

Reabsorption of Returning Workers from the Gulf: The Asian Experience*

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The paper addresses the problems of the reintegration of return migrants in the context of major South Asian and South East Asian labour exporting countries to the Middle East. The discussion that follows briefly analyses the changing trends in outmigration, the socioeconomic characteristics of return migrants to the region—their skills, occupations, job preferences, region of residence, as well as the macro-level employment situation in the concerned countries. Further the study investigates to what extent the return migration is associated with skill acquisition or upgrading of skills and the pattern of utilisation by the returnees of the accumulated savings including both remittance income and the amount they bring back.

The discussion is largely based on evidence provided in surveys of return migrants mostly undertaken in the mid eighties when due to the collapse of oil prices and the subsequent cuts in the development programme of the Middle Eastern economies nearly all the labour exporting countries, to varying degrees, were faced with an influx of return migrants. The analysis also draws on more recent evidence available for a limited number of South Asian countries.

CHANGING TRENDS OF OUTMIGRATION

There is no reliable or regular system of monitoring return migration in the countries under study. In the absence of such data it is difficult to say whether net migration was positive during the period of falling demand for labour exports to the Middle East due to the downturn in oil prices which began in 1982 and culminated in the collapse of prices in 1986. However data on the annual outflow of migrants presented in Table 1 indicates the dramatic fall in outmigration from the region.

*Owing to unavoidable circumstances, the discussant's comments on this paper have not been received.

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Table 1

*Annual Outflow of Contract Migrant Workers to the Middle East from
Major Asian Labour Exporting Countries, 1977-1987*

	(Thousands)										
Country of Origin	1977	1980	1981	1982	1984	1985	1986	1987	1989	1990	1991
South Asia											
Bangladesh	15.9	32.5	53.8	62.1	55.9	76.8	68.0	74.0	101.7	103.8	147.1
India	22.9	268.2	272.0	224.3	198.5	160.4	113.6	125.4	126.8	143.6	117.5
Pakistan	74.6	117.2	151.8	141.4	99.6	87.5	62.3	69.3	98.7	115.5	147.3
Sri Lanka	5.6	7.6	14.2	22.4	15.7	12.4	15.8	15.5	24.7	42.7	65.0
South and East Asia											
Indonesia	2.9	16.2	17.9	21.1	37.9	56.7	64.4	62.9	72.0	96.7	126.2
Republic of Korea	52.2	120.5	138.3	151.6	100.8	72.9	44.8	-	-	-	-
Philippines	70.1	214.6	266.2	314.3	425.1	389.2	414.5	496.9	523.0	598.8	701.8
Thailand	3.9	21.5	26.7	108.5	75.0	69.7	85.7	85.5	125.3	630.2	638.5

Source: [Amjad (1989); Athukorala (1993)].

The decline was particularly marked in the case of Pakistan and Korea in which cases the outflow of workers nearly halved between 1981 and 1985 and fell by 40 percent in India during the period. The demand for migrants from these countries who were primarily involved in construction projects was adversely effected by the cutback or completion of infrastructural projects, while the impact on demand for labour from South East Asian countries comprising largely of service workers and migrants from Bangladesh who were willing to accept drastic cuts in wages was relatively insignificant.

In the more recent period outmigration from the region has grown significantly particularly in the case of South East Asian countries. The rising trend in the outflow of workers from Pakistan and Bangladesh is considered to be temporary and is mainly attributed to the substitution of labour from these countries for workers from Jordan and Yemen who were expelled from Saudi Arabia in the aftermath of the Gulf crisis. In the longer run the changing structure of demand from unskilled labourers and construction workers to service and higher level occupations is expected to weaken the competitive position of workers of these countries *vis à vis* better educated migrants from Sri Lanka and the South East Asian countries. Also rising demand from high growth countries in Asia such as Japan, Malaysia, Singapore has already led to significant labour imports from South East

Asia which is reflected in the high level of outmigration from these countries in the past tow years. In this context the question of absorption of return migrants is likely to be of greater concern to the South Asian countries and the experience of the earlier stream of return migrants should provide useful insights into the prospects of reabsorption of any future inflow of returning workers (Table 2).

