

ASIA-PASIFIC  
DECENT WORK  
DECADE 2006  
2015



Bangladesh Employers' Federation



International  
Labour  
Organization

# ***Preliminary assessment of impact of labour migration from South Asia on the South Asian employers***

Bangladesh Employers' Federation

June 2015

ILO Country Office for Bangladesh

**DECENT WORK**

*A better world starts here.*

Working Together for the Rights of the Migrant Workers



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

**Swiss Agency for Development  
and Cooperation SDC**

ASIA-PASIFIC  
DECENT WORK  
DECADE 2006  
2015



# ***Preliminary assessment of impact of labour migration from South Asia on the South Asian employers***

Bangladesh Employers' Federation

June 2015

ILO Country Office for Bangladesh



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

**Swiss Agency for Development  
and Cooperation SDC**



## Foreword

The Government of Bangladesh has prioritized mainstreaming migration into the national development planning under the sixth five-year plan as well as in the *Vision 2021, the Perspective Plan of Bangladesh*. Given the recent dialogues, it seems clear that labour migration will continue to be a priority under the seventh five-year plan. The ILO programme for “Promoting Decent Work through Improved Migration Policy and Its Application in Bangladesh” is supporting ILO constituents in Bangladesh to help secure decent work for migrant workers. The programme undertakes a range of actions, among which the following areas have extensively involved tripartite constituents and civil society organizations:

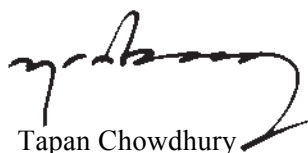
- strengthening labour migration governance and improving migrant workers’ employment conditions to the extent these can be addressed by Bangladesh as a country of origin,
- providing technical support for reasonable and more efficient recruitment procedures to minimize migration costs as well as to regulate the recruitment agencies, and
- encouraging domestic, regional and international cooperation among the ILO tripartite constituents for migrant workers’ rights.

This particular study was undertaken based on discussions held during a meeting of the South Asia Forum of Employers (SAFE) on 3-4 October 2013 in New Delhi, India. The Bangladesh Employers’ Federation (BEF), taking the lead from the SAFE discussions, collaborated with ILO for this study.


Understanding drawn from this preliminary assessment of impact of labour migration from South Asia on South Asian Employers will help:

- strengthen policy and institutional frameworks to maximize development impact of labour migration,
- promote better understanding of labour migration through sub-regional exchange of experience and expertise, and
- strengthen labour migration governance in a manner that is inclusive and responds to the needs of labour market actors.

We take this opportunity to thank the Swiss Agency for Development and Cooperation (SDC) for providing financial assistance to the programme. We thank Farzana Munshi, PhD, Associate Professor, Department of Economics, BRAC University, who conducted this study. We would also like to thank Farooq Ahmed, Secretary-General, BEF and Shaquib Quoreshi, Secretary, BEF, who facilitated this initiative. Furthermore we give special appreciation to the ILO colleagues, Nisha, Chief Technical Advisor and Disha Sonata Faruque, National Project Officer of the ‘Promoting Decent Work through Improved Migration Policy and Its Application in Bangladesh’ project, for supporting the research process.



Tapan Chowdhury  
President, BEF



Srinivas B Reddy  
Country Director, ILO

## **Acknowledgement**

The author takes this opportunity to thank the Swiss Agency for Development and Cooperation (SDC) for providing financial assistance, Farooq Ahmed, Secretary-General, BEF and Shaquib Quoreshi, Secretary, BEF, for facilitating this initiative, Nisha, Chief Technical Advisor, ILO for help in organizing the survey process and for very useful comments on the research report at different stages, and Disha Faruque, of the ‘Promoting Decent Work through Improved Migration Policy and Its Application in Bangladesh’ project, for her continuous support in the research process.

Dr. Farzana Munshi

# Contents

## Executive Summary

<b>Chapter 1: Introduction.</b>	1
1.1 Background and Rationale	1
1.2 Objective of the Study	1
1.3 Organization of the Study	1
<b>Chapter 2: Migration and Development: Definitions, Types, And Reasons</b>	2
2.1 Definitions	2
2.2 History of Migration	2
2.3 Types of Migration	3
2.4 Reasons for Migration	4
<b>Chapter 3: Labour Migration and Economic Development</b>	5
3.1 Theoretical argument	5
3.2 Empirical Evidence	6
3.3 Benefits and costs of economic migration	7
<b>Chapter 4: Impacts of Migration</b>	9
4.1 Micro-economic impacts of Migration	9
4.2 Macro-economic impacts of Migration	10
<b>Chapter 5: Impact on South Asia</b>	12
5.1 Patterns of Migration from South Asia	12
5.2 Studies on South Asia	27
5.3 Impact on South Asian Employers	27
<b>Chapter 6: Data and Methodology</b>	29
6.1 Data	29
6.2 Methodology	29
6.3 Results	30
<b>Chapter 7: Policy Recommendations</b>	31
<b>Chapter 8: Conclusion</b>	35
<b>Reference</b>	36
<b>Appendix</b>	39
<b>Questionnaire</b>	39

## List of Tables

Table 2.1: Factors contributing to the decision to migrate .....	4
Table 5.1: Percentage of International Women Migrants in South Asia .....	13
Table 5.2: The significance of migration in Nepal (2008) .....	21

## List of Figures

Graph 5.1: Remittance inflow to South Asia (1995-2014) .....	12
Graph 5.2: South-Asian Women migrants as percentage of International migrants .....	13
Graph 5.3: Number of yearly international migrants from India (1995–2007) .....	14
Graph 5.4: Remittance inflow of India in million US dollar (1995–2011) .....	15
Graph 5.5: Remittances of India (percentage of GDP) (1995–2013) .....	15
Graph 5.6: Number of yearly international migrants from Bangladesh (1995–2013) .....	16
Graph 5.7: Remittance inflow of Bangladesh in million US dollar (1995–2014) .....	17
Graph 5.8: Remittances as percentage of GDP in Bangladesh (1995–2013) .....	17
Graph 5.9: Gender disaggregation of Bangladeshi migrant workers (1995–2012) .....	18
Graph 5.10: Percentage of women among total number of migrated workers of Bangladesh (1995–2012) ...	18
Graph 5.11: Major destination countries for female migration from Bangladesh in 2005 .....	19
Graph 5.12: Major destination countries for female migration from Bangladesh in 2009 .....	19
Graph 5.13: Remittance Inflow of Nepal (In million US dollar) (1995–2011) .....	20
Graph 5.14: Remittances of Nepal (percentage of GDP) (1995–2013) .....	20
Graph 5.15: Remittance inflow of Pakistan in million US dollar (1995–2011) .....	22
Graph 5.16: Remittance of Pakistan (percentage of GDP) (1995–2013) .....	22
Graph 5.17: Number of yearly International migrants from Sri Lanka (1995–2011) .....	23
Graph 5.18: Remittance inflow of Sri Lanka (In million dollars) (1995–2011) .....	23
Graph 5.19: Remittances of Sri Lanka (percentage of GDP) (1995–2013) .....	24
Graph 5.20: Remittance of Afghanistan (percentage of GDP) (2008–2013) .....	24
Graph 5.21: Remittance inflow to Bhutan (2006–2011) .....	25
Graph 5.22: Remittance as percentage of GDP in Bhutan (2006–2013) .....	25
Graph 5.23: Remittance inflow of Maldives (In million US dollar)(1998–2011) .....	26
Graph 5.24: Remittance of Maldives (percentage of GDP) (1995–2012) .....	26

## **List of Abbreviations**

GNP	Gross National Product
GDP	Gross Domestic Product
OECD	Organisation for Economic Co-operation and Development
CGE	Computable General Equilibrium
RMG	Ready-made garments
ILO	International Labour Organisation
UN	United Nations
BB	Bangladesh Bank
BMET	Bureau of Manpower Employment and Training
KSA	Kingdom of Saudi Arabia
UAE	United Arab Emirates
USA	United States of America
SAARC	South Asian Association for Regional Cooperation
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ICT	Information and Communication Technology
SME	Small and Medium Enterprises



## **Executive Summary**

International migration is an intrinsic feature of globalization. The rise in international migration and its changing pattern calls for continuous research of its impact on migrants, families, communities and on countries. In South Asia international migration is considered as a promising way of economic development. Migration helps individuals to have better lives. Remittance from migration, through multiplier effect, contributes positively to society, and to macro economy of a country.

Migration literature analyses migration's impact on migrants, families and communities, and on macro-economic indicators. This study adds to the growing literature by i) reviewing existing literature to understand labour migration and economic development issues to promote rights-based and sustainable labour migration, ii) adding the analysis on migration's impact on employers in South Asia. The study will identify the sectors and industries experiencing impact of labour migration and analyze the correlation, if any, between migration and industry growth. Understanding drawn from this study would contribute to strengthening of policy and institutional frameworks which will maximize developmental impact of labour migration.

The motivation behind this study is the concern of potential production loss due to migration from the Ready-made-garments sector (RMG) in Bangladesh. The sector is the biggest foreign exchange earners, and employs a lion's share of the labour force of the country. The importance of this sector in economic development is indisputable. If migration of specific skilled workers from this sector slows down production then we need specific policy recommendation on this on an urgent basis.

The study researched on reasons behind migration, costs and benefits of migration, impacts of migration on origin and destination countries, by reviewing theories and existing empirical studies. To understand the key research question of impact of migration on employers, an exploratory approach is used. Our objective is to understand the targeted respondents' opinion better to do more rigorous research in future. Mostly open ended questions are used for this purpose. Guided by this research we can attempt to quantify responses to statistically inferable data. Based on review of existing literature and survey, policies are recommended for government, employers and employees.

Our study suggests, following Nobel Laureate economists theory of "unlimited supplies of labour," migration of less-skilled workers may not have very large impact on production in developing countries as they are relatively easy to replace. But migration of semi-skilled and skilled workers will cause loss of human capital and might affect production, at least, in very short run, if replacement is not found easily. However in the long run the effect of semi-skilled and skilled workers migration on production will be insignificant. Evidence from Nepal indicated that migration caused severe localized shortages and unreliable supply of labour (Adhikari, 2006). This acted as constraints on the competitiveness in Nepalese industries since employers were less interested to invest in skill development of workers.

Considering the total positive impacts of international migration on individual and on the country as a whole, the costs caused by this particular migration will be much less than the benefits. Hence, government and the employers should follow a policy which promotes international migration. At the same time employers and government can organize frequent training programmes to fill in the vacuum, if any, caused by migration of workers.

In addition to general policy recommendations for promoting migration in short, medium and long run, this study recommends specific policies for migration cost reduction and better utilization of remittances. The study stresses the importance of opening a research wing under relevant ministry to stimulate the migration process.

# **Chapter 1: Introduction**

## **1.1 Background and Rationale**

Ready-made-garments (RMG) are the biggest export earning sector in Bangladesh. The sector showed tremendous growth potential in terms of employment generation, backward and forward linkage effects, and in bringing foreign exchange. All these effects significantly contributed to Bangladeshi growth performance as is evidenced by many studies. Recently, officials from Bangladesh Garments Manufacturers Association (BGMEA) have expressed concern that migration of certain skilled employees from this sector is slowing down the production process which they termed as “efficiency loss”. The rationale behind this study is to examine this concern of potential production loss due to migration. If migration is hampering production in the biggest export earning sector should Bangladesh government continue encouraging migration? Both RMG and remittance from migration play crucial role in bringing foreign exchange. Should we discourage migration to facilitate RMG and other export earnings sector then? Is the scenario common in other South Asian countries? These are some of the research questions this study answers.

## **1.2 Objective of the study**

The objective of this study is to understand labour migration and economic development and suggest policies to promote rights-based and sustainable labour migration. In particular, we examine the impact of international migration on South Asian employers. To carry analysis the study researched on reasons behind migration, patterns of migration, costs and benefits of migration, impacts of migration in origin countries. The existing literature on theory and empirics is huge on this topic and so are the programmes and policies to encourage migration. This study provides a systematic review of existing literature, did a survey, and suggests policy based on that. The study will identify the sectors and industries experiencing labour migration’s impact on production and analyse the correlation, if any, between migration and industry growth. Understanding drawn from this study is expected to contribute in strengthening of policy and institutional frameworks which will maximize developmental impact of labour migration.

## **1.3 Organization of the study**

After introduction in the first chapter the study discuss some relevant definitions and reasons for migration in the second chapter. Chapter three reviews existing theories and previous empirical studies on migration and economic development. Theories include Classical, Neoclassical models, Classical theory of Brain Drain and Brain Gain, Structural and Dependency theory. In the empirical review part impacts on destination and origin countries are discussed. The chapter also includes a section on benefits and costs of international migration. In chapter four micro and macro-economic impacts of migration are briefly discussed. Macro-economic impacts include impacts on macro variables: GDP growth, balance of payment, unemployment, inflation, income distribution and poverty. Chapter five is discussion about South Asia: patterns of migration from South Asia, studies on South Asia and impact on South Asian employers are discussed in three subsections. Data and methodology of the study are presented in chapter six. Policy recommendations are offered in the next chapter. Conclusion based on our study is provided in chapter eight.

## **Chapter 2: Migration and Development: Definitions, Types, Reasons**

### **2.1 Definitions**

#### **2.1.1 Migration**

International Organization for Migration defines migration as movement of individuals or a group across countries and within a single country. The movement can be temporary, seasonal, permanent due to various reasons including economic, environmental, family, and political. Emigrants are the people who leave a country while immigrants are those who arrive in a country.

#### **2.1.2 Economic Development**

World Bank defines economic development as quantitative change and reformation of an economy in connection with social and technological progress. Generally rising per capita GNP or GDP are used as indicators of economic development. Economic development involves income growth along with sustainable increase in productivities of agents, firms and resources to raise the overall well-being. Some other indicators of economic development include continual formation of human capital, advanced infrastructure, higher literacy rate and life expectancy, better health, safety, social cohesion and reduced poverty rate.

#### **2.1.3 Migration and Economic Development**

Migration and economic development are closely related to each other: migration depends on underdevelopment, and is, influenced by it. Migration has both positive and negative impacts on development. In the past, researchers use to ask whether migration has positive or negative impacts on economic development. Considerable attention is given to negative impact of international migration on the “brain drain” ground in origin countries and on job-loss ground in destination countries. Research focused mostly on the direct effects of migration and remittance on households. However, migration affects households in many indirect ways as both migrant and non-migrant households’ income and production are affected by it. In addition, remittances have multiplier effects. Considering these effects migration research acknowledges the possibility of benefits of migration outweighing the costs associated with it. Recent migration research focuses on why international migration promotes economic development in some areas but not in others. How policy interventions can promote development particularly in labour-sending developing countries?

### **2.2 History of Migration**

International migration began in early 12<sup>th</sup> century. Mass migration happened during the ‘first wave of globalization’ (1870–1913); nearly 60 million people migrated from Europe to ‘New World’ of Australia, United States, Brazil, Argentina, Canada and New Zealand (Hatton and Williamson, 1992). Migration flow from Europe and Russia to the US slowed down during 1930s due to economic and political reasons. A number of countries emerged as emigration countries after World War II. Mediterranean countries started sending labours to oil-rich Arab countries during early 1970s, South Asian ones to Middle East, Malaysia, Singapore, and North America. Latin America and many Caribbean English speaking countries started sending labours to Canada, United States, Venezuela, Brazil, and Argentina. Mexico and many African countries also started migrating workers, mostly to North America. Major Latin American labour-sending countries to the United States during 1820-1998 were Cuba, Mexico and the Dominican Republic, the major Asian sending countries were the Philippines, China, Philippines, Republic of Korea and India and the major European sending countries were United Kingdom, Germany, Italy and Ireland (Solimano, 2004).

According to International Organization for Migration, currently almost 105million people work in a country other than in their home country. Statistics shows that from Bangladesh, Pakistan and India 5.4 million, 4.7 million and 11.4 million people migrated in 2010 (World Bank Factbook,2011).

### **2.3 Types of Migration**

Migration can be multidimensional; long-term, short-term, voluntary, involuntary, internal, international or irregular migration along with trafficking. The types are briefly discussed below:

- i) Temporary and permanent migration: There is no internationally agreed definition of how long the time period would be for temporary and permanent migration. The temporary migrations are mostly due to economic reasons. From migrants point of view the basic difference between temporary and permanent migrations is that short-term migration does not consider bringing family at destination country while the long-term one does. Statistics shows that temporary migrants, who are mostly highly skilled and skilled workers, replaced more and more long-term migrants over the years (Salt, 1992). Students and business visitors are in short-term category. Foreign students do part-time jobs while studying. After finishing studies many of them get jobs and stay as permanent migrants. On the other hand, business visitors typically have full-time employment but stay shorter time.
- ii) Internal migration: This is one of the oldest forms of migration. South Asia shows a greater internal migration compared to international migration. In Bangladesh, almost two thirds of migrations happen from rural areas to urban areas. Internal migration is dominant in India, around 62 per cent of all migrations during 1999–2000. Other South Asian countries portray similar pictures (Haque, 2005).
- iii) Voluntary or forced migration: The free movement of migrants with an expectation of a better quality of life is known as voluntary migration. A better quality of life could be better jobs, better climate, to be with friends and family, to enjoy more personal freedom or all of the above. Forced migration is when the migrant has no other choice but to move because of reasons like natural disaster, racial discrimination, wars, religious and/or political persecution. People who have been forced to leave their homes in fear of persecution for reasons such as war, race, religion, or politics are called refugees. Refugees live in very extreme conditions lacking sufficient food, clothing, shelter, education and medical care. Asylum seekers are people who have left their home country and applied to another country for recognition as a refugee and are waiting for a decision on their application.
- iv) Illegal immigrants: Illegal immigrants enter a country with minimum belongings and without personal documents such as passports. It has been estimated that without proper documents almost one million Bangladeshis are working outside Bangladesh (International Organization for Migration, 2005; The Bangladesh Human Rights Network, 2003).
- vi) Circular migration: Circular migration is the new addition to the migration pattern. This generally means repeated movement of a migrant worker between home and host countries.

