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## **Emigration from Pakistan - 1947-97**

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**EMIGRATION FROM PAKISTAN - 1947-97**

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## INTRODUCTION

This paper is reflective of an attempt to construct a temporal profile of emigration from Pakistan over the past five decades. As detailed in the paper there have been distinct types of emigration streams distinguished on the basis of size, skill composition, duration of stay abroad and nature of links maintained with the sending country. First part of the paper presents these details.

In the second part of the paper the impact of this emigration on economy and society is discussed briefly. Evidence pertaining to the effects of labour exodus and inflow of remittance on the household, labour market, and economy is examined. Also the return migration and its ramification for settlement are highlighted. Finally while summarising the findings some speculations about existing emigration pressures are presented in the final section.

It needs to be highlighted that the research exercise is based on the data set which suffers from various limitations. The information pertaining to labour exodus is based on either the censuses of the receiving countries or the registration data of Pakistan. The latter set of data is incomplete because it does not cover illegal migration as well as all migrants do not register themselves. Similarly it is difficult to capture all the financial flows (remittances) associated with emigration. Non official transfers, foreign exchange inflow embodied in the commodity transactions particularly smuggling and others are not incorporated in the analysis.

## **SECTION I**

### **EMIGRATION FROM PAKISTAN**

Emigration from the areas constituting Pakistan can be traced to colonial periods. The emigrants worked in South Africa under indentured system, constructed Ugandan Railway lines and worked in the industries of U.K. Since independence of the country in 1947, during the last five decades, four distinct migratory streams of Pakistanis evolved: the first being the movement of unskilled and semi-skilled workers to Britain in the 1950s. The second comprised the emigration of qualified professionals, often termed as 'brain drain' to Britain, United States of America (USA), Canada and Middle East during the 1960s and 1970s. Contract migration mostly to Middle East with explicit provision for emigrants to return back to Pakistan, initiated in early 1970. This third type of migratory streams is still ongoing though the volume has shrunk since mid 1980's. The more recent movement of Pakistanis to the USA, Canada and Australia for permanent settlement, mainly because of a shift in immigration policies of these countries, is the example of fourth migratory flow. In terms of causes and consequences these movements differ substantially. Hence they are discussed separately below.

#### **1. MIGRATION TO THE UNITED KINGDOM, 1950-81**

Around the turn of this century, men from a scatter of villages in Kashmir began to work as stokers on merchant ships operating out of Bombay. These seamen were generally considered to be the principal pioneers of the contemporary settlement of Pakistanis in Britain [Ballard (1987)]. During the Second World War Britain's heavy industries were acutely short of labour thereby attracting seamen to take up industrial jobs on shore, and soon afterwards they brought fellow villagers to join them. Thus a process of chain migration began. Prior to the introduction of the Commonwealth Immigration Act 1962 by U.K. there was no restriction on this immigration. This act imposed controls on emigration. However, dependents of immigrants already in the UK continued to be admitted since then.

Stock of Pakistanis in the UK during the period of 1961 and 1981 is shown in Table 1. In the 1961 British census 32,000 Pakistanis were enumerated as residents of Britain.

Table 1

## Pakistanis in the United Kingdom 1961-81

Census Year	Number	% Born in UK	% Males
1961	31900	NA	82.0
1972	169700	24.4	67.4
1981	295461	40.0	54.6

Source: UN, (1979); Anwar, 1986; Jeffery, 1976

Most of these were predominantly male and recorded as having been born in Pakistan. The volume of emigrants increased to about 170,000 in the 1971 but the proportion of males decreased from 82 per cent in 1961 to 67 per cent in 1971. According to the 1981 Census, about 300,000 Pakistanis lived in Britain. Of these, 40 percent were born in the UK, and the proportion of males declined further to 55 per cent. This settlement pattern of Pakistanis in Britain shows that initially it was male alone who migrated. Wives and children were left at home with their families, to whom periodic visits were made [Ballard (1987)]. It meant that the early emigrants did not regard their stay abroad as permanent. The imposition of Immigration Act 1962 changed the pattern of migration from temporary to permanent emigration. Also, not only the number of Pakistani women settled in Britain has risen rapidly from a very low base but one-sixth of Pakistani population in Britain comprised of children under 5 years of age in 1981.