Table 2
*Remittances by Overseas Workers to the Major Asian
Labour Exporting Countries*

Country of Origin	(Million US Dollar)											
	1977	1980	1981	1982	1984	1985	1986	1987	1988	1989	1990	1991
South Asia												
Bangladesh	8	339	382	531	501	502	752	748	750	758	772	775
India	610	1868	1740	1928	1985	1757	1978	2199	1764	-	-	-
Pakistan	1156	2216	2225	2886	2446	2595	2279	2013	1897	1942	1848	1467
Sri Lanka	18	117	195	290	301	292	326	345	315	331	362	396
South and East Asia												
Indonesia	-	-	33	49	53	58	39	26	22	170	204	218
Republic of Korea	584	1292	1673	1939	1489	1242	1077	-	-	-	-	-
Philippines	313	421	546	811	659	687	680	792	857	793	1181	1500
Thailand	45	365	475	618	891	878	798	863	927	943	969	982

Source: [Athukorala (1993)].

SOCIO-ECONOMIC CHARACTERISTICS OF MIGRANTS

The migrant stream to the Middle East comprised predominantly of production workers. Unskilled labourers accounted for more than half the total migrants in the case of Bangladesh and Sri Lanka (Table 3). Among skilled occupational groups there was a large representation of workers associated with the construction sector such as carpenters, plumbers, masons etc. In the case of Korea the labour was hired directly by the domestic construction firms and employed on the basis of a project package approach.

The share of professional and white collar workers in the outflow of workers was relatively small ranging from 1.7 percent in the case of Pakistan to more than 15 percent of the outmigrants from the Philippines. Service workers also comprised a significant share of the Filipino and Thai outmigrants to the Middle East.

Table 3

Skill-mix of Migrants by Sending Country

Occupation	Bangla- desh	India	Pakistan	Philip- pines	Sri Lank	Thailand	Repub- lic of Korea
	1977-85	1985	1985	1985-86	1985	1981	1985
Professionals	6.5	5.2	1.7	15.1	5.5	-	2.2
Skilled/Semi-skilled	42.5	47.0	52.0	35.3	44.3	40.5	39.1
Unskilled	51.0	40.1	41.9	-	50.2	21.5	31.9
Service	-	-	-	31.5	(40.8)	-	20.0
Other	-	7.7	4.4	4.6	-	38.0	6.8
Seaman	-	-	-	13.5	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: [Amjad (1989)].

Here it should be noted that there was considerable variation in the educational level of the migrants reflecting the pattern of the population of the respective country. For instance the migrants from the philippines were considerably better educated as compared to their counterparts from other countries. More than 87 percent had completed atleast high school education and nearly 40 percent were college graduates [Tan and Canlas (1989)]. On the other end of the spectrum among migrants from Bangladesh nearly 85 percent had not completed secondary school [Mahmood (1989)]. The level of education and skills was also low among the Thai outmigrants of whom 83 percent had only primary education and had received no other training before proceeding abroad [Tingsabath (1989)].

The majority of migrants from Thailand, Bangladesh and Pakistan came from a rural background while in the case of the Philippines the origins of the migrants were equally divided between the rural and urban sectors [Addleton (1989); Tan and Canlas (1989)]. The relatively impoverished regions of the central islands in the Philippines and the North Eastern Province of Thailand were heavily represented in the migrant stream from these countries. In the case of India a significant proportion of the migrants belonged to the state of Kerala. The state has traditionally been a region of outmigration with close links to the Middle East as well as the fact that Kerala is characterised by high population density and unemployment.

Women workers were heavily represented in the outmigration from Sri Lanka and the Philippines. Estimates of the share of female migrants ranged between 50 and 60 percent of the total outflow of workers from Sri Lanka [ILO-ARTEP (1985); Gunatilake (1989)]. The large majority were employed in domestic service. Filipino migrants to the Middle East also largely comprised of maids and nurses although an increasing number were also migrating to Japan, mostly through illegal channels, to work as hostesses and entertainers [Heyzer (1989)].