### **Occupations of Migrants**

Migrant's occupation varies from skilled to less-skilled jobs depending on the demand from the destination country. In Bangladesh, for example, 34.7 per cent aspirant migrants work as less-skilled workers (helper, cleaner, waiter, gardener, salesman, guard), 28per cent work as skilled workers (electrician, driver, painter, machine operator, garment worker), 17.3 per cent work as construction workers, 2.7 per cent as semi-skilled workers, 4per cent as domestic workers, 13per cent in business and 5.3 per cent in service (The Asia Foundation, 2013).

## 2.4 Reasons for Migration

Income differences between origin and destination countries create incentives for migration. Migration decisions are largely influenced by economic, environmental, and political context of the origin country. Successful returned migrants in local communities, favorable working conditions in destination country, relative or spouse in the destination country are some of the other factors affecting migration decision.

Migration pattern changes with changes in demand and supply of labours in origin and destination countries which respond to macro and microeconomic factors in those countries. Demand for migration is mostly created by countries with shortage of labour, aged population, and lack of particular skill in specialized sectors. Labour abundant developing countries are on the supply side where migration is largely influenced by factors like economic, environmental, political, better education, and better health care systems. Relative demands for less-skilled workers are more in labour-scarce destination countries (Skeldon, 2005).

The dominant pattern of migration in Asia is temporary. Asia is second highest after Europe in the world with a migrant stock of 49.7 million. Three South Asian countries have taken place in the top 10 countries of emigration: Bangladesh, Afghanistan and Sri Lanka. Economic and social conditions are the main reasons for migration from South Asia. Natural calamities like floods, earthquakes, cyclones, riverbank erosions, deforestations are also vital factors. For example, in 2004, floods in Bangladesh displaced one million people (United Nations Flash Appeal for Bangladesh, 2004). Political unrest is another important factor in South Asia; this stimulated migration in Afghanistan, Nepal, and Sri Lanka (Haque, 2005).

A study by the Asia Foundation (2013) summarizes the major determinants in migration decision by Bangladeshi and Nepali migrants. About 84 per cent Bangladeshi and 89 per cent Nepali aspirant migrants pointed to economic factors in migration decision.

**Table 2.1: Factors contributing to the decision to migrate**

Factors	Bangladesh		Nepal	
	Aspirant (%)	Returnee (%)	Aspirant (%)	Returnee (%)
<b>Economic Factors</b>				
<b>Economic Uplift</b>	84	77	89	65
Attain financial solvency	44	60	-	-
Low income and savings	11	8	59	57
Poor economic conditions	9	4	10	-
Unemployed at home	15	5	18	8
Higher income	3	7	45	14
Others*	5	-	1	-
<b>Better opportunities</b> (better support For family, greater ability to save, Security, education and better quality Of life)	12	15	72	14
<b>Non-Economic Factors</b>				
<b>Adverse Condition at Home</b> (e.g., domestic problems, political instability, drug problems, illness or death)	3	1	-	6
<b>Favorable Conditions Abroad</b>	1	-	13	53
Spouse/relatives in the destination Country	-	-	9	22
Others**	1	-	4	32
<b>Demonstration Effect</b>	-	1	1	8
<b>Inducement by Agent, Family or Friends</b>	-	3	5	23
<b>Other***</b>	-	3	9	10

Notes: \* Need to clear debts and low profit in current business

\*\* Easy availability of a visa, cheaper than other countries, assurance of secure employment

\*\*\* Unable to complete studies, escape criminal conviction and desire to see the world

Source : Labour Migration Trends and Patterns: Bangladesh, India, and Nepal 2013 ( The Asia Foundation, 2013)

## **Chapter 3: Labour Migration and Economic Development**

This chapter describes the existing theories regarding labour migration and economic development. Classical and Neo-Classical models, Classical theory of Brain Drain and Brain Gain, Dependency Theory and Structural Theories are discussed. This is followed by existing empirical studies where impacts of labour migration in origin and destination countries are discussed. Also benefits and costs of labour migration are discussed supported by empirical evidences in a sub-section.

### **3.1 Theoretical argument**

Different models of migration-development analysis have been developed in order to analyze effects of migration in origin and destination countries. We begin by looking at some of the theories of migration and economic development. Then we discuss some of the relevant empirical research on this issue.

#### **3.1.1 Classical, Neoclassical Models**

In Classical and Neo Classical economic models migration is a voluntary and rational decision by individuals who try to improve their economic position by responding to higher wages (Lewis, 1954). The model is based on the assumption that individuals have enough information to make a rational decision regarding migration. Generally labours from capital-scarce labour abundant countries migrate to capital-abundant but labour-scarce countries. Such mobility leads to a reduction of resource gap between origin and destination countries with a consequent efficient allocation of global labours. Through this process a movement towards equilibrium is predicted. The limitations of the classical and neoclassical models are based on their restrictive assumptions that society will gain from individuals' benefit. The model ignores market imperfections, internal and international distribution of production factors and resources and the state level political and economic decisions that affect individual decisions. The models have limited empirical support.

#### **3.1.2 Classical Theory of Brain Drain and Brain Gain**

Classical theory of *Brain Drain* postulates that migration of skilled workers is beneficial for destination countries and damaging for origin countries. The word brain drain is largely used to indicate the migration of highly skilled workers (example includes doctors, engineers, scientists, professors and other highly trained people) from developing to developed countries. Brain drain is often a big concern for policymakers in labor-sending countries on the ground that it creates even more shortage of human capital in capital-scarce developing countries. Empirical studies on the issue of brain drain and economic development find mixed evidence. On the one hand, there is evidence of potential damaging effect of brain drain in labor-sending countries (Bhagwati and Hamada, 1974; Galor and Tsiddon, 1997; and Miyagiwa, 1991). On the other hand, studies also point out the opposite scenario in some high performing labor-sending countries like Japan, South Korea, Taiwan and Singapore. Recent migration literature however suggests that the concept of 'brain drain' can be converted to brain gain given appropriate opportunities are created (Gibson and McKenzie, 2011). The idea is that skilled migrants' positive contribution to the origin countries is actually more than the human-capital shortage caused by their migration, causing brain gain to those countries. This is possible through two basic channels; by using returned migrants skills and by paying for schooling and health using remittances. Empirical studies on the impact of brain gain on economic development of labor-sending countries provide mixed evidence (Mountford, 1997; Stark et al., 1998; Vidal, 1998; Beine et al., 2001).

#### **3.1.3 Dependency Theory**

According to this theory, the mutual benefits from migration between rich and poor countries eventually turns into mutual dependence as poor sending countries depend on rich countries for employment and rich destination countries get dependent on supply of foreign labors. Under such circumstances temporary

migration is used as a means of keeping poor countries poor by the rich ones. Instead of equilibrium between developed and developing countries the theory predicts a dependence of 'periphery' societies on 'core' societies. Inequality between origin and destination countries increases with this asymmetric development. Papademetriou and Martin (1991) describes this dependency with three R's of recruitment, remittances and returns through which dependence of labor-sending countries on destination countries increase.

### **3.1.4 The Structural Theory**

According to this theory migration is a forced, not voluntary, decision for migrants in the absence of alternative choices available in the origin countries (Portes and Walton, 1981; Massey, 1993). Economic factors are one of the main reasons for labor migration. Other factors include lack of institutional, educational and cultural services, rapid landlessness. The theory has many empirical supports. In a study Rigg (1989) states that environmental impediments on land availability and natural calamities like draught were important reasons causing migration of workers in North Eastern Thailand. Another study pointed that scarcity of fish in waters caused a reduction in employment opportunities in a place called Malinow in the Philippines causing migration from that place.

## **3.2 Empirical Evidence**

Empirical analysis on the issues of labor migration and economic development has produced abundant literature. Many of these studies are informative and useful to understand the impact of migration on economic development. Mostly the use of remittances has been studied from macro perspective: on unemployment, balance of payment, capital formation. More recent studies focus on the multiplier effect of remittance. The impact of skilled-labor migration is another researched area; studies indicate that such migration contribute more to economic prosperity of labor-sending countries than of labor-receiving countries. This section discusses the impact on destination and origin countries in two sub-sections.

### **3.2.1 Impact on Destination Countries**

The impact of migration has always been a controversial issue in destination countries; the fear of natives' job loss being the most important cause. Traditionally labor-scarce developed countries bring low-skilled workers from labor-abundant developing countries. A reduction in demand for similar type workers is caused as a result in destination countries. The consequent job loss caused huge media and political attention over the years. In recent decades developing countries are also sending skilled labors. Improvement in internet and telecommunications added another dimension; instead of people migration, the job/task is sent via internet to developing countries. This brings new challenge for developed countries: both low-skilled (call centre operator for example) and high-skilled labors (engineer, radiologists etc) jobs are at risk (Bigsten, Durevall and Munshi, 2012).

Most of the studies have focused on the impacts of migration on low-skilled workers of the destination countries. Empirical literature supports the view that positive impact of migration (such as saving of resources) mostly outweighs the negative impacts (such as job loss in certain occupations) in those countries. Migration encourages investment, increase task specialization in destination countries and eventually raises the demand for all workers under some conditions. Demand and wages of low-skilled workers may decrease initially but in the long run, average workers are not affected as happened in the US (Borjas and Katz, 2005). Evidence also points to no significant effect on native employment (Peri, 2009 ; Peri and Sparber, 2008) or wages (Card, 1990). De-adoption of new technology on destination countries is another impact pointed out by Lewis (2005); greater supply of less-skilled labors reduces the adoption of advanced technologies as employers use less-skilled migrant workers for expansion of industry.

Following Dadush (2014), we can summarize the impacts of less-skilled labour migration on developed economies as follows:

- i) Majority of the studies pointed that initial net effect of less-skilled labour migration on native workers' wages is small. These effects become smaller if investment goes up, economy adjusts and immigrants and their families can create social and human capital in the long run.
- ii) Fiscal impact of less-skilled migration is too small. Migrants' characteristics determine whether these effects will be positive or negative.
- iii) Descendents of immigrants may fall under less-skilled working class but might not form a permanent underclass. In US and Canada educational achievements and labor market performances of migrants' children are not different from native children.

### **3.2.2 Impact on Labour-sending Countries**

Labor-sending countries are mostly developing countries with abundant supply of labor. Migration has both micro-level and macro-level effects in those countries. On macro level, remittance sent by migrants helps to improve balance of payment situation, reduce unemployment, increase savings and investment rate, contribute to regional inflation, and can contribute to increase in growth of an economy, *ceteris paribus*. On micro level, migration improves the quality of life of both migrant's and non-migrants. Using returned migrants new skills and knowledge migration can create brain gain instead of brain drain.

However, developing countries face a tricky migration-and-development dilemma with respect to human capital. On one side, the dilemma is investing in human capital to produce highly skilled workers and keep them home. On the other side, in the short run, attractive opportunities for skilled people abroad make the opportunity cost of working at home extremely high. Consequently, many countries become reluctant to invest in costly programs that target at keeping highly skilled workers at home.

Evidence shows that effects of production on migration-sending households are negative in short run and positive in the long run. The loss of production is due to a loss of family member in the short run. In long run remittance can facilitate new investment to increase production (Taylor, 1996, 2006). Employment is generated in the process; evidence shows that each migrant creates an average of three jobs through remittances (Stahl and Habib, 1991).

### **3.3 Economic Costs and Benefits of Migration**

Migration brings in many positive and negative economic and social changes. Whether positive effects outweigh the negative effects is an empirical question. Existing evidences are in line with the theoretical prediction: for most countries positive effects are more than negative effects making the total effect positive. Whether migration brings more benefits than to costs to origin or destination countries is also an empirical question. The theoretical prediction is that migration brings benefits to labour-sending capital-scarce developing countries by increasing foreign currency and by improving lives of migrant and non-migrant households in many ways. The benefits vary along with the economic structures, financial systems' remittance handling capability and supply of labors. For destination countries the benefits are many folds: with migrants from low-wage countries they can save resources and use those in research and development where they have comparative advantage. World economic growth can increase by this process of migration, other things remaining constant.

The costs of migration includes exploitation of migrants at home and at destination country, improper and inefficient use of remittance, labor shortages in some occupations and possible happening of "de-skilling" caused by not using returning migrants skills and experiences. Evidence shows that remittances are being used mostly for current consumption and the rest on housing, land and related improvements. Remittance flow contributed to real estate bubble in Nepal (World Bank, 2011a). A small portion of remittance spent on productive investment in physical assets and purchases of equipments for farm or non-farm activities.



This apparently reduces long-term benefits of remittance on the ground that it is not contributing to productive investment.

Limited access to credit and other financial services reduce the beneficial impact of remittance on development. A good investment climate and strong economic institutions are other crucial factors for having beneficial effect from remittance. In South Asia, only a few countries have capital markets which are able to make an effective use of remittances via productive investments (Arnold and Shah, 1984).

A study by Rahman (2000) states that migration is better understood within local context of an economy. Contrary to many studies, this study showed that international migration between 1991 and 1998 did not boost up the local economy of Hoglekandi, a village close to Dhaka, in terms of remittance. This was mostly due to cancellation of migrants work permit due to financial crisis; migrants were sent back home in two years. Another study by Ullah (2009) finds that most of the respondents incurred excessive financial and non-financial loss in the process of migrating to Malaysia. Half of the respondents in that study took about a month, a quarter of them took one or two months to get to their destination while normally a person traveling the same place could safely make the same journey in three hours. Besides, en route they encountered many severe adversities like maltreatment, hunger etc.

Costs of migration also include receiving job contract at the last moment; typically at the airport or the day before departure when it is too late for the migrants to negotiate or to refuse the offered job as many of them are already indebted (Amnesty International, 2011). Most migrants start their journey without full understanding the terms and conditions of the contract (salary, type of job, work hours, overtime pay) as they are written in foreign language. In many cases their passport or ID confiscated on arrival (Amnesty International, 2011). A migrant travelling through informal agents seems to face bigger constraints. Forced labour, bonded labour and human trafficking are sources of severe exploitation. A study shows that 12,000 children are trafficked from Nepal to India per year, and 100,000 are sold as bonded labour (Sijapati et al., 2011).

## Chapter 4: Impacts of Migration

This section describes the impacts of migration on micro and macro economics indicators. Impact of migration on the most important macroeconomic indicators: GDP growth, balance of payment, unemployment, inflation, poverty and inequality are discussed.

### 4.1 Micro-economic impacts of migration

Remittance is regarded as the most important consequence of migration. Existing empirical studies suggest both positive (Orozco and Fedewa, 2005; Giuliano and Ruiz-Arranz, 2005; Siddiqui, Rizwana and Kemal, 2002; Mundaca, 2005; Brown, 1994) and negative impacts (Thieme and Wyss, 2005; Bhandari, 2004; Bohra and Massey, 2009; Graner, 2001; Chami, Fullenkamp, and Jahjah, 2003, Adams, 1991 and 1998) of migration at micro level. However, migration is more than simply creating remittance; it affects production, income, and expenditure of migration-sending households. Migration improves migrant families' standard of living and economic and social welfare. The demands for durable and non-durable goods for those families shift to the right; significant positive change is noticed in household expenditure on education, health care amenities and living conditions. In addition to the micro-level individual economic benefits, migration creates social benefits to the migrant himself, his family and community. The migrant gets a higher social status in his community. His spending on various occasions increases which is marked as high status in the society.<sup>1</sup> Migrant families can afford television, radio, computer, electricity, sanitary latrine: all symbols of social prestige. A successful returned migrant gets attention and respect from local community. His experience can help introducing new ideas and technology in home country and his networking can guide and inspire other interested to migrate.

Considering family, migration increases number of joint families as married male migrants relocate responsibilities of the women and children to other members of the family. This increases inter-dependency among families and is contrary to the belief that migration has influenced nuclear families. In case of female migrants, they get more independence in making family decisions and taking active role in managing family affairs. This helps reducing intra-household discrimination common in developing countries.

### 4.2 Macro-economic Impacts of Migration

Migration affects major macro-economic indicators; the GDP growth, unemployment, inflation and balance of payments. Differences in market conditions, cost of foreign exchange, resource endowments can largely determine the effects of migration on economic development of a country. Within a supportive mixture of infrastructure and macroeconomic policies, international migration can play as a key contributor in promoting growth and development of developing countries.

Remittance acts as an important source of capital for developing countries. Remittances can reduce savings and exchange constraints, and assist developing countries in financing their trade deficits. Remittances can increase national income directly by increasing foreign currency, and indirectly by migrant's physical and human capital investments. Remittance from migration contributes to a reduction in poverty and income inequality by creating job opportunities by setting up small and medium type businesses.

There has not been enough research done on macro-level impacts of remittance or how to use it for long-term development. Russell and Teitelbaum (1992) showed that remittance exceeded total reserves during the studied period in Bangladesh, India, Pakistan, Tunisia, Sudan, Morocco, Egypt, El Salvador, Jamaica, Mexico, Greece, Spain, Portugal, Turkey, Jordan, and Yemen. Another study by Taylor et al (1996) shows that the value of remittances exceeded the value of total direct foreign investment in many countries.

#####

<sup>1</sup> Where dowry system is in practice migrant families can spend more for dowry which is a symbol of affluence.

