

Labour Migration and Remittances in the Mountains of Pakistan



Enabling poor rural people
to overcome poverty

Note

This case study is one of three carried out at selected sites in India, Nepal, and Pakistan to look at the phenomenon of migration, and the flow of remittances, in the western Hindu Kush-Himalayas. A synthesis of the findings has been published by ICIMOD in the document: Hoermann B; Banerjee S; Kollmair M (2010) *Labour migration for development in the western Hindu Kush-Himalayas*. The publication presented here is the full summary of the case study carried out in Pakistan.

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Kiran Hunzai, ICIMOD

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Introduction

Labour migration can be an effective strategy for livelihood adaptation. It generates financial and human capital that can contribute to the sustainable alleviation of poverty in mountain areas, but it can also have less welcome effects on communities. For the mountain poor, remittances are increasingly the most direct, immediate, and significant contribution to their livelihoods. However, mountain communities face specific challenges in benefiting from labour migration that are linked to the situation of mountain life.

Development efforts generally pay little attention to the challenges and opportunities that must be faced to harness the potential of labour migration and reduce the negative effects for mountain societies. One of the main reasons for this is the lack of information and knowledge on migration and remittance patterns and volumes. Before developing strategies that can help people benefit more from the migration that is taking place, it is important to understand more about the process, the way it affects and is used by society, and the flows of remittances. As mountain migration is a highly engendered process, with mostly men leaving and women staying behind, it is of particular importance to better understand the effects of this mostly male outmigration in order to develop (gender) sensitive solutions to improve the development relevance of remittances. Comprehensive studies are needed at the micro level to understand the impacts of migration, and identify strategies to remove obstacles and increase the benefits.

Three studies were carried out in 2009 to assess patterns of labour migration and the use of remittances in different parts of India, Nepal, and Pakistan in the Hindu Kush-Himalayan region. This report describes the results of the study for Pakistan.

Objectives of the study

As in other developing nations, migration patterns in Pakistan conform to a basic poverty-migration linkage pattern. The regions in the country with outmigration – including the mountain districts – tend to have low income and high unemployment rates. Labour migration in Pakistan is primarily based on the notion that people migrate in search of better economic opportunities and higher income; hence, lack of employment opportunities and poverty play a critical role in population movement within and outside the country.

A desk-based study was carried out in 2009 to bring together the available information on patterns of migration in Pakistan, and to the extent possible, the specific patterns in poor mountain communities. This paper contains the results of the study. It outlines the relationship between labour migration and development in Pakistan, while highlighting labour migration's relevance to poverty reduction and sustainable livelihoods in the mountain districts. A short contextual analysis of migration in Pakistan precedes a detailed look at labour migration patterns – both internally and internationally. The third section documents remittance flows and the fourth provides a summary of Pakistan's migration policy framework and gaps. The fifth section analyses the relationship between labour migration and poverty reduction, and finally, some recommendations for further action are made and conclusions drawn. A list of government and international organisations involved with migrants and migration, sources of much of the information, is provided in the Annex.

Migration in Pakistan

Labour migration has been a common element of the survival strategy of people in the mountain districts of Pakistan for centuries. Traditionally, migration from these areas started on a seasonal basis, when labour migration to the lowlands served as a means of dealing with food insecurity and as a source of additional income (Olimova 2005). Over the years, migration patterns from the mountain districts have evolved into more permanent migration to urban areas in Pakistan and even abroad. Key reasons include population growth, which leads to shortages of arable land and food insecurity, and the lure of the outside world through improved technology and the widespread use of mobile phones, radio, the Internet, and television in mountain districts.

According to a study carried out in 2007 by South Asia Partnership-Pakistan (Arif 2009), as many as five (out of six) districts in the Northern Areas (NA) of Pakistan and four (out of eight) in Azad Jammu Kashmir (AJK) have low or extremely low access to food. In terms of food availability, the analysis ranked NA and AK as two of the top three food insecure areas in Pakistan. At the same time, only 37% of rural households in Pakistan own land, and of these, 67% own less than two hectares (five acres) (Arif 2009).

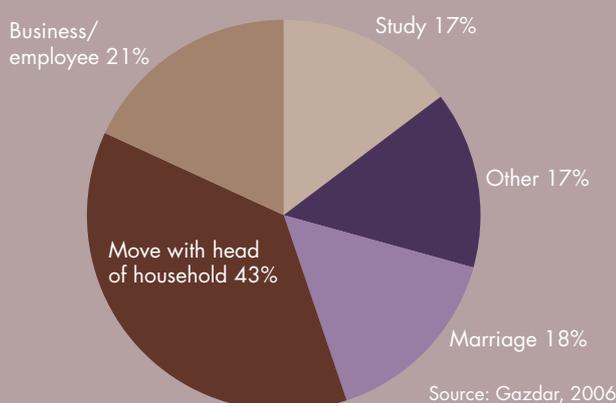
Labour Migration Flows and Trends

Internal migration

Internal migration flows in Pakistan are much higher than international migration flows, especially over the last two decades. The number of internal migrants is around eight million (FBS 2008), compared to around four million international migrants (Arif 2009).

This is partly because there are no restrictions on internal migration, and partly because the cost of internal migration is far less than the cost of migrating abroad. As a result, a large number of migrants – usually low skilled workers from rural areas – move to urban areas in search of employment opportunities. The current urban population growth rate is double the population growth rate for the country as a whole (Haque 2005). According to the 1998 Population Census, rural to urban migrants accounted for 8.2% of Pakistan's total population, and urban areas received two-thirds of all internal migrants (Azam 2005).