EVIDENCE FROM SURVEY DATA ON REABSORPTION OF RETURN MIGRANTS IN THE SELECTED COUNTRIES

The evidence indicates marked similarities in the South Asian experience. Unemployment rates for return migrants in these countries were significantly high particularly in Bangladesh and Sri Lanka. Data from a survey conducted in Sri Lanka indicated unemployment rates of 28 percent and 45 percent as compared to the national unemployment rate of 18 percent for the same period [ESCAP (1986)]. This was despite the fact that a large portion of the female return migrants, more than 48 percent of all migrants, withdraw from the labour force on their return. While information from a survey of nearly 400 return migrants conducted in 1986 by the Bangladesh Institute of Development Studies also reveals a share deterioration in the employment status of this group. The rate of unemployment prior to migration and after return increased from 7 to 43 percent and from 8 to 39 percent in the rural and urban areas respectively [Mahmood (1989)]. Evidence on return migrants from Pakistan also indicated a high degree of unemployment among return migrants of 17.4 percent as compared to the national rate of 6 percent [ILO-ARTEP (1987)].

Reabsorption of return migrants was least problematic in Korea. Here the regular workers of the construction firms had no problems of reemployment since they continued to be employees of the firm. Whereas in the case of temporary employees who were hired only on a contract basis, there may be a search period involved but employment opportunities were plentiful due to the rapid growth of the Korean economy and the subsequent demand for labour [Hyun (1989)]. In the Korean context the main reason for unemployment were health related whereby workers from the region found it difficult to adjust to the climatic and living conditions in the Middle East as a result they suffered from deterioration in their health.

These differences in reabsorption of return migrants reflect to some extent the differences in the macro-level employment situation in these countries. Labour

market conditions were quite different in Korea which was characterised by a tight labour market for most category of workers. Unemployment and underemployment was not very widespread. The strong demand for labour was generated directly as a result of rapid economic growth. On the other extreme Bangladesh was a labour surplus economy to the extent that it was one of the few countries where even at the peak of the outflow of workers the wages of skilled workers did not rise reflecting the high degree of unemployment and underemployment in the country [Mahmood (1989)]. The Indian state of Kerala and Sri Lanka were also characterised by high levels of unemployment while the Philippines was in the midst of a major recession which had lowered real wages to the extent that it made foreign jobs such as those of domestic servants more attractive than those of professionals such as teachers within the country.

However, the rates of unemployment derived on the basis of surveys of return migrants were considerably higher than the national unemployment rates. To some extent these unemployment rates are inflated by inclusion of returnees who are financially comfortable and looking for another opportunity to go abroad or who can afford to wait for the right job. This view was substantiated with micro level evidence for Pakistan indicating that rates of unemployment for return migrants were positively related to the level of education, skill classification and financial savings [Kazi (1989)]. Return migrants have raised job expectations after a period of work abroad. A large number of unemployed labourers wanted to be proprietors and these seems to be an aversion particularly among lower level employees to go back to their previous occupations. They would rather wait for some preferred avenue of employment and live off their accumulated savings.

The preference of return migrants for setting up their own business was noted across the South and East Asian countries and was reflected in a shift away from regular employment and into business ventures particularly in trade, commerce and transport [ESCAP (1986); Amjad (1989)]. The category of skilled production workers has shown greater flexibility and initiative in this regard as compared to higher level manpower. Even among the temporarily unemployed labourers in Korea there was a strong preference for self employment although only half of the return migrants who expressed this preference managed to achieve their objective [Hyun (1989)].

The empirical findings on the reabsorption of return migrants indicate that unskilled labourers were the most hard pressed groups, their savings were not sufficient to set up own business and prospects of wage employment were particularly bleak for this group. It was noted particularly in the context of Pakistan and Sri

Lanka that the problem of unemployment was most acute for unskilled workers whereas skilled workers were reabsorbed relatively faster into the economy [ILO-ARTEP (1987); Rodrigo and Jayatissa (1989)].

