Research Square

Preprints are preliminary reports that have not undergone peer review.
They should not be considered conclusive, used to inform clinical practice,
or referenced by the media as validated information.

Do Foreign Remittances Move Poor Indian Households into the Middle Class? Before-and-After Class Status, Years Abroad, and the Gulf, European, Canadian and United States Corridors

Dr. Muhmmad Muqeem Islam Muqeem PhD

muqeemz@gmail.com

National school of public policy https://orcid.org/0009-0004-2005-4951

Research Article

Keywords:

Posted Date: November 20th, 2026

DOI: https://doi.org/10.21203/rs.3.rs-11799112/v1

License: This work is licensed under a Creative Commons Attribution 4.0 International License.
Read Full License

Additional Declarations: The authors declare no competing interests.

RESEARCH ARTICLE

Do Foreign Remittances Move Poor Indian Households into the Middle Class? Before-and-After Class Status, Years Abroad, and the Gulf, European, Canadian and United States Corridors

Muhammad Muqeem ul Islam Muqeem[1*]

1 Head, Senior Management Wing, National Institute of Public Administration (NIPA), National School of Public Policy, Peshawar, Pakistan. PhD in Public Policy and Governance (NDU); MPhil in Economics. Formerly Assistant Professor of Economics, School of Economics, IIU Islamabad; Research Economist / Assistant Director, Monetary & Fiscal Research Department, State Bank of Pakistan; Director General, NAVTTC; Director General, KIM.

** Corresponding author: muqeemz@gmail.com | Tel +92 343 5090648*

Citation

Muqeem, M. M.U. I. (2026). *Do foreign remittances move poor Indian households into the middle class? Before-and-after class status, years abroad, and the Gulf, European, Canadian and United States corridors.* **Preprint.** Scholar Square, Springer Nature

Abstract

India is the world's largest recipient of remittances: private transfers reached a record US$135.5 billion in 2024-25. Yet the composition of these flows has changed. Advanced economies now send more than half, while the share of the Gulf Cooperation Council (GCC) countries fell from 46.7 percent in 2016-17 to 37.9 percent in 2023-24 (RBI, 2025), even though the Gulf still absorbs almost all of India's low-skilled, emigration-check-required (ECR) workers. This paper asks whether remittances move poor Indian households into the middle class, and whether that movement lasts once remittances stop. Using the income classes of the PRICE ICE 360° survey (destitute, aspirer, and a middle class subdivided into 'seekers' and 'strivers'), uprated to 2024-25 prices, we distinguish each origin household's class **before** migration, its **observed** class while remittances flow and its **durable** class on remittance-independent income. We build a calibrated cohort microsimulation of 20,000 destitute and aspirer households per corridor, with parameters drawn from Reserve Bank of India (RBI), Ministry of External Affairs (MEA) and Kerala Migration Survey (KMS) data and published studies, and compare four regimes: the Gulf (fixed-term contract labour from Uttar Pradesh, Bihar and the South), Southern Europe (Punjabi agricultural and service migration to Italy and Portugal, often through irregular routes), Canada (the study-permit-to-permanent-

residence route from Punjab and Haryana) and the United States (for poor households, the irregular 'dunki' route from Punjab, Haryana and Gujarat). The results differ sharply from the common view. A single low-skilled Gulf migrant lifts a poor household out of destitution and into the upper-aspirer band within two years, but almost never into the middle class: fewer than 9 percent cross the lower-middle (seeker) threshold even while remittances flow, and only about 2 percent do so on a durable basis. The European corridor carries half of households into the seeker band on an observed basis by year six, but durable middle-class status remains below 10 percent after 15 years. The Canadian route is the most expensive and, for genuinely poor households, the most dangerous: its debt pushes many households into durable destitution for the first five to eight years. The United States corridor, India's largest source of remittances but for poor households mainly an irregular route costing Rs 35-57 lakh, works like a lottery: households whose migrant stays send the highest remittances of any corridor, but with deportation risk high, about one household in five ends in durable destitution. Remittances in India buy an exit from destitution and a secure aspirer position, not entry into the middle class. We set out corridor-specific policies and an econometric design for testing these predictions on PLFS, HCES and KMS microdata.

Keywords: remittances; labour migration; middle class; aspirers; Gulf migration; Kerala; Punjab; India; microsimulation

JEL classification: F22, F24, I32, D31, O15

1. Introduction

India has been the world's largest recipient of remittances for more than a decade. Inward private transfers rose 14 percent to a record US$135.46 billion in 2024-25, more than double the US$61 billion of 2016-17, and accounted for more than 10 percent of India's gross current-account inflows (RBI data reported by IANS and The Island, 2025). In calendar 2024 India received US$129.4 billion, about twice as much as Mexico, the next-largest recipient.

The sixth round of the RBI's India's Remittances Survey shows that these flows have been transformed in composition. In 2023-24 the United States became the largest source, with 27.7 percent of inflows, followed by the United Arab Emirates (19.2 percent) and the United Kingdom (10.8 percent). The six GCC states together contributed 37.9 percent, down from 46.7 percent in 2016-17, and advanced economies now account for more than half (RBI, 2025). The shift reflects a change in who migrates: increasingly, educated professionals and students to the West, rather than manual workers to the Gulf.

This macro picture hides the question that matters for poor households. The Gulf remains the destination for almost all low-skilled Indian workers: about 9.9 million Indians live in the six GCC states (MEA reply to the Lok Sabha), and it is still the corridor through which poor households in Uttar Pradesh, Bihar, Rajasthan, West Bengal and

Tamil Nadu send a member abroad. At the same time, poverty measured by consumption has fallen fast: at the World Bank's revised US$3-a-day line, extreme poverty fell from 27.1 percent in 2011-12 to 5.3 percent in 2022-23, and at the US$4.20 lower-middle-income line from 57.7 to 23.9 percent (World Bank, 2025). Most poor Indian households have thus already moved above extreme poverty. The relevant question is no longer whether remittances take them across a poverty line but **whether they take them into the middle class, and whether they keep them there.**

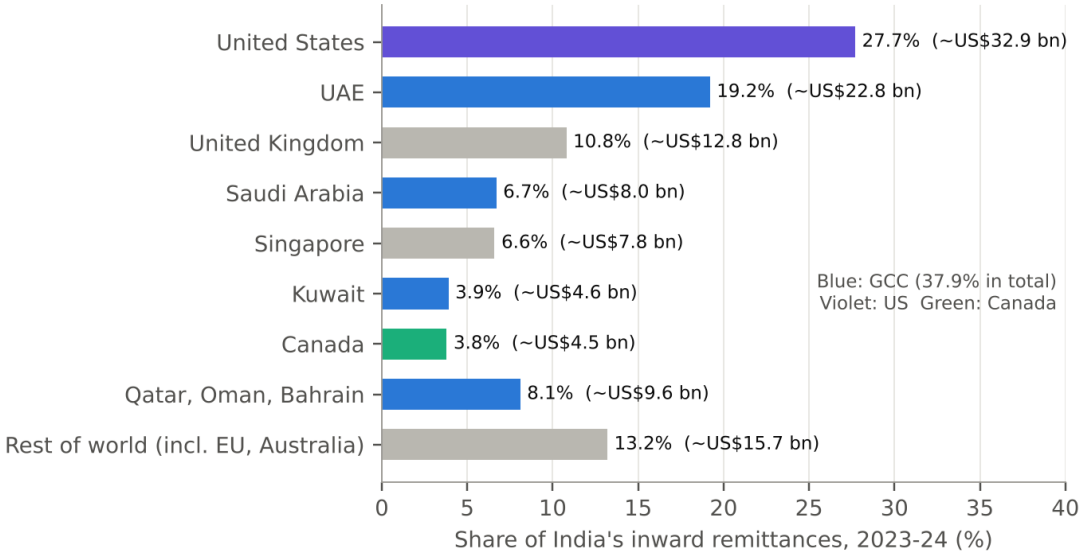
The paper makes three contributions. First, it treats remittances as a question of **class transition**, using an Indian income-class scheme rather than a single poverty line. Second, it distinguishes three states for each household: **before** migration, **during** migration (the observed, remittance-supported class) and **after** migration (the durable class on remittance-independent income), and traces how the gap between them depends on **years spent abroad**. Third, it separates four regimes that are usually pooled: the **Gulf** corridor of fixed-term contract labour; the **European Union** corridor, dominated for poor Indian migrants by Punjabi agricultural and service work in Italy and Portugal; the **Canadian** corridor of student migration followed by permanent residence; and the **United States** corridor, which is India's largest source of remittances through skilled migrants but which poor households enter mainly by the irregular 'dunki' route.