Figure 1: Reasons for Internal Migration



Labour migrants account for 21% of internal migration flows (Figure 1), the second main reason after moving with the head of the household. Migration is mainly to Karachi and Lahore (Gazdar 2006) These two cities attract migrants from other cities as well as from mountain districts. In terms of migrant characteristics, education and skill levels of migrants from mountain areas are usually low; hence, labour migrants are occupied in manual, low-skilled professions such as transportation, construction, and cargo services in the seaport of Karachi (FBS 2008).

International migration

There are currently approximately four million Pakistani migrants overseas (Arif 2009). The Ministry of Labour's Year Book for 2004/05 puts this estimate at over seven million, including illegal immigrants and over-stayers. Almost half reside in the Gulf States, of whom 1.1 million live and work in Saudi Arabia and 500,000 in the United Arab Emirates. Other major host countries include the United Kingdom (800,000), United States (600,000), and Canada (250,000). Pakistani residents in these five countries represent more than 80% of the total overseas Pakistani population (Figure 2).

The Gulf States, with their vast oil wealth, have provided unprecedented economic opportunities for Pakistani labourers – primarily in the construction field. Migration to the Gulf began on a large-scale due to the oil price hikes of 1971 to 1973 and in 1979, which fuelled a construction boom as the Gulf States accumulated massive current account surpluses. As a result, unlike migration flows to developed countries, migration to the Gulf region has opened the door to uneducated young men from the rural areas of Pakistan.

The Gulf States offer opportunities for low skilled labourers, whose options otherwise would consist of low paid work in the informal sector in other developed countries. The proportion of unskilled workers from Pakistan to the Middle East rose from 35% in 2000 to 50% in 2007 (Arif 2009).

Approximately 90% of temporary contractual workers from Pakistan working in the Gulf countries are engaged in semi to low-skilled employment (IDB 2006). Considering the kind of labour required in the Middle East, it is no surprise that the migrants are mostly male. According to the Bureau of Emigration and Overseas Employment (BOE), only 0.3% of applicants processed were female. The Pakistan BOE has been reliant on the labour markets of the Gulf States since 1971, and around 3.6 million labourers have proceeded to six Middle Eastern countries since then.

Table 1 shows the top ten districts for migration of international migrants registered for employment with the Bureau of Emigration and Overseas Employment between 2001 and 2006 (BOE 2006). Although the actual number of international migrants from NA, AJK, and other mountain districts is relatively small, it is still significant as it shows that people do migrate abroad from remote low income mountain areas. In addition, a closer look at the figures shows that a higher percentage of people from mountain districts migrate overseas compared to the rest of Pakistan. In fact, Poonch district (3.6% of the district population of AK), Abbottabad district (3.2% of the population of North West Frontier Province NWFP), and Mirpur district (3.1% of the population of AK) have the highest percentage of residents migrating abroad for work in the country. Overall, eight out of the ten districts with the highest migration rates are mountain districts, six of which fall within ICIMOD's working area (Poonch, Abbottabad, Mirpur, Bannu, Bagh, and Kotli). This is a clear indication that, contrary to popular belief, people from poor mountain districts do in fact migrate internationally in relatively large numbers. The total number of migrants registered with the BOE was approximately one million within this period; therefore, it is assumed that the actual number of migrants from the above districts is much higher – as the total number of international migrants is approximately 4 million (Arif 2009).

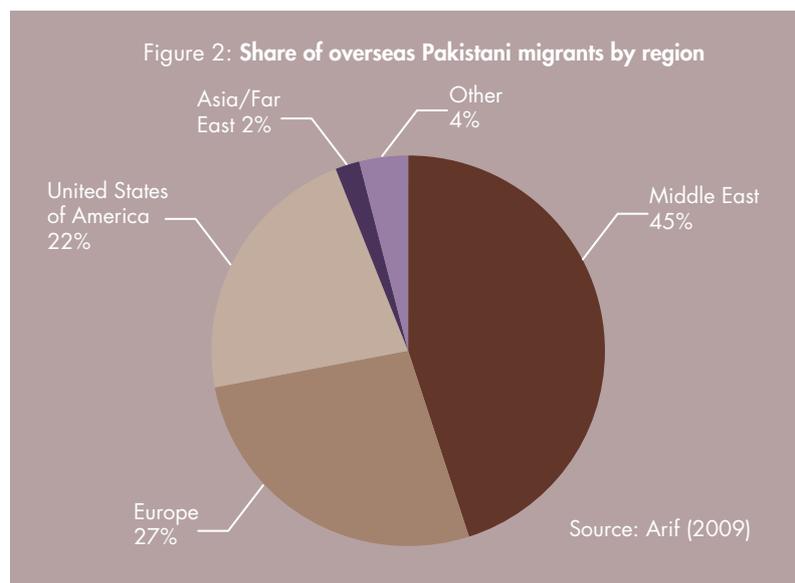


Table 1: Districts with highest migration rates in Pakistan

| District | Total population | Number of migrants | Migrants as % of population |
|------------|------------------|--------------------|-----------------------------|
| Poonch | 411,035 | 14,879 | 3.62 |
| Abbottabad | 1,257,602 | 40,518 | 3.22 |
| Mirpur | 333,482 | 10,379 | 3.11 |
| Gujrat | 2,048,008 | 54,522 | 2.66 |
| Bannu | 452,291 | 10,762 | 2.38 |
| Bagh | 393,415 | 8,793 | 2.24 |
| Rawalpindi | 3,363,911 | 72,252 | 2.15 |
| Kotli | 563,094 | 11,891 | 2.11 |
| Batagram | 1,026,804 | 20,463 | 1.99 |
| Buner | 506,048 | 9,404 | 1.86 |

