



# IMDS Working Paper Series

Working Paper Nos. 10–12  
July, 2009

**Emigration Data: We Need a Change of Focus**

*Amal Sanyal*


**Indians in Britain**

*Stephen Castles*

**Indian Diaspora in International Relations: 'Tinker, Tailor, Soldier, Spy', or A 'Great Off-White Hope' of the New Century?**

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*Binod Khadria*



# Emigration Data: We Need a Change of Focus<sup>1</sup>

Amal Sanyal

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## Abstract

*The emigration data project can be boosted by adopting a development focus in issues of emigration, the concern with the bilateral issues between origin and host countries notwithstanding. Increased demand for information on links between emigration and local development will increase allocation for information; and new queries will generate databases that we do not collect now, facilitating new research and understanding. The paper surveys our present databases and future requirements from this point of view. It first surveys our current knowledge of the links between emigration and development. It then identifies the areas where we cannot produce precise answers or quantify them because of inadequate data, rather than inadequate knowledge. This produces a preliminary wish list for data. Then the paper asks what further linkages we should strive to understand next. It argues that to analyse the links better, we should develop the capability for forecast and simulation of income effect, price effect and terms of trade effects of emigration. Many policy questions hinge on general equilibrium issues that can be adequately answered using these effects in a partial equilibrium framework. By using illustrative models for the effects, the paper tries to identify databases required for this sort of project. This provides a second round of wishes. Finally, data requirements identified throughout the paper are summarised, and strategies for collecting them discussed. Depending on the information, important recommendations are: (i) disaggregation of some categories in published tables; (ii) change of accounting format in some cases; (iii) periodic survey of emigrants in destination countries, and Indian districts of large emigration; (iv) database on internal migration and index of wages at major labour markets; (v) index of wages for highly emigrant skills; (vi) sociological study of returnees with structured interviews; (vii) procuring micro databases developed by private researchers.*

**Keywords:** International migration, Database, Development, Migrants, Remittances.

## I. Introduction

Generation and collection of data presupposes an amount of conceptualisation. They require certain preliminary hypotheses about the phenomenal structure of the query. These hypotheses enable us to identify data series we should look for and lead us to the nodes where to look for them. If our databases on migration and its effects are inadequate, it is partly because the conceptualisation about how emigration affects society is also inadequate. Official vision makes it out as if migration is merely a bilateral concern between countries, demanding reciprocal attention to labour market and residency issues. But migration has become a major developmental variable, much as it had become at the confluence of the nineteenth and the twentieth centuries. It stands out as one of the more important conduits of global economic

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<sup>1</sup> This paper is based on the presentation at an International Conference on “India-EU Partnerships in Mobility: Data, Agreements, and Policy in International Migration” held in New Delhi, India, February 21-23, 2009.

influence. Arguably, trade and foreign investment have grown to a point from where marginal benefit of cross-country labour flows may exceed that of trade and investment liberalisation. Any significant migration produces significant social effects and cultural change on both sides. On the economic side, it alters GDP, GNP, nominal and real wage rates, unemployment rate, import and export baskets, prices, terms of trade, technology, and investment, to list the more important ones.

Led by these observations, we argue that questions about economic and social development should be used to design and collect migration data. As we understand the effects on values, culture, income, investment, factor prices, terms of trade, technology and overall development more, we will be led to ask more pertinent questions and gather the right kind of information.

There is of course an inherent circularity in all data generation projects and it is no different in the present case. Our theoretical knowledge of the effects of migration is inadequate because we do not have enough empirical information whereas not having an adequate theory about the points of contact between emigration and society, we do not know the nodes where useful information can be found, or what questions should be asked in survey questionnaires. To break this circularity, we should self-consciously add a development focus to all things related to migration- administration, policy, data collection and theory. In particular, policy towards emigrants, while continuing to look after their interest in destination countries, should try to maximise the economic impact of it back home. This change of focus can lead our administration to look for the links connecting emigration and development more keenly. As we foster these links, we would face new questions and ask for new information as much as new policies. In the process we can revise our preliminary conceptualisation, and get to a better position to identify data requirement and sources, and so on in an ascending cycle.

This paper has broadly two parts. The first outlines what we already know, based on our present conceptualisation. This part extends from section II through VI. In these sections we point out the obvious gaps in database and knowledge, as much as we understand them now. The latter part of the paper, sections VII and VIII, proposes what we should strive to further explore at this stage. Section VII argues that we should develop the capability of certain types of prediction and simulation in order to help policy and sharpen our understanding of emigration effects. These suggestions are used to sketch rudimentary outline of modelling strategies to explore the requirement of information. Section VIII takes this discussion further to suggest concrete database requirements and ways to procure them. The paper ends with a brief conclusion in section IX.

## **II. How did Emigration become a Development Variable?**

To start off the discussion of what we know, it is best to ask why emigration has surged in recent decades, and identify the important global and local factors. This paper focuses on Indian emigration, and we will discuss most issues from that perspective. In India emigration has become an important phenomenon over the last few decades- both because of the rapid growth in numbers and the growing impact on the economy. Though significant for a long time, the numbers have been increasing much faster more recently. Curiously, we do not have reasonably accurate data from any single source that can authentically support this introductory statement. When we suggest that the numbers have increased recently, we rely



on a number of fragmented information sources. This highlights one of the concerns of our paper and the conference organised by JNU and Ministry of Overseas Indian Affairs (MOIA) in February 2009 at New Delhi.

Though there is no comprehensive single source, the increase in emigration in recent years is reflected in all Indian sources of emigration information, like the Protector General of Emigrants (Ministry of Labour), Ministry of External Affairs, National Sample Survey Organisation, Office of the Registrar General of India and Census Commissioner. It also agrees squarely with related information and research from international organisations like the ILO, United Nations, OECD and the World Bank. The present surge is the result of a number of international demographic and labour market developments coming together. There are some important domestic factors as well. Most international influences work as attraction or pulls, certain domestic influences work as push factors, and a third set of influences can be seen as facilitating factors. The following are the major international factors:

- (1) Emergence of significant difference between India's demographic structure and that of a number of rich countries is an important driver. There are two significant patterns here: (a) Relatively older population in rich countries have resulted in general shortage of labour, which is particularly acute in blue collar and low-skill jobs and (b) Middle eastern oil producing countries have a small workforce compared with that required for oil production and their plan of rapid urbanisation. Relatively younger Indian population and abundant supply of low-skilled workers complement the requirement of the rich countries in both cases.
- (2) In the developed world a large number of non-tradable, low-skilled and semi-skilled services have come to stay as a structural feature. These services are in town-keeping; cleaning; garbage, sewerage and recycling services; check-out, restaurant, and hospitality services; nursing of the aged; security; general house-keeping and so on. Some of these services like town-keeping, garbage, sewerage and recycling services, old-age care, baby sitting etc are publicly provided for- either produced by public agencies themselves or contracted out. Other services are to be privately financed, but they are relatively price inelastic. The demand for all these services is increasing with urbanisation, rise in average age of the population and increase of work force participation ratio. This development has produced a pull for immigration given the shortage of low-skill and low-wage labour in these countries.
- (3) India's proximity to the rapidly growing oil economies of the Middle East facilitates short-term migration to these parts. As a result, India-UAE and India-Saudi Arabia have become two of the biggest migration corridors, only behind the Mexico-US, and at par with the India- Bangladesh corridor<sup>2</sup>. Initially, short-term migration to Middle East mostly involved unskilled and semi-skilled workers. More recently, the demand for white-collar professionals has increased in those countries with urbanisation and settlement of large overseas population. A sizeable amount of white-collar emigration now takes place to the Middle East.
- (4) Despite relatively faster growth of income in India, average wages have increased at around 1.5% annually in the last ten years (ILO, 2009). Further the increase has taken place more on the high end of the market. Hence, the real wage gap between India and the rich countries for unskilled workers has actually increased<sup>3</sup>.

<sup>2</sup> Migration and Remittances Factbook, 2008, The World Bank.

<sup>3</sup> For the latest comparison of real wage and consumption, see UBS, Prices and Earnings study, 2009.

We do not have complete information on qualified workers' emigration. Varying types of visa and residency status accorded to them in different countries is a major difficulty in classifying and compiling. But even the partial data illustrates the huge tendency of the skills, for which there is excess demand in the developed world, to emigrate. Where we get reasonably complete information, the magnitudes are striking. For example, 38 percent of all physicians who completed their degree in 2000 emigrated from India<sup>4</sup>. These very large propensities to emigrate, it seems, are helped by a few domestic push factors as well. They are:

- (1) For technically skilled workforce, the low pace of career advancement and relatively lower potential life-time earnings contribute to the tendency to emigrate. This is also reflected in the rapid increase of the number of student visas granted to Indian students globally. We should note that most Indian students go overseas to acquire a finishing qualification that can be instrumental to emigration.
- (2) The domestic push may have been strengthened in some Indian states by the spread of primary and secondary education together with general economic stagnation. A study of emigration from Kerala suggests an interesting confluence of factors: expansion of education together with stagnating agriculture and industry turns the attention to emigration as a serious alternative for a particular income and social class (Zachariah *et al*, 2001).
- (3) Fall in the average age of the Indian workforce is and going to be an important factor, given that younger people are more prone to take the risk involved in migration.

Finally, there are a few facilitating factors. Emigration of semi-skilled manpower has been facilitated by the increased flow of information about overseas labour markets. Further, internal migration of semi-skilled workers to Indian urban centres has increased over the last three or four decades<sup>5</sup>. Migrants to urban and metropolitan centres get more information on overseas labour market, come in contact with aspiring emigrants, returning emigrants and labour contractors. These motivate and facilitate emigration of semi-skilled workers from India.

We have tried to present here the major factors that have accelerated the pace of emigration. Interestingly though, we should report that we cannot produce reasonably good in-sample prediction of emigration for important destination markets using the factors discussed above. Preliminary exercises show that two other factors are very important. First, the existing stock of Indian emigrants in a destination has a large effect. Presumably, the stock works as a source of information and sponsorship, and reduces the subjective risk of the emigrant. Secondly, a dummy variable for visa regimes has significant explanatory power. Emigration is not a market clearing flow in large markets, but emigrants are rationed in the labour market. Hence, visa regime and quotas will always remain important for large markets.

### **III. Direct Economic Returns**

We will try to collate what we know about the channels of direct effects. Overall, it appears that we understand the channels and the processes well enough, but do not have adequate

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<sup>4</sup> Migration and Remittances Factbook, 2008, The World Bank

<sup>5</sup> I am assuming that the trends reflected in the Census 2001 and the earlier ones is continuing.

information to quantify them with reasonable accuracy. We will discuss the gaps in the data as we proceed.

We can identify two separate routes to direct economic effects. The first consists of the more visible returns- visible as rupee flows or investments. The second consists of the effects on the labour market. We will discuss the visible economic returns in this section and labour market effects in the next.

Direct economic returns comprise (i) remittances; (ii) investment by emigrants in the country of origin; (iii) import of best practice in production and management by returning emigrants or NRI persons/firms; and (iv) positive externality to the Indian economy from Indians' international presence.

## Remittances

Remittances to India are indeed very large. They had increased to \$35.2 billion by 2007<sup>6</sup> representing more than 3 percent of India's GDP in that year. A very recent release by Reserve Bank of India (RBI) suggests \$46.4 billion in remittance (4 percent of GDP) during 2008-09, while unreleased World Bank data quoted at a recent World Bank conference places it even higher, at \$52 billion (almost 5 percent of GDP)<sup>7</sup>. For the Indian states that source large number of emigrants, the contribution of remittances to state GDP is significantly higher than these figures. Zachariah *et al.* (2001) estimated that an average emigrant to the gulf from Kerala had sent Rs. 25,000 home in 1998, and total remittances came to 9 percent of the state domestic product. The importance of remittances purely as financial flow can be appreciated by noting that it consistently exceeds the sum of FII and FDI into India.

Unlike other capital flows, remittance is not very volatile. It is a stable function of the stock of emigrants and does not respond significantly to the business cycles of the destination country. In general, variance of remittances is smaller than that of private capital inflows and official inflows (IMF, 2005). For example, official aid flows to Sub-Saharan Africa have fluctuated considerably from year to year, but remittances have remained steady and less volatile than both FDI and official aid (Gupta, Pattillo and Wagh, 2007). In Latin America, steadiness of remittances has been found to work as a stabilising influence in an environment of sharply fluctuating foreign financing and commodity prices (Loser *et al.*, 2006). Particularly for poorer countries, remittances have a tendency to increase when the country's economy passes through hard times. Emigrants tend to remit more money home to smooth out the recipients' consumption (Ratha, 2007 and World Bank, 2005)<sup>8</sup>. This has been borne out for India too (Sayan, 2006).

