CHAPTER 3

Migrant Labours, Remittance Inflow and Economic Development

Abu Taher Salahuddin Ahmed, Segufta Hossain and Mohammad Jasim Uddin

3.1 INTRODUCTION

Migration, an old phenomenon, has become an important research topic worldwide because of its many-sided developmental impacts on both the countries of origin and destination. In 2002, the United Nations Population Division has estimated that the total number of international migrants stood approximately at 175 million. Significantly, women constitute half of the figure. Globally, increasing remittance, which migrant labours of developing countries send to their countries of origin, has been identified as “golden eggs” in that it contributes significantly to the foreign exchange earnings of a host of developing countries. The increasing inflow of remittance is contingent upon increasing outflow of migration. The simple assumption that can be made is that unless there is an increasing outflow of migration from the countries of origin, there cannot be increasing flow of remittance from the countries of destination.

Remittance literature generally throws its weight in favour of formal channel when it comes to remittance flow. Seddon’s study and the very recent Bangladesh Household Remittance Survey, 2009 fall in line with the mainstream literature. Like general literature of remittance flow, these literature also draw a distinction between formal/official and informal/unofficial channels through which remittance is sent by migrants. However, Bangladesh received US$ 7,161 million remittance in 2008. The figure went up to US$ 10,720 million in 2009. This increase made Bangladesh 10th remittance...
122 National Security Bangladesh 2009

earning country in the world. Although the amount of remittance has increased in 2009 than the previous year, Bangladesh faced a downward trend in its manpower export sector. About 8,75,055 migrant workers went abroad in 2008, whereas the figure went down to 4,75,278 in 2009. It indicates that Bangladesh experienced a substantial decline in manpower export in 2009.

According to the 2008 International Monetary Fund (IMF) estimate, the global value of remittance has almost tripled from US$ 124 billion in 2001 to US$ 556 billion in 2007. Also, available data demonstrate that the value of remittance inflow into the developing countries now exceeds not only Official Development Assistance (ODA) but also Foreign Direct Investment (FDI). When it comes to South Asia, estimates reveal that the flow of remittances outweighs the flow of ODA and FDI combined. These demonstrate that remittance greatly contributes to the economic development of a country. Subsequent discussion will show that the same holds true in case of Bangladesh. It is in the national interest of Bangladesh to guarantee uninterrupted inflows of remittance in the country and also uninterrupted outflows of migrant labours to the countries of destination. If this cannot be adequately assured, economic development of Bangladesh is bound to suffer. This in turn will directly affect economic security of Bangladesh, negatively impacting upon the wellbeing of its people. Seen thus, the topic is worth studying.

The basic assumption of this study is that migrants labour, remittance flow and economic development are an interlinked process. Keeping this interlinked process in mind, the objectives of this study will be to address the following: What has led to the decline of Bangladesh manpower export in 2009? What is the role of overseas employment to economic development of Bangladesh? What role has remittance played in economic development of the country? What are the policy initiatives that need undertaking by the government to increase manpower export and remittance which would generate the economic development of the country, thereby enhancing economic security?

This study is mainly based on the existing secondary literature such as books, journals, electronic journals, working papers, conference papers, various web sites, etc. However, the limitation of
this paper is lack of information, particularly on the reduction of unemployment through manpower export. Therefore, consulting of published materials and accessing to various websites have not been sufficient for analysing the impact of manpower export and remittance on economic development of Bangladesh. Consequently, many of the findings of this paper are generalised.

The paper has been organised as follows: Section 3.1 gives introduction. Trends of manpower export from Bangladesh and flow of remittance in Bangladesh have been examined in Section 3.2. Section 3.2 also identifies causes of decline of Bangladesh manpower export in 2009. Section 3.3 analyses the role of overseas employment and remittance to economic development in Bangladesh. Section 3.4 offers conclusion with a detailed three sets of recommendation in the form of policy initiatives that the Bangladesh government needs undertaking.

3.2 TRENDS OF MANPOWER EXPORT FROM AND FLOW OF REMITTANCE IN BANGLADESH

3.2.1 Trends of Manpower Export

Officially, Bangladesh began exporting manpower in 1976. Since then, manpower export increased manifolds with occasional erratic trends (see Figure 3.1). Between 1976 and 2009, manpower numbering 67.5 millions was exported from Bangladesh. Bangladesh's major

Figure 3.1: Trends of Manpower Export from Bangladesh During 1976-2009
destinations manpower export countries included the Middle East, and Southeast Asia (see Figure 3.2). Significantly, in 2009, about 70 thousand Bangladeshi workers were compelled to return home from the different countries of the world (see Figure 3.3). Throughout 2009, Bangladeshi workers, especially from the Middle East, Malaysia, and Singapore, frequently returned home (see Figure 3.4). These led to the decline of 47 per cent manpower export from Bangladesh in 2009 when compared to the year 2008 (see Figure 3.5). Now the question is what are the causes of declining manpower export from Bangladesh?