Source: BOE 2006

According to the recent ILO Survey of Return Migrants 2007 (Arif 2009), international migrants (to any country) found that a contract of two to three years was usually sufficient on average to cover the costs of migration and to accumulate savings. Migrants stayed away for 4.7 years on average (6.1 years for migrants from rural areas and 4.4 years for migrants from urban areas). The average age of returning migrants was 29 years. One-third of migrants overall (but only 10% of rural migrants) had completed 10 years of schooling

Migration to other Asian countries

Apart from migration to the Gulf and other developed countries, there has been an influx of migrants from Pakistan to other Asian countries in recent years. Within Asia, the highest number of migrants from Pakistan is found in Malaysia (Table 2). This is a direct result of the Memorandum of Understanding (MoU) between Pakistan and Malaysia signed in 2003. Pakistan's Ministry of Labour and Overseas Pakistanis recorded nearly 14,000 Pakistanis currently working in Malaysia.

Under a new agreement signed between Pakistan and Malaysia in 2005, as many as 100,000 Pakistanis may work in Malaysia within the next few years in the manufacturing, construction, and plantation sectors. The figures in Table 2 do not include migrants who go abroad to study or to join their spouses; hence, the actual number of migrants is likely to be much higher.

Remittances

Remittances are the most significant motive for labour migration. Apart from the economic benefits for individual migrants and their families, remittances are also beneficial for the Pakistani Government, as official remittances received through the formal banking channels are an important source of foreign exchange (Shahbaz and Aamir 2009).

Pakistan is the fifth largest remittance receiving country in the world. Remittances sent back by migrants act as a huge source of income and a safety net for the large number of dependents left behind. For many years, official remittances have exceeded foreign direct investment in the country. Officially recorded flows totalled over US\$ 7.2 billion nationwide in fiscal year 2008/09 (Table 3). In April 2009, a total of US\$ 690 million was remitted by Pakistanis overseas, an increase of 19% compared to the same month in the previous year, despite the global financial crisis. Table 4 shows the remittance inflows to Pakistan from July 2008 to April 2009. Fifty per cent (US\$3.6 billion) of the remittances were from the Middle East, 19% (US\$ 1.4 billion) from the United States, and 14% from the UK (US\$ 1 billion).

On average, migrants remit US\$ 2,588 during their 4.7 years abroad. This amounts to US \$46 a month for each

Table 2: Number of Pakistanis working in Asian countries

| Country | Number of Pakistani migrants working in Asia (2004) |
|--------------|---|
| Malaysia | 14,000 |
| Iran | 11,500 |
| Hong Kong | 11,111 |
| Japan | 10,912 |
| Thailand | 1,980 |
| Singapore | 1,600 |
| Russia | 1,500 |
| Philippines | 1,000 |
| South Korea | 7,000 |
| Indonesia | 400 |
| China | 653 |
| Bangladesh | 310 |
| Myanmar | 51 |
| Nepal | 46 |
| Total | 72,793 |

Source: BOE 2005

Table 3: Number of international migrants and their remittances (2008/09)

| Migration and remittances | 2008 |
|--|------|
| Number of international migrants (million) | 4 |
| Remittance flows (billion USD) | 7.2* |
| International remittances as % of GDP | 4% |

* This data refers only to officially recorded remittances sent through formal channels such as banks and money transfer operators. There are no uniform or reliable data on informal flows. Source: World Bank (2008)

Table 4: Workers' remittance inflows to Pakistan from July 2008 to April 2009 (billion USD)

| Sending country | July 2008 to April 2009 (billion USD) |
|-----------------|---------------------------------------|
| Middle East | 3.6 |
| United States | 1.4 |
| United Kingdom | 1.0 |
| Other countries | 1.2 |
| Total | 7.2 |

Source: State Bank of Pakistan, Quarterly Report, April 2009

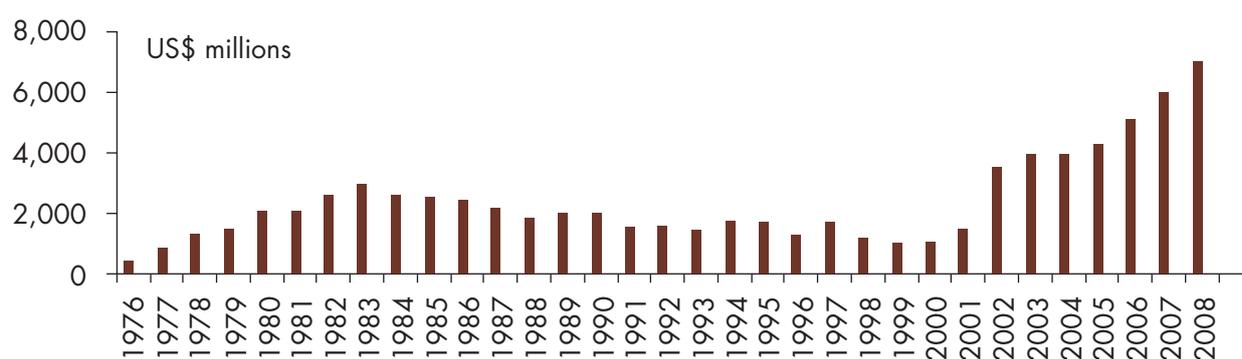
migrating member (Arif 2009). The ILO case study showed that overall remittances accounted for half of the household income of the recipient families in Pakistan. These statistics indicate that remittances significantly increase the household income of the migrants' families. Furthermore, unlike government-to-government aid, most remittances go directly to family budgets and are often used for basic subsistence needs. Thus they contribute to family welfare and higher living standards. In addition, remittances increase expenditure on food and housing and increase exposure to knowledge on positive health and hygiene practices.

