

# IMPACT OF NITAQAT ON MIGRANT LABOUR – A CASE STUDY OF TIRURANGADI TALUK IN KERALA

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**Abstract :** Large numbers of Keralites migrate to Gulf and other middle-east countries as unskilled labourers. Malappuram district had occupied the first rank of sending out the largest number of Keralites to Gulf. But the indigenization drives in Gulf nations reversed the process of migration .Return migration from Gulf countries due to Nitaqat is emerging as a burning issue in Kerala, especially in Malappuram district. Lack of proper rehabilitation measures makes the situation worse for the returnees. It is in this context this paper analyses the consumption pattern of return migrants. Migrants, who found higher income and was able maintain better standard of living earlier find it difficult to change their consumption expenditure corresponding to their decrease in income. The return migrants are not ready to reduce their consumption expenditure due to previous peak level standard of living. This study attempts to study this aspect, by taking Tirurangadi taluk (Malappuram district), by taking return migrants from Saudi as the case study. For analyses the study uses the James Duesenberry's Ratchet effect.

**Index Terms-** Return migration, Nitaqat, Consumption pattern, Ratchet effect, Tirurangadi

## 1. INTRODUCTION

'Nitaqat' the Arabic word that means ranges or limits is a carrot-and-stick incentive programme for companies and businesses to hire more Saudis across a spectrum of jobs categories firms into four colour ranges: blue (premium), green, yellow and red. For example if a company has 40% Saudis on its under 500 member staff, it is in the blue (premium) category and willing enjoying privileges in importing foreign manpower. Those companies having large amount of employees having Saudi nationalists are platinum. Benefits are granted to the platinum company including the faster processing of visa for foreign workers and the employees can transfer their sponsorship without permission of 'kafeel'. A platinum employer can transfer sponsorship without completing two years period and get one year over four periods in case of license expiry. They can also easily change the profession of their employees. If the company has 12-39 per cent Saudi staff, it will be in the green category and its hiring privileges will be fewer. If any companies having more than 12% of Saudi employees, the company will be considered as green status of Nitaqat. Companies having green status can also avail benefits. If a company's Saudi employee's percentage is only 6-11%, it will fall in the yellow range, and hence will lead to do some extra hiring to fall in line with the Nitaqat and if the percentage lies between 0 and 5, the company is in real trouble; for instance, its foreign staff's work permits would not be renewed. Meaning; the company will have to fold up. A firm should have at least a Saudi employee, if it has fewer than 10 employees, otherwise, it will fall in to the red category. In April 2015, there are 2.25 lakh firms and business entities that did not have a single Saudi employee. Those companies cannot apply for new visa of their foreign employees and they cannot transfer visa from other sponsors. They do not have permission to open new branches and they cannot renew the iqama and profession of their employees if expired and changed.

Expats from India working for 'red' companies will have to leave were possible. They can move to 'green' and 'blue' companies if jobs are available the Saudi government relaxed "sponsorship" rules so that workers in the red companies can seek a transfer without the permission of the sponsor (current employer). Several Indians have made use of these provisions.

Consumption pattern of return migrants are analysed using the James Duesenberry's Ratchet effect. The idea Ratchet Effect is borrowed from Relative income hypothesis. Theory is based on the assumption that consumption depends on the previous peak level of income as well as on current income. It is also assumed that consumers derive utility in relation to their own consumption and consumption standard of others. A household's desired consumption will be influenced by the living standards it sees and maintained by other household with whom it has contact. The relative income hypothesis is based on two propositions namely Demonstration effect and Ratchet effect. There are only few studies conducted relating to Nitaqat. Most of them are addressing the impacts of Nitaqat to the labours. Besides these studies, an examination on the impact on expenditure pattern of the affected household was made.

## 2. MIGRATION AND INDIGENISATION IN GCC COUNTRIES

Indigenisation policies have been in place for quite a while. While the trust towards indigenisation might be to address socio economic and demographic imperatives, the fact remains that all gulf economies are heavily depend on expatriate worker. Indigenisation therefore is an attempt to reduce their dependence. These must, however, be viewed dispassionately; barring Saudi Arabia the other countries simply do not have adequate number of nationals that can undertake the vast array of jobs-ranging from menial to skilled and professional- that they rapidly expanding economic require moreover, while the overall population of the

region is projected to reach fifty million in 2030, how much of these increase will be fuelled by migration to the region remains to be seen. Finally indigenisation will also depend on the state's ability to negotiate with the private sector, with the later depending primarily on expatriate, be it blue collar or white collar.

