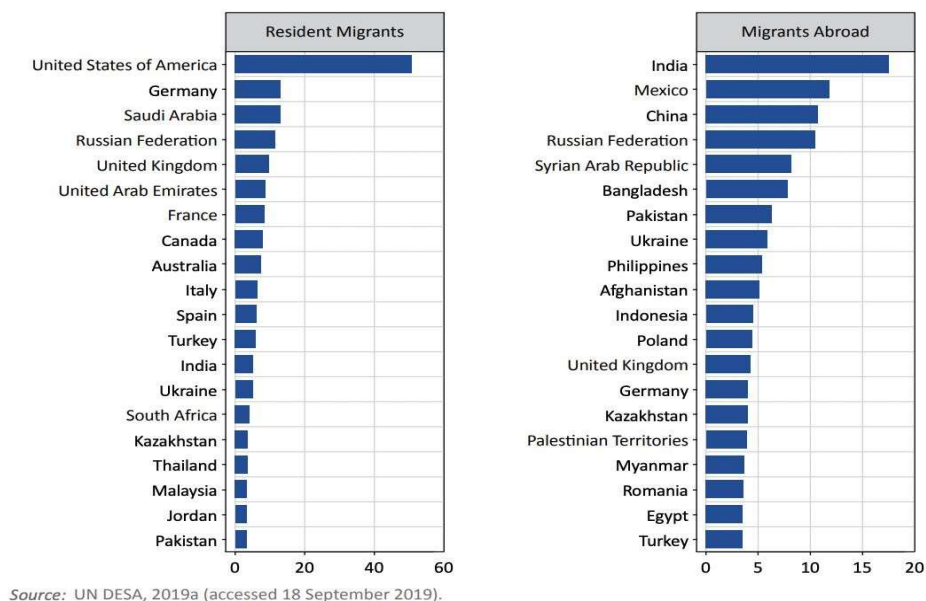


Figure 4

Skilled and Highly educated professionals including doctors, engineers, scientists, and financial professionals flock to western countries such as the US, UK, and Australia. According to the Indian Ministry Report 2019, almost 589,000 Indians have enrolled to study abroad, with less than one-third of them plying to the United States. Most of them have chosen to go to Australia, Canada, and other countries.

At the same time, India is a powerhouse of the unskilled labor force; most of whom dwell in poorer states and backward regions. These low-skilled laborers have the tendency to migrate to middle-east countries like Abu Dhabi, Saudi Arabia, and Kuwait. Statistics show that the retail sector and construction sector including electrical wing, carpentry, and masonry are popular sources to deploy immigrants with low levels of education. It has been found that more than 17.9 million Indians migrated to the United Arabs alone in 2020.

As per the UN Migration report 2020, India has been marked as a top remittance recipient country with a total inward remittance of \$83.2 billion. This points to a high degree of outward migration from India.

A report by the Indian Ministry of Home affairs 2021 stated that more than 6 lakhs of Indians have given up their citizenship status since 2017. As India does not offer dual citizenship facilities, Indians are forced to give up their stake of citizenship once they settle down in another country. This number is on the increasing side and is projected to grow higher in the next few decades.

It has been found that Indian states in the north mostly produce low-skilled laborers, while those in the southern parts have a high population of skilled and educated workers who migrate to foreign countries. Apart from that, it has been found that education or job-related migration is mostly dominated by males rather than females.

Other factors include overpopulation, unemployment, political instability, poor climatic conditions combined with growing inequality in domestic and international markets, and demand for low skilled and high skilled workers in the developed nations justify the growing cause of immigration from India in recent years.

Therefore, Migration seems to be of strategic importance to India, and therefore, any migration policy would have significant implications for its economy. This paper aims to identify and understand the historic trends of outward migration from India with a focus on changes in recent years. It critically discusses the key underlying economic push and pulls factors behind these trends and their future economic implications. The paper concludes with suggestive sector-specific policy recommendations to limit the outflow of labour force from India<sup>3</sup>.

