Towards Safer and More Productive Migration for South Asia

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Social Protection and Jobs - South Asia Region
Acknowledgements

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Executive Summary

International migration is a crucial part of South Asia’s development

International migration for temporary employment is a critical component of South Asia’s development path, from both the jobs and remittance flows perspectives.¹ South Asian economies are at a stage of demographic transition where people of working-age are generally still increasing shares of populations, with millions of people entering the working-age cohort every year for another generation. Overseas markets thus play an important role as a source of labor demand, especially since the private sectors in some of these South Asian economies are under pressure to create jobs at a sufficient pace and quality. For example, 27 percent of Nepali households had at least one person working abroad, equivalent to more than 2.8 million working-age Nepalese, which represents three-fourths of the 3.8 million wage employees working within the country (Bulmer 2020). The larger economies in the region have several million of migrants overseas, and these stocks have grown over time (Figure ES1). Focusing on just the flows of temporary economic migrants; Bangladesh, India, Nepal, and Pakistan annually sent approximately 597000, 678000, 463000, and 713000 workers overseas, respectively, on average, over 2012-17.

Figure ES1: Migration flows from South Asia are large and have been growing over the past decade

A. Migrant stock by country of origin (millions)

B. Temporary migrant worker receiving clearances from sending country government agencies (100,000s)

Note: Panel A covers migrant stock from a given country, regardless of their reason for migration (e.g. temporary economic migration, forced displacement, inter alia). Panel B only includes data for the five countries where governments maintain records of outbound temporary economic migrants.

Source: Panel A - UN WPP 2017 Revision; Panel B - BMET (Bangladesh), SLBFE (Sri Lanka), BEOE (Pakistan), DOFE (Nepal), MEA (India). AFG is Afghanistan, BGD is Bangladesh, IND is India, NPL is Nepal, PAK is Pakistan, and LKA is Sri Lanka. BMET is the Bureau of Manpower, Employment and Training; SLBFE is Sri Lanka Bureau of Foreign Employment; DOFE is the Department of Foreign Employment, and MEA is the Ministry of External Affairs.

¹ World Bank (2019) provides a detailed description of the differences between the groups that are often collectively referred to as “migrants” – international migrants, refugees, irregular migrants, and temporary migrants. This report focuses almost exclusively on temporary, international, regular migrant workers. They are engaged in a remunerated activity in a country of which they are not a national.
This report focuses on Bangladesh, Nepal, and Pakistan - three countries in the region sharing similar characteristics, opportunities, and challenges when it comes to international migration. All three are lower-middle income countries where sizeable shares of the working age population migrate overseas. Most migrants from these three countries are low-skilled. When these low-skilled workers move to destinations like the Gulf Cooperation Council (GCC) economies, they generally do so on a temporary basis through contractual labor arrangements, before returning home after a few years abroad. They face similar vulnerabilities overseas and are subject to a range of possible abuses and shocks. In all three countries, migration is also largely male, while female migration represents less than five percent of total international migration outflows. In contrast, outmigration from other countries in the region is noticeably distinct. In Afghanistan, migration systems are less mature, partly due to the conflict and law and order situation at origin, and currently seeks to send more migrants overseas. In Sri-Lanka, a middle high-income country, migration systems are considerably more advanced than the three countries of focus of this report and female migration represents a large share of outflows. In India, migrants tend to be increasingly higher skilled, and the implications for migration systems and policies are thus distinct.

Migration has large positive effects on South Asian economies overall, often noted by the fact that remittances tend to be very high in relative and absolute terms. Remittances constitute an important fraction of the GDP of most South Asian economies (Figure ES2). Nepal’s remittance-to-GDP of almost 28 percent in 2017 ratio stands out: In 2017, the country was one of the top-5 countries with the worldwide highest remittance-to-GDP ratio. Only Tonga, Kyrgyzstan, Haiti, and Tajikistan, had higher remittance-to-GDP ratios of more than 30 percent, respectively. The remittance-to-GDP ratio is as high as 11 percent in Bangladesh, nine percent in Sri Lanka, and seven percent in Pakistan. The remittance-to-GDP ratios of Afghanistan, India, and Bhutan have always been less than 3 percent, respectively. Remittances are thus an important source of external financing (Figure ES3).

Figure ES2: Remittances are important for South Asian countries relative to the size of the economies

Remittance share of GDP, 2018 (percent)

Source: Data from World Development Indicators and KNOMAD Remittances Database. AFG is Afghanistan, BGD is Bangladesh, IND is India, NPL is Nepal, PAK is Pakistan, and LKA is Sri Lanka.
Figure ES3: Remittance flows into major migrant-sending South Asian countries are larger than FDI and ODA combined.

Net inflows, 2019 (current USD millions)

Source: FDI, ODA, and export revenue data from World Development Indicators 2019; remittance inflow data from KNOMAD Remittances Database.

Note: Remittances are defined as migrant remittance inflows (current US$), ODA is defined as net official development assistance (current US$), export revenue is defined as exports of goods and services (current US$), FDI is defined as foreign direct investment, net inflows (BoP, current US$).

Migrating individuals benefit directly from international labor migration through higher wages abroad (Figure ES4). South Asian labor migrants earn a large wage premium compared to earnings at home due to the higher average wages and productivity in receiving countries. On average, monthly labor earnings of Bangladeshi migrants were at 3,498 BDT almost four times higher in the receiving countries than in their home country (9,10 BDT). In 2016 labor migrants from India earned an average of USD 362 in Saudi-Arabia compared to USD 112, on average, in their country. Workers from Nepal earned almost 5 times more in Qatar than at home. Workers from Pakistan earned 3.6 times more when working in the UAE and 4.8 times more when working in Saudi Arabia. Higher wages abroad can help improve the welfare of households back home through remittances. In addition to these immediate static effects, this large positive income shock can increase savings and the ability to insure for future shocks. It can also help increase lifetime earnings even after migrants have return home, by allowing them to finance startup over the entire life after migration once workers return home, by allowing return migrants to startup capital for entrepreneurial activities back home (Bossavie et al. 2020a).

These data are from the Bangladesh Return Migration Survey (BRMS) 2018/19 conducted for this report, and described in the accompanying background paper (Ahmed et al. 2020).
Multiple factors limit migration from having a higher development impact

**Migrant workers from South Asia have some of the highest costs of migration in the world, taking several months to recoup the costs in some cases.** Total migration costs vary substantially across migration corridors (Figure ES5). Pakistani migrants in Saudi-Arabia incur the largest overall costs of almost USD 5,000 on average. In comparison, labor migrants from Nepal spend less than USD 1,000 to migrate to Malaysia, Saudi-Arabia and, Qatar, respectively. Filipinos pay only a very small fraction of the costs of their Pakistani counterparts to migrate to Saudi-Arabia. Labor migrants from India pay less than a third of the total expenditures of Pakistani labor migrants to move to the Gulf countries. Bangladeshi labor workers spent on average 278,000 BDT, which is more than USD 3,000, for migration. The average total migration cost is the highest for the Bangladesh-Qatar corridor at 337,000 BDT (almost USD 4,000) and the smallest for the Bangladesh-Malaysia corridor with 245,000 BDT (roughly USD 2,900). Migration costs are thus systematically higher for workers from South Asia compared to migrants from other origin countries going to the same GCC countries. This suggests that the conditions of the migrant recruitment market at home, combined with the very high demand for migration from South Asia, play an important role in determining costs.

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3 Current exchange rate used for conversion.
Figure E5: Migrants from Nepal and Pakistan tend to face higher migration costs than other migrants in some corridors

A. Costs of migration, select corridors (USD)

Recruitments costs, select corridors (months of wages at destination)

C. Migration costs for Bangladeshi migrants, by destination (BDT 1000s)

D. Migration costs for Bangladeshi migrants, by destination (months of wages at destination)


Note: For Panels A and B: The recruitment cost indicator (RCI) is calculated as total expenditure in US$ 2016 divided by foreign monthly gross earnings in US$ 2016. Recruitment costs include fees paid to recruitment agents, costs for documents, i.e. passport, visa, medical certificates, language test, security clearance, and transportation cost. The Recruitment Cost Indicator (RCI) that is used here is defined as the average worker-incurred recruitment cost as a multiple of the migrant’s monthly foreign earnings (KNOMAD-ILO Migration Costs Survey 2015 & 2016).

High migration costs often present a substantial barrier to migrating for the poorest households. Despite having the second-highest percentage of extreme poverty in the world after Africa, it is not those South Asians living in extreme poverty who migrate. In Bangladesh, only two percent of the households in the first and second consumption deciles have one or more migrating family members. The richer the household in Bangladesh and Nepal, the higher is the likelihood that a family member works as a migrant.
in another country (Figure ES6).\textsuperscript{4} Bangladeshi migrants in the upper-middle quarter of household income have, on average, financed 51 percent of their total migration costs through borrowing compared to migrants in the lowest income quarter at 42 percent. Besides, the income level of the migrating household also impacts the incidence and amount of the remittances.

**Figure ES6: Fewer poorer households have international migrants compared to richer households in Bangladesh and Nepal**

A. Share of Bangladeshi households with international migrant (left-axis) and remittance share of income in households with at least one migrant (right axis), by consumption decile (percent)

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**High migration costs also reduce the propensity to remit and the amount of remittances.** Migration costs significantly lower the disposable income of the migrant. Instead of transferring remittances to the household, the migrant uses the money to pay back migration-related expenses or money that was borrowed outside the household. These results are strongest for Pakistan, where recruitment costs are higher. When corridors are viewed individually, the impacts of costs are strongest in Pakistan, where recruitment costs are higher in general. For corridors originating in Pakistan, a one percent increase in recruitment costs is associated with a 0.16-0.11 percent decrease in remittances.\textsuperscript{5} Other than reflecting differences in statistical power, the fact that the negative effect of recruitment costs is larger in the Pakistani corridors may imply the existence of a threshold effect. That is, where recruitment costs are relatively lower (as in Nepal), they may be less important in determining remittance decisions or their

\textsuperscript{4} These estimates are based on data from the Bangladesh HIES 2015/16 and the Nepal Household Risk and Vulnerability Survey 2016.

\textsuperscript{5} In the Nepal-Malaysia and Nepal-SAU corridors, the results are not statistically significant, and the standard errors are large, possibly due to the small sample size.
effect may be small relative to the total amount of remittances. It may be only at high levels that they have a detectable impact on total remittances.

**High migration costs also have dynamic effects over the migrants’ entire life-cycle.** Decisions about when and where to migrate, how long to stay at destination, and what activities to do after return are all interdependent and part of the same life cycle optimization by migrants (Dustmann and Kirchkamp, 2002; Dustmann and Goerlach, 2016). These decisions are jointly affected both by both the costs and benefits of temporary migration. Migration costs thus have an impact on when migrants leave - as they need to accumulate sufficient savings to finance costs -, how long they need to stay at destination to generate sufficient net returns from migrating, and on their economy activity after returning home. In particular, temporary migration can allow workers to accumulate savings abroad faster and overcome credit constraints back home to start up self-employment activities after return (Dustmann and Kirchkamp 2002; Wahba 2015; Bossavie et al. 2020a). In this setting, higher migration costs increase duration of stay overseas required to achieved targeted savings or reduce total net savings if migrants cannot stay longer at destination. As a result, migrants may not be able to startup self-employment after return due to a lack of startup capital, or have to postpone it and thus experience smaller lifetime earnings.

**Intermediation costs account for large differences in total expenditures for South Asian labor migrants (Figure ES7 and Figure ES8).** Pakistani migrants to Saudi-Arabia and the UAE spend more than 60 percent of their direct migration costs on visa fees. Without these high visa costs, the total expenditure would most likely be on par with the migration-related costs of migrants from other countries. Nepali migrants to Saudi-Arabia and Malaysia spend about 60 and 40 percent of their total migration expenditure on broker fees. Agent fees constitute about 40 percent of the total expenditures of Nepali migrants in Qatar. Bangladeshi labor migrants spend on average more than 50 percent of the total migration cost on intermediaries to find a job abroad. On average, more than 20 percent of their total migration expenditure is used to obtain the visa and passport of the respective destination country.
Figure ES7: Several idiosyncratic and institutional factors contribute to the high costs for many corridors starting in South Asia

Migration cost breakdown for select corridors (USD)


Note: Costs that constitute less than 1 % of total expenditures are dropped. The following definitions apply:
- Agent = payments for agent; broker = payments for service fees for individual brokers; friends-relatives = payments for service fees for relatives-friends who help find work abroad; inlandtransp = payments for domestic transportation;
- insurance = payments for health/life insurance/social security plans; inter_transp = payments for international transportation; medical_exam = payments for medical exam; other, other_pay2 = informal payments for the job; passport = payments for passport; placement = payments for placement fees; visa = payments for visa;

Figure ES8: Intermediation costs contribute to the high costs for Bangladeshi migrants going to many destinations

Intermediation costs by component (BDT 1000)

Source: Bangladesh Return Migrants Survey (BRMS) 2018/19.
Poor working conditions in receiving countries present non-pecuniary costs for South Asian labor migrants. Apart from financial costs, costs associated with deficiencies in the working conditions of migrants in host countries constitute also increase the overall costs of labor migration. These non-pecuniary costs are usually only revealed after arrival in the receiving country. These non-pecuniary costs need to be considered as they affect the overall well-being of migrants while at destination (Aleksynska, Aoul, and Petrencu 2017), but can also affect migrants’ return decisions and thus the overall success of the migration experience.

High migration costs contribute to high vulnerability in the host country. Given the very high total costs of migration, migrants from South Asia have to stay abroad for a minimum duration of close to a year in order to just break even on their initial investment. A large share of migrants borrow to finance their migration episode, which further inflates costs and put additional pressure related to loan repayment. One they repaid the very large fixed costs of the migration episode, migrants also need to stay sufficiently long at destination to generate enough return on their initial investment by accumulating savings and sending remittances back home for consumption. These very large upfront costs, combined with the fact that migrants’ stay at destination is entirely tied to their sponsoring employer, greatly reduces the bargaining power of migrants at destination. In the absence of outside options, this makes bound to stay working with their employer irrespective of their employer conditions, and greatly exposed temporary migrants to abuses by employers (Khan and Harroff-Tavel 2011). In addition, the high costs of migration also provide incentives for migrants who originally migrated regularly to overstay illegally at destination, when their employment contract and work permit are not renewed.6

High concentrations of migrants in few markets expose countries to high volatility and future risks

Migration from South Asia is low-skilled, temporary, and concentrated in a few numbers of sectors and destinations. South Asian labor migration is regionally concentrated in Gulf Cooperation Council Economies (GCC), and in Malaysia (Figure ES9). A strong regional concentration of labor migration increases economic vulnerability in the migrants’ home countries to host-country economic shocks. In 2017, 2.7 million Bangladeshis worked as labor migrants abroad. Roughly one million of them worked in Saudi-Arabia and another million in the UAE. Among the 2.5 million Pakistani labor migrants abroad, 1.3 million worked in Saudi-Arabia and roughly another million in the UAE. Half of all Nepali temporary migrant workers are in Saudi-Arabia. Migrant workers from South Asia tend to be concentrated in a few low-paying sectors.7 The majority of low-skilled male labor migrants from South Asia work in the construction sector in the receiving countries. Labor migrants from South Asia have higher levels of schooling than non-migrants, but workers with intermediate levels of schooling are the most likely to migrate.

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6 12 percent of return migrants to Bangladesh report that being expelled from the destination country due to visa/work permit issues as the main reason for returning (BRMS 2018/2019).
7 The sample from KNOMAD-ILO Migration Costs Survey 2015 & 2016 might not be representative.
While South Asia sends high volumes of temporary migrant workers to many economies, the flows are highly volatile, and demand growth is for low-skilled South Asian labor migrants in major destinations could continue to decline. (Figure ES10). In the early and mid-2000s volatile oil prices led to a reduction in government revenues and a decline in spending on new construction projects in the Gulf region (Deloitte 2018). To sustain economic growth in the future, Gulf Cooperation Council (GCC) economies will need to invest more heavily in new services and industries. These sectors usually require a more sophisticated skillset from workers than the construction sector (Callen et al. 2014). South Asian labor migrants, who are mostly low-skilled working and construction sector, will be negatively impacted by the undergoing economic changes in GCC. Ultimately, due to changing economic structures in the GCC and associated uncertainties, South Asia’s macroeconomic vulnerability will highly likely further increase in the next years.
Figure ES10: Demand for migrant workers fell dramatically during the Global Financial Crisis (t=0 is 2008) Indicators of host country demand and sending country migration and remittances (percent)

Source: World Development Indicators for data on oil rent share of GDP and GDP per capita; KNOMAD Remittances Database for data on remittances; BMET (Bangladesh), SLBFE (Sri Lanka), BEOE (Pakistan), DOFE (Nepal), MEA (India) for deployments. BMET is the Bureau of Manpower, Employment and Training; SLBFE is Sri Lanka Bureau of Foreign Employment; DOFE is the Department of Foreign Employment, and MEA is the Ministry of External Affairs.

Note: The chart shows growth rates during the 2008-2017 time period. Number of deployments is calculated as average for Bangladeshi, Indian, Pakistani and Nepalese labor migrants in their respective top 5 destination countries. Data for Nepal's migration corridors is only available during the 2009-2017 time period. Oil rent share of GDP is calculated as average for Saudi-Arabia, UAE, Kuwait, Oman, Qatar, Bahrain, and Malaysia. Hong Kong and Singapore are excluded due to lack of available data. GDP per capita is calculated as the average for the host countries with the largest shares of South Asian labor migrants: Saudi-Arabia, UAE, Kuwait, Oman, Qatar, Bahrain, and Malaysia. Remittances is defined as total amount of remittances that flow into Bangladesh, India, Pakistan and Nepal.

The direct shocks to a corridor may have real or perceived externalities to other corridors, potentially leading to “races to the bottom”. If South Asian economies send workers with similar skills-profiles to the same destination, there is a perceived competition for the positions available, and policy measures in some countries to increase safety and protection of migrant workers may be perceived as reducing the competitiveness of workers from that country. This perceived or actual competition between migrants from different origins reduces the incentives for sending countries to request improvement in migrants’ conditions in destination countries, which can lead to “race to the bottom”. For example, India implemented its new e-Migrate system in 2015 to better manage its labor migrants, and enhance their protection. Through the e-Migrate platform, the Indian Protector of Emigrants issues clearances for workers to leave the country, after various conditions have been met, including the issuance of a contract which specifies that the worker will receive at least a minimum wage set by the Indian government. In the same year, Saudi Arabia signed memoranda of understanding (MOUs) for workers from Bangladesh,
including for female domestic workers. What was observed then was that the flows of migrant workers from India to Saudi Arabia collapsed in 2015, with a massive increase in flows from Bangladesh.

**Policy actions to make migration safer and more productive need to be holistic**

This report approaches migration not as a one-time event, but as part of the migrants’ entire life cycle. The temporary nature of labor mobility is a prominent feature of migration from South Asia. This requires departing from the traditional migration framework that treats migration as a permanent, one-time episode. Instead, migration must be treated as part of workers’ entire life cycle, where all stages are interlinked and part of the same lifetime decisions (Dustmann and Goerlach 2016). For example, pre-migration employment outcomes and age at departure are linked to duration of stay abroad. Duration of stay, in turn, is affected by migration costs and wages abroad, which also determine how long migrants need to stay overseas to achieve a given savings target. Closing the full cycle, the ability to finance a self-employment activity after return will be affected by the monetary costs of migration, wages abroad, and duration of stay at destination. Policy interventions that aim to influence any of these decisions or outcomes will thus, by the very nature of these linkages, also influence the others. It is thus critical for policy makers to consider these linkages when designing policies related to temporary migration.

**Solutions to make migration for South Asia safer and more productive require interventions across the migration life-cycle (Figure ES11).** The migration life-cycle is generally described as having four stages (Cho and Majoka 2020). The first stage is pre-decision, when a worker decides to migrate based on their understanding of the costs and benefits of migrating. The second stage is pre-departure, when after the worker has decided to pursue an overseas job, they can take up measures to improve their employability, finding and obtaining a job, and obtaining the necessary legal documents to migrate (clearances from national authorities, visas and passports, *inter alia*), and completing the logistical preparations for migration (e.g. tickets, financing). The third stage is during migration, when the migrant is employed overseas, and the final stage is after migration. The recruitment process and access to information are important factors that affect monetary and non-monetary migration costs specifically in the pre-decision and pre-departure phases. However, migrant costs are also higher if they go to destinations with weaker labor laws and regulations, an issue in the during-migration phase of the life-cycle. At each stage of this process, migrants require information and support from the migration management system of their country of origin as well as the destination country.
Reducing volatility and improving sustainability, will require sending countries to ultimately diversify the destinations they send their workers too. Despite the enormous economic capacity of countries in high-income Asia and their sophisticated labor migration policies, the numbers of received South Asian migrants have remained low in the region in the past decades. However, because of changing demographics, high-income Asian countries might substantially increase the intake of labor migrants from South Asia in the future. Labor mobility through memoranda of understanding such as Korea’s EPS program, show that further diversification towards high-income Asia could be beneficial for South Asian migrants and their home countries because of much lower migration expenditures and a lower risk of human rights violations by employers than in the Gulf countries.

Entering these newer markets will require changes in the profile of the migrants being sent. Currently, most migrants from South Asia are in lower-skilled occupations, reflecting the demands of current destinations (primarily GCC economies, and Malaysia). Destinations that offer higher wages and better protections for workers – such as Korea – require additional skills, even for jobs in labor-intensive sectors like agriculture. These skills include language, as well as other non-cognitive skills such as teamwork and collaboration. For other markets, such as Japan and Hong Kong where there is growing demand for caregivers (elder care as well as childcare), the supply of such professionals will have to increase, as will the supply of skills development services to train aspirant migrants to become caregivers. Line agencies responsible for managed labor migration may also need to have the capacity to take pro-active measures like identify potential demand for different types of workers from new and existing markets. This information will be critical for re-orienting the skills-development architecture, and also better understand the scope in those markets.

Some institutional frameworks, such as high-quality bilateral labor agreements (BLAs), can serve to reduce costs, while also providing an avenue to enter new markets – in terms of destinations and types of professions. One is the Korea Employment Permit System (EPS), which is managed directly by Human Resource Development Korea, and open to Bangladesh and Nepal. Migrating to Korea for temporary work through this program costs the migrant approximately BDT 76,000. However, the
migrants are paid Korean minimum wages, are able to change employers, have access to grievance redressal mechanisms, are covered by Korean labor laws against abuse and exploitation, and receive reintegration support (including a lump-sum payment) to Bangladesh at the of their contract period. As a completely government managed program (administered by Korea), there is high-quality intermediation, with demand for extra workers and required skills being collected and aggregated from employers, and a rigorous matching system of migrant workers to employers.

Administrative capacity in the sending countries will need to increase, if G2G programs such as the EPS or the Bangladesh-Malaysia G2G program are to be used further in the future. The improved migration outcomes and lower costs of intermediation are attributed to the public provision of services such job matching and screening. However, this public provision requires substantial investments in government capacity for sustained service provision. The Bangladesh-Malaysia G2G program experienced excess demand from aspirant migrants, with about 1.4 million eligible migrants requesting to be placed in the 30,000 vacancies available under the program. The MoEWOE’s in-house recruitment agency, the Bangladesh Overseas Employment and Services Limited (BOESL), administers similar, albeit smaller programs like the Korea EPS. The EPS though has only modest migrant labor demand from Korea (relative to labor demand from Gulf Cooperation Council economies, for example) with about 30,000 workers demanded in total across all sending countries.

There may also be opportunities to better harness the development potential of return migrants

Given contractual labor arrangements in the main destinations, low-skilled migrants from South Asia must ultimately return home. The main host countries of labor migrants from South Asia - primarily in the GCC and South East Asia - only grant temporary residence rights to low-skilled labor migrants. Stay at destination is strictly conditional on holding a valid employment contract and work permit, and an expiration of the employment contract without renewal, or a layoff by the employer at destination automatically entails a return to the home country. In the GCC countries, the acquisition of citizenship of the GCC countries is effectively prohibited, irrespective of their duration of stay in the destination countries (Lucas 2008; Wahba 2015). Low-skilled contractual migrants have the possibility to renew their labor contract and work permit at destination if there is demand for further work by the employer, but cannot retire at destination.

Many temporary migrants return earlier than their original plans and contract term, indicating that shocks and imperfect information affect return decisions. In this context, the main reason for returning among migrants from South Asia is the end of their employment contract at destination. Anticipated returns – meaning migrants returning earlier than they had originally planned – are common among temporary migrants: 43 percent of returning temporary migrants in Bangladesh report that they returned earlier than originally planned or before the term of their employment contract. The leading reasons for returning earlier are being expelled from the home country, low wages at destination, and being fired by

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8 According to the sponsorship system that regulates migration to the GCC, labor migrants can only enter and stay in the country through a sponsor, a local employer which takes on both legal and economic responsibility for the migrant worker.
the employer. The fact that many migrants return earlier because of low ages suggests imperfect information on wages at destination at the time of migration.

**Temporary labor migrants tend to overestimate earnings and savings at destination before departure, leading to suboptimal migration and return decisions.** Over three quarters of returning temporary migrants in Bangladesh expect to earn higher wages at destination than they actually did. The gap between expected earnings at destination and actual wages is substantial (Figure ES12). Median actual labor earnings at destination are an overage only two thirds of what temporary migrants expected prior to departure. Similarly, a vast majority of returning temporary migrants report being able to save less at destination than expected prior to departure. Additionally, despite the large wage differentials between wage at home and at destination, low earnings are often a reason for anticipated returns. It is listed as one of the leading reasons for returning earlier than migrants’ original plan among return migrants from Bangladesh. In Nepal and Pakistan, returning migrants also report being systematically promised a higher wage than the actual wage earned abroad, as evidenced by the KNOMAD-ILO Migration and Recruitment Costs Survey 2015 & 2016.

**Figure ES12: Actual median monthly wage compared to expected wage at destination.**

Return migrants are also less likely to be employed immediately after return compared to non-migrants, but lower employment rates are transitory. The employment rates of return migrants are initially higher than those of the non-migrant population, immediately after return. However, about two years after return, the employment rates of return migrants in Nepal, Pakistan and Bangladesh have caught up with those of non-migrants (Figure ES13). Evidence from Nepal and Bangladesh indicates that temporarily lower employment rates are driven by both a lower willingness to work immediately after return, combined with job search frictions. The latter suggests that interventions targeted at temporary
migrants in the months following returns can support return migrants’ transition back into home labor markets.

**A large share of return migrants is able to start up self-employment after return, thanks to savings accumulated abroad.** Evidence from Bangladesh shows massive transitions of workers from not being employed before migrating into non-agricultural self-employment after return (Figure ES14). Transitions into non-agricultural self-employment in particular are particularly frequent. The likelihood of becoming self-employed after return is also positively associated with duration of stay overseas and wages abroad. This is consistent with the idea that temporary migration helps alleviate credit constraints back home by accumulating savings, and bringing entrepreneurial perspectives and abilities back home once the migration episode ends.
Figure ES13: Labor market status of returning temporary migrants by number of years since return, males 15-64

Panel A: Bangladesh

Panel B: Nepal

Designing effective policies targeted at return migrants must start with systematic data collection and tracking of temporary migrants. Little remains known about returning temporary migrants in South Asia, due to the lack of available data sources. Administrative data sources in the region do not allow to track temporary migrants once they return to the home country, as temporary migrants are only recorded once they leave the home country, but not when they return. In addition, the labor market outcomes of temporary migrants in the destination country are typically unknown, as administrative data from the host country cannot be linked to home country administrative data. Administrative data is thus currently of very limited use to understand temporary migration and design adequate supporting policies. Some nationally representative surveys in the origin countries in South Asia capture temporary migrants once they return home, but sample size is typically small and detailed information on labor market outcomes at destination is typically lacking. There is therefore a need to expand - or include, in countries where they do not exist – detailed labor migration modules aimed at capturing current or return temporary migrants in national household surveys. Surveys capturing retrospective information on temporary migrants at the time they return to the home country, in the same spirit as the World Bank BRMS 2018/2019 in Bangladesh, could be replicated and generalized to other migrant-sending countries. Those

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9 See Ahmed et al. (2020) for a detailed discussion on how standard national household surveys capture temporary migrants, and on their respective strengths and limitations.
surveys would allow to collect in-depth information on the migration and employment history of temporary migrants with a degree of detail which cannot be achieved by standard national household surveys.

Policies targeted at return migrants must distinguish between planned returns and unplanned or forced returns. Distinguishing between planned and unplanned returns and between voluntary and involuntary ones is important from a policy perspective. Those have very different implications on the type of policies needed to maximize the benefits of return migration for both the migrant and the home country. Migrants who were forced to return home and were not able to achieve their savings target would need support in reintegrating into home labor markets or to migrate again. In contrast, migrants with a successful migration episode would require support in savings management and entrepreneurship. In order to minimize the likelihood of forced returns, better information on wages and condition of employment at destinations is critical.
References


Bangladesh Return Migration Survey (BRMS) 2018/19.


CHAPTER 1: MIGRATION AS AN ENGINE FOR SOUTH ASIAN DEVELOPMENT

International migration for temporary employment is a critical component of South Asia’s development path, from both the jobs and remittance flows perspectives. South Asian economies are at a stage of demographic transition where people of working-age are generally still increasing shares of populations, with millions of people entering the working-age cohort every year for another generation. Overseas markets thus play an important role as a source of labor demand, especially since the private sectors in some of these South Asian economies are under pressure to create jobs at a sufficient pace and of rising quality. For example, 27 percent of Nepali households had at least one person working abroad, equivalent to more than 2.8 million working-age Nepalese (Bulmer 2020). This figure represents three-fourths of the 3.8 million wage employees working within the country. The larger economies in the region have several million migrants overseas, and these stocks have grown over time (Figure 1.1). Migrants from South Asia account for 13 percent of all global migrants (not counting intra-regional migrants within the region), and two-thirds of migrants in major destinations like the Gulf Cooperation Council (GCC). Focusing on just the flows of temporary economic migrants; the flows are substantial with the 2012-17 period seeing Bangladesh, India, Nepal, and Pakistan annually sending approximately 597000, 678000, 463000, and 713000 workers overseas, respectively, on average.

International migration and remittances have contributed to development by boosting consumption and reducing poverty at home, and increasing the incomes of the migrants themselves. According to estimations, a 10 percent increase in the share of international migrants in a country’s population will lead to a 2.1 percent decline in the share of people living on less than USD 1.00 per day (Adams and Page 2005). A 10 percent increase in per capita official international remittances was also estimated to lead to a 3.5 percent decline in the share of people living in poverty. The greater the share of low-skilled migrants in a country’s migrant population, the greater the flow of remittances, with the greatest remittance flows coming from middle-income countries (Adams 2009). It thus follows that the poverty reduction impacts of migration can potentially be the greatest for South Asian economies – many of which are low and middle-income. For example, in Bangladesh, international remittances accounted for 11 percent of the observed poverty reduction in 2000-10, while in Nepal, one-fifth of poverty reduction in

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10 World Bank (2019) provides a detailed description of the differences between the groups that are often collectively referred to as “migrants” – international migrants, refugees, irregular migrants, and temporary migrants. This report focuses almost exclusively on temporary, international, regular migrant workers. They are engaged in a remunerated activity in a country of which they are not a national.
11 Estimated using data from the UN World Population Prospects 2017
12 Estimated using administrative data on clearances provided for migrant workers from the Bureau of Manpower, Employment and Training (BMET) (Bangladesh), Department of Foreign Employment (DOFE) (Nepal), and Bureau of Emigration and Overseas Employment (BEOE) (Pakistan).
13 Estimates based on data from 71 low and middle-income countries from 1980-99 suggest that on average. There is a rich literature on the development implications of migration. Murrugarra, Larisson, and Sasin (2011) offers one such synthesis of this literature, as does World Bank (2018).
14 The USD 1 per day was the international poverty line set in the World Development Report 1990: Poverty, and in use till the update to USD 1.25 per day in Ravallion et al (2009).
1995-2004 was estimated to be attributable to – primarily international – migration (Lokshin, Bontch-Osmolovski, and Glinskaya 2011; World Bank 2013).