#### 4.2.1 Impact on Gross Domestic Product (GDP) Growth

Migration may have affects on GDP through several channels. Theoretically,

$$GDP=C+I+G+X-M$$

where C = consumption, I = investment, G = government expenditure and (X-M) = net export

Migration can affect GDP through different channels:

- 1) Remittance from migration can have positive effect on GDP if they are used to finance trade deficit ( $N-X$ ).
- 2) Remittance from migration can increase consumption of migrant and non-migrant families. This will increase the **C** component of GDP.
- 3) Remittance from migration, given proper functioning of the capital market, can increase savings and therefore investment. This will increase the **I** component of **GDP**.

Migration literature provides evidence for all the cases above. For South Korea, Kim (1983) found that 3-7 per cent of 1976–1981 GNP growth was due to migrant remittances, directly or indirectly. Hyun (1984) showed that a 10 per cent rise in remittances brought a 0.22 per cent rise in GDP, 0.32 per cent increase in private consumption, a 0.13 per cent increase in prices and 0.53 per cent increase in fixed investment. Mundaca (2005) find significant positive impact of remittance on growth in Central America, Dominican Republic and Mexico during 1970–2003. Similar evidence is found by Giuliano and Ruiz-Arranz (2005) for a study of 100 developing countries during the period 1975–2003. Orozco and Fedewa (2005) show impact of remittance on GDP through multiplier effects. Remittance increased GDP and per capita income by about 10 percent in Nepal (Campbell, D. Unpublished). According to this study private remittance, not state, contributed to increase in household earnings in this country.

Migration contributes rich countries GDP growth through a different channel: using cheap migrant labours through migration, these countries save resources and use the saved resources according to priority mostly in research and development, and thereby increase GDP growth by efficient allocation of resources.

#### 4.2.2 Impact on Balance of Payment

Remittance is an important source of foreign currency often used to pay balance of payment deficit. Earned money are remitted through banking systems, relatives, *hundi*, and friends or brought back by the worker personally. All these increase the supply of money in the economy. Evidence shows that remittances are used to narrow trade deficit. Evidence also shows that the demonstration effect of remittance expenditure particularly on non-remittance receiving households can have a negative impact on balance of payment if leisure in migrant families increases. The consequent labour shortage in agricultural activities can increase labour costs and therefore price of output. Shortage in food production may force to food imports increase, raising import payments and therefore deteriorating trade balance (Appleyard, 1989).

#### 4.2.3 Impact on Unemployment

Unemployment and underemployment are major constraints faced by many developing countries. Migration can reduce this problem through direct and indirect ways. The direct way of reducing unemployment is securing jobs in the destination countries where the indirect way is the replacement of vacant jobs by the newcomers. The actual effectiveness of this indirect way will be visible only when the newcomers have relevant skills and trainings as the previous workers of those posts. On the contrary, if these workers are not substitutable and newly appointed workers have shortage of skills needed for the posts; a shortage in labour supply becomes acute (Arnold and Shah, 1984). Destination countries, on the other side, can meet their demands for labours that are unavailable in their markets which in turn reduce global unemployment problem. The positive effects of migration on unemployment are well documented in literature. In a study for Pakistan Amjad (1986) find significant positive impact of remittances on

growth rates in retail business, whole sales, small scale manufacturing, communication and transport and constructions etc. which contributed to a reduction in unemployment. By conducting CGE analysis on Bangladesh, Habib (1985) estimated that in 1983, the money remitted by Bangladeshi overseas workers gave rise to an additional final demand of US\$351 million that generated 567,000 jobs.

#### **4.2.4 Impact on Inflation**

Remittances can have an inflationary impact if they are used for items that have limited supply. Land price is an example in this context; land price increased in areas that produce migrants in large number as in Kerala (Arnold and Shah, 1984) and in Nepal (Jones and Basnett, 2013). In Thailand a slight inflationary pressure on agricultural land prices are seen due to remittances. In case of Bangladesh remittances do not significantly influence prices (Arnold and Shah, 1984). Empirical studies also suggest that remittance-receiving households' expenditure pattern might create a demonstration effect on non-remittance receiving households, raising the local price level.

#### **4.2.5 Impact on Income Distribution and Poverty**

The distributional effect of remittances is a well-researched area. Migrant families have a higher standard of living than non-migrant families as the received remittances are spent on current consumption like health, food, education and housing. Studies pointed that migrant families enjoy better opportunities, and their descendents live better lives (Keely and Tran, 1989).

Labour migrants come from various socioeconomic groups in a society which may affect overall income distribution of a labour-sending country. Migration may seem unfavorable for an income distribution if only wealthier families take advantage of available job opportunities in other countries. The effect of remittance on inequality can take an inverted U shape: increasing first and then decreasing. The reason is migrants usually come from middle or upper middle class families, so the remittances sent by them increase income inequality initially. Over time as more and more households gain access to international migration network, inequality decreases. In a study Jaeger (2007) finds that during 1980s, immigration constituted 15–25 per cent rise in the wage gap between high and low-skilled workers. While examining the impact of the 1980–2000 migrant inflow (mainly Mexican-origin migration) on U.S. wages, Borjas and Katz (2005) found that native workers' wages reduced by 3 per cent for the average worker and by 8 per cent for high school dropouts because of immigration. This is visible in the short run, although in the long run, average worker is not affected by migration.

Migration generally contributes to a reduction in poverty by providing better jobs. There is evidence of significant impact of remittance on poverty alleviation (Adams and Page, 2003). However this depends on if poorer households gain access to migration network. In case of unsuccessful migration poverty level do not decrease, and may actually increase indirectly (Rahman, 2000).

Adams and Page (2003) examined the impact of international migration and remittances on poverty in 74 low and middle-income developing countries. The major finding was that international migration, defined as share of a country's population living abroad, significantly reduces poverty level. It has shown that on average, a 10 per cent rise in share of international migrants in a country's population will lead to a 1.9 per cent fall in share of people living in poverty.

#### **4.2.6 Indirect Impacts**

Increased export revenues, profits and higher tax revenues are some other potential benefits from migration. Other indirect beneficiaries of migration are companies and agencies related to the migration process like airlines, banks, job recruiters, hotels, job-training agencies, health services, photographers and agencies for typing and translation etc. Governments gain a certain amount of revenue from labour migration which includes air tickets sold by the national airlines, passport fees, income and sales taxes on job-training agencies and recruiters and import duties.

## Chapter 5: Impact on South Asia

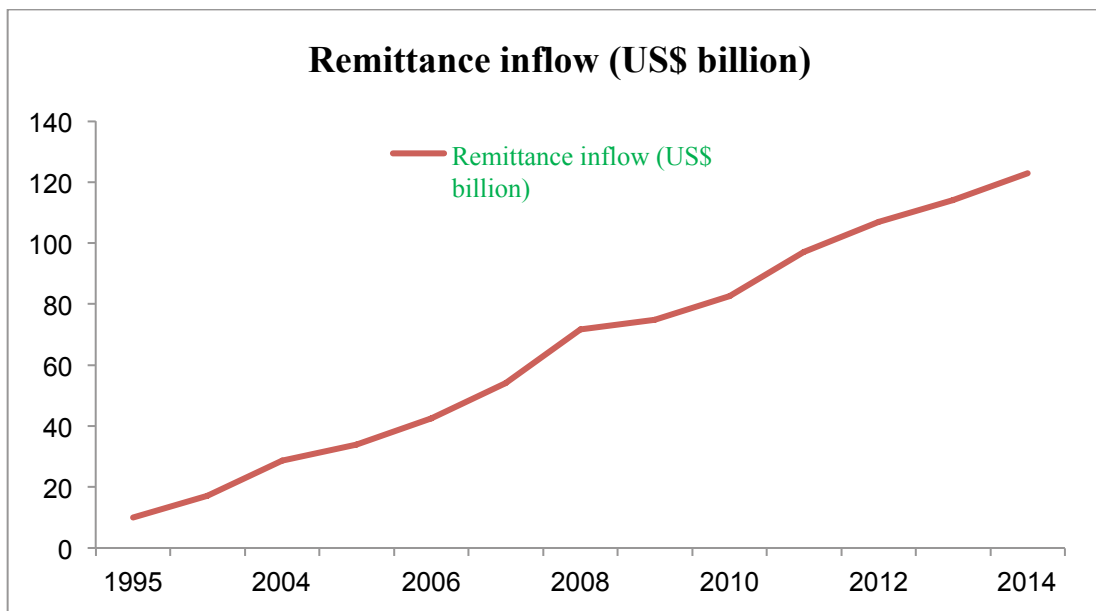
The chapter has three sections. The first section describes patterns, trends and reasons for migration from South Asia. The second section describes the available empirical studies in South Asia. In the third section we discuss the impact of migration on South Asian employers.

### 5.1 Patterns of Migration from South Asia

South Asian countries are mostly capital-scarce and labor abundant. Labour migration is generally considered as a popular mode to improve lives for many. In addition to the micro-level impacts, macroeconomic impacts of labour migration on economic development are considered to be positive. Remittance is considered as a key source of foreign currency; stability of foreign exchange market heavily depends on remittances inflow. However, South Asian remittance flow dynamics are fragile and complex (Seddon, 2004).

The inward remittance flow to South Asia showed an increasing trend during last decade increasing from US\$17.2 billion in 2000 to US\$82 billion in 2010. From international remittance flows of US\$100 billion, almost 20per cent flows to South Asia. The graph below shows remittance inflow to South Asia between 1995 and 2014. A clear upward trend is noticeable.

**Graph 5.1: Remittance inflow to South Asia (1995-2014)**



Source: World Bank, 2013

Generally International migration from South Asia is of three types:

- i) The movement of emigrants as settlers to North America, Europe and Australia which are known as long-term permanent settlers.
- ii) The movement of contract labor migrants to Middle Eastern countries and South -East Asia which are known as temporary migrant workers.
- iii) The short-term movement of people within South Asia which are called seasonal economic migrants (Skeldon, 2003).

With regard to skill level, semi-skilled and less skilled labour migration dominates in South Asia. Until 1990s labor migration mainly involved less skilled workers. Afterwards, for meeting the greater demand for skilled labors of more technologically developed countries, migration of highly skilled workers increased. Bangladesh used to send high skilled workers to Middle East which has been reduced in last few years. Instead, migration of low skilled labors increased in those countries. The scenario is opposite in India; highly skilled labors migration increased from there.

Feminization of migration is a recent trend of migration in South Asia. More and more female labours are migrating in recent years. Females mostly migrate to Europe and Middle East to work as domestic help. This rapid rise in number of female migrants is mostly due to increased aged population in destination countries. The trend in female migration varies across regions. In Sri Lanka the share of female migrants increased from 24 per cent in 1987 to 51.73 per cent in 2009. The table describes percentage of international women Migrants from South Asia.

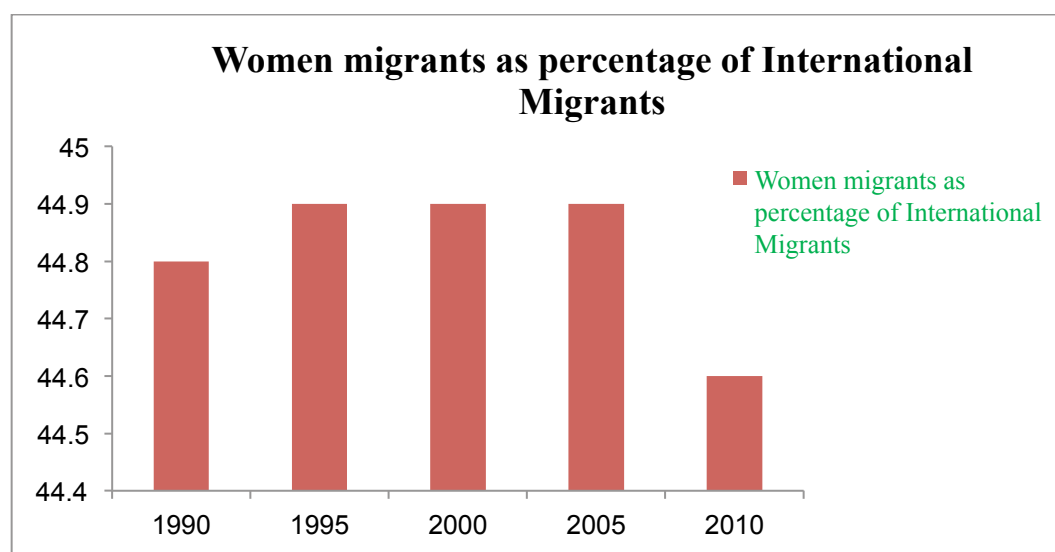
**Table 5.1: Percentage of International Women Migrants from South Asia**

Country	1990	1995	2000	2005	2010
Bangladesh	13.9	13.9	13.9	13.9	13.9
India	47.8	48.1	48.5	48.6	48.7
Nepal	71.6	71.1	70.1	69.1	68.2
Pakistan	45	45.2	45	44.8	44.7
Sri Lanka	49.8	49.8	49.8	49.8	49.8
Afghanistan	43.6	43.6	43.6	43.6	43.6
Bhutan	18.5	18.5	18.5	18.5	18.5
Maldives	45	45.2	45	44.8	44.7

Source: UN DESA, retrieved from the website <http://esa.un.org/migration/>

From South Asia, Nepal had the highest amount of female migrants working abroad in 2010. Sri Lanka and India are in second and third positions respectively. From 1990–2010, Nepal, Pakistan and Maldives encounter a slight drop in percentage of female migrants. For rest of the countries, the percentage is either same or increasing at a smaller rate (Thimothy and Sasikumar, 2012).

**Graph 5.2: South-Asian Women migrants as percentage of International migrants**



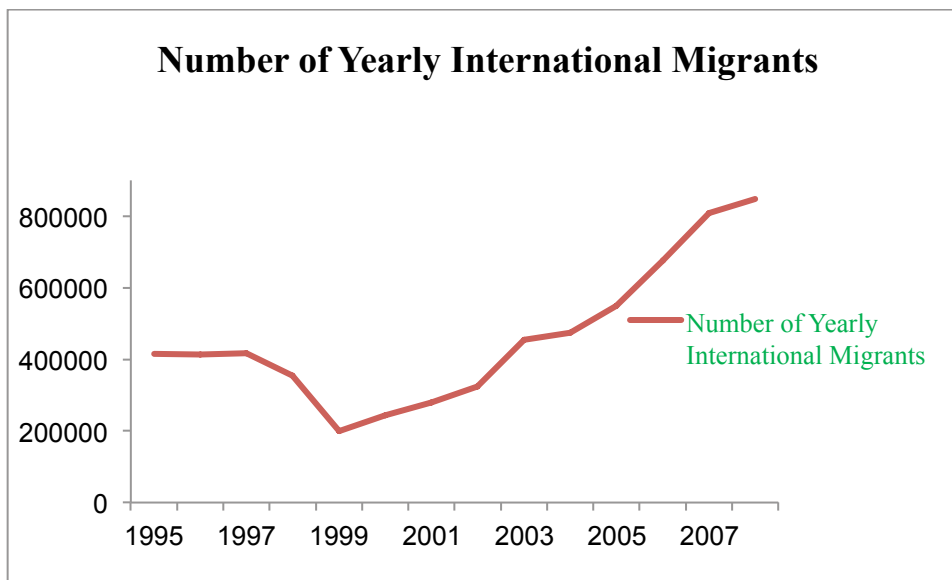
Source: UN DESA, retrieved from the website <http://esa.un.org/migration>

What causes migration from South Asia? In addition to the micro level interest of a better life, natural calamities like floods, earthquakes, cyclones, riverbank erosions, deforestations play important roles. This is known as forced migration or displacement. Historically, the region's "natural integrated labor market" turned into a major factor behind the movement of people within the region since 1947. 1970s oil boom brought a historic change in migration pattern in South Asia. The increased demand from construction sector of oil producing countries attracted many less skilled temporary migrants from South Asian countries. Moreover, rapid economic growth and decreasing fertility in South-East Asia and the Far East brought another significant change in migration trends in the region in mid 1980s; labor demands increased dramatically in those areas that were met by migrants from South Asia (Haque, 2005).

## India

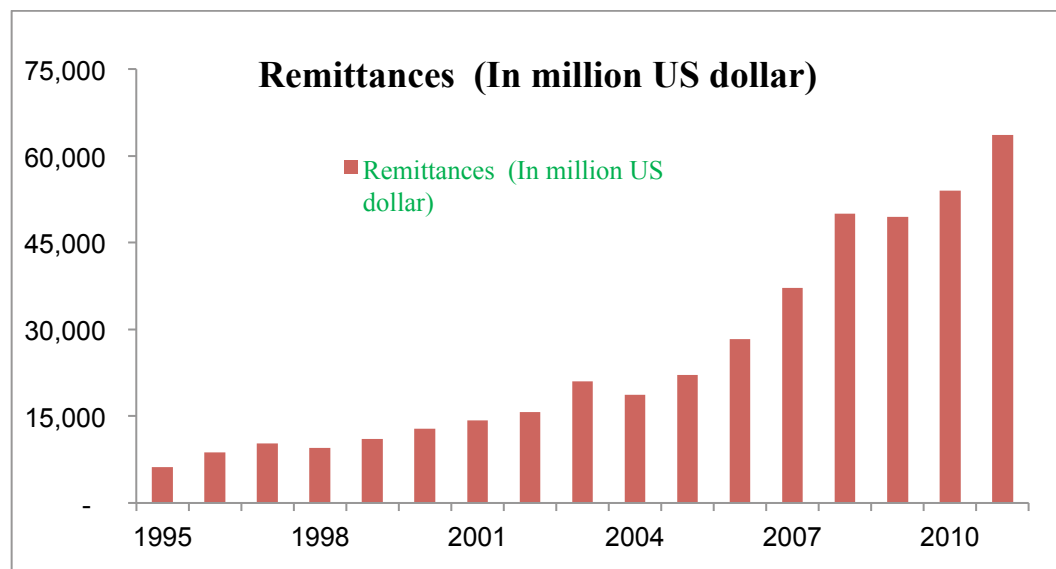
Indians are one of the largest migrant communities within South Asia with 20million migrants throughout the world. Middle East is the major destination country for Indian workers. Almost 75 per cent of the total migrants are in those countries. Most of these migrants are temporary, having short-term contracts. Stock of emigrants in this country was 0.9 per cent of total labor force and remittance as percentage of GDP was 3.7 per cent in 2013. The graph below shows the number of yearly migrants from India from 1995-2007 periods.

