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ADDING INJURY TO INSULT: A FIRST ESTIMATE OF FINANCIAL LOSSES OF INDIAN MIGRANT WORKERS FLEEING THE GULF CRISIS, 1990

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1 Introduction

In general, while the terrible human costs borne by the returning migrants have been widely recognised, the question of direct material losses suffered by them on account of the crisis has still to be systematically addressed. Indeed, some governments have been reluctant even to record the details of the migrants, let alone register their claims for losses, due to their apprehension that even such a passive step such as registration would generate expectations on a scale that governments feel they are unlikely to be able to fulfil. It might be useful, therefore, to attempt to identify the different forms in which migrants could have suffered losses, and to make a first objective estimate of the scale of the loss. The information about the categories of losses is derived from the migrants themselves and is clearly subject to all the qualifications that can be expected when data are provided mainly by those with personal interests at stake. However, whenever possible, information was obtained on the same items from more than one source; the evidence provided by migrants was queried and its plausibility established. Some of the estimates that follow are based on notional

[1] This paper is based primarily on the findings of a short study visit made by the author to Kerala during October-November, 1990, i.e., soon after the Kuwaiti crisis broke on August 2. The field research included extensive meetings with officials of various state government ministries, departments and organisations, government and co-operative sector financial institutions, units in the banking sector, semi-government training and consultancy organisations in the field of human resource development, offices of the protectorate of immigrants, experts at the University of Kerala and the Centre of Development Studies, Trivandrum, travel agents specialising in communications with the Middle Eastern region, with the office bearers of several organisations of returned migrants, and with many groups of migrants who had returned since the onset of the crisis on 2 August 1990. The author is grateful for excellent organisational and technical support to Dr Thomas Isaac of the CDS, and for useful research assistance to Mr Mritiunjoy Mohanty of Jawaharlal Nehru University. For useful discussions, thanks are due, amongst others, to Rashid Amjad, K.R. Gouri Amma, I.S. Gulati, Thomas Isaac, K.P. Kannan, Prema Kurian, Mritiunjoy Mohanty, P.R. Gopinathan Nair, and K.N. Raj. The views expressed in this paper, written in November/December 1990, are those of the author alone, and must not be attributed to ARTEP, on whose behalf the visit was conducted, or to any other organisation or individual; the responsibility for the findings and the interpretations made rests exclusively with the author. For a broader treatment of the absorption of the economic shocks of the Gulf crisis at the level of the Indian and the Kerala state economies, refer to Saith (1991), which provides the appropriate national and regional contextualisation of the issue of the economic losses of the returning migrants themselves.

statistics derived through indirect procedures. As such, the estimates provided in this section should be treated with a great deal of caution; at best they provide a rough first approximation. It is also likely that some categories of losses have not been reported here for the reason that those suffering such losses were not directly encountered during the field visit. It will also be immediately apparent that some categories of losses have estimates which are more reliable and verifiable than others. Wherever appropriate and possible, some indication of the pattern of incidence of the losses across different strata of migrants is provided. This is also unavoidably conjectural to some extent.

In the course of an investigative field visit to Kerala - the epicentre of the Indian overseas migration phenomenon - it was found that some spontaneously formed associations of 'crisis'-returnees had initiated an informal and voluntary process for the collection of basic information (amongst other things) on financial and other material losses they had suffered. This initiative was independent of the Kerala State Government, which till then was reluctant to set up any formal full scale exercise on registration. Clearly, an effort should be made at the earliest instance to complete this process of data collection since any possible subsequent attempts at loss verification, recovery and compensation could also be quite time-consuming.

This paper is attempts to make a first estimate, to the extent possible with the information and resources available, of the material and financial losses suffered by the Indian migrants who fled Iraq and Kuwait in the wake of the crisis in early August. Many of the parameters and intermediate ratios or norms used in this estimation process have been derived from the findings of the Kerala field study; these parameters have then been applied to the overall numbers of migrants estimated to have been in Iraq and Kuwait at the time of the crisis. The best figures available at the time are 181,000 Indians in the two countries together, of which 8,000 were in Iraq. The use of the Kerala findings is justified on the grounds that Keralites formed the majority, and overwhelmingly the single largest, group amongst the Indian migrants.