No Indian dataset links a household's income before migration, the migrant's destination, years abroad, migration debt and post-return income. The paper therefore assembles official and survey evidence on each corridor and uses it to calibrate a transparent cohort microsimulation. The results are model-based predictions and are reported as such; Section 8 sets out how they can be tested on microdata.

2. India's Remittance Economy by Corridor

Figure 1 shows the source composition of India's remittances in 2023-24, the latest year for which the RBI has published a country breakdown. Applying the survey shares to total inflows of US$118.7 billion, the Gulf states together sent about US$45 billion, the United States about US$33 billion and Canada about US$4.5 billion. The RBI does not report a separate EU figure; continental Europe falls within the residual.

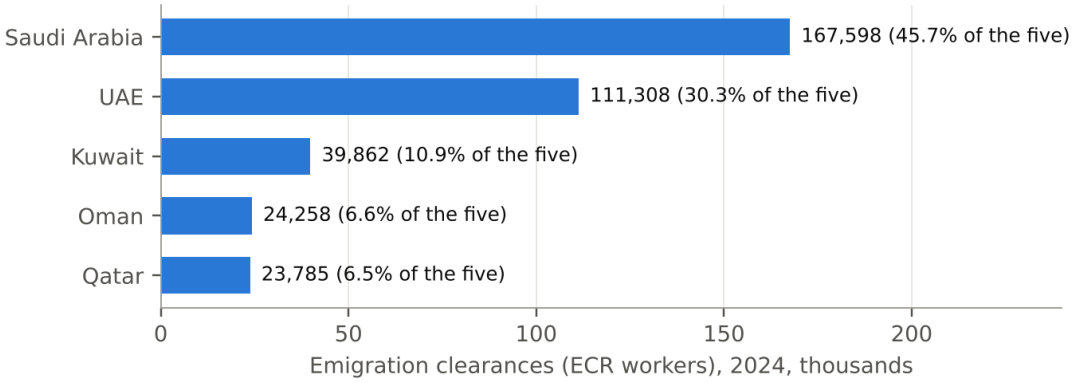
Figure 1. Sources of India's inward remittances, 2023-24 (share of total and implied US$ billion)



Source: RBI, India's Remittances Survey 2023-24 (RBI Bulletin, March 2025), as reported in RBI-survey summaries. Implied dollar values apply the shares to total remittances of US$118.7 billion. 'Qatar, Oman, Bahrain' is the GCC total (37.9%) minus the UAE, Saudi Arabia and Kuwait; 'Rest of world' is the residual.

Low-skilled emigration is measured through emigration clearances (ECs) issued to holders of ECR passports, generally workers without a Class X education, travelling to 18 notified countries. ECs rose from 3.73 lakh in 2022 to 3.98 lakh in 2023 (MEA, 2024), and the MEA reports 4.49 lakh in 2025. Figure 2 shows the five largest Gulf destinations in 2024: Saudi Arabia (1,67,598), the UAE (1,11,308), Kuwait (39,862), Oman (24,258) and Qatar (23,785) (MEA, 2025). The origin of these workers has shifted north and east. By one calculation, Uttar Pradesh and Bihar accounted for 55 percent of all ECs issued in 2024, and Kerala, the historic Gulf state, for less than 5 percent (Scroll, 2026).

Figure 2. Emigration clearances issued to ECR workers, five largest Gulf destinations, 2024



Source: Ministry of External Affairs, reply to Lok Sabha Unstarred Question No. 5592 (4 April 2025), eMigrate data.

Kerala provides the richest evidence on the long-run effects of Gulf migration. The Kerala Migration Survey (KMS) 2023, covering 20,000 households, estimates 2.2 million emigrants and 1.8 million returnees. The Gulf's share of Kerala's emigrants fell from 89.2 percent in 2018 to 80.5 percent in 2023, while students rose to 11.3 percent of emigrants. Total remittances to Kerala rose to Rs 2,16,893 crore, equal to 23.2 percent of state domestic product, and average remittances per emigrant household reached Rs 2,23,729 a year, roughly Rs 18,600 a month (Rajan, 2024; The Wire, 2025).

The European corridor for poor Indian migrants is concentrated in Italy, and to a lesser extent Portugal and Greece. Italy had 159,618 legally resident Indians at the end of 2024; half of their permits were issued for work, and agriculture is their largest sector of employment, at 33.5 percent (Ministero del Lavoro, 2025). The community is overwhelmingly Punjabi and Sikh, concentrated in the dairy belt of the Po valley and the farms around Latina. The death of a Punjabi farm worker, Satnam Singh, in Latina in June 2024 drew attention to the large undocumented workforce within the 'caporalato' gang-labour system, and to the agent-assisted and irregular routes by which many young men from rural Punjab enter Europe.

The Canadian corridor is a settlement corridor. India was the leading source of new immigrants to Canada between 2016 and 2021, with 246,995 arrivals (Statistics Canada, n.d.), and the dominant route for young people from Punjab and Haryana has been a study permit, followed by a post-graduation work permit and permanent residence. Its cost is high. After Canada doubled its proof-of-funds requirement and capped study permits in 2024, the cost of moving to Canada reportedly rose from Rs 22-23 lakh to about Rs 37 lakh, and a Punjab Agricultural University study put the cost of the study-visa route at Rs 18-25 lakh per person. Families commonly sell or mortgage agricultural land to pay for it (The Tribune, 2024; ThePrint, 2024; Mint, 2025).

The United States corridor has two faces. Its large remittances, about US$33 billion in 2023-24, come mainly from skilled professionals on H-1B visas, students on the F-1 and OPT route and established green-card holders, almost all from middle-class or richer households. For poor households the relevant route is different. Pew Research Center estimated about 725,000 unauthorised Indian immigrants in the United States in 2021, the third-largest group after Mexico and El Salvador, and US Customs and Border Protection recorded 96,917 encounters with Indians in fiscal 2023 and 90,415 in fiscal 2024 (Passel & Krogstad, 2023; Budiman & Kapur, 2025; The Week, 2025). Most travel on the 'dunki' route through Latin America and Mexico, arranged by agents. Deportees returned in 2025 reported paying between Rs 35 lakh and Rs 57 lakh, often by selling farmland and borrowing at interest (The Tribune, 2025; The Wire, 2025). Removals rose sharply after January 2025: by August 2025 more than 1,700 Indians had been deported, mostly from Haryana, Punjab and Gujarat (India Tribune, 2025). Since 1 January 2026, a 1 percent US excise tax has applied to remittances sent in cash, money

orders or cashier's cheques, which falls mainly on undocumented and lower-income senders who use cash (Business Standard, 2026).