**Graph 5.3: Number of yearly international migrants from India (1995–2007)**



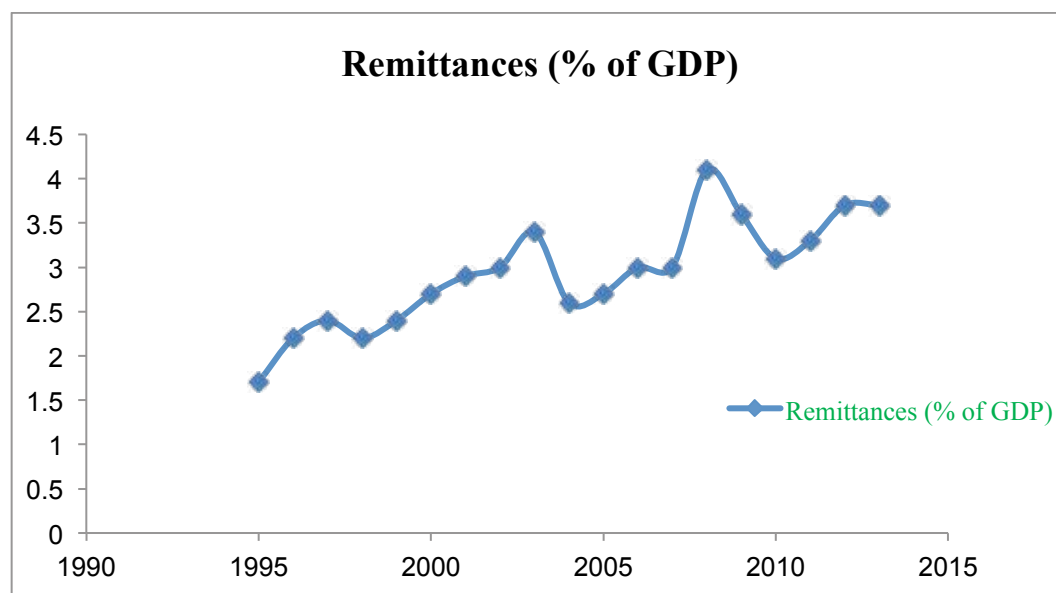
Source: International Labour Office (2011)

**Graph 5.4: Remittance inflow of India in million US dollar (1995–2011)**



Source: Migration and Remittances Factbook, 2011, World Bank  
<http://data.worldbank.org/data-catalog/migration-and-remittances>

**Graph 5.5: Remittances of India (percentage of GDP) (1995–2013)**



Source: World Bank data indicator  
(<http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>)

Remittance as percentage of GDP in India increased from 0.7 per cent in 1990 to 3.4 per cent in 2003. With a decline in 2005, it increased in 2008, declined in 2010 with a rise afterwards. The rising number of Indian migrants was mainly due to the European governments' attempts to bring India's highly skilled labour force. For instance, between 2000 and 2005, Germany's temporary migration scheme named "green card" targeted Indian IT professionals. USA Immigration Act of 1990, effective from 1995,



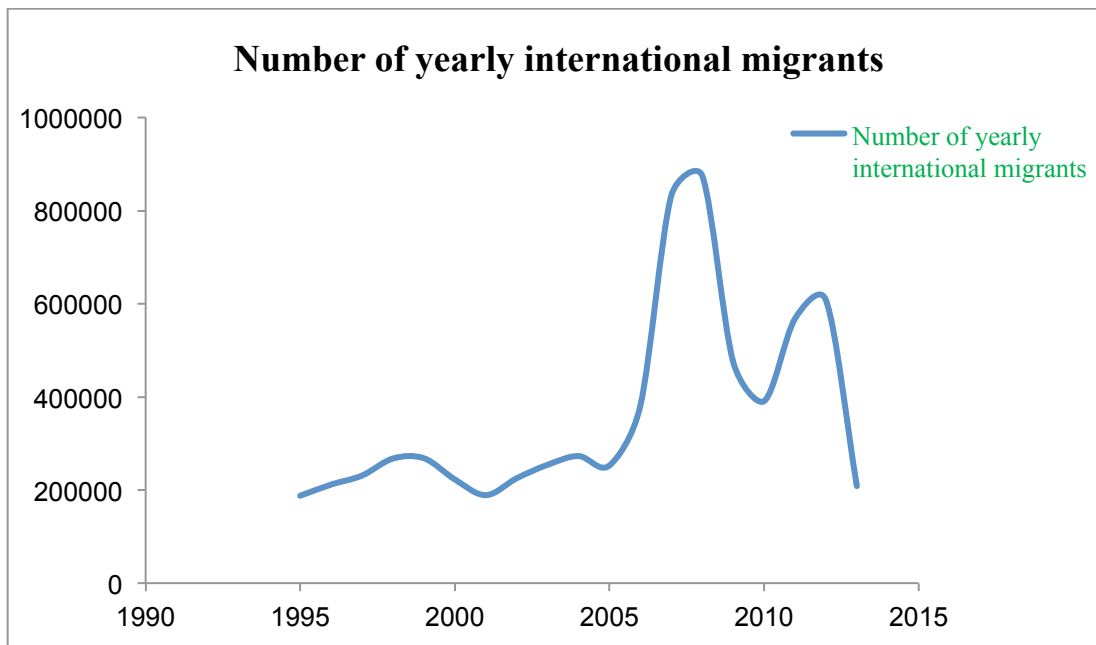
triggered migration from India to USA by introducing the H-1B temporary worker category; Indian citizens are the top recipients of this visa each year. Due to the increased demand for English-speaking highly skilled IT professionals in Australia and New Zealand, these countries are also encouraging migration from India. Since 1998, Indian students, after they finished their studies, can work and stay permanently in these countries.

## Bangladesh

Migration is believed to be one of the most popular ways to have a better life for many Bangladeshis. Bangladesh is the sixth largest immigrant country in the world with 5.4 million emigrants in 2010. In south Asia Bangladesh's position as migrant sending country is second (The World Bank, 2011). The country is one of the labour surplus developing countries. Near landlessness and recent demographic composition has turned Bangladesh into a major labor abundant country. Currently the country is enjoying demographic dividend for a year which will continue until 2040. To accelerate growth it is imperative to provide jobs to these millions of people. Policy to expand productive jobs is priority of Bangladesh government. The scope however is limited in a resource-scarce developing country. International migration is considered as an effective policy in this context.

Bangladesh is a labor-sending country since 1970s. Migration data shows positive trend until recently except for few downturns. In 2010, stock of emigrants was 3.3 per cent of total population where stock of immigrants was 0.7 per cent of total population. Number of yearly migrants from Bangladesh shows a fluctuating trend over the time period 1990–2014. The reasons for these fluctuations include increasing competition from new labour sending countries like Vietnam, Nepal, Cambodia and the rise of unemployment in some Arab countries (Farid et al, 2009). In 2007, migration to Singapore, Malaysia, KSA, Oman, and UAE increased because of higher demand for construction sector in those countries. This growth reduced significantly in 2009 because of worldwide financial crisis (Begum and Sutradhar, 2012).

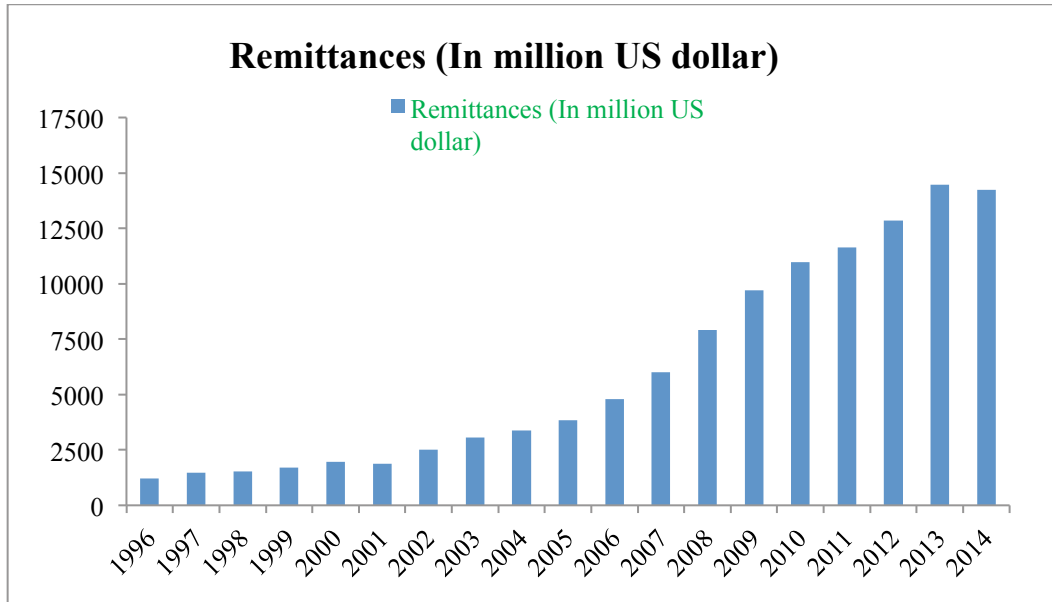
**Graph 5.6: Number of yearly international migrants from Bangladesh (1995–2013)**



Source: BB estimation in BMET website (ILO country office for Bangladesh, 2014)

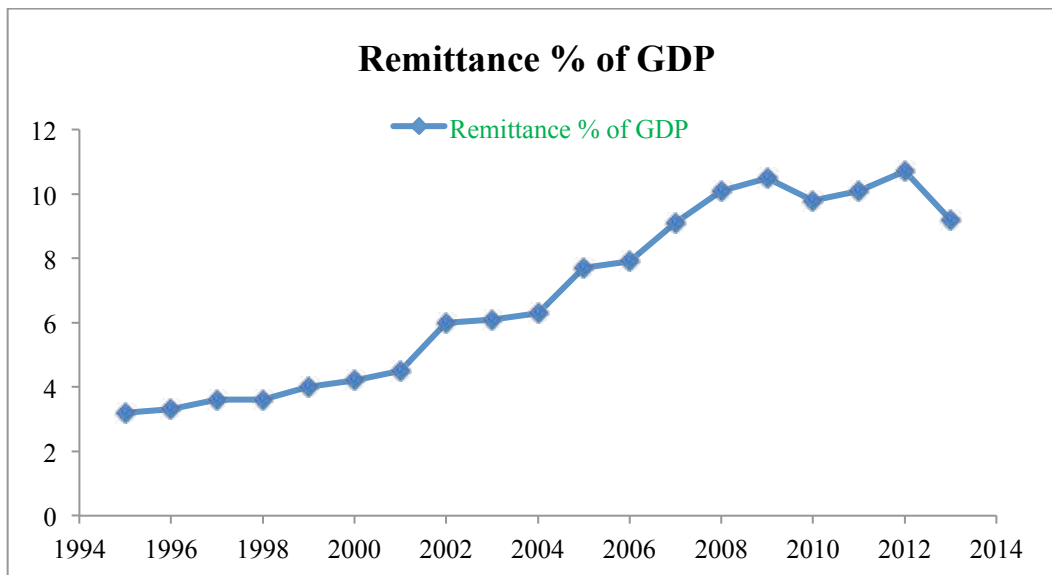
Remittance is the key source of foreign currency after the RMG sector in Bangladesh. Inflow of remittance shows an increasing trend since 1990s. Remittance flows increased to US\$3.848 million in 2005 from US\$1.949 million in 2000 with an annual growth in remittance of 20 per cent. During 2001–2010 remittances contributed to 35 per cent of import payments compared to 22 per cent during 1991–2000. Remittance as percentage of GDP increased from 4.2 per cent in 2000 to 9.2 per cent in 2013. Graph below shows remittance pattern for last twenty years.

**Graph 5.7: Remittance inflow of Bangladesh in million US dollar (1995–2014)**



Source: Data from Bangladesh Bank  
<http://www.bangladesh-bank.org/econdata/wageremittance.php#>

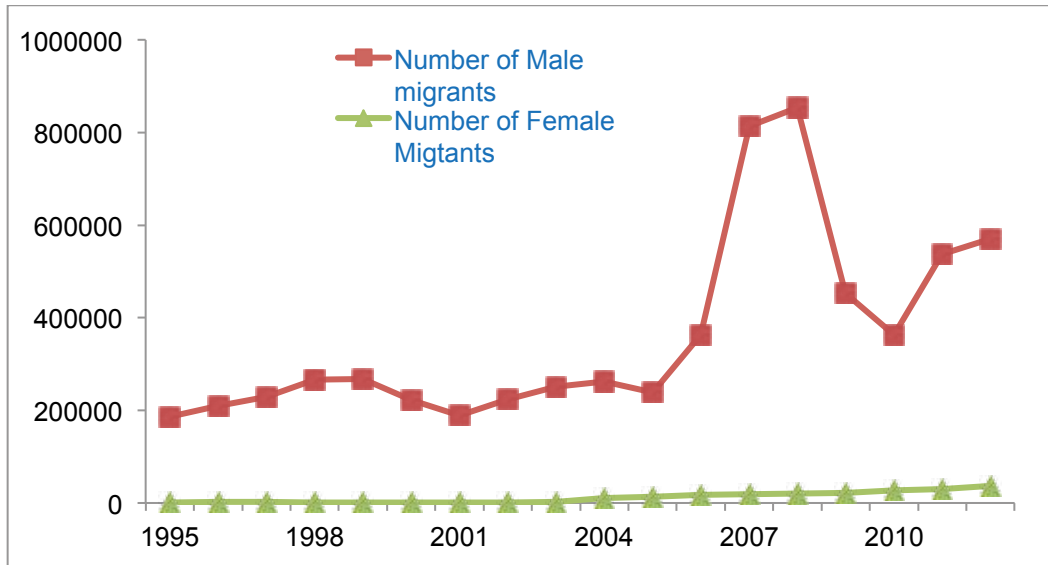
**Graph 5.8: Remittances as percentage of GDP in Bangladesh (1995–2013)**



Source: World Bank data indicator  
<http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>

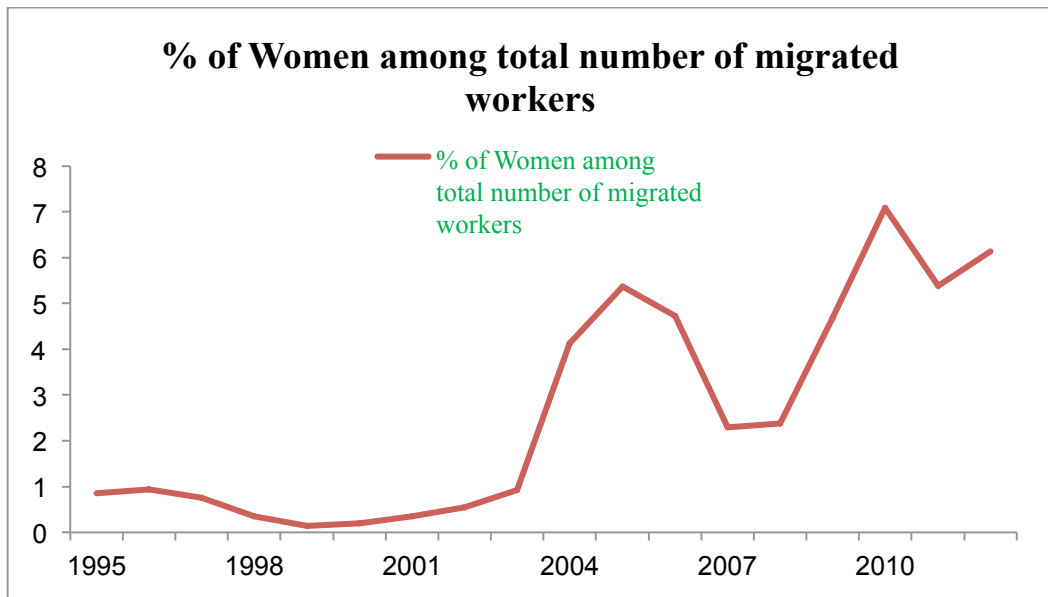
Most of the migrant workers are employed as production or construction workers in the Middle East and Malaysia. The returned migrants join RMG sector, open small grocery shops or start own business in small scale. Women are migrating to Middle Eastern countries to work as domestic help. The proportion of remittance sent by female workers is rising; remittance sent by female Bangladeshi labours increased from US\$61.15 million in 2011 to US\$112.80 million in 2013 (The Financial Express, 2014).