Figure 3.2: Country-wise Manpower Export from Bangladesh During 1976 to 2009

Figure 3.3: Workers Returned Home from Different Countries in 2009
3.2.2 Causes of the Decline of Manpower Export from Bangladesh in 2009

A key cause of manpower export decline from Bangladesh in 2009 was 'global recession'. At the onset of 2009, global recession hit the developed countries severely. This led the Middle Eastern countries, Malaysia, Korea, and Singapore not only to downsize their development activities but also scale down their absorption of foreign workers. Consequently, a large number of Bangladeshi workers were compelled to return home (see Figures 3.3 and 3.4). Furthermore, opportunities for new recruitment from the countries of destinations significantly decreased. As a result, manpower export from Bangladesh experienced a downward trend in 2009.

The other important causes were 'ban on recruitment', 'difficulty in renewing residential permit', 'strict enforcement of immigration rules and layoffs or long-run vacation by employers', 'decision not to employ workers', 'cancellation of visas', 'difficulty in regularising unauthorised workers', and 'little interest in employing Bangladeshi workers', who were usually unskilled. Most of these causes could be traced back to the structural changes in the labour markets of the Gulf region, particularly in Saudi Arabia. Added to these was a shift in the policy level of governments
in that region. As the rate of unemployment in the Gulf countries continued to increase, the governments of these countries had to take some measures\textsuperscript{21} to reduce their dependence on their migrant labour force. These measures posed threats to manpower export from Bangladesh to the Gulf countries in 2009. Additionally, 'fraudulent practices by manpower recruitment agencies of Bangladesh and their foreign counterparts',\textsuperscript{22} 'migrants' relative ignorance about the legal framework and cultural settings of destination countries',\textsuperscript{23} and lack of proper manpower export policy continued to play as barriers against growth of overseas employment in 2009. Lack of proper manpower export policy helps the recruiting agencies to sustain their own system to export workers from Bangladesh without any
rules and regulations and proper guidance. Although Bangladesh government introduced an Overseas Employment Policy in 2006 to organise its overseas employment sector aiming at ensuring welfare of the Bangladeshi workers abroad, the policy failed to play an effective role to solve the problems related to manpower export of the country.

3.2.3 Flow of Remittance in Bangladesh

Between 1976 and 2009, Bangladesh received about US$ 68,000 million as remittance through ‘formal channels'. In that period, the country experienced a huge increase of remittance inflow with some periodic erratic trends (see Figure 3.6). Notwithstanding the decline of manpower export from Bangladesh in 2009, the country received maximum amount (more than US$ 10,000 million) of remittance in that year (see Figure 3.6). Until the late 1970s, Bangladesh received a major portion of total remittance from its migrants working in Western Europe. Since the 1980s, the country witnessed a significant change in regional share of total remittance.

Figure 3.6: Flow of Remittance During 1976 to 2009 (in million US$)

![Graph showing the flow of remittance from 1976 to 2009 in million US$](http://www.hreexport_baira.org/flow_of_migration/flow_migration_dec.pdf)

An analysis of flow of remittance covering ten years (1999-2008) revealed that countries in the Middle East, USA, UK, Malaysia, and Singapore constituted major sources of total remittance inflow for Bangladesh (see Table 3.1 and Figure 3.7). Even in 2009, the country received an enormous amount of remittance from the destination countries (see Figure 3.8).

Table 3.1: Country-wise Share of Remittance for 10 Years (1999 to 2008)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total remittance ($US) in last ten years</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSA</td>
<td>13575.74</td>
<td>36.07%</td>
</tr>
<tr>
<td>UAE</td>
<td>4277.49</td>
<td>11.36%</td>
</tr>
<tr>
<td>Qatar</td>
<td>1344.21</td>
<td>3.57%</td>
</tr>
<tr>
<td>Oman</td>
<td>1318.1</td>
<td>3.50%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>656.41</td>
<td>1.74%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>4153.8</td>
<td>11.03%</td>
</tr>
<tr>
<td>USA</td>
<td>5616.86</td>
<td>15%</td>
</tr>
<tr>
<td>UK</td>
<td>3517.11</td>
<td>9.34%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>428.08</td>
<td>1.13%</td>
</tr>
<tr>
<td>Singapore</td>
<td>1053.11</td>
<td>2.79%</td>
</tr>
<tr>
<td>Others</td>
<td>1695.06</td>
<td>4.50%</td>
</tr>
<tr>
<td>Total</td>
<td>37636.03</td>
<td></td>
</tr>
</tbody>
</table>

Source: BER, Finance Division, Ministry of Finance, Government of the People's Republic of Bangladesh, p. 34.

