Economic and Social Impacts of Remittances on Households:

The Case of Pakistani Migrants Working in Saudi Arabia

G.M. Arif

International Organization for Migration

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Islamabad

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This report was prepared by G.M. Arif, consultant, for the International Organization for Migration (IOM). The opinions expressed in the report are those of the author and do not necessarily reflect the views of IOM.

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FOREWORD

Economic and Social Impacts of Remittances on Households: The Case of Pakistani Migrants Working in Saudi Arabia is a unique study in that it focuses beyond the impact of remittances on Pakistan's economy to new facets of the role of remittances in Pakistani society.

This important study establishes a precedent of moving beyond the study of macroeconomic indicators to the analysis of community-level change resulting from remittance flows into Pakistan. The study examines the qualitative changes that remittances advance in children's education, the role of women in decision making and their participation in the labour market, and the strengthened role of migrant households in community development.

This study will facilitate future policy formulation for overseas workers and help identify other areas requiring study.

William Lacy Swing
Director General
International Organization for Migration
Geneva

PREFACE

Because international remittances play a pivotal role in developing countries, it is pertinent to study the profound effects the remittances have on Pakistani society in general and on the receiving households in particular. However, the literature on these important aspects of remittances has been lacking.

Therefore, IOM Islamabad undertook research and compiled a study that addresses the effects of remittances from Saudi Arabia on receiving households and communities in Pakistan. This study is based on face-to-face household surveys of 548 migrant-sending families in 9 high migration districts of Pakistan. A comprehensive, structured questionnaire was prepared jointly by IOM and the Pakistan Institute of Development Economics (PIDE). The study focuses on remittances from Saudi Arabia because the Gulf Cooperation Council States host 90 per cent of Pakistani labour migrants, the majority of whom are in Saudi Arabia.

The study concludes with policy recommendations for the government sector, private and public recruiting agencies, the banking sector and countries of destination. These recommendations include investigating overseas employment opportunities for the workforce from the poor regions of Pakistan, enhancing the skill level of the Pakistani workforce, having pre-departure training for labour migrants so that they are aware of the challenges they may face abroad, and advising the banking sector to take the necessary measures to encourage overseas workers to remit and invest money in Pakistan.

This study highlights remittance-related issues that should be addressed, and I am confident that this study will assist future researchers, policy makers and legislators in Pakistan and beyond. In addition, the replication of this study in other countries could help to expand the discourse on issues related to labour migration.

I wish to thank our consultant, Mr. G. M. Arif, Joint Director of the PIDE and would also like to congratulate the IOM Islamabad team for having successfully completed the study and for having taken the initiative to explore this aspect of remittances within the country.

Hassan Abdel Moneim Mostafa
Regional Representative for West and Central Asia
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Overall guidance for this project was provided by Hassan Abdel Moneim Mustafa, International Organization for Migration (IOM) Regional Representative for West and Central Asia. The project was managed by Yuko Hamada, with support from Hazim Torlic, Saleem Rehmat, Ali Rehman, Asif Razzaq, Sobia Ashfaq, Meher Arshad, Hira Mahmood and Rozina Ahmed.

Throughout the project implementation, the project team benefited from the technical support and valuable advice provided by IOM Headquarters, especially Alessia Castelfranco and David Knight, Elizabeth Warn, Lindsay Edwards, Ricardo Cordero, William Barriga, Frank Laczko, Roberto Pitea, Valerie Hagger and Clara Francia Anaya.

IOM's consultant, Dr. G. M. Arif, Joint Director of the Pakistan Institute of Development Economics (PIDE), conducted this study and Saleem Rehmat served as a focal point between IOM and Dr. Arif. Muhammad Sarwar helped preparing several drafts of the report. Syed Abdul Majid, Research Economist of the PIDE supervised the fieldwork. Nasir Iqbal, Staff Economist of the PIDE helped in designing the questionnaire, reviewing the literature and analyzing some of the data. Masood Ishfaq, Chief of the Computer Division, PIDE, contributed in analyzing the micro data in a short period of time.

The team also thanks Dienne Miller who edited the final report for publication.

G. M. Arif
Joint Director
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Executive Summary

There is a long history of labour migration from Pakistan to various parts of the world. Migration from Pakistan to the Middle East has been the most significant, however, since the mid-1970s. Some 4.59 million migrants are recorded to have gone abroad during the last three and a half decades for temporary employment, mainly to the Middle East. Saudi Arabia has been the destination of more than half of these workers. A great body of literature exists on the economic and social impacts of overseas migration and remittances on the economy and society of Pakistan. However, this literature was generated mainly in the 1980s. Since 2001, both the outflow of workers and the inflow of remittances have increased sharply. There is a dearth of empirical work on the effects of these recent inflows of remittances on the receiving households. The present study aims to help fill the gap by assessing the economic and social impacts of remittances on migrant-sending households. It is based on the Household Survey on Overseas Migrants and Remittances (HSOMR), a 2009 survey of 548 households with at least one family member working in Saudi Arabia. It was carried out in July and August 2009 and was restricted to the households of male migrants who went to Saudi Arabia between 1994 and July 2006. The migration of females to either Saudi Arabia or other countries of the region for employment is negligible.

The main findings of the present study are as follows:

First, a review of both the existing migration literature and the data generated by the Bureau of Emigration and Overseas Employment shows that migrants from Pakistan to the Middle East are not evenly represented across the country. A smaller percentage of the migrants are from the provinces of Balochistan and Sindh, while a greater percentage are from Khyber

Pakhtunkhwa. More than 60 per cent of Pakistani migrants came from only 20 districts, with a heavy concentration from northern Punjab, Khyber Pakhtunkhwa, Karachi in Sindh and two districts in southern Punjab. The skill composition of Pakistani migrants has not changed over time; unskilled workers remain the dominant category.

Second, the analysis of the HSOMR data shows that overseas migration is the choice of relatively young people, and their level of education is much higher than that of the national average. About three-quarters of the sampled migrants were employed in Pakistan prior to their migration to Saudi Arabia. The process of migration was facilitated mainly by friends and relatives, and more than half of the sampled migrants secured employment in Saudi Arabia with their assistance, while 37 per cent found a job with the help of a recruitment agency or a local agent. On average, the migrants spent 135,000 Pakistani rupees (PKR) [1,690 United States dollars (USD)] to secure employment in Saudi Arabia. The personal savings of migrants, household savings, and loans from friends and relatives were the major sources for financing the overseas migration.

Third, the analysis of the earnings and savings of migrants while abroad and the remittances received by their households shows that the workers were able to double their monthly savings, from PKR 15,000 (USD 188) at the beginning of employment to PKR 29,000 (USD 363) in the year preceding the survey. The average total remittances received per household from the time the migrants went abroad was PKR 1.05 million (USD 13,145). Workers currently transfer on average PKR 200,000 (USD 2,504) per year. The remittances constituted an average of 41 per cent of the household monthly income. Urban households received a greater amount of remittances than their rural counterparts despite the relatively longer stay of workers from rural areas.

Fourth, the global economic crisis has not affected the outflows of workers from Pakistan or the inflows of remittances to Pakistan. However, the *Migration and Development Brief 10* of the World Bank has outlined the following three key variables that can affect remittance flows: the longer duration of crisis than currently projected; unpredictable movements in exchange rates; and the political reaction to weak job markets in destination countries. The results of the 2009 HSOMR show that migrant households are aware of the economic crisis. The respondents anticipated that remittance flows would decline in the future, and that such a decline could have a moderate to severe impact on them. If remittances declined, an option for these households would be to start a new business and/or expand their existing one. The employment in Pakistan of the migrants upon their return is also an alternative option for households to earn an income. Thus, business or employment seems to be the most prominent coping mechanism.

Fifth, according to the HSOMR data, 40 per cent of the total remittances were received by the households through the banking channel, 29 per cent were transferred through the *hundi* system,[†] and one-third of remittances were either transferred through friends or relatives or were brought to Pakistan by the migrants themselves during their visits home. Both the migrants and their families consider the banking procedure for transferring money very difficult. The procedure or the paperwork involved seems to be one of the major obstacles in using banks to transfer remittances.

Sixth, the analysis of the data shows that a large proportion of remittances are put into four areas: real estate and agricultural machinery; food; marriages; and savings. Less than half of

[†] *"Hundi"* refers to a system for remitting money to Pakistan from overseas through non-banking sources. In this system, the money (foreign currency) given to a dealer abroad, for example in Saudi Arabia, is transferred in Pakistani rupees to the family of the sender by an agent.

the sampled households were unable to direct any remittances to investments or savings. However, more than one-quarter of the households were able to invest more than PKR 200,000 (USD 2,504). The volume of remittances, the age and education of the workers, an urban place of residence and access to non-remittance income in Pakistan are the main factors affecting the investment behaviour of households.

Finally, the impact of remittances on both the economic status and the social status of the sampled households is remarkable. The level of poverty among these households is considerably lower, and there is a marked difference between pre- and post-migration perceived economic status. The perceived status of the household in the post-migration period is much better than that in the pre-migration period. Overseas migration has brought a qualitative change in children’s education, and housing facilities have improved since the pre-migration period. The role of women in decision making, for example in handling remittances, in children’s education and in their participation in the labour market, has also increased in both rural and urban areas, although the change is modest and decisions are still largely made by male members of the household or jointly by the family. The overseas experience has also played a part in enhancing the role of migrant households in community development. An improvement in the economic status of migrant households, the involvement of the households in community development activities, and the participation of the households in local social organizations have brought a positive change in the overall social status of the migrant households.

Policy Recommendations

1) The government of Pakistan is planning a new migration policy, which is supported by IOM. Its announcement is expected soon, and it should be made part

of the next Five Year Plan (2010-2015).

2) Opportunities for overseas employment could be explored for the poor areas of the country, for example southern Punjab, rural Sindh and Balochistan.

3) The cost of overseas migration could be reduced by improving the recruitment system and by controlling exploitative practices. Skills development programmes for potential migrants can be very effective in improving the recruitment system.

4) The banking sector needs to be made more efficient in order to attract remittances through formal banking transfers and to direct remittances to investments in the country.

5) With the help of international bodies such as IOM, South Asian labour-exporting countries need to work together to improve the working conditions of migrants in destination countries.

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1. Introduction

Workers' remittances are an important source of income and poverty alleviation for migrants, their households and their communities of origin in many parts of the developing world (Siddiqui, 2005; Piotrowski, 2009). The "new economics of labour migration", a theoretical perspective, views remittance transfers as part of a household decision-making strategy to reduce risk and increase investment opportunities in areas where credit, insurance and capital markets are absent or imperfect (Taylor, 1999). More recent research into the subject has also examined the phenomenon of migration as a means of mitigating risk after the occurrence of a shock, or as an ex-post risk management strategy (Halliday, 2006). According to the *World Migration Report 2008: Managing Labour Mobility in the Evolving Global Economy*, migration contributes to poverty reduction at both the individual and the community level by providing migrants with access to higher salaries at their destinations, and remittances sent by migrants to their families constitute an important driver of development (IOM, 2008). This view also prevails in many of the empirical studies carried out in Pakistan, showing that migrants go abroad to improve their socio-economic position at home. Their consumption and investment behaviours are thus generally examined in the context of the well-being of the households concerned and poverty reduction.

* Unless otherwise stated, the tables and figures presented in this study were compiled by the author using data from the Household Survey on Overseas Migrants and Remittances.

Pakistan has a long history of labour migration to different parts of the world (Arif and Irfan, 1997). Migration to the Middle East has been the most significant, however, since the mid-1970s. During the last three and a half decades, the rich oil-producing countries of the Middle East have provided Pakistani workers with temporary employment opportunities on a large scale; since the mid-1970s, some 4.59 million workers are recorded to have gone abroad for employment, mainly to the Middle East (BEOE, 2009). However, the annual placement of workers in the Gulf Cooperation Council States has fluctuated considerably and was very low in the 1990s. This low placement resulted in a reduction in the inflows of workers' remittances during that time.

Pakistan has recently experienced a new peak in both the outflows of its workers and the inflows of foreign remittances. In 2008, approximately 430,000 workers went abroad, primarily to the Middle East, and in 2008-09, remittances reached a new peak of more than USD 7 billion.

There is a considerable body of literature on the economic and social impacts of workers' migration and remittances on Pakistani society. This literature shows the considerable contribution of remittances to the country's economic growth through investments, balance of payments, poverty reduction and the improvement of the socio-economic status of migrant-sending households. However, most of the literature was produced in the 1980s. There is a dearth of empirical evidence of the contribution of the recent significant inflows of remittances on both the economy and the households concerned.

The effect of the recent global financial crisis on overseas migration and remittances is also unknown. One view is that South Asian migrant workers are concentrated in the Gulf States, where public investments are foreseen to remain strong in spite of the drop in oil prices. The economies of major labour-importing countries in the region are therefore expected to have stable growth (Abella and Ducanes, 2009). The Gulf countries have not significantly reduced their hiring of migrants (Ratha et al., 2009). The migration of South Asian workers, including Pakistanis to the Middle East, is therefore likely to have been only partially affected by the global downturn. Both the outflows of workers to the Middle East during the first half of 2009 and the inflows of remittances have shown that there has been no sign of a decline in the demand for Pakistani workers. The same is the case in other South Asian labour-exporting countries, including Bangladesh, India, Nepal and Sri Lanka. According to the *Migration and Development Brief 10* of the World Bank, falling asset prices, rising interest rate differentials and the depreciation of the local currencies in South Asia and East Asia have also attracted remittances from migrants (Ratha et al., 2009). Interestingly, the qualitative information collected for the present study shows that the majority of migrant households perceive a decline in the future flows of remittances (see section 8).

The overall objective of the present study is to assess the economic and social impacts of remittances on migrant-sending households in Pakistan. It is based on the Household Survey on Overseas Migrants and Remittances (HSOMR), a survey of households with a migrant family member working in Saudi Arabia. Since the 1970s, Saudi Arabia has hosted Pakistani workers on a large scale. Although the United Arab Emirates has recently started importing more Pakistani labour than Saudi Arabia has, the latter still has the largest stock of Pakistani migrant workers, which includes unskilled, skilled, service and professional workers. Thus, by focusing on Saudi Arabia, the present study examines the largest stock of Pakistani migrant workers in the Middle East.

The specific objectives of the study are:

- to examine the magnitude and patterns of overseas migration;
- to describe the socio-demographic profile of migrants in Saudi Arabia and their households in Pakistan;
- to explore the history of migrant workers and to examine the costs of going abroad;
- to assess the earnings, savings and remittance-sending behaviour of workers while abroad, including the channels used for transferring remittances;
- to review the possible impact of the current financial crisis on the inflows of remittances;
- to examine the use of remittances;
- to determine the economic and social impacts of overseas migration;
- to provide policy recommendations based on the results of the survey, field observations and the review of the literature.

Section 2 of the present study describes the magnitude and the patterns of overseas migration from Pakistan, followed by a discussion in section 3 on the relationship between remittances and macroeconomic indicators. Section 4 gives a description of HSOMR, while section 5 presents a profile of the migrants and their households. The history of migration and the costs involved in finding overseas employment are discussed in section 6. An analysis of salaries in Saudi Arabia and the remittance behaviour of migrants, including the channels used for sending money home, is presented in section 7, followed by a brief discussion on the global economic crisis and the inflows of remittances in section 8. The use of remittances and an analysis of investment behaviour are presented in section 9. The economic and social impacts of remittances on the receiving households are discussed in sections 10 and 11, respectively. The final section presents conclusions and policy recommendations.

2. Magnitude and Patterns of Overseas Migration from Pakistan

This study is concerned primarily with the flows of remittances to migrant-sending households in Pakistan and their impact on both the economic status and the social status of these households. Migration and remittances have a strong impact on the economy of the country as well as society as a whole. To put this study in the proper context, it is therefore necessary to review the magnitude and patterns of overseas migration from Pakistan, the inflows of remittances and the importance of the remittances for the macroeconomic situation of the country.

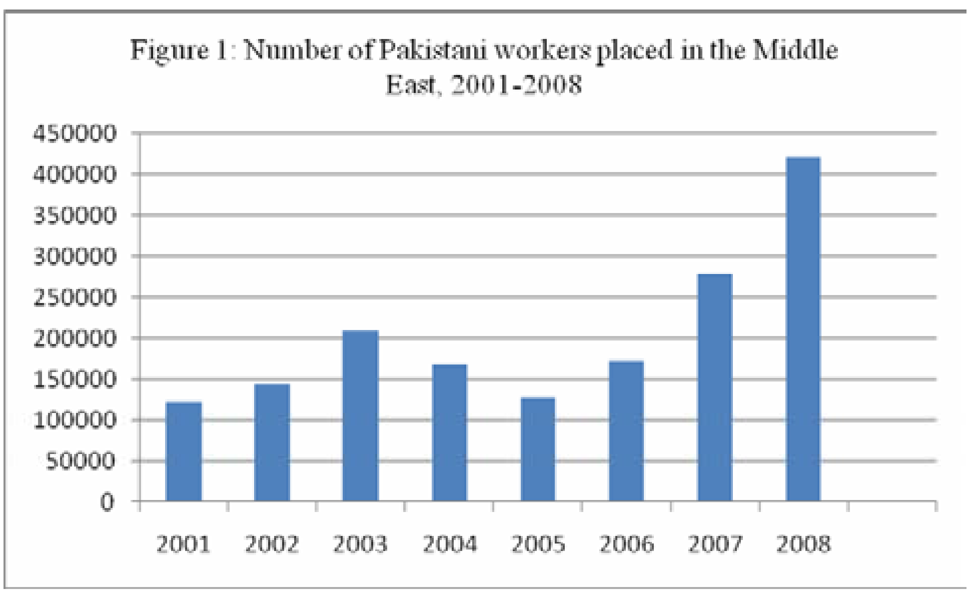
2.1 Magnitude of Overseas Migration

The Bureau of Emigration and Overseas Employment (BEOE), the official agency responsible for managing the migration of workers for employment, has placed about 4.6 million Pakistanis abroad since the 1970s, when it started the registration of these workers. Most of these workers have been placed in the Middle East. Return migration upon the expiry of the contract is the integral component of this type of migration, and new migrants regularly replace those who return home.

It is estimated that, in 2004, approximately 4 million Pakistanis were abroad; about half (48%) were in the Middle East, with a concentration in Saudi Arabia and the United Arab Emirates. Europe and North America were the destinations of 28 per cent and 21 per cent of Pakistanis going overseas, respectively (annex table A.1). In Europe, Pakistanis are concentrated in the United Kingdom of Great Britain and Northern Ireland. The emigration of Pakistanis to the United Kingdom started at the end of the Second World War, when a significant number of seamen from Mirpur (a district in Azad Jammu and Kashmir) found themselves stranded in the United Kingdom as a result of having their ships torpedoed (Ballard, 2005). Migration from Mirpur and other surrounding districts continued until the 1960s. A wave of migration to North America started in the early 1990s, when young men moved initially for higher education, and many settled there afterwards with their families (Gazdar, 2005). The emigration of Pakistanis to the United States of America and to Canada for settlement has gradually increased (Skeldon, 2005). It is estimated that 600,000 Pakistanis were in the United States in 2004 (annex table A.1).

The migration of Pakistanis to the United Kingdom and to North America is different from their movement to the Middle East. The former is permanent in nature, except for those travelling on a student visa or temporary stay permit, while migration to the Middle East is medium-term, lasting for four or five years on average.

