Managing Labour Services Exports: Role of Interstate Cooperation

ICRIER-KAS Seminar on
Services Sector as an Engine for Inclusive Growth

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Outline

- Global context
- Asian context
- Labour services exports and inclusive growth
- Interstate cooperation in managing labour flows
- Policy directions

Global Context

- Estimated 214 mn international migrants in 2010, up from 156 mn in 1990 and 82 mn in 1970
  - 3.1% of the world's population, 10.3% of population in developed countries, 1.5 % of population in developing countries

- Involves South-North, South-South and North-North flows with certain developing countries and regions playing an important role as source and destination markets

- Demographic imbalances and skill shortages an important driver, will remain so

- Temporary movement of workers for delivering low, semi-skilled and skilled services a subset of international migrant flows, part of services trade flows

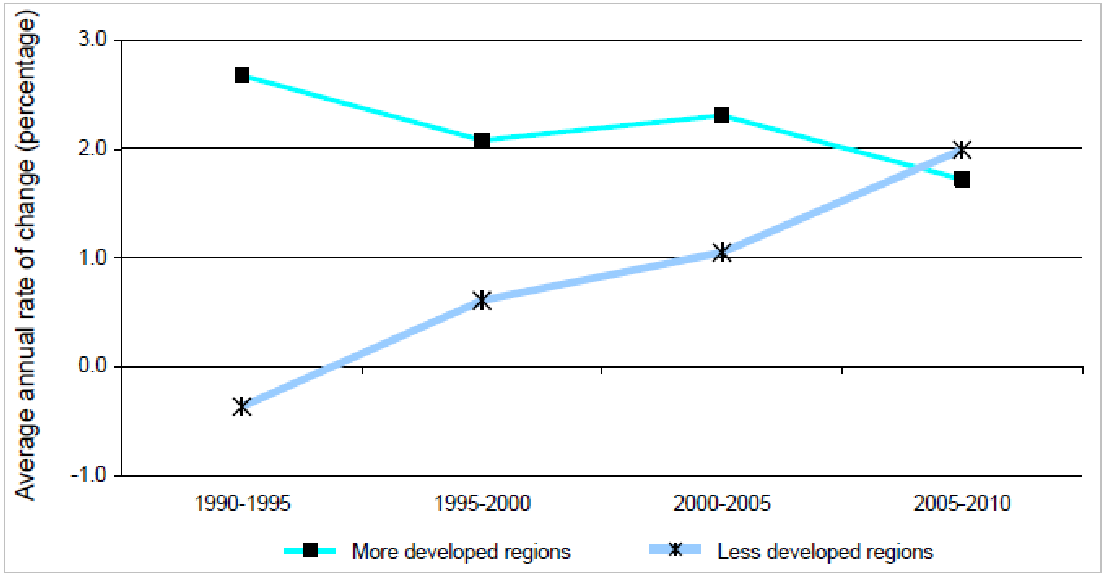
- But this mode of services trade remains the most restricted and the smallest component of services trade flows
  - Estimated at 5 % of world services trade (compared to 55-60% via mode 3, 25-30 % via mode 1, 10-15% via mode 2)

. ESTIMATED NUMBER OF INTERNATIONAL MIGRANTS AND THEIR PERCENTAGE DISTRIBUTION BY DEVELOPMET GROUP AND MAJOR AREA, 1990-2010

Development group and major area	*Number of international migrants (millions)*		*Percentage distribution of international migrants*		*International migrants as percentage of the population*	
	1990	*2010*	*1990*	*2010*	*1990*	*2010*
World	155.5	213.9	100.0	100.0	2.9	3.1
More developed regions	82.4	127.7	53.0	59.7	7.2	10.3
Less developed regions	73.2	86.2	47.0	40.3	1.8	1.5
Least developed countries	11.1	11.5	7.1	5.4	2.1	1.3
Africa	16.0	19.3	10.3	9.0	2.5	1.9
Asia	50.9	61.3	32.7	28.7	1.6	1.5
Europe	49.4	69.8	31.8	32.6	6.9	9.5
Latin America and the Caribbean	7.1	7.5	4.6	3.5	1.6	1.3
Northern America	27.8	50.0	17.9	23.4	9.8	14.2
Oceania	4.4	6.0	2.8	2.8	16.2	16.8

Source: United Nations, Department of Economic and Social Affairs, Population Division (2009). *Trends in International Migrant Stock: The 2008 Revision* (United Nations database, POP/DB/MIG/Stock/Rev.2008).

International migrant stock - average annual rate of change by development group, 1990-1995 to 2005-2010



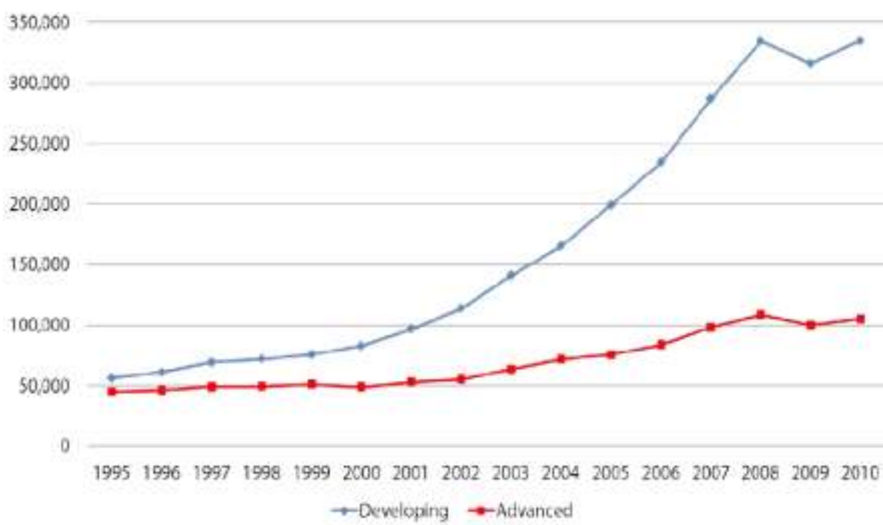
Source: United Nations, Department of Economic and Social Affairs, Population Division (2009). *Trends in International Migrant Stock: The 2008 Revision* (United Nations database, POP/DB/MIG/Stock/Rev.2008).