## 2. BRAIN DRAIN OF THE 1960s

The second wave of emigration of Pakistanis occurred in the 1960s and 1970s and is known as the 'brain drain'. This term implies the outflow of educated manpower from poor to rich countries [Sauvy (1996)]; Hoek (1970)]. Many developing countries experienced the phenomenon of the 'brain drain' during these two decades. An examination of the size and nature of the migration of high-level manpower encounters two problems; the shortage of reliable statistics and the definition of 'brain drain'. For Pakistan, Ahmad and Hasan (1970) operationalised this term and estimated the 'brain drain' from Pakistan to other nations between 1961 and 1966 by gathering data mainly from the Pakistani Missions abroad, the State Bank of Pakistan and Directorate of Immigration. Some countries, which received the high-level manpower from Pakistan, such as Canada and the USA, also produced some statistics.

In their definition of brain drain, Ahmad and Hasan (1970)

included professional class, with at least degree level of education or its equivalent with the restriction of four years stay abroad to exclude students, as few pursued their studies for more than a four years duration. In the professional class, five categories: physicians and other medical specialists, engineers, teachers, pilots and research workers were included. All other professionals were grouped into the 'others' category.

Around 13261 highly qualified Pakistanis went abroad during 1961-66. Of these, 2880 were in medical profession, 1459 were engineers and 774 had advance degrees in the social and natural sciences. Unfortunately, occupation of half of the total emigrants were recorded in the 'others' category. It is thus difficult to know the exact details of their occupations.

Three-quarters of professional workers were employed in the Middle East (Saudi Arabia and Libya). Both the UK and Saudi Arabia were the main destinations for medical personnel, while more than half of engineers were employed in Libya. Ahmad and Hasan (1970) argued that professionals in the Middle East (Saudi Arabia and Libya) were employed on a contract of three years, and they were likely to return home. However, Ahmad and Hasan's estimates for the period of 1961-66 do not represent the overall picture of the outflow of Pakistani high-level manpower, which continued after the 1966. DeVoretz and Maki (1980) show that 1307 Pakistani professionals emigrated only to Canada during 1967-73. More professionals were likely to have been admitted in the USA during this period but reliable data are not available. (Appendix Table 1).

### **3. LABOUR MIGRATION FROM PAKISTAN TO THE MIDDLE EAST**

The history of international temporary migration of Pakistani workers for employment abroad dates back to end of the last century when the Uganda Railway Committee imported 32,000 workers from the area which now constitutes Pakistan for the construction of Uganda Railway. This movement which started in the 1930s resembled more recent migration to the Middle East when, following the discovery of oil in the Gulf region, international companies involved in the oil industry recruited foreign workers to establish the industry's infrastructure [Seccombe and Lawless, (1986)]. Only ARAMCO employed on average 500 Pakistani workers during 1945 and 1951. Several thousand Pakistanis were also enumerated in the 1965 and 1970 censuses of Kuwait, Bahrain and Qatar [UN (1979)].

However, labour migration from Pakistan to the Middle East on a large scale started in the 1970s. During 1972-95, the annual placement of Pakistani workers in the Middle East fluctuated substantially (See Appendix Table 2), peaking in 1977 at 140,000 and again in 1981 at 151,500. In the subsequent five years it



declined dramatically. Then during the period 1987-92, placements increased steadily, after the Gulf War reaching a record level of 195,400 in 1992. During the last five years it again declined from 157,700 in 1993 to 104,000 in 1998 and the declining trend appears unabated. (See Appendix Table 2).

More importantly, Pakistan's share in the annual placement of South Asian workers in the Middle East declined dramatically from 73 per cent in 1977 to only 24 per cent in 1986. After 1986 its share increased modestly, reaching about 30 percent in 1989, but it fell again to 26 percent in 1991 and to only 18 per cent in 1993. (See Table 2).

