Chapter 9

The financial crisis in the Gulf and its impact on South Asian migration and remittances

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1. Introduction

The financial crisis that had its origins in the United States (US) in 2008 spread to Europe, and then to Japan. The effect of the crisis has been slow to manifest in the six Gulf Co-operation Council (GCC) countries.[1] Their basic strengths—a public-funded banking sector and a huge trade surplus due to the export of oil, the price of which saw an unprecedented increase in a span of six months in 2008—shielded the GCC economies from the adverse impact during the initial days of the crisis. This, coupled with significant inward foreign direct investment (FDI) flows to all GCC countries, except Kuwait, also had a beneficial impact (ESCWA 2008).

The GCC economies, however, began to feel the impact of the global crisis from the last quarter of 2008. The most significant indicator was the slowdown in the gross domestic product (GDP) growth rate in 2008 and the negative growth rate in 2009 in some of these economies. In the financial sector, the stock markets in all GCC countries recorded a decline, owing to the withdrawal of foreign institutional investors. A number of private-funded domestic and international projects in the Gulf region had reportedly been cancelled or abandoned, leading to a large number of layoffs or retrenchment of the workforce. Countries that are more exposed to global capital, investment and consumption demand face a greater risk of being affected by the crisis than others. For instance, Dubai in the United Arab Emirates (UAE), which depends heavily on international capital, tourism and real estate, seems to be more adversely affected than other countries. On the other hand, Saudi Arabia, which has only 25 percent foreign workers compared to much higher proportions in the other GCC economies, might be much less affected than others (Zachariah and Rajan 2009). The slowdown in the growth rates of GCC economies has particular significance for South Asian expatriates, who are the main migrant labour in GCC countries.

In this context, this article focuses on the following questions:

- How did the crisis affect the demand for South Asian migrant workers in the Gulf countries?
- What strategies did the emigrants adopt to cope with the situation at their place of work (countries of destination) and what is the likely impact of the crisis on the home country in terms of decline in remittances, if any?
- Did countries in South Asia see large-scale return emigration? Did they find a decline in the outflow of emigrant labour to Gulf countries, and inward remittances from them?

2. Approach and methodology

Following an assessment of the trends in expatriate workers and employment structure in GCC countries based on published data, an attempt is made to map the trends and patterns of international migration, preferred countries of destination and trends in remittances over a long period of time. In addition to the macro assessment of the situation, this article also draws on two surveys, concerning: i) return emigrants in the countries of origin who lost their jobs in the countries of destination due to the financial crisis; and b) return emigrants who came back as per the migration terms of contract.

2.1 Survey of crisis-led return emigrants

This survey was conducted among the emigrants who lost their jobs and were forced to return home because of the financial crisis in the Gulf. It was also aimed at examining their coping mechanism after their return to their home country. The survey was canvassed among 50 return emigrants each in four South Asian countries: Bangladesh, Nepal, Pakistan and Sri Lanka. In India, the survey was canvassed among 250 return emigrants in five states of India, 50 each in Andhra Pradesh, Tamil Nadu, Kerala, Maharashtra and Punjab. Thus, the total number of return emigrants surveyed was 450 among the five countries of origin in South Asia. However, we confess that it was difficult to locate the emigrants who lost their jobs in the countries of destination and returned to the countries of origin. The return emigrant survey collected information on household characteristics, the profile of return emigrants, household economic assets, employment, remittances and their utilization, household expenditure pattern, reasons for return, and adaptation and coping mechanisms.

2.2 Resurvey of regular return emigrants

Return migration from the Gulf is the normal process of contract migration. Migrants from South Asia go on contract work to destination countries, and once the contract ends, they, in the normal course, return to their countries of origin. As of now, we have no estimate of return emigration from the Gulf to South Asia. However, the Centre for Development Studies (CDS) has completed four large-scale migration surveys (1998, 2003, 2007 and 2008) over the last decade. To assess both regular return emigrants and the crisis-led return emigrants from the Gulf, in 2009 we revisited emigrant households from the 15,000 households of the 2008 Kerala migration survey. We estimated the extent of crisis-led return emigrants in Kerala after the revisit. In a later section of this article, we apply the same methodology to estimate the number of return emigrants from the Gulf to South Asia. In addition, the resurvey also estimated the number of emigrants who lost their jobs in the Gulf, but had chosen to remain there without returning to their countries of origin. This new information ("lost job, but have not returned") is also generated for South Asia as a whole.

