

# **Economic Impact of Labor Migration (Based on the Sri Lankan Context)**

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## **1. Introduction**

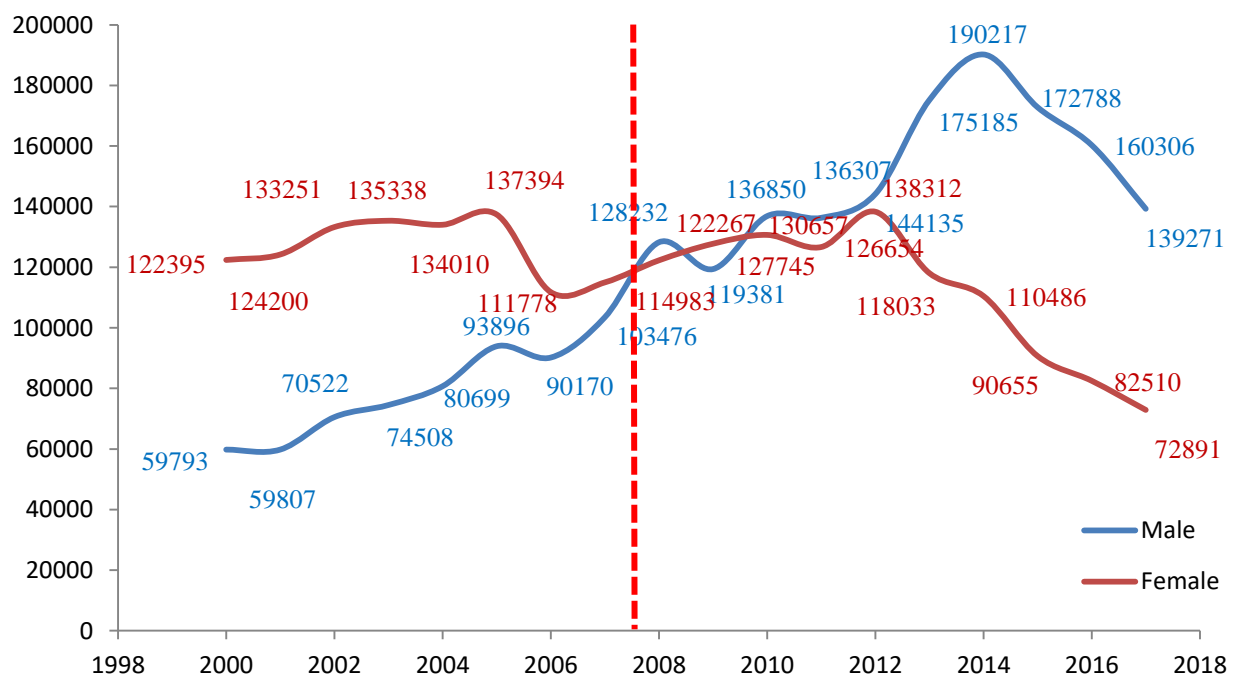
The global trends towards the labor migration is apparent that the direct and indirect economic influence has lately been proven in view of the latest resultant effect of globalization, trade liberalization and the expansion of digital technology that has elicited a walloping need for unskilled, semi-skilled and skilled labor of the countries that waiting for filling the labor gap over the own sourcing. Relatively, fast paced development and economic growth as well other liberalization policies has resulted in economic wage differentials, social welfare conditions and income packages compared to the origin countries have become a major attraction for labor migration through ‘Labor Gain’ (That initial lost for the country of origin by ‘Labor Drain’). Concurrently, the emerging pattern have been worst-hit on highly productive work force that has constantly been depleted influence by the industrialization tool cuts across all facet of human endeavors.