FEMALE MIGRANTS AS A PERCENTAGE OF THE INTERNATIONAL MIGRANT STOCK BY DEVELOPMENT GROUP, 1990-2010

	Percentage female				
Development group	*1990*	*1995*	*2000*	*2005*	*2010*
World	49.1	49.3	49.4	49.2	49.0
More developed regions	52.0	51.7	51.8	51.6	51.5
Less developed regions	45.9	46.1	46.1	45.6	45.3
Least developed countries	46.7	47.6	47.4	47.4	47.4

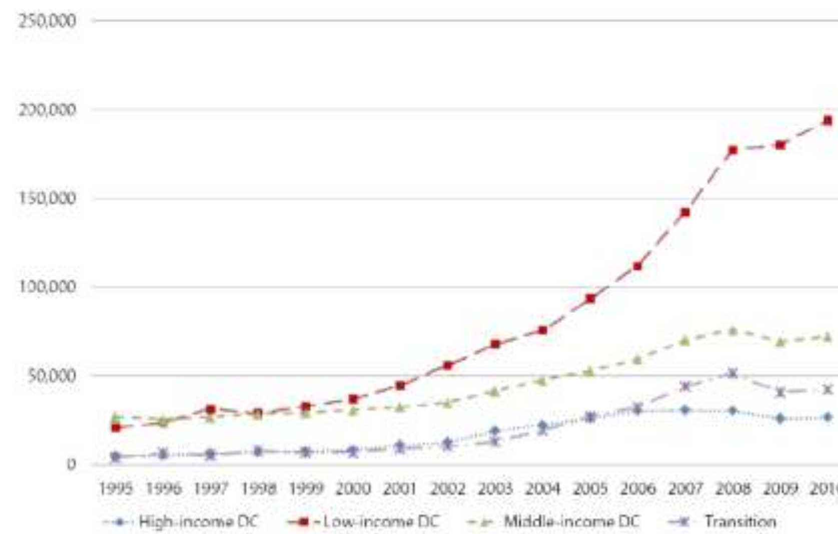
Source: United Nations, Department of Economic and Social Affairs, Population Division (2009). *Trends in International Migrant Stock: The 2008 Revision* (United Nations database, POP/DB/MIG/Stock/Rev.2008).

Remittances received by advanced and developing countries, 1995-2010 (US$ mn)



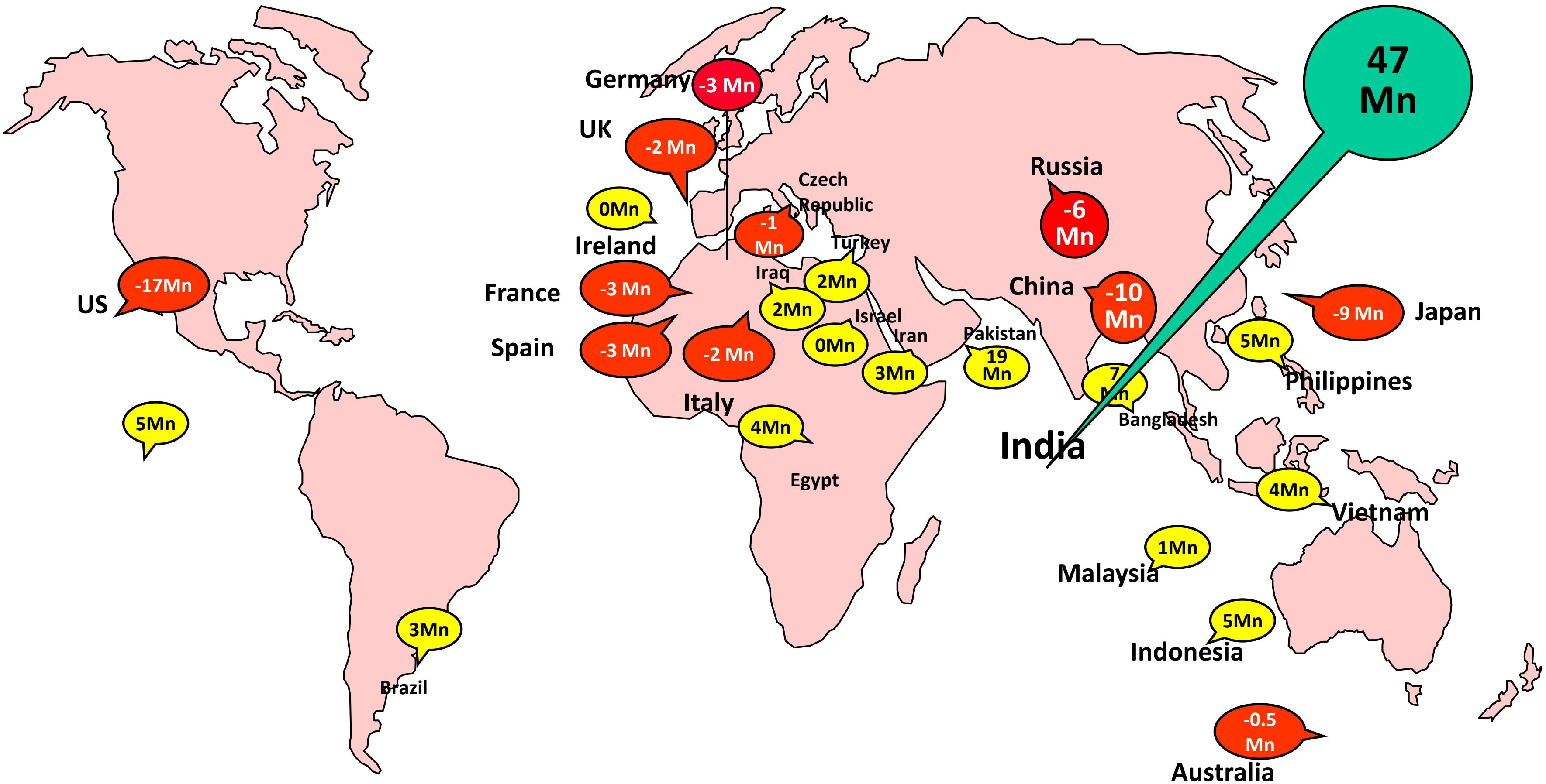
Source: *Calculated using data from World Bank, Migration and Remittances Fact Book 2011*

