

## The Analysis of International Migration towards Economic Growth

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**Abstract: Problem statement:** This study discusses the analysis of international migration towards economic growth in Bangladesh. International migration refers to the cross-border movement of people from a mother country to a location outside that mother country, with the purpose of taking up higher income employment, better living conditions, higher education get access to civic amenities and conducting a daily existence there for an extended period of time. The exports of labor, human capital, play a major role to minimize the poverty level in Bangladesh. In the last four decades, Bangladesh exports the huge number of labors abroad for economic growth through remittances. Remittances affect poverty eradication most directly by increasing the income of households which have a family member working abroad. Because income from remittances is usually larger than that which could have been earned by migrants they stayed at home. **Approach:** The aim of this study is to highlight the policy implications for the maximization of international migration and the analysis of economic growth in Bangladesh. The data for analysis is perceived from the secondary sources. The significant manipulations for acquired data are migration of employment and remittances for economic growth in Bangladesh. **Results:** Migration contributed for the development of macro and micro level in Bangladesh. **Conclusion:** There would be potential benefits to world's poor if more international attention were focused on integrating migration policy to within the larger global dialogue economic development and poverty reduction. Strong institutions and good policies will enhance the benefits of human capital migration for Bangladesh.

**Key words:** International migration, remittance, economic growth, micro-macro development, political economy, human capital, Economics of Labor Migration (NELM), capital migration

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### INTRODUCTION

Globalization and migration are connected through a political economy of foreign labor demands in services and other divisions of labor (Orozco, 2002). Worker remittances are defined as that quantity of currency that migrants earn abroad and then send home to their families and communities (Kane, 1995). The relevant roles of Aid, Investment, Trade and Remittances are considered in a general manner for the last two decades, there are two ways in which the contribution of remittances can be seen as becoming dominant source. The first is the fastest growing source of incomes comes from outside and the second that it is more effective than the other potential sources of

outside funds, in terms of its capacity to directly eradicate the poverty. We can say that the level of remittance flows has been increasing far more rapidly than Aid and other international assistance mechanisms.

The previous time economic theories refer it is just as labor force, one of the factors of production and considers it is a fungible resource standardized and easily exchangeable. Other conceptions of this labor mete out with these hypotheses. Smith argued that the productive power of labor is both reliant on the division of labor. The greatest development in the productive powers of labor and the greater part of the skill, dexterity and judgment with any where directed, or apply, appear to the things of the division of labor. There is a multipart connection between division of labor and the human capital.

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For the well-known application of the human capital in economics is that of Mincer and Gary Becker of the Chicago School of economics. In this observation, human capital is similar to physical means of production, such as factories and machines: one can invest in human capital via education, training and medical treatment. One must remember that the ability to have mobility with regards to where public wants to move and work is a part of their human capital. The benefit of having human capital is able to move from one area to another area. Transatlantic migration has also grown, as is the case of people of Bangladesh, India and Pakistan going to Europe and the United States, or those of the Dominican Republic, Ecuador, Guyana and Jamaica moving to Europe and the United States. Conservative estimates indicate that every year there are about 200 million people migrating around the world (Nigel, 2002). This number is significant and indicative of broader changes in the global context. Because of globalization, people are able to travel longer distances and reach more countries. As costs decline because of increased travel, globalization is further affected by migration.

It is now well documented that migrants' remittances represent a significant part of international capital flows from labor-scarce, richer economies to labor-exporting, less developed countries. However, there remains an inadequate understanding as to how the often voluminous migrant remittances are used and to what extent they contribute to the development of the migrant's country of origin. Learned personnel often migrate from underprivileged countries to prosperous countries looking for prospect. This movement has encouraging sound effects for both countries: prosperous countries gain an influx in labor and labor surplus countries receive capital when remittances send back by migrants. The loss of labor in the origin country also increases the wage rate for those who do not emigrate. When human capital migrates, their early experiences and learning generally benefit the country where they migrate. When they have retired or health problems, their care and retirement pension will typically be paid by the new country.