It is considerably more common for households in mountain districts to receive remittances from family members working in other parts of Pakistan or abroad than for households in other parts of the country. On average, remittances to households in Azad Kashmir account for 25% of monthly household income. This could be a result of the high level of migrating workforce from this region (Table 1). These flows of income play a significant role in alleviating poverty in the area and increasing household consumption – especially in the form of expenditure on health and education. Furthermore, remittances are not spent solely on household consumption. In Azad Kashmir, for example, they also contribute to the construction of modern houses and the upgrading of farm production by purchasing farm equipment and hiring additional labour, which leads to output growth.

Remittances also have a positive and significant effect on the accumulation of two assets in rural Pakistan: irrigated and rainfed land. This is a significant finding because it suggests that instead of simply spending on increased consumption, remittances can and do lead to rural asset accumulation. In fact, in Azad Kashmir, migrants have a higher propensity to invest than their non-migrant counterparts (Khatri 2007).

Table 5 shows the changes in remittance flows to Pakistan over the years. Over the last several years, remittances to Pakistan have been progressively increasing.

Table 5: Remittances flows to Pakistan (1976-2008)



Source: World Bank 2008

The monthly inflow of remittances to Pakistan dropped from US\$ 660 million to US\$ 466 million in just one month from September to October 2008, but recovered rapidly reaching a height of US\$ 739 million by March 2009 (Table 6).

Remittances and the global financial crisis

As of early 2009, the global financial crisis had not had an impact on remittances to Pakistan. This could be because of the remittances from low skilled workers engaged in the oil rich countries in the Gulf, whose earnings were not at immediate risk (World Bank 2008). However, the World Bank estimates that remittances from South Asians in the Gulf could decline by 9% in 2009, compared with a 38% increase in the previous year. With 24% of its remittances coming from the United States and 56% coming from the Gulf, Pakistan was expected to be hit in the second half of 2009 (World Bank 2009).

Table 6: Monthly remittances September 2008 to March 2009

| | Monthly remittances (million USD) |
|----------|-----------------------------------|
| Sep 2008 | 660 |
| Oct 2008 | 466 |
| Nov 2008 | 620 |
| Dec 2008 | 673 |
| Jan 2009 | 637 |
| Feb 2009 | 641 |
| Mar 2009 | 739 |

Source: World Bank 2009

Another possible problem was highlighted by the International Organization for Migration (IOM), which warned that the financial crisis was threatening international migration through the imposition of restrictions on the admission of new migrants for employment by a number of countries. As a result, Pakistan with its huge supply of migrant workers is already experiencing influxes of returning migrants (IOM 2009).

In light of the deepening economic recession in major economies remittances may slow down. For example, falling oil prices could reduce the demand for migrants in the oil-rich Gulf, and the slowdown in the Dubai construction sector could adversely affect migrants from Pakistan, which could have serious consequences for migrants' families

Informal channels

The actual remittance flows to Pakistan very likely exceed the amount officially recorded, as a significant portion of the funds are sent through informal channels including the hundi system, which operates outside the banking or formal financial system. According to a recent study by the World Bank (2009), 14% of Pakistanis use formal financial institutions, compared to 51% who use informal financial systems.

The extent of the use of informal channels for remittances was highlighted when remittances nearly tripled between June 2001 and June 2002, as many migrant workers using underground channels resolved to use formal banking channels for fear of being caught in US-led investigations into terrorist financing (Gazdar 2003).

The World Bank study (2009) adds that while the State Bank of Pakistan (SBP) has taken various measures to significantly increase remittances through formal channels, a large share of domestic remittances is still transferred informally. In response the SBP has been encouraging the private sector to provide mobile banking solutions, such as those provided by Tameer Bank.

Policy Framework and Gaps

Pakistan encourages international migration for two main reasons: it reduces unemployment and it adds significantly to national income through cash remittances (Azam 2005). The Pakistani Government actively facilitates labour migration and provides incentives to facilitate the flow of remittances by migrants. However, the policy regime followed by the Pakistani Government does not have poverty reduction or improved livelihoods for migrants as one of its implicit objectives. The country development plan and poverty reduction strategy paper (PRDP 2001) do not treat migration as part of the development challenge. Therefore, the issue of migration and migration policy is isolated from the overall development framework, despite having positive fiscal implications for migrants, their families, and the overall economy. This section highlights the mechanisms that the Pakistani Government is administering to facilitate migration and remittances, and will attempt to identify the existing policy gaps.