3. Financial crisis and growth in the Gulf[2]

The global crisis originating in the US, spreading to Europe and to Japan, has affected the Middle East through a large fall in price of oil, reversal of capital inflows, depression of property and equity markets, and losses in sovereign wealth funds. The effect of the crisis varied across the countries depending upon country characteristics, such as high share of oil exports in total exports, large quantum of re-exports, and a sizeable share of services in GDP, especially transportation, trade, hotel and restaurants. In the region as a whole, growth declined from 5.1 percent in 2008 to 2.4 percent in 2009. Among oil-producing countries, the sharpest slowdown was in the UAE, where the exit of external funds contributed to a large contraction in liquidity, a sizeable fall in property and equity prices, and a substantial pressure in the banking system. At the other end of the spectrum is Qatar, which grew by about 9 percent in 2009.

Interestingly, a comparison of the growth forecast for 2009 and the realized growth shows some important patterns. For developed countries, the contractions forecast and realized hardly show much of a difference, but the recovery is expected to be quicker. For South Asian countries as a whole, the realized growth is much better than the forecast, and the recovery is also rapid. The GCC countries show a mixed pattern: both the UAE and Kuwait witnessed contractions greater than the forecasts; the rest of the countries except Qatar reported growth rates higher than the forecasts; the growth recovery in 2010 and 2011 is on expected lines.

3.1 Gulf economies: Population and GDP growth

The population of GCC countries increased by 8.39 million between 2000 and 2008, an increase which is almost the size of the GCC excluding Saudi Arabia in 2000. The large increase in the populations of almost all the Gulf countries is accompanied by a high average growth of GDP between 2000 and 2009. Only Kuwait showed a large increase in population with a relatively low increase in GDP (Table 9.1). Along with population growth, the proportion of expatriates in the population has increased. In Qatar and the UAE, expatriates constitute over 80 percent of the total population, and in Kuwait they account for close to 70 percent of the total population. In Saudi Arabia and Oman, expatriates constitute slightly over a quarter of the population, while Bahrain has over 40 percent non-nationals in the total population. The proportion of expatriates in the labour force is linked to their proportion in the population. Over 60 percent of the expatriates are from South Asia and in some countries, such as Oman and Bahrain, they account for over 90 percent of the expatriates (Table 9.2). Overall, the flow of South Asian migrants to GCC countries is a function of GDP growth in the latter.

3.2 Employment structure in GCC countries

In GCC countries, over 50 percent of the workforce is employed in manufacturing, trade and construction. Kuwait and Saudi Arabia are the exceptions, where the share of public administration and defence is

Table 9.1: Growth of population and GDP in GCC countries

Country	Population (million)				GDP growth 2000–2008 (%)
	2000	2009	Change 2000–2009	Change 2000–2009 (%)	
Kuwait	2.217	3.443	1.226	55.30	6.68
Qatar	0.606	1.098	0.492	81.19	11.17
Saudi Arabia	20.474	24.897	4.423	21.60	3.91
UAE	2.995	4.764	1.769	59.07	7.74
Bahrain	0.670	0.779	0.109	16.27	6.29
Oman	2.402	2.769	0.367	15.28	5.36
Total	**29.364**	**37.750**	**8.386**	**28.56**	-

Source: International Monetary Fund, World Economic Outlook Database, April 2009.