3. Literature Review and Hypotheses

3.1 Remittances and household welfare in India

International evidence shows that remittances reduce poverty headcounts (Adams & Page, 2005), even though their effect on aggregate growth is hard to detect (Clemens & McKenzie, 2018). The Indian literature is dominated by Kerala. Studies of the Gulf boom documented large effects on consumption, housing, land prices and the state economy (Prakash, 1998; Kannan & Hari, 2002). The Kerala Migration Survey series, begun in 1998, showed that remittances raised household consumption, housing quality and schooling and reduced poverty in migrant households, while the gains were concentrated among communities and districts with dense migration networks (Zachariah, Mathew & Rajan, 2001; Zachariah & Rajan, 2012; Rajan & Zachariah, 2019). Ethnographic work showed how Gulf money was converted into houses, gold, marriages and status, sometimes with little productive investment (Osella & Osella, 2000). At the national level, Tumbe (2011) documented the regional concentration of remittances, and Kapur (2010) traced the economic and political effects of the diaspora.

Evidence on the newer northern corridors is thinner. ILO-KNOMAD surveys of the India–Saudi Arabia corridor show substantial worker-paid recruitment costs and significant earnings losses among low-skilled migrants (Abella & Sasikumar, 2020), and an NYU Stern study found that Indian migrants to the Gulf construction sector paid recruitment fees averaging US$1,000-3,000 (Segall & Labowitz, 2017). Work on Punjab documents the turn from Gulf labour migration to student migration to Canada, Australia and the United Kingdom, financed by land sales and debt.

3.2 Gaps

Three gaps motivate the paper. First, Indian studies measure poverty or consumption rather than **class**. Crossing a poverty line is different from entering a secure middle class (Banerjee & Duflo, 2008; Birdsall, 2010; López-Calva & Ortiz-Juarez, 2014), and India now has a well-established income-class scheme, the PRICE ICE 360° classification, that makes the distinction operational. Second, studies rarely separate **observed** welfare while remittances flow from **durable** welfare after they stop, although return and post-return activity are central to the theory of temporary migration (Dustmann & Kirchkamp, 2002; Dustmann & Görlach, 2016). Third, studies pool destinations, although the new economics of labour migration (Stark & Bloom, 1985; Taylor, 1999) and the remittance-decay literature (Makina & Masenge, 2015; Czaika & Spray, 2013; Bollard et al., 2011) imply that remittance profiles depend on the migrant's legal status, family location and intention to return, all of which differ between the Gulf, Europe and Canada.

3.3 Hypotheses

- **H1 (exit from destitution).** Remittances quickly lift destitute and lower-aspirer households into the upper-aspirer band in all four corridors while the migrant is abroad.
- **H2 (reversibility).** Observed gains exceed durable gains, and the gap is largest in the Gulf, where return is certain.
- **H3 (years abroad).** Durable mobility rises with years abroad as debt is repaid and assets accumulate, with a corridor-specific threshold duration.
- **H4 (middle-class ceiling).** Remittances from one low- or semi-skilled migrant rarely carry a poor household durably into PRICE's middle class.

4. Conceptual Framework

4.1 An Indian class scheme

We use the household income classes of the PRICE ICE 360° survey, which define households as destitute (annual income below Rs 1.25 lakh), aspirers (Rs 1.25-5 lakh), middle class (Rs 5-30 lakh, subdivided into 'seekers' at Rs 5-15 lakh and 'strivers' at Rs 15-30 lakh) and rich (above Rs 30 lakh), all at 2020-21 prices (PRICE, 2022). On this scheme the middle class grew from 14 percent of the population in 2004-05 to 31 percent in 2020-21. We uprate the thresholds by about 25 percent to 2024-25 prices, an approximation of cumulative consumer-price inflation, and express them per month. Because the aspirer band is very wide, we split it at Rs 30,000 a month into lower and upper aspirers. Table 1 gives the resulting six classes.

Table 1. Household income classes used in this paper (2024-25 prices)

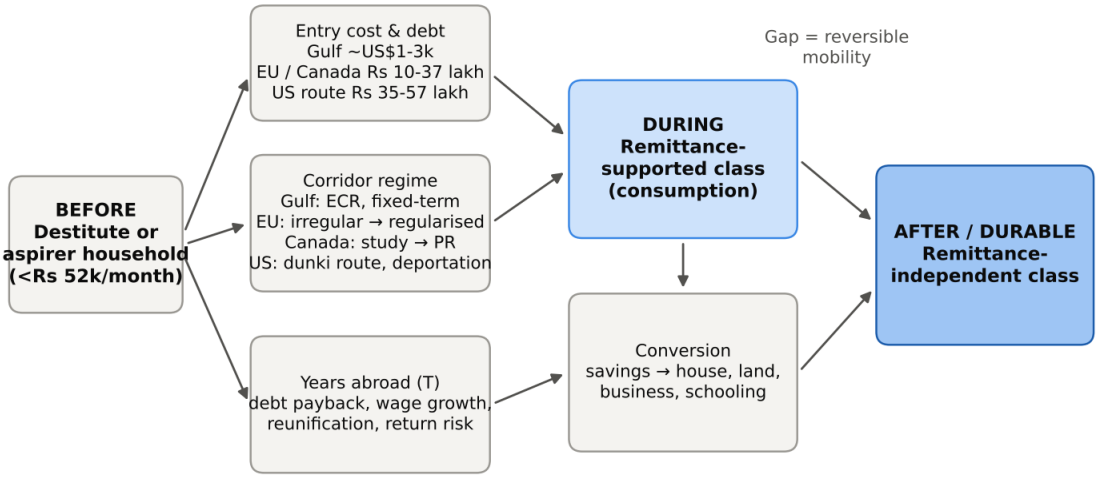
Class	PRICE label	Annual income, 2020-21 prices	Monthly income, 2024-25 prices (approx.)
Destitute	Destitute	Below Rs 1.25 lakh	Below Rs 13,000
Lower aspirer	Aspirer (lower part)	Rs 1.25-2.9 lakh	Rs 13,000-30,000
Upper aspirer	Aspirer (upper part)	Rs 2.9-5 lakh	Rs 30,000-52,000
Lower middle	Middle class: Seeker	Rs 5-15 lakh	Rs 52,000-156,000
Middle	Middle class: Striver	Rs 15-30 lakh	Rs 156,000-312,000
Rich	Near-rich and above	Above Rs 30 lakh	Above Rs 312,000

Source: PRICE (2022) ICE 360° classes; uprating to 2024-25 prices and the split of the aspirer band are the author's.

4.2 Before, during and after

For each origin household we define three states (Figure 3). The **before** state is its class on pre-migration income. The **during** state is its observed class while the migrant is abroad: own income minus the migrant's forgone domestic earnings, plus remittances net of migration-debt service. The **durable** state is the class the household would hold on remittance-independent income if remittances stopped and the migrant returned: own income, the returnee's domestic earnings (with a premium for skills gained abroad), the return on assets accumulated from remittances, minus interest on outstanding debt.

Figure 3. Conceptual framework: from before-migration class to observed and durable class



Source: Author.