Figure 1.1: Migration flows from South Asia are large and have been growing over the past decade

A. Migrant stock by country of origin (millions)

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFG</td>
<td>6.7</td>
<td>6.7</td>
</tr>
<tr>
<td>BGD</td>
<td>5.04</td>
<td>5.0</td>
</tr>
<tr>
<td>IND</td>
<td>16.6</td>
<td>13.3</td>
</tr>
<tr>
<td>NPL</td>
<td>1.41</td>
<td>1.41</td>
</tr>
<tr>
<td>PAK</td>
<td>5.6</td>
<td>6.0</td>
</tr>
<tr>
<td>LKA</td>
<td>1.41</td>
<td>1.41</td>
</tr>
</tbody>
</table>

B. Temporary migrant worker receiving clearances from sending country government agencies (100,000s)

Source: Panel A - UN WPP 2017 Revision; Panel B - BMET (Bangladesh), SLBFE (Sri Lanka), BEOE (Pakistan), DOFE (Nepal), MEA (India). AFG is Afghanistan, BGD is Bangladesh, IND is India, NPL is Nepal, PAK is Pakistan, and LKA is Sri Lanka. BMET is the Bureau of Manpower, Employment and Training; SLBFE is Sri Lanka Bureau of Foreign Employment; DOFE is the Department of Foreign Employment, and MEA is the Ministry of External Affairs.

The inflow of South Asian labor migrants also has large positive effects on the economy of the receiving countries. Although migration opponents in high-income countries have often argued that low-skilled migrants “crowd out” jobs of native workers, many studies have found that this is not the case. Ahmed, Go, and Willenbockel (2016) show that while migration can push down the wages of native workers in the short run, the long-run impacts on incomes of native-born workers is positive. These short run effects depend on the degree of substitutability of migrants’ skills with those of natives. In the longer run, the wages of workers who were negatively impacted do not only recover but even exceed pre-migration wages. Overall, natives of high-income receiving countries gain the most due to larger increases in capital return and quicker capital formation (Ahmed, Go, and Willenbockel 2016). While the wages of natives with similar skills of immigrants can decline in the short run, natives with complementary skills typically benefit from an inflow of migrants (World Bank 2018).

The large inflows of lower-wage and low-skilled South Asian migrant workers has largely contributed to the high growth rates of countries in the GCC and high-income Asia in the past decades, despite their small national labor forces. In Saudi-Arabia, the wages of foreign labor migrants have been as small as 20 percent of that of citizens (Hertog 2012). In the GCC, the national labor force is small due to cultural preferences: many locals prefer not to work in low-skilled professions and women usually do not
participate in the labor force at all (Shedic, Haddad, and Klouche 2010). South Asian labor migration has also been beneficial for high-income Asian countries, such as Korea, which have been facing a declining labor force due to aging, and low fertility rates (Cho et al. 2018).

**Labor migration from Nepal, Bangladesh and Pakistan share similar characteristics.** All three countries are lower-middle income economies where sizeable shares of the working age population migrate overseas. Most migrants from these three countries are low-skilled. When these low-skilled workers move to destinations like the Gulf Cooperation Council (GCC) economies, they do so on a temporary basis through contractual labor arrangements, before returning home after a few years abroad. They face similar vulnerabilities overseas and are subject to a range of possible abuses and shocks. In all three countries, migration is also largely male, while female migration represents less than five percent of total international migration outflows. In contrast, outmigration from other countries in the region is noticeably distinct. In Afghanistan, migration systems are less mature, partly due to the conflict and law and order situation at origin, and currently seeks to send more migrants overseas. In Sri-Lanka, a middle high-income country, migration systems are considerably more advanced than the three countries of focus of this report and female migration represents a large share of outflows. In India, migrants tend to be increasingly higher skilled, and the implications for migration systems and policies are thus distinct.

1.1 Migration from South Asia is low-skilled, temporary, and concentrated in a small number of sectors and destinations

**South Asian labor migration is regionally concentrated in the Gulf Cooperation Council Economies (GCC), and in Malaysia (Figure 1.2).** After intraregional migration is excluded, the stock of migrants from South Asia is heavily concentrated in a handful of economies. 81.5 percent of Bangladesh’s, 72.8 percent of Nepal’s, and 66 percent Pakistan’s migrant stock is concentrated in just five economies. This high-level of concentration increases the sending countries’ exposure to shocks in the receiving country.\(^{15}\) In 2017, 2.7 million Bangladeshis worked as labor migrants abroad. Roughly one million of them worked in Saudi-Arabia and another million in the UAE. Among the 2.5 million Pakistani labor migrants abroad, 1.3 million worked in Saudi-Arabia and approximately another million in the UAE. Half of all Nepali temporary migrant workers are in Saudi-Arabia.

**Migrant workers from South Asia tend to be concentrated in a few low-paying sectors.**\(^{16}\) The majority of low-skilled male labor migrants from South Asia work in the construction sector in the receiving countries. More than 60 percent of Bangladeshi labor migrants work in the construction sector in the top six destination countries, followed by the “hotel, retail, restaurant” sector and “utility, transport” sector at about 10 percent, respectively (Figure 1.3). More than 50 percent of the Bangladeshi labor migrants who work in the construction sector in receiving countries had not worked in the sector before migrating (Figure 1.4). A large portion had worked in the “retail, hotel, restaurant” sector (38 percent) before their departure compared to only 11 percent in the receiving country. Nepali labor migrants work in more diverse jobs than other South Asian migrants in receiving countries (Figure 1.5). About 40 percent of

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15 The implications of this concentration will be explored further in Chapter 3.
16 The sample from KNOMAD-ILO Migration Costs Survey 2015 & 2016 might not be representative of all migrants in the corridor.
Nepali labor migrants in Saudi-Arabia work in the construction sector, followed by almost 40 percent in services (including domestic work). It is mostly Nepalese women who are employed in domestic work in the destination countries. Most Nepali labor migrants in Malaysia work in low-skilled jobs, for instance as factory workers, electricians, drivers, security guards, etc.

Figure 1.2: A large majority of migrants from Bangladesh, Nepal, and Pakistan are in GCC economies
Distribution of stock of migrants in major temporary economic migration destinations in 2017 (share) (left-axis) and total migrants (data call-out)

Source: UN DESA International Migrant Stock 2017
Note: Numbers include documented and undocumented migrants, their families.

Figure 1.3: Most Bangladeshi labor migrants are employed in construction
Employment of Bangladeshi labor migrants by sector in top destination countries (share)

Source: Bangladesh Return Migrants Survey (BRMS) 2018/19.
**Figure 1.4: Most Bangladeshi migrants tend to switch occupations when they migrate**

Employment by sector, before migration and in sending country, of Bangladeshi migrants (share)

Source: Bangladesh Return Migrants Survey (BRMS) 2018/19.

**Figure 1.5: Nepali migrants in GCC destinations tend to be in construction**

Employment of Nepali labor migrants by sector in host countries (percent)


Note: the category “Other” compromises low-skilled jobs such as factory workers, electricians, technicians, drivers, cleaning staff, painter, security guard, etc. There is no data available for other migration corridors.

**Labor migrants from South Asia have higher levels of schooling than non-migrants, but workers with intermediate levels of schooling are the most likely to migrate.** Workers from Nepal and Bangladesh that migrated overseas have higher levels of schooling compared to individuals that never migrated,
indicating an overall positive selection of workers with higher skills into international migration.\textsuperscript{17} Figure 1.6, however, depicts a more nuanced picture by showing a non-linear relationship between years of schooling and the likelihood to migrate overseas. The patterns for Nepal and Bangladesh, the two countries for which this type of data is available, are very similar. The likelihood to migrate abroad is lowest among workers who did not complete primary school. While one would expect the returns to migrate to the Gulf to be particularly high for low-skilled workers, those may also face strong liquidity and credit constraints which can limit their ability to migrate in the presence of very high migration costs in South Asia (Seshan and Ratha 2018). The incidence of international migration strongly increases for individuals that have completed primary school and have some secondary schooling. The incidence of migration is highest among this later group. The likelihood to migrate, however, then declines for individuals that completed secondary school or some tertiary education. Thus, the returns to migrating to the main destinations of South Asian migrants may be lower for workers with tertiary education.

**Educational attainment also influences wages at destination.** Many of Nepalese and Pakistani labor migrants captured in the KNOMAC Cost of Migration Surveys only have primary education (Table 1.1). 40 percent of Pakistani labor migrants to the United Arab Emirates (UAE) have low education, compared to 70 percent of Nepalese migrant workers to Qatar. Estimates from pooling data from multiple corridors reveal that there is a strong association between primary education completion, and wages (Annex 1A). More experienced workers – as proxied by their age – tend to earn more, but the boost to their wages tend to decline as they grow older. This also reflects the type of low-skill and labor-intensive work that that many migrants are engaged in, where physical fitness and youth are important.

\textsuperscript{17} The nature of selection in labor migration – whether migrants are more skilled or less skilled compared to non-migrants – has been shown to depend on labor market conditions at home and destination (Borjas and Bratsberg, 1996). Global evidence indicates that international labor migrants tend to be positively selected overall, meaning that migrants to have higher skill levels relative to non-migrants in working age in their home countries (World Bank 2018a).
Figure 1.6: Share of individuals that ever migrated abroad, by number of years of schooling completed, males age 15-64

Panel A: Nepal

Panel B: Bangladesh


Note. Statistics are weighted by household weights.
### Table 1.1: Migrants from South Asia in major corridors tend to be male, young, and less educated

Demographic characteristics in select corridors

<table>
<thead>
<tr>
<th>Migration corridor</th>
<th>N</th>
<th>% Male</th>
<th>% Low education</th>
<th>Age (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India-Qatar</td>
<td>401</td>
<td>99.75</td>
<td>0.75</td>
<td>32</td>
</tr>
<tr>
<td>India-SAU</td>
<td>409</td>
<td>100</td>
<td>56.72</td>
<td>33</td>
</tr>
<tr>
<td>Nepal-Malaysia</td>
<td>165</td>
<td>100</td>
<td>26.83</td>
<td>24</td>
</tr>
<tr>
<td>Nepal-Qatar</td>
<td>441</td>
<td>99.32</td>
<td>69.32</td>
<td>30</td>
</tr>
<tr>
<td>Nepal-SAU</td>
<td>98</td>
<td>100</td>
<td>42.86</td>
<td>29</td>
</tr>
<tr>
<td>Pakistan-SAU</td>
<td>375</td>
<td>100</td>
<td>44.53</td>
<td>30</td>
</tr>
<tr>
<td>Pakistan-UAE</td>
<td>259</td>
<td>99.61</td>
<td>40.54</td>
<td>29</td>
</tr>
<tr>
<td>Philippines-Qatar</td>
<td>365</td>
<td>54.67</td>
<td>6.15</td>
<td>38</td>
</tr>
<tr>
<td>Philippines-SAU</td>
<td>484</td>
<td>44.83</td>
<td>4.56</td>
<td>35</td>
</tr>
</tbody>
</table>


1.2 Labor migration from South Asia is critical for the region’s economic development

1.2.1 Macro-economic level benefits for sending and receiving economies

Migration has large positive effects on South Asian economies overall, with remittances constituting an important fraction of the GDP of most South Asian economies (Figure 1.7). Nepal’s remittance-to-GDP of almost 28 percent in 2017 ratio stands out: In 2017, the country was one of the top-5 countries with the worldwide highest remittance-to-GDP ratio. Only Tonga, Kyrgyzstan, Haiti, and Tajikistan, had higher remittance-to-GDP ratios of more than 30 percent, respectively. The remittance-to-GDP ratio is as high as 11 percent in Bangladesh, nine percent in Sri Lanka, and seven percent in Pakistan. The remittance-to-GDP ratios of Afghanistan, India, and Bhutan have always been less than 3 percent, respectively.

**Figure 1.7: Remittances are important for South Asian countries relative to the size of the economies**

Remittance share of GDP, 2018 (percent)

Source: Data from World Development Indicators and KNOMAD Remittances Database. AFG is Afghanistan, BGD is Bangladesh, IND is India, NPL is Nepal, PAK is Pakistan, and LKA is Sri Lanka
The inflow of remittances to South Asian countries has been high and stable in recent years (Figure 1.8). Flows can be either pro-cyclical (i.e. they move in the same direction as the home country’s business circle; counter-cyclical (i.e. they move in the opposite direction with the home country’s business circle); or a-cyclical (i.e. they are not correlated with the home country’s output) (World Bank 2015; Lueth and Ruiz-Arranz 2006; Frankel 2010). Mughal and Ahmed (2014) show that remittances to India and Pakistan were counter-cyclical with respect to the home output over the 1975-2011 time period. In contrast, remittance flows for Bangladesh and Sri Lanka were usually pro-cyclical with respect to the economies of the receiving countries.

Figure 1.8: Remittances are extremely high in most South Asian economies in absolute terms, with India receiving the highest remittance flows in the world
Remittances into South Asia, 2017 (USD billions)

![Bar chart showing remittances into South Asia in 2017 (USD billions)](chart)

Note: Remittances expressed in billions of current USD. Afghanistan and Bhutan not shown due to scale. Afghanistan’s remittances in 2017 were USD 0.38 billion and Nepal’s remittances were USD 0.04 billion. Average remittances received by countries globally is USD 3.4 billion.

While the high dependence on remittances in some economies – such as Nepal – raises the risk of Dutch Disease, there is limited evidence suggesting that this is the case in South Asia. The intuition is that the increased domestic income from remittances would push up domestic prices and migration flows, increasing wages, eventually diminishing the competitiveness of the other sectors (Box 1.1). Another implication of Dutch Disease would be that it moves labor away from other sectors (such as manufacturing) into overseas labor markets. An often-used indicator of Dutch Disease is the movement of real effective exchange rates, and there does not appear to be a statistically significant correlation between remittance flows and inter-annual changes real effective exchange rates (REERs) across countries. Cross-country data suggests that remittance flows follow the same direction as average REERs, although once again, there is no statistically significant correlation (Figure 1.9).
Figure 1.9: Remittances and real effective exchange rates are globally correlated
Inter-annual change in real Effective Exchange Rates (percent)(right-axis) and remittances (USD billions) (left-axis)

Box1.1: Dutch Disease and Remittances

Dutch Disease is characterized by two effects that can be the characterized as the “Spending Effect” and the “Resource Movement Effect”. These are the two main transmission mechanisms, which are triggered when large amounts of remittances increase disposable income, leading to increased spending and demand in the economy (Corden and Neary 1982; Bourdet and Falck 2006). The “Spending Effect” occurs due to increased domestic income from the booming sector, public and private sectors increase domestic demand and spending in the non-tradeable sector. Consequently, prices and output in this sector increase. Rising prices and wages eventually diminish profits in the lagging sector, where prices are fixed in the international market (Corden 1984). The “Resource Movement Effect” occurs as the resource boom leads to a reallocation of factors of production to the booming sector away from the rest of the economy (Corden 1984). It usually reduces output in the rest of the economy (Brahmbhatt, Canuto, and Vostroknutova 2010). The increase in household income could also push down labor supply, increase wages, thereby leading to higher production costs and contractions of the tradable sector (Acosta, Larney, and Mandelman 2007).

The classic Dutch Disease model has been applied to developing countries to examine the effects of natural resource endowments on the poor economic performance of developing countries. To apply the model to developing countries, various aspects may be considered: First, the lagging sector is often agriculture, instead of manufacturing. Second, goods produced in manufacturing are usually imperfect substitutes for goods sold in the world market. Consequently, as the domestic price rises, consumer demand may not shift completely to the foreign good. Third, an oil boom in a developing country may be caused by the increased expenditure of oil revenue rather than an increased demand for materials or
labor from the oil sector. This is because the oil sector in a developing country often relies on imported materials and labor (Benjamin, Devarajan, and Weiner 1989). Fourth, the model assumes full employment, which is not suitable for developing countries. Fifth, it ignores the role of fiscal policy regarding the use of oil-related revenue for public investment (Treviño 2011).

**Empirical studies show evidence for Dutch Disease effects in resource-rich developing countries.** A study on Cameroon’s oil boom suggests that apart from real exchange rate appreciation, the exportable part of the agricultural sector got hurt drastically, whereas the manufacturing sector benefited from the oil boom due to the imperfect substitutability of their goods with foreign goods (Benjamin, Devarajan, and Weiner 1989). A more recent study provides evidence for a large appreciation of the real exchange rate and a rapid shift of labor away from the agricultural sector for the aggregate of 14 net oil exporters and net oil importers in Africa. However, the study finds mixed results for the impact on growth, when splitting the sample into oil importers and exporters. The results suggest a significant positive correlation between real exchange rate appreciation and growth in oil-importing countries and a negative and only weakly significant correlation for oil-exporting countries (Treviño 2011).

**Various empirical studies find evidence for Dutch Disease effects of remittances.** A study of 13 Latin American and Caribbean countries suggests that a 100 percent increase of remittances led to real exchange rate appreciation by 22 percent (Amuedo-Dorantes and Pozo 2004). A study on Cape Verde reveals that remittances lowered the competitiveness of the tradable sector, reduced exports, domestic market shares, and production in the country (Bourdet and Falck 2006). Other evidence reveals that remittances reduced labor force participation in Jamaica, which exacerbated the country’s real exchange rate appreciation. Ultimately, the country’s export base and small manufacturing import-competing sector deteriorated, which led to a decline in the country’s competitiveness (Bussolo and Medvedev 2007). Available data supports these results, showing that the growth rates of real exchange rates and remittances were rather volatile and positively correlated over the 1991-2018 period (Figure 1.9).

**However, other research suggests that remittances might not always lead to real exchange rate appreciation and lower economy’s competitiveness.** A study for Sub-Saharan African countries reveals that remittances do not lead to an appreciation of the real exchange rate in the long run. The real exchange rate might not appreciate, because remittances may be used to ease supply constraints or boost productivity in the non-tradable sector in the remittance-receiving economy (Mongardini and Rayner 2009). Other evidence reveals that remittances may not lead to a significant loss of competitiveness because they tend to stop if an exchange rate begins to get overvalued. In the early 1990s, countries with overvalued exchange rates received significantly lower remittances during the rest of the decade. A

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18 The estimation is based on an eleven-sector CGE model for Cameroon’s economy for the period 1979-1980 (Benjamin, Devarajan, and Weiner 1989).
19 The 14 net oil exporters and net oil importers in the sample are member countries of the Economic and Monetary Community of Central Africa (CEMAC) and the Western African Economic and Monetary Union. The analysis is based on a heuristic comparative approach (Treviño 2011). Other evidence shows that Dutch Disease may not always explain economic stagnation in developing countries. For instance, a study suggests that misguided fiscal policies, i.e. debt overhang problems, failed to smooth volatile oil income in Nigeria (Budina, Pang, and Wijnbergen 2007).
20 In the estimation, the coefficient for the impact of remittances on the equilibrium real exchange rate is negative, but statistically not significant.
21 The study uses the pooled mean group (PMG) estimator developed by Pesaran, Shin, and Smith (1999) as the main estimation technique. The data covers the period 1980-2006 in most cases.
plausible reason for the decline in remittances might be that emigrants believed it was cheaper to send goods directly when the exchange rate is overvalued (Rajan and Subramanian 2005).

The short-term nature of South Asian migration is part of the explanation for the persistent flow of remittances to the region. Adams (2009) found that low-skilled migrants send more remittances home than high-skilled migrants because low-skilled migration is rather temporary. In addition, migrants from South Asia typically migrate without other family members. Low-skilled migrants are more concerned about their return home and therefore their families’ economic wellbeing than their high-skilled counterparts. In the past, South Asian migrants might have wanted to compensate for their families’ worsening economic situation during recessions by providing higher amounts of remittances. On average, South Asian labor migrants stay 2-4 years in the host country. The India-KSA migration corridor is an exception with an average stay of only 5 months (based on data from KNOMAD-ILO Migration Costs Survey 2015 and 2016). A positive relationship between the expected duration of stay in the host country and the amount of expected monthly remittances can be found in the case of South Asian labor migration (Figure 1.10). It must be assumed that if the stay in the receiving country is too short, labor migrants might remit less because they still need to cover their migration-related expenses.

Figure 1.10: Workers that expect to stay for longer tend to remit more per month
Correlation between duration of stay and monthly remittance (estimated monthly remittance in USD and expected months in host country

Note: outliers are omitted (months_expect>1000 and mthremitUSD2016>1500). For the analysis, only migration corridors with South Asian countries as sending countries are included. The Nepal-Saudi corridor is omitted due to lack of data.

Remittances are an important source of external financing for South Asian countries (Figure 1.11). Remittances are directly received by households and therefore much less influenced by political, economic or geographical characteristics of the home country than Official Development Assistance, export revenue, and FDI. This direct nature of remittances is crucial for South Asian countries that may have other constraints to boosting export revenues or attracting FDI. For example, despite its important geographic location between India and China, Nepal is landlocked and is lagging other countries in the
region in measures like the Logistical Performance Index. Remittances have been the most important source of external financing for Nepal before Official Development Assistance (ODA), export revenue and FDI. In Pakistan and Bangladesh, only export revenue has exceedec the revenue derived from remittances.

**Figure 1.11:** Remittance flows into major migrant-sending South Asian countries are larger than FDI and ODA combined.

Net inflows, 2019 (current USD millions)

<table>
<thead>
<tr>
<th>Country</th>
<th>FDI</th>
<th>Export Revenue</th>
<th>ODA</th>
<th>Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>2,151</td>
<td>13,498</td>
<td>2,815</td>
<td>37,549</td>
</tr>
<tr>
<td>Nepal</td>
<td>196</td>
<td>2,263</td>
<td>6,928</td>
<td>25,114</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2,283</td>
<td>19,689</td>
<td>0</td>
<td>2,815</td>
</tr>
</tbody>
</table>

Source: FDI, ODA, and export revenue data from World Development Indicators 2019; remittance inflow data from KNOMAD Remittances Database.

Note: Remittances are defined as migrant remittance inflows (current US$), ODA is defined as net official development assistance (current US$), export revenue is defined as exports of goods and services (current US$), FDI is defined as foreign direct investment, net inflows (BoP, current US$).

**Remittances substantially contribute to poverty reduction in South Asia.** Worldwide, remittances have led to a substantial reduction in the share of people living in poverty (Adams and Page 2005). Although those who live in extreme poverty in South Asia do not tend to migrate, remittances, overall, have led to a substantial decline in poverty across the region. International migration had a positive impact on economic growth and poverty reduction during the 1973-2007 period (Qayyum et al. 2008)). Lokshin, Bontch-Osmolovski, and Glinskaya (2011) conclude that growth in international migration led to a decline in total poverty by 1.2 percentage points in Nepal over the 1995-2004 period. Raihan et al. (2009) show that international remittances reduce the probability of a Bangladeshi household to become poor by 5.9 percent.

**1.2.2 Microeconomic level benefits to migrants and their households**

**Migrating individuals benefit directly from international labor migration through higher wages abroad (Figure 1.12).** South Asian labor migrants earn a large wage premium compared to earnings at home due to the higher average wages and productivity in receiving countries. On average, monthly labor earnings of Bangladeshi migrants were at 3,498 BDT, almost four times higher in the receiving countries than in
their home country (9,100 BDT). In 2016 labor migrants from India earned an average of USD 362 in Saudi Arabia compared to USD 112, on average, in their country. Workers from Nepal earned almost 5 times more in Qatar than at home. Workers from Pakistan earned 3.6 times more when working in the UAE and 4.8 times more when working in Saudi Arabia. Higher wages abroad can help improve the welfare of households back home through remittances. In addition to these immediate static effects, this large positive income shock can increase savings and the ability to insure for future shocks. It can also help increase lifetime earnings even after migrants have return home, by allowing them to accumulate capital for startup entrepreneurial activities back home (Bossavie et al. 2020).

Figure 1.12: Migrants experience substantial wage gains in destination countries
A. Migrants monthly income, before and during migration (USD)

<table>
<thead>
<tr>
<th>Destination</th>
<th>Pre Migration</th>
<th>Post Migration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam-Malaysia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines-Saudi Arabia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines-Qatar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan-UAE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan-Saudi Arabia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nepal-Qatar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India-Saudi Arabia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India-Qatar</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Monthly wages of Bangladeshi migrants before and during migration, in selected destinations (BDT)

<table>
<thead>
<tr>
<th>Destination</th>
<th>Wage before</th>
<th>Wage abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KSA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OMN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MYS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QAT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data for Panel A - Estimated from KNOMAD Cost of Migration Survey 2015&2016 for select corridors with South and East Asian origin countries. Data for Panel B – estimated from Bangladesh Return Migrants Survey (BRMS) 2018/19. All refers to all destinations, KSA is Kingdom of Saudi Arabia, UAE is the United Arab Emirates, OMN is Oman, MYS is Malaysia, and QAT is Qatar.

Households left behind in the home country substantially benefit from labor migration through remittances. Low-skilled migrants from South Asia cannot migrate with family to the main destinations of the GCC and Southeast Asia. In addition, as migration is very often a family decision in South Asia, family members who work as labor migrants are expected to improve their own as well as their family’s economic situation. In South Asia, state-provided social transfers often cannot sufficiently help households to cover their basic needs (Chemmencheri 2016). In the absence of state support, it is remittances which can substantially improve the financial wellbeing of families. Remittance-receiving households can use funds as working capital, to ease budget constraints and for consumption smoothing.

---

22 These data are from the Bangladesh Return Migration Survey (BRMS) 2018/19 conducted for this report, and described in the accompanying background paper (Ahmed et al. 2020).

23 The variable used to determine the salary in the migrant’s home country is amount_earn_priorUSD2016 (2016 constant USD, how much did you earn as a [type_job_before] in the country where you lived prior). The variable used to calculate the salary in host country is mthinc_arv_less_taxUSD2016 (Monthly estimated foreign earnings minus withholdings at arrival in constant USD).
(Gupta, Pattillo, and Wagh 2009). In Nepal, remittances have been noted to have raised the living standards of migrant families: about 79 percent of remittance is spent on daily consumption by Households (HHS) and only 2.4 percent on capital formation (Dhungana 2012). A back-of-the-envelope estimate from Bangladesh suggests that if remittance income were reduced by two-thirds – the estimated share of remittances in migrant households –, then 41 percent of households with migrants that are currently above the national poverty line would become impoverished. This is equivalent to about than 5.4 million additional poor (Figure 1.13).

**Figure 1.13** International migration helps many households stay above the poverty line

Migrant sending households and their poverty status (percent of all households with at least one international migrant)

![Circle diagram showing poverty status of households](image)

- Poor
- At risk: Poor without remittance
- Not poor

*Source: Simulation analysis based on data from the Bangladesh Household Income and Expenditure Survey (HIES) 2016/17.*

**Depending on the income level of the remittance-receiving household, funds are spent differently.** Poor families tend to spend remittances on consumption, while wealthier households are more likely to spend them on productive and investment goods such as health and education (World Bank 2018b). Siddiqui and Abrar (2003) show that remittance-receiving households in Bangladesh use these funds to maintain subsistence, to invest in land and to finance migration of other family members. Remittance-receiving households in Nepal spend the funds mostly on consumption and children’s education (World Bank 2011).

**Households that receive remittances tend to invest more in human capital, as seen in Bangladesh.** Migrants’ households have been found spend more on primary and secondary level education than non-migrant households (Siddiqui et al. 2019). In Bangladesh, migrant families are spending more on education compared to families of internal migrants and non-migrants; their corresponding literacy rates are 79 percent for international migrant family members, 75 percent for internal migrant family members and 72 percent for non-migrant family members (Siddiqui 2012). Migrants’ families are also likely to spend more on health care and care for the elderly (Fleury 2016).

**Estimates from Nepal suggest that controlling for other characteristics, migrant households spend more on education and health than non-migrant households (Table 1.2).** The coefficient of the variable of foreign remittances is significant and positive for education and health. This analysis implies that a USD 1
increase in remittances is associated with a USD 0.008 increase in school expenditure and a USD 0.002 increase in health expenditures. It should be noted that the average yearly remittance amount received by households in this sample is USD 1,657, or USD 1,922 among those that received non-zero remittances for the year prior. Average expenses on education and health, respectively, are much smaller, USD 157 and USD 41. Thus, the small association between expenditure and remittance amount may make sense, given the difference in magnitudes between the two. The estimates thus suggest that if Nepalese migrant workers remitted nothing at all (a USD 1,922 decrease in remittances), remittance-receiving Nepalese households would reduce spending on education by USD 15.4, almost 10 percent of the average expenditure. They would also reduce health spending by USD 3.8, again nearly 10 percent of the average expenditure.

1.3 Framing safer and more productive migration through a lifecycle lens

Low-skilled migration from Bangladesh, Nepal and Pakistan is temporary by design. The temporary nature of low-skilled migration from these three countries is largely imposed by regulations in the main host countries. Duration of stay of low-skilled migrants is strictly tied to a temporary labor contract, and there is practically no path to permanent legal residence in the main destinations of the GCC and Southeast Asia. As a result, permanent migration is practically not possible for low-skilled migrants. While migrants can extend their stay through labor contract extensions, they must ultimately return home. Additionally, family migration is not permitted for low-skilled migrants, which increases incentives to return to home labor markets. These features of low-skilled labor migration from South Asia have important implications on the way one needs to approach labor migration from South Asia.

The report approaches labor mobility from an innovative perspective, by focusing on developing countries that are among the main senders of temporary migrants in the world. While prior work has mostly focused on permanent migration in receiving countries, this report focuses on temporary low-skilled migration from the perspective of low-income sending countries. In that context, migration can be viewed as a development strategy, and has been shown to be the most effective poverty reduction strategy for workers from poor countries (McKenzie and Gibson, 2014; Gibson et al., 2018). In addition, it is generally associated with less political backlash than permanent migration in destination countries.

