

# 5

## CHAPTER

### Migrant Workers Outflow and Remittance Inflow *Current Trends, Challenges and Future Options for Bangladesh*

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## 5.1

## INTRODUCTION

Remittances earned from overseas Bangladeshi migrants have traditionally played an important role from the perspective of replenishing the foreign exchange reserves of Bangladesh. Contribution of remittances in maintaining healthy overall balance of payments (BOP) situation of the country is well documented (Table 5.1). Remittances also played a significant role in the economy when export was experiencing deceleration during the post-Global Financial Crisis period.<sup>1</sup> The positive impact of remittances on consumption and poverty alleviation is also supported by extensive literature.<sup>2</sup> Remittances generate large multiplier effects as these are "more likely to be spent on domestically produced goods" (World Bank 2008). Besides, the welfare impact of international migration, both in terms of reducing pressure on the domestic labour market and injection of foreign currency into the domestic economy is well established.<sup>3</sup> Latest figures show that since independence more than 7.7 million<sup>4</sup> people had left Bangladesh for jobs abroad through formal channels only.<sup>5</sup> A cumulative USD 90.8 billion has been sent to the country by migrant Bangladeshis as remittances since 1976, through the formal channels.<sup>6</sup>

Table 5.1

## Importance of Overseas Migration and Remittance for Bangladesh Economy

Year	Remittance (Million USD)	No. of Expatriates ('000)	Cumulative No. of Expatriates ('000)	Remittance as Per cent of				
				Total Export	Total Import	Total ODA	GDP	FOREX Reserve
FY2000	1949	248	2865	33.9	3.0	362.0	17.8	99.1
FY2005	3848	250	4051	45.6	1.9	565.7	21.8	131.3
FY2007	5979	564	4906	49.2	3.3	745.4	25.1	117.8
FY2008	7915	981	5887	56.2	4.5	683.4	27.2	128.7
FY2009	9689	650	6537	62.2	43.0	524.5	10.8	129.7
FY2010	10987	427	6964	67.8	46.3	507.7	11.0	102.2
FY2011	11650	439	7403	50.8	34.6	655.5	10.5	108.6

**Source:** Calculation based on the Bangladesh Bank and the Bureau of Manpower, Employment and Training (BMET) data (several years).

**Note:** ODA: Official development assistance; GDP: Gross domestic product.

In the context of prospects of future remittance flows to Bangladesh, a number of factors including gender and skill-mix of migrant workers, cost of migration, catering to the demands in the global labour market, and impact of the crisis in the Middle East and North Africa (MENA) have emerged as major concerns in recent times. Whether or not the

<sup>1</sup>Increase in oil prices and expansion of economic activities in the Gulf Cooperation Council (GCC) countries helped Bangladesh maintain a decent performance in manpower export and remittance earnings during that period.

<sup>2</sup>According to Khondker and Raihan (2007), growth in remittances accounted for 1.7 per cent out of a 9 per cent decline in headcount poverty during 2000-2005. The study also found that the probability of a household becoming poor decreases by 5.9 per cent if it receives remittances.

<sup>3</sup>About 2.2 million people get into the Bangladesh labour market each year. Capacity to absorb this number within the domestic economy is rather limited. Migrant workers account for between 20-30 per cent of the annual incremental labour force. Thus, manpower export contributes to both poverty alleviation and economic security of the country.

<sup>4</sup>Data till December 2011.

<sup>5</sup>Total number of migrant workforce from Bangladesh at present, however, remains somewhat unclear as many have left through various informal channels and some have also come back.

<sup>6</sup>The cumulative remittance inflow since January 1976 till March 2011 was USD 81.7 billion. This was 1.6 times the foreign aid (USD 51.4 billion) received by Bangladesh during the same period.

upheaval in the MENA countries has had any significant adverse impact on Bangladesh's labour export and remittance earnings, needs careful investigation. However, the volatile situation following the uprising in MENA countries has once again redirected attention of labour-exporting countries such as Bangladesh with regard to the likely uncertainties emanating from this type of development.

The following discussion presents an analytical review of the emerging state of overseas migration and remittance situation of Bangladesh with focus on the first six months of FY2011-12.

## 5.2

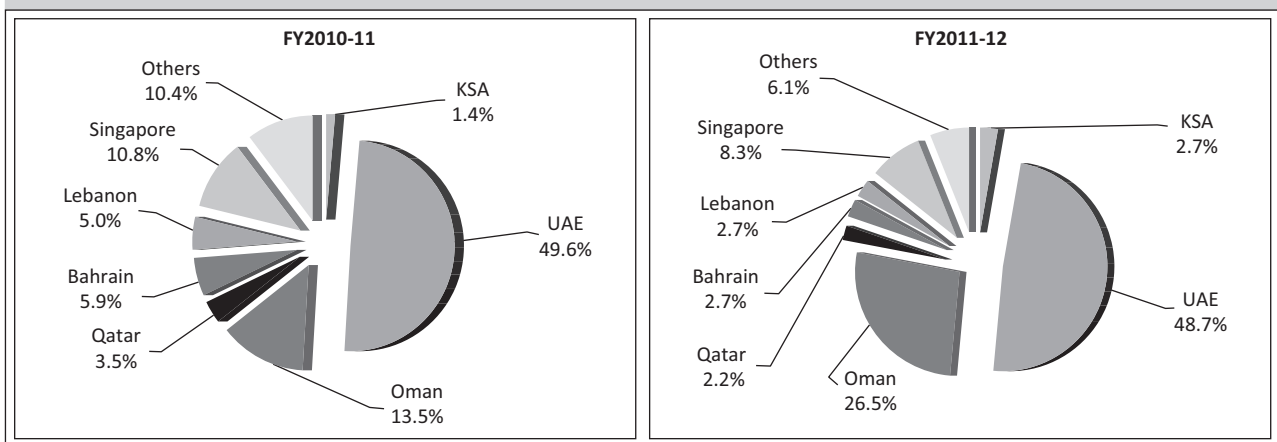
### OVERSEAS MIGRATION: REBOUND IN FY2011-12

