

ISLAMIC RESEARCH AND TRAINING INSTITUTE  
ISLAMIC DEVELOPMENT BANK, JEDDAH

**THE ECONOMIC IMPACT OF  
TEMPORARY MANPOWER MIGRATION  
IN  
SELECTED OIC MEMBER COUNTRIES  
(BANGLADESH, PAKISTAN AND TURKEY)**

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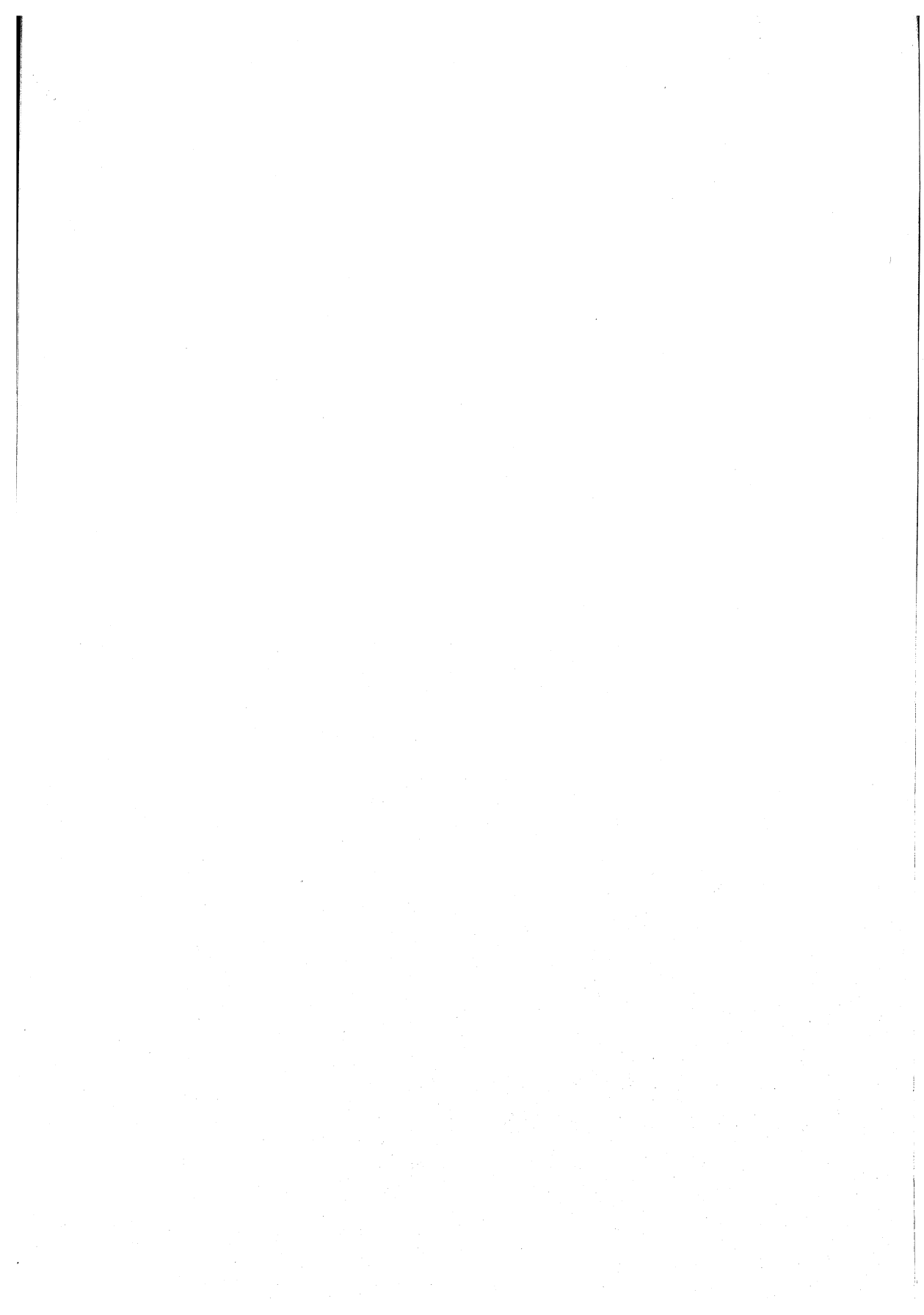
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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



## **RESEARCH – APPLIED NO. 7**

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References to and citations from this study are allowed but must be properly acknowledged.

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## **ABBREVIATIONS**

BMET	: Bureau of Manpower, Employment and Training of Bangladesh Centre for Arab Unity Studies
CBT	: Central Bank of Turkey
EIU	: The Economic Intelligence Unit
GCC	: The Gulf Cooperation Council
IBRD	: World Bank
IDB	: Islamic Development Bank
ILO	: International Labour Organization
IMF	: International Monetary Fund
IRTI	: Islamic Research and Training Institute of IDB
MENA	: Middle East and North Africa
NBER	: National Bureau of Economic Research
OECD	: Organization for Economic Cooperation and Development
OUP	: Oxford University Press
OIC	: Organization of the Islamic Conference
SESRTCIC	: Statistical Economic and Social Research and Training Centre for Islamic Countries
SOPEMI	: Continuous Reporting System on Migration of OECD
SPO	: State Planning Organization of Turkey
TES	: Turkish Employment Service
TUSIAD	: Turkish Industrialist and Businessmen's Association

## **LIST OF OIC MEMBER COUNTRIES**

1. People's Democratic Republic of Algeria.
2. State of Bahrain.
3. People's Republic of Bangladesh.
4. People's Republic of Benin.
5. Sultanate of Brunei Darussalam.
6. Republic of Burkina Faso.
7. United Republic of Cameroon.
8. Republic of Chad.
9. Federal and Islamic Republic of the Comoros.
10. Republic of Djibuti.
11. Arab Republic of Egypt.
12. Republic of Gabon.
13. Republic of Gambia.
14. Republic of Guinea.
15. Republic of Guinea-Bissau.
16. Republic of Indonesia.
17. Islamic Republic of Iran.
18. Republic of Iraq.
19. Socialist People's Libyan Arab Jamahiriye.
20. The Hashemite Kingdom of Jordan.
21. State of Kuwait.
22. Republic of Lebanon.
23. Malaysia.
24. Republic of Maldives.
25. Republic of Mali.
26. Islamic Republic of Mauritania.
27. Kingdom of Morocco.
28. Republic of Niger.
29. Federal Republic of Nigeria.
30. Sultanate of Oman.
31. Islamic Republic of Pakistan.
32. Palestine.
33. State of Qatar.
34. Kingdom of Saudi Arabia.

35. Republic of Senegal.
36. Republic of Sierra Leone.
37. Somali Democratic Republic.
38. Democratic Republic of Sudan.
39. Syrian Arab Republic.
40. Republic of Tunisia.
41. Republic of Turkey.
42. Republic of Uganda.
43. United Arab Emirates.
44. Yemen Arab Republic.
45. People's Democratic Republic of Yemen.

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Needless to say, whatever faults remain in the study and the ideas and conclusions expressed are solely the responsibility of the author and are in no way to be attributed to those persons who offered advice and assistance.

Jeddah  
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**ASSOC. PROF. DR. EMIN CARIKCI**





## **FOREWORD**

The Islamic Research and Training Institute (IRTI) has been established by the Islamic Development Bank (IDB) in order to undertake research for enabling the economic, financial and banking activities in Muslim countries to conform to Shariah and to extend training facilities for personnel engaged in development activities in the Bank's member countries.

In pursuance of its objectives, IRTI organizes and coordinates basic and applied research with a view to developing models and methods for the application of Shariah in the fields of economics, finance and banking. One of the areas of research upon which the Institute is presently concentrating is the issues related to the development of the economic cooperation between the member countries of the Organization of Islamic Conference. (OIC).

The present study has been undertaken in order to have insight to various basic and applied aspects of migratory manpower movement from the three member countries of OIC, namely Bangladesh, Pakistan and Turkey during the period from 1975 to 1983.

I hope that the study which analyses and discusses numerous aspects of the subject and concludes with a number of findings will be of value for the interested parties, including policy and decision makers.

Jeddah,  
Rajab 1407H  
March 1987

**PROF. KORKUT OZAL**  
Director  
Islamic Research and Training Institute



## **CHAPTER-1**

### **INTRODUCTION: OBJECTIVES AND OVERVIEW**



# CHAPTER I

## INTRODUCTION: OBJECTIVES AND OVERVIEW

### 1. Introduction and Objectives

One of the world's most important socio-economic events during the past three decades has been the international migration of labour. The main feature of this movement has to be its temporary character. This type of migratory movement was directed not just toward Europe and the Middle East, but also spilled over into some African, Sout American and, more recently, to South-East Asian States.

Before 1974, most temporary labour migration was directed towards Northern European countries. With the increase in oil prices after 1973, labour migration to oil-rich Arab countries of the Middle East and North Africa increased significantly.

#### (a) Scope and Purpose

This study, covering the period from 1975-83, is designed to provide a better understanding of the economic impact of this international labour migration on the economies of Bangladesh, Pakistan and Turkey, primarily in relation to the Middle Eastern and North African (MENA) region. The study also includes a brief review of the recent trends in temporary labour migration within this region.

The research focuses on macro-economic aspects and impacts rather than mico-analysis. Field work on the change in individual expectations and incomes, the propensity to save, the propensity to remit and other micro-issues have not been emphasized. Substantial amount of research work has been carried out on the subject of temporary migration. But the majority of these studies have been related to European labour migration. Since the acceleration of temporary labour movement to Middle Eastern and North African countries is a recent phenomenon, number of studies which includes these areas is also very limited. Furthermore, socio-economic analysis of migratory movement requires continuous updating. For example, before 1980, the number of migrants from Bangladesh and Turkey to Middle Eastern countries was at a minimum level. However, during the 1980-83 period, emigration from these countries to the Middle East increased substantially.

The number of migrants, their skill composition, and their nationalities has been changing rapidly. In order to understand and analyse these changes, this subject also requires constant updating as to its effects. The migratory movement among Muslim nations may contribute to the development of cooperation between members of the Organization of Islamic Conference (OIC). On the other hand, such migration, if not properly organised and controlled, may have a long-range and complex detrimental impact on the countries involved. It is hoped that this study may be instrumental in identifying the beneficial as well as the adverse aspects of migratory movement among selected countries.

Bangladesh, Pakistan and Turkey have been selected for this study on the basis of several theoretical and practical considerations. Firstly, they are the most populous non-Arabic labour-exporting countries among OIC member states. Secondly, during the 1980-83 period, the rate of increase in migratory movement from these countries to the MENA region has been the most rapid among OIC member countries. Thirdly, the share of remitted earnings in their balance of payments has been the highest in comparison to other foreign exchange items as well as in comparison to other labour-exporting OIC member countries.

In this study, attempts will be made to answer the following questions:

- What are the recent trends, stocks and sectoral distribution of migrant workers in the selected labour importing countries in the MENA region from 1970 to 1982?
- Is labour migration from Bangladesh, Pakistan and Turkey to the Middle Eastern and North African (MENA) region a “temporary” or “permanent” phenomenon?
- What can be learned by comparing the recent experiences of different labour exporting and importing Muslim nations?
- Do available methodologies permit a balanced evaluation of both beneficial and adverse effects of manpower migration?
- How does manpower migration affect the ability of the countries under study to sustain economic development?
- What are the monetary and real effects of official and un-official remittances on the level of prices, the size and composition of imports and productive potential of the economies of Turkey, Pakistan and Bangladesh?
- What can be the contribution of labour migration toward increased economic cooperation among OIC member countries?

## **(b) Method and Problems**

It takes many years for developing nations to design a statistical system and to accumulate and analyze data as a basis for sound policy recommendations. Currently, very few statistics are available to represent the full picture of the labour migration issues of Muslim countries. This is especially true for the labour-importing and exporting Arab members of the OIC.

Unfortunately, a comparative analysis of the composition and effects of migrant labour flows from different countries has often to be made on weak empirical evidence, because each nation may employ different definitions, classifications, and criteria for the collection and utilization of data.

In some cases, the best data may be collected by labour-importing nations. In Turkey's case, for example, West Germany has made extensive data collection and studies on Turkish migrants but with a different perspective and intent. Furthermore, estimates are frequently based on the needs as seen by different economic interests and different political systems. In other cases, the best data on

this subject may be provided by the labour-exporting country itself, especially when emigrant workers have an important impact on the economy of their home country. Any research on labour emigration, therefore, should not place both sets of statistics on the same scale, otherwise this will most probably lead to faulty analysis.

In comparative studies, many levels of analysis are possible. From an economic viewpoint, analysis may be at macro or micro levels, it may be an impact or incidence study, where social and private costs and benefits might diverge. Moreover, short-run gains for one unit, (i.e. individual, industrial enterprise, or nation as a whole) might become negative in time. The effects of governmental policy must also be taken into account.

The economic analysis of manpower migration to MENA region involves a number of disciplines including international economics, labour economics and financial economic analysis. Where the available deductive theory may not be satisfying, the analysis is of such nature that it may be better treated by empirical study and qualitative assessment. Ideally, the subject requires an eclectic and inter-disciplinary approach: a comprehensive view would require at least an economic, technological, sociological, demographic and political study. A more modest undertaking is attempted here. The primary focus is that of a political economist. The study is mostly concentrated on the macro-effects of labour migration.

Scope for quantitative analysis is severely limited for the following reasons: Firstly, there is lack of adequate data on the subject. Secondly, the migratory movement has not only static and first-order effects, but dynamic and second-order effects as well. Quantitative measurement of costs and benefits of dynamic and second-order effects is presently beyond the capabilities of the social sciences. Our study, then, is based on qualitative assessments which require certain assumptions and involve value judgements especially in the interpretation of the available data.

In addition to a general survey of the literature, data from official international and national organizations has been utilized. Unpublished and official primary data which proved very useful for the purpose of the study was obtained from the Bureau of Manpower, Employment and Training (BMET) of Bangladesh, and from the Turkish Ministry of Labour and the Central Bank of Turkey.

Finally, the author is compelled to state that to obtain official and up-to-date data on labour migration in an orderly way, personal contacts proved a vital necessity.

**Chapter I** — After brief introduction of objectives, method and problems of this research, chapter I includes the definition of temporary migrant workers, as well as a discussion on pull and push factors; structure of labour market and the global stocks of temporary migrants. A brief review of the recent trends of temporary labour migration to MENA region and the outlook of the sectoral



distribution of migrant workers in the major labour receiving countries of this region are also included to this chapter.

**Chapter II** covers the study in detail on the effects of labour emigration from Bangladesh, Pakistan and Turkey during the period of 1975 to 1983 with particular emphasis on sectoral distribution, skill composition, as well as their destination.

**Chapter III** focuses on the general trend in remittances and the effect of remitted earnings on the balances of payments, investment, industrial growth, and the level of prices in Bangladesh, Pakistan and Turkey.

**Chapter IV** provides a provisional framework for enumerating the potential costs and benefits of international manpower migration from various point of view. Favourable and adverse effects of labour migration on labour importing and exporting nations, on private firms and on individuals are studied. The possibility of increase in economic cooperation due to labour migration among OIC member countries and the role of the IDB are also considered.

In **Chapter V**, a summary of major findings and conclusions are presented. This chapter also contains some suggestions for further research.

## **2. Recent Trends in International Labour Migration 1970-1983**

### **(a) Temporary Migrant Workers**

Before entering into a general review and case study of temporary migration of workers from Bangladesh, Pakistan and Turkey, the definition of “temporary migration” itself needs attention.

Generally, the “temporary” nature of migration can be defined as the worker who leaves his family for work in another country. His departure to this new country arises, in general, not to adopt a new country, but because of his desire for a better life (a new home, better education for his children, etc.) through higher wages. Of course, this definition is only true from the individual migrant’s point of view. For the purpose of this study, the “temporary” nature of the flow of manpower involves other factors: the coincidence of wants and desires of the individual workers; the foreign employer; the competing groups in the receiving country; and, most importantly, the effects of migration on the importing and exporting countries.

From the individual workers’ viewpoint, labour migration can be seen as a temporary emigration, even though as a phenomenon the practice of migration may continue for many years. Information concerning the migrant workers’ average duration of stay in labour importing countries is scanty. But, temporary migrants may stay as long as 3 to 5 or even 10 years, and more. For example, it was estimated that, in 1975, in Kuwait, the average duration of stay for the Palestinian — Jordanian migrants was 7.8 years.<sup>1</sup> According to our observations, the length of

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1. S.E. Ibrahim, *the New Arab Social Order*, (London, Croom Helm Ltd. 1982,) p. 25.

stay for migrant workers in host countries depends upon the country of destination, the social background of the individual migrant and his nationality. For example, length of stay of Turkish workers in European countries varies from 5 to 15 years or more.

Usually, a migrant worker tends to increase his stay in the labour importing country beyond his original intention, after arrival. Ambiguities arise because each agent in the migration transaction may not state his or her true intentions. Even if true intentions were known at the beginning of emigration, the worker, employer or nations involved may change their minds and policies.<sup>2</sup> Initially, a worker arrives with a set of demands, expectations and preferences. These change as he settles into his new environment and becomes accustomed to relatively higher wages. The initial uncertainties he may have harboured about working abroad diminish with time and there is an observable tendency for the migrant to extend his expectations and expand his aspirations. There are many factors, like these, which contribute to the migrant workers' tendency to prolong their length of stay abroad. Whatever the motivation, there is no doubt that many workers stay on longer than originally intended.

As can be seen from the above figures, the type of migration included in this study is a new type of emigration which is different from the traditional migration. Traditional migration involved movements from rural areas to urban centers or from Europe to North America in the 19th, and early 20th century. However, economic motivation and increased mobility are two salient features of the temporary migration in the last three decades. The temporary migrant can be defined here as a worker not possessing the citizenship of the country in which he is employed. For this reason, we will consider not only the legal workers, but also those illegally residing in labour-receiving countries.

## **(b) The Pull-Push Factors and Labour Markets.**

### **(aa) The Pull Factors**

The major pull factor for the migrant worker is determined by the wage he will receive in the host country. The nominal wage differential between labour exporting and importing countries may be enormous, usually five to ten times. The second factor is the relatively easy immigration policy which was in effect by European countries until 1974 and in the Middle Eastern countries until 1980. Other factors, such as the freedom of speech and press in European countries can be viewed as pull factors. It has been stated that even the availability of low priced consumer durable goods may be a pull factor.<sup>4</sup>

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2. M.P. Miracle and S.S. Berry, "Migrant Labour and Economic Development" **Oxford Economic Papers**, Vol 22, (March 1970), p. 88.

3. About the length of stay of Arab migrants in the host countries, see S.E. Ibrahim, **Op. cit.**, pp. 44-55.

4. S.Y. Alessa, **The Manpower Problem in Kuwait**, (London, Kegan Paul Int. Ltd., 1981), p.32.

### **(bb) Push Factors**

Economic motivation is one of the major push factors to emigrate; predominantly unemployment and underemployment. Over population and sometimes political instability also are key factors in the decision to emigrate. For example, prior to the 1967 Arab-Israeli war, 1.3 million Palestinians had been forced to emigrate due to the Israeli occupation of Palestine.<sup>5</sup> Because of recent political unrest and instability in the Middle East, many professionals have emigrated to Europe and to the United States, and many other workers have gone to the more prosperous and stable Gulf countries during the last decade.<sup>6</sup> However, many empirical studies of international labour migration indicate that the single most important push factor is the wage differences between the labour exporting and importing countries.