It is well known that at micro level, remittances are a major source of household income for a majority of the recipient families in developing countries. The major portion of remittances is mainly making use for daily expenses on food, clothing, health care, education and basic needs for sustenance. Some portion of these remittances are also spent on construction of new houses or repair of existing houses, purchase of land, cattle and consumer goods such as refrigerators, televisions, air-conditions, washing machines and other

electronic appliances. Yet a fraction of remittances is saved and used for investment purposes like starting a small enterprise and other income and employment generating activities with multiplier effects. A significant number of labor migrants residing in northern European countries has, over the years, returned their savings as remittances to their country of origin either as a supplementary source of income to family and relatives or to start new businesses in their country of origin while, on the other hand, some other migrants are trying to raise loan capital to start new businesses in their country of residence (Shahamak, 2010).

Alam *et al.* (2011) depict the impacts of migrant remittances are not touch just the macro economic factors and the dependents of the migrants in home countries. They influence the social structure in terms of life standards, rural financial and trade activities and income consumption levels of the people of particular community both actively and passively. Many recipient families get rid of extreme poverty situation, at least marginally. Studies about remittances have often focused on their wealth generating capacity through savings and investment (Richard and Adams, 1998) the factors influencing their flow (El-Sakka and Robert, 1999) and their effects on the recipient economies at the household level (Arif, 1999). In synthesis, remittances can be analyzed within the context of the relationship between development and migration in a three prong manner: (a) remittances as another source of foreign savings; (b) remittances as an illustration of a broader process of integration into the global economy through migration specifically, in what I refer to as the 'Five Ts' of integration, namely, telecommunication, transportation, transfer of remittances, tourism and homesick trade (Orozco, 2003) and (c) remittances as an enabling factor of growth.

## MATERIALS AND METHODS

**Data attainment:** The study is conducted in National University of Malaysia (UKM), Bangi since July 2009 to April 2011. The data for analysis is perceived from secondary sources in Bangladesh. The significant manipulations for acquired data are international migration and remittances growth. The corresponding outcomes are demonstrated from the analysis of collected data.

**Migration:** The New Economics of Labor Migration (NELM) define the international migration as an instrument that households use to overcome market failures. A household makes an investment by sending a family member to work abroad, which is recovered

when the migrant's get there remittances. These remittances compensate credit, weakly functioning local markets for capital or for absent and futures. Who leaves a place for any permanent change in residence is migration. It can have significant positive impacts on household well-being and economic growth through improved income opportunities, knowledge transfers and increased integration in the global economy (GEP, 2005).

**Remittance:** Transfer of money by a foreign employee to his or her origin country is called remittance. Money sent back to home country by migrants in many developing countries constitutes the second largest monetary inflow, exceeding worldwide aid. Remittance transfers can also support to financial services for the sender and recipient, thereby increasing financial and social inclusion. Remittances also encourage, in the receiving countries, a further economic dependence on the global economy instead of building sustainable, local financial system. The economies in many countries are playing huge role by the remittances, contributing to economic growth and to the livelihoods of developing people. Remittances have various functions and roles for example (Sarker, 2007) focuses on structural changes of remittances in Bangladesh. It is strongly opined in the Global Economic Prospects 2006 (GEP, 2006, WB ) that remittances have given rise to a decline in the poverty headcount ratio by 6 percentage points in Bangladesh during 1990-2006. Study by Hyder (2002) on remittance inflow to Pakistan shows that higher premium in the kerb market causes a detrimental effect on remittance. The study also identifies level of efficiency and speed of transaction as important variables in explaining remittance behavior. Ray *et al.* (2007) show immense potentialities of remittance inflow in Bangladesh.

**Economic growth:** The possibility of analyzing the role of remittance flows in economic growth and development is relatively easier to do in an aggregative quantitative sense than it is in the way in which it affects particular countries groups, individuals and their families. Overseas employment and workers' remittances contribute significantly to the economic development of Bangladesh through reduction of unemployment, enhancing gross national income and augmenting foreign exchange reserves. Bangladeshi migrant workers constitute 6.5% of the present labor force within the country (World Bank, 2007). Glytsos (2002) found in his study of five countries experience that there were significant macro-economic effects for all countries studied and that these were positive more often than they were negative. Remittance generates remarkable benefits for the home country economy in terms of macro and microeconomic impacts.