Remittances received by development status, 1995-2010 (US $mn)



Source: *Calculated using data from World Bank, Migration and Remittances Fact Book 2011*

World Talent Scenario ……… 2020



Note: Potential surplus is calculated keeping the ratio of working population (age group 15 – 59) to total population constant;
Source: U.S. Census Bureau; BCG Analysis

Asian Context

- Second most important host region for international migrants after Europe
  - 61 mn international migrants, 29% of the world's migrant stock (2010)

- Leading source and host countries for migration in Asia

- Occupational profiles include low, semi-skilled and high skilled professional labour services

- Leading recipient region for remittances, experiencing fastest growth between 1995-2010 ($21 bn to $177 bn)
  - Several Asian countries are major recipients of remittances in absolute terms and as a share of GDP
  - Remittances greater than other inflows for several Asian developing countries

Sub-regions in Asia	**Immigration (2005)**	**Immigration (2010)**	**Emigration (2005)**
East Asia			
China, People's Rep. of	0	0.1	0.5
Hong Kong, China	42.5	38.8	9.2
Korea, Rep. of	1.2	0.2	3.3
Mongolia	0.4	0.4	0.6
South Asia			
Afghanistan	0.2	0.3	7.5
Bangladesh	0.7	0.7	3.1
Bhutan	1.5	5.7	5.8
India	0.5	0.4	0.9
Maldives	1.1	1.0	0.5
Nepal	3	3.2	2.7
Pakistan	2.1	2.3	2.1
Sri Lanka	1.9	1.7	4.7
Southeast Asia			
Cambodia	2.2	2.2	2.4
Indonesia	0.1	0.1	0.8
Lao PDR	0.4	0.3	6.8
Malaysia	6.4	8.4	5.4
Myanmar	0.2	0.2	0.9
Philippines	0.4	0.5	4.1
Singapore	42.6	40.7	5
Thailand	1.7	1.7	1.2
Vietnam	0	0.1	2.6
West Asia			
Jordan	42.1	45.9	0.9
Qatar	80.5	86.5	0.8
Saudi Arabia	26.8	27.8	0.7
Lebanon	17.7	17.8	1
Oman	25.5	28.4	0.7
UAE	70	70	0.9
Yemen	2.2	2.1	1

Rates of Immigration and Emigration in select Asian economies (%

http://esa.un.org/migration/
University of Sussex and World Bank, *Bilateral Estimates of Migrant Stocks*

United States Nonimmigrant Temporary Worker Admissions (I-94) by Country of Citizenship, FY2009

Country of Citizen-ship	Total temp-orary workers and families	Workers in specialty occup-ations (H1B)	Seasonal agricult-ural workers (H2A)	Seasonal non-agricult-ural workers (H2B, H2R)	Workers with extraord-inary ability or achieve-ment (O1, O2)	Athletes, artists, and enter-tainers (P1 to P3)	Intra-company transf-erees (L1)	Treaty traders and invest-ors (E1 to E3)	Other
Bangladesh	915	389	(…)	(…)	4	158	46	6	312
India	262,654	123,002	(…)	133	930	2,165	54,556	197	81,671
Pakistan	4,537	2,176	(…)	4	25	126	388	183	1,635
Sri Lanka	1,260	630	(…)	D	D	20	249	17	328

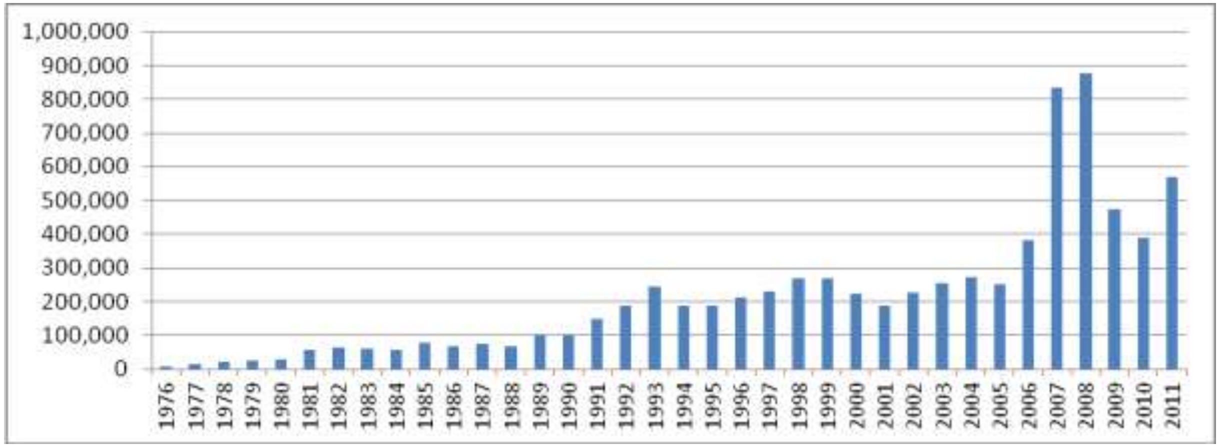
D = data withheld to limit disclosure.
Source: US Department of Homeland Security. 2009. Yearbook of Immigration Statistics.