This report treats migration not as a static one-time event, but as part of migrants’ entire life cycle (Figure 1.14). The temporary nature of labor mobility from South Asia requires departing from the traditional migration framework that treats migration as a permanent, one-time episode. Instead, migration must be treated as part of workers’ entire life cycle, where all stages are interlinked and part of the same lifetime decisions (Dustmann and Goerlach 2016). For example, pre-migration employment outcomes and age at departure are linked to duration of stay abroad. Duration of stay, in turn, is affected by migration costs and wages abroad, which also determine how long migrants needs to stay overseas to achieve a given savings target. Closing the full cycle, the ability to finance a self-employment activity after return will be affected by the monetary costs of migration, wages abroad, and duration of stay at destination. Policy interventions that aim to influence any of these decisions or outcomes will thus, by the very nature of these linkages, also influence the others. It is thus critical for policy makers to consider these linkages when designing policies related to temporary migration.
Table 1.2: Remittances and key components of household expenditure for remittance receiving households in Nepal

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Food Exp</td>
<td>Non-food Exp</td>
<td>School Exp</td>
<td>Health Exp</td>
<td>Farm Exp</td>
</tr>
<tr>
<td>Remittance amount</td>
<td>0.00490</td>
<td>0.00565</td>
<td>0.00816**</td>
<td>0.00185**</td>
<td>0.00179</td>
</tr>
<tr>
<td></td>
<td>(0.00799)</td>
<td>(0.00387)</td>
<td>(0.00372)</td>
<td>(0.000899)</td>
<td>(0.00448)</td>
</tr>
<tr>
<td>HH size</td>
<td>122.7***</td>
<td>18.86***</td>
<td>23.55***</td>
<td>3.274***</td>
<td>7.455</td>
</tr>
<tr>
<td></td>
<td>(8.214)</td>
<td>(2.715)</td>
<td>(3.098)</td>
<td>(0.750)</td>
<td>(5.257)</td>
</tr>
<tr>
<td>Age of head</td>
<td>4.467***</td>
<td>0.456</td>
<td>-1.117***</td>
<td>0.152</td>
<td>0.439</td>
</tr>
<tr>
<td></td>
<td>(1.073)</td>
<td>(0.475)</td>
<td>(0.340)</td>
<td>(0.0989)</td>
<td>(0.580)</td>
</tr>
<tr>
<td>Sector of work of head</td>
<td>-4.739</td>
<td>-54.68**</td>
<td>10.57</td>
<td>0.375</td>
<td>5.186</td>
</tr>
<tr>
<td></td>
<td>(42.60)</td>
<td>(27.54)</td>
<td>(15.17)</td>
<td>(3.781)</td>
<td>(14.35)</td>
</tr>
<tr>
<td>Marital status of head</td>
<td>84.00**</td>
<td>26.61**</td>
<td>13.71</td>
<td>1.618</td>
<td>12.65</td>
</tr>
<tr>
<td></td>
<td>(40.16)</td>
<td>(12.84)</td>
<td>(13.29)</td>
<td>(4.391)</td>
<td>(14.27)</td>
</tr>
<tr>
<td>Value of crops sold</td>
<td>0.149</td>
<td>0.224***</td>
<td>-0.0121</td>
<td>-0.00813</td>
<td>0.519***</td>
</tr>
<tr>
<td></td>
<td>(0.0936)</td>
<td>(0.0645)</td>
<td>(0.0278)</td>
<td>(0.00602)</td>
<td>(0.162)</td>
</tr>
<tr>
<td>Value of land owned</td>
<td>-0.000416</td>
<td>0.000724</td>
<td>0.000714*</td>
<td>-0.000127***</td>
<td>0.00103**</td>
</tr>
<tr>
<td></td>
<td>(0.000623)</td>
<td>(0.000448)</td>
<td>(0.000375)</td>
<td>(4.59e-05)</td>
<td>(0.000491)</td>
</tr>
<tr>
<td>Constant</td>
<td>73.11</td>
<td>89.12*</td>
<td>8.281</td>
<td>0.892</td>
<td>-35.41</td>
</tr>
<tr>
<td></td>
<td>(85.44)</td>
<td>(47.90)</td>
<td>(29.27)</td>
<td>(7.957)</td>
<td>(32.40)</td>
</tr>
<tr>
<td>Destination FE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Observations</td>
<td>1,101</td>
<td>1,101</td>
<td>1,101</td>
<td>1,101</td>
<td>1,101</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.302</td>
<td>0.209</td>
<td>0.144</td>
<td>0.069</td>
<td>0.140</td>
</tr>
</tbody>
</table>


Note: *** p<0.01, ** p<0.05, * p<0.1. Robust standard errors are presented in the parentheses.
Figure 1.14. Temporary migration and the life cycle framework

Solutions to make migration for South Asia safer and more productive thus require interventions throughout the migration life-cycle (Figure 1.15). The migration life-cycle is generally described as having four stages (Cho and Majoka 2020). The first stage is pre-decision, when a worker decides to migrate based on their understanding of the costs and benefits of migrating. The second stage is pre-departure, when after the worker has decided to pursue an overseas job, they can take up measures to improve their employability, finding and obtaining a job, and obtaining the necessary legal documents to migrate (clearances from national authorities, visas and passports, *inter alia*), and completing the logistical preparations for migration (e.g. tickets, financing). The third stage is during migration, when the migrant is employed overseas, and the final stage is after migration. The recruitment process and access to information are important factors that affect monetary and non-monetary migration costs specifically in the pre-decision and pre-departure phases. However, migrant costs are also higher if they go to destinations with weaker labor laws and regulations, an issue in the during-migration phase of the life-cycle. At each stage of this process, migrants require information and support from the migration management system of their country of origin as well as the destination country.
1.4 Looking ahead to this report

The focus of this report is on reducing vulnerability and maximizing productivity throughout all stages of the migration life cycle. Two key objectives in the current context of labor migration from such Asia are to minimize the risks of temporary migration by reducing vulnerability, and to increase its benefits by making migration more productive. Within the life cycle framework, this requires interventions to address vulnerability and inefficiencies at each stage of the migration life cycle: pre-decision, pre-departure, during migration and after return.

The remainder of this report is organized around the perspectives of the life-cycle approach, but also around three sets of policy themes. Chapter 2 will examine issues of migrant rights and welfare, and specifically how to reduce migrants’ vulnerability at the pre-departure and, pre-departure and during migration stages. Chapter 3 will examine the factors that may limit the impact of international migration, i.e. how to make it more productive. Productive in this sense is a broad expression, describing not just the returns to the workers themselves, but how migration could be made more inclusive, sustainable, and resilient to shocks. Chapter 4 will focus on enhancing the safety and productivity of return migration through interventions before, during, and after migration. There is a perception that when migrants from Bangladesh, Nepal, and Pakistan return to their countries of origin, they bring back higher human capital as well as greater financial resources (i.e. savings). The implication of this perception is that returning migrants can be more productive (as wage-workers) or as small-scale entrepreneurs. However, the evidence-base to support or contradict these perceptions has been limited. In addition, the factors and policy interventions that may make return migrants more productive are not very well understood.

As will be seen throughout, improving the safety and productivity of migration – even after return – will require action and coordination by a range of actors. Governments in both sending and receiving countries will be seen to responsible for developing legal frameworks that meet their economic needs, but that are also consistent with rights-based approaches, and that support ethical and fair recruitment. Governments also the responsibility to provide services that address market failures, like information asymmetries. The private sector – primarily recruitment agencies – will be seen to have a responsibility
to act ethically, within the boundaries of a country’s legal framework. The migrants themselves also are responsible for their own decisions, provided that they have access to reliable source of information.

**Compared to unilateral actions and bilateral agreements, multilateral platforms provide an opportunity for countries to openly discuss migration-related issues.** Governments of sending and receiving countries have taken unilateral actions by setting up institutions and structures to reduce the negative effects of international labor migration (Thimothy et al. 2016). However, national arrangements alone do not suffice to efficiently control the outflow or inflow of migrants due to the international dimension of labor mobility. A sending and receiving country may enter a bilateral labor agreement (BLA) or Memorandum of Understanding (MoU) to manage and control labor migration in a specific corridor. As BLAs are mainly designed by host countries and mostly benefit them, migration-related problems in sending countries may remain (Sáez 2013). In contrast to unilateral and bilateral arrangements, multilateral platforms, despite their non-binding nature, allow diverse groups of migration-affected countries to freely articulate their problems and visions and to learn from each other (Table 1.3).

**The Abu Dhabi Dialogue among Asian labor sending and receiving countries (ADD) and the Colombo Process (CP) promote inter-governmental cooperation and dialogue on labor migration in Asia.** Established in 2008, the ADD is a non-binding and voluntary consultative process between migrant-sending and receiving countries in the Asia region. 24 The ADD aims to protect labor migrants and promote the development of partnerships between Member States for adopting best practices. It regularly invites the IOM and ILO, the private sector, and civil society organizations to contribute to the dialogue as regular observers (ADD 2018). Established in 2003, the CP is a member-driven, informal, and non-binding consultative process on international labor migration in Asia. CP Member States are sending countries in the region; 25 receiving countries are invited to cooperate regarding the implementation of projects at the regional and national levels (Colombo Process 2017). 26

**Table 1.3: Multilateral platforms on international migration**

<table>
<thead>
<tr>
<th>Platform</th>
<th>Common Feature</th>
<th>Distinctive Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abu Dhabi Dialogue</td>
<td>Non-binding, informal, and member-driven consultation process/agreement</td>
<td>Focus on international labor migration in Asia with receiving and sending countries as Member States</td>
</tr>
<tr>
<td>Colombo Process</td>
<td></td>
<td>Focus on international labor migration in Asia with sending countries as Member States</td>
</tr>
<tr>
<td>Global Forum for Migration and Development</td>
<td></td>
<td>Focus on all aspects of international migration and development globally with UN Member States</td>
</tr>
<tr>
<td>Global Compact for Migration</td>
<td></td>
<td>Focus on all aspects of international migration globally with UN Member States</td>
</tr>
</tbody>
</table>

24 Member States are seven migrant-receiving countries (Bahrain, Malaysia, Oman, Qatar, Saudi Arabia, and the UAE) and 11 migrant-sending countries (Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand, and Vietnam). The UAE provides the permanent secretariat (ADD 2018).

25 The 12 CP Member States are Afghanistan, Bangladesh, Cambodia, China, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, and Viet Nam (Colombo Process 2017).

26 The CP also cooperates with the IOM, UN agencies, and development partners (Colombo Process 2017).
The Global Forum for Migration and Development (GFMD) and the Global Compact for Safe, Orderly and Regular Migration (GCM) are platforms where UN Member States can discuss international migration. Founded in 2007, the GFMD is a non-binding, informal and state-led process where UN Member States can discuss topics related to international migration, development and their inter-linkages. The platform partners up with the private sector, UN agencies, and civil society (Global Forum on Migration & Development 2019). The GCM is an inter-governmentally negotiated, non-binding agreement on all dimensions of international migration that was prepared under the auspices of the UN in 2018. The agreement gives UN Member States the flexibility to address the governance of international migration based on their own migration realities (IOM 2020). The activities of the GFMD were an important factor that helped UN Member States to work towards building consensus on the GCM. The GCM explicitly foresees the role of the GCM as a platform for Member States to exchange experiences on the implementation of the GCM (Global Forum on Migration & Development 2019).

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27 The negotiation of the GCM was set off by the New York Declaration for Refugees and Migrants, which was unanimously adopted by the UN General Assembly in 2016 (Global Forum on Migration & Development 2019).
References


### Annex 1A: Mincerian regressions

**Table 1A.1: Mincerian regressions for determinants of wages at destination for migrants from multiple corridors**

<table>
<thead>
<tr>
<th></th>
<th>(1) Base specification</th>
<th>(2) Country-sector interactions</th>
<th>(3) Destination country FE</th>
</tr>
</thead>
<tbody>
<tr>
<td>how old are you? (in years)</td>
<td>0.0242** (0.00992)</td>
<td>0.0240** (0.00989)</td>
<td>0.0256*** (0.00992)</td>
</tr>
<tr>
<td>age2</td>
<td>-0.000271* (0.000139)</td>
<td>-0.000275** (0.000139)</td>
<td>-0.000308** (0.000139)</td>
</tr>
<tr>
<td>low _education</td>
<td>-0.248*** (0.0314)</td>
<td>-0.247*** (0.0316)</td>
<td>-0.213*** (0.0307)</td>
</tr>
<tr>
<td>female</td>
<td>-0.220*** (0.0536)</td>
<td>-0.145** (0.0643)</td>
<td>-0.189*** (0.0654)</td>
</tr>
<tr>
<td>India</td>
<td>-0.0596 (0.0364)</td>
<td>-0.0935** (0.0403)</td>
<td>-0.0870** (0.0398)</td>
</tr>
<tr>
<td>Nepal</td>
<td>-0.268*** (0.0476)</td>
<td>-0.302*** (0.0525)</td>
<td>-0.384*** (0.0511)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>-0.230*** (0.0448)</td>
<td>-0.295*** (0.0514)</td>
<td>-0.111* (0.0577)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.0868 (0.0580)</td>
<td>0.292* (0.165)</td>
<td>0.401** (0.167)</td>
</tr>
<tr>
<td>Household</td>
<td>-0.263*** (0.0426)</td>
<td>-0.378*** (0.0694)</td>
<td>-0.283*** (0.0715)</td>
</tr>
<tr>
<td>Industry</td>
<td>0.210*** (0.0372)</td>
<td>0.0446 (0.133)</td>
<td>0.105 (0.140)</td>
</tr>
<tr>
<td>Services</td>
<td>0.00772 (0.0414)</td>
<td>-0.0924* (0.0496)</td>
<td>-0.0153 (0.0534)</td>
</tr>
<tr>
<td>India × Agriculture</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>India × Household</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>India × Industry</td>
<td>-0.332** (0.136)</td>
<td>-0.289** (0.141)</td>
<td></td>
</tr>
</tbody>
</table>
Note: Estimates using data from KNOMAD Cost of Migration Surveys 2015 and 2016. OLS with heteroskedasticity-robust standard errors. * $p < .10$, ** $p < .05$, *** $p < .01$

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
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<td></td>
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<tr>
<td>India × Services</td>
<td>0</td>
<td>0</td>
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<td></td>
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<tr>
<td>Nepal × Agriculture</td>
<td>-0.527**</td>
<td>-0.604***</td>
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<td></td>
<td>(0.211)</td>
<td>(0.218)</td>
<td></td>
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<tr>
<td>Nepal × Household</td>
<td>0.216***</td>
<td>0.121</td>
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<td></td>
<td>(0.0759)</td>
<td>(0.0770)</td>
<td></td>
</tr>
<tr>
<td>Nepal × Industry</td>
<td>-0.0523</td>
<td>-0.109</td>
<td></td>
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<tr>
<td></td>
<td>(0.145)</td>
<td>(0.150)</td>
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<tr>
<td>Nepal × Services</td>
<td>0.372***</td>
<td>0.283***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0513)</td>
<td>(0.0536)</td>
<td></td>
</tr>
<tr>
<td>Pakistan × Agriculture</td>
<td>-0.198</td>
<td>-0.364**</td>
<td></td>
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<tr>
<td></td>
<td>(0.176)</td>
<td>(0.176)</td>
<td></td>
</tr>
<tr>
<td>Pakistan × Household</td>
<td>0.0681</td>
<td>-0.00627</td>
<td></td>
</tr>
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<td></td>
<td>(0.0838)</td>
<td>(0.136)</td>
<td></td>
</tr>
<tr>
<td>Pakistan × Industry</td>
<td>0.236*</td>
<td>0.194</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.141)</td>
<td>(0.147)</td>
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<tr>
<td>Pakistan × Services</td>
<td>0.336***</td>
<td>0.304***</td>
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<td>(0.0902)</td>
<td>(0.0979)</td>
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<tr>
<td>SAU</td>
<td>-0.163***</td>
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<td></td>
<td>(0.0284)</td>
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<td></td>
</tr>
<tr>
<td>UAE</td>
<td>-0.401***</td>
<td></td>
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<td></td>
<td>(0.0460)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>5.809***</td>
<td>5.855***</td>
<td>5.896***</td>
</tr>
<tr>
<td></td>
<td>(0.174)</td>
<td>(0.174)</td>
<td>(0.173)</td>
</tr>
<tr>
<td>Observations</td>
<td>2502</td>
<td>2502</td>
<td>2502</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.169</td>
<td>0.177</td>
<td>0.200</td>
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</tbody>
</table>
CHAPTER 2: SUPPORTING DEVELOPMENT COMES AT A COST FOR MIGRANTS

International migration can be seen to have substantial benefits for migrants, their households, and their families, but these benefits come at costs to the migrants’ welfare and safety. This chapter will examine some of these costs – both monetary and non-monetary. It will then try to trace these costs back to some institutional factors that contribute to them, followed by some possible solutions.

2.1 Migration costs are both monetary and non-monetary

Migrant workers from South Asia pay some of the highest migration costs in the world, taking several months to recoup in some cases. Total migration costs vary substantially across migration corridors (Figure 2.1). Pakistani migrants in Saudi-Arabia incur the largest overall costs of almost USD 5,000 on average. In comparison, labor migrants from Nepal spend less than USD 1,000 to migrate to Malaysia, Saudi-Arabia and, Qatar, respectively. Filipinos pay only a very small fraction of the costs of their Pakistani counterparts to migrate to Saudi-Arabia. Labor migrants from India pay less than a third of the total expenditures of Pakistani labor migrants to move to the Gulf countries. Bangladeshi labor workers spent on average 278,000 BDT, which is more than USD 3,000, for migration. For Bangladesh, total migration cost are the highest for the Bangladesh-Qatar corridor at 337,000 BDT (almost USD 4,000) and the smallest for the Bangladesh-Malaysia corridor with 245,000 BDT (roughly USD 2,900). Migration costs are systematically higher for workers from South Asia compared to migrants from other origin countries going to the same GCC countries. This suggests that the conditions of the migrant recruitment market at home plays an important role in determining costs. The excess demand migration from South Asia to the GCC countries, combined with the visa-trading practices allowed by some of the destination countries, are also likely contributors to these very high costs.

The recruitment costs for migrants from Bangladesh, Nepal, and Pakistan are not just high in absolute terms, but also relative to their wages at destination. Recruitment costs of Pakistani labor migrants are more than 10 times higher than their monthly foreign earnings. They are also extremely high compared to wages and household income at origin. For Bangladesh, total migration costs have been estimated to represent about two years and a half of migrant household income before departure (Ahmed et al. 2020).

In this situation, brokers and recruitment agents have the leverage to set extremely high prices for their services (KNOMAD 2017). The variation in the Recruitment Cost Index (RCI) by the corridor is substantial, however less than the variation in total migration expenditures, as shown before.

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28 Current exchange rate used for conversion.
Figure 2.1: Migrants from Nepal and Pakistan tend to face higher migration costs than other migrants in some corridors

A. Costs of migration, select corridors (USD)

- Vietnam-Malaysia: 1401
- Philippines-KSA: 309
- Philippines-Qatar: 516
- Pakistan-UAE: 2421
- Pakistan-KSA: 769
- Nepal-KSA: 1002
- Nepal-Qatar: 689
- Nepal-Malaysia: 1386
- India-KSA: 1156
- India-Qatar: 1002

B. Recruitment costs, select corridors (months of wages at destination)

- Vietnam-Malaysia: 4
- Philippines-KSA: 1
- Philippines-Qatar: 2
- Pakistan-UAE: 6
- Pakistan-KSA: 4
- Nepal-KSA: 3
- Nepal-Qatar: 2
- Nepal-Malaysia: 2
- India-KSA: 2
- India-Qatar: 3

C. Migration costs for Bangladeshi migrants, by destination (BDT 1000s)

D. Migration costs for Bangladeshi migrants, by destination (months of wages at destination)


Note: For Panels A and B: The recruitment cost indicator (RCI) is calculated as total expenditure in US$ 2016 divided by foreign monthly gross earnings in US$ 2016. Recruitment costs include fees paid to recruitment agents, costs for documents, i.e. passport, visa, medical certificates, language test, security clearance, and transportation cost. The Recruitment Cost Indicator (RCI) that is used here is defined as the average worker-incurred recruitment cost as a multiple of the migrant’s monthly foreign earnings (KNOMAD-ILO Migration Costs Survey 2015 & 2016).

Intermediation costs account for large differences in total expenditures for South Asian labor migrants (Figure 2.2 and Figure 2.3). Pakistani migrants to Saudi Arabia and the UAE spend more than 60 percent of their direct migration costs on visa fees. Without these high visa costs, the total expenditure would most likely be on par with the migration-related costs of migrants from other countries. Nepali migrants to Saudi-Arabia and Malaysia spend about 60 and 40 percent of their total migration expenditure on
broker fees. Agent fees constitute about 40 percent of the total expenditures of Nepali migrants in Qatar. Bangladeshi labor migrants spend on average more than 50 percent of the total migration cost on intermediaries to find a job abroad. On average, more than 20 percent of their total migration expenditure is used to obtain the visa and passport of the respective destination country.

**Figure 2.2: Several idiosyncratic and institutional factors contribute to the high costs for many corridors starting in South Asia**

Migration cost breakdown for select corridors (USD)

![Migration cost breakdown chart](image-url)


Note: Costs that constitute less than 1% of total expenditures are dropped. The following definitions apply: Agent=payments for agent; broker=payments for service fees for individual brokers; friends-relatives=payments for service fees for relatives-friends who help find work abroad; inland transp=payments for domestic transportation; insurance=payments for health/life insurance/social security plans; inter_transp=payments for international transportation; medical_exam=payments for medical exam; other, other_pay2=informal payments for the job; passport=payments for passport; placement=payments for placement fees; visa=payments for visa;
Figure 2.3: Intermediation costs contribute to the high costs for Bangladeshi migrants going to many destinations

Intermediation costs by component (BDT 1000)

Source: Bangladesh Return Migrants Survey (BRMS) 2018/19.

Poor working conditions in receiving countries constitute non-pecuniary costs for South Asian labor migrants. Apart from financial costs, costs associated with deficiencies in the working conditions of migrants in host countries constitute also increase the overall costs of labor migration. These non-pecuniary costs are usually only revealed after arrival in the receiving country. These non-pecuniary costs need to be considered as they affect the overall well-being of migrants while at destination (Aleksynska, Aoul, and Petrencu 2017), but can also affect migrants’ return decisions and thus the overall success of the migration experience.

High migration costs contribute to high vulnerability in the host country. Given the very high total costs of migration, migrants from South Asia have to stay abroad for a minimum duration of close to a year in order to just break even on their initial investment. A large share of migrants borrow to finance their migration episode, which further inflates costs and put additional pressure related to loan repayment (Figure 2.4). One they have repaid the very large fixed costs of the migration episode, migrants also need to stay sufficiently long at destination to generate enough return on their initial investment by accumulating savings and sending remittances back home for consumption. These very large upfront costs, combined with the fact that migrants’ stay at destination is entirely tied to their sponsoring employer, greatly reduces the bargaining power of migrants at destination. In the absence of outside options, this makes bound to stay working with their employer irrespective of their employer conditions, and greatly exposed temporary migrants to abuses by employers (Khan and Harroff-Tavel 2011). In addition, the high costs of migration also provide incentives for migrants who originally migrated regularly to overstay illegally at destination if their employment contract and work permit are not renewed. In
Bangladesh for example, 12 percent of return migrants to Bangladesh report that being expelled from the destination country due to Visa/Work permit issues as the main reason for returning.29

**Figure 2.4: Many migrants from South Asia borrow to finance their temporary economic migration**

A. Share of migrants in corridor that borrowed to finance migration (percent)

B. Share of surveyed Bangladeshi return migrants that borrowed (percent)

Source: Panel A is from the KNOMAD-ILO Cost of Migration Survey 2015 & 2016. Panel B is from the Bangladesh Return Migrants Survey (BRMS) 2018/19.

As a result, migrants from Bangladesh, Nepal, and Pakistan have strong incentives to stay and continue remitting even when faced with rights violations or unsafe work conditions destination. More than 90 percent of Pakistani labor migrants report being deprived of their rights in Saudi Arabia and the UAE (Figure 2.5). These rights include the ability to express their views, join unions, engage in industrial action, change employers, be discriminated in wages viz-a-viz native-born workers, be restricted in their ability to remit, and have their travel documents be withheld, *inter alia*. In comparison, almost no Indian labor migrant reports being deprived of his or her rights in Qatar and Saudi-Arabia. About half of all Nepali migrants report violations of their rights in Qatar. Violated rights are numerous, ranging from political and economic rights restrictions to the lack of ability to communicate with people (Figure 2.6). The top three human rights violations that Bangladeshi labor workers are being confronted with abroad are continuous exposure to extreme heat, i.e. to temperatures above 45°C (37 percent); inability to change employers (30 percent); and withholding of travel documents/ID by employer (24 percent); Oman and Qatar are the two destination countries where Bangladeshi labor migrants report facing the most issues (Table 2.3).

Figure 2.5: The prevalence of migrants being deprived of rights at destination vary substantially across corridors

Share of migrants reporting that they had been deprived of rights in the host country (percent)

Note: The presented chart is based on the answers of the following survey question: “Have you been deprived of any rights during your employment in [current_country]?”

Figure 2.6: Migrants grievances vary across corridors

Distribution of complaints by corridor for type of rights that have been violated (percent)

Table 2.3: Migrants from Bangladesh frequently report being deprived of rights in destination countries

Share of Bangladeshi migrants at destination that report a right being deprived (percent)

<table>
<thead>
<tr>
<th>Did you personally face the following issues while in employment abroad? (share of temporary migrants answering yes)</th>
<th>Saudi Arabia</th>
<th>UAE</th>
<th>Oman</th>
<th>Malaysia</th>
<th>Qatar</th>
<th>Bahrain</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unable to change employers</td>
<td>0.26</td>
<td>0.31</td>
<td>0.37</td>
<td>0.29</td>
<td>0.37</td>
<td>0.28</td>
</tr>
<tr>
<td>2</td>
<td>Travel documents/ID withheld by employer</td>
<td>0.2</td>
<td>0.25</td>
<td>0.3</td>
<td>0.22</td>
<td>0.3</td>
<td>0.24</td>
</tr>
<tr>
<td>3</td>
<td>Excluded from social security</td>
<td>0.16</td>
<td>0.17</td>
<td>0.21</td>
<td>0.14</td>
<td>0.21</td>
<td>0.19</td>
</tr>
<tr>
<td>4</td>
<td>Threatened with deportation or denouncement to authorities</td>
<td>0.17</td>
<td>0.19</td>
<td>0.25</td>
<td>0.15</td>
<td>0.24</td>
<td>0.19</td>
</tr>
<tr>
<td>5</td>
<td>Problem with authorities</td>
<td>0.2</td>
<td>0.23</td>
<td>0.27</td>
<td>0.19</td>
<td>0.3</td>
<td>0.23</td>
</tr>
<tr>
<td>6</td>
<td>Physical abuse at workplace</td>
<td>0.06</td>
<td>0.07</td>
<td>0.11</td>
<td>0.06</td>
<td>0.09</td>
<td>0.04</td>
</tr>
<tr>
<td>7</td>
<td>Verbal abuse at workplace</td>
<td>0.17</td>
<td>0.16</td>
<td>0.24</td>
<td>0.19</td>
<td>0.25</td>
<td>0.2</td>
</tr>
<tr>
<td>8</td>
<td>Unsafe working conditions</td>
<td>0.11</td>
<td>0.14</td>
<td>0.18</td>
<td>0.13</td>
<td>0.16</td>
<td>0.15</td>
</tr>
<tr>
<td>9</td>
<td>Discrimination and xenophobic attitudes</td>
<td>0.11</td>
<td>0.1</td>
<td>0.12</td>
<td>0.12</td>
<td>0.11</td>
<td>0.07</td>
</tr>
<tr>
<td>10</td>
<td>Sexual harassment at workplace</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
<td>0.02</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>During work, were you continually exposed to extreme heat (temperatures above 45°C)?</td>
<td>0.34</td>
<td>0.39</td>
<td>0.43</td>
<td>0.34</td>
<td>0.39</td>
<td>0.32</td>
</tr>
</tbody>
</table>

Source: Bangladesh Return Migrants Survey (BRMS) 2018/19.
Note: Some migrants report multiple rights deprived of multiple rights, and the columns will thus not sum to 100.

It has also been argued that migration may also have adverse consequences on human capital outcomes of household members staying behind, although evidence is mixed. In the absence of an adult household member from the household, it has been suggested that outmigration may have adverse effects on the educational and nutritional outcomes of children. Global evidence on this is ambiguous, and effects tend to be heterogenous depending on the gender, age, and sibling birth order of the children left behind (Antnam 2012). In Nepal, estimated effects are also ambiguous and heterogenous, although effects on school enrollment are overall positive (Shrestha, 2017; Bossavie and Denisova, 2018). In Bangladesh, the effects of outmigration on children educational and nutritional outcomes through the Malaysia-Bangladesh G2G program are overall positive (Mobarak et al. 2020).

In addition, to potential adverse effects in child outcomes, it has also been argued that receiving remittances from overseas may reduce the labor supply of other household member at home, particularly of females, through an income effect. Global evidence on this tend to find not effect on males, but negative effects on the labor supply of females (Amuedo-Dorantes and Pozo, 2006; Acosta,
In Bangladesh, no adverse effects on labor supply of other household members, including females, has been evidenced in the context of the G2G program with Malaysia (Moubarak et al., 2020). In addition, positive effects on female involvement in decision making have also been found. In Nepal, evidence on this question is mixed: Shrestha (2017) finds that outmigration female participation in non-farm activities in communities with higher outmigration rates, while Lokshin and Glinskaya (2009) find that female labor supply declines in households with international outmigrants that receive remittances.

2.2 Institutional factors contribute to high costs and vulnerability

A key factor related to the high cost of migration is the high demand for jobs in foreign markets given the substantial gains in wages and household welfare that temporary economic migration brings. There are typically many more aspiring migrants than there are positions available, as illustrated by the case of Nepalis interested in going to Korea through the Korean’s Employment Permit System. Under the EPS, selected migrants must meet rigorous qualifications including Korean language proficiency and other skills, and must come from a pre-selected list of destinations through a process that is completely managed by Human Resource Development Korea (Cho et al. 2017). The number of migrants into South Korea is also subject to a quota set by the Korean government. For Nepal there were more than 92,000 applications for 7,100 jobs in 2019 (Bulmer 2020). The excess demand is unsurprising given that the monthly minimum wage for EPS workers was USD 1,307 as of 2017, compared to Nepal’s minimum wage of $93. Similarly, in 2012 when Bangladesh-Malaysia Government-to-Government Memorandum of Understanding was signed, the objective was to recruit 30,000 male workers to work in the Malaysian palm-oil sector. In early 2013, Bangladesh’s Bureau of Manpower, Employment, and Training (BMET) started the nationwide registration of interested applicants and received an overwhelming response from 1.43 million applicants (Shrestha, Mobarak, and Sharif 2019). This excess demand, combined with the allowance of practices such as visa-trading in some of the host countries, are important contributors to the high costs of migrations for migrants from South Asia.

In all three countries, private recruitment agencies are the dominant mechanism for overseas job intermediation for most aspirant migrants. Bangladesh, Nepal, and Pakistan each have dedicated government agencies that are responsible for vetting and receiving job demands from foreign employers, providing the necessary clearances to outbound migrant workers, and regulating recruitment agencies (called Overseas Employment Promoters in Pakistan). These agencies are the Bureau of Manpower, Employment, and Training (BMET) in Bangladesh; the Bureau of Emigration and Overseas Employment (BEOE) in Pakistan, and the Department of Foreign Employment (DOFE). However, the main task functions of intermediation – finding interested and qualified applicants for overseas jobs, and matching them to the positions – are executed by recruitment agencies.

In some cases, the recruitment agencies and aspirant migrants alike also rely on additional intermediaries, sometimes referred to by different names, such as middlemen, sub-agents, or dalals (in Bangladesh). These additional – and generally unlicensed – intermediaries are embedded in the local

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30 Institutional details can be found in Luthria and Smith (2018) and Khadka (2018a) for Bangladesh; Khadka (2018b), and Bossavie and Denisova (2018) for Nepal; Cho and Majoka (2020) for Pakistan.
communities, and serve the important function of linking the migrants with the recruitment agents. Migrants tend to work through individual intermediaries because of trust, proximity and access to support services. In both Nepal and Bangladesh, middlemen also help migrants with services such as documentation, arranging interviews, preparing for interviews, accompanying them to various places (for medical tests, to the airport) as needed. This is highly prevalent among the workers from rural areas where there is no or limited information for the migrant workers.