Remittances have another useful feature. They are perfectly targeted. Analysis of household survey data for a number of low-income countries show that remittances have reduced poverty and led to better development outcomes. According to some estimates, proportion of poor people in the population may have been reduced through remittances by 11 percentage points in Uganda, 6 percentage points in Bangladesh, and 5 percentage points in Ghana. Studies in El Salvador and Sri Lanka find that the children of remittance receiving households have a lower school drop-out rate. In Mexico, Nicaragua, Guatemala and Sri Lanka children from remittance receiving households show higher weights at birth and better

<sup>6</sup> Source: World Bank, Provisional estimate for 2008 which was initially \$45 billion was later set at \$ 43.5 billion (3.7 percent of GDP).

<sup>7</sup> See Ratha, Mohapatra and Silwal (2009), presented at the International Conference on Diaspora and Development, July 13-14, 2009.

<sup>8</sup> For an interesting study of remittance to Philippines in this connection, see Yang (2006).

health indicators than other households (Ratha and Mohapatra, 2007). Cross-country studies corroborate these time series studies<sup>9</sup>. In case of India the expected effect on poverty is one of the more important reasons to think of institutions for facilitating remittance inflow.

## Other Inflows

There are two other inflows of interest: overseas savings brought back by returnees, and investment in India by Non Resident Indians (NRIs). For balance of payments accounting, these two variables are small parts of more important larger flows. As a result returnees' saving cannot be properly identified or inferred from published balance of payment data. NRI investment too, cannot be identified from balance of payment or the national accounts. However, we can get aggregate NRI investment data from the publications of the Ministry of Commerce and Industry. The position of these two variables is described below:

- Savings brought back to the country by returnees is of little national accounting interest. Emigrants' earnings during overseas service is part of India's national income, earned by Indian factors of production overseas. In balance of payments account, the earnings are accounted as an invisible item. This item, termed as 'compensation of employees' in the IMF Balance of Payments manual, is not separately reported by RBI. It is added with investment income to form a 'net income' category and reported in the balance of payments table. But returnees' overseas saving is an important quantity, not only for the returnee and immediate family but also for the community.
- Remittance of returnees and the saving they bring in at the end of overseas stay have different significance. Remittance sent to relatives at home is mostly to support their consumption. But overseas saving is mostly intended to fund investment in land, housing and small business assets. Hence, it is important to have a good idea of returnees' savings as separate from remittances. This issue will be taken up again in section VII.
- Ministry of Commerce and Industry publishes figures for NRI investment. This figure represents project investment by NRIs and is useful. The Ministry separately provides data on NRI investment through RBI's NRI schemes. These schemes involve acquisition of existing stock by NRIs through transfer from residents. Though it technically represents FDI in the national accounts, it is of no interest to us since it does not represent new capital formation. We will plead for the break down of NRI project investment into states and industries. The reasons for this are explained in section VIII.

What we know about these two flows is mostly based on incomplete information and are inferences. We state them summarily:

- Remittances exceed investment by returnee emigrants and NRI's with a large margin<sup>10</sup>. This can be inferred from national account and balance of payments data, even though accurate calculations cannot be done without the required disaggregate entries.

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<sup>9</sup> See for example Adams and Page (2006), Fajnzylber and Lopez (2006) and Gupta, Pattillo and Wagh (2007).

<sup>10</sup> As opposed to China, where investment in mainland China by overseas Chinese population exceeds remittances by far.

- We have complete information on net flow and total outstanding amount in all NRI deposits, published by RBI. The data shows very large variance of net inflows into all NRI deposit accounts.
- Even in years when net inflow is large, it remains small compared with remittance.
- NRI purchase of shares of Indian companies, and direct investment in projects has an increasing trend.
- State governments spend significant amount to draw NRI investment and often claim success in attracting them. But they do not publish any authentic account of projects that have started, are functioning and those that are at various stages of negotiation. A compendium of this information for all states should be published annually by a central agency.
- Returning emigrants bring new technology and advanced practices, and employ them in investment projects. In some state districts, the effect has been reported to be very significant, and have influenced local business practices.

## **Externality**

The last and certainly not the least is the externality benefit that Indian business and the government get from the international presence of emigrant Indians. Emigrant Indians have been instrumental in fostering a favourable opinion of their country and its communities in the countries of their residence. We can identify at least two major beneficiaries: Indian business and the Indian government.

### *(i) Business*

- In many overseas markets, demand for traditional Indian merchandise export initially arose from the demand of Indian emigrants and the diaspora. For some of the products, the demand subsequently got dispersed through the rest of the market. This applies to Indian food products and restaurants, beer, films and entertainment products, tourism, garments, style products and a few others.
- In overseas countries of residence, Indians have been generally able to create an impression as a hard working and talented lot. Arguably, this helps in the acceptance of Indian products and services as well. Launch of Indian business products in overseas markets typically begins in countries with large Indian settlements, but does not entirely aim at Indian emigrants and the diaspora. It seems that a tacit expectation of quality works in these markets, which probably stems from the general acceptance of Indians and Indian things. Products where this has been observed are two-wheelers, three wheelers, cars and light commercial vehicles (England, Africa and Middle East); entertainment and cultural products (England, Asia, Middle East, North and East Africa), education (UAE), drugs and pharmaceuticals, engineering products and services, tractors and agricultural machinery, software, BPO services, and so on. This is an interesting phenomenon, and is of sociological and business interest.

### *(ii) Government*

- Indian diplomacy has got significant leverage from the political linkage created by NRI's and the Indian diaspora. A very recent example is the role of the NRIs and

persons of Indian origin during the protracted negotiation of the nuclear deal with the US during Bush administration.

- Indian public sector firms have bagged large contracts for goods and consultancy from overseas governments in countries with significant Indian presence. Arguably, the externality effect has worked in this area too.

Estimation of externality benefit is an uncharted empirical territory- particularly this variety of externality. However, estimation and quantification are not terribly important in this case. What is important is to understand how they work. Interaction between emigrants and the host society is very little understood, though this is one of the most important processes in cross-country sociology. History has spectacular examples of the results of such interaction- some disastrous and some indeed very fruitful. We need to understand the processes and the links for the benefit of domestic policy making, diplomacy, international trade, and investment.

## **IV. Quality of Data**

### **Remittances**

#### *(i) Data Format*

Migrant remittances have three components, each with a story to tell: workers' remittances, compensation of employees, and migrants' transfers. As defined in the IMF Balance of Payments manual<sup>11</sup>, workers' remittances are current private transfer from those migrants who are considered residents of the host country, to persons in their country of origin. For this purpose, a migrant is considered resident if he/she lived in the host country for a year or longer, regardless of legal immigration status in the host country. On the other hand the entire income of a migrant is classified as compensation of employees if the migrant has lived in the host country for less than a year. The third component, migrants' transfers are the net worth of what migrants transfer from one country to another at the time of migration. Migrant's transfers when returning to India is what we have called returnees' saving in the last section.

To get a proper picture of the money flows attending emigration, think of policies and construct causal hypotheses, all the three components should be considered as source of useful information. They should be studied comparatively for emigration to a given host country. Their relative importance differs as the proportion of short-term and long-term migrants change. Unfortunately most countries do not use the IMF guidelines correctly and tend to club all receipts together or separate them arbitrarily<sup>12</sup>. Reported compensation of employees in the Indian data looks improbably small in view of the large number of temporary IT workers in the United States and European countries.

Further, the current format of official statistics on remittances tends to underestimate the size of remittance flows. A working group set up jointly by The World Bank, IMF and the UN has recommended that three new items be added to the Balance of Payments Manual<sup>13</sup>.

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<sup>11</sup> See IMF Balance of Payments Statistics Yearbook, 2007.

<sup>12</sup> See data notes in Migration and Remittances Factbook, 2008, Development Prospects Group, World Bank, and Ratha and Shaw (2007).

<sup>13</sup> See data notes in Migration and Remittances Factbook, 2008, Development Prospects Group, World Bank.

They are personal remittances, total remittances, and total remittances and transfers to non-profit institutions serving households. The break up can throw some light on the disposal of remittances and the path it takes in mingling into the economy.

### *(ii) Informal Flows*

Remittance data is based on total private transfer receipts of domestic entities from overseas through the banking system. We expect this to be significantly less than the true value because of informal transfers. Although the drive against money laundering and terrorist finances after 9/11 has brought more transfers into the organised sector, we still expect a significant percentage of unrecorded remittance. Informal systems such as *hawala* continue to work and elude data collection.

- A challenging aspect of improving remittance data is to estimate the informal flows. This exercise is necessary because we expect informal flow to be large, based on the estimates for other countries. A study at the Department of Economic and Social Affairs of the UN estimated that informal remittance from the US to Mexico could be between 28 to 46 percent of the total (Buencamino and Gorbunov, 2002). Assuming that the informal channel is used more by service workers - mostly emigrants to the Middle East- Indian high commissions in middle-eastern destinations could set up a regular schedule of randomized survey of emigrants. Part of the questionnaires should be directed to remittances. This data should be complemented by data from the survey of households in the major emigrating districts in India.
- Results of these two surveys should be used with RBI data on formal inflows to generate an overall estimate of total remittance. The survey information will be also useful for thinking strategies about *hawala* and other informal channels. Some studies have observed that remittance through informal channels mostly tends to be consumed and remittance through formal channels are highly used for investment (Miller, 2005). Given this, we should develop institutions to encourage flow through formal channels. The information will be useful in designing institutions to promote formal remittances. The question of remittance data will be taken up again in section VIII.

## **V. Who are the Emigrants?**

As mentioned in section II, we do not have complete data on emigration, country-wise or overall. So we already have something on our wish list- a reasonably reliable data on emigration by country and skill. Together with that data on numbers, we will now ask for a database on emigrants' characteristics. We know from a few scholarly studies, media reports and official statements that the effect of emigration is quite different depending on emigrant characteristics. Hence, a data base on migrants' attributes is important.

Classifying emigrants as knowledge and service workers<sup>14</sup>, we should like to know the socio-economic and demographic characteristics of the two groups. More important questions are:

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<sup>14</sup> P. Drucker (1993) elaborates on this classification.

- What is the state-wise distribution?
- Within the states, are they well dispersed as in Kerala or come mostly from a few areas as in Punjab<sup>15</sup>?
- What is the distribution by gender and age?
- How is emigration dispersed over urban centres, semi-urban and rural areas?
- What is the distribution over household income and education level?
- For those from rural areas, what is the distribution of land holding?

Media reports and statements from the Ministry of Labour indicate that potential emigrants sometimes pay to agents and labour contractors to arrange the process of emigration. It is necessary to have information about the processes, deals and agencies involved, and the quantitative aspects of the issue. The following is a list of questions:

- What proportion of emigrants arrange emigration by paying agents?
- How much does it cost on average- adding together the payment to recruitment agencies and local agents?
- How do the emigrants raise this money?
- Is there a specialised loan market for emigration funds?

In short, if emigration service has become ‘commodified’, then we must understand all aspects of this commodity and the market.

Purchase of emigration related services also takes place in the market for knowledge workers. We have come across two types of services for that market. (i) In a number of destinations, potential knowledge worker emigrants arriving with student visa can upgrade to work visa and residence visa in due course of time for a price. These destinations are countries that allow conditional conversion of a student visa to work visa. (ii) In countries where residents or passport holders can sponsor potential emigrants, sponsorship is available at a price. In both cases we should have better idea of the *modus operandi*, prices, and the percentage of emigrants who buy these services.

How do we collect information about emigrant characteristics? We suggest three routes:

- (1) Some information about socioeconomic and demographic background can be collected through existing governance channels through which emigrants pass, by introducing additional sections in various forms and improving data collection method in general. Additionally, we need to devise a number of accounting and cross-checking practices to utilise the fragmented data from these sources to construct more complete information. The ministry of overseas Indian affairs can act as the facilitator and repository.
- (2) It is plain that ordinary channel of governance can procure only part of the information we discussed above. For others, we have to rely on stratified random surveys of the districts with relatively higher incidence of emigration. The surveys

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<sup>15</sup> The National Family Health Survey (NFHS) of 1992-93 found that emigration from Punjab was mostly from Jalandhar (52 percent) and Hoshiarpur (16 percent), while in case of Kerala emigrating families were well dispersed through the state. See Nangia and Saha.



should be of regular periodicity, and their format should evolve in response to feed back from data users. Regarding the design and organisation of the surveys, a number of possibilities exist:

- (i) The National Sample Survey Organisation: NSSO specializes in sample designing and has an all-India infrastructure for surveys. However the Ministry of Statistics and Program Implementation has indicated in the recent past that NSSO should not be burdened with additional responsibilities<sup>16</sup>. Given this, we may turn to other possibilities.
  - (ii) The Office of the Registrar General of India and Census Commissioner: The Sample Registration System (SRS) of the Census Commissioner now has an infrastructure covering 1.4 million households and 7.01 million population<sup>17</sup>. Since SRS continuously collects demographic data, the effort can be extended to emigration information with relatively small marginal cost.
  - (iii) 'Surveycap' data base of the Ministry of Statistics and Program Implementation can be used to identify appropriate agencies.
- (3) Information on fixing the emigration of service workers has to be handled by separate studies, conducted in selected districts. They should be designed to generate estimates of quantitative parameters. We should conduct a second set of studies using structured and unstructured interviews to understand the *modus operandi* of the market and identify the supply chain.