Work Permits and First Permissions by Occupation for Indians and Pakistanis in the UK, 2005

Occupation	Number of Work Permits	Proportions of Occupation by Nationality (%)	Number of Work Permits	Proportions of Occupation by Nationality (%)
Managers and senior officials	2,831	9.7	313	10.9
Professional	17,053	58.3	807	28
Associate professional and technical	7,156	24.5	926	32.1
Administrative and secretarial	16	0.1	1	0
Skilled trades	924	3.2	475	16.5
Personal service	512	1.7	261	9.1
Sales and customer service	4	0	1	0
Process, plant, and machine operatives	20	0.1	7	0.2
Elementary	745	2.5	92	3.2
All occupations	**29,261**	**100**	**2,883**	**100**

International Migration and the United Kingdom. Report of the United Kingdom (Systeme d'Observation Permanent des Migrations de l'OCDE-SOPEMI) Correspondent to the OECD

Bangladesh: Year wise overseas employment from 1976-2011

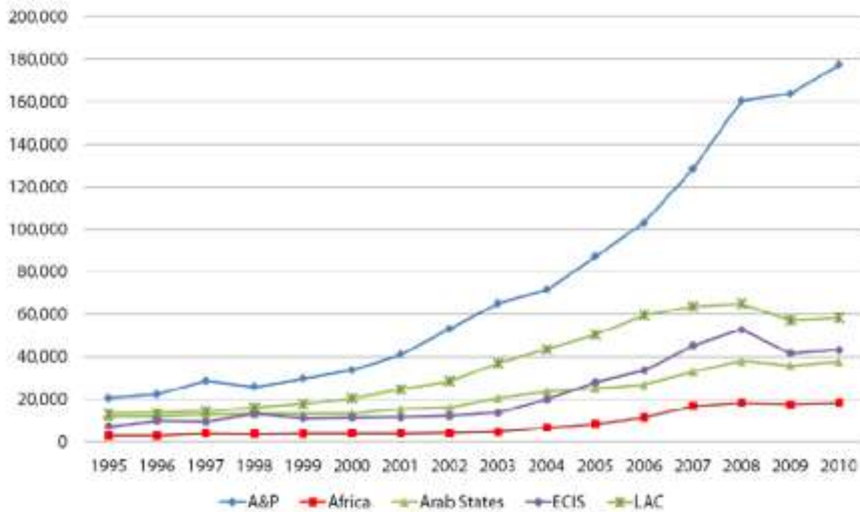


Skill-wise breakdown of Bangladeshi Overseas Workers, 1990-2011

Year	Category				Total
	Professional	Skilled	Semi-Skilled	Low skilled	
1990	6,004	35,613	20,792	41,405	103,814
2000	5,940	42,742	30,702	109,581	188,965
2005	1,945	113,655	24,546	112,556	252,702
2011 (up to December)	1,129	229,149	28,729	308,992	568,062

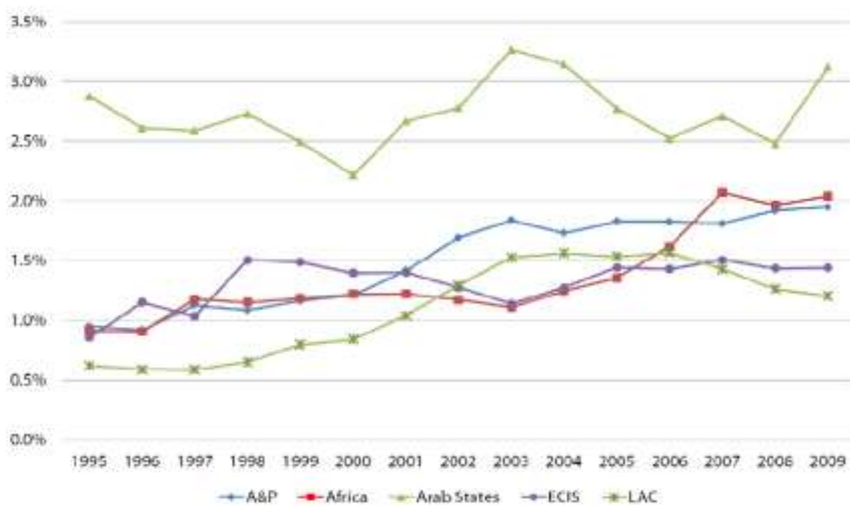
Source: http://www.bmet.org.bd/BMET/statisticalDataAction

Remittances received by region, 1995-2010 (US$ mn)



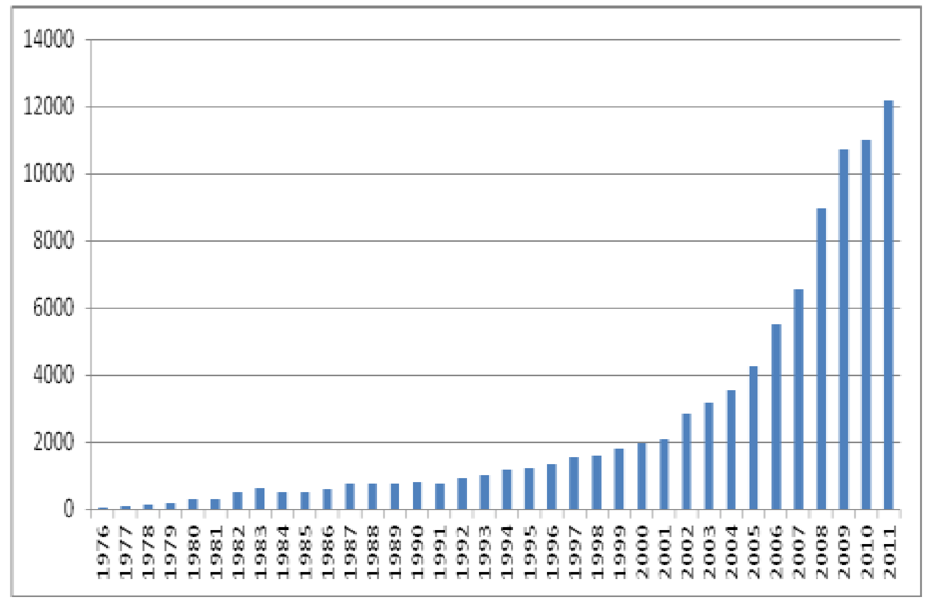
Source: *Calculated using data from World Bank, Migration and Remittances Fact Book 2011*

Remittances received as a share of GDP by region, 1995-2009 (%)



Source: *Calculated using data from World Bank, Migration and Remittances Factbook 2011*

Bangladesh: Year-wise remittances earned from 1976-2011, mns of US$s



Source: http://www.bmet.org.bd/BMET/statisticalDataAction

Remittance Receipts and Payments for Select Asian Countries (2008), (US$ Millions and % of GDP)