2 Losses

Losses are divided into two categories: firstly, those arising from the loss of physical or financial assets; and secondly, deriving from the loss of employment-related entitlements. All figures for losses are reported in US dollars; exchange rates used are 1 KD = 60 Rs and 1 US $ = 18 Rs.

A Losses: Physical and Financial Assets

A.1 Property and Real Estate

Migrants were not allowed by law to own land or houses in Kuwait and so there could be no losses on this score. However, there could have been losses on account of down payments and "security" deposits made in advance on leases and rentals of both domestic as well as commercial properties.

There are estimated to have been 44,000 dependents in the migrant stock. Interviews with return migrants throw up a figure of 20,000 Indian children in the four Indian schools in Kuwait. Assuming an additional 4,000 children to be below school going age, and 1.5 children per family, we get a figure of 16,000 families with children. To this could be added perhaps another 25%, or 4,000, cases of husband-wife families, bringing the total of families likely to be living in rented houses and flats to about 20,000. Assuming an average monthly rental of 150 KDs and a deposit of the same amount paid in advance to be recovered when giving up the property, the loss would be US $10 million. Richer migrants would be over-represented in such losses, as would all cases where both the husband and wife worked; poor single unskilled migrants would tend to live in group-share accommodation; housemaids would live-in with employers.

A.2 Losses of Household Consumer Durable Assets

Of the 130,000 workers, 50% are assumed to have held consumer durable assets (CDAs) worth US $100 each; 40% of US $1,000 each; and 10% of US $5,000 each.

Additionally, given the ease with which automobiles could apparently be leased, upto 5% are assumed to have owned a car, valued on average at US $4,000 each. This adds up to CDA holdings of approximately US $150 million. There is the difficult question of determining depreciated values, and in a market such as the Middle East, these rates could have been considerable. On the other hand, all heavy CDA holders would have been planning in terms of the Transfer of Residence facility, which would have eventually allowed them access to substantial premiums on the Indian market. Here, the two opposing factors are ignored (or assumed to cancel out). It is further assumed, on the basis of some interviews, that the recovery from the last-minute sale of assets would have been no more than 10% of the total values; another 10% might have been successfully taken out of the country. (Customs procedures and restrictions had been relaxed or waived in this respect towards the latter phase of the evacuation during the course of which the richer families actually withdrew from Kuwait; however, there would have been obvious physical constraints imposed by baggage restrictions, etc.) Losses would then be guesstimated at US $120 million.

A.3 Gold and Jewellery

The Indian migrant community is bound to have held substantial amounts of such assets. While it is impossible to place any figure on this type of asset holding, a few relevant observations can be made. Firstly, the richer families making late exits apparently were able to carry out considerable amounts of cash, gold and jewellery. Secondly, only such holdings could in any case have been taken out that were held outside bank security vaults. A substantial quantity could therefore have been lost. This would apply especially to the approximately 10,000-15,000 migrants who might have been on vacation in India or elsewhere on August 2 (which falls within the scheduled regular school holiday period). Thirdly, the business of survival and escape might itself have involved some losses of such wealth. The burden of such losses would obviously have fallen mostly on the richer sections of the migrants.

A.4 Losses in Business

Three categories of losses need to be estimated. The first concerns shopkeepers and traders who might have lost considerable stocks of goods. The second pertains to losses of tools, equipment and assets of those involved in occupations such as tailoring, repair workshops etc. The third is the loss suffered by those with longstanding substantial business interests developed over the past couple of decades. Most of these business interests would have been in partnership. Losses on these items are impossible to estimate without further information.