**Graph 5.9: Gender disaggregation of Bangladeshi migrant workers (1995–2012)**



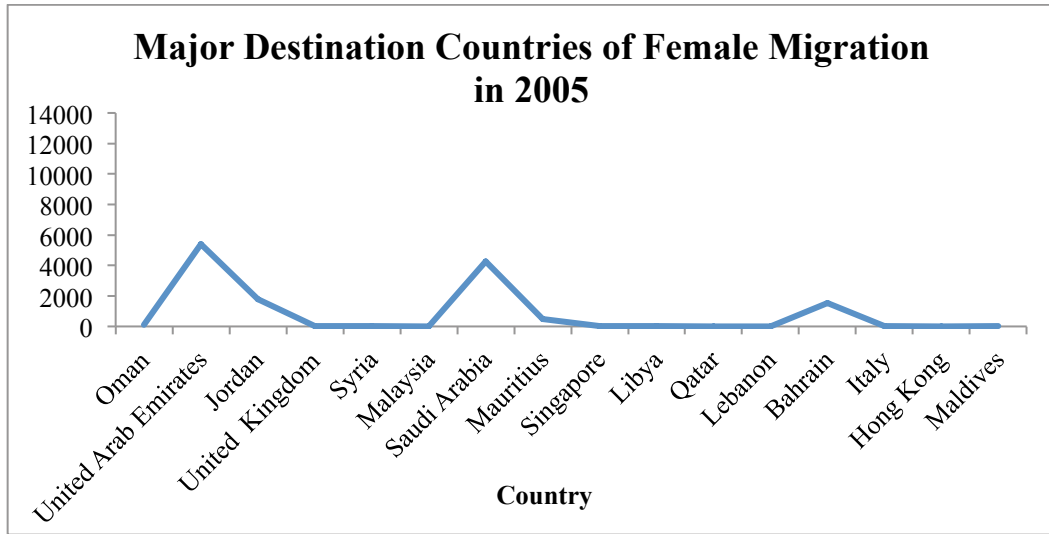
Source: Bangladesh Bank estimation in BMET website (ILO, 2014)

**Graph 5.10: Percentage of women among total number of migrated workers of Bangladesh (1995–2012)**



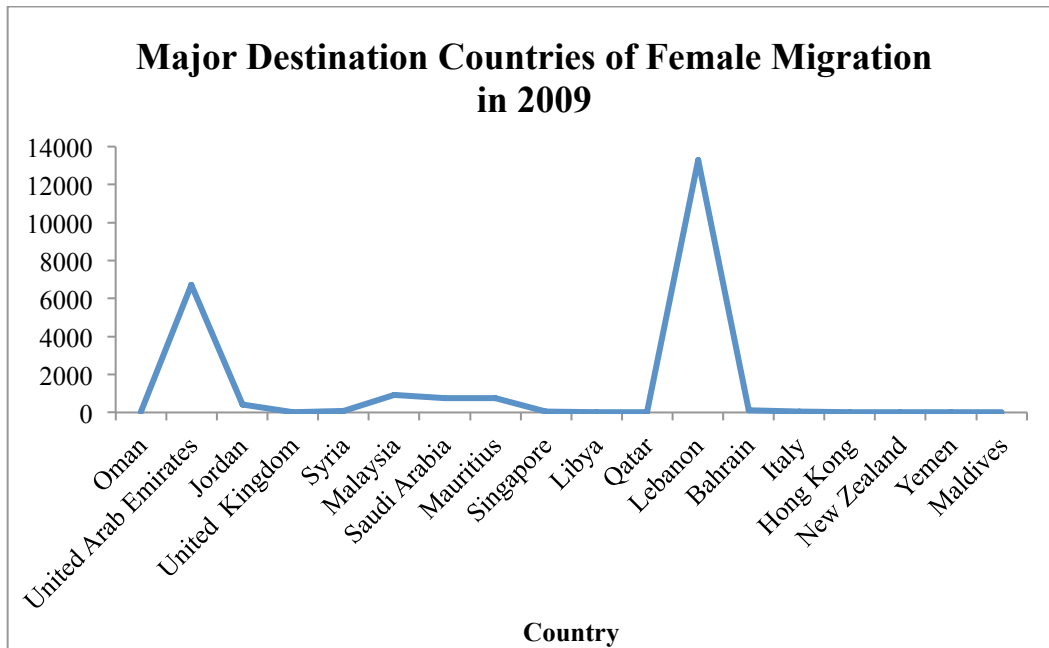
Source: Bangladesh Bank estimation in BMET website (ILO, 2014)

**Graph 5.11: Major destination countries for female migration from Bangladesh in 2005**



Source: Bangladesh Bank estimation in BMET website (ILO, 2014)

**Graph 5.12: Major destination countries for female migration from Bangladesh in 2009**

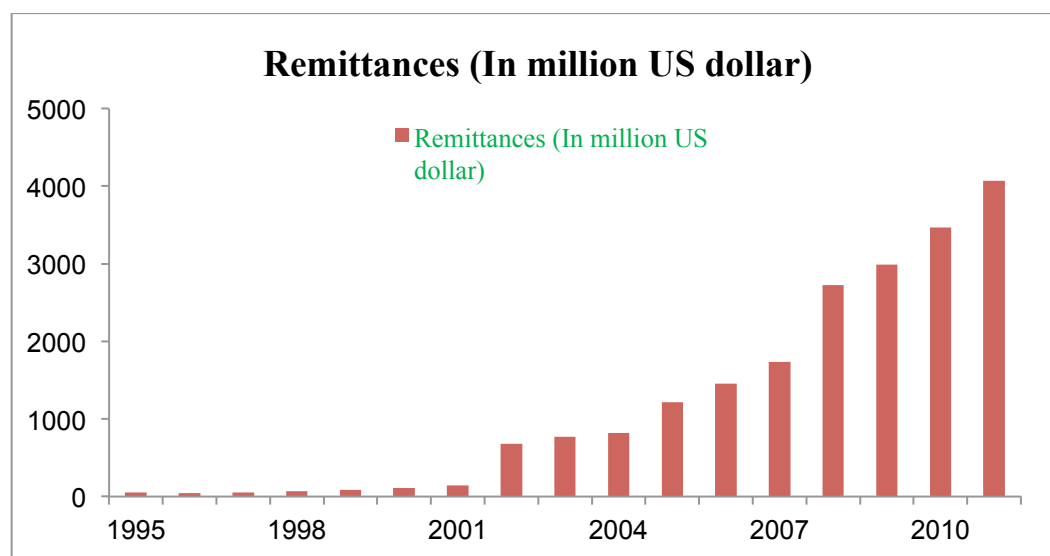


Source: Bangladesh Bank estimation in BMET website (ILO, 2014)

## Nepal

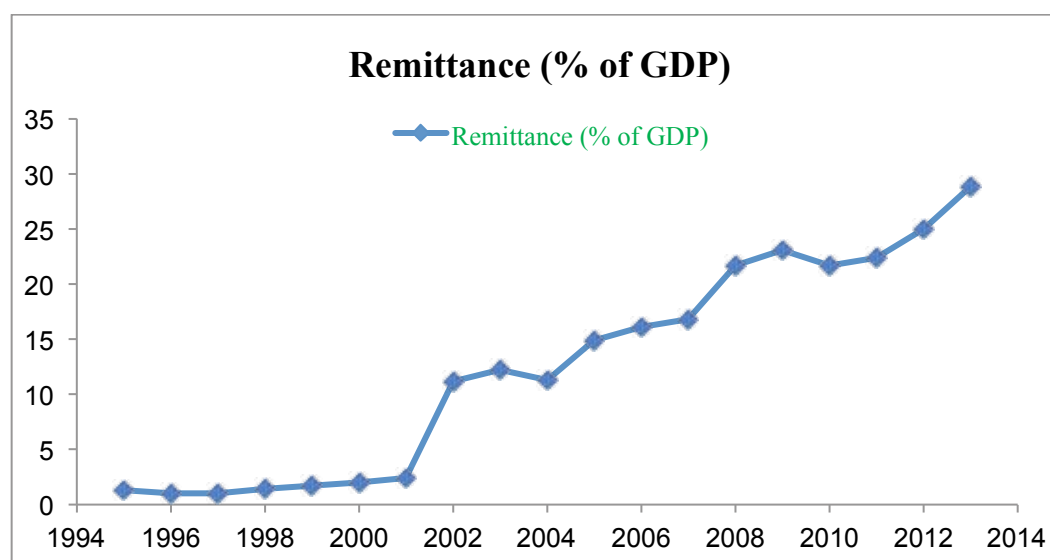
During 2010, stock of emigrants in Nepal was 3.3 per cent of total population and immigration stock was 3.2 per cent of total population. Inward flow of remittance in 2010 was US\$3,513 million. In 2013, remittances grew by 11.7 per cent compared to 2012 (SAARC secretariat Kathmandu, 2014). Remittance as percentage of GDP in 2000 was only 2 percent; in 2010 it was 21.7 per cent where in 2013 it was 28.8 per cent. Outward migration grew significantly during 2000s, at an average of 47 percent between 1999 and 2009. More than 50 percent households receive remittance income in this country. As evidenced, more than half of the poverty reduction over the past two decades is due to remittance income (Jones and Basnett, 2013).

**Graph 5.13: Remittance Inflow of Nepal (In million US dollar) (1995–2011)**



Source: Migration and Remittances Factbook, 2011, World Bank  
<http://data.worldbank.org/data-catalog/migration-and-remittances>

**Graph 5.14: Remittances (percentage of GDP) 1995–2013, Nepal**



Source: Migration and Remittances Factbook, 2011, World Bank  
<http://data.worldbank.org/data-catalog/migration-and-remittances>

Initially India was the main destination place for the Nepali migrants. Later on Nepalese started migrating to new destinations like North America, Hong Kong, China, United Arab Emirates, Qatar and Saudi Arabia. People started migrating to the Gulf States in 1982, to Hong Kong in 1990 and since 2000 to Europe, the United States, and Japan. 64 per cent of the female migrants from Nepal live in Hong Kong, 22 per cent in India and a few in Singapore, Kuwait, Great Britain and the United States. Recent data shows 72 per cent of all migrants travel to India. For the remaining 28 percent, 64 percent migrate to gulf countries, 19 percent migrate to Malaysia, and 15 percent to other developed countries (Jones and Basnett, 2013). Migrants travel through formal and informal channel as is common in many other South Asian countries. Majority of migrants send money through formal channels (World Bank, 2011a). The table below explains the significance of migration and remittance in Nepal.

**Table 5.2: The significance of migration in Nepal (2008)**

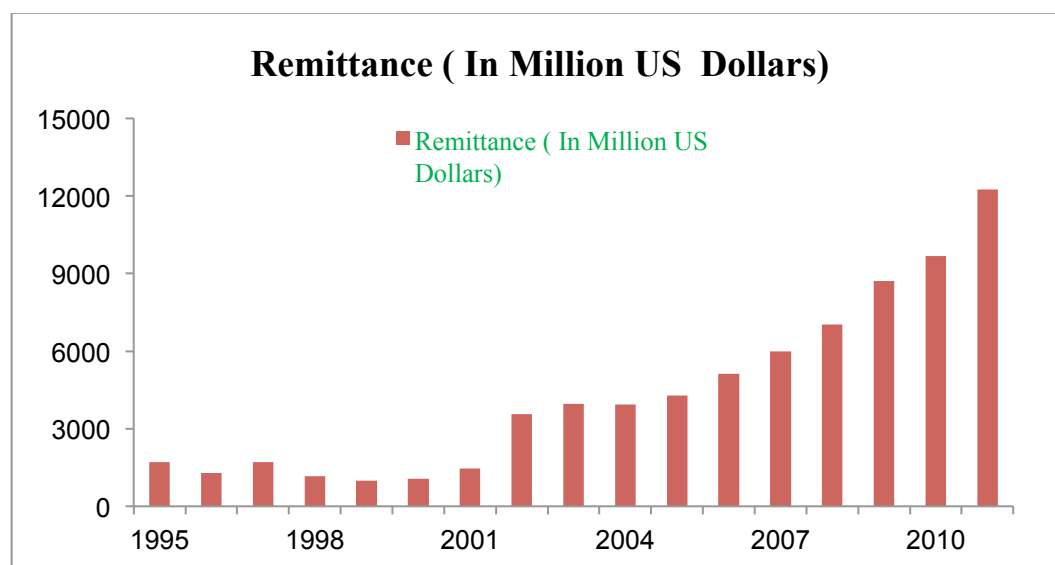
	Total	From Abroad	From within Nepal
% of HHs receiving remittance	30%	23%	
Average remittance in last 12 months			
By receiving HHS (rps)	65,755	80,462	28,976
Over all HHs (rps)	19,721	16,355 (83%)	3'366 (17%)
Per capita remittance amount for			
all Nepal (nominal rps)	4,042	3,352	
Remittances received for all of Nepal (billion rps*)	95.16	78.92	
<b>Impact of remittances on GDP (billion rupees)</b>			
GDP by expenditure approach (2007-08)	815.66		
GDP without remittances from abroad	736.74	(90.3% of total GDP)	
<b>Impact of remittances on PCI (rupees)</b>			
GDP per capita	34,644.20		
GDP per capita without remittances from abroad	31,292.10	(90% of total PCI)	
Remittance per capita from abroad	3,352	(10% of total PCI)	

\*Calculated by multiplying per capita remittances by the population (23,544,000)  
Source: CBS (2009), Labour Force Survey 2008

## Pakistan

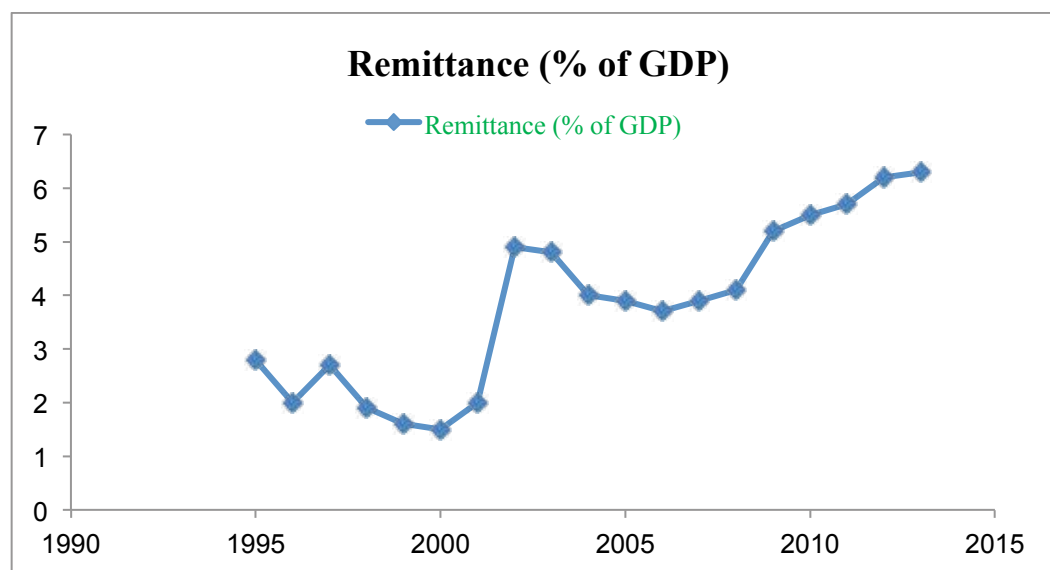
During 2010 stock of emigrants was 2.5 per cent of total population of Pakistan. Migration and remittance flow increased significantly in 2000s; inward remittance flow increased from US\$1,075 million in 2000 to US\$9,690 million in 2010. (Pakistan migration country report, 2013). Pakistanis mostly migrates to Gulf areas.

**Graph 5.15: Remittance inflow of Pakistan in million US dollar (1995–2011)**



Source: Migration and Remittances Factbook, 2011, World Bank  
<http://data.worldbank.org/data-catalog/migration-and-remittances>

**Graph 5.16: Remittance of Pakistan (percentage of GDP) (1995–2013)**

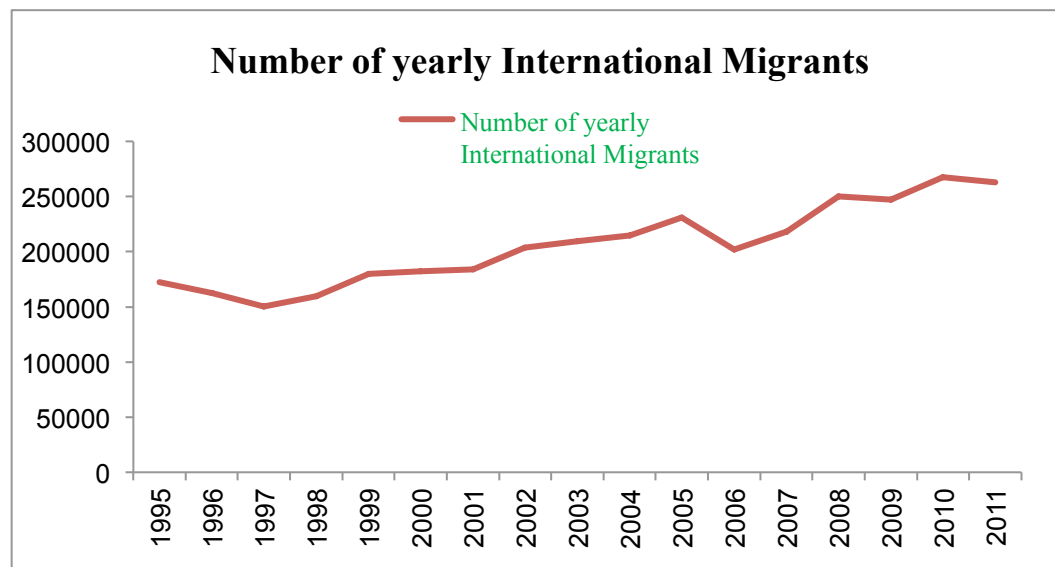


Source: Source: World Bank data indicator  
(<http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>)

## Sri Lanka

Sri Lankans mainly migrates to Middle East, Jordan, Cyprus and Lebanon. During 2010, stock of emigrants was 9.1 per cent of total population and immigration stock was 1.7 per cent of total population. Inward remittance flow was US\$4,155 million in 2010 where in 2000 it was only US\$1,166 million. Remittance as a percentage of GDP in 2000 was 7.1 per cent and in 2013 it was 9.6 per cent.

