

# THE PHENOMENON OF LABOUR MIGRATION AND ITS LINK WITH ECONOMIC DEVELOPMENT IN PAKISTAN

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## Abstract

The phenomenon of migration is as old as human beings. In the beginning, human beings were migrating in search of water and food, but now mostly for economic purposes. Pakistani market has not enough space to accommodate all its labour force because the market strength is very low compared to the country's population growth. Therefore, a significant number of skilled and unskilled labourers are migrating to foreign countries in search of jobs. This article aims to highlight the importance of migrants for economic development and know about the phenomenon of migration in Pakistan and its link with the economic development of the country. It answers, why people are migrating? Where are they migrating? And what are its impacts on the economy of Pakistan? The majority of Pakistani migrants settled in the Middle East. These migrants send a handsome amount as remittances every year to Pakistan. It is playing an important role in the economic development of Pakistan through different ways and means.

**Keywords:** Pakistan, economic development, labour, migration.

## Introduction

Migration is the act of people moving from one place to another, aimed to stay there either temporally or permanently.<sup>1</sup> The basic indication of the neo-classical theory of migration is that labour migration arises due to the wage differences and employment conditions between the two regions to increase income.<sup>2</sup> According to economists, the global economy might grow by 50 to 150 trillion dollars if all immigration protectionist measures to developed states were lifted.<sup>3</sup> There are many pushes and pull factors of

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<sup>1</sup> PILDAT. "Overseas Pakistani Workers: Significance and Issues of Migration," Islamabad: Pakistan Institute of Legislative Development and Transparency, Brief Paper No. 34, 2008.

<sup>2</sup> John R. Harris and Michael P. Todaro, "Migration, Unemployment and Development: A Two Sector Analysis," *The American Economic Review* 60, no. 1, (1970): 126-142.

<sup>3</sup> Benjamin Powell, *The Economics of Immigration: Market-Based Approaches, Social Science, and Public Policy* (London: Oxford University Press).

migrations. People also need active migration decisions and resources.<sup>4</sup> According to estimates, more than nine international migrants out of 10 move for economic reasons. Moreover, the primary driver of migration is a lack of jobs and other economic possibilities at home in low and average-income developing and underdeveloped countries worldwide. The changing demographics changes have also influenced migration. It is understandable that many people in developing nations feel forced to try their fortune abroad, given that the average salary in high-income nations is more than 70 times greater than that in low-income nations. Many developing nations have growing working-age and young populations, whereas developed countries face ageing and a smaller workforce. Technological advancement has also affected the pattern of international migration. A large number of Pakistani citizens are also moving for better economic opportunities to other countries of the world. There is a strong link between migration and economic development. It has been observed that Pakistanis are mostly migrating for exploration and availing of better economic opportunities as the domestic economic conditions and opportunities are satisfactory. The migrated people earn and send back home a significant amount of capital which plays an important role in the country's economic development. Therefore, migration has a link and strong influence on development.

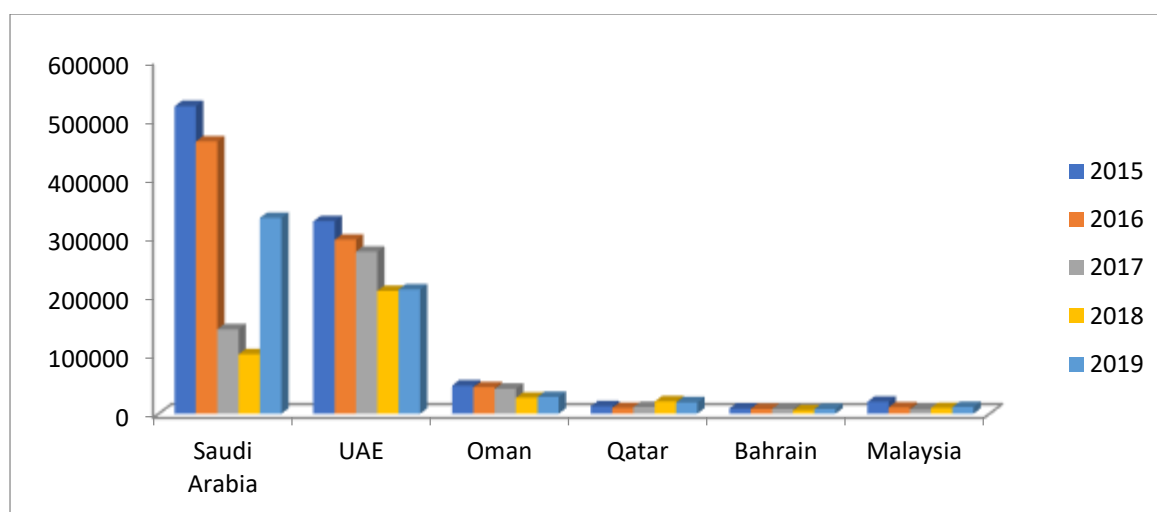
### **The Phenomenon of Labour Migration in Pakistan**