3 Although India houses large number of immigrants including refugees, and illegal immigrants from neighboring countries such as Bangladesh, Nepal, Bhutan, Pakistan; but it lies outside the scope of this paper. The

#### Patterns of Migration in India

According to the report by the Ministry of External affairs 2020, around 13.6 million Indians migrated to other countries with the highest share of 3.4 million relocating to the United Arab Emirates, followed by a 2.6million in Saudi Arabia, and 1.1 million in Kuwait, and 1.3 in Oman (see figure 5)

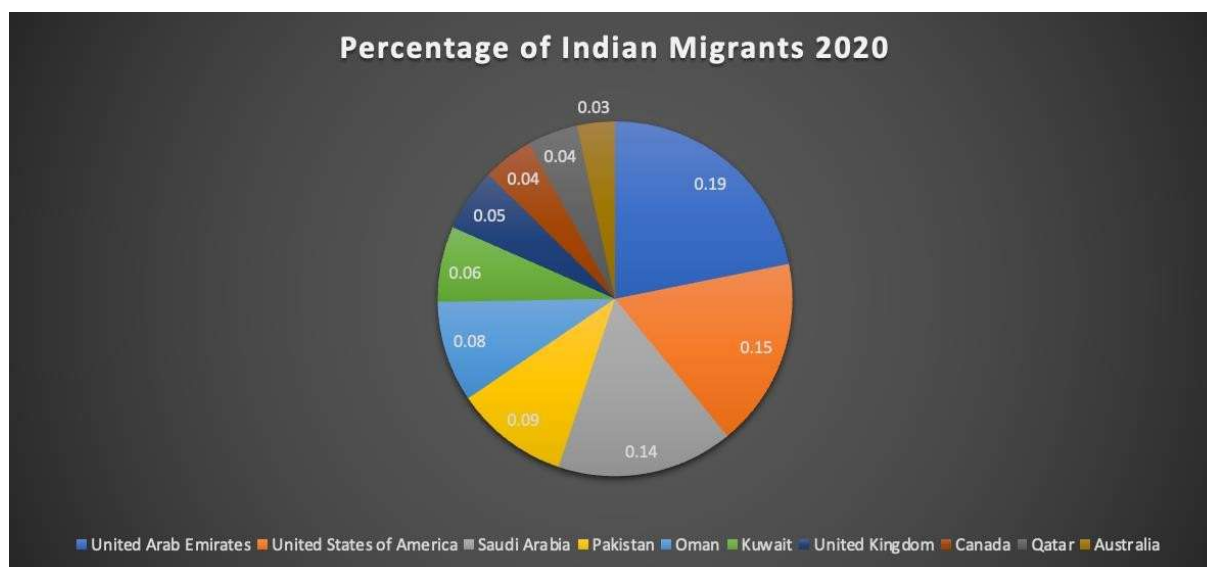


Figure 5

Source: United Nations Department of Economic and Social Affairs 2020  
Indian Migrants in GCC

These huge bulks of migrant population are playing a very significant role not only to the host countries (GCCs) but also have a major developmental contribution to the place of work. The GCC countries encircling the Persian Gulf are endowed with oil and natural gas which has made these countries one of the emerging economic powers in the modern era. The oil boom of the 1970s has attracted semi-skilled and unskilled laborers from various Indian provinces, especially from the south Indian provinces. Most of them emigrate to these countries for a short period of time and the main reason for emigration is none other than economic betterment. Migrants' economic well-being encourages other Indian youths to migrate and in this way, emigration from India to the Gulf countries has increased over time. Remittances sent by these emigrants to their families not only help them escape from abject poverty but also help improve their way of life.