The global scenario of labor market is the initiative that made decision on compatibility with labor migration (Migrant demand). As well, the financial, social and political statuses of origin country are the factor basis on supply of migrant (Official mandate). The mutuality of said two ends generates a path for accessibility on migration perspective. Globally 258 Million International labor migrants were counted (People residing in a country other than their country of birth) that represents 3.4% of the world population (International Organization for Migration, UN Migration - <https://www.iom.int/global-migration-trends>). The global status of the labor market has paraded where, the global working age-population, comprising women and men aged 15 was 5.7 billion. Thereby, 3.3 billion people were employed, and 172 million were unemployed (ILO, World Employment Social Outlook - Trends, (2019). Further, the global labour force stood at 3.5 billion in 2018, and labour force participation rate was 61.4 percent. The balance of 2.2 billion people (38.6 percent) of working age were out of the labour force, means whose engaged in education and unpaid care work and those in retirement. Within this group, 140 million were in the potential labour force (people who are looking for a job but are not yet available to take up employment, or who are available but are not looking for a job). Meanwhile the Sri Lankan profile on labor market divulged the operational backing of existing scenario. Thus, Population (15 years & over) in 2017 was 15,843,735, labor force was 8,566,686 and labor force participation rate

was 54.1. Further, unemployed population was 358,507 and 7,277,049 were not in labor force (Economically inactive) as well underemployment was 2.8 percent. And discourage job seekers were 87,626 (Discouraged job seekers are the persons in the economically inactive group who are known to be as inactive). The youth Not in Employment, Education or Training (NEET) group was 674,009 (Department of Census and Statistics, 2017). The semblance of Sri Lanka phenomenon accompanied by the global aspect facilitates on the process of migration by the assessment made that backing on the national income.

Departure for foreign employment from Sri Lanka as an origin country, it was noted the fluctuation pattern during the 2000-2017 period, whilst it has not been affected on the total remittances received.

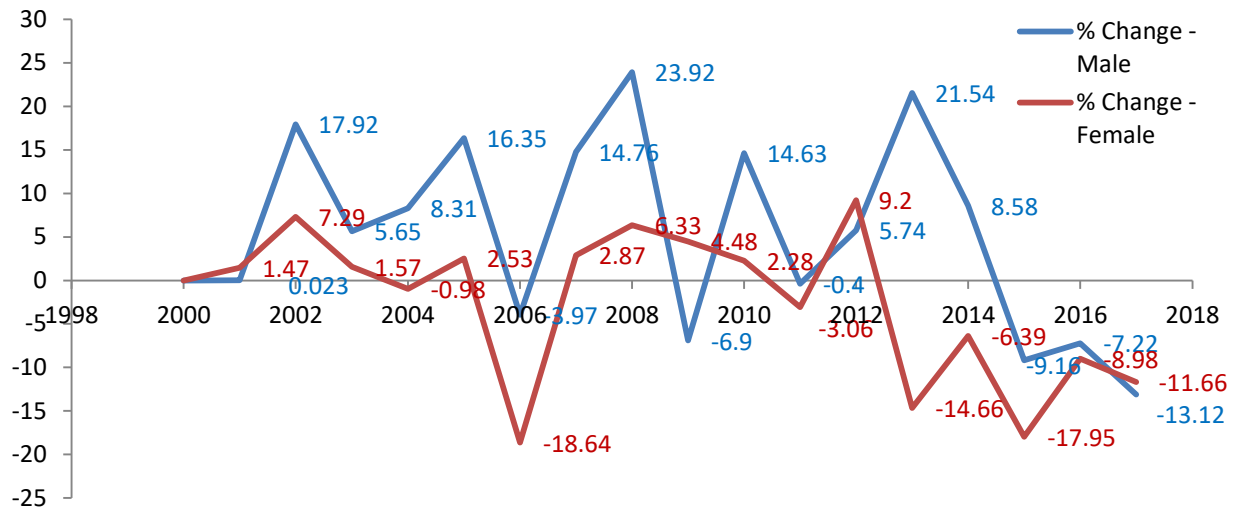
**Exhibit 1.1 Departure for Foreign Employment by Gender**



Source: Bureau of Foreign Employment, 2017

As per the exhibit 1.1, latter part of 2007 was the break-even point of female dominant of departure for foreign employment. The gap in year 2000 was less than the gap between male and female in year 2017 that paraded the noticeable change of male segment on foreign employment. Further, departure for foreign employment by both male and female were gradually declined in recent years.

### Exhibit 1.2 Percentage Change of Departure for Foreign Employment by Gender



Source: Own Calculation based on the data of Bureau of Foreign Employment, 2017.