The Islamic Republic of Pakistan is the second major workforce-exporting state in South Asia. Migration outflows from Pakistan are for two different destinations; the first was to East Asia and Western countries, while the next was to the Gulf region, particularly KSA and UAE. The number of migrants from Pakistan is now greater than before, increased from

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<sup>4</sup> Hein De. Haas, "A theory of migration: the aspirations capabilities framework," *Comparative Migration Studies* 9, (2021): 1-25. DOI: 10.1186/s40878-020-00210-4

3.97 million in 2004 to 6.7 million in 2012.<sup>5</sup> About half (48%) of the Pakistani immigrants migrated to the Middle East, 28% to Europe and 21% to North America.<sup>6</sup> According to the statistics of the Overseas Pakistanis Foundation during 2008-13, in terms of professions among these migrants, 1.9% are highly qualified, 0.8% highly skilled, 42.3 % skilled, 16.5% semi-skilled and 38.5% un-skilled.



**Figure 1: Pakistani Workers Registered for Overseas Employment**

Source: Bureau of Emigration and Overseas Employment Pakistan.

**Table 1: Province-wise Overseas Workers**

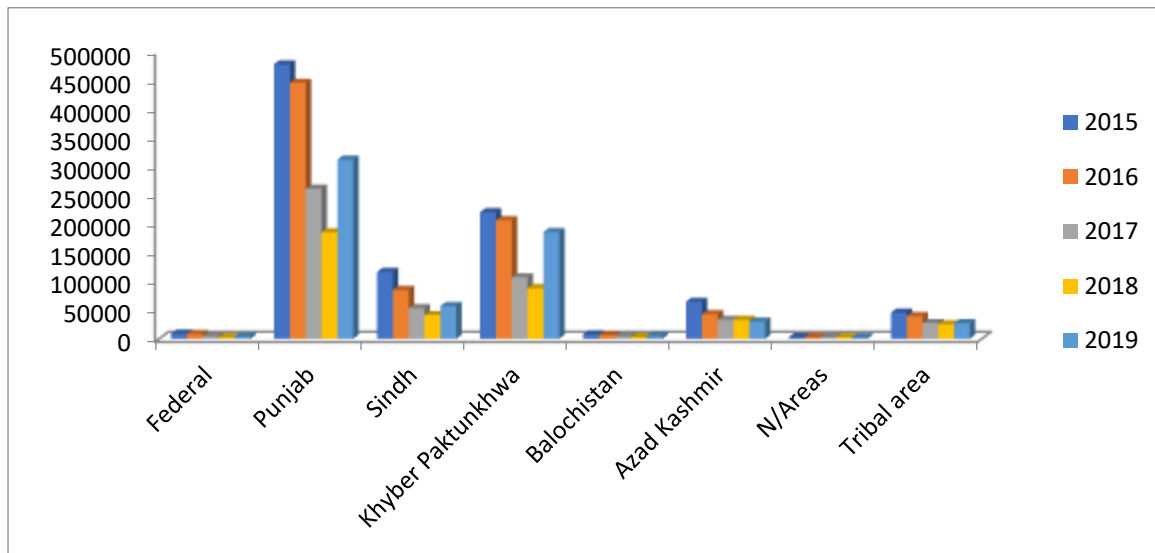
Year	Federal Area	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Azad Kashmir	Northern Areas	Tribal Districts	Total
2015	9028	478646	116935	220993	7686	64586	2899	45798	946571
2016	8472	446566	85326	206929	6378	43093	2961	39628	839353
2017	4635	261849	53590	107366	4528	33318	3417	27583	496286
2018	2471	185902	41551	88361	2930	33028	2760	25436	382439
2019	4295	312439	57171	186176	5103	30151	2554	27314	625203

Source: Pakistan Economic Survey 2019-20.