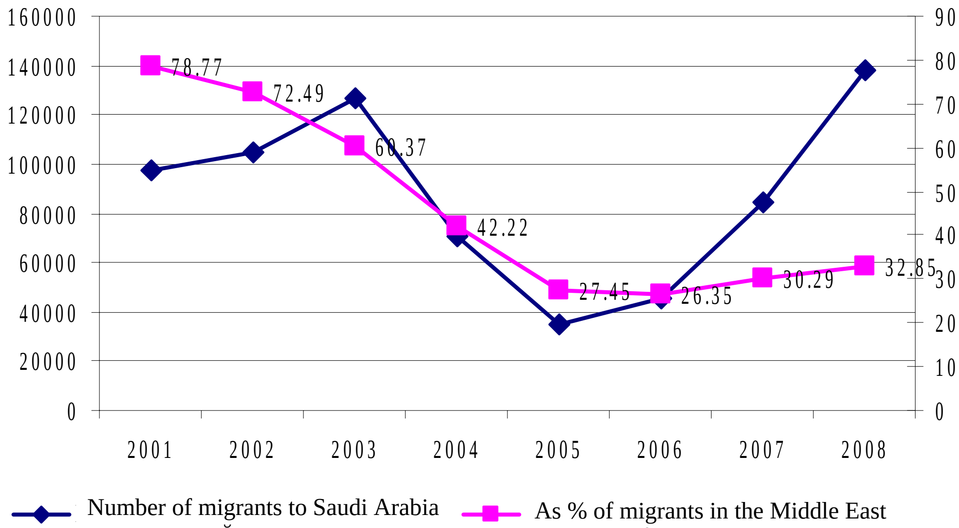
The choice of destination country is influenced mainly by the ease of access to the job market, the wage structure and the nature of the job. The job market in the Middle East has shown great fluctuations in terms of the placement of Pakistani workers. The first peak was observed in 1977, and there was another in 1981. However, annual placement was well below 100,000 between 1984 and 1989. After the 1990 Gulf War, the placement of Pakistanis reached a record level of 195,000, but the number was low in the second half of the 1990s. For the more recent period of 2001-2008, the annual placement of Pakistanis in the Middle East is shown in figure 1. The placement numbers increased from 123,500 in 2001 to 209,000 in 2003. After a decline during the next two years, it reached 287,000 in 2007. A new peak was observed in 2008, when 430,000 workers went abroad.



Source: Bureau of Emigration and Overseas Employment, Islamabad, 2009.
Note: During the first half of 2009, approximately 250,000 workers were placed abroad.

The placement of Pakistanis in Saudi Arabia has also fluctuated; the number declined from 126,000 in 2003 to about 85,000 in 2007. But in 2008, 138,000 workers found employment there (figure 2). The annual placement data for other countries are presented in annex table A.2. It is beyond the scope of the present study to examine in detail the reasons for the fluctuations in the placement of Pakistani workers in the Middle East, but the commonly stated reasons are: the shift in demand from infrastructure development after the completion of projects to the maintenance sector; competition from other labour-exporting countries; the policy of Arab countries to hire their own nationals; and the uneducated labour force of Pakistan (BEOE, 2007).

Figure 2: Annual placement of Pakistani workers in Saudi Arabia, 2001-2008



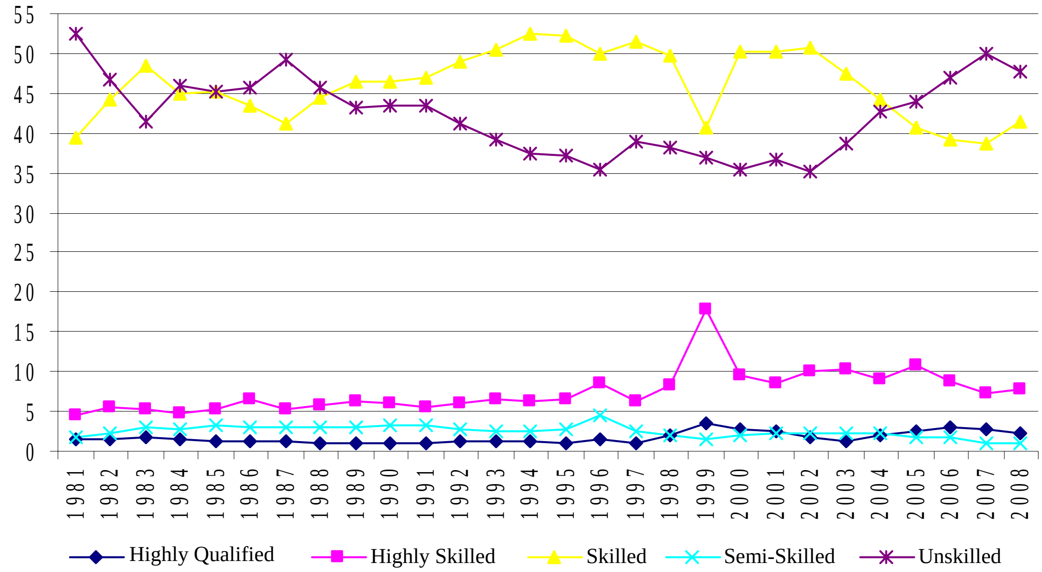
Source: Bureau of Emigration and Overseas Employment, Islamabad, 2009.

2.2 Skill Composition of Workers

The skill composition of Pakistani workers going to the Middle East has changed very little over the last three and a half decades (BEOE, 2007). Figure 3 presents the skill composition of Pakistani workers in the Middle East for the period 2001-2008. This classification of workers into different skill levels is done by BEOE on the basis of the qualification and skill requirements of a particular job. For example, the "highly qualified" category includes professionals with high levels of education, such as doctors and engineers. The "highly skilled" category includes those occupations that require specialized skills, such as technicians and nurses, but their qualifications are lower than those under the "highly qualified” category. The jobs that require some training, formal or informal, are included in the “skilled” category. Skilled workers commonly take such jobs as drivers, masons and carpenters. However, it is not easy to draw a clear line between the semi-skilled and the unskilled workers. The *World Migration Report 2008* has deliberately avoided the use of the term “unskilled” on the grounds that most workers, regardless of the nature of their tasks, have some basic skills (IOM, 2008).

Figure 3 shows unskilled workers as the dominant category, followed by skilled, semi-skilled and highly qualified workers. The proportion of unskilled workers leaving the country rose from 35 per cent in 2000 to 50 per cent in 2008. These workers are less educated and more vulnerable to exploitative recruitment practices. The proportion of skilled workers leaving the country declined from more than 50 per cent in early 2000 to 40 per cent by 2008. Since the 1990s, there has been a general tendency in the Middle East to hire more professionals and skilled workers as opposed to unskilled and semi-skilled workers. The skill composition of other Asian workers, such as Indians, has changed due to this shift in demand (Srivastava and Sasikumar, 2005); the composition of Pakistani workers, however, has not witnessed a shift towards more skilled workers.

Figure 3: Skill composition of Pakistani workers in the Middle East, 1981-2008



Source: Board of Emigration and Overseas Employment, Islamabad, 2009.

Notes: "Highly qualified" includes doctors, dentists, engineers, teachers, accountants and managers.

"Highly skilled" includes nurses, foremen/supervisors, technicians, operators, surveyors, computer programmers/analysts, designers, pharmacists, riggers, draftsmen, photographers and artists.

"Skilled" includes welders, secretaries/stenographers, storekeepers, clerks/typists, masons, carpenters, electricians, plumbers, steel fixers, painter mechanics, cable jointers, drivers, tailors, fitters, denters, goldsmiths, blacksmiths and salesmen.

"Semi-skilled" includes cooks and waiters/bearers.

"Unskilled" includes agriculturists, labourers and farmers.

These categories may not necessarily correspond to the actual occupation; for example, some farmers could have skilled occupations.

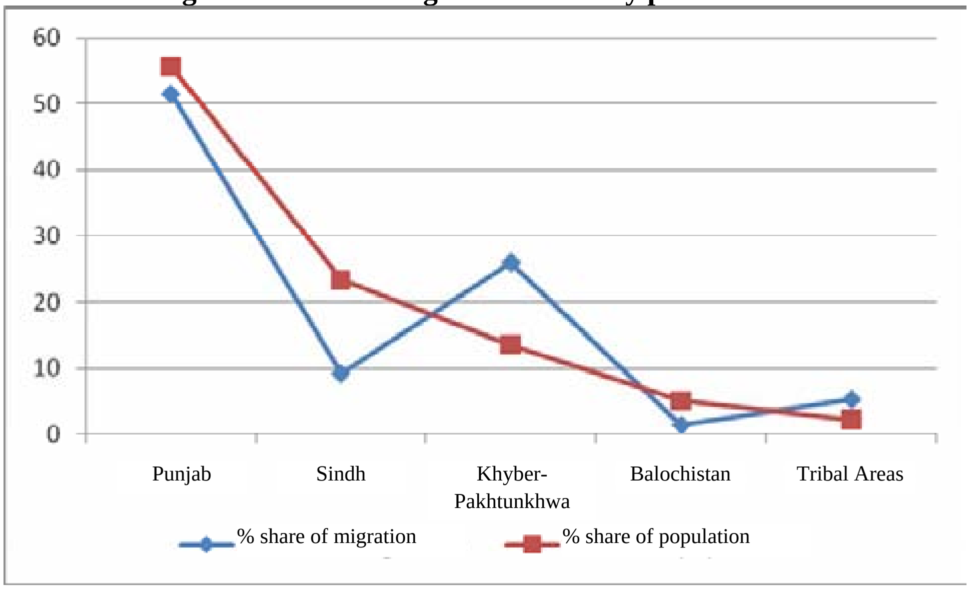
It is worth noting that, in Pakistan, there are several programmes for enhancing the skills of workers, but their scope and coverage remain low. The country has technical, vocational and apprenticeship training centres and programmes. The Technical Education and Vocational Training Authority was recently established. The National Training Board works under the Ministry of Labour, Manpower and Overseas Pakistanis, which set up (has set up) five skill development councils, one each in Islamabad, Karachi, Lahore, Peshawar and Quetta. In 2006, the National Vocational and Technical Education Commission was established.).

Despite this long list of institutes and training programmes, according to the Medium Term Development Framework (2005-2010), the present capacity of the government departments and agencies is insufficient to meet the local demand, let alone the overseas demand.

2.3 Place of Origin of Migrant Workers (Province and District)

Migrants to the Middle East are not represented evenly from across the country. Pakistan is administratively divided into 4 provinces and 111 districts. Figure 4 shows the breakdown by province/area of origin of the Pakistani workers who went abroad between 1981 and 2008 through BEOE. The population of Punjab represents 52 per cent of the total population of Pakistan, and 52 per cent of the migrant workers are from Punjab. Only 9 per cent of the workers who went abroad, mainly to the Middle East, between 1981 and 2008 are from Sindh. This proportion is less than half of Sindh's share of the total population of Pakistan. About one-quarter of the migrants who went abroad for employment are from Khyber Pakhtunkhwa, which is twice its proportion of the total population. Balochistan is under-represented; only 1.3 per cent of the migrants are from this province as compared to its 5 per cent share of the total population.

Figure 4: Share of migrant workers by province/area



Source: Bureau of Emigration and Overseas Employment, Islamabad, 2009; Pakistan, *1998 Population and Housing Census,* Ministry of Economic Affairs and Statistics.

BEOE migration data are also available at the district level. More than 60 per cent of the Pakistanis who migrated came from only 20 districts, mainly in northern Punjab and Khyber Pakhtunkhwa, Karachi in Sindh and two districts in southern Punjab. Poverty levels among households of high-migration districts are considerably lower than poverty levels among households from low-migration districts in Sindh and southern Punjab (Amjad et al., 2008). In areas where agricultural incomes are low, households resort to migration as one way of improving their economic conditions. Migrants to the Gulf region include a significant number of unskilled workers from rural areas who would otherwise work in low-paid jobs in the informal sector in Pakistan. If temporary migration overseas is considered to be a strategy to alleviate poverty, Pakistan needs to ensure more migration opportunities for households in those provinces and districts that have benefited less from migration to the Middle East.

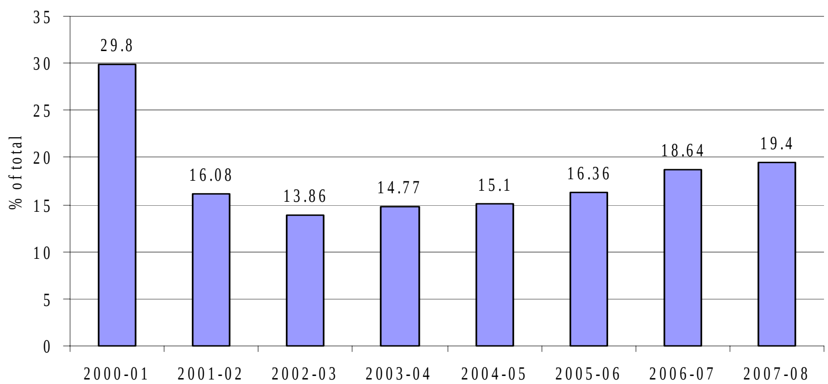
3. Remittances and Macroeconomic Indicators

Through remittances, labour migration has become a significant factor in the socio-economic stability of many labour-sending countries (Mehdi, 2004). For the economy of Pakistan, foreign remittances have served as an important source of much needed foreign exchange. Remittances are also a poverty cushion as the increased money supply stimulates the demand for, and increases consumption expenditures on, goods and services, which is ultimately beneficial for the poor. The annual inflows of remittances to Pakistan through the formal banking channel are reported in annex tables A.3 and A.4. Remittances increased from USD 1.1 billion in 2000-01 to USD 6.33 billion in 2008-09. Workers' remittances amounted to USD 6.4 billion between July 2008 and April 2009 compared with USD 5.3 billion in the corresponding period of the previous year, thereby showing an increase of 19.5 per cent.

Of total remittances, the share from the Middle East was never less than 60 per cent until the late 1990s. This was because of the concentration of overseas Pakistanis in the region and the temporary nature of their stay. These overseas workers transfer their savings home regularly. However, the last few years have witnessed a sharp decline in the share of remittances coming from the Middle East (annex table A.4). After the events of 11 September 2001, remittances from the United States increased remarkably, from USD 779 million in 2001-02 to USD 1.762 billion in 2007-08. The latter figure is 27 per cent of the total remittances in 2007-08. It may well be that, after 11 September 2001, many Pakistanis with savings in the United States transferred these to Pakistan through official channels rather than by way of informal channels. The treatment or perception of Pakistani migrants in the United States after the events of 11 September 2001 may have influenced remittance behaviour, although there are no data available either to confirm or to refute this hypothesis. The growing settlement of Pakistanis in the United States is also one of the reasons for the recent high inflows of remittances (Skeldon, 2005).

In 2000-01, about 30 per cent of the total remittances were transferred from Saudi Arabia (figure 5). This share declined to only 14 per cent in 2003-04 and then jumped to 19 per cent in 2007-08. These differences are largely due to fluctuations in the annual placement of Pakistanis to Saudi Arabia, as discussed earlier, and the inflows of remittances from other countries.

Figure 5: Remittances from Saudi Arabia (% of total remittances)



Source: Pakistan, *Pakistan Economic Survey 2008-09*, Finance Division, Islamabad, 2009.

It is well documented that the availability of foreign exchange through remittances helped in reducing the current account deficit, external borrowings and the external debt burden in Pakistan (Amjad and Kemal, 1997; Iqbal and Sattar, 2005). Workers' remittances have remained an important source of foreign exchange earnings over the years, and for about the last eight years, it has remained the dominant force in keeping the current account deficit at a manageable level (Pakistan, 2009).

Table 1 provides information on remittances, economic growth and other macroeconomic indicators. Pakistan's economic growth for the period 1961-1990 was respectable, but the 1990s were characterized by macroeconomic instability. During the 1960s, the average growth rate was 6.8 per cent per annum, dropping to lower than 5 per cent in the 1970s and then climbing to 6.5 per cent in the 1980s. The country's growth performance deteriorated during the 1990s: real gross domestic product (GDP) growth slowed to an average of 4.9 per cent in the first half of the decade and declined further to an average of 4 per cent in the second half. The growth rate of remittances in the 1990s was negative. The growth momentum of the economy again accelerated during the period 2002-2006: real GDP growth rose from 3.1 per cent in 2001-02 to 8.4 per cent in 2004-05 and stood at 7 per cent in 2005-06. Remittances increased markedly during this period. Pakistan's economy has lost significant momentum, however, in the last few years despite the high levels of remittances. The prime contributor to this derailing is Pakistan's proactive role in the war against terror.

Table 1: Workers' remittances and macroeconomic indicators

Decade/ year	**Workers' remittances (millions of USD)**	**Growth rate of workers' remittances**	**Workers' remittances (% of GDP)**	**Real GDP growth rate**	**Inflation**	**Imports (% of GDP)**	**Exports (% of GDP)**	**Trade deficit (% of GDP)**
1970s	565	-	-	4.8	12.5	18.7	0	-
1980s	2,294	1.9	-	6.5	7.2	17.4	9.8	8.9
1990s	1,555	-5.3	-	4.6	9.7	13.1	13.0	4.4
1999-00	984	-7.2	1.3	3.9	3.6	14.2	11.2	1.9
2000-01	1,087	10.4	1.5	2.0	4.4	13.0	12.4	1.8
2001-02	2,389	119.8	3.3	3.1	3.5	13.6	12.6	0.4
2002-03	4,237	77.4	5.1	4.7	3.1	13.9	13.1	0.5
2003-04	3,872	-8.6	3.9	7.5	4.6	17.1	12.7	1.2
2004-05	4,169	7.7	3.7	9.0	9.3	19.4	13.2	4.0
2005-06	4,600	10.4	2.9	5.8	7.9	18.5	13.0	6.5
2006-07	5,493	19.4	3.8	6.8	7.8	21.5	11.9	6.6
2007-08	6,451	17.4	3.9	4.1	12.0	16.1	12.2	9.3
2008-09	6,335	19.5	3.8	2.4	22.3	17.4	9.6	6.5

Source: Pakistan, various issues of *Pakistan Economic Surveys*, Finance Division, Islamabad; Z. Iqbal and A. Sattar, “The contribution of workers’ remittances to economic growth in Pakistan”, Research Report No. 187, Pakistan Institute of Development Economics, 2005, pp. 1-25.
Note: The data for the 2008-09 period are provisional, as given in the *Pakistan Economic Survey 2008-09.*

There is a strong correlation between remittances and poverty reduction. The broad trends in poverty show that it increased in the 1960s. This increase is largely attributed to a rise in rural poverty because the benefits of agricultural growth in the 1960s were accrued primarily by large farmers (Irfan and Amjad, 1984). Poverty declined modestly in the 1970s because of both employment generation in the public sector and the inflows of foreign remittances. Poverty declined sharply during the 1980s, and the declining trends continued until the early 1990s. Remittances and agricultural growth contributed in this reduction. However, from the early 1990s, when the inflows of remittances declined, poverty gradually increased. According to official estimates, between 1992-93 and 1993-94, overall poverty increased slightly, by 0.32 percentage points. The rising trends continued until 2000-01, when 34.5 per cent of the total population lived below the poverty line. These rising trends in poverty reversed during the post-2001 period; a drop of more than 11 percentage points in overall poverty between 2001 and 2006 offset the sharp rise in poverty during the 1990s. Recent studies have examined the correlation between remittances and poverty reduction by including in the analyses longer periods starting from the 1970s and found that a reduction in poverty in Pakistan was strongly associated with the amount of remittances sent home (Siddiqui and Kemal, 2006). Poverty declined rapidly in those periods when the flows of remittances were relatively high, such as the 1980s and 2000s. Based on these statistics, it is difficult to establish the dependency of the Pakistani economy on remittances; however, their contribution to economic growth and poverty reduction is well recognized.

4. Data Source and Its Limitations

4.1 Household Survey on Overseas Migrants and Remittances

To achieve the objectives of the present study (see section 1), a survey of 555 households[1] with at least one family member working in Saudi Arabia was carried out from June to August 2009. HSMOR was restricted to those households whose family members went to Saudi Arabia between 1994 and July 2006. This sample was chosen because evidence from labour-exporting countries suggests that a longer duration of stay of workers in the destination countries helps them to recover the cost of migration, to better meet the consumption needs of their households and to make investments from the remittances (Siddiqui, 2005). The sample for HSOMR included households with migrants who had been in Saudi Arabia for at least 3 years, but no more than 15 years. The minimum stay of three years is considered sufficient for migrants and their households to recover the cost of migration and to improve their economic and social status. Some earlier studies have empirically shown that it is important for the households that the migrants stay abroad longer than two years (Arif, 1999). It is not common, however, for migrants to stay for a very long period in Saudi Arabia. Although employers may prefer experienced workers, for physical activities young migrants are preferred over an ageing labour force. The limit of 15 years for the sample selection was introduced to give more representation to the majority of workers who stay abroad for less than 15 years. However, a limitation of this survey may be that it excluded migrants with less than 3 years' or more than 15 years' stay in Saudi Arabia.

[1] Seven households were excluded from the analysis because the migrants from these households went to Saudi Arabia in 2008 and 2009, reducing the total number of households studied to 548.