The exhibit 1.2 divulged the percentage change of departure for foreign employment by gender. It is obvious that fluctuation of migration pattern of both male and female with irregularity throughout the period considered.

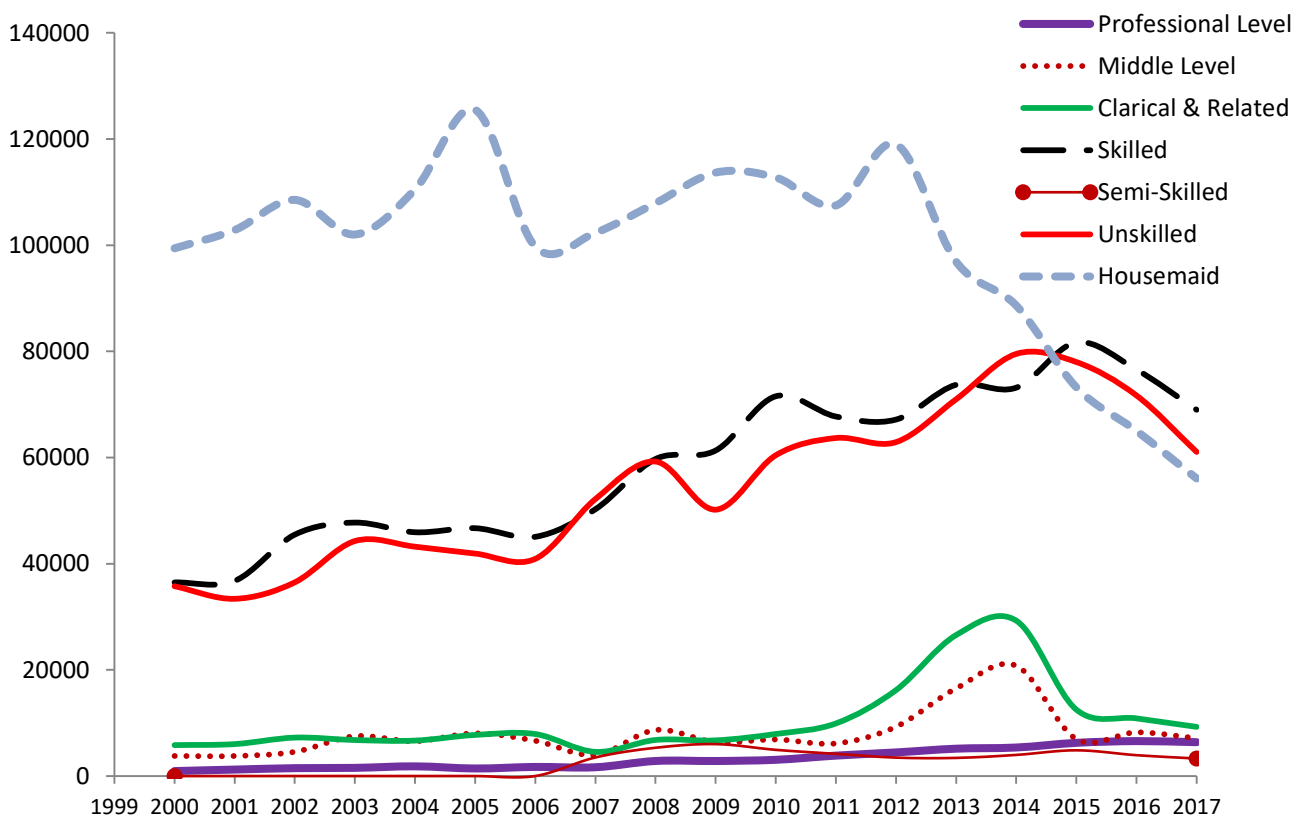
### Exhibit 1.3 Departure for Foreign Employment by Manpower Level