The Gulf countries are endowed with rich amounts of oil and natural gas, which plays a pivotal role in the process of development in the twenty-first century. Oil booms in the 1970s were the beginning which called for Indian migrants to shift to the GCC for economic upliftment. With the passage of time, migrants' economic success stories motivated other Indians to follow the path and settle abroad. To add further fuel to fire, these middle eastern countries like Dubai, Kuwait, and Qatar are some of the fastest- growing economies in recent times that welcome import of labor from India.. However, these countries have small populations and that too, only a smaller share contribute to their labor force. As a result of which, there has been a great demand for semi-skilled or unskilled laborers. Their demand is sufficiently met by the Indian market with a surplus labor force and most of them being paper is motivated towards understanding and analyzing the economic impact of outward migration in India and ways to reverse the Indian drain.

unskilled or semi-skilled. Therefore, gulf countries emerged as a prospective market for low- unskilled Indian labor forces.

The labor supply is not restricted to semi-skilled workers but extended to white-collar jobs also. With the advancement in technology, and countries getting more developed; the demand for highly skilled professionals such as doctors, engineers, managers, and accountants emerges prominently. While India harbors a surplus skilled labor force as well , as many as 30% of Indians relocated themselves to Gulf countries for white-collar jobs, while 70% still remain unskilled workers.

Apart from Jobs, India receives a significant amount of remittances from NRIs, who continue to send money to their home country. India received around 83 billion dollars as remittances, which accounted for 3.1% of Indian GDP in 2020. The majority of these remittances, around 37 billion dollars, come from the Gulf countries.( see figure 6)

