

REPORT ON
COVID-19 AND ITS IMPACT ON OUT AND RETURN OVERSEAS LABOR
MIGRATION FROM PAKISTAN: MAJOR ISSUES AND CONCERNS

(Webinar at Lahore School of Economics, Centre on International Migration,
Remittances and Diaspora (CIMRAD), June 30, 2020)

Among the wide range of issues raised and debated in CIMRAD's webinar on June 30, there was a consensus on three points. First, that labor migration is unlikely to return to the pre-pandemic times in the near future but defining what the new "normal" will be and when it will start to unfold is not possible at this time. Second, labor migration is a multi-faceted and complex phenomenon which makes it difficult to build scenarios that would accurately predict the future. Third, that recent decline in remittances during March-May 2020 also reflect real supply side constraints as a result of lockdown measures in labour receiving countries and delay in payment of salaries which impacted flow of remittances through formal channels besides loss of employment.

A few themes around which the discussion centered are as follows.

Projecting the impacts on emigration levels, returnees and labor market

By the end of June 2020, a minimum of about 100,000 Pakistanis had lost their jobs overseas and another 102,000 were unable to proceed overseas since their work permits could not be processed because of the lockdowns, according to data shared by Mr. Kashif Noor, D.G., Bureau of Emigration and Overseas Employment (BEOE). According to him these number of return and out migration will in all probability increase in the coming months.

According to estimates presented by Dr. G.M. Arif, former Joint Director, Pakistan Institute of Development Economics (PIDE) and a leading migration specialist, based on alternate assumptions (high, medium and low) as many as 470,000 to 800,000 Pakistani workers overseas may return to Pakistan following the pandemic. However, he made clear that there had always been a steady flow of return migrants to the country preceding the pandemic and it was difficult to ascertain exactly the additional number of returnees as a result of the pandemic. What was important was the number that left the country to work abroad and this number had come to a sudden halt with the onset of lockdowns in host countries. If the number of out migrants in 2019 had remained the same in 2020, about 600,000 workers would have gone overseas. He thus cautioned that the combined net effect of the current stoppage of outflows and higher number of returnees is bound to result in a massive negative impact on the domestic employment situation and a sharp increase in the unemployment rate from the current; near 6 per cent to 9 per cent.

Dr. Asad Sayeed, Director, Collective for Social Science Research, Karachi, a leading economist and specialist on labour market and social protection issues, drew attention to the difficult and challenging unprecedented situation the Gulf economies faced with the

sharp decrease in oil prices and the continuing uncertainty as a result of oscillating oil prices which he termed as the “new norm”. This trend he warned could result in a sharp shift in demand for overseas workers in the Gulf countries with a corresponding increase in return migration to the labour sending countries. In Pakistan the two provinces to which the bulk of overseas migrants to the Gulf countries belong, Punjab and Khyber-Pakhtunkhwa would face the maximum pressure of these return migrants. He also made the important point that since the return migrants belonged to the cohort of skilled and semi-skilled workers they would displace domestic aspiring job seekers in this category.

Dr. Nasir Iqbal, Associate Professor, Pakistan Institute of Development Economics (PIDE), shared with the participants that his projections showed that as a result of Covid-19 the level of poverty in Pakistan (using the new basic-needs poverty line drawn by the Planning Commission) could increase from the current levels of around 21 per cent to 27 per cent in 2020-21. Further, his model projected that unemployment would increase in 2019-20 by an estimated 3.8 to 4.8 million workers after taking into account number of 0.5 million workers who would no longer be able to find employment abroad this year.

How much will remittances decline, and why?

Ms. Almazia Shahzad, Research Fellow at the Graduate Institute of Development Studies at the Lahore School of Economics, in her presentation on future flows of remittances to Pakistan said that her estimates suggested they would decline by 21 per cent in 2020, and then recover in 2021 by an estimated 4.9 per cent over the previous year. She went on to caution that due to the uncertainty surrounding the duration and spread of the virus, remittances could take a much larger hit, if the spread of the virus continued in the second half of 2020 (instead of being restricted to only the first half on which her projections were based) and a second outbreak occurred in 2021. She also pointed out that the IMF stabilization programme under which the Pakistan economy was operating before Covid-19 would need to be suitably modified in keeping with the changing economic scenarios especially the fiscal stimulus which had provided a cushion to falling domestic incomes and demand and prevented the economy from further contracting. All these factors could dampen the already low economic growth in the country as well as put pressure on the exchange rate if remittances slowed down during the rest of 2020.