Year	Professional Level	Middle Level	Clerical & Related	Skilled	Semi-Skilled	Unskilled	Housemaid
2000	935	3781	5825	36475	-	35759	99413
2001	1218	3776	6015	36763	-	33385	102850
2002	1481	4555	7239	45478	-	36485	108535
2003	1541	7507	6779	47744	-	44264	102011
2004	1827	6561	6679	45926	-	43204	110512
2005	1421	8042	7742	46688	-	41904	125493
2006	1713	6638	7911	45063	-	40912	99711
2007	1653	3962	4551	50263	3499	52176	102355
2008	2835	8667	6791	59718	5326	59239	107923
2009	2832	6388	6719	61321	6015	50173	113678
2010	3057	6884	7923	71537	4932	60422	112752
2011	3844	6134	9906	67726	4180	63680	107491
2012	4448	9280	16184	67150	3467	62907	119011
2013	5151	16510	26561	73707	3412	70977	96900
2014	5372	20778	29267	73162	3977	79519	88628
2015	6251	6951	12501	81682	4847	77985	73226
2016	6578	8234	10862	76545	3926	71685	65015
2017	6371	7124	9265	68993	3295	61057	56057

Source: Bureau of Foreign Employment, 2017

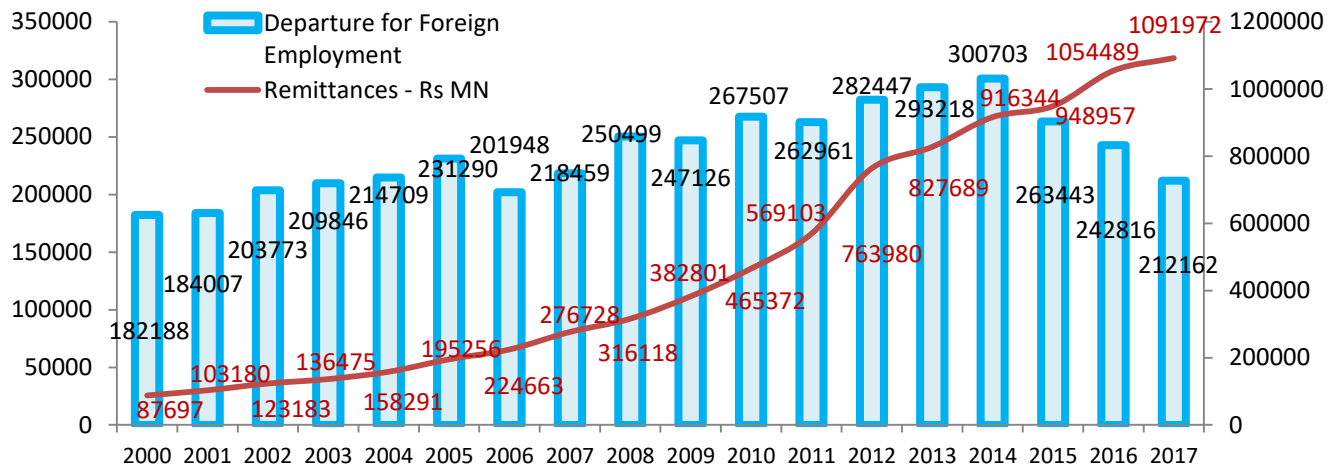
The standard segmentation of migrants on employment is value addition on identification the skilled orientation and effect to the country by pros and cons. Upon the whole, migration for foreign employment parade the fluctuation driven flow irrespective of manpower levels. It is obvious that the minus progress of all manpower levels on migration in 2017. Migration by professional level has been noticed the increasing trend up to 2016 uninterruptedly. The depression treated simultaneously to the Clerical & Related category and Unskilled category from 2014, Housemaid from 2012, Semi-Skilled from 2015. The dominant category on migration for employment had obtained by the Housemaid category up to 2014 in historically (Exhibit 1.4). Further, skilled category has come up first and followed by unskilled category by changing the way of migration, since the magnitude considerably has been changed. Eventually, said all categories have been influenced by types of modes to the Sri Lankan Economy.