4.3 Four corridor regimes

Table 2. The four corridor regimes for poor Indian households

Feature	Gulf (GCC)	EU (Italy, Portugal, Greece)	Canada	United States (poor households)
Legal regime	ECR clearance; fixed-term, employer-sponsored (kafala); no settlement	Often agent-assisted or irregular entry; regularisation, seasonal quotas; settlement possible	Study permit → post-graduation work permit → permanent residence	Irregular 'dunki' entry; asylum claim and work authorisation; deportation risk
Main origin regions	Uttar Pradesh, Bihar, Rajasthan, West Bengal, Tamil Nadu; Kerala historically	Rural Punjab (Doaba, Malwa); Haryana	Punjab and Haryana; urban India	Haryana, Punjab, Gujarat
Entry cost	US$1,000-3,000 recruitment fee	High agent or smuggling fees; years of irregular status	Rs 18-37 lakh; land sold or mortgaged	Rs 35-57 lakh; land sold, loans at interest
Earnings abroad	Low: minimum referral wages of about SAR 1,200 / AED 1,500	Low while irregular; rises after regularisation	Low while studying; high after permanent residence	High even in informal work
Remittance behaviour	High share of a low wage; family left behind	Moderate; falls after family reunification	Small at first; later a modest share of a high income	High once debt is cleared; 1% tax on cash transfers since 2026
Return	Certain	Uncertain	Rare, but rising as permits expire	Frequent, involuntary (removal)
Expected class signature	Fast exit from destitution; reversible	Slow, debt-heavy, partly durable	Late and selective; risky for poor households	A lottery: high gains or durable destitution

Source: Author's synthesis of MEA, KMS, Ministero del Lavoro, Statistics Canada, Pew Research Center and sources cited in Section 2.

5. Model and Calibration

5.1 Approach

A direct test of the three-state framework needs, for the same households, pre-migration income, destination, years abroad, remittances, migration debt and post-return income. The Periodic Labour Force Survey and the Household Consumption Expenditure Survey do not record migration histories in this detail, the KMS covers only Kerala, and eMigrate records departures but not household outcomes. We therefore build a cohort microsimulation in which each component is calibrated to published evidence, and use it to derive corridor-specific predictions.

5.2 Model

For household i in corridor c, let Y_0 be pre-migration monthly household income and w^{d} the migrant's forgone domestic earnings. Gross remittances in year t are

$$R(i,t) = w(i,t) \cdot s(i,t) \cdot e \cdot A(i,t) \tag{1}$$

where w is the wage abroad (an early level before regularisation and a later level after, with real growth), s the share remitted (falling after family reunification), e the exchange rate (Rs 85 per US$) and A an indicator that the migrant is still abroad. Migration debt D is repaid first, with debt service capped at 60 percent of remittances. Observed income is

$$Y(during) = Y_0 - w^d + R(i,t) - DS(i,t) \tag{2}$$

A fraction σ of net remittances is saved into assets K with real return r. Durable income is

$$Y(durable) = Y_0 - w^d + \pi \cdot w^d + r \cdot K(i,t)/12 - i \cdot D(i,t) \tag{3}$$

where π is the returnee earnings premium and i the monthly interest rate on outstanding debt (1 percent). Each year, migrants still abroad face a corridor-specific probability of involuntary return. We simulate 20,000 households per corridor for 15 years. Pre-migration income is lognormal with a median of Rs 22,000 a month, truncated at Rs 8,000-51,900, so that about 7 percent start as destitute, 74 percent as lower aspirers and 19 percent as upper aspirers. This is the population from which most ECR migration originates.

5.3 Calibration

Table 3. Calibration of the corridor parameters (central values)

Parameter	Gulf	EU	Canada	US	Basis
Entry cost (US$, median)	1,500	15,000	35,000 (70% borne by household)	55,000 (60% debt)	Segall & Labowitz (2017); press reports of Rs 18-37 lakh (Canada) and Rs 35-57 lakh (US); EU route assumed
Wage abroad, early (US$/month)	450	650	1,700	1,800	Minimum referral wages; irregular farm work; student work
Wage abroad, late (US$/month)	450	1,900	3,800	2,800	Regularised farm/service work; established PR earnings
Years to regularisation	0	3 (sd 1.2)	3.5 (sd 1.0)	1.5 (sd 0.8)	Italian regularisation; study → PR route
Remittance share of wage	0.65	0.40	0.05 → 0.15	0.35	Target saver vs settler
Family reunification (prob.; year)	none	0.6; year 7	0.6; year 6	0.3; year 9	Settlement regimes
Fall in remittances after reunification	—	45%	40%	40%	Remittance-decay literature
Annual involuntary-return risk	7%	2%	2%	10%	Contract non-renewal, nationalisation, permit expiry, removal
Saving rate out of net remittances	22%	25%	30%	25%	KMS evidence on housing and asset purchases
Returnee earnings premium	1.15	1.30	1.50	1.20	Dustmann & Kirchkamp (2002)
Real return on remittance assets	7%	7%	7%	7%	Housing, land, small business

Notes: Pre-migration household income lognormal, median Rs 22,000/month; migrant's domestic earnings on average 45% of household income. Exchange rate Rs 85/US$. Code: sim.py (Python, seed 20261119).

As a check, the model's median net Gulf remittance of about Rs 25,000-28,000 a month (Rs 3.0-3.4 lakh a year) is of the same order as, and somewhat above, the KMS 2023 average of Rs 2.24 lakh a year per emigrant household, which includes households with students and low earners.

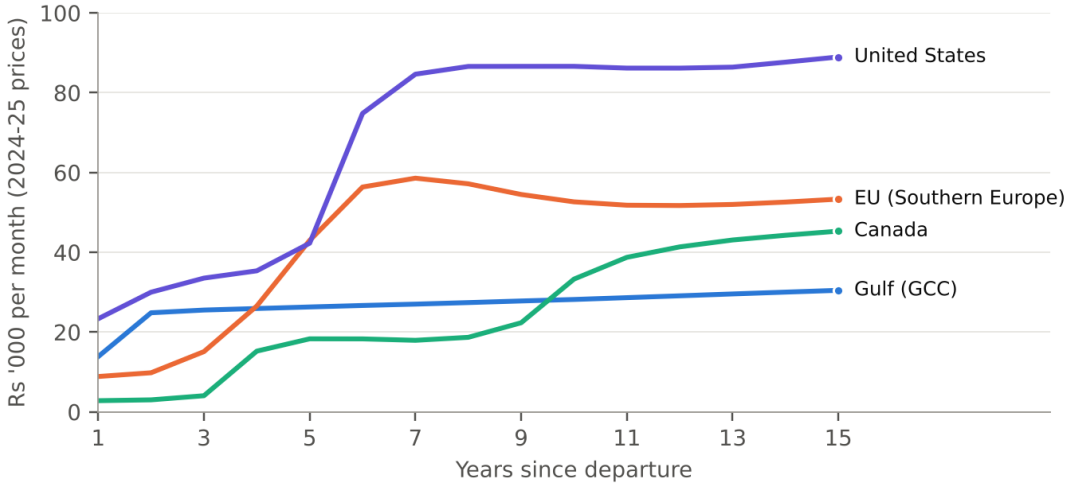
6. Results

All results are model predictions for poor households conditional on one member migrating through the stated corridor. They are not survey estimates.