### **(cc) Structure of Labour Market**

Even though pull and push factors are known, in reality, the structure of the labour market is far from competitive. In other words, the international migratory movement appears to be a one-sided buyers' market.

Migrant workers are chosen through a set of strict health and skill requirements established by the physicians and professional employment evaluators who are from the host countries' public and private sectors. These employers are in an extremely favourable position as it is a "buyers' market." In each labour importing country, they inevitably have one to two hundred thousand volunteers on a waiting list to choose from.

### **(dd) The Global Stocks of Temporary Migrants**

The total stock of temporary migrant workers in labour importing countries was estimated by the World Bank (IBRD) at between 13 and 15 million, and by the International Labour Organization (ILO) at between 19.7 and 21.7 million in the year 1980. Out of this total, 5.2 million expatriates are employed in European countries, 4 million in MENA regions.<sup>7</sup> These figures do not include refugees, tourists, and pilgrims. Differences between the two estimates come from the consideration of illegal migrants, ILO data considers illegal migrants as temporary migrants. About 2.5 to 4 million illegal migrants have been working in the United States, most likely there are another 1.5 to 2.0 million in the Middle East, North Africa, and Europe. In addition, in the year 1975, one million foreign workers employed in Nigeria and the Ivory Coast. They have mostly emigrated from Ghana, Mali, Togo and Burkina Faso. Argentina and Venezuela were employing at least 2 million workers from Bolivia, Colombia and Paraguay. The number of temporary migrants in South America is estimated about 3.5 to 4.0 million in 1980.<sup>8</sup>

5. *ibid.*, p. 34.

6. *ibid.*, p. 38.

7. World Bank, *World Bank Development Report 1984*, (London, Oxford University Press, 1984), p.69; ILO, *World Labour Report No. 1*, (Geneva, ILO, 1984), p.99; OECD, *Continuous Reporting System on Migration: SOPEMI 1982*, (Paris, OECD, June 1983) Table on p. 52. For more recent figure on European migration, see Appendix Tables 1 & 2.

Burkina Faso. Argentina and Venezuela were employing at least 2 million workers from Bolivia, Colombia and Paraguay. The number of temporary migrants in South America is estimated about 3.5 to 4.0 million in 1980.<sup>8</sup>

For the purpose of this study, we will exclude the analysis of temporary labour migration on the European continent, in South America, North America and Africa (excluding North Africa). We will limit our concerns to the brief analysis of Middle Eastern migration.

### **3. International Migratory Movement to Middle Eastern Countries**

#### **(a) The Overall Picture and Saudi Arabia**

Since 1974, oil rich Arab countries of the Middle Eastern and North African (MENA)<sup>9</sup> region have been experiencing common trends in growth and development. The shared features include heavy government involvement in the industrial and agricultural sectors, the rapid expansion of and the creation of social overhead capital. The continuous increase in oil prices from 1973 to 1980 gave these countries an opportunity to prepare and implement ambitious development plans. As a result, the rate of their economic growth has accelerated dramatically. However, this has forced them to import more and more expatriate workers in order to compensate for the lack of domestic skilled and unskilled manpower; the most serious constraining factor to rapid economic transformation.

As can be seen from Table 1, the migrant population in GCC countries increased from 391 thousand in 1960 to 2 million in 1975, and to 4 million in 1980. Out of this total, half of the migrants were residing in Saudi Arabia during the year 1980. From 1960 to the year 1980, the number of non-nationals increased from 182 thousand to 2 million in Saudi Arabia, from 137 thousand to 807 thousand in Kuwait, and from 10.7 thousand to 605 thousand in the United Arab Emirates.

The percentage distribution of this population with the GCC countries has also changed over time. From 1960 to 1980, the share of host labour in the United Arab Emirates has increased from 4 percent to 17.7 percent, from 46 percent to 50 percent in Saudi Arabia, and from 35 percent to 20.5 percent in Kuwait.

According to a World Bank study, it is estimated that in 1972 there were about 800 thousand migrant workers in the MENA regions. Majority of these were Arab migrants. In the year 1975, this number doubled. Out of this 1.6 million expatriates, one million emigrated from Arab labour exporting countries and 22

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8. *Ibid.*, ILO, p. 99-101; for further information about African Migration See, K.C. Zachariah and J. Conde, *Migration in West Africa: Demographic Aspects*, (London, Oxford University Press, 1981), pp. 5-8 and 44-47.

9. MENA region includes Bahrain, Kuwait, Libya, Oman, Qatar, Saudi Arabia, UAE, Algeria, Egypt, Iran, Iraq, Jordan, Morocco, Sudan, Syria, Tunisia, North and South Yemen. First eight countries are considered labour importing countries and rest is labour exporting countries. Recently, Iran, Iraq and Jordan became both labour exporting and importing countries. The term "MENA" used in Serageldin et.al., *Manpower and International Labour Migration in the Middle East and North Africa* (London, Oxford University Press, 1983), p. 3.

TABLE - 1

**NUMBER AND PERCENTAGE DISTRIBUTION OF MIGRANT POPULATION IN GCC COUNTRIES  
1960 - 1980, (NUMBER IN THOUSAND)**

COUNTRY	1960		1970		1975		1980	
	Number	% Share	Number	% Share	Number	% Share	Number	% Share
U.A.E.	10.7	4.0	110.9	10.3	313.9	15.6	605.5	17.7
BAHRAIN	26.8	6.8	37.9	3.5	62.8	3.1	104.4	2.7
SAUDI ARABIA	182.0	46.5	451.9	42.1	894.9	44.5	1977.0	50.3
OMAN	—	—	8.2	0.8	105.5	5.2	177.9	4.5
QATAR	30.1	7.7	67.1	6.3	101.5	5.0	167.3	4.3
KUWAIT	136.8	35.0	397.5	38.0	533.3	26.5	806.8	20.5
<b>TOTAL:</b>	<b>391.4</b>	<b>100.0</b>	<b>1073.5</b>	<b>100.0</b>	<b>2011.9</b>	<b>100.0</b>	<b>3989.0</b>	<b>100.0</b>

**Source:** Center for Arab Unity Studies (CAUS), *Expatriate Manpower in the Arab Gulf States*, (in Arabic), (CAUS, Beirut, August 1983), Table 27-1 on p. 545.

percent came mostly from South Asian countries, mainly India and Pakistan. From 1972 to 1975, the share of the Arab migrants decreased from 65 percent to 52 percent.<sup>10</sup>

During the late 1970s, the traditional labour exporting Arab countries of the region had reached their limit of especially regarding skilled labour. This has resulted in more and more labour importation from Pakistan and India. In addition, labour importation from East Asian countries began (Burma, Indonesia, Taiwan, Thailand, Philippines, South Korea and Malaysia), as well as from Bangladesh and Turkey; accelerating in the early 1980s at a rapid rate. However, it is very difficult to give exact figures. Estimates of individual, national and international publications on the stock or net and gross outflow of migrant workers, especially from Egypt, Pakistan and Sudan vary considerably. For example, Table 2 indicates that, for 1983, estimates range for Egypt from 1.5 to 3 million, for Pakistan 1.5 to 2 million, and for Sudan 0.5 to 0.8 million.

Even if we accept these conservative estimates, there are at least 6-7 million temporary migrant workers in the MENA regions. Out of this total, about 42 percent have originated from Arab labour exporting countries, 55 percent from South and South East Asian countries and only 3 percent from Europe and North America. In 1975, these figures for Arabs, Asians and Westerners were 71 percent, 20 percent and 2 percent respectively.<sup>11</sup>

It is estimated that more than one million Egyptians are living in Iraq.<sup>12</sup> The majority of Pakistani and Indian labourers have been working in the UAE, Bahrain and Kuwait (see following tables of 3 and 4).

At the end of 1983, in Saudi Arabia, out of a total of 2.8 million migrants which is our estimate, 650 thousand emigrated from North Yemen, 450 thousand from Egypt and 400 thousand from the Philippines (Table 2). In 1982 and 1983, number of work permits granted were 736.1 and 669.5 thousand respectively.<sup>13</sup> These figures show only a 10 percent decline from the period 1982 to 1983. The Arab migrants constituted 41.6 percent and the Asians formed 47.9 percent of the total migrant workers hired in 1983.<sup>14</sup>

As can be seen from Table 2, in 1983, Saudi Arabia absorbed 39 percent of the total migrant workers in the MENA region. Because of limitation of data with regard to incoming and outgoing labour's specialization, the sectoral distribution of migrant labour cannot be rendered. However, a study of the number of resident permits of Saudi Arabia shows that there was a substantial number of immigrant workers even during the 1981-82 period.

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10. *ibid.*, p.47

11. R. Paul Show, *Mobilizing Human Resources in the Arab World*, (London, Kegan Paul International, 1983), pp. 23-24.

12. The Economic Intelligence Unit, (EIU), *Quarterly Economic Review of Egypt*, No. 2, 1984, p.10.

13. For further information, see Kingdom of Saudi Arabia, *Statistical Yearbook 1402H (1982)*, (Dar Okaz, Jeddah, 1983) Tables on pp. 241-242.

14. These figures were issued by Mohammed Al-Fuad, Director, General Labour Office of Western Province of Saudi Arabia, *Saudi Gazette*, Jeddah, August 12, 1984.

TABLE - 2

**STOCK OF TEMPORARY MIGRANT WORKERS IN THE  
MENA REGION AND SAUDI ARABIA  
BY COUNTRY OF ORIGIN (END OF 1983)**

Country	MENA Region	Saudi Arabia
Egypt	1.5-3.0 million	450,000
Pakistan	1.5-2.0 million	400,000
India	0.8-1.0 million	150,000
Yemen A.R.	0.7-0.8 million	650,000
Sudan	0.5-1.0 million	250,000
Philippines	0.5-0.7 million	400,000
Jordan	300,000	80,000
Bangladesh	300,000	80,000
South Korea	200,000	125,000
Turkey	223,000	120,000
	(May, 1984)	(May, 1984)
Thailand	200,000	80,000
Others	200,000	55,000
<b>TOTAL:</b>	<b>7.1-9 million</b>	<b>2.8 million</b> <b>(39-31 %)</b>

**Source:**

- For Egypt : EIU, *Quarterly Economic Review of Egypt*, No. 2, 1984, p.10; *Saudi Gazette*, August 12, 1984.
- For Pakistan : Government of Pakistan, *Pakistan Economic Survey 1983-84*, Islamabad, June 12, 1984. p.109.
- For Sudan : World Bank, *Pricing Policies and Structural Balances*, Vol. I. Main Report, Nov. 10, 1983, Report No. 4528a — SU., p. 87.
- For Thailand : L. Huau and M. Ling, "East Asian Migration to the Middle East: Causes, Spring 1984, pp. 20-21.
- and S.Korea : Consequences and Considerations", *Integration Migration Review*,
- Bangladesh : Unpublished data from *Bangladesh Bureau of Manpower and Employment*.
- Turkey : Unpublished data from *Turkish Overseas Organization of Foreign Ministry and the Ministry of Labour and Social Security*.
- Other : *Arab News*, Jeddah, August 16, 1984; and *Saudi Gazette*, August 12, 1984; *Arabia*, London, May 1983, p. 48; and our estimates.
- Countries

Each year, not less than 600 thousand work permits were issued in Saudi Arabia. Out of this total, only 3.5 percent of the migrants were dependents (accompanying persons).<sup>15</sup>

In Saudi Arabia, migrant turnover is quite high and the average length of stay of migrants is very low, probably between 3 and 4 years. Over the six years in question, at least 3.5 million foreigners immigrated to Saudi Arabia for employment purposes, but studies estimate the stock of migrants at 2.8 million by the end of 1983. The average length of stay of workers in Saudi Arabia are probably the lowest of all MENA countries because the majority of workers are "contract migrants".<sup>16</sup>

#### **(b) Recent Trend and Sectoral Distribution of Migrants in UAE, Bahrain, and Kuwait**

Table 3 indicates that in the United Arab Emirates, Bahrain and Kuwait, there are very small indigenous populations and labour forces. In 1980, the migrant population of the United Arab Emirates, Bahrain and Kuwait were actually in the majority. The percentage of migrant workers were 89 percent of the U.A.E.'s labour force in 1980. Those figures for Bahrain and Kuwait were 58.5 percent and 78.6 percent respectively. Thus, the migrant population in these countries composed an average of 60 percent of the entire population.

Sectoral distribution of nationals and non-nationals in the labour force of U.A.E. with respect to economic sectors is shown in Table 4. The most striking aspect of the table is that Asian expatriates formed the majority of the labour force within all sectors of the U.A.E. In agriculture and fishing, manufacturing and electricity, their percentage was more than 70 percent and in construction and trade more than 80 percent. Even in the finance and services sectors, the percentage of Asian workers were 61 percent and 47 percent respectively.

The table also indicates that, in U.A.E., there was a division of labour among national, Arab, and Asian workers. Construction sector workers were totally Asian. Arab migrants were mostly concentrated in mining and petroleum (36 percent), services (31.8 percent), and finance (23.2 percent). The highest number of nationals were in agriculture and fishing (18.3 percent), and services (19.6 percent).

### **4. Future Prospects in the MENA Region**

#### **(a) Sectoral Distribution of Migrants**

The major fact of the last table is that expatriates dominate the bulk of employment in all economic activities in the U.A.E. The same situation has also been true for Kuwait, Bahrain, and other sparsely populated labour importing

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15. Statistical Yearbook 1402H, *Op.cit.* pp. 241-242, or see Appendix Tables 3 and 4.

16. *ibid.*, p. 242.



**TABLE - 3**  
**NUMBER AND PERCENTAGE OF MIGRANT WORKERS AND MIGRANT POPULATION IN**  
**U.A.E., BAHRAIN AND KUWAIT (IN THOUSAND)**

Country	Population		Labour Force		
	Year	Total	Migrants	Migrants in %	Total Migrant Workers in %
U.A.E.	1980	1040	748	71.9	551
BAHRAIN	1981	351	113	32.0	491
KUWAIT	1980	1356	794	58.6	138
					81
					379
					78.6

**Source:** Center for Arab Unity Studies (CAUS), *Expatriate Manpower in the Arab Gulf States*, (Beirut, CAUS, August 1983), p. 535, Table 10-1.

**TABLE - 4**  
**SECTORAL DISTRIBUTION OF NATIONALS AND NON-NATIONALS IN LABOUR FORCE**  
**OF U.A.E., 1980**

Nationality	(in percent)						
	Agriculture and Fishing	Mining and Petroleum	Manufacturing Electricity	Construction	Trade	Transportation	Finance Service
Nationals	18.3	8.3	4.9	1.0	5.2	7.5	6.7
Arab Migrant Workers	9.3	35.9	13.4	8.9	10.9	10.7	23.2
Asian Workers	72.2	43.2	79.8	86.6	81.5	77.9	61.0
Europeans, Americans	0.2	12.6	1.9	3.5	2.4	3.9	9.1
							1.6

Source: Center for Arab Unity Studies (CAUS), Expatriate Manpower in the Arab Gulf States, (Beirut, CAUS, August 1983), P. 537, Table 13-1.

countries of the Gulf Region.<sup>17</sup> For example, even in 1976, in Kuwait, migrant workers comprised 92.1 percent of those employed in manufacturing and 94.7 percent of those in construction. In the year 1980, these figures were 95.1 percent and 99 percent respectively for the U.A.E. (see the last table).

In Kuwait, Bahrain, the U.A.E. and Qatar, nationals of these countries are predominantly engaged in the service sector which absorbs 61 percent of their economically active population. This sector includes the government sector and those who are self-employed.<sup>18</sup> Because of their cultural links (especially language), the same is relatively true to some extent for Arab migrants. Non-Arab migrants predominate in key productive industries such as manufacturing, construction and even in agriculture.

The Saudi Arabian economy is also heavily dependent upon expatriate labour, both quantitatively and qualitatively. Migrant workers tend to dominate the construction and manufacturing sectors, whereas Saudi nationals employed mainly in the government services and agricultural sectors. Employment in industry and construction is not popular among the Saudi nationals as is also the case in all capital-rich Gulf states. Except for key positions, these two sectors have been almost entirely left to the migrant workers for employment. In Saudi Arabia, migrants have been employed in all economic sectors, including trade, finance and services.<sup>19</sup>

Concentration of migrants in certain sectors and occupations is not a new phenomenon in the MENA region. For example, in Saudi Arabia, Kuwait, Qatar, UAE and in Libya, the construction and manufacturing industries have been mainly left over to the foreign labour since mid-1975.<sup>20</sup> After almost one decade the situation has not changed appreciably and cannot expect drastic changes in this situation during the next decade.

Therefore, in both the European and Middle Eastern labour importing countries low pay and hard work have been left largely to the migrant workers and thereby temporary migration has become institutionalized. It has been built into the social structure of these nations. It has become a long-term phenomenon. This situation has created labour market segmentation where nationals and migrants tend to work in different sectors and occupations.

In oil-rich Arab States, this segmentation might be intensified due to higher salary scales of nationals in governmental, administrative and educational occupations; and direct government payments and subsidies for housing, electric-

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17. Mr. Ziwari Daftari, "The Labour Market in Kuwait", in M. Diwar Daftari, ed., **Issues in Development: The Arab Gulf States**, (London, M.D. Research and Services Limited, 1980), Table 5, on p. 34.
  18. See *ibid*, Table 5 and 6.
  19. R. El Mollakh and D.M. El Mullalh, **Saudi Arabia: Energy Developmental Planning and Industrialization**, (Toronto, Lexington Book, 1982), pp. 163-164.
  20. A. Bouhdiba, "Arab Migration", in **Arab Industrialization and Economic Integration**, ed. R. Aliboni, (London, Croom Helm Ltd., 1979), pp. 171-173; and Serageldin et al., *op.cit*, 1983, pp. 47-53.

ity, medical care, education, and other services. These higher wages and subsidies can create further disincentive for the local population to accept jobs in the construction, industry and service sectors.<sup>21</sup>

#### **(b) Prospect of Construction and other Sectors in the Near Future**

It is known that, in the Gulf countries almost half of all expatriates have been employed in the construction activities until decline in oil prices of 1981-82. In the late 1980s, the number of foreign workers in this sector might decline to 25-30 percent. But it is expected that number of migrant workers in other sectors such as in agriculture, manufacturing, communications, transportation, electricity, trade, finance and services will continue to increase. This means that a substantial part of the decline in number of migrant workers in construction activities would be offset by an increase in economic activities in other sectors of the Gulf countries.

In 1983, the construction of roads, ports and airports activities had reached a saturation point. But, housing construction, modernization of smaller cities, and construction of schools, hospitals, will be likely to continue for the following reasons:

Firstly, the Arab World in general and oil-rich Arab countries in particular have high rates of population growth due to birth rate of 45 per thousand. This rate is 27 one thousand for developing countries, and 15 per thousand for developed nations. The high birth rate and declining infant mortality rate increases the annual Arab population growth to around 3 percent.<sup>22</sup> At this rate the population will double every 20 years.