**Geographical dispersion also incentivizes the use of intermediaries.** Migrants tend to come from across the country, so it is not possible for formal recruitment agencies to be physically present in many areas from a financial standpoint. Agents also support with follow up. The formal recruitment process requires several documents and constant follow up which can be challenging given that many migrants have low literacy levels and are geographically dispersed. It is difficult and costly for formal recruitment agency staff to do so from the capital or urban areas where they are located, due to both the distance but also the language, and possible linguistic or cultural differences. These tasks are thus often outsourced to intermediaries at a commission. Also, since recruitment firms are often located in urban areas, sub-agents that are decentralized have easier access to migrants in rural areas. Sub-agents from Nepal also shared that for formal recruitment agencies prefer that migrants come through them to defer responsibility and calls/visits from the migrants or their families if things do not go as planned abroad.

**Information asymmetries on migration opportunities leaves potential migrants vulnerable to exploitation.** These intermediaries – sometimes referred to as middlemen - are often the primary source of information, even in instances where migrants have friends and neighbors who are migrants and experienced with the process, thereby exposing them to higher risk of fraud (in 3 percent of the cases) is not yet revealed as individuals are still trying to migrate. A third of migration attempts from Bangladesh ending in failure with significant financial losses for already poor households due to insufficient information (Das et al. 2014). Failures impose a huge cost on failed migrants, with a median loss of BDT 21000. Migrants also spend a substantial amount of time and resources in the attempt, with only 25 percent of those trying to migrate succeeded in migrating in six months, 50 percent in a year, and 40 percent having failed to achieve their goal but still trying after 36 months. 10 percent of return migrants to Bangladesh report that their reason for return was that their wages were lower than what was expected. Among individuals still trying to migrate, the main difficulties are both lack of information and difficulty with the paperwork involved (57 percent) and financial constraints (57 percent).

**In the context of Pakistan in particular, issues around visas are particularly important driver of costs for major destinations (Cho and Majoka 2020).** Pakistani migrant workers pay more than US$3,500 on average to migrate to GCC economies visa fees accounting for more than four-fifths of the cost, on average, and much higher than the official cost of visas to Saudi Arabia or the United Arab Emirates (below US$100). Much of this is because of the popularity of a category of work arrangement referred

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31 Key informant interviews and focus group discussions documented in Khadka (2018a, 2018b).
32 Key informant interviews and focus group discussions documented in Khadka (2018a, 2018b).
to informally as the *Azad* ("freedom") visa, often arranged by social networks or subagents. The attractiveness of the *Azad* visa is that it is seemingly not tied to one employer; instead, the *Kafeel* (sponsor) provides the visa to a migrant for a certain monthly fee, connected with a broad set of employment options. However, the visa tends to be misunderstood, with visa holders generally still linked to a *Kafeel*. If employment is not mentioned in the *Iqama* card (work license) provided by the Kafeel, they are considered illegal and face imprisonment/deportation.

**During the migration episode, the regulatory environment for temporary economic migration in the main destinations contributes to migrants’ vulnerability.** In the 1950s, all the Gulf States adopted a new scheme to procure foreign labor, the so-called *Kafala* (sponsorship) system, which requires foreign labor migrants to obtain sponsorship, including visa and work permit, by a citizen or a government entity in the destination country. As a result, migrants’ stay at destination is entirely dependent on being employed by a given public or private entity at destination. This also greatly limits the ability of migrants to change employers while at destination. This system used to grant employers the right to withhold passports of labor workers and can send them back to their home countries at any time, although there have been reforms in recent years to change the prevalence of this (Malit and Naufal 2016). Compared to financial costs, these costs are hard to quantify and therefore often overlooked or underestimated by individuals who considers migration to the GCC.

### 2.3 Institutional strengthening is critical to reducing migration costs and vulnerability

**Four broad areas of action emerge as common priorities for Bangladesh, Nepal, and Pakistan to reducing vulnerability of their labor migrants.** The first is that of improving the institutional and regulatory framework to directly address information asymmetries. The second is to better prepare migrants for working overseas – not just technically to improve employability, but also with better cultural and language knowledge, and soft-skills. The third is to enhance public-sector intermediation, to serve as a complement to private sector options provided by recruitment agencies. The fourth is to enhance the capacity of governments to support migrants while they are overseas. The exact formulation of a government response in these areas will depend on country-specific institutional context (some illustrations I Box 2.1).

#### 2.3.1 Institutions and interventions to support information structures about migration opportunities can be strengthened

**A lack of information regulation structure leads to a lack of formal sources of information about migration opportunities.** Though many South Asian governments have set up migration information centers, these do not have the capacity to reach the masses, especially in rural areas. Communication campaigns are presently being run by various organizations although the scale is often insufficient to reach rural areas, where most migrants come from. A similar limitation applies to manpower agents in Pakistan who are required to advertise jobs on media, especially newspapers (e.g., Daily Jang, Daily Din, Express, Daily Ausaf), but are mostly present in urban areas and do not cover rural areas. In addition, in Bangladesh

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34 Key informant interviews and focus group discussions documented in Khadka (2018a, 2018b).
35 The *kafala* system was originally used for migrant workers employed primarily in construction and domestic service activities. It was in use in Gulf Cooperation Council economies, and a few other MENA economies like Iraq, Jordan, and Lebanon. Several studies have examined the structure of the *kafala* system, and its political economy, such as Khan and Harroff-Tavel (2016), Malit and Naufal (2016), and Murray (2013), *inter alia*.  

60
for example, the government permits recruitment agencies to advertise vacancies in the newspapers (subject to the government’s prior approval) only if they do not find qualified workers from the government’s jobseeker pool. This suggests that jobs advertisements are not to empower jobseekers but to aid recruitment agencies to find qualified workers. This needs to be addressed by making the systematic advertisement of overseas vacancies by recruitment agencies and private agents compulsory by law. Both Nepal and Pakistan laws respectively on the other hand mandate recruitment agencies to publish foreign job vacancies on daily newspapers of national circulation.

As a result, prospective migrants rely heavily on informal intermediaries to make their migration decisions, which exposes them to potential fraud from intermediaries. Aspiring migrants tend to rely heavily on job information from individual recruitment agents (so-called middlemen) or their social networks. This is mainly because middlemen (or other intermediaries between formal recruitment firms and aspiring migrants) have a far wider reach including in remote areas. A 2017 IOM survey in Bangladesh revealed that 60 percent of migrants had never been exposed to information about safe migration. Of those who had learned about safe channels, 58 percent of them said their source of information was not any official channel but their friends (IOM 2018). These individual recruitment agents go to villages, disseminate job information and scout workers for recruitment companies in main cities. Sub-agents typically support in information dissemination, mobilizing aspirants, collecting documentation throughout the migration process. 60 percent of aspiring migrants and 72 percent of returning migrants took support from brokers and agent to prepare travel documents. This is highly prevalent among the workers from rural area where there is no or limited information for the migrant workers.

Formal recruitment agencies also depend on recruiting agents because they provide numerous services. Sub-agents may support in information dissemination, mobilizing aspirants, collecting documentation throughout the migration process. Given that migrants come from all over the country, it is not possible for manpower companies to be physically present in many areas from a financial standpoint. Agents also support with follow up. The recruitment process requires several documents and constant follow up which can be challenging given that many migrants have low literacy levels and are geographically dispersed. It is difficult and costly for manpower company staff to do so from the capital or urban areas where they are located both because of the distance but also the language and cultural differences so they outsource this task to sub-agents at a commission. Finally, as manpower companies are often located in urban areas, sub-agents that are decentralized have easier access to migrants in rural areas, manpower companies can rely on them to persuade the migrant to stick to his decision about migrating. Sub-agents from Nepal also shared that manpower companies prefer that migrants come through them to defer responsibility and calls/visits from the migrants or their families if things do not go as planned abroad. 35

35 Focus group discussions and key informant interviews (Khadka 2018a, 2018b)
Box 2.2: Some specific recommendations for migration from Bangladesh, Pakistan, and Nepal for safer migration

In Pakistan, international labor migration needs to be managed more systematically. Cho and Majoka (2020) highlight several areas that need to be strengthened throughout the process including pre-decision and predeparture support, services in destination countries, and support of return migration. In the short run, immediate support for workers and better regulations of middlemen should be prioritized. Given that many workers rely on a relatively narrow set of personal networks and middlemen for information, the government can provide a wide range of informational interventions, which have been shown to be effective in increasing workers’ chances of getting a job in the formal sector in the Philippines (Beam 2016). This can be achieved through various mechanisms such as job fairs, media, migration resource centers, local government offices, and religious centers. In addition, mandatory predeparture orientation and training could be strengthened so that they are more practical and helpful. Further, regulations regarding overseas employment promoters and their utilization of subagents can be better monitored and enforced by introducing robust grievance redressal mechanisms.

Bangladesh could improve information services and systems. This would include mainstreaming improvements to the quality of information services to aspirant migrants (building on the Safe Migration Pilot interventions) as BMET currently maintains multiple unconnected databases of aspirant migrants seeking information, trying to match with employers, and seeking financing. BMET currently has no way to track unique beneficiaries of its various services and provide appropriate services or referrals for other services. As rights and conditions of work are not uniformly provided or protected in receiving countries, strengthening the implementation capacity of the Overseas Employment and Migrants Act 2013 and of the Expatriates’ Welfare and Overseas Employment Policies 2016 will also be important. The texts of agreements could also be published for transparency, following international best practices.

Nepal could provide prospective employers at destination with information on prospective labor migrants. In addition, based on available documentation, data, and analysis, Nepal’s management of the foreign employment process could also benefit from efforts to: (1) improve the performance of formal grievance redressal systems for workers, (2) make the agent market more open and competitive, (3) provide crucial information to prospective workers on the migration process and related costs, and (4) detect, punish, and debar agents and agencies that engage in fraudulent or exploitative transactions with workers. Finally, safe female migration for domestic work could be facilitated through BLAs with the main destination countries as done for domestic workers from Sri Lanka and the Philippines.

The Philippines and Sri Lanka have established a robust system which not only provides standardization but accountability for the recruitment agents for posting job advertisements, and can offer insights for Bangladesh, Nepal, and Pakistan. In the Philippines, licensed recruitment agencies advertise job vacancies covered by approved job orders of accredited principals/employers without prior approval from...
the Administration and within the validity of its accreditation. The standardized format for the advertisement in the Philippines requires the following information:

- Name, address and POEA license number of the agency;
- Name, address, POEA registration/accreditation number and worksite of the accredited principal/employer;
- Skill categories and qualification standards; and
- Number of available positions and salaries net of foreign income tax.

The Philippines Overseas Employment Agency (POEA) posts job advertisement on multiple sources which helps in triangulation of the advisement and create more visibility. The information circulated through the advertisement links the relevant migrants to the recruitment agents. Philippine regulations prevent foreign agencies from directly recruiting Filipinos, an agency based abroad that would like to tap into the Filipino labor market has to work with an accredited agency based in the Philippines; the Philippine agency acts as the intermediary or representative. Information on opening and other relevant details are provided through the Philippine’s agency. To avoid illegal recruitment and/or human trafficking, potential migrants are required to confirm with the Philippines Overseas Employment Agency (POEA) whether the employer offering overseas employment is POEA-accredited; the recruitment agency advertising the job offer is POEA-licensed, and that the job being offered by a recruitment agency is supported by a POEA-approved job order. The authentication of recruitment agency can also be confirmed from Recruitment Advisor (POEA 2016).

Information may need to be provided through mechanisms that most effectively reach the target group of aspiring migrants, including through community-focused approaches. In Nepal, systematic information on risks at destination in a similar, such as mortality rates have been shown to be systematically overestimated by migrants (Shresta, 2020). In Bangladesh, the Safe Migration Pilot program – supported by the World Bank and implemented by BRAC – used an intensive approach to provide information and orientation to potential migrants and their families on how to navigate the migration process safely, the social and economic costs and benefits of migration, and financing migration and managing remittances effectively.37 It did this through use of community-level volunteers, community radio programs, and interactive popular traditional theater. Among its outcomes, the intervention was found to reduce the rate of migration poor households, due to poorer households having better information regarding the costs and benefits of migration (Das et al 2017). As a result, there were lower rates of migration failure, and thereby reducing the costs incurred by poor households that invested in the migration experience but could either not migrate, or had to return prematurely.

In Bangladesh, BRAC’s migration program in Bangladesh leverages this intensive community-based approach (Box 2.2). BRAC heavily relies on local NGOs and community-based organizations to reach potential migrants, disseminate information and provide training to them. Their voluntary members are from the local community including returnee migrants who are respected by migrant workers (Sarker 2018). At the same time, BRAC partners with international organizations such as the World Bank to

37 The program also provided linkages to services at centers to increase employability and Innovation Fund: Enabling small local organizations to test innovative services and support for migrants.
implement and manage migration projects across Bangladesh. For instance, BRAC together with the World Bank implemented a UN Women supported pilot project that offered income generating activities and SME skill development trainings to returnee migrant workers, especially to women, in Bangladesh (Sarker 2018).

**Box 2.2: Lifecycle approaches to migration programs at BRAC**

BRAC's migration program is one of the NGO's various programs to alleviate poverty and improve the wellbeing of society's vulnerable groups. Since its establishment in Bangladesh in 1972, BRAC has reached 110 million people with its service delivery programs. Its primary goal is to alleviate poverty and support people's livelihoods in Bangladesh and other developing countries (BRAC 2020a). BRAC programs target especially vulnerable groups in society, i.e. the poor and poorest, as well as women and children (Smillie 2009). Offered services range from primary and secondary education programs to the provision of microfinance products, and migration services (Smillie 2009). Since 2006, BRAC has provided 937,000 potential migrants information regarding safe migration and reintegration (BRAC 2020b).

BRAC's migration program offers a full “360-degree” service to ensure the safe, regular and responsive migration of Bangladeshi workers. Bangladeshi migrants face a multitude of risks before, during and after migration, which BRAC tries to mitigate. The majority of Bangladesh’s migrants are low skilled and only have a few years of schooling, which fuels poor understanding of potential unfair practices by recruitment agencies and exploitation at the workplace in host countries (BRAC and World Bank 2016). BRAC’s migration program aims to improve individuals’ knowledge and information with regard to migration, reduce criminal activities of recruitment agencies, and improve the contact between those agencies in the receiving countries and in Bangladesh (Sarker 2018). Before workers leave the country, BRAC offers awareness activities, capacity building through skills development, and information sharing to prevent trafficking. During migration, the NGO provides support to migrants through embassies in the receiving countries and shares information on how to make the best use of remittances. Emergency support for vulnerable migrants in host countries is also offered. Finally, BRAC provides psychological services, training, and financial support to facilitate the socio-economic reintegration of returning migrants into Bangladeshi society (BRAC 2020b).

Similar community-level approaches are taken even in other countries with more mature systems, such as Indonesia. Indonesia’s Ministry of Manpower (MOM) delivers migration-related services to migrant workers and families at the village level. Village heads in Indonesia have traditionally served as gatekeepers to ensure workers migrate through official channels and are involved in the implementation of the Desmigratif program (Desa Migran Produktif, or Productive Migrant Village - a safe migration program), which provides information services, data collection, education services tailored to villagers’ needs, and economic activities for returnees and their families. This program includes information dissemination activities that directly target prospective migrants, through door-to-door outreach activities and supplying brochures in villages’ Desmigratif service centers. The brochures explain the official placement procedures as well as potential difficulties in destination countries but are made available only by prospective migrants’ request due to budget constraints. MOM plans to allocate budgets to keep these brochures up-to-date in compliance with Law No. 18/2017. The 2017 law also tasks village governments with the additional responsibility of monitoring the return of migrant workers; the law’s implementing regulation will need to clarify the scope of this monitoring (World Bank 2019).
2.3.2 Pre-departure orientation and training programs need to better prepare migrants for employment and life overseas

Migrants are insufficiently prepared for employment at destination. Pre-departure orientation is an important part of the pre-departure phase of migration. It addresses the basic needs of migrants for orientation only and does not to overload them with too much information. The content of pre-departure orientation session is to reduce the risks of abuse and contractual violations and raise awareness of the support available. Current orientations typically provide logistical information to migrants on life abroad including rules, employment, resources available in times of difficulty, culture, and finances. They typically barely deliver basic information on migration overseas and sometimes omit some essential information, such as how to obtain necessary paper work. In addition, these orientation programs are often very generic and do not considering the specific contexts of migrants’ destinations, or the specific sector of employment (World Bank 2018). In addition, very few programs include basic language skills training. For example, an at least basic understanding of the language spoken at work in the destination is an important element of a successful migration experience and also an effective way to reduce vulnerability (ILO 2018). Evidence from surveys in Pakistan and Bangladesh, however, indicates that a very small minority of migrants know at least a bit of the language spoken at destination, which is a source of vulnerability.

Pre-decision and pre-departure trainings and orientations in the Philippines and Sri Lanka offer some examples of what more could be done. The pre-departure program for migrant worker in Philippines and Sri Lanka is comprehensive and it caters to the requirement of migrants along the process of migration. The program is highly customized and focus on specific sectors and countries of destination. The duration of the Pre-Departure Orientation Program in Philippines is between two to eight hours for all Overseas Filipino Workers (OFWs) and permanent emigrants. PDOS typically consist of modules on the following topics:

- Employment contract familiarization
- A profile of the country of destination
- Stages of the OFWs life
- Health and safety
- Airport procedures
- Government programs and services
- Employment contracts

India also has a detailed pre-departure orientation program. The Pre-Departure Orientation Program in India is first of its kind project which has 12 modules covering basic tenets of International migration including the costs and benefits associated with migration and how prospective migrants could prepare for journey abroad. The program’s training manual was been conceived as a week-long training course. However, depending on the specific purpose of the considered training, the duration can be either reduced or extended. A detailed account on the process of recruitment by foreign employers and registered recruiting agents through the electronic platform e-Migrate is provided. Issues such as entry formalities, labor laws in host countries, socio-cultural and religious aspects, and language are covered (IOM 2016).
2.3.3 Stronger public sector intermediation is also required

The Bangladesh-Malaysia Government-to-Government (G2G) program offers some insights into how a publicly intermediated system can be effective in enhancing information, reducing costs and improving welfare (Shreshtha, Mobarak, and Sharif 2019). G2G program was better at providing access to migration opportunities to those without social network contacts abroad. Overall, a quarter of the migration from Bangladesh happens through arrangements initiated by the social network of family, relatives, and friends. Those without such a network are less likely to successfully migrate abroad. Among private channel migrants, 45 percent knew someone in the destination country. The rate was only 7 percent for G2G migrants. While migrants from Bangladesh pay an average of around BDT 390,000 to migrate to Malaysia, under the program migrants paid only BDT 45,000, expanding access to less well-off households and lowering debt burdens among migrants. The G2G program reduced borrowing by 19 percent, the average amount borrowed 72 percent, and average interest rates by 40 percent. Compared to private channel migrants, G2G migrants were also more likely to migrate with necessary clearances, training, orientation, employment contracts and proper insurance.

The G2G program described above is just one example of an institutionalized agreement between countries to manage temporary flows of workers, which includes bilateral labor agreement (BLA) and Memoranda of Understanding (MoUs). A BLA is essentially a legal agreement between countries to ensure that migration takes place in accordance with agreed principles and procedures. A BLA sets out each side’s commitments and may provide for quotas. BLAs are popular among the countries in the Middle-East (receiving) and South Asia (sending). Between 2012 and 2016, 2.5 to 3 million workers migrated temporarily from Bangladesh, India, Nepal, Pakistan, and Sri-Lanka every year under such temporary labor agreements. Less formal is a Memorandum of Understanding (MOU). These are non-binding agreements which are easier to negotiate, implement, and modify according to changing economic and labor market conditions. For the destination countries, bilateral agreements help achieve a flow of labor that meets the needs of employers and industrial sectors, while providing for better management and promoting cultural ties and exchanges. For the countries of origin, these agreements ensure continued access to overseas labor markets and opportunities to promote the protection and welfare of their workers. These agreements require special administration to ensure their smooth operation — including the recruitment, testing and certification of applicants for the program, and timely data flow and information sharing between the two countries.

Incorporating rights-based approach considerations into agreement could support safer migration through BLAs and MOUs. International normative frameworks, such as those supported by the International Labor Organization, provide guidance to countries on rights-based labor migration governance. However, international normative frameworks may still not be reflected in BLA and MOU negotiations on labor migration, compromising the rights-based emphasis. Despite this guidance, the BLAs and MOUs signed by South Asian countries often fail to reflect national laws and relevant international human rights and labor rights treaties, and to consider fundamental issues in the protection of the rights of migrant workers and members of their families (Migrant Forum in Asia 2014).

BLAs enforcement mechanisms also remain weak, leading to gaps between the de-jure and de facto agreements. There is currently a lack of transparency in the bilateral negotiation process and secrecy
around the bilateral labor agreements which makes it difficult to work with the destination country on issues affecting migrants while in their jurisdiction. In instances where inter-governmental, inter-agency cooperation should be involved in the bilateral negotiation process, little interaction is seen between relevant international organizations such as the UN and the ILO. Coordination between the standard-setting agencies is crucial, as they are in strong positions to advise all stakeholders in the development of bilateral instruments that serve the common interests of States Parties and the protection of the rights of migrant workers. Lack of mechanisms for implementation, monitoring, and evaluation hinders proper enforcement of BLAs (Migrant Forum in Asia 2014).

**Enforcement of conditions with publicly provided intermediation – such as through BLAs and MoUs – require greater administrative capacity.** While Pakistan, Nepal and Bangladesh are starting to establish databases to monitor migration flows, these databases are far from comprehensive. In countries of destination, there is no trace of government action based on agreed provisions of the MOUs, such as strengthened workplace inspection procedures and increased awareness of employers about workers’ rights. The general and vague objectives set out in bilateral instruments make it difficult to follow up on State obligations, and the secrecy of negotiations prevent parliaments and people from holding their governments to account. The implementation, monitoring, and evaluation of BLAs and MOUs are possible if the process is open and inclusive of relevant stakeholders.

**2.3.4 Capacity for services at destination needs to expand**

Labor attachés (LAs) are one common mode by which Bangladesh, Nepal, and Pakistan provide on-site support services within the laws and regulations of the receiving country to their migrant workers. Labor attachés have been entrusted with the responsibility of dealing with host country authorities, employers and recruiting agencies to protect migrants. Practically, the functions of the labor attachés include: (a) authentication and verification (b) approval of documents pertaining to recruitment; (c) counselling and assistance to workers in settling disputes related to work contracts; (d) market exploration; (e) assistance to workers in claiming legal dues relating to termination benefits; (f) registration of death and assistance in follow up work with sponsors and local authorities, including local burial or transportation of the body; (g) assistance to family members in claiming death compensation due to accidental or other unnatural deaths; and (h) assistance in taking up problems of a personal nature faced by migrants or their kin in countries of origin (Abrar et al. 2014).

Labor attachés’ offices are often understaffed, under-resourced and undertrained. Migrants interviewed in a study pointed to a perceived lack of capacity among LAs’ offices, as well as differential treatment for low-skilled migrants, and limited opening times, which made accessing the services of LAs difficult. The challenges faced by LAs in rendering effective services include physical distances, which makes it difficult for centrally located LAs to reach out to migrants working in remote rural areas of destination countries (Abrar et al. 2014). If LAs are not fluent in the local language of the destination country, they typically also

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38 Based on focus group discussions and key informant interviews as documented in Khadka (2018a, 2018b)
39 The specific nomenclature may vary (e.g. they are referred to as Community Welfare Attachés for Pakistan in a diplomatic mission.)
need the assistance of interpreters and legal advisers in the process of dealing with migrant worker issues with local authorities which makes processes lengthier.

For corridors with female migrants, as in the case of corridors starting in Bangladesh and Nepal, there is also a need to enhance gender-sensitivity training for attaches, or to hire more female LAs. Since the early 2000s, traditional female labor sending countries such as Sri Lanka and Philippines, have discouraged female migration to the Arab states due to the poor quality of treatment their migrants received. Bangladesh government saw this as an opportunity and began sending female migrants, despite the precarious situation. While these female migrants are in some ways better off, perhaps escaping abusive situations at home, and now able to contribute to their household income, they are also very vulnerable. Problems they face that labor attaches could help with include irregular payment of wages, physical, verbal and sexual abuse, runaways and escapes. Labor attaches then need to help these migrants engage in informal negotiations with their employers to change sponsorship or return home (RMMRU 2016).

Another mechanism for supporting migrant workers is through the services provided by migrant welfare funds, although these are financed by migrant worker fees, and are limited. To finance migrant protection services, origin countries in South Asia have stabilized migrant welfare funds. The scope of protection services is however limited to extreme cases of distress such as sickness, disability, or death. Services cover repatriation of the migrant worker or the body of the worker, and compensation and financial assistance to migrant workers for disability and to their families for the occupational death. In Bangladesh, the Wage Earner’s Welfare Fund is also used to provide pre-departure briefings (both facility and briefing sessions) and legal supports to migrant workers. Pakistan has also established a Worker Welfare Fund for migrant workers and their families. In Nepal, its services are a bit more extended compared to Bangladesh and Pakistan. The Foreign Employment Welfare Fund mandates the use of the fund to protect migrants throughout the migration cycle – namely, to conduct foreign employment promotion, provide skill-oriented training to aspiring migrants, and to run employment programs for returnees. The coverage however does not include mental health issues and when compensation is awarded for abuse of migrant workers, it is only a portion of the money due to them in unpaid wages and not actually compensatory for harm suffered (United Nations Children’s Fund and Global Migration Group 2014).

Migrants often face major obstacles to lodging grievances and resolving complaints. Barriers to accessing formal assistance are one of the key reasons why migrant workers are vulnerable to labor rights violations during recruitment and employment – see below (Harkins and Åhlberg 2017). Weaknesses in the rights enforcement system mean that abuses may go undetected and unaddressed. This may be partially due to the differentials in migrants’ ability to seek justice. Migrants typically prefer informal mediation methods compared to formal mechanisms and are willing to settle cases even before they reach official channels. The primary reason for this includes time and cost considerations, especially given that all the services are centralized and migrants are in need of quick payments to repay loans. The lack of information about these services also plays a role as well as the view that manpower companies are very powerful and can pay themselves out of any situation. There is also very little trust that government regulatory agency will conduct deep investigations (required particularly in light of weak documentation)
or follow up on cases to ensure that victims get rightly compensated and so the risk that only the recorded recruitment costs will be returned which is significantly lower than actual costs.\textsuperscript{40}

**Impact evaluations of interventions aimed at reducing migrants’ vulnerabilities suggest that such intervention can be effective.** Interventions that improve the accuracy of information provided to prospective migrants regarding the benefits of migration and risks has been shown to significantly impact migration decisions in Nepal (Shrestha, 2019). Job fairs on employment overseas have also been shown to be effective in changing individual perceptions on overseas labor market (Beam, 2016). Well managed G2G migration programs, such as the seasonal migration between Tonga and New Zealand, and the Bangladesh-Malaysia G2G program have been shown to have very large positive effects on the welfare of migrants and their households (Gibson and McKenzie, 2014; Mobarak et al., 2020). Financial literacy programs, when targeted to both migrants and their household members, have been shown to be very effective in increasing savings from migration (Doi et al., 2020). Impact evaluation of pre-departure orientation training has been minimal thus far. A large number of evaluation reports have been conducted, but these have been primarily “process” evaluations that involve audits of activities via examination of internal documents, site visits, and in-depth interviews with key internal and external stakeholders (McKenzie and Yang, 2015).

**Reducing vulnerability can require the coordination of multiple actors involved in the migration process.** By its very nature, migration involves a multiplicity of actors which include government entities in countries of destination and origin, private entities at origin such as recruitment agencies, employers at destination, migrant themselves and their households, and in some cases other migrant-sending countries in the region. Some of the policy actions to reduce vulnerability can be taken unilaterally and require the involvement and coordination of actors in the origin country only. For example, providing systematized information on employment opportunities abroad can be achieved through the involvement and coordination of actors in the home country only. It will require regulatory action from the government combined with actual compliance by recruitment agencies, and the use of formal information channels by prospective migrants. In contrast, policy tools such as BLAs would require close partnerships between Governments both at origin and at destination and may even require regional collaboration to ensure uniformity and avoid a “race-to-the bottom”. Also, while reducing migration cost will primarily depend on actions taken in origin countries to regulate broker fees/middlemen and the recruitment market, altering practices allowed by some destination countries, such as visa trading would also contribute to driving down costs.

**To reduce vulnerability, tracking and data collection on migrants abroad needs to be strengthened, together with mechanisms for implementation, monitoring, and evaluation.** Bangladesh, Nepal, and Pakistan have made substantial progress in recent years in improving administrative databases to track outbound and returning migrants – an area of weakness in the past. However, detailed data on vulnerable migrants remain often unavailable, unclear or dispersed, even though they are considered essential to providing proper services to migrants, to informing policymakers and to monitoring safe migration. It is

\textsuperscript{40} Focus group discussions and key informant interviews (Khadka 2018a, 2018b).
thus essential to create and maintain national databases to manage data, which are currently scattered across different organizations and agencies, in order to foster national and transnational cooperation in information exchange. Monitoring the intentions of policies and procedures should concern countries’ actual implementation of safe avenues for migration and mobility: labor migration schemes, study visas, family reunification, humanitarian visas, etc. The use of standardized registration data systems in different countries could improve the quality of the data collected and thus enable better comparison activities (IOM, GMDAC, and UKAID 2016).
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CHAPTER 3: INCREASING THE GAINS FROM MIGRATION

While international migration has made important contributions to economic development in South Asia, this chapter will address how some of the benefits of international migration could be enhanced, i.e. how migration can become more productive. Specifically, more productive refers to two specific points. The first point is to increase the development impact of international migration, by both making it more accessible to the poor, and by increasing the returns from migration at the individual and household levels. The second point is to address the sustainability of international migration at the national level, given the South Asian migration’s exposure to different global and cross-country shocks, as well as structural shifts in the global economy.

3.1 The high costs of migration diminish the impact of migration for development

3.1.1 Increasing access to poorer households

High recruitment costs reduce the amount of remittances and, thus, the positive impact of migration. Evidence from the Pakistan-UAE and Pakistan-Saudi migration corridors show that there is a statistically significant negative relationship between the Recruitment Cost Index (RCI) and the amount of remittances. The higher the recruiting costs as a share of monthly earnings for Pakistani migrants in Saudi-Arabia and the UAE, the smaller the monthly amount of the remittance that they return home. It must be assumed that instead of remitting the earned money to their families, South Asian labor migrants are pressured to pay back the recruitment costs. In contrast to recruitment costs, variables such as foreign income, the migrant’s level of education, the migrant’s type of work in the host country and the duration of stay have, respectively, a statistically significant positive impact on the amount of the monthly remittance.

Migration expenditures reduce access to migration for the poor in South Asia. Migration costs are high for workers from South Asian, compared to the relatively lower wages in their home countries. As already mentioned in Chapter 1, poorest households in South Asia tend to have fewer international migrants than higher-income households. The high migration costs usually prevent aspiring migrants from lower-income households to have more limited access international labor migration. Yet, even those households who decide to migrate do often not have enough savings and therefore need to borrow to cover their migration-related expenses. More than 60 percent of Pakistani and Nepali labor migrants and less than 40 percent of Indian labor migrants borrow money to finance their move (Figure 3.1). 57 percent of Bangladeshi labor migrants indicate that they have had to borrow money in the past to move abroad. On average, Bangladeshi labor migrants finance 45 percent of their total migration costs by borrowing. 62 percent of Bangladeshi labor migrants in the upper-middle quarter of household income indicate that they have borrowed money for migration purposes in the past, compared to 54 percent in the lowest quarter. As expected by simple migration theory, reducing the costs of migration increases access to migration for the poorest and increases the propensity to migrate (Mobarak et al. 2014; Angelucci 2015).

