

**Sri Lanka**  
**State of the Economy Report 2012**

**Chapter 9**  
**Leveraging Migration for Development**

*by*  
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## 9. Leveraging Migration for Development

### 9.1 Introduction

International migration is considered to be a consequence of disparities in development among countries, resulting from the combined effects of supply-push and demand-pull factors. Given the rising trend of global migration, migration and development nexus has taken centre stage in the research and policy agenda of developing countries in recent years. This link between migration and development can be discussed in two ways: how development affects migration and how migration affects development. Indeed, it is argued that the migration and development link can be understood to revolve around three Rs: Recruitment, Remittances and Return.<sup>1</sup> Recruitment includes both motivation and facilitating factors which in turn includes low economic growth, high underemployment or unemployment rate, population growth, income inequality, pressure on land and urban environment and poor governance, etc. There is a direct link between remittances and the development of sending countries, and it has both micro and macro level impacts. Return, which is the end product of the migration cycle, is expected to bring saved capital and acquired skills from overseas that can be productively invested in the home country. With more than 1 million estimated Sri Lankans working abroad as migrants, this discussion aims to examine the impact of migration on economic development in Sri Lanka. It will identify barriers which hinder the developmental impact of migration in Sri Lanka, and provide policy implications for maximizing the development benefits of migration to the country.

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*“ The search for new skilled employment opportunities, while taking in to consideration local labour markets, is key to enhancing the development benefits of migration ”*

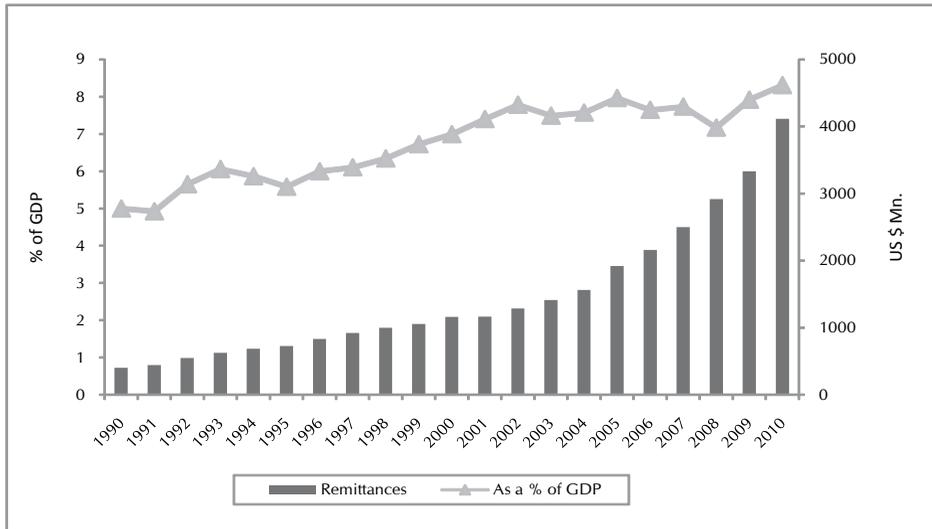
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### 9.2 Impact of Migration on the Sri Lankan Economy

In this section, of the three 'Rs' mentioned above, only recruitment and remittances will be discussed due to the data limitations available in the return stage.

<sup>1</sup> Sorensen, N.N., N. V. Hear and P. E. Pedersen (2002), *The Migration-Development Nexus: Evidence and Policy Options*, International Organization for Migration.

**Figure 9.1**  
**Trends in Remittance Inflows**



Source: CBSL, *Annual Report*, various years.

Under recruitment, only the labour market impacts will be discussed as this discussion is limited to the impact of migration on economic development in Sri Lanka.

### 9.2.1 Impact of Remittances

Sri Lanka has witnessed a steady increase in the inflow of remittances from US\$ 9 million in 1975 to US\$ 5,145 million in 2011. The impact of these increased remittances

can be divided broadly into two categories: macro level impact and micro level impact.