6.1 The time profile of remittances

The four corridors produce very different remittance profiles (Figure 4). In the Gulf, net remittances are reduced in the first year by debt service (median about Rs 13,900 a month) but the debt is small, and from the second year they settle at Rs 25,000-30,000 a month. In the EU corridor, the irregular phase keeps net remittances below Rs 15,000 for about three years; after regularisation they rise to a peak of nearly Rs 58,000 around year seven and then ease to about Rs 53,000 as families are reunited. In the Canadian corridor, net remittances are negligible for the first three years (Rs 3,000-4,000), about Rs 18,000 at year five, and reach Rs 33,000 only at year ten and Rs 45,000 at year fifteen, once the debt is cleared. In the US corridor, remittances are high from the start (about Rs 58,000 gross a month in year one), but more than half goes on debt service for about five years; once the debt is cleared, net remittances reach about Rs 87,000 a month, the highest of the four corridors.

Figure 4. Simulated median net remittances by years since departure (Rs '000 per month, 2024-25 prices)



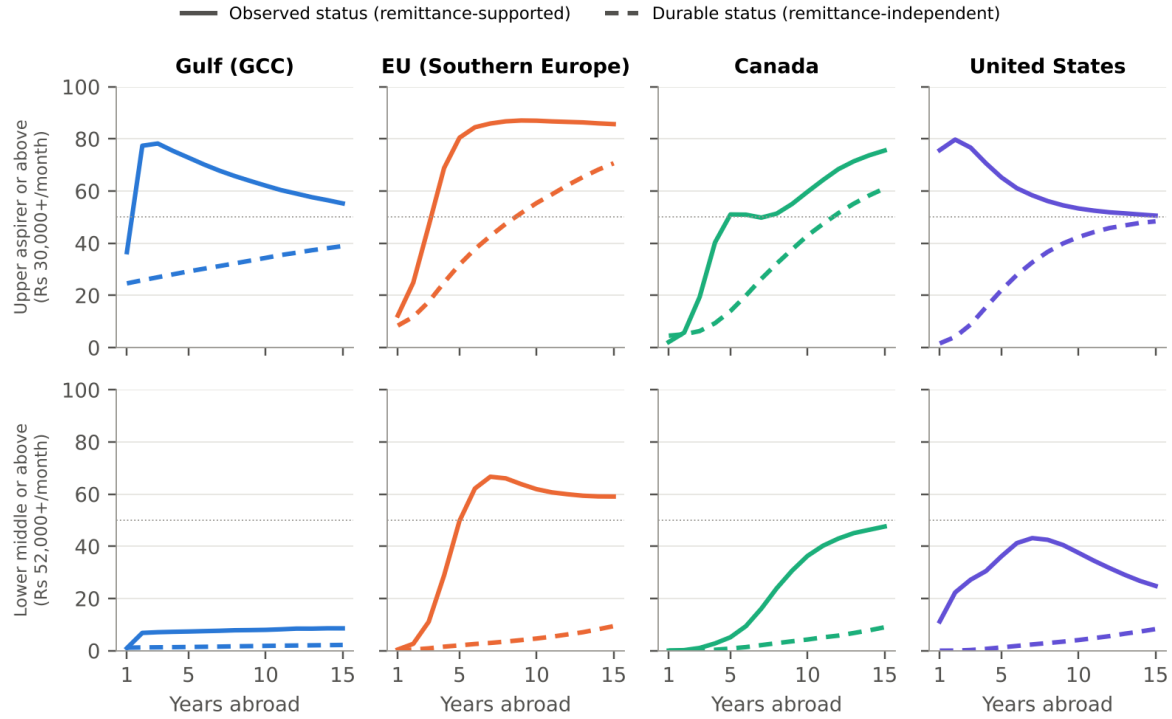
Source: Author's calibrated microsimulation (N = 20,000 per corridor). Net of migration-debt service; migrants still abroad.

6.2 Observed versus durable class

Figure 5 shows, for each of the four corridors, the share of households in the upper-aspirer band or above (top row) and in the lower-middle (seeker) class or above

(bottom row), on an observed and a durable basis. Tables 4 and 5 report selected values. About 19 percent of households start in the upper-aspirer band and none in the middle class.

Figure 5. Share of poor-origin households reaching the upper-aspirer band and the lower-middle class, observed and durable, by years abroad



Source: Author's calibrated microsimulation. Observed status includes households whose migrant has returned (their observed income equals their durable income). Dotted line marks 50 percent.

Table 4. Share of households in the upper-aspirer band or above (%), by corridor and years abroad (baseline about 19%)

Years abroad	Gulf obs.	Gulf dur.	EU obs.	EU dur.	Canada obs.	Canada dur.	US obs.	US dur.
1	36.6	24.6	12.3	8.4	2.2	4.6	75.7	1.6
3	78.2	27.0	46.6	17.6	19.4	6.3	76.7	8.8
5	72.8	29.2	80.4	31.8	51.0	14.0	65.2	22.0
8	65.7	32.3	86.7	47.5	51.4	32.2	56.2	36.7
10	62.1	34.4	87.0	55.4	59.7	43.0	53.3	42.4
15	55.3	38.9	85.7	70.6	75.5	61.0	50.6	48.4

Source: Author's calibrated microsimulation. obs. = observed; dur. = durable.

Table 5. Share of households in the lower-middle (seeker) class or above (%), by corridor and years abroad (baseline 0%)

Years abroad	Gulf obs.	Gulf dur.	EU obs.	EU dur.	Canada obs.	Canada dur.	US obs.	US dur.
1	1.0	1.1	0.5	0.2	0.0	0.0	11.2	0.0
3	7.1	1.3	11.1	0.9	1.0	0.1	27.2	0.3
5	7.3	1.4	49.8	2.0	5.1	0.8	36.1	1.2
8	7.8	1.7	66.0	3.5	23.9	2.9	42.5	2.9
10	8.0	1.8	61.9	4.7	36.3	4.3	37.5	4.1
15	8.6	2.2	59.1	9.4	47.6	9.0	24.8	8.3
Migrant still abroad at year 10 (%)	51.4		83.2		83.4		39.1	

Source: Author's calibrated microsimulation. obs. = observed; dur. = durable.

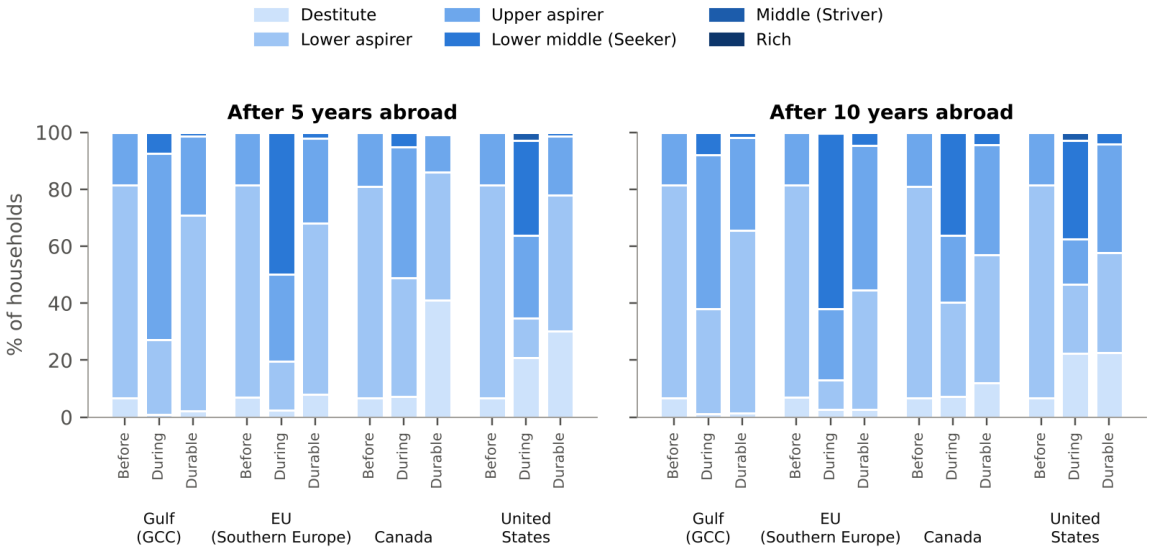
H1 is supported. In all four corridors most households reach the upper-aspirer band while remittances flow, but at different speeds: in the first year in the US corridor, the second in the Gulf, the fourth in the EU and the fifth in Canada. Destitution almost disappears among Gulf households while the migrant is abroad, falling from about 7 percent to around 1 percent.