Female migration to Saudi Arabia or to other countries of the region for employment is negligible. In 2006, for instance, BEOE processed only 73 cases of women out of a total of 183,191 cases. All of the households selected for HSOMR had a male family member working in Saudi Arabia at the time of the survey. Although women can go overseas for employment, their independent movement is not common in Pakistan. It is worth noting that, in Pakistan, the participation of females in the labour market is low – only 20 per cent. About two-thirds of this economically active female population work as unpaid family helpers. The overall low participation of women may largely explain the absence of women in migration to the Middle East for employment.

HSOMR was conducted in nine high-migration districts of the four provinces of Pakistan and Azad Jammu and Kashmir: Rawalpindi, Gujranwala, Lahore and Dera Ghazi Khan in Punjab, the largest province; Karachi and Larkana in Sindh; Peshawar in Khyber Pakhtunkhwa; Quetta in Balochistan; and Kotli in Azad Jammu and Kashmir. When the districts in Punjab were selected, the northern, central and southern parts of the province were chosen (were given representation). In northern Punjab, Rawalpindi, Attock and Jhelum are high-migration districts; Rawalpindi, with the highest number of migrants, was included in the sample. Lahore, Sialkot, Faisalabad and Gujranwala are high-migration districts in central Punjab, and Lahore and Gujranwala were included in the sample. In southern Punjab, Dera Ghazi Khan was selected; it is the highest migration district in that region. Karachi, Hyderabad and Larkana are three high-migration districts in Sindh, and Karachi and Larkana were included in the sample. Dir, Swat and Peshawar are high-migration districts in Khyber Pakhtunkhwa. Because of the unrest in Dir and Swat due to the large-scale displacement of the population, Peshawar was selected for the survey. The other two districts selected – Quetta and Kotli – are the highest migration districts in Balochistan, and Azad Jammu and Kashmir, respectively.

According to the 1998 Population and Housing Census, which is the latest available census, approximately one-third of the total population of Pakistan live in urban areas. At present, this proportion is likely to be more than 40 per cent. Since migrants move to Saudi Arabia from both urban and rural areas, HSOMR covered both areas. For the urban sample, households were selected from the district headquarters[2] or the main towns of each sampled district. For the rural sample, households were selected from three categories of villages: (a) those located within 5 km of the main city of each district; (b) those located at a distance of more than 5 km but less than 10 km from the main city; and (c) villages located at a distance of 10 km or more from the main city. In total, 115 rural localities were covered in HSOMR. The aim of this stratification was to give representation to remote rural areas of the selected districts.

A list of migrant households with one male family member working in Saudi Arabia was prepared by field enumerators from the sampled urban and rural localities with the help of key informants, including local labour recruitment agents, teachers, lawyers and shopkeepers. In total, a list of more than 700 households was prepared. In selecting the households for HSOMR, the nature of the work of the migrants in Saudi Arabia was given due consideration in order to have all occupations and skill categories represented. The households were then selected randomly from this list.

[2] "District headquarters" refers to the city or town that is the administrative centre of the district.

As noted above, 555 households were surveyed for HSOMR, and of this number, 548 households were studied. Table 2 shows that 48 per cent of the sampled households were located in urban areas, while the remaining 52 per cent were interviewed in rural areas. The survey was carried out from June to August 2009, when the country was facing the challenge of having more than 3 million internally displaced persons. This has had a social and psychological impact not only on the individuals concerned but also on the society as a whole. During this period of uncertainty, it was a great challenge for the field enumerators to have the cooperation of the migrant families to collect the required information. Quetta, Karachi and Peshawar were the places where the enumerators faced the most difficulties in conducting the survey due to the political unrest there. Although HSOMR was successfully completed in the given time, the difficulties in the field forced a reduction in the sample size in Quetta district from 50 to 31 households.

Table 2: Sample for the Household Survey on Overseas Migrants and Remittances

Province/region and district	**Urban**	**Rural**	**Total sample**
Punjab	115	144	259
Dera Ghazi Khan	9	43	52
Gujranwala	23	42	65
Lahore	59	10	69
Rawalpindi	24	49	73
Sindh	81	52	133
Karachi	67	10	77
Larkana	14	42	56
Khyber Pakhtunkhwa	31	40	71
Peshawar	31	40	71
Balochistan	21	10	31
Quetta	21	10	31
Azad Jammu and Kashmir	16	38	54
Kotli	16	38	54
Total	264	284	548[a]
Percentage of total	48.2	51.8	100

The enumerators had been given comprehensive training before the survey took place. A structured questionnaire was administered to the respondent in each sampled household. The questionnaire had ten sections covering the household roster, education, employment, pre-migration history, the recruitment process, salaries abroad, savings and remittances, consumption and investments, agricultural activities, businesses, housing and community development.

The analysis presented in this study was carried out for rural and urban areas separately. To understand the regional dimension, data are reported for Punjab, Sindh and “other regions”, which includes households in Balochistan, Khyber Pakhtunkhwa, and Azad Jammu and Kashmir. While HSOMR attempted to capture different dynamics in place at the national level in order to provide a description of the phenomenon of migration to Saudi Arabia, its results may not be representative of the total population of interest.

4.2 Data Limitations

Pakistan has a long history of generating socio-economic data through household surveys, generally managed by the Federal Bureau of Statistics. These surveys, however, gather little information on internal or international migration. Since the onset of migration to the Middle East in the mid-1970s, surveys were carried out to analyse the economic and social impacts of overseas migration. In the 1980s, the information generated through these surveys was the major source in understanding the importance of migration to Pakistani society. Both overseas migration and foreign remittances declined considerably in the 1990s, and no new initiative in data collection could be undertaken during this period. Pakistan has recently experienced a new peak in the outflows of its workers and the inflows of foreign remittances. No data are available to examine the current wave of overseas migration and its relationship with remittances and development. HSOMR is an attempt to fill this data gap. However, there are several limitations of this dataset, particularly:

- Pakistanis are currently working in the Middle East, North America and Europe. The focus of this study is the families of those migrants who were working in Saudi Arabia at the time of the survey, and it therefore excludes migrants working in other countries.
- The sample size is small and it is not representative either at the national level or for rural and urban areas.
- The regional/provincial level information provided in the study is not representative of any province or region.
- The study excludes migrants working abroad for less than 3 years or more than 15 years. Thus, the data on income, remittances and the use of remittances may not reflect the overall behaviour of Pakistani migrants in the Middle East.

5. Socio-demographic Profile of Migrants and Their Families

In the 2009 HSOMR, the sample households were asked about the socio-demographic characteristics of the migrants working in Saudi Arabia. A set of questions also explored the characteristics of the households. In addition to providing these profiles, this section aims to present an analysis of the reasons for overseas migration.

5.1 Pre-migration Characteristics of Migrant Workers

The migration of Pakistani workers to Saudi Arabia, as to other parts of the world, is selective, and it is typically young people who go abroad. The mean age of the sampled migrants at the time of migration was 26 years, with no major differences across the household locations (table 3). The time-of-departure mean age of the Pakistanis working in Saudi Arabia is similar to that found in earlier studies carried out in Pakistan and in other countries. It is worth noting that some labour-importing countries have fixed the upper age limit; in Saudi Arabia, for example, it is 45 years. Thus, young workers are generally preferred by destination countries. Half of the sampled migrants were married before they went abroad, but there was a considerable difference between rural and urban areas: a much greater percentage of migrants from rural areas were married. In urban areas, the young population is more educated than the corresponding rural population (Arif and Chaudhry, 2008), and it seems that they prefer to earn some money before entering into marriage. The married migrants had on average 2.4 children prior to their migration overseas.

Table 3 shows an important dimension of the involvement of households in terms of who goes abroad. Two-thirds of the sampled migrants were sons of the heads of the households. This number was even higher in urban areas, at over 70 per cent. However, in “other regions” (Balochistan, Khyber Pakhtunkhwa, and Azad Jammu and Kashmir), the percentage was relatively lower, at 57 per cent. For one-quarter of the respondents, the head of the household had gone abroad. In Sindh (Karachi and Larkana districts only), however, 14 per cent of the migrants were the brothers of the heads of the households.

Table 3: Socio-demographic profile of migrants

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Average age of migrant at time of migration	26.30	25.87	26.55	26.32	25.90	26.70
Migrant married at the time of migration (%)	51.01	42.97	58.45	45.17	59.09	53.85
Mean number of children of migrant prior to migration (married only)	2.39	2.23	2.50	2.18	1.87	3.16
Migrant's relationship to head of household (%)						
Self	25.36	23.48	27.11	27.41	9.09	35.67
Spouse	0.73	0.76	0.70	0.39	1.52	0.64
Son	66.97	70.83	63.38	70.27	72.73	56.69
Parent	0.18	-	0.35	-	-	0.64
Brother	5.29	3.79	6.69	1.16	13.64	5.10
Nephew	0.18	-	0.35	-	-	0.64
Other	1.27	1.14	1.41	0.78	3.03	0.64
Total	100.0	100.0	100.0	100.0	100.0	100.0
Level of education of migrant (%)						
No formal education (illiterate)[a]	7.44	6.78	8.06	4.60	3.00	15.80
Primary[a]	8.10	3.87	12.01	8.53	3.82	11.12
Middle	20.11	9.51	29.93	25.48	3.79	25.00
Secondary	42.23	44.11	40.49	44.40	43.94	37.18
Post-secondary	22.12	35.74	9.51	16.99	45.45	10.90
Total	100.0	100.0	100.0	100.0	100.0	100.0
Work status of migrant before migration (%)						
Working	71.88	63.74	79.43	69.26	68.94	78.71
Not working	28.12	36.26	20.57	30.74	31.06	21.29
Total	100.0	100.0	100.0	100.0	100.0	100.0
Employment status of migrant before migration (employed only) (%)						
Employee	74.54	73.33	75.46	71.84	82.42	72.41
Self-employed	23.62	24.24	23.15	25.29	16.48	26.72
Unpaid family helper	1.31	1.82	0.93	2.30	1.10	-
Employer	0.52	0.61	0.46	0.57	-	0.86
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: [a]In other tables in this study, these two categories of education are combined.

This brief demographic profile of the migrants reveals the importance of the life cycle stage in the migration phenomenon. Workers enter into the overseas labour market either just before getting married or soon after marriage. It is mostly the sons of the heads of the households who have gone abroad; it is generally those who have not yet established their separate households who have found overseas employment.

The sampled migrants are relatively more educated than the national average. Of the overall sample, more than one-third have middle or lower level education (eight years or less of schooling); the remaining two-thirds have ten or more years of education (table 3). The migrants from urban areas are even more educated. Illiteracy is relatively higher in the “other regions” category. National level data show that approximately one-third of the adult population in urban areas have attained at least ten years of education, and only 10 per cent among the rural population have this level of education (Arif and Chaudhry, 2008). The educational profile of migrants is consistent with the established theory that individuals with relatively more education are the first to take the opportunity to migrate (Boyle et al., 1998).

About three-quarters of the migrants had been working in Pakistan before going abroad, and the percentage was as high as 80 per cent among rural migrants. Thus, migration serves both to provide non-working Pakistanis with job opportunities and to open up jobs in the domestic labour market left by migrants. Approximately three-quarters of the migrants who were employed prior to migration were under the “employee” category, with no major differences across the household locations. The remaining quarter of the migrants were under the “self-employed” category while in Pakistan.

5.2 Pre-migration Characteristics of Households

The average pre-migration household size was about seven persons, with no major differences across the household locations (table 4). The average number of earners in the sampled households was 1.6. About one-quarter of the households had a business before their family member went abroad, and in Sindh this number was higher, at 38 per cent. This higher percentage in Sindh is probably due to the relatively larger urban sample in this province (table 2). Interestingly, among the rural migrant households, 23 per cent also had a business before migration. A similar percentage of rural households (22%) were involved in the farming sector prior to migration. In the rural areas overall, half of the population were landless and involved in non-farming activities. The results of the 2009 HSOMR show that both farming and non-farming rural households participated in overseas migration. The majority of the farms were “owner operator” before the migration, with an average of 2.14 hectares of operational land. Therefore, as expected, small farmers are involved in overseas migration. Average monthly pre-migration household expenditures were about PKR 14,000 (USD 175). These expenditures were relatively higher in urban areas than in rural areas, and households from Sindh recorded comparatively higher pre-migration expenditures.

Table 4: Socio-demographic profile of migrant households

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Average household size	6.77	6.41	6.92	5.99	7.03	7.73
Average number of members 0-14 years of age	2.13	1.94	2.30	1.64	2.47	2.62
Average number of members 15-64 years of age	4.48	4.47	4.49	4.13	4.51	5.06
Average number of members 65 years of age or older	0.16	0.20	0.13	0.22	0.05	0.15
Average number of earners before migration	1.55	1.56	1.53	1.65	1.42	1.51
Households involved in farming before migration (%)	13.69	4.92	21.83	11.20	6.82	23.57
Households with a business before migration (%)	25.18	28.03	22.54	20.08	37.88	22.93
Average monthly household expenditures before migration (Pakistani rupees)	13,954	16,243	11,966	13,370	17,920	11,898
Female-headed households (%)	7.12	7.95	6.34	8.11	-	11.46
Tenurial status of farming households before migration						
Owner operator	-	-	80.00	-	-	-
Share cropper/tenant	-	-	10.00	-	-	-
Lease on contract	-	-	10.00	-	-	-
Total	-	-	100.00	-	-	-
Total operational land before migration (hectares)	2.31	3.16	2.13	3.58	3.29	1.28

5.3 Reasons for Overseas Migration

In general, the migrants themselves took the initiative to go abroad, and their families supported them in their migration to Saudi Arabia for employment. The HSOMR respondents were asked to report the main reason their family member went abroad. Poverty seems to be the most important push factor for migration to Saudi Arabia; more than half of the sampled households reported this as the main reason. Less than one-quarter of the households reported unemployment in Pakistan as the main reason for overseas migration. Unemployment as the main reason for migration was reported by a greater percentage of respondents in urban areas and in Sindh. Other important reported reasons for migration were to earn money for a business (either to support an existing one or to start one) (13%) and to build a house (7.5%) (table 5).

These statistics indicate that such push factors as poverty, the lack of employment opportunities in Pakistan and poor socio-economic conditions (for example, housing) were given by the sampled households as the reasons their family members sought temporary employment abroad. According to a recent study by Khoo et al. (2009), temporary skilled workers in Australia gave the following reasons for going to Australia for work: the importance of international experience; better employment opportunities; promotions or career development; and higher salaries. For Pakistani migrants going to Saudi Arabia, the pre-migration socio-economic conditions at home have dominated the migration decision.

There is a need to explain why more than half of the sampled households reported poverty as the main reason for their family member's migration. The question of why the migrant went abroad is important in the context of the pre-migration conditions of the household, which may not qualify them as poor households, particularly if one looks at their reported pre-migration average monthly household expenditures. Poverty as the main reason for taking a job in Saudi Arabia, as reported in HSOMR, is likely to reflect the relative concept of poverty or "feeling poor". Skeldon (2003) argues: "This process (feeling poor) is perhaps at the root of most migration, giving the impression that poverty is the driving force but in reality is the product of a desire to better oneself against new standards rather than the result of absolute deprivation."

Table 5: Reasons for overseas migration (%)

	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Poverty	53.27	44.14	61.65	50.60	41.86	67.10
Unemployment in Pakistan	18.50	21.88	15.41	11.16	24.81	25.16
To earn money for a business	12.90	16.02	10.04	17.93	13.18	4.52
To earn money to build a house	7.48	3.91	10.75	15.94	-	-
To earn money for marriage	0.56	0.78	0.36	1.20	-	-
For further migration to Europe	0.56	1.17	-	1.20	-	-
Permanent nationality	0.56	1.17	-	0.40	-	1.29
Hajj for parent and himself	0.37	-	0.72	0.80	-	-
Others	5.79	10.94	1.08	0.80	20.16	1.94
Total	100.0	100.0	100.0	100.0	100.0	100.0

6. Migration History and Cost of Migration

This section aims to report on the migration history of migrants in terms of the main source used to find employment in Saudi Arabia, the duration of the stay abroad and any discontinuity in the job. The cost of migration and the sources of its financing are also discussed.

6.1 Migration Process

Pakistanis can go abroad legally through three different channels: the public agency; a private recruitment agent; or direct contact with a foreign employer. The role of friends and relatives at different stages of the migration process has been well documented (Shah and Menon, 1999). Table 6 shows the predominant role of friends and relatives in the recruitment process across most categories of migrants; more than half of the sampled migrants secured a job in Saudi Arabia with the assistance of their friends and relatives. Their role was less dominant for migrants from Sindh, where local agents played the major role in finding overseas employment. Overall, 37 per cent of the sampled households reported that their family member had found a job in Saudi Arabia through a recruitment agency or a local agent. The latter usually works for an Overseas Employment Promoter in Pakistan. A small proportion of migrants went abroad by obtaining a visa on their own or by using official sources (deputation). A study of South Asian workers in Kuwait by Shah and Menon (1999) showed that about 34 per cent of all respondents had moved through friends or relatives, 50 per cent had gone through recruitment agents, 15 per cent had arranged their visas directly through their employers, and only 1 per cent had used the government agency. In the case of Pakistani migrants, they found that more than half had arranged their Kuwaiti visas through a friend or relative. The important pull influence of relatives already abroad was documented in an earlier study by Khan (1991), in which 42 per cent of the migrants reported having a relative abroad when they moved, and for about one-third, friends and relatives had actually arranged their move. The (present) study found that more than half (57 per cent) of the migrants secured employment through friends and relatives, which was also consistent with the BEOE data, showing that 56 per cent of recent migrants had gone abroad by obtaining a visa on their own and without the involvement of the Overseas Employment Promoters.

Table 6: Main sources for securing employment in Saudi Arabia

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Relatives/friends (%)	56.9	56.7	57.2	54.1	37.1	78.3
Sub-agent/local agent (%)	19.3	19.7	18.9	12.0	54.5	1.9
Recruitment agency (%)	17.5	18.7	16.3	25.9	4.5	14.6
Direct contact abroad (visa) (%)	3.5	2.1	4.9	3.5	3.8	3.2
Government source/deputation (%)	2.7	2.8	2.7	4.6	-	1.9
Total (%)	100	100	100	100	100	100
Average period spent securing employment in Saudi Arabia	5.5	5.1	5.9	5.9	3.8	6.3

(months)						

Table 6 further shows that, on average, migrants secured employment in Saudi Arabia within about six months. That is, there was a period of approximately six months between the time the household member decided to go abroad and the time of his departure. In view of the lengthy procedure involved in overseas employment, this duration of time does not seem to be long.

The role of the local agent is substantial. Local agents were involved in the migration process for approximately one-fifth of the sampled migrants (table 6). These agents are the link that introduces prospective migrants to an Overseas Employment Promoter in return for a fee. Recruiters often make use of these intermediaries, especially when recruiting from rural areas, and particularly semi-skilled or unskilled workers. Migrants see several advantages in using sub-agents: they are familiar with the individual's personal background and they have knowledge of the agency's requirements. If problems later arise, the sub-agent could easily be approached to help to resolve these issues or to return any advance payments made.

Table 7 shows that approximately 60 per cent of the migrants signed contracts prior to leaving the country. Contract signing was almost universal in Sindh (Karachi and Larkana districts),[3] while in "other regions" (Balochistan, Khyber Pakhtunkhwa, and Azad Jammu and Kashmir), only 37 per cent of the households reported the signing of a contract prior to their family member's migration. More than 70 per cent of the total households surveyed

[3] This could be linked to the greater involvement of local agents as opposed to that of relatives as the main source for securing employment abroad. Local agents usually work on behalf of licensed recruitment agents (see table 6).

reported that the migrants had knowledge about the salaries in Saudi Arabia before going abroad. Two-thirds were also aware of the working hours in Saudi Arabia. More than half of the migrants attended the mandatory briefing of the Protectorate of Emigrants in Pakistan.

From the experience of the migrants in securing a job in Saudi Arabia, it appears that a strong social network exists to facilitate the migration. The improved transparency and functioning of this network, as well as better cooperation with the official institutions and private recruitment agencies, could make the migration process more efficient and free of exploitation.