We should approach the Indian high commissions for information on emigration fixing in destination countries. High commissions in relevant countries are aware of the markets and the processes. The government should find an operational way of: (i) collecting the available information; and (ii) get the high commissions acquire more quantitative information.

## VI. Labour Market Effects

A number of important emigration effects works through the domestic labour market. They are less apparent than monetary flows, some difficult to quantify and others not quantifiable even in principle. They arise partly from the act of emigration itself, described below as the 'departure effect', and partly from the return of emigrants after their overseas service, described below as 'homecoming effect'. What we now know is summarised below.

- Unlike emigrating professionals who look for permanent residence in the host country, service workers look at their overseas assignment as temporary. Therefore, for most of them the pursuit while abroad is to maximise saving subject to constraints arising from a family staying back in India<sup>18</sup>. They try to use the saving judiciously to ensure a better life after return. The return and subsequent activities of the returnees, we will call it 'homecoming', has a very important effect on the sociology of the local service market. Some returnees use the overseas saving to set up establishments in

<sup>16</sup> See the preface to Ministry of Statistics and Program Implementation, 2007.

<sup>17</sup> SRS is currently organised by 7,597 sample units (4,433 rural and 3,164 urban) spread across all states and union territories. They maintain continuous on-site investigation and data recording by resident part time enumerators, generally Anganwadi workers and school teachers. An independent survey is then conducted every six months by SRS supervisors.

<sup>18</sup> Nair (1986)'s study of Asian emigration to middle-eastern oil producing countries estimated that migrants saved 45-46 percent of their income.

their trade - electrical works, carpentry, masonry, plumbing and so on. They employ relatively more advanced technology, equipment or practices acquired overseas. These establishments are reported to have progressive impact on local trade practice and tend to serve as benchmarks. Eventually they raise the bar of technology and management practices in the neighbourhood.

- Secondly, relative affluence and success of the returnees serve as inspiration for would be emigrants. Returnees become role models, source of information and mentoring. Because it is the returnees who serve as role models, potential emigrants think of success as being able to return home with good saving and set oneself up. On return they serve as mentors for the next generation of would be emigrants and so on. A cycle of emigration, homecoming and domestic investment is generated by this process and this process has been working in a number of Indian states.
- Homecoming is not always a celebration. There are tensions of readjustment into the community, socially and economically (Sekher, 1999). What effects do these tensions have on future emigration?
- Returning knowledge workers too bring back ideas and values. They join business, industry, profession, public service and NGOs. Their ideas and values are carried forward into these endeavours (see section VIII). It is necessary to study the sociological impact of the returnees' values, ideas, work ethics and zeal.
- Like homecoming, departure too has sociological and economic effect on the local labour market. A service worker who is going to emigrate shortly is held in esteem in the neighbourhood and the occasion of send off is important for the family, friends and the community. As much as a homecoming event, these occasions inspire younger members of the community - potential emigrants of future years. Where overall opportunities for success are limited, these occasions present a feasible alternative to younger people.
- We have very little information about labour market effects and social effects. Because the information is not quantitative, research strategy has to be based on interviews and results should be analysed qualitatively.

## **VII. Prediction Capability**

The broad-brush survey of sections II to VI was meant to describe the state of knowledge, including hunches and even hearsays, and available databases. We tried to identify information gaps based on what we know about the probable effects of emigration. But eliminating these gaps is not sufficient to enable us to answer policy questions and address welfare issues. For that, we need to build some capability for predicting the major effects of emigration. We will sketch the outline of these effects and initiate a rudimentary discussion of the strategy for prediction and simulation. Please note that the purpose is not to develop or suggest theories about emigration effects. The purpose is to draw attention to databases that we would need to develop so that we may be able to build and test useful theoretical hypotheses in the future.

Broadly speaking, we expect three types of effects when a factor movement is large enough. I will describe them as income effect, factor price effect and a good's price or terms of trade effect.

Each effect brings out a different dimension of the overall impact. We require all of them together to build a model of an economy with emigration. Their interaction produces the observed effects on income, price, wages, employment, and so on. Here are some issues of general equilibrium effects that have been often raised:

- While emigration tends to generate domestic income through various inflows discussed above, at the same time it might increase the domestic wage rate, and hence price of domestic products. That may erode the real GDP. To evaluate the net gain for the economy- positive or negative- we need to evaluate the two contradictory effects.
- There are distributional effects to reckon with, eg. some social groups may gain and others lose in the eventual equilibrium. It is possible that in spite of large remittance inflows, the loss of the losing groups is bigger than the gain of the emigrants and their families. To cite an example, simple welfare calculations for the Caribbean countries, a region that is the world's largest recipient of remittances as percent of GDP<sup>19</sup>, suggests that the losses due to high-skill migration outweigh the official remittances to the region (Mishra, 2007).
- Wage increase may also affect the unit price of exports. India exports skills like IT professionals', in which it is not relatively abundant (in Heckscher-Ohlin sense) and at the same time it exports goods and services that use these skills intensively. The emigration of IT professionals may increase the wage and hence price of Indian IT service exports. Emigration of doctors may increase the cost of surgical operations in Indian clinics that cater to medical tourism. These developments may reduce our export of IT and surgical services.

Many similar issues result from interaction and feedback. Policy on labour market, investment, human capital, and emigration itself requires that we have answers to these questions. It is therefore necessary that we develop some capability to evaluate the three elementary effects, and study their interaction.

### *(i) Income Effect*

We may define income effect from emigration in a given year as the net change of domestic income resulting from it. For this purpose 'emigration' should include those who continue to stay overseas beyond the year as also those who are back within the year. Further, it should depend on the frame of reference of a given exercise whether we count only Indian passport holders or include persons of Indian origin as well. If our data bases are relatively complete, we may like to develop two separate series corresponding to the two frames of reference. Income effect results from- but need not be the same as- the inflow of remittance ( $R$ ), saving brought home by returnees ( $S$ ), various types of investment from it ( $S_I$ ), and NRI investment ( $N$ ).

We have a choice between two alternative measures of income effect:

- The first is to take the quantity of inflows itself as defining the effect. In that case the measure is simply the sum of all financial inflows during a year:

<sup>19</sup> Remittances constituted about 13 percent of the region's GDP in 2002.

$$Y_1 = R + S + N \quad (1)$$

On the right hand side  $R$  and  $S$  are spent on both consumption and investment, while  $N$  is a demand for investment alone. All of them however constitute domestic demand and identically domestic income.

- The second measure recognises that families of remittance recipients and returnees will invest parts of  $R$  and  $S$ . That investment, plus NRI investment ( $N$ ), would produce income in the future as well. So we may add the present value of future incomes from all those investments to the current inflow  $Y_1$ . This is obviously not consistent with national accounting practices and use of this measure in a macro model will create serious inconsistency. But it gives a better idea of the impact of emigration, which may be the objective in some cases.

Expected present values of different types of NRI investments are different. So are the present value of flows from different components of  $S_I$  and  $R$ , like housing, human capital, farm investment, setting up business or self-employment, and industrial investment. As long as we do not have reasonable estimates for separate parameters, a practical method is to use an average. For this measure of income effect we may write:

$$Y_2 = Y_1 - a(R + S_I) + \pi[a(R + S_I) + N] \quad (2)$$

where  $\pi$  is the average present value operator and  $a$  is the average share of remittance and returnees' saving that are invested.

$Y_1$  is useful for application in macro-economic reasoning and macro-econometric models. On the other hand,  $Y_2$  is a handy measure when we want to quantify the gains for cost-benefit analysis or similar arguments particularly in small areas.

Eventually we expect to replace the average operator by disaggregated operators. Also, as we acquire more information from survey of returnees and remittance receiving households, we should be able to estimate the propensity to invest on different assets out of remittance and returnees' savings.

We should note that income effect defined here is the immediate or first round effect on income. Full general equilibrium impact can be evaluated only after considering the factor price effect and goods price effects.

## (ii) Factor Price Effects

We expect any significant emigration of a skill to affect its domestic price. This wage effect has been verified in a large number of studies for different countries. A study for the period 1970 to 2000 finds a strong positive effect of Mexican emigration to US on her domestic wage rate (Mishra 2004). At the present stage of international migration, emigration from developing countries (e.g. like India) to rich countries does not establish market clearing equilibrium. If at all a dynamics operates towards factor price equalisation,<sup>20</sup> the annual speed of adjustment is too small to be noticeable<sup>21</sup>. This is borne out by many recent studies. For example, Vujicic *et al*, 2004 reports that even after controlling for other factors, estimated

<sup>20</sup> We mean in the sense of Samuelson, 1949.

<sup>21</sup> This is not to be dismissive about factor price equalisation theory itself. It is a theory of the long run. Predictions of the theory are borne out admirably well by data on long run convergence of unskilled real wage rates across US, Sweden, Britain, Germany, Ireland and Australia. See for example O'Rourke and Williamson, 1999.

correlation of emigration and wage differential between source and destination countries is statistically insignificant for emigration of health professionals from African countries<sup>22</sup>. An implication of these observations is that there is no tendency for factor price equalisation to choke off or slow down emigration, and the upward pressure on domestic wage rate of professionals continues. There were media reports and articles in India during the boom years of 2006-07 attributing the salary boom of IT professionals and doctors to emigration. The effect need not be confined to skilled labour only. Large scale emigration of semi-skilled and unskilled workers to the Middle East is expected to create positive price effect in local labour markets.

In the short run we expect the wage rate of a skill that emigrates in large quantity to increase by laws of supply and demand. In the long run however, emigration itself incentivises the supply of the skill. The long run supply would be definitely more elastic and wages can move either way in real terms. For example, recent emigration of IT professionals and doctors has led to hugely increased enrolment in IT and medical education. There is also increased investment in new teaching institutions in the related discipline areas. In the long run the supply of these skills will rise above the erstwhile trend rate. The effect on wages will depend on the continuing rate of emigration of these professionals as well as the growth rate of domestic demand. We will discuss certain rudimentary ideas here to explore data base required for estimating price effects.

### Skilled Labour

If we have a readily available data base, we can study short run wage effects with simple *ad hoc* models. For example, consider the *ad hoc* hypothesis for domestic real wage of IT professionals:

$$\frac{\dot{w}}{w} = a + b_1 \frac{\dot{D}}{D} - b_2 \frac{\dot{S}}{S} + b_3 \frac{\dot{E}}{E} + \varepsilon, \quad a, b_1, b_2, b_3 > 0 \quad (3)$$

where  $w$  is an index of real wage,  $D$  the number of domestic jobs filled and advertised including bench strength,  $S$  is the number of seats in domestic IT teaching institutions,  $E$  the number of emigrants and  $\varepsilon$  is a random influence. The hypothesis suggests that when demand and supply are growing in tandem and there is no emigration, wage rate increases at some trend rate,  $a$ . The model can estimate this long run trend and decompose the wage growth above the trend into parts contributed by domestic demand-supply gap and emigration. For many types of professional skills e.g. IT, doctors of particular specialisation etc, variables  $S$  and  $D$  are relatively easy to conceptualise, account for and collect. Not only can we develop data base for these variables, but we can also fine tune according to the type of job, specialisation, training etc. within the generic profession. For example Kaushik *et al*, 2008 has collected and used data on emigrating doctors by the ranking of medical colleges and universities where they were trained.

### Unskilled and Semi-skilled Labour

Conceptualising the wage effect for the unskilled labour market so as to develop a data collection strategy is more challenging. We do not expect a wage effect on the countrywide

<sup>22</sup> A study of the Swedish labour market reports that immigration had no effect on domestic wage inequality over the period 1993-2003, Korpi, M.(2004).

market for semi-skilled and unskilled labour for a large market like India's. But we do expect an effect in the fragmented markets from where unskilled and semi-skilled emigration mostly occurs. To study the effect of emigration on the generic market, we need to identify the major sub-markets or the fragmented markets. However, though the national market is fragmented, internal migration is an important factor nevertheless. Large urban labour markets are affected by both emigration and internal migration. We need to model wage movement in these centres as related to all the flows. I will try to outline the kind of data base we require for this purpose.

Suppose there are  $n$  number of major markets connected through internal migration, while some of them also source emigration out of India. We use the notations:

$L_j$  = number of workers at the  $j$ th market in the beginning of a period,

$L_{ij}$  = number leaving the  $i$ th market for the  $j$ th during the period,  $i \neq j$ .