Secondly, in the afore-mentioned countries, the population under the working age of 15 constitutes nearly half of the total indigeneous population. Table 5 shows that, in 1981, the percentage of the population under the minimum working age of 15 years old was 45.5 percent in Saudi Arabia and 46.8 percent in Kuwait and Libya.

High rates of population growth and the youthfulness of the population in the Arab labour importing countries will continue to create demand for social overhead capital. Demographic types of capital expenditures on housing, schools, health facilities and public work programs will continue. These activities will create a reasonable demand for both unskilled, semi-skilled migrant workers.

The small size of their indigenous populations and low crude labour force participation rates has a positive effect on the demand for migrant labour in oil-rich Arab countries. Table 5 points out that the labour force participation (the ratio of an economically active population to total population) rate in these countries is quite low (around 25 percent) by both international and regional standards.

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21. A. Richards and P.L. Martin, "the Laissez — Faire Approach to International Labour Migration: The case of the Arab Middle East", **Economic Development and Cultural Change**, Vol. 31, No. 3, (April 1983), p. 463.

22. World Bank, **World Tables**, The Third Ed. Vol. II, Social Data, IBRD, 1983, various tables.

**TABLE - 5**

**POPULATION, AGE STRUCTURE AND LABOUR FORCE  
PARTICIPATION IN SELECTED OIL-RICH ARAB  
COUNTRIES OF THE MENA REGION (1970, 1981)**

	Saudi Arabia		Kuwait		Libya	
	1970	1981	1970	1981	1970	1981
Population (in million)	5.7	9.3	0.476	1.464	2.0	3.1
Age Structure (%) upto 14 years	44.1	45.5	43.4	46.8	44.9	46.8
Labour Force Participation (%)						
—Total	27.8	27.4	32.4	26.4	26.6	25.3
—Male	51.7	49.0	53.2	44.8	48.4	45.5
—Female	2.5	2.5	5.1	5.2	2.5	2.7
Female Labour Force (% of total)	4.3	4.3	6.8	9.2	4.5	5.0

**Source:** World Bank, **World Tables**, The Third Edition, Vol. II, Social Data, Washington D.C., IBRD, 1983, Various tables.

This low participation rate is caused mainly by more children in schools, fewer entries by women into the labour force, and high birth rates that will increase the proportion of child population.<sup>23</sup>

### (c) Conclusion

This chapter and especially sections 1-4 clearly shows that a reasonable demand for temporary migrants will continue to exist in the near future. Of course, the size of the demand for migrant workers will depend on the oil revenues which are highly susceptible to world economic conditions. According to our evaluation, even if there is no substantial increase in oil revenues of Arab labour importing countries, in the next decade the stock of migrant workers will not be expected to decline considerably. Reasonable demand for migrants will continue. Because even within the decline in oil prices and revenues during 1981-83, the number of migrants in the MENA region has increased by at least 50 percent. Over the next decade, the stock of migrants could be around 5 to 6 million in oil-rich Middle Eastern countries.

Dependence on expatriates in oil-rich Arab Gulf States is inevitable for the near future. It is a major fact that expatriates constitute the bulk of employment of every sector in most of these countries. Blue collar occupations are almost entirely performed by migrant workers. For example, in the year 1980, in the UAE, migrant workers comprised over 90 percent of those employed in the construction, manufacturing, trade, finance and petroleum sectors. Other factors that will influence migration to oil-rich Arab countries are the fact that there are high levels of turnover, high rates of population growth, plus low levels of labour force participation rate in these countries.

However, since the construction phase of development has begun to decline throughout the Middle East, labour demand will increasingly shift to the call for skilled migrant workers and technicians, displacing the need for unskilled and semi-skilled workers. In other sectors, including agriculture, more and more capital intensive techniques will be used.

It is also worth mentioning that many of the earlier suppliers of migrant workers to the MENA region were neighbouring Arab countries. These countries lost their labour monopoly during the late 1970s and their majority in the early 1980s when the role of the South and Southeast Asian countries began to increase in Middle Eastern labour-importing countries. This trend is expected to continue throughout the coming decade. Recently, labour-importing Arab countries have embarked upon a more integrated and systematic approach to their migrant labour needs in the form of "work camps" and "package-style" set-ups. The first approach rotates workers among projects thus minimizing the infrastructural and social costs of receiving countries. The package-style approach includes the whole spectrum of migrant workers from unskilled to semi-skilled and skilled to

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23. See further information, Serageldin et.al., *op.cit*, *Op. cit*, p. 28; P. Shaw, *Op.cit.*, p. 133; and S.E. Ibrahim; the Table on p. 38.

engineers. Recently, this type of migration has successfully been managed by the South Korea and Taiwanese firms. Secondly, East and South East Asian countries have abundant supply of skilled labour and their cost-efficient workers will insure their competitiveness in the near future. Thirdly, most of the Asian countries have taken active steps to "sell" their labor to the MENA region. Exportation of labour has been considered by Asian countries as an "industry" and they have taken serious steps to develop it as an industry from training to marketing.<sup>24</sup>

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24. L. Haon and M. Ling, "East Asian Migration to the Middle East. Causes, Consequences and Considerations", **International Migration Review**, (Spring 1984), pp. 21-22; F. Arnold and N.M. Shah, "Asian Labour Migration to the Middle East" **International Migration Review**, New York (Summer 1984), pp. 315-316.





## **CHAPTER – II**

### **RECENT TRENDS AND GENERAL CHARACTERISTICS OF TEMPORARY EMIGRATION FROM BANGLADESH, PAKISTAN AND TURKEY**



## CHAPTER II

# RECENT TRENDS AND GENERAL CHARACTERISTICS OF TEMPORARY EMIGRATION FROM BANGLADESH, PAKISTAN AND TURKEY

### 1. The Bangladeshi Case

It is claimed that the first Bangladeshi emigration to the Middle East began in 1971. At the time of the independence of Bangladesh in 1971, many of those who were in Karachi-Pakistan, left and sought employment in the oil-rich Arab Gulf countries. When the labour demand of these countries increased after 1973, these early migrants invited their relatives and friends, mostly at their own expense.<sup>1</sup> Therefore, the flow of early Bangladeshi migrants to the Gulf countries was initiated almost privately. The official institutional initiation started during the second half of 1970's. In order to improve labour exportation in 1976 the Bureau of Manpower, Employment and Training (BMET) was created by Bangladeshi government.<sup>2</sup> BMET contributed to an increase in the volume of labour flow.

#### (a) Flows, Stocks and Destination

As can be seen from the last two columns of Table 6, in 1976, the total number of emigrants from Bangladesh was only 6,087. By 1980, the annual flow of emigration reached 30 thousand and between 1981 and 1983, around 60 thousand. Cumulatively, stocks of migrants increased 16 times from 1976 to 1980 and 46 times in 1983. The total stock of migrants had risen to 277 thousand. Out of this figure 97.4 percent emigrated to the Gulf countries.<sup>3</sup>

According to unpublished but official BMET figures, from 1976 until the end of 1983 15 percent of the total number of 277,488 registered migrants in the MENA region were recruited through BMET. 31 percent (87,661) through recruiting agencies and 58 percent (148,660) through individual initiative.

The last row of Table 6 shows that 22 percent (62,657) of all Bangladeshi migration was to Saudi Arabia, followed by 16 percent (44,938) to the UAE, 14 percent to Oman, 13 percent to Iraq, and 12 percent to Kuwait.

From 1976 to April 1979, the total stock of Bangladeshi migrants in the MENA region numbered 58,100. At the end of April 1979, distribution of Bangladeshi migrants by country showed the following percentages: 32.3 percent of Bangladeshis were employed in the UAE, 12.7 percent in Oman, 12.6 percent in Saudi Arabia, and 9.1 percent in Kuwait.<sup>4</sup>

1. S.R. Osmani, "Migration of Labour from Bangladesh to the Middle East: Facts and Issues", paper presented at a project meeting on Global Impact of human migration sponsored by the U.N. University, Tokyo and held in Bangkok during 3-5 October 1983, p. 5 (mimeographed).
2. World Bank, **Labour Migration From Bangladesh to the Middle East**, World Bank Staff Working Paper No. 454, Washington D.C., April 1981, p.i. (Hereafter World Bank - 1981).
3. Osmani, **Op.cit.**, p. 6, footnote 2.
4. World Bank - 1981, **Op.cit.** Table 1.11 on p. 33.

**TABLE - 6**  
**LABOUR MIGRATION FROM BANGLADESH BY COUNTRY DURING 1976 - 1983**

Year	S. Arabia	U.A.E.	Oman	Iraq	Kuwait	Qatar	Libya	Others*	Total	Cumulative
1976	214	1989	113	587	643	1221	173	809	6087	6087
1977	1379	5819	1492	1238	1315	2262	718	621	15725	21812
1978	3212	7512	2877	1454	2243	1303	2394	1052	22809	44621
1979	6490	5055	3777	2362	2289	1383	1969	333	24485	69106
1980	8695	4847	4745	1927	3687	1455	2976	890	30573	99679
1981	13384	6418	7351	13153	5464	2268	4162	2175	55787	155466
1982	16341	6682	8248	12898	7244	6253	2071	1032	62762	218228
1983	12942	6616	11126	4932	10302	7561	2215	1056	59220	277448
<b>COUNTRY</b>										
<b>TOTAL</b>	<b>62657</b>	<b>44938</b>	<b>39729</b>	<b>38551</b>	<b>33187</b>	<b>23706</b>	<b>16678</b>	<b>7968</b>	<b>277448</b>	
(%)	(22)	(16)	(14)	(13)	(12)					

\* This column includes emigration mainly to Singapore, Iran, Jordan, Brunei and Yemen.  
Source: Unpublished data from Bangladesh Bureau of Manpower, Employment and Training (BMET).

## **(b) Skill Composition and Occupational Level**

Despite the slowing down of the Gulf economies in the past three years, there seems to be a continuing increase in labour emigration from Bangladesh to the Gulf States. Realistically, this is due to the competitiveness of Bangladeshi workers particularly in the unskilled and semi-skilled labour market in the Middle Eastern countries. If we look at Table 7, from 1978 to 1983 more than 250 thousand workers emigrated to the Gulf countries. Out of this number, 51.6 percent of Bangladeshi migrants were unskilled labour. 35 percent were skilled, 7.2 percent were professionals, and 6.2 percent semi-skilled labourers.

As can be seen from the Table, in addition to doctors and engineers, technicians are also considered to be professional. According to this official Bangladesh classification, the technical group is not only comprised of engineers and nurses but also of those people who have anything below a Bachelor's degree. Since the majority of those classified as professionals are agriculturists, technicians and others, the number of 18.5 thousand professional migrants is unrealistic. Between 1976 and 1983, only 2168 engineers and 763 doctors emigrated from Bangladesh.<sup>5</sup>

The skilled labour group is composed of like mechanics, electricians, cooks, masons, carpenters, painters, drivers and others. In fact, they do not learn their trade through any formal education and training but have been trained on the job and average 10 years of experience.

The unskilled group consists agricultural labourers, house boys, servants and guards. These workers are assumed not to have any formal education or institutional training.<sup>6</sup>

## **2. The Pakistani Case**

### **(a) Flows and Stocks**

According to the official Pakistani figures, during the 1971-1983 period one million 67 thousand workers emigrated from Pakistan. As can be seen from the last column of Table 8, the total number of migrants increased from 69 thousand in 1975 to 497 thousand in 1979 and to over one million in 1983.

Column 5 indicates that, inspite of a slow-down in the GNP growth rate of the oil-rich countries of Middle East as a result of decline in oil prices in 1981-83; Pakistan has still been able to send 440 thousand more workers over the last three years.

By looking at column four, we can see that official statistics underestimate the actual Pakistani migration movement. Before 1977, Pakistan did not collect information about emigration through direct contact. This indicates that emigrants

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5. Unpublished official data obtained from Bangladesh Bureau of Manpower, Employment and Training (BMET).

6. World Bank - 1981, *op.cit.* pp. 139 - 140; Osmani, *Op.cit.*, p. 8.

**TABLE 7**  
**MIGRATION OF MANPOWER FROM BANGLADESH BY OCCUPATIONAL DISTRIBUTION,**  
**1978 - 1983**

Profession/Trade	1978	1979	1980	1981	1982	1983	Cumulative	(%)
<b>A. PROFESSIONAL:</b>								
a) Engineer	728	213	194	236	183	71		
b) Doctor	223	112	36	24	12	17		
c) Teacher/Professor	—	74	226	39	53	48		
d) Agriculturist	—	—	96	1847	1058	—		
e) Technician	1448	2388	172	315	913	17		
f) Others	1056	707	1259	1431	1679	1669		
Sub-Total:	<b>3455</b>	<b>3494</b>	<b>1983</b>	<b>3892</b>	<b>3898</b>	<b>1822</b>	<b>18544</b>	<b>7.2</b>
<b>B. SKILLED</b>								
a) Mechanic	1613		632	771	2311	1813		1261
b) Electrician	1315	944	797	1413	1095	1290		
c) Cook	1107	1124	1836	2653	2604	2231		
d) Mason	1101	1075	1313	1703	2144	2261		
e) Carpenter	1165	978	1157	1818	1749	1524		
f) Driver	1308	1950	1070	2580	3587	1876		
g) Others	581	302	5265	9953	7619	8496		
Sub-Total:	<b>8190</b>	<b>7005</b>	<b>12209</b>	<b>22431</b>	<b>20611</b>	<b>18939</b>	<b>89385</b>	<b>35.0</b>
<b>C. SEMI-SKILLED</b>	1050	1685	2343	2449	3272	5098	15897	6.2
<b>D. UN-SKILLED</b>	10114	12301	14038	27015	34981	33361	131810	51.6
Grand Total:	<b>22809</b>	<b>24485</b>	<b>30573</b>	<b>55787</b>	<b>62762</b>	<b>59220</b>	<b>255636</b>	<b>100.0</b>

Source: Bureau of Manpower, Employment and Training (BMET). Unpublished official documents of Bangladesh.

**TABLE - 8**  
**LABOUR EMIGRATION FROM PAKISTAN, 1971 - 1983**

<b>Year</b>	<b>Private Agencies</b>	<b>Public Agency</b>	<b>Direct Contact</b>	<b>Year Total</b>	<b>Cumulative</b>
1971-75	50,971	8,998	n.a.	69,969	69,969
1976	38,516	3,174	n.a.	41,690	<b>101,659</b>
1977	77,664	2,683	<b>60,175</b>	<b>140,522</b>	242,181
1978	78,685	4,238	47,602	130,525	372,706
1979	80,615	10,306	34,586	125,507	<b>497,213</b>
1980	91,482	13,564	24,801	129,847	627,060
1981	119,771	15,322	33,370	<b>168,403</b>	795,463
1982	99,119	35,410	38,416	<b>142,954</b>	938,417
1983	<b>73,837</b>	<b>8,175</b>	<b>46,194</b>	<b>128,206</b>	<b>1,066,623</b>
<b>TOTAL:</b>	<b>710,660</b>	<b>101,870</b>	<b>285,144</b>		
<b>Percent:</b>	<b>65</b>	<b>9.3</b>	<b>25.7</b>		

**Note:** n.a. = Not available. The statistics presented in the table do not include the stock of Pakistanis abroad prior to 1971 or dependents and students.

**Source:** Derived and computed from Government of Pakistan, **Pakistan Economic Survey, 1983-1984**, Islamabad, June 1984, Table 3, p. 109.

often obtain their visas through their relatives and friends. The table, of course, does not include illegal Pakistani emigrants and persons who emigrated for other than employment reasons but who later become migrant workers.

In fact, for every country from which there has been labour migration it is difficult to estimate the actual number of those people who have emigrated through direct contacts. In all probability, number of people who emigrated through this channel over the 1977-83 period is more than two times that of the officially estimated figure of 285 thousand, which makes up 25.7 percent of the total emigrants (see the last row). Also our table does not include the stock of Pakistani migrant workers abroad prior to 1971.

Despite these weaknesses, Table 8 is composed of only up-to-date data which shows the annual flow and stocks of Pakistani migrants abroad. In the Pakistani case, stock and flow figures are very close to one another. It has been estimated that over 95 percent of these workers emigrated to the Middle East and only five percent have returned permanently to Pakistan.<sup>7</sup>

In addition to Pakistan's official sources discussed above, there are also other estimates of the total number of migrants. For example, according to our table, in 1978 there were 373 thousand Pakistani migrant workers abroad. Three individual estimates which were quoted in a recent ILO study<sup>8</sup> show that the number of migrants in 1978 varied from 640 thousand to as many as 1.5 million, even though none of these figures include the number of illegal migrants.

If we accept the estimate of 1.2 million and add the official number of annual flows for the period 1979 to 1983, ( $1066 - 373 = 693$  thousand) we can arrive a total of one million and 894 thousand. Of course, still we have not included number of illegal migrants nor have we accounted for repatriated migrants.

It is expected that there are about two hundred thousand illegal migrant in the Middle East who are attracted to this region because the probability of finding a job in Middle Eastern countries is higher than in other labour importing countries. By taking into consideration illegal migrants and the various estimations, the ILO concluded that for 1979, the figure of 1,790 thousand migrant workers would have been the most reliable figure of Pakistan.<sup>9</sup> By adding 401 thousand of migrant flows during the period 1980-83, the total reaches 2,360,000.

Of course, as a result in the decline of construction activities in the Middle East during 1982-83, the number of repatriated migrant construction workers increased. Still, it is reasonable to assume that the number of Pakistani migrants (stock) at the end of 1983 was not less than 2 million.

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7. M.N. Shah, "Pakistani Workers in the Middle East: Volume, Trends and Consequences", *International Migration Review*, Vol. XVII, (fall 1983), p. 411.

8. For further information ILO-ARTEP, *Employment and Structural Change in Pakistan: Issues for the Eighties*, ILO-ARTEP, Asian Employment Program, (January 1983), Table 2.2 on p. 40.

9. *ibid.*, p. 42



### (b) The Skill Composition of Pakistani Overseas Migrants

The debate on the actual number of Pakistani migrants in the Middle East will continue. However, it seems reliable to conclude that roughly 2.5 million Pakistanis have been working abroad. This figure corresponds to 10 percent of the total Pakistani labour force.<sup>10</sup>

According to one estimate, quoted by the ILO-1983, 34 percent of Pakistani migrants were working in Saudi Arabia, 20 percent in the United Arab Emirates and 15.6 percent in other Middle Eastern countries.<sup>11</sup>

Table 9 shows the occupational percentage distribution of a Pakistani sample study in 1971-77 and 1979. The sample size for the first column was 181.7 thousand, for the second 157.4 thousand, for the third, fourth and fifth columns were 166.9 thousand, 14.7 thousand and 12.5 thousand respectively.

Column two shows that, in the Middle East, out of 71.5 percent of all production workers, 36.7 percent were skilled. If we add the percentage of professional and managerial workers (4.1%), clerical workers (3%) and service workers (2.5%), to the last figure we can reach to percentage of skilled Pakistani migrant workers (45.1%) in the Middle East. In 1979, the percentage of skilled workers had increased to 58 percent (see the last column).