Table 7: Signing the overseas employment contract and knowledge about salaries and working hours (%)

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Others**
Signed contract	59.7	63.7	56.0	59.5	91.7	32.9
Had knowledge about salary levels before going abroad	71.2	71.4	71.1	62.9	96.2	63.9
Had knowledge about working hours before going abroad	64.5	67.6	61.6	64.9	67.4	61.3
Attended briefing of Protectorate of Emigrants in Pakistan	53.2	59.9	47.0	62.5	66.7	26.5

6.2 Cost of Migration and Its Financing

The average total cost of overseas migration for the migrant as computed from the 2009 HSOMR was approximately PKR 135,000 (USD 1,690), with no major difference between rural and urban areas (table 8). However, the sampled households in "other regions" reported a relatively higher average cost, at PKR 154,000 (USD 1,928). In Sindh, it was relatively lower, at PKR 126,000 (USD 1,577). The annual analysis shows that the overall cost of securing a job in Saudi Arabia has increased over time, from PKR 86,000 (USD 1,077) in

1995 to more than PKR 160,000 (USD 2,003) in 2006 (figure 6). The common observation is that the current total cost is more than PKR 200,000 (USD 2,504).

In the 2009 HSOMR, an attempt was also made to obtain information on the breakdown of the total cost of migration by asking the sampled households to report the money they paid for an agent and to purchase a visa, an air ticket, a medical examination, an identity card and a passport. While all the sampled households reported the total cost, more than two-thirds of the households also reported the requested breakdown. Table 8 shows that money was spent mainly on the agent's fee (41%), the visa fee (38%) and the cost of the air ticket (15%). There were some differences in this breakdown across the household locations (table 8). In addition to the high fee paid to the agent, the costs of the visa and the air ticket were major concerns. Within the last ten years, employers have stopped paying these fees and the migrants themselves have been required to. In the temporary workers' employment system, these are exploitative practices that need to be checked by the authorities. Migrants should not bear the cost of the visa or of the travel. It is the employer who is supposed to provide these in order that the migrant reach the destination free of cost.

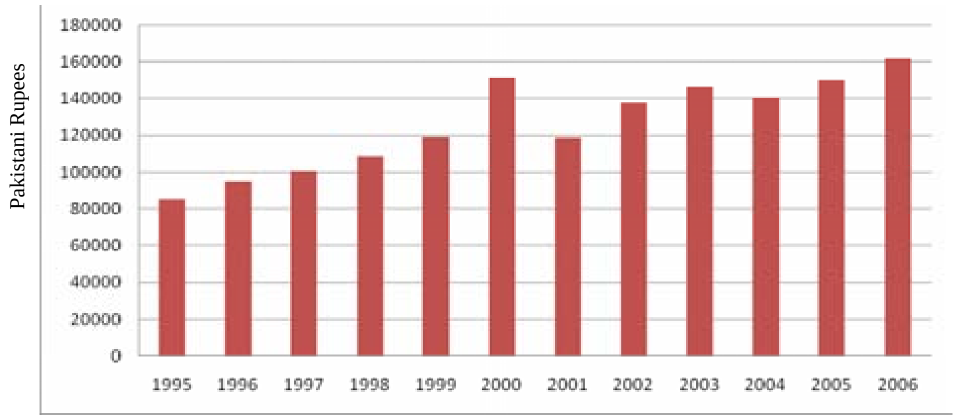
Table 8: Cost of migration (% of total fees)

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Average total cost (Pakistani rupees[a])	134,792	133,652	135,832	127,508	126,430	154,303
Agent's fee	40.7	46.9	35.6	50.5	57.0	25.4
Visa fee	37.9	32.7	42.2	28.9	5.1	54.7
Air ticket cost	14.9	13.5	16.0	14.0	22.7	14.9
Passport fee	1.6	1.5	1.7	1.9	2.5	1.0
Medical test fee	1.4	1.8	1.2	0.9	0.9	2.2
Insurance fee	0.5	0.5	0.5	0.4	4.0	0.1
National Identity Card fee	0.6	0.7	0.6	0.8	0.6	0.4
Others	2.4	2.6	2.4	2.7	7.2	1.4

Total	100	100	100	100	100	100

Note: [a]USD 1 = PKR 79.88

Figure 6: Total cost of migration by year



There are several reasons for the recent soaring costs of migration from Pakistan. First, there is a great demand for jobs in the Middle East, as migration is considered to be the most important strategy to improve the well-being of households. Because the local supply of inexpensive labour is much higher than the demand for it abroad, foreign employers or recruitment agents set the terms, conditions and fees. Consequently, agents select those candidates who are able and willing to pay the highest fees. Second, a Pakistani agent has to pay a high fee for the visa, which the agent passes on to the prospective migrant. The Pakistani agents themselves operate in a labour market in which the Arab middlemen have the upper hand because there is a greater supply of labour than demand. It would appear that employers and agents in the Gulf countries are in fact not complicit with their Pakistani counterparts, but are actually exploiting them as well. A third element that inflates costs is the involvement of sub-agents. Their fee in Khyber Pakhtunkhwa, for example, was estimated to be PKR 35,000 (USD 438). In many cases, friends and relatives already abroad may act as middlemen, and charge a high fee for their assistance in obtaining a visa (Arif, 2009).

The migrants arranged the money needed for going abroad in various ways. More than 60 per cent of the total cost was financed from the personal savings of the migrants or from household savings. Approximately 30 per cent of the total cost was financed through loans. Friends and relatives were the prime source for the loan (90%). On average, one-tenth of the total cost was financed through the sale of either property or jewellery. The role of the banking sector in providing potential migrants with loans for overseas employment is very limited (table 9).

Table 9: Sources of financing the cost of migration (%)

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Source of financing the cost of migration						
Personal savings of migrants	20.6	17.8	23.4	23.9	24.1	10.3
Household savings	40.5	45.7	35.4	37.3	58.0	32.1
Loan	28.5	27.5	29.6	28.2	3.5	51.4
Sale of property	2.0	1.5	2.5	3.2	0.2	0.8
Sale of jewellery	6.5	6.2	6.9	6.6	9.8	3.4
Total	100	100	100	100	100	100
Source of loan (only those who obtained a loan)						
Bank	3.53	0.9	5.4	6.1	11.2	0.0
Friends/relatives	90.1	99.1	83.5	85.8	88.8	95.2
Others	6.4	0.0	11.0	8.1	0.0	4.8
Total	100	100	100	100	100	100

6.3 Duration of Stay Abroad and Employment Discontinuity

As stated in section 4, only those migrants who had been abroad for a minimum of 3 years and a maximum of 15 years were included in the HSOMR sample. Table 10 shows the mean duration of stay abroad of the workers as 7.6 years, with no differences across the household locations. For this survey, the migrants were classified into three categories according to their stay abroad: (a) short stayers are those who, at the time of the survey, had been in Saudi Arabia between 3 and 5 years; (b) medium stayers are migrants who had been in Saudi Arabia between 6 and 9 years; and (c) long stayers are those had been in Saudi Arabia between 10 and 15 years. The most common duration of a contract in the Middle East, including Saudi Arabia, is two to three years. Whether a migrant stays beyond the first contract largely depends on the satisfaction of both the employer and the migrant himself. The three-category classification of migrants shows that the short stayers had so far worked abroad for two contracts, while the medium and long stayers had been able to secure more contracts in Saudi Arabia. Table 10 shows that one-quarter of the migrants were in the short stayers category, and that 37 and 36 per cent were in the medium and long stayers categories, respectively. The duration of the stay abroad has been used in the analyses of salaries, remittances and the use of remittances.

Some important information gathered in the 2009 HSOMR is related to the discontinuity of employment during the overseas stay of workers. It is interesting to see in table 10 that approximately one-quarter of the sampled migrants had faced some employment discontinuity during their overseas stay. This discontinuity was for approximately 7.5 months, and almost all of the migrants stayed in Saudi Arabia during the period of their unemployment.

At the time of the survey, one-fifth of the sampled migrants were professional or associate professional workers,[4] while the share of skilled and unskilled workers was 38 per cent and 28 per cent, respectively. The share of clerical, service and sales workers was 13 per cent

[4] An “associate professional” is a mid-level professional, such as a nurse.

(table 11). Thus, all the major categories of workers in Saudi Arabia are given representation in HSOMR.

Table 10: Duration of stay abroad and employment discontinuity

	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Mean duration of stay abroad (years)	7.6	7.2	8.0	7.6	6.4	8.8
Migrants who faced employment discontinuity in Saudi Arabia (%)	23.0	21.6	24.3	10.0	18.2	48.4
Migrants who stayed in Saudi Arabia during employment discontinuity (%)	95.9	96.5	95.5	100.0	82.6	98.6
Mean duration of employment discontinuity (months)	7.5	6.8	8.1	5.4	8.5	8.0
Distribution of migrants by length of stay abroad (%)						
Short stayer (3-5 years)	35.8	39.0	32.7	37.0	41.7	28.6
Medium stayer (6-9 years)	37.0	38.3	35.9	34.4	47.7	32.5
Long stayer (10-15 years)	27.2	22.7	31.4	28.6	10.6	38.9
Total	100	100	100	100	100	100

Table 11: Occupation of migrants in Saudi Arabia (%)

	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Professional or associate professional	21.50	32.81	11.11	12.25	46.40	16.56
Clerical, service or sales worker	13.08	11.72	14.34	12.25	3.20	22.29
Skilled labourer	37.57	32.81	41.94	38.74	38.40	35.03
Unskilled labourer	27.85	22.66	32.62	36.76	12.00	26.11
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Table 11 shows the occupational classification of workers based on the standard classification used in the labour force surveys of the government of Pakistan. The skill composition of workers presented in figure 3 is not necessarily the same as the occupational classification of workers; in figure 3 , clerical and service workers are reported in two separate categories. Because a small number of these workers were part of the sample, they are under one category in table 11.

7. Earnings Abroad, Remittances and Methods of Transfer

7.1 Earnings Abroad

The success of migrants in terms of savings and remittances depends on their earnings while abroad. For the 2009 HSOMR, information on salaries/earnings was gathered for two points in time: at the beginning of overseas employment and at the time of the survey. Similarly for remittances, information was collected on the total remittances received by households from the time the workers went abroad and on the remittances received during the year preceding HSOMR (August 2008 to July 2009). These data were used for the analysis of the salaries/earnings and of the remittance behaviour of the migrant workers.

Data on salaries are presented in table 12, which reveals some important dimensions. First, salaries as stated in the employment contract and those received by the migrants at the beginning of employment are the same. A recent study of return migrants by Arif (2009) shows that the salaries received when employment began are 7 to 8 per cent lower than the amount stated in the contract. In some categories of occupation, Arif also shows that the salaries the workers received when they started their jobs were similar to those stated in the contract. Thus, by and large, contracts are honoured in terms of salaries. Second, the average monthly salary of the workers almost doubled during their stay in Saudi Arabia. This shows that the overseas work experience gradually leads to the enhancement of the monthly earnings of workers in Saudi Arabia. Third, over time, the savings of the workers also doubled. In the beginning, the workers were able to save an average of approximately PKR 15,000 (USD 188) per month; this increased to PKR 29,000 (USD 363) at the time of the survey. The propensity to save increased modestly from 0.65 at the beginning of the migrant's time abroad to 0.69 at the time of survey (table 12).[5] The real difference in propensity to save was between "other regions" and Punjab and Sindh; it was as high as 0.81 in Balochistan, Khyber Pakhtunkhwa, and Azad Jammu and Kashmir.

[5] Propensity to save = $\frac{\text{savings while abroad}}{\text{earnings while abroad}}$

Table 12: Average monthly salary and savings in Saudi Arabia at the beginning of employment and at the time of the survey (Pakistani rupees)[a]

	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Average monthly salary stated in the contract	22,688	27,043	18,719	18,580	29,500	22,269
Average monthly salary at the beginning of employment	22,697	27,066	18,714	18,797	29,250	22,127
Average monthly expenditures at the beginning of employment	7,914	8,649	7,198	757,805	10,311	3,692
Average monthly savings at the beginning of employment	1,472	18,039	11,492	10,616	19,744	17,418
Propensity to save[b] at the beginning of employment	0.65	0.67	0.61	0.57	0.67	0.78
Average monthly salary at the time of the survey	41,633	48,965	34,724	38,193	44,977	44,477
Average monthly expenditures at the time of the survey	12,827	14,858	10,914	13,248	17,076	8,435
Average monthly savings at the time of the survey	28,805	34,107	23,810	24,944	27,902	36,042
Propensity to save[b] at the time of the survey	0.69	0.70	0.68	0.65	0.62	0.81

Note: The salary at time of survey includes the income from part-time work.
[a]USD 1 = PKR 79.88
[b]propensity to save = $\frac{\text{savings (per month)}}{\text{earning (per month)}}$

Salaries are directly linked to the type of work done abroad and the duration of the stay abroad. Table 13 shows that the average monthly earnings of the professional workers were more than double those of the unskilled labourers. There were no major differences across the three categories of the duration of the stay abroad in terms of current savings and expenditures.

Table 13: Average monthly salary and savings at the beginning of employment by occupation and duration of stay in Saudi Arabia (Pakistani rupees[a])

	Average monthly salary stated in contract	Average monthly salary received at the beginning of employment	Average monthly expenditures at the beginning of employment	Average monthly savings at the beginning of employment	Propensity to save[b]

Occupation					
Professional or associate professional	36,040	35,855	11,633	23,850	0.67
Clerk, service or sales worker	20,832	20,516	7,453	13,441	0.65
Skilled labourer	19,764	19,792	7,163	11,763	0.59
Unskilled labourer	16,365	16,652	5,853	11,533	0.69
Duration of stay					
Short stayer (3-5 years)	23,750	23,357	8,230	15,339	0.66
Medium stayer (6-9 years)	23,935	23,843	8,507	15,451	0.64
Long stayer (10-15 years)	19,057	19,865	6,494	12,609	0.63

Note: [a]USD 1 = PKR 79.88

[b]propensity to save = $\frac{\text{savings (per month)}}{\text{earning (per month)}}$

A relevant point is found in table 14: an unskilled labourer in Saudi Arabia with at least three years of experience is presently saving approximately PKR 20,000 (USD 363) per month. This amount is much higher than their expected earnings in Pakistan. According to the State Bank of Pakistan, which regularly provides data on the salaries of unskilled labourers in the construction sector, the daily salaries of these workers in 2008 varied from PKR 223 in Peshawar to PKR 350 in Karachi. If these unskilled labourers had work for 30 days per month, their monthly earnings would be less than half of the average monthly savings of an unskilled worker in Saudi Arabia. This shows why migrants pay the high cost of migration; they foresee their high earnings/savings abroad..

Table 14: Average monthly salary and savings at the time of the survey by occupation and duration of stay in Saudi Arabia (Pakistani rupees[a])

	Average monthly salary at time of survey	Average monthly expenditures at time of survey	Average monthly savings at time of survey	Propensity to save[b]
Occupation				

Professional or associated professional	64,825	17,969	48,434	0.75
Clerk, service or sales worker	37,797	10,162	27,635	0.73
Skilled labourer	37,733	12,865	24,868	0.65
Unskilled labourer	31,586	10,537	21,050	0.67
Duration of stay				
Short stayer (3-5 years)	40,177	12,350	27,827	0.69
Medium stayer (6-9 years)	40,938	13,729	28,104	0.69
Long stayer (10-15 years)	43,459	13,181	30,279	0.70

Note: [a]USD 1 = PKR 79.88

[b]propensity to save = $\frac{\text{savings (per month)}}{\text{earning (per month)}}$

7.2 Remittances Received by Labour-sending Households

The income of the migrant and the income of the household are the most critical factors in determining the amount of remittances. A low-income family's livelihood depends mainly on remittances, so it is likely that the migrants of these families will remit regularly to assist their families (Connell and Brown, 1995; Stanwix and Connell, 1995).

In HSOMR, the migrant households were asked about the total remittances they received from the time their family member went to Saudi Arabia and about the remittances they received during the year preceding the survey (August 2008 to July 2009). The amounts, as well as the duration of stay in Saudi Arabia, are reported in table 15. The average total amount received per household from the time the migrant went abroad is PKR 1.05 million. This amount was received during an average stay of 7.6 years in Saudi Arabia.

Table 15: Remittances from migrant workers in Saudi Arabia

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Average total remittances received per household since migrant went to Saudi Arabia (Pakistani	1,046,954	1,257,559	851,338	1,211,898	605,000	1,151,578

rupees[a])						
Mean duration of stay (years)	7.6	7.2	8.0	7.6	6.4	8.8
Average remittances received per household during year preceding the survey (Pakistani rupees[a])	200,376	244,013	160,036	252,616	135,731	169,261
Mean value of remittances in kind (Pakistani rupees[a])	43,578	39,846	46,762	62,821	41,579	25,714
Propensity to remit (salaries)[b]	0.49	0.58	0.41	0.63	0.31	0.42
Propensity to remit (savings)[c]	0.67	0.72	0.61	0.92	0.43	0.45

Note: [a]USD 1 = PKR 79.88

[b]propensity to remit (salaries) = $\frac{\text{remittances received}}{\text{salary abroad}}$

[c]propensity to remit (savings) = $\frac{\text{remittances received}}{\text{savings abroad}}$

As table 15 shows, the average amount of remittances received per household during the year preceding the survey was approximately PKR 200,000 (USD 2,504). There are differences throughout the country in terms of the amount of remittances received. Urban households received more remittances than their rural counterparts despite the relatively longer stay of workers from rural areas. This can largely be attributed to the better skill levels of urban migrants. As shown earlier, one-third of the urban migrants in Saudi Arabia were in the professional category, while only 11 per cent of the migrants from rural areas were professionals. Both the earnings and the savings of the professionals were much higher than those of the migrants in the other categories of occupation. The households in Punjab received relatively more remittances than their counterparts in Sindh because of the longer stay of the workers from Punjab. Table 15 further shows that the sampled migrants had transferred home two-thirds of their savings during the year preceding the survey, and that the propensity to remit varied from 0.92 in Punjab to only 0.43 in Sindh. In “other regions”, the reported propensity to remit was also low, at only 0.45.

Table 16 shows marked differences in the total amount of remittances received per household from the time the migrants went abroad, depending on the duration of stay. The short stayers, whose mean duration of stay was 4.1 years, remitted on average approximately PKR 700,000 (USD 8,763) during their time abroad. The long stayers, whose mean duration of stay was 12.5 years, remitted about PKR 1,600,000 (USD 20,030) on average during their time in Saudi Arabia. The other marked differences in the amount remitted from Saudi Arabia are across the occupational categories of workers. For instance, the mean duration of stay of both professionals and unskilled workers is 7 years; the former remitted PKR 1,600,000 (USD 20,030), which is twice the amount remitted by the latter. However, as expected, there is no difference in the remittances received from short stayers and those received from long stayers during the year preceding the survey.

Table 16: Remittances by occupation and duration of stay in Saudi Arabia

	Mean duration of stay (years)	**Total average amount of remittances received since migrant went to Saudi Arabia (Pakistani rupees[a])**	**Average amount of remittances received during year preceding survey (August 2008-July 2009)**
Total sample	7.6	1,046,954	200,376
Occupation			
Professional or associate professional	7.0	1,598,826	298,246
Clerk, service or sales worker	8.1	1,131,735	212,182
Skilled labourer	8.1	909,130	172,174
Unskilled labourer	7.3	782,877	156,890
Duration of stay			
Short stayer (3-5 years)	4.1	702,562	214,461
Medium stayer (6-9 years)	7.3	977,229	194,873
Long stayer (10-15 years)	12.5	1,596,796	189,451

Note: [a]USD 1 = PKR 79.88

7.3 Methods of Transferring Remittances

The channels used for sending money home have always been at the centre of both academic and policy debate. In the 2009 HSOMR, this issue was explored quite extensively; the respondents were asked to give a breakdown of the remittances they received by the channels used for the transfer. Table 17 provides data on the total remittances received from the time the migrant went abroad and the remittances received during the year preceding the survey. These interesting findings provide useful insight for policy making. Regarding the total sample, 40 per cent of the remittances received from the time the migrants went to Saudi Arabia came through formal banking transfers, and 29 per cent of the total remittances received were transferred through the *hundi* system. *Hundi* refers to a system for remitting money to Pakistan from overseas through non-banking sources, primarily money changers. Under this system, the money (foreign currency) given to a dealer abroad, for example in Saudi Arabia, is transferred in Pakistani rupees to the family of the sender by an agent in Pakistan.

The interesting element, which is usually neglected in studies on the channels used for transferring money, is that one-third of the remittances were either transferred through friends/relatives or were brought by the migrants themselves during their home visits. In previous studies, about 15 per cent of the money transferred was through friends/relatives or brought by the migrants themselves on home visits (Siddique, 2005). The higher proportion of these methods found in HSOMR shows the reliance of migrants on the social network of friends/relatives for the transferring of money. The role of friends/relatives in migration or in finding employment abroad has been well established; however, their involvement in the transferring of money has not yet been explored, at least not in Pakistan, and requires further research.