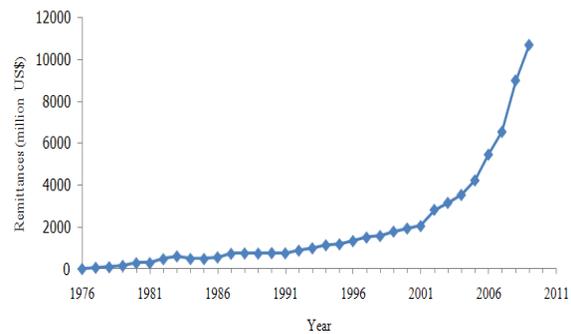


Fig. 1: Total Remittances from 1976-2009 Source: Foreign Exchange Policy Department, Bangladesh Bank

The remitters, most of whom were once unemployed in the home country, are now getting employed in the host country and on the other hand, the inward remittance is causing employment generation domestically by reinforcing national savings, capital accumulation and investment. Over and above the employment aspect, many other key macroeconomic variables in Bangladesh such as growth, poverty reduction, social security, BOP situation have proven to be significantly positively related to remittances (Bruyn and Kuddus, 2005).

The overseas employment and remittances have been discussed in this paper. The total remittances of Bangladesh \$68625.03 million or 398924.31 crore taka from 1976-2010 are presented in Fig. 1. The total remittances of Bangladesh were \$23.71 million or 35.83 crore taka in 1976, \$781.54 million or 2691.63 crore taka in 1990, \$1954.95 million or 10199.12 crore taka in 2000 and \$950.92 million or 6570.42 crore taka in 2010. This table shows that the total remittances gradually have increased from 1976-2009.

**Micro-macro development:** A study conducted at the beginning of the decade looking at migrants from Bangladesh, put the proportion of families economically benefiting at a figure of 56%, with 26.5% as losing and some 15.5% unclear (Siddiqui, 2001). She told that a significant number are not clearly benefiting, possibly the rosy picture is not entirely warranted, especially in times of recession and returning unemployed migrants. However, many of the critics of migration from developing countries are potentially more concerned with the feared impact on the receiving country rather than truly concerned with the impact on the society of the sending country.

## RESULTS AND DISCUSSION

The employment of Bangladesh engages in a lot of countries. The Bureau of Manpower, Employment and Training (BMET) of Bangladesh started keeping the record of international migration and remittances since 1976. Approximately 6802083 Bangladeshis were migrated to different countries around the world during 1976-2009. Figure 2 demonstrates the Country wise overseas employment. It shows that the highest employment is in United Arab Emirate of the total overseas employment. The maximum overseas employment were 875055 in 2008. The employment were 6087 in 1976, 103814 in 1990, 222686 in 2000 and 60896 in 2009.

There has been a steady movement of highly trained professionals; highly skilled is called elite migration. These migrations are not only headed towards developed countries, but also to some developing countries like the oil-producing countries of Western Asia, where a demand for skilled labor has emerged since the 1970s (David *et al.*, 2000).

From Fig. 3, it can be seen that 50% of total migrant workers are less skilled. It seems unlikely that there are associated costs, especially due to brain drain and shortage of critical skills. As of March 2010, 6.8 million Bangladeshis were working as migrant workers abroad and over a quarter million Bangladeshis join the migrant work-force every year.

This figure excludes the large Bangladeshi Diasporas in the United Kingdom and North America. However, over 94% of our temporary labor migrants live in eight countries of the Middle East and South East Asia. Saudi Arabia alone accounts for 46.71 % of our labor force working abroad and contributes about 29% of total remittances. There are 1.05 million Bangladeshi diasporas living abroad permanently either as citizens or with other legal papers. One of their major contributions is in the form of remittances (Siddiqui, 2004). Originating from the Greek word, dispersion, the term Diaspora stands for the migration people. There has been seen some categories overseas employment is presented in this figure from 1976-2009. It can be seen that 181336 professional overseas employment which is 3% of the total overseas employment, 2090142 (31%) skilled, 1081853 (16%) semi-skilled and 3377943 (50%) less-skilled and unskilled of the total overseas employment including masons, carpenters, technician, followed by electrician and mechanics.

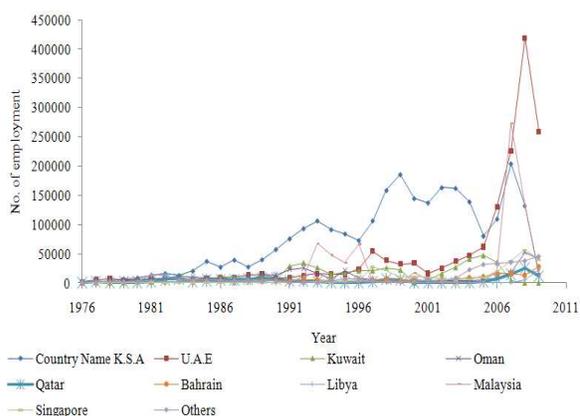


Fig. 2: Country wise overseas employment (major country) from 1976- 2009 Source: Modify from BMET (Bureau of Manpower, Employment and Training), this Table includes the number of employees get clearance from BMET