<sup>5</sup> Rashid Amjad, Asif Gulam and Muhammad Irfan, “Preliminary study: Explaining the Ten-fold Increase in Remittances to Pakistan 2001–2012,” Working Paper No. 86, (2012), Pakistan Institute of Development Economics.

<sup>6</sup> G. M. Arif, “Recruitment of Pakistani Workers for Overseas Employment: Mechanisms, Exploitation and Vulnerabilities,” Working Paper No. 64, (2009). Geneva: International Labour Office. [https://www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@declaration/documents/publication/wcm\\_041928.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_norm/@declaration/documents/publication/wcm_041928.pdf)

Table 1 shows that most of the overseas employment is from Punjab; the second largest province for overseas employment is Khyber Pakhtunkhwa. The number of registered people for employment overseas is also high in Saudi Arabia (Figure 1).



**Figure 2: Province-wise Distribution of Overseas Employment**

Figure 2 shows that the federal area and the province of Baluchistan have a very little percentage of overseas employment; Northern Areas also have the same trend. At the same time, overseas migration from tribal areas and Azad Kashmir are little more than the other areas. While in the province of Punjab, the number of registered employments is greater among all and all times greater than before in 2019.

**Labour’s Migration Mechanism in Pakistan**

The overseas labour recruitment mechanism is still traditional in Pakistan. The leading sources of information regarding job opportunities in foreign countries are friends, relatives working there and recruiting agents. Legally, Pakistanis are migrating in search of opportunities in foreign countries through three channels: private recruiting agents, public agencies and following direct deals with employers. Obtaining a job in foreign countries is

costly, mostly due to recruiting agents' fees and visa expenditures. The official cost of recruitment remains very low, but in actual practice, it is very high. It is a key factor stopping the majority of poor jobless citizens from migrating to foreign countries. It needs a due fee in advance. The migrants either borrow from friends or relatives, sell the property or sell family jewellery to meet the charges. This leads to conditions where the majority of workers before they leave for foreign countries, become heavily indebted.

There are also several illegal practices widespread in the recruitment procedure in the country including illegal migrations. The government of Pakistan has taken several actions to legalise the process of labour employment. Before the independence of Pakistan, the Emigration Act of 1922 regulated labour migration. After independence, this Act was complemented by the “Rules of Emigration of 1959”. However, in the 1970s, when labour migrations on a large scale began to the Middle East, the “Bureau of Emigration and Overseas Employment (BEOE)” was established. The Emigration Rules of 1959 were substituted by the “Emigration Ordinance 1979”.<sup>7</sup> The BEOE is working to increase, control, and legalise the overseas labour recruiting method and migration in Pakistan. It also has 7 regional offices called “Protector of Emigrants” in Rawalpindi, Lahore, Karachi, Quetta, Multan, Peshawar and Malakand. There is also a separate in charge ministry known as the “Ministry of Labour, Manpower and Overseas Pakistanis”. Overseas Pakistanis Foundation (OPF) is also working in this regard, providing several services and help to migrant workers, including vocational training, pre-departure briefings, Foreign Exchange Remittance Cards, etc. Pakistan has signed labour agreements with many labours receiving countries. Pakistan is also a member state of the Colombo Process, which is a regional forum of labour-sending

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<sup>7</sup> G. M. Arif, “Recruitment of Pakistani Workers for Overseas Employment: Mechanisms, Exploitation and Vulnerabilities,” Working Paper No. 64, (2009). Geneva: International Labour Office. [https://www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@declaration/documents/publication/wcm\\_041928.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_norm/@declaration/documents/publication/wcm_041928.pdf)

states in Asia aimed to share knowledge and experience on overseas employment.<sup>8</sup> The

offices of “Community Welfare Attaches” are founded in the landing destinations of

Pakistani migrants, including Saudi Arabia, to detect job opportunities for the Pakistani

labour force and ensure the welfare and interests of Pakistani migrants.