3.3 ROLE OF OVERSEAS EMPLOYMENT AND REMITTANCE TO ECONOMIC DEVELOPMENT IN BANGLADESH

3.3.1 Role of Overseas Employment to Reduce Unemployment

Unemployment greatly obstructs economic development of Bangladesh. One of the major initiatives undertaken by the Government of Bangladesh (GoB) to reduce unemployment is export of surplus labour abroad. Although the initiative has not, to a large extent, been able to reduce unemployment, it has given a marginal relief to the growing pressure of unemployment problem in Bangladesh (see Table 3.2). Manpower export has contributed a great deal to reduce unemployment (see Figure 3.9) by providing a necessary safety valve for millions of Bangladeshis who would otherwise have crowded local job market. Therefore, overseas employment has been an integral part of economic development of the country.
Figure 3.7: Country-wise Share of Remittance (in percentage) for 10 Years 1999 to 2008

<table>
<thead>
<tr>
<th>Country</th>
<th>Share (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>4.50%</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.79%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.13%</td>
</tr>
<tr>
<td>UK</td>
<td>9.34%</td>
</tr>
<tr>
<td>USA</td>
<td>15%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>11.03%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>1.74%</td>
</tr>
<tr>
<td>Oman</td>
<td>3.50%</td>
</tr>
<tr>
<td>Qatar</td>
<td>3.57%</td>
</tr>
<tr>
<td>UAE</td>
<td>11.36%</td>
</tr>
<tr>
<td>KSA</td>
<td>36.07%</td>
</tr>
</tbody>
</table>

Source: Calculated from Table 3.1.

Figure 3.8: Country-wise Remittance (in percentage) in 2009

Source: Calculated from BER, 2009.
<table>
<thead>
<tr>
<th>Year</th>
<th>Economically active labour force (15+Pop.) (in million)</th>
<th>Employed (in million)</th>
<th>Unemployed (in million)</th>
<th>Manpower export (in million)</th>
<th>If no manpower export-unemployed (in million)</th>
<th>Contribution (%) of manpower export to unemployment reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>51.2</td>
<td>50.2</td>
<td>1</td>
<td>0.268</td>
<td>1.268</td>
<td>0.52</td>
</tr>
<tr>
<td>1996</td>
<td>56</td>
<td>54.6</td>
<td>2.6</td>
<td>0.222</td>
<td>2.822</td>
<td>0.39</td>
</tr>
<tr>
<td>2000</td>
<td>40.7</td>
<td>38.9</td>
<td>1.8</td>
<td>0.188</td>
<td>1.988</td>
<td>0.46</td>
</tr>
<tr>
<td>2003</td>
<td>46.3</td>
<td>44.3</td>
<td>2</td>
<td>0.225</td>
<td>2.225</td>
<td>0.48</td>
</tr>
<tr>
<td>2006</td>
<td>49.5</td>
<td>47.4</td>
<td>2.1</td>
<td>0.254</td>
<td>2.354</td>
<td>0.51</td>
</tr>
<tr>
<td>2009</td>
<td>53.7</td>
<td>51.0</td>
<td>2.7</td>
<td>0.475</td>
<td>3.175</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Average = 0.54

Note: Manpower export (in million) * 100 / Economically active labour force (15+Pop) (in million)


### 3.3.2 Role of Remittance to Economic Development

Since 1976, remittance has become a focal issue in Bangladesh for its increasing volume and significant role. Between 1999 and 2009, huge remittance inflow compared with inflow of foreign aid and FDI into the economy of Bangladesh (see Figure 3.10) and government revenue has had macroeconomic effects. For example, contribution of remittance to Gross Domestic Product (GDP) and export (see Figure 3.11) has been assisting to meet increasing trade deficit of Bangladesh (see Figure 3.12) by maintaining a stable foreign currency reserve (see Figure 3.13).