$L_{ii}$  = autonomous growth of the number of workers in the  $i$ th market during the period.

$E_j$  = emigration from  $j$  out of the country. If  $\Delta L_j$  denotes the change in the supply of workers at  $j$  during the period, then we have the accounting identity

$$\Delta L_j = \sum_i L_{ij} - \sum_{i; i \neq j} L_{ji} - E_j \quad (4)$$

$\sum_i L_{ij} - \sum_{i; i \neq j} L_{ji}$  is the net increase of workforce through internal migration and demography. Denoting this as  $N_j$  we can rewrite (4) as

$$\Delta L_j = N_j - E_j \quad (5)$$

Using lower cases for percent of  $L_j$  as in  $l_j = \frac{\Delta L_j}{L_j}$ ,  $n_j = \frac{N_j}{L_j}$  and  $e_j = \frac{E_j}{L_j}$ , we have

$$l_j = n_j - e_j. \quad (6)$$

A possible hypothesis suggested by standard labour market theories is the following. If  $w_j$  is the growth rate of wage in market  $j$ , then  $w_j = f[l_j]$ ,  $f' < 0$ . If we use a simple additively separable form of the function  $f(\cdot)$ , we can write this as

$$w_j = f_1(n_j) + f_2(e_j), f'_1 < 0, f'_2 > 0.$$

A linear version for econometric estimation is

$$w_j = a_j + b_j n_j + c_j e_j + \varepsilon_j. \quad (7)$$

Equation (7), or possible variants, provide a way of estimating the wage effect of unskilled and semi-skilled labour from urban and metropolitan centres. We may assume that the effects  $b_j$  and  $c_j$  may not be too different across markets. In that case a few years' data for all the markets can be used as a panel, thus reducing the severity of data requirement. Alternatively time series data for the markets will be required to estimate  $j$  equations.

We expect net internal migration rate  $n_j$  to depress the wage rate at  $j$  in (7). However  $n_j$  could be probably the effect of an existing wage differential between  $j$  and other locations, e.g.

if  $j$  has a higher wage rate it would attract larger internal migration. Thus theoretically we expect a two way relation between  $w_j$  and  $n_j$ . We can explore this and similar other possibilities using a number of alternative model specifications.

To proceed with any variant of these exercises, we need a data base for the matrix  $[L_{ij}]$  and the vector  $(e)$ . Some elements of the matrices and the vector are expected to be zero. We will discuss the issues of data collection in section VIII.

Hypotheses like the ones presented above provide only a starting point. It is necessary to augment them with local variables specific to the labour markets- quantitative and qualitative. We should also experiment with other plausible hypotheses. For this endeavour, with migration and wage data, we should also collect data on relevant time-specific and location specific variables. The idea is to develop a data bank for  $[L_{ij}]$  together with qualitative and anecdotal information on the  $n$  markets in the years of the database. For example, the database should alert a researcher of one-off events like drought or political agitations etc that contribute to extraordinary internal migration. Preliminary analysis and data mining would help us to spin out our own hypotheses.

It is not possible to anticipate the range hypotheses that could emerge from a suitable data base. But I want to plead for a comprehensive database like this- involving internal migration and emigration- for unskilled and semi-skilled labour markets.

## The Long run

Capability for projecting alternative long run scenarios is important for planning and policy making. These scenarios facilitate thinking about institutions for labour market, market for services, human capital, and exports. The web of interactions in the long run can be visualised as a dynamic general equilibrium model and we should try to develop these models. We need them to address qualitative questions like the direction of change, emergence of bottlenecks, relative changes of important ratios and so on. They are also useful for comparative analysis of alternative scenarios. To get precise quantitative answers to specific questions we should develop customised models for those issues nested inside a long run scenario.

### *(iii) Terms of Trade Effect*

Terms of trade effect is the price change of import-competing and export items. Following are a few typical concerns about terms of trade effect. What is the effect on domestic price of goods intensive in labour that are emigrating heavily? Does that affect domestic welfare and export earnings? As example, what is the effect of emigration of IT professionals on the price and quantity of India's software exports? Or how much does healthcare cost increase because of doctors' emigration? And, what is the impact on the export of healthcare and surgery? What is the downstream effect on earnings from incipient medical tourism? If we lose export revenue in result how does that compare with remittances of IT emigrants or doctors?

These trade-offs have been being pointed out for a long time. The concern about brain drain belongs to this genre of issues. There is hardly any disagreement about the existence of the alleged trade-offs. But because we cannot estimate the opportunity costs, questions remain unresolved. Is it at all possible to quantify the trade-off between the income effect from the emigration of a particular skill (or, say, all white collar workers), and the loss of

consumer surplus from increased domestic price and loss of revenue from exports? Theoretically speaking, these questions are about the effect of emigration on the general equilibrium. We can adopt two possible strategies for addressing these issues:

- The first is to set up a computable general equilibrium models at the level of disaggregation necessary for questions at hand. Calibrating such models would require data at the corresponding level of disaggregation too. However, it may be costly to develop the appropriate databases at the required level of disaggregation.
- A less costly strategy is to set up the questions as partial equilibrium issues, i.e. assume that things that are not immediate cause or effect, remain unchanged. This avoids the cost of data for anything but the most proximate variables. We will require disaggregated data for variables only directly related, like migration, remittance, wages, prices etc. We can set up all terms of trade related questions as partial equilibrium questions.

## VIII. Data Requirement

We now want to identify the database that we must develop to understand and estimate the effects outlined above. We will also suggest possible source and methods. We divide this discussion into parts corresponding to the three effects we discussed above. Table 1 summarises the wish list.

**Income Effect:** We need reliable series on remittances, returnee saving, NRI investment, and disaggregated variables for the allocation of saving.

- The Reserve Bank is the principal source for data on remittances. We may request the Reserve Bank to provide a breakdown of workers' remittances, compensation of employees, and migrants' transfers, strictly using the official IMF definitions. If that is not feasible for lack of information, the Bank could provide sufficient indications about its method of breaking up the total to let data users make appropriate constructions.
- We further request the classification: total remittances, personal remittances, and total remittances and transfers to non-profit institutions serving households.
- An estimate of informal inflow should accompany RBI data on remittances. RBI is in the best position to estimate informal inflow, using its monetary and financial database, monetary intelligence and vast expertise.
- We also suggest a second estimate using a different methodology. This estimate can be based on stratified random survey of recipient households. This can be handled by the Sample Registration System (SRS) of the Census Commissioner or by organisations in the 'Surveycap' data base. The estimate should be an annual publication.
- *Prima facie* it appears that remittance from emigrant service workers and knowledge workers operate differently on the domestic economy; they pass through different channels, and recipients belong to different social and economic classes. Hence they should be studied as separate flows. Given this, we need remittance data by type of emigrants. However, as of now we have only aggregate data. We suggest that the survey of recipients mentioned previously should be utilised to estimate a breakdown of remittance by the source of remittance.



- Economic impact of an amount of remittance varies depending on how it is absorbed, e.g. whether spent on consumption, physical capital purchase, land acquisition or financial saving. To model and predict the effect of remittances, we require information about the allocation of remittances over these alternatives. Ideally, we should estimate behavioural parameters like the marginal propensity to consume, save, or buy productive capital or gold out of the average rupee of service workers' and knowledge workers' remittance. Data needed for these estimates cannot be generated except by surveys of recipient households. These surveys should be organised at regular intervals. Questionnaires should draw out senders' occupation, the country of current residence and a breakdown of the use of the remittance for consumption, housing, education, health, land purchase, farm investment, business, and the purchase of other income generating assets.
- Ministry of Commerce and Industry publishes data on the amount of NRI investment along with FDI data. We will also like to plead for disaggregate information: state-wise and industry-wise break down of NRI investment, in the same format as we have for FDI.
- State governments spend significant amounts to attract NRI investment. What are the benefits and costs, compared with spending to attract FDI from other countries? On the benefit side, we have to know how, if at all, the effect of NRI investment differs from an equal amount of FDI from other sources. Difference may be expected in average size, favourite sectors, rate of return, technology, management, social distribution of dividends and also in other social effects. We plead that state governments publish an annual report on NRI projects that finally come to the working stage, with as much information as possible.

Table 1: Data Wish List

Variable	Suggested Features	Probable Source
Remittances	1. Disaggregation by source and by use 2. Disaggregation as per IMF manual.	1. RBI tables with added features. 2. RBI accounting estimate of informal inflow. 3. Surveycap: Survey of recipients. 3. Surveycap: Survey of informal inflow. 4. Indian high commissions: Survey of senders.
Returnee saving	Disaggregation by source and by use	1. RBI tables with additional features. 2. Surveycap: survey of districts with large emigration.
NRI investment	1. Disaggregation by state and by industry. 2. Information of ongoing projects.	1. Ministry of Commerce and Industry, with additional features. 2. Collected from state governments, to be compiled by a central ministry.
Wage effect	1. Index of earnings of specific skills. 2. Estimates of emigration of specific skills. 3. Database on seats and pass rates in certifying institutions. 4. Internal migration matrix, and locational and time-specific variables. 5. Index of unskilled/semi-skilled wage in emigrating centres.	1. Surveycap: Survey of specific skill markets. 2. Ministry of human resource development, and organisations like the medical council. 3. Indian high commissions. 4. SRS of the Census Commissioner or Surveycap. 5. Uploading privately collected data to the public website.
Market for emigration services	1. Per cent of emigrants buying the services and their income/land holding/ social/education background. 2. Price paid; how funded. 3. Student visa- to- work visa markets data.	1. Surveycap for major source markets for emigration. 2. Indian high commissions.
Social effect of returnees	Effect on culture, values and work ethics.	1. Structured interviews by private researchers. 2. MOIA may consider scholarships for Ph.D/post doc research in sociology departments.

Note: 'Surveycap' is used as a short hand expression for any competent organisation like those in the Surveycap database.

- On the cost side, is it any cheaper to attract NRI investment than FDI from other countries? In this connection, we need to learn about the factors that motivate NRI investment to come to India rather than elsewhere. Hence the need for information to answer the following type of questions: (i) Do NRI's tend to invest more in India other things being equal? This could be statistically verified quite easily if we could get information on the global investments of NRI's. This being not possible, we have to use indirect ways for answering this and similar questions. (ii) Is the state-wise distribution of NRI investment significantly different from the state-wise distribution of emigrants? If so, how much of the difference is explained by the difference of per capita GDP or growth rate of states and how much by the spending and incentives of state governments? Answers are obviously necessary for deciding about optimal spending of states on NRI investment.

### **Factor Price Effect**

- We call for a data bank on the emigration of major types of skills that emigrate from India, like doctors and IT professionals. The ministry of overseas Indian affairs may call upon Indian professionals overseas to register themselves on a ministry website. Information asked for at registration should be kept to a minimum. The call can be orchestrated through NRI and diaspora websites and the Indian high commissions.
- Index of annual earnings for these professions in India should be calculated and maintained in a database.
- Private researchers who collect this type of information should be called upon to donate their databases after they have published their work.
- Major urban and metropolitan centres from where emigration of unskilled and semi-skilled labour takes place should be identified. Labour supply, internal migration to and from, and emigration should be monitored. An index of unskilled wage rate should be developed for each centre and a time series maintained. This requires continuous monitoring like the Sample Registration System (SRS) of the Census Commissioner. The monitoring system should also acquire information on a number of qualitative attributes of the markets, as we discussed in section VII.

**Terms of Trade Effect:** The database suggested above and the currently published statistics of different ministries would be adequate for terms of trade modelling. So we do not wish to add anything here.

**Sociology:** We have discussed the effect of returnees purely in economic terms. If we have ignored the social effects, it is not because they are unimportant but because we know very little about them. Returnees' influence goes far beyond the economic. The number of returning emigrants is large. They comprise not only service workers after the end of overseas contract, but also knowledge workers who decide to return and live in India. Most of these returnees return with a definite plan, accompanied with knowledge, ideas and practices. Emigrant returnees have invested in an amazingly wide variety of projects: education, health, surgery, low cost housing, sewerage services, rubbish disposal, recycling, social forestry, primary education, computer literacy, farming, horticulture, viticulture, pisciculture, alternative energy and so on. In most cases the projects are imaginative and involve significant innovation. These innovations are emulated by others. Some returnees have set up not-for-

profit organisations. Some have joined the government, the academia or research institutions. The social effect of this wide range of activities and participation is expected to be significant. The returnees' imagination gets emulated, their zeal breeds contagion and work ethics inspires others.

Returnees' activities raise important sociological questions. Are their initiatives changing our culture—for good or for worse? Are they weakening the general inertia and cynicism of our society or just introducing another layer of officially favoured players into our burdened system of official patronage? Sociological analysis of these questions is extremely important.