There is a view in development literature that migration by creating labour shortages and thereby raising wages tends to raise the capital intensity of the production processes in the labour sending countries. This trend to the extent that it is not reversible makes subsequent reabsorption of return migrants more problematic. However evidence from various countries does not support this view [Amjad (1989)]. Although, with the exception of Bangladesh and the Philippines where due to high levels of unemployment wages did not rise significantly, wages of construction worker the sector most severely effected in the initial phase by skill bottlenecks rose significantly in Pakistan, Kerala and Korea. However this has not lead to any significant substitution of labour for capital can be seen from the fact that the most severely effected sectors of construction and services where workers were largely drawn from continue to remain highly labour intensive.

SKILL ACQUISITION

Another issue to which no conclusive answer is provided by the evidence is the extent to which the migration experience led to acquisition of new skills or upgradation of current skills and an entrepreneurial outlook among the return migrants. It is widely believed that returning workers bring new industrial skills which can be utilised for improving industrial production and thereby will contribute to the development of the region. In practice this view is not borne out by the experience of some countries where a short term stay in an importing countries is not likely to transform a rural unskilled labourer into an efficient industrial worker. In fact as noted earlier in case of a substantial number of workers migration may involve unskilled, tedious jobs which the local population is not willing to do. Further, there may be downward occupational mobility. Even when new skills are imparted they may not be of the type relevant to their home labour market situation.

Empirical surveys underline the fact that a very small proportion of return migrants want to go back to wage employment in industry. While the migrant is willing to take up any kind of work abroad, as soon as he returns he rejects strenuous and low level wage employment.

The limited evidence available from surveys in the Philippines and Pakistan indicates that a considerable proportion of return migrants felt that they had acquired new skills however, in a large number of cases these skills were not

appropriate to the local demand where related work was not available and even where it was either not considered lucrative or respectable [Azam (1987)]. A similar response was noted in the case of Thailand where one-third of the migrants reported using the skills and experience acquired during the migration phase while another 22 percent believed that they would have the opportunity to use them. In fact most of the migrants went back to farming and their previous jobs hence they did not get an opportunity to apply their newly acquired skills [ESCAP (1986)]. Evidence from Sri Lanka indicated considerable occupational downgrading whereby higher level manpower took up skilled labour jobs and skilled labour took up unskilled jobs [ESCAP (1986)].

UTILISATION OF SAVINGS

The amount and utilisation of accumulated savings that the migrant remits or brings with him is obviously a very important factor in his reabsorption in the economy. Once again the pattern with respect to the utilisation of remittances is common to not only labour sending countries in Asia but also to the labour exporting countries in Europe. Inevitably the single largest investment which is financed out of the accumulated savings of the return migrants is real estate and housing. As can be seen in Table 4 the share of remittance income which is invested or saved is quite high particularly in the case of Sri Lanka, Thailand and Bangladesh however the

Table 4

Saving/Investment Out of Remittance Income

Occupation	Pakistan 1980-85	Philip- pines 1982	Sri Lank 1986	Thailand 1982	Bangla- desh 1986
Property Investment					
Land, Housing, Real Estate	20.7	7.2	18.1	33.1	42.8
Business Investment					
Transport, Trade, Services	12.8	-	17.8	11.5	6.3
Financial Savings/ Deposits	8.0	7.9	8.6	13.4	6.3
Total (Savings/ Investment)	41.5	15.1	44.5	58.0	55.4

Source: [Amjad (1989)].

major portion of the investment is spent on housing and real estate varying from 7 percent in the Philippines to 43 percent in the case of Bangladesh. More recent evidence for Sri Lanka, India and Bangladesh indicates the continued importance of housing and real estate as the major avenue of investment by return migrants [De Silva *et al.* (1993); Isaac (1993); Mahmood (1993)]. Whereas from the point of view of the economy such an investment involves a transfer of asset from the individual point of view it is an investment which traditionally has high prestige and it is a risk free real asset whose value will appreciate with inflation.