In fiscal year (FY) 2008, remittance amounted to US$ 9.02 billion that helped Bangladesh correct its Balance of Payment (BOP) deficit to a surplus of US$ 3.4 billion, while in July 2009 Bangladesh’s BOP surplus reached US$ 1.39 billion. The steady growth of inward remittance and falling of import payments have been contributing to the higher growth of Foreign Exchange Reserve (FER). The contribution of inward remittance to FER has also been helping Bangladesh to make up deficit between total export and import and to maintain BOP. However, the role of remittance to maintain BOP can also be analysed by an observation on domestic currency of Bangladesh.
Figure 3.9: Contribution of Manpower Export to Reduce Unemployment

Source: Calculated from Table 1
The domestic currency of Bangladesh has held up rather well against major currencies of the world during the last year. Bangladesh currency (Taka) has been appreciated against many
Figure 3.12: Trade Deficit (During 1999 to 2009) of Bangladesh (in million US$)

Source: Calculated from BER 2009, p. 36.

strong currencies such as Euro, Pound Sterling, Australian dollar and Swiss franc. Taka has also been stable during the last three years against the US dollar. The movement in the value of the US dollar has largely reflected the external value of Taka. Appreciation of the external value of Taka is welcomed since this has helped in reducing (or not increasing) the prices of imported materials and goods from overseas. However, the external value of a currency is determined by the state of BOP. A surplus in BOP pushes up the external value of the domestic currency, while a deficit creates pressure for depreciation. Bangladesh has run surplus in the Current Account Balance (CAB) during the last four years (see Figure 3.13). The surplus has allowed the Bangladesh Bank to more than double its holding of international reserve during the same period.\textsuperscript{30}

A robust level of international reserve (see Figure 3.13) has been supporting the stability of the domestic currency against the US dollar. In 1999, the FER was just US$ 1.52 billion, whereas in 2001, the share of FER from remittance to total foreign exchange earnings stood at around 30 per cent.\textsuperscript{31} Conversely, in 1999, while 22 per cent of official import bill was financed by remittance, in August 2009, the
During 1999 to 2009

Remittance, FER and CAB

Source: BER 2009, p. 284; Statistics Department, Bangladesh Bank.

A robust growing flow of remittance raised the country’s FER to an all time high of US$ 7.84 billion, well above the safe threshold to meet three months’ import bills. These statistics show that the growth of remittance has been playing a significant role, thereby saving Bangladesh from facing any possible currency crisis. If one considers a scenario of no remittance from abroad, one can extrapolate a deep currency crisis leading towards a major socio-economic turmoil. In addition, given that the balance of trade is static, a 50 per cent decline in remittance may trigger massive fall of the value of Taka against foreign currencies.

It is accredited that imports of goods and services into Bangladesh have always exceeded exports, sometimes by a large margin. By itself, this should have created a downturn pressure on the value of the domestic currency. But this did not occur owing to a colossal inflow of remittance. This has allowed the country not only to maintain a healthy BOP in particular CAB despite large trade deficits, but also to increase the supply of national savings, to constitute a very important source of ‘development budget’, and to strengthen financial market through enhanced banking activities.
Remittance, channelled through bank accounts, in contrast to cash transactions, encourages savings and enables a better match for savings and investment in an economy. Some studies have already shown that outstanding loans are significantly higher for migrant households in Bangladesh, reflecting possibly upfront financing of migration costs through borrowing. On the other hand, a World Bank study has revealed that the flow of transferring remittance in Bangladesh through official channel has been increasing. In 2009, barely 9 per cent of remittance was sent through unofficial channels. Therefore, in many cases, while households receiving remittance never had sufficient liquidity to merit consideration of a bank account, the recipients are now accumulating savings from remittance flows, accessing other financial service products such as business and consumer loans and insurance, and establishing a credit history. As a result, remittance has become a good source of income for some banks with strong network at home and abroad. Subsequently, the foreign earnings have enhanced banking activities or their capabilities, and are serving as a catalyst to financial market deepening.

However, scanty quantitative research is noticeable about the impacts of foreign remittance on household welfare and poverty in Bangladesh. An analysis of the available household survey data demonstrates that remittance has been associated with declines in the poverty headcount ratio in Bangladesh. A study of Asian Development Bank supports the finding that remittance has played a significant role in reducing poverty by 6 per cent in Bangladesh. Another study suggests that the mean expenditure of the remittance-recipient households on food, education, healthcare, durables and household repairs is much higher than those of the households who do not receive remittance. The study shows that for one unit increase in total land of the associated household, the log odds of household’s poverty decreases by 0.29 per cent. Likewise, with the increase of household size and dependency ratio by one unit, the log odds of the household being poor increases by 0.15 per cent and 1.82 per cent, respectively. However, in case of dummy variable for employment area, a change in working area from urban to rural leads to a rise in the log odds ratio of the households to be non-poor by 0.62 per cent. In case of education of the household head, with a one year increase in educational qualification, the log
odds of the households being poor decreases by 0.03 per cent. The analyses in the study suggest that remittance plays a very important role in Bangladesh with regard to household’s wellbeing measured by their consumption level and their poverty incidences. More specifically, the result of marginal and income effects of ‘logit’ regression shows that the probability of the household to be poor decreases by 5.9 per cent if the household is a receiver of remittance.\textsuperscript{43}