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41 Based on OLS regressions with data is derived from the KNOMAD-ILO Migration Costs Survey 2015 & 2016. Only the Pakistan-UAE and Pakistan-Saudi-Arabia corridors are presented due to the availability of complete data. Please see Annex 2A for details.
Household income impacts the access to migration as well as the incidence and amount of remittances in South Asia. Despite having the second-highest percentage of extreme poverty in the world after Africa, it is not those South Asians living in extreme poverty who migrate. In Bangladesh, only 2 percent of the households in the first and second consumption deciles have one or more migrating family members. The richer the household in Bangladesh and Nepal, the higher is the likelihood that a family member works as a migrant in another country (Figure 3.2).\(^\text{42}\) Bangladeshi migrants in the upper-middle quarter of household income have, on average, financed 51 percent of their total migration costs through borrowing compared to migrants in the lowest income quarter at 42 percent (Figure 3.3). Besides, the income level of the migrating household also impacts the incidence and amount of the remittances. In Nepal, poorer households receive remittances more frequently than wealthier households. However, richer households receive higher amounts of remittances than poorer households (Lokshin, Bontch-Osmolovski, and Glinskaya 2011).

**Figure 3.1: Many migrants from South Asia borrow to finance their temporary economic migration**

A. Share of migrants in corridor that borrowed to finance migration (percent)

<table>
<thead>
<tr>
<th>Country</th>
<th>Lower quarter</th>
<th>Lower middle quarter</th>
<th>Upper middle quarter</th>
<th>Highest quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam-Malaysia</td>
<td>30</td>
<td>40</td>
<td>20</td>
<td>10</td>
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<tr>
<td>Philippines-KSA</td>
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<td>30</td>
<td>40</td>
<td>20</td>
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<tr>
<td>Philippines-Qatar</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
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<tr>
<td>Pakistan-UAE</td>
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<tr>
<td>Pakistan-KSA</td>
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<tr>
<td>Nepal-KSA</td>
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<tr>
<td>Nepal-Qatar</td>
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<tr>
<td>Nepal-Malaysia</td>
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<td>India-KSA</td>
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</tr>
<tr>
<td>India-Qatar</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
</tr>
</tbody>
</table>

B. Share of surveyed Bangladeshi return migrants that borrowed (percent)

Source: Panel A is based on data from the KNOMAD Cost of Migration Survey 2015 & 2016; Panel B is based on data from the Bangladesh Return Migrants Survey (BRMS) 2018/19.

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\(^{42}\) These estimates are based on data from the Household Income and Expenditure Survey (HIES) Bangladesh 2016 and the Nepal Household Risk and Vulnerability Survey 2016.
Figure 3.2: Fewer poorer households have international migrants compared to richer households in Bangladesh and Nepal

A. Share of Bangladeshi households with international migrant (left-axis) and remittance share of income in households with at least one migrant (right axis), by consumption decile (percent)

A. Share of Nepali households receiving international remittances from an international migrant, by consumption quintile (percent)


Figure 3.3: Borrowing for migration by household income before migration, Bangladesh

Share of Bangladeshi migrants that have ever borrowed for migration and the share of the costs are financed by borrowing (percent)

Source: Bangladesh Return Migrants Survey (BRMS) 2018/19.
3.2.2 Reducing the propensity and volume of remittances

While remittances into South Asia are high in both absolute and relative terms, the costs of migration may affect the amount remitted. The Nepalese and Pakistani migrants in the KNOMAD-ILO survey sample have a very high propensity to remit, with 100 percent of Nepalese and 94 percent of Pakistani migrants sending money back to their households. High recruitment costs may affect the amount of remittances received by households in one of two ways. Households may receive less as migrants use their labor earnings first to pay off their recruitment costs. Alternatively, if migrants borrowed from the household or from near relatives in order to pay the recruitment costs, then remittances may constitute paying back this informal loan, causing higher remittances. In the Nepal-Qatar, Pakistan-Saudi Arabia, and Pakistan-UAE corridors that borrowed to finance their migration, substantial proportions borrowed from relatives (Figure 3.4).

Figure 3.4: The sources of financing for recruitment costs can vary substantially across corridors

Composition of migration costs by source, by corridor (percent)

Source: Data from KNOMAD-ILO Migration Cost Surveys 2015 and 2016.

Pakistani labor migrants going to Saudi Arabia and the United Arab Emirates, and facing higher recruitment costs, are estimated to be statistically significantly less likely to remit (Table 3.1). The dummy whether the migrant has borrowed money to migrate takes on a statistically significant negative coefficient, supporting the findings above: migrants who borrow tend to borrow outside the household, so remittances to pay these debts are diverted from the household. The two variables duration of stay abroad and the marital status both have a statistically significant positive coefficient.

Along with having a negative association with the propensity to remit, high recruitment costs appear to have negative effects on the amount of remittances sent (Table 3.2).\(^43\) Across the corridors studied, an increase in recruitment cost by 1 percent is associated with a 0.05-0.15 percent decrease in monthly remittances.\(^44\) Although it may be that remittances appear to be inelastic with respect to recruitment cost,\(^43\) An important caveat to the statistical analysis is that the results do not necessarily support causality, but rather associations. Unobservable characteristics and omitted variables could also play a role, and could include non-pecuniary benefits or costs of moving abroad, which could make migrants willing to invest in higher costs in exchange for lower earnings and remittances.

\(^44\) Tobit regressions are run as robustness check.
it also bears noting that the remittance amounts are repeated monthly, that is, the impact of the one-time migration cost is multiplied over the period of migration. For example, if migrants expect to remit in excess of their recruitment costs, then in absolute terms, 0.05 percent of the total remittance may be large, perhaps even larger than 1 percent of recruitment cost. These findings imply that even a small reduction in recruitment cost could have substantial impacts on remittance behavior. For example, visa costs for migrants from Pakistan may amount to 60 percent of their total costs. This analysis suggests that simply eliminating these costs could increase remittances by 2.5-9 percent per month.

**Migration costs can thus reduce the propensity to remit and the amount of remittances.** Migration costs significantly lower the disposable income of the migrant. Instead of transferring remittances to the household, the migrant uses the money to pay back migration-related expenses or money that was borrowed outside the household. These results are strongest for Pakistan, where recruitment costs are higher. When corridors are viewed individually, the impacts of costs are strongest in Pakistan, where recruitment costs are higher in general. For corridors originating in Pakistan, a 1 percent increase in recruitment costs could lead to a 0.16-0.11% decrease in remittances. Other than reflecting differences in statistical power, the fact that the negative effect of recruitment costs is larger in the Pakistani corridors may imply the existence of a threshold effect: where recruitment costs are relatively lower (as in Nepal), they may be less important in determining remittance decisions or their effect may be small relative to the total amount of remittances. It may be only at high levels that they have a detectable impact on total remittances.

**In addition to these short-term static effects, migration costs have dynamic effects on migrants’ entire life cycle.** Decisions about when and where to migrate, how long to stay at destination, and what activities to do after return are all interdependent and part of the same life cycle optimization by migrants (Dustmann and Kirchkamp 2002; Dustmann and Goerlach 2016). All these decisions are jointly affected both by both the costs and benefits of temporary migration. Migration costs thus have an impact on when migrants leave - as they need to accumulate enough savings to finance costs -, how long they need to stay at destination to generate sufficient net returns from migrating, and on their economy activity after returning home. In particular, temporary migration can allow workers to accumulate savings abroad faster and overcome credit constraints back home to start up self-employment activities after return (Dustmann and Kirchkamp 2002; Wahba 2015; Bossavie et al. 2020). In this setting, higher migration costs increase duration of stay overseas required to achieved targeted savings or reduce total net savings if migrants cannot stay longer at destination. As a result, migrants may not be able to start self-employment after returning to their country of origin due to a lack of startup capital, or have to postpone the start of self-employment. These challenges and delays could thereby impact total life-time earnings.

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45 In the Nepal-Malaysia and Nepal-SAU corridors, the results are not statistically significant and the standard errors are large, possibly due to the small sample size.
Table 3.1: Probit regressions predicting propensity to remit, Pakistan-Saudi Arabia corridor

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probit AME</td>
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</tr>
<tr>
<td>ln(recruitment)</td>
<td>-0.581**</td>
<td>-0.0440**</td>
</tr>
<tr>
<td></td>
<td>(0.281)</td>
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</tr>
<tr>
<td>ln(income)</td>
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<td>0.101***</td>
</tr>
<tr>
<td></td>
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<td>(0.0229)</td>
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<td>-0.0231*</td>
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</tr>
<tr>
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<tr>
<td></td>
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<td>(0.000190)</td>
</tr>
<tr>
<td>Borrowed money</td>
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<td>-0.0522***</td>
</tr>
<tr>
<td></td>
<td>(0.263)</td>
<td>(0.0201)</td>
</tr>
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<td>Months in host country</td>
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<td>Married</td>
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<tr>
<td>UAE</td>
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</table>

Observations: 631 631

Note: *** p<0.01, ** p<0.05, * p<0.1. Robust standard errors in parentheses. Pooled Probit regression including the Pakistan-SAU and Pakistan-UAE migration corridors. The dependent variable is a remittance dummy (0=no remittance, 1=remittance) and the independent variable is the recruitment cost in log form. AME stands for average marginal effects.
### Table 3.2: Recruitment costs and remittances, for select corridors OLS regressions

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
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<th>(6)</th>
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<td>Nepal-Qatar</td>
<td>Nepal-SAU</td>
<td>Pakistan-SAU</td>
<td>Pakistan-UAE</td>
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<td>ln(recruitment)</td>
<td>-0.146***</td>
<td>-0.0466**</td>
<td>0.0125</td>
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<td>0.0561</td>
<td>-0.159***</td>
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<td>(0.0226)</td>
<td>(0.0442)</td>
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<td>(0.0457)</td>
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<td>-0.166**</td>
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<td>0.000326</td>
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<td>(0.000316)</td>
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<td>N/A</td>
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<td>(0.118)</td>
<td>(0.118)</td>
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</tr>
<tr>
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<td>3.291***</td>
<td>3.874***</td>
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<td>1.203*</td>
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<td>(1.080)</td>
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<td>1,282</td>
<td>157</td>
<td>436</td>
<td>97</td>
<td>357</td>
<td>235</td>
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</table>
3.3 Current patterns are risks to resilient and sustainable migration for development

As noted in Chapter 1, South Asian labor migration is regionally concentrated in Gulf Cooperation Council Economies, and in Malaysia. After-intra regional migration is excluded, the stock of migrants from South Asia is heavily concentrated in a handful of economies. 81.5 percent of Bangladesh’s, 72.8 percent of Nepal’s, and 66 percent Pakistan’s migrant stock is concentrated in just five economies. This high-level of concentration increases the sending countries’ exposure to shocks in the receiving country. In 2017, 2.7 million Bangladeshis worked as labor migrants abroad. Roughly one million of them worked in Saudi Arabia and another million in the UAE. Among the 2.5 million Pakistani labor migrants abroad, 1.3 million worked in Saudi Arabia and roughly another million in the UAE. Half of all Nepali temporary migrant workers are in Saudi Arabia.

While South Asia sends high volumes of temporary migrant workers to many economies, the flows are highly volatile, and demand growth for low-skilled South Asian labor migrants in major destinations could continue to decline. (Figure 3.5). The case of Nepal can illustrate (Bulmer 2020). As of 2018, 2018/19, Nepal was sending labor migrants to 136 countries, but five countries - Qatar, Saudi Arabia, UAE and Malaysia - accounted for 89 percent of total permitted out-migration. The outflows of migrants to these major destinations was disrupted over several incidents such as the crisis in Qatar in 2017, and Nepal’s government ban on Malaysia-bound migrants in mid-2018 following a crackdown on agencies levying excess charges on Nepalese migrants. Weaker oil prices in general have dampened the demand for foreign labor in the oil-producing economies of the Middle East, notably in the GCC countries. Saudi Arabia has also imposed higher fees on foreigners, increasing the cost of migration for Nepalese. Together these external shocks could have contributed to a 50 percent reduction in the number of labor permits issued since the peak five years ago.

In the previous years when oil-export dependent economies have experienced slower growth, volatile oil prices have led to a reduction in government revenues and a decline in spending on new construction projects in the Gulf region (Deloitte 2018). To sustain economic growth in the future, Gulf Cooperation Council (GCC) economies will need to invest more heavily in new services and industries, and these sectors usually require a more sophisticated skillset from workers than the construction sector (Callen et al. 2014). South Asian labor migrants, who are mostly low-skilled working and construction sector, will be negatively impacted by the undergoing economic changes in GCC. Changing economic structures in the GCC and associated uncertainties could thus contribute to macroeconomic vulnerability in major migrant-sending South Asian economies.
Factors that influence volatility can be divided into demand shocks in the destination country economy, policy shocks in the destination economy, and policy shocks that influence both sending and receiving country. The first category could include events like economic shocks such as a financial crisis (global or national) or contractionary episodes (like recessions) whereby labor demand in the destination country economy may fall. The second category include policy decisions in the destination country that may either make it more expensive to hire foreign-born workers, make foreign-born workers less employable (e.g. not recognizing certifications and skills), or outright restrictions that prohibit their employment (e.g. controlling legal work authorizations or bans on employing workers from specific countries). The final category includes the legal frameworks such as bilateral labor agreements (BLAs) and memoranda of understanding (MoUs) which may facilitate market access. In the context of other regional groups, multilateral agreements that foster mobility of workers – such as the European Union’s freedom of movement of workers (one of the four freedoms) enshrined under the Treaty of Rome – could also be considered.

Beyond volatility, policy shocks could also that have long-term implications for demand for migrant workers from South Asia. Policy reform in the destination country or in bilateral and multilateral frameworks could shift long-term demand for workers. For example, Japan offers a highly desirable option for South Asia economies to scale up flows to new markets, even though there are only very small flows currently. The government of Japan passed of a new law in April 2019 that allows for the recruitment of 500,000 migrant workers by 2025. This number is equivalent to a third of Japan’s current 1.46 million-strong foreign workforce. Workers on the ‘Specified Skills’ visa would include the kind of temporary, lower-skilled foreign workers that Japan’s immigration policy has long closed itself to, traditionally

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46 Chapter 1 discussed BLAs and MOUs in greater detail.
restricting labor migration only to the highly skilled. Under the new visa, ‘Type 1’ (lesser skilled) visa holders would be allowed a stay of up to five years.

**Structural shifts such as demographics can also play a role in shifting demand for migrant workers, especially as many higher-income economies are aging faster than many lower-middle income countries in South Asia.** Bangladesh, Nepal, and Pakistan (among other South Asian economies) are expected to have relatively large working-age population shares for a few more decades, while the labor supply of several higher income economies in East and South-East Asia is expected to decline due to aging. Temporary economic migration can help rebalance demographics in destination countries and mitigate the impact of the potentially slower labor supply growth. Simulation analyses suggest that allowing migrants to move freely in response to differences in wage (driven in part by demographic changes) occurring in East and South-East Asia over the next 50 years would be beneficial to most economies in the region in terms of real incomes and real GDP over the 2007–50 period (Walmsley et al. 2017). The extent to which this may be important would also depend on other developments within the destination country such as demand for services that cannot be automated or delivered through arm’s length services trade (e.g. elder care), and the adoption of labor-substituting and labor-augmenting technologies.

3.3.1 Global and host-country economic shocks affect demand for migrant workers

Events, such as the Global Financial Crisis or commodity price booms that accelerate growth in commodity exporters are good examples of covariate shock that affected migrant labor demand across several major destination economies. In the GGC countries, the main destination of low-skilled migrants from South Asia, migration outflows are closely synchronized with fluctuations in oil prices, an important determinant of labor demand. This is illustrated by the case of Bangladesh, where departures overseas clearly coincide with periods of higher oil prices (Figure 3.6). The oil price boom in oil-rich countries between 2003 and 2008 substantially increased their demand for foreign labor migrants. Before the crisis, the average annual growth rate of 6.6 percent and the high oil prices had boosted economic activity in GCC countries (Saif 2009). In 2006, 51 percent of Saudi-Arabia’s, 42 percent of Oman’s GDP was generated by oil revenue. It constituted 25 percent of UAE’s GDP. With this newly gained wealth, governments of GCC countries boosted investment projects, which increased from USD 4,300 billion at the end of 2004 to USD 2.5 trillion at the end of 2008 (Khamis and Senhadji 2010). In comparison, oil rent constituted only a small portion of the total revenue of high-income Asian countries. In 2006, Malaysia had the largest share of oil rent in high-income Asia at almost seven percent.
Figure 3.6: Increases in outflows of migrants from Bangladesh tend to coincide with higher oil prices
Year of departure of labor migrants from Bangladesh (as percentage of all migrants surveyed)(left-axis) and global oil prices (right-axis)

The GCC’s demand for labor in the construction sector in the early to mid-2000s was largely met by migrant workers from South Asia. To meet the new labor demands by the booming construction sector, governments of oil-dependent economies substantially increased the annual inflow of South Asian labor migrants in the years before the economic crisis. The annual inflow of Pakistani labor migrants to Saudi-Arabia increased from about 35,000 in 2005 to almost 140,000 in 2008. The inflow of Pakistani migrants to the UAE approximately tripled during this period from approximately 74,000 in 2005 to 222,000 in 2008. Whereas in 2005 the inflow of Bangladeshi migrants to Oman was less than 5,000, it was almost 53,000 in 2008. The demand for foreign labor increased also in East Asia during this time period. The inflow of Bangladeshi labor migrants to Malaysia increased by more than 4,000 percent from 3,000 in 2005 to almost 60,000 in 2008.

However, the boom period made oil-export dependent economies increasingly vulnerable to shocks. Despite the attempt of GCC governments to launch policies to diversify their economies, reduce the unemployment rate and increase labor productivity, GCC economies increasingly depended on oil (Saif 2009). The average GCC headline inflation increased from 1.7 percent in 2004 to 10.7 percent in 2008 (Khamis and Senhadji 2010). Due to the economic slowdown in 2007, the USA started reducing interest rates, which consequently forced the GCC to reduce interest rates as well due to their exchange rates pegged to the USD (except for Kuwait). The resulting negative real interest rates, combined with the inflationary pressure, led to rapid credit growth and expansion of domestic demand (Saif 2009).
The Global Financial Crisis led to a contraction in oil-producing economies. The crisis led to a substantial reduction of the flow of foreign investment in real estate, which brought the uptrend in real estate prices in the region to an end. In Dubai, after having had the most rapid and largest real estate boom in GCC, developers rapidly stopped many construction projects (Habibi 2009). Simultaneously, the crisis caused a steep drop of the demand in crude oil, which led to a decline in its price by more than 70 percent between July 2008 and February 2009. During that time period, oil revenues of migrant-receiving countries declined substantially: Saudi-Arabia saw a decline in oil revenue, expressed as share of GDP, by 37 percent, the UAE by 34 percent, and Oman by 21 percent. Apart from GCC countries, oil revenue of oil-relying high-income Asian countries declined as well. The oil share of GDP of Malaysia saw a reduction by 44 percent.

The subsequent recession caused a drop of the demand for foreign labor migrants in GCC countries and high-income Asia. An event study clearly demonstrates the impact of the crisis on migrant demand, where \( t=0 \) is set for the year 2009, when the Global Financial Crisis arrived in Asia (Figure 3.7). The Global Financial Crisis is chosen as the main event because GDP, oil prices and the demand for foreign labor migrants dropped across all considered migration corridors. Migrant workers in the GCC and other economies in recession, were thus among those felt the impact of the Global Financial Crisis, and its aftermath most acutely (Buckley et al. 2016). The number of South Asian labor migrants flowing into Gulf countries and oil-producing countries of high-income Asia dropped significantly. From 2008 to 2009, the number of Bangladeshi labor migrants flowing into Malaysia decreased by 91 percent, but to Oman only by 21 percent. From 2009 to 2010, the inflow of Pakistani labor migrants to Saudi-Arabia declined by 6 percent, and to the UAE by 20 percent. There was a more severe decline of the number of labor migrants in high-income Asian countries than in South Asian countries, as the former were more affected by the economic crisis than the latter due to their more open economies. The sharp drop in exports of manufactures, foreign investment and tourist arrivals, combined with a decline in prices of major export crops such as palm oil led to such a severe reduction of the number of labor migrants in Malaysia (Abella and Ducanes 2009).

In the aftermath of the economic crisis, host economies increased their demand again for South Asian labor migrants. Despite the severity of the recession in the economic crisis, many affected economies recovered fairly quickly. Oil revenue and GDP of GCC and high-income Asian countries increased already substantially in 2010 and again in 2011. Consequently, most host countries started receiving labor migrants at large scales again in 2011: The inflow of Bangladeshi labor migrants to Oman increased by more than 200 percent from 42,000 in 2010 to more than 135,000 in 2011. In the same year, the number of Pakistani labor migrants to the UAE increased by 38 percent. In some receiving countries the increase of the inflow of South Asian labor migrants was more delayed: The number of inflowing Pakistani labor migrants to Saudi-Arabia increased only by 17 percent from 2010 to 2011 but by 61 percent from 2011 to 2012. The inflow of Bangladeshi migrants to Malaysia substantially increased in 2013, from around 800 to almost 4,000.

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47 See Annex 2B for details of the event study.
Figure 3.7: Demand for migrant workers fell dramatically during the Global Financial Crisis
Indicators of host country demand and sending country migration and remittances, year-on-year change (percent)

Source: World Development Indicators for oil rent share of GDP and GDP per capita; KNOMAD for remittances; BMET (Bangladesh), SLBFE (Sri Lanka), BEOE (Pakistan), DOFE (Nepal), MEA (India) for deployments. BMET is the Bureau of Manpower, Employment and Training; SLBFE is Sri Lanka Bureau of Foreign Employment; DOFE is the Department of Foreign Employment, and MEA is the Ministry of External Affairs.

Note: The chart shows growth rates during the 2008-2017 time period. Number of deployments is calculated as average for Bangladeshi, Indian, Pakistani and Nepalese labor migrants in their respective top 5 destination countries. Data for Nepal’s migration corridors is only available during the 2009-2017 time period. Oil rent share of GDP is calculated as average for Saudi-Arabia, UAE, Kuwait, Oman, Qatar, Bahrain, and Malaysia. Hong Kong and Singapore are excluded due to lack of available data. GDP per capita is calculated as the average for the host countries with the largest shares of South Asian labor migrants: Saudi-Arabia, UAE, Kuwait, Oman, Qatar, Bahrain, and Malaysia. Remittances is defined as total amount of remittances that flow into Bangladesh, India, Pakistan and Nepal.

3.3.2 Labor market policies in host countries can reduce migrant labor demand

In the 1990s, policies in GCC countries to nationalize the domestic labor force did not lead to a reduction of demand for low-skilled labor migrants. In the 1990s, a priority of GCC economies was the nationalization of their labor markets, i.e. the adoption of policies to encourage local industries to hire domestic instead of foreign workers based on specific quotas. The end of their over-reliance on foreign labor should lead to higher employment rates of nationals and higher productivity levels than in the past (Randeree 2012). As part of these nationalization policies, governments banned foreigners, taxed the employment of foreigners by domestic companies and provided financial incentives to hire nationals. GCC countries also provided training to nationals to develop skills, necessary for the labor market (Hertog 2012). Prior to the economic crisis, nationalization policies of GCC countries had been of limited success. The most significant hurdles in all GCC countries to substantially reduce the demand for labor migrants were the small size of the national labor force, the cultural bias of locals against manual jobs, and women’s
low levels of participation in the labor force (Randeree 2012). There may have also been shortages of native-born workers with the skills demanded by firms (Al-Lamki 2000; De Bel-Air 2018).

After having recovered from the 2008 economic crisis, GCC countries became more cautious about low-skilled labor entry. In 2011 the Saudi government launched a new nationalization program called Nitaqat to effectively reduce the country’s reliance on foreign labor migrants. This program, which is one of the most coherent nationalization strategies in the GCC, classified private sector companies into three categories: Companies in the first two categories were considered to have excessively high shares of foreign workers and were therefore restricted regarding the hiring of foreigners. Companies in the third category, which meet the quota requirements, were required to hire from the two other categories (Randeree 2012). In line with the nationalization efforts, in 2013, the Saudi government launched nationwide large-scale deportations of undocumented migrants (Carey 2013). Initiation for these actions was a new amendment of a law to the labor law empowering authorities to enforce labor code provisions against undocumented labor migrants who did not work for their designated employer. The measures included detentions and deportations (Google 2015). In comparison, in the years after the economic crisis, the Emirati government did not launch any policies, but promoted various individual measures to reduce the domestic demand for foreign labor migrants. In 2011, the salaries of federal employees were increased by 35 to 45 percent and up to 45 percent (Dajani 2011). In 2012, the government suspended the issuance of new visas to labor migrants from Bangladesh (Malit and Youha 2013). In 2015, the Abu Dhabi Human Resource Authority (ADHRA) was created as the principal agency for guiding the nationalization policy and to direct learning and training programs directed towards local workers to fulfill demands of the labor market (Khaleej Times 2015).

Nationalization policies in GCC countries may have led to a reduced intake of labor migrants from various South Asian countries. The introduction of Nitaqat did not lead to an immediate reduction of undocumented South Asian labor migrants in the country. It was not before 2013 when the national labor law was amended that the number of South Asian migrants in Saudi Arabia diminished. Between 2015 and 2017, because of the newly adopted nationalization strategy of Saudi Arabia and large-scale deportations, the number of visas for foreign workers dropped by more than half in the country (De Bel-Air 2018). In 2016, the inflow of Indian labor migrants to Saudi-Arabia dropped by 46 percent compared to the previous year, and again by more 52 percent in 2017. Between 2016 and 2017, the intake of Nepali and Pakistani labor migrants to Saudi-Arabia dropped by 46 percent and 69 percent, respectively. In the aftermath of the suspension of new visas to Bangladeshi labor migrants to the UAE, their intake dropped substantially by 93 percent from more than 215,000 in 2012 to only about 14,000 in the following year. From 2015 to 2016, around the time when the ADHRA was created, the number of inflowing Bangladeshi labor migrants to the Gulf country declined from approximately 25,000 to 8,000.

The reduced intake of South Asian labor migrants negatively affected the remittances flows back to South Asia. Nepal faced the largest negative effect, with a negative growth rate of almost -2 percent from 2015 to 2016 compared to a positive growth rate of 14 percent in the previous year. In comparison, for Bangladesh, the growth rate of remittances was -11 percent in 2016 compared to 2 percent in the previous year. The total amount of remittances that Pakistani households received grew by less than 3
percent from 2015 to 2016 compared to 12 percent in the year before. Growth rates for remittances to India were negative in 2015 (-2.1 percent) as well as in 2016 (-8.9 percent).

Yet, the overall reliance on South Asian labor migration remains high in the GCC region. Similar to GCC nationalization policies in the 1990s, nationalization strategies in the aftermath of the economic crisis do not appear to have substantially reduced GCC’s reliance on South Asian labor migrants. Overall, the only noticeable change was in the composition of migrants’ countries of origin: The number of Bangladeshi labor migrants flowing into Saudi Arabia increased rapidly over the 2016-2017 period (see discussion on BLAs and MOUs below). The intake of Nepali labor migrants to the UAE increased as well: it was around 58,000 in 2017 compared to 52,000 in the previous year (see appendix for chart). As presented above, a substantial portion of Nepali labor migrants are domestic workers in the Gulf region. There is some evidence that the number of labor visas issued to foreign domestic workers never substantially declined in Saudi Arabia, as the government was incentivized to maintain service provision from domestic help (De Bel-Air 2018).

There are numerous reasons why the nationalization policies in GCC have not substantially reduced demand for migrant workers. There are persistent social norms in the GCC economies which contribute to low female labor force participation among native-born, as well as a reluctance to take on low-skilled work (Forstenlechner and Routledge 2011). Firms also did not seem interested in diminishing the number of foreign workers to achieve the nationalization quotas. Despite training programs for local workers, there were continuing mismatches in the skill profile of the local labor supply and the skills in demand by employers. The low costs of migrant workers have persistently guaranteed large benefits to companies and ultimately lowered prices for goods and services in the host economies, leading to higher real incomes to residents (Peck 2017; Forstenlechner and Routledge 2011).

3.3.3 The impact of bilateral agreements between sending and receiving countries
In the past decades, South Asian countries have signed various bilateral labor agreements (BLAs) and memoranda of understanding (MoUs) with GCC economies and other Asian migration destination countries to regulate migration. Countries sign BLAs to regulate the recruitment and employment of foreign workers. In contrast to the legally binding BLAs, governments often prefer signing Memoranda of Understanding (MOUs), whose effectiveness is only determined by actual implementation and enforcement (IOM 2011). Bangladesh and Pakistan signed MOUs with the UAE in 2007 and 2006, respectively. With these memoranda, the parties aim to reduce the role of illegal recruitment agencies and diminish labor abuse among other issues and to regulate employment of temporary contractual workers from South Asian countries to the UAE (UAE Ministry of Labor 2007). The BLA that India and Qatar signed in 2007 aims to protect the rights of Indian labor migrants in the Gulf country and guarantees full wages as per the contract if a worker returns to their home country prematurely without their fault. The BLA also ensures the welfare of Indian workers in the informal sector, as they have been especially vulnerable to abuse (The Economic Times 2007). Bangladesh signed an MOU on the recruitment of female domestic workers with Saudi-Arabia in 2015. The memorandum thereby lifted the seven-year ban, which the Gulf country implemented in 2008 to stop the inflow of Bangladeshi labor migrants. In the MOU the Saudi government set female quotas for the recruitment of Bangladeshi labor migrants by agencies (World Bank 2018a).
BLAs and MOUs have had positive implications for the inflow of South Asian labor migrants to GCC countries. In 2007, when Bangladesh signed the MOU with the UAE, the inflow of Bangladeshi labor migrants to the UAE was about 226,000, which represented a 74 percent increase compared to the previous year at approximately 130,000. In 2008, the inflow increased again by 85 percent to about 419,000. When Pakistan signed the MOU with the UAE in 2006, the inflow of Pakistani labor migrants to the UAE was about 100,000, which meant a 36 percent increase compared to the previous year at approximately 73,000. In 2007, the intake increased again by 39 percent to about 139,000. When Bangladesh signed the MOU with Saudi-Arabia 2015, the number of Bangladeshi labor migrants was approximately 58,000 in 2015, more than four times higher than in the previous year at about 11,000. In 2016 the intake of Bangladeshi labor migrants to the Gulf country further increased to about 144,000.

Labor agreements have also had various positive implications for South Asian migrant workers and employers in receiving countries. In the years since Qatar signed the BLA with India, it has adopted various programs to regulate effectively the intake of Indian and other labor migrants (Abraham 2018). It could be assumed that the 2022 FIFA World Cup and, in this context, the international pressure on the Qatari government to comply with international human rights standards has forced the country to further regulate labor migration. Labor migration programs in high-income Asia led to various positive effects for all involved parties. Korea’s Employment Permit System (EPS) has led to significant benefits for employees and employers, as it has reduced the reliance on informal brokers and increased the rights for labor migrants overall (Box 3.1). The MOU between Malaysia and Bangladesh implemented a migration program in the palm oil sector, solely regulated by the two governments (Box 3.2). The program reduced the costs for Malaysian employers to hire Bangladeshi labor migrants and guaranteed minimum wage to the workers.