Official data show that the total number of migrant workers who had gone abroad during the first six months (July-December) of the current fiscal (FY2011-12) was 316,565. This is about 68.5 per cent higher than that of the corresponding period of the previous fiscal when a total of 187,878 workers went abroad. Indeed, the indicator is significantly better than the (-) 16.3 per cent negative growth registered during July-December period of FY2009-10 over the same period of FY2008-09. However, one may recall that number of peoples going abroad from Bangladesh had continued to fall since FY2007-08 till FY2010-11; this was in sharp contrast to the secular rise in the number which was experienced during the period between FY2001-02 and FY2007-08.<sup>7</sup> One may also recall here that with a total of 0.44 million people migrating abroad for work in FY2010-11, the target set out in the national budget (0.58 million) could not be met. Hence, the upturn in overseas migration in the first half of FY2011-12 shows some signs of respite in terms of regaining the lost momentum in manpower export from Bangladesh.

Market concentration of Bangladeshi migrant workers has also shown certain variations in recent times. Figure 5.1A and Figure 5.1B reveal that while share of some of the

**Figure 5.1**

**Change in Market Composition for Manpower Export from Bangladesh: FY2010-11 and FY2011-12 (July-December)**



Source: Based on the Bureau of Manpower, Employment and Training (BMET) data.

<sup>7</sup>There was some decline in FY2004-05; however, in FY2007-08 a record 0.98 million people had gone abroad from Bangladesh.

traditional markets (such as United Arab Emirates (UAE), Qatar and Bahrain) in terms of manpower export by Bangladesh has declined during the July-December period of FY2011-12, a number of other countries (including Oman and Kingdom of Saudi Arabia (KSA)) have witnessed a rise in their respective shares. Particular mention may be made here of Oman for which the share increased by about 13 percentage points. It may be noted here that while Libya hosted about 6 per cent of total overseas migrant workers from Bangladesh during the first six months of FY2009-10, there was no or insignificant migration to this country over the same period of the next two fiscal years.<sup>8</sup> Indeed, the evolving situation in Libya has raised demand for a *Contingency Plan* to address the needs of the migrant workers in times of crisis in the host countries (more on this in Box 5.2).

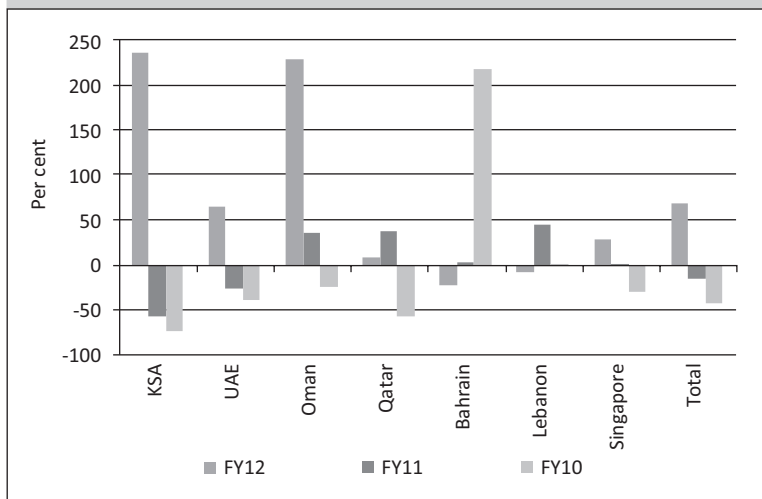
Apart from Libya, continued deceleration in overseas migration to Malaysia appears to be a major concern. While Malaysia took about 73,500 (more than 18 per cent of total) Bangladeshi workers during the July-December period of FY2008-09, the number for the corresponding period of the three successive fiscal years were a mere 237, 628 and 308 respectively. As a result Malaysia's share became negligible during the respective first six months of FY2009-10, FY2010-11 and FY2011-12. In a welcome development, some negotiations have recently been initiated by the governments of Bangladesh and Malaysia to facilitate labour migration from Bangladesh through government-to-government (G2G) arrangements.<sup>9</sup> However, the process is yet to bring any tangible outcome.

Bangladesh has experienced negative growth in manpower export also to Bahrain (-22.4 per cent) and Lebanon (-8.5 per cent) during July-December, FY2011-12 as against the same period of FY2010-11 (Figure 5.2). The corresponding growth rates for FY2010-11 vis-à-vis FY2009-10 were 2 per cent and 45 per cent respectively. A large part of the recent decline in overseas migration to these two countries could be attributed to a shift in preference of aspirant migrant workers towards Saudi Arab, UAE and Oman. It is notable that while overseas migration from Bangladesh to both Saudi Arab and UAE during the first half of FY2010-11 registered negative growth ((-) 57.7 per cent and (-) 26.8 per cent respectively) when compared to the same period of FY2009-10, the situation has reversed during the July-December period of FY2011-12. With more than 8,600 people going to Saudi Arab during the first six months of the current fiscal, the growth over the corresponding period of the previous fiscal has jumped to 237 per cent.

As for UAE, the growth has been an encouraging 66 per cent. Singapore has also contributed to the positive upturn during the first half of FY2011-12 by posting a growth of 28.6 per cent over the corresponding period of the previous fiscal.

Figure 5.2

Comparative Growth in Overseas Migration: July-December



Source: Based on the Bureau of Manpower, Employment and Training (BMET) data.

<sup>8</sup>According to official data, there was no migration from Bangladesh to Libya during July-December period of 2010. During the same period of 2011, only 89 Bangladeshi workers migrated to that country.