Lowering migration costs

The migration management systems introduced by Pakistan aim to control migration costs mainly by regulating recruiting agencies. Pakistan introduced the system through the Emigration Ordinance of 1979, which established the Bureau of Emigration and Overseas Employment (BOE). The BOE was given the responsibility of regulating migration, which includes the authority to issue licences to recruiting agents and ensure their full compliance with the minimum standards in foreign employment contracts. The Ordinance also determines the rate of various charges, including the commission to be charged by recruiting agents and the insurance rate to be paid by migrants as part of a 'welfare fund' to cover the possibility of death or disability during employment abroad.

Table 7: **Mode of transfer**

| Mode of transfer | Advantages | Disadvantages |
|------------------|-----------------------------------|---|
| Hundi | Speedy Lower transaction costs | Less reliable |
| By hand | Speedy No transaction costs | Risky |
| Formal channels | Reliable Safe | High transaction costs Time consuming Unavailability of formal institutes |

Source: Suleri and Savage 2006

Pakistan currently has 1,112 licensed recruiting agencies. The agencies are required to provide US\$3,750 as security deposit of which US\$1,250 is a cash deposit and the remaining US\$2,500 is in the form of Defence Savings Certificates, a savings scheme. Licences are valid for five years. However, according to recruiting agents, bribery is common at all points of government clearance and approval. The number of recruiting agents by region is shown in Table 8. Most of the agencies are located in city hubs and there are currently no licensed recruiting agencies in the mountain districts.

Table 8: Registered recruiting agencies by region

| Region | Number of agencies | Distribution of agencies (%) |
|--------------|--------------------|------------------------------|
| Rawalpindi | 430 | 38 |
| Lahore | 236 | 21 |
| Karachi | 181 | 16 |
| Malakand | 119 | 11 |
| Peshawar | 87 | 8 |
| Multan | 69 | 6 |
| Total | 1,122 | 100 |

Source: Arif 2009)

Migration costs refer to the amount incurred by migrants in their search for and acquisition of overseas employment. These costs include the commission for recruiting agents, the government fee and processing charges, and the transport costs from home to the place of work. Migration costs also include mandatory charges by the government for the provision of welfare services to migrants and insurance cover against death and disability. Table 9 presents the average costs of migration incurred using different pathways.

Table 9: Average cost of migration (2005)

| Route | Approximate cost (USD) | Advantage | Disadvantage | Prevalence* |
|--|------------------------|--|---|-------------|
| Through agent | 1,875–3,125 | More likely that visa is approved Takes less time | High cost | 81% |
| Through relatives in destination country/direct visa | 1,000–1,375 | Safe | Relatives of invitee must provide invitee with a guarantee letter | 17% |
| Directly on a tourist visa | 625–1,000 | Cost effective | Takes more time Visas often get rejected | 2% |

* This percentage is based on a sample group and does not represent the overall situation.

Source: Suleri and Savage 2006

There is no incentive policy linked to the performance of recruiting agencies. However, the Emigration Laws do contain a penalty for over-charging migrants and other related offences. In practice, it is the commission charged by the recruiting agent that mainly inflates the cost of migration, although there is room to bring costs down in other areas as well.

Migration costs through informal networks are much lower than through recruiting agents, and generally result in higher employment benefits, including higher salaries. Friends and relatives already working abroad arrange jobs for migrants by introducing the migrant to their employer and the latter sending an employment visa directly to the migrant. Research shows that there is a difference in salary, with migrants coming through recruiting agents earning the lowest salary and migrants directly contacted by employers receiving the highest salary for similar jobs (Suleri and Savage 2006). The outflow data from the BOE shows that 46% of Pakistani migrants in 2004 went abroad on a direct visa, thus minimising the overall cost of migration (Suleri and Savage 2006).

Enhancing migration benefits

As part of its regulatory function, the BOE has prescribed minimum standards for foreign employment contracts. These standards relate to salary, including overtime payments, and other issues such as working hours, holiday leave, compensation in case of employment injury and death, and mechanisms for settling disputes.

However, contracts do not always comply with these minimum standards. Complaints by migrants regarding contract violation and contract substitution (where, upon arrival, migrants are asked by the employer to sign a fresh contract with inferior terms, i.e., lower salary) have persisted over time.

Although the minimum standards are not fully enforced in receiving countries, they still provide migrants with a basis for the initial agreement. Pakistan has little influence over the policies of receiving countries, where standards of rights may be very different. Efforts by Pakistan to reach agreements with receiving countries on minimum standards and proper protection under the law have so far been unsuccessful and remain a huge challenge.

Social security coverage

Migrants working on employment contracts of limited duration are generally not covered by any social security and are not eligible for pension schemes. The pension contributions by employers are tied to a minimum service period rendering most migrant workers ineligible for this benefit, especially those who migrate to the Gulf.

In order to ensure that migrants are protected against such risks, Pakistan has introduced schemes providing compulsory insurance coverage to migrants against disability and death during their foreign employment. These protective measures are in addition to any such benefits provided by the employer. In order to facilitate the process, Pakistan has posted community welfare attachés in its embassies in the countries that have a significant number of Pakistani migrant workers. These officials guide the workers in following relevant procedures to launch their claims. Where a worker has to be repatriated following a disability, or in case of death, the Overseas Pakistanis Foundation (OPF) back home guides the worker's dependents and relatives in completing the formalities and filing the claim with the help of the officials in the embassy. By 2005, the OPF had helped more than 3,000 families to obtain death compensation, amounting to nearly US\$ 12.5 million, from the employers of deceased migrants (OPF 2005).