**Exhibit 1.4 Departure for Foreign Employment by Manpower Levels**



Source: Bureau of Foreign Employment, 2017

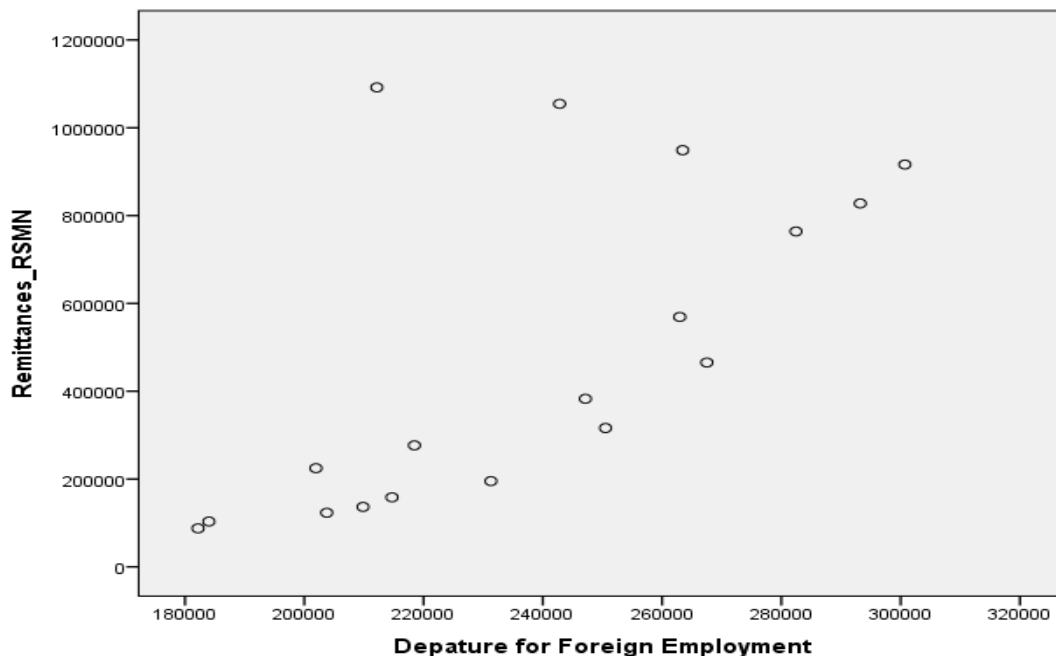
### Exhibit 1.5 Departure for Foreign Employment vs Remittances



Source: Bureau of Foreign Employment, 2017

As per the exhibit 1.5, 2015 was the peak year on departure for foreign employment, whilst gradual decreasing was divulged thence. Further, three times it has been fluctuated in the history. However, remittances were increased correspondently, irrespective of depression of migration.

### Exhibit 1.6 Scatter Plot on Departure for Foreign Employment vs Remittances



It can be perceived from the scatter plot that the points are reasonably closely scattered thus, there is a linear relationship between the two variables. The scatter plot implies that as the departure for foreign employment increases; the remittances also increase. This shows a positive linear relationship.

### Exhibit 1.7 Correlation Matrix

		Remittances- RSMN	Departure for Foreign Employment
Remittances Rs MN	Pearson Correlation	1	.650
	Sig. (2-tailed)		.004
	N	18	18
Departure for Foreign Employment	Pearson Correlation	.650	1
	Sig. (2-tailed)	.004	
	N	18	18

Source: Calculation based on the data of Bureau of Foreign Employment, 2017

The Pearson correlation coefficient ( $r$ ) equals 0.650, indicating a relationship, as  $p < 0.001$  and indicates that the coefficient is significantly different from 0 and two variables are linearly related. Thus, it can be concluded that there is evidence on departure for foreign employment is related to remittances received. In particular, it seems that the more of migrant for foreign employment, the greater it's backing by remittance is ( $r = 0.65$ ,  $p < 0.001$ ).

## 2. Economic Impact

The effect of said background is a tool of measure the contribution and losses to the Sri Lankan economy. It is apparent that the foreign employment industry continued the rank as the second largest earner of the foreign exchange in Sri Lankan economy. The fruitfulness depends on the effective management of the labor force, specifically with the number of unemployed 358,507 in 2017 (Department of Census and Statistics (DCS), Version 2, 2017) and 843,916 of poor population. In this aspect, development of the migration for foreign employment would be a backing to the economy without the opportunity cost. Generated automated gap resultant of unemployment, underemployment, NEET, high youth unemployment and poverty in Sri Lanka should be filled by enhancing the opportunities with opportunity cost widening and uplifting the scope of training and employment. Pros and cons indeed depend on the general status of the economy. Since, Sri Lanka as a source country is in the stage of emerging economy, the savings and investment are the factors of growth with due management of labour force. The industry of foreign employment plays a major role as aid on the process of economic growth. It is obvious that migration for foreign employment reflects in Sri Lankan economy; the deal with issues of unemployment and savings of public finance (Subsidies, Aids etc), capital flow in the form of remittances driven consumption