<sup>9</sup>Under the G2G arrangement, Malaysia will take workers from Bangladesh through the Bureau of Manpower, Employment and Training (BMET). The initiative also envisages sending workers to Malaysia at a migration cost not exceeding Tk. 84,000. The Government of Bangladesh (GoB) is currently in the process of finalising the necessary modalities with registered recruiting agencies (though they initially disagreed with the proposed migration cost), so that the offer by the Malaysian government can be meaningfully made use of.

As is known, Saudi Arab has recently expressed its willingness to take workers from Bangladesh under four categories, namely drivers, gardeners, doormen and domestic help. Besides, the island countries of Maldives and Mauritius are reported to be interested to host increased number of migrant workers from Bangladesh in the coming days.<sup>10</sup> While demand in the former is known to be for skilled and professional manpower specially doctors, nurses and teachers, preference of the latter is semi-skilled and skilled workers in garments, construction and fish processing industries. Reports suggest that UAE is planning to invest USD 1.5 trillion in hotels and travelling businesses over the next five years. If so happens, this can turn out to be an important opportunity for export of skilled and semi-skilled manpower from Bangladesh. From the perspective of sustainable development of manpower export, these offers will need to be appropriately considered and follow-up actions will need to be taken.

## 5.3

### REMITTANCE INFLOW: SOME UPTURN BUT LOWER GROWTH COMPARED TO THE RECENT PAST

Remittance earnings have increased more than five times during the past decade and it is currently the single largest foreign exchange earner for Bangladesh. Inward remittances to Bangladesh during the first six months of FY2011-12 stood at about USD 6.1 billion which is 9.3 per cent higher than the comparable period of the previous fiscal; as a matter of fact, much higher than the 0.3 per cent growth that was achieved during July-December of FY2010-11 over the corresponding period of FY2009-10. Hence, in quantitative terms there has been a significant increase in remittance inflow in the first few months of the current fiscal. With the existing growth rate, it is estimated that at the end of FY2011-12 total remittance inflow will stand at around USD 12.7 billion, compared to the USD 11.6 billion of the last year. It may be noted here that the target for remittance earnings in FY2011-12, as set out in the Medium Term Macroeconomic Framework (MTMF), is also USD 12.7 billion. If the average monthly remittance inflow during the July-December, 2011 period is sustained over the second half of the current fiscal, total remittance could turn up to be to the tune of USD 12.1 billion, or on average USD 1 billion every month.

According to the Bangladesh Bank data, growth in remittances in FY2010-11 over FY2009-10 was about 6 per cent. Indeed, this has been much lower than growth rates registered in the recent past (13.4 per cent in FY2009-10, 22.4 per cent in FY2008-09, 32.4 per cent in FY2007-08, and more than 24 per cent in both FY2006-07 and FY2005-06).

As is known, Bangladesh could only manage a mere 2.7 per cent growth in remittances in 2010 over 2009.<sup>11</sup> This was well below 8.2 per cent, which was the World Bank projection for average annual growth in remittances for South Asia for the calendar year 2010 (Mohapatra *et al.* 2011). However, Bangladesh surpassed the projected growth rate for 2011 when the annual growth in remittances stood at 10.5 per cent. It may be noted here that in this instance, the World Bank projection was 9.1 per cent.

In view of the above, Bangladesh needs to design appropriate strategies to consolidate further her manpower export sector in order to be able to access the emerging

<sup>10</sup> [http://www.newstoday.com.bd/index.php?option=details&news\\_id=28982&date=2011-06-01](http://www.newstoday.com.bd/index.php?option=details&news_id=28982&date=2011-06-01)

<sup>11</sup> Comparison between calendar years.

opportunities and ensure sustainable growth in remittance inflow. The following discussion highlights some of the major concerns in the context of overseas migration from Bangladesh.

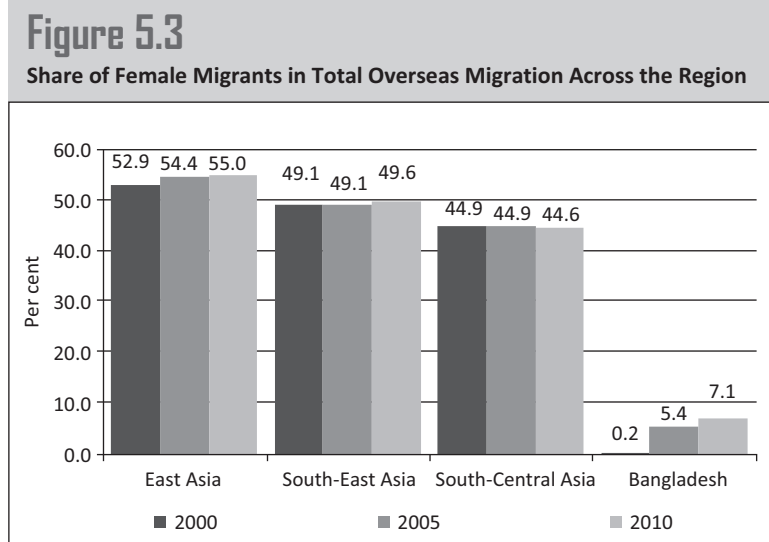
## 5.4

### CURRENT CHALLENGES IN THE MANPOWER EXPORT SECTOR

#### 5.4.1 Gender Dimension of Migration: Some Emerging Opportunities

In terms of gender composition of migrant workers from Bangladesh, share of women has consistently remained dismally low compared to their male counterparts. In a welcome change, there appears to be some positive changes in this regard in recent times.