Pakistan is one of the major suppliers of labours to the oil-rich Arab nations. Official figures show that during the past forty years, Pakistan has sent almost 8 million employees worldwide for employment, mostly in the Middle Eastern countries. Due to the COVID-19 epidemic, the condition of migrant workers in many countries, including Middle Eastern countries, has worsened. The second-largest provider of workforce to the Middle Eastern Countries labour market is Pakistan, behind India. Since 1990, Saudi Arabia has received the most labour migrants from Pakistan who travel to the Gulf, followed by the UAE.<sup>9</sup> An important factor in reducing the demographic strain on the local labour market appears to be the yearly deployment of Pakistani employees in the Middle east. This migration amounted to around one-third of all new hires in the domestic workforce, and the deployment of migrants in Middle Eastern countries each year accounts for more than 10 percent of Pakistan's entire jobless working population. A rapidly growing population and a rise in the workforce are the results of Pakistan's present demographic change. Young labour force migration to the Arab countries has likely given them options for lucrative and profitable jobs.<sup>10</sup>

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<sup>8</sup> Ibid.

<sup>9</sup> S. Irudaya Rajan, “Labor migration from South Asia to the Gulf: Pakistan as an example,” bpb, July 6, 2022. <https://www.bpb.de/themen/migration-integration/laenderprofile/english-version-country-profiles/510112/labor-migration-from-south-asia-to-the-gulf-pakistan-as-an-example/>

<sup>10</sup> Arif, G.M., Farooq, S., and Iqbal, N. “Labour Migration from Pakistan to the Gulf Countries: An Investigation of Regional Disparities in Outflows of Workers, Remittances and Poverty,” In: Rajan, S., Oommen, G. (eds) *Asianization of Migrant Workers in the Gulf Countries* (Singapore: Springer, 2020). [https://doi.org/10.1007/978-981-32-9287-1\\_11](https://doi.org/10.1007/978-981-32-9287-1_11)

## **Role of Migration in the Economic Development of Pakistan**

Migration has a link with development.<sup>11</sup> Economic development is influenced by international migrations both directly and indirectly. The overall Gross Domestic Product is increasing in countries where international migration increases. Remittances bring gains from migration and become a productive and efficient factor for developing the labour-sending country. Through the migrated workers, countries are receiving remittances. Today, particularly for developing states, remittances are one of the main sources of capital inflow. In 2015, the flows of remittances were around \$441 billion to developing states, about three times the total official development assistance amount.<sup>12</sup> Statistics show that in 2011, Pakistan became the 5<sup>th</sup> largest remittance receiver in the world after India (\$58 billion), China (\$57 billion), Mexico (\$24 billion) and the Philippines (\$23 billion). Remittances to Pakistan have a rising trend; from being less than \$2 billion in 1997<sup>13</sup> reached \$19.9 billion in 2016,<sup>14</sup> and now, during the first 10 months of the fiscal year 2021-2022, Pakistan has received record 20.08-billion-dollar remittances, a surge of 7.6%.<sup>15</sup> The highest amount of remittances were received from Saudi Arabia and then UAE.<sup>16</sup> Even during the financial year of 2019-20, in which the pandemic was at its peak and businesses were affected everywhere,

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<sup>11</sup> Oliver Bakewell, "Keeping Them in Their Place: the ambivalent relationship between development and migration in Africa," *Third World Quarterly* 29, no. 7, (2008): 1341-1358.

<sup>12</sup> ILO, "Addressing Governance Challenges in a Changing Labour Migration Landscape". Geneva: International Labour Conference, 106<sup>th</sup> Session Report IV, (2017).