Table 9.2: Profile of expatriates in the Gulf, 2009

Country	Population ('000)	% Expatriates in total population	% of South Asian expatriates in total expatriates	% of expatriates in the labour force
Kuwait	3,443	68.8	52.8	83.9
Qatar	1,098	86.5	68.4	92.5
Saudi Arabia	24,897	27.8	54.9	55.8
United Arab Emirates	4,764	81.0	68.7	89.8
Bahrain	779	43.0	95.1	58.3
Oman	2,769	28.4	89.0	64.3
GCC	**37,750**	**40.3**	**61.8**	-

Source: Compiled from various sources such as Country Reports prepared by the CDS team, figures reported by the respective embassies in the Gulf, and United Nations (2009), Kapiszewski (2006), Taattolo (2006) and Shah (2009).

rather high (Table 9.3). The share of construction in total employment increased rapidly during 2001–2008 in some of the GCC countries. For instance, in the UAE, the share of construction sector employment increased by 5 percentage points during the period. In Saudi Arabia, the increase in employment in the construction sector during the period was about 300,000.

As construction is one of the major sectors attracting expatriate labour, it is important to analyse the effect of the crisis on this sector. Project finance and utilities have taken a severe beating along with financial institutions in the crisis. A survey of projects (worth at least US$10 million) in mid-2009 reported 10 percent to 30 percent cancellations or

Table 9.3: Share of employment (%) across economic activities in GCC countries, 2007

Activity	Bahrain	Oman	Kuwait	Qatar	Saudi Arabia	UAE
Agriculture, hunting and forestry	0.47	9.09	2.60	1.92	4.69	5.0
Fishing	0.01	0.44	0.08	0.43	*	*
Mining and quarrying	0.49	1.96	1.90	5.27	1.32	1.3
Manufacturing	17.54	10.77	4.43	8.69	7.28	13.0
Electricity, gas and water supply	0.13	0.33	0.01	0.66	0.96	1.2
Construction	29.86	34.68	14.23	37.14	10.22	20.6
Wholesale, retail trade and car repairs	24.62	16.18	14.03	12.28	16.10	20.0
Hotels and restaurants	6.55	5.97	2.89	1.96	3.20	4.2
Transport, storage and communication	4.20	1.30	3.85	4.33	4.42	6.2
Financial intermediaries	3.46	0.29	1.21	1.09	1.08	1.4
Real estate and renting services	7.54	1.77	5.59	3.43	3.22	3.3
Public administration and defence	0.01	–	14.75	6.35	18.03	10.8
Education	1.24	0.76	5.23	3.16	11.96	**
Health and social work	0.24	1.91	2.40	2.55	4.33	**
Community and personal services	2.11	1.08	4.18	1.54	2.26	4.5
Domestic services	0.06	9.96	21.86	8.79	10.79	8.4
Extra-territorial organizations and bodies	0.21	2.59	0.11	0.21	0.13	-
Not classified by economic activity	0.30	0.90	0.66	0.18	0.01	0.01
Total	**100**	**100**	**100**	**100**	**100**	**100**

*Fishing is included in agriculture, hunting and forestry.
**Education and Health are included in Public Administration and Defence.
Note: For Bahrain and UAE, figures show paid employment by economic activity. For Oman, figures show expatriate workers in the private sector. Kuwait figures are for 2005.
Source: International Labour Organization, Labour Statistics; Ministry of National Economy, Oman, Statistical Year Book 2008. For Saudi Arabia and UAE, figures are taken from the country reports.

orders put on hold in GCC countries (Table 9.4). Dubai, which has about 60 percent of all projects in the GCC, has taken the largest hit, which in turn has affected the GCC as a whole. Interestingly, the crisis has affected all sub-sectors—from commercial projects to residential properties—as the illustration from the UAE shows (Table 9.5).

Table 9.4: Projects affected by the crisis in the GCC

Country	Projects under construction	Projects cancelled/on hold	Total project worth (US$ billion)*	Cancellation (%)
Kuwait	90	18	114	17
Qatar	124	7	42	-
Saudi Arabia	442	106	387	19
UAE	1,372	566	900	29
Bahrain	148	54	36	27
Oman	95	8	38	8

*All projects, including cancelled/on hold.
Source: Proleads.