Although nowadays it is increasingly recognised that remittance is a key source of external funds for the economic development of Bangladesh, much ambiguity continues to persist how remittance is used. This is discernible from the real effects that remittance has on the household level. The impact of remittance on the household level partly depends on the characteristics of the migrants and hence the recipients i.e. whether they constitute the rural poor, or the more educated sectors of the population generally residing in the urban areas. A large number of studies find that the majority of Bangladeshi migrants abroad are unskilled. They lack access to land and resources and originate from the rural areas. Therefore, the utilisation pattern of remittance at the household level in Bangladesh has mainly been directed towards meeting the needs of families (see Figure 3.14).

Figure 3.14 shows that families are the principal beneficiaries of remittance, and a major portion of remittance, i.e. about 66 per cent is used for conspicuous consumption. Such consumption includes spending on meeting the basic human needs, basic nutritional needs, improving living condition and lifestyle, and ensuring social security for elderly people. However, expenses on basic needs, i.e. spending on food, clothing, health, medical treatment and children’s education, can be seen as investment in future human resource development, and are therefore valuable for long-term economic development and poverty reduction.

Although much of the total remittance is consumed by the households, a significant portion i.e. about 12 per cent and 14 per cent are invested in buying land and houses, and repaying loans/costs for migration, respectively. It may be mentioned here that while going abroad a migrant worker usually manages the fund for his/her migration either by selling or mortgaging land. Remittance plays an important role to retrieve the sold or mortgaged land and
Figure 3.14: Utilisation Patterns of Remittance at the Household Level in Bangladesh

also helps migrant labours to purchase additional land. Investment of remittance in housing or land purchase can be considered as unproductive since it does not add to the country’s productive capacity and also may result in inflation. But it has increased the loan repaying capability of the migrants or their families since remittance is cited as making up around 51.12 per cent of recipient poor households’ total income.\textsuperscript{44} Therefore, remittance has helped to ease the budget constraints of the recipients, allowing them to increase expenses on both durable and non-durable products, and providing them with protection against negative income shocks. Consequently, benefits of remittance have been relatively more on alleviating local level income poverty for the poorer households.

Figure 3.7 also demonstrates that a meagre amount of remittance (barely 3 per cent) is saved in banks as fixed deposits and insurance policies for future. By contrast, only less than 5 per cent is utilised for productive investment, particularly in small business and income generating activities such as farming, sending family members abroad, etc.\textsuperscript{45} Although productive use is rather limited, a small quantity of remittance is invested in charities and community development activities, and to assist poor relatives. Charities and community development initiatives are usually funded by collective transfers. Therefore, remittance has been a major factor that helps boosting local economy and reducing local poverty.

Also, it is evident from the analysis that the role of remittance has been significant to the development of Bangladesh’s economy both at the macro level and the micro levels. At the macro level, remittance has led to a decline in interest rate, and has reduced financial constraints.\textsuperscript{46} On the other hand, it has increased the level of gross national disposable income.\textsuperscript{47} Additionally, expenditure generated from remittance on education, investment and savings has helped to increase human capital formation, financial capital accumulation and higher output level for the country.\textsuperscript{48} By contrast, at the micro level, remittance has been a significant source of income for many recipient households, increasing their disposable income. For many of the recipient households, their basic needs could not have been met in the absence of this additional income.\textsuperscript{49} Evidence has also demonstrated that remittance has been contributing to poverty reduction at the household level.\textsuperscript{50}
3.4 CONCLUSION AND RECOMMENDATIONS

Clearly, manpower export from Bangladesh has declined almost by half in 2009 when compared to the year 2008. This decline is attributable to both global and national factors. By contrast, since 1976, the highest inflow of remittance occurred only in 2009. Reduction of unemployment owing to manpower export from Bangladesh has remained steady. Although remittance has been continuing to play an important role in both macro and micro economic development of Bangladesh, the role of remittance to investment has not been significant because of either ineffective utilisation or frequent investment of remittance in the unproductive sectors. The paper offers the following three sets of recommendation.