Available data suggests that a total of 182,558 female workers went overseas during 1991 to 2011 period, accounting for a paltry 2.6 per cent of the total overseas migration during the last 21 years. In 2000, share of female migrants in total overseas migration from Bangladesh was only 0.2 per cent which increased to 5.4 per cent and 7.1 per cent respectively in 2005 and 2010 (Figure 5.3). To compare, these figures for East Asia were 52.9 per cent, 54.4 per cent and 55 per cent respectively for the corresponding years. As for the first six months of FY2011-12, about 14,269 female workers went abroad which was roughly 4.7 per cent of the male migrants, and about 4.5 per cent of the total workers (male and female combined) going overseas during the said period. UAE, Jordan, Lebanon and Mauritius were the most important host countries for female workers originating from Bangladesh in recent years.<sup>12</sup>



Source: Adapted from IOM (2010).

In view of the recent Saudi proposition for hosting female workers as domestic help, and also the growing demand for nurses and caregivers in the European countries, there is a need to give dedicated attention towards skill development of women to enhance their share in overseas migration from Bangladesh. Discussion with BMET officials reveals that the Saudi government has proposed to pay an advance of USD 800 per female worker to facilitate their migration in the domestic help category.<sup>13</sup> As per the proposal, this cost of sponsorship will be later adjusted with the wages of the respective workers in the host country.

<sup>12</sup> Rate of female worker migration to Saudi Arab fell drastically since 2009 when only 386 female workers went to the country from Bangladesh compared to more than 4,000 in 2008.

<sup>13</sup> A similar initiative has been reported to be in place on earlier occasions, but malpractice by some recruiting agencies in the form of charging additional fees from aspirant migrant workers inhibited success of the endeavour.

### 5.4.2 High Cost of Migration: Reduction is the Call of the Day

Average cost of migration from Bangladesh to most countries is known to be between Tk. 2-3 lakh.<sup>14</sup> When this cost is compared with the per capita monthly remittance

earnings by the migrant workers, one gets some idea with regard to the approximate recovery period of the cost incurred by these workers to go abroad.<sup>15</sup> CPD estimates, based on the official data on migration and remittance inflow taking place through formal channels show that if a Bangladeshi migrant worker had to spend Tk. 2 lakh to go to Saudi Arabia in 2010, it would have taken him/her about two years to recover the cost (Figure 5.4).<sup>16</sup> On the other hand, if the migration cost was Tk. 2.5 lakh the recovery period would have been about three years, and for Tk. 3 lakh it would be about 3.5 years. However, the actual figure could be significantly different as official data for both the stock of migrant workers in the particular country (because of workers returning, and also going

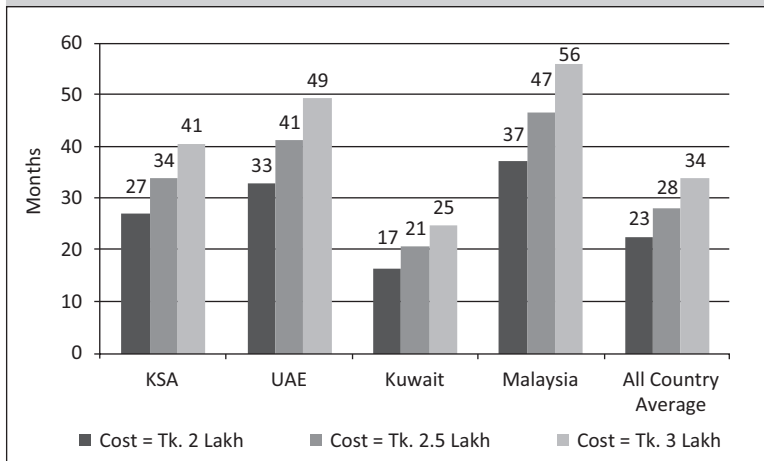
through informal channels) and the flow of remittance (because of transfer of remittances through informal channels) often fails to capture the real picture.

Regrettably, a large number of aspirant migrant workers become victims of unethical profit-seeking motive of a section of recruiting agencies, operating in collaboration with the so called *dalals* (middlemen), and are forced to pay an excessively high price for the visa and migration-related other expenditure heads. Anecdotal information suggests that there are more than 50,000 middlemen currently active in the manpower export sector of Bangladesh. These people intermediate between the aspirant migrant workers and the recruiting agencies. Often the migrant workers 'change hands' several times with attendant cost escalation at each stage. There is a need to raise awareness amongst migrant workers about not taking assistance from the middlemen through various awareness raising campaigns. Recruiting agencies should also be asked to provide necessary information to aspirant migrant workers in a more comprehensive manner. District-level BMET offices (known as District Employment and Manpower Office or DEMO) will have to play a lead role here. Assistance may also be sought from local non-government organisations (NGOs) in this regard.

GoB has been trying to address the issue of migration cost through various ways. The government has recently set up the *Probashi Kalyan Bank* (Expatriate Welfare Bank) which is providing low interest loans to these people (see Box 5.1 for details). Besides, recent information suggests that the government is in the process of consultations with the Bangladesh Association of International Recruiting Agencies (BAIRA) to finalise destination-specific maximum cost of migration. However, any decision on this will need to be backed up by appropriate legislative initiatives. Reduced migration cost, coupled with cash support,

**Figure 5.4**

**Recovery Period of Migration Cost for Selected Destinations in 2010**



Source: Authors' calculation.

<sup>14</sup>This is more than double the cost incurred by workers going overseas from other South Asian countries.

<sup>15</sup>As a matter of fact, the recovery period will be higher as part of the money spent is collected through borrowings at exorbitantly high interest rate.