<sup>13</sup> Asha Gul and Mahmud Mahreen, "Remittances from Saudi Arabia: A Community Phenomenon," (2012). [www.pide.org.pk/pdf/PDR/2012/Volume4/245-258.pdf](http://www.pide.org.pk/pdf/PDR/2012/Volume4/245-258.pdf)

<sup>14</sup> Karim Alam, "Saudi Arabia Remains Largest Source of Remittances for Pakistan," *The Express Tribune*, July 16, 2016. <https://tribune.com.pk/story/1142758/saudi-arabia-remains-largest-source-remittances>

<sup>15</sup> Salman Siddiqui, "Remittances Hit Record High," *The Express Tribune*, May 14, 2022. <https://tribune.com.pk/story/2356524/remittances-hit-record-high>

<sup>16</sup> Muzaffar Rizvi, "Pakistan gets record \$18 billion remittances in 7 months of 2021-22," *Khaleej Times*, February 11, 2022. <https://www.khaleejtimes.com/economy/pakistan-gets-record-18-billion-remittances-in-7-months-of-2021-22>

## **Labour Migration**

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Pakistani sent back to the country a record 21.84 billion dollars in remittances.<sup>17</sup> Pakistan is receiving the highest remittances from Saudi Arabia, and it has remained the top remittance-sending country to Pakistan for the last couple of years.<sup>18</sup> Migration improves the well-being of people in different ways like consumer increases, health and education outcome improves productivity increases which ultimately improves economic development.<sup>19</sup>

**Chart 1. Link between Migration and Economic Development**



Most Pakistani migrants go to Middle Eastern countries for remittances. A very little percentage of the labour force from Pakistan migrates to Qatar, Bahrain and Malaysia.<sup>20</sup> Therefore, the increase in Pakistani labour’s migrations to other countries, which has growing trans, has a very positive impact on the economic development of the country in terms of remittances. Emittances have a very significant role in stabilising the economy and the balance of payment by reducing the current account deficit and other benefits. The primary purpose of sending remittances and other goods is to support their family members. This transfer of remittances and other goods plays a significant role in the financial growth of

<sup>17</sup> Zulfi Bukhari, “Nearly a million Pakistanis went abroad for work in over two years: PM’s aide,” *The Express Tribune*, 2020. <https://tribune.com.pk/story/2276483/nearly-a-million-pakistanis-went-abroad-for-work-in-over-two-years-pms-aide>

<sup>18</sup> Karim Alam, “Saudi Arabia Remains Largest Source of Remittances for Pakistan,” *The Express Tribune*, July 16, 2016. <https://tribune.com.pk/story/1142758/saudi-arabia-remains-largest-source-remittances>

<sup>19</sup> Ratha Dilip, Sanket Mohapatra and Elina Scheja, Impact of Migration on Economic and Social Development: A Review of Evidence and Emerging Issues. Policy Research working paper No. WPS 5558, (2011). World Bank. <https://openknowledge.worldbank.org/handle/10986/3328>

<sup>20</sup> Pakistan Economic Survey 2019-20.

receiving countries. On the micro level, it impacts individual well-being and poverty reduction. On the one hand, on the macro level, it is important for employment, production and growth; on the other hand, it impacts the trade and balance of payments.<sup>21</sup> Overseas Pakistani transfer remittances, invest capital and keep passionate links with home, evident from the frequent visits back home to meet their family members. As per-capita income in Pakistan is very low, remittances are mostly utilised to fulfil families' basic needs. A major portion of the population depends on remittances sent home by overseas workers. As mentioned earlier, the most positive and profound impact of the migration of Pakistani workers on the economy of Pakistan is the remittances sent home by those migrant workers. It is a valuable resource for earning foreign exchange. It is a beneficial move, as the economy of Pakistan, in general, and foreign reserves, in particular, rely on remittances from people earning money overseas and sending the money back to their families. These migrants bring multiple benefits to their families.