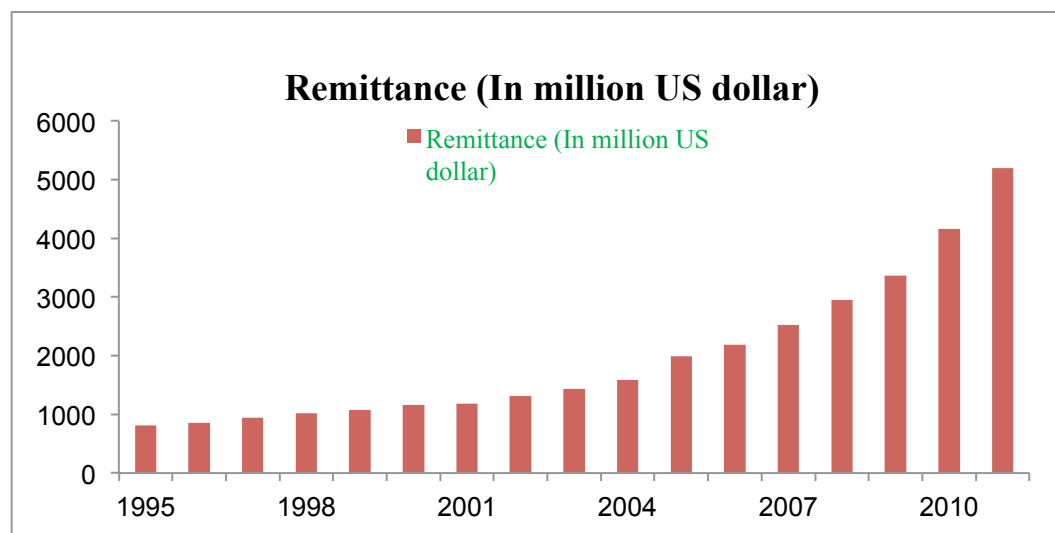
**Graph 5.17: Number of yearly International migrants from Sri Lanka (1995–2011)**



Source: Annual Statistical Report 2011, SLBFE (Gunasinghe, 2013)  
[http://www.lawandsocietytrust.org/PDF/Gilded\\_Cage.pdf](http://www.lawandsocietytrust.org/PDF/Gilded_Cage.pdf)

Number of yearly migrant trend follows remittance as percentage of GDP. Number of migrants kept rising up till 2005, declined after until 2009 and kept on rising afterward.

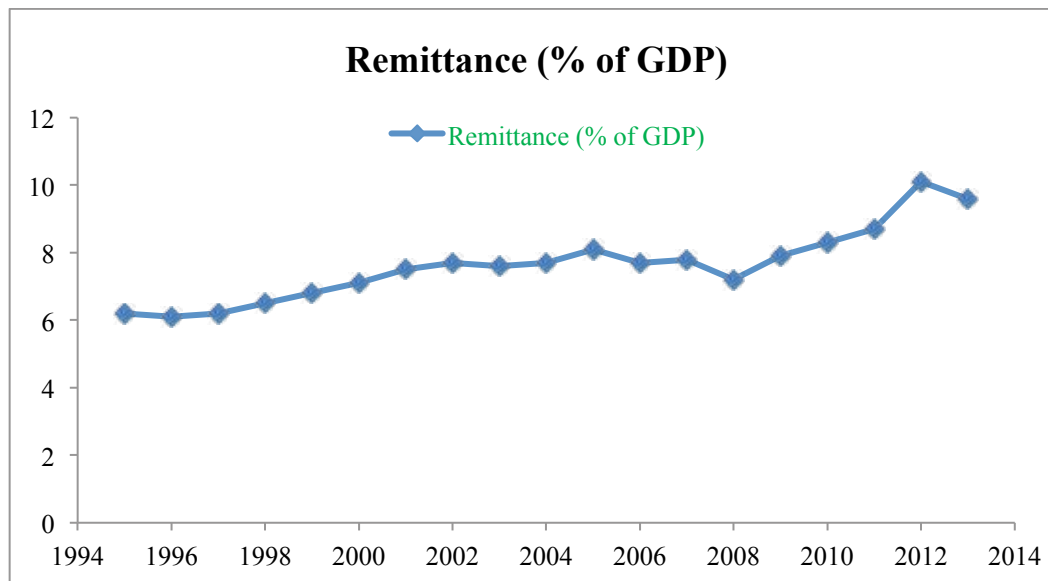
**Graph 5.18: Remittance inflow of Sri Lanka (In million dollars) (1995–2011)**



Source: Migration and Remittances Factbook 2011, World Bank



**Graph 5.19: Remittances as percentage of GDP in Sri Lanka (1995–2013)**

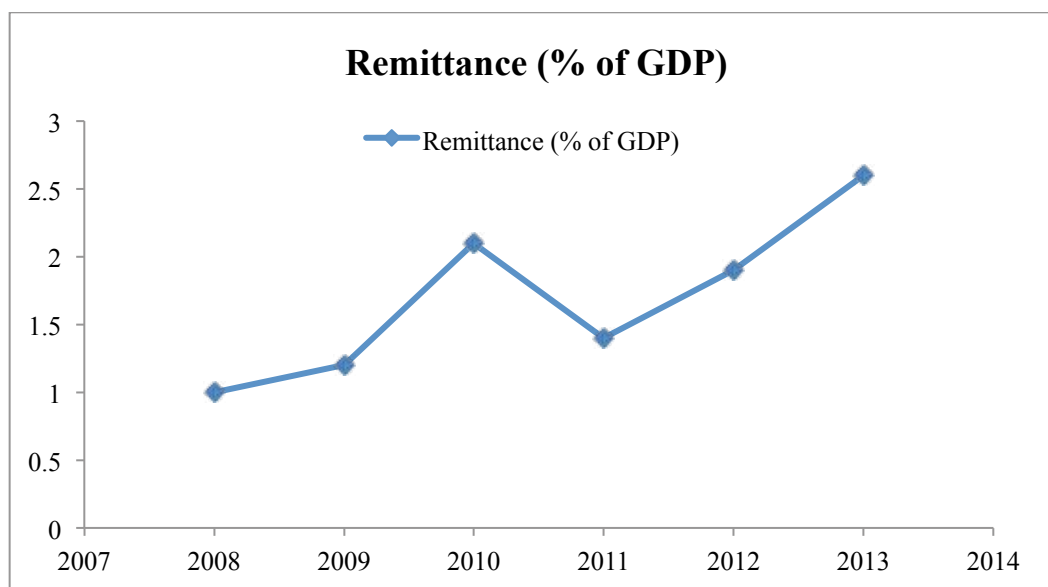


Source : World Bank data indicator

### **Afghanistan**

For Afghanistan, remittance as a percentage of GDP in 2009 was 1.2 per cent, in 2010 it was 2.1 per cent and in 2013 was 2.6 per cent. During 2010, stock of emigrants in Afghanistan was 8.1 per cent of total population and immigration stock was 0.3 per cent of total population. Remittance as a percentage of GDP shows an increasing trend, from 1.2 per cent in 2009 to 2.6 per cent in 2013.

**Graph 5.20: Remittance of Afghanistan (percentage of GDP) (2008–2013)**

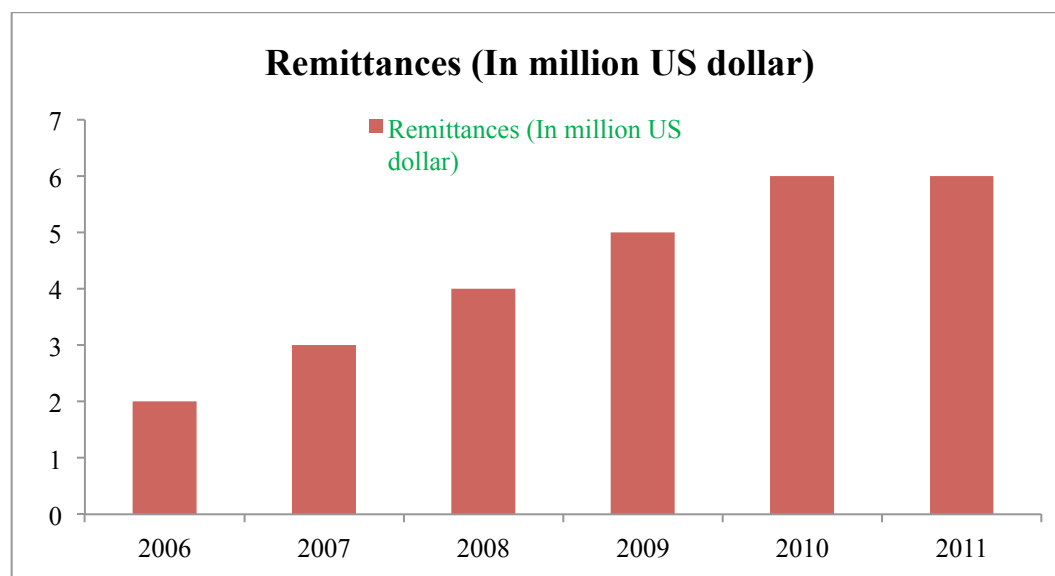


Source: Source: World Bank data indicator  
(<http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>)

## Bhutan

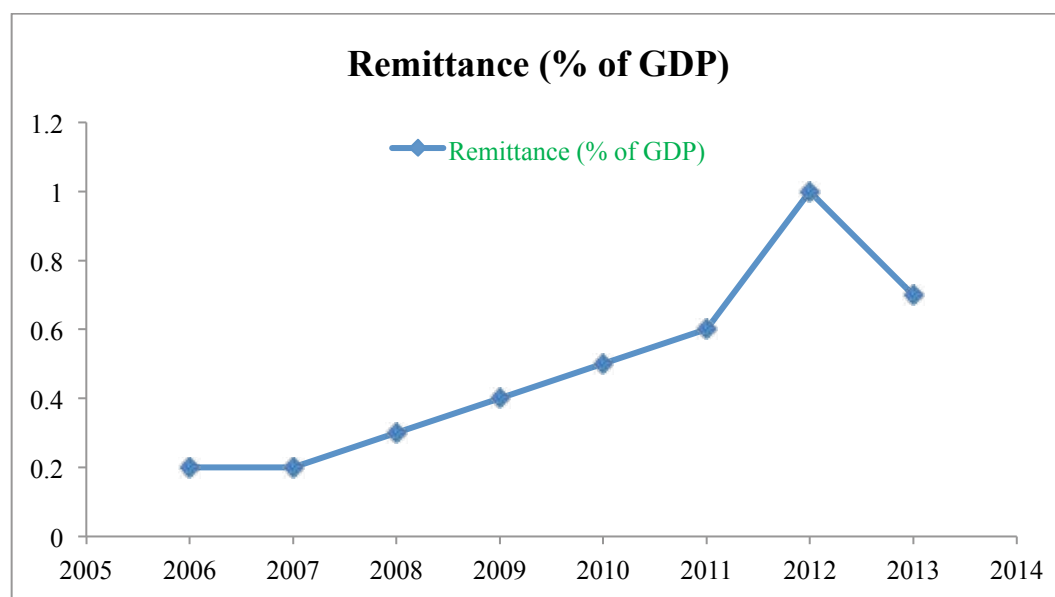
For Bhutan stock of emigrants was 6.3 per cent of total population and immigration stock was 5.7 per cent of total population in 2010. It had remittance inflow of US\$6 million in 2011 where in 2006 it was only US\$2 million. Remittance as a percentage of GDP in 2009 was 0.4 per cent, in 2010 it was 0.5 per cent and in 2013 it was 0.7 per cent. Remittance inflow of Bhutan, as shown in the graph below, depicts an increasing trend.

**Graph 5.21: Remittance inflow to Bhutan (2006–2011)**



Source: Migration and Remittances Factbook, 2011, World Bank  
<http://data.worldbank.org/data-catalog/migration-and-remittances>

**Graph 5.22: Remittance as percentage of GDP in Bhutan (2006–2013)**

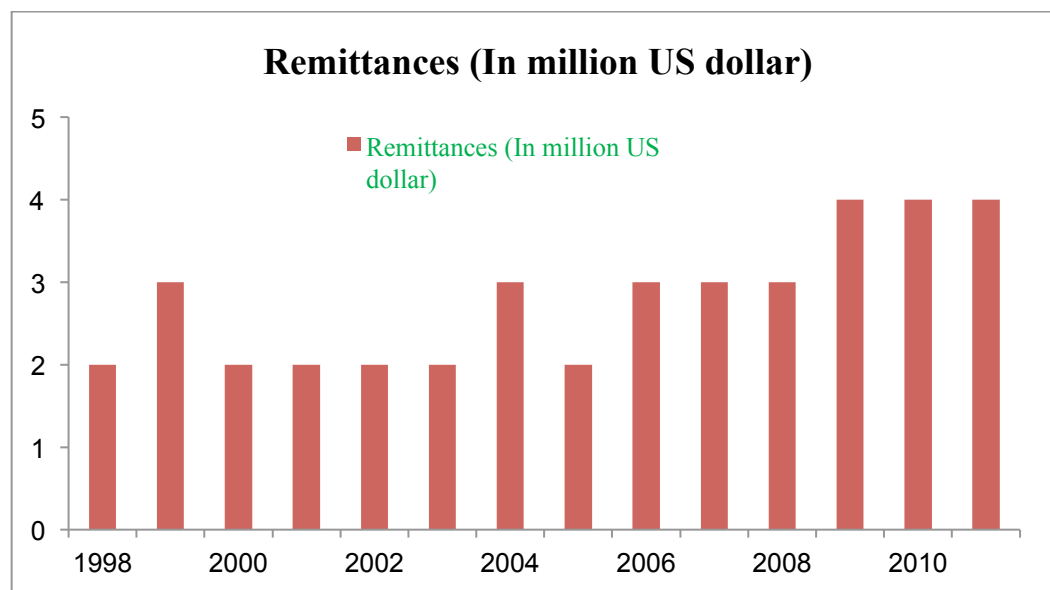


Source: Source: World Bank data indicator  
(<http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>)

## Maldives

For Maldives, remittance as percentage of GDP in 2000 was 0.4 per cent, in 2010 it was 0.1 per cent and in 2012 it was the same as 2010. During 2010, stock of emigrants was 0.6 per cent of total population and immigration stock was 1 per cent of total population. Remittance inflow was US\$4 million where in 2000 it was US\$2 million.

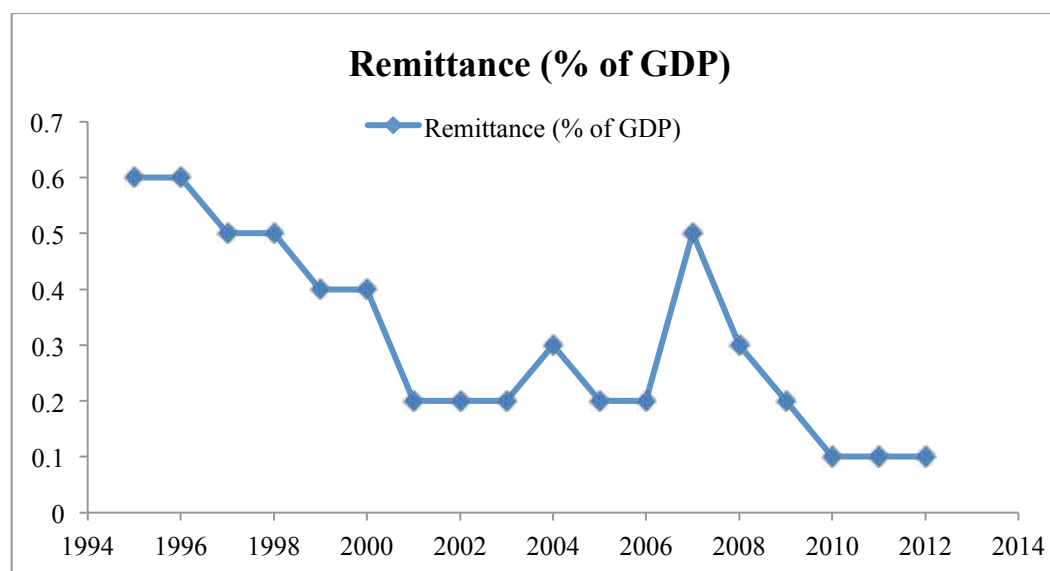
**Graph 5.23: Remittance inflow of Maldives ( In million US dollar)( 1998–2011)**



Source: Migration and Remittances Factbook, 2011, World Bank  
<http://data.worldbank.org/data-catalog/migration-and-remittances>

Remittance inflow in Maldives always shows an increasing trend.

**Graph 5.24: Remittance as percentage of GDP in Maldives, 1995–2012**



Source: World Bank data indicator (<http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>)

## 5.2 Studies on South Asia

This section describes the available existing studies on migration and development on each South Asian country.

Starting with Bangladesh, remittance has significant positive contribution in case of poverty reduction (Raihan et al, 2009). To examine the impacts of international remittances on household consumption expenditure and poverty the computable general equilibrium modeling is used in this study. Similar evidence is found in Nepal; remittance reduced poverty by 4 percent (Wagle, 2012). Examining micro data for 1996 and 2004 the study suggests that families with greater assets maximize the use of remittance they receive. In another study Thieme and Wyss (2005) suggests that remittance increased financial and social capital, education of the children, increased health amenities, in addition to contributing to sustainable livelihoods. There was no loss of manpower in the studied area as majority of migrants were unemployed before migration.

Contrary to Wagle's (2012) findings in Nepal, Sharma (2011) find evidence of remittance benefitting relatively poor households in Sri Lanka. Remittance had positive impact on migrant's family's food, non-food and health expenditures. Another study by De and Ratha (2012) evidenced similar findings; remittance income grew rapidly within the families of bottom quintiles of income distribution in Sri Lanka. A significant positive effect of remittance on education and children's' health is also suggested by the study.