Information about the returnees' activities and their social effects escapes the channels through which we have proposed other types of data collection. This information can be collected by interviews, e.g. in Khadria (1996). Structured interviews are widely used by sociologists and the information is subjected to qualitative analysis. We need this variety of research on emigrant returnees. The ministry of overseas Indian affairs may consider awarding a few scholarships for doctoral and post-doctoral research at sociology departments for research on emigrant returnees.

## IX. Conclusion

In this paper, we have pleaded for a development focus for issues related to emigration. We mean that official policy, while vigilant about emigrants' well-being overseas, should focus on developmental effects of emigration back at home. This, we believe, will facilitate the development of databases, not just for understanding emigration, but also for getting the most from it. We expect the suggested focus to boost the data project by increasing official demand for information on local and grass root links between emigration and economic development. This will lead to more resource for data collection and information. Secondly, the new queries arising from the focus on development, will call for some information that we do not collect now. Since the objective of the focus is to maximise the country's gains from emigration, the data improvement can be counted as a nearly free bi-product!

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# Indians in Britain<sup>1</sup>

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## Abstract

*This paper gives a brief account of the formation of Indian diaspora in Britain. Migration of Indians to Britain started as a result of the colonial relationship going back several centuries. The process moved on by temporary labour migration and then by family reunion. The most recent stream of migration is that of medical practitioners, students and due to marriage. In spite of various immigration restrictions and nationality laws for controlling migration for several decades, Indians became the largest minority group in Britain (one million, according to Census 2001). The approach of the British state towards the issue of migrants' integration has been changing from 'race relations' to 'multiculturalism' to the 'social cohesion'. In this context, the evolution of Indian associations in Britain had gone through several stages. A sizeable Indian civil society started to emerge in the 1960s, when religious, welfare and cultural organizations were set up by Indian settlers in Britain. At present religious and community self-help organisations constitute the largest group of Indian associations; the second largest being the welfare and educational organisations. Also, many organisations came up as a result of entanglement between religious and political spheres. The Indian diaspora, on the one hand, practice a high level of cultural and religious maintenance for displaying strong attachments to their ancestral homeland; on the other hand, it holds an important socio-economic position acquired through high educational achievement and labour market performance.*

**Keywords:** Commonwealth, Nationality Act, Britishness, National-identity, Race-relations, Ethnicity, Multiculturalism, Social cohesion, Diaspora, Assimilation, Diversity, Segregation.

## I. The Context of Indian Migration to Britain

The large-scale migration from Commonwealth countries after 1945 was closely linked to Britain's past as an imperial power. Emigration of British people as soldiers, sailors, administrators, planters and traders was a key aspect of domination. India was perhaps the most valuable part of the Empire, and had a profound effect on British politics, economics and society. The status of people of colonial territories as 'subjects' of the British Crown helped integrate the Empire, but was to open the door for mass migration after 1945, especially after the British Nationality Act of 1948, which conferred British citizenship on all who lived in the British Empire and Commonwealth.

It is important to realise that post-1945 immigration to Britain has always been diverse, including Irish, Europeans and people from all over the world – as well as people from the Commonwealth. Immigration of workers from the New Commonwealth (former British colonies in the Caribbean, the Indian subcontinent and Africa) started after 1945. Some (mainly Caribbean) workers came as a result of recruitment by London Transport, but most migrated spontaneously in response to labour demand, and were able to enter freely as British

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<sup>1</sup> This paper is based on the author's presentation at the International conference on "India-EU Partnerships in Mobility: Data, Agreements, and Policy in International Migration" held in New Delhi, India, 21-23 February 2009.

citizens. In the late 1940s most migrants came from the Caribbean islands, while migration from India and Pakistan started after 1950 and peaked in the late 1960s and early 1970s.

Immigration restrictions and changes in nationality law led to a shift from labour migration to family settlement in the 1960s and 1970s, and then to a decline in immigration overall. In the Thatcher era of de-industrialisation (the 1970s and 1980s), Britain pursued a highly restrictive policy on immigration. Entries were outweighed by British emigration to Australia, Canada and other countries. Then the economic boom from the mid-1990s led to new inflows of migrants and asylum seekers from all over the world. Net immigration of non-British persons increased from around 100,000 a year in the mid-1990s to 161,000 in 1998 and 225,000 by 2001 (ONS, 2003a, Table 2.1).

When the EU expanded in May 2004 to include 10 new member states, Britain was one of the only older EU states (with Ireland and Sweden) to immediately admit workers from the Accession States. Hundreds of thousands of workers from Poland, Czech Republic and other new member states were registered – although many had already been present in Britain as undocumented workers (Home Office, 2005). Immigration became an area of constant conflict and scandal, and opinion polls showed that it was now one of the main issues likely to affect voting decisions in parliamentary elections.

The new immigrants were highly diverse in origins. Top areas of origin for asylum seekers included Afghanistan, Iraq, Iran, former Yugoslavia, Somalia, Zimbabwe, Sri Lanka, and China. Only one-third of new immigrants in 2001 came from either EU countries or the (predominantly white) Old Commonwealth countries. Two-thirds came from a wide range of countries in Africa, Asia, and Latin America. Immigrants included many categories: highly-skilled personnel, low-skilled workers and asylum seekers.

## **II. Indian Migration to the UK**

Indian migration to Britain in the 1950s and early 1960s consisted predominantly of single men, who found accommodation together (often in village-based groups), and found work in manual occupations in manufacturing and the services. Most had no intention of settling permanently. However, following race riots in 1958, the British Government decided to restrict labour migration. Entry of workers from the New Commonwealth almost stopped, partly as a result of the Commonwealth Immigrants Act of 1962, and partly as the result of the onset of economic stagnation in Britain. The 1962 Act severely limited the entry of workers, but permitted immigration of families of existing migrants, and had the unforeseen effect of turning temporary labour migration into permanent family settlement. Family reunion was in turn restricted by the 1971 Immigration Act. Then the 1981 Nationality Act removed British citizenship from the people of Commonwealth countries, so that future migrants from India were on the same footing as entrants from anywhere else in the world.

A further significant group arrived in the late 1960s: the so-called 'East African Asian'. These were descendants of Gujarati's and Punjabi's who had settled in the British colonies of Kenya, Tanganyika and Uganda in the 19th century, and who had taken on the role of a trading class. Many were forced out of East Africa (especially Uganda) by Africanisation policies. Britain (reluctantly) agreed to admit this group. Many of them had capital and good education credentials, and they prospered as business-people in Britain. By 2001 they and their descendants numbered nearly 200,000.

Ceri Peach points out (Peach, 2006) much of the South Asian population in Britain originated in just a few areas:

- The Mirpur District of Pakistan-administered-Kashmir and nearby Chhach area of Campbellpur district are thought to account for 80 per cent of the British Pakistani population.
- The Sylhet district accounts for over 80 per cent of the British Bangladeshi population.
- Jullundur District in Indian Punjab accounts for 80 per cent of British Sikhs.
- Gujarat State accounts for probably 70 per cent of Indian Hindus and a similar percentage of Indian Muslims.

Indian and other Commonwealth migration to Britain declined in the 1970s and 1980s, but by then the communities were well established in London, Birmingham and some of the industrial towns of Northern England. Indians tended to become concentrated in certain areas, partly due to chain migration, but also because of work opportunities and availability of cheap housing for purchase. In some cases, chain migration recreated homeland village affiliations in specific urban neighbourhoods, leading to segregation not only from the white population, but between specific Indian groups.

Some migration continued in this period: for instance Indian medical practitioners continued to make a considerable contribution to the National Health Service – as they do today. From the 1990s, increasing numbers of Indians came to Britain as part of the global trend to mobility of highly-skilled personnel. Student mobility also grew as a reflection of increasing prosperity in India, and the search for educational credentials from highly-regarded universities. Marriage migration has also continued, with ‘second generation’ and even ‘third generation’ descendants of Indian immigrants seeking their marriage partners in the home region.

**Table 1: Growth of the South Asian Population of Britain, 1951-2001**

Year	Indian	Pakistani	Bangladeshi	Total South Asian
1951	31,000	10,000	2000	43,000
1961	81,000	25,000	6000	112,000
1971	375,000	119,000	22,000	516,000
1981	676,000	296,000	65,000	1,037,000
1991	840,000	477,000	163,000	1,480,000
2001	1,000,000	747,000	280,000	2,027,000

*Source: Peach, 2006, 134.*

*Note: These figures are based on national origins, and include children born to immigrants in Britain. Most South Asians in Britain are UK citizens.*

### III. The Indian Population of Britain

British statistics are confusing: the UK uses three main categories for its population of immigrant origin. Indians figure importantly in all three:

- In 2005, there were 3 million foreign residents – that is persons of foreign nationality (5.2 percent of the total population). The main origins were Ireland (369,000), India

(190,000), Poland (110,000), USA (106,000), France (100 000), Germany (100,000), South Africa (100,000), Pakistan (95,000), Italy (88 000) and Portugal (88,000) (OECD, 2007).

- The foreign-born population (persons born abroad, who may have British or foreign nationality) in 2006 numbered 5.8 million (9.7 percent of total population), compared with 4.1 million in 1996. The main countries of origin were: India (570,000), Ireland (417,000), Pakistan (274,000), Germany (269,000), Poland (229,000), Bangladesh (221,000), South Africa (198,000), USA (169,000), Kenya (138,000) and Jamaica (135,000) (OECD, 2007).
- The term most frequently used in public debate is ethnic minority population (see Table-2). These are mostly British-born descendants of New Commonwealth immigrants who arrived from the 1950s to the 1970s. The 2001 Census recorded 4.6 million ethnic minority members (7.9 percent of total population). This classification is based on 'race', and does not include Irish (691 000 in 2001) or other white immigrant groups.

**Table 2: Population of the United Kingdom: by Ethnic Group, April 2001 Census**

	Total population		Non-white population
	(Numbers)	(Percent)	(Percent)
White	54,153,898	92.2	
Mixed	677,117	1.2	14.6
Indian	1,053,411	1.8	22.7
Pakistani	747,285	1.3	16.1
Bangladeshi	283,063	0.5	6.1
Other Asian	247,664	0.4	5.3
All Asian or Asian British	2,331,423	4.0	50.3
Black Caribbean	565,876	1.0	12.2
Black African	485,277	0.8	10.5
Black Other	97,585	0.2	2.1
All black or black British	1,148,738	2.0	24.8
Chinese	247,403	0.4	5.3
Other ethnic groups	230,615	0.4	5.0
All minority ethnic population	4,635,296	7.9	100.0
All population	58,789,194	100	

Source: ONS, 2004a.



The ethnic minority population lives mainly in England, where it made up 9 percent of the total population in 2001. They account for only 2 percent of the total population in Scotland and Wales, and less than 1 percent in Northern Ireland. They are concentrated in urban areas, especially London: 45 percent of ethnic minorities live in the capital, where they make up 29 percent of all residents. London fits the pattern of a dynamic, overcrowded, global city, with strong divisions based on class and race (ONS, 2004b).

Ceri Peach's analysis of the 2001 Census provides further information on the Indian-origin population. Indians display considerable religious diversity: 45 percent are recorded as Hindus, 29.1 percent as Sikh, 12.7 percent as Muslim, 4.9 percent as Christian, with small numbers of Buddhists, Jains and other religions or 'religion not stated'. Hindu mandirs, Sikh gurdwaras and Muslim mosques have become common throughout England. Indians have a very high level of home ownership, with 76 percent owning the houses they live in, compared with an average of 71 percent for the White British population, 66 percent for Pakistanis and only 37 percent for Bangladeshis. Indians also tend to own higher-quality detached or semi-detached houses, rather than terraced houses. Indians show very high rates of marriage within the ethnic group, with 93 percent of Indian-origin women marrying Indian-origin men. Moreover, over 90 percent of all marriages for Hindus, Sikhs and Muslims were within their own religious group (Peach, 2006).

Educational and occupational indicators for the Indian-origin population reveal a fairly positive picture. In 1999, 66 percent of Indian girls achieved five or more General Certificate of Secondary Education (GCSE) passes at grades A to C. This was better than white girls at 55 per cent. Indian boys did best among males at 54 per cent, compared with 45 percent for white boys. The results were worst for Pakistani and Bangladeshi girls (37 per cent), black boys (31 per cent), and Pakistani and Bangladeshi boys (22 per cent) (Office for National Statistics, 2002).

Data on unemployment rates reveals a similar hierarchy. In 2001 Bangladeshi women had the highest unemployment rate at 24 per cent—six times that of white women. Indian women had an unemployment rate of 7 per cent, while other ethnic groups ranged from 9 to 16 per cent. Bangladeshi men had a 20 percent unemployment rate, four times that of white men (5 per cent). Indian men had only slightly higher unemployment than white men—7 per cent. All other ethnic minority groups—both men and women—had unemployment rates two to three times higher than whites (Office for National Statistics, 2002).

