Overseas Employment of Bangladeshi Workers: Trends, Prospects, and Challenges

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Abstract

Key Messages

- Overseas employment of Bangladeshi workers is a major source of employment and is likely to remain so in the near future.

- Migration flow is positively correlated with gross domestic product growth in Bangladesh and the long-term trend has continued to be positive for more than 2 decades as economic growth has accelerated.

- Migrant workers’ remittances to Bangladesh are a significant source of foreign exchange, second only to ready-made garments.

- High costs of migration brought on by high recruitment fees and charges by intermediaries make access to migration opportunities highly skewed in favor of the upper-income groups.

- Bilateral agreements between the sending and receiving countries, the recognition of skills of migrant workers, and the governance of the recruitment process and deployment of overseas workers are critical factors to further support overseas employment in Bangladesh.

Keywords
Bangladesh, overseas employment, migration, income, recruitment

Comments

Suggested Citation

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Introduction

The growing importance of overseas employment for the Bangladesh economy is clearly evident. Remittances rose to over $15 billion in 2015 or about 8% of gross domestic product (GDP)—up from less than $2 billion in 2000—and have become a major source of foreign exchange earnings, second only to ready-made garments. As such, remittances contributed 61% of the recent foreign exchange reserve buildup in 2014–2015. Overseas employment itself represents over one-fifth of the annual addition to the country’s total labor force and over half of additional manufacturing jobs created in recent years. Close to half a million people found jobs abroad every year from 2012 to 2014.

Recognizing these contributions to the economy, Bangladesh must examine the trends and their impact, and the related policy questions affecting overseas employment and workers’ remittances such as

• sustainability as an employment source for workers, women in particular;
• training and keeping a skilled workforce;
• matching skills demand in major destination countries with the skills of Bangladeshi workers;
• the associated high costs of labor migration for prospective workers;
• safeguarding the rights of workers; and
• strengthening the governance of migration.

This brief (i) reviews trends, determinants, and the impact of overseas employment; (ii) examines the prospects of overseas employment of workers; (iii) looks at issues relating to the skill composition of migrant workers and possibly matching skills to those needed in destination countries; (iv) explores the rights and welfare of migrant workers; and (v) recommends ways to address key concerns.
TRENDS, DETERMINANTS, AND IMPACT

Bangladesh workers first began significant emigration in the 1960s when the United Kingdom opened its doors. But short-term migration for employment is said to have started in the 1970s, picking up pace by the end of the 1980s. Momentum quickened again during the 2000s, with a sharp increase in the flow in 2005, but this was short-lived. In recent years, the number of workers going abroad hovered roughly around half a million annually (Figure 1).

Key destination countries include Bahrain, Kuwait, Malaysia, Oman, Qatar, Saudi Arabia, Singapore, and the United Arab Emirates. After 2007, the mix of these countries for workers from Bangladesh has changed, with a sharp decline in the flow of workers to Kuwait, Malaysia, and Saudi Arabia. This contraction was counterbalanced to some extent, however, by a rise in the flow of workers to Lebanon, Oman, Qatar, and Singapore. By 2005, the eight major destination countries accounted for over 95% of the flow, with nearly 60% unskilled employment. By 2014, the share of workers received in these countries declined to 74%, with the remaining migrant workers finding employment in other countries, doubling from 13% in 2005 to 26% in 2014.

In the past, female migrant workers from Bangladesh accounted for a small and negligible proportion of the total, but the annual trend rose consistently from 2000 to 2012. In 2014, the number of female migrant workers more than doubled to 76,000 from only more than 37,000 in 2012. From 2000 to 2015, Jordan and Lebanon were the major destinations for female workers—more than 50% engaged in domestic work and about 10% in garment factories or related work.

By skill composition, the unskilled constitute the largest number of Bangladesh workers, at 45% in 2014, bringing it back to the 1990 and 2005 average after it surged to 73% in 2010 and declined to 62% in 2012 (Figure 2). The share of skilled and semiskilled declined...
in 2014: 45% to 23% for skilled, 10% to 3% for semiskilled, and 0.07% to 0.01% for professional. For women, data before 2005 are not available; data from 2005 to 2014 reveal more unskilled migrant workers, at 67%, compared with 55% for men.