Compared to ODA, FDI and other portfolio flows, remittances are a steady flow of capital for Sri Lanka, which also goes directly to the community. Apart from being a steady source of capital, remittances often play a counter-cyclical role when a country faces a downturn. As such, the contribution of re-

**Table 9.1**  
**Worker Remittances in Relation to Selected Macro Variables (1990-2010)**

	Remit- tances	Exports Earnings	Imports Payments	Total Current Receipt in BOP	GDP	Exports Earnings	Imports Payments	Total Current Receipt in BOP	GDP
1990	401	1984	2686	3096	8033	20.21	14.9	12.9	4.9
1995	727	3807	5311	5822	13030	19.10	13.7	12.5	5.6
2000	1160	5522	7320	7811	16596	21.01	15.9	14.8	6.9
2005	1918	6347	8863	9,983	24406	30.22	21.6	19.2	7.8
2009	3330	7085	10207	12,500	42068	47.00	32.6	26.6	7.9
2010	4116	8307	13512	15,266	49551	49.55	30.5	26.9	8.3

Source: CBSL, *Annual Report*, various years.

mittances to macroeconomic stability, BOP support and national savings can be immense.

As can be seen in Table 9.1, Sri Lanka's import expenditure has continuously outstripped export earnings, placing pressure on the country's trade balance. In this context, remittances have played an important role in bridging the gap in the external current account. In 2010, remittances contributed to 49 per cent of export earnings, 30 per cent of import expenditure and 27 per cent of total current receipts in the BOP.

Sri Lanka has also managed to maintain a much higher rate of national savings and investment as a result of private current transfers.<sup>2</sup> While remittances lead to increased investment and are likely to have an effect on economic growth, a good investment climate including the presence of a well-developed financial system will partly determine the extent to which remittances are able to be used productively in physical and human capital.

At the micro level, the impact of remittance occurs through several channels such as; easing deprivation in meeting basic needs of

households, increasing their ability to cope with adverse shocks, allowing them to purchase land and other productive assets, releasing them from indebtedness, promoting small scale enterprise development, and increasing investment in education and health. Studies have shown that migrant households spend more on food, non-food, education, health, durable goods and housing compared to non-migrant households.<sup>3</sup> The difference in expenditure on durable goods is found to be more significant compared to the difference in spending on health, education and food. Other studies support these findings to suggest that remittances have been used mainly for education, health and improving lifestyle through the purchase of consumer durables, rather than spending on productive assets.<sup>4</sup> In fact, remittance receiving households are found to enjoy better quality housing compared to non-remittance receiving households. Though the expenditure on health and education is higher among migrant households, the return on this expenditure is low, with no difference between migrant and non-migrant households in terms of school enrolment and morbidity levels. However, the impact of remittances depends on the characteristics of remittance users. Characteristics such as education background,

**Table 9.2**  
**Contribution of Remittances to National Savings and Investment**

% of GDP	1991-1994	1995-1999	2000-2004	2005-2010
Domestic savings	16.5	17.3	16.0	17.2
National savings	20.5	21.4	21.0	22.6
Total investment	19.9	25.4	23.7	27.1

Source: CBSL, *Annual Report*, various years..

<sup>2</sup> In Sri Lanka's national accounts, worker remittances are treated as a component of national savings and therefore, national savings are equal to the sum of domestic savings and net private current transfers from abroad.

<sup>3</sup> Arunatilaka, N., P. Jayawardena, and D. Weerakoon (2011), "Sri Lanka" in Kelegama, S., (ed.), *Migration, Remittances and Development in South Asia*, Sage, New Delhi; Jayaweera, R., "Migration Profile: Sri Lanka 2011", Institute of Policy Studies of Sri Lanka (forthcoming).

<sup>4</sup> Samaratunga, P., R. Jayaweera and N. Perera (2011), "Impact of Migration and Remittances on Investment in Agriculture and Food Security in Sri Lanka", Institute of Policy Studies of Sri Lanka, Colombo.

skills in financial management, and consumption and savings patterns affect the use of remittances received.

### 9.3 Impact of Migration on the Labour Market

Migration has many impacts, both negative and positive, on the labour market in a country, such as on the labour force, employment level, unemployment level and wage rates. Though there is no available data on net migration in Sri Lanka, departures for foreign employment have increased over the last two decades and a significant stock of Sri Lankan migrants are working abroad. At the same time, the rate of unemployment in Sri Lanka has dropped persistently to 4.2 per cent by 2011. Indeed, foreign employment has in part contributed to this significant reduction in unemployment.