The general picture was of a labour force stratified by ethnicity and gender and with a high degree of youth unemployment. Generally, people of Indian, Chinese, or Irish background tend to have employment situations as good as or sometimes better than the average for white British. By contrast, other groups are worse-off, with a descending hierarchy on most indicators of black African, black Caribbean, Pakistani, and—at the very bottom—Bangladeshis (Office for National Statistics, 2004). Gender distinctions vary: young women of black African and black Caribbean ethnicity seem to perform better in both education and employment than men of these groups, while the opposite appears to be the case for Pakistanis and Bangladeshis. This can reflect a number of factors, including departure from the labour force due to lack of job opportunities. Cultural and religious factors cause women of some origins to have a lower propensity to work outside the home: Bangladeshi and Pakistani women have by far the lowest participation rates. Indian women tend to take up paid employment, although this applies more to Hindu, Sikh and Christian women than to Muslims.

#### IV. Race Relations, Multiculturalism and National Identity

From the 1950s, conflicts between groups of the majority white population and immigrants started to take on political importance in Britain. In public discourse, such conflicts were largely blamed on racial and cultural differences, rather than on entrenched racism in the white population, or on situations of economic disadvantage or competition for jobs and social resources. The race relations approach, which emerged in the late 1960s and the 1970s, was based on a high level of state intervention through anti-discrimination legislation and policies, and micro-management of inter-group relations by social bureaucracies, police, and local authorities. Integration thus meant recognizing the existence of distinct groups, defined primarily on the basis of 'race'.

Schools played a major part in the integration policies of the 1960s and 1970s, with educationalists introducing the notion of 'multicultural education' as a way of developing mutual respect and self-esteem in multi-racial classrooms. Black activists dismissed the notion, arguing that the use of cultural labels implied that the problems lay in deficiencies among the minorities rather than in the racism of the white population. Instead, they called for 'anti-racist' education. However, the label stuck, and Britain came to be seen increasingly as a 'multicultural' society.

There was general agreement among leaders of the main political parties that integration and 'good race relations' in Britain were possible only on the basis of a restrictive immigration policy. Successful integration policies for those immigrants who had been admitted were thought to require exclusion of further entrants. Since 1965 a series of race relations acts have been passed, outlawing discrimination in public places, in employment, and in housing. These have been 'inextricably linked' (Solomos, 2003) with a series of increasingly restrictive immigration acts (see Table 3).

**Table 3: Immigration and Race Relations Legislation in the UK since 1962**

Date	Legislation on Immigration	Legislation on Race Relations
1962	Commonwealth Immigrants Act	
1965		Race Relations Act
1966		Local Government Act
1967		Race Relations Act
1968	Commonwealth Immigrants Act	Race Relations Act
1969	Immigration Appeals Act	
1970	Immigration Act	
1971	British Nationality Act	
1972	Immigration Act	
1976		Race Relations Act
1981	British Nationality Act	
1993	Asylum and Immigration (Appeals) Act	
1996	Asylum and Immigration Act	
1998		Human Rights Act
1999	Asylum and Immigration Act	
2000		Race Relations (Amendment) Act
2002	Nationality, Immigration and Asylum Act	

Source: Solomos, 2003.

By the mid-1990s, Britain was widely seen as a multicultural society, in which distinct groups – defined by race, ethnicity, and religion – could live together peacefully and with reasonable levels of participation in social and political affairs. Race and multiculturalism remained controversial: conservatives lamented the loss of a supposed past homogeneity and harmony, while radicals argued that multiculturalism was often a device to avoid dealing with racism and inequality. But immigration had lost a good deal of its significance as a divisive political issue. This optimistic view is summed up in a speech by Lord Bhiku Parekh (a former Deputy Head of the official Commission for Racial Equality – CRE):

*Thanks to the efforts of ethnic minorities, anti-discrimination legislation and successive governments' policies designed to reduce ethnic minorities' economic, educational and other disadvantages, Britain is increasingly moving in the direction of becoming a relaxed and tolerant multi-ethnic and multicultural society (Parekh, 2000).*

Such perceptions changed in the early 21st century, as immigration, asylum, and 'social cohesion' once again become central political issues, as a result of the new waves of immigration mentioned above. The question was whether the model of state-regulated multiculturalism devised to deal with the older Commonwealth immigration would work effectively in the much more complicated emerging situation.

The racism, social exclusion, and hopelessness prevailing in many depressed areas were vividly demonstrated in the summer of 2001. The riots in de-industrialised northern towns with large minorities of Asian origin like Oldham, Bradford, Leeds, and Blackburn showed that social equality was still a distant dream for many members of ethnic minorities. These disturbances were also marked by the high-profile involvement of extreme-right groups like the British National Party, which gained surprising voter support in the June 2001 general election as a result.

The situation was exacerbated by the events of 11 September 2001 and the ensuing 'war on terrorism'. The invasions of Afghanistan and Iraq caused tensions, especially when it seemed that some young British Muslims of Asian immigrant background were being recruited as fighters. The London bombings of 7 July 2005 and subsequent attempted attacks led many people to question the loyalty of British Muslims. There is a public perception of rapid growth of Islam among the Asian and African minorities, while the media emphasise the role of fundamentalist mosques. In fact the 1.6 million Muslims in Britain only make up 2.7 percent of the population (ONS, 2003b), and only a very small proportion of these support radical religious ideas.

Today right-wing critics of multiculturalism argue that acceptance of cultural difference leads to separatism, and that there is a need to reassert 'core cultural values' and Britishness. This means insisting on the use of the English language and limiting the use of ethnic cultural and religious symbols in public. Left-wing critics argue that multiculturalism is doing little to achieve social and economic equality, and that integration into education and the labour markets is more important than acceptance of cultural difference.

'Social cohesion' has become the new keyword in debates on ethnicity and race. Although never clearly defined, social cohesion seems to imply replacing multiculturalism with an integration model designed to achieve both greater cultural homogeneity and socio-economic integration. The Home Office has introduced citizenship tests for immigrants, based on ideas of 'Britishness' and 'core values'. However critics point to the contrast between the formal

equality enjoyed by ethnic minorities, and their everyday experience of unemployment, inequality and social exclusion. The UK experience shows that citizenship is not necessarily a protection against social disadvantage and racism.

## **V. Associations, Transnational Connections and Diasporas**

Thomas Lacroix argues that the evolution of Indian associations in the UK can be divided into ‘three ages’:

1. The early organisations of the 1950s and 1960s provided self-help for single migrant workers. They were based on traditional ties of village organisation and religion.
2. During the 1960s-90s Indian associations grew in significance and became more diverse in their characteristics and functions. This was linked to family reunion, and the need for welfare and cultural associations. They were mainly religion-based, and emphasised educational tasks, cultural maintenance and the preservation of religious values and practices.
3. Since about 2000, second and third generation descendants of Indian immigrants have established new types of associations, transcending traditional boundaries of village and clan. Such associations are often the creation of highly-skilled and successful people, and also include newer professional migrants. They pursue developmental, religious and political goals, and use new modes of communication such as the Internet and mobile phones. They see themselves as diaspora members, concerned to develop their transnational identities, and to rediscover their homeland roots, while pursuing their careers in advanced economies. Return to India may well be a professional option for some members of these associations.

However, it is difficult to provide quantitative data on Indian associations in Britain. Many associations are informal in nature, and there is no obligation to register them with the authorities. Many associations do register on a voluntary basis, where this brings advantages. This registration takes several forms, including as a charity (to obtain tax-free status for donations); as a company limited by guarantee (to limit the liability of directors); or registration as a provident or friendly society (to facilitate the making of loans for housing or other purposes). Some associations register in two or three of these ways: e.g. Bardai Brahmin Samaj London is both a charity and a company limited by guarantee. Others – especially religious organisations – are not registered at all. For this reason, the numbers of Indian and other associations are unknown, and estimates of their numbers vary widely. There are certainly several thousand, although many are very small and localised.

A sizeable Indian civil society started to emerge in the 1960s, when religious, welfare and cultural organisations were set up by Indian settlers in Britain to meet the needs of a growing population. Religious and community self-help organisations still constitute the bulk of Indian associations. Welfare and educational organisations of various sorts (nurseries, week-end schools, sport clubs, elderly care etc.) form the second largest category. Welfare organisations aim to ease integration into the wider society and to preserve cultural cohesion. They therefore are at the boundary between the Indian community and British society. But they also stand between the religious and the political fields. Most welfare organisations have a marked political or religious leaning.

The International Migration Institute at Oxford University is currently carrying out research on Indian associations in three localities: the London Borough of Ealing, Slough (an industrial town in the South of England) and Birmingham. This paragraph includes some preliminary findings. Political organisations are relatively numerous due to the eventful history of the relationships between the diaspora and India (7 percent of the total in the three locations IMI is studying). These organisations can be divided into three categories: the oldest are the remnants of the independence movement (the Indian Overseas Congress, the Akali Dal); in the 1960s and 1970s, working class organisations such as the Indian Workers Association) emerged; the most recent organisations were created during the conflicts in the Punjab at the end of the 1980s (International Sikh Youth Federation, the Sikh Brotherhood). Party branches are a common form of migrant organisation. For example, the Indian Overseas Congress, the Indian Communist Party and the Akali in the 1980s, IOC and BJP nowadays are the main Indian parties with branches in Britain.

The entanglement between religious and political spheres is very strong. The Sikh movement illustrates this convergence. The Sikh autonomist movement has been active outside Punjab since the beginning of the 20th century. But it has always had a very limited audience. It is only after the 1984 events, when Indira Gandhi commanded the military forces to assault the Golden Temple in Amritsar (the most sacred shrine of the Sikh religion) that the ethno-national movement gained support amongst all strata of the community abroad. In addition to the traditional separatist parties, a wide range of organisations sprung up in the main countries of settlement. In the UK, the major organisations are the Council of Khalistan, the International Sikh Youth Organisation, Babbar Khalsa and Dal Khalsa. The movement led, in the space of a few years, to a complete reshaping of the Sikh associational field. The two major associations so far, the Indian Overseas Congress and the Indian Workers Association, were opposed to the separatist movement and rapidly lost their support within the community. In the 1990s, the politicisation of extremist religious movements in India has had important repercussion in the Diaspora. The Swaminarayan movement opened branches all over Britain and the BJP has an office in London. Several affairs in the USA and in Britain involving fake NGOs tapping the diaspora to provide funds to extremist groups also hint at the dynamism of such groups outside India.

Transnational connections between Indian organisations in Britain and other countries are very diverse. Cross-border organisations fall into three categories:

1. Community associations (religious and welfare local organisations), which are sometimes committed to a development project abroad. Example: the Guru Nanak Nishkam Sewa Jatha of Birmingham, Namdhari Sangat Birmingham. They mostly work in partnership with other organisations (local NGOs, etc.) and do not maintain formal structures abroad.
2. Associations whose primary goal is to deliver services to the community but are affiliated to a transnational network (Example: the Indian Overseas Congress, the Arya Samaj London or the Bardai Brahmin Samaj)
3. Organisations set up to support activities abroad. They mostly are political (Sikh Human Rights Group) or development-oriented (Alternative India Development, International Network for the Development of India in Action). These organisations have branches, 'mother' or 'sister' organisations abroad.

The directions of the transnational connections vary themselves greatly. They can be trans-local, in particular in the case of small development projects, trans-state or even global. A specific characteristic of the Indian diaspora is that it maintain ties not only with the origin country, but also with people of Indian origin in the main receiving countries (USA, Canada, etc.) or even with former important host countries (in the case of development projects in Eastern Africa). The development projects supported in Kenya or Uganda by Indian organisations illustrate this characteristic.

## VI. Concluding Remarks

The presence of Indian diaspora in Britain has its root in the colonial relationship going back several centuries. The process of migration had been shaped by several immigration acts and nationality laws and legislations. The number of Indians in Britain however soared in post mid-20th century, that is, after India attained independence. The Indian migrants became one of the most important diaspora groups in Britain and also the largest minority group consisting of one million people. Indians in Britain are highly diverse in religion, culture and socio-economic position. Overall, their socio-economic position shows strong patterns of educational and economic success. At the same time, people of Indian origin practice a high level of cultural and religious maintenance, and display strong attachments to their ancestral homeland. Thus, paradoxically, Indians are both a well-integrated part of the British population and an important diaspora group, which remains involved in the economic, political and cultural affairs of India.

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# Indian Diaspora in International Relations: 'Tinker, Tailor, Soldier, Spy', or A 'Great Off-White Hope' of the New Century?