<sup>16</sup>Per capita monthly remittance earning from Saudi Arabia is estimated to be about USD 107 (Tk. 7,384.5) for 2010. The recovery period is calculated by dividing migration cost by per capita monthly remittance earning. Similar calculations have been done for the other countries.

loan on easy terms, and financial assistance programmes for aspirant migrants will help migration from poor families and also poverty-prone areas, and help reduce the existing regional disparity in the context of overseas migration from Bangladesh.<sup>17</sup>

#### Box 5.1: Probashi Kalyan Bank (PKB): A Commendable Initiative

Bangladesh government has established the state-run Probashi Kalyan Bank (PKB) to fund workers going abroad for employment, facilitate sending remittances, and reduce migration cost. The PKB was inaugurated on 20 April 2011, on the eve of the 4th ministerial level conference of the Colombo Process. The initiative goes back to May 2010, when the Cabinet gave nod to introduce an 'Expatriate Welfare Bank' to serve the needs of the expatriate workers. In July 2010, the draft Expatriate Welfare Bank got approval from the Cabinet, and the Jatiya Sangsad (National Parliament) passed the Act in October 2010. The paid up capital of the PKB is Tk. 100 crore of which Tk. 95 crore came from the Wage Earners' Welfare Fund and the rest from the government exchequer. The authorised capital for the bank has been proposed at Tk. 500 crore.

The bank provides soft loans to aspirant overseas migrant workers to meet travel/processing cost at 9 per cent interest rate which is lower than that of any other commercial bank. Currently the bank is providing loans to jobseekers to UAE, Bahrain, Lebanon, South Korea, Oman and Mauritius. It has been reported that up to 70 per cent of their total cost is provided as loan. There is difference in the amount of PKB loans for male and female expatriates. According to BMET, cost of migration for male workers is higher than the female workers, as in most cases the cost of visa fees/air fares for female migrant workers are paid by the employers from destination countries.

Another important objective of this bank is to finance returnees to start new business after returning home. The PKB will collaborate with Bangladesh Post Office in order to reach the poor people in rural areas enabling them to collect their remittance from post offices. The new bank also envisages to collaborate with different money/remittance transferring agencies (e.g. Western Union, Moneygram, etc.) in order to reduce the cost of sending remittances.

### 5.4.3 Fluctuating Purchasing Power of Remittances

Growth figures often do not reflect the actual purchasing power, in local currency, of the remittance sent back home because of domestic inflation. Table 5.2A bears this out very clearly. As the Table indicates, there was indeed a negative growth in remittances sent to Bangladesh in calendar year 2010 in terms of domestic purchasing power (depreciation vis-à-vis inflation rate). This has also been the case for South Asia as a region and a number of other countries. However, the Bangladesh scenario took a positive turn in 2011 (as against 2010) when growth in remittances in terms of domestic purchasing power stood at 9.5 per cent (Table 5.2B). Indeed, this has been possible due to the continuing depreciation of Taka in recent times compared to the inflation rate.

#### Table 5.2A

Growth of Remittance in 2010 in Local Currency Terms Adjusted for Inflation

Region/Country	Remittance Inflow in 2010 (Billion USD)	Growth of Remittance in 2010 over 2009 (%)		
		USD Terms	Local Currency Terms	Local Currency Terms Adjusted for Inflation
South Asia	81.2	8.2	4.6	-6.3
Bangladesh	11.0	2.7	3.6	-4.5
China	51.3	5.3	4.3	1.0
India	53.1	7.4	1.5	-10.4
Pakistan	9.7	11.1	15.8	3.7
Philippines	21.4	8.1	2.3	-1.4

Source: Mohapatra *et al.* (2011).

Note: Data updated for Bangladesh.

#### Table 5.2B

Growth of Remittance in 2011 in Local Currency Terms Adjusted for Inflation

Region/Country	Remittance Inflow in 2011 (Billion USD)	Growth of Remittance in 2011 over 2010 (%)		
		USD Terms	Local Currency Terms	Local Currency Terms Adjusted for Inflation
Bangladesh	12.2	10.5	20.2	9.5

Source: Authors' calculation based on Mohapatra *et al.* (2011).

<sup>17</sup> An analysis of the Household Income and Expenditure Survey (HIES) 2005 data indicates that Barisal, Khulna and Rajshahi, the three divisions with higher poverty rates in 2005, received comparatively lower levels of remittances than the relatively more developed rest three divisions of Dhaka, Chittagong and Sylhet (Rahman and Hossain 2011).

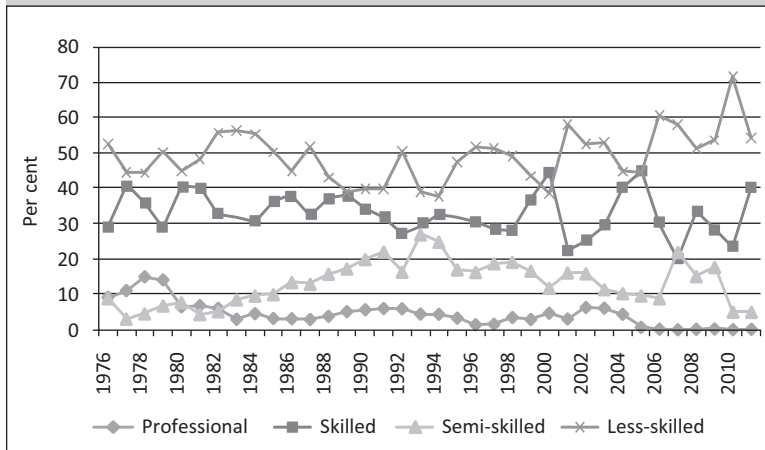


#### 5.4.4 Skill Composition of Bangladeshi Migrant Workers: Need for Skill Development

Another key aspect in overseas migration is the skill composition of the workers. As is known, Bangladesh has traditionally been an exporter of workers in the semi-skilled and less-skilled categories. The scenario barely changed over the last two decades (Figure 5.5).

**Figure 5.5**

**Skill Composition of Bangladeshi Migrant Workers since 1976**



Source: Based on the Bureau of Manpower, Employment and Training (BMET) data.