Country	Remittance Receipts (RR)	RR as % of GDP	Remittance Payments (RP)	RP as % of GDP
China	48,523.5	1.12	5,736.7	0.13
Indonesia	6,794.2	1.33	1,971.5	0.39
Japan	1,928.8	0.04	4,743.0	0.10
Korea, Rep.	3,0624.0	0.33	1,973.0	0.21
Malaysia	1,920.0	0.87	6,384.5	2.88
Philippines	18,643.0	11.17	4,400.0	0.03
Thailand	1,897.9	0.70	-	-
Vietnam	7,200.0	7.94	-	-
Jordan	3,794.0	17.86	471.8	2.22
Kuwait	-	-	5,558.9	3.76
Lebanon	7,179.9	24.53	4,027.8	13.76
Saudi Arabia	216.3	0.05	21,696.3	4.63
Yemen, Rep.	1,410.5	5.31	336.8	1.27
Bangladesh	8,995.0	11.31	15.2	0.02
India	49,940.8	4.31	3,815.3	0.33
Pakistan	7,039.0	4.28	2.0	0.00
Sri Lanka	2,947.4	7.27	384.9	0.95

Source: Compiled from World Development Indicators online, 2010

Large remittance receipts and payments for select Asian countries reflects significance of labour services trade for Asian countries

- India is the top recipient of remittances

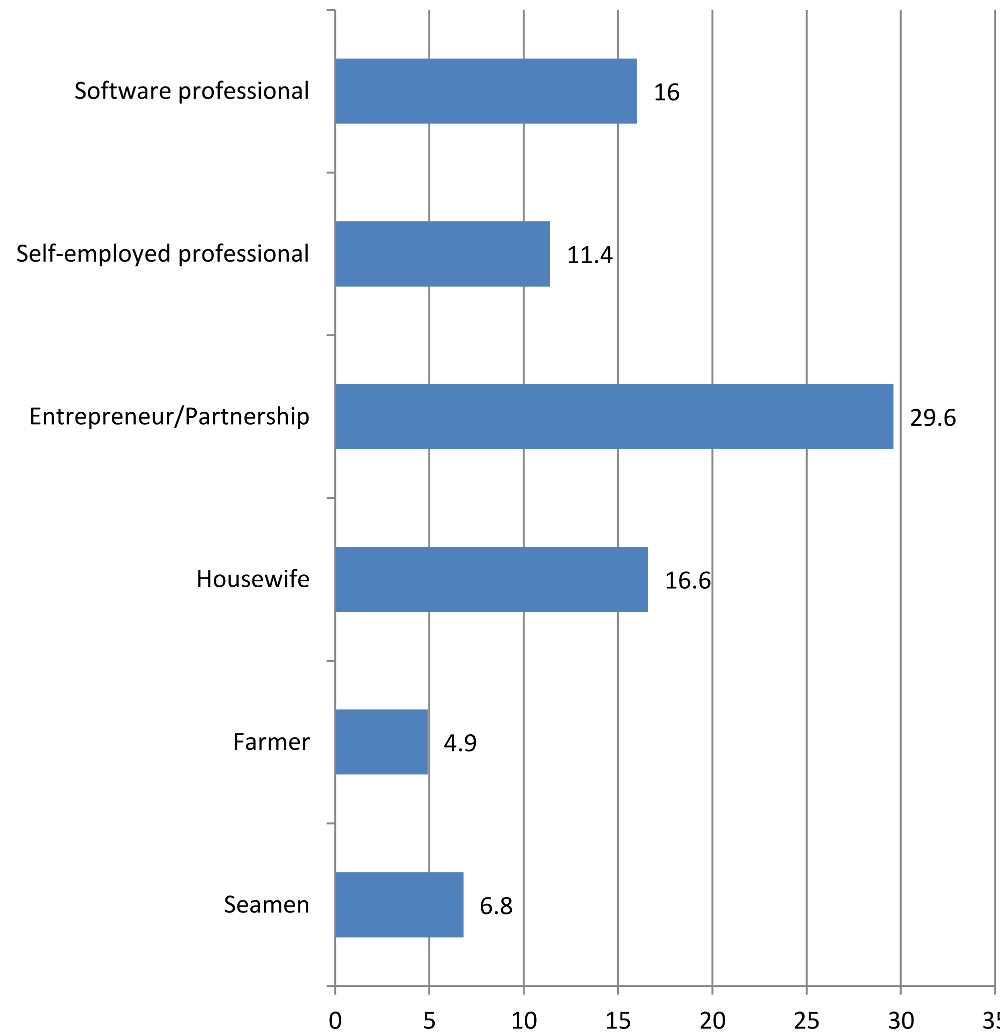
- Net private transfers to India consisting largely of remittances from outmigrants, stood at $63.5 billion in 2011-12, higher than net earnings from exports of software, business, financial and communication services of $58.1 billion and net foreign investment inflow of $39.2 billion

- Around 4 per cent of GDP

- 30.8% from the Gulf countries, 29.4% from North America, 19.5% from Europe as per a recent survey

- Occupation base is diversified

Principal occupation of sample of migrants sending remittances (%)



- Intraregional labour flows are significant
  - Gulf countries are key destination markets for low and semi-skilled workers from other Asian countries such as Bangladesh, India, the Philippines, and Sri Lanka
  - Some South East Asian countries (Singapore, Malaysia and Thailand) have become important destinations for low and semi-skilled workers from poorer countries in Asia
- Region also hosts a large number of irregular or undocumented migrants, who are not captured in official migration statistics
  - 2.4 million unauthorized migrants from developing Asia in Japan, Korea, Malaysia, Singapore, Taipei, and Thailand

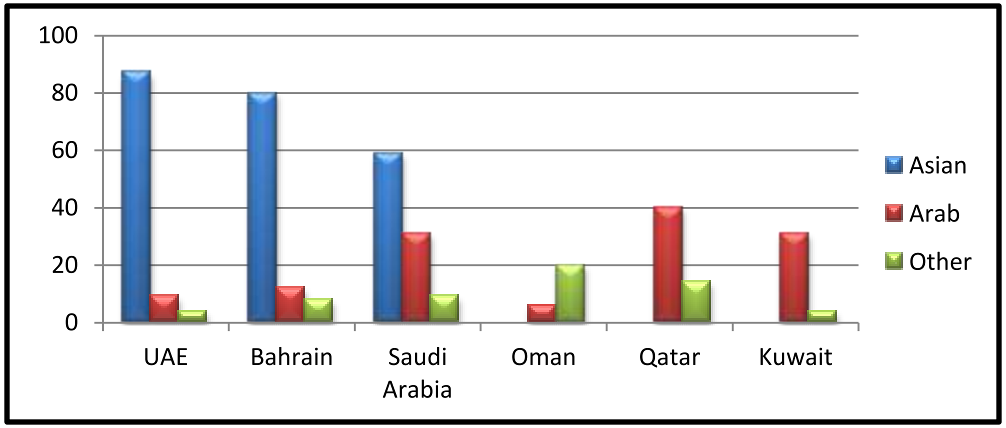
Main Destination Markets for Migrants from Select South and Southeast Asian Countries