H2 is supported. The observed-durable gap at year five is 44 percentage points in the Gulf, 49 in the EU and 37 in Canada (upper-aspirer threshold). By year ten it narrows to 17 points in Canada and 32 in the EU, but remains 28 points in the Gulf, where the durable share is only 34 percent, barely above the 19 percent starting point. In the US corridor the gap is 74 points in year one, because almost every household is lifted by large remittances while carrying a debt of some Rs 28 lakh; it closes only as the debt is repaid or as deportations bring observed and durable incomes together.

H4 is strongly supported. The lower-middle (seeker) threshold of about Rs 52,000 a month is almost out of reach for Gulf households: fewer than 9 percent cross it even while remittances flow, and about 2 percent on a durable basis. The EU corridor carries about half of households across it on an observed basis by years five to six, and Canada nearly half by year fifteen. In the US corridor, up to 43 percent cross it on an observed basis around year eight, but the share then falls as deportations accumulate. In all of these the durable share stays below 10 percent after fifteen years. Entry into the striver (middle) class is effectively zero in all corridors.

6.3 Transitions in class composition

Figure 6. Class composition before migration, during migration and on a durable basis, after 5 and 10 years abroad



Source: Author's calibrated microsimulation. Classes as in Table 1.

Table 6. Class distribution after 10 years abroad (%)

Class	Before (all)	Gulf during	Gulf durable	EU during	EU durable	Canada during	Canada durable	US during	US durable
Destitute	6.6-7.0	1.2	1.4	2.6	2.7	7.2	11.9	22.4	22.6
Lower aspirer	74.4-74.6	36.8	64.2	10.4	41.9	33.1	45.1	24.3	35.0
Upper aspirer	18.6-19.0	54.1	32.5	25.1	50.7	23.4	38.7	15.8	38.3
Lower middle (Seeker)	0.0	8.0	1.8	61.6	4.7	36.2	4.3	34.6	4.1
Middle (Striver)	0.0	0.0	0.0	0.3	0.0	0.1	0.0	2.9	0.0
Rich	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Author's calibrated microsimulation. 'During' includes returned households at their durable income.

Figure 6 and Table 6 show a striking feature of the Canadian corridor. At year five, 41 percent of Canadian-route households would be destitute on a durable basis, against 7

percent before migration, because the household carries a debt of Rs 20 lakh or more while the migrant remits little. By year ten the share has fallen to 12 percent, still above the starting level. For a poor household, the Canadian route is a high-stakes gamble whose downside is durable destitution if the migrant fails to obtain permanent residence and returns early. The US corridor shows the same pattern more sharply: 22 percent of US-route households are destitute on an observed basis at year ten, almost all of them households whose migrant was deported before the debt was repaid, while 35 percent of all US-route households are in the lower-middle class and 3 percent in the striver class, the only corridor in which more than a trace of households reaches it.

6.4 Years abroad: corridor thresholds

Table 7. Years abroad until at least 50% of poor-origin households reach a class

Threshold	Gulf	EU	Canada	US
Upper aspirer or above, observed	2	4	5	1
Upper aspirer or above, durable (minimum effective duration)	not reached (39% at year 15)	9	12	not reached (48% at year 15)
Lower middle (Seeker) or above, observed	not reached (max. ~9%)	6	not reached (48% at year 15)	not reached (max. 43%)
Lower middle (Seeker) or above, durable	not reached	not reached	not reached	not reached
Middle (Striver) or above, any basis	not reached	not reached	not reached	not reached (max. 3.5%)
Median durable income at year 10 / 15 (Rs/month)	26,400 / 27,500	31,300 / 35,600	27,900 / 33,400	27,400 / 29,300

Source: Author's calibrated microsimulation.

H3 is supported, but the thresholds are long. Measured by the durable upper-aspirer threshold, the minimum effective duration is about nine years for the EU and twelve for Canada; in the Gulf, fewer than 40 percent of households reach it even after fifteen years, and in the US corridor fewer than half, because deported households fall back below it. Durable movement into the middle class is not reached within fifteen years in any corridor.

6.5 Sensitivity and a skilled-Gulf variant

Because Indian recruitment fees are modest relative to Gulf earnings, the cost of entry hardly matters: 73 percent of Gulf migrants are debt-free by the end of the first year, and varying the cost between US$800 and US$3,000 changes outcomes by less than one percentage point. Involuntary return matters much more. Lowering the annual return

risk from 12 to 3 percent raises the observed upper-aspirer share at year five from 64 to 81 percent and the durable share at year ten from 33 to 37 percent (Table 8).

Table 8. Gulf corridor: sensitivity to involuntary-return risk and recruitment cost (% upper aspirer or above)

Annual return risk	Recruitment cost (US$)	Observed, year 5	Durable, year 5	Durable, year 10
3%	800	81.5	30.3	37.3
3%	1,500	81.2	30.4	37.4
3%	3,000	81.3	29.5	36.8
7% (central)	800	73.3	29.5	34.7
7% (central)	1,500	72.4	29.4	34.4
7% (central)	3,000	72.6	28.2	33.5
12%	800	63.4	29.2	32.7
12%	1,500	63.7	29.1	32.7
12%	3,000	63.5	27.9	31.4

Source: Author's calibrated microsimulation (separate runs; values may differ slightly from Table 4 because of random draws).

A **skilled Gulf** variant (wage US$1,100 a month, closer to reported earnings of certified welders and heavy-vehicle drivers) changes the picture. Seventy-eight percent of households are in the lower-middle class on an observed basis at year five, and 58 percent are durably upper-aspirer at year ten, rising to 69 percent at year fifteen. Even so, the durable lower-middle share is only 4 percent at year ten and 8 percent at year fifteen. Skill is the main lever for the Gulf corridor, but a single migrant's remittances still do not build a durable middle-class income within fifteen years.

7. Discussion: Four Indian Phenomena

7.1 The Gulf phenomenon: an exit from destitution, not a ladder

For the poor households of Uttar Pradesh, Bihar and other northern and eastern states, the Gulf is the only corridor open at scale, and it does what it promises: within a year or two it removes destitution and lifts most households into the upper-aspirer band. It does not make them middle class. A Gulf wage of about US$450 and remittances of Rs 25,000-30,000 a month are too small, relative to an Indian middle-class threshold of about Rs 52,000, to carry a household across it. The durable gains are modest because savings go into housing, marriage and debt repayment rather than income-earning assets, and because return is frequent. This is the same pattern the Kerala literature documented in the first Gulf generation, but in Kerala it unfolded over decades, with multiple migrants per household, rising skill levels and heavy investment in children's education. Kerala's middle-class outcome was built across generations, not within a single contract. The model also suggests why remittances from the Gulf have stagnated

as a share of India's total: the corridor carries the lowest-paid workers, while higher earners have moved to the West. The regional conflict of 2026, which led to project suspensions and lay-offs of Indian workers in the Gulf according to press reports, illustrates the involuntary-return risk that the model identifies as the main threat to Gulf households.