The average share of less-skilled workers rose from 52.4 per cent during 2001-2005 period to about 59.8 per cent during 2006-2010. The comparable figures for semi-skilled (from 12.5 per cent to 13.1 per cent), skilled (30.5 per cent to 27 per cent), and professional workers (4.7 per cent to 0.2 per cent) suggest that relatively lower number of skilled workers and professionals have gone overseas from Bangladesh in recent times. From the demand side, this has been particularly due to the slowdown of the building and construction sectors in the traditional markets, particularly in the Middle East. On the other hand, growth in the less-skilled category is partially explained by the growing demand for workers in the agriculture sector both in the Middle East and non-Middle Eastern countries (including Lebanon, Jordan, Sudan, Egypt and Brunei).

Demographic momentum of the Organisation for Economic Co-operation and Development (OECD) countries, characterised particularly by the growth in ageing population resulting in increased demand for caring services and shortage of workers in the healthcare sector, is likely to create significant job opportunities for developing countries, particularly in such areas as physicians, nursing, medical technicians and caring services (Aminuzzaman 2007; OECD 2008; Simoens *et al.* 2005; Kumar and Simi n.d.). This reinforces the need to create more skilled and professional migrants. At the same time, with new opportunities arising in countries such as Saudi Arab, Maldives and Malaysia, technical training centres (TTCs) should be strengthened both in terms of manpower and logistics. It may be noted here that the government has recently allocated about Tk. 900 crore to set up 36 new TTCs across the country in view of the growing demand for skilled migrant workers in the global market.

<sup>18</sup> Average per capita remittance sent by Bangladeshi workers in 2010 was about USD 1,600; to compare for Philippines the figure was about USD 2,300 (Rahman and Hossain 2011).

<sup>19</sup> This share in 2009 and 2010 was 53.7 per cent and 71.6 per cent respectively.

### 5.4.5 Crisis in the MENA Countries: How Much to Worry About?

There had been some serious concerns regarding possible negative impacts on both manpower export and remittance earnings if there was a widespread dislocation and disturbance in major host countries in the MENA region. It is a matter of some relief for Bangladesh that the available data suggests that the impact so far has not been very significant.

As Figure 5.6 depicts, both overseas migration and remittance inflow have been able to maintain reasonable growth during the January-April period of 2011 vis-à-vis the comparable period of 2010, a period which coincided with the unrest in the MENA countries. During the February-April 2011 period, when the crisis was at its peak, Bangladesh earned nearly USD 3.1 billion in remittances. This was about 14.2 per cent higher than the comparable period of 2010. Besides, the share of Libya in total remittance inflow has traditionally been very low and the scenario has barely changed in recent months.<sup>20</sup> It may be noted here that remittance earnings from Libya in April 2011 was USD 2.9 million, the highest ever from the country to Bangladesh in a single month. Similarly, the total inflow from Libya at the end of FY2010-11 stood at USD 5.2 million which was the highest remittance from the country in any fiscal year. This appears to be due to one-time transfer of savings by Bangladeshi migrant workers in anticipation of uncertainty over job security and earnings in future. With more than half of the stock of Bangladeshi workers returning home from Libya, remittance from the country in the coming months is expected to come down further from the low level as it is.

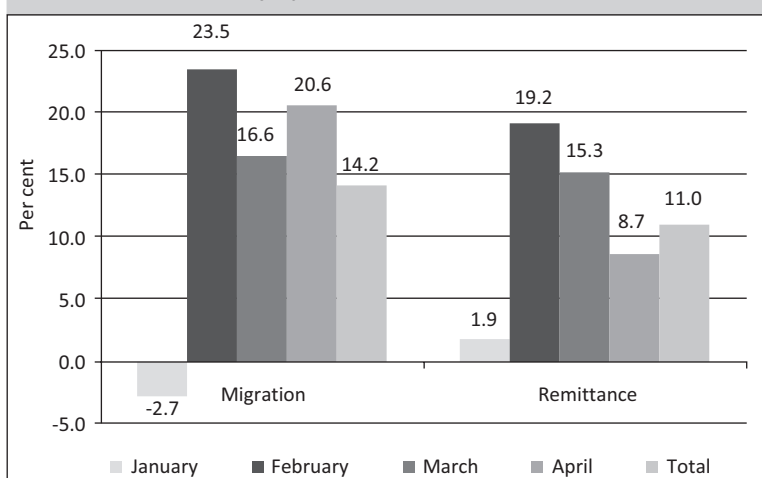
As was noted, crisis in MENA countries did not have serious adverse impact on Bangladesh. However, if there is a contagion effect, or if in future such crises engulf countries such as Saudi Arab, UAE, Qatar, Oman, Kuwait and Bahrain, the impact is likely to be quite serious. Hence there is need for a Contingency Plan.

### 5.4.6 Possible Impact of Saudisation<sup>21</sup>

The recently proposed move by Saudi Arab to put a six-year cap on the residency of foreign nationals has raised serious concerns for labour-exporting countries such as Bangladesh since implementation of this decision will result in significant fall in

**Figure 5.6**

**Month-on-Month Growth in Migration and Remittance in FY2010-11 over FY2009-10: January-April**



Source: Based on the Bureau of Manpower, Employment and Training (BMET) and the Bangladesh Bank data.

<sup>20</sup>Libya's share in total remittance inflow to Bangladesh for the months of January, February and March of 2011 was 0.0 per cent, 0.1 per cent and 0.3 per cent respectively.