Table 17: Methods used to transfer remittances (%)

	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Method used since migrant went abroad						
Bank	39.6	42.5	33.2	37.5	31.3	45.6
Hundi	28.8	26.5	33.2	26.6	31.8	26.5
Friends/relatives	17.9	18.8	17.6	22.6	18.7	16.3
Migrant himself during home visit	13.7	12.2	16.0	13.3	18.2	11.6
Total	100	100	100	100	100	100
Method used during year preceding survey (August 2008-July 2009)						
Bank	38.3	39.6	33.5	38.9	32.8	32.4
Hundi	28.2	29.4	30.5	29.1	24.2	31.4
Friends/relatives	17.9	14.2	21.7	13.8	21.5	22.8
Migrant himself during home visit	15.6	16.8	14.3	18.2	21.5	13.4
Total	100	100	100	100	100	100

Table 17 shows that, during the year preceding the survey, about 38 per cent of the remittances were transferred through the banking system, which is similar to the total amount sent since the migrant went abroad (39.6%), while about 28 per cent of the remittances were transferred through the *hundi* system. Friends/relatives and home visits remained important ways of bringing money from Saudi Arabia to Pakistan. The reliance of the rural households on the informal channel, the *hundi* system, is relatively higher than that of the urban households. There are no real differences across the household locations regarding the channels used for transferring money.

In HSOMR, an effort was also made to determine the factors that lead to the use of the informal sector for transferring money. Table 18 compares the banking and *hundi* systems in two areas: the time involved in the transfer of the money and the cost of each transaction.

According to the respondents, the households received the money through banks within four or five days or one week at the most. When using the *hundi* system, they received the money in less than two days. The transaction cost varies markedly across the regions; however, the overall cost for using each of the channels (banks or *hundi*) is similar – approximately PKR 700 per transaction.

Table 18: Channels used for remittances: bank vs *hundi*

Channel used	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Bank						
Time involved for each transaction (days)	4.43	4.63	4.18	4.19	5.64	3.61
Average cost of each transaction (Pakistani rupees[a])	686.07	686.63	685.39	1,056.20	484.35	77.90
Distance to bank from home (km)	5.24	3.20	7.75	5.48	2.91	7.41
Average time spent collecting money, including travel time to and from bank (hours)	4.34	6.02	2.31	3.22	3.09	7.92
% who said bank staff friendly	92.73	93.72	91.57	99.46	89.90	83.17
Hundi						
Time involved in collecting money (days)	1.75	1.89	1.69	2.56	1.15	1.35
Average cost of each transaction (Pakistani rupees[a])	696.31	568.10	769.32	1,927.85	396.50	88.24

Note: [a]USD 1 = PKR 79.88

Some additional information was also collected from the respondents concerning the transferring of money through banks. On average, the nearest bank was located more than 5 km from the household; in urban areas, this distance was 3.2 km, while in rural areas it was almost 8 km. The average transaction time was at least four hours, including the travel time. There were no complaints regarding the staff of the banks.

It appears that the time (number of days) involved in transferring money from Saudi Arabia, the distance to a bank and the time required for each transaction using a bank are the factors that push the workers and their families to use the *hundi* system.

Some additional and very useful information gained through HSOMR is that both the migrants and their families considered the banking procedure for transferring money to be very difficult (table 19). It was also difficult for the households receiving the remittances to use banks during normal banking hours. The commercial banks in Pakistan have recently increased their working hours for the public, and this may help migrant households to use the banks more for these transactions. The procedures involved, including the paper work, are also a major obstacle in using the banking channel for transferring money.

Table 19: Preference for the *hundi* system and reasons for this preference (%)

	Total sample	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Preference for *hundi* system						
Preference of the migrant	26.52	34.48	22.76	36.07	15.00	23.00
Preference of the household	55.80	46.55	60.16	50.82	60.00	58.00
Preference of both migrant and household	17.68	18.97	17.07	13.11	25.00	19.00
Total	100.00	100.00	100.00	100.00	100.00	100.00
Households' reasons for transferring money through *hundi* system						
Difficulty of banking procedures	34.47	27.14	37.58	58.33	36.84	27.38
No time to visit bank during working hours	29.79	27.14	30.91	8.33	31.58	35.71
Too much time involved in banking procedures	20.00	27.14	16.97	6.25	10.53	25.00
Bank staff is not friendly	8.51	10.00	7.88	0.00	21.05	9.52
Distance to bank is too great	5.11	4.29	5.45	20.83	0.00	1.19
No access to bank in area	2.13	4.29	1.21	6.25	0.00	1.19
Total	100.00	100.00	100.00	100.00	100.00	100.00
Migrants' reasons for transferring money through *hundi* system						
Difficulty of banking procedures	34.08	27.27	37.67	47.06	38.89	29.22
No time to visit bank during working hours	24.66	23.38	25.34	13.73	22.22	28.57
Too much time involved in banking procedures	17.49	15.58	18.49	3.92	22.22	21.43
Bank staff is not friendly	9.42	7.79	10.27	0.00	16.67	11.69
High cost of money transfer through bank	6.28	16.88	0.68	7.84	0.00	6.49

Distance to bank is too great	5.38	3.90	6.16	21.57	0.00	0.65
No access to bank in area	2.69	5.19	1.37	5.88	0.00	1.95
Total	100.00	100.00	100.00	100.00	100.00	100.00

8. Global Economic Crisis, Remittances and Coping Mechanisms

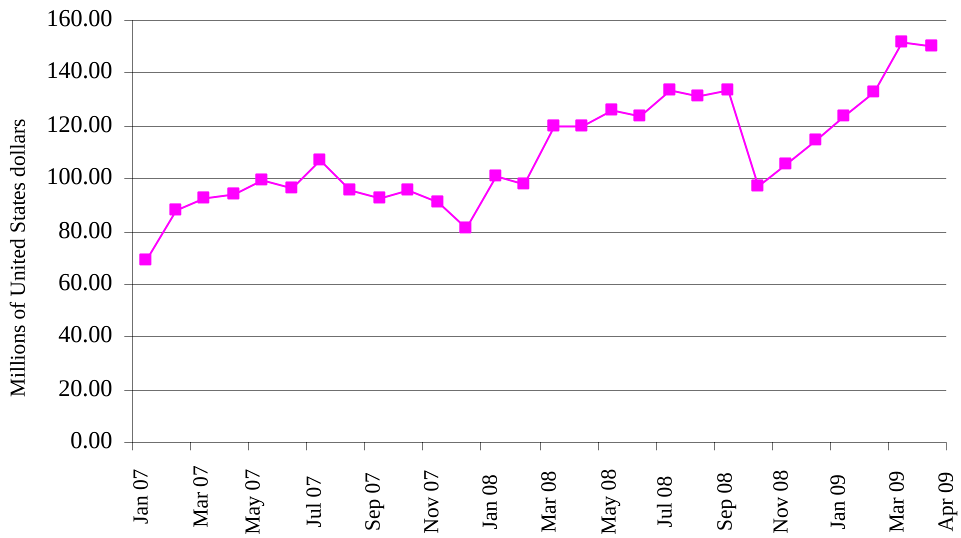
In view of the importance of foreign remittances for individuals, households and Pakistan's economy, there is an increasing interest in understanding the effect of the global economic crisis on the flow of remittances. Since the focus of this study is the migration of Pakistani workers to Saudi Arabia, the discussion on the crisis with respect to the placement of workers and the flow of remittances is restricted to the Gulf countries.

The global economic crisis, which had its origin in the United States, has engulfed most economies of the world. In the Gulf States, however, the effect of the crisis has been slower to manifest itself than in the economies of Europe and the United States. The basic strengths of the publicly funded banking sector and the huge trade surplus that the Gulf countries had been carrying due to the export of oil held them in good stead during the time of the crisis. In the Gulf States, where public investments are foreseen to remain strong despite the drop in oil prices, stable growth is expected (Abella and Ducanes, 2009). The demand for overseas workers in the Gulf countries is less likely to be affected by the economic crisis, although the closure of some projects in Dubai has lead to the retrenchment of workers.

The migration of Pakistani workers to the Middle East is not likely to have been adversely affected by the crisis. The outflows of workers to the Middle East during the first half of 2009 showed there was no sign of a considerable decline in the demand for Pakistani workers. The return flow of workers from Dubai from the beginning of the crisis until mid-

November 2009 has also declined.[6] The continued increase in remittance inflows during the first half of 2009 shows that the crisis has not had an impact on remittances to Pakistan. Between the periods of July 2007-April 2008 and July 2008-April 2009, remittances from Saudi Arabia grew by 26.2 per cent (figure 7). However, the *Migration and Development Brief 10* of the World Bank has outlined the following three key variables that will determine remittance flows: a longer duration of the crisis than currently projected; unpredictable movements in exchange rates; and the political reaction to weak job markets in destination countries (Ratha et al., 2009).

Figure 7: Remittances from Saudi Arabia, January 2007-April 2009



Source: State Bank of Pakistan, 2009. **www.sbp.org.pk/.**

In the 2009 HSOMR, migrant households were asked questions about the economic crisis. The first question was: "Do you agree that, due to the crisis, remittances will decline in the future?" The majority of the respondents believed that the crisis would hurt the future flows of remittances. The perception was the same in all parts of the country; about 85 per cent of

[6] This observation is based on the author's discussions with returning workers and officials. No data are available to support it.

the sampled households believed that remittances would decline in the future (table 20). Another important question the households were asked was: “If remittances decline in the future, what is the likely impact on your household?” More than one-third (34.4%) of the respondents said that the crisis would have a moderate impact on their households. In rural areas, 41 per cent people said that the impact would be moderate, and 38.5 per cent said that it would severely hurt the household status. The survey results also showed that 32.3 per cent of households with professional workers abroad believed they would not feel the impact of the economic crisis. The households with skilled and unskilled workers abroad felt that the impact would be severe, and the households with migrants who had stayed for longer periods of time felt less worried about the impact of the crisis than the households with migrants who had stayed for shorter periods. All of these qualitative responses signal that the overwhelming majority of households consider the return of migrants from Saudi Arabia to be the least desired option.

Table 20: Perceptions of households concerning the impact of the global economic crisis and coping mechanisms (%)

Perception	**Total sample**	**Urban**	**Rural**	**Punjab**	**Sindh**	**Other regions**
Agreed that, due to the crisis, remittances would decline in the future	85.4	85.8	85.1	85.6	85.6	85.0
Impact of the crisis						
No impact	12.8	21.0	5.3	8.1	36.4	1.0
Little impact	20.9	27.1	15.2	26.4	28.0	7.2
Moderate impact	34.4	27.1	41.0	38.0	12.9	44.6
Severe impact	31.9	24.8	38.5	27.5	22.7	47.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Alternative options if remittances declined in future						
No alternative options	19.7	13.7	25.1	25.1	13.7	1.8
Start new business or expand existing business	24.8	32.3	18.3	18.3	25.9	5.4
More investment in agriculture	2.8	1.1	4.3	4.3	0.0	1.2
Increase in economic activities of women	3.9	3.5	4.3	4.3	0.0	8.3
Employment of migrant worker in Pakistan	28.5	26.0	30.7	30.7	31.7	47.0
More borrowing	4.9	4.9	5.0	5.0	7.9	3.6

Other	15.3	18.6	12.4	12.4	20.9	32.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

The sampled households were also asked to report what their options would be to increase the household income if they were affected by the global economic crisis. This question was asked in order to determine what the possible coping mechanisms would be if remittances declined in the future. The following options were given to the respondents: no alternative option; start a new business or expand an existing business; more investment in agriculture; an increase in the economic activities of women; the employment of the migrant worker in Pakistan; more borrowing; and others. The most prominent coping mechanisms were to start a new business or to expand an existing business and the employment of the migrant worker in Pakistan. About 25 per cent of the households felt that, if remittances declined in the future, they would start a new business or expand the existing one, while 29 per cent of the households said that the migrant would return and find employment in Pakistan (table 20).

9. Use of Remittances and Investment Behaviour

With respect to the use of remittances, the prevailing view in the literature on the subject is that the share of remittances channelled towards consumption is generally very high. This has motivated a number of observers to view remittances transferred to Asian countries entirely as a consumption expenditure (Prakash, 1978; Eelens and Schampers, 1992). In a study using household data from Mexico, Taylor and Mora (2006) concluded, however, that the propensity to invest appears to be considerably larger for households with migrants. Some studies and surveys have found no difference in the propensity to consume between comparable levels of income from remittances and those from other sources (Athukorala, 1990; Glytsos, 1993).

The decision on how much of the remittances to invest and how much to consume depends upon many factors. First, the economic and social conditions of the household before migration are two of the main determining factors. Migrants may differ widely with respect to the pre-migration economic position of the household. Workers from better-off households were likely to have access to some assets and resources before migration, and these resources could form a base for further improvements and investments from new overseas earnings.

Second, the life cycle stages of migrants may affect the patterns of remittance use. For example, most Pakistani workers go abroad during the period in their lives when they are likely to have young children. Thus, the consumption demands of their families are likely to increase during the period of migration.

Third, in Asia, including Pakistan, high costs are involved in securing a job in the Middle East, and those who succeed in finding employment abroad finance their overseas trips in various ways. The salaries earned during the first few months generally disappear as a consequence of the debts incurred due to the migration.

Fourth, the duration of the stay abroad can be one of the most important factors in determining the use of remittances by migrant families; a longer stay can provide families with more resources for investments.

Finally, when it comes to relative success in handling remittances, an important variable is the level of household non-remittance income, particularly during the migration phase. This is important both as a supplementary source of income and as a disciplining factor regulating the economic behaviour of the family (Brochmann, 1992). The absence of any stable income implies that the earnings from overseas employment are likely to be used for the maintenance of the household and little is left for savings and investments. The question is: What is the pattern of remittance use among Pakistani migrant households?

9.1 Use of Remittances

In the 2009 HSOMR, respondents were asked to give the breakdown of the use of remittances for food and non-food items. It was difficult, however, to obtain this breakdown for the remittances received during longer periods. Table 21 presents data on the total amount of remittances received since the migrants went abroad and for the amount of remittances received during the year preceding the survey (August 2008-July 2009). The three most common uses, for which more than half of the total remittances were used, were: real estate and agricultural machinery (22%); marriages (17%); and savings (14%). Of the total remittances received, 18 per cent was spent on providing the family with food. Poorer families generally spend more than half of their total expenditures on food items.

The purchase of durable items (8%), loan repayments (5.5%) and donations (3.7%) were other important uses of remittances. Approximately 8 per cent of the total remittances were used for education and health services for household members. It appears that food, real estate, savings and marriage were important areas for the use of remittances of both rural and urban households. The pattern was also the same across the provinces/regions. The use of remittances received during the year preceding the survey was slightly different from the use of the total remittances: a smaller share was spent on food, health and education. More than one-fifth of the remittances from the year preceding the survey were saved (table 21).

Based on these statistics, it is difficult to support the view that households spend remittances solely on consumption goods. Rather, these households seem to spend the remittances according to their needs and priorities. About 44 per cent the remittances had so far been invested in real estate, saved or used for education and health services.

Table 21: Use of total remittances received (%)

	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Use of total remittances received since migrants went abroad						
Food	17.75	14.83	22.06	13.76	18.02	28.30
Health	3.56	3.81	3.28	3.41	4.27	3.86
Education	4.51	4.21	5.00	3.06	4.50	7.90
Real estate and agricultural machinery	22.12	23.75	20.34	25.39	16.22	22.05
Durable items	8.06	8.82	7.13	9.06	10.17	5.62
Marriage	17.14	17.31	17.61	16.31	14.96	16.48
Loan repayments	5.52	4.84	6.52	5.81	6.17	3.87
Savings	14.08	15.18	10.70	15.30	20.55	4.40
Donations[a]	3.65	4.40	2.58	5.24	3.17	1.35
Others	3.61	2.85	4.78	2.66	1.96	6.16
Total	100.0	100.0	100.0	100.0	100.0	100.0
Use of remittances received during year preceding the survey (August 2008-July 2009)						
Food	9.13	7.46	12.16	7.26	6.02	15.48
Health	2.47	2.39	2.78	1.34	1.74	6.67
Education	2.95	3.13	2.98	1.55	2.95	5.49
Real estate and agriculture machinery	16.68	19.54	13.43	12.90	20.07	12.91
Durable items	10.53	12.34	8.38	10.68	9.80	7.07
Marriage	12.86	14.03	10.68	9.37	20.13	7.10
Loan repayments	8.34	8.00	9.68	7.47	7.61	9.49
Savings	21.05	22.33	17.99	17.57	23.91	7.73
Donations [a]	2.69	3.11	2.15	2.33	3.06	2.06
Others	13.32	7.68	19.77	29.54	4.71	26.00
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: [a]This refers to all the donations made by migrant households using the remittances they received. In the questionnaires, they were asked to report their donations to relatives, mosques/madrasas and earthquake victims and for the construction of schools and water supply facilities.

9.2 Investment Behaviour of Remittance-receiving Households

Table 21 shows how the remittances were used. There is a need to explore the investment behaviour of the migrant households in order to understand what factors lead to greater investments and savings. The migrant households used the remittances to invest in real estate, agricultural machinery, agricultural inputs and businesses, and to acquire savings. Data presented in annex table A.6 show that 46 per cent of the migrant households were unable to direct any remittances to investments or savings. This percentage is much higher than that computed by Arif (1999) from the 1986 survey of return migrants. It is worrisome that the relatively longer stay of workers in the Middle East has not enabled them to make investments. One reason could be that, upon the permanent return of the migrants, such investments will be made from the savings retained abroad.

On average, however, the sampled households were able to direct more than PKR 200,000 to investments and savings. This amount increases to an average of PKR 369,000 when households with no investments or savings are excluded (annex table A.6). About one-quarter of the households in the HSOMR sample were able to invest PKR 200,000 or more, which, in the local context, can be considered an amount likely to have lasting positive effects on the household's economy. Contrary to expectation, the proportion of long stayers' households (those whose migrants stayed ten years or longer) that could not direct remittances to investments or savings was higher (52%) than that of either medium stayers' or short stayers' households. This may indicate the dependency of long stayers' households on remittances to meet their consumption needs, but also the socio-economic background of these long stayers, who are less-educated, low-skilled workers from Balochistan, Khyber Pakhtunkhwa, and Azad Jammu and Kashmir, and who could not direct remittances to investments. Households with professional and educated workers abroad were successful in directing remittances to investments (annex table A.6). Both less-educated workers and unskilled workers may simply not have sufficient information about making investments because they largely belong to rural areas where investment opportunities are limited.

A multivariate analysis was carried out to identify the significant factors related to investment. Two models are provided in annex table A.7. In Model 1, the amount invested or saved in thousands of Pakistani rupees is used as the dependent variable. In this model, the ordinary least squares (OLS) technique is used. In Model 2, the dependent variable is binary, which takes the value of 1 if a household has made an investment, and 0 otherwise. The logistic regression technique is used. In both models, 11 explanatory variables are included,[7] and the operational definitions of these variables with results are given. At the bottom of the table, the likelihood ratio chi square (LRX^2) for logistic regression and R^2 for the OLS model are presented.

In both models, the remittances are positively related to the amount invested. The greater the amount of remittances received, the more likely the household is to direct remittances to investments. This finding is different from the findings of other recent studies, which show that, for investments, pre-migration economic status is more important than the amount of remittances received. However, the findings seem to point to the fact that a greater amount of remittances is a function of higher earnings/qualifications, which is in turn a proxy for higher

[7] In Model 1, four variables (the remittances received, the age of the migrants, the educational level of the migrants and the geographical location of the households) turned out to be statistically significant and had independent influence on directing remittances to investments and savings. In Model 2, in addition to these four variables, the dummy of household non-remittance income also turned out to be statistically significant.

pre-migration socio-economic status.

In Model 2, the household non-remittance income during the migration period shows its statistical significance as a supplementary source of income: each additional rupee of non-remittance income increases the proportion of remittances directed to investments and savings. A higher proportion of overseas earnings went into productive investments probably because the household's day-to-day sustenance was drawn from other income sources. It appears that the greater the level of household income from sources other than remittances, the greater the possibility of using remittances for investments and savings.

Urban migrants were more likely to direct remittances to investments and savings than their rural counterparts (annex table A.7). There are two possible explanations for this. First, urban migrants may have more investment opportunities than rural migrants. The latter can invest mainly in land, which may be too expensive for many migrants. Second, urban migrants are more qualified than rural migrants, and are therefore more aware of investment opportunities. They may also live in environments that are more conducive to profitable investments because of better infrastructures.