However, in 1981, almost 84 percent of all Pakistani migrants were considered production workers, 41 percent skilled, and 43 percent unskilled. The majority of skilled Pakistani workers have been working in construction occupations, and as drivers, tailors, machine operators and mechanics. Engineers, accountants, teachers and nurses are considered in the professional and managerial category.<sup>12</sup>

Recently, one of the writers<sup>13</sup> on this subject evaluated the decline in the production of skilled workers to the total Pakistani migrant labour force. According to his analysis, this does not bode well for Pakistani labour migration in the near future. The reason for this decline is that training facilities of Pakistan have not been able to produce the desired quality and quantity of skilled workers demanded by Middle Eastern countries. As a result, this demand probably is being supplied by other labour exporting countries.

### 3. The Turkish Case

Migration of Turkish workers in the 1960's and 1970's to European countries and in the 1980s to Middle Eastern countries has been characterized as a flow of temporary workers rather than as a population re-settlement in a foreign land. As we have seen in the first chapter, this migration has been motivated predominantly by the economic forces. The movement was initially to the developed economies of

10. Government of Pakistan, **Pakistan Economic Survey, 1983-1984**, Islamabad, (June 12, 1984), p. 109.

11. ILO-ARTEP, 1983, **Op.cit.**, p. 45.

12. Government of Pakistan, **Labour and Employment**, Islamabad, (November 1981), p. 25.

13. M.N. Shah, **Op.cit.**, p. 414. (Quoted from Ahmad, 1982).

TABLE-9

**PERCENTAGE DISTRIBUTION OF PAKISTANI MIGRANTS BY  
BROAD OCCUPATIONAL CATEGORIES, 1971-77 AND 1979**

	All Countries 1971-1977	Middle East 1971-77	Private Sectors 1971-77	Public Sector 1971-77	1979
1. Professional and Managerial workers <sup>1</sup>	4.1	2.4	1.2	37.2	4.3
2. Clerical workers <sup>2</sup>	3.0	2.8	3.2	0.6	1.5
3. Production workers	68.1	71.5	72.3	20.6	83.2
— Skilled <sup>3</sup>	(35.2)	(36.7)	(36.6)	(19.1)	(40.6)
— Unskilled	(32.9)	(34.8)	(35.7)	(1.5)	(42.6)
4. Service workers <sup>4</sup>	2.5	1.8	2.8	—	2.2
5. Sales workers	—	—	—	—	6.0
6. Miscellaneous	22.3	20.5	20.5	41.7	2.8
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Note:** 1. Engineers, nurses, doctors, 2. Clerks and typists, 3. Carpenters, technicians and drivers, machine operators, tailors, 4. Mostly cooks.

**Source:** Derived from ILO, *Employment and Structural Change in Pakistan: Issues for the Eighties*, ILO-ARTEP, Asian Employment Program, January 1983, Table 2.6, on p. 47.

Western Europe, mainly to West Germany. But in the 1980s the direction changed toward the oil-rich countries of the MENA region.

#### **(a) Flows and Stocks of Turkish Migrants by Countries.**

The actual number of Turkish workers in both Europe and the MENA region is unknown. This is due to the fact that the calculation is complicated by the dearth of information about returnees. Often returnees re-emigrate after using up their savings. Very often their aspirations have changed during their first tour abroad. Of course, the largest gap in official statistics concerns "illegal" migrants or workers abroad who have only tourists' passports. Some of the second generation of migrants in Europe or those people who have emigrated might not be recorded officially.

Despite these difficulties, official Turkish figures have proved reliable on the outflow of migrant workers. The first column of Table 10 shows that Turkish emigration to European and Middle Eastern countries between the years 1961-76 was 825,500. Out of this total, the overwhelming majority of Turks emigrated to European countries, notably to West Germany.\*

The peak years of Turkish migration to Europe were 1969, 1970 and 1973 when 103,975; 129,575; and 135,280 workers emigrated to Northern European countries. These numbers declined to 18,169 in 1974 and 1,211 in 1975<sup>14</sup> As can be seen from Table 15 that annual Turkish migration to European countries declined to less 2.5 thousand during the second half of 1970s, and to only a couple of hundred in 1980-83.

After 1974, direct migration from Turkey to European countries almost stopped. However, indirect migration or so-called second generation European migration continued. This type of emigration almost neutralized the number of returned migrants. For example, in 1981, 123,852 resident foreigners in West Germany were issued work permits for first employment. Out of this total 40,456 or 48.8 percent were Turkish nationals who started to work for the first time in that country.<sup>15</sup>

The Turkish government recently estimated the number of migrant workers and their dependents abroad (See Table 11). As of May 31, 1984, in West Germany, the number of Turkish workers were 542.5 thousand. Including their children, this number reached to 623.7 thousand. The total Turkish population in West Germany was at that time over 1.5 million.

If we look at the total number of Turkish citizens living within the European Economic Community (EEC), the number was close to two million as of May 1984. Combined with other European countries (outside the EEC), this amount reached

14. Maliye Bakanligi (MB-1975), *Iktisadi Rapor 1974*, (Ankara, MB, 1975) pp. 32 and 135; Calisma Bakanligi (CB - 1981), *Yurt Disi Isci Sorunlari 1981*, (Ankara, CB 1981) Table-6, on p. 21.

\* Any information about the European destination of the Bangladeshi and Pakistani migrants could not be provided in this research due to non-availability of relevant data.

15. SOPEMI-1982, *Op.cit.*, p. 68.

TABLE-10

## FLOW OF TURKISH MIGRATION TO EUROPEAN COUNTRIES AND MENA REGION, 1976-83

COUNTRY	1961-76	1977	1978	1979	1980	1981	1982	(in thousand)	
								Country	Total
Germany	620.0	2.4	1.3	0.9	0.8	0.3	0.06	0.04	657.8
Australia	6.5	0.5	0.5	0.4	0.4	0.3	0.1	0.2	9.1
Austria	37.9	0.6	0.05	0.02	0.9	0.2	—	—	39.7
Belgium	16.0	0.05	0.04	0.03	0.04	0.01	—	—	16.2
France	56.0	0.02	0.01	0.01	0.03	0.06	—	—	56.1
Holland	25.0	0.08	0.05	0.04	0.03	0.03	—	—	25.2
Switzerland	7.6	0.2	0.3	0.4	0.5	0.4	—	0.2	9.6
Libya	8.2	8.6	7.7	9.8	15.1	30.7	26.7	23.3	130.1
Saudi Arabia	2.6	4.7	5.8	8.5	5.6	14.4	12.3	20.2	84.1
Iraq	—	—	—	—	—	10.5	8.9	7.4	26.8
Others*	13.7	2.0	3.0	3.4	5.0	2.0	1.1	1.1	31.3
Grand Total	825.5	19.2	18.8	23.6	28.5	58.5	49.4	52.5	1077.2

\* It includes mostly emigration to Kuwait, UAE and other Gulf-countries.

Source: Unpublished data from Central Bank of Turkey (CBT); and CBT, 1983 Annual Report of CBT, Ankara 1984, Table 14 on p. 11.

TABLE 11

**DESTINATION OF TURKISH MIGRANT WORKERS  
AND THEIR DEPENDENTS BY COUNTRIES, MAY 31, 1984**

(in thousand)

Country	Workers	Children (Family)	Turkish Citizens
West Germany	542.5	623.7	1,552.3
Holland	55.0	74.6	154.2
France	64.1	61.6	144.8
Belgium	25.0	29.6	63.6
Denmark	8.5	7.9	17.2
England	11.6	4.3	28.5
<b>EEC Total</b>	<b>706.7</b>	<b>801.7</b>	<b>1,960.5</b>
Austria	27.7	25.0	75.0
Switzerland	24.8	19.6	48.5
Sweden	10.0	10.0	20.9
Norway	1.4	1.3	3.1
<b>Other European Total</b>	<b>68.9</b>	<b>55.9</b>	<b>147.5</b>
<b>European Total</b>	<b>770.6</b>	<b>857.7</b>	<b>2,108.1</b>
Australia	20.0	n.a.	60.0
Libya	75.0	2.5	80.0
Saudi Arabia	120.0	1.0	126.0
Iraq	9.1	0.1	9.3
Kuwait	3.0	—	3.0
Jordan	8.0	n.a.	8.0
Lebanon	7.0	n.a.	7.0
<b>Mena Total</b>	<b>222.9</b>	<b>n.a.</b>	<b>233.4</b>
Other countries	2.0	n.a.	2.5
<b>Overall Total</b>	<b>1,015.5</b>	<b>861.7</b>	<b>2,404.0</b>

**Source:** Unpublished data compiled by Turkish Foreign Ministry, and the Ministry of Labour and Social Security, 1984.

to 2.1 million. Out of this total, 770.6 thousand were workers, with 857.7 thousand being children of Turkish workers. The number of Turkish migrants within the MENA region is around 223 thousand as of May 1984. This constitutes almost 90 percent of all Turkish workers in this area which indicates the severe restrictions put up by labour importing countries in the MENA region on foreign workers bringing in their dependents. Another major discouraging factor is the working and living conditions for workers which would be unsuitable for families.

Today, there are over one million Turkish workers abroad. Together with their family members, the number of Turkish citizens residing abroad is 2.4 million (see last row of Table 11). The table also shows that, at the end of May 1984, 120,000 Turkish workers were employed in Saudi Arabia, 75,000 in Libya, 9,000 in Iraq, 8,000 and 7,000 in Jordan and Lebanon respectively.

Turkish migration to the MENA region started during the second half of 1970s. The acceleration of labour migration from Turkey to this region was mainly caused by the increase in Turkish business activities, primarily in Libya and Saudi Arabia, during the early 1980s.

As we have seen in Table 10, during the last three years, more than 125,000 Turkish workers emigrated to Saudi Arabia and Libya. Despite the economic slow-down in Saudi Arabia and Libya, there was an increase in Turkish business activities in these countries and Turkish emigration to these countries accelerated. Turkish contracting companies operating in the MENA region today hold contracts valued at more than 14 billion dollars. Since 1980, the number of Turkish construction companies working in Libya increased from 34 to 105 and in Saudi Arabia from 13 to 109. Their contracts value have increased from 3.5 billion to 14 billion over the last 3 years.<sup>16</sup>

In general, Turkish companies prefer to employ Turkish workers and during the last three years, on the average 2/3 of all Turkish migrants in the Middle East were employed by national firms.

#### **(b) Skill Composition of the Turkish Migrants**

##### **(aa) European Destinations**

As we have mentioned before, the annual Turkish immigration to European countries reached its highest level in 1973 with 80 percent of those Turkish workers being employed in West Germany that same year. The majority of all Turkish workers in West Germany were employed in the iron and metal producing industries (37 percent), and in manufacturing and processing industries. Only 15 percent of all Turkish workers were employed in the construction industry and 12 percent in services.<sup>17</sup> Since the majority of Turkish migrants employed in the mass-production sectors, their qualifications were mostly unskilled or semi-skilled. For example, a 1972 German Labour Survey showed that only 13 percent of Turkish workers were doing skilled work, 47 percent were classified as filling

16. Central Bank of Turkey, **The Republic of Turkey**, (Ankara, CBT March 1984) Table on p.22

17. For further information see Emin Carikci, "The Economic Impact of Manpower Migration to Western Europe on the Turkish Economy" The New School for Social Research, New York, 1975, (Unpublished Ph.D. Dissertation) pp. 19-22.

semi-skilled jobs and 40 percent were working as unskilled labourers.<sup>18</sup> However, migrant workers are often underemployed in jobs which could be filled by unskilled labour. Because of higher wage rates in labour importing countries and the selectivity of the migration process, many skilled workers have been employed as unskilled labour in these countries. Because of these practices, in general we can state that close to 50 percent of Turkish migrants are skilled workers in Europe.

As pointed out earlier, in recent years only a couple of hundred people have been immigrating to European countries. But in Europe, their number is around 770 thousand and expected to drop to around 700 thousand in the near future. The number of returned migrants is balanced by second generation migrants.

In January 1984, West Germany passed legislation entitled "Voluntary Repatriation of Guestworkers", applicable only to those workers who became unemployed after 30 October 1983. The scheme offered U.S. \$ 4200 per worker plus 600 dollar for every child for his or her return to Turkey with family.

During the late 1970's, other labour importing countries such as Holland, France and Belgium also tried similar voluntary repatriation schemes or "the Returned Aid". But they have all failed and were abandoned because the incentives offered were considered very low by migrant workers.<sup>19</sup>

West Germany's attempts have also proved unsuccessful so far because, out of the 2.7 million unemployed in this country only 10 percent were expatriates, and of these about 90 percent would not have been eligible to benefit from the 200 million DM repatriation scheme in any case since the offer stood only until September 1984.<sup>20</sup>

#### **(bb) Middle Eastern Destinations**

As we have mentioned in many sections of this study, the demand for skilled labour in the MENA region will continue. Since Turkish labour is more expensive than Asian or South East Asian Labour, the competitiveness of Turkey in the unskilled labour market is very low. Turkish companies have been employing more and more skilled labour in recent years. For example, according to the unpublished but official estimates of the Turkish Employment Service (TES), in 1982 48,515 workers officially immigrated to the Middle Eastern countries. Out of this total 32,390 Turkish workers have been employed by Turkish companies, whereas 15,515 or one-third were employed in foreign companies. Again, out of this total, 70 percent were skilled, 27 percent unskilled, 2 percent were professional (engineers and technicians), and only one percent were semi-skilled labours.

In 1983, 7,302 workers were officially requested from the Turkish Employment Service by Saudi Arabia, Libya, Kuwait and Iraq. Out of this total, only 18.7 percent or 1387 was unskilled.<sup>21</sup> In fact, through official and unofficial channels, in 1983 Turkey was able to send 52,470 workers abroad. Out of this total 51,778 (98 percent) of them immigrated to the oil-rich Arab countries (see Table 12).

18. BfF Representative — Untersuchung 1972. (Nurmberg, BfF 1973), p.68.

19. *Arabia*, March 1984, 9.63

20. *Ibid.*, pp. 63-65; and *Arabia*, London, February 1984, p. 10

21. Turkish Employment Service (TES) 1983, *Istatistik Yilligi* (Ankara, TES publication No. 177, 1984,) Table 16, on p. 63.

TABLE 12

**BREAKDOWN OF TURKISH EMIGRATION BY  
OCCUPATION AND AREA OF DISTRIBUTION IN 1983**

Occupation	European Countries	Arab Countries	Australia and Other Countries	Total
Unskilled	195	17,568	187	17,876
Skilled Workers:				
— Driver	1	3,568	2	3,571
— Tailor	—	14	5	19
— Milling Machine Operator, Fitter	—	136	2	138
— Automobile Mechanic	—	930	3	933
— Plumber	—	1,002	—	1,002
— Welder	—	751	1	751
— Blacksmith and Iron Worker	—	3,217	—	3,217
— Electrician	—	1,373	3	1,376
— Carpenter	—	6,666	1	6,667
— Bricklayer Plaster	—	6,076	—	6,076
— Mason	—	781	—	781
— Tile and Mosaic Layer	—	2,121	—	2,121
— Building Machine Cook/Waiter	47	482	2	1,164
— Other	16	6,005	222	6,243
<b>TOTAL SKILLED WORKERS</b>	<b>64</b>	<b>34284</b>	<b>246</b>	<b>34596</b>
<b>GENERAL TOTAL</b>	<b>259</b>	<b>51,778</b>	<b>433</b>	<b>52,470</b>
(Percentage of Skilled Workers)	(24.7)	(66.2)	(56.8)	(65.9)

**Source:** Computed from Turkish Employment Service (TES), 1983 İstatistik Yilligi, Ankara, 1984, Table 17 on p. 64.



This table also shows that majority of the Turkish migrants' occupations are construction-related: plasterer, carpenter, electrician, iron workers, plumber, mosaic layer and mason.

The skilled composition of the 1983 Turkish migrants within Europe is very low (24.7 percent), whereas in the Middle Eastern countries it is very high (65.9 percent).

The differences in the characteristic of Turkish migrants in European and Middle Eastern countries can be summarized as follows. In the European countries, Turkish migrants continue to be made up of mostly semi-skilled and unskilled workers leaving Turkey with their families for an indefinite period. However in the Arab countries 66 percent are skilled workers, almost all of them men and recruited for a short period of time.<sup>22</sup> There are some Turkish women migrants in European countries, but their percentage is still very low. For example, women as a proportion of Turkish emigrants in West Germany amount only to 10 percent.<sup>23</sup>

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22. TES, *Op. cit.*, Table on p. 17 and p. 64.

23. SOPEMI — 1982, *Op. cit.*, p. 126.



**CHAPTER III**

**REMITTANCES, BALANCE OF  
PAYMENTS, INDUSTRIAL GROWTH  
AND INFLATION**



## CHAPTER III

# REMITTANCES, BALANCE OF PAYMENTS, INDUSTRIAL GROWTH AND INFLATION

### 1. Foreign Exchange Shortages and Economic Development

Developing nations often encounter balance of payments disequilibria as they seek to accelerate domestic economic activity. In this case, inflationary pressures spell out and cause export weaknesses, especially when realistic exchange rate policies cannot be employed. In response to persistent and fundamental disequilibria in international balance of payments, exchange control regimes are introduced. These regimes intervene to alter relative prices and impose quantitative restrictions on international transactions. Import licences, tariffs, quotas, rebates for exports, special exchange rates for remitted migrant earnings and tourist conversions, and other policies are utilized to channel resources into preferred uses.<sup>1</sup> Allocations of foreign exchange to preferred imports are major policy tools used to accelerate investment in productive activities.

If developing nations are to break out of low level stagnation and accelerated economic growth, there appear to be only two sources of investable surplus funds. Some kind of restructuring of society's patterns of living might release sources from consumption to investment. The other source of investable funds is foreign capital i.e., imports of foreign capital resources or other goods that permit the release of resources that can be reallocated to investment. Internal and external sources of investable funds include:

#### (a) Internal:

- Voluntary private savings over maintenance by those whose income exceeds their consumption needs.
- Involuntary savings from legitimate taxes or illegitimate inflationary policies of government.

#### (b) External:

- Increase in foreign exchange earnings from exports (so-called "export-led" growth).
- Medium and long term borrowing from abroad.
- Foreign direct investment.

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1. For detailed analysis see, J. Bahgwati, *Foreign Trade Regimes and Economic Development: Anatomy and Consequences of Exchange Control Regimes*, (Cambridge, Mass., NBER, 1978), p. 13-26; and A.K. Kruger, *Foreign Trade Regimes and Economic Development: Liberalization Attempts and Consequences*, (Cambridge Mass., NBER), 1978. Emin Carikci, *Industrialization Policies in Semi-developed Countries and Turkey*, in Turkish, (Ankara, Turhan Kitabevi, 1983), pp. 17-58.

- Foreign grant-in-aid.
- Remitted earnings from migrants.

Each source of investable funds involves some sacrifice or cost. None of them have proved sufficient in the past and are not likely to do so in the future. But, during the 1970s and early 1980s the annual flow of workers' remittances was one of the main sources of external finance. These remittances considerably alleviate most of the labour exporting countries' foreign exchange constraints.