Table 9.5: Projects affected by sub-sectors, UAE

Sub-sector	Projects under construction	Total number of projects	Projects cancelled and cancellation rate (%)
Commercial projects	340	487	147 (30)
Hospitality business	288	406	118 (29)
Residential properties	495	712	217 (30)
Retail projects	249	333	84 (25)
Total	**1,372**	**1,938**	**566**

Source: www.gulfbase.com/site/interface/NewsArchiveDetails.aspx?n=110724

While new project starts have come down in the UAE, there is continuing high-level activity in ongoing projects that would be “the envy of many” elsewhere in the world. There is evidence of increased construction activity in Abu Dhabi, Sharjah and Ajman. Thus, while new starts have come down and those about to be started have been put on hold, a lot of activity is continuing in ongoing projects.

3.3 Gulf crisis and South Asian labour: The Links

The link between economic growth and labour flow is through the growth in manufacturing, trade and construction. Construction, in particular, attracts large numbers of expatriate labour from South Asia. Any of the factors adversely affecting construction would affect labour. The quick rebound of oil prices by mid-2009 and the not-too-depressing current account and budget balances have made the governments of GCC countries bolder and induced them to continue major infrastructure investments. The increase in government expenditures (as a percentage of GDP) was close to 10 percentage points in most of the countries (Table 9.6), except Bahrain and Qatar. Fiscal policy has played a crucial role in cushioning the impact of the global crisis on GCC countries.

Table 9.6: Government expenditure in GCC countries, 2006–2011 (% of GDP)

Country	2006	2007	2008	2009	2010	2011
Kuwait	31.83	29.94	40.15	47.36	43.22	44.28
Qatar	26.42	25.37	24.52	26.66	23.22	22.47
Saudi Arabia	31.96	34.36	30.81	44.54	42.80	40.75
UAE	18.39	18.98	21.22	32.11	28.34	23.07
Bahrain	28.48	28.70	28.00	31.42	30.83	29.53
Oman	34.44	35.33	29.42	38.73	37.38	37.02

Note: Figures for 2010 and 2011 are projected.
Source: World Economic Outlook Database, October 2010.

Interventions in the banking sector have also been decisive. A further boost has been the healthy, albeit lower, GDP growth in the whole of South Asia in 2009 and the forecast of higher growth rates in 2010. South Asia and China have emerged as the major trading partners of GCC economies and the trade outlook does not look very depressing.

However, continuing adverse factors have been the depressed real estate and equity prices in GCC countries, particularly in Dubai. The recovery will remain fragile as long as private investment does not stimulate growth. FDI, which had played a major role in the high growth of the pre-crisis days, fell drastically in 2009 in almost all GCC countries, except Oman, Qatar and Saudi Arabia. In the UAE, FDI fell from US$13.7 billion in 2008 to US$4 billion in 2009 (UNCTAD 2010).

4. Impact of the crisis on South Asian migrant workers

This section is devoted to an assessment of the impact of the crisis on South Asian migrant workers in terms of return emigration; flows of labour emigration from Asia to the Gulf; and inward remittances to South Asia. The assessment is based on the summary results of two surveys conducted to understand the coping mechanisms of individuals and families in times of crisis.

4.1 Return migration to South Asia from the Gulf, 2009

All agencies working on migration and remittances in South Asian countries and the Gulf region predicted an exodus of return emigrants from the Gulf to their countries of origin following the crisis. CDS, Kerala, which has undertaken four large-scale migration surveys in Kerala during the last 10 years to estimate the number of emigrants and return emigrants, and remittances, revisited the households of the 2008 survey (CDS 2008) in 2009[3] to arrive at reliable estimates of return emigrants.

All those in the original sample who had returned were asked to cite the reasons for returning to Kerala. The questionnaire provided 10 possible reasons for the return, among which the following three could be attributed to recession: job loss and return due to financial crisis, expiry of contract (renewal of contract did not take place as expected due to recession), and compulsory expatriation. Estimates of return migrants due to the crisis are provided in Table 9.7.

Table 9.7: Number of return emigrants in Kerala due to recession in 2009

	Sample	Total
Total emigrants in 2008 based on 2008 Kerala Migration Survey	3,953	2,193,412
Return emigrants among emigrants of 2008 in Return Migration Survey in 2009	304	168,681
Return emigrants in Kerala due to financial crisis and recession	110	61,036

Source: Zachariah and Rajan (2009).