3.4.1 Recommendations to Increase Manpower Export

Bangladesh must focus on the diversification of destination for its migrant workers. Although some pockets (for example Iraq) of the international labour markets have recently been restored, the GoB should focus on finding out new destinations such as African countries, Eastern European countries, Central Asian countries, etc. The diversification of destination will help provide minimum level of assurance against any unforeseen difficulty that arises in a specific region such as the Middle East. Furthermore, once the GoB is able to diversify its manpower destination, it is likely that in the unforeseen cases when the flow of remittance suddenly gets disrupted from any region (e.g., the Middle East), such a diversification will help keep flowing remittance in the country.

i) The GoB should implement a well-knitted policy to streamline its foreign missions. The position of labour attaché and similar post in the foreign missions must be staffed by capable persons to look after the interests and rights of overseas Bangladeshi workers. The foreign missions should be responsible for ensuring safety, security, well-being and respect of workers. They must play an active role to make sure that workers are paid according to the international wage standards. They also need to develop a trustworthy, stable, and long-term relationship with Bangladesh’s partner countries, especially in the Middle East. Most importantly, the GoB should develop its foreign policy and assign a
professionally skilled person at each office of diplomatic mission abroad to properly lobby with various concerned persons to explore the potentials of manpower export in the destination country. Although the GoB has a post of labour attaché in the diplomatic missions in some countries, it is still insignificant.

ii) The Overseas Employment Policy of Bangladesh framed in 2006 should recommend introducing quotation to keep the fees lower as charged by the recruiting agencies. The announcement of about US$ 540 as the migration cost by the Expatriate Ministry of Bangladesh also needs to be justified. 52

iii) Other recommendations include:

- Creating a Ministry for Human Resource Management to regulate manpower export, and reduce fraudulent practices by the recruiting agencies.
- Establishing technical, polytechnic and vocational institutes to supply skilled and professional workers such as nurses. 53 Bangladesh government must encourage training of nurses, which will create a large pool of skilled human resources, meet the demand within the country, and increase the number of skilled migrants including the female migrants.
- Strengthening institutional capacity of Bureau of Manpower Employment and Training (BMET). As the premier agency of the state assigned with the task of organising and regulating labour migration, the GoB needs to commit adequate resources to this institute. BMET should concentrate on regulating and monitoring of migration sector including providing recruitment permission and immigration clearance.
- Establishing a specific cell in the Ministry of Foreign Affairs of Bangladesh to regularly exchange views and information on overseas employment with concerned Ministries and authorities such as recruiting agencies.

3.4.2 Recommendations to Increase Remittance Inflow

i) The GoB should focus on enhancing functions of formal channels for sending remittance. Banking services must be
provided at any level, particularly in the remote rural areas. Assistance from the smaller financial institutions such as credit unions or micro-finance institutions (MFIs) with a regulatory support should be undertaken. They should be employed in the transferring process of remittance, and in delivering convenient and low-cost remittance services in the rural areas. Conversely, the GoB should reduce transaction cost of remittance through formal channels, provide quicker and secure transfer support, and offer attractive exchange rates through banking services. Furthermore, the GoB should introduce foreign currency denominated bonds and repatriable foreign currency accounts to stimulate remittance inflow. Countries such as India and Pakistan experimented with the initiatives and achieved much success in this regard.

ii) The GoB should have strict supervision vis-à-vis the informal channels of remitting remittance to Bangladesh through existing regulatory instruments.54

iii) The GoB should pay attention to reduce the cost of remittance. Measures to reduce remittance cost should aim to improve the efficiency of remittance transactions by

- enhancing market competition to reduce high profit margins,
- helping remittance service providers' access to new payments technology, and
- encouraging remitters to send larger amounts of remittance.

- As a way to enhance competition, the GoB can encourage postal systems and other state-owned distribution alternatives to open their networks to multiple MTO (money transfer operator) partnerships on a nonexclusive basis. Developing a shared network would also be a powerful way to increase competition. Cooperation on infrastructure and competition in service provision would allow network benefits to accrue to the consumer. The technology required to set up a payment processing infrastructure with capacity is no longer an expensive proposition since a functioning payment infrastructure
could be extended to Bangladesh at a minimal cost and in a short period of time.

- Assisting remittance service providers to adopt new payment systems technology and instruments would help lower their service costs. Some technologically advanced methods of sending transfers i.e. card-based instruments such as stored value cards (similar to phone cards), credit cards, and debit cards, may be frequently used to send remittance to urban locations that have access to card-processing machines.

- Improving migrant workers' access to banking services could reduce transaction costs, and at the same time, help to develop the financial system in the countries where remittance is received. Sending and receiving countries alike could support migrants' access to banking by providing them with the means to establish their identity. In Bangladesh, the factor that tremendously impact on remittance costs (and on the choice of remittance channel) is the reach of the remittance agent's distribution network. Recipients in rural areas underserved by banks may have to pay high costs for receiving remittance, especially through formal channels. Partnerships between remittance operators and institutions that have wide networks in rural areas (such as post offices) would help reduce such costs.