Mallic (2008) studied the effects of remittances on macroeconomic indicators in India. The effects of remittances on private investment, consumption, and output growth are examined. Remittances are considered as an addition to total domestic income and are used as investment only after consumption needs are satisfied. The results of this study suggest that remittances do have a positive effect on private consumption and an adverse effect on private investment and growth during the studied period, i.e. 1967 to 2004. The study also suggests that remittance growth do not affect output growth rate in the economy.

Nayyar (1989) found relatively small effects of emigration on India's economy. Another study on India suggests that remittance had both micro and macro-level effects in Kerala during 1972–2000 (Kannan and Hari, 2002). According to the authors the most important positive change that Kerala experienced is the exposure of over two million Keralaites to the outside world through international migration. Remittances constitute a significant amount of the national income in Kerala ranging from 17 per cent during 1992 to 24 per cent during 1998. By mid- 1990s, remittances reached more than 22 per cent of the net state domestic product, 113 per cent of the government expenditure, 110 percent of the value added in industry and 208 per cent of value added in manufacturing. Unemployment rate showed a declining trend and per capita savings an increasing trend during the studied period.

Pakistani economy benefited from labour emigration. In a relatively recent study Ullah et al. (2012) examined the effect of remittance inflow on household's welfare in Pakistan. Welfare is measured by consumption expenditures of the households. Evidence from this study suggests that remittance inflow improved household's welfare and reduced unemployment. Ahmed et al (2010) suggests that remittance receiving household's expenditures on food, clothing, education and recreation show an increase. Gini coefficient and poverty headcount ratio fell by 4.8 per cent and 7.8 per cent respectively. Other studies on Pakistan suggest similar positive impact of migration: remittances boosted economic growth by raising domestic savings and providing foreign exchange (Gilani 1988, UNESCAP, 1987) and improved balance of payments position (Burney, 1989).

## 5.3 Impact on South Asian Employers

International migrants come mostly from labor-abundant developing countries. South Asia is a region where most of the countries are developing, have surplus labour, and have been practicing labour migration for long. Migrants from South Asia find employment through formal and informal manpower agencies.

Remittances from migration make important contributions to economic stability and also to family finances. As a policy labour migration is considered as a strong driver of poverty reduction and pro-poor growth. Migration from and within South Asia includes all kinds of migrants: temporary, permanent, circular, less-skilled, semi-skilled, skilled, and high-skilled. The study focuses on the impact of all skill type labour migration on employers.

The effect of migration on production will be different for less-skilled and skilled workers in a labour-surplus country. Following Nobel Laureate economist's theory of "unlimited supplies of labor" migration of less-skilled workers may not have very large impact on production in developing countries as they are relatively easy to replace. But migration of semi-skilled and skilled workers will cause loss of human capital and might affect production, at least in very short run, if replacement is not found easily. However in long run the effect of semi skilled and skilled workers migration on production will be insignificant. Evidence from Nepal indicated that migration caused severe localized shortages and unreliable supply of labour (Adhikari, 2006). This acted as constraints on the competitiveness of Nepalese industries since employers were less interested to invest in skill development of workers. This may had created a kind of Dutch disease in Nepalese industries.

## Chapter 6: Data and Methodology

### 6.1 Data

To address the research question of this study we used a structural questionnaire which includes both open-ended and closed category questions. The survey is conducted online. Nearly 200 questionnaires were sent to different addresses in South Asia. Among these 140 companies<sup>2</sup>were from Bangladesh. The companies are registered with Bangladesh Employers' Federation and include almost all categories: business companies to hotels, pharmaceuticals, telecommunication companies, insurance companies, banks, garments and multinational companies. These are some of the leading companies, and are expected to maintain an updated database of their employees and production. Online survey was created using Google docs. The questionnaire was sent to the respondents through electronic mails.

The questionnaire has fifteen questions in total. These questions cover various inter-related issues related to labour migration's impact on the employers of South-Asia. The questions include the basic history of the migrated employees of the respective firms that covers the migrated workers' education level, skill level, position, number of years worked, trainings. Migration within South Asia is a common occurrence; many Indian nationals are working in Bangladesh, and many Bangladeshi nationals are working in Maldives for example. To cover that we include questions on foreign employees. To generate gender-disaggregated data and conduct gender analysis among the migrants the survey includes questions on gender. The survey also includes policy oriented open-ended questions to understand the expectations of the employers. The questionnaire is attached in the appendix.

### 6.2 Methodology

Generally the effects of migration are analyzed at three levels: on migrant, on migrant's family and community and on macro-economy. This study adds to the growing literature by adding the analysis of impact of migration on employers in South Asia. South Asia is a region where most of the countries are developing, have surplus labour, and have been practicing labour migration for decades. Migration from and within South Asia includes all kinds of migrants: temporary, permanent, circular, less-skilled, semi-skilled, skilled, and high-skilled. The study focuses on the impact of all skill type labour migration on employers. It has been said that migration of certain skilled workers caused production loss in some industries.

The effect of migration on production will be different for less-skilled and skilled workers in a labour-surplus country. Less-skilled workers migration will not have any significant impact on production as they are relatively easy to replace. Semi-skilled and skilled workers migration might affect production if replacement is not found easily.

To understand the research question thoroughly we use exploratory research in this study. Our objective is to understand the targeted respondents' attitude better. Guided by this research we can attempt to quantify responses to statistically inferable data.

To examine the impact of semi-skilled and skilled workers migration on production we estimate simple equations:

Output = f (semi-skilled employment)

Output = f (skilled employment)

!!  
"##\$%&'()\*+!,-./0)1\*!2)()1\$34/%!54%('0!1/64)(!7\*!3+)!8/%3\$83!()3\$4\*!/9!3+)!8/-.\$%4)\*!

Skill category is defined based on education level, experience and/or training. It is expected that reduction in semi-skilled and skilled employment (due to migration) will reduce output volume of a particular firm in the very short run. In medium and long run the affect will be insignificant.

### **6.3 Results**

Out of 182 questionnaires 140 were sent to different companies in Bangladesh. We got responses from only two companies. Both companies are mostly export oriented with more than 5000 employees working in each. During the period 2011-2013 around 25 employees migrated for reasons like higher studies, better salary and better life. Migrated employees had probation period from 3-6 months and are mostly skilled and highly skilled. One company reported that their production was not affected by this migration and recommends encouraging migration. The other company did not respond to the question if production is affected by migration but recommends imposing barriers on migration! Our analysis is constrained by the very few responses we received.

## **Chapter7: Policy Recommendations**

South Asian countries are mostly labour–abundant developing countries with high rate of unemployment and underemployment. Natural calamities like flood, drought, and cyclone are regular phenomenon in these countries. On micro level migration from this region is mostly motivated by economic reasons. On macro level, migration is encouraged by government as an effective tool to reduce unemployment, improvement in balance of payment, and formation of both human and financial capital. Although South Asian countries have similar characteristics, the best practice migration policy can be different depending on the uniqueness of each country. However, we recommend polices for Bangladesh as a case study which, we think, can be generalized for all South Asian countries. Implementation of any policy would require a coordinated action from government, civil society, and international organizations in any South Asian country.

Emigration has become the prime thrust sector in Bangladesh. However, designing an appropriate migration policy and its implementation is essential for it to contribute more in the development process. Starting in 1970s, migration from Bangladesh got momentum since 1980s. Several policies have been implemented to support migration. One such policy is “Promoting Decent Work through Improved Migration Policy and its Application in Bangladesh Programme”. Initiated in 2011 the programme is supporting the Government of Bangladesh, the workers, and employers. The objective of the programme is to strengthen labour migration governance and improve Bangladeshi migrant workers employment condition. The project is working on i) providing more efficient recruitment proceedings ii) revision of regulations iii) bilateral and regional cooperation to protect migrant workers rights iv) migration management in terms of training, information and preparedness in the pre-departure process v) awareness raising vi) protection of workers from abuses in destination countries vii) increasing social protection and skills development.

With continuous changes in world economy and recent demographic changes, more updated migration policy, policy coordination, and their implementation is required. Interlinkages between policies play significant role in successful implementation of any policy. For instance, an encouraging migration policy should be supported by developed foreign exchange and capital market so that workers can send remittance through formal channel and save their hard earned money in formal financial institutions. With investment-friendly policy by central bank, banks can loan out their savings to genuine investors. Increase in investment create productive jobs, and therefore reduce unemployment and increase GDP through consumption increase.

### **Policy Recommendations for Migration Policy-Makers**

The objective of policy recommendation is to promote rights-based and sustainable labour migration. New suitable regulation, when necessary and possible, will be an important way to attain the objectives. Some general policy recommendations are as follows:

- i) Targeting short-term migration contract in order to immediately deal with the demographic dividend situation. Strengthening bilateral relation with each of the Gulf Cooperation countries is essential to expedite migration of workers particularly less and semi skilled workers. Signing MoU is vital in order to protect workers’ rights.
- ii) In medium run investing in training of semi skilled workers like nurses, plumbers, electricians, carpenters targeting OECD and European countries. Three to six months intensive training should be enough to prepare for these jobs. Indonesia and Philippines can work as examples on



this. Formal recognition of qualification/skills can speed up migration process. Policies like “Recognition of Prior Learning”<sup>3</sup> can be useful in this context.

- iii) In long run investing in information technology and other relevant skills can boost up highly skilled migration. Indian model can be an example on this. Ministry of Information can play the central role in this type of migration as in India.
- iv) Targeted policy to capitalize returned migrants financial resources and skills. Investing in SMEs can be a good option as it requires relatively small investment and is currently considered as an effective policy in terms of employment generation. Financial assistance scheme to set-up small or medium enterprises can be helpful in this context. Capitalization of migrant’s human resource can be done by transferring their skills by offering appropriate jobs to them. Use of information and communication technology (ICT) can play a crucial role in knowledge sharing.
- v) Strengthening labour migration governance. Sharing sub-regional experiences can contribute to better management in this context.

However, designing, approving and implementing new regulation will need some time. Immediate intervention in some priority areas can reduce cost of migration and can contribute to more efficient utilization of remittances. International agencies can play a significant role in this context. The policy recommendation on regulation and on short-term intervention should be based on evidence-based research.

### **Reduction in cost of Migration**

Several factors act as constraints to reduction in cost of migration. Complexity in the migration process, active presence of informal agents, less-accountability of the formal agents, lack of awareness of migrants play major roles in exploitation of migrants. The factors are all interlinked adding more complexity in the dynamics of the migration process. This study suggests following policies to reduce cost of migration:

- i) Simplifying the migration process is the top most priority. One way to simplify the process is by decentralization of the government services. This would likely to encourage formal agents to move out of big cities and hence reduce the scope of exploitation by informal agents.
- ii) Monitoring informal agents and eventually bringing them to formal sector is expected to reduce exploitation.
- iii) Using information and communication technology (ICT) is expected to reduce costs of migration significantly. Evidence shows that larger the distance between prospective migrant and the employment opportunity greater will be the scope for exploitation by middlemen. An internet based system can play an important role in this context: potential migrants can register and apply for the foreign advertised post directly and thereby can reduce the possible scope for exploitation by formal and informal agents.
- iv) Lack of knowledge in different steps of the migration process is another key source of exploitation. Often migrants are not aware of the key risks they may face and the rights they have. A very short term training/workshop, say for two weeks, is essential to boost up workers

!!

<sup>3</sup> ILO, BRAC, and Government of Bangladesh initiated this project in 2012. The objective is to formalize the already earned skills from previous training, work, or from life experience. The skill is assessed by a team of registered assessor. Certificated are provided based on this assessment. This reduces the training time required for a learner to achieve a qualification.

particularly less-skilled workers confidence before they migrate<sup>4</sup>. This, by reducing anticipation, will help workers to have a good start at the new work place. Training may include update on foreign language, culture, living, law and order situation, basic computer skills, and most importantly providing information on workers' rights. Since 2011 ILO is providing some assistance on this through "Promoting Decent Work through Improved Migration Policy and its Application in Bangladesh Programme" but the scale is not enough yet to make significant impact. This study recommends expansion of this and more similar programmes.

- v) Strengthening recruitment agencies through government intervention to protect emigrants from harassment and to tackle unlawful events in home and host countries. Instead of brokers and other agents, BMET can deal with all migration related cost like visa, tickets etc.

### **Efficient Utilization of Remittances**

Efficient utilization of remittances would require investment of it as both human capital and productive purposes. In Bangladesh remittances are primarily used for consumption purposes and secondarily on education and health care. The second one is considered as human capital investment. Using remittances as productive investment would require improved financial services with targeted schemes for remittance senders. However there is knowledge gap on how to make the best use of remittance in long term development. This study recommends following policies for more efficient utilization of resources.

- i) Migration costs are often financed by personal loans with high interest rates and are paid back by remittance. Loans from formal financial sector will help better utilizing remittance.
- ii) Sophistication of the financial sector is vital to encourage sending remittance through formal channel. Targeted schemes for remittance senders such as health and life insurance, home loans and savings deposit schemes can be offered in this context (ILO, 2008).
- iii) Mobilization of remittances for productive uses would require coordinated action from banks, other financial institutions, and remittance senders. International organization like ILO can provide technical and financial assistance for capacity building in this context.

### **Research**

Academics, civil society and international agencies have contributed to deeper understanding of the migration and development issues. However there is dearth of knowledge on this issue mostly caused by lack of reliable data and formal publications of some crucial reports. Lack of evidence led to disagreement about policy measures amongst academics and policy makers. Political economy of labour migration is continuously changing. To understand the dynamics continuous research is needed which can update the public debate and can suggest policy based on evidence. This study suggests opening a research wing for this purpose. Some of the research questions this wing can start with are as follows:

- i) To reduce cost of migration thorough research is needed on informal recruitment agents: their numbers, functions, how much do they charge etc. Research is needed on the options available, if any, and their consequences, to monitor and regulate the informal agents.
- ii) Migration policies need to keep paces with the changes in demand and supply at labour-sending and receiving countries. Continuous research is needed on finding new foreign job markets, make suggestions to government how to develop the right skill to avail the opportunities.

!!

<sup>4</sup>It has been shown that migrants who received such training session were 5-10 percent less likely to experiences exploitation (World Bank, 2011a)

- iii) Forecasting human resource demand is essential for efficient labour force planning in short, medium and long run. In Sri Lanka, for example, Technical Vocational Education and Training (TVET) sector uses forecast by Tertiary and Vocational Education Commission (Jayalath, 2011).

### **Policy Recommendations for Employers**

Less-skilled workers migration would not affect employers as they are easily replaceable. Semi-skilled and skilled workers migration would certainly affect production during short run. However there will not be any significant effect in long run. This study suggests employers to

- 1 Practice targeted programmes in order to attract, motivate, and retain qualified workers.
- 2 Encourage workers to notify authority sufficient time before they leave so a replacement can be found. An incentive with the discharge package for this prior-notification can be helpful in this case.
- 3 Preserve data on employees on job description, training cost, production, education and skill level of workers.
- 4 Arrange frequent training programmes for the workers who they think are indispensable to continue production. This will fill-up the vacuum for migrated worker immediately.

### **Policy Recommendations for Workers**

- 1) Ensuring equal treatment in terms of working environment and opportunity for all migrant workers.
- 2) Providing assistance to migrants and their families in preserving national and ethnic identity and cultural ties with home countries.
- 3) Policies ensuring effective protection against all forms of abuse, violence and harassment. An effective complaint mechanism in accordance with national laws is useful in this context.
- 4) Assurance of fair terms of employment, decent working and living conditions, minimum wage coverage without discrimination based on sex.
- 5) Policies ensuring minimum standard of social security benefits that include medical care, unemployment, old age, injury, maternity, invalidity and survivors' benefits.
- 6) Rights-based legislation that guarantees no distinction based on gender, age, race, color, language, religion, political or any other opinion, ethnic, social or national origin, economy etc., to migrant workers and their family members.

## Chapter 8: Conclusion

International migration is an important building block for economic development for many developing countries. Migration raises both hopes and concerns in those countries. Its negative effects (brain drain) cannot be ignored but by designing appropriate set of policies positive effects (primary and the multiplier effect of remittance for example) can outweigh the negative effects.

Remittance from migration makes positive contributions to national financial stability and also to household finances. Migration helps individuals to have better lives. The governments in South Asian countries consider migration as an effective way to stimulate economic development. Migration literature analyzes migrations impact on economic development on migrants, migrants' family and community, and on macro-economic indicators. This study adds to the growing literature by adding the analysis on migration's impact on employers in South Asia.

The objective of the study is to identify the sectors and industries experiencing impact of labour migration by analysing correlation between migration and industry growth. Understanding drawn from this study would contribute to strengthening of policy and institutional frameworks which will maximize developmental impact of labour migration.

The study uses an exploratory research approach to analyze the research question. Our study suggests, following theory, that employers may be affected by the migration of certain skilled workers in short run but that affects should fade way in medium and in long-run. Considering the positive impacts of international migration on individual and on the country as a whole, the costs caused by this particular migration will be much less than the benefits. Hence, government and the employers should follow policy to promote international migration. At the same time employers and government can organize frequent training programmes to fill in the vacuum, if any, caused by migration of certain types of workers.

Future research on this issue will include more in-depth analysis by using more data. Guided by this study we can attempt to quantify responses to statistically inferable data and can explore the correlation, if any, between industry growth and migration which is left for future research.