Remittances also contribute to a decrease in child labour, finance children's schooling, and health care costs, which are difficult to fulfil in many families. The remittances sent by migrants also positively affect poverty reduction and job creation in Pakistan. The role of the start-ups of businesses by migrant returnees in the creation of employment opportunities at home should not be underestimated. They start small family businesses that provide many jobs for local people, improving Pakistan's labour market environment. Another positive impact is that the leading inspiration for migration is often rooted in the poor labour-market condition in home countries. Improving the labour-market condition in Pakistan is motivating

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<sup>21</sup> BMZ, *Migration and Sustainable Economic Development* (Berlin: Deutsche Gesellschaft für Internationale Zusammenarbeit, 2013).  
[https://diaspora2030.de/fileadmin/files/Service/Publikationen/Migration\\_und\\_nachhaltige\\_Wirtschaftsentwicklung/giz-2013-en-migration-and-sustainable-economic-development.pdf](https://diaspora2030.de/fileadmin/files/Service/Publikationen/Migration_und_nachhaltige_Wirtschaftsentwicklung/giz-2013-en-migration-and-sustainable-economic-development.pdf)

skilled workers to stay home or come back home. It is helping to strengthen the capacity of the economy to be competitive, boost business output, and increase exports, leading to sustainable economic development. In such a way, it is also making a long-term contribution to stopping the brain drain in critical sectors.

Net foreign payments without a counter are known as remittances. Remittances are the name for these transactions. They are a crucial part of the Balance of Payments and current account for a country. These capital inflows are essential to the economies of many nations; they support economic expansion and the well-being of a large number of low-income individuals. These payments in the form of money significantly impact reducing poverty and raising the standard of living. The related incomes and emigration always have a significant impact on the labour-sending country's economy. Remittances are mostly used for basic expenditures by families. This reliance reinforces the idea that poverty rates would be substantially greater if not for the economic assistance that remittances provide. In Pakistan, remittances by migrants continue to have an effect on economic progress by playing a significant role in fostering socio-economic stability. Remittances, travel costs for visits to Pakistan, and overseas investments made by or assisted by expatriate citizens are only a few economic transactions related to the migrants. In Pakistan, labour migration has performed and will remain to play a significant part in reducing unemployment as well as the poverty rate. Remittances and migration have also a favourable impact on the expansion of socioeconomic stability, welfare and prosperity. In Pakistan, migration is mostly prompted by economic factors. Young adults leaving for other countries has reduced the stresses of the job market to a certain extent, and remittances from overseas have made it possible for many families to live comfortably.

Another positive impact of labour migration on the economy of Pakistan is that the migrated labours have created space in the job market for other indigenous labours who are

unemployed or who are not represented in the job market, such as female and old-age citizens. As the migration of workers increases, the market value of those working inside their home country is also leading to an increase in the salaries of unskilled and skilled labourers working in different sectors in Pakistan. It is improving the living conditions of the local people, increasing job opportunities, and increasing salaries. Instead of being a transitory solution for an economy that cannot generate new opportunities for job aspirants, sending individuals overseas to work fills a long-term vacuum that is expected to grow in relevance to the rest of the job market. Even in the long term, the Pakistani workers who are migrated to other countries can be replaced by the migrations of workers to Pakistan from other countries.

International labour migration also has the potential to boost trade relations between the host and origin countries because migrants regularly require goods from their country of origin and also work as merchants or trade mediators. Therefore, another important contribution of labour migration from Pakistan to the financial development of Pakistan is the strengthening of trade relations of Pakistan with those countries where Pakistani migrants are settled. For example, Pakistan and KSA have long enjoyed good relations in trade and economic sectors,<sup>22</sup> and Saudi Arabia is the highest Pakistani migrant-receiving country. The bilateral trade size of the two countries is \$2 billion.<sup>23</sup> Major exports to Saudi Arabia from Pakistan are mangos, rice, honey, fish, vegetables, fruits, flavours, spicy, juices, cotton, yarn products, fibre materials, convenient clothes, hosiery, towels, art, artificial fabrics, silk, leather garments, floorings, furniture equipment, carpet, sports equipment, and medicines.

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<sup>22</sup> Aftab Alam, Mohammad Almotairi, Kamisan Gaadar and Omair Mujahid Malik, "An Economic Analysis of Pak–Saudi Trade Relation Between 2000 and 2011". *American Journal of Research Communication* 1, no. 5, (2013): 209-218.

<sup>23</sup> "Pak-Saudi Trade on Rise," *The News International*, June 2, 2022. <https://www.thenews.com.pk/print/962944-pak-saudi-trade-on-the-rise>

Pakistan also imports many things from Saudi Arabia, including Petrochemicals, petroleum products, biochemical and biological products, nourishments, plastics, and steel products.