Adding to the discussion on future remittance flows to Pakistan Dr. Nasir Iqbal made the important point that as around 40-45 percent of total remittances being sent by Pakistani migrants abroad were coming through the informal channels, the current travel restrictions, lockdown and social distancing measures could result in a shift from use of informal channels to formal channels with a corresponding increase in official recorded inflow of remittances by the State Bank of Pakistan.

Ms. Asma Khalid, Senior Economists at the Economic Policy Review Department, State Bank of Pakistan, in her presentation pointed out that a comparison of the 11 month (July-May) 2019-20 with the preceding year 2018-19 showed some interesting changes. There was in this period an overall decline in remittances of 18.6 per cent which was consistent with the comparable 11.7 percent decline from Saudi Arabia and 32.1 percent

from the UAE. However, over the same period remittances from the US had risen by 27.8 percent. She drew attention to the fact that the lockdown situation in the GCC countries may have delayed the payment of salaries of workers mostly employed in the cash based construction sector. These workers who not laid off might have been unable to send back remittances in this period. She therefore suggested that the current data trends seem to signal the importance of supply side constraints on remittances from the GCC countries. She also pointed out that changes in the foreign exchange rate also impact upon the real incomes of the remittance receiving household. She therefore was of the opinion that a clearer situation on future remittance inflows will emerge only after July 2020 and better reflect the medium term impact of Covid-19 on layoffs, return migrants and remittances.

Impacts on families and society

Dr. Rashid Amjad, Director, Graduate Institute of Development Studies and CIMRAD, remarked that Covid-19 can have a far reaching impact on the over 9 million overseas Pakistanis abroad including amongst them migrant workers, members of the Pakistani diaspora and their families. He drew attention to the fact that there were an estimated 5 million households in Pakistan who have a member of their family working abroad and a large number of these families are dependent on remittances they send back. Over the years migration had been beneficial to both the labour sending and receiving countries. However, Covid-19 could threaten this situation. For the home country a decline in out-migration and a premature return of those working abroad would have a negative impact in the form of rising poverty, which remittances had played a major role in reducing, as well as increasing pressures on the labour market and rising unemployment, which migration had played a vital role in diminishing.

Dr. Nasra Shah, Professor of Development Studies at the Lahore School of Economics in her remarks emphasized the pivotal role that social networks had been playing in mobilizing and facilitating labor migration from Pakistan. She expressed her apprehension that this was bound to diminish as Gulf-based migrants lose their own jobs and can no longer assist in the sponsorship of family members and friends. Thus, the vital links in chain migration will weaken that may have wide-ranging social and economic consequences. At the same time she pointed out the role of informal agents and sub-agents will face more challenges as the labour market in the host countries shrinks, and rules governing their work become stricter. A possible consequence of this would be an increase in recruitment costs paid to such agents for a job being desperately sought by those in the sending country.

Management of migrants and returnees affected by the pandemic

The government of Pakistan has made special arrangements to assist all Pakistanis stuck overseas as a result of the pandemic. About 93,000 Pakistanis were repatriated through 409 special flights between April 3 and June 30, 2020. Special priority was given to Pakistani workers stranded in the Gulf countries. In addition to their registration with

Pakistan embassies in the host country, they were provided assistance through food ration packages, provision of free flight tickets for the destitute, and speedy transportation of dead bodies. In addition to the above measure, Mr. Kashif Noor outlined the government's plans for the documentation of returnees, and their reintegration into the domestic labor market. He shared that efforts are also under way to enhance the skills and certification of Pakistani workers to promote future migration. Embassies are also assisting migrant workers to ensure payment of wages due to them. Upon return, they are also being provided assistance through loans for business, and cash transfers if needed. The government realizes that this is a fluid and ongoing situation, and is trying to ensure that the various departments handling this issue function with the necessary collaboration and coordination.

Future emigration demand and protective mechanisms

While economic factors such as the price of oil are likely to be the most important determinants of future development plans that may require the import of foreign workers at previous levels, several non-economic factors are part of the complex mechanisms that may aid or inhibit the demand for Pakistani (and other) workers, especially in the Gulf countries. A few such factors outlined by Dr. Nasra Shah included the dependency of the entire migration process on the *kafala* (sponsorship) system that enables the establishment of businesses and procurement of work visas by host country employers. Through a well-established network of both formal and informal transactions, workers in home countries procure this visa, often at a very high cost. Policies that regulate the *kafala* system in future will be an essential feature of future outflows. An additional factor in determining demand might include the host country attitudes towards migration that seem to be becoming more negative, globally as well as in the Gulf countries. Finally, mandatory certification of Covid-free status may add another layer to the screening of the health of migrant workers before they are acceptable to host countries. This may further increase the cost of the move for the intending migrant worker.