3.3.4 Different shocks interact to drive volatility in migration flows
While the earlier sections described three distinct sets of economic and policy shocks that could affect migration flows in a given year, volatility is often due to multiple shocks occurring over time, as illustrated by the case of Bangladesh and some major destinations. Between 2000 and 2017, Bangladesh’s migration flows to destinations like the United Arab Emirates and Malaysia have ranged widely from collapses to busts. Bangladesh sent as many as 419 thousand workers to the UAE in 2008, several hundred-thousands of workers in the years before. However, after the Global Financial Crisis, this fell by half in 2009 (Figure 3.8). Then in 2012, the UAE imposed an outright ban on recruitment of Bangladeshi workers. Similarly, Bangladesh has experienced several boom-bust cycles of migration flows to Malaysia usually coinciding with the signing of agreements (such as an MoU or BLA).
The direct shocks to a corridor may have real or perceived externalities to other corridors. If South Asian economies send workers with similar skills-profiles to the same destination, there is a perceived competition for the positions available, and policy measures in some countries to increase safety and protection of migrant workers may be perceived as reducing the competitiveness of workers from that country. For example, for migration 56 percent of total permitted migrants were hired as construction workers, laborers, cleaners and helpers in 2018/19 (Bulmer 2020). There are thus some perceptions in Nepal that labor migrants are easily replaced by other unskilled workers, whether from Nepal or other countries. This perceived or actual competition between migrants from different origins reduces the incentives for sending countries to request improvement in migrants’ conditions in destination countries, which can lead to “race to the bottom”. For example, India implemented its new e-Migrate system in 2015 to better manage its labor migrants, and enhance their protection. Through the e-Migrate platform, the Indian Protector of Emigrants issues clearances for workers to leave the country, after various conditions have been met, including the issuance of a contract which specifies that the worker will receive at least a minimum wage set by the Indian government. In the same year, Saudi Arabia signed MoUs for workers from Bangladesh, including for female domestic workers. What was observed then was that the flows of migrant workers from India to Saudi Arabia collapsed in 2015, with a massive increase in flows from Bangladesh (Figure 3.9).

Figure 3.8: Flows from Bangladesh to UAE experienced shocks in 2008 from the Global Financial Crisis, and then a ban in 2012

Migration flows from Bangladesh to UAE (1000s of migrants)

![Graph showing migration flows from Bangladesh to UAE](image)

Figure 3.9: Flows from India and Bangladesh to Saudi Arabia both changed in 2015 as each country implemented new policies and agreements

Migration flows to Saudi Arabia, by origin (1000s of migrants)

![Graph showing migration flows to Saudi Arabia](image)

Note: Data are clearances for new deployments from Bureau of Manpower, Employment and Training (Bangladesh); and Ministry of External Affairs MEA (India).
Source: Staff estimates

48 Based on key informant interviews and focus group discussions (Khadka 2018a, 2018b).
Box 3.1: Korea’s Employment Permit System

In 2004, Korea adopted the Employment Permit System (EPS) to help small domestic companies to meet their demand for low-skilled workers. The EPS aims to address structural and immediate demand for low-skilled labor in manufacturing, agriculture, livestock, fisheries and construction (ADBI, OECD, and ILO 2019). The scheme functions through bilateral agreements: Various South Asian countries have signed MOUs with the Korean government, including Sri Lanka (2004), Pakistan (2006) Nepal (2007) and Bangladesh (2007) (Cho et al. 2018). Hiring follows a strict step-by-step process: Candidates are eligible for hiring if they are aged 18 to 39 and pass a basic Korean language exam. A public employment body in the candidates’ home countries, which assesses their qualifications, includes then their profiles in the application pool for one year. In the following step, the information is sent to the respective department of the Korean government, which checks the qualification of foreign job applicants. The Korean government also assures that the SMEs that want to hire foreign labor migrants receive prior authorization (ADBI, OECD, and ILO 2019).

The EPS has led to significant benefits for employees and employers. The governments of Korea and South Asian countries have supervised the recruitment process to assure that the skills that labor migrants offer meet the requirements of Korean SMEs. Thus, compared to other destination countries, companies in Korea do not need to rely anymore on informal brokers to find workers who eventually turn out not to meet Korea’s labor standards. Within the EPS, Korea provides foreign labor workers various services such as the resolution of workplace conflicts, integration in the national community and assistance finding new jobs (Cho et al. 2018). The EPS is also so attractive for labor workers as they pay much lower fees for recruitment and thus can remit a larger share of their earnings, which is substantial given the much higher wages in Korea than in other destinations (ADBI, OECD, and ILO 2019).
Box 3.2: Historical development of labor agreements between Malaysia and Bangladesh

In 1994, Malaysia, whose economy was growing steadily at that time, signed an agreement with Bangladesh to recruit 50,000 workers, mostly for the construction sector (Ahmed 1998). However, in the aftermath of the 1998 Asian Financial Crisis, the program came to an end as the Malaysian government adopted a new migration policy and conducted large-scale deportations of foreign labor migrants (Pillai 1999). In 2001, Malaysia’s government announced a complete ban of Bangladeshi migrants as social tensions in society arose because of intermarriages between Bangladeshi workers and local women (Netto 2001). Consequently, the number of labor migrants flowing into the country dropped from almost 5,000 in 2001 to only 85 in 2002.

In 2005, the Malaysian government reopened its doors for Bangladeshi labor migrants. The intake of labor migrants from the South Asian country rose from 224 in 2004 to approximately 3,000 in 2005 to about 20,500 in 2006. However, only two years later, in 2009, Malaysia’s government froze again the intake with the goal was to reduce the country’s reliance on foreign labor and to end the exploitation of migrant workers by agents (Amnesty International 2010; Kibira 2011). In various incidents, informal agents, who were in charge of the migration process from Bangladesh to Malaysia at that time, exploited migrants by, for instance, overcharging them (Sarker 2016). As a consequence of the tightening of the migration policy, the number of migrants from Bangladesh dropped by 93 percent from more than 12,000 in 2009 to less than 1,000 in 2010.

In 2012, Malaysia signed an MOU with Bangladesh to avoid the exploitation of migrants by agents. After a four-year ban on migration from Bangladesh to Malaysia, the government of Malaysia planned to recruit 30,000 Bangladeshi men to work in the palm oil sector through the so-called Government-to-Government (G2G) migration lottery program. The minimum wage was guaranteed and migration costs fixed under this program (Shrestha, Mobarak, and Sharif 2019). The intention behind the collaboration was to take complete responsibility for the recruitment of labor migrants as private employment agencies had eroded the benefits of labor migration in the past. The intake of labor Bangladeshi labor migrants increased significantly from 804 in 2012 to 3,853 in 2013. In 2015, the number of inflowing Bangladeshi labor migrants was more than 30,000.

However, the G2G program has come under increasing criticism in the past years. The G2G program contributed to substantially lower migration costs, and further demonstrated the ability of agencies under the Ministry of Expatriate Welfare and Overseas Employment to efficiently managed recruitment and placement. However, private employment agencies started putting increased pressure on the program to open it up to the private sector (Wickramasekara 2016). By 2018, only less than 10,000 lottery winners had migrated from Bangladesh to Malaysia (Shrestha, Mobarak, and Sharif 2019). After the G2G mechanism had been of limited success, a G2G plus program was launched, in which the Malaysian government only provided oversight for the recruitment done by the private sector. But also this new program eventually came under criticism because only less than 10 recruitment agencies were involved in the migration process (Shrestha, Mobarak, and Sharif 2019). In 2018, the Government of Malaysia altogether suspended the G2G plus program as it was allegedly operated as human rights trafficking scheme to exploit Bangladeshi labor workers, with exorbitant high migration costs (Bhuyan 2018). A new iteration of the G2G program is currently in development.
3.3.5 Diversification to new destinations necessary, but maybe not sufficient, for sustaining migration and remittance flows

Economic gains for South Asian economies from diversifying towards higher-income East and South-East Asia might be substantial, but there is uncertainty around how the trajectories will unfold and what their impact will be on the sending economies. Four different scenarios are considered in this report. The first three scenarios decompose the effects of diversifying away South Asian labor migration from GCC and other Middle-East and North Africa (MENA) countries in combination with an increase in migration to East Asian countries. A fourth scenario in which SAR labor migrants replace the declining labor force in different high-income countries to keep labor force constant is also considered. The analysis is based on a computable general equilibrium model (CGE) extended to account for bilateral migration flows. Their implications on different economic agents as well as various macroeconomic variables are quantified (Annex 3C).

The results of the simulations are reported relative to a hypothetical “business-as-usual” or baseline scenario in 2027. This baseline scenario is constructed in multiple steps. In a first step, the database underlying the simulations is updated from 2011 to 2017 using historical data on GDP growth from the World Bank’s Global Economic Prospects and bilateral migrant stocks and population growth from the United Nations Population Division. In a second step, the baseline database aimed to capture the world economy in 2027 is extrapolated based on average historical growth and migration rates as well as population projections for each region. Between 2017-27, the total number of South Asian migrants is assumed to grow from 38.4 million to 50.6 million, at an annual average growth of 2.8 percent (Figure 3.10). The estimated outcome of each counterfactual scenario is then compared with baseline scenario 2027, in order to capture the marginal impacts of each alternative.

Figure 3.10: Labor outmigration from South Asia

A. Evolution of SAR migration - 2017-27

B. Distribution of South Asian migrants in 2027 across destinations projected based on historical growth rates, by country of origin

Note: Data from UN DESA International Migrant Stocks 2017 for Panel A. Panel B are projections based on historical trends.
Source: Staff estimates
The four different scenarios can summarize possible trajectories for migrant labor flows from South Asia:

- **Scenario 1** assumes an accelerated growth of South Asian migration to East Asian countries – Korea, Malaysia, Hong Kong, Japan and Rest of East Asia. In this scenario, there is no change in SAR migration to GCC and other MENA countries. The exact rate of growth in each bilateral migrant destination is inferred from the maximum rate of historical growth rate over the last decade. Overall, the number of South Asian migrants to East Asia is assumed to increase by 12 percent or 196 thousand additional migrants relative to the baseline in 2027 (Table 3.3). The rate of migration from Pakistan and Sri Lanka is more pronounced, at around 23 percent, but the increase in migration from Bangladesh and India accounts for more than half of the total.

- **Scenario 2** describes by the reversion of South Asian migrant labor stocks in East Asia, GCC and other MENA countries to their 2010 levels. The total number of SAR migrants to GCC and other MENA declines by close to 50 percent or 13.5 million people relative to the baseline in 2027. The decrease in SAR migrants to East Asia would be less pronounced at 21 percent or 330 thousand. Overall, total outward South Asian migration is assumed to decline by 27 percent.

- **Scenario 3** combines the earlier two scenarios and assumes the accelerated growth of South Asian migrants to East Asia from Scenario 1 (an increase of 12 percent or 196 thousand additional migrants) and the decline migrant stocks in GCC and other MENA countries to their 2010 levels. Overall, this scenario translates into a decline of South Asian migration of 13.2 million, i.e. more than 26 percent.

- **Scenario 4** assumes that South Asian migrants fully replace the shrinking labor force of unskilled workers in Japan, Korea, Hong Kong, Europe and Central Asia and OECD to keep labor force constant at their 2017 levels. In addition, it is also assumed that SAR migrant labor stocks in GCC and other MENA countries revert to their levels from 2010. ILO estimates show that between 2017-2023, the decline in the employment of unskilled labor in these countries will add up to more than 44 million people. Most of this is accounted for by the decline in employment in the Rest of Asia region (31.6 million), followed by ECA (5.5 million), Western OECD (4.9 million), Japan (1.3 million) and Korea (0.7 million). South Asian migrants are assumed to replace this shirking labor force in accordance to their current shares. Overall, SAR migration would increase by close to 60 percent, from 50 million to 80 million in 2027.

### Table 3.3 Number of migrants - assumptions by scenarios (1000s of people)

<table>
<thead>
<tr>
<th></th>
<th>Middle East and North Africa</th>
<th>East Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2027</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3,120</td>
<td>4,767</td>
</tr>
<tr>
<td>India</td>
<td>8,919</td>
<td>13,401</td>
</tr>
<tr>
<td>Nepal</td>
<td>666</td>
<td>1,101</td>
</tr>
<tr>
<td>Pakistan</td>
<td>3,103</td>
<td>4,821</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>743</td>
<td>1,227</td>
</tr>
<tr>
<td>Rest of South Asia</td>
<td>2,793</td>
<td>3,075</td>
</tr>
<tr>
<td><strong>South Asia</strong></td>
<td><strong>19,343</strong></td>
<td><strong>28,393</strong></td>
</tr>
</tbody>
</table>

*Note: S1 = Scenario 1, S2 = Scenario 2; S3 = Scenario 3; S4 = Scenario 4.*
Although the aggregate effects of accelerated growth of South Asian migration to East Asian countries on both migration sending and receiving countries are estimated to be modest, new migrants are significant winners.\(^{49}\) Overall, new migrants benefit from an increase in their income by USD 2.4 billion – close to 13.7 thousand per capita (Table 3.4).\(^{50}\) The highest increase in income per capita accrues to new migrants from Pakistan and Bangladesh, by 18.4 thousand and 15.3 thousand, respectively. As the expanding labor force in migrant receiving countries puts a downward pressure on wages, non-mover migrants are found to lose, but only modestly by an overall decline in their income of USD 0.3 billion or USD 5.3 per capita. Overall, South Asian remittances sent to home countries are estimated to increase USD 2.1 billion or 1.5 percent (Table 3.5). While migrant sending countries are impacted by an overall contraction of activity and a slight decrease in GDP (Table ), these countries also benefit from an improvement in their current account balance, trade balance and terms of trade.

The reversion of South Asian migrant labor stocks in East Asia, GCC and other MENA countries to their 2010 levels is estimated to significantly hurt returning migrants and non-movers’ income, remittances as well as the host countries. As total outward South Asian migration declines by 27 percent, remittances are estimated to fall by 22.6 percent or USD 32.1 billion. The adverse effects of this decline in remittances such as the deterioration of the current account balance and the worsening or terms of trade are fully mitigated by the increase in labor force in home countries and translate into an overall increase in South Asian GDP by 0.71 percent. The biggest benefits accrue to Sri Lanka and Nepal, where GDP is estimated to expand by more than 3 percent. In contrast, the shrinking labor force in host countries leads to a significant contraction in GDP in GCC and other MENA countries. Overall, MENA GDP is estimated to decline by close to 3 percent, with a more pronounced adverse effect on Saudi Arabia and the Rest of GCC region. The decline in economic activity in host countries also hurts non-moving migrants which experience a decline in their income by USD 32.4 billion or more than USD 500 per capita.

If the reversion of South Asian migrant labor stocks in MENA countries is accompanied by the acceleration of migration to East Asian countries, the adverse effects on remittances and non-movers are slightly alleviated. South Asian remittances decline by 19.2 percent, close to USD 5 billion less than in the previous scenario. As in the first scenario, new migrants to East Asian countries benefit from an increase in their income by USD 2.4 billion – close to 13.7 thousand per capita.

The growth benefits would be significant if migrant workers from South Asia can help keep the aggregate supply of unskilled workers in Japan, Korea, Hong Kong, Europe and Central Asia and OECD, at 2017 levels, especially if the South Asian migrants can also diversify away from GCC destinations. The close to 60 percent increase in South Asian outward migrant stock would translate into a 125 percent or USD 179 billion increase in remittances. The incomes of new migrants would be significantly boosted, overall by USD 215 billion or more than USD 7,300 per capita. In some South Asian countries, the beneficial effects of the increase in remittances and the improvements in terms of trade are outweighed by the

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\(^{49}\) The magnitude of the results should be interpreted keeping in mind that they do not capture non-economic benefits of the diversification of SAR labor migration flows. Non-monetary benefits such as better working and living conditions and the benefits of being less exposed to host country shocks are not captured. Being aware of the underlying assumptions and closure rules are very important in the interpretation of the results.

\(^{50}\) Note that these are estimates expressed in 2027 USD.
decline in labor force in their labor force and translate into an overall decline in SAR GDP by 0.31 percent (Table 3.6) Among South Asian countries, Sri Lanka is hurt the most with a 5.3 percent decline in GDP, while Nepal and Pakistan benefit in aggregate terms.

Table 3.4 Impact on income of new migrants and non-movers ($ billions)

<table>
<thead>
<tr>
<th></th>
<th>S1</th>
<th>Non-movers</th>
<th>S2</th>
<th>Non-movers</th>
<th>S3</th>
<th>Non-movers</th>
<th>S4</th>
<th>Non-movers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>0.7</td>
<td>-0.1</td>
<td>0.0</td>
<td>-6.1</td>
<td>0.6</td>
<td>-12.7</td>
<td>57.6</td>
<td>-11.6</td>
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<tr>
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<td>0.0</td>
<td>-13.5</td>
<td>0.6</td>
<td>-12.7</td>
<td>57.0</td>
<td>-19.9</td>
</tr>
<tr>
<td>Nepal</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>-2.7</td>
<td>0.1</td>
<td>-2.5</td>
<td>3.1</td>
<td>-3.0</td>
</tr>
<tr>
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<td>1.0</td>
<td>-6.2</td>
<td>86.8</td>
<td>-15.4</td>
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<td>-1.3</td>
<td>11.1</td>
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<td>Rest of South Asia</td>
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<td>-1.5</td>
<td>0.2</td>
<td>-1.9</td>
</tr>
<tr>
<td>South Asia</td>
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<td>-32.4</td>
<td>2.7</td>
<td>-29.8</td>
<td>215.6</td>
<td>-54.5</td>
</tr>
</tbody>
</table>

Note: Non-movers include only migrants in countries abroad. Simulation results are relative to the baseline in 2027. S1 = Scenario 1, S2 = Scenario 2; S3 = Scenario 3; S4 = Scenario 4.

Table 3.5 Impact on remittances

<table>
<thead>
<tr>
<th></th>
<th>S1</th>
<th>S2</th>
<th>S3</th>
<th>S4</th>
<th>S1</th>
<th>S2</th>
<th>S3</th>
<th>S4</th>
</tr>
</thead>
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<td>2.8</td>
<td>-25.8</td>
<td>-20.4</td>
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<td>-19.5</td>
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<td>-21.1</td>
<td>-18.9</td>
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<td>Nepal</td>
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<td>-25.9</td>
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<td>0.0</td>
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<td>-10.6</td>
<td>30.2</td>
</tr>
<tr>
<td>South Asia</td>
<td>2.1</td>
<td>-32.3</td>
<td>-27.5</td>
<td>179.1</td>
<td>1.5</td>
<td>-22.6</td>
<td>-19.2</td>
<td>125.1</td>
</tr>
</tbody>
</table>

Note: Simulation results are relative to the baseline in 2027. S1 = Scenario 1, S2 = Scenario 2; S3 = Scenario 3; S4 = Scenario 4.
Table 3.6 Impact of alternative scenarios on GDP in origin and destination countries

<table>
<thead>
<tr>
<th>Country</th>
<th>$ billions 2027</th>
<th>S1</th>
<th>S2</th>
<th>S3</th>
<th>S4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>286.6</td>
<td>-0.02</td>
<td>0.95</td>
<td>0.90</td>
<td>-1.08</td>
</tr>
<tr>
<td>India</td>
<td>3639.4</td>
<td>-0.01</td>
<td>0.63</td>
<td>0.60</td>
<td>-0.21</td>
</tr>
<tr>
<td>Nepal</td>
<td>39.3</td>
<td>-0.06</td>
<td>3.06</td>
<td>2.89</td>
<td>1.17</td>
</tr>
<tr>
<td>Pakistan</td>
<td>381.4</td>
<td>-0.01</td>
<td>0.40</td>
<td>0.39</td>
<td>0.43</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>97.0</td>
<td>-0.22</td>
<td>3.17</td>
<td>2.91</td>
<td>-5.29</td>
</tr>
<tr>
<td>Rest of South Asia</td>
<td>24.8</td>
<td>0.00</td>
<td>1.67</td>
<td>1.67</td>
<td>-0.34</td>
</tr>
<tr>
<td><strong>South Asia total</strong></td>
<td><strong>4468.5</strong></td>
<td><strong>-0.01</strong></td>
<td><strong>0.71</strong></td>
<td><strong>0.68</strong></td>
<td><strong>-0.31</strong></td>
</tr>
<tr>
<td>Qatar</td>
<td>146.4</td>
<td>0.00</td>
<td>-2.74</td>
<td>-2.74</td>
<td>-2.73</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>548.9</td>
<td>0.00</td>
<td>-8.23</td>
<td>-8.23</td>
<td>-8.22</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>330.1</td>
<td>0.00</td>
<td>-7.87</td>
<td>-7.87</td>
<td>-7.87</td>
</tr>
<tr>
<td>Rest of GCC</td>
<td>195.7</td>
<td>0.00</td>
<td>-17.08</td>
<td>-17.08</td>
<td>-17.03</td>
</tr>
<tr>
<td>Rest of MENA</td>
<td>2438.4</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
<td>0.03</td>
</tr>
<tr>
<td><strong>MENA total</strong></td>
<td><strong>3659.4</strong></td>
<td><strong>0.00</strong></td>
<td><strong>-2.96</strong></td>
<td><strong>-2.96</strong></td>
<td><strong>-2.94</strong></td>
</tr>
<tr>
<td>Malaysia</td>
<td>380.4</td>
<td>0.04</td>
<td>-0.20</td>
<td>0.03</td>
<td>0.00</td>
</tr>
<tr>
<td>Japan</td>
<td>4718.5</td>
<td>0.01</td>
<td>0.00</td>
<td>0.01</td>
<td>0.55</td>
</tr>
<tr>
<td>Korea</td>
<td>1273.8</td>
<td>0.06</td>
<td>0.01</td>
<td>0.07</td>
<td>0.72</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>267.1</td>
<td>0.00</td>
<td>-0.02</td>
<td>0.00</td>
<td>0.96</td>
</tr>
<tr>
<td>Rest of East Asia</td>
<td>13164.4</td>
<td>0.03</td>
<td>-0.04</td>
<td>0.03</td>
<td>3.29</td>
</tr>
<tr>
<td><strong>East Asia and Pacific total</strong></td>
<td><strong>19804.2</strong></td>
<td><strong>0.03</strong></td>
<td><strong>-0.03</strong></td>
<td><strong>0.03</strong></td>
<td><strong>2.38</strong></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>1620.9</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>2752.9</td>
<td>0.00</td>
<td>-0.03</td>
<td>-0.03</td>
<td>0.61</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>5573.9</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>Western OECD countries</td>
<td>38028.0</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.26</td>
</tr>
</tbody>
</table>

Note: Simulation results. % change relative to the baseline in 2027. S1 = Scenario 1, S2 = Scenario 2; S3 = Scenario 3; S4 = Scenario 4.

3.4 Getting to more productive, resilient, and sustainable migration

3.4.1 Sending countries can intervene unilaterally to improve information and invest in migrants’ human capital

Several of the policy actions that could be taken in the pre-migration phase of the migration life-cycle to reduce the vulnerability of migrants would directly reduce costs and improve access for poorer households.51 One possible measure would consist of enhancing the information services offered by government entities in the pre-decision and pre-departure phases of migration, so that prospective and aspiring migrants have easier access to knowledge about opportunities and processes for legally migrating (e.g. requirements for government clearances, visa requirements and types, and passport applications). Some countries are already investing in this area, such as Nepal through the Migrant Resource Centers and the Safer Migration Initiative (SAMI) supported by the Swiss Development Corporation, and implemented by Helvetas. Another measure to enhance information would be to follow the Filipino

51 The measures were discussed in in Chapter 1.
example and to require licensed recruitment agencies to advertise approved positions in a standardized fashion, while also requiring the relevant line agencies to across multiple platforms. Finally, measures to prepare migrants for overseas employment would also support their employability, and would be particularly useful for aspirant migrants from poorer households who may not have invested as much in their human capital. Skills and human resource development are often within the core mandate of the ministries responsible for migration. It would thus be relatively easy to broaden the programs offered by their line agencies to move beyond technical skills and language-training, and to also focus on enhance psychosocial characteristics – an area where poorer migrants are often lagging.

Increasing remittances from migrants could be better achieved by reducing costs – following the measures just described – rather than necessarily addressing the direct costs of remitting. South Asia has some of the lowest costs of remitting in the world when looking at the costs associated with sending remittances (aggregated across modes – banks, money transfer orders, post offices, or mobile operators). The global average cost of remitting in 2019 was 6.9 percent, while in South Asia, the average was 5 percent (World Bank 2019). These costs have been falling over time around the world, including in Bangladesh, Nepal, and Pakistan. As such, while further support to reducing the barriers to remitting through legal should continue, addressing fundamental issues like costs of migrating can have multiple benefits.

Addressing the last objective of reducing volatility and improving sustainability will require sending countries to ultimately diversify the markets where they send their workers. Despite the enormous economic capacity of countries in high-income Asia and their sophisticated labor migration policies, the numbers of received South Asian migrants have remained low in the region in the past decades. However, because of changing demographics, high-income Asian countries might substantially increase the intake of labor migrants from South Asia in the future. Labor migration programs such as Korea’s EPS program, show that further diversification towards high-income Asia could be beneficial for South Asian migrants and their home countries because of much lower migration expenditures and a lower risk of human rights violations by employers than in the Gulf countries.

Entering these newer markets will require changes in the profile of the migrants being sent. Currently, most migrants from South Asia are in lower-skilled occupations, reflecting the demands of current destinations (primarily GCC economies, and Malaysia). Destinations that offer higher wages and better protections for workers – such as Korea – require additional skills, even for jobs in labor-intensive sectors like agriculture. These skills include language, as well as other non-cognitive skills such as teamwork and collaboration. For other markets, such as Japan and Hong Kong where there is growing demand for caregivers (elder care as well as childcare), the supply of such professionals will have to increase, as will the supply of skills development services to train aspirant migrants to become caregivers. Line agencies responsible for managed labor migration may also need to have the capacity to

---

52 For example, in Pakistan, migration-management responsibilities sit with the Ministry of Overseas Pakistanis and Human Resource Development, while in Bangladesh, one of the largest providers of technical skills training – the Bureau of Manpower, Employment, and Training (BMET) is also a core agency under the Ministry of Expatriate Welfare and Overseas Employment.

53 Based on December 2019 data from Remittances Prices Worldwide maintained by the World Bank.
take pro-active measures like identify potential demand for different types of workers from new and existing markets. This information will be critical for re-orienting the skills-development architecture, and also better understand the scope in those markets.

**The managed migration systems are all aware of the need for investments in technical skills and have extensive skills development services in place.** For example, in the case of Bangladesh, the Bureau of Manpower, Employment, and Training is one of the largest providers of technical skills training programs in the country -- even for the domestic market - in addition to its responsibilities for regulating recruitment agencies, and providing clearances for outbound migrant workers. Under its skills development mandate, it administers 42 District Employment and Manpower Offices (DEMOs), 64 Technical Training Centers (TTCs), six Institutes of Marine Technology, and three Apprenticeship Training Offices. The emphasis on technical skills for aspirant migrants has been credited with some preference from Korea Employment Permit System (EPS) employers. Due to the relatively higher technical skills than job-seekers from some other EPS partner countries, there is a pilot to give priority job-matching to Bangladeshi skills-development graduates from certain programs such as welding.

**Providing skills development programs needs to be complemented by certification to signal technical ability, but needs to be complemented by recognition in overseas markets.** In the Philippines, under the rules and regulations of the Philippine Overseas Employment Administration (POEA), a worker seeking overseas employment, including domestic workers, must undergo a skills test in a Technical Education and Skills Development Authority (TESDA) -accredited testing center and acquire certification before being deployed. Upon completion of the course, there is an assessment which is required to receive Overseas Employment Certificate (OEC), necessary to leave the country. TESDA also supports in service Overseas Filipino Workers (OFWs) by offering more than 50 course categories online which are in demand internationally. After taking the course, an OFW can take assessment in recognized TESDA center and receive a certificate. In addition to managing the assessment and certification of competencies of Filipino Overseas workers, TESDA also maintains a database to link the returning migrants to prospective employers, and provides support services through the Permanent Returning Overseas Filipino Workers Network (PeRSON). (Marie-Jose Tayah, ILO). Returning to the Bangladesh example, BMET has been pursuing certification for its training programs that are recognized in overseas markets. In 2017, it revised its curricula in six TTCs to be eligible for certification from the UK’s City and Guilds vocational education firm.

**3.4.2 Bilateral and multilateral frameworks can reduce cost and improve outcomes**

Some institutional frameworks, such as high-quality bilateral labor agreements (BLAs), can serve to reduce costs, while also providing an avenue to enter new markets -- in terms of destinations and types of professions. One example is the Korea Employment Permit System (EPS), which is managed directly by Human Resource Development Korea, and open to Bangladesh and Nepal. Migrating to Korea for temporary work through this program costs the migrant approximately BDT 76,000. However, the migrants are paid Korean minimum wages, are able to change employers, have access to grievance redressal mechanisms, are covered by Korean labor laws against abuse and exploitation, and receive reintegration support (including a lump-sum payment) to Bangladesh at the of their contract period (Cho et al. 2018). As a completely government managed program (administered by Korea), there is high-
quality intermediation, with demand for extra workers and required skills being collected and aggregated from employers, and a rigorous matching system of migrant workers to employers.

Another G2G managed migration program is the Bangladesh-Malaysia G2G program which ran from 2012-18, and which also improved migration-related outcomes, while severely reducing costs (Shrestha, Mobarak, and Sharif 2019). Under this program, the Government of Bangladesh – under the auspices of a Memorandum of Understanding with the Government of Malaysia – sent 18,000 workers in two waves to Malaysia for temporary employment between 2013-18. The program was fully managed directly by Ministry of Expatriate Welfare and Overseas Employment (MoEWOE) with the government responsible for all intermediation. Temporary migrants to Malaysia that went through this program had substantially lower costs than other migrants, e.g. BDT 45,000 versus BDT 390,000. Workers migrating through the G2G also borrowed less and were more likely to have contracts, official clearance to migrate from the Ministry, and insurance, relative to workers migrating through private sector. The G2G program also ensured better uptake of the pre-departure orientations necessary for safer migration experiences. Due to reduced cost and debt burden, the study estimates that net earnings from a three-year migration, after deducting the cost and interest payment, are 87 percent higher under the G2G program compared to private channels.

Beyond BLAs, Global Skills Partnerships (GSPs) are a newer, and innovative mechanism to structure the sending and receiving country relationship, with the intent to reduce the drawbacks of migration, and increase the gains for both. GSPs have been included under the Global Compact for Safe, Orderly and Regular Migration (GCM), a non-binding agreement, which was adopted by 164 countries under the auspices of the UN General Assembly in 2018 (UN News 2018). The idea of GSPs is that host countries provide technology and finance training for potential migrants before migration and, thus, receive migrants with the skill set that local companies can make best use of. At the same time, sending countries are usually responsible to provide training to potential migrants. Their labor markets ultimately benefit from those course participants who do not end up migrating (Hooper 2019). Thus, GSPs may help mitigate the problems related to “brain drain”, as costs are transferred to migrant-receiving countries and training is provided to migrants and non-migrants alike (Hooper and Sumption 2016).