The local people consider the foreigners as a potential security thread based on their size and continual growth. They also fear of demanding permanent residency citizenship in future. Unemployment rate in the Saudi Arabia has been continuously rising thirteen per cent with an expanding local labour supply through population growth and university graduates. Huge money transfer s which represents the drain of resources. Social capital freedom expanded in Saudi Arabia. Indians moved to the gulf in large numbers following the oil booms of the 1970's and their numbers grew for the economies of the GCC state – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates(UAE) expanded in the following decades. As of dates there are approximately six million Indians living and working in the six gulf states, not only are they second largest overseas Indian community situated in a geographic region, they also remits more than 1/3 of the annual \$69 billion remittances by the Indian expatriates to India. In 2008 financial crisis and the Arab spring of 2011 where the jolt to the hitcher to stable and secure regime, galvanising them in to action to the address socio- economic realities of Arab societies so as to ensure regime in stability. "Indigenisation" or "Arabisation" policies curtaining to labour market, are this being applied with renewed vigour in the GCC states. Such policies, coupled with changing political and security dynamics in the region, could have an impact in the 6 million in the region. The gulf region forms a part of India's extent neighbourhood. The increasingly complex environment on the region present great economic opportunity as also serious security challenges for India. The region contain mineral abundance, it is strategic location as a bridge between continece and civilisation it is geopolitical, fragility and sectarian fault line make it complex arena for inter play of regional and global interest. The 'Arab spring' or 'awakening' as some would like to call it has created vast uncertainty for the region. India with strategic interest in the region cannot but the effected by current turmoil in west Asia.

The gulf region of 2030 will be shaped by complex interaction multitude actors at internal and external level at the global level balance of power is bound to have a Profurn impact on the regions geostrategic evolution. The overall economic climate of the world and its impact on energy price will also lead the impact the region at the regional level deep seated ethno sartorial division especially Shia-Sunni divide will remain of major driver of emerging political and economic and security calculus. The presence of about six million Indian people in the gulf is reflective of a mutually a beneficial relationship between gulf state and India. The Indian migrants are preferred over other owning to their skills and non-involvement in the domestic affair of the host country. The Indian migrants forty years sojourned in the gulf have helped to build the foundation of a bilateral relationship with the most of the countries in the region. In view of recent developments, however there is a need to examine if migration of India as to the region will continue at the same level in next two decades. Economic slowdown in some countries of the gulf, internal demographic compulsion indigenisation policies and uncertainty plaguing some of the states would have a negative impact on Indian migrants in Gulf Cooperation Council (GCC countries).

The GCC states considering a uniform law to regulate the presence of foreign workers in the region returning "marginal", non-contracted and unskilled foreign labours to their home state. The council will also attempt to eliminate workers claim skills they do not possess the idea being to minimise unused labour that is labour with no clear contract in these economies. Kuwait has already stated "it will cut down and send away 1,00,000expatriated workers who are considered marginal in order to replace in with local labour". The UAE national work force is expected to double around 5,00,000 by 2020, thus requiring the regime create more jobs for nationals. This is made "Emiratisation" policy a big agenda of the Government.2013 has been declared as the year of Emiratisation. The UAE hope to reduce unemployment rate among emirates to less than 5% by 2030.Bahrain is in the process of "Behrainisation" rate in the certain sectors in the economy. It is also begun to bring down in illegal, with an estimated 52,000 expatriates living in Bahrain without proper paper work, according to this country labour market regulatory authority. Qatar through the Qatar National Vision 2030 has set projection which is to be incorporated in to the business plan of both public and private firms. In Qatar the nationalisation programme is called Qatarisation. The policy aims to securing 50% or more of Qatari citizens with stable employment opportunities.

Table1:GCC-total population and percentage of nationals and foreign expatriates in 2015.

Country	Total population(2015)	Nationals	% of Nationals	Expatriates	% of Expatriates
Bahrain	131,4562	630990	48	683572	52
Kuwait	4,161,404	13601712	30.8	2879691	69.2
Oman	4,149,917	2323954	56	1825963	44
Qatar	1699,435	243019	14.3	1456416	85.7
Saudi Arabia	30770375	20708462	67.3	10369613	33.7
U.A. E	8264070	950368	11.5	7313702	88.5
Total	50359763	4857717	51.9	24223046	48.1

Source: National Institute of Statistics as of March 2015.