It is crucial to comprehend these effects to better know about the role of migrations of people in a society. Such discussions are crucial for creating policies that enhance the advantages of migration, particularly through enhancing migrants' work circumstances in sectors where they can give better output and gain more benefits. Migration has not only positive contributions to the sending countries' economies, but it also has many positive contributions to the receiving countries. They add to the host nation's human capital by bringing skills and competencies with them. More particular, it is observed in the research studies that the US demonstrates that talented immigrants support technological advancement by fostering innovation and research.<sup>24</sup> A related point needs to be understood that international migration has a far better financial benefit for the sending countries where labour migration makes up a substantial portion of the migrated population than in states where humanitarian migration makes up a substantial portion of the migrated people. Compared to other types of migration, labour migration often has considerably more positive impacts on sending and receiving countries.

Those immigrants who stay in their host nations significantly contribute to their development. If more labour migration leads to a faster pace of global development, the long-term effects might be even more significant. The number of immigrants likely accelerates growth in emerging nations over time. Therefore, increased cross-border migration helps to boost long-term growth in the global economy.<sup>25</sup> The topic of labour migration is one that is constantly expanding and has significant growth effects for both receiving and sending

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<sup>24</sup> Jennifer Hunt, *Skilled Immigrants' Contribution to Innovation and Entrepreneurship in the United States* (Paris: Organisation for Economic Cooperation and Development (OECD), 2010).

<sup>25</sup> **Stephan Brunow, Peter Nijkamp and Jacques Poot, "The Impact of International Migration on Economic Growth in the Global Economy," *Handbook of the Economics of International Migration 1: (2015): 1027-1075.* <https://doi.org/10.1016/B978-0-444-53768-3.00019-9>**

nations. For a sending nation, migrants and the remittances that follow boost revenues, reduce poverty, enhance education and health care of the family, and support financial growth.

Migration of labour does not always have a good outcome. The state is losing the human capital that is prepared for the job market by sacrificing a portion of the population. Alongside the economic benefits, migration also has many negative effects if not properly managed. The populations of many countries would undergo a radical transformation if everyone were free to immigrate to the state of their choosing. Haiti's population would decrease by half. It would almost double in New Zealand, Singapore, and Australia. Even the US, where more than 100 million individuals want to travel, would experience a 60 percent increase in population.<sup>26</sup>

## **Conclusion**

It is generally recognised that, if properly managed, labour migration can positively contribute to economic development, poverty reduction and progress in human well-being in both sending and receiving states. In sending states, migration boost-up economic development through receiving a huge amount of remittances and relief of labour market pressure. Most Pakistani families are sending breadwinners to foreign countries. For Pakistan, labour migration has resulted in remittances that lead to improved incomes, reduced poverty, improved health and education, relief of job market stress and promote economic development. From the Middle East in general and Saudi Arabia in particular, Pakistani migrants are sending the highest amount of remittances back home compared to migrants working in other countries worldwide. Although migration plays a very significant role in

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<sup>26</sup> Benjamin Powell, *The Economics of Immigration: Market-Based Approaches, Social Science, and Public Policy* (London: Oxford University Press).

Pakistan's economic development, it has become less cost-effective, mainly because of the high costs of visas and other requirements. Excluding visa agents from the recruitment process of labours will decrease the expenditures on migration. The government of Pakistan should take necessary actions to decrease the cost of migration, which will increase the flow of migration. The unofficial channels of remittances transfer are immediately cut off.

There are two main findings concluded from the analysis conducted in this study. First, the level of education of the migrants is the most significant factor affecting the amount of remittances and, thus, the economic development of Pakistan. So, the level of education needs improvement. Second, producing a skilled and trained labour force is also too necessary. Unskilled migrants face many issues and cannot find jobs in foreign countries. An educated and skilled labour force will not only make it easy to find good and administrative jobs in foreign countries. However, they will also boost economic growth by improving flows of remittances that are the major injection into the economy of Pakistan. Pre-departure training for Pakistani migrants is too much necessary to secure good jobs and know about their rights and duties in foreign countries.