Country of Origin	Number ('000s)	Main Destination Countries (Asia)	Year	Source of Information
Malaysia	1,812,631	Bangladesh, China, Indonesia, Pakistan, Sri Lanka, Thailand and Vietnam	2006	Dairiam 2006
Myanmar	1,840,000	Thailand	2006	BurmaNet News, 8 January 2007
Thailand	340,000	Saudi Arabia, Taiwan, Myanmar, Singapore, Brunei, Malaysia	2002	Scalabrini Migration Center 1999
Cambodia	183,541	Thailand	2006	Lee 2006
Vietnam	400,000	South Korea, Japan, Malaysia, Taiwan	2005	Migration News, October 2007
Philippines	8,233,172	Middle East, Malaysia, Japan	2006	Philippines Overseas Employment Agency
Indonesia	27,000,000	Malaysia, Saudi Arabia, Taiwan, Singapore, South Korea, UAE	2007	Ananta and Arifin 2008
China	530,000	Middle East, Asia and Pacific	2004	Ma 2005
Bangladesh	5,353,337	Saudi Arabia, Kuwait, UAE, Qatar, Oman, Bahrain, Malaysia, Singapore, Jordan, Lebanon	2008	Country Reports, Migration Information Systems in Asia (MISA)
Pakistan	179,436	Saudi Arabia, Kuwait, UAE, Qatar, Oman, Bahrain, Malaysia, China, Korea	2006	Country Reports, Migration Information Systems in Asia (MISA)
India	805,903	Saudi Arabia, Kuwait, UAE, Qatar, Oman, Bahrain, Malaysia, Jordan	2007	Country Reports, Migration Information Systems in Asia (MISA)
Sri Lanka	241,017	Saudi Arabia, Kuwait, UAE, Qatar, Oman, Bahrain, Korea, Malaysia, Jordan, Lebanon, Singapore, Hong Kong, Japan	2008	Sri Lankan Bureau of Foreign Employment, Annual Statistical Report 2008

Source: Based on Hugo (2008) and other sources cited in the table.

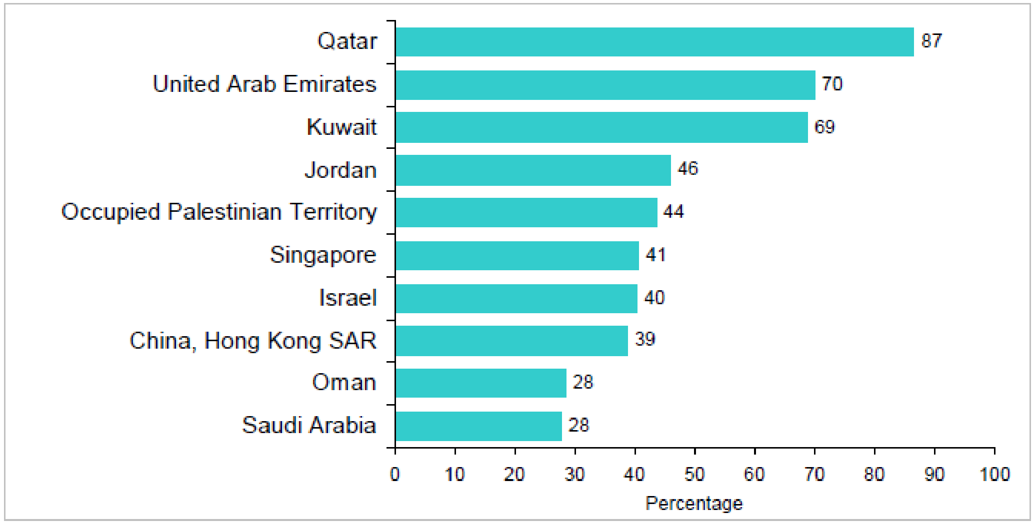
- Asia's immigration and emigration statistics highlight four broad groups of countries, which characterize intraregional migration flows
    - economies such as Vietnam, Laos, and Afghanistan, which are purely net outmigration countries with virtually no immigration;
    - developed economies such as Singapore or Hong Kong and oil rich countries such as Saudi Arabia which are primarily recipient countries with very high immigration rates;
    - rapidly developing economies such as Thailand and Malaysia which are both recipient and source nations for migrant workers;
    - countries such as Pakistan and India which send a large number of workers overseas and within the region
- Most important destination region is the Middle East followed by Malaysia and Singapore
- Most important source markets are the South Asian countries, Indonesia and the Philippines
- Till recently these flows largely governed by unilateral policies in receiving countries, subject to ad hoc changes, problems of abuse and exploitation

Composition of Migrant Stock in Select Arab Countries (% shares)



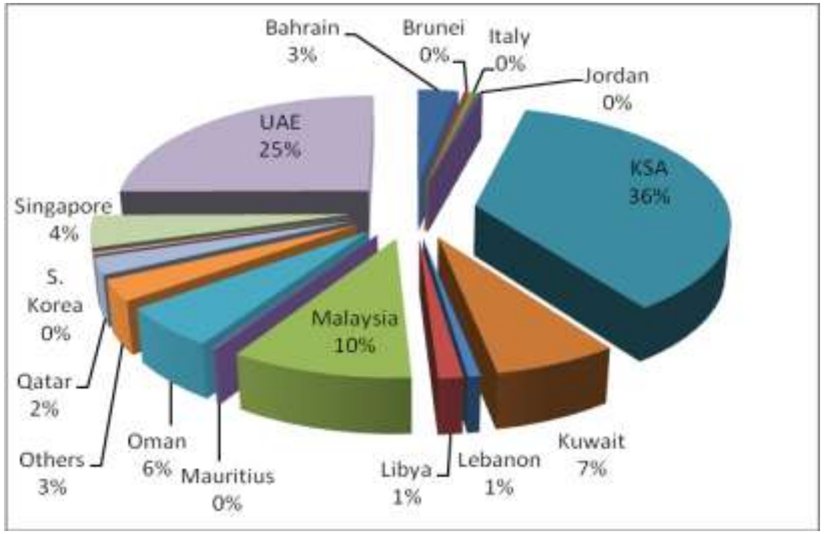
Source: Regenerated from "Intra-Regional Labour Mobility in the Arab World", IOM-ALO, 2009