A.5 Bank Deposits, Other Financial Investments

This item is again impossible to estimate without evidence based on verifiable bank statements of migrants which are unlikely to have been carried out by most migrants. Earlier surveys of the savings habits of migrants suggested that a sizeable percentage save in banks overseas and bring back a substantial sum of money with them upon their return. Such deposits would clearly have been lost. This loss is likely to affect the more skilled and the professional classes more than the majority, unskilled workers who tend to remit their savings on a regular basis. If one assumed that the technical, professional and the middle-skill workers (together adding up to 13% of the workforce, i.e., about 17,000 in number) had saved on average half a year's salary (say, of just 500 KDs per month on average), the size of the loss would be US $170 million.

To this need to be added the bank savings of the poorer strata. Assuming an average salary of even 100 KDs, and an end-of-month bank deposit of one month's salary for another 100,000 workers, would raise the total losses to approximately US $200 million. It is quite likely, however, that there was a small community of very wealthy Indian migrants in Kuwait. It is also reported that some of them who had held their assets in Kuwaiti financial institutions have suffered very heavy losses. However, it is not possible to place any figure on these without additional information.

A.6 Other Losses: Deposits for Services

In Kuwait, a deposit of 500 KDs had to be made for telephone connections and instruments; another of 100 KDs for electricity connections, etc. Assuming that only 10,000 such cases were applicable to the Indian migrant community, the loss amounts to US $20 million.

A.7 Other Losses: Kuwaiti Dinars converted at Discounted Rates

Indians returning were allowed to convert a maximum of 400 KDs at a fixed rate of Rs 25 per 1 KD, i.e., Rs 35 below the normal rate. If one assumes that this facility was taken up maximally, the loss would amount to US $140 million. In reality, it is unlikely that this "facility" offered by the Government of India would have been subscribed to on anything like this scale. In the absence of figures, which in principle should be available, an estimate of the loss might be placed at 50% of the maximum, i.e., US $70 million.

B. Losses of Employment-related Entitlements

B.1 Last Salary

In Kuwait, salaries were paid out towards the end of the first week of the month. Almost as a rule, therefore, workers have lost one month's salary, i.e., for July. Assuming an average wage of 200 KDs per month for the 87% of the migrant unskilled and semi-skilled workers, and an average of 800 KDs per month for the remaining 13% (middle and higher level technicians and professionals), the overall average wage comes out at 278 KDs per month. This, when applied over 130,000 workers, comes to about US $120 million as an estimate of the loss of the last month's salary. It needs to be pointed out that many categories of workers, in particular those working as domestic helpers, have regularly reported late payment of wages: quite often, employers are said to have withheld wages for several months.

B.2 Loss of Over-time Payments for One Month

The standard practice in Kuwait apparently was for the overtime payments accounts to be settled towards the middle of the month. As such, overtime earnings for July would have been lost. These have been arbitrarily set at 15% of the monthly wage bill above, i.e., at US $18 million for the entire workforce.

B.3 Encashable Leave Entitlements

These have been computed at the rate of 15 days per worker, adding another US $60 million to the loss register. These are likely to affect the unskilled workers more than the rest, since richer families and couples who could afford to maintain children in the Gulf would take more regular holidays than others.

B.4 Uncashed Return Tickets

There are two kinds of losses here. Firstly, most migrants travelling for taking up a job in the Middle East have to arrange for a PTA to be arranged for them. The return leg of this ticket constitutes a loss under the present circumstances since refunds have to be claimed at the issuing office. Secondly, there could have been 10,000-15,000 migrants from the countries affected holidaying in India at the time of the crisis. They would also have the India-Gulf return leg unusable for the same reason. Taking the two together, the number of one-way fares lost could be as many as 20,000, costing approximately Rs 4,000 each. This runs up a bill of approximately US $4.5 million.