Table 2

Share of Pakistani Workers in the Annual Placement of  
South Asian Workers in the Middle East

Year	Annual Placement of South Asian Workers in the Middle East	Percentage Share of Pakistan
1977	191,000	73.2
1978	237,800	54.0
1979	340,000	34.7
1980	411,600	28.2
1981	530,700	28.5
1982	437,900	31.4
1983	402,200	29.7
1984	366,100	25.5
1985	329,800	25.0
1986	246,100	23.5
1987	273,500	24.2
1988	333,200	24.4
1989	332,700	29.7
1990	398,400	29.0
1991	557,900	26.4
1992	889,900	21.4
1993	869,900	17.7
1994	720,800	15.4

Source: Mahmood (1995); Sasikumar (1995); Yapa (1995)

Several factors have been responsible for the decline in share of Pakistan. Firstly, Arab governments are sensitive to a predominance of workers from a particular country. They have therefore chosen to diversify their sources of labour. As a result,

Pakistanis faced increased competition from other labour-exporting countries, particularly Filipinos and Bangladeshis who have been contracted in increasing numbers since 1985 at relatively low wages. Secondly, since the mid-1980s, economic activity has slowed in the major labour-receiving countries; Pakistani workers in the Middle East have been employed in construction in the gulf region, with the completion of development projects the demand for labour decreased. Increase in the volume of emigration during 1992-94 partly reflects substitution of Yemenis and Palestinians by Pakistanis in Saudi Arabia after Gulf War. Thirdly, there has been a shift in labour demand from production and construction workers to professional and service workers. However, the occupational composition of Pakistani migrants over the last two decades has changed only slightly, and majority of migrant workers is still engaged in the construction sector (Appendix Table 3). This shift in demand also entailed an increasing feminisation of the work force, particularly recruitment of housemaids. Pakistan banned the female to work as domestic servants under the age of 45 [Hugo (1989)]. Although in 1989 the minimum age was reduced to 35 years, emigration of female workers is still numerically insignificant because of the cultural factors. The oil price decline during the mid 1990's and stagnation in the Middle East further slashed the demand for expatriate workers. In fact the emergence of unemployment in Middle Eastern countries led the governments to restrict issuance of visas to unskilled and certain semi-skilled workers.

Not only the placements in Middle East has declined but there has been a rise in the number of return migration resulting in the decline in net outmigrants as well as stock of Pakistanis in the Middle East during 1986-95 (See Appendix Table 4).

#### **4. PERMANENT IMMIGRATION TO THE USA, CANADA AND AUSTRALIA**

The USA, Canada, Australia and New Zealand have been the traditional recipients of immigrants for permanent settlement. Until the 1970s Europe provided much-needed labour to these countries. The traditional receivers changed their immigration policies to admit persons with proven skills and achievements from the developing world too. During 1985-89, 90% of immigrants to the USA, and three out of five landed immigrants in Canada were from developing countries. Similarly in Australia five out of ten settlers between 1985 and 1988 belonged to developing world. [Appleyard (1991)]. Educated and skilled Asians, including Pakistanis, who met the criteria of the receiving countries, particularly USA, Canada and Australia, are now opting to settle permanently in one of these countries. The number of Pakistani immigrants admitted in USA increased from about 14,000 during 1982-84 to 37,000 during 1985-89, while during the same period more than 128,000 Indians settled in the USA. Canada has also admitted

Pakistanis, Indians and Sri Lankans on a large scale since the early 1980s (Appendix Table 5). are

It seems that brain drain along with entrepreneurial drain too is picking up again. Though the necessary information to substantiate this is simply not available. However a comparison of the stock of Pakistani workers abroad of 1998 with that of 1995 (Table 3) suggests an overall decline, all of which occurred in Middle East and Africa, whereas there has been an increase in the rest of the world in particular in USA. The percentage distribution of Pakistani workers abroad in 1998 indicates that Middle East accounts for 50% while Europe (mostly UK) has one thirds of the total. This is followed by USA absorbing roughly 16% of Pakistanis abroad and the remaining 1% or so in the Asia, Far East including Australia. Around 14000 Pakistanis by end of December 1998 were reported to be in Hong Kong, followed by South Korea 7500. Japan and Malaysia had 5000 Pakistanis each. Overall one finds from the above table a curtailment in the stock of emigrants but entire decline being confined to Middle East is suggestive that outflow of skilled and educated workers to developed world may well has risen during 1990's.