Protection and welfare of migrants

Pakistan has taken numerous measures to improve the protection and promote the welfare of migrants. On the protection side, pre-departure and/or pre-arrival briefings are organised for migrants in both sending and receiving countries in order to provide information about the relevant rules and laws of the country of employment, procedures to be followed, and assistance available through the country's mission in case of a dispute with the employer (OPF 2005).

Migrant's welfare fund contributions

The OPF was set up in 1979 under the Ministry of Labor, Manpower and Overseas Pakistanis to work for the welfare of Pakistani migrants and their families. The OPF is financed by migrant contributions, which are mandatory and are paid at the time of clearance of foreign employment contracts by the BOE.

The OPF is the main interlocutor for Pakistani migrants and their families. It has initiated a number of schemes, such as schemes to provide quality education to the children of migrants and to establish potable water in communities with large numbers of migrant households. It also provides investment advice to returning workers and helps them to complete formalities with the appropriate departments.

Returning migrants: Making use of human assets

Migrants learn new skills during employment abroad, at least in certain occupations. A survey by Azam (2005) concluded that returning migrants were ranked much higher in terms of job performance by their employers compared to domestic workers with no overseas employment experience. Not only did they know modern techniques, they performed more accurately and faster and thus saved costs. Furthermore, they adopted proper security measures during work and avoided accidents (Azam 2005).

Still, Pakistan has not fully harnessed the knowledge and skills of returnee migrants for the benefit of the local economy. In order to invest in returning migrants, a system needs to be established for monitoring and registering returning migrants' skills. This would enable effective linkages to be made with relevant businesses through either web-based platforms or other appropriate means. Returnee migrants should be treated as new assets.

Policies regarding remittances

As remittances through informal channels do not contribute to official foreign exchange reserves, the Government has tried to encourage transfers through official channels through regulation and incentive schemes. Pakistan has allowed migrants to open foreign currency accounts that pay preferential interest and to convert the holdings into local currency at premium rates.

In Pakistan, under the wage-earner scheme, migrants with remittances of US\$ 2,500 or more transferred through official channels are allowed certain privileges, such as allowances for duty-free imports and the issuance and renewal of passports free of charge. Pakistan also has a scheme aimed at encouraging migrants to set up businesses in backward areas (OPF 2005).

Only 25 million people in Pakistan have bank accounts. Remittances sent through mobile phones or mobile banking – such as the ones provided by Tameer Microfinance Bank – can cut the transaction costs to the customer by half (ADB 2008). In response, the Ministry of Finance has planned to issue guidance and recommendations to provincial and district authorities to promote consistent tax treatment with respect to mobile banking operations to support national outreach and entry into rural and remote areas (ADB 2008).

Tameer Bank is using mobile banking as the primary way to reach its rural customers. Tameer Bank saw great potential for mobile banking facilities in rural Pakistan, such as mobile banking services on phones, access to a national payments system, and a national database linking people's phone numbers and their bank account numbers which can be used by phone to deposit, withdraw, or remit cash at any ATM or authorised point of sale (POS) enabled banking agent. As a maximum liquidity option for customers, with minimal cash-handling costs, this channel has great potential to attract rural customers. The acquisition of Tameer by Telenor Pakistan – a local telecom company – would allow Tameer Bank to greatly increase its outreach by employing cost saving technologies. A recent collaboration between Telenor Pakistan and Tameer Bank will further allow the bank to extend its operations and network across the country, specifically in rural areas.

Furthermore, the Microfinance Department of Pakistan plans to implement a 20-year, \$20 million endowment fund to complement capacity-building activities in rural areas. Part of the fund is planned to be used to promote mobile money transfers and financial and basic literacy programmes for potential clients, and to train government authorities to support the development of an inclusive financial sector (ADB 2008). The strategy focuses on private sector participation, creating a level playing field for all financial service providers, and innovation in products and service delivery and savings and remittances services in rural and remote areas (ADB 2008).

However, it is important to understand why migrants are, in many cases, still obliged to use informal channels. Even with large flows of remittances coming into the country, migrants' families in remote mountain areas have limited access to banks. According to a study conducted by the Overseas Development Institute (Suleri and Savage 2006), a vast majority (68%) of the remittance receiving respondents stated that they did not have a bank account. Difficulties in access were cited as a key reason for not having a bank account as they felt that opening one was too formal, time consuming, bureaucratic, and involved a lot of paper work. Equally, the mere existence of formal institutions at both sending and receiving ends does not always guarantee that transfers will take place through these channels. Other factors such as the lack of effective networking arrangements and inter-institutional links – due to legal constraints or practical and technological difficulties – may rule out the feasibility of making transfers through formal channels.

When official remittance channels are not viable, the legal alternative is to hand carry the cash to the home country. However, even when safe, this is hardly a practical solution if remittances are to be sent on a regular basis. Thus migrants resort to the use of informal channels including hundi. The non-availability of organised banking or similar financial services in the mountain areas of Pakistan continues to be a serious problem for many remittance-receiving families.