Investment in business is primarily in the field of trade and transport and although it is practically non-existent in the Philippines its share is not insignificant in the case of Sri Lanka and Thailand. The concentration of investment in these sectors is not surprising given their low requirements of capital and managerial expertise. Most migrants finance these business mainly from their own savings and have neither the resources or the experience to set up more sophisticated ventures such as industrial establishments.

POLICY MEASURES

In the context of migration the policies have been concerned mainly with regulating conditions of labour exports and maximising outmigration. Special agencies such as Philippines Overseas Employment Agency, Bureau of Foreign Employment Sri Lanka, the Overseas Pakistanis Foundation are relatively new institutional arrangements with the main objective of facilitating labour exports.

The other area of attention has been policies aimed at maximising flow of remittances into labour sending countries. In this regard compulsory measures have been used in some countries. For instance in the Philippines it was required till very recently that construction workers and seamen based abroad remit 70 percent of their basic salary at the official rate. Despite these measures remittances ratios have always been low in the country reflecting the lack of an effective enforcement mechanism and more importantly the lack of confidence in the economy and a politically unstable situation [Tan and Canlas (1989)].

Recently there has been a trend towards liberalisation of the foreign exchange payments system across all the countries in the region which is reflected in flexible exchange rates and special schemes such as repatriable foreign currency deposits, and foreign currency bonds. The returns on these financial instruments denominated in foreign exchange has been high. In the short run these policies have been successful in attracting foreign exchange into the economy. However, respon-

siveness to these schemes has been conditioned to a large degree by the class background of the migrants. In the context particularly of India and Pakistan it has been noted that it is primarily migrants at higher income and occupational levels who have taken advantage of the high returns associated with these investment options [Isaac (1993); Kazi (1993)].

While policies have focused on ways of attracting flow of remittances much less attention has been paid to their utilisation. Incentives to direct investment by migrants through concessional duties on the import of capital goods were introduced in Pakistan but have met with little success. Business counselling and training services have been offered in some other labour sending countries. For instance the Korean government has introduced a retraining programme for displaced workers to teach them new skills to seek employment. The Korean initiative at resettlement of workers has also focused on their health problems which have loomed particularly large in this group [Hyun (1989)]. The Bangkok Bank in Thailand and the Overseas Pakistanis Foundation offer investment advisory services but very few migrants have availed of these facilities [Athukorala (1992)]. Sri Lanka took the initiative of setting up a programme of entrepreneurship development with the objective of providing project oriented management training and a loan scheme. In the period from 1982 to 1988 it has trained only 110 return migrants. An assessment of these schemes indicate that they cater to a limited clientele who are educated and have adequate savings to set up a business thereby excluding the group of unskilled workers who seem to have the greater problems in getting reabsorbed into the economy [Athukorala (1992)].

The distinction between large and small savers needs to be made in the design of investment promotion measures. While educated migrants at higher income and occupational levels are in a position to assess investment options and direct their savings accordingly, it is the small saver, usually uneducated and ill-informed who needs to be targeted for assistance.

The large number of workers in the Middle East do not have the resources or the necessary experience to set up even a small scale manufacturing establishment. As noted earlier investment by migrants with limited savings is concentrated in trade, commerce and petty transport and has often been associated with crowding in these sectors and possibly an overall loss of efficiency with little macro level benefits to the economy [Saith (1989)].

In this context instead of catering to migrants as self-employed investors it may be more desirable to focus on migrants as savers and to transfer their savings

to investors through financial intermediaries. To the extent that policies aimed at diverting remittances through banking channels lead to financial deposits in domestic or foreign currency accounts this in itself would increase the availability of investible resources which can be directed according to the priorities established for loans by commercial banks.

Further, in most of the countries under study there are a range of saving schemes available in the public sector and also opportunities for investment in the stock market. The critical need is for institutional arrangements to collect information across the range of investment and savings opportunities in the public and the private sector in a simple and effective manner and to disseminate it widely at home and in major centres of labour emigration. Overseas investors should be assisted in obtaining any clearances or other formalities required from different government bodies. This information and assistance with procedural matters could be provided through various government departments dealing with overseas labour as well as through private agencies such as banks, airline offices etc.

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