The above table shows the total population and expatriates in GCC countries.This give a clear picture of dependence of foreign workers. The foreign population is near to total population of GCC countries.

Impact on Kerala Economy

The strict implementation of the Nitaqat law recently has raised much concern in Kerala. Majority of the Indians migrant labour in Saudi Arabia are from Kerala. In 2015, some 5, 95,000Keralites were working in "Saudi Arabia. Though the impact of Nitaqat would be on less than 3 per cent of this migrant population remittances by them were consistently contributing to the economy of the state, especially to the northern district of Malappuram, Kozhikode, Kannur and Kasargode. The inflow of

remittance payments from Saudi Arabia has considerably raised living standards in these districts. Saudi Arabia continued to be the most desired destination among the low and semi-skilled Keralities. The strict adherence to the Nitaqat regulations will result in immediate job losses and reduced job opportunities. Many small scale shops and establishments in Saudi Arabia are run by Keralities under licences in the names of Saudi nationals. Now all such shops and establishments must have 10 per cent of their employees form among Saudi nationals who should be paid at least 3 times more salary than their expatriate counterparts. It is almost impossible now to run companies on the lances given to Saudi nationals. Strict actions are being taken against binami business. Most shops run by Keralities are already closed.

The impact of the crackdown on illegal foreign workers in Saudi Arabia will have serious consequences for Kerala's economy. The sudden exodus of the unemployed could trigger off economic crisis and social unrest in the state. The sudden fall in remittances from Saudi Arabia may lead to a ripple effect on interlinked sectors like real estate, construction, transport; etc. The problems will be much more if other gulf nations to emulate the Saudi policy. The job losses and reduced job opportunities are expected to aggravate in the coming days since Saudi labour ministry has reconsidered the liberal sponsorship rules that are prevailing. Under the Inspection Intelligent Scheme (IIS) inspection of company premises and residence of free visa holders are being intensified. Most raids at labour camps are unannounced. The government also issued an order that iqama(labour card) violators will be arrested in raids.

On an emergency basis both the central and state governments must plan out strong rehabilitation packages for the unemployed Saudi returnees. The assistance offered for safe return a sponsoring the air fares of the returnees are all short term relief measures by the Government of India. The most recent announcement by the Saudi administration that Nitaqat inspections will be temporarily stopped for 3 months to allow illegal immigrants legalise their stay in Saudi Arabia is to be viewed only as temporary relief. Riyadh governor's recent order of deferring the process of catching illegal migrants in Riyadh also provides some temporary relief to the illegal migrants. Given the proven strictness of the Saudi administration, the statements made by Kerala minsters that the expatriates need not panic and that the issue could be bilaterally solved by dialogue with Saudi authorities are not providing much hope to expatriates. According to leading immigration trend analysts in Kerala, the Saudi crackdown in illegal migrants should be viewed as a blessing in disguise since it is going to open up more opportunities for the legal migrants from the state. There is no need for the legal immigrant worker to panic. The Nitaqat affect is not just on Indians. Lakhs of illegal migrants in Saudi Arabia are from countries like Pakistan, Bangladesh, Philippines, Egypt, etc. Kerala can grab this opportunity by providing the needed skills to the future migrants and allowing them to migrate legally. Kerala must focus on more employment opportunities for its labour force. The government should also undertake massive investment in infrastructure and industrial development to boost up employment opportunities.

### **3. CONSUMPTION PATTERN OF SAUDI RETURNEES IN TIRURANGADI TALUK: AN EMPIRICAL ANALYSIS**

#### **3.1 Source of data:**

The study is primarily based on both primary and secondary data. The study takes information from secondary sources of data like articles, journals, books, newspaper, various reports and internet.

#### **3.2 Sample design:**

The Primary data is collected from a snow bowl sample of 100 people of Nitaqat victims belonging to Tirurangadi taluk in Malappuram, district.

#### **3.3 Tools for data collection:**

Schedule is prepared for conducting field survey to collect primary data for examining the objectives. A field survey was conducted through personal interviews .

#### **3.4 Theoretical framework**

The study takes both income and consumption pattern of rerun migrants. The study takes income as the independent and consumption is the dependent variables. The study analyses how the returnees adjust with unanticipated fall in income.