## References

- Adams, Jr. R. H. 1991. *The Effects of International Remittances on Poverty, Inequality, and Development in Rural Egypt* (Washington, D.C.: International Food Policy Research Institute).
- Adams, Jr. R. H. 1998. "Remittances, Investment and Rural Asset Accumulation in Pakistan", *Economic Development and Cultural Change*, pp. 155-173.
- Adams, Jr. R. H.; Page, J. 2003. *International Migration, Remittances and Poverty in Developing Countries*, World Bank Policy Research Working Paper 3179.
- Adhikari, J. 2006. *The Beginnings of Agrarian Change: A case Study in Central Nepal*. Kathmandu: TM Publications
- Ahmed, V.; Sugiyarto, G.; Jha, S. 2010. *Remittances and Household Welfare: A Case Study of Pakistan*, ADB Economics Working Paper Series 194.
- Amjad, R. 1986. "Impact of Workers' Remittances from the Middle East on Pakistan's Economy: Some Selected Issues", *The Pakistan Development Review*, Vol. 25, No. 4, pp.757-82.
- Amnesty International, 2011. *False Promises: Exploitation and Forced Labour of Nepalese Migrant Workers*. London: Amnesty International.
- Appleyard, R. T. 1989. "Migration and Development: Myths and Reality", *International Migration Review*, Vol. 23, No. 3, pp. 486-499.
- Arnold, F.; Shah, N. M. 1984. "Asian Labor Migration to the Middle East", *International Migration Review*, Vol. 18, No. 2.
- Begum, M. N.; Sutradhar, R. R. 2012. *Behavior of Remittance Inflows and its Determinants in Bangladesh*, Bangladesh Bank Working Paper Series WP1202.
- Beine, M.; Docquier, F.; Rapoport, H. 2001. "Brain drain and economic growth: theory and evidence", *Journal of Development Economics*, Vol. 64, pp.275-289.
- Bhagwati, J.N., Hamada, K. 1974. "The brain drain, international integration of markets for professionals and unemployment", *Journal of Development Economics*, Vol. 1, No. 1, pp. 19-42.
- Bhandari, P. 2004. "Relative deprivation and migration in an agricultural setting of Nepal", *Population and Environment*, Vol. 25, No. 5, pp. 475-99.
- Bigsten, A.; Durevall, D.; Munshi, F. 2012. "Offshoring and Occupational wages: Some Empirical Evidence", *Journal of International Trade and Economic Development*, Vol. 21, No. 2.
- Bohra, P.; Massey, D. 2009. "Process of internal and international migration from Chitawan, Nepal", *International Migration Review*, Vol. 43, No. 3, pp. 621-51.
- Borjas, G.; and Katz, L. 2005. *The Evolution of the Mexican-Born Workforce in the United States*.
- Brown, R.P.C. 1994. "Remittances, Savings and Investments of South Pacific migrants", *International Labour Review*.
- Brucker; Herbert; Jahn, E. 2011. "Migration and Wage-Setting: Reassessing the Labor Market Effects of Migration", *Scandinavian Journal of Economics*.
- Burney, N.A. 1989. "A Macro-economic analysis of the impact of worker's remittances on Pakistan's economy", R. Amjad (eds): *To the Gulf and back, studies on the economic impact of Asian labor migration* (New Delhi).
- Campbell, D.; Slany, A.; Khare, Shagun (Unpublished). *Employment-led Growth in Nepal*, ILO.
- Card, D. 1990. "The Impact of the Mariel Boatlift on the Miami Labor Market." *Industrial and Labor Relations Review*.
- Chami, R. C.; Fullenkamp; S. Jahjah. 2003. *Are Immigrant Remittance Flows a Source of Capital for Development?*, IMF Working Paper 03/189. Washington: International Monetary Fund.
- D'Amuri; Francesco; Peri, G. 2011. *Immigration, Jobs, and Employment Protection: Evidence from Europe*, NBER Working Paper No. 17139.
- Dadush U. 2014. *The Effect of Low-Skilled Labor Migration on the Host Economy*, KNOMAD Working Paper, Vol.1.
- De, P. K.; Ratha, D. 2012. "Impact of remittances on household income, asset and human capital: evidence from Sri Lanka", *Migration and Development*.
- Farid, K. S.; Mozumder, L.; Kabir, M. S.; Hossain, K. B. 2009. "Trends in international migration and remittance flows: Case of Bangladesh", *Journal of Bangladesh Agricultural University*, Vol. 7, No. 2.
- Galor, O.; Tsiddon, D. 1997. "The distribution of human capital and economic growth", *Journal of Economic Growth*, Vol. 2, No. 1, pp. 93-124.
- Gibson J.; McKenzie D. 2011. "Eight Questions about Brain Drain", *The Journal of Economic Perspectives*, Vol. 25, No. 3, pp. 107-128.
- Gilani, I. 1988. "Effects of emigration and return on sending countries: the case of Pakistan", C. Stahl: *International Migration Today*, Volume 2: Emerging Issues, pp. 204-17 (Paris: UNESCO).
- Giuliano, P.; Ruiz-Arranz, M. 2005. *Remittances, Financial Development, and Growth*, IMF Working Paper, Vol. 234, No. 5.
- Graner, E. 2001. "Labour markets and migration in Nepal: the case of workers in Kathmandu Valley carpet manufactories", *Mountain Research and Development*, Vol. 21, No. 3, pp. 253-59.

- Habib, A. 1985. "Economic Consequences of International Migration for Sending Countries: Review of Evidence from Bangladesh", Ph.D. Thesis, University of Newcastle, Australia.
- Haque, M. S. 2005. "Migration Trends and Patterns in South Asia and Management Approaches and Initiatives", *Asia-Pacific Population Journal*, Vol.20, No.3.
- Hatton, T. J.; Williamson, J. G. 1992. *International Migration and World Development: A Historical Perspective*, NBER Working Paper Series, Historical Paper No. 41.
- Hyun, O. 1984. "A Macroeconometric Model of Korea: Simulation Experiments with a Large-Scale Model for a Developing Country". Ph.D. Dissertation, Department of Regional Science, University of Pennsylvania, Philadelphia.
- International Organization for Migration, 2005.
- ILO (International Labour Organization), 2008. A Study on Migrant Recruitment Practice in Nepal. Geneva:ILO.
- Jaeger, D. 2007. *Skill Differences and the Effect of Immigrants on the Wages of Natives*.
- Jayalath, J. (2011). Human Resource Demand Forecasting–Sri Lankan Experience.
- Jones, H., Basnett, Y., 2013. Foreign employment and inclusive growth in Nepal, Overseas Development Institute, UK
- Kannan, K. P.; Hari, K. S.2002. "Kerala's Gulf Connection Emigration, Remittances and their Macroeconomic Impact 1972-2000", *Centre For Development Studies*, Vol. 328, pp. 1-45.
- Keely, C.B.; Tran, B.N. 1989. "Remittances from Labor Migration: Evaluations, Performance and Implications Author", *International Migration Review*, Vol.23, No.3, pp. 500-525.
- Kim, S. 1983. "Economic analysis of Korean manpower migration", *Journal of Economics and Business*, Sogang University.
- Lewis, E. 2005. *Immigration, Skill Mix, and the Choice of Technique*, Federal Reserve Bank of Philadelphia Working Papers, Research Department.
- Lewis, W. A. 1954. "Economic development with unlimited supplies of labour", *Manchester School of Economic and Social Studies*22, pp. 139-91.
- Mallick, H. 2008. *Do Remittances Impact the Economy? Some Empirical Evidences from a Developing Economy*, CDS Working Paper 407.
- Massey, D.S.1993. "Theories of international migration: a review and appraisal", *Population and Development Review*, Vol. 19, No. 3.
- Miyagiwa, K., 1991. "Scale economies in education and the brain drain problem". *International Economic Review*, Vol. 32, No. 3, pp. 743–759.
- Mountford, A. 1997. "Can a brain drain be good for growth in the source economy?", *Journal of Development Economics*, Vol. 53, No. 2, pp. 287–303.
- Mundaca; Gabriela, B. 2005. "Can Remittances Enhance Economic Growth? The Role of Financial Markets Development." *Mimeo: University of Oslo*.
- Nayyar, D. 1989. "International Labour Migration from India: A Macro-economic analysis", Amjad (eds): *To the Gulf and Back: Studies on the Economic Impact of Asian Labour Migration*, pp. 95-142.
- Orozco, M.; Fedewa, R. 2005. "Regional Integration? Trends and Pattern of Remittances flow within South East Asia" Data Analysis of Six Surveys carried out in South East Asia including Survey in Hong Kong, Singapore and Japan. Washington," *D.C: Inter-American Dialogue*.
- Pakistan migration country report, 2013.
- Papademetriou, D. G.; Martin, P. L. 1991. *The Unsettled Relationship: Labor Migration and Economic Development*, 1st edn., United States of America: Greenwood Publishing Group.
- Peri, G. 2010/11 /09. "The Effects of Immigrants on U.S. Employment and Productivity." *FRBSF Economic Letter*.
- Peri, G.; Sparber, C. 2008. "Task Specialization, Immigration, and Wages", *Centre for Research and Analysis on Migration*.
- Portes, A.; Walton, J.1981. "*Labour, Class and the International System*", Academic Press, New York.
- Rahman, M. M. 2000. "Emigration and Development: The Case of a Bangladeshi Village", *International Migration*, Vol. 38, No.4.
- Raihan, S.; Khondker, B. H.; Sugiyarto, G.; Jha, S. 2009. *Remittances and Household Welfare: A Case Study of Bangladesh*, ADB Economics Working Paper Series, Vol.189.
- Rigg, J.1989. *International contract labour migration and the village economy: the case of Tambon Don Han, North-Eastern Thailand*, papers of the *East-West Population Institute*, no. 112 (East-West Center, Honolulu).
- Russell, S. S.; Teitelbaum M. S. 1992. *International Migration and International Trade* (Washington, D.C.: World Bank).
- SAARC secretariat Kathmandu, 2014.
- Salt, J. 1992."Migration processes among the Highly Skilled in Europe", *International Migration Review*, 26.
- Thimoty, R.; Sasikumar, S. K.; 2012. "*Migration of Low Skilled Workers from India to the European Union*",CARIM-India Research Report 2012/15.
- Seddon, D. 2004. "South Asian Remittances:Implication for Development" *Contemporary South Asia* 13(4).405-406

- Sijapati, B.; Limbu, A. and Khadka, M. with Aryal, S., Bajracharya, R., Gurung, N., Gurung, S. and Sharma, S. 2011. "Trafficking and Forced Labour in Nepal: A Review of the Literature". Kathmandu:CESLAM
- Sharma, M.P. 2011. "International Contract-Based Migration, Remittances, and Household Well-Being in the Western Province of Sri Lanka", *International Migration*, Vol. 51, No. S1.
- Siddiqui; Rizwana; Kemal, A., R. 2002. "Poverty reducing and Povert Inducing? A CGE Based Analysis of Foreign Capital inflow in Pakistan"(UK: Department for International Development (DFID)).
- Siddique, A.; Selvanathan, E. A.; Selvanathan, S. 2010. *Remittances and Economic Growth: Empirical Evidence from Bangladesh India and Sri Lanka*, The University of Western Australia, Discussion Paper no. 10.27.
- Skeldon, R. 2003. "Migration and Migration Policies in Asia: A Synthesis of Selected Cases"; *Regional Conference on Migration, Development and Pro-poor Policy in Asia*, (RMMRU and DFID, Dhaka).
- Skeldon, R. 2005. "Migration and Mobility: The Critical Population Issues of Our Times", *Asia-Pacific Population Journal*, Vol.20, No.3.
- Solimano, A. 2004. *Globalization, History and International Migration: A View from Latin America*, ILO Working Paper No. 37.
- Stahl, C.; Habib, A. 1991. "Emigration and development in south and Southeast Asia", D. G. Papademetriou and P.L. Martin (eds):*The Unsettled Relationship: Labor Migration and Economic Development*, pp. 163- 80 (New York, NY: Greenwood Press).
- Stark, O.; Helmenstein, C.; Prskawetz, A..1998. "Human capital formation, human capital depletion, and migration: a blessing or a "curse"?", *Economics Letters*, Vol. 60, No. 3, pp. 363–367.
- Taylor, J. E.; Arango, J.; Hugo, G.; Kouaouci, A.; Massey, D. S.; Pellegrino, A. 1996. "International Migration and National Development", *Population index*, Vol. 62, No. 2, pp.181-212.
- Taylor, J. E.2006. "International Migration and Economic Development", International Symposium on International Migration and Development, Population Division Department of Economic and Social Affairs United Nations Secretariat.
- The Asia Foundation, Nepal 2013. *Labour Migration Trends and Patterns: Bangladesh, India, and Nepal 2013*,The Asia Foundation.
- The Bangladesh Human Rights Network, 2003.
- The Financial Express, 2014.
- Thieme, S.; Wyss, S. 2005. "Migration Patterns and Remittance Transfer in Nepal: A Case Study of Sainik Basti in Western Nepal", *International Migration*, Vol. 43, No. 5.
- Ullah, M.S. 2009. "Determinants of International Labor Migration from Bangladesh: A Gravity Model of Panel Data", *Graduate School of Economics, Ritsumeikan University*, Vol. 25.
- Ullah, A.; Hussain, D. S. W.; Khan, Z. 2012. "Micro-econometric Analysis of Impact of Remittances on Household's Welfare: Empirical Evidence from District Peshawar", *Oeconomics of Knowledge*, Volume 4, Issue 1, 1Q.
- UNESCAP, 1987.
- United Nations, 2004. *Flash Appeal for Bangladesh, 2004*.
- Vidal, J.-P. 1998. "The effect of emigration on human capital formation", *Journal of Population Economics*, Vol. 11, No. 4, pp. 589–600.
- Wagle, U. R. 2012. "Socioeconomic Implications of the Increasing Foreign Remittance to Nepal: Evidence from the Nepal Living Standard Survey", *International Migration*, Vol. 50, No. 4.
- The World Bank, 2010.
- World Bank 2011. *Migration And Remittances Factbook 2011*. Washington DC:World Bank
- World Bank, 2011a. *Large Scale Migration and Remittance in Nepal: Issues, Challenges and Opportunities*. Washington, DC: World Bank.

# Appendix

## Questionnaire

### Exploratory Study on Impact of Labour Migration on South Asian Employers

Project Ref No: 2014-5356101. Name of researcher: Dr Farzana Munshi

Contact details: Shaquib Quoreshi, Bangladesh Employers' Federation: [squareshi@gmail.com](mailto:squareshi@gmail.com)

Invitation: Thank you for reading this. The international Labour Organization (ILO) and the Bangladesh Employers' Federation (BEF) would like to invite you to take part in an exploratory study by completing this questionnaire. It is entirely up to you whether you participate but your responses would be valued.

The study is looking at the increasingly complex issue of migration for employment in South Asia. It would attempt to find out if there is any consequence for the employers. This research does not require your name nor any identifying details; the questionnaire can be completed anonymously and all reasonable steps will be taken to ensure confidentiality. Responses from completed questionnaires will be collated for analysis; once this is complete the original filled up questionnaires will be filed and kept for a while by the ILO as per procedures. If you wish to learn more about the use of the research please contact Mr Shaquib Quoreshi at the address given above.

ILO and the BEF thank you for the time and valuable inputs.

Please answer all the questions carefully. The responses will be solely used for research purposes and the identity of the firm will be kept confidential. Please write detailed responses wherever appropriate. Deadline to submit this form is 11:59 PM, March 31, 2015.

Date.....

#### **1. Type, location and number of workers in your firm**

#### **2. Type and number of current employees**

( please mention the number of male and female employees for each category a) less-skilled, b) semi-skilled, c) skilled, d) highly skilled)

#### **3. How many employees joined your firm in 2011, 2012 and 2013?**

( please mention the number of male and female employees under each category a) less-skilled, b) semi-skilled, c) skilled, d) highly skilled, separately for each year)

#### **4. Has any employee migrated to work in other countries in 2011, 2012 and 2013?**

( please mention the total number of employees under each category a) less-skilled, b) semi-skilled, c) skilled, d) highly skilled, separately for each year)



**5. Please provide information on - total number of male and female migrated employees separately in 2011, 2012 and 2013**

**- Number of male and female migrated employees under each education level- i) primary incomplete, ii) primary complete, iii) secondary complete, iv) higher secondary and v) graduate, postgraduate or above**

(please mention separately for male and female for 2011, 2012 and 2013)

**Positions held of the migrated employees in your firm?**

**Destination countries of the migrated workers?**

**How many years did he/she work in your firm before migrating?**

**How long was the probation period after joining, if any? Was there any provision of training in the probation period? If yes, please mention the number of years of training.**

**6. Please state at least three main reasons for each of these –**

**i) why do workers migrate to other destinations**

**ii) ways by which your firm is getting affected by the departure of workers**

**7. a) How many male and female foreign employees do you have now?**

**b) How do you recruit foreign employees?**

- Private employment service provider or agency
- Advertisement

**8. State what skills and qualities are considered to hire a foreign worker.**

**9. How do you administer the recruitments associated with foreign workers?**

For instance- work permit, social security, salary, insurance, safety, other benefits etc.

**10. What are the current policies you follow to attract, motivate and retain workers at job in your firm?**

Please mention at least three policies

**11. Please state what other policies you would consider to follow to retain your qualified workers? Please provide detailed answer.**

**12. What policies would you recommend for the government/labor organizations to encourage labor migration? i) Government?**

**ii) Labor organizations?**

**13. How problematic do you find labor migration is for the domestic firms' growth?**

- Not at all problematic to look for new workers
- Slightly problematic to look for new workers
- Problematic as it involves additional costs
- Highly problematic as it involves huge costs

**14. What policies would you recommend for the government/labor organizations to follow discouraging labor migration if you see it as problem for the domestic firms?**

**i) Government?**

**ii) Labor organizations**

**15. If you have any related information or thoughts, please feel free to share with us in the box below**

*Never submit passwords through Google Forms.*

---