If we deduce that out of the stock of 2.19 million emigrants from Kerala, about 61,036 crisis-led migrants returned, then what could be the number of return emigrants from the Gulf to South Asia? According to data available from various formal and informal sources, there are about 9.5 million South Asian emigrants in the Gulf; and the number of projected return emigrants from the Gulf to South Asia is 263,660 (Table 9.8).[4] The number of return emigrants from the Gulf to countries in South Asia can also be estimated. For instance, India had a stock of 1.7 million migrants settled in the UAE, and the projected number of Indian return emigrants from the UAE was 47,000.

Table 9.8: Estimates of return emigrants in South Asia from the Gulf due to financial crisis, 2009

Country/state	Stock of emigrants	Return emigrants due to crisis
Kerala	2,193,412	61,036
India	5,050,000	140,526
Pakistan	2,300,000	64,002
Bangladesh	900,000	25,044
Nepal	250,000	6,957
Sri Lanka	975,000	27,131
South Asia	**9,475,000**	**263,660**

Source: Survey (see text).

Why are these numbers so small compared to numerous predictions? We postulate two important features of Gulf migration from South Asia as responsible for this: i) the cost of migration to the Gulf; and ii) the peculiarities of the channel of migration.

South Asians incur huge costs to migrate to the Gulf. According to the Kerala Migration Survey 2008, the cost of migration to the Gulf varied between Indian rupees (INR) 53,951 for Kuwait and INR 74,606 for Saudi Arabia, that is, between US$1,200 and US$1,660 at an exchange rate of INR 45 per US$1 (Table 9.9). This applies to all South Asian countries (also see United Nations 2009; Zachariah and Rajan 2009; Rajan and Prakash 2009). The high cost of migration to the Gulf caused many emigrants to borrow from various financial sources. Under such conditions, even if the expatriates lost their jobs in the Gulf, they would prefer not to return home fearing inability to repay the debt already contracted there. They would rather accept any job at a lower wage and send home remittances to repay their loans even during a crisis in the destination country.

Another characteristic of South Asian migration to the Gulf is the part played by the social network, which consists of friends and relatives, who perform a major role in the channel of migration flows by arranging visas and other requirements for the emigration process. For instance, an all-India survey conducted by CDS for the International Labour Organization and the Ministry of Overseas Indian Affairs revealed that close to 80 percent of Indian emigrants utilized their friends and relatives as an important channel for migration (Table 9.10). This also ensured that in the event of a job loss, they could rely on someone to provide them temporary support.

Table 9.9: Average cost of emigration for different migration corridors from Kerala, 2008

Countries	**Average cost (INR)**
Kerala-Bahrain	57,172
Kerala-Kuwait	53,951
Kerala-Oman	56,840
Kerala-Qatar	66,316
Kerala-Saudi Arabia	74,606
Kerala-UAE	61,308
Kerala-UK	56,589
Kerala-US	42,080

Source: Survey (see text).

Table 9.10: Channels of migration by emigrants, 2007

Channel	Male	Female	Total	Male	Female	Total
Government agency	3	0	3	0.7	0.00	0.5
Foreign employer	41	7	48	9.2	3.35	7.3
Private recruitment agencies	71	17	88	16.01	8.1	13.5
Total	**445**	**209**	**654**	**100**	**100**	**100**

Source: Rajan *et al.* (2009).

4.2 Emigrants who lost jobs in the Gulf and have not returned

There are migrants who lost their jobs in the Gulf but have not returned home as they continue to look for jobs in sectors less/not affected by the crisis, at lower wages and in poorer working conditions. The Return Emigrant Survey 2009 conducted in Kerala offered a unique opportunity to estimate the number of those who lost their jobs in the Gulf countries due to the crisis there. According to the estimate made by the authors, of the 2.2 million stock of emigrants from Kerala, about 39,396 persons lost their jobs between 2008 and 2009 but have not returned to their country of origin (Zachariah and Rajan 2009). Applying the same methodology to estimate the number of South Asian migrants who lost their jobs in the Gulf yields the number 170,181 (Table 9.11).