#### **3.5 Population and sample**

Tirurangadi is a Taluk in Malappuram District of Kerala, which consist of 106 villages and 7 Panchayats.. The place belongs to North Kerala. Total population of the taluk is 7, 13,017 living in 99303 houses, spread across total 106 villages and 7 Panchayats. Males are 3, 41,192 and females are 3, 71,825. Sex ratio is 1090 females for 1000 males. For analyse the consumption pattern of return migrants in Kerala, survey was conducted in Tirurangadi taluk. To infer make observation based on empirical research for these an intensive study in snow bowl sample of 100 households who have returned from Saudi Arabia due to Nitaqat was taken as samples. Total population in Tirurangadi 7.1 lakh and total number of migrants were more than twenty thousand. The reason for the limitation in sampling is being time constraint, non-availability of Nitaqat victims, large geographical distance between the samples, high population etc. The study area sends a large number of migrants to Saudi Arabia. The central concern of the study was to observe the consumption pattern of people who were returned from Nitaqat. Education has an important role in migration.

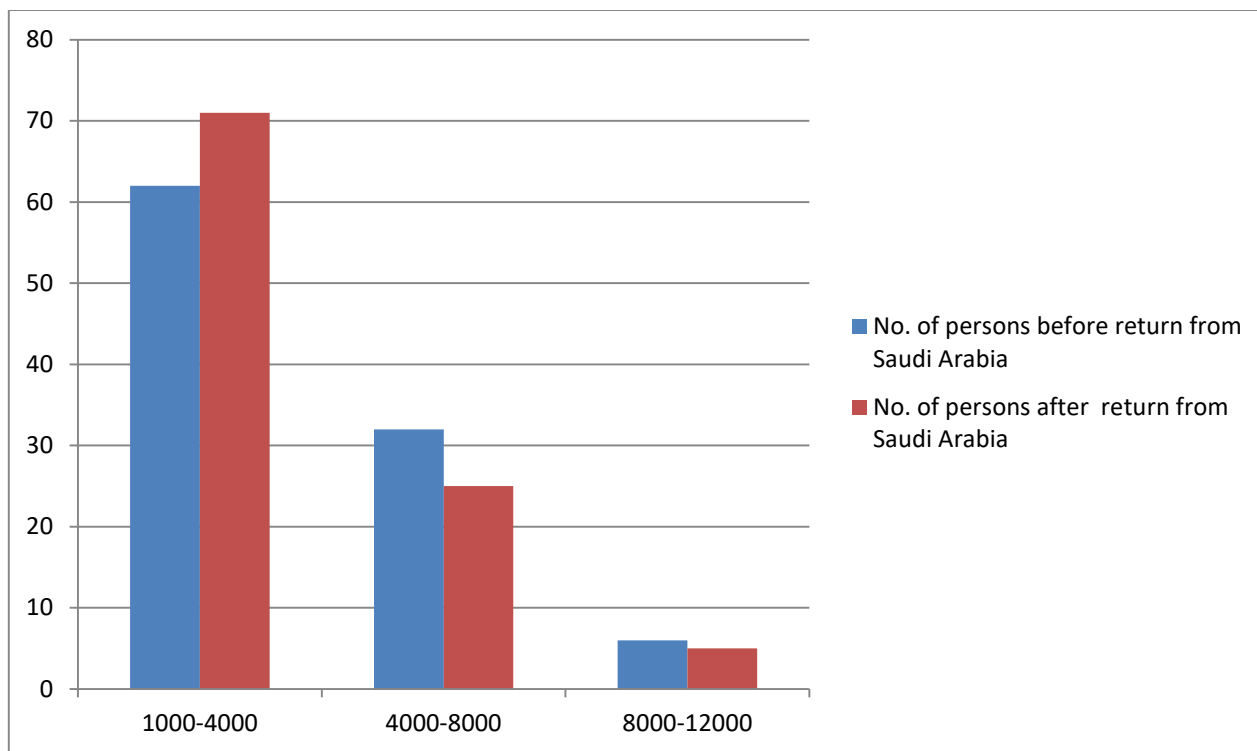


Figure 1- monthly consumption expenditure of Saudi returnees

Source : primary data

It was clearly understood that the Nitaqat does not have influenced as much as on the daily consumption, but in the consumption pattern. Among the 100 samples 91 of them are not ready to cut down their expenses. And remaining 9 of them reduced it but the amount is very few. Compared to other district, people of Malappuram spend more on consumption and luxurious activities.