7.2 The European phenomenon: the Punjabi climb

The European corridor begins badly for the origin household. Agent fees and irregular entry impose a large debt, and the early years of undocumented farm or dairy work bring little income home. Once the migrant is regularised, however, his earnings rise to roughly four times a Gulf wage, half of households pass the lower-middle threshold on an observed basis, and assets build up. By year nine half of the households are durably upper-aspirer, and by year fifteen 71 percent. Family reunification later reduces remittances, and the durable lower-middle share remains under 10 percent. The European phenomenon is a slow, risky, partially durable climb, and its risks fall hardest on undocumented workers within the caporalato system.

7.3 The Canadian phenomenon: a middle-class strategy that can ruin the poor

The Canadian study route is, in effect, a middle-class mobility strategy. Its cost of Rs 18-37 lakh is many times the annual income of an aspirer household; it is financed by selling or mortgaging land, which only landowning families can do. For households that are already lower-middle or middle class, the route consolidates and extends their position. For a genuinely poor household, the model predicts a long period of durable destitution while the debt is serviced and the student remits little, and a durable recovery only after a decade. The 2024 Canadian caps on study permits and the expiry of large numbers of post-graduation work permits raise the probability of early return and make the downside more likely. Policy should not encourage poor families to borrow for this route.

7.4 The United States phenomenon: two corridors and a lottery

The United States is India's largest source of remittances, but almost none of that money reaches poor households directly. The legal US corridor of H-1B professionals, students and green-card holders is a middle-class corridor: it consolidates and extends the position of already-educated households and explains why advanced economies now send more than half of India's remittances. Poor and lower-aspirer households reach the United States, if at all, through the irregular 'dunki' route, and for them the corridor works as a lottery. If the migrant gets in, obtains work authorisation and avoids removal, earnings of US$2,000-3,000 a month allow remittances that, once the debt is cleared, are the highest of any corridor, and 3 percent of households even reach the striver class while remittances flow. If he is caught at the border or deported in the first years, the household is left with a debt of Rs 25-30 lakh and no remittances, and falls into durable destitution: about 22 percent of households end there in the model. The

removals and deportation flights of 2025, the Rs 35-57 lakh paid by deportees, and the new 1 percent tax on cash remittances all make the downside more likely. For poor households the US route offers the largest prize and the worst risk of the four corridors.

7.5 Before-and-after status and years abroad

Comparing a household's class before migration with its class while remittances flow overstates mobility in every corridor. Comparing it with the durable class gives a truer picture, which depends on years abroad and on the migrant's skill. In the Indian context the honest summary is that remittances from one low- or semi-skilled worker move a household from destitution or the lower-aspirer band to the upper-aspirer band, and that, with enough years abroad, this movement becomes durable in the European and Canadian corridors, while in the US corridor it depends above all on avoiding deportation. Entry into the middle class proper requires more: a skilled migrant, more than one migrant, or the conversion of remittances into the education of the next generation, the route by which Kerala's Gulf households eventually joined the middle class.

8. Policy Implications, Limitations and Research Agenda

8.1 Corridor-specific policy

- **Gulf: raise skills and protect tenure.** The skilled-Gulf variant shows that skill is the decisive lever. Skill India International centres, destination-recognised certification and pre-departure training for workers from Uttar Pradesh and Bihar would raise both earnings and durable mobility. Labour and manpower agreements with GCC states should protect contract renewal and end-of-service benefits, since involuntary return is the main risk.
- **Gulf: turn remittances into income.** Pravasi savings and pension schemes, returnee enterprise credit and state-level programmes modelled on Kerala's NORKA initiatives can help convert savings into income-earning assets rather than idle housing.
- **EU: legal pathways instead of irregular routes.** Expanded use of Italy's seasonal and non-seasonal worker quotas and the India–Italy and India–Portugal mobility agreements would remove the agent debt and the years of irregular status that make the European corridor costly.
- **Canada: protect poor families from ruinous debt.** Regulation of study-abroad agents, honest information on permanent-residence odds and earnings, and caution in lending against agricultural land would reduce the risk that poor households fall into durable destitution.
- **United States: close the dunki market and open legal doors.** Prosecution of trafficking agents, regulation of overseas-recruitment advertising, and public information on deportation risk would protect families from ruinous debt; legal pathways for skilled and semi-skilled workers, and digital remittance channels

exempt from the cash-transfer tax, would let the corridor's high earnings reach poorer households more safely.

- **Measure durable mobility.** A migration module in the PLFS or HCES, recording years abroad, destination, migration debt and pre-migration income, and a national version of the KMS would allow durable mobility to be monitored directly.

8.2 Limitations

The results are model-based. Several parameters, including the saving rate, returnee premium, timing of family reunification, cost of the European route and share of Canadian costs borne by the household, are not directly observed and are set at plausible central values. The uprating of PRICE thresholds is approximate, and income-based classes do not capture assets, land or caste, all of which shape class position in India. The model holds the household's own income constant in real terms, considers one migrant per household and excludes the intergenerational returns to remittance-financed education, which would raise long-run mobility. Remittances through informal channels are not separately modelled. Some corridor figures come from press summaries of official data and should be checked against the source tables.

8.3 An econometric design

The predictions can be tested with KMS panel data for Kerala and with a migration module in national surveys. An ordered probit of class on remittance receipt by corridor, years abroad and their interaction, with district fixed effects, tests H1 and H3:

$$C^*(i) = \Sigma c\ \beta c \cdot Rem(i,c) + \Sigma c\ \gamma c \cdot Rem(i,c) \cdot Years(i) + X(i)'\delta + \mu(d) + \varepsilon(i) \quad (4)$$

Selection into migration and corridors can be addressed with a shift-share instrument built from historical district-by-destination emigration-clearance shares interacted with current destination labour demand (McKenzie & Rapoport, 2007), and with exchange-rate shocks across destination currencies (Yang, 2008). Durable mobility can be estimated by comparing households with a returned migrant to currently remitting households of similar pre-migration characteristics, using the KMS returnee panel.

9. Conclusion

Remittances move poor Indian households upward, but not as far as the record national totals suggest. The Gulf corridor, which carries most of India's poor migrants, removes destitution and lifts households into the upper-aspirer band within two years, yet almost none of them reach the middle class, and much of the gain disappears when the contract ends. The European corridor, mainly a Punjabi route to Italy and Portugal, produces a slower and riskier climb that becomes partly durable after about nine years. The Canadian study route can consolidate the position of households that are already middle class, but for poor households it is a costly gamble that can leave them destitute for years. The United States, India's largest source of remittances, is a middle-class corridor for legal migrants and a lottery for poor households on the irregular route: the

highest remittances if the migrant stays, and durable destitution for about one household in five if he is deported. Within fifteen years, a single low- or semi-skilled migrant's remittances almost never carry a poor household durably into India's middle class. Remittances buy security above destitution; middle-class status requires skills, legal pathways, productive investment and the education of the next generation.