## **2. Global Trend of Workers' Remittances: Past, Present and Future**

In the past, workers' remittances were a significant source of foreign exchange for labour exporting countries, and in the future they will continue to be their major sources of hard currency earnings.

Table 13 shows that for all developing countries the annual flow of workers' remittances increased from 2.3 billion in 1970 to 27.6 billion in 1982, and are expected to increase to 91.3 billion dollars in 1995. The average annual percentage in the increase of remittances was 26.8 percent from 1970-80, 7.2 percent in 1980-82 and is expected to be 9.3 percent in 1980-95.

The table also indicates that the middle income oil importing countries have been the largest recipients of the remittances. The influx of remittances increased from 1.7 billion in 1970 to 20 billion in 1982 and are expected to reach 68.9 billion dollars in 1995. The group of middle-income labour exporting countries includes southern European countries such as Turkey, Yugoslavia, Portugal, and South East Asian countries like the Philippines, South Korea and Taiwan. The low income Asian group includes Pakistan, India and Bangladesh. Even some oil exporting countries, namely Algeria, Egypt, Mexico and Tunisia, benefit from workers' remittances.

Between 1970 and 1980, the average annual percentage growth of remittances was 40.5 percent for low income Asian countries, 25.8 percent for middle income oil importers and 25.3 percent for oil exporters. Last column of the table indicates that the average annual percentage growth of remittances will be lower than 1970-80 period but higher than 1980-82.

The slowdown of remittances in 1980-82 is a reflection of the recession during that period. The expected slower growth in remittances upto 1995 will be due to the following reasons: First of all, since 1973-74, labour importing countries of Northern European countries have been using restrictive labour policies which is expected to be continued. As a result of structural problems, these countries do not expect the same high rates of economic growth which occurred in 1960s and early 1970s. Consequently, their foreign labour demand will remain at the existing low levels. Secondly, high-income oil exporting (labour importing) countries' real oil revenues are projected to increase at much slower rate than the 1970-80 period, and the demand for migrant labour is likely to grow at a slower rate.

TABLE-13

## FLOW OF WORKERS' REMITTANCES TO DEVELOPING COUNTRIES, 1970-82, 1980-95

Country Group	Average Percentage					Annual Growth	
	Billions of Current US Dollars	1970	1980	1982	1995	1970-80	1980-82
All developing countries	2.3	24.0	27.6	91.3	26.8	7.2	9.3
Low-income							
— Asia	0.1	3.0	3.2	7.5	40.5	3.2	6.3
— Africa	0.1	0.3	0.5	1.8	n.a.	29.1	12.7
Middle-income							
— Oil importers	1.7	16.9	20.0	68.9	25.8	8.8	9.8
— Oil exporters	0.4	3.8	3.9	13.1	25.3	1.3	8.6

Source: Derived from World Bank, **World Development Report, 1983**, London, Oxford University Press, July 1983, Tables on pp. 15 and 31.

However, it is worth mentioning that during the next 15 years, the average annual growth rate of remittances is projected to increase more than the average annual growth of the total merchandise exports of all developing countries.<sup>2</sup>

### **3. Workers' Remittances, Balance of Payments and Industrial Growth**

Developing countries, in general, have been facing four major constraints upon a steady economic growth. These are bottlenecks in internal savings, agricultural foreign exchange, and human resources.<sup>3</sup> However, during the last decade, foreign exchange bottlenecks have become the most acute constraint on sustained economic growth. During those years the world witnessed two recessions in 1974-75 and 1980-83 as a result of the first and second oil shocks of 1973 and 1979-80. Neo-protectionist policies in industrialized countries resulted in slower growth of export earnings for developing countries.

After the first and second oil shocks, the international economic environment became less favourable to the non-oil developing countries. Since 1973, the sharp rise in real interest rates and of oil prices resulted in rapid growth of the external debts of non-oil developing countries. For example, total short and long term external debts of these countries grew more than five-fold from 135 billion to 669 billion dollars between 1973 and 1983.<sup>4</sup>

Even though there was an economic recovery in industrial countries in early 1983, the rest of the non-oil developing countries faced worse terms of trade in 1983 than in 1980. During this period, while food and raw material prices dropped because of bumper world harvest, high interest rates also discouraged storage. As a result, prices of raw materials continued to fall and their prices with respect to manufactured goods reached a post-1945 low in 1983. In general, weak demand in the western world during the 1980-83 period was the main cause of the deteriorating terms of trade for developing countries.<sup>5</sup>

Over the last decade, many developing countries were able to compensate for the deterioration of trading opportunities by the migration of labour to the oil rich Middle Eastern countries. In order to achieve targeted growth rates, there has been a greater need for increased imports which in turn has contributed to an increased trade deficit. Because of limitations to growth of foreign exchange earnings through exports, foreign borrowing, and capital inflow, many developing nations have abandoned planned high growth rates in order to reduce their trade deficits. However, our selected countries of Bangladesh, Pakistan and Turkey were able to increase their import capacities through workers' remittances.

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2. For detailed information see World Bank, **World Development Report 1983**, (London, OUP, July 1983), Tables on pp. 15, 30-32.

3. G.M. Meier, **International Economics: The Theory of Policy**, (Oxford, Oxford University Press 1980), p. 284.

4. IMF, **IMF World Economic Outlook**, (Washington D.C. IMF, 1984), p. 61.

5. World Bank, **World Development Report 1984**, (Washington D.C., IBRD, 1984), p. 26.



### **(a) The Bangladeshi Case**

Increase in imports is needed not only for investment purposes but also needed for the production of goods which require imported items. The import component of exports goods forces each nation's imports to grow. Table 14 shows that from the fiscal year of 1976 to 1982, Bangladeshi imports increased almost by 100 percent. Similarly, its trade deficit also increased. However, thanks to the substantial increase in remittances each year, the current account deficit have been alleviated considerably. The table also indicates that, in the fiscal year 1982, workers' remittances were more than food aid and almost equal to the commodity aid of Bangladesh.

As can be seen from Table 15, from the fiscal year (FY) 1980 to 1983, the average annual percentage growth rate of remittances was 54 percent, while the average increase of exports remained nearly unchanged. For the same period, remittances increased from 28 percent of exports to 74 percent. In the FY 1980, remittances were 2.7 times more than the annual debt service. In the FY 1983, the figure was 3.2 times more than debt service which includes both interest payments and principal.

During the last four years, annual foreign aid and exports of Bangladesh were almost stagnant. Without workers' remittances, Bangladesh would have been faced with further foreign exchange constraints which would have caused further reductions in its industrial growth. During the FY 1981-82 performance of industrial sector was also stagnant due to shortages of fixed and working capital and foreign exchange.<sup>6</sup>

Until recently, in order to increase import capacity, Bangladesh has been heavily dependent on foreign aid. This source is still the major item of financing imports, but relative dependence on foreign aid has been declining as a result of rapid increase in workers' remittances (See Table 20).<sup>7</sup> In the FY 1976 remittances financed only 2.3 percent of imports, whereas in FY 1983 its contribution rose to 21 percent.

### **(b) The Pakistani Case**

In the case of Pakistan, workers' remittances were only \$578 million in fiscal year 1977. Recently, their annual flow reached 6 to 8 percent of GNP. During the Fifth Plan period (1978-82) of Pakistan, workers' remittances increased more than expected. Interest rate differentials and exchange rate uncertainties effected the level of remittances. In spite of these uncertainties, in nominal terms, annual growth rate of remittances was close to 20 percent over the years 1978-82. The Pakistan experience showed that the rise in remittances has closely followed movements in the nominal exchange rate<sup>8</sup>.

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6. For further information see, World Bank, **Bangladesh: Recent Economic Trends and Medium-Term Development Issues**, Report No. 4277-BD, March 4, 1983, p.V and Table 1-14, on p. 38.

7. See also S.R. Osmani, **Op.cit.** pp. 64-65.

8. Pakistan Economic Survey 1983-84, **Op.cit.** pp. 70-71.

TABLE-14

## BANGLADESHI BALANCE OF PAYMENTS AND REMITTANCES

(\$ Million)

	FY76	FY79	FY80	FY81	FY82
Merchandise exports,					
f.o.b.	372	610	723	711	627
Merchandise imports,					
c.i.f.	-1,275	-1,556	-2,372	-2,533	-2,587
Trade Balance	-903	-946	-1,649	-1,822	-1,960
Remittances	29	143	210	379	412
Current Account					
Balance	-881	-831	-1,435	-1,428	-1,618
Aid Disbursements	808	1,030	1,222	1,147	1,236
Food aid	(314)	(179)	(375)	(134)	(231)
Commodity aid	(369)	(483)	(378)	(393)	(421)
Project aid	(126)	(368)	(470)	(560)	(584)

Note: (1) FY = Fiscal Year (July-June)

(2) Remittances are equal to private transfers in most cases.

Source: Derived from World Bank, Bangladesh: Recent Economic Trends and Medium-Term Development Issues, Washington D.C., W.B., March 4, 1983. Table 1.9, on P. 22

TABLE-15

**WORKERS' REMITTANCES AS A PERCENTAGE OF COMMODITY  
EXPORTS AND FOREIGN DEBT REPAYMENTS (\$ MILLION)**

**BANGLADESH**

	1979/80	1980/81	1981/82	1982/83	A.a.p.g.*
Exports (X)	751	817	665	745	
Remittances (R)	210	379	385	551	54.1%
(R) as % of (X)	28	46	56	74	
Debt Service (D)	76	98	111	175	
(R) as % of (D)	276	387	347	315	
<b>Total foreign aid</b>	1222	1147	1236	1346	

**PAKISTAN**

	1980	1981	1982	1983	
Exports (X)	2341	2798	2319	2628	
Remittances (R)	1748	2097	2224	2885	21.7%
(R) as % of (X)	75	75	96	110	
Debt Service (D)	674	602	491	634	
(R) as % of (D)	260	348	475	455	
<b>Total foreign aid</b>	1077	861	809	1020	

**TURKEY**

	1980	1981	1982	1983	
Exports (X)	2910	4703	5746	5728	
Remittances (R)	2071	2490	2187	1554	- 8.0%
(R) as % of (X)	70	53	38	27	
Debt Service (D)	1243	1744	2318	2535	
(R) as % of (D)	157	143	90	61	
<b>Total foreign aid</b>	2391	1482	1751	1117	

\* Average annual percentage growth, based on end point method.

**Note:** Debt service includes both interest payments and principal. Total foreign aids includes only medium and long term aid. Fiscal year for Bangladesh and Pakistan is from July to June.

**Sources:** Derived and computed from various tables of the following publications:

For Bangladesh: **Annual Report of Bangladesh Bank: 1982-83,**  
Dhaka, December 7, 1983.

For Pakistan: **Economic Survey 1983-84,** Islamabad, June 1984;  
**The Sixth Five Year Development Plan, 1983-1988**  
Islamabad, October 1983.

For Turkey: **Annual Report of Central Bank of Turkey,**  
Ankara, 1984.

Our Table 15 further indicates that, in Pakistan from FY 1980 to FY 1983, export earnings increased less than 300 million dollars, whereas increase in remittances was more than 1.1 billion dollars. For the same period, average annual percentage growth of remittances was more than 21 per cent. In FY 1983, workers remittances increased to 110 percent of export earnings. This was 4.5 times more than the annual debt service of the country, and 2.8 times more than the annual foreign aid to Pakistan.

During the last year of the Fifth Plan of Pakistan (FY 82/83), remittances rose by 29.7 percent from 2.1 billion to nearly 2.9 billion dollars (see Table 15). This year (FY 83/84), the figure declined to 2.8 billion dollars which corresponds to a 3 percent decline with respect to previous years. Beginning with July to September 1984 the decline was 8 percent. For the same period, export earnings declined by 20 percent compared to the same period of 1983. This means that workers' remittances have been more stable than export earnings. It has been said that unfavourable weather conditions for agricultural production and the rapid rise in the value of the dollar, effected the decline in the foreign exchange earnings of Pakistan. Recently, these unexpected developments forced the Pakistani authorities to modify their Sixth Five Year Plan.<sup>9</sup>

Workers' remittances have also been very important in increasing the import capacity of Pakistan. Table 16 shows that from FY 1978 to FY 1983, export earnings increased only 2 billion dollars, whereas spending on imports rose to more than 3 billion. In the last five years, remittances had financed around 40 percent of the import bill of Pakistan.

Table 16 further indicates that from fiscal year 1979 to 1983, because of favourable contribution of remittances, the current account deficit declined from 5.3 percent to 1.4 percent of GNP. From FY 1978 to 1983 compound growth rates of exports and imports were around 15 percent, whereas the growth rate of remittances was 20.1 percent. Over this period, the total foreign aid of Pakistan has also declined from 1077 million dollars in FY '80 to 1020 million in FY '83 (see Table 15). Clearly, if a significant improvement in the flow of remittances had not taken place during the fiscal years 1980-83, "Pakistan would have been compelled to adopt restrictive, inward looking policies which would have seriously disrupted the process of economic reforms being undertaken by the Government".<sup>10</sup>

During the Sixth Plan of Pakistan, the annual growth of workers' remittances is expected to slow down to 10 percent. The plan took into account the recent drop in oil prices and expected slowing down of economic activities in the oil-rich Arab countries in mid-1980s. During this plan period, net emigration from Pakistan is expected to slow down. However, it is probable that when the composition of workers is shifted to more skilled workers their salaries will increase. Nominally, the annual increase in workers' remittances is expected to be around 10 percent.

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9. Arab News, Jeddah, December 05, 1984.

10. The Sixth Plan of Pakistan, *Op.cit.*, p. 69.

TABLE - 16

PAKISTANI CURRENT ACCOUNT BALANCE AND WORKERS REMITTANCES  
(\$Million, Current Prices)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	Compound Growth (% P.A.)
Exports (f.o.b.)	1287	1646	2341	2798	2319	2628	15.3
Imports (f.o.b.)	-2751	-3816	-4857	-5563	-5769	-5532	15.0
Trade Balance	-1464	-2170	-2516	-2765	-3450	-2904	
Remittances	1156	1397	1748	2097	2224	2885	20.1
Current Account Balance	-630	-1126	-1149	-991	-1610	-433	-7.2
Current Account Balance as % of of GNP	-3.7	-5.3	-4.9	-3.6	-5.3	-1.4	

Source: Government of Pakistan, The Sixth Five Year Plan, 1983-88, Islamabad, October 1983, Table 3 on p. 68.

With the assumption of a 10 percent increase in workers' remittances, all other items of Pakistani balance of payments such as exports, imports, trade and current account balances calculated and GNP growth is also calculated accordingly.<sup>11</sup>

### (c) The Turkish Case

As we have studied in Chapter II, the migratory movement from Turkey toward the European countries started in early 1960s and reached both its annual and cumulative peak in 1973. From 1961 to 1973, the number of Turkish migrants reached 790,287. The peak years of Turkish emigration were 1969, 1970 and 1973, when 103,975; 129,575; and 135,280 workers went to European countries, mainly to West Germany. Turkish workers' remittances also increased accordingly. This figure rose dramatically from the late sixties' level of around U.S. \$100 million to 273 million in 1970, 740 million in 1972 and 1.5 billion in 1974.<sup>12</sup>

After 1970, remittances showed a sharp rise and imports which were strictly controlled by the government were allowed to expand. In Turkey, consumer goods were held to 5 percent or less of the total imports for the first half of the 1970's. During this period, 95 percent of all export earnings was spent on investment goods and raw materials. In terms of fixed prices of 1968, industrial production rose by 11.7 percent in 1972, 13.4 percent in 1973 and 8.1 percent in 1984. As a result, the export capacity of Turkey was increased from 588 million in 1970 to over \$1.5 billion in 1974.<sup>13</sup>

The influence of workers' remittances on Turkish import and export capacities and on industrial growth was relatively more important during the 1970's than it has been in the 1980's. In the 1970's the size of remittances was close to the size of commodity export earnings. During the early 1980s, as a result of export oriented growth policies, Turkish export earnings were accelerated. As can be seen from Table 17, from 1979 to 1983, Turkish export earnings jumped more than 2 times, from 2,261 million to 5,728 million U.S. dollars.

The main reason for the decline in remittances from 1977 to 1978 was the overvaluation of the Turkish Lira. With subsequent exchange rate adjustments and the establishment of special rates for remittances in 1979, foreign exchange earnings from Turkish workers increased to 1.7 billion in 1979 from just under one billion dollars in 1978. Realistic exchange and interest rate policies between 1980 and 1982 helped to increase the amount of remittances to more than 2 billion dollars.

There are many reasons for the steady decline in remittances during 1982 and 1983. First of all, with the 1981-82 recession in Europe, the rate of unemployment among Turkish workers increased. Secondly, only after 1980 were Turkish workers able to open the "foreign exchange deposits account with credit letter" (FEDA-CL) in the Turkish Central Bank or in the name of the Central Bank. These FEDA-CL deposits allow for the retention of foreign exchange savings or the free transfer of funds into or outside of Turkey. In addition, they receive nearly

11. For further information see *ibid.*, pp. 82-83.

12. Maaliye Bakanligi *Iktisadi Rapor* 1984, Ankara pp. 32, 135.

13. Ministry of Finance of Turkey (MFT), *Monthly Economic Indicators*, various years.

TABLE-17

**TURKISH BALANCE OF PAYMENTS AND REMITTANCES, 1977-83**  
(\$ million)

	1977	1978	1979	1980	1981	1982	1983
Exports (FOB)	1,753	2,288	2,261	2,910	4,703	5,746	5,728
Imports (CIF)	-5,796	-4,599	-5,069	-7,909	-8,933	-8,843	-9,235
Balance of Trade	-4,043	-2,311	-2,808	-4,999	-4,230	-3,097	-3,097
Workers' Remittances	982	983	1,694	2,071	2,490	2,187	1,554
Current Account Balance	-3,572	-1,781	-1,771	-3,207	-2,089	-1,035	-2,152
Private Foreign Capital	67	47	85	33	44	41	72

**Source:** Derived from World Bank, Turkey: Country Economic Memorandum Recent Economic Developments and Medium-term Prospects Vol. II, Methodological and Statistical Annex, WASHINGTON D.C., W.B. June 3, 1983, Table 3.1, p. 148; and the Central Bank, 1983 Annual Report of the Central Bank of Turkey, Ankara, 1984, p. 113, Table 17.

two percent premium over LIBOR rates. The inflow of workers' foreign exchange savings to these accounts was U.S. dollars 108 million in 1981, 345 million dollars in 1982 and 433 million dollars in 1983.<sup>14</sup> Even though they have been recorded as a short-term capital inflow to the Turkish balance of payments, we can easily consider them as a different form of workers' remittances. In reality, FEDA-CL accounts will sooner or later be converted to Turkish Lira by their depositors. If we add these savings to the last two years' figures, actual remittances would have been 2532 million (2187 + 345) in 1982 and 2087 million dollars (1554 + 433) in 1983. However, in 1983, Turkey experienced the sharpest decline in Turkish workers' remittances. This was due to unexpected appreciation of the U.S. dollar against most of the European currencies, notably the West German D.M. The appreciation of the U.S. dollar had a strong influence upon Turkey because almost 2/3 of all Turkish workers' remittances originated from West Germany. Since most of the savings of Turkish workers have been in DM, fluctuations in exchange rates in favouring the dollar and against DM depressed remittances (in terms of dollars).