3.4.3 Recommendations to Enhance Economic Development through Remittance

i) The GoB should focus on formulating an investment policy that can identify productive sectors, and encourage the migrant workers to invest their remittances in the productive sectors. Investment policy should be well-matched with macro-economic policies and government's development objectives. Investment policy should also be well-matched with Poverty Reduction Strategy Paper (PRSP) and National Development Strategy Paper of Bangladesh. The outcomes of the measures may encourage the migrants to hold their savings in financial assets in their home country rather than
holding them abroad or spending on just consumer goods. This in turn would attract the uses of remittance towards productive investments.

ii) It is important to undertake a policy that can encourage migrant workers to invest their remittances in establishing small and medium-sized enterprises (SME). One of the major impediments to private sector development is the paucity of credit for seed capital and working capital for establishing enterprises, especially SME. Remittance can provide such credit, thus supporting the growth of the enterprises. Even residing abroad, many migrants want to invest in the enterprises in their home country, either to employ family members at home, or earn additional income, or to prepare for their retirement or eventual return. These types of investments on the part of remitters can lower poverty by expanding businesses in their home communities and generating jobs and income.

iii) The Expatriate Welfare Ministry should seriously consider insurance of bonds (such as wage earners development bonds) specially designed for the migrant workers. Bonds should be available in the rural areas so that the families of the migrant workers can buy them easily. The funds need to be mobilised that can be invested through a competent management board, with public and private sector representatives, for taking up well thought-out projects having relevance to the welfare of the Bangladeshi migrant workers.

iv) Productive utilisation of remittance should be increased. In this regard, the GoB can provide matching funds, launch infrastructure investment funds and popularise special bonds for the non-resident Bangladeshis. The government of Egypt provided matching funds for remittance backed projects, while the government of Mexico matched every dollar sent by migrant groups with US$ 3 of local government funds to pay for infrastructure and social projects such as remodelling churches and schools.55 The idea of matching funds can also be adopted in Bangladesh to increase the infrastructural development of the country
through remittance. Conversely, physical and human capital investments are two key channels through which remittance could generate positive effects on economic development.

v) The GoB should focus on developing training or education programmes to assist returning migrants or remittance receipts in making effective investment decision. Adequate infrastructure, and investment schemes or financial schemes should be developed to generate constructive investment decision.

vi) It is also important to ensure self-employment investment schemes to stimulate direct investment of remittance in the productive assets. In other words, the opportunity to promote self-employment and small business formation should be acknowledged by the GoB, and the schemes should be targeted to support investment in small business activities.

vii) Increasing the role of MFIs is very vital to enhance economic development through remittance. To broaden services link to remittance to the ‘unbanked’, MFIs may have the potential to promote broad-based development. Linking remittance with MFIs should be duly considered because the poorer segment of the total population of Bangladesh is often unable to access adequate deposits, credit, savings and investment. However, it needs mentioning that this poorer section has much confidence in MFIs. Sufficient access to deposits, credit, savings and investment may in turn generate small-scale industrialisation, create employment opportunities, and reduce household level poverty, thereby accelerating the process of economic development.

Endnotes
3 Ibid., pp. 403-420.
5 Ibid.
7 Ibid.
10 See, Chapter 2 of this book.
13 The highest number of Bangladeshi migrant workers is in Saudi Arabia where they face a ban on recruitment in the household and agricultural sector.
14 The Saudi government has unofficially stopped renewing residential permits to the Bangladeshi workers.
15 In February 2009, the Saudi government deported 8022 Bangladeshi migrant workers. This was owing to the issue of renewing residential permits, and also because of strict enforcement of immigration rules and layoffs or long-run vacation by employers. See, Mustafizur Rahman, Debapriya Bhattacharya, Md Ashiq Iqbal, Towfiqul Islam Khan and Tapas Kumar Paul, “Global Financial Crisis: Discussion Series”, Paper 1: Bangladesh, A study prepared by the Centre for Policy Dialogue as a part of a wider research project coordinated by the Overseas Development Institute (ODI), London and supported by the UK Department for International Development (DFID) and the Dutch Ministry of Foreign Affairs, URL: http://www.odi.org.uk/resources/download/3305.pdf, accessed on 10 April 2010.
16 The Kuwait government decided not to employ the Bangladeshi workers due to the strike of the workers in 2008 demanding better pay and other facilities.
17 The manpower export sector has also worsened with the cancellation of 55,000 visas for the Bangladeshi workers in Malaysia in 2009.
18 Regularising the unauthorised Bangladeshi workers became an important issue to the decline of manpower export from Bangladesh in 2009 in some countries such as the Maldives.
19 Saudi Arabia used to take more than half of the Bangladeshi migrant workers which has come down to just two per cent. Conversely, from the middle of 2009, reportedly both oil-rich Arab, Malaysia, and Southeast economies, particularly Singapore, are found to be not much interested in employing the Bangladeshi workers. Instead, they started taking workers from other countries, including Nepal and the Philippines. Filipino workers, mostly, being skilled and semi-skilled are preferred by many Arab countries. On the contrary, workers from Nepal, despite being unskilled, are on high demand in the Middle East as well as Malaysia. See, Tasneem Siddqui, “Incorporating Migration in Five Year Plan”, paper presented in a Dialogue on Incorporating Issues of Migration in Five Years.