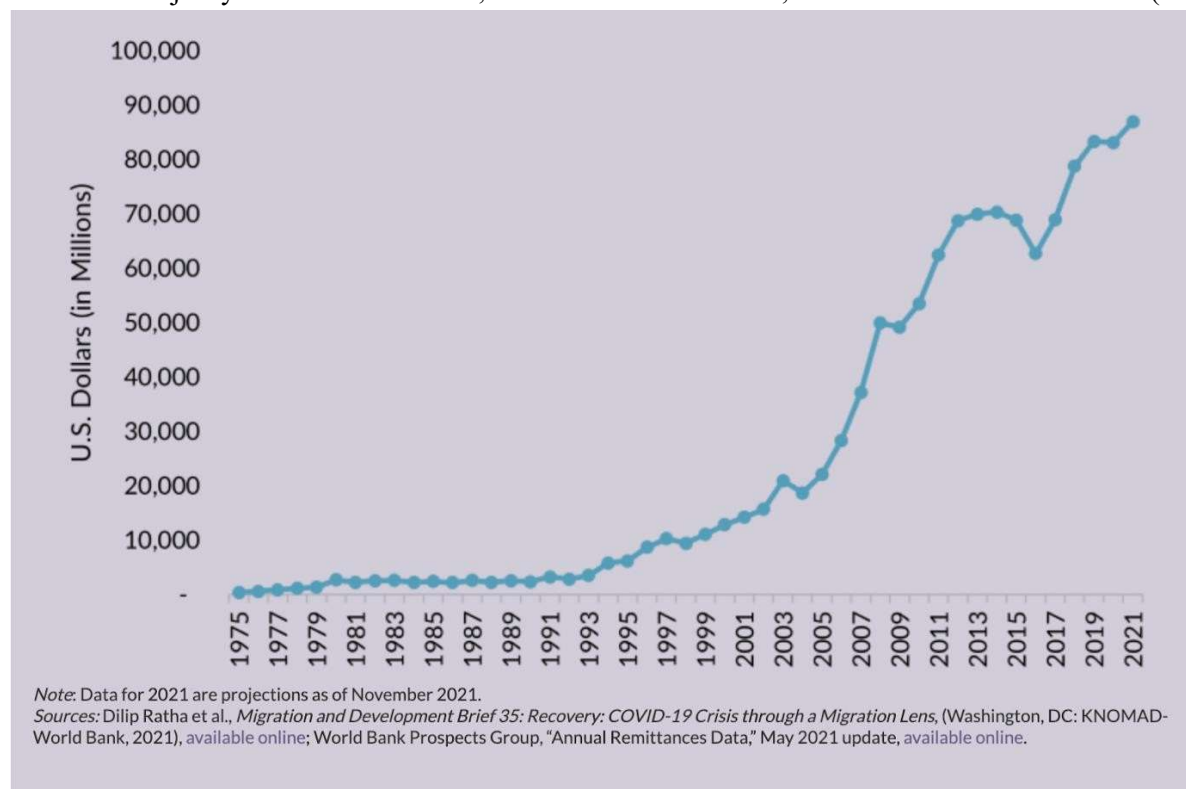


Figure 6 Remittances to India 1975-2021

Source: KNOMAD, World Bank 2021



### Indian Migrants in the USA

Indians are notably known for immigrating to the United States. The research concludes that Indian immigrants are likely to be more educated, earn higher incomes, and hold significant-top management positions in comparison with the other US and foreign-born residents. In 2019, around 79% of Indian immigrants in the USA are expected to have a bachelor's degree compared with 33% of US and foreign-born residents in the USA. Indians are found to be much more employed in management, business, and science disciplines than other residents.

Indian households in the USA reported a median income of \$132,000 compared to \$64,000 for other immigrants, and \$66,000 for US natives. Most of them are insured and have a higher standard of living. Indian immigrants are less likely to be in poverty- 5% as compared with 14% and 12% for all immigrants and natives respectively.

Data reflects that Indian immigrants in the USA are found to be younger in age, with median immigrant age equal to 40, compared to 46 for all immigrants, and 37 for US-borns. 81% of Indians who immigrate are in the working group of 18-64 years of age compared to 78% of the overall foreign-born population and 59 % of native births. Indians were less likely to be 65 or older in relation to native and foreign borns residents in the USA. At the same time, 72% of Indian immigrants participate in the US labor force compared with 67% of other foreign-born citizens.

Data also reports that most Indian immigrants (around 47%) arrived in the USA in 2010 or afterward as compared to 25% of all other immigrants who arrived during the same period. In 2018, almost 60,000 green cards out of a total of 1.1 million were issued to India. Besides, Most Indians obtain green card status through immediate relatives, or via family reunification channels rather than employment-based channels, which further suggests a higher number of migrants during the earlier periods.

### Indian Migrants in other countries

According to ABS report 2022, Indians form the second largest group of migrants in Australia, the first being China. There has been a rise of Indian-born residents in Australia from 373,000 in 2011 to 710,000 in 2021 with a median age of 36 years(see figure 7). Most of the Indian migrations occur through education and employment channels while making the Indian diaspora a vast community.