Although GSPs have been established in various countries, there is still no clear evidence of their impact. The Australia-Pacific Technical College (APTC) financed vocational training in five Pacific island developing countries to increase employment there and in Australia over the period 2007-2015. 54 Whereas the program led to skill creation, it did not lead to skill mobility as only less than three percent of the participants migrated to Australia and New Zealand (Clemens, Graham, and Howes 2015). The German development agency, GIZ, facilitates various programs to improve skills training in the health care sector in Kosovo and promote labor migration from the country to Germany. The backbone of these bilateral labor programs are Kosovar training institutions specializing in nursing which offer a double-track education to locals: One track offers a three-year training to meet domestic labor market needs in Kosovo; The other track offers skills and German language training aimed at sending students to Germany. The

54 Participating Pacific island countries were Fiji, Papua New Guinea, Vanuatu, Samoa, and the Solomon Islands. The most common subjects taught at the APTC were Automotive, Construction and Electrical and Manufacturing, Hospitality and Tourism, Community, and Health Services (Clemens, Graham, and Howes 2015).
training institutions are usually financed by private sector employers in Kosovo and Germany, as well as German government development agencies (Clemens and Gough 2018). Such labor market programs could effectively interlink the labor market, education and migration policies in the two countries (Sauer and Myn 2019).55

The principles of the Global Skills Partnerships can be applied more generally to new investments, as illustrated by a new development financed interventions in the Pacific Islands. Tonga is receiving financing of USD 20 million by the World Bank and the Australia-Pacific Partnership Trust Fund for a project aims to provide access to secondary education and vocational training for economically disadvantaged Tongans aged 13 to 55.56 The project contains a conditional cash transfer program for secondary school enrolment and attendance as well as a program to strengthen the provision and improve the quality of Technical and Vocational Education and Training (TVET) and English language courses.57 The goal is to prepare Tongans for the local labor market and for skilled labor mobility programs of foreign countries such as Australia and New Zealand. Scholarships are provided to incentivize the participation in and completion of skills courses (World Bank 2018b).58

Mutual Recognition Arrangements (MRAs) are another mechanism that some countries have used to recognizing the qualifications of foreign workers, but they have limited use in many developing countries (ADB 2017). These arrangements can be horizontal (covering all occupations between signatories), such as the European Union Professional Qualifications Directive and the Trans-Tasman Mutual Recognition Arrangement between New Zealand and Australia. Vertical MRAs (covering only specific occupations) would include arrangements, such as the Mutual Recognition Arrangement on Architecture between the United States and Canada, and the Caribbean Community Skills Certificate Scheme. Some regional bodies such as the EU (through its Professional Qualifications Directive), and ASEAN (through the ASEAs Qualification Reference Framework) can facilitate cross-country recognition of qualifications across multiple countries simultaneously (Fahmi et al. 2019). There are only a few MRAs with South Asian economies or South Asian institutions as signatories. For example, India signed an MRA with Singapore in 2017 for nursing, while Pakistan’s Institute of Certified Internal Auditors have an MRA with the Institute of Certified Commercial Professional Accountants and Internal Auditors. There are only a few MRAs with South Asian economies or South Asian institutions as signatories. For example, India signed an MRA with Singapore in 2017 for nursing, while Pakistan’s Institute of Certified Commercial Professional Accountants and Internal Auditors.

3.4.3 Institutions needs to be stronger for both unilateral and bilateral interventions
Administrative capacity in the sending countries will need to increase, if G2G programs such as the EPS or the Bangladesh-Malaysia G2G program are to be used further in the future. The improved migration outcomes and lower costs of intermediation are attributed to the public provision of services such job matching and screening. However, this public provision requires substantial investments in government

55 Various labor market programs between Germany and Kosovo in the health care sector exist. It is difficult to assess their effectiveness due to the lack of comprehensive data.
54 The project runs over the period 2018-2023.
57 In the conditional cash transfer program for secondary school enrolment and attendance, the amount of cash transfers is TOP 360 (USD 170) per school term/quarter, or TOP 1,440 (USD 680) per year (World Bank 2018).
58 The provided scholarship is up to TOP 1,800 (USD 900) annually per beneficiary to cover the tuition fee for the training course.
capacity for sustained service provision. The Bangladesh-Malaysia G2G program experienced excess demand from aspirant migrants, with about 1.4 million eligible migrants requesting to be placed in the 30,000 vacancies available under the program. The MoEWOE’s in-house recruitment agency, the Bangladesh Overseas Employment and Services Limited (BOESL), administers similar, albeit smaller programs like the Korea EPS. The EPS though has only modest migrant labor demand from Korea (relative to labor demand from Gulf Cooperation Council economies, for example) with about 30,000 workers demanded in total across all sending countries (Cho et al. 2018).

Nepal’s success in maintaining and growing its EPS quotas is a reflection of its successful implementation of the MOU, offers some best practice from programs in the region. For example, there are few anomalies in worker-paid migration cost (under EPS, partner countries are obliged to publish such migration costs and Pakistan tends to record one of the highest - an example is a ‘uniform’ cost charged to workers). The government in Nepal has also stepped up in encouraging EPS workers to return home timely – countries with fewer overstays factor into the EPS formula for determining the migrant worker quota for a given country.

National policy frameworks and legislation can help focus action, but only if they are enacted and have sufficient regulatory authority. Pakistan’s Ministry of Overseas Pakistanis and Human Resources Development has developed a National Emigrants Policy after being in development for several years, but has yet to be presented to the federal cabinet for formal approval. Bangladesh’s Overseas Employment and Migrants Act was passed in 2013, to promote overseas employment and enhance safe migration, while supporting the rights and welfare of migrant workers and members of their families, This Act included language to enhance the regulatory oversight of recruitment agencies. However, the relevant rules – Recruitment License and Code of Conduct was not officially circulated until January 2020.
References


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Bossavie, Laurent, Joseph-Simon Goerlach, Caglar Ozden and He Wang 2020. Temporary Migration and Entrepreneurship in Bangladesh. Mimeo


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Annex 3A: Regression Analysis

The model that is estimated to measure the impact of costs on the amount of remittances for Pakistani labor migrants to Saudi-Arabia and the U.A.E., has the following standard linearized equation:

\[ mthremitUSD2016_i = \alpha + \beta_1 rc_i + \beta_2 forinc_to_homeinc_i + \beta_3 level_edu_i + \beta_4 work_i + \beta_5 months_expect_i + \pi_i + \epsilon_i \]

\( mthremitUSD2016_i \), the estimated monthly remittance during the year of work abroad in 2016 constant USD in corridor \( i \), is regressed on \( rc_i \), recruitment costs paid as a multiple of monthly income (recruitment cost indicator) in corridor \( i \). A set of variables control for recruitment costs in the respective migration corridor \( i \): \( forinc_to_homeinc_i \) is the monthly foreign earnings as a multiple of home earnings earned prior to migrating. \( level_edu_i \) is the highest level of education completed. \( work_i \) is the type of work the migrant does in the host country. \( months_expect_i \) is the amount of months the migrant stayed in the host country for the most recent job. Lastly, \( \pi_i \) is host country fixed effects that capture specific country characteristics.

Table 3.A1: Results from OLS regression analysis

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
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<tr>
<td>( rc_i )</td>
<td>-14.51***</td>
<td>-12.32***</td>
<td>-11.66***</td>
<td>-11.63***</td>
<td>-10.65***</td>
</tr>
<tr>
<td></td>
<td>(1.521)</td>
<td>(1.478)</td>
<td>(1.376)</td>
<td>(1.365)</td>
<td>(1.322)</td>
</tr>
<tr>
<td>( forinc_to_homeinc_i )</td>
<td>8.442***</td>
<td>7.851***</td>
<td>8.067***</td>
<td>7.517***</td>
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</tr>
<tr>
<td></td>
<td>(3.032)</td>
<td>(2.904)</td>
<td>(2.916)</td>
<td>(2.687)</td>
<td></td>
</tr>
<tr>
<td>( level_edu_i )</td>
<td></td>
<td>17.09***</td>
<td>17.32***</td>
<td>15.74***</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(4.365)</td>
<td>(4.393)</td>
<td>(4.079)</td>
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</tr>
<tr>
<td>( work_i )</td>
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<td>0.229***</td>
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<td></td>
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<td>(0.0820)</td>
</tr>
<tr>
<td>( months_expect_i )</td>
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<td></td>
<td></td>
<td></td>
<td>3.729***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.534)</td>
</tr>
<tr>
<td>Constant</td>
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<td>299.8***</td>
<td>235.8***</td>
<td>221.1***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(17.13)</td>
<td>(18.43)</td>
<td>(22.48)</td>
<td>(25.39)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>630</td>
<td>512</td>
<td>512</td>
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<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.207</td>
<td>0.232</td>
<td>0.265</td>
<td>0.267</td>
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</tr>
</tbody>
</table>

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1


Note: *** significances. Robust standard errors are presented in the parentheses. The dependent variable for all regressions is \( mthremitUSD2016_i \) and includes receiving country fixed effects.
Annex 3B: Event study

In the event study, migration from South Asia during the past two decades is analyzed based on the following three indicator variables, defined as growth rates:

1. Oil rent as share of GDP of the host country, which indicates the economic situation of a country. The following host countries were selected: Saudi-Arabia, UAE, Kuwait, Oman, Qatar, Bahrain, Malaysia, Korea and Japan.

2. Number of deployments in the host country, which represents the demand of foreign labor migrants in the economy. For Bangladesh, Nepal, Pakistan and India, the number of deployments for their respective top-5 host countries was selected:
   - Bangladesh: UAE, Saudi-Arabia, Oman, Malaysia and Singapore;
   - Nepal: Malaysia, Qatar, Saudi-Arabia, UAE and Kuwait;
   - Pakistan: Saudi-Arabia, UAE, Oman, Qatar and Bahrain;
   - India: Saudi-Arabia, UAE, Oman, Kuwait and Qatar;

3. GDP per capita (constant 2010 US$) in the host country as a measure of the strength of the respective host economy. The following host countries were selected: Saudi-Arabia, UAE, Kuwait, Oman, Qatar, Bahrain, Malaysia, Korea and Japan.

4. Remittances (current USD) are the average amount of remittances that households in India, Pakistan, Bangladesh and Nepal receive from labor migrants abroad. Thereby it is not differentiated which host country the remittances are sent from.
Annex 3C: Simulation model

The model underlying the simulations is GMig - a comparative static, multi-region, multi-sector and multi-factor computable general equilibrium (CGE) model that extends the standard GTAP model (Hertel 1997) to incorporate bilateral migration flows. The GMig model (Walmsley 2002; Walmsley, Winters and Syud 2007) relies on the GMig2 database – a modified version of the GTAP 9 database representing the global economy in 2011 that incorporates data on bilateral migrant labor and wages by skill and bilateral remittance flows (Walmsley, Syud, and Parsons 2005). For the purpose of the simulations, the GMig2 database has been aggregated into 20 countries/regions (Table 3.C1) and 11 sectors (Table .C2)

The core specification of the GMig model broadly replicates a standard global comparative static CGE model. Production is specified as a series of nested constant elasticity of substitution (CES) functions using various inputs – unskilled and skilled labor, capital, land and natural resources. Labor is assumed to be perfectly mobile across sectors, with an aggregate economy-wide wage clearing the labor markets. Demand by each domestic agent is specified at the so-called Armington level, i.e., demand for a bundle of domestically produced and imported goods. Armington demand is aggregated across all agents and allocated at the national level between domestic production and imports by region of origin.

The GMig2 model extends the GTAP model to consider skilled and unskilled bilateral labor movement across countries. The model distinguishes between domestic and foreign workers by sector of employment. Foreign and domestic workers of the same skill type are treated as imperfect substitutes, but there is no distinction between foreign countries. Migration flows can be determined either exogenously or endogenously in response to changes in relative real wages. Endogenously, the supply of labor migration is assumed to respond to changes in the expected real wages between the sending and potential receiving region. Explicitly representing bilateral migration flows allows for the quantification of their impact on growth, remittances and the real incomes of migrants and permanent residents.

GMig distinguishes between incomes of permanent residents, existing migrants, new migrants and return migrants. The income of permanent residents depends on the change in income from non-labor and labor endowments and remittances received from workers abroad. Permanent residents are assumed to receive all the income on capital and tax revenues. The income of existing migrant is a function of their labor income less remittances sent to the home country. Similarly, the change in income of new migrants is also determined by their labor income less remittances and less the labor income they received before they migrated.

Remittances sent from the host country back to the home country are assumed to be a constant proportion of income. An increase in the number of new migrants or their wages results in an increase in remittances. The outflow of remittances reduces the income of the migrants and increases the incomes of permanent residents in the home country. In turn, inflows of remittances have an impact on the balance of payments of the home country: an increase in remittances is associated with an improvement in the current account balance. This is offset by an appreciation of the real exchange rate and a decline in the trade balance, maintaining balance of payments equilibrium.
### Table 3.C1 Regional aggregation

<table>
<thead>
<tr>
<th>Region code</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>BGD Bangladesh</td>
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<tr>
<td>2</td>
<td>IND India</td>
</tr>
<tr>
<td>3</td>
<td>NPL Nepal</td>
</tr>
<tr>
<td>4</td>
<td>PAK Pakistan</td>
</tr>
<tr>
<td>5</td>
<td>LKA Sri Lanka</td>
</tr>
<tr>
<td>6</td>
<td>XSA Rest of South Asia</td>
</tr>
<tr>
<td>7</td>
<td>XGCC Rest of GCC</td>
</tr>
<tr>
<td>8</td>
<td>QAT Qatar</td>
</tr>
<tr>
<td>9</td>
<td>SAU Saudi Arabia</td>
</tr>
<tr>
<td>10</td>
<td>UAE United Arab Emirates</td>
</tr>
<tr>
<td>11</td>
<td>XMN Rest of MENA</td>
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<tr>
<td>12</td>
<td>MYS Malaysia</td>
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<tr>
<td>13</td>
<td>JPN Japan</td>
</tr>
<tr>
<td>14</td>
<td>KOR Rep. of Korea</td>
</tr>
<tr>
<td>15</td>
<td>HKG Hong Kong</td>
</tr>
<tr>
<td>16</td>
<td>XEA Rest of East Asia</td>
</tr>
<tr>
<td>17</td>
<td>SSA Sub-Saharan Africa</td>
</tr>
<tr>
<td>18</td>
<td>ECA Eastern Europe and Central Asia</td>
</tr>
<tr>
<td>19</td>
<td>LAC Latin America and the Caribbean</td>
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<td>20</td>
<td>WOECD Western OECD countries</td>
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</table>

### Table 3.C2 Sectoral aggregation

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<tbody>
<tr>
<td>1</td>
<td>AGR Agriculture</td>
</tr>
<tr>
<td>2</td>
<td>TWL Textiles, wearing apparel, and leather</td>
</tr>
<tr>
<td>3</td>
<td>MNFC Manufacturing</td>
</tr>
<tr>
<td>4</td>
<td>COG Other extractives and minerals</td>
</tr>
<tr>
<td>5</td>
<td>EXTRACT Coal, oil, and has extraction</td>
</tr>
<tr>
<td>6</td>
<td>P_C Petro-chemicals</td>
</tr>
<tr>
<td>7</td>
<td>CONS Construction</td>
</tr>
<tr>
<td>8</td>
<td>SVCS Services</td>
</tr>
<tr>
<td>9</td>
<td>TRDTRS Trade</td>
</tr>
<tr>
<td>10</td>
<td>ROS Recreational services, including domestic</td>
</tr>
<tr>
<td>11</td>
<td>OSG Other services</td>
</tr>
</tbody>
</table>
CHAPTER 4: HARNESSING THE DEVELOPMENT POTENTIAL OF RETURN MIGRATION

The temporary nature of labor mobility is a prominent feature of migration from South Asia and other origin countries. Low-skilled labor migrants from South Asia typically work for a few years in destination countries before returning to home labor markets. The existing literature, however, treats migration as a permanent, one-time event. One reason behind the lack of focus on temporary and return migration is the high data requirements for this type of analysis, combined with the scarcity of relevant microdata (Dustman and Goerlach, 2016; Ahmed et al, 2020). As a result, studies of labor migration as a temporary phenomenon are scarce globally, particularly for South Asia where temporary migration prevails but available microdata is scarce.

When considered within the life cycle framework, temporary migration from South Asia not only impacts migrants’ welfare during their migration episode but also has longer-term dynamic consequences after migrants have returned home. Thus, making migration safer and more productive should not only consider the pre-departure and during migration stages, but also the post migration stage. By bringing financial and human capital back home, temporary migration can increase workers’ productivity, help returning migrants to start up self-employment activities, and gain access to higher-paying employment. As such, it can benefit the migrants themselves, their households, and the home economy once the migration episode has ended. To maximize those benefits, however, policies targeted at temporary migrants need to consider the dynamic nature of temporary migration and its role in workers’ active life cycle (Bossavie et al., 2020). They must also take into account heterogeneity in migration experiences between temporary migrants, which calls for different policy interventions.

This chapter aims to providing a better understanding of return migration to South Asia, and at suggesting policy options to maximize its benefits for both migrants and the home economy. The analysis utilizes available nationally-representative household survey data from Nepal, Bangladesh, and Pakistan that allow to capture temporary migrants, either once they have returned home or while they are away from the household for work overseas. The paper also utilizes a novel and very comprehensive dataset of returning temporary migrants which was recently collected in Bangladesh.

The chapter is organized as follows: Section 4.1 describes the temporary nature of migration from South Asia. Section 4.2 highlights the interconnections between choice of destination, duration of stay, activity after return and intentions to re-migrate. Section 4.3 analyzes the labor market outcomes of returning temporary migrants and the extent to which temporary migration can contribute to improved outcomes in home labor markets. Section 4.4 discusses potential policies to increase the returns of temporary migration for the migrants themselves, their households, and the home economy.
4.1 Temporary migration is institutionalized by fixed-term labor arrangements in the main destinations

**Stay in the main destinations is strictly tied to a labor contract.** Low-skilled workers from South Asia cannot migrate to the GCC or South-East Asia without holding a labor contract and accompanying work permit. Low-skilled migrant typically hold a fixed term contract. In addition, their stay at destination is strictly conditional on holding a valid employment contract and work permit. Employment contracts and work permits can be renewed, but an expiration of the employment contract without renewal, or a layoff by the employer at destination automatically entails a return to the home country.\(^{59}\) In this institutional setting, a job loss or the expiration of the employment contract at destination is the main reason for returning home.\(^{60}\) As a result, labor migrants from South Asia are particularly vulnerable to labor demand shocks in destination countries. In the GCC, the risk of job loss of labor migrants is exacerbated by the heavy dependence of labor demand on international oil prices.

**Permanent migration to the main host countries of low-skilled migrants from South Asia is practically impossible.** Conditions of entry and legal status in the country of destination affect the return decisions of migrants. Those with permanent residence rights have been shown to return considerably less than migrants with temporary residence rights (OECD, 2008). The main host countries of labor migrants from South Asia - primarily in the GCC and South East Asia - only grant temporary residence rights to low-skilled labor migrants. In the GCC countries, the acquisition of citizenship of the GCC countries is effectively prohibited, irrespective of their duration of stay in the destination countries (Lucas, 2008; Wahba, 2015).\(^{61}\) Temporary migrants, however, have the possibility to renew their labor contract and work permit at destination, if there is demand for further work by the employer. While there is no explicit restriction on the number of work permit renewals in the GCC countries, cumulative duration of stay is explicitly capped to 10 years in Malaysia and Singapore, the two main host countries of low-skilled migrants in South East Asia.

**Restrictions on family migration in the main destinations increase incentives to return.** In the GCC, authorizations of stay for work do not extend to the spouse and family unless the migrant’s income is above a given threshold, which is significantly higher than the mean wage of a low-skilled labor migrant.\(^{62}\) In addition, these state-mandated minimums often prove insufficient to cover the actual cost of living of an entire family in the GCC (Gardner, 2011). Similarly, in Malaysia and Singapore, holders of temporary low-skilled work permits are not allowed to bring dependents, or to marry while at destination. As a result, low-skilled labor migrants from South Asia typically migrate without their families. According to

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\(^{59}\) In the GCC countries, low-skilled labor migrants typically have thirty days to leave the country after their work contract expired.

\(^{60}\) The termination of employment abroad is reported as the main reason for returning home by labor migrants from Bangladesh and Nepal, according to the 2018/2019 World Bank Bangladesh Return Migrant Survey (BRMS), and the 2017/2018 Labor Force Survey for Nepal.

\(^{61}\) According to the sponsorship system that regulates migration to the GCC, labor migrants can only enter and stay in the country through a sponsor, a local employer which takes on both legal and economic responsibility for the migrant worker.

\(^{62}\) Kuwait’s monthly minimum salary for the family visa, for example, is set at KD 250 ($888), while the UAE recently raised the monthly minimum salary requirement for the family visa from AED 6,000 ($1,634) to 10,000 ($2,723).
the 2018/2019 Bangladesh Return Migrant Survey (BRMS), 96% of temporary labor migrants from rural Bangladesh migrated abroad alone. These restrictions represent a significant non-pecuniary cost for migrants. By increasing the relative value of consumption and leisure at home (Dustmann and Kirchkamp, 2002), being with family and friends provides another incentive to stay at destination for a shorter period. Evidence from Bangladesh shows that family structure at origin matters for duration of stay abroad. Migrants who were married before departure return on average two years earlier compared to migrants that were unmarried at the time of migrating abroad (World Bank BRMS).

Involuntary returns have risen in recent years and are expected to rise further due to the tightening of regulations in many destination countries. A sizeable share of temporary migrants from Bangladesh return for involuntary reasons, and mainly deportation for overstay. In Bangladesh for example, about 12% of migrants report that the reason for returning was being expelled from the home country due to work permit or visa issues. Recent years have been marked by a tightening of policies regarding repatriation of illegal migrants (World Bank, 2018b). In the European Union, the number of potential returnees – rejected asylum seekers and detected migrants lacking valid documents – rose from 1.4 million in 2011 to around 5.5 million in 2017. In Saudi Arabia, deportations increased from 594,000 in 2012 to 665,000 in 2013 and were 461,000 in 2017. Cumulatively, around 3.9 million migrants were deported between March 2011 and August 2018, an annual average rate of over 500,000 (World Bank, 2018b).

Statistics on the returns rates of labor migrants are scarce globally. As highlighted by Wahba (2014) and Dustman and Goerlach (2016), administrative and survey data do not typically allow to track migrants once they leave the country of destination, which makes the estimation of return rates difficult. In the few destination countries where it can be calculated, return rates tend to be high, even when permanent stays are a possibility. It is estimated that 20 to 50% of immigrants leave the country of destination within 5 years of arrival (OECD, 2008). Akee and Jones (2019) find that about 40% of migrants to the US have returned within 10 years, with the majority leaving in the first few years.

Currently available administrative data does not allow to track the return of temporary migrants from South Asia. There is currently no data available on the actual share of labor migrants from South Asia that return home and when. In a context where temporary migration is institutionalized through regulations in the main destinations, however, all migrants to the GCC and Southeast Asia are expected to ultimately return home. Administrative data for the full population of temporary migrants does not currently allow to capture duration of stay and the timing of returns. Administrative data at origin in Bangladesh, Nepal and Pakistan only records temporary migrants once they exit the origin country, but not when they return. In receiving countries, administrative data from the main destination in the GCC and Southeast Asia recording the entry and exit of temporary migrants is not currently accessible. The only microdata sources available in South Asia to get indicative evidence on the duration of stay of temporary migrants are national household surveys.

Duration of stay at destination estimated from survey data is typically of a couple of years. A few nationally-representative household surveys allow to estimate duration the of stay at destination of

temporary migrants, albeit for a selected subset of temporary migrants that went overseas. In Nepal, the 2010/2011 National Living Standard Survey (NLSS) asks to household members present at the time of the survey who ever went abroad their date of departure and return. The median duration of stay abroad of returning temporary migrants captured by the survey is of 2 years (Figure 4.1). The more recent 2017/2018 Labor Force Survey (LFS) in Nepal collects information on how long absentees from the household have been overseas, but not on duration of completed spells for returning temporary migrants. The median duration of stay abroad of absentees is also of 2 years. For Bangladesh, the median duration of stay at destination of returning and current migrants is both of five years, from the World Bank BRMS and the Household Income and Expenditure Survey (HIES). For Pakistan, the only source available to estimate duration of stay is the 2015 KNOMAD-ILO Migration and Recruitment Costs Survey (MCS), which collects respective information on the number of months spent at destination by migration corridor. For returning temporary migrants from Pakistan who had worked in Saudi Arabia and the UAE, the average duration of stay at destination was of 2 years and of 1.5 year, respectively.

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64 See Ahmed at al. (2020) for a comprehensive overview of survey datasets that allow to capture temporary migrants globally.
Figure 4.1: Duration of most recent migration spell of migrants from South Asia, in years

Panel A: Bangladesh

Current migrants

Returning migrants

Panel B: Nepal

Current migrants

Returning migrants

Panel C: Pakistan


Note. Statistics for Pakistan only include returning international migrants from the KSA and the UAE.
Box 4.1. The Bangladesh Return Migrant Survey (BRMS) 2018/2019

The 2018/2019 Bangladesh Return Migrant Survey (BMRS) is a unique household survey dataset that covers 5,000 household with international migrants to Bangladesh that returned after 2009. It was conducted from November to December 2018. The survey was designed to be representative of returning migrants from areas with a high incidence of international migration in Bangladesh. The survey covers rural areas as well as semi-urban areas but excluded urban areas. In total, 125 Primary Sampling Units of Bangladesh were sampled– a PSU being part of a village. The sample frame used for the survey was the 2011 Census for Bangladesh. The 2011 Census asks whether each household currently has a member abroad for work, as well as the country of destination of the migrant. As the labor contracts of Bangladeshi migrants are largely fixed-term and for a few years only, the village-level incidence of outmigration by destination as of 2011 is expected to act as a reliable proxy for the incidence of return migration in 2018, time at which the data collection is being conducted. Based on the Census data, a list of villages ranked by the incidence of international migration was obtained. The villages (or wards for urban area) with the highest incidence of outmigration for these three country groups were selected for the survey. For each of the villages in the list, all returning temporary migrants from abroad that returned to Bangladesh after January 2010 were interviewed. Household weights in the survey reflect the probability of selection of the villages (or ward). The refusal rate was of 4%.

The survey collects detailed background information on all returning temporary migrants in the household, as well as detailed employment information before, during, and after their most recent migration episode of work abroad. The survey instrument asks details of all past episodes of migration overseas, as well as potential episodes of internal migration within Bangladesh. For each international migration episode, information on the country of destination, duration of stay at destination, migration costs, channels used to find employment, characteristics of the job at destination and wages, as well as the reason for return, are recorded. This allows us to recover the entire migration history of the individual. The survey also collects additional information on the experience abroad during the most recent migration episode, such as remittances sent, monthly expenses and savings, difficulties encountered abroad, as well as overall impressions on the migration experience. In the last module, detailed information is collected on employment outcomes since the return as well as intentions of future migration. For a more detailed description of the dataset, see Ahmed et al. (2020).

4.2 Migrants’ departure, destination, duration of stay, and activities after return are interlinked

Although returns are mandatory, duration of stay at destination varies substantially. Initial labor contracts and work permits in the main host countries are typically granted for one or two years. However, temporary migrants have the possibility to extend their duration of stay through the extension of their
labor contract by their employer. While cumulative duration of stay is capped at 10 years for low-skilled migrants in Malaysia and Singapore, there is no explicit limitation on the cumulative stay of low-skilled migrants in the UAE and the KSA. Figure 4.1 displays the distribution of duration of stay at destination of returning temporary migrants from Bangladesh, Nepal and Pakistan. As shown in Panel A, there exists substantial variation in duration of stay. While short stays of one or two years are most frequent, the median stay of temporary migrants from Bangladesh is of 4 years and stays longer than 10 years are not uncommon. We observe less variation in duration of stay in the sample of temporary migrants from Nepal and Pakistan. The median duration of stay of two years for returning migrants in both countries and stays of more than 10 years are rather uncommon.

**Duration of stay also varies among migrants that returned from the same destination, where they are exposed to the same legal constraints.** For temporary migrants from Bangladesh, shorter stays of one or two years are the most common in all top destination countries (Figure 4.2). However, longer stays beyond 5 years are also common in other destinations, except for Qatar where very few stays last longer than 6 years due to restrictions on the number of work permit renewals allowed. In Malaysia, a high concentration of stays between 8 and 10 observed, followed by a sharp drop in stays beyond 10 years due to regulation capping the cumulative duration of stay of temporary migrants. This indicates that there is scope for labor migrants to adjust their duration of stay to maximize intertemporal utility, even when legal restrictions on duration of stay are tight in destination countries. In Saudi Arabia – the main destination of temporary labor migrants from South Asia - migrants’ work permits have to be renewed every year and labor contracts are typically of two years, but there is no legal limit on the number of times the work permit can be renewed.

**Duration of stay at destination is influenced by multiple factors.** When returns are planned and part of the migrant’s optimization strategy, duration of stay at destination can be affected by the relative purchasing power of savings at home and in the host country (Dustman, 1995, 1997 and 2003), location-specific preferences for consumption (Hill, 1987; Djajic and Milbourne, 1988), as well as returns to the human and financial capital accumulated in the host country (Stark, 1991). Returns, however, may be unplanned. They can occur because of unexpected changes in economic or non-economic conditions at home (Dustman and Kirchkamp, 2002; Dustman, 2003), imperfect information resulting in lower earnings and savings than expected before departure (Borjas and Bratsberg, 1996), or a termination of employment abroad before its terms by the employer.

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65 According to the 2018/2019 Bangladesh Return Migrant Survey (BRMS), only 1% of temporary migrants had more than one employer while at destination. This suggest that an extension or renewal of the existing labor contract is the main margin of adjustment to extend duration of stay at destination.

66 However, such patterns may be partly driven by sampling and the way the question on past migration is asked in surveys in Nepal and Pakistan.
Migrants’ labor market outcomes at destination affect return decisions. In a setting where migrants choose duration of stay to maximize intertemporal utility, employment outcomes and wages at destination are an important determinant of return (Dustmann and Kirchkamp, 2002; Dustmann, 2003;
Yang, 2006; Bijwaard and Wahba, 2014; Bijwaard and Wahba, 2019; Akee and Jones, 2019). If migrants simply balance the marginal benefits of working abroad with its marginal cost, they would extend their stay overseas in response to higher wages (life-cycle hypothesis; Dustmann, 2003). However, if they are target savers and have planned to leave the destination once they achieve their target, an increase in earnings overseas would make them return earlier (earnings targeting hypothesis; Mesnard, 2004). Studies looking at the relationship between earnings at destination and return decisions report mixed findings. The few studies that attempt to isolate a causal relationship find that the life cycle hypothesis prevails empirically (Wahba, 2015; Yang, 2016; Bijwaard and Wahba, 2019). In addition, both low and high-income migrants have been found to return earlier than the average migrant, but low-income migrants tend to return faster (Wahba and Bijwad, 2014).

Labor migrants from South Asia with higher wages at destination return home later. Figure 4.3 plots the relationship between average monthly earnings at destination and duration for specific migration corridors for temporary migrants from Nepal, Pakistan and Bangladesh. Except for Nepal, where the sample is restricted to the specific Nepal to Qatar corridor, the association between earnings and duration of stay at destination is positive overall. This finding holds both when looking at all destinations together as well as when individual corridors are looked at. The life cycle hypothesis thus appears to prevail for temporary migration from South Asia.

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67 It is assumed that substitution effects dominate income effects associated with higher wages.

68 Borjas (1989) and Yang (2006) find that higher earnings are associated with less return migration, while Dustman (2003) finds that the optimal duration of stay of migrants decreases with wages. Constant and Massey (2003) and Gibson and McKenzie for migrants (2011) find no significant association between return decisions and labor earnings at destination. Mixed findings are partly driven by the difficulty to isolate the causal relationship between labor earnings at destination and return decision, as earnings and return are likely to be strongly correlated with migrants’ observables and unobservable characteristics.
Figure 4.3: Monthly earnings and duration of stay of temporary migrants, by country of origin

Panel A: Pakistan

Panel B: Bangladesh

Panel C: Nepal

Workers who paid higher costs to migrate return later. In addition to being associated with the benefits of migration – labor earnings - the duration of stay of labor migrants at destination is linked to monetary migration costs. In a setting where migrants optimize their duration of stay at destination and target net earnings, large fixed costs of migration increase incentives to stay longer at destination to make the labor migration episode profitable. There exists a positive association between initial costs of migration of labor migrants from South Asia and duration of stay at destination (Figure 4.4). This indicates that migrants adjust their duration of stay based on the monetary costs incurred, suggesting that migrants to some extent target total earnings of their migration spell.