<sup>21</sup>The *Saudisation* policy was approved by Saudi policymakers in 2006 to tackle the growing unemployment among Saudi nationals (currently, unemployment rate in Saudi Arab is 10.5 per cent). The decision to discontinue renewal of work permits for foreign workers spending six years in that country is part of a 10-point programme to intensify *Saudisation* of jobs in the private sector to reduce unemployment. The policy requires private sector companies operating in Saudi Arab to allocate 10 per cent of their total workforce for Saudi nationals. Those having less than that, will not be issued new work permits (*akama*). The Saudi government has given a five months grace period to the country's private companies to comply with the requirement.

remittance earnings.<sup>22</sup> It may be noted here that Saudi Arab currently accounts for about 28 per cent of the total remittance flow to Bangladesh from overseas. Considering the current total stock of Bangladeshi migrants in the country to be 2.5 million (more than 34 per cent of the global stock of migrant workers from Bangladesh), there are only about 0.5 million Bangladeshis in the country with less than six years of residency. As high as about two million Bangladeshi nationals may have to leave Saudi Arab in near future if the proposed measure is implemented within the span of one year. The number of overseas Filipino workers which is expected to be affected by the decision is estimated to be 0.35 million.<sup>23</sup> Besides, the Egyptian government is also concerned about the future of more than 70 per cent of its 2.5 million migrant workers in Saudi Arab as they have crossed the six years residency threshold.<sup>24</sup> Hence, as with Egypt and many other countries including our South Asian neighbours, there is widespread apprehension that in addition to falling remittances, the *Saudisation*-induced return migration could lead to exceptionally difficult situation for countries such as Bangladesh. It is important that Bangladesh remains vigilant in this connection, and appropriate diplomatic initiatives are taken to avert any such possibility.

## 5.5

### IMMEDIATE TO MID-TERM DOABLES

#### Reducing Cost of Migration

Immediate measures need to be taken to reduce the cost of migration for Bangladeshi workers. In this context, it is of utmost importance that the consultation process between the government and BAIRA is concluded immediately and in a fruitful manner. Besides, all needed measures have to be taken to ensure effective functioning of the PKB. Recruitment of required permanent manpower for the bank should be done on an urgent basis. The government should also play a proactive role to carry out negotiations with major labour-importing countries to expedite the process of setting up branches of the PKB in those countries. This can play a major role in reducing the cost of sending remittances back home by the Bangladeshi migrant workers.

#### Designing a Contingency Plan

Recent developments in the MENA countries have highlighted the urgency to devise a Contingency Plan to address the needs of overseas Bangladeshi migrant workers, particularly in times of crises. Since the crisis broke out in Libya, more than 36,600 Bangladeshis have returned home aided by International Organization for Migration (IOM), GoB, and in some instances, by their employers.<sup>25</sup> IOM alone facilitated repatriation of about 31,051 Bangladeshis from Libya till mid-2011 (IOM 2011).<sup>26</sup>

<sup>22</sup><http://gulfnews.com/news/gulf/saudi-arabia/saudi-arabia-plans-six-year-cap-on-expat-visas-1.814794>

<sup>23</sup><http://www.mb.com.ph/articles/320681/350000-ofws-may-lose-jobs>

<sup>24</sup><https://www.arcamax.com/politics/politicalnews/s-894783>

<sup>25</sup>Discussion with BMET officials.

<sup>26</sup>The World Bank has given a loan of USD 40 million to Bangladesh under the *Repatriation and Livelihood Restoration for Migrant Workers Project* to service the attendant costs. Bangladesh paid IOM about USD 14 million against its support for repatriation. Besides, each of the returnees from Libya were to receive a one-time cash grant of Tk. 50,000 to meet immediate expenses including family maintenance. The disbursement began on 23 July 2011, and as of 3 November 2011, a total of 35,915 returnees from Libya received the cash grant.

**Box 5.2: Contingency Plan for Emergency Situations**

The government should consider designing a Contingency Plan, on an urgent basis, which could include the provision for setting up a Contingency Fund. A certain part of the Wage Earners' Welfare Fund, which currently amounts to about Tk. 300 crore, could be earmarked for this Fund. The Fund could be used towards meeting the expenses for providing emergency food, clothes and shelter to Bangladeshi migrant workers in host countries as well as facilitating their safe repatriation. Besides, addressing the needs of the returnee migrant workers is another important aspect, which as is envisaged, could be taken care of by the PKB. The Contingency Plan should be able to address the following concerns in times of crises:

- Ensuring safety and security of the Bangladeshi migrant workers in the host countries
- Immediate relief in the form of food, shelter, medicine, etc.
- Emergency evacuation
- Safe repatriation
- Rehabilitation upon return to Bangladesh
- Reintegrating returnees into domestic labour market
- Facilitating re-migration of the returnees on a priority basis

**Taking Advantage of New Market Opportunities**

The importance of the Saudi proposal for hosting workers of certain categories can hardly be overemphasised in the context of the continuing deceleration of manpower export to the country from Bangladesh over the recent past. Besides, such GCC countries as Saudi Arab and Qatar are likely to be in high demand for workers in the construction sector in the coming year.<sup>27</sup> The G2G initiative with Malaysia is another important window of opportunity to revive the growth in overseas migration. While the demand of these countries are for less and semi-skilled workers, opportunities for skilled and professional migrants are expected to be quite high in the OECD countries. Besides, opportunities have also emerged for enhancing worker migration to Maldives and Mauritius. Hence, time-bound and strategic policy initiatives will need to be taken to garner maximum benefits from these emerging market opportunities. In view of the potential impact of *Saudisation*, the need for market diversification has become even more urgent.

**Facilitating Overseas Migration from Poverty-prone Regions**

The more the number of migrant workers from disadvantaged areas, the greater the effect on poverty alleviation. According to BMET, at least 4 per cent of the migrant workers going abroad through recruiting agencies should come from *monga*-prone areas. As a matter of fact, this is hardly the case. It is, however, encouraging that the Sixth Five-Year Plan (SFYP) mentions about giving special attention to export of manpower on a large scale from *monga* and other underprivileged areas. Appropriate measures will need to be put in place to ensure proper implementation and effective monitoring of these provisions. In its loan disbursement, the PKB should give priority to aspirant migrant workers from poverty-prone and backward regions.