Declarations

Funding: None. **Competing interests:** The author declares no competing interests. **Data and code availability:** The simulation code (Python), parameters and figure scripts are available from the corresponding author on request. All aggregate data are from public sources listed below. **Ethics:** Not applicable; no human participants were involved. **AI-assistance disclosure:** Drafting and simulation code were prepared with the assistance of an AI tool and reviewed by the author, who takes full responsibility for the content.

References

Abella, M. I., & Sasikumar, S. K. (2020). Estimating earnings losses of migrant workers due to COVID-19. Indian Journal of Labour Economics, 63, 921–939.

Adams, R. H., Jr., & Page, J. (2005). Do international migration and remittances reduce poverty in developing countries? World Development, 33(10), 1645–1669.

Banerjee, A. V., & Duflo, E. (2008). What is middle class about the middle classes around the world? Journal of Economic Perspectives, 22(2), 3–28.

Birdsall, N. (2010). The (indispensable) middle class in developing countries (Working Paper No. 207). Center for Global Development.

Budiman, A., & Kapur, D. (2025). Unauthorized Indians in the United States: Trends and developments. Johns Hopkins University School of Advanced International Studies.

Bollard, A., McKenzie, D., Morten, M., & Rapoport, H. (2011). Remittances and the brain drain revisited: The microdata show that more educated migrants remit more. World Bank Economic Review, 25(1), 132–156.

Business Standard. (2026, January 1). US remittance tax comes into effect today: How will it impact Indians?

Clemens, M. A., & McKenzie, D. (2018). Why don't remittances appear to affect growth? Economic Journal, 128(612), F179–F209.

Czaika, M., & Spray, J. (2013). Drivers and dynamics of internal and international remittances. Journal of Development Studies, 49(10), 1299–1315.

Dustmann, C., & Görlach, J.-S. (2016). The economics of temporary migrations. Journal of Economic Literature, 54(1), 98–136.

Dustmann, C., & Kirchkamp, O. (2002). The optimal migration duration and activity choice after re-migration. Journal of Development Economics, 67(2), 351–372.

Kannan, K. P., & Hari, K. S. (2002). Kerala's Gulf connection: Emigration, remittances and their macroeconomic impact 1972–2000 (Working Paper No. 332). Centre for Development Studies, Thiruvananthapuram.

Kapur, D. (2010). Diaspora, development, and democracy: The domestic impact of international migration from India. Princeton University Press.

López-Calva, L. F., & Ortiz-Juarez, E. (2014). A vulnerability approach to the definition of the middle class. Journal of Economic Inequality, 12(1), 23–47.

Makina, D., & Masenge, A. (2015). The time pattern of remittances and the decay hypothesis: Evidence from migrants in South Africa. Migration Letters, 12(1), 79–90.

McKenzie, D., & Rapoport, H. (2007). Network effects and the dynamics of migration and inequality: Theory and evidence from Mexico. Journal of Development Economics, 84(1), 1–24.

Ministero del Lavoro e delle Politiche Sociali. (2025). The Indian community in Italy 2025: Annual report on the presence of migrants. Rome.

Ministry of External Affairs (MEA). (2024–2025). Replies to Lok Sabha questions on emigration clearances and Indians in the Gulf (incl. Unstarred Question No. 905, 29 November 2024; No. 5592, 4 April 2025). Government of India.

Mint. (2025). Punjab's IELTS centres shut down as 'chalo Canada' dream fades [Reporting of a Punjab Agricultural University study].

Osella, F., & Osella, C. (2000). Migration, money and masculinity in Kerala. Journal of the Royal Anthropological Institute, 6(1), 117–133.

Passel, J. S., & Krogstad, J. M. (2023). What we know about unauthorized immigrants living in the U.S. Pew Research Center.

People Research on India's Consumer Economy (PRICE). (2022). The rise of India's middle class: ICE 360° survey report. PRICE.

Prakash, B. A. (1998). Gulf migration and its economic impact: The Kerala experience. Economic and Political Weekly, 33(50), 3209–3213.

Rajan, S. I. (2024). Kerala Migration Survey 2023. Gulati Institute of Finance and Taxation & International Institute of Migration and Development.

Rajan, S. I., & Zachariah, K. C. (2019). Emigration and remittances: New evidences from the Kerala Migration Survey 2018 (Working Paper No. 483). Centre for Development Studies.

Reserve Bank of India (RBI). (2025). India's remittances survey 2023-24 (sixth round). RBI Bulletin, March 2025; and balance-of-payments data for 2024-25 (as reported by IANS, 1 July 2025).

Scroll. (2026). Most Indians in Gulf states are staying put as war continues: Can a new bill protect their rights? Scroll.in.

Segall, D., & Labowitz, S. (2017). Making workers pay: Recruitment of the migrant labor force in the Gulf construction industry. NYU Stern Center for Business and Human Rights.

Stark, O., & Bloom, D. E. (1985). The new economics of labor migration. American Economic Review, 75(2), 173–178.

Statistics Canada. (n.d.). A statistical snapshot of Asians in Canada (2021 Census of Population). Ottawa.

Taylor, J. E. (1999). The new economics of labour migration and the role of remittances in the migration process. International Migration, 37(1), 63–88.

The Tribune. (2024). Rise and fall of the Canadian dream [Reporting on study-route costs in Punjab]. Chandigarh.

India Tribune. (2025). Dreams in shackles: The desperation of Haryana's deported migrants.

The Tribune. (2025). 'We walked through jungles, starved for days': Haryana youths deported from US share ordeal. Chandigarh.

The Week. (2025, February 22). US deporting illegal immigrants from India [Cover story].

The Wire. (2025). Third deportation flight from US exposes a nexus of donkers using dangerous dunki routes.

The Wire. (2025). Gulf dreams to global pathways: How Kerala's migration economy transitioned in the last decade.

ThePrint. (2024). Punjab's Canada visa obsession is wilting: Study abroad and travel shops running near empty.

Tumbe, C. (2011). Remittances in India: Facts and issues (Working Paper No. 331). Indian Institute of Management Bangalore.

World Bank. (2025). Poverty & equity brief: India (April 2025) and update to the international poverty lines (June 2025). World Bank.

Yang, D. (2008). International migration, remittances and household investment: Evidence from Philippine migrants' exchange rate shocks. Economic Journal, 118(528), 591–630.

Zachariah, K. C., Mathew, E. T., & Rajan, S. I. (2001). Impact of migration on Kerala's economy and society. International Migration, 39(1), 63–87.

Zachariah, K. C., & Rajan, S. I. (2012). Kerala's Gulf connection, 1998–2011: Economic and social impact of migration. Orient BlackSwan.

Appendix A. Simulation Algorithm

- For each of the four corridors, draw 20,000 households with pre-migration income $Y_0 \sim$ lognormal (median Rs 22,000/month), truncated to Rs 8,000-51,900, and migrant domestic earnings $w^d = \theta \cdot Y_0$, $\theta \sim N(0.45, 0.08)$.
- Draw migration cost D, early and late wages abroad, remittance shares, regularisation year and (for the EU, Canada and the US) whether and when family reunification occurs (probability 0.6, or 0.3 for the US).
- For t = 1,…,15: compute the wage; gross remittances R; debt service DS = min(D/12, 0.6R); observed income (equation 2); add σ × net remittances × 12 to assets K.
- Compute durable income (equation 3). Classify observed and durable income into the six classes of Table 1.
- At the end of each year, migrants still abroad return with the corridor's involuntary-return probability; their households thereafter receive no remittances.

- Repeat with alternative parameters for the sensitivity analysis and the skilled-Gulf variant. Random seed: 20261119.