(boosted internal consumer demand for both goods and services) and disproportionately spent on education health for human capital formation, savings and investment (Financial intermediation), promote the investment on self-employment and small business investments, know-how for re-emigration. And nationally complied with improving the credit rating and pull on external debt-sustainability, support on stability of exchange rates, developing country to raise financing in international capital market, foreign direct investment, resulting impact on the balance of payments accounts through remittances as well development growth through technology transfer and migrants aid support, reducing the rural-urban migration drift. Generally, remittances make actions against the depth and severity of poverty in Sri Lanka and stands against poverty headcount index of 4.1. And the remittances play as income stabilizing tool at macro level and the household level, enhancing the welfare and minimizing the effect of economic shocks by the cash reserves as well. It is a stimulus on raise inequality specifically based on the Gini coefficient. It directly as well indirectly stands on exchange rates, changing the poverty circle and upgrading the standard of living. However, in a Sri Lankan context, migration for foreign employment losses of investment into education, training of migrants, leaving of highly qualified and well-trained work force and decrease the attractiveness of foreign investment. Eventually, the gain should be greater than the losses receiving. Foreign employment industry has come in second earner of foreign exchange notified the magnitude of the industry in national accounts.

In other aspect, migration for foreign employment helps receiving country in different manners. It reflects to the country on Gross Domestic Product through costless qualified workforce and workforce filling the gap of labor shortage, multicultural gains and increase demand for demographic benefits. On the other hand it reacts of the labor market on increasing domestic unemployment, salary stagnation, extra spending on social services for immigrants, unknown cultural environment and language barriers. Hence, said gain or loses depends on the current status of the Sri Lankan economy. Thus, the existing profile of the economy is required the expansion of departure for foreign employment or uplifting the sources of earning foreign exchange concurrently with absorption mechanism of labor market vulnerabilities.

### **3. Concluding Remarks**

The implication of principle migration for employment policy interested in maximizing the phase on migration is straightforward based on win-win platform that mitigating the policy



limitations to the international movement of labor, whilst migrating with the purpose of permanent residence would be extreme harm on Sri Lankan economy with myriad issues. The initiatives should be turned towards the development of potential labor force up to international standard World Class Work Force (WCWF) by development of a globally competitive and active labor force with extensive competencies and utilization of the full potentials. The wonder in result is substantial economic need that achievable with moderately more liberal immigration policy. Labor migration should be viewed more as a transformation process and should be understood as an opportunity than a challenge. The obvious challenge for decision makers is to seek out measures to prevent or alternatively limit inherent economic, cultural and social effects of labour migration whilst benefitting immensely from the economic attributes. In order to enhance the standards of labor system and build a competitive environment, there is a need to develop standard protocols for primary, secondary, tertiary and higher educational and professional institutes to define international requirement with technological advancement by existing and potential labor. Such protocols should also lay down standards and procedures for effective service delivery including adaption, adoption, preventive and statutory. An effective performance based monitoring mechanism needs to be put in place to ensure accountability at various levels. Monitoring should be based on indicators of performance such as quality of output. Under the patronage of WCWF, there is a need of a mechanism to improve the choices available to the employees through the bifurcation of in-house or migrant as well options on return back or else. It is betoken the attitude changing movement (Mind- setting) process for employees, job aspirant, specifically inactive population is an expedient strategy; need to be implemented to suppressing as well effectual reduction of the frustration, disappointment on earning powered by employment . It is advisable to forming aware about labor market information as well challenges and understandings of the real requirements of the vulnerable groups (Unemployed, Underemployed etc) for fulfill the knowledge gap among discretion of work performance. It is obvious the competitiveness of searching a local and foreign jobs and value of man hours lost that never claimed are the impact of information transaction on labor market behavior. Accordingly, most effective mode would be the full potential management mechanism with WCWF by weighted value for local requirement and affordability on “Workforce Drain”.

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