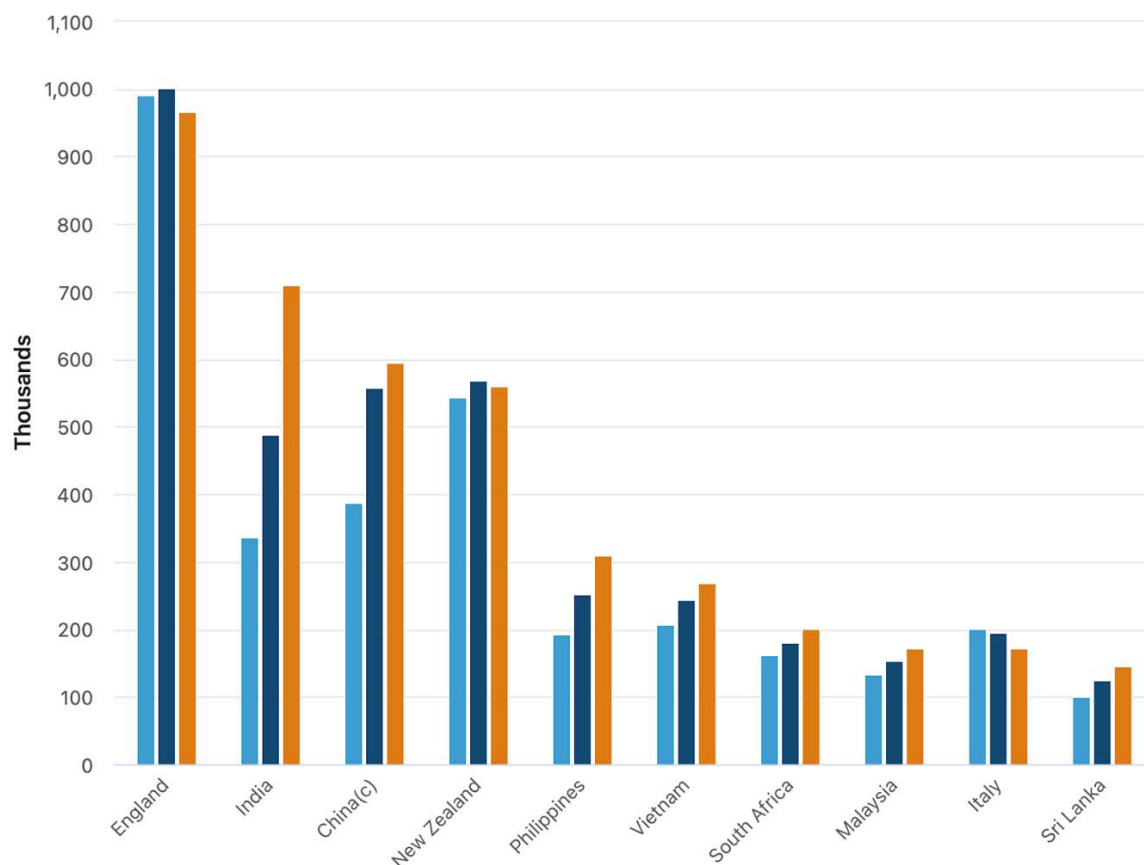


Figure 7  
Australia's overseas-born population by country of Birth ( 2011-2021)

Source: Australian Bureau of Statistics 2022

The number of Indian immigrants in Canada has been rising at an alarming rate. According to the national foundation for American policy report, there has been an increase of 105% in the number of Indian turned Permanent residents in Canada in 2019. This increase is attributable to Canadian

Universities attracting Indian students at a record level, combined with easy and quick visa processing. Apart from that, these countries entitle internationals to work post their graduation.

#### Economic factors: Migration Drivers

Lee(1966) developed the concepts of push and pull factors that drive people from one region to other. The following section underlines the broad push and pulls factors associated with outward migration in India. While push factors highlight the negative conditions existing in origin countries vis-a-vis the positive impacts of pull factors in foreign countries. In other words, push and pull factors are complementary; what pushes people to migrate from one country, pulls them to another nation.

#### Lack of Economic Opportunities

India, being the second-largest Populous country, faces an acute scarcity of resources in terms of availability,



accessibility, and affordability, generated by unequal distribution of resources across all sections of the society. One of the most composite indexes of development, HDI places India in the 131st position out of 189 total countries as of 2020. In terms of GDP per capita, India is placed in the 144th position out of 194 countries, which accounts for 6.45% of global GDP per capita. It is 60 times lower than the richest country while only 8 times higher than the poorest country(see figure 8).