Table 3

Distribution of Overseas Pakistanis: 1995-98

Region	Number of Workers as on			
	31.12.1995		31.12.1998	
	Workers	Total	Workers	Total
Africa	16318	28813	9641	18213
America	225026	450052	302571	605152
Asia, Far East and Australia	36540	63825	42021	72690
Europe	685904	955424	699820	934068
Middle East	1220524	1512558	934587	1552350
<b>Grand Total</b>	<b>2184312</b>	<b>3010672</b>	<b>1988640</b>	<b>3182473</b>

50%

Source: 1) Economic Survey of Pakistan 1995-96

2) Estimates by Pakistani Missions abroad for 1998.

An historical account of the Pakistani emigration during the past half a century is reflective of the fact that Pakistani labour did respond to emerging job opportunities in the outside world. This is demonstrated both by Brain Drain and emigration of unskilled labour. Growing population pressure, low level of economic development and wage differentials, constitute the major

factors underlying this population mobility. The effects and consequences of the labour exodus for economy and society are discussed briefly in the next section.

## **SECTION II**

### **CONSEQUENCES OF INTERNATIONAL LABOUR MIGRATION FOR PAKISTAN**

The effects of labour exodus and remittance inflows on the economy have been a subject matter of various studies. There is a recognition that disentangling the influence of labour exodus on the economy from the various other forces which are operative simultaneously is a complex task. The impression lent by this set of studies is that the associations yielded by macro-level data between different variables with the inflow of remittances or labour export can at least be regarded as coincidental rather than interpreted as a stable macro-economic relationship. The macro-economic impact of labour exodus and inflow of remittances depends upon: (a) importance of labour outflows in terms of skills and size and remittances in the overall economy; (b) initial conditions of the economy; and (c) the governmental policies which tended to dilute or enhance the impact of labour export and use of remittances. The export of labour from a developing country to a capital-rich labour-short economy may appear to represent a mutually beneficial partial integration, confined to the labour market only, of the two economies. Below some of the findings of relevant literature on Pakistan are presented and discussed.

#### **1. EFFECTS OF SHORT TERM CONTRACT MIGRATION**

##### **(a) Remittance**

Remittances have been the most attractive aspect of international labour migration to Middle East. In Pakistan, official remittances from overseas workers have become a very important source of foreign exchange, increasing from US\$ 578 million in 1976-77 to a peak of US\$ 2885 million in 1982-83, whereafter they decreased substantially to only US\$ 1467 in 1990-91. (See Appendix Table 5). Their significance, at the macro level, can be judged from the fact that remittances exceeded the country's merchandise export earnings during 1982-85. It has been suggested, on the basis of indirect estimates, that an amount only slightly less than official remittances also found its way into Pakistan through informal channels (hundi) and in the form of consumer durables [GOP (1991)].

The popular view has been that remittances received by emigrant families have largely gone into increased consumption expenditure, 'wasteful' consumer durables and unproductive investment, mainly in land and housing [Amjad (1989)]. Evidence from studies of international migration from Bangladesh, India and Sri Lanka as well as from Pakistan suggests that a large proportion of remittances (more than 60 per cent) indeed went into increased

consumption, mainly of food items, clothing and consumer durables. While remittances were not necessarily being used in the most economically efficient manner in Pakistan however the studies do suggest a rise in the investment share in the recipient household's expenditure with the passage of time. The investment rate was higher in the more recent of two surveys: in 1980, 13 per cent of remittances went into investment which rose to 30-35 percent in 1986 [Amjad (1986)]. In his recent study, Arif (1995) shows that the success or failure of migrants and their families in directing remittances to investment and savings was determined by four factors: the cost of migration and sources of its financing, pre-migration household economic position, the human capital of workers (education and skills) and their durations of stay in the Middle East.