Fig. 3: Category wise overseas employment from 1976- 2009 Source: Modify from BMET (Bureau of Manpower, Employment and Training)

## CONCLUSION

The remittances play a major role in the growth of the economy by achieving macroeconomic stability and satisfying the consumption needs of the receiving families. International migration has a strong impact on poverty alleviation and radically contributes to improve the living standards of the recipient households and economic growth of the origin countries. Migrants also contribute to the development of receiving countries by transferring and infusing knowledge, skills and technology. International migration takes on greater relevance because of the significant volume of remittances worldwide. To many, remittances have become a stable source of finances (Ratha, 2003).

Considering the effects of global village concept and future potential demands of our workforce by the rich, wealthy and developed countries, we should not consider our huge population as a burden of the nation. Proper planning, education, human resources development, a pragmatic manpower export policy, economic diplomacy, vision and mission may turn our population into our greatest wealth which may be exported in terms of millions. It can be said confidently that the manpower export sector alone can alleviate poverty to make Bangladesh a self-reliant nation.

The ILO Director-General (ILO, 1997) told that neither their constitutional procedures nor their regular technical cooperation activities have had more than very limited success in reducing the daily and widespread exploitation of migrants.

**Recommendations:** There are some Recommendations for maximize the quantity of overseas employment and proper invest of the remittances as well as benefits for the country:

- Foreign currency should be issued at the market rate to the recruiting agents on the basis of their year-wise performance for the development of labor market abroad and for the procurement of Demand Letters/Visas for Bangladesh workers which may, in turn, discourage hundi system
- Mass awareness campaign for educating the would-be expatriates and for creating awareness amongst the concerned people about legal and healthy way of migration with reasonable migration cost should be initiated
- Agency (Middleman) should be eliminating in the visa procurement procedure and recruitment process of workers that will down the migration cost. Unethical competition should be stopped amongst the recruiting agents
- Budgetary allotment by the government for this vital sector of our national economy in recognition of the involvement of this sector in the socioeconomic development of the country and for the exploitation of this sector to its optimum level should be made as per requirements
- Measures to formalize irregular migration and to reduce the cost of migration
- Economic trends in labor markets and measures to increase competitiveness
- Measures to improve the outreach of the Bangladeshi government and businesses to migrants in host countries
- Demand and supply of financial services and innovations in such services
- Find out and make under law for the unscrupulous individuals and syndicates those having no Recruiting license, it can be reduce the Exploitation and Cheating of the world Migrants.
- Carrying of different diseases by the expatriates into the country after overseas employment
- Undertake a survey of existing skills of human resources as well as skills that are in high demand abroad
- Ensure quality education and training of the workforce, which are required for penetrating the lucrative markets of OECD countries. The roles of the government, civil society and NGOs are important in this regard. Set up internationally accredited training facilities in Bangladesh and train manpower locally before exporting to destination countries
- Conduct national level skills assessment for prospective migrants by the competent authority.
- Send as many Bangladeshi students as possible to various vocational, technical and professional schools abroad; and
- Encourage and facilitate already migrated Bangladeshis to seek admission in overseas schools /colleges/universities for acquiring new skills
- As the leading International Organization for Migration (IOM) may assist in upholding the human dignity and well-being of migrants and Diasporas
- The Bangladesh missions abroad may work in close cooperation with the Bangladeshi community and IOM in establishing a working group for performing as an efficient vehicle in the process.
- The government may provide guidelines for use of remittances in the productive sectors of the economy
- The database of BMET may contain information about returnee migrants. It may also serve as a central portal for information on programs and services available with the government as well as with private agencies for the reintegration of returnees
- Banks, MFIs and NGOs may come forward with credit and other services for the reintegration of returnees
- The government may consider establishing Expatriates' Welfare Bank with the money available with BMET from the contributions of prospective migrants

## ACKNOWLEDGEMENT

Financial assistance provided by the Operasi Universiti Project (OUP), Institute for Environment and Development (LESTARI), National University of Malaysia (UKM), 43600 UKM, Bangi, Darul Ehsan, Selangor, Malaysia is gratefully acknowledged.

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