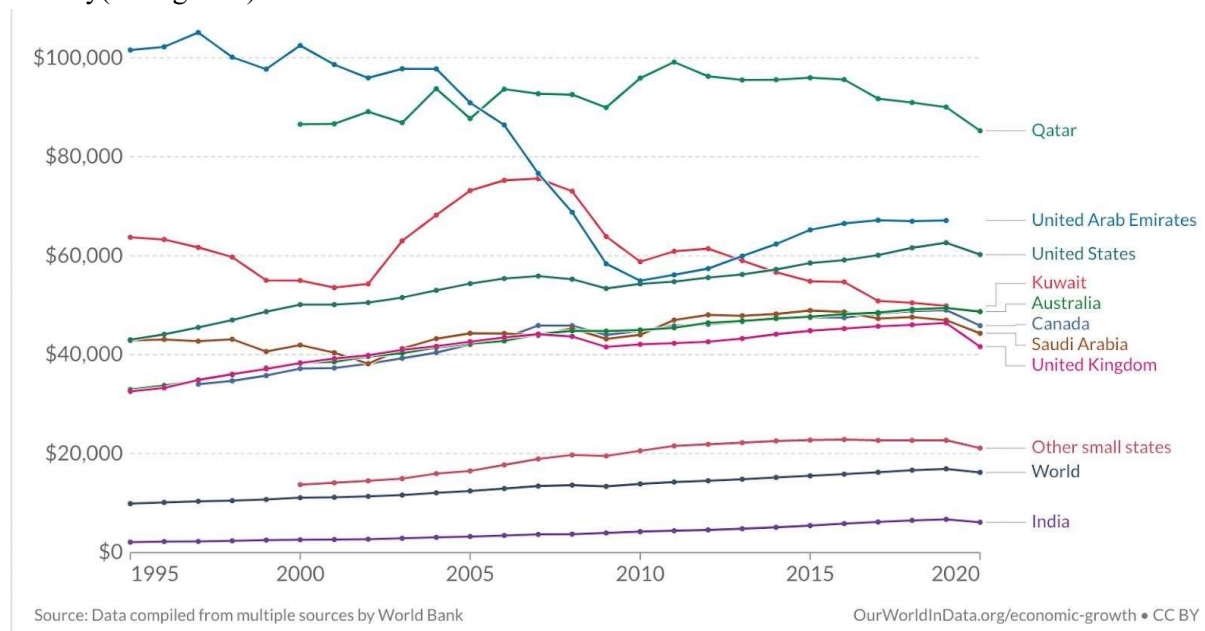


Figure 8  
GDP per capita in US\$ (1995-2020)

Source: World Bank

Out of all the countries that receive the highest number of Indian immigrants present higher GDP per capita measured in US\$ over the period of 1995-2020; which clearly reflects the poor economic growth and lack of economic opportunities in India.

On the other hand, India ranks second in terms of population, which carries 17.7% of the world

population. Out of its total population, only 35% of the population lives in urban areas.

