HARNESSING INTERNATIONAL MIGRATION FOR BANGLADESH

Lessons from an impact evaluation of a government intermediated migration program

OVERVIEW

MARKET ACCESS

Each year, well over half a million Bangladeshis engage in temporary international migration for low-skilled jobs. Most migrants go to a handful of destination countries. Bangladesh needs to have stable and regular migrant labor flows to a diversified set of destination countries and occupations.

RECRUITMENT COSTS

Migrants from Bangladesh are paying some of the highest costs in the world to migrate. High cost increases debt burden among migrants, which reduces the benefits from migration. Malpractice is also rampant in recruitment. Bangladesh needs to lower recruitment costs and make migration less exploitative.

REMITTANCE AND POVERTY

Remittances from abroad have contributed to poverty reduction in Bangladesh. But the high cost of migration can exclude the poor from migrating and lower the poverty reduction impact even when they do. Bangladesh needs to find a way to make migration accessible to the poor and to increase the poverty reduction impact of remittances.

THE BANGLADESH-MALAYSIA G2G PROGRAM

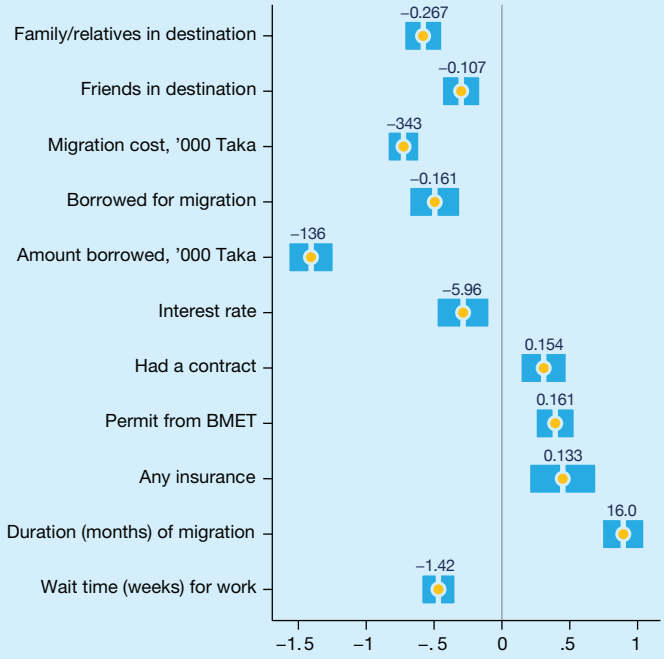
In 2012, the governments of Malaysia and Bangladesh signed a Memorandum of Understanding to recruit about 30,000 male workers, to be deployed in three phases, and to be intermediated completely through a government-to-government (G2G) mechanism. The workers would work in the palm-oil sector in Malaysia. In early 2013, Bangladesh's Bureau of Manpower, Employment, and Training (BMET) started the nationwide registration of interested applicants and received an overwhelming response from 1.43 million applicants. Two randomized lotteries were conducted, the first to select 36,000 winners and the second to classify them into phases 1, 2, and 3 for deployment. Intermediation for phase 1 began promptly. But the program ground to a halt, mostly for not including the private recruitment sector, before the intermediation was applied to all winners. By 2018, about 10,000 lottery winners had migrated, most of whom were winners of phase 1. In 2018, five years after the lotteries had begun, a World Bank study[1] followed-up with a sample of winners and losers of the lotteries in Dhaka, Mymensingh, and Chittagong divisions. Surveys were conducted with 3,512 applicants (or their families when the applicants were absent). By the time of the surveys, 76 percent of the phase 1 lottery winners had migrated, compared to 29 percent of phase 2 and phase 3 winners and 19 percent of the lottery losers, most of whom migrated on their own.

COMPARING MIGRANTS' EXPERIENCE UNDER THE G2G PROGRAM AND PRIVATE CHANNELS

The World Bank study compared the experience of migrants in the G2G program with that of migrants leaving through private channels. As seen in Figure 1:

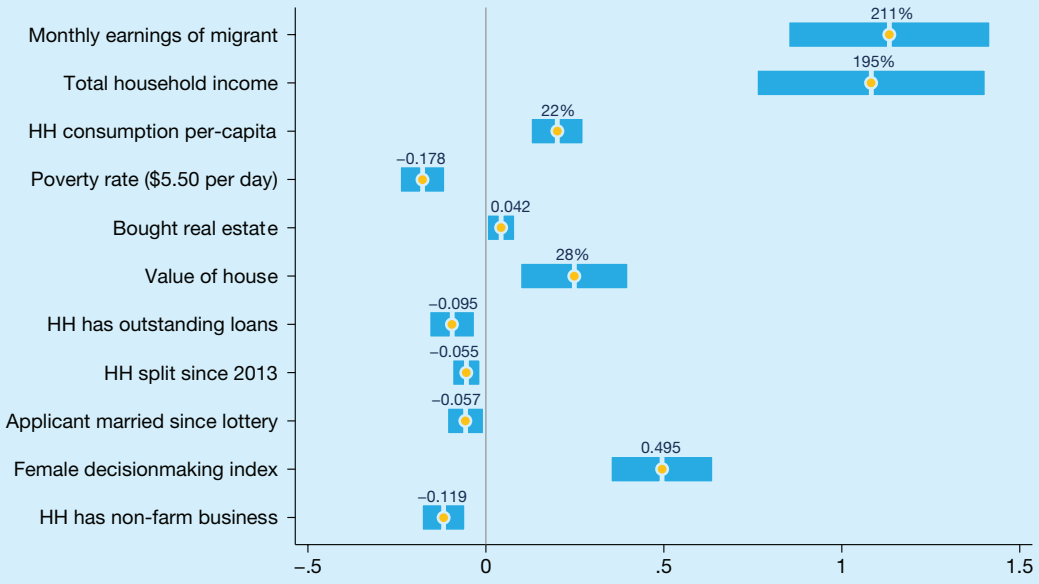
- **The G2G program was better at providing access to migration opportunities to those without social network contacts abroad.** Overall, a quarter of the migration from Bangladesh happens through arrangements initiated by the social network of family, relatives, and friends. Those without such a network are less likely to successfully migrate abroad. Among private channel migrants, 45 percent knew someone in the destination country. The rate was only 7 percent for G2G migrants.
- **The G2G program made migration more affordable.** Overall, migrants from Bangladesh pay an average of around BDT 390,000 to migrate. With the G2G program, migrants paid only BDT 45,000. The lower cost made migration more affordable to poorer migrants.
- **The G2G resulted in a lower debt burden among migrants.** Migrants typically borrow to migrate, with almost a third borrowing from moneylenders at high interest rates. The G2G program reduced borrowing by 16 percentage points (19 percent) and the average amount borrowed by BDT 136,000 (72 percent), and lowered average interest rates by 6 percentage points (40 percent).
- **Due to reduced cost and debt burden, the study estimates that net earnings from a three-year migration, after deducting the cost and interest payment, are 87 percent higher under the G2G program compared to private channels.** For a two-year migration, net earnings from private channel migration are similar to the earnings they could have in Bangladesh.
- **The G2G program ensured uptake of better orientation, training, and more appropriate social protection before migrating.** Compared to private channel migrants, G2Gmigrants were more likely to migrate with necessary clearances, training, orientation, employment contracts,and proper insurance. They were also likely to start work earlier upon arrival and have contracts that allow for extensions.

Figure 1 **Differences in pre-migration experiences between G2G and non-G2G migrants**



Note: Figure shows the impact of G2G intermediation on outcomes indicated in the vertical axis. Sample limited to migrants only. Each point shows the impact in standard-deviation units. The labels next to the point represent the (non-standardized) impact of migration. For instance, G2G migrants were 16.1 percentage points less likely to have borrowed for migration compared to non-G2G migrants. The bars show 95 percent confidence intervals.

Figure 2 **Impact of government intermediated low-skilled migration on selected outcomes**



Note: Figure shows the impact of migration on outcomes indicated in the vertical axis. Each point shows the impact of migration on the outcome in standard-deviation units. The labels next to the point represent the (non-standardized) impact of migration. The bars show 95 percent confidence intervals.

HH = household.

THE OVERALL IMPACTS OF G2G MIGRATION

In addition to comparing G2G migration with migration intermediated by private channels, the study assesses the absolute impact of G2G migration on migrants and their families. The impact of migration measured by the study represents the combined effects of government intermediation and access to employment abroad.

As seen in Figure 2, G2G migration:

- **leads to substantial income gains for migrants, which in turn increases household income and living standards.** Migration increases migrants' income by about three times and doubles their household income, mostly through increased remittances. Consequently, household consumption per-capita increases by 22 percent. The household lives in a better home and is more likely to have purchased land. Poverty, measured at higher poverty lines, falls drastically.
- **reduces indebtedness and increases financial security.** Though migrants borrowed to migrate, they have paid back their loans. Households of migrants are 10 percentage points less likely to have outstanding loans, putting them in more secure financial condition, with better access to funds in case of need.
- **empowers women.** Migration of male members increases the role of women in the households. They are more likely to be a household head and have a greater role in household decision-making.
- **increases investments in the human capital of children, but lowers household entrepreneurial activities.** Migration increases educational expenditures on children, particularly on girls, by 20 percent. However, the absence of migrants – who tend to be more entrepreneurial – lowers household investments in entrepreneurial activities. There are some indications that once the migrants return, such investments are likely to increase.

Photo courtesy to IOM.

POLICY RECOMMENDATIONS

The study demonstrates the large benefits of low-cost temporary international migration for low-skilled work. This highlights the important role that the Government of Bangladesh has to play to increase access to such opportunities, make it more affordable and accessible, and make it an effective tool for poverty reduction. To achieve this, the government needs to:

i. **Increase access** to migration opportunities for more people through bilateral agreements with more countries and in more occupations. Successful agreements are likely to be those that are also beneficial to the destination countries. Targeting occupations in the destination countries where the local supply of labor is scarce and where the demand for certain services is increasing would be an effective way to increase the migration of workers from Bangladesh.

ii. **Lower the cost** of temporary international migration. The gains from migration estimated in the study resulted from the lower costs of migration under the G2G program. To ensure such gains from migration, the government needs to take active steps in lowering the costs. Further studies on various ways to lower costs, including learning from international experiences, will be essential to identify the right mix of policy options that suits the current context. Government and civil society/ NGO-provided recruitment alternatives – possibly targeted to specific populations – alongside robust and well-regulated private recruitment, could potentially be effective in achieving the objective.

iii. **Offer affordable financing options,** in combination with lower costs, for the poor, who are likely to benefit the most from migration. Migration costs, even under a government intermediated program, might still be a barrier for the poor. Introducing affordable financing options, including options where poor migrants pay from their earnings abroad, can improve their access to migration opportunities. Such financing schemes, when combined with lower costs as well as other services to the migrants and their families, can drastically improve the poverty reduction potential of international migration.

REFERENCES

[1] Shrestha, M., Mobarak, A. M., & Sharif, I. (2019). *Migration and Remittances: The impacts of a government intermediated international migration program.* World Bank.

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