20 The Bangladeshi migrant workers are sent to their destinations with very little or no training.

21 For instance, quotas for Saudi nationals have been introduced in some professionals. Saudi Arabia also has taken some drastic measures, e.g., the Kingdom’s government has decided that the Saudis would constitute 70 per cent of the total workforce to lower the number of expatriate labour force to a maximum 20 per cent of its own population within the next ten years. The Kingdom’s government, stressing further on establishing a quota system for foreign workers, has declared that the country’s plan is to reduce the number of foreign workers by 100,000 a year. Conversely, Saudi Arab has stopped providing permission for changing jobs for foreign workers, and has closed importing or recruiting new workers from foreign countries like Bangladesh. In addition, Saudi Arab has closed work permit transfer of Bangladesis in 2009. See, Ishtiaque Selim and Mohammad Jasim Uddin “Bangladesh-Gulf Economic Relations: Focus on Remittances, Overseas Employment and Trade”, BIISS Journal, No. 1, Volume 29, 2008, pp. 90-107.

22 The Bangladeshi workers are repatriating almost everyday after being cheated by the local recruiting agencies and their foreign counterparts. The fraudulent practices/activities by the recruiting agencies and their foreign counterparts include fake visas and work permit, situations of forced labour or debt bondage, restrictions on movements, non-payments of wages, threats and physical harassments and sometimes sexual abuse of female migrant workers. Sometimes, the agents of employers confiscate the passports of the workers which make them totally helpless.

23 The images of the Bangladeshi workers have been dented as they are alleged to involve in illegal activities in the GCC states. Sometimes the migrant workers marry their local partners that are also prohibited in some countries. Many migrant workers are having relationship with Malaysians, some even have children with the locals, and some are even getting married to their local partner. Therefore, the Malaysian government has reacted by allegedly imposing a condition on work permits prohibiting marriage. See, “Migrants and Rights in Malaysia”, URL: http://www.mfasia.org/mfaStatements/Statement46-MigrantsAndRightsInMalaysia.html, accessed on 15 July 2010.

24 Remittance that is sent by check or demand draft, by direct transfer to own bank account, to a third person’s bank account, etc.

25 Calculated from BER.

26 Ishtiaque Selim and Mohammad Jasim Uddin, op.cit.

27 Ibid.

28 Remittance is equivalent alone to more than 50 per cent of the total government revenue. See, “Remittances Cross $9.5 billion Mark”, The Financial Express, 30 June 2009.
30 Ibid.
32 Ibid.
37 Unofficial channels include hundi (an ancient and informal method of funds transfer and a part of Bangladeshi culture), friends and relatives, hand carried, etc. See, Haydory Akbar Ahmed and Md. Gazi Salah Uddin, op. cit., p. 84.
38 Z. Hussain and F. Naeem, op. cit.
40 Ibid.
42 Ibid.
43 Ibid.
45 Utilising remittance in sending family members abroad from the perspective of the migrants’ families is an investment rather than consumption. See, ibid.
46 Debapriya Bhattacharya and Uttam Kumar Deb, op.cit., p. 9.

47 In FY 1999 gross national disposable income was US$ 47,417 million, whereas in FY 2009 it stood at US$ 1,00,515 million. See, Monthly Economic Trends, February 2010, Bangladesh Bank, p. 4.

48 Selim Raihan et al., op.cit., p.10.

49 Ibid, p. 23.

50 Ibid.

51 The resumption of Bangladeshi manpower export to Iraq (job opportunities are opened for 2000 Bangladeshi workers in Iraq in 2009) after a break of six years can be seen as a positive development. See, Shahiduzzaman Khan, “Falling Manpower Export and Task Ahead”, The Financial Express, 12 July 2009.


53 Nurses are in short supply in all regions, in the North as well as in the South. By 2050, one in every 11 person will be over the age of 80 in the developed West. The countries of the West will need huge number of health care providers for their aging population. By 2014, the US alone will require more than 1.2 million new and replacement nurses.


55 M. A. Taslim, op.cit.