Despite the recent decline in workers' remittances, these savings are still important for the Turkish balance of payments, because, in 1983, Turkey was able to borrow only 1.1 billion dollars in medium and long term loans. Turkish workers' remittances still constitute one and a half times more than this figure. Secondly in 1983, remittances reflected 27 percent of all export earnings, and 61 percent of annual debt service of the country (See Table 15).

#### **4. Workers' Remittances, Housing Construction and Inflation**

As we have seen in the former section, in Bangladesh, Pakistan and Turkey, remittances from migrant workers have been major sources of financing balance of payments. The contribution of remittances on the Turkish balance of payments started gradually in the 1960s rapidly increasing during the 1970s. Cumulatively, from 1964 to 1978, total official remittances reached 8.878 million dollars. Over the five years period from 1979 to 1983, Turkish workers transferred another \$ 10.1 billion through official channels. This means that, the contribution of workers' remittances upto the end of December 1983 amounted to 18,973 million dollars. This figure was much larger than Turkey's disbursed medium and long-term debt which was only \$ 13,882 billion at the end of December, 1983.<sup>15</sup>

In Pakistan, from 1951 until the end of December 1983, total disbursed foreign capital reached 19 billion dollars.<sup>16</sup> Out of this total, only 13.7 billion dollars were repayable in foreign exchange. The rest were grants (\$ 4.6 billion) and repayable in rupees (0.7 billion). At the end of 1983, the total net outstanding and disbursed foreign debt of Pakistan amounted to only 10 billion U.S. dollars, whereas from FY 1974-75 to 1983-84 official workers' remittances reached to 19.1 billion dollars.<sup>17</sup>

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14. CBT, Annual Report 1983, *Op.cit.*, pp.2.

15. For debt figures, see CBT, Annual Report 1983, *Op.cit.*, Table 25, on p. 119.

16. Pakistan Economic Survey 1983-84, *Op.cit.*, pp. 81-82.

17. *Ibid.*, Calculated from Table 10-11 on pp. 202-203.



Bangladesh is a latecomer to the temporary labour migration. In spite of this, during the last five years migrant remittances increased to 2.5 billion dollars. In 1982, the total outstanding disbursed external debt was only 4.3 billion. In 1982, workers' remittances as a percentage of GNP was 6.8 percent in Pakistan, 3.4 percent in Turkey and 3 percent in Bangladesh.

Statistics of remittances show only the part transferred through official channels, and exclude other channels such as the sums sold in black (free) market and goods brought home by workers from abroad.

Remittances represent an inflow of foreign exchange into these governments' international reserves. This amount has been used to finance a growing share of their imports in recent years. Without remittances, the countries under study would have to seek more foreign loans or foreign private capital investments to avoid pressures on their balance of payments. Sources of foreign borrowings to finance the balance of payments of many developing countries have not been sufficient. Taking this into account, without substantial inflows of workers' remittances, Turkey, Pakistan and Bangladesh would not have achieved their recent growth rates. This, in turn, would have created further unemployment and social tensions within these countries.

In addition to the beneficial aspects of workers' remittances, it has been claimed that remittances have had an inflationary effect on national economies. Since workers' remittances create additional demand in the country for durable consumer goods, they tend to pull up price levels or create demand-pull inflation. Moreover, speculation in land and housing tend to create demands on resources which might better be devoted to new and more productive investment.<sup>18</sup>

If the purchases of durable goods and the increase in housing construction are considered unproductive spending, then such expenditures add little to the country's capacity to produce an increased supply of goods in the future. In this regard, the main impact of such expenditures can be considered as unproductive and inflationary.<sup>19</sup> However, are these assumptions true? In every country, especially in a developing one, the car and housing industries have a substantial amount of backward and forward linkage effects on internal (domestic) economic development.

As we have seen, from 1973 to 1983, construction activities have been the driving force behind the international temporary migration toward the oil rich Arab countries. These oil-rich countries were a leading employer of temporary migrants and absorbed larger numbers of unskilled and semi-skilled workers.

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18. Serageldin, et.al., *op.cit.* pp. 87-93; R.P. Shaw, *op.cit.*, pp. 30-31; Birks, S.J. and Senclair A.C., *International Migration and Development in the Arab Region*, (Geneva, ILO, 1980), pp. 102-104; M.A. Choudhury, "Developmental and Social Impact of Labour Migration between Islamic Countries", Unpublished an External Research Paper of IRTI-IDB, November 1982, (Mimeographed) pp. 35-36; I. Serageldin, "Some Issues in Middle Eastern International Migration", *The Pakistan Development Review*, Vol. 22, (Winter 1983), p.6.

19. *ibid.*

Construction could serve as an engine of growth in the least (relatively less) developed countries. Because, this sector absorbs larger numbers of unskilled, semi-skilled workers, and serves as a "port of entry" for the rural labour force to the industry labour force. It can also provide on-the-job training.<sup>20</sup> It has also been concluded that one unit increase in the final demand for housing can lead to at least two units of aggregate output in the economy as a whole because this type of construction creates demand for the production of building and furniture materials.<sup>21</sup> During the last decade, Turkish experience has indicated that the employment and output-generating effects of the housing construction industry was remarkable.

During the second half of the 1970s, Turkish authorities believed that housing construction was unproductive. In order to discourage the flow of remittances and a part of internal savings into the construction sector, Turkish governments imposed at least 25 different taxes and surcharges on housing construction. As a result between 1980 and 1983, growth in housing construction was reduced to less than one percent. However, this decline in housing construction caused a sharp decline in the employment-creating capacity of the Turkish economy. It was realized that activities in the housing sector had been affecting more than 100 segments of the economy which provided inputs to the construction of buildings and their furnishing.

Over the last three years, successive Turkish governments have attempted to give some incentive to this sector, but they have not been successful. The housing sector did not pick up and the recession in other sectors continued. During this period, speculation on land and housing almost disappeared. Remittances have been kept mostly in the form of time deposits in national currency or foreign currency. Part of workers' remittances continue to be spent on housing, but this time not for speculation but for migrants' family needs.

The main stimulæ for the change in spending patterns were the implementation of the realistic exchange and interest rate policies combined with a slowdown of inflationary expectations after 1981. We have come to this conclusion because of the following developments: In Turkey, private investment in the housing sector amounted to 4 to 6 percent of the GNP when the annual rate of inflation had been more than 50 percent during the period from 1978 to 1980. When the rate of inflation was reduced to less than 50 percent in 1978-83, this percentage declined around to two percent of GNP. As a result, the annual growth of the construction sector declined from around 4 percent in 1978-79 to around 0.5 percent in 1980-83.<sup>22</sup>

Therefore, the Turkish experience shows that the spending patterns of migrant workers tend to be highly affected by change in national economic policies, notably in foreign exchange rates and in interest rate policies.

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20. R.P. Shaw, *op.cit.*, pp. 36-38.

21. *ibid.*, p.45.

22. Turkish Industrialist and Businessmen's Association (TUSIAD), *The Turkish Economy 1983*, (Istanbul, TUSIAD, 1983), Table on p.4 and pp. 14-15.

In order to evaluate the economic impact of remittances, we must pay attention not only to the spending patterns of migrants or returned migrants, but also to how remittances have been used by individual governments. It appears to me, no writer has fully investigated the dual role played by remittances for both the labour-sending nation and the migrant. Earnings officially remitted can be spent twice on the first round. The government has the foreign exchange which can be rationed for scarce imports necessary for investment growth, and the migrant can use his national currency account or bank notes for his own domestic spending.

In general, the main goal of each migrant has been to buy a house for his family and to increase his family's standard of living. Whenever he is financially ready to buy a house he will inevitably attempt to do so. Economic conditions will not affect his decision. However, buying of a second house or more land for speculative purposes depends on inflationary expectations. If this expectation is high, in order to protect his real saving or to make windfall profits in the future, the worker might continue to spend on buying of other investment properties. But if the government is capable of showing profitable investment channels which can give the worker higher nominal income on his savings than the annual rate of inflation, then the migrant may well channel his earnings into the banking system of the country or to other productive investments.

In short, an increased flow of remittances is not the only cause for severe inflationary pressures. There are many contributing factors behind rapid price increases in each nation. These factors can be outlined as follows:

During the last decade, especially in 1974-75 and 1979-80, a significant amount of inflationary pressure was imposed upon developing countries. Higher prices of oil and oil-based petro-chemical products have increased the cost of production of domestic goods and commodities. Higher prices of imported industrial goods and raw materials further contributed to a rise in price levels.

Secondly, in developing countries a major portion of budgetary deficits have been due to higher defence expenditures, higher public investments and a rapid rise in public salaries. The rise in deficit has usually resulted in the sharp expansion of the Central Bank's money supply and thereby creates inflation.

Thirdly, unexpected increases in agricultural support price policies lead to inflationary pressures.

Fourthly, unrealistic price increase in governmentally produced and supplied raw materials such as sugar, cement, iron and steel, petroleum etc.. speed up the rate of inflation.

Fifthly, unrealistic devaluations of the national currencies against most of the convertible currencies drive up the price of imports.

Finally, increase in consumer demand and in the investment pattern of migrants can have an effect on price increases. But as economists, we are all aware that the monetary factor has been a decisive factor behind persistent inflation in developing countries.<sup>23</sup>

If a labour exporting country cannot reduce its annual price rise and/or cannot give annually a nominal return of savings above the inflation rate, migrant savings will continue to be spent on housing, land, and durable goods. These are national spending patterns and responses, considering that a 20 percent nominal return is actually a negative income when inflation rate 30-40 percent. Even though migrants cannot express this understanding in financial language, there is really little "money illusion" with people who have suffered persistent inflation for many years.

This chapter has demonstrated that workers' remittances provide the Pakistani, Bangladeshi and Turkish governments with an important pool of foreign exchange. If each government can re-order priorities and use these reserves in prudent purchases of material capital imports and components of export goods, these nations will be, in large measures, repaid for the investments they have made earlier in human resources.

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23. See for further information, M. Fry. **Finance and Development Planning in Turkey**, (Leiden, E.S. Brill, 1972), pp. 78-90; and O. Morgil, "The Source of Recent Inflation in Turkey", **Foreign Policy**, Ankara, Vol. 8, Nos. 1-2 (September 1979).

**CHAPTER IV**

**BENEFICIAL AND DETRIMENTAL  
EFFECTS OF INTERNATIONAL LABOUR  
MIGRATION AND PROSPECTS FOR  
COOPERATION AMONG OIC MEMBER  
COUNTRIES**



## **CHAPTER – IV**

### **BENEFICIAL AND DETRIMENTAL EFFECTS OF INTERNATIONAL LABOUR MIGRATION AND PROSPECTS FOR COOPERATION AMONG OIC MEMBER COUNTRIES**

This chapter is devoted to the analysis of the effects of labour migration on labour-sending and receiving countries. Our examples will be taken from the three selected countries, and from labour importing oil-rich Arab countries. In the final part of this section an attempt will be made to outline future prospects for cooperation in labour migration among OIC member countries.

Recent studies of the beneficial and detrimental effects of labour migration have attempted to find objective factors to measure. However, any analysis of the costs and benefits involved in labour migration is presently beyond the capabilities of the social sciences, primarily because human beings are perhaps too complex for such an analysis. Many important elements in the equation are just not quantifiable and the qualitative nature of most of the variables permits only impressionistic judgements.

Another observation on the probable success of an assessment of gains and losses from labour migration is that the results are very dependent upon the scale of the actual flow in each case. The size and duration of the flows must somehow be related to the basic strengths and weaknesses of the particular economies under examination. In other words, it is very difficult to make generalizations on this subject because the value of the variables will be different from one country to the next.<sup>1</sup> Additionally each case will differ, the reason being that each labour-exporting and importing transaction takes place in the context of ever-changing socio-economic conditions.

There are many relationships involved in these human labour flows. Chart-1 shows twelve major individuals, groups and institutions, including international, national and local communities which are affected.

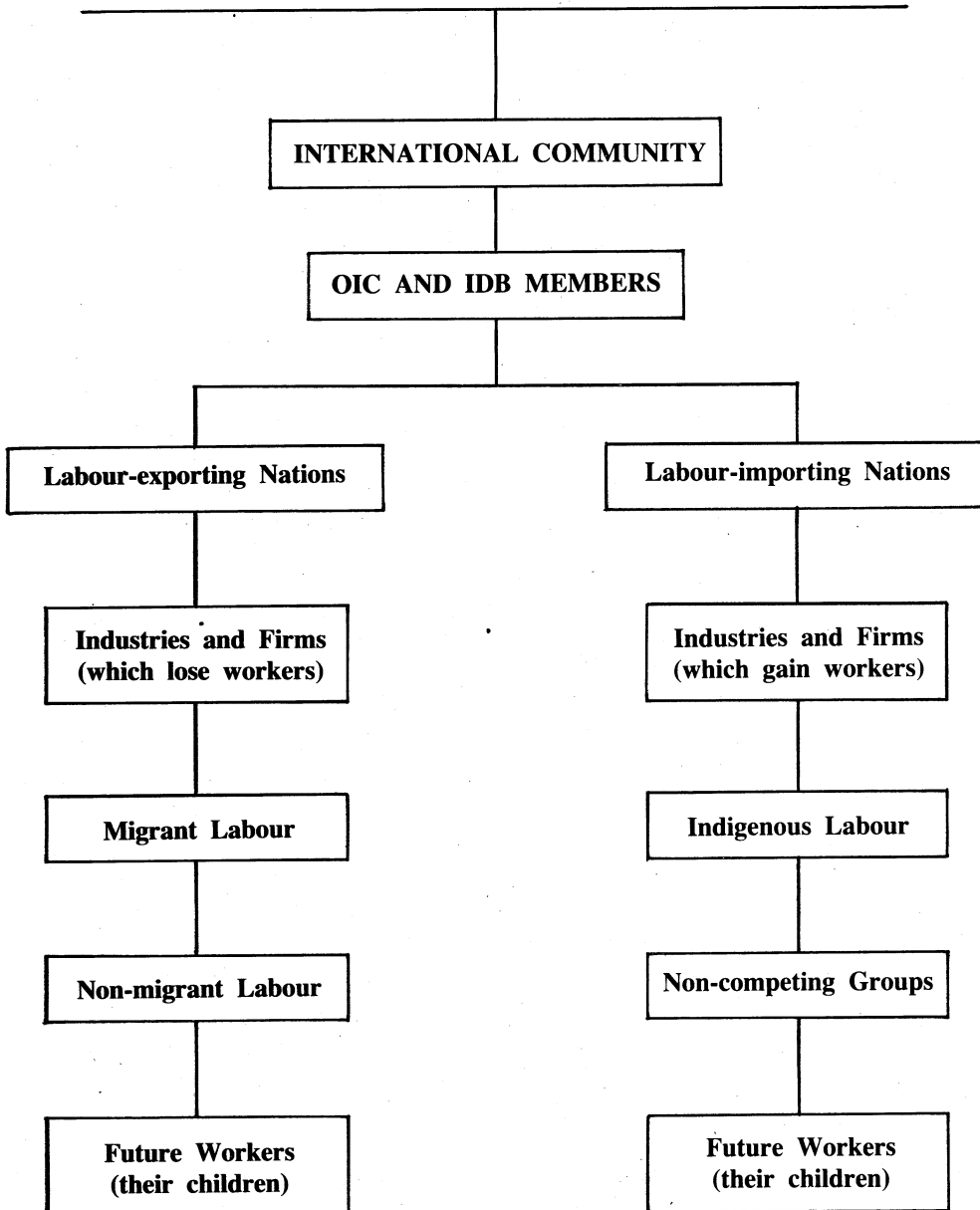
Although it is beyond the scope of the present study to attempt to put a valuation on all these relationships, some elements in the relationships will be identified, with a special emphasis on our selected labour-sending countries trade-offs. Such a summary of beneficial and detrimental elements might suggest places where improvement in data collection could aid in policy decisions which would lead to better cooperation among OIC members.

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1. C.W. Stahl; Labour Emigration and Economic Development", *International Migration Review*, New York, Vol. 16, Winter 1982, p. 872.

## CHART I

### SOME PERSONS AND INSTITUTIONS AFFECTED BY INTERNATIONAL MANPOWER MIGRATION TO THE MIDDLE EASTERN AND NORTH AFRICAN NATIONS





In this chapter, the summary of elements will be presented in the following order:

1. Effects on labour-exporting countries and firms (i.e. Bangladesh, Pakistan and Turkey);
2. Effects on the labour-importing nations and firms (i.e. oil rich Gulf states); and
3. Effects on migrant and non-migrant labour, and their dependents.

## **1. Effects of Labour Migration on the Labour-Exporting Nations and Firms.**

### **(a) Benefits**

As we have seen in Chapter III, the major benefit of emigration in the last decade has been its substantial contribution to the balance of payment positions of Bangladesh, Pakistan and Turkey. In that chapter we discussed the dual role of remittances for both the migrant and the nation. One can easily assume that most of the newly acquired foreign exchange through workers' remittances is allocated by the government to the importation of investment goods and raw materials. This is critical for any increase in investment and economic growth. For example, during the last decade, consumer goods make up less than 5 percent of all Turkish imports.<sup>2</sup> Our selected countries were able to exercise control over the composition of their imports since they had been using foreign exchange control regimes.<sup>3</sup> The major part of national currency counterpart of the remittances is the only workers' income that has been spent on durable goods. This type of consumption pattern of migrants cannot be considered harmful because it has been useful in creating demand for local industry.

Another beneficial aspect of workers' remittances has been the increase in foreign exchange reserves. This improvement in the balance of payments of a developing country may eliminate production bottlenecks which can be attributed at least partially to foreign exchange shortages (see Tables 14-17).

There are a number of miscellaneous benefits which deserve a mention. The migration of youth for the sake of employment might delay family formation and contribute to a more balanced population growth. This migration enhances the potential of the economy to more productive. Newly acquired wealth can be spent on fewer children in providing them with advanced training and education.

### **(b) Costs**

An assessment of the costs of emigration should begin with the loss of human resources on a seasonal, temporary, or permanent basis. Whether or not, there is a net loss of production at home depends upon the ease of substitution or replacement.

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2. TUSIAD (1983), *Op.cit.* Table on p. 91.

3. For further information, see IMF, *Exchange Arrangements and Exchange Restrictions, Annual Reports 1975 - 83*, (IMF, Washington D.C., 1975-83).

If a replacement can be readily found from the ranks of the unemployed or from persons whose jobs could promptly be filled from a pool of unemployed persons, there would be no necessary decline in production. If a replacement cannot be found, a dynamic change in the level of investment might reduce the labour-capital ratio by a deepening of capital. Such a result might not do anything for the unemployed workers directly but, indirectly, it might lead to a net increase in the demand for skilled workers.

Nevertheless, any loss of skilled workers creates high labour turnover costs for enterprise.<sup>4</sup> If skilled workers migrate for higher pay, replacements may be only imperfect substitutes characterized by lower marginal physical productivity. Then, labour costs per unit of output increase as the quality of labour inputs decreases.