**Taking SFYP-Plus Measures for the Overseas Migration Sector**

The SFYP deals with this sector in a somewhat disjointed manner. However, given the importance of the sector in Bangladesh economy, issues related to overseas migration and remittances deserved to be treated in a more substantial and holistic way. Initiatives such

<sup>27</sup> Saudi Arab has recently approved a project to build the mile-high 'Kingdom Tower'; and Qatar will be building nine fully air-conditioned stadiums for hosting the 2022 FIFA World Cup (<http://www.emirates247.com/property/real-estate/kingdom-tower-gets-green-light-2011-04-13-1.380638>).

as finalisation of the *Comprehensive Migration Policy* or enactment of an *Overseas Employment Act* should have been included in the agenda of actions in the SFYP. Besides, specific guidelines and workplans to strengthen the capacity of Bangladesh missions abroad to facilitate manpower export demand should be dealt within the Plan document on a priority basis. A number of other issues which did not find due attention in the final SFYP document include strengthening human resource capacity in both the Ministry of Expatriates' Welfare and Overseas Employment (MEWOE) and BMET, as well as enhancing budgetary allocations for these institutions. It is, however, expected that given the importance of the sector in the economy, as well as taking cognisance of the current growth in overseas migration and remittances, the government will come up with *SFYP-Plus* measures to ensure sustainability of the sector to effectively realise the opportunities in traditional and non-traditional labour markets.

### Finalising a Comprehensive Migration Policy

Recent reports suggest that GoB is in the process of devising a *Comprehensive Migration Policy*. In this context, the *Emigration Ordinance of 1982* and the *Overseas Employment Policy of 2006* are currently being revisited. One would expect that the final outcome document, whether in the form of a *Comprehensive Migration Policy* or as an *Overseas Employment Act*, will help to address the issue of streamlining cost of migration. Appropriate operational modalities for ensuring full compliance with the law by the recruiting agencies will need to be clearly spelt out in the document.

### Strengthening Bilateral, Regional and Multilateral Collaboration

The recently concluded 4th Ministerial Meeting of the Colombo Process has reinforced the need for strengthened collaboration not only with the labour-exporting countries, but also with the recipient countries.<sup>28</sup> Besides, GoB has ratified the *UN Convention on the Protection of the Rights of Migrant Workers and Members of their Families* in April 2011.<sup>29</sup> Efforts should now be strengthened, in collaboration with the 10 other partner countries of the Colombo Process, to pursue labour-importing countries to ratify the relevant UN and ILO Conventions to safeguard the interests of Bangladesh's migrant workers. Technical and strategic support from these organisations could also be sought to facilitate such negotiations. Bangladesh must also play a proactive role in the General Agreement on Trade in Services (GATS) negotiations of the World Trade Organization (WTO) with a view to ensuring a least developed country (LDC)-friendly outcome to augment services export to the global market, particularly under GATS Mode-4.

### WTO-GATS and Bangladesh's Opportunity

As is known, as part of the Doha Development Round (DDR) negotiations, WTO Member countries are discussing various modalities to accord preferential market access to LDCs in the services sector. Member countries have, in principle, agreed to a waiver to the LDCs in the context of GATS.

The 'waiver' could potentially open up preferential market access for LDCs such as Bangladesh, which has a keen interest in GATS Mode-4 (Movement of Natural Persons), in the labour market of developed countries. It is of high importance that Bangladesh takes

<sup>28</sup>The *Dhaka Declaration* of the Colombo Process shows much promise in identifying areas of meaningful collaboration among the Member countries. Critics, however, argue that the existing and growing competition among the labour-exporting countries might work as a deterring factor in the context of meaningful implementation of the commitments articulated in the Declaration.

<sup>29</sup>The Convention was initially signed by Bangladesh in October 1998. At present, Bangladesh is the third Asian country, after Sri Lanka and the Philippines, to have ratified the Convention.

an active interest in the ongoing negotiations and takes necessary steps to realise the expected potential opportunities. A special Taskforce may be constituted in view of this.

## 5.6

### CONCLUDING REMARKS

In view of the current deceleration in overseas migration and remittance inflow, Bangladesh is now faced with a number of challenges to sustain future growth of the sector. Realising the emerging opportunities offered in Saudi Arab, Malaysia, Maldives, Mauritius and OECD countries have become even more urgent and necessary. Bangladesh will also need to prepare herself to tackle the possible adverse effects of *Saudisation* on overseas migration and remittance inflow. A number of areas will require attention and initiatives on the part of the policymakers in this context.

Reducing cost of migration should receive highest priority. A number of steps will need to be taken towards this. These include discussion with host countries to underwrite cost of migration, enforcement of government decision with regard to maximum country-specific migration cost, removal of middlemen through more field-level DEMOs and awareness raising programmes, and taking advantage of the newly-established PKB in providing loans to aspiring migrants. Special programmes will need to be initiated for women and those coming from economically disadvantaged areas. PKB can play a facilitating role in this context.

Government must also take immediate measures to finalise the proposed *Comprehensive Migration Policy* and the *Overseas Employment Act 2011*, and ensure strict compliance with the provisions on the part of the recruiting agencies. A Contingency Plan, with the required funding, should be designed and gradually put in place in view of, and taking lessons from, recent experiences with the MENA countries. Bearing in mind the fluctuating purchasing power of remittance earning, the need for reducing cost of migration and going for higher-income earning sources, backed by the needed skill endowments, has emerged as an urgent task for Bangladesh. Bangladesh should design a comprehensive plan in view of the demographic dynamics and changing labour market scenario in the developed countries. In view of the current negotiations in the WTO-GATS, and particularly in view of the proposed waiver for LDCs, Bangladesh should take a proactive stance in the ongoing negotiations, and should be ready to realise the potential opportunities that could emanate from a successful conclusion of the GATS negotiations.

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