So far, Sri Lanka has been able to maintain a relatively healthy growth rate at a time when the country was witnessing a rise in labour out-migration. It suggests that economic growth has not been constrained by a lack of labour supply resulting from an increased number of migrants. This could be related to the high numbers of unskilled migration, which is a prominent feature in Sri Lanka's migration trends. Indeed, around 67 per cent of the workers departing for foreign employment in 2011 were identified as unskilled workers.<sup>5</sup> As the majority (60 per cent) are housemaids – who worked as unpaid family workers or were unemployed before they migrated – the impact of their departure on the overall domestic labour market would have been marginal.

The impact of migration on wages is harder to measure as the required data is not available. However, available evidence in certain sectors suggests that the impact can be quite significant. For instance, daily wages for carpenters and masons in the construction sector recorded increases of 11.9 per cent and 10.3 per cent respectively in 2011, following increases of 6.7 per cent and 6.9 per cent respectively in 2010, due to the continued high demand for workers for construction activities – exacerbated by the shortages of such workers due to migration for foreign employment.<sup>6</sup> The lack of labour due to migration is found to be an issue in agricultural activities, where family members left behind also cannot engage in agriculture activities as they have to look after migrants' children.<sup>7</sup> This partly contributes to increased wages in agriculture labour.

Apart from the impact of migration of unskilled labour, high-skilled migration may adversely affect some sectors in Sri Lanka, such as the health sector. In the health sector, compared to other countries in the region, Sri Lanka has the highest expatriation rate of doctors and the third highest expatriation rate of nurses to OECD countries. In a database of 157 countries, Sri Lanka had the 37th highest expatriation rate of doctors and the corresponding rank for nurses was 66.<sup>8</sup>

### 9.4 Barriers that Hinder the Development Impacts of Migration and Remittances

Discussion on the barriers that hinder the impact of migration can be divided into two

<sup>5</sup> CBSL, *Annual Report 2011*.

<sup>6</sup> *Ibid.*

<sup>7</sup> Samaratunga, P., R. Jayaweera and N. Perera (2011), "Impact of Migration and Remittances on Investment in Agriculture and Food Security in Sri Lanka", Institute of Policy Studies of Sri Lanka, Colombo.

<sup>8</sup> Arunatilaka, N., P. Jayawardena, and D. Weerakoon (2011), "Sri Lanka" in Kelegama, S., (ed.), *Migration, Remittances and Development in South Asia*, Sage, New Delhi.

categories: issues that discourage individual migration and country level issues.

### 9.4.1 Issues Faced by Individual Migrants

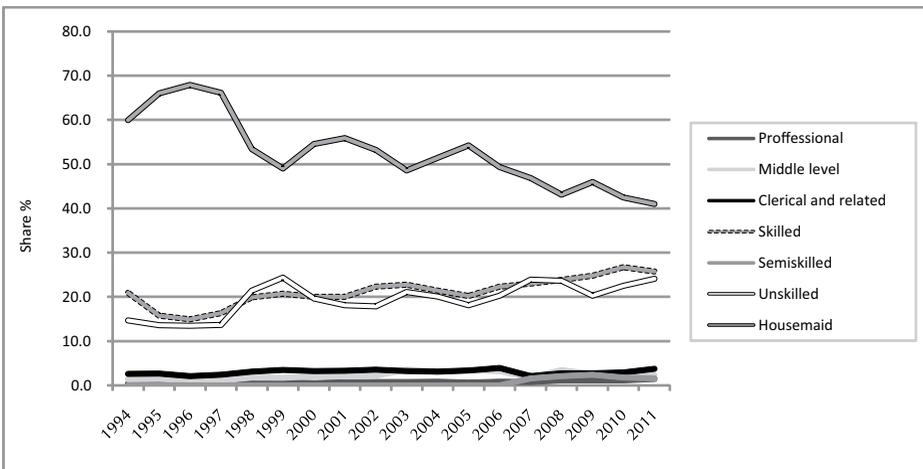
With the objective of earning more foreign exchange, Sri Lanka promotes migration through different ways such as bilateral agreements and Memorandums of Understanding (MOUs). However, even with such agreements in place, migrants face many issues related to stages of the migration process; pre-departure, destination, and return.