Table 9.11. Estimates of emigrants who lost their jobs in the Gulf but have not returned, 2009

Country	Stock of emigrants	Number of emigrants who lost their jobs but have not returned
Kerala	2,193,412	39,396
India	5,050,000	90,703
Pakistan	2,300,000	41,310
Bangladesh	900,000	16,165
Nepal	250,000	4,490
Sri Lanka	975,000	17,512
South Asia	**9,475,000**	**170,181**

Source: Survey (see text).

4.3 Outflow of workers from South Asia to the Gulf, 2009

As there were no official data to show the extent of outflow of workers from South Asia to the Gulf, we estimated the possible trends using reasonably well-managed databases from these countries. All the countries in South Asia, except Sri Lanka, have reported decline in the flow of workers to the Gulf. The projected decline for India is huge—about 280,000—followed by Pakistan with just 12,000 (Table 9.12).

Table 9.12: Outflow of migrant workers from South Asia to the Gulf, 2005–2009

	India	Pakistan	Bangladesh	Nepal	Sri Lanka
2005	454,628	127,810	207,089	88,230	192,004
2006	618,286	172,837	307,620	128,306	170,049
2007	770,510	278,631	483,757	182,870	188,365
2008	818,315	419,842	643,424	169,510	215,793
2009	538,090	407,077	n.a.	152,272	226,299

Source: Based on country papers for this study prepared by the respective country teams in the countries of origin.

As regards the destination, the decline was large for the UAE, which has been more severely affected by the crisis than the other countries in the Gulf. But this was more than compensated by the increase in the numbers who left for Saudi Arabia. This pattern holds for India, Pakistan, Sri Lanka and Nepal. Thus, the crisis has changed the migration and demographic dynamics of South Asian workers in the Gulf region.

4.4 Inward remittances to South Asia, 2009

The money that migrants send home is important not only to their families, but also to their countries' balance of payments. In many developing countries, remittances represent a significant proportion of GDP as well as foreign exchange receipts. Among South Asian countries, India ranked first in terms of the volume of remittances, at US$52 billion (or 4.2 percent of GDP), in 2008. Bangladesh ranked eighth and Pakistan ranked 11th in terms of remittances. Nepal was one of the top 10 countries in the world in terms of remittances as a percentage of GDP, at 22 percent. When the crisis hit in 2008, the World Bank stated that the outlook for remittances for the rest of 2008 and 2009–2010 remained as uncertain as the outlook for global growth, oil and non-oil commodity prices, and currency exchange rates. After several years of strong growth, remittance flows to developing countries began to slow down significantly in the third quarter of 2008 in response to a deepening global financial crisis.

Our estimates based on the simple average of remittances for the available months from the country reports prepared by the country teams suggest that all the countries of South Asia are resilient to the crisis in terms of remittances (Table 9.13). Our estimates put the growth in remittances to India at 3 percent, from US$51.6 billion in 2008 to US$53.2 billion in 2009.

Table 9.13: Inward remittances to South Asian countries from migrant workers, 2000–2009 (US$ million)

	India	Pakistan	Bangladesh	Nepal	Sri Lanka
2000	12,890	1,075	1,968	111	1,166
2001	14,273	1,461	2,105	147	1,185
2002	15,736	3,554	2,858	678	1,309
2003	20,999	3,964	3,192	771	1,438
2004	18,750	3,945	3,584	823	1,590
2005	22,125	4,280	4,314	1,212	1,991
2006	28,334	5,121	5,428	1,453	2,185
2007	37,217	5,998	6,562	1,734	2,527
2008	51,581	7,039	8,995	2,727	2,947
2009*	47,000	8,619	10,431	3,010	2,892
2009+	53,227	8,856	10,525	2,812	3,308
	% change				
2000–01	10.73	35.91	6.96	32.43	1.63
2001–02	10.25	143.26	35.77	361.22	10.46
2002–03	33.45	11.54	11.69	13.72	9.85
2003–04	-10.71	-0.48	12.28	6.74	10.57
2004–05	18.00	8.49	20.37	47.27	25.22
2005–06	28.06	19.65	25.82	19.88	9.74
2006–07	31.35	17.13	20.89	19.34	15.65
2007–08	38.60	17.36	37.08	57.27	16.62
2008–09*	-8.88	22.45	15.96	10.38	-1.87
2008–09+	3.19	25.81	17.01	3.12	12.25