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## Abstract

*The actors of the Indian diaspora are either looked at with suspicion or with awe. Based on these opposite sentiments, models could be made by putting the actors in different typologies. A matrix is constructed comprising a limited number of typologies of models and a few typologies of actors. Irrespective of how one finds slots in the matrix - whether implicitly in a fuzzy manner, or explicitly by creating well-defined typologies, one would still need to probe further in terms of contextualizing a myriad of models and actors with international relations per se. It is interesting to know how international relations - through the immigration policies - have been instrumental in determining the actors and the models of the Indian diaspora, and the roles they had assumed or been assigned to play in the host societies. Also, it would be fascinating to know how the actors and models of the Indian diaspora act as pressure groups in host societies, and now increasingly in India too as their country of origin, affect international relations. The Indian diaspora's unforeseeable economic success has resulted in a major paradigm shift not only in the destination countries but also in India. Thus, India has emerged as the most sought-after source country for the supply of professionals to the developed host countries. What remains for India as well as the host countries in the emerging international relations scenario is to locate the locus of loyalty of the so-called 'tinkers', 'tailors', 'soldiers', or 'spies' that comprise the Indian diaspora.*

**Keywords:** Indian Diaspora, International Relations, Paradigm Shift, NRI, Brain Drain, Brain Gain, Indian Students.

Talking of the actors and models of the Indian diaspora, I have not so far come across any definite existing discourse that has dealt with a clearly defined category called 'models' of Indian diaspora. On the other hand, 'actors' would perhaps be a more obvious category in the Indian diaspora as a holistic entity. The two alternative sets of adjectives in the subtitle that I have chosen for this article to describe the Indian diaspora reflect my impression that the models could be based on how the actors in Indian diaspora are going to be viewed in the arena of international relations in the twenty-first century whether with suspicion, or with awe. Secondly, they also reflect a transition from the first to the second that might have taken place over time or that is in progress. For obvious reasons, I have left it as an open question.

I have tried to begin with constructing a framework of an underlying matrix, comprising a limited number of typologies of models and a few typologies of actors. The first I have called Model I, Model II, etc., - a set on the side of the rows, and the second, Actors A, B, etc. - another set on the side of the columns. Such an underlying matrix, I suppose, would pave the way for addressing each of the binaries of models and actors that one could allocate to the

cells created in the sub-matrixes, still keeping the issues together under a holistic umbrella. The next step would be to name the models and actors in each typology of the matrix for the purpose of placing the issues in one cell or the other.

**Figure 1: The Matrix of Typologies of Actors and Models in Indian Diaspora**

Typology of of Actors  Typology of Models		A						B	C	D
		i	ii	iii	iv	v	vi			
I	PIO	√	√	√	√	√	?			
	NRI	√	√	√	√	√	√			
II										
III										
IV										

In the prototype matrix (Figure 1), for example, I have named the models as the Persons of Indian Origin (PIOs), and the Non Resident Indians (NRIs) in Models Typology I. similarly, in Actor Typology A, I have named them as i, ii, iii, iv, v and vi – representing respectively - unskilled labourer, the semi-skilled workers, the traders, the entrepreneurs, the professionals, and the students under a typology of actors.

Though not spelt out in the prototype matrix, as an extension of these typologies, in Models Typology II, the ‘twice banished’, and the returnees may form another typology of models; in Models Typology III, the temporary migrants, the circulatory migrants, and the sojourners could appear as a third typology; in Models Typology IV, the indentured workers and their earlier variants the slaves, soldiers, policemen, the lascars, the maids, etc., the present-day refugees/asylees, the voluntary migrants could make still another typology where the degree of coercion could be the index. One can also have a typology of models based on plain geographical location, or complex geopolitical occupation of space by the Indian diaspora. There could still be one more typology comprising the ‘brawn drain’, brain drain, brain bank, brain gain, etc., as categories of models.

Similarly, in the extended typology of actors, we could have Actors Typology B with the principal “seed migrants”, the dependant spouses, the pre-generation parents, the second-generation progeny, other relatives, and even sponsored friends as a second typology. Actors Typology C could be the diasporic associations based on provincial, linguistic, art and culture, religious, and professional groupings. Another important one, Actors Typology D, could comprise men and women as separate actors. And then, we could also have *occupational actors* like doctors, nurses, engineers, information technologists, architects, lawyers, masons, drivers and so on in one more typology, and the *generic actors* like the writers, teachers, scientists, inventors, innovators, managers, white-collar workers, blue-collar workers and so on in various fields, as yet another actor typology.

Irrespective of how one finds slots in the matrix whether *implicitly* in a fuzzy manner, or *explicitly* by creating well-defined typologies as a next step, we would still need to probe further in terms of *contextualizing* a myriad of models and actors with international relations *per se*. International relation in itself is a mystical category as it covers a whole lot of space with distinctly different, although not disjointed, aspects of civil society: the political, the economic, the cultural (which includes the religious), and the security-related to name some of the most important ones only.



One way or the other, i.e. implicitly or explicitly, it seems the field of diaspora studies is poised for the challenge of addressing a new perspective. Its novelty would lie in the *deconstruction* of the interface between the two variables, the Indian diaspora and international relations, and playing with the interpretation of phrasing that interface in terms of identifying each of them as the dependent variable under one construct and independent variable under a different construct. In other words, we have a choice to say that ID (short for Indian diaspora) is the dependent (or determined) variable, and IR (short for international relations) is the independent (or determining) variable; or *vice versa*. For example, we may wish to know how international relations through the immigration policies have been instrumental in determining *the actors* and *the models* of the Indian diaspora, and the roles they had assumed or been assigned to play in the host societies so far: Often actors are determined by the quantitative and qualitative immigration quotas for importing “seed migrants” in the labour market, by the family-reunification clause in the family preferences, and so on. Similarly, models are determined by temporary entry and stay rights of Indians as exchange visitors or intra-company transferees, transition categories like the H-1B visa holders, or permanent residents with green cards and the like, and as citizens by naturalization or birth.

Alternatively, we may say that we want to learn how the actors and models of the Indian diaspora, as pressure groups in host societies, and now increasingly in India too as their country of origin, affect international relations: Whether (1) bilaterally between India and each of the destination countries, or (2) multilaterally amongst the nations globally. This might be examined (1) historically through the past, (2) contemporarily through the state of affairs that are current, or (3) futuristically in the times to come.

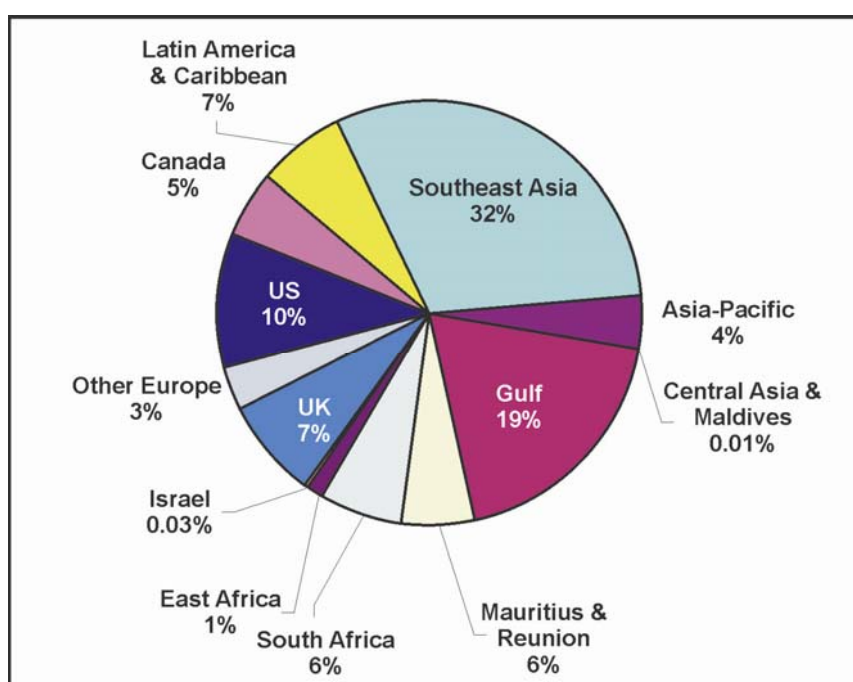
One may choose to address it in either of the two ways. However, it is my impression that if we were to assess it in a more or less sense, the policy concerns in the host countries have dealt more with the first perspective in terms of looking at questions of assimilation of Indians as well as all other foreigners into the local society and community, whereas the policy concerns in India have lately been more with the second perspective of how the Indian diaspora could be mobilized to influence, to the advantage of India, the bilateral and multilateral relations from across the borders. While I suppose both the perspectives of the interface between the Indian diaspora and international relations one of the receiving country and the other of the sending country would be important, the novel part would be the outcome of a fusion between the two approaches, with focused attention on the actors either as ‘traitors’ in home countries and ‘spies’ in the host countries, or as ‘prodigal children’ in the former and ‘rays of hope’ in the latter.

There would perhaps be enough literature on how international relations have shaped the actors and the models or vice versa in the past. What I have attempted in this paper is to contemplate the links between the actors and models of Indian diaspora with international relations in a contemporary as well as a futuristic way. The boundaries between disciplinary approaches in diaspora studies are getting blurred, and the diaspora experts are increasingly adopting multidisciplinary outlook, which I think is a welcome sign for the field. Keeping this in mind, I have tried to address some of the issues with a holistic perspective of international development in mind, whether local or global. In doing so, however, I have mainly used a limited example of the Non-Resident Indian (NRI) diaspora in the United States.

Figure 2 presents the regional distribution of an approximate 20 million-strong *stock* of the Indian diaspora at the close of the twentieth century, about half of them PIOs and half

NRI (ICWA 2001). It is common knowledge that the earlier migrants who formed the basis of an Indian diaspora mainly involved 'cheap' manual labourers leaving India in large numbers to meet the enormous quantitative demand for indentured workers that arose in the plantations, mainly in south-east Asia and the Pacific, but also in the Caribbean and the African countries immediately after the British had abolished slavery in 1834 leading to what is sometimes also called the 'brawn drain'. The 'brain drain', a quality exodus of India's cream of highly skilled professionals comprising doctors, engineers, scientists, teachers, architects, entrepreneurs, and more recently the IT workers, and nurses on the other hand, appeared a century-and-a-quarter later. From the post-mid-1960s, it has continued in the twenty-first century, flowing westward and contributing *inter alia* to the concentration of Indian diaspora's 10 percent share in the USA.

**Figure 2: Percentage Distribution of NRIs and PIOs by Region**



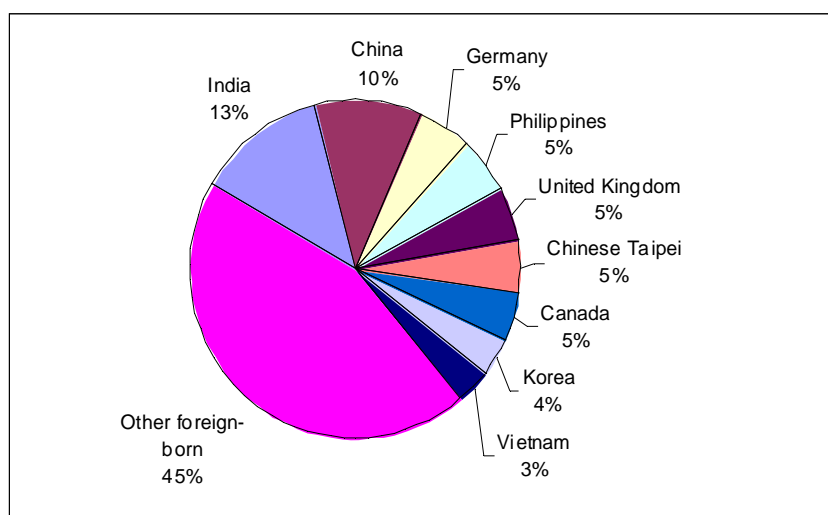
Source: ICWA, Report of the High Level Committee on the Indian Diaspora, New Delhi: Indian Council of World Affairs, 2001.

From the perception of a highly-educated or skilled knowledge worker supposedly 'draining' India of its knowledge wealth and human resources, professional Indian immigrants have come to be seen as 'angels' with a perfected image of transnational "global citizen" of the twenty-first century within the short span of the closing decade of the twentieth century. This paradigm shift in the perception about professional migrants leaving India, has taken place in phases though from the 'brain drain' of the 1960s and 1970s to the 'brain bank' of the 1980s and 1990s, and subsequently to 'brain gain' in the twenty-first century. This complete turnaround of perception in moving from one model of the Indian diaspora to the other gets reflected in the current official and public euphoria in India over the rising immigration quotas in the developed host countries, mainly the US and the UK, the EU, Canada, Australia and New Zealand, Japan, Malaysia, Singapore, and so on.

Figure 3 provides a glimpse of the transition period into the twenty-first century in terms of the composition of Indian diaspora in the US. In 1999, India-born residents in the US with

a science, engineering or social science (SES) degree had numbered 165,000. Indians thus accounted for 13 percent of the total number of all foreign-born US residents with science, engineering, and social science (SES) degrees, which was more than the proportion for any other foreign-born diasporic residents including the Chinese.