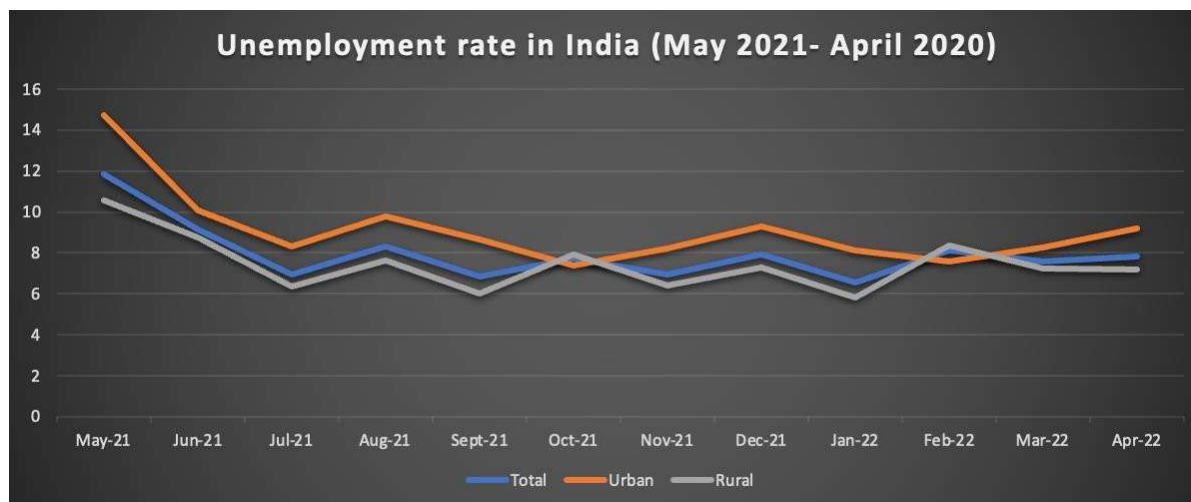


Figure9

Source: Centre for Monitoring Indian Economy

Added to it is the issue of grave unemployment. India registers an alarming unemployment rate of 7.2%. Nearly two-thirds of them reside in rural areas, of which 70% of them are dependent on agriculture. The country has some 195m ha under cultivation of which some 63 percent are rainfed (roughly 125m ha) while 37 percent are irrigated (70m ha). With a huge amount of low-skilled labor surplus, most of the rural population are engaged in cultivation activities, which potentially causes more people to work on a small and fragmented land, leading to disguised unemployment. At the same time, workers are seasonally employed during the harvest and cultivation period but fall short of work and wages in off- seasons.

The situation is even more disturbing in urban areas with an urban unemployment rate of 8.5% in 2022; almost 2% higher than rural unemployment( see figure 9). Most urban youths are educated but unemployed. In fact, the rate of unemployment in India rises with the level of higher education. While the informal sector does not guarantee any job opportunity, formal sectors are running short of vacancies with respect to the number of college graduates added to the pool each year. As a result, there is a piling up of educated unemployed, as most of them fail to meet the minimum wage requirements. As a consequence, most the educated youths are motivated to flock to other nations in search of better jobs, and better lifestyles. While lack of opportunities, and job crisis act as push factors; the corresponding level of economic opportunities including better education, job security, and lucrative lifestyle in foreign countries attract Indians to record levels now.

The situation is just the opposite in developed countries of the USA, UK, Canada, and Australia. Economic opportunities including higher education facilities and guaranteed job security lure more and more Indians to shift to different countries.

#### Urbanization & Globalization

Migration is a part of the demographic procedure and effect of economic disadvantage that aims to bridge rural and urban areas, spurring the growth of modern cities, and towns. This eventually leads to urbanization, and modernization of the economy. However, urbanization is concerned with a variety of policy issues, and socio-environmental concerns.

Consistent with Harris Todaro's model, urbanization is the process through which cities grow, and more and more people come to live in the cities, enjoying all the modern amenities of life. As the trend persists they are better connected to the outside world and are induced by prevailing wage differentials and economic opportunities in other countries.

The revolution in technology has evolved better transportation, and communication facilities and the emergence of the e-world has substantially made migratory travel easier, cheaper, and faster. This also enables them to stay connected to their roots and origins, while residing in foreign countries. The stability of these connections helps reinforce the implicit contracts that generate sharing of resources and advisories across the world through e-remittances, e-mails, and e-chats. Furthermore, with the precedence of globalization, significant ease of communication and procedural simplification of passports and visas make the immigration process speedier than ever and as a result, domestic economies allow more market activities connecting to the global market. The welcome effect of this ease and simplification welcomes more and more immigrants to foreign countries.

### Political governance

Average Indians fall prey to gross harassment due to the prevalence of corruption, and graffiti in every sector of society. Almost all need to offer large amounts of bribes to get their jobs; the average quantity amounts to 17 months' salary in the position. Many aspirants have to offer bribes of varying sizes to the individuals responsible for making hiring decisions in underhand deals. Some applicants try to use political connections to influence the hiring decision. All these escalate due to the widening gap between demand and supply in the job market and political misgovernance.

Hiring based on bribes selects those who can afford and have a high desire for the job (willingness to pay). Both affordability and willingness to pay are strongly positively correlated with getting the job and negatively correlated with being a good manager in this context, which causes the corrupt selection of good managers since inefficient and less qualified aspirants to offer more to grab the job. The corrupt process of selection compromises the standard and quality that leads to falling in output or productivity.

The problem arises when the rich and wealthy are able to pay higher amounts while the poor can't. Naturally, jobs are bagged and grabbed by the rich and wealthy aspirants, and by the way, the poor deserving aspirants are deprived. They lag in the race. As a result, the undeserved candidates get an edge over those actually deserving.