The levels of education of the migrants also had significant and positive effects on directing remittances to investments and savings, but the migrants' occupations abroad did not turn out to be significant. Education not only seems to have increased the importance of investing but may have aided the recipient households in finding attractive opportunities for investing remittances.

In short, the multivariate analysis indicates that a complex interplay of factors determines the success of migrant families in directing remittances to investments and savings. For the household, the volume of remittances, the availability of non-remittance income during the period of migration, education, age and geographical location all appear to have had an influence on the extent to which the migrant households were able to use the remittances for investments and savings.

10. Economic Impact of Remittances on Receiving Households

Households have their family members work overseas temporarily to improve their economic status and social status through the flow of remittances. In addition to the analysis on investments provided in the previous section, this improvement can be examined in several ways. This section focuses on four dimensions: the importance of remittances for the monthly income of the household; remittances and household expenditures; the relationship between remittances and poverty; and changes in the perceived economic status of the sampled households.

10.1 Remittances and Sources of Household Income

The importance of remittances for household income is shown in table 22, which indicates that these remittances constituted 41 per cent of the average monthly income of the households surveyed. Because remittances are mostly transferred on a monthly or quarterly basis, it was not difficult for the households to provide the information on a per month basis. The other sources of household income include the salaries of the family members in

Pakistan, businesses and agriculture/livestock. Across the regions, there were no major differences in the sources of household income, or in the occupation or the length of stay of the migrants in Saudi Arabia. However, the dependency of households with a professional worker abroad for ten years or longer was relatively higher.

Table 22: Sources of monthly household income (%)

	Salaries	**Business**	**Agriculture/ livestock**	**Remittances**	**Other sources**	**Total**
Location						
Urban	17.13	21.22	16.48	38.60	6.57	100
Rural	17.35	19.91	17.60	43.08	2.06	100
Punjab	17.92	22.93	18.34	34.55	6.26	100
Sindh	17.42	18.58	12.63	49.84	1.52	100
Other regions	15.32	17.58	18.96	44.02	4.12	100
Education of migrants						
Primary or no formal education	13.05	18.68	13.22	43.04	12.01	100
Middle	17.81	18.52	17.84	44.81	1.01	100
Secondary	18.86	21.13	20.53	38.92	0.56	100
Post-secondary	16.08	22.46	13.66	39.55	8.26	100
Occupation of migrants in Saudi Arabia						
Professional or associate professional	16.00	21.01	13.56	48.15	1.27	100
Clerk, service or sales worker	15.59	11.23	13.81	42.55	5.82	100
Skilled labourer	19.33	20.79	17.57	37.99	4.32	100
Unskilled labourer	16.53	18.73	21.41	36.22	7.10	100
Duration of stay abroad						
Short stayer (3-5 years)	17.80	21.56	18.40	37.21	5.02	100
Medium stayer (6-9 years)	16.17	20.89	16.93	40.65	5.35	100
Long stayer (10-15 years)	18.06	18.82	14.88	45.66	2.57	100
Total sample	17.23	20.64	16.98	40.59	4.56	100

As described in the previous section, more than 50 per cent of the households of the long stayers could not direct remittances to investments and savings. Overall, however, table 22 shows a promising picture. Income from non-remittance sources constitutes approximately

60 per cent of the total household monthly income. On the one hand, this shows the ability of households to save or invest part of the remittances after meeting daily needs with the non-remittance incomes. On the other hand, this shows less dependency on remittances, which are not the permanent source of income. It is likely that, when a migrant returns home permanently, he may be able to start a new business or be active in the existing one, thus generating an alternative source of income.

10.2 Remittances and Household Expenditures

Regarding the use of remittances, the previous section showed that about one-sixth of the remittances were used on food consumption. In the 2009 HSOMR, the sampled households were also asked to report their monthly expenditures on food and non-food items both prior to migration and at the time of the survey. Although it was difficult to obtain accurate information on the expenditures prior to migration, particularly of those households whose migrant family member had been abroad for a long period of time, the survey captured very useful information. The data presented in table 23 show the change in monthly expenditures per adult equivalent in nominal terms with the duration of stay abroad by quintile. The quintiles were calculated from the data on the monthly expenditures from the time before migration. For the adult equivalent, children were given the weight of 0.8, while adults were given the value of 1. If the average stay of the migrants in Saudi Arabia was more than seven years, the monthly expenditures of the households increased by 158 per cent in nominal terms. The greatest increase was observed for the wealthiest households (fifth quintile). Even the lower quintiles were able to increase their monthly expenditures by more than 90 per cent. As expected, the households with professional workers and long stayers in Saudi Arabia were relatively more successful in increasing their monthly expenditures (table 24).

10.3 Migration and Poverty Reduction

The relationship between migration and poverty reduction is complex (Skeldon, 2005; Kumar, 2004). It requires baseline data on the poverty status of the participating households prior to migration. This type of information is rarely available as only longitudinal surveys covering longer periods of time can provide the baseline information. The other common approach is to make a comparison between migrant and non-migrant households in terms of poverty status or any other issue of interest. In the case of overseas migration, evidence shows that migrant households are usually economically better off than non-migrant households because of the inflow of foreign remittances (Oda, 2007).

The 2009 HSOMR covered only the households of migrants. An attempt has been made to examine the poverty incidence in these households, which can be compared with national level poverty figures. The *Pakistan Social and Living Standards Measurement Survey 2005-06*, a nationally representative data set designed and administered by the Federal Bureau of Statistics covering both migrant and non-migrant households, shows the overall poverty incidence as 22.3 per cent (27 per cent in rural areas and 13 per cent in urban areas). According to the *Pakistan Economic Survey 2008-09,* the *Pakistan Social and Living Standards Measurement Survey 2007-08* shows a sharp decline in poverty; however, the *Pakistan Economic Survey 2008-09* considers this decline contradictory to other assessments, which show a sharp rise in poverty (33.8 per cent to 36.1 per cent) due to high food prices during the last one and a half years. The official sources are thus convinced that at least one-third of the population of Pakistan is currently living below the poverty line. It is beyond the scope of the present study to comment on or contribute to the national level debate on poverty.

Table 23: Change in household consumption expenditures by quintile

Quintile	Duration of stay abroad (years)	Average monthly household consumption expenditures before migration (Pakistani rupees[a])	Average household monthly consumption expenditures at the time of the survey (Pakistani rupees[a])	Growth/change (%)
First quintile	7.69	1,167.92	2,283.42	95.5
Second quintile	8.71	1,586.99	3,036.09	91.3
Third quintile	7.56	2,222.91	4,317.71	94.2
Fourth quintile	6.86	2,078.65	5,445.36	162.0
Fifth quintile	6.72	3,727.99	11,622.46	211.8
Total	7.56	2,080.59	5,362.17	157.7

Note: [a]USD 1 = PKR 79.88

Table 24: Consumption expenditures by location, education, occupation and duration of stay abroad

	Duration of stay abroad (years)	Average monthly household consumption expenditures before migration (Pakistani rupees[a])	Average monthly household consumption expenditures at the time of the survey (Pakistani rupees[a])
Location			
Urban	7.25	2,433.30	7,347.38
Rural	7.98	1,730.82	3,559.99
Punjab	7.55	2,107.27	5,205.13
Sindh	6.40	2,545.51	7,346.21
Other regions	8.78	1,606.08	3,875.36
Education of migrant			
Primary or no formal education	8.80	1,558.92	3,717.96
Middle	8.51	1,651.72	3,390.74
Secondary	7.37	1,815.31	4,617.57
Post-secondary	6.46	3,295.89	9,811.52
Occupation of migrant abroad			
Professional or associate professional	7.00	2,980.22	8,290.95
Clerk, service or sales worker	8.11	1,986.23	5,335.16
Skilled labourer	8.13	1,770.94	3,991.39
Unskilled labourer	7.32	1,735.94	4,393.98
Duration of stay abroad			

Short stayer (3-5 years)	4.19	2,403.36	5,214.07
Medium stayer (6-9 years)	7.33	2,062.74	5,951.05
Long stayer (10-15 years)	12.54	1,638.58	4,754.05

Note: [a]USD 1 = PKR 79.88

For the *Pakistan Social and Living Standards Measurement Survey 2005-06,* the inflation-adjusted official poverty line of PKR 944.50 per adult equivalent per month was used for poverty estimation. The incidence of poverty for the sampled migrant households was computed by adjusting the poverty line for the 2009 period. It is worth noting that the consumption module included in the 2009 HSOMR was not similar to the one usually used in such surveys as the *Pakistan Social and Living Standards Measurement Survey.* Therefore, the results should be used cautiously. The selectivity implies that migrants tend to be better educated than the national average, so they may be less likely to be poor prior to migration. The inflation-adjusted poverty line for the 2008-09 period was PKR 1,349 per adult equivalent per month. With the application of this poverty line for the 2009 HSOMR monthly expenditure data, the incidence of poverty among the sampled migrant households is only 2 per cent (2.8 per cent in rural areas and 1.2 per cent in urban areas).

Table 25: Poverty and inequality (Gini) by location, education, occupation and duration of stay abroad

	Poverty (% poor)	**Inequality (Gini)**
Total sample	2.0	0.35
Location		
Urban	1.2	0.167
Rural	2.8	0.51
Punjab	2.7	0.41
Sindh	0.0	0.197
Other regions	2.7	0.37
Education of migrants		
Primary or no formal education	7.2	0.52
Middle	0.9	0.53
Secondary	0.9	0.31
Post-secondary	1.7	0.02
Occupation of migrants abroad		

Professional or associate professional	0	0.06
Clerk, service or sales worker	1.4	0.28
Skilled labourer	3.5	0.45
Unskilled labourer	2.1	0.39
Duration of stay abroad		
Short stayer (3-5 years)	1.5	0.32
Medium stayer (6-9 years)	3.0	0.30
Long stayer (10-15 years)	1.4	0.546

This very low level of poverty among the households that participated in HSOMR is understandable. At the time of the survey, these households had had a member working in Saudi Arabia for more than 3 years, with an average stay of 7.6 years. As stated earlier, they received on average PKR 200,000 (USD 2,504) per year in remittances. These remittances were sufficient to recover the cost of migration and to provide the remittance-receiving households with the resources necessary to keep them out of poverty. Their consumption expenditures had more than doubled from the time before their family member went abroad. In absolute terms, these households are therefore not poor. Other studies, such as those by Oda (2007) and Arif (2004), show a relatively higher incidence of poverty, at more than 10 per cent, among migrant households. Those studies, however, included new migrants as well. The 2009 HSOMR included households with a member who had been in Saudi Arabia for more than three years, which had helped the participating households to escape poverty. This implies the importance of overseas migration for poverty reduction. The government of Pakistan has a long-standing policy of encouraging the temporary employment of workers abroad, and, as stated earlier, a migration policy is currently being prepared.

Inequality is usually measured by the Gini coefficient, and this was used on the expenditure data from HSOMR to determine inequality among migrant households. Before looking at the results, it is worth noting that, at the national level, the Gini coefficient was 0.30 in 2005-06, and worsened between 2004-05 and 2005-06, but the data are not available for the more recent period. The Gini coefficient for the HSOMR sample is 0.35 (table 25), which is higher than what the national level was in 2005-06. Remittances may lead to inequality among the migrant households because of the differences in the inflows of remittances and their uses across the migrant groups.

10.4 Change in Overall Economic Status of Households

In HSOMR, the migrant households were asked to rank their overall economic status before the migration of their family members and at the time of the survey. This was done to give an indication of relative poverty, and is different from the poverty line approach, which shows the absolute poverty dimension. The ranking of a household shows the perception of the respondents regarding their overall economic status relative to that of the other households of the community. The ranking was done using a scale of 1 to 10, where 1 represented the highest status and 10 the lowest status. The percentage distributions of households by perceived economic status prior to migration and at the time of the survey are shown in figures 8-10.

There is a marked difference between perceived pre- and post-migration economic status. The majority of respondents selected numbers between 6 and 9 when referring to their perceived economic status before migration, showing a relatively low pre-migration economic status. Regarding economic status at the time of the survey, most responses were between 3 and 5, indicating an improvement in status. For pre-migration economic status, the lowest number given (9) was selected by 15 per cent of the respondents. For status at the time of the survey, only 5 per cent of the respondents selected this number. This change can also be observed in both rural and urban areas (figures 9 and 10). Almost all of the households with professional or educated workers abroad had a better status after migration. There is no major change, however, for those households who selected the numbers 1 and 2 for their pre-migration household status; their status at the time of the survey remained the same.

Figure 8: Economic status before and after migration (total sample)

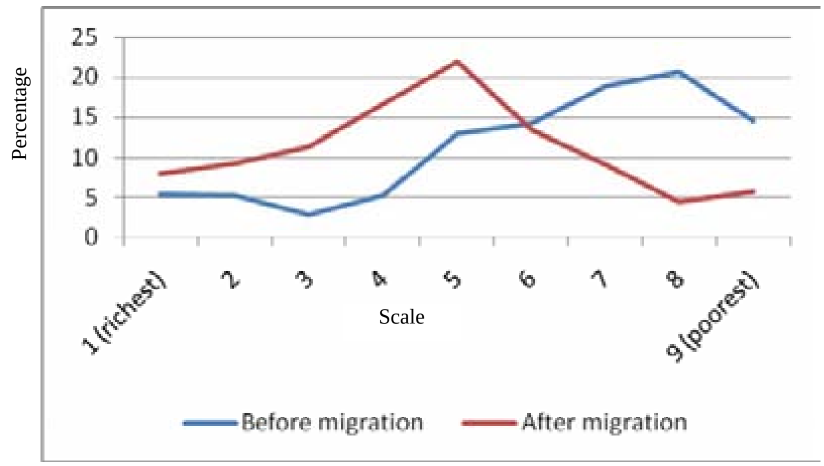


Figure 9: Economic status before and after migration (urban areas)

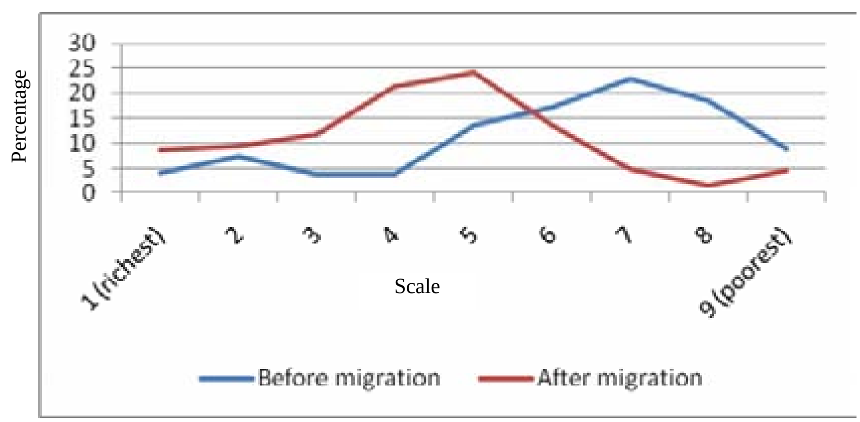
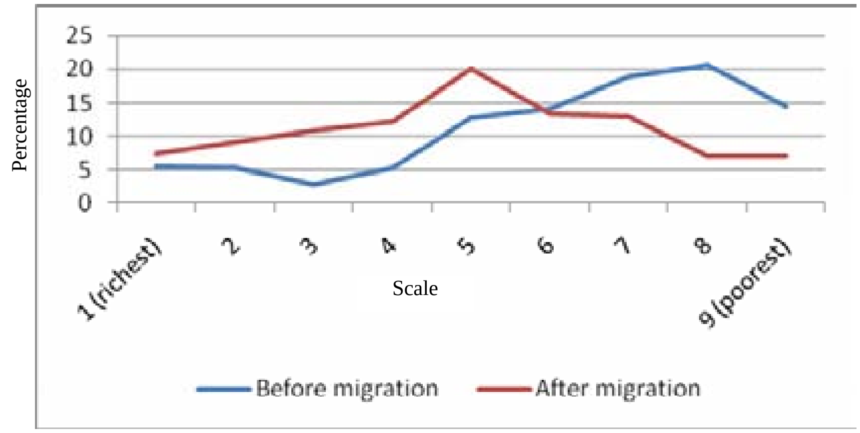


Figure 10: Economic status before and after migration (rural areas)



Regarding the reasons for overseas migration, more than one-third of the sampled households reported that poverty was the main push factor. The data on the perceived economic status at time of the survey shows that both the overseas work experience and the remittances had improved the economic status of the households. The data on the perceived economic status are not different from the absolute poverty figure of only 2 per cent. Keeping in mind that perceived poverty was one of the major reasons for both migration and the perceived low economic status prior to migration, both the low absolute poverty and the improvement in the economic status of the households after migration show the great contribution of remittances to improving the overall well-being of the migrant households.

11. Social Impact of Migration and Remittances

Several questions and modules were included in the 2009 HSOMR in order to examine the social impact of migration and remittances on the labour-sending households. The focus was on children's education, changes in the use of health services, the impact on housing conditions, the gender dimension of migration, child labour and overall changes in the social status of households. All of these social aspects of migration are discussed in this section.

11.1 Children's Education

Children's education was examined in two ways: the school enrolment rate among children aged 5-15 years by gender; and the proportion of children enrolled in private schools. It is worth noting that the literacy rate in Pakistan is very low, only 53 per cent, and the net primary school enrolment rate (children aged 5-9 years) at the national level is only 56 per cent. The government of Pakistan has endorsed the Millennium Development Goals, including the achievement of universal primary education by 2015. The government also plans to increase enrolment in secondary level education and improve students' skill levels.

In Pakistan, children begin formal education at 5 years of age and generally complete their primary level education by 9 years of age. Middle and secondary levels of education should be completed by the time children are 15 years of age, which means they've had 10 years of schooling. These ages are commonly used in Pakistan to compute school enrolment rates by grade. In the present study, the school enrolment rate is computed for children 5-15 years old by dividing the enrolled children in this age group by the total number of children aged 5-15 years and multiplying by 100. This rate gives a relatively better picture of the behaviour of migrant households towards their children's schooling.

Table 26 shows that, of the total sample, about 79 per cent of children aged 5-15 years were enrolled in school at the time the survey was conducted. This percentage is very high and desirable by all standards. The resources generated through overseas migration have therefore contributed to keeping the children in school for a longer period.

One important dimension of the data presented in table 26 is the small gap in school enrolment rates between urban and rural areas; 78 per cent of children in rural areas are enrolled in school compared 80 per cent in urban areas. This finding is important because one of the challenges in achieving the education-related targets of both the government of Pakistan and the Millennium Development Goals is the narrowing of the rural-urban gap. The large gender gap in school enrolment in Pakistan, particularly in rural areas, is the other major challenge the country is currently facing. This gap exists in the migrant households as well, but it is much smaller than the national average. Overseas migration and remittances have contributed to narrowing the gender and rural-urban gaps in children's school enrolment rates.