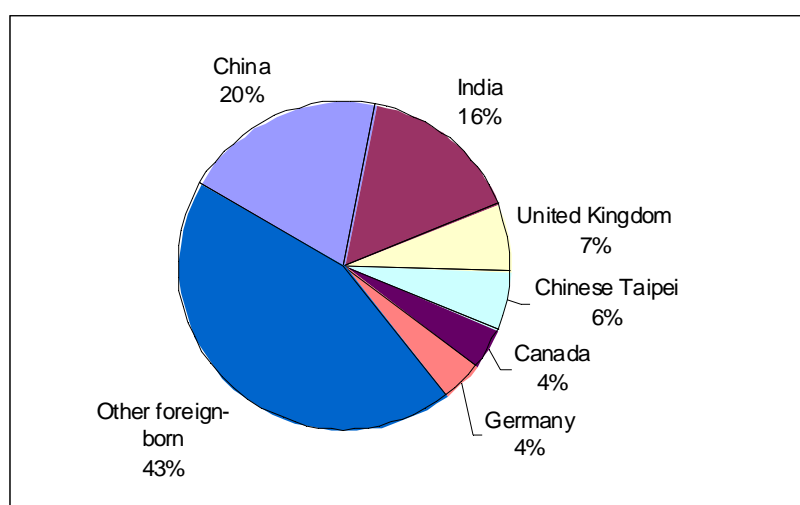
**Figure 3: Size of Foreign-born Diasporic Residents in the US with SES Degrees, by Country of Birth, 1999.**



Source: Author, using National Science Foundation, Division of Science Resources Statistics (NSF/SRS), Scientists and Engineers Statistical Data System (SESTAT), 1999.

Figure 4 is a subset of Figure 3, showing county-wise origin of all foreign-born residents with a doctorate degree in science, engineering or social science, residing in the United States in 1999, and India accounting for a high share of 16 percent or 30 000 people, second only to the Chinese.

**Figure 4: Size of Foreign-born Diasporic Residents in the US with SES Doctorate Degrees, by Country of Birth, 1999**



Source: Author, using National Science Foundation, Division of Science Resources Statistics (NSF/SRS), Scientists and Engineers Statistical Data System (SESTAT), 1999.

This is about the stock profile of the NRI human capital in the US. Table 1 presents another picture of the transition period the *flow* profile of the occupational shift of the NRIs human capital entering the United States between 1999 and 2001. It shows a substantial increase in the proportion of those holding the highest-rung “professional and technical” occupations over the three transition years into the new century (from 12 percent to 21 percent to 28 percent respectively), conveying that the position of the highly skilled and knowledgeable amongst the Indian diaspora workforce in the US labour market has undergone significant enhancement. In addition, their share amongst immigrants of all foreign nationalities entering and settling in the US has also been increasing over this period (from 9 percent to 15 percent to 24 percent). This is true for the second tier of occupations too, viz., the “executive, administrative and managerial” occupations, on both counts, though at a smaller scale.

**Table 1: Occupational Profile of the NRIs Entering the US, 1999-2001**

	1999			2000			2001		
	Number	Share of all Indian immigrants (%)	Share of all Immigrants (%)	Number	Share of all Indian immigrants (%)	Share of all Immigrants (%)	Number	Share of all Indian immigrants (%)	Share of all Immigrants (%)
Professional and technical	3 492	11.6	9.4	8 632	20.6	14.7	19 935	28.4	23.8
Executive, administrative and managerial	1 112	3.7	7.1	1 644	3.9	7.9	3 062	4.3	11.1
Clerical and administrative support	576	1.9	4.2	573	1.4	3.9	643	0.9	3.9
Sales	648	2.1	6.1	689	1.6	5.3	842	1.2	5.4
Service	559	1.9	3.2	798	1.9	2.6	1 041	1.4	2.7
Farming, forestry and fishing	1 328	4.4	11.7	1 080	2.6	9.5	1 161	1.7	12.8
Skilled workers	301	0.9	0.9	308	0.7	0.8	389	0.6	0.8
Total with occupation	8 016	26.5	5.7	13 724	32.7	7.2	27 073	38.5	11.3
Occupation not specified	22 221	73.5	4.4	28 322	67.3	4.3	43 217	61.5	5.2
Total immigrants	30 237		4.7	42 046	100	4.9	70 290	100	6.6

*Source: Author, using data from the US Immigration and Naturalization Service Yearbooks, the latest being from the Yearbook 2001, published in 2003.*

At a generic level in the knowledge sector, Table 2 presents a very comprehensive overview of the presence of Indian diaspora in the science, engineering and social science (SES) faculties of the US higher education system, by teaching field and gender, in a comparative perspective with the total faculty, as well as all other, and all Asian diasporas. It shows that amongst the American faculties in 1997, almost 7,000 teaching staff were of Indian origin, constituting 3 percent of the total faculty strength, 15 percent of all foreigners, and 23 percent of all Asians, with the share of Indian women being more than a quarter of all female faculty, and over one-eighth amongst the Asian female diaspora. The picture leaves enough scope for one to contemplate on the potential for bilateral as well as multilateral advocacy and linkages the Indian academic diaspora would command in the US and the rest of the world.

**Table 2: Indian Diaspora Amongst the US Faculties, by Teaching Field and Gender, 1997**

	Total SES faculties	Indian Diaspora (ID) as SES faculties	ID as % of Total SES faculties	ID as % of All diasporas	ID as % of All Asian diasporas	Female % in Indian Diaspora	Indian Female Diaspora (IFD) as % of Total female	IFD as % of Asian female diaspora
Total SES	224 707	6876	3.1	15.3	23.2	12.1	26.8	12.9
Physical sciences	37 020	688	1.9	9.3	19.4	16.7	18.8	9.9
Life sciences	53 055	1014	1.9	13.4	31.2	31.6	38.7	15.7
Math. & computer	44 375	2086	4.7	18.3	33.0	13.9	39.6	24.5
Social sciences	65 509	1491	2.3	15.5	32.2	6.3	10.7	5.1
Engineering	24 748	1597	6.5	17.8	27.4	0.9	23.3	6.3

*Note: Data include first jobs of post-secondary teaching at four-year colleges and universities in the United States, but exclude faculties in two-year or community colleges, or those who teach as a secondary job.*

*Source: Author. Computed and compiled from National Science Foundation, United States, Science and Engineering Indicators 2000.*

Initially, beginning in the early 1960s, the brain drain from India was associated with the public recognition that the Nobel Prize had brought to the gifted PIO scientists like Har Gobind Khorana (Medicine 1968) who had naturalized into American citizenship at that time, or Subramanyan Chandrasekhar (Physics 1983), who having naturalized in 1953, had made the United States his home. Gradually, following the landmark 1965 amendments to the US Immigration and Nationality Act, the migration of professionals became a mass phenomenon through the 1970s and onwards, with the Indian professionals enjoying the distinction of being one of the best-educated, highly employable, and high-income earning ethnic groups of the US census data, yet in their own country disdained as 'deserters' of the 'motherland India', either openly or subtly.<sup>1</sup> It was only towards the end of 1990s that the success and achievements of the Indian diaspora in the US drew real attention of the developed countries in the West and the East alike, subsequently or simultaneously followed by a change of attitude in India too towards its diaspora.<sup>2</sup>

Apart from the US, within the European Union (EU) in the West the largest economic entity in the world today two-thirds of the entire Indian diasporic community still resides in the UK. Here too, the Indian community is one of the highest-earning and best-educated groups, achieving eminence in a variety of fields comprising business, information technology, the health sector, the media, and entertainment industries. In Canada, with just 3 percent share in a population of 30 million, Indo-Canadians have recorded high achievements in the fields of medicine, academia, management, and engineering. The Indian immigrants' average annual income in Canada is nearly 20 percent higher than the national average, and their educational levels too are higher. In the East, there are 30,000 Indian citizens in Australia; and New Zealand has also witnessed a rise in the entry of Indian professional immigrants, those engaged in domestic retail trade, medical, hospitality, engineering, and IT sectors, and countries like Japan, Korea, and Singapore are trying to attract Indian talent in large numbers, testifying the importance of the Indian diaspora in international development.

<sup>1</sup> Even socially, crossing the seas was at one time considered a taboo in high-caste communities in India, e.g. as depicted in Munshi Premchand's novels and stories. Perhaps it was the cumulative effect of the nexus between the diaspora and the aspiring migrants that led to the crumbling of such taboos over time, resulting in swelling streams of migrants joining the Indian diaspora wherever it grew.

<sup>2</sup> There is enough evidence of diaspora-India interaction that has been documented in the media lately.

Another important point to be noted is that the highly skilled Indians have joined the diaspora not only through the “employment gate” but also through the “academic gate” as a revolving diaspora of students that forms a distinct set of actors in the Indian diaspora the “semi-finished” Indian professionals abroad.<sup>3</sup> Data collated by the US Institute of International Education's *Open Doors 2004* survey reveal that in 2003-04 India retained its No. 1 position in the US university enrolments (followed by China, Korea, Japan, Canada, and Taiwan) for the third year in a row. Indians now account for 15 percent of all foreign students stock in the US. To serve the dual purpose of sustaining an expensive higher education system, and meeting *short-term* labour shortages, both the UK and the US, with other countries following suit, have adopted a policy of allowing foreign students in their universities respectively, to stay on and work, rather than return to their countries of origin on completion of their degrees (*The Hindustan Times*, March 2005). In addition, the destination countries gain political mileage in the form of a bonus: ‘The foreign students become their long-term ambassadors in the international political arena.’<sup>4</sup> India has thus become a ‘must destination for internationally renowned educational institutions shopping for “knowledge capital” - i.e., to woo the Indian student’ (*The Hindu*, November 26, 2000). In October 2000, four countries had mounted education ‘fairs’ in Delhi and other Indian cities, and since then it has become a regular feature of international relations in India. Most diplomatic missions project these as ways ‘to facilitate the search of a foreign education to Indian citizens,’ but the countries also compete against each other for the generic Indian ‘semi-finished human capital’ - the student. Figure 4 shows that Indian students accounted for 4 percent of all foreign students enrolled in tertiary education in OECD countries in 2001. A far larger share was registered for the United States, where 10 percent of enrolled foreign students were Indian. In 2004, this share of Indian students amongst all foreign students in the US went up to 14 percent.

**Figure 5: Indian Student Diaspora amongst All Student Diasporas in Receiving Countries, 2001 (%)**



Note: Excluding data for Canada, Greece, Luxembourg, and Portugal.

Source: OECD Education database.

<sup>3</sup> The term “semi-finished human capital” was first used by Tapas Majumdar (1994).

<sup>4</sup> They play important role in world politics as they have done in the past as, for example, some of the well-known NRI students belonging to a few iconic families in India, did play in mobilizing public opinion in the US during India’s independence struggle! (Jensen 1988, as cited in Khadria 1999).

The growing competition among countries like the US, UK, Canada, Australia, New Zealand, and Ireland, and also non-English speaking countries like France, Germany, and the Netherlands, is bringing even the Ivy League institutions to India, and to other South Asian countries too, to look for the cream of students (*The Economic Times*, November 24, 2004).

## Conclusion

To conclude, the perception of the destination countries, in which the Indian professional migrants have settled to form a diaspora, has thus undergone a significant reversal. Britain has come a long way since the days of Enoch Powell and his prophecy of 'rivers of blood' flowing if economic immigrants were allowed to settle in Britain. The change in values since 1971 could be primarily attributed to the Indian diaspora itself that has defied the anticipated doom by rising to unforeseeable economic success.<sup>5</sup> The reason why the paradigm shift in the societies and regions where Indians have settled is important for the hosts lies in their realization that, given the appropriate support, one type of diasporic actors the abhorred and suspect 'tinkers, tailors, soldiers, and spies', if not outright 'social parasite' can become the social boon, or as someone has phrased it sarcastically, the white man's 'great *off-white* hope'! (Albinia 2000)

Presently thus, India has emerged as the most sought after source country for the supply of professionals to the developed host countries. This has led to a major paradigm shift in India too away from 'brain drain' being looked at as an outright loss, and therefore *painful* for the country, to 'diaspora' as a potential option for turning the phenomenon of migration into an opportunity, and therefore *gainful*. What remains for India as well as the host countries in the emerging international relations paradigm is to judge where the loyalty of the so-called tinkers, tailors, soldiers, spies that comprise the Indian diaspora would lie? Whether they would prove to be a real great 'off-white hope' not only for Europe or Australia or America, but also for the world as whole? Or, whether it will depend on which way the wind of international relations would first blow in the new century, rather than be blown by the diaspora?

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<sup>5</sup> Today, Britain is an endless repository of success stories of the Indian professional diaspora, ranging from Lord Swraj Paul, to steel magnate Laxmi Mittal, to icons like Nobel Laureate Amartya Sen.

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