Dr. Piyasiri Wickramasekara, an international migration expert and Member of CIMRAD's Advisory Board, highlighted the need for protecting the privacy of such workers, and in devising mechanisms that act as long term safety nets to ensure their smooth and productive reabsorption in their home country. He also called for special attention to be paid to the protection of workers who are in particularly vulnerable and fragile positions such as those who were residing in the host country in an irregular status. Identification and protection of such "hyper-precarious" migrant workers should be a priority.

Conclusions and some unanswered questions

The CIMRAD webinar addressed many issues and concerns relating to labor migration from Pakistan. Further research on several of them is currently under way. Among the questions that deserve further exploration various participants, including Dr. Rashid Amjad, identified the following. How can Pakistan develop social protection systems that would ensure the welfare of migrant workers in the long term? How can the welfare

contributions made by the migrants be used most efficiently and effectively to provide such protection? Given the fact that the government has limited resources, how can its efforts be structured in a manner to achieve maximum benefit, and how can local governments be incorporated in such efforts? How can national efforts be linked up with regional and global mechanisms such as the Global Compact for Migration, the Abu Dhabi Dialogue, and the Colombo Process to achieve the goals of ensuring a safe, orderly and regular migration, and maximize the benefits of migration?

Mr. Manolo Abella, Co-chair, KNOMAD, Thematic Working Group on Low-Skilled Labor Migration, World Bank, expressed a concern regarding the potential rise in the operations of smugglers. He predicted that due to the desperation of workers to find a job, at home or abroad, opportunities would open up for traffickers. He also raised the question of how sending countries will respond to the competition arising from the crisis. He noted that origin countries might reduce their wage expectations – a process that he believes has already begun with or without government intervention. In such a scenario, to protect the rights of individual workers, it is imperative that matters are resolved through multi-lateral action.

Dr. Ibrahim Awad,, Director Center for Migration and Refugee Studies, American University in Cairo, urged the scholars and policy makers to consider the question of the extent to which countries like Pakistan and Egypt can continue to rely upon their economic models which are so heavily dependent on labour migration as a tool for releasing pressure from domestic labour market or addressing chronic crisis of balance of payments through influx of remittances. He highlighted the need to think of alternative economic models to reduce Pakistan’s dependence on labour migration.

In all the above efforts, constant monitoring will be necessary since the duration, intensity and human toll of the pandemic is unknown. Sending and receiving countries will need greater collaboration and coordination than the pre-covid times to ensure that labor migration remains a win-win situation for all parties, including the migrant worker.

List of Invited Speakers

Name	Designation	Organization
Dr. Rashid Amjad	Director	Graduate Institute of Development Studies (GIDS) & Centre on International Migration, Remittances and Diaspora (CIMRAD), Lahore School of Economics
Dr. G. M. Arif	Former Joint Director	Pakistan Institute of Development Economics (PIDE)
Dr. Nasir Iqbal	Associate Professor	Pakistan Institute of Development Economics (PIDE)
Ms. Asma Khalid	Senior Economists	Economic Policy Research Department, State Bank of Pakistan (SBP)
Mr. Kashif Noor	Director General	Bureau of Emigration and Overseas Employment (BEOE)
Dr. Asad Sayeed	Director	Collective for Social Science Research
Dr. Nasra Shah	Professor	Graduate Institute of Development Studies (GIDS), Lahore School of Economics
Ms. Almazia Shahzad	Research Fellow	Graduate Institute of Development Studies (GIDS), Lahore School of Economics
Dr. Piyasiri Wickramasekara	International Migration Expert	

Members of CIMRAD Advisory Board

Name	Designation	Organization
Mr. Manolo Abella	Co-chair	KNOMAD, Thematic Working Group on Low-Skilled Labor Migration, World Bank
Dr. G. M. Arif	Former Joint Director	Pakistan Institute of Development Economics (PIDE), Islamabad, Pakistan
Dr. Ibrahim Awad	Director	Center for Migration and Refugee Studies, American University, Cairo, Egypt
Prof. Phillipe Fargues	Co-Scientific Director	Gulf Labour Markets and Migration Programme
Prof. Dr. Andrew Geddes	Director	Migration Policy Centre, European University Institute, Florence, Italy
Dr. Piyasiri Wickramasekara	International Migration Expert	