Table 26: School enrolment rates of children 5-15 years of age by gender (%)

Gender	Total sample	Urban areas	Rural areas
Total sample	78.9	80.4	77.9
Male	82.2	84.0	81.0
Female	74.4	75.3	73.7

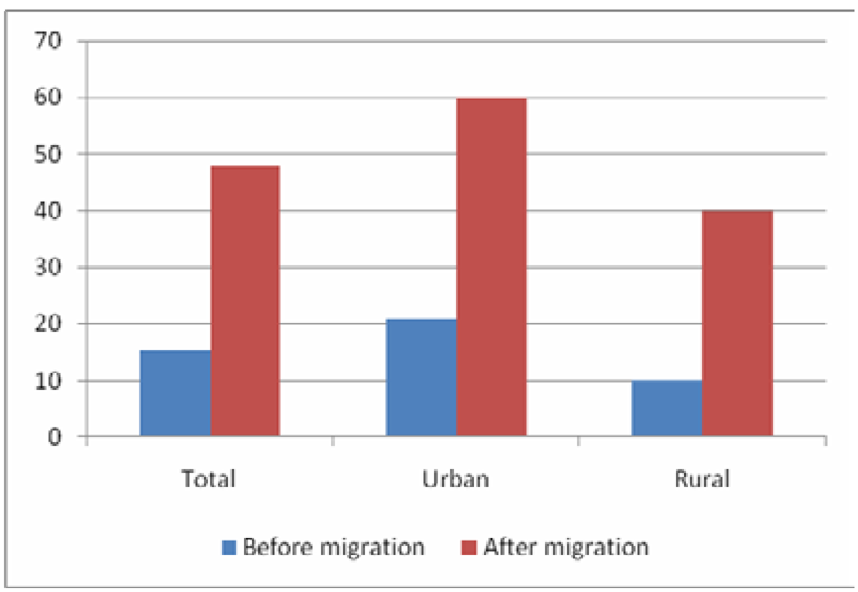
Note

:

$$\textbf{Enrolment rate} = \frac{\textit{Number of children } \mathbf{5-15} \textit{ years of age enrolled in school}}{\textit{Total number of children } \mathbf{5-15} \textit{ years of age}\mathbf{2!}} \times \mathbf{100} + \cdots$$

Since the early 1990s, there has been rapid growth in enrolment rates in private schools in Pakistan. The general perception is that the quality of education in these schools is better than that in public-sector schools. However, due to the relatively high fees of private schools, it is not possible for many households to enroll their children in them. In this context, the survey attempted to shed light on the behaviour of migrant households in terms of sending their children to private schools. Figure 11 shows a marked change in this behaviour after migration. Before migration, only 15 per cent of the children of the sampled households that were enrolled in school attended private schools. This percentage increased to 48 per cent after migration. In urban areas, more children were enrolled in private schools than in public schools. Even in rural areas, 40 per cent of the children enrolled in school were in private schools. Thus, overseas migration has brought a qualitative change in the education of the children of the households surveyed.

Figure 11: Percentage of children in private schools before and after migration



11.2 Use of Health Services

High infant mortality and maternal mortality rates are among the major challenges facing the health sector in Pakistan. It is well documented that diarrhoea and respiratory infections are major causes of infant mortality. The poor in Pakistan do not have access to good quality health facilities; they generally consult traditional healers in cases of illness. Remittances can lead to the improvement in health status in mainly two ways: first, they can be used to improve the nutritional status of the population, particularly children, through the provision of good quality food; second, this money can be used to access better health services in the case of illness. In HSOMR, the use of health services was explored during the period before migration and at the time of the survey. Table 27 shows a shift from the use of traditional healers and public-sector health facilities to the use of private doctors. Before migration, 44 per cent of the households visited public hospitals or dispensaries in cases of illness. This proportion was relatively higher for rural households (47%). More than one-quarter of the households used the services of traditional healers prior to migration. At the time of the survey, 90 per cent of the urban households and 75 per cent of the rural household used the services of private doctors if a family member became ill. This behaviour was observed across all regions.

Table 27: Change in use of health services (%)

	Use of health services before migration				**Use of health services after migration**			
	Private doctor	**Government hospital**	**Other**	**Total**	**Private doctor**	**Government hospital**	**Other**	**Total**
Urban	33.15	40.30	26.55	100	88.89	4.83	6.28	100
Rural	25.30	46.88	27.83	100	75.09	13.00	11.91	100
Punjab	23.17	44.79	32.04	100	64.39	18.94	16.67	100
Other regions	23.28	49.75	26.96	100	87.20	7.60	5.20	100

11.3 Migration and Change in Housing Conditions

A great body of literature has shown the interest of migrant workers and their families in improving their housing conditions by investing the remittances (Gilani et al., 1981; Arif, 1999; Ballard, 2005). In the 2009 HSOMR, the households were asked to report their housing situation before migration and at the time of the survey. Data are presented in table 28. Owning a residential house was common even before migration, but in both urban and rural areas, home ownership increased modestly after migration, from 78 to 84.5 per cent in urban areas and from 95.8 to 97.5 per cent in rural areas. The major change was in repairing the housing unit. Remittances have enabled households to upgrade their homes in the *pacca* style.[8] In rural areas, the proportion of migrant households who owned a *pacca* house increased from 42 per cent before migration to 62 per cent at the time of the survey. The change was also considerable in urban areas. Another major change was the addition of new rooms to the existing housing units. On average, there was an addition of one room to the housing unit in both urban and rural areas, and the proportion of large houses (five or more rooms) more than doubled. While access to electricity was universal before migration, gas availability modestly improved in both urban and rural areas. Only 17 per cent of the rural households had a telephone before migration, and 48 per cent reported having one at the time of the survey. A modest improvement was observed in the water supply and sewerage.

Table 28: Migration and change in housing conditions of the household

Housing situation/conditions	**Total sample**		**Urban areas**		**Rural areas**	
	Before migration	**After migration**	**Before migration**	**After migration**	**Before migration**	**After migration**
Owns house (%)	87.2	91.2	78.0	84.5	95.8	97.5
Owns *pacca* house (%)	59.5	74.6	78.0	87.9	42.3	62.3
Has access to electricity (%)	99.1	99.3	99.6	99.6	98.6	99.3
Has gas connection (%)	52.6	57.8	85.2	90.5	22.2	27.5
Has telephone (%)	39.1	65.3	62.9	83.7	16.9	48.2
Has water supply (%)	52.0	54.6	83.3	87.1	22.9	24.3

[8] A *pacca* house is made from cement and other concrete materials and is therefore a higher quality dwelling than the traditional clay or mud house.

Has sewerage (%)	59.3	68.6	84.8	91.3	35.6	47.5
Number of rooms (mean)	3.4	4.5	3.5	4.6	3.3	4.3
Owns house with 5 or more rooms (%)	15.3	37.2	16.7	41.3	14.1	33.5

11.4 Migration and Gender

As noted earlier, female labour migration to Saudi Arabia or to other countries of the region is negligible. Regarding the gender dimension, two questions were included in HSOMR in order to assess any changes in the decision-making role of men and women concerning various issues. In the questionnaire, the respondents were asked to report who made the decisions regarding the family’s daily needs (food), the education of children, the marriage of children, the purchase and sale of jewellery, and female participation in the labour market. Information on who held a bank account was also gathered. Although an educated person is more likely than an uneducated person to hold a bank account, an illiterate person can hold and use a bank account through the use of a thumb impression to withdraw and deposit money. Table 29 shows that the role of women in decision making has increased in almost all household matters in both rural and urban areas.

Table 29: Gender dimension of migration: who makes the household decisions, by rural and urban area (%)

Type of decision	Before migration				After migration			
	Family	Men	Women	Total	Family	Men	Women	Total
Urban areas								
Family’s daily needs, including food	13.01	71.00	15.99	100	14.07	63.12	22.81	100
Education of children	30.68	64.77	4.55	100	31.40	58.91	9.69	100
Marriage of children	37.31	58.08	4.62	100	38.98	56.30	4.72	100
Buying and selling jewellery	33.58	40.30	26.12	100	34.85	37.50	27.65	100
Buying and	32.83	66.04	1.13	100	32.69	64.62	2.69	100

selling property/assets								
Use of remittances	-	-	-	-	31.06	56.44	12.50	100
Female participation in labour market	30.57	50.57	18.87	100	31.54	48.08	20.38	100
Other matters	37.96	61.63	0.41	100	38.17	60.17	1.66	100
Rural areas								
Family's daily needs, including food	2.80	79.02	18.18	100	3.17	62.32	34.51	100
Education of children	8.96	86.02	5.02	100	7.94	74.37	17.69	100
Marriage of children	26.47	69.85	3.68	100	26.20	67.16	6.64	100
Buying and selling jewellery	18.37	69.26	12.37	100	18.51	63.35	18.15	100
Buying and selling property/assets	20.07	79.93	-	100	20.92	76.60	2.48	100
Use of remittances	-	-	-	-	18.44	74.82	6.74	100
Female participation in labour market	20.49	70.32	9.19	100	21.00	66.90	12.10	100
Other matters	27.02	72.58	0.40	100	27.24	69.51	3.25	100

The change to women's role in decision making is, however, modest. The existing evidence also suggests that the change is temporary and once the migrant returns, the decision making returns to the way it was before migration. Even while the migrant is abroad, decisions are still largely made by male members of the household or jointly by the family. Women's role in decision making is limited to the provision of daily food needs and the purchase of jewellery. In urban areas, however, 20 per cent of the households reported that females made the decision about their participation in the labour market.

Table 30 shows that 21 per cent of the sampled households reported that the migrants' wives held the bank account to which the money from Saudi Arabia was transferred. In the context of Pakistani culture, this seems to be a major change in attitude, particularly in rural areas, where approximately one-quarter of the households reported that the migrants' wives held the bank account. Among the long stayers, 42 per cent of the households reported that the migrants' wives operated the account. The overseas work experience has probably played the key role in giving women the authority to hold the bank account. This authority can be effective in increasing the status of women in two ways: first, the women are likely to visit banks to operate their account, showing independent movement and authority; second, they are likely to be influential in determining the use of the remittances.

Table 30: Gender dimension of migration: who holds the bank account (%)

	Migrant's wife	**Migrant's father**	**Migrant's brother**	**Other relatives**	**Total**
Location					
Urban	19.51	50.73	26.83	2.93	100
Rural	23.75	51.25	21.88	3.13	100
Punjab	30.73	56.42	12.29	0.56	100
Sindh	6.25	55.21	34.38	4.17	100
Other regions	18.89	35.56	38.89	6.67	100
Education of migrant					
Primary or no formal education	30.43	32.61	34.78	2.17	100
Middle	16.07	55.36	23.21	5.36	100
Secondary	26.04	53.25	18.34	2.37	100
Post-secondary	11.83	53.76	31.18	3.23	100
Occupation of migrant abroad					
Professional or associate professional	12.22	58.89	26.67	2.22	100
Clerk, service or sales worker	23.53	47.06	29.41	-	100
Skilled labourer	30.47	42.19	25.78	1.56	100
Unskilled labourer	19.23	53.85	20.19	6.73	100
Duration of stay abroad					
Short stayer (3-5 years)	7.53	64.38	25.34	2.74	100
Medium stayer (6-9 years)	22.66	47.66	26.56	3.13	100
Long stayer (10-15 years)	41.76	34.07	20.88	3.30	100

11.5 Child Labour

In the survey, the sampled households were asked to report their number of economically active children below 18 years of age prior to migration and at the time of the survey. As discussed earlier, about 80 per cent of the children aged 5-15 years were enrolled in school while the migrant family member was abroad. Table 31 shows that there was no child labour in the migrant households, and this was true for both boys and girls. However, the situation before migration was different: on average, one child was economically active. Therefore, among the households surveyed, remittances have not only eliminated child labour but also increased the school enrolment of the children in both urban and rural areas.

Table 31: Mean number of economically active children under 18 years of age, before migration and after migration

Location	Before migration	After migration
Urban	0.73	0.04
Rural	1.08	0.02
Punjab	1.16	0.02
Sindh	1.00	0.07
Other regions	0.43	0.01
Total sample	0.96	0.03

11.6 Migration and Community Development

In the 2009 HSOMR, the households were asked to report their involvement in 12 activities related to community development, including the financial assistance they provided to build schools, roads, and mosques and madrasas (religious schools), and their participation in elections, the local *punchait*[9] and the local parent teacher association. All households reported assisting in the construction of mosques and madrasas. Between 10 and 25 per cent

[9] The *punchait* is a village-level organization used to settle local disputes.

of the households actively participated in the other activities. For example, 25 per cent of the sampled households assisted in building the local school (table 32). Participation in the construction and maintenance of water-supply schemes and roads was also substantial. The migrant households were also active in social organizations, including the local *punchait*, parent teacher association and sports groups. Moreover, 7 per cent of the households reported that they had participated in the local body elections. The overseas experience has thus played a key role in enhancing the migrant households' participation in community development. This is particularly evident regarding participation in building projects and social organizations (annex table A.8).

Table 32: Involvement in community development (%)

Activity	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Providing financial assistance in building local schools	25.41	20.83	29.93	3.82	11.94	72.33
Helping in construction of roads	13.15	9.09	17.25	4.58	5.22	33.96
Helping in construction and maintenance of water supply	21.44	21.59	21.48	6.49	28.36	40.25
Providing financial assistance for construction of mosques and madrasas	78.38	79.17	77.82	87.02	56.72	82.39
Participation in local body election	6.85	8.71	5.28	6.49	2.24	11.32
Financially supporting a person participating in local body election	5.77	7.20	4.23	4.96	6.72	6.29
Participation in local *punchait* system	25.95	26.14	25.70	5.34	67.91	24.53
Participation in parent teacher association	18.02	25.00	11.27	6.87	50.75	8.81
Participation in mosque or zakat committee	25.77	32.95	19.37	11.83	43.28	33.96
Participation in sports committee	8.65	13.64	3.87	5.34	17.16	6.92
Participation in local social organization/group	19.64	23.86	15.49	6.11	33.58	30.19

11.7 Change in Overall Social Status of Households

Improvement in economic status, involvement in community development activities and participation in local social organizations can bring a positive change to the social status of a household. However, this change can be slow and is unlikely to come about in a single migration cycle. Just as they were asked to rank their economic status, the migrant households were asked to rank their social status in the community prior to migration and at the time of the survey. The ranking was done using a score of 1 to 10, with 1 representing the highest status and 10 representing the lowest status. As shown in figures 12-14, there is a marked difference between pre- and post-migration social status for most of the households. The majority of respondents selected numbers between 6 and 9 when referring to their social status before migration, showing a relatively low perceived pre-migration social status (figure 12) among the respondents. For perceived social status after migration, the majority of the respondents selected numbers between 3 and 5. This change is observed in both rural and urban areas (figures 13 and 14). Almost all of the households with professional and educated workers abroad perceived a high social status after migration. However, there is no major change between the time periods for those who had selected numbers 1 or 2.

In short, migration and remittances appear to have a positive social impact on the remittance-receiving households. Remittances have contributed to improving the quality of children's education, eliminating child labour, improving access to better health facilities, providing good quality housing and enhancing the role of women in dealing with banks and other household matters. The overall social status of the households has shown a marked improvement in both rural and urban areas.

Figure 12: Social status before and after migration (total sample)

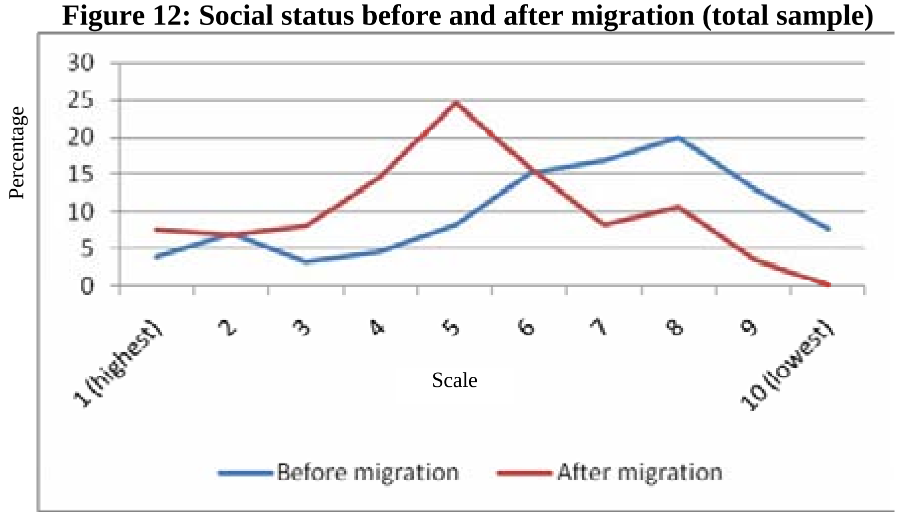


Figure 13: Social status before and after migration (urban areas)

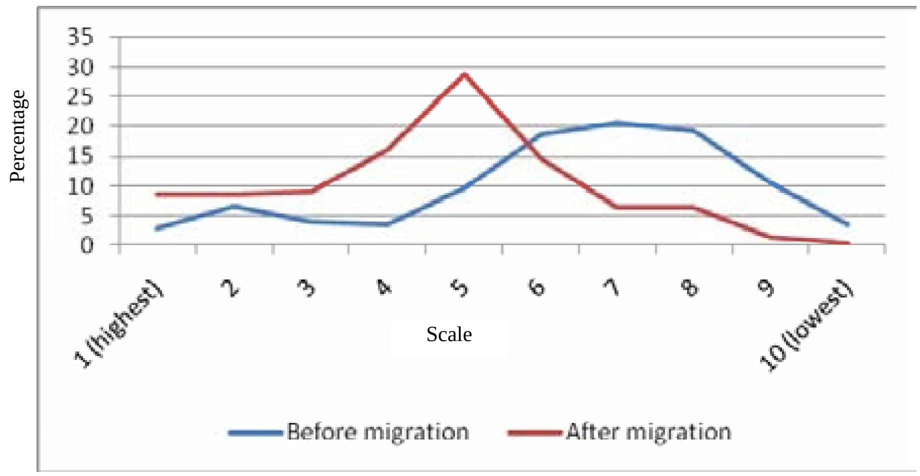
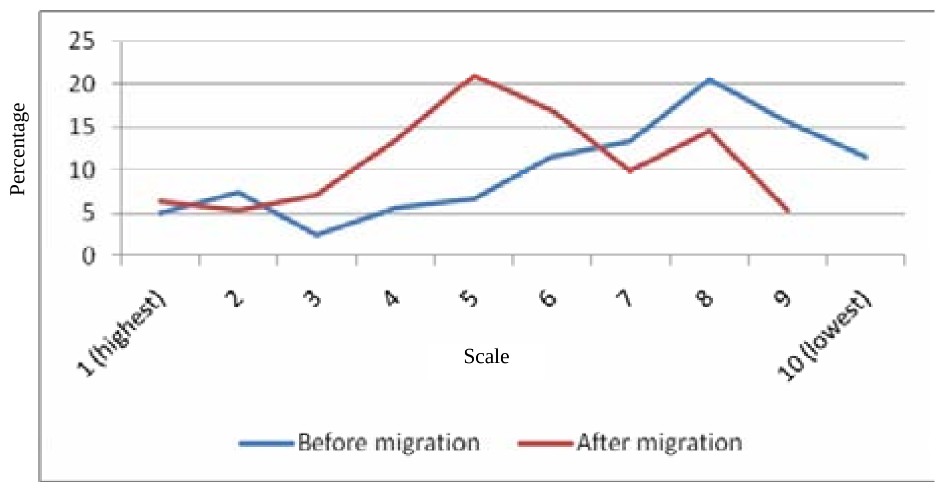


Figure 14: Social status before and after migration (rural areas)



12. Conclusions and Policy Recommendations

This study has assessed the economic and social impacts of overseas migration on remittance-receiving households and communities in Pakistan. It has also focused on other important issues related to the migration process and remittances, such as the cost of migration and its financing, and the channels used to transfer money home. Because the study was carried out in the midst of a global economic crisis, both the likely impact of the crisis on the remittances and the coping mechanisms of the concerned households have also been examined in the study. The broad conclusions regarding these issues are as follows:

- **The migrants have paid a very high price to go abroad for work.** The costs include the agent's fee, the visa and the air ticket. Those who go abroad for temporary employment are exploited as these costs should be covered by the employers. Because of the high costs, employment abroad has become less profitable for workers. A migrant has to use several months of his savings just to recover the cost of migration. The present analysis shows, however, that staying in Saudi Arabia for more than three years enables migrants to enhance their monthly earnings abroad, to save hard-earned money and to transfer their earnings to their households.
- **Less than half of the total remittances have been transferred through the banking channel.** This is not satisfactory for policy makers or financial institutions. Although the use of the *hundi* system is still common, a social network among the migrant workers is emerging to transfer money primarily during personal or friends' home visits. This topic needs further study.
- **A considerable proportion of remittances (about 36%) have been directed to investments and savings.** Health and education have also been among the priority areas for the use of remittances. More investments can be expected when the migrant worker returns home permanently, but this was not the focus of the survey. The worrisome aspect is, however, the inability of about 46 per cent of the households to use their remittances for investments and savings, even after the migrant has stayed abroad for more than three years. It is likely that, upon the permanent return of the

migrant, such investments will be made from the savings retained abroad.