Remittances and investment

Pakistan has long had a policy objective of encouraging migrants to use remittances for productive purposes. However, the measures for policy implementation need to be further strengthened. The OPF initially established an Industrial Division charged with the responsibility of guiding migrants settled overseas and returning migrants towards productive business investments, including joint ventures with the private and public sectors. Initially, the OPF published a 'Guide to Investment' for migrants, which provided information on government procedures and names and addresses of concerned departments and organisations. However, the Division has not been able to perform in the intended manner, despite the great need for such services. Informing and guiding migrants regarding investment opportunities in the country and assisting them in the completion of formalities for establishing a business enterprises need to be taken up more thoroughly. The complexity of the formalities also remains a serious concern. One possibility would be to cater for the needs of migrants by providing information and encouraging them to invest in high profile projects such as bridges and airports dedicated to migrants. This would also provide migrants with ownership of projects and assist in Pakistan's development (Khatri 2007).

Labour Migration, Poverty and Development

As in most developing nations, remittances are among the most tangible links between migration and development in Pakistan. Given the frequency of mobility – both internal and external – it is tempting to assume that migration has a positive impact on poverty alleviation (as migrants are assumed to move from low-income rural labour markets to higher-wage labour markets). Therefore, migration can safely be perceived as a route to economic opportunities. However, this linkage has been frequently argued to exist only for individuals with better education, skills, and access to information, as they are believed to be more likely to migrate.

Having said that, it is clear that people from the low-income mountain districts of Pakistan do migrate both internally and overseas in high numbers (Table 1). In addition, some studies in Pakistan have shown another side of migration for very poor households. A research paper by the Agha Khan Rural Support Programme (AKRSP 2001) found that 12% of the total population migrated from the remote mountain districts of Gojal to larger regional market towns such as Chitral, Gilgit, and Skardu. The most frequent type of migration was to national cities such as Karachi, and a small number of migrants also travelled abroad, mostly to Dubai or Saudi Arabia and, in some cases, to the USA.

Another encouraging sign highlighted in the same study was that migration rates were highest in villages that were low in employment opportunities and lacked social resources. The absence of high schools in some areas like Chapursan was cited as a major reason for migration. Hence, migration also takes place from those areas where the education levels are low and access to information is limited. This can be seen as having a positive impact on the poorest households, whose options for employment are otherwise extremely limited. The economic benefits of migration play a critical role for poor families in Pakistan, enabling them to deal better with various economic crises.

A study by UNFPA (Khatri 2007) analysed low-income developing countries – including Pakistan – and found a significant correlation between remittances and decline in poverty. According to the data, it was noted that a 10% increase in the share of remittances in a country's GDP can essentially lead to a 1.2% reduction in poverty.

Other studies in Pakistan indicate that remittances improve the recipient's standard of living. On average, Pakistani migrant workers received five to eight times higher income abroad than in their home country, and remitted on average 78% of their earnings (Khatri 2007). These flows of funds are used mainly for household consumption, such as for food, clothing, medicine, and housing, as well as for education. In addition, funds are also used to build or improve housing, buy land, and repay loans for migration (Suleri and Savage 2006).

Therefore, remittances can potentially have a positive impact as a development tool in Pakistan. The development effects of remittances can be classified into savings, investment, growth, consumption, and income distribution. The impact of remittances on growth for long-term sustainability is likely to act through savings and productive investments at home. In 2005, remittances sent back by migrants helped their families rebuild their homes in the aftermath of the earthquake. The transfer of funds during this period provided victims with immediate relief in terms of food and shelter. The perceived importance of remittances increased from 88% to 95% (Suleri and Savage 2006).

An ILO report on international migration from Pakistan indicates that 22% of migrants from rural areas cited the need to earn money for business activities as one of the key reasons for migrating; unemployment (24%) and poverty (31%) were other important reasons. This is an encouraging sign for facilitating migration, especially for the rural poor, as many intend to invest in business activities upon their return (Arif 2009).

Recommendations and Conclusions

In order to facilitate improved livelihoods and assets for migrants and their families, government policies have to be categorised into two key segments i) policies having implications for lowering migration costs, and ii) policies having implications for enhancing migrants' benefits including migrant protection in Pakistan and abroad.

Due to the high cost involved, migrating abroad has become less profitable. Lowering the cost of migration would allow groups at the lower end of the social spectrum to benefit from overseas employment opportunities. It would also reduce the possibility of migrants having to exhaust their current savings and assets in order to meet migration costs.

To support informal networks in arranging overseas employment at lower costs, the government should monitor the trends and remove any difficulties in the process. Better information about employment conditions should be provided to migrants in order to safeguard them against exploitation by recruiting agencies at home and employers abroad.

As there are currently no registered recruiting agencies for international migration in the mountain districts, it is assumed that prospective migrants in these regions incur additional costs in order to travel to urban areas to gain access to agencies (Table 8). Therefore, providing information and facilities in these areas could further lower the overall cost of migration.

Access to formal institutions in mountain districts is limited, equally the mere existence of formal institutions does not necessarily mean that migrants have easy access to them. Technical complexities such as the requirement of personal identification documents or of maintaining a minimum credit balance may discourage poor and less-educated migrants to open accounts with banks and subsequently make use of their transfer services. Therefore, easy access to financial institutions or information about mobile banking could facilitate families to receive remittances in an effective way. Furthermore, given the potential for investment by migrants, there is a great need for a much more organised and comprehensive investment programme to be established by OPF.

In order to provide migrants with recent data on remittances, migration, and basic information about their protection, many other countries in Asia have set up user-friendly websites. In Pakistan, the BOE has yet to establish such a facility and the OPF website is still in its early stages. As a result, relevant and up-to-date information about migrant rights and migration procedures is not easily accessible to migrants.