It is estimated that, 83 percent of all Turks who emigrated had been gainfully employed in Turkey.<sup>5</sup> From this, one could imply that migration produces little direct reduction in unemployment. It is possible replacements to be drawn from the ranks of the unemployed and there is most likely some improvement in the organization of work in firms and in the increased productivity of those who were previously underemployed in the same firm or office. It is most probable that migration tends to reduce underemployment more than the ranks of the unemployed.

Since our selected countries, like most other labour-sending countries, have large surpluses of unskilled labour, migration of this type of worker has not entailed any loss of production. If a skilled worker is withdrawn from the national labour force then the remaining underemployed workers will make up for his loss by working more intensively which should keep production on the same level. Whenever there is no loss of production due to emigration of an unskilled or even a skilled worker, then the opportunity-cost of his withdrawal could be at the zero-level.<sup>6</sup>

In fact, majority of semi-skilled and skilled workers have gained their skills largely through on-the-job training in an apprentice capacity. For example, tailors, mechanics, welders, carpenters, masons, plumbers, drivers, typists, cooks, etc. have learned their skills in short periods. It takes a few months for an unskilled worker to become semi-skilled, and about two years to become fully skilled.<sup>7</sup> In our selected countries, even though these exist only a few technical institutions to transmit these skills, there are no capacity constraints upon master craftsman who train unskilled workers. Therefore, the continuation of semi-skilled and skilled workers' migration is not likely to create any significant supply bottlenecks for our

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4. D. Miller and I. Cetin, **Migrant Workers, Wages and Labour Markets: Emigrant Turkish Workers in the Federal Republic of Germany**, Istanbul, Istanbul University, 1974, p. 43.

5. E. Carikci, *Op.cit.*, Table 1 on p. 96.

6. Osmani, *Op.cit.*, pp. 29-32. Even though the opportunity cost of labour migration to the host country may seem negligible, yet there may involve an implicit social cost in terms of utilization of public utilities, educational, health and housing facilities by the families of the migrant workers and the returned migrants in their home countries, as suggested by Dr. M.A. Mannan.

7. *ibid.*, pp. 32-33.

selected countries when outflow is not sudden and large. The stock of temporary emigrants is still only a small fraction of the total labour force of Bangladesh, Pakistan and Turkey.

Most of the public concern about the loss of rare and vital skills relates to the migration of professionals and technicians who have acquired their skills through formal training in relevant national institutions. The social cost here is the cost of their training. However, in our case-study countries, the percentage of the loss of this kind of worker is very small with respect to the total stock of labour migrants (see related tables in Chapter II). In addition, there is disguised unemployment among the professionals in our selected countries. For example, in Bangladesh 63.8 percent of the managerial, technical, and industry-related professionals have been under-utilized. The study concluded that for Bangladesh, an internal brain-drain is a more important problem than an external brain drain.<sup>8</sup>

## **2. Effects of the Labour Importing Nation and Firm**

### **(a) Benefits**

From the second half of 1950s in Northern European countries, and since 1973 in the oil-rich Arab countries manpower constraints became a critical issue for rapid economic development. In both regions, the majority of expatriates were involved in the construction and production industries. However, capital-rich Arab States have been faced not only with quantitative manpower shortages, but also with the lack of skilled workers.

Nevertheless, there is also a coincidence of economic interests between the sending and receiving countries. The sending countries have desired the short run benefits of remitted foreign exchange with the hope that, in the long run, a skilled worker will return to assist in the development of his own country. The receiving countries have discouraged workers from bringing their families to reduce the burden on the society for maintenance of the worker during his stay. If the worker cannot bring his family abroad, there is less pressure on housing and less demand for social or demographic types of capital expenditures on schools and health facilities. For example, by using short-term contracts of one or two years duration and a work-camp approach, oil-rich Arab countries are able to adjust their manpower inputs not only to the needs of industrial production by they can also reduce social and political tensions and the need for demographic investment to a minimum level. In addition, if there is a slump in demand, there is no need to lay-off massive numbers of permanent employees. Middle Eastern labour receiving countries have thus guaranteed a continuous source of supply of productive energetic workers without the need for a permanent commitment.

The restriction on the migration of families most probably has positive benefits for migrant workers too. By going abroad alone, they can earn and save more. This would shorten the time away from their home countries. They are often willing to work long hours or at two jobs, and live at a subsistence level in order to speed the day of reunion with their families and friends.

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8. World Bank, April 1981, *Op.cit.*, p. 3.

Both in Europe and Middle Eastern labour-receiving countries, a large percentage of migrant workers are employed in low-skilled jobs throughout industry. Especially in assembly-line jobs, construction labour and cleaning jobs which are usually not acceptable to national workers. Therefore, migrant workers perform tasks which would otherwise not be done by indigenous workers. In a recent official survey, only 30 percent of all migrant workers' jobs would be filled by French nationals, if expatriates were to return to their home countries. Surveys have resulted similar conclusion in West Germany.<sup>9</sup> If studied, similar findings might well be anticipated in regards to the oil-rich Arab countries.

What are the main advantages of employing migrant labour for labour-importing country? In declining industries such as textiles and services, companies are able to decrease unit labour costs by fuller utilization of their capacity with a relatively cheap and abundant labour supply. Secondly, migrant workers are usually well disciplined and eager to please their employers. They tend to be very reliable on the job and are absent only occasionally.<sup>10</sup> Thirdly, they can be pleased in jobs far below their abilities which for one reason or another, are not acceptable to indigenous workers. They tend to be anxious for overtime work, and willing to work on holidays. Fourthly, by freeing domestic workers from less-productive jobs, foreign migrant workers facilitate labour mobility of the indigenous labour force to high paying, mostly white collar jobs.

Businesses also incur turnover costs through training programmes. In a sense, firm and industry of the labour importing country receives an external economy because employers of the labour-exporting country might absorb the initial costs of training on the job. The labour-importing firm receives the advantages of his human capital investment without the need to assume the burden of and costs of training.

#### **(b) Costs**

The biggest risk, perhaps, to labour receiving nations seems to be their increasing reliance on foreign labour and the concomitant (and growing) outflow of foreign exchange earnings by migrant workers. Increasing reliance on relatively cheap foreign labour might cause socio-economic vulnerability in the agricultural, industrial and service sectors. Necessary modernization of industries might be unduly delayed. With less pressure for innovation, the long-run comparative advantage of an industry or the nation as a whole might be impaired. Increasing reliance on expatriate labour might also create social and political tensions.

In balance, however, the acceptance of large numbers of foreign migrant workers by firms in labour receiving nations shows that they will receive net gains from such employment.

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9. *Arabia*, March 1984, p. 69.

10. G.E. Volker, "Impact of Turkish Labour Migration on the Economy of the Federal Republic of Germany", *The German Economic Review*, Vol. II, No. 1, 1973, p. 64.

### **3. Effects on Migrant and Non-migrant Labour and Their Dependents**

#### **(a) Socio-economic Benefits**

As can be seen from the second part of Chapter-I, economic motivations dominate the decisions of the bulk of recent temporary migrations. In addition to net disposable income, there are other economic gains which include the experience, the acquisition of skills and language, the understanding of different societies and cultures and insights into new ways of living. Explicit and implicit gains, both monetary and psychic, are difficult to measure. It is also possible that much of the knowledge and skills gained abroad might have little direct value at home in the future.

The worker hopes to protect his savings from the ravages of inflation by investing them in real estate and family-operated commercial and industrial shops. Many returning migrants bring back automobiles, and durable consumer goods with the intent to resell them for wealth accumulation. In these ways the returnee hopes to increase his socio-economic position. The returnee gains prestige among his neighbours by virtue of his newly acquired wealth and retirement security. He has a better financial base from which to finance educational and business opportunities for his children and relatives.

The spending patterns of migrant families show similarities in the utilization of income. For example, in Bangladesh, urban, rural migrant families spend respectively 41.5 and 45.1 percent of their remittance income to meet their current consumption expenditures. They used 29 percent of their remittance money for the purchase of land, and 20 percent of their income for the purchase of a house or for housing improvement and only 4 percent on consumer durables.<sup>11</sup> In Pakistan, 62 percent of remittance received by the migrant families has been spent on consumption of food, clothing and durable goods, and 22 percent on purchase of land and housing with 13 percent being spent on direct investment, including agricultural machinery, industrial expenses and commercial investments.<sup>12</sup> In Turkey, spending patterns of migrant families are more closer to the Pakistani case. For example, over 50 percent of all remittance income is spent on consumer goods. The second largest portion of their income is spent on buying houses/apartments and building plots, and third significant part is used for (future) investment purposes.<sup>13</sup>

#### **(b) Non-migrant Workers**

Emigration creates external economies and diseconomies for non-migrant workers who are left behind in the home country. Jobs are left vacant by the migration labour. If unemployed or underemployed workers can be upgraded to fill these vacancies, income will increase for those gaining useful employment. The capital available for the reduced labour force increases the possible productivity of those left behind. The relative reduction in the labour pool might also push up

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11. World Bank, April 1981, *Op. cit.*, pp. 129-133.

12. M.N. Shah, *Op.cit.*, p. 418.

13. R. Penuinx, "A Critical Review of Theory and Practice: the Case of Turkey", *International Migration Review*, Vol. 16, (Winter 1982), p. 797.

wages if there is relatively little unemployment among those in the same line of work. For example in many labour exporting countries, real wages of skilled workers in certain occupations have been increased rapidly as a result of recent migration.

For example, in Pakistan, the intensification of unemployment problems has been significantly reduced as a result of the substantial increase in overseas migration. The outflow of Pakistani migrant workers reached about two million by 1981 and absorbed almost one-third of the increase in the labour force during the Fifth Plan period of 1978-82. However, the rapid increase in skilled labour migration has led to shortages of certain skills (construction workers in urban areas and seasonal workers in rural areas). As a result, real wages have risen for skilled workers and during peak seasons for seasonal workers inspite of an inflationary development during the second half of the 1970s. There were similar shortages even greater in severity in Egypt, Jordan and in A.R. of Yemen.<sup>14</sup>

Diseconomies for those who remain at home are created by the increase in labour migration abroad. If many skilled and middle-managerial types migrate to the Middle Eastern countries, work at home may become disorganized. Work place efficiency might be reduced by a reduction in the amount of on-the-job training that was previously performed by skilled co-workers. New entrants to the labour force might tend to suffer greatly from this loss of skilled co-workers who used to informally train young people. These developments have been most severe in the Yemen A.R., Egypt, Jordan and Sudan.<sup>15</sup> Among the selected countries under study, Turkey and Pakistan were also affected slightly. For example, when the rate of increase in emigration from Turkey reached to its peak levels in 1973, Turkish planners calculated that a 26 percent shortage of skilled labour was due to migration abroad.<sup>16</sup> Of course, none of these planners considered the inflexibility of the Turkish educational system regarding the training of skilled workers with respect to change in the labour demand in Turkey and abroad.

As in the case of the migrant workers and their families, those who are left at home suffer the loss of the migrants' production. However, the home community also gains from his reduction in consumption while he is abroad. Remitted earnings might be spent by the migrant worker's relatives who remain at home. In this case income distribution is effected positively. However, the expenditure of the national currency counterpart of remittances can create business activity or speculative-type price rises (demand-pull inflation) which affect the distribution of income and wealth. The direction and magnitude of changes in wages, prices and the distribution of income and wealth are second-order effects which cannot be determined deductively. Available statistical data does not permit estimates of these dynamic economic effects.

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14. The Sixth Plan of Pakistan, *Op.cit.*, p. 499; I. Serageldin, "Some Issues in Middle Eastern International Migration", *The Pakistan Development Review*, Vol. 22, No. 4 (Winter 1983), pp. 229-31; N. Fergany, "The Impact of Emigration on National Development in the Arab Region: The Case of the Yemen Arab Republic", *International Migration Review*, Vol. 16, (Winter 1982), pp. 777-78.

15. *Ibid*; R.P. Shaw, *Op.cit.*, pp. 158-159.

16. State Planning Organization (SPO), *Kalkinma Planı: 1973-1977*, Ankara, SPO, 1973, p. 81.

### **(c) Socio-economic and Psychic Costs**

Migrant workers often suffer great losses and hardships. While abroad they suffer loss of national and communal social status and separation from their own environment and families. Divorce rates generally increase. Children lack their parents' attention and care, although this problem is less severe in extended family cultures which prevail in much of the developing world.

Among our selected countries, Pakistan is the largest labour-sending country to the Middle East. It is estimated that 70 percent of all the Pakistani migrant workers are married, but only 4 percent are accompanied by their families.<sup>17</sup> Because, only college educated expatriates can bring their dependents to Saudi Arabia and a minimum salary is required in Kuwait.<sup>18</sup> Similar restrictions have been imposed to bring dependents of migrant workers into other oil-rich Arab countries.<sup>19</sup>

Migrant workers are unable to plan a systematic professional or non-professional career. Often they accept jobs in a mass-production factory or as cleaning men or guards when, in fact, they are skilled artisans. There are many examples where they can earn four to seven times the gross pay as a garbage man in a foreign country than they can earn as a first-class mechanic at home. How can the psychological damage incurred by this situation be calculated? What is the potential loss of self-respect involved in such a choice?<sup>20</sup>

So far, we have tried to analyze both the beneficial and detrimental aspects of labour migration. However, the dynamics of the phenomenon cannot be calculated quantitatively with any accuracy because there are so many changing factors involved. Short-term stabilizing factors can quickly become destabilizing as the socio-economic rate of change quickens or as the environment within both labour-importing and exporting countries transforms.

## **4. Prospect for Cooperation on Labour Migration among OIC Member Countries and the Role of IDB**

### **(a) The Establishment of the OIC**

The Organization of the Islamic Conference (OIC) which was established in 1969 as a result of the reaction to the fire which broke out in the Al-Aqsa Mosque two years after the Israeli occupation of Bait Al-Maqdis in Quds (Jerusalem) was originally intended to develop within the Islamic world a political entity to better face the challenge resulting from this incident and to deal primarily with all important issues of Palestine and Holy Jerusalem.

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17. M.N. Shah, *Op. cit.*, p.413.

18. *Ibid.*, p.420.

19. Recently, some adverse effects of labour migration on the families of migrant workers have been studied. For further information, see *Ibid.*, pp. 419-421: F. Bilquees and S. Hamid, "Impact of International Migration on Women and Children Left Behind: A Case Study of a Punjabi Village", Research Report Series No. 115, (Islamabad PIDE, 1981); N. Ekin, "The Children of Muslim Guest Workers in West European Countries and their Problems", An External Research Paper at IDB-IRTI, Jeddah, 1984 (Mimeographed).

20. For further information see E. Carikci, *op. cit.*, pp.21-25 p.60.

Even though the Organization's initial objection was of a political nature, it soon realized that cooperation and development of solidarity in the Islamic World would not be fully realized unless economic, cultural and social objectives were also given due consideration. As a result, from 1974 on, the OIC economic cooperation activities in terms of joint official action have been accelerated and diversified. To coordinate and accelerate socio-economic activities within the OIC, the Organization has established 13 subsidiary organizations. The most important subsidiary organs are the Statistical, Economic and Social Research and Training Centre for the Islamic Countries (SESRTCIC) based in Ankara, Turkey; the Islamic Centre for the Development of Trade, Casablanca, Morocco; The Research Centre for Islamic History, Art and Culture, Istanbul, Turkey; the Islamic Centre for Technical and Vocational Training and Research, Dhaka, Bangladesh; and the Islamic Foundation of Science, Technology and Development (IFSTAD), Jeddah, Saudi Arabia.

There are also seven institutions affiliated to the OIC. The most important of these are the Islamic Development Bank (IDB) in Jeddah, Saudi Arabia; and the Islamic Chamber of Commerce, Industry and Commodity Exchange, Karachi, Pakistan.<sup>21</sup> Executive of subsidiary organizations are selected from people nominated by the OIC member states. Affiliated institutions are independent bodies but they cooperate with the OIC.

During meetings of Islamic Conferences of Foreign Ministers a set of policy recommendations were formulated about the production of the exchange of labour and know-how among Islamic countries. For example, the Seventh Islamic Conference held in Istanbul May 12-15, 1976, called on all Member States to give priority to Islamic States whenever there is a need of foreign labour or know-how.<sup>22</sup> The Tenth Islamic Conference of Foreign Ministers, held in Fez-Morocco from May 8-12, 1979 accepted the resolution No. 7/10-E. This resolution calls upon the Ankara and Dacca Centres to collect and disseminate data and information regularly on the requirements and availability of manpower among OIC member states. Perhaps labour importing OIC member countries may like to review their current strategy of manpower importation in the light of the above recommendations.

On the subject of labour migration, the availability of updated data and information is very scarce. Although there had been about 80 meetings on the subject of economic cooperation by the end of 1983, only one of these meetings was devoted to the study of labour migration.<sup>23</sup> The Government of Malaysia hosted the second expert group meeting on labour and social security in Kuala Lumpur in October 1984.<sup>24</sup>

21. See for further information Arabia, (December 1983), pp. 35-36 and 39-40; *Journal of Economic Cooperation Among Islamic Countries*, Vol. V/2, (January 1984), pp. 36-39 and 45-46.

22. OIC, *Declarations and Resolutions of Heads of States and Ministers of Foreign Affairs Conferences*, 1389-1401H (1969-1981), (Beirut, Azmi Bouheiry and Bross., 1983, p. 205.

23. For further information see, *Journal of Economic Cooperation Among Islamic Countries*, Vol. v/2, January 1984, No. 18, pp.10-21.

24. The Fifteenth Islamic conference of Foreign Ministers, The Draft Resolution No. 29, Sana, YAR, 18-22, December 1984.



Action is needed and migratory movement also must be considered at OIC level because the labour market share of non-OIC member countries of South and South East Asia is increasing in the MENA region. More extensive and accelerated action as well as consideration of migratory movements at all level is needed. It is estimated that at present number of Asian Workers in the Middle East has risen to 2-3 million. This represents an increase of tenfold in less than a decade.<sup>25</sup> According to our estimates, shares of non-OIC migrant workers have risen to 35 percent of the total migrant stocks in 1983. Their percentage is expected to increase during the coming decade. East and South East Asian non-OIC member countries have abundant supply of skilled labour and their cost-efficient workers will insure their competitiveness in the near future. For example, over 80 percent of all Filipino workers in the Middle East have graduated from high school and over half of them have attended university.<sup>26</sup>

Among the OIC member countries, one may state that general secondary and high school education has been emphasized at the expense of vocational training. At the university level, social sciences have been given priority instead of technical education. In most OIC countries, hundreds of thousands of high school and college graduates are unemployed, and they have no specific skill that can be utilized for either internal or external labour markets. Chapter I of this study concludes that in the future, the majority of the labour demand in the Middle East will be related to skilled workers and technicians.

By emphasizing formal and informal vocational training within the OIC member countries, we can reduce the amount of replacement of OIC nationals by Far Eastern nations in the MENA labour market. Otherwise we cannot increase the competitiveness of OIC nationals in this market. In the temporary international labour market the supply side is very competitive but the demand side is a one-sided buyers' market.