B.5 Accumulated End-of-Service Benefits

This constitutes by far the single largest item on the list of losses suffered by the migrant workers. According to Kuwaiti employment laws, all workers are entitled to benefits reckoned at the rate of 15 days of pay per year for the first five years, and at twice the rate subsequently. These benefits accrue to the worker so long s/he does not leave the job on account of unsatisfactory performance. Since the migrant stock in Kuwait was a mature one, considerable entitlements had built up over the years. What is calculated below is what might have been due at the point of the crisis. Naturally, the workers holding down stable jobs would have a different perception of their loss, since they would estimate it at the targeted future date of retirement. Indeed, during field investigations, several workers belonging to quite different strata emphasised the crucial importance of this tranche of savings. For some, this was the nest-egg, the main block of resource that they had planned to bring over to India at the point of reaching their targeted date of retirement.

The estimate of loss has been calculated using the following procedures. Firstly, the distribution of migrant workers by skill has been established (ILO, 1990). Secondly, using average wage rate norms for workers of different qualifications and skill levels, the first distribution has been converted into a distribution of workers according to their wage/salary levels. The relevant information is presented in Table 6. Thirdly, using survey data results (GOK/DES,1987), the distribution of migrant workers by length of stay abroad has been identified, and then applied proportionately to distribution by wage/salary level. This yields a matrix which classifies the 130,000 Indian migrant workers in Kuwait according to wage-level and length of service (Table 7). Fourthly, to this matrix has been applied a matrix which provides the notional entitlements accruing to workers at different levels of wages/salary and with different numbers of years of service (Table 5). Fifthly, the losses of each category or cell of workers is added up for the total figure. Using this methodology, the total loss comes out at approximately US $440 million. This is a very substantial sum.

It could be argued that this could well be an underestimate. For one, the GOK/DES distribution of migrants according to length of stay abroad is likely to have under-represented those who had the longest periods of stay abroad. For another, the higher earning sections of the migrant stock are extremely unlikely to have the same profile as the unskilled migrant workers with respect to the length of service. Professional and technical workers will have stayed much longer on average than others. The total figure for losses is very sensitive to such changes in weights attached to the different cells in Table 7, and the total losses could well be 25-50% more. In this exercise, the original figure of US $440 million is retained.

C Total Losses

Adding up, we get an estimate of US $420 million for the losses on account of financial and material assets excluding any valuations for the losses of gold & jewellery, and business losses. Under the second category of losses in the form of employment-related entitlements, the total figure works out to US $642.5 million. The total stock of Kuwaiti and Iraqi migrants could then have lost over one billion dollars (1062.5 million). It should be emphasised that this represents a sum which howsoever approximately refers to actual losses of earned entitlements or assets owned. It takes no account of the heavy loss of future income from a continuing stay in the Gulf. On a per capita (Kuwaiti and Iraqi migrant stock) basis, the loss works out to US $5,870 or 1.06 lakh rupees; reckoned over the 134,000 workers, the figures are US $7,929 or 1.43 lakh rupees.

Viewed in another manner, the figure for the losses suffered by the migrants themselves is approximately 2.5 times the estimated loss the national external sector might suffer (though it should be remembered that the former constitutes a stock one-off figure and the latter represents an annual flow).

From a human, legal as well as a developmental point of view, the recovery of such losses (insofar as it is possible to estimate them and to ascertain liability) should form a high priority task of the Government of India. For this purpose, it might be necessary to set up a specialised cell entrusted with the task of expeditious recovery.

Table 1: India's Merchandise Exports (Rupees crores)

	Iraq	Kuwait	Saudi Arabia	OPEC	Total	Iraq + Kuwait as percentage of Saudi Arabia	Iraq + Kuwait as percentage of Total
1970-71	10	16	15	98	1535	173.3	1.7
1980-81	52	97	165	745	6711	90.3	2.2
1983-84	56	117	245	882	9771	70.6	1.8
1984-85	49	107	272	944	11744	57.4	1.3
1985-86	34	121	221	835	10895	70.1	1.4
1986-87	18	93	214	774	12452	51.9	0.9
1987-88	17	106	296	981	15741	41.6	0.8
1988-89	53	155	325	1209	20295	63.8	1.0

Source: Government of India, Economic Survey, 1989-90, Table 7.4.