Many temporary migrants return earlier than their original plans and contract term and many of these anticipated returns are involuntary. According to the World Bank BRMS 2018/2019, although most temporary migrants return because they employment contract abroad came to its term, anticipated returns are also common among temporary migrants. 43% of returning temporary migrants in the sample report that they returned earlier than originally planned or before the term of their employment contract. As shown in Figure 4.5, the leading reasons for returning earlier are being expelled from the home country, low wages at destination, and being fired by the employed. Thus, many of migrants’ anticipated return are involuntary and linked to irregular overstay at destination or to being laid-off by the employer at destination, which are both linked to the tight regulations of stay in the main destinations. The fact that many migrants return earlier because of low ages suggest imperfect information on wages at destination at the time of migration. Thus, a large share of temporary migrants are not able to stay at destination as long as expected, which has important implication on their expected versus actual gains from migration. Given the very high migration costs paid by migrants prior to migrating, this implies that some migrants do not stay sufficiently long at destination to even cover their upfront migration costs. The need of return migrants who were forced to return early thus differ from those who return voluntarily after having accumulated savings overseas.

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69 The positive association between costs of migration and duration is statistically significant at the 1% level for all corridors.
Figure 4.4. Costs of migration and duration of stay at destination

Panel A: Pakistan

Panel B: Bangladesh

Panel C: Nepal

Disappointment due to inaccurate expectations on wages overseas contribute to anticipated returns.

Estimates from the Bangladesh Return Migrants Survey suggest that there is a general sense of disappointment due to mismatches between actual and expected wages. Migrants from Bangladesh systematically overestimate the wages they will earn abroad. Over three quarters of migrants overestimate the wage they will earn prior to departure and that the gap between expected and actual wage is large is over 30% (Figure 4.6). Similarly, a vast majority of returning temporary migrants report being able to save less at destination than expected prior to departure. Temporary migrants from Nepal also tend to overestimate their earnings potential overseas prior to departure (Shrestha 2020).

Despite the large wage differentials between wage at home and at destination, low earnings are often a reason for anticipated returns reported by migrants. It is listed as one of the leading reasons for returning earlier than migrants’ original plan among return migrants from Bangladesh. This indicates that some migrants return earlier than expected prior to departure due to misinformation of the benefits of migration overseas.
Returns can be temporary. Given the legal constraints on duration of stay at destination, some temporary migrants engage in repeated or circular migration (Piracha and Vadean, 2010; Constant and Zimmerman, 2012). Due to data constraints, however, rigorous analyzes of repeated migration are very scarce.\textsuperscript{70} In the main sending countries from South Asia, surveys typically only ask about the most recent migration episode, and administrative data does allow to capture multiple trips for the same migrant using a unique individual identifier. For Bangladesh, one recent exception is the BRMS 2018/2019, which indicates that only 3\% of returning temporary migrants have completed more than one migration spell. The ILO/KNOMAD MCS for Pakistan and Nepal also asks whether individuals had done other trips abroad for work prior to the more recent migration spell. About 14\% and 21\% of returning migrants from Pakistan and Nepal, respectively, report that they have completed more than one migration episode. In addition, both the ILO Return Migrant Survey and the 2018/2019 World Bank BRMS for Bangladesh ask about intentions to re-migrate overseas among returning migrants. Both data sources report that over 40\% of returning temporary migrants intend to re-migrate.\textsuperscript{71}

Temporary migrants that return due to unexpected shocks are more likely to intend to re-migrate. Intentions to re-migrate among returning temporary migrants also depend on whether returns are voluntary or involuntary. For Bangladesh, the BRMS evidences significant variation in intentions to re-

\textsuperscript{70} Piracha and Vadean (2009) is, to the best of our knowledge, the only paper looking at these questions, using data from Albania.

\textsuperscript{71} The exact question asked in the World Bank BRMS 2018/2019 is “How likely is it that you will go abroad for work for work within the next 5 year?” The respondents have the choice between answering (1) Very likely (2) Rather likely (3) Neither likely nor unlikely (4) Rather unlikely (5) Not likely at all. 43\% of respondents answered that they are either very likely or rather likely to migrate again abroad for work within the next 5 years.
migrate depending on the main reason for return. Migrants who returned due to unexpected or involuntary circumstances such as a family emergency, being expelled, or being laid off by the employer are more likely to report that they returned earlier than their original plan or contract term. In addition, they are more likely to report that they intend to migrate again. In contrast, only a minority of migrants who returned because they had accumulated enough savings report that they intend to migrate again. This indicates that migrants that have achieved their savings target are less likely to repeat migration.

**Intentions to re-migrate are also associated with labor market outcomes after return.** The intention to re-migrate overseas is likely to affect investments in home labor markets, but intentions to re-migrate are themselves affected by home labor market conditions. Figure 4.7. reports the intentions to re-migrate abroad by labor market status of returning temporary migrants. It shows some variation in intentions to re-migrate depending on returning temporary migrants’ employment status after return. Returning temporary migrants with precarious jobs after return such as unpaid family workers, day laborers or who are simply unemployed are more likely to report that they intend to re-migrate (Panel A). In contrast, returnees that became self-employed, particularly those that setup a business with paid employees after return, are significantly less likely to intend to re-migrate. In addition, returning temporary migrants that earn more after returning home are less likely to intend to re-migrate (Panel B). This evidence is consistent with temporary migration being a way to overcome credit constraint and start-up economic activities after return.

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72 Piracha and Vadean (2010) evidence a strong association between reasons for returns and intentions to re-migrate in Albania.
Figure 4.7: Percentage of returning temporary migrants that are likely or very likely to re-migrate in the next five years

Panel A: By employment status after return

Panel B: By labor earning quartile after return

4.3 The financial and human capital brought back by returning temporary migrants can increase labor productivity at home

**Returning temporary migrants are negatively selected on observable characteristics among migrants globally.** Migrants that return home are a selected group among the already selected pool of labor migrants that moved abroad (Wahba, 2015). Most studies find that returning migrants are negatively selected among labor migrants, meaning that they tend to be less skilled or educated compared to migrants that stayed abroad (Borjas and Bratseberg, 1996; de Coulon and Piracha, 2005; Fernández-Huertas Moraga, 2011; Reinhold and Thom, 2013; Bijwaard and Wahba, 2014; Kaestner and Malamud, 2014; Ambrosini at al., 2015; Wahba, 2015).

Despite mandatory returns, returning migrants in South Asia have lower levels of schooling than current migrants. Given the strict legislations on duration of stay in the main host countries, low-skilled migrants from South Asia are ultimately expected to return home. Duration of stay overseas is linked to migrants’ degree of success at destination, which itself depends on migrants' characteristics. Evidence for Nepal and Bangladesh indicates that returning temporary migrants captured by national household surveys have lower levels of schooling compared to the pool of temporary migrants currently abroad (Figure 4.8). Negative selection is sharper in Bangladesh, where the share of returning temporary migrants with no education is significantly higher than that of temporary migrants who are still abroad. In Nepal, the share of highly educated workers is also lower among returning temporary migrants although differences between the two groups are not as pronounced.

**However, returning temporary migrants from South Asia have higher levels of schooling compared to workers who have not migrated abroad.** Although returning temporary migrants are negatively selected among the pool of labor migrants, they have higher levels of schooling than workers who have not migrated in Pakistan, Bangladesh and Nepal (Figure 4.9). The initial positive selection of migrants therefore appears to dominate the negative selection of returning temporary migrants among labor migrants.\(^73\) Although years of schooling are an imperfect proxy for workers’ skills and productivity, this indicates that returning temporary migrants are presumably more productive than non-migrants in home labor markets.

**Returnees can bring back additional skills from overseas that are in demand by home labor markets, resulting in greater labor productivity.** The return of labor migrants is a potential source of growth for origin countries, first through newly acquired skills abroad (Docquier and Rapoport, 2012). These skills can be occupation-specific or sector-specific, such as construction, where most labor migrants from South Asia find employment (KNOMAD, 2016). Skills can also be more general, such as language skills that might be useful in a wide variety of jobs. The process of successfully migrating and returning can also rise workers’ confidence and motivation, increasing their productivity in a wide variety of tasks (Wahba, 2014).

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\(^73\) Typically, as emphasized by Wahba (2015), one faces the issue of double selection when analyzing the labor market outcomes of return migrants after return. The first type of selection types when individuals first decide to migrate abroad or not, and a second type of selection occurs among individual that have already migrated, on whether they return home or not.
Finally, the migration experience abroad may act as a signaling device of workers’ productivity to employers in home labor markets (Reinhold and Thom, 2013).

Figure 4.8: Years of schooling of returning temporary migrants compared to current temporary migrants and non-migrants, males age 15-64

Panel A: Bangladesh

Panel B: Nepal


Note. The y-axis reports the percentage of individuals in the sample with the corresponding number of years of schooling (x-axis). Statistics are nationally representative and weighted by household weights. Non-migrants are defined as individuals that have not migrated internationally and includes internal migrants.
International evidence that returning temporary migrants earn a positive wage premium compared to non-migrants in home labor markets. The positive wage premium earned by returning temporary migrants compared to non-migrants has been established in various contexts. Part of the premium can be explained by systematic differences in the characteristics of returning temporary migrants relative to non-migrants (Wahba, 2015). In addition, migrants from developing countries may benefit from their experience abroad back home in terms of labor earnings (Lacuesta, 2010; Reinhold and Thom, 2013; De Vreyer et al. 2010; Wahba, 2015; Dumont and Spielvogel 2008). The extent to which migrants and the home country benefit from return migration depends on whether returning temporary migrants can use the experience gained abroad in the home labor market (Dustmann et al. 2011; Mayr and Peri, 2009). It has also been shown that highly educated returnees benefit more from the skills they acquired abroad (McCormick and Wahba, 2011), the and country of destination appears to matter in the benefits of return migration (Debnah, 2016). One limitation of these studies on returnees’ earnings premium, however, is that they are typically restricted returnees that are wage employed at home, although a large proportion of return migrants to developing economies are self-employed.

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75 National household income and expenditure survey and labor force surveys typically collect information on labor earnings for wage employees only. See Wahba (2015) for a more extensive discussion on selection and endogeneity issues when estimating the earnings premium for returning temporary migrants.
Returning temporary migrants from South Asia earn higher wages than non-migrants, although the estimated wage premium is small. Figure 4.10 reports that returning temporary migrants that are engaged in wage work earn higher wages than wage workers that never migrated in Bangladesh. The returnee wage premium somehow diminishes in Bangladesh and shrinks drastically in Pakistan once workers’ observable characteristics are not accounted for. This indicates that the returnee wage premium mainly driven by systematic differences between characteristics of return migrants and non-migrants in Pakistan, such as age or level of schooling. The wage premium in Nepal is unchanged once workers’ characteristics are controlled for and remains positive in Bangladesh and Pakistan. Although one needs to keep in mind the limitations of these estimates in the interpretation of the wage premium for returnee (Box 4.2), this suggests a slightly higher productivity of returning migrants compared to non-migrants engaged in home labor markets.

Figure 4.10: Estimated wage premium of returning temporary migrants compared to non-migrants, males age 15-64, wage workers only


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76 However, this association cannot be interpreted as causal as we are unable to control for unobservable factors that could jointly affect the decision to migrate and labor earnings after returning home, such as unobserved ability not captured by level of schooling, motivation, social networks or others.
Returning temporary migrants in South Asia are as likely to be self-employed as non-migrants. The lack of access to credit is an important constraint to entrepreneurship in South Asia (Kuntchev et al., 2012). When options for formal wage employment at home are limited, temporary migration can be a way for aspiring entrepreneurs to ease credit constraints at home by accumulating financial capital abroad to start a business after return (Dustmann and Kirchkamp, 2002). Several studies for developing economies find that returning temporary migrants are more likely to set up businesses than non-migrants (Dustmann and...
Kirchkamp, 2002; Mesnard, 2004; Piracha and Vadean, 2010; Wahba and Zenou, 2012; Bossavie and Denisova 2018). Figure 4.11 depicts the occupational distribution of returning temporary migrants in Nepal, Pakistan and Bangladesh, compared to non-migrants. In all three countries, the incidence of self-employment in non-agriculture among return migrants is about the same as for non-migrants. This, however, does not imply that past migration does not increase to increase self-employment back home, as workers who temporary migrate may be less likely to be entrepreneurs than non-migrants in the absence of temporary migration.

Figure 4.11: Occupational and sectoral distribution of returning temporary migrants compared to non-migrants in Nepal, Bangladesh and Pakistan, males 15-64

<table>
<thead>
<tr>
<th>Wage, agri</th>
<th>Wage, non-agri</th>
<th>Self, agri</th>
<th>Self, non-agri</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nepal</td>
<td>5% 6%</td>
<td>61% 58%</td>
<td>26% 26%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>12% 18%</td>
<td>53% 51%</td>
<td>18% 14%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2% 5%</td>
<td>47% 34%</td>
<td>21% 27%</td>
</tr>
</tbody>
</table>


Note: Statistics are nationally representative and weighted by household weights.

However, this static picture masks substantial upward labor market mobility after migration. Surveys that allow to compare the employment outcomes of temporary migrants before and after migration are very scarce. The World Bank BRMS 2018/2019 is a recent exception, and shows massive transitions of workers into self-employment, and particularly non-agricultural employment after return. Evidence from the survey shows positive employment transitions of returning temporary migrants after migration compared to their situation before migration (Figure 4.12). According to the World Bank BRMS 2018/2019, only 43% of temporary migrants were employed before migrating, while 82% are employed one year after returning home from overseas. The rate of employment of temporary migrant after return is identical to that of non-migrants, and

The sharp increase in employment rates after return largely results from starting up self-employed activities. Among individuals that were not employed in Bangladesh before migrating overseas, 82% were employed in Bangladesh after returning, and among the employed, 81% were self-employed (Figure 4.12).

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77 This is robust to controlling for non-migrant and return migrant observable characteristics.
While only 13% of temporary migrants were self-employed before migration, 54% were self-employed after return. The jump in non-agricultural self-employment is particularly striking, going from 10% before migration to 41% after return in the BRMS sample. Among temporary migrants that had never been employed in Bangladesh before migrating, two third had become self-employed one year after returning to Bangladesh.\(^7\)

**Figure 4.12: Employment Status of temporary migrants from Bangladesh before and after migration**

Note: Statistics are for male workers only.

**Savings accumulated abroad facilitate transitions into self-employment.** Figure 4.13 shows a strong positive association between cumulative earnings abroad and the likelihood to be self-employed after return. This suggests that some of the savings accumulated during migration are channeled to starting up self-employment activities. The 2018/2019 World Bank BRMS indicates that many migrants used the capital accumulated abroad to start their self-employment activity (Figure 4.14). Almost half of the returning temporary migrants who were self-employed at the time of the survey report that their earnings overseas were the main source of funding to start-up their self-employed activity.

\(^7\) The relationship between temporary migration and entrepreneurship in Bangladesh is covered in detail in Bossavie et al. (2020b).
Figure 4.13. Share of returning temporary migrants who are self-employed, by decile of cumulative labor earnings during migration

Panel A: % of all return migrants

Panel B: % of employed return migrants

Figure 4.14: Main source of start-up capital among returning temporary migrants that transitioned into non-farm self-employment


Migrants from South Asia acquire language skills abroad, but it is unclear whether migration increases human capital in ways that raises productivity at home. While most of the literature focuses on human capital gained by migrants abroad, it is ambiguous whether temporary migration work in low-skill occupations in the GCC or Southeast Asia mainly yields to human capital gains among temporary migrants. Occupations at destination are largely blue-collar activities in the construction sector. Although most temporary migrants from Bangladesh were employed in the construction sector overseas, very few returning temporary migrants transition into the construction sector after returning home. Regarding language skills, very few temporary migrants report being able to speak or understand the language used in their workplace - Arabic in most cases - prior to departure. However, over two thirds of returning temporary migrants that they were able to speak and understand at least some simple sentences in the language used in their workplace overseas.

The benefits of return migration can be reduced by several factors. There can be several reasons why the home economy may not take full advantage of return migration. First, there may be adjustment costs and job search frictions associated with return migration. For example, returning temporary migrants may bring back skills that do not match the demand of the home economy, which can generate frictions and adjustment costs for reintegration in home labor markets (Lucas, 2008). Second, returnees may have high reservation wages, and may therefore not be willing to work for home labor market wages. Third, if returning temporary migrants have the intention to migrate overseas again, and if the skills demanded overseas are different from those in demand by home labor markets, they incentives to acquire experience and skills in home labor markets may be limited.

Employment rates are lower among returning temporary migrants. Figure 4.15 shows somehow lower employment rates among returning temporary migrants compared to non-migrants in Nepal,
Bangladesh and Pakistan. As displayed in Panel B and C, lower employment rates are driven by higher unemployment rates among returning temporary migrants compared to the non-migrant population, rather than lower labor force participation. Labor force participation is indeed slightly higher among returning temporary migrants compared to non-migrants in all three countries (Panel C). In contrast, unemployment rates among returning temporary migrants are higher than for non-migrants in all three countries.

**Lower employment rates among returning temporary migrants are transitory.** Evidence for Nepal and Bangladesh shows that participation increases with the amount of time that elapsed since the return (Figure 4.16). For Bangladesh, the employment rate is of about 82% among male returning temporary migrants that have come back to Bangladesh more two years prior, which is identical to that of the non-migrant population (Farole et al, 2017; Ahmedet al., 2020). However, the employment rate of returnees that have come back less than two years ago is only 50%. Two main explanations could account for this pattern. First, returning temporary migrants may deliberately choose to spend leisure time after returning as part of their life cycle plan (Dustmann and Kirchkamp, 2002), after having spent long hours working abroad away from their families of friends. Second, returning temporary migrants may want to start working right after returns, but there could search frictions associated with finding employment back home. For those who become self-employment after return, setting up a self-employed activity can take some time.

**Job search frictions and a lower willingness to work after return both drive lower employment rates among returnees.** One way to distinguish between these two possible channels behind low employment rates after return is to separate the employment rate into its labor force participation component and employment component. Both channels seem to be at play in Nepal (Panel B of Figure 4.16). The labor force participation of returning temporary migrants increases a couple of years after returning, indicating an increased willingness to work after some time back home. Similarly, the unemployment rate for returning temporary migrants - calculated only among those that participate to the labor force – is initially quite high in first years after returning but gradually decline. This suggests that both job search frictions and intertemporal leisure allocation are at play in explaining the transitory low employment rates of returning temporary migrants in the year after return.

79 The difference between employment rates of return migrants and non-migrants is however statistically significant.

80 The higher likelihood of unemployment among returning temporary migrants is robust to controlling for individual worker characteristics. Results are available upon request.
Figure 4.15: Labor force status by past migration status, males age 15-64

Panel A: Employment ratio

Panel B: Unemployment Rate

Panel C: Labor Force Participation Rate

Figure 4.16: Labor market status of returning temporary migrants by number of years since return, males 15-64

Panel A: Bangladesh

Panel B: Nepal


**Higher upfront migration costs reduce the ability of migrants to start entrepreneurship after return.** In the presence of credit constraints for entrepreneurship at home, temporary migration can allow migrants to accumulate savings faster in order to startup a self-employed activity after return (Dustmann and Kirchkamp 2002, Mesnard, 2014, Wahba, 2015). In this context, higher migration costs require migrants to stay longer at destination to accumulate enough assets to start up entrepreneurship once back home (Bossavie et al., 2020). However, given the tight regulations on duration of stay in the main destinations, migrants from South Asia are not always able to extend their duration of stay to accumulate sufficient savings. As a result, higher migration costs reduce the net returns of migration spells, and thus the ability of migrants to startup entrepreneurship activities once they return home.
4.4 To maximize the benefits of temporary and return migration, policies and institutional frameworks need to be revisited and evidence-based

There is increasing demand for interventions targeted at returning temporary migrants. Yang and McKenzie (2015) classify programs targeted at return migrants into three categories: (i) Policies to remove the regulatory, bureaucratic, and informational barriers that inhibit return migration; (ii) Policies intended to change the financial and other incentives to return (iii) Policies intended to make return migrants more productive and reintegration easier. Given the regulations on temporary stay in the most destination of migrants from South Asia, (i) and (ii) do not really apply to the South Asian context. In contrast, the reintegration and employment of returning migrant in productive activities upon return, however, has been a growing concern among policy-makers in South Asia. This has been exacerbated by the tightening of regulations in the EU, and by measures to lower the reliance of the economy on low-skilled labor in some in the GCC countries. In addition, an increase in forced returns from some of the GCC and EU countries was also observed in recent years (World Bank, 2018b).

Dedicated agencies to facilitate return initiatives are however very rare globally and non-existent in South Asia. One of the very few comprehensive programs nationwide for developing economies of is the Overseas Foreign Worker (OFW) reintegration program provided by the Philippines. The Philippines is one of the very few countries that established a dedicated agency to facilitate returnee initiatives. In 2007, the government established the National Reintegration Center for Overseas Filipino Workers as a “one-stop center” for helping returnees reintegrate. Initiatives include providing expedited access to credit for creating a business, capacity development training, and family counseling. The program attempts to address both the economic and social needs of returning workers. Training programs and training are offered for those who would like to start up small businesses, while a psycho-social component includes services like family counselling, stress debriefing, and community organizing programs intended to help the migrant fit back into life in the Philippines (Tornea, 2003).

Exiting programs targeted at returning temporary migrants in South Asia are small-scale and largely focused on forced returnees. In Bangladesh, the Prottasha program was put in place by both the International Organization for Migration (IOM) and the European Union to reintegrate migrants who were forced to return from Europe holding irregular status. The support provided to returning migrants is being provided in the returnees’ home district and consisted of four main interventions: (i) social support including psycho-social support (ii) Awareness raising programs (iii) Economic empowerment (iv) Institutional development. Component (iii) included entrepreneurship and motivational skills training, vocational skills training, access to finance and referrals to economic reintegration services. As of March 2019, a total of 774 returnees have been identified for reintegration assistance. A similar program was implemented in Ethiopia following the forced return of 163,000 return migrants from Ethiopia. The effectiveness of the intervention is however unclear as no impact evaluation has been carried out to assess its impact on returning migrants and their households. In Nepal, the Government together with IOM put in place a return assistance program for stranded migrants which includes support to access. The program lasted from 2015 to 2018 and consisted of a package of support interventions to facilitate
returnees’ integration. Those included financial support to fulfill basic consumption needs after return as well as support to access livelihood opportunities. This program has, however, not been impact evaluated.

**Designing effective policies for return migrants requires systematic data collection on their migration history and outcomes before, during and after migration.** There is an important knowledge about returning temporary migrants in South Asia, due to the lack of available data sources. Administrative data sources in the region do not allow to track temporary migrants once they return to the home country, as temporary migrants are recorded once they leave the home country, but not once they return. In addition, the labor market outcomes of temporary migrants in the destination country are typically unknown, as administrative data from the host country cannot be linked to home country administrative data on temporary migrants. As a result, administrative data is currently of very limited use to understand temporary migration and design adequate supporting policies. Some nationally representative surveys in the origin countries in South Asia allow to capture temporary migrants once they return home, but sample size is typically small and detailed information on labor market outcomes at destination is typically lacking. There is therefore a need to expand - or include, in countries where they do not exist – detailed labor migration modules aimed at capturing current or return temporary migrants in national household surveys. In addition, surveys targeting returning temporary migrants such as the World Bank BRMS 2018/2019 in Bangladesh, could be replicated and generalized to other migrant-sending countries. Those surveys allow to collect in-depth information on the migration and employment history of temporary migrants with a degree of detail which cannot be achieved by standard national household surveys.

**Policies targeted at return migrants must distinguish between planned and unplanned returns, or forced and voluntary returns.** Distinguishing between planned and unplanned returns and between voluntary and involuntary ones is important from a policy perspective. The circumstances behind migrants return have very different implications on the type of policies needed to maximize the benefits of return migration for both the migrant and the home country. From a policy perspective, the type of interventions needed to support return temporary migrants who voluntarily returned after accumulating enough savings overseas are very different from those needed for migrants who were expelled from the host country, returned earlier than expected due to a disappointment on the experience abroad, or were laid off by their employer at destination. While voluntary returns can be accompanied by more standard labor interventions such as labor intermediation or support to entrepreneurship, forced returns can require additional interventions that include support to repatriation, cash grants to meet basic needs to commence the process of livelihood restoration.

**There may be a limited need for active labor policies supporting returning migrants that return voluntarily, although support to entrepreneurship activities could be considered.** Statistics from surveys in Nepal, Bangladesh and Pakistan show that one of two years after return, the employment rate of returning temporary migrants is very similar to that of the non-migrant population. In addition, descriptive evidence also indicates that temporary migration facilitates access to self-employment activities, by facilitating the accumulation of financial capital abroad and thus overcoming credit constraints. In

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81 See Ahmed et al. (2020) for a detailed discussion on how standard national household surveys capture temporary migrants, and on their respective strengths and limitations.
Bangladesh, return temporary migrants who were employed had started employment only four months after return on average. As starting up self-employment after return is quite frequent among return migrants (Bossavie et al., 2020), small business advice and savings management to ensure that any capital brought back is invested productively could however help to effectively channel the financial capital brought home by migrants. This could be also achieved by referring returning temporary migrants to existing services aimed at supporting small-scale self-employment.

**Those could be complemented by interventions to strengthen the management and investment of savings by temporary migrants.** Evidence from the World Bank BRMS 2018/2019 shows that returning temporary are typically lacking basic financial literacy which can harm savings accumulation abroad and productive investment after returning home. Interventions to address this issue could include basic financial literacy training, to support savings accumulation and management from labor earnings abroad. These interventions should ideally take place at each stage of the migration life cycle, including at the pre-departure stage, periodically throughout his/her stay abroad, as well as after return. Financial literacy interventions taking place in destination countries have been shown to increase financial knowledge among migrants (Gibson et al., 2014) and in some cases migrants’ actual savings (Seshan and Yang, 2014). In addition, these financial literacy interventions have been shown to have a greater impact on savings when they are delivered to both the migrants and their household member (Doi et al. 2014)
The effectiveness of current return and reintegration policies for migrants that return voluntarily has been a subject of constant debate for years, and rigorous evidence of their impact is lacking. Programs targeted at return migrants who return voluntarily are currently limited, of small scale and not impact evaluated. In addition, the few large-scale programs like the ones that have been implemented in China and India are primarily targeted at high-skilled migrants (Jonkers 2008; Debnath, 2016). While countries like China, Taiwan, India, Korea, may have benefited from implementing various return policies, not all developing countries might benefit to the same extent because for example of imperfect labor market conditions or less accessible credit markets for returnee entrepreneurs. Moreover, the policies that have worked for some developing countries might not work for the entire developing world since each country has its unique set of political and economic factors requiring customized policy solutions. Others have argued that successful return occurs when the factors at home as well as in the host country are conducive to return (Wickramasekara 2002).

Box 4.3: Comprehensive programs targeted at returning migrants: The example of the Overseas Foreign Worker (OFW) in the Philippines.

The Philippines currently provides the most comprehensive range of programs targeted at returning migrants globally. The program includes a range of reintegration services to migrants are provided by OWWA and the National Reintegration Center for OFWs. The latter offers two livelihood and self-employment programs for retuning temporary migrants that seek to create income-generating opportunities. The Government also offers services to returning migrants who were displaced from work abroad by conflict, policy change, illegal recruitment, or human trafficking as part of The Balik-Pinay Balik-Hanapbuhay (BPBH), a noncash livelihood support program provides skills or entrepreneurial training, starter kits. The Enterprise Development and Loan Program (EDLP), run in partnership with the Land Bank of the Philippines and the Development Bank of the Philippines, also helps support enterprise development through entrepreneurial development and fixed interest loans. Other reintegration programs include the OFW-M3 program for financial literacy and entrepreneurship training, the Assist WELL program to train domestic workers to become teachers and other occupations, and the SMBT/FAS small business training program. The success of these reintegration programs, however, is not well document and existing evidence is restricted to a very small sample of beneficiary interviews. Based on those interviews, the Philippines Commission on Audit found that neither the BPBH nor EDLP met its objective for 2015 (Philippines, COA 2016b). Fifteen of 36 BPBH interviewees said that the businesses started were no longer in existence. Interviews showed that most borrowers from the EDLP (known as the Reintegration Program when it was audited) were not able to sustain their income-generating activities.
The effectiveness of programs facilitating entrepreneurship among returnees is also not well documented. Given the large proportion of returnees that take up entrepreneurship activities after return in South Asia (Bossavie et al. 2020), there is a case for putting in place interventions that support returnees’ entrepreneurial activities after return. Some re-integration programs involve training and/or credit to start small enterprises. The rationale of these programs is to help overcome financial or skill constraints that limit the ability of migrants to work productively. McKenzie and Yang (2016) however outline a set of limitations about such programs. First, there is no rigorous evidence available on the effectiveness of these programs. The first is that not everybody wants to be an entrepreneur, and many return migrants will have been working in wage jobs previously, with no experience in running a business. Second, existing evaluations of training programs have had at best mixed results, even amongst those individuals interested in starting businesses (McKenzie and Woodruff, 2017) and there is no reason to expect return migrants to be particularly good at running businesses. Third, it is unclear why such programs should be targeted explicitly at return migrants, rather than being part of a portfolio of training and work assistance options offered to all individuals in a given region.

For returnees who seek wage employment, it is unclear whether programs aimed at reducing job search frictions are effective. One potential barrier to maximizing the benefits of return migration for the migrants themselves or for the home economy is the existence of job search frictions. In that respect, one option is to adapt standard labor market interventions and employment services to support the reinsertion of return migrants who intend to work as wage employed. To reduce such frictions and facilitate the transition from overseas to home labor markets, governments attempted to make it easier for domestic firms to locate emigrant workers who may be interested in returning, and vice versa. For example, Jamaica’s returning residents program has a databank of migrants abroad that prospective employers can use to recruit (Thomas-Hope, 2004), Bulgaria runs an annual job fair to try to initiate direct contacts between Bulgarian emigrants and leading companies in Bulgaria, and Moldova has held job fairs in Italy to provide information about job opportunities back in Moldova. It is again unclear how successful any of these efforts have been in terms of increasing return migration or improving the jobs that return migrants get, as none of them has been impact evaluated.

Policies facilitating the recognition of skills gained abroad could both strengthen the reintegration of returning temporary migrants and increase the gains of future migration. Through their work experience abroad, migrants acquired skills and experience that can be valuable in another migration experience. Those skills can be destination-specific but may also be transferable to other destination countries and potentially generate earnings gains for migrant workers in the next migration episodes. This applies for not only technical skills, as those acquired specifically in the construction sector overseas, but also language skills. Among returning temporary migrants to Bangladesh, about two thirds of those who moved to the Gulf report that they were able to formulate and understand at least simple sentences in Arabic after returning, and about a third were able to formulate and understand complex sentences. A better understand command of the work language used at destination is likely to increase labor productivity in future migration episode even in a context where manual labor at destination predominates, through for example a better understanding of instructions given in the work place. A few countries have attempted to make return migrants more productive by facilitating the recognition of the qualifications and skills gained abroad. For example, Argentina’s RAICES program offers the translation
and accreditation of qualifications formally earned abroad. One promising policy area in the context of temporary and repeated migration is to make the skills and experience abroad recognized internationally, so that migrants can benefit from these certifications in the next migration episodes.
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