* World Bank estimates; +Authors' estimates.
Source: World Bank and the country reports prepared by the research team.

Remittances did not decline in South Asia for the following six reasons: i) the debts contracted to meet the high cost of migration kept the emigrants from returning to their home countries in spite of the lay-offs; ii) the predictions of a large exodus of emigrants from the Gulf did not come true; iii) though the outflow declined in the first half of 2009, it did not significantly affect the stock of South Asian migrants in the Gulf; iv) the appreciation of the US dollar vis-à-vis South Asian currencies; for instance, the current exchange rate of the Indian rupee to the US dollar is much higher than what it was during the crisis period; v) the continuous rise in oil prices generating more income in the Gulf; and vi) the "reverse migration" of the crisis-led return emigrants back to the Gulf.

5. Conclusion

The impact of the crisis on output and employment in the US had generated an anticipation of large-scale retrenchment of expatriate labourers in the Gulf region. The anticipated misery and the need for rehabilitation had got some governments in South Asia thinking about plans for the returning migrants. We find that the dimensions of the impact were not as large as was feared earlier. For a stock of approximately 9.5 million South Asian emigrants in the Gulf, the number who returned due to the crisis is estimated at 264,000 (just around 2.78 percent); and the number of workers who lost jobs but were continuing to stay in the Gulf was about 170,000 (1.8 percent). Overall, less than 5 percent of the South Asian emigrants had lost jobs owing to the crisis. The yearly flow of out-migrants from South Asia was also not adversely affected much.

As regards remittances (in US dollars), the annual percentage increase since 2004–05 has been over 20 percent for South Asian countries, except for Sri Lanka. The rate of increase has taken a hit all over South Asia, except Pakistan from where the outflow of migrants had been increasing at around 50 percent every year since 2005. But remittances have not fallen following the crisis; either it has remained stagnant or has shown a mild rise depending upon the estimates. As most of the South Asian currencies have depreciated against the US dollar (to which the GCC currencies are pegged) from late 2007, remittances in terms of domestic currencies have shown an increase. Surveys of migrant households in South Asia confirmed these estimates as 94 percent of the households reported regular remittances during the crisis period also as in previous years, and no significant change in the use of remittances was reported by these households.

Overall, less than 5 percent of the stock of South Asian migrants in the Gulf had lost jobs and had either returned or were struggling to continue staying in the Gulf. The flow of workers from South Asia to the Gulf had also not been affected in any significant extent, but there were changes in the origin (in favour of Pakistan) and the destination (in favour of Saudi Arabia) of the flow. The volume of remittances into South Asia had also not fallen to any significant extent. In sum, the crisis of 2008–2009 was a blip on the radar of labour migration to GCC countries from South Asia. A few thousands lost jobs and had to return home, but the number migrating to the Gulf has hardly fallen.

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Notes

[1] GCC countries are: the United Arab Emirates (UAE), Saudi Arabia, Qatar, Bahrain, Kuwait and Oman.

[2] This section is based on the six country reports prepared by the research team at the Centre for Development Studies (CDS). Most of the members of the research team visited the Gulf to assess the reality by talking to stakeholders, and additional research was done by the authors of this article.

[3] Return Emigrant Survey 2009 was conducted by CDS and sponsored by the Department of Non-Resident Keralite Affairs, Government of Kerala (for more details of the survey report, see Zachariah and Rajan (2009)). The field work was carried out during 16 June–7 September 2009.

[4] These could be underestimates as the composition of migrants from Kerala would have a lower proportion of unskilled workers.

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