Economic, demographic, and social factors are among the key factors influencing the flow of overseas migration of workers. Migration flow is positively correlated with GDP growth in Bangladesh (World Bank 2012) and the long-term trend has remained positive for more than 2 decades as economic growth has accelerated. This steady flow of overseas employment, despite economic progress, suggests other factors at play, including employment opportunities at home and expected higher earnings in countries with demand for migrant workers.¹

It is worth examining whether migration is induced by poverty in Bangladesh, although this does not imply that the poor benefit more from migration than upper-income groups. The associated high costs of migration brought on by the imposition of expensive recruitment fees make access to migration opportunities highly skewed in favor of upper-income groups. Other costs and potential risks, such as payment to intermediaries at various stages of the recruitment process, increase the burden of prospective migrant workers. Those from lower-income groups, therefore, potentially find themselves using illegal channels to migrate abroad, leaving them more prone to abuse and violence, particularly for women.

World Bank (2012), using data from the 2012 Household Income and Expenditure Survey, provided more insight into the influence of age and education on migration. Both relationships are found to be nonlinear, implying that, up to a certain age (43.3) for Bangladesh, the probability of migration increases and then declines. In education, the probability of migration increases up to 10.5 years of schooling and then declines. In effect, this further suggests that those over age 40 and with university education are less likely to migrate than younger and less-educated workers. A Bangladesh Bureau of Statistics survey in 2013 revealed that although nearly 30% of female migrants are less than 25 years old, compared with 20% of male migrants in that age bracket, most of the migrant workers, regardless of gender, have less than a secondary school certificate.

The impact of overseas employment at the macro level cannot be overstated. Migrant workers’ remittances to Bangladesh are a significant source of foreign exchange—as noted, second only to ready-made garments. Figure 3 shows a steady increase in foreign exchange reserves, which is partly supported by an almost continuous rise in the flow of remittances since 2005. At their peak in 2012–2013, remittances accounted for 77% of foreign exchange reserves, falling to 61% in 2014–2015. These reserves allow increases in imports without necessarily putting pressure on exchange rates.

Remittances also have a positive impact on the balance of payments and help offset deficits in the balance of trade in goods and services. Figure 4 shows the chronic deficit in the trade balance and in the balance of services and net income in Bangladesh. Except for 2014–2015, the deficit has been offset by private and official transfers, with a net positive result.

Overseas employment is also important in easing the pressure on the domestic labor market. With about 1.8 million people entering the labor force annually during the 2000s, the current rate of economic growth in Bangladesh has not been able to create

¹ Ullah (2012) supports this observation, finding that the flow of migration is influenced, among other things, by the per capita income of the sending countries relative to that in the destination countries.
employment quickly enough to fully absorb new workers. On the other hand, the annual flow of migrant workers represents about 22% of this additional labor force annually. Taking into account the multiplier effect generated by the inflow of remittances and investment in economic activities by the receiving households of remittances, the contribution of overseas employment becomes quite considerable.

At the micro level, the contribution of migration to poverty reduction is notable, with remittances boosting household consumption and savings significantly. The World Bank (2012), using the Household Income and Expenditure Survey 2010, showed that the monthly income, consumption, and savings were on average 82%, 38% and 107% higher, respectively, for remittance-receiving households than households not receiving. In the same year, only 13% of remittance households were below the poverty line, compared with 34% in non-remittance-receiving households.

On the use of remittances, the 2014 Bangladesh Bureau of Statistics survey revealed three primary expenditures: food (39%), land purchases (17%), and loan repayments (9%). Education and health accounted for 4% and 5%, respectively. Data on savings and investment by remittance-receiving households showed that 57% are savers and 25% investors, largely in purchases of land and construction of houses, while only about 7% invested in businesses.

The results of small-scale surveys on the impact of remittances on education and health are unclear and mixed. Mamun and Nath (2010) reported a similar pattern of spending remittance income as Bangladesh Bureau of Statistics reports in 2014, finding allocation to education and health later in the order of the list of expenditures. On the other hand, World Bank (2012) cited that an International Organization for Migration survey found that allocation to education and health preceded the purchase of land and construction of houses. This is supported by Kumari and Shamim (2010) who find that female migrants attach higher priority to education and health. It also underscores the contribution of migration to the empowerment of women—both as migrants and family members left behind, through the decision-making roles they play in household affairs, particularly on the education and health of children and in running economic activities.

**PROSPECTS**

Figure 1 presents the number of Bangladeshi migrant workers from 1990 to 2015. Projections from this trend for 2020 yield a figure of almost 650,000, assuming that the current overseas employment trend continues. The sharp increase in 2007 and the sudden decline in 2008 of the number of migrant workers are treated as exceptions and under such an assumption would yield 590,000 in 2020. The changing mix of destination countries of Bangladeshi workers for overseas employment adds to the complexity of projections.