After Nitaqat there is not much change in the consumption expenditure of Nitaqat victims. Their daily food items include fruits, vegetables, egg, rice, and fish. Most of them are living as nuclear families so that the consumption expenses cannot decrease as much as their opinion. And also they have unavoidable expenses like education, medical expense so that they cannot reduce their monthly expense. Sometimes they prefer to borrow from friends and relatives to meet their daily expenses. So we can simply understand that the consumption does not decrease as much their income decreased. So it shows that the presence of ratchet effect is working in case of return migrants.

Table 2 Proportion of expenses on various items

Si No	Item	% of Expense before return	% of Expenses after return
1	Cereals	6.31	7.11
2	Pulses	3.11	2.89
3	Milk & milk products	6.21	5.11
4	Edible oil	3.11	3.15
5	Egg, fish ,meat	6.25	8.71
6	Processed foods	7.50	8.24
7	Vegetable	6.54	6.52
8	Fruits	4.23	4.32

9	Sugar	2.89	2.56
10	Clothes	8.92	7.56
11	Footwear	4.25	4.13
12	Health	7.07	7.12
13	Education	9.52	10.46
14	Communication	4.02	4.14
15	Transportation	7.54	7.56
16	Entertainment	7.23	4.63
17	Other expenses	5.30	5.79
	Total	100	100

Source: primary data

From the above it is clearly understood that consumption pattern does not altered. The crucial changes happened to only the non food items. Return migrants does not reduce their consumption pattern with as much as changes in the income. The major expenses on education and followed by processed foods and transportation. While taking food item separately egg, fish and meat are the major expense item.

#### 4. CONCLUSION

Important point observed that a significant share of the victims is higher secondary education holders and no females were found among them. Majority of the victims of Nitaqat are Muslim men. Another Also they were no professional workers affected by the Nitaqat. Most of the Nitaqat victims are youngsters. Majority of the Nitaqat victims are worked as drivers, salesmen and construction workers before Nitaqat. Most of the Nitaqat victims are married and living in nuclear family. The Nitaqat victims are ready to do any job without considering status of the job. Monthly incomes of about 97 % of victims were observed to be declining. The study could not find any notable change in the consumption pattern of victims. The Ratchet effect is working in case of Nitaqat Victims. The Nitaqat victims do not get any compensational help from the government. Nitaqat create major problems to Indian economy as well as Kerala economy. Saudi Arabia approximately hosts more than two million workers. Nitaqat policy affects not only Indian workers but also effect of small and tiny entrepreneurs. Nitaqat creates the problem of unemployment, reduces foreign remittances and rehabilitation of victims. Reduction in foreign remittances leads to a decrease in aggregate demand. On analysing the current status of the victims it was observed that majority of them were willing to do any job without considering the status of the job. Another important point observed was that a significant share of the victims is higher secondary education holders and no females were found among them. Again it had been observed that there were no professional workers affected by the Nitaqat. The analysis of data shows that there is clear decline in the income of Nitaqat victims. But no significant changes can be seen in the consumption and expenditure patterns. The lack of income is often compensated by borrowing money from friends and relatives. The people of Malappuram prefer to spend more on consumption and luxurious activities. On the analysis of the consumption pattern of Nitaqat victims, showed no apparent changes in expenditure on consumption purposes. A decline in the expenditure for luxurious were also observed. All the observations made in the course of the study illustrate the “Ratchet Effect” which explains the relation between the changes in consumption with respect to change in income. In this specific case, the expenditure patterns do not undergo significant changes with the decline in income.

From the study it is clear that majority of the Nitaqat victims are unskilled workers, they belong to lower income category whose consumption expenditure do not fall in accordance with a fall in income after they return from Saudi Arabia. However, in the long run this may put them a debt crisis if they do not cut down their expenditure. This may eventually cause serious problem serious social problems and psychological stress to the return migrant. Hence the government should take sincere effort to see the implementation of rehabilitation package it envisaged them. The government should ensure employment opportunities or any other compensatory measures for the Nitaqat victims and the people should be made aware about the investment facilities in the domestic economy. So we can conclude that the consumption pattern of return migrants in Kerala on affect of remain same as, when they live in Saudi Arabia. Ratchet effect is working in case of migrant returnees.

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