The interest and role of occupational education in OIC member states constantly needs to be expanded. The need for skilled labour in both internal and external labour markets is ever increasing. This is true for the general high school college students, as well as adults. Programmes must be reviewed and revised according to rapidly changing labour needs in the Middle Eastern countries.

#### **(b) The Role of IDB**

In the OIC member countries the need is not only for the creation of employment for unskilled labour but also for developing certain demanded skills in those unemployed educated people, the graduates of general high schools, and of the universities in social sciences. For this purpose, in each country the number of vocational schools needs to be increased substantially. Such an investment in human resources offers highest rate of future social returns over any alternative public investment.

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25. F. Arnold and M.N. Shah, *Op.cit.*, p.294.

26. *Ibid.*, p. 299.

The role of the IDB in this area may be the extension of grant-in-aid and soft loans to member states for vocational types of education and training. Furthermore, the IDB can help in the financing of equipment, teacher training and the establishment of schools.

It is the opinion of the author that such governmental services in the field of vocational education may be the most important service to the labour exporting governments of the IDB. For the private sector, it usually proves to be too risky an investment because the worker is free to seek the highest remuneration after he acquires his skills. Consequently, private expenditures on training of skilled workers cannot be capitalized or amortized.

For the immediate future, there is a great need for cooperation in the field of vocational training and migration within the OIC member states. Each labour-importing country should identify the areas and the skill mix of the labour that they need, at present and in the future. Information on the labour statistics of each country should be available to all of the member countries through the IDB. This would help in identifying the demand and supply of skilled labour within OIC member countries.

# **CHAPTER V**

## **SUMMARY AND CONCLUSIONS**



## CHAPTER – V

### SUMMARY AND CONCLUSIONS

#### Summary

The study on the economic impact of temporary labour migration involves the analysis and better understanding of a multiplicity of complex relationships in the social, economic and political structures of the labour exporting and importing nations. A major obstacle to a comprehensive analysis of manpower flows and involved relationships is the lack of standard and adequate data.

A temporary migrant worker is defined as a migrant who does not possess the citizenship of the country in which he is employed. The aim of the migrant is to stay in the host country to save enough wealth to improve his family's living standards upon return to his home country. As a result of changes in their expectations and aspirations while living in the host countries, the overwhelming majority of migrant workers have been staying longer than originally expected.

The common major pull and push factor of the temporary migration is identified as the wage differential between the two countries. Other push factors are shown to be unemployment, underemployment, overpopulation, and political instability. The structure of international labour markets can be classified as a one-sided "buyers' market".

According to the International Labour Organization (ILO), there were a total stock of 19.7 to 21.7 million temporary migrant workers in the year 1980. The ILO figures also includes illegal migrants as temporary migrant workers.

The number of migrant workers in the Middle East and North Africa (MENA) region increased from 391 thousand in 1960 to 1.5 million in 1975, to 3.1 million in 1980. Out of this total, half of all migrant workers were employed in Saudi Arabia in 1980. In this year, within the MENA region about 42 percent of all the migrant workers originated from Arab labour exporting countries, 55 percent from South East Asian countries, and only less than 3 percent from Europe and North America.

According to a conservative estimate of this study, the number of migrant workers in the MENA region has risen to the neighbourhood of 6-7 million in 1983. Out of this total, about 2.8 million are in Saudi Arabia. From 1980 to 1983, number of migrant workers increased in Saudi Arabia by at least one million. Expatriates dominate the bulk of employment in all economic activities. Blue collar and low paid jobs are almost left entirely to migrant workers. As a result, dependence on expatriates in oil-rich Arab countries is inevitable for the near future and during the next decade the stock of migrant workers is expected to remain around 5 million in the MENA region. However, since construction activities in the region have begun to decline, labour demand gradually will be shifted to skilled workers and technicians in all sectors.

During the late 1970s and early 1980s, the percentage of South and South East Asian migrants has been on a steady increase with respect to Arab migrants in the region. This is expected to continue during the next decade. New migration approaches in the MENA region in the form of "work camp" and "package style" has successfully been managed by the South Korean, Taiwanese, and other South East Asian nations. Their abundant supply of skilled workers and cheap labour will ensure their competitiveness in the future.

Despite the slowing down of the economic activity within the oil-rich Arab countries during the period 1980-83, labour emigration from Bangladesh, Pakistan and Turkey to MENA region has been on the rise. Number of Bangladeshi migrants increased from 69 thousand in 1979 to 277 thousand at the end of 1983. According to the official Pakistani figures, from 1979 to 1983, the number of Pakistani migrants increased from 497 thousand to one million 67 thousand. During the same period, the number of Turkish migrant workers increased from 20 thousands to over 250 thousand in the MENA region.

Since the 1970s, workers' remittances have played a key role as the main source of external financing for many of the labour-exporting countries. For example, in all developing countries, the annual flow of remittances increased from \$ 2.3 billion in 1970, to \$ 27.6 billion in 1982, and are expected to increase to 91.3 billion dollars in 1995.

In Pakistan, from fiscal year (FY) 1974-75 to 1983-84, official workers' remittances rose 19.1 billion dollars. Between 1964 and 1983, workers' remittances amounted to 18,973 million dollars in Turkey. These figures are much larger than the current disbursed medium and long term debt of these countries. During the last six years (1978-83), Bangladesh received \$ 2.5 billion from workers' remittances. This figure is equivalent to 60 percent of the country's foreign debt in 1983.

Bangladesh, Pakistan and Turkey were able to increase their import capacities through workers' remittances. In the case of Bangladesh, from fiscal year 1976 to 1982 Bangladeshi imports increased almost 100 percent which raised the trade deficit of the country. Without the workers' remittances, the country would have been faced with further foreign exchange constraints which would have caused further reductions in its industrial growth. From Fiscal Years 1980 to 1983, remittances increased from 28 percent of exports to 74 percent. In Fiscal Year 1976, remittances financed only 2.3 percent of imports. In 1983, its contribution had risen to 21 percent. Even though Bangladesh is still heavily dependent on foreign aid for trade financing, in recent years this dependence has been declining because of workers' remittances.

As for Pakistan, during the last year of the Fifth Plan (FY 1982/83) remittances rose by 29.7 percent from 2.1 billion dollars to nearly 2.9 billion dollars. In FY 1983, workers' remittances increased to 110 percent of export earnings. Worker remittances have been very important in increasing the import capacity of Pakistan from FY 1978 to FY 1983. Export earnings increased only two billion dollars, whereas spending on imports raised more than three billion. In the last five years, remittances financed around 40 percent of the import bill of Pakistan.

During the sixth plan of Pakistan, the annual growth of workers' remittances is expected to be down 10 percent. The plan took into account economic slow down in the oil-rich Arab countries. However, it is probable that with the change of composition of the labour market to more skilled workers, that salaries will also increase. Nominally, the annual increase in workers' remittances is expected to be around 10 percent thus neutralizing the projected growth drop.

In the case of Turkey, the same basic pattern of remittances as in Pakistan, and Bangladesh is also true. During the 1970's, size of the workers' remittances was close to the size of the commodity export earnings. However, with the implementation of export-oriented policies in early 1980's from 1979 to 1983, Turkish export earnings jumped more than two times (from 2.261 million to 5,728 million U.S. dollars).

However, for Turkey, the past years have shown a steady decline in workers' remittances. With the recession in Europe, the rate of unemployment among the Turkish workers increased. Despite the recent decline in workers' remittances, this form of income is still important for Turkish balance of payments. In 1983, Turkey was able to borrow only 1.1 billion dollars in a medium and long term loans. Turkish workers' remittances still constitute one and a half times this figure. Secondly, remittances reflected 27 percent of export earnings, and 61 percent of the annual debt service of the country in 1983.

## **Conclusions**

Remittances represent an important inflow of foreign exchange into our selected governments' international reserves. Increasingly, this amount has been used to finance a growing share of their imports in recent years. Without these substantial remittances, Turkey, Pakistan and Bangladesh would not have achieved their recent economic growth rates, and increase in their exports capacities.

In addition to the beneficial aspect of remittances, it has been claimed that remittances have been inflationary. Since workers' remittances create additional demand in the country for durable consumer goods they tend to pull up price levels or create demand-pull inflation. Moreover, speculation in land and housing create demands on resources which might better be devoted to new productive investment. In this regard, many believe that the main impact of such expenditures are considered as unproductive and inflationary.

In fact, the validity of this assertion is questionable. One can not consider such expenditures as unproductive since in many countries, especially in developing ones, durable goods and housing industries have a substantial amount of backward and forward linkage effects on economic development within the country. Therefore, one can not consider such investment as unproductive. For example, it is estimated that one unit of increase in the final demand for housing can lead to about two units increase in aggregate output in the economy as a whole.

In addition, durable goods and housing sectors absorb large numbers of unskilled and semi-skilled workers, and serve as a "port of entry" for the rural labour force into industrial employment. These sectors also provide on-the-job training. The recent Turkish experience demonstrates that activities in those sectors have an effect on more than 100 sub-sectors and that provide inputs to the construction of buildings and their furnishings. As a result, employment and output generating capacities of these two sectors are remarkable.

In order to evaluate the economic impact of remittances, one has to pay attention not only to the spending patterns of migrants but also on the utilization of remittances by the government. It seems that no writer has attempted to fully investigate the dual role played by remittances on both labour-sending nations and their migrant workers. This study shows that the foreign currency counterpart of remittances has been used productively since the majority of labour-exporting countries (including Bangladesh, Pakistan and Turkey) have foreign exchange control strategies. Thus, one may safely assume that most of the foreign-exchange counterpart of these earnings has been allocated by each government to the importation of raw materials and investment goods which are essential to enhance investment and to increase in over all production, production of export goods and thereby economic growth.

The spending of the national currency counterpart of remittances can create both productive business activity and/or speculative types of demand-pull inflation. This study clearly shows that the inflationary impact of remittances can be reduced to a minimum level if a labour-exporting country can arrange to provide for a satisfactory return on migrants' savings above the current inflation rate, and is able to implement realistic exchange rate policies. Without further elaboration, this study concludes that in most migration literature, inflationary impact of remittances are exaggerated, and the contribution of durable goods and housing sectors to economic development is under-estimated.

There are also many social and psychological issues involved in the phenomenon of labour migration. In both labour-importing and exporting countries, individuals, families, institutions, including international, national and local communities are affected. Quantification of these effects is not possible, since human beings are perhaps too complex for such an analysis. In addition, each case will differ due to ever-changing socio-economic conditions in the countries involved. As a result, only a few qualitative assessments could be rendered.

Both in European and Middle Eastern labour-receiving countries, a large percentage of migrant workers are employed in low-skilled, and low-paid jobs throughout industry. Especially in assembly-line jobs, construction works, and cleaning jobs that are least preferred by national workers. By freeing domestic workers from less-productive jobs, migrant workers facilitate mobility of the indigenous labour force to the higher paying, mostly white-collar type jobs. Thus, the real income of the indigenous population is increased, and the costs of production of many goods and of services are decreased by the use of migrant manpower. Any nationalization of the labour force may most probably end up with the increase in production costs of many goods and services which in itself might cause in the decline of the standard of living in labour-importing countries.



A qualitative assessment of the cost of emigration for a labour-exporting country should begin with the loss of human resources on a temporary or permanent basis. Whether or not there is a net loss of production at home depends upon the rate of substitution or replacement of migrants. Nevertheless, any loss of skilled workers may cause high labour turnover costs for enterprises in labour-exporting countries. In addition, new entrants to the labour force will tend to suffer greatly from this loss of skilled co-workers who used to provide informal vocational training for young people. These negative effects have been evident in the Yemen A.R., Egypt, Jordan and Sudan as well as in the countries under study, although to a lesser degree.

Migrant workers often suffer great losses and hardships in their host countries. While abroad, they suffer a loss of national and community status, and a separation from friends and relatives. The lives of their families and children also become disoriented and destabilized.

Increasing reliance on relatively cheap foreign labour may cause structural rigidities in the agricultural, industrial, and services sectors in host countries. This dependence on expatriates might create social and political tensions. In order to reduce these tensions to the minimum level, Middle Eastern countries have been using "work camp" and "package style" migration systems.

Without further elaboration, we can conclude that the benefits of temporary labour migration outweigh the costs in both labour-exporting and importing countries. Thus, further cooperation on this subject among OIC member countries is needed especially since the labour market share of the non-OIC member countries of South and South East Asian countries is increasing within the MENA region. Their share reached the 35 percent level in 1983. This trend is expected to continue unless some action is undertaken among OIC member countries along the lines suggested below.

By emphasizing formal and informal vocational training within the OIC member countries, the amount of replacement of OIC nationals by Far Eastern nations can be reduced in the Middle-Eastern labour markets. Otherwise, the competitiveness of OIC nationals in these markets can not be increased. In this labour market the supply side is competitive while the demand side is a one-sided buyers' market.

The role of the IDB in this area would be an extension of grant-in-aid and soft loans to member states for vocational types of education and training. Furthermore, the IDB may extend help in the financing of equipment, teacher's training and in the establishment of schools.

For the future, there is a great need for cooperation in the field of vocational training and migration within the OIC member states. Each labour-importing country should identify the areas and the skill mix of the labour that they need at present and for the future. Efforts should be made to make information on the labour statistics of each country accessible to all of the OIC member countries through the IDB. This would help in identifying the demand and supply of skilled labour within OIC member countries.

## **Need for Further Research**

For the future research, one might well study the international competitiveness of labour-exporting OIC member and non-member countries in the MENA labour market. As a second possible research project, estimates could be made of occupational skill shortages in both labour-exporting and importing countries of OIC members for the near future so that formal and informal occupational training can be improved, and the need for cooperation among Muslim states in the MENA labour market can be recognized and initiated.

The context of cooperation among Muslim states in the MENA labour market and the importance of the common culture of the Islamic people must be emphasized. Unlike the case of Muslim guest workers in Western Europe, migrant workers from the member countries in the MENA region do not confront socio-cultural alienation. They thus provide a culturally homogeneous manpower to meet the host country's requirements.

Trans-national mobility of the people among Muslim countries in the form of labour migration or business missions will strengthen the socio-cultural solidarity among them. It merits re-emphasising that the basic rationale of the OIC grouping comes from the common Islamic faith shared by the people of these countries. It is also important to note that social integration is a necessary condition of a viable long-term economic integration. These countries have the advantage of having belief in a common faith. This belief pattern can also be strengthened by increasing labour migration among them.

Since this paper was centrally concerned with the study of the economic implications of temporary manpower migration, the socio-cultural aspects were not fully discussed. It can therefore be concluded that, the inter-relationship between labour migration from home member countries to the MENA region and Islamic socio-cultural solidarity, is an important subject for future research and study.

# **APPENDIX**

## **TABLES**



**TABLE 1**  
**ESTIMATED STOCKS OF FOREIGN WORKERS IN SELECTED**  
**EUROPEAN COUNTRIES IN 1974, 1979, 1981 AND 1983.**

	1974	1979	1981	1983
	(in thousand)			
Australia	222	171	176	145
Belgium	278	310	332 <sup>1</sup>	n.a.
France	1642 <sup>2</sup>	1592	1436	1558
Germany	2387	2015	2082	1998
Netherlands	163	196 <sup>3</sup>	208	n.a.
Sweden	200	231	234	221
Switzerland	593	491	515	529

**Note:** (1) 1980, (2) 1976, and (3) 1978

**Source:** Derived from OECD, Continuous Reporting System on Migration: SOPEMI - 1982, (Paris, OECD, June 1983), Table on p. 52; OECD, Continuous Reporting System on Migration: SOPEMI - 1984, (Paris, OECD, July 1985) Table A.1 on p. 77.

**TABLE 2**  
**STOCKS OF FOREIGN WORKERS IN EUROPEAN COUNTRIES 1981**

(in thousand)

	Austria	Belgium	France	Germany	Luxembourg	Netherlands	Sweden	Switzerland	Total
Algeria		3.2	382.1			0.2		19.5	385.5
Austria		—		87.0					
Finland		—		3.0			104.4		
Greece		10.7		132.2		2.3	7.3	4.9	
Italy	2.1	90.5	157.6	316.1	9.2	10.5		234.9	
Morocco		37.3	171.9			40.2			249.4
Portugal		6.2	434.6	57.1	15.9	5.6		9.3	
Spain	0.2	32.0	128.9	85.9	1.0	12.7		63.4	
Tunisia		4.7	73.2			1.5			79.4
Turkey	30.4	23.0		637.1		59.5		22.7	727.7
Yugoslavia	113.9	3.1		357.7	0.7	8.4	23.0	34.3	
Other EEC	12.5	81.5	49.4	151.6	23.4	45.5	39.5	85.2	
non-EEC	17.2	40.0	194.2	254.2	2.0	52.1	59.3	40.9	
<b>Total:</b>	<b>176.3</b>	<b>332.2</b>	<b>1591.9</b>	<b>2081.9</b>	<b>52.2</b>	<b>238.5</b>	<b>233.5</b>	<b>515.1</b>	<b>5221.6</b>

**Source:** OECD, Directorate for Social Affairs, Continuous Reporting System on Migration - SOPEMI  
- 1982, Paris, OECD, June 1983, Table on Page 1.

**TABLE 3**  
**RESIDENCE PERMITS, ISSUED TO FOREIGNERS AT VARIOUS**  
**PASSPORT OFFICES BY REGIONS IN SAUDI ARABIA**

(1397-1402H/1977-1982) (in thousand)

Region	1402 (1982)	1401 (1981)	1400 (1980)	1399 (1979)	1398 (1978)	1397 (1977)
Central	217.4	213.6	199.0	209.5	159.1	187.1
Western	179.4	161.8	216.9	223.5	240.2	113.6
Eastern	202.8	197.4	176.3	169.7	140.8	164.7
Northern	19.0	19.1	28.4	48.0	45.8	35.4
Southern	44.6	40.2	48.3	36.7	20.4	21.2
<b>Total:</b>	<b>663.1</b>	<b>632.2</b>	<b>668.9</b>	<b>687.3</b>	<b>606.4</b>	<b>522.1</b>
<b>Gross Total (1397-1402 or 1977-1982) = 3,780×0.95 = 3.6 million</b>						

**Source:** Kingdom of Saudi Arabia, *Statistical Year Book 1402H (1982)*, Dar Okaz, Jeddah, 1983, Table 4-57 on p. 241.

**TABLE 4**  
**FOREIGNERS GRANTED RESIDENCE PERMITS IN SAUDI ARABIA**  
**FROM PASSPORT DEPARTMENTS DISTRIBUTED BY REGIONS, SEX**  
**AND PERSONS ACCOMPANYING THEM 1402H (1982)**

Region	Total	Persons Accompanying	Female	Male
Central Region	217,376	2,728	10,674	203,974
Western Region	179,424	4,419	11,269	163,736
Southern Region	44,605	4,601	1,959	38,045
Northern Region	18,897	609	826	17,462
Eastern Region	202,811	9,043	5,164	188,604
<b>Gross Total</b>	<b>663,113</b>	<b>21,400</b>	<b>29,892</b>	<b>611,821</b>
Percentage	100 =	3.5 +	4.5 +	92

**Source:** Derived from Kingdom of Saudi Arabia, *Statistical Year Book 1402H (1982)*, Dar Okaz, Jeddah, 1983 Table 4-58 on p. 242.

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