Many factors will help shape the future landscape of overseas employment for Bangladeshi workers. These factors will include the needs of prospective migrant workers, nature of bilateral relations of the sending and receiving countries, potential skills of migrant workers, and the governance of the recruitment process and deployment of overseas workers. The significant restriction of countries, such as Kuwait, Malaysia, and Saudi Arabia on migrant workers from Bangladesh illustrates this point—while these countries still need expatriate workers, they continue to recruit from other countries.²

On the other hand, with strong incentives to emigrate, such as kinship and other networks in receiving countries, the presence of reliable and reputable recruitment agencies, and a proactive and facilitating attitude of the government can help strengthen the country’s potential to increase overseas employment. Bangladesh continues to tap labor markets in Bahrain, Oman, Qatar, and Singapore, while those in Kuwait, Malaysia, and Saudi Arabia, may be revitalized.

**MATCHING SKILLS**

The current major destinations of Bangladesh migrant workers include Bahrain, Kuwait, Oman, Qatar, Malaysia, Singapore, Saudi Arabia, and United Arab Emirates. Jordan and Lebanon are key destinations for female workers. Skilled workers dipped from 45% in 2005 to about 23% in 2010. The trend of skilled workers increased after 2010, the share in 2014, at 35%, has not yet recovered compared with the 1990 to 2005 average of 39%.

The skill composition of workers from a sending country to a destination country depends on various factors, and countries employing foreign labor usually associate particular occupations and skills with specific countries or origin. Recent studies by Kanapathy (2015), Kolb (2014), Rumani (2014), Weston (2014), and ILO (2014), on potential demand for workers, offer significant insight into enhancing overseas employment policies and strategies in Bangladesh, as shown in Table 1:

Bahrain, Lebanon, Oman, and Singapore are among key destination countries to which Bangladesh has supplied labor, workers, private service, construction workers, farmers, cooks, drivers, tailors, waiters, and salespeople from 2005 to 2012. But prospects for labor demand from these countries are still not known.

² ILO (2015, 10): “This reduction is the result of the imposition of restrictions by the Saudi Government on Bangladeshi workers due to the large number of migrants already in the country, a number that exceeded the quota set by the Saudi Government. In addition to this, a large number of migrants going to the country through illegal channels have influenced the decision of the Saudi Government. However, with the existing Bangladeshi migrants there, Saudi Arabia is still the largest source of remittances for Bangladesh, making up 22 per cent of the total remittance inflow between January and July 2014.”
Table 1: Labor Market Needs and Potential Opportunities for Bangladeshi Migrant Workers in Key Destination Countries

<table>
<thead>
<tr>
<th>Destination Country</th>
<th>Skill Type Supplied by Bangladesh in 2005–2012</th>
<th>Growth Trends and Labor Market Needs/Considerations in Destination Country</th>
<th>Potential Opportunities or Bottlenecks for Migrant Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>Labor (unspecified), agricultural workers and farmers (unspecified), construction workers, drivers</td>
<td>Manufacturing, trade, and services are sectors that have higher growth potential, while growth of construction sector is likely to taper off Employers appear to have a high degree of confidence in training programs in the Philippines and, hence, more likely to recruit workers with high-level skills for trade and service sector but without such perception about the construction sector</td>
<td>Skills and occupations on greater demand are technicians and higher-level skills for manufacturing, qualified professionals in education, health, retail trade, construction workers</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Labor (unspecified), worker (unspecified), private service, construction workers, cook, driver, cleaner, machine operator, tailor, salesperson, agricultural workers</td>
<td>Construction, real estate, tourism and hospitality, manufacturing and logistics, education and health care are among the sectors likely to grow rapidly, with significant rise in expected demand for qualified personnel</td>
<td>However, no new visas have been issued for workers from Bangladesh since August 2012</td>
</tr>
<tr>
<td>Kuwait</td>
<td>Labor (unspecified), cook, driver, houseboy, salesperson, welder, technician (unspecified), cleaner</td>
<td>Growth sectors include oil capacity, utilities, infrastructure (including residential), and services especially health care and education</td>
<td>No recruitment of Bangladeshi workers has been made by Kuwait in the past 5 years</td>
</tr>
<tr>
<td>Qatar</td>
<td>Labor (unspecified), construction workers, cook, driver, fitter, foreman, private service, engineer</td>
<td>In preparation for hosting of the 2022 Soccer World Cup, sectors likely to grow at high rates include construction, hotel and restaurants, and services</td>
<td>More workers to deliver these services and run the newly constructed facilities effectively are expected</td>
</tr>
<tr>
<td>Jordan</td>
<td>Garment workers</td>
<td>Construction sector and garments industry are considered growth sectors</td>
<td>More construction and garment workers</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>…</td>
<td>Construction (including skills in civil engineering, masonry and carpentry), domestic and care work, housekeeping in hospitals are among the sectors where foreign labor is employed</td>
<td>More domestic and care work, construction workers and housekeeping in hospitals</td>
</tr>
</tbody>
</table>

