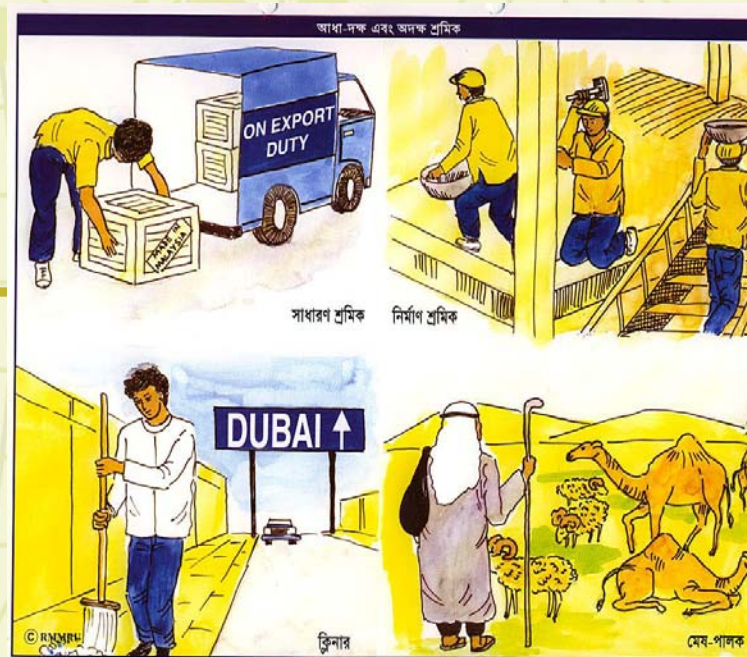


Globalization and the Unskilled Poor: Migration and Remittance in South Asia

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Migration, Remittance are BIG in South Asia

- **Bangladesh:**
 - **351,079** persons migrated overseas in **2006**
 - **4.55 mi.** migrated overseas between **1976-2006**
 - **Two-thirds** of migrants semi-skilled or unskilled
 - **Remittance:US\$5.97 billion** in **2007**
 - **Average age: 31**
 - **Average education: 7 years** of schooling
 - **Between 1991-1999: 1%** of migrants were women.
 - **2006: 6 percent** migrants are women

- **India**
 - **Estimated remittance in 2008: \$30 bi.**

Migration, Remittance are BIG in South Asia ...Contd.

- **Nepal**
 - **200,000 migrated 2006-2007**
 - **75% unskilled**
 - **Migrant stock of around 2.4 mi. in 2006**
 - **Remittance: around \$1.5 bi. in 2005/2006**
- **Sri Lanka**
 - **230,963 migrated in 2005**
 - **Total migrant stock in 2005: 1.2 mi.**
 - **Two thirds are women**
 - **83% unskilled**
 - **Average age:36**
 - **Average education: 10 years of schooling**

Main factors affecting migration pattern

- **Wage and opportunity gaps b/w rich and poor countries**
- **Regional conflicts and political instability**
- **Relative share of young adults in receiving and sending countries**
- **Reduction in travel costs, ease of travel**

Overall poverty Impact

- **Migration has positive impact on poverty**
 - **Nepal: contributed to 6% reduction in poverty headcount**
 - **Bangladesh: 6% decline in poverty rates**
- **Asset accumulation IS financed by remittances – mainly land**
- **Migrants come back with new ideas, skill and experience**
- **Remittance usually counter cyclical**
 - **Tend to increase during economic downturn in home country**
- **Benefit remittance receiving -households directly, not governments**

Managing Migration: a public-private partnership

- **Migration is managed mainly by private recruitment agencies**
 - **Web of agents and sub-agents**
- **But all countries have dedicated labor departments to regulate and supervise recruitment agencies**
 - **Licensing**
 - **Monitoring**
 - **Punitive actions against offending agents**
- **All maintain Labor attaches in diplomatic missions**
- **All have entered into some kind of bilateral agreements on recruitment size, working conditions, minimum wages**
- **All operate or support skill-training centers**

Factors affecting opportunities for the poor

- **Recruitment is highly centralized in the capital cities**
 - **Many poor in outlying areas lack adequate information**
 - **Important role of social networks in which poor likely not included**
- **Lack of basic primary education reduces chance of being recruitment**
- **Large upfront cost**
 - **Bangladesh: \$ 2,258 ----5 times avg. PCI**
 - **Nepal: \$1000-\$3000**
- **The poor more likely victims of fraud, abuse, and exploitation, and these can be rampant in *both* sending and receiving countries**

Remittance Management

- **With increased use of new information technology, cost of transfer has declined over the last 10 years**
- **But transactions can still be “intransparent”**: especially *wrt* to exchange rate manipulations.
- **Also, the “last mile” of the financial service can be costly and time-consuming.**
 - **Domestic inter-bank payment systems slow, paper based**
 - **Transactions cost can be substantial (travelling to urban center)**
- **Use of informal remittance agents is still significant, though reduced**
 - **Speed, convenience, anonymity**
 - **But presents risks of misuse**

Improving migration opportunities for the poor

- **Need to provide information on labor market opportunities among the poor.**



Improving migration opportunities for the poor ..Contd.

- **Need to improve skill base of the poor**
 - **Provide basic literacy**
 - **Provide vocational training**

 - **Provide incentive for recruitment agencies to recruit in areas with high concentration of poor**

 - **Generate market intelligence on potential sectors and potential destinations where skill demand is relatively low.**

 - **Long term loans with repayment structures linked with income earnings and remittance transfer plan look promising for migrants, banks, and recruiting agencies**
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Improving migration opportunities for the poor ..Contd.

- **Decentralized issuance of passport will reduce transactions cost significantly**
 - **Use of post offices to deliver remittance will reduce transactions cost significantly. There is substantial scope for this.**
 - **Improve investment opportunities for migrants and their families**
 - **domestic investment climate cannot be ignored**
 - **Better financial intermediation-provision of better savings options**
 - **Connecting “savers” with “investors”**
 - **Promote use of new technology at home where feasible**
 - **Eg. cell phone-based transfers.**
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