Table 2: India's Imports of Petroleum Oil and Lubricants (Rupees crores)

	Oil Imports		All Imports	Oil Imports as percentage of All Imports
	Quantity (mill. T)	Value	Value	
1970-71	12.8	136	1634	8.3
1980-81	23.5	5264	12549	41.9
1983-84	20.3	4832	15832	30.5
1984-85	19.7	5409	17134	31.6
1985-86	19.0	4989	19658	25.4
1986-87	18.5	2811	20096	14.0
1987-88	22.4	4083	22399	18.2
1988-89	24.0	4374	28194	15.5

Source: Economic survey, 1989-90, Table 7.2.

Table 3: Estimated* Remittances to India (Rs. crores)

Year	Total	From Gulf Countries
1984-85	2981.9	1714.5
1985-86	2737.5	1452.2
1986-87	2819.6	1564.9
1987-88	3356.6	1885.7

*Method of Estimation as in Nayyar (1989).

Table 4: Remittances to India in Relation to Selected Macro-Economic Variables

Year	Remittances as a percentage of					
	GDP at market prices	Gross Domestic Saving	Gross Domestic Fixed Capital Formation	Exports	Imports	Balance of Trade
1984-85	1.4	6.1	6.5	24.9	16.0	44.4
1985-86	1.3	5.1	5.1	23.6	12.9	28.6
1986-87	1.1	4.9	4.6	21.2	12.4	30.1
1987-88	1.1	5.1	5.0	20.5	13.1	36.1

Remittances used in arriving at these percentage were taken from table entitled estimated remittances to India.
For other magnitudes, Economic Survey 1989-90.

Table 5: Notional End-of-Service Benefits Entitlements by Salary Scale and Length of service (KDS)

Year of Service Salary/Month	5	7	10	12	15	17	20	40
100	250	450	750	950	1250	1450	1750	3500
150	375	675	1125	1425	1875	2175	2625	5250
200	500	900	1500	1900	2500	2900	3500	7000
250	625	1125	1875	2375	3125	3625	4375	8750
300	750	1350	2250	2850	3750	4350	5250	10500
400	1000	1800	3000	3800	5000	5800	7000	14000
500	1250	2250	3750	4750	6250	7250	8750	17500
600	1500	2700	4500	5700	7500	8700	10500	21000
1000	2500	4500	7500	9500	12500	14500	17500	35000

Settlement benefits are calculated at the rate of 15 days salary per year for the first five years and 30 days salary per year after that.

Table 6: Skill, Earnings and Length of Stay of Migrant Workers in Kuwait

Skills	Unit %	Unskilled 40	Skilled 47	Middle 6	Tech/Prof. 7	Source
Number of Workers	Nos.	52000	61100	7800	9100	ILO Note(Bohning 25.10.90)
Average Monthly Earnings	KDS	150	300	600	1000	ILO Note

Length of Stay in Gulf	Years %	<2 15.3	2-4 24.1	4-5 12.3	5-6 10.4	6-8 14.5	>8 23.4	GOK/DES 1987 p.20 Table 3.18
Length of Stay in Gulf	Years %			5 16.6 (=10.4+0.5*12.3)		7 14.5	12 23.4	-do-
Length of Stay in Gulf	Nos.			21580		18850	30420	

Of total of 173,000 workers in Kuwait, 130,000 were workers.

Table 7: Notional Distribution of Kuwait's Migrants According Wage Levels and Years of employment (Numbers)

Years of Work / Wage Levels	5	7	12	Do not qualify	Total
150	8632	7540	12168	23660	52000 (40.0)
300	10143	8860	14297	27800	61100 (47.0)
600	1295	1131	1825	3549	7800 (6.0)
1000	1510	1319	2130	4141	9100 (7.0)
Total	21580 (16.6)	18850 (14.5)	30420 (23.4)	59150 (45.5)	130000 (100.0)

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