Lack of access to information is one of the major issues in the pre-departure stage. Most migrant workers rely on informal networks to seek information on job placements. Most potential migrant workers develop networks of returned migrants, as well as with migrants still abroad, to search for information on job opportunities.<sup>9</sup> In fact, migrant women are found to prefer informal channels rather than registered recruitment agencies because of the high cost involved in preparing for migra-

tion. However, informal networks pose significant risks because of the presence of bogus recruitment agencies in the country. The other issue faced by migrants is financing the costs involved with migration, including that of child care arrangements, especially for female migrants. Studies have shown that a majority of migrants mortgaged their agricultural lands to cover their migration cost.<sup>10</sup>

There are different issues faced by migrant workers at the destinations such as violation of human rights, including labour rights, harassment, and abuse at the work place. According to data from the Sri Lanka Bureau of Foreign Employment (SLBFE), in 2010, the majority of complaints related to breach of employment contract (21 per cent) followed by the non-payment of agreed wages (20 per cent). The non-payment of the agreed wage is the most common complaint among female migrant workers (9 per cent) while the breach of employment contract is the most common complaint among male migrant workers (39 per cent). In addition, a consid-

**Figure 9.2**  
**Departures for Foreign Employment by Manpower Groups (1994-2011)**



Source: SLBFE, *Annual Statistics Handbook of Foreign Employment 2010*; CBSL, *Annual Report 2011*.

<sup>9</sup> Ukwatta, S.,(2010), "Economic and Social Impact of the Migration of Sri Lankan Transitional Domestic Workers on Families and Children Left Behind", PhD Thesis, University of Adelaide.

<sup>10</sup> Samaratunga, P., R. Jayaweera and N. Perera (2011), "Impact of Migration and Remittances on Investment in Agriculture and Food Security in Sri Lanka," Institute of Policy Studies of Sri Lanka, Colombo.

erable number of complaints are related to being stranded without employment, sickness, lack of communication, etc. Overall, the percentage of complaints received from male migrant workers are lower than those received by female migrants, which further confirms that females are more vulnerable to risks at destination compared to their male counterparts.

#### 9.4.2 Country Level Issues

Unskilled labour migration is prominent in Sri Lanka's migration patterns. Figure 9.2 shows that both skilled and unskilled labour categories have recorded significant increases in migration for foreign employment. The share of professional and clerical related categories to total departure still remains at very low levels.<sup>11</sup> As mentioned earlier, around 67 per cent of total migrants fall in to the unskilled labour category, where there is a higher probability of vulnerability and lower wages.

Female migrants who seek foreign employment as housemaids overseas are still dominating, although the share has declined sharply from 60 per cent in 1994 to 41 per cent in 2011. The most important point with regard to the gender decomposition of migration is that, in 2010, male migrants dominated all manpower categories, except in the case of housemaids. Male domination is more significant in skilled categories such as professionals, skilled and semi-skilled groups. Contributing to the decline in female migration, besides the higher probability of risks faced by female migrants, is also social issues such as child care arrangements, family breakdowns, and increased alcohol usage by such male-headed migrant households.

The Middle East region continues to dominate the foreign employment market, accounting for more than 90 per cent of total departures from the country. Within the Middle East region Saudi Arabia, Qatar, Ku-

**Table 9.3**  
**Supply Gap by Skills Level, 2009**

Occupation Category	Demand	Supply	Supply Gap	% of Unutilized
Professional	4,798	2,820	1,978	41
Middle level	7,043	6,392	651	9
Clerical & related	16,237	6,706	9,531	59
Skilled	265,453	61,230	204,223	77
Semi-skilled	12,501	6,036	6,465	52
Unskilled	120,034	50,158	69,876	58
Housemaid	356,157	113,777	242,380	68
Total	784,232	247,119	537,113	68

Notes: Supply = Total Departures. There are major limitations in the data pertaining to the demand for jobs from overseas – i.e., the number of vacancies has been artificially increased as the same job order is distributed among a number of recruitment agents in Sri Lanka. Thus, the analysis on supply gap may be an overestimate.

Source: Compiled using data from SLBFE, *Annual Statistics Handbook of Foreign Employment 2009*.

<sup>11</sup> It is important to point out that the data pertaining to professional/high skilled categories are underestimated due to the fact that most such migrants tend to migrate on self-and-settlement bases, as opposed to registering with the SLBFE.

wait, and the United Arab Emirates (UAE) account for 80 per cent of such departures. Saudi Arabia is the major importer of Sri Lankan migrants, compared to the other countries in the region.