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Annex: Government and international organisations involved with migrants and migration in Pakistan

Government Organisations

Ministry of the Interior

The Ministry of the Interior formally registers the legal status of a person. The organisation is responsible for issuing passports and identity documents to people according to their legal status.

Tel: 0092-51-9212026, **email:** ministry.interior@gmail.com, interior.complaintcell@gmail.com, **web:** www.interior.gov.pk

National Data Registration Authority (NADRA)

NADRA is responsible for issuing computerised national identity cards to all resident citizens of Pakistan. NADRA is also responsible for issuing the National Identity Card (NIC), which can only be issued to a Pakistani citizen resident in Pakistan. Resident citizens are further identified by their permanent place of domicile. NADRA also provides special identity cards to Pakistani citizens resident abroad or people of Pakistani origin resident abroad.

Tel: 0092-51-111786100, **email:** info@nadra.gov.pk, **web:** www.nadra.gov.pk

Ministry of Labour, Manpower and Overseas Pakistanis

The Ministry of Labour, Manpower and Overseas Pakistanis is a federal ministry that combines the portfolios of labour and overseas Pakistanis. This is partly a reflection of the genesis of 'overseas Pakistanis' as a category of people who work abroad. There are three organisations within this Ministry that work on migration-related issues: the Overseas Pakistanis' Foundation (OPF), the Bureau of Emigration (BOE), and the Overseas Employment Corporation (OEC).

Tel: 0092-51-9213686, 0092-51-9202919, **email:** secretary@molm.gov.pk, **web:** 202.83.164.26/wps/portal/Molmop

Overseas Pakistanis Foundation (OPF)

The OPF is an organisation under the Ministry of Labour, Manpower and Overseas Pakistanis with a capital base accumulated from a levy on Pakistani workers abroad. The OPF maintains a formal presence in Pakistani embassies and consular offices in countries with large numbers of Pakistani immigrants. It also acts as a medium for policy dialogue between government and groups of overseas Pakistanis.

Tel: 0092-03267, 9048320, **email:** info@opf.org.pk, **web:** www.opf.org.pk/home/home.html

Bureau of Emigration (BOE), Protectorates of Emigration

The Bureau of Emigration (BOE) and its five regional offices, known as the Protectorates of Emigration are the main government agencies responsible for regulating and protecting international Pakistani labour migrants. All emigrating workers are legally required to register with the BOE/Protectorate. The BOE is responsible for regulating the work of private sector employment agents who recruit workers for overseas employers.

Tel: 0092-51-9261013, **email:** dg@beoe.gov.pk, **web:** www.beoe.gov.pk/

Overseas Employment Corporation (OEC)

The Overseas Employment Corporation (OEC) works under the Ministry of Labour, Manpower and Overseas Pakistanis and is responsible for government-to-government recruitment. While the BOE and OEC are, in principle, responsible for all overseas labour migration, in fact their activities mainly focus on the Gulf States.

Tel: 0092-51-9219989, **email:** query@oec.gov.pk, **web:** www.oec.gov.pk/english/en_index.php

Population Census Organization, Statistics Division

The main task of the Population Census Organization is to conduct a statutory decennial census of the population. The census organisation is one of the main sources of data on issues relating to internal migration in Pakistan.

Tel: 0092-51-921140, **email:** techcell@isb.paknet.com.pk, **web:** www.statpak.gov.pk/depts/fbs/contacts/contacts.html

Federal Bureau of Statistics, Statistic Division

After the Population Census, the Federal Bureau of Statistics (FBS) is the main source of household and individual economic data in Pakistan. The FBS conducts regular national surveys, which provide valuable statistical information on some aspects of migration.

Tel: 0092-51-9213946, **email:** pkcensus@isb.paknet.com.pk, **web:** www.statpak.gov.pk/depts/pco/index.html

State Bank of Pakistan (SBP)

The central bank – the State Bank of Pakistan – has a key stake in issues of international migration from the point of view of the foreign currency remittances of Pakistani migrants. It is the main official source of data on remittances. From the policy point of view, the SBP is interested in channelling more remittances through the formal banking system in the place of informal money transfer systems.

Tel: 0092-111-727-111, **email:** info@sbp.org.pk, **web:** www.sbp.org.pk/

International organisations

The main international organisations in Pakistan that deal directly with migrants are the United Nations High Commission for Refugees (UNHCR) and the International Organization for Migration (IOM).

Organisations for Pakistani migrants abroad

Pakistanis living abroad have established organisations that work not only for their own communities, but also carry out development and educational work inside Pakistan. The Overseas Pakistanis Institute (OPI) is one such organisation. Others include the Association of Pakistani Physicians in North America (APPNA), Development in Literacy (DIL), and the Safi Qureshi Foundation.

Overseas Pakistanis' Institute (OPI)

Pakistanis resident abroad – mostly those living in the Gulf region – have established the Overseas Pakistanis' Institute. Leading members tend to have succeeded in professional and business activities abroad and wish to contribute to Pakistan's development. The OPI has offices in Lahore, and has set up various educational institutes such as schools and centres for information technology in Pakistan.

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Production team

Susan Sellars-Shrestha (Consultant editor)
A Beatrice Murray (Senior editor)
Dharma R Maharjan (Layout and design)
Asha Kaji Thaku (Editorial assistant)

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International Centre for Integrated Mountain Development

GPO Box 3226, Kathmandu, Nepal

Tel +977-1-5003222 **email** info@icimod.org **web** www.icimod.org

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