... = data not available.

Table 1 shows demand for a broad range of skill categories—-with high-level technicians for manufacturing and professionals in the service sectors at one end, and workers in construction and maintenance that require very little skill at the other. ILO (2015) comprehensively sums up the main determinants for low-skilled labor from South Asian countries: price (wages), availability, general health and physique, connections, recruiter catchment area, and other criteria such as perceptions about attitudes and behavior as well experiences of certain nationalities. Education and skill levels, as well as their occupations before migration, play a subordinate role.

As such, it may not be easy for Bangladesh to attain a desired skill or occupational composition of its migrant workers. However, a supply-side intervention such as skills training will be an essential first step to achieve this. Exploring measures in changing stereotypes about perceptions, and considering bilateral negotiations and agreements may be useful in promoting Bangladesh as a potential supplier of skilled workers. Such measures will be desirable because of the higher wages expected and the ensuing potential higher remittances. However, promotion of skilled workers is not without costs, which are usually borne by the government through subsidized training facilities in the public sector.

RIGHTS AND WELFARE OF MIGRANT WORKERS

The Government of Bangladesh has initiated efforts to address problems confronting its labor migration process. The Ministry of Expatriates’ Welfare and Overseas Employment is the highest government body entrusted with the responsibility of migrant welfare and overseas employment. In addition, the Bureau of Manpower, Employment and Training (BMET), the agency responsible for regulating the process of overseas employment, has arranged for district employment and manpower offices to
provide migration-related information to workers and families. A Wage Earners’ Welfare Board under the BMET is mandated to provide various services to migrant workers, which include predeparture briefing, scholarship for workers’ children, and assistance in repatriation cost of deceased migrants. An expatriate welfare bank, the Probashi Kalyan Bank, has been set up to provide credit for meeting migration costs, assist in the smooth transfer of remittances at low cost, and encourage investment in productive sectors. Bangladesh also has bilateral agreements with Kuwait and Qatar and memorandums of understanding with Hong Kong, China; Jordan; the Republic of Korea; Libya; Malaysia; the Maldives; Oman; and United Arab Emirates.

Yet, serious challenges remain, especially in the rights and welfare of migrant workers. Siddiqui (2005) noted that institutional arrangements to ensure the rights at work for Bangladesh migrant workers are poor, most labor-receiving countries not having ratified the international instruments on the rights of migrant workers. Siddiqui posited that even at the country level the enactment of various laws since 1976 has failed to reduce the exploitation of potential migrants, even in accessing work. ILO (2010) noted that migration is beset with abuses and exploitation that include high costs and fees, attachment to a stipulated employer, and divergence between contractual obligations and real conditions at work. Workers with low education and no skills, and women especially as domestic help, are particularly vulnerable.

Wickramasekara (2014) noted that in 2008 the actual cost incurred per migrant going to the Middle East was highest in Bangladesh. In GDP per capita, the cost in Bangladesh was 4.5 times higher than the Philippines and Sri Lanka, whose costs were only 0.5% and 0.25% of GDP per capita, respectively. The sharp differences in the cost of migration to similar destination countries imply differences in the effectiveness of the administration of migration. Almost 60% of the cost in Bangladesh is accounted for by so-called intermediaries (acting as facilitators), 18% for “helpers,” and another 10% for agency fees.

While there are international conventions aimed at protecting the rights of migrant workers, such as the ILO and the United Nations Convention on Migrant Workers, and the ILO Multilateral Framework on Labour Migration (ILO MFLM), many destination countries are not parties to such agreements. The absence of ratification itself is an indicator of the poor situation.