India has a large set of other labor laws including 44 distinct federal labor laws, workplace safety regulations, and social security taxes in pen and paper. Strict labor laws lead to highly effective costs. This allows the corrupt inspectors and Hr. managers to take advantage of their position in the post using the intricacy in bureaucratic and complex nature of certain regulations to extract bribes.

To summarize, there can be two types of migration: demand-pull, and Supply-push. The table summarizes the different push and pull factors of Migration

Table 1: Economic causes of outward Migration in India

Pull Factors	Push Factors
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<b>Inadequate economic development</b> a. Overpopulation in India  b. low per capita income	<b>Better Opportunities</b> a. Advanced educational infrastructure  b. Better learning atmosphere
<b>c. high levels of unemployment</b>	<b>c. Abundance of Jobs with high packages</b>
<b>Urbanization</b> a. More interconnectedness across the globe  b. Better transport & communication  c. Improvement in financial infrastructure	<b>Easy migration procedure</b> a. Easy visa applications  b. Incentives for immigrants
<b>Political Governance</b> a. Corruption in Government sector  b. Unfair competition  c. Reservation for backward classes	<b>Higher standard of living</b> a. Better living conditions  b. Better climatic condition

Pull Factors    Push Factors  
Inadequate economic development  
Overpopulation in India

low per capita income    Better Opportunities  
Advanced educational infrastructure  
Better learning atmosphere

c. high levels of unemployment    c. Abundance of Jobs with high packages  
Urbanization  
More interconnectedness across the globe  
Better transport & communication  
Improvement in financial infrastructureEasy migration procedure  
Easy visa applications  
Incentives for immigrants

#### Political Governance

Corruption in Government sector

Unfair competition

Reservation for backward classes      Higher standard of living

Better living conditions

Better climatic condition

#### Policy Recommendations

This section focuses on the use of economic policies to limit outward migration from India.

No wonder, one of the main causes of migration is poverty, and lack of economic opportunity in the developing economies like India, which is burdened with high population and poor job prospects. The outward migration tendency can be reversed using appropriate policy measures aimed at specific target migrant groups. Sector-specific improvements are imperative as that can widen economic opportunities leading to economic growth and expansion.

Indian is smaller economy with bigger labour force, of which most of them are unskilled or semi- skilled. Considering India's current demographic trends; where working age population exceeds the dependent population group, it is ideal hour that India focuses on reskilling the workers through different educational programmes, vocational courses, on-the-job training towards increasing their skills and productivity.

Data suggests that out of every 100 million, 70 millions have completed their basic elementary education. 90% of jobs created require practical knowledge, while education in India is quite bookish, which fails to impart valuable hands-on-experience to the students. This creates a demand-supply mismatch in competitive labour market.

Therefore, Educational reforms, oriented toward delivering valuable real-life knowledge, and skills should be highly promoted. Apart from that, formal written assessment, focus should be given to real- life problem-solving and critical thinking assignments, and projects. Besides that, vocational courses, on-the-job trainings should be encouraged to upskill the labour-force.

Having said that, expansion of educational opportunities is also a need of hour. Most of rural labour- force lacks post-secondary schooling due to lack of educational prosperity in their areas. Therefore, building educational infrastructure and expansion can be significant measure.

Another important issue is problem of digital divide in backward areas. Therefore, expansion of internet connectivity across all parts of India is added necessity especially in covid-affected world.

At the same time, special thrust should be given on employment generation programmes, as of The government should promote higher quality, practical-based educational programmes oriented towards skill development of the individuals, beginning from elementary levels. This can help in building better problem-solving and critical thinking abilities; which can help cohorts to face real-life challenges in super-competitive labour market.

1. More thrust should be given towards research works that can

The paper concludes on suggestive note on ways to curb the outward drain of Indians. However, the scope of this paper is limited, and fails to touch on number of other positive factors that may arise from migration such as incentive effect of investment in education. diffusion of ideas across globes, and foreign remittances coming to host country.

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