The mismatch between the international demand for jobs and its supply capabilities is one of the major issues in Sri Lanka related to the international migration. As depicted in Table 9.3, this mismatch is more significant with regard to skills that are demanded by foreign countries.<sup>12</sup> The highest percentage of unutilized employment opportunities is observed in the skilled level (77 per cent), whilst the lowest is observed in the middle level (9 per cent). It further explains that current demand from overseas is mainly for skilled labour, while Sri Lankan labour migration is concentrated on housemaids and low skilled categories. It is also significant to note that even as the majority of Sri Lankan migrant workers are made up of housemaids, 68 per cent of employment opportunities remained unutilized in this sector.

## 9.5 Way Forward

To address the issue of skills mismatch, the skills of potential migrant workers should be enhanced. The key solution for this is the initiation of training programmes. The 2012 Budget proposals clearly acknowledged the lack of formal training institutes for migrant workers in Sri Lanka. In response, it proposed the enhancement of selected hotel schools and technical colleges into special foreign employment institutes. However, policymakers should consider the local labour market conditions, especially the demand for some skills, when promoting high-skilled migration with the objective of earning more foreign exchange.

Due to the unskilled nature of migrant labour, limited destinations, and demand and supply mismatches, there is scope for Sri Lankan migrant workers to look into new labour markets. Penetration into new labour markets is twofold: searching for new geographical labour markets and searching for employment opportunities, with enhanced skills, in the existing markets. Therefore, both existing and emerging markets should be explored. Existing markets are mainly in the Middle East. Though they have been tapped for a long time, they are not yet saturated. In addition, there are emerging markets in countries like Canada, Italy, Cyprus, Israel, Malaysia, Singapore, and South Korea. Direct government involvement is an important way of penetrating into new labour markets through MOUs and bilateral agreements. Strengthening organizational linkages is another way, whereby Sri Lankan embassies overseas can play a role in promoting Sri Lankan labour in those countries, as well as engaging in the provision of information on job placement and skills requirements in relevant countries.

Protection and welfare of Sri Lankan migrants is a responsibility of the government as there are a number of human rights violation cases recorded. Human rights at the destination countries can be ensured through bilateral agreements between sending and receiving countries. In this aspect, it is important to identify where migrants face the most problems. In 2010, 47 per cent of the complaints were from Saudi Arabia, followed by Kuwait (21 per cent). Comparative figures for total departures for foreign employment reflect the high share with Saudi Arabia and Kuwait carrying about 45 per cent of the total. In Jordan, although the complaints constituted a high share of total complaints (about 9 per

<sup>12</sup> These data have to be read with caution as the demand figures are based on what recruitment agencies provide and there can be duplication of the same job by the provider.

cent), the total departures to Jordan were only 3.5 per cent of total departures. Also, 3 per cent of complaints received are from Lebanon where only around 2 per cent of total departures are recorded. It is important to note here that only around 7 per cent of complaints are recorded in U.A.E where almost 15 per cent of total departures are recorded. In addition to human rights at the destinations, social welfare of the returnee migrants should be ensured as the majority of migrant workers do not contribute to a formal social protection scheme in the domestic economy.

One of the major barriers in planning and management of migration in Sri Lanka is the limited or incomplete statistics on migration. The SLBFE is the most reliable data source, but there are problems. Only those who reg-

ister with the SLBFE are captured in the statistics for temporary labour migration on contract basis, leading to significant underestimates.<sup>13</sup> Therefore, a strengthening of databases should be undertaken through a more integrated data collection mechanism, in association with the Department of Immigration and Emigration and other stakeholders. In addition, developing a data base of trained labour in different vocational training programmes, who are willing to migrate will be valuable. It will allow employers to get an idea of the potential labour supply. The present database of SLBFE captures only departing migrants. However, returnee details should also be collected as a requirement for proper assessment of net migration stock, and for the planning of productive re-integration programmes.

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<sup>13</sup> They are mostly unskilled workers – housemaids, and semi-skilled workers primarily focusing in the Middle Eastern region for employment. As most of the workers in professional, and high skilled categories seek job opportunities directly, and migrate under the general emigration laws of the receiving country, mostly on settlement basis, they do not register with the SLBFE.