Receipt of a formal contract by the prospective migrant worker before departure is a basic element under the ILO MFLM. Yet, either the contract is absent or the contract offered before departure is substituted, as more commonly practiced, with an inferior one offering lower wages, other work conditions, and charging of fees.

In negotiations of bilateral agreements, prevention of abuses and fraudulent practices in recruitment and placement are often left out. Workers find themselves tied to a specified employer, their passport confiscated upon arrival in destination countries, an exit permit required of them, and they face the threat of forced labor.

In 2011, the Bangladesh government ratified the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. More recently, Bangladesh passed the Overseas Employment and Migrant Welfare Act in 2013, and the implementing rules under the Overseas Employment Policy is being drafted.

RECOMMENDATIONS

• To maintain the flow of overseas employment at desired levels, it is important to examine, on a regular basis, the economic prospects of destination countries and their requirement for expatriate labor. Based on such analysis, proactive efforts are needed to respond to the evolving demand for workers—both in terms of destination countries and skill composition. Bilateral contracts and negotiations can be useful in tapping potential opportunities.

• If Bangladesh intends to increase the share of skilled workers in overseas employment, action would be needed on various fronts. An important first step is to be able to have potential workers with skills that are in demand in destination countries. This, in turn, involves the ability to produce qualifications that are internationally recognized. Training facilities need to be upgraded and international recognition of certificates obtained. The perception of Bangladesh as a supplier of unskilled and low-skilled workers alone also needs to change. Bilateral contracts, marketing of available skills, and showcasing of cutting-edge skills-training facilities (once they can be demonstrated), would be necessary to address this issue.

• The high cost of migration is a major issue in overseas employment of Bangladeshi workers, and serious efforts are needed to lower the cost. As a very high proportion of the cost is accounted for by so-called facilitators, any efforts to reduce the cost of migration would have to focus primarily on this aspect.

• Abuse and exploitation of migrant workers occur at different stages in the cycle of migration, and it would take major efforts to even minimize (not to mention completely eliminate) such evils. A number of recommendations may be made to cover the various stages of the migration cycle.

• At the grassroots level, where the process starts, district employment and manpower offices (DEMOs) could work with nongovernment organizations and community-based organizations to provide alternative sources of information and raise awareness about various aspects relating to overseas employment. Even that would not be adequate, because those desperate for jobs abroad may still be prepared to pay local subagents who promise such jobs. District employment and manpower offices could function as alternatives to such subagents by helping prospective migrants link up with recruitment agencies with a good track record. In other
words, a kind of public–private partnership may be tried as an alternative to the current exploitative and expensive system.

- At a higher level, BMET could also work with recruitment agencies that are experienced in procuring demand for workers and develop a system of recruitment that would minimize (and eventually eliminate) the role of subagents.

- The role and function of the labor wings of Bangladesh embassies in countries of destination need to be strengthened and made more effective in implementing contracts.

- Although the ILO MFLM is nonbinding, the basic principles and guidelines enshrined in this framework could be used as a basis for specific guidelines in bilateral agreements.

- Bangladesh could work with other labor-sending countries in different regional forums and push for common frameworks for employing expatriate workers in destination countries.

- Collection and analysis of data and information pertaining to overseas employment are important to manage the process efficiently and adopt appropriate policies. Hence, it is important to strengthen research in this field. Such research and investigative work should cover, inter alia, monitoring and analysis of labor markets (including the broad direction and skill composition) in prospective labor-receiving countries; monitoring of domestic labor supply in various skill categories; ways of linking skill providers with the recruitment process for overseas employment; flow of remittances and their use; monitoring and analysis of return migration including reintegration of returning workers in the domestic labor market; and utilization of their savings and skills, etc. Also useful would be to link the BMET database of aspiring migrant workers with the recruitment process and potential employers. The research cell already established by the Ministry of Expatriates’ Welfare and Overseas Employment should be strengthened and the ministry’s capacity to undertake research of the kind mentioned above improved. For this purpose, links may be established with national research institutions (e.g., the Bangladesh Institute of Development Studies) as well as international donors such as the Asian Development Bank, the World Bank, the ILO, and other bilateral donors.

- Given the spread of relevant actors over different countries and throughout the countries at both ends, and the number of government agencies that are involved in managing the migration process, a strong coordinating mechanism is critical to make governance of migration more efficient. Existing set-ups can be strengthened instead of setting-up a new office to manage and promote safe migration and protect the rights and welfare of migrant workers.

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