- **Foreign remittances have made a substantial contribution towards enhancing the well-being of the migrant households.** Remittances help particularly in escaping poverty and increasing the overall economic status of the migrants and their households, and improving the ability of the households to increase expenditures. One could argue, however, that such an increase in expenditures creates dependency because the migrants have to continue living abroad in order to maintain their livelihood. There are many success stories of investments made from remittances having lasting effects on the economic status of households. The social contribution of migration is even more encouraging in terms of improving children's education, enhancing housing conditions, eliminating child labour, empowering women and enhancing the overall social status of households.
- **The recent economic crisis could pose a threat to labour-sending countries as well as remittance-receiving households.** It appears that Pakistan has not been seriously affected by the crisis, and in fact overseas migrants have been part of the solution by sending home remittances on a large scale – more than USD 7 billion in 2008-09. Moreover, the concerned households are aware of the crisis and they have coping strategies for increasing their earnings. If they are negatively affected by the crisis in the future, however, they will surely need assistance to overcome it.

12.1 Policy Recommendations

Some policy recommendations, which are based on the results of the survey, the field observations of the author and a review of the literature on the topic, are listed here for the stakeholders, particularly: (a) the national authorities, such as the Ministry of Labour and Manpower and its departments that are responsible for migration management; (b) private and public recruitment agencies; (c) the banking sector; (d) the household sector; (e) countries of destination; and (f) international organizations.

A. National authorities

Migration policy: The government of Pakistan is keen to increase the number of its nationals who go abroad for work by increasing the numbers who go to the Middle East as well as by having new countries of destination. It also wants to enhance the skill levels of its workers and to curb malpractices and irregularities in the migration process. A new migration policy, which IOM supports, is currently being developed. It should be announced soon and integrated into the overall development strategy of the country. In particular, the policy should be included in the next Five Year Plan (2010-2015), which is likely to be finalized this year.

Migration and poor regions of the country: Overseas migration can be one of many effective tools for poverty reduction. As migration is concentrated in the more prosperous areas of Pakistan (for example, northern Punjab), the positive benefits of migration are limited to those areas of the country. Opportunities for overseas employment should be investigated for the poor regions of the country (for example, southern Punjab, rural Sindh and Balochistan). The opening of regional offices of the Protector of Emigrants in these areas would help in this regard.

Enhancing skill composition, and reducing exploitation and the cost of migration: Despite the many ongoing programmes that increase the skill levels of Pakistani domestic and migrant workers, the proportion of unskilled Pakistani workers in the Middle East continues to increase. This is of great concern, particularly because of the relatively lower salaries of these workers (and hence lower remittance and investment flows) and some cases of exploitation and abuse. These workers are more often the victims of illegal practices and face high costs and low salaries while abroad.

The medium- to long-term solution is to enhance the skill level of the labour force to match the requirements of destination countries through careful human resource planning. This would avoid exploitation and reap the full benefits of migration. Any such skill enhancement or development needs to be undertaken in consultation with the destination countries concerned. In the short term, however, the solution is to ensure the safe and transparent recruitment of workers both in Pakistan and in the destination countries. This safety and transparency would help to reduce the high cost of migration as well. There is also a need to better regulate and monitor the recruitment agencies in Pakistan. In addition, measures could be taken to reduce the cost of migration by controlling or regulating recruitment processes. Moreover, pre-departure loans could be made so the burden of the cost of migration could be shared with the household.

Pre-departure training: The temporary nature of contractual labour migration needs to be emphasized. In particular, migrants should be warned that their long-term gain from migration is likely to be limited unless they are able to secure a long-term contract and are prepared to stay abroad for more than the period of one contract, which is usually two to three years. In addition, there is the possibility of constant periods of migration leading to dependency. Informing migrants about the potential benefits and pitfalls of migration, as well as the basic rights and duties of migrant workers, could be done through more systematic training and pre-departure orientation. Pre-departure orientation is mandatory in Pakistan, but it is not being used effectively, and its scope, coverage and effectiveness could be enhanced. The pre-departure orientation could be arranged in all the regional offices of the Protector of Emigrants, and the attendance of migrants could be required.

Irregular migration: Various federal and provincial government agencies are active in preventing irregular migration. Local governments and authorities could also be involved in identifying the recruiters involved in this irregular business.

Exploring investment opportunities: Migrants usually remit a major part of their earnings while they are abroad, and recipient households primarily spend these funds. The households, especially those in rural areas, may not have information about investment opportunities, so there is a need to explore these in high-migration areas. It is also important to provide migrants' families with investment-related information, and women in particular to encourage their empowerment. In addition, there is a need to further determine which areas could benefit from investments. Training in the creation of small and medium enterprises in high-migration districts could be organized in collaboration with organizations active in this sector, including the National Rural Support Programme and the Pakistan Poverty Alleviation Fund.

Financial literacy: Financial literacy courses for migrants and their families, particularly for women, could be organized to encourage the productive use of remittances. These short courses could include dealing with banks and investing in different savings schemes.

Economic crisis and regular monitoring of the Middle East labour market: Although the economic crisis has so far not affected Pakistan in terms of any decline in the outflow of workers, the inflow of remittances or the return of migrants, there is a need to regularly monitor the situation of the Middle East labour market. This should be done so that migrants could be assisted in a timely manner if the situation changes or deteriorates.

B. Banks and other financial institutions

Banks and other financial institutions could be encouraged to create financial packages for migrants to send remittances through the banking channel and to use the remittances productively. Migrants who use banks to transfer money could be offered credit facilities upon their return to establish a business.

In addition to opening new branches abroad and in high-migration areas in Pakistan, there is a strong need to make the procedures for transferring money simple and, if possible, cost-effective, as the findings of this study show. This would increase the amount of remittances sent to Pakistan through the banking channel.

Banks abroad could consider simplifying and fast-tracking the procedures required to transfer money, or provide remitting migrants with support services free of charge. There is a need for more dialogue between the government and the banking sector in order to develop this type of service.

As in some other parts of the world, banking facilities could be provided at the work places abroad. Non-banking financial institutions could play an effective role in creating a link between migrants and banks in order to assist migrants at the workplace in, for example, opening accounts, withdrawing money from banks and sending money home.

C. Household sector

Households (and potential migrants) could be advised through media, local authorities and political and religious leaders to use only legal sources to secure employment abroad. The consequences of irregular migration in terms of exploitation, the loss of property/money and even the loss of lives could be effectively communicated, especially to rural populations.

In the long run, the greatest benefits of migration will come from investment in human resources. Migrant households may be educated to use more remittances on the education, nutrition and health of their children and of women. This should also be viewed within the national plans to achieve the Millennium Development Goal targets set for these sectors.

The dependency of households on remittances during the migration period leaves little room for savings or investments. Households that have access to non-remittance income from businesses or salaries are better able to shift remittances to investments. The importance of a non-remittance household income during the period of migration could be communicated to such households. This communication would encourage more participation of the adult members of the household, particularly women, in the labour market. More of the remittances could then be directed to investments.

D. Role of countries of destination and international collaboration

The role of labour-importing countries is of central importance in all stages of the migration cycle, from placement to return. These countries should be fully engaged through the framework of wider international collaboration and dialogue, such as the Colombo Process and the Abu Dhabi Dialogue.

Labour-receiving countries could also assist in reducing the cost of migration by reducing or eliminating the cost of the visa. Authorities in destination countries could be encouraged to make the hiring of overseas workers easier and less costly for migrants.

E. Intergovernmental cooperation and regional consultative processes

South Asian labour-exporting countries could work together to improve the working conditions of migrants in the destination countries. This could be done with the help of international organizations such as IOM, which could organize and facilitate more frequent dialogues between labour-exporting countries and labour-importing countries through, for example, regional consultative processes such as the Colombo Process, which was established in 2003, and the Abu Dhabi Dialogue, which began in 2008. The Colombo Process, whose members include 11 countries of origin in Asia, including Pakistan, and 8 countries of destination, including Saudi Arabia, offers a unique platform where issues of labour migration can be discussed in an informal and non-binding way.[10]

To conclude, the overseas migration of Pakistani workers for temporary employment benefits remittance-receiving households by improving both their economic status and their social status. The contribution of remittances is particularly significant for poverty reduction, community development, children's education and the elimination of child labour. Thus, migration needs to be made part of the development strategy in ways that make overseas migration safe and that enhance the social opportunities and capabilities of the poor.

[10] See www.colomboprocess.org/index.php.

Annex

Table A.1: Distribution of overseas Pakistanis living/working/studying in different counties and regions of the world, June 2004

Region/country	Number of overseas Pakistani nationals (% of total in parentheses)
Middle East	1.893 (47.7)
Saudi Arabia	1.100 (27.7)
United Arab Emirates	0.500 (12.6)
Kuwait	0.100 (2.5)
Other	0.193 (4.9)
Europe	1.095 (27.6)
United Kingdom	0.800 (20.1)
France	0.050 (1.3)
Germany	0.053 (1.3)
Other	0.192 (4.8)
North America	0.851 (21.4)
United States	0.600 (15.1)
Canada	0.250 (6.3)
Other	0.001 (0.0)
Asia[a]	0.073 (1.8)
Hong Kong, China	0.020 (0.5)
Japan	0.013 (0.3)
Malaysia	0.010 (0.2)
Other	0.030 (0.8)
All other countries	0.061 (1.5)
Total	3.973 (100)

Source: Pakistan, *Medium Term Development Framework 2005-10*, Planning Commission, Islamabad, 2005.
Note: [a]Excluding the Middle East.

Table A.2: Annual number of Pakistani workers placed abroad for employment, 1971-2008

	Year									
Region /country	**1971-2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Total (1971-2008)**
Middle East total	2,586,487	123,469	144,551	209,359	167,932	128,152	173,031	279,244	420,933	4,424,058
Saudi Arabia	1,648,279	97,262	104,783	126,397	70,896	35,177	45,594	84,587	138,283	2,351,258
United Arab Emirate	626,705	18,421	34,113	61,329	65,786	73,642	100,207	139,405	221,765	1,341,373

s										
Oman	21,231	3,802	95	6,911	8,982	8,019	12,614	32,474	37,441	322,469
Qatar	50,481	1,633	480	367	2,383	2,175	2,247	5,006	10,171	74,943
Bahrain	65,987	1,173	1,022	809	855	1,612	1,630	2,615	5,932	81,635
Kuwait	106,307	440	3,204	12,087	18,498	7,185	10,545	14,544	6,250	179,060
Libya	63,701	713	781	1,374	375	261	67	450	940	68,662
Yemen	3,796	25	73	85	157	81	127	163	151	4,658
Malaysia	1,993	64	59	114	65	7,690	4,757	1,190	1,756	17,688
Republic of Korea	3,634	271	564	2,144	2,474	1,970	1,082	434	1,534	14,107
United Kingdom[a]	1,059	800	703	858	1,419	1,611	1,741	1,111	756	10,058
United States[a]	802	788	310	140	130	238	202	297	232	3,139
Italy	405	824	48	128	581	551	431	2,765	2,876	8,609
Spain	159	362	189	202	254	290	183	176	85	2,100
Other	96,578	1,351	798	1,094	969	1,633	1,764	1,816	2,142	108,145
Total	2,882,017	127,929	147,422	214,039	173,824	142,135	183,191	287,033	430,314	4,587,904

Source: Data obtained from the Bureau of Emigration and Overseas Employment, Islamabad, 2009.
Note: [a]Only those migrants who went to these countries through the Bureau of Emigration and Overseas Employment are reported here.

Table A.3: Workers' remittances by source country (millions of United States dollars)

Country	Year								July-April	
	2000-01	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2007-08**	**2008-09**
Cash flow										
Bahrain	23.87	39.58	71.46	80.55	91.22	100.57	136.28	140.51	116.23	127.64
Canada	4.90	20.52	15.19	22.90	48.49	81.71	87.20	100.62	82.48	65.07
Germany	9.20	13.44	26.87	46.52	53.84	59.03	76.87	73.33	62.99	80.26
Japan	3.93	5.97	8.14	5.28	6.51	6.63	4.26	4.75	4.14	3.58
Kuwait	123.39	89.66	221.23	177.01	214.78	246.75	288.71	384.58	309.70	360.31
Norway	5.74	6.55	8.89	10.19	18.30	16.82	22.04	28.78	22.99	19.58
Qatar	13.38	31.87	87.68	88.69	86.86	118.69	170.65	233.36	189.63	276.70
Saudi Arabia	304.43	376.34	580.76	565.29	627.19	750.44	1,023.56	1,251.32	1,001.71	1,264.07
Oman	38.11	63.18	93.65	105.29	119.28	130.45	161.69	224.94	179.62	231.37
United Arab Emirates	190.04	469.49	837.87	597.48	712.61	716.30	866.49	1,090.30	907.52	1,366.79
Abu Dhabi	48.11	103.72	212.37	114.92	152.51	147.89	200.40	298.38	249.54	512.52
Dubai	129.69	331.47	581.09	447.49	532.93	540.24	635.60	761.24	631.32	814.58
Sharjah	12.21	34.05	42.60	34.61	26.17	26.87	28.86	28.58	25.00	39.07
Other in United Arab Emirates	0.03	0.25	1.81	0.46	1.00	1.30	1.63	1.68	1.66	0.62
United Kingdom	81.39	151.93	273.83	333.94	371.86	438.65	430.04	458.87	379.03	467.98
United States	134.81	778.98	1,237.52	1,225.09	1,294.08	1,242.49	1,459.64	1,762.03	1,463.73	1435.65
Other countries	88.40	293.28	727.64	567.93	507.27	679.50	763.54	695.45	462.23	498.09
Total	1,021.59	2,340.79	4,190.73	3,826.16	4,152.29	4,588.03	5,490.97	6,448.84	5,316.88	6,355.13
2. Encashment[a]	64.98	48.26	46.12	45.42	16.50	12.09	2.68	2.40	2.20	0.45
Grand total	1,086.57	2,389.05	4,236.85	3,871.58	4,168.79	4,600.12	5,493.65	6,451.24	5,319.08	6,355.58

Source: Pakistan, *Pakistan Economic Survey 2008-09,* Finance Division, Islamabad, 2009.
Note: [a]Encashment and profit in Pakistani rupees of Foreign Exchange Bearer Certificates and Foreign Currency Bearer Certificates

Table A.4: Workers' remittances transferred through banks, by source country (%)

	Year								July-April	
Country	**2000-01**	**2001-02**	**2000-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2007-08**	**2008-09**
Bahrain	2.34	1.69	1.71	2.11	2.20	2.19	2.48	2.18	2.19	2.01
Canada	0.48	0.88	0.36	0.60	1.17	1.78	1.59	1.56	1.55	1.02
Germany	0.90	0.57	0.64	1.22	1.30	1.29	1.40	1.14	1.18	1.26
Japan	0.38	0.26	0.19	0.14	0.16	0.14	0.08	0.07	0.08	0.06
Kuwait	12.08	3.83	5.28	4.63	5.17	5.38	5.26	5.96	5.80	5.67
Norway	0.56	0.28	0.21	0.27	0.44	0.37	0.40	0.45	0.43	0.31
Qatar	1.31	1.36	2.09	2.32	2.09	2.59	3.11	3.62	3.57	4.35
Saudi Arabia	29.80	16.08	13.86	14.77	15.10	16.36	18.64	19.40	18.83	19.89
Oman	3.73	2.70	2.23	2.75	2.87	2.84	2.94	3.49	3.38	3.64
United Arab Emirates	18.60	20.06	19.99	15.62	17.16	15.61	15.78	16.91	17.06	21.51
Abu Dhabi	4.71	4.43	5.07	3.00	3.67	3.22	3.65	4.63	4.69	8.06
Dubai	12.69	14.16	13.87	11.70	12.83	11.77	11.58	11.80	11.87	12.82
Sharjah	1.20	1.45	1.02	0.90	0.63	0.59	0.53	0.44	0.47	0.61
Other in United Arab Emirates	0.00	0.01	0.04	0.01	0.02	0.03	0.03	0.03	0.03	0.01
United Kingdom	7.97	6.49	6.53	8.73	8.96	9.56	7.83	7.12	7.13	7.36
United States	13.20	33.28	29.53	32.02	31.17	27.08	26.58	27.32	27.52	22.59
Other countries	8.65	12.53	17.36	14.84	12.22	14.81	13.91	10.78	8.69	7.83
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Pakistan, *Pakistan Economic Survey 2008-09,* Finance Division, Islamabad, 2009.

Table A.5: Frequency of remittances (%)

	Total sample	Urban	Rural	Punjab	Sindh	Other regions
Monthly	45.7	44.1	47.2	54.9	34.1	40.4
Quarterly	45.3	50.2	40.8	29.2	62.9	57.1
Biannually	2.0	0.8	3.2	3.1	2.3	-
Annually	6.6	4.6	8.5	12.5	0.8	1.9
Only on visits home	0.4	0.4	0.4	0.4	-	0.6

Table A.6: Household investments and savings from remittances (Pakistani rupees[a])

	Average amount of investments and savings per household	Average amount of investments and savings excluding households with no investments	Investments/savings (%)				
			No investments or savings	<200,000	200,000-400,000	>400,000	Total
Total sample	201,000	369,000	45.5	28.9	11.7	13.9	100
Location							
Urban	298,000	450,000	33.8	31.9	14.4	19.8	100
Rural	111,000	254,000	56.3	26.1	9.2	8.5	100
Punjab	280,000	445,000	37.2	27.9	13.2	21.7	100
Sindh	212,000	341,000	37.9	36.4	15.9	9.8	100
Other regions	62,000	181,000	65.6	24.2	5.7	4.5	100
Occupation of migrant abroad							
Professional or associate professional	297,000	455,000	34.8	27.0	13.9	24.3	100
Clerical, service or sales worker	243,000	472,000	48.6	22.9	11.4	17.1	100
Skilled labourer	153,000	298,000	48.8	27.9	12.9	10.4	100
Unskilled labourer	161,000	325,000	50.7	32.4	8.1	8.8	100
Education of migrants							
Primary or no formal education	78,000	189,000	58.8	29.4	5.9	5.9	100
Middle	96,000	259,000	62.7	22.7	6.4	8.2	100
Secondary	164,000	298,000	45.2	29.1	14.3	11.3	100
Post-secondary	452,000	576,000	21.5	33.9	14.9	29.8	100
Duration of stay abroad							
Short stayer (3-5 years)	170,000	285,000	40.5	38.5	9.7	11.3	100
Medium stayer (6-9 years)	221,000	404,000	45.3	27.1	12.8	14.8	100
Long stayer (10-15 years)	216,000	452,000	52.3	18.8	12.8	16.1	100

Note: [a]USD 1 = PKR 79.88

Table A.7: Determinants of investment savings: regression results

Determinant	**Model 1**	**Model 2**
	OLS regression (dependent variable = amount invested/saved in thousands of Pakistani rupees)	**Logistic regression dependent variable = households invested/saved=1 Household without investments = 0**
Constant	-187.313[a]	-2.649[a]
Remittances received (thousands of Pakistani rupees)	0.044[b]	0.000[b]
Age of migrants (years)	3.715[b]	0.022[b]
Marital status of migrants (married=1)	38.324	0.347
Education of migrants (10 years' schooling=1)	101.169[b]	0.574[b]
Occupation of migrants abroad	39.250	-0.016
Financing migration (from savings=1)	57.757	0.046
Household non-remittance income =1	29.216	0.414[b]
Place of residence (urban=1)	121.930[b]	0.590[b]
Family size	-7.517	0.004
Land ownership (yes=1)	-5.769	-0.453
R^2	0.11	-
- 2 log likelihood	-	670.718
N	539	539
Duration of stay abroad		
Short stayer (3-5 years)	-76.938	0.149
Medium stayer (6-9 years)	-11.515	0.422
Long stayer (10-15 years)	-	-

Note: [a]Significant at 10% level of confidence.
[b]Significant at 5% level of confidence.

Table A.8: Household involvement in community development by workers' duration of stay abroad (%)

Activity	Total sample	Long stayers (10-15 years)	Medium stayers (7-9 years)	Short stayers (3-6 years)
Providing financial assistance in building local schools	25.55	36.24	22.17	20.92
Providing assistance in building roads	13.32	22.15	12.81	7.14
Helping in construction and maintenance of water supply facilities	21.53	25.50	22.17	17.86
Providing financial assistance in construction of mosques or madrasas	78.47	83.89	79.80	72.96
Participation in local body election	6.93	8.05	5.91	7.14
Financially supporting a person participating in local body election	5.66	2.68	7.88	5.61
Participation in local *punchait*[a] system	25.91	16.11	35.96	22.96
Participation in parent teacher association	17.88	9.40	21.67	20.41
Participation in mosque or zakat committees	25.91	17.45	28.08	30.10
Participation in sports committees	8.58	6.71	10.84	7.65
Participation in local social organizations/groups	19.53	14.77	23.65	18.88

Note: [a]The *punchait* is a village-level organization used to settle local disputes.

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