## 2. POVERTY AND INCOME DISTRIBUTION

Remittances have a profound effect on the level and distribution of rural household income in developing countries, but there is no general agreement about the nature of this effect. Lipton (1980) has argued that rural out-migration is likely to lead to a worsening of village income distribution because remittance earnings benefit mainly upper-income villagers. On the other hand, Griffin (1976), Oberai and Singh (1980) and Stark, Taylor and Yitzhaki (1986) argue that remittances may have positive effect on income distribution. In the case of Pakistan there is no general agreement. On the one hand, Irfan (nd) shows from the 1979 Household Income and Expenditure survey (HIES) data that Gini Indices at the provincial level without remittances reflect an improvement in income distribution. This is reflective of the fact that remittances<sup>1</sup> have led to a concentration of income. On the other hand, Adams (1992) shows, from a survey of 727 households conducted during 1986-89 in three provinces in rural Pakistan, that remittances have a neutral effect on income distribution, mainly because they are well-distributed among different income groups.

However, foreign remittances have led to a decline in poverty levels in Pakistan [Irfan and Amjad (1993)]. Kemal and Amjad in a recent exercise using multivariate regression framework found the size of foreign remittances as one of the significant variable explaining the poverty decline in Pakistan during 1960-90. Poverty, which increased in the 1960s, fell during the 1970s, and fell even more rapidly in the 1980s. The percentage of the rural population below the poverty line declined over the period 1984-88 from 21 percent to approximately 15 per cent, and the population (both rural and urban) below the poverty line was only 10 per cent in

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<sup>1</sup>Remittances from both abroad and within the country are included in the analysis, since the HIES does not report remittances separately. However, major portion of these remittances is likely to be from overseas.

1990-91.

It may be added that the direct impact of remittances on the poverty status of recipient households is too obvious. The poverty alleviation directly can occur through the remittances but also indirectly remittances affect poverty levels through their influence on overall development of the country and the rising real wages. However it needs to be underscored that reversal of trends in poverty levels in Pakistan since 1993 appear to be mostly a product of overall stagnation of the economy, rising unemployment though the inflow of foreign remittances has dwindled too.

### **3. SOCIO/DEMOGRAPHIC EFFECTS**

There are several social and demographic effects of labour emigration. The dislocation of the migrant and his family should be taken into consideration when its social costs and benefits are weighed. Migration of male workers had resulted in an increased incidence of joint family living arrangements and increased familial interdependence in many Asian countries including Pakistan. This increased familial interdependency may have substantial implications for the role of the wife. In Pakistan, the popular view was that there was no evidence that wives had taken on new roles [Gilani (1986)]. However, Naveed-i-Rahat (1990) found to the contrary in her anthropological study of migrant families in a rural area. She maintains that the physical absence of male heads has changed the domestic organisation. Females have taken up some of the male roles which are essential for social survival. In such households wives/mothers have become central figures due to their dual roles. These women not only bring up children but also discipline them with authority. In addition, Abbasi and Irfan (1986) found that school enrolment for boys and girls in both rural and urban areas was significantly higher in households receiving remittances than in others. This increased enrolment coincided with significantly lower labour force participation by children in remittance-receiving households.

### **MACRO ECONOMIC EFFECTS**

#### **Labour Market**

In Pakistan the exodus of labour in the 1970's and the early 1980s should have been significant in reducing the growth in the total domestic labour force, and hence unemployment Pakistan during 1975-82 exported labour to Middle East which amounted to around a quarter of its incremental labour force. But the unemployment rates yielded by the Labour Force Surveys remained quite insensitive to this emigration