Countries or areas with highest proportion of international migrants in 2010 among those with less than 1mn inhabitants

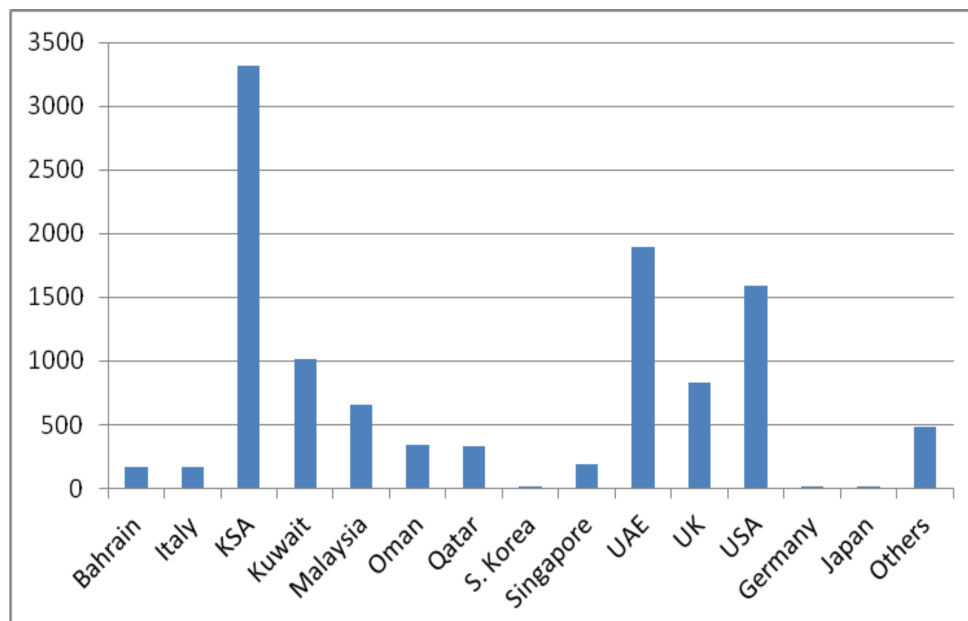


Source: United Nations, Department of Economic and Social Affairs, Population Division (2009). *Trends in International Migrant Stock: The 2008 Revision* (United Nations database, POP/DB/MIG/Stock/Rev.2008).

Country wise overseas employment in major countries, 1976-2010



Country-wise remittance earned from major countries in 2010, mns of US$s



Source: http://www.bmet.org.bd/BMET/statisticalDataAction

- By skill and occupational profile, much of intraAsian migration relates to temporary contractual movement of workers
  - According to ILO estimates, half of Asia's migrants are workers (ILO 2004)
  - Between 1995 and 1999, some 2.6 million workers in Asia went to work abroad on contracts

- These flows can be segmented into skilled, semi-skilled, and low skilled migration but bulk of intra Asian migration consists of low and semi-skilled movement and rural labor migrants

- Low skilled migrants are largely engaged in factories, plantation work, agriculture, construction labor, transport operations while semi-skilled migrants mainly work as nurses or clerical staff

- High proportion of female migrants in the region, occupations such as domestic work and entertainment feature among the main jobs performed by migrant workers

- Country-specific occupational characteristics
  - Labor migrants from Laos, Cambodia, Myanmar and South Asia employed in agriculture, fisheries, construction, domestic service, factories in Thailand
  - Rural labor migrants from Bangladesh, Vietnam, and Indonesia engaged in plantations, construction sites, domestic service, factory work in Malaysia
  - Thai and Malaysian emigrants work in factories and white collar jobs in Singapore, Taiwan, Korea, and Japan
  - Most South Asian migrants to Arab countries engaged in domestic service, construction labor, various occupational trade, and transport operations
  - Occupation specific migration ties between certain countries, such as Filipino nurses and entertainers in Japan and Filipino domestic workers in Hong Kong.
- Significance of low and semi-skilled occupations and female labour in intra-Asian flows indicates importance of labour services exports for promoting inclusive growth

Labour Services Exports and Inclusive Growth

- Why should Asian economies faciliate and manage labour services exports?
  - These exports (extra-regional and intraregional) are sizeable
  - Scope for further liberalization of labour flows given existing restrictions
  - Demographic imbalances and labour market shortages
  - Large gains from even a limited liberalization of labor markets with largest direct benefits where wage differentials are the greatest (low skilled)
  - Scope to provide employment opportunities at all skill levels
  - Can address gender imbalances in labour markets
  - Large remittance receipts with macroeconomic and micro level benefits
  - Potential dynamic benefits through skilling, capacity building, investment flows, technology transfer, networks, brain gain and brain circulation
- So management of these flows and associated earnings can enable services trade to play an important role in promoting inclusive growth in Asia

Evidence on remittances in Asia

- Much of this constitutes export earnings from labour services
- More important source of foreign income relative to other financial flows
- Unlike FDI and portfolio investment, more stable and even countercyclical
- As largely personal transactions from migrants to their friends and families, they tend to be well targeted to the needs of their recipients
- Associated with increased household investments in education, health and entrepreneurship—all of which have a high social return

- Convincing evidence on poverty reduction effects of remittances in Asian countries

- Household survey data show that:

  - remittances have reduced the poverty headcount ratio significantly in several LICs: by 6% in Bangladesh, 3-5% for Nepal

  - In Sri Lanka children of remittance-receiving households have a lower school drop-out ratio, these households spend more on private tuition for their children, have higher birthweight

- Remittances have provided capital to small entrepreneurs, reduced credit constraints, increased entrepreneurship

- At the macro-economic level, remittances have enabled debt servicing and foreign exchange reserve accumulation, helped cushion the impact of external economic shocks

- Benefits to receiving countries as well and thus significance of migration management

- Several developing Asian economies-Singapore, Hong Kong, Saudi Arabia, Qatar, UAE- very dependent on migrant workers to relieve labor shortages, to meet specific skill requirements in their domestic labor markets, and to maintain their competitiveness in labor-intensive industries

- Singapore: share of non- resident workers in the labor force increased from 18% in 1991 to 27.5% in 2006, foreign workers estimated to have contributed 3.2% to the annual GDP growth rate during the 1990s

- Foreign workers constituted over 6% of the labor force in Malaysia, Thailand, and Hong Kong in the 1990s

Interstate cooperation and labour flows

- Migration mostly managed *unilaterally* in Asia through national migration policies and frameworks

- Elaborate immigration systems to deal with migrant workers via visa controls, work permit systems, foreign worker levies on employers, aim has been to keep workers on a temporary basis and repatriate them during downturns

- Low and semi skilled migrants admitted in selected sectors and occupations

- These policies have tended to be short-term and needs-based in approach, with host countries introducing and removing visa restrictions and bans on migrant workers from time to time depending on economic conditions, domestic labor market considerations, and security concerns

- Over the past decade, growing recognition of the need for a coordinated approach to regulating labour flows (including labour services exports) via intergovernmental and regional cooperation arrangements

- Several dialogues and inter-ministerial consultations in Asia to discuss cooperation in migration management (Colombo Process , Abu Dhabi Dialogue) to address
  - irregular migration
  - screening, recruitment, and return of migrant workers
  - remittance management and reducing costs of remittance transfers
  - welfare and protection of migrant workers
  - training and capacity building
  - development of source regions
  - inter-country institutional coordination

- Focus on facilitating temporary and circular labor mobility in Asia at all skills levels, addressing long-term developmental interests in receiving and sending countries through collaboration and partnership

- Agreed that to achieve the best economic and social outcomes, workers should be provided with good living and working conditions, recruitment and employment policies and practices should be transparent and in accordance with national laws and regulations of countries of origin and destination, remittances should be facilitated

- Some Asian countries have been pursuing cross-border cooperation in migration through bilateral labor agreements (BLAs) and MoUs
  - Mostly cover low and semi-skilled mobility
  - Customized to suit host and source country specific migration characteristics and labor market requirements

- Examples of BLAs
  - Malaysia with Bangladesh, Indonesia, Pakistan, Sri Lanka, Thailand, and Vietnam
  - Thailand with Cambodia, Lao PDR and Myanmar
  - Korea with Indonesia, Mongolia, Philippines, Sri Lanka, Thailand, and Vietnam

- Focus of these BLAs on:
  - Regularization of interstate labor flows
  - Exchange of labor market information
  - Assistance in the process of recruitment, testing and certification of applicants
  - Working out the specifics of the work contract by identifying the sectors of occupation, provisions of quotas, required duration of work and possibilities of renewal
  - Protecting the rights and safety of migrants, enforcing fair employment conditions
  - Facilitating the process of return for the migrants
  - Designing social security arrangements for migrants
  - Co-operation in monitoring and enforcing provisions of BLAs

- Best case of bilateral cooperation in migration is the Philippines
  - Signed numerous employment and manpower agreements
  - Supports its BLAs with a comprehensive overseas employment program to enhance the competitiveness of its workers, address screening, training, deployment, welfare, return of Overseas Filipino Workers (OFWs), via the Philippine Overseas Employment Administration (POEA) and the Overseas Workers Welfare Administration (OWWA)
- More recently, interstate cooperation in migration in the context of economic integration agreements but these focus largely on skilled and professional mobility, limited sectors and occupations
  - JPEPA which permits a limited number of Filipino nurses (400) and caregivers (600) to work in Japan on meeting certain conditions, limited takeoff
  - Limited progress under other agreements even for skilled mobility (India-Singapore CECA)

- But progress under interstate cooperation arrangements remains limited due to lack of institutional capacity and inadequate focus on issue in source countries resulting in:
  - Continued exploitation of migrant workers by recruiting agents and intermediaries and associated problems of rent seeking, abuse, and violations
  - Lack of information on number of migrants and volume of remittances
  - Continued high costs of migration and remittances
  - Inability to monitor and ensure welfare and protection of workers overseas or ensure their return
  - Inability to exploit opportunities overseas due to inadequate investment in skill development, training, certification

Policy Directions

- Potential gains to Asian economies from the management of labor mobility and labour services exports are significant
- Evidence from successful experiences with migration management in other countries suggest that more can be done via intergovernmental arrangements
- Countries can design flexible strategies that combine both international trade and BLAs in a complementary manner
  - Binding trade agreements can better address the movement of skilled labor
  - BLAs may be more appropriate for semiskilled and unskilled labor

- Well designed BLAs can benefit source and host countries:
  - can allow developing countries, to focus on the temporary movement of specific categories of workers
  - as no commitment to provide minimum access, host countries can adjust access based on market needs and general economic conditions
  - greater flexibility under BLAs could also benefit sending countries by limiting brain drain losses, allowing returnees to increase productivity by bringing back newly acquired human and physical capital
  - can reduce incentives for undocumented migration
- Experiences of various countries indicate the importance of shared responsibility—at the design, implementation, and institutional levels for successful BLAs

- Successful BLAs will need:

  - Strong government ownership and oversight of employment programs
  - Integration of these programs into the country‘s labor and employment strategy
  - Flexible matching of supply and demand to address seasonal and structural shortages in the labor market
  - Good institutional frameworks for recruiting qualified workers, processing labor market needs, and securing work permits quickly and efficiently
  - Strategic use of public-private partnerships with recruiters, academic institutions, and training institutes
  - Combining skills training with managed migration to strengthen local capacity and produce high-quality workers for overseas employment
  - Shared distribution of roles and responsibilities by source and host countries
  - Focus on specialized categories of worker, with clear rules for length of employment and incentives, such as compulsory savings schemes, for return migration

From a global perspective- facilitation of labour services trade can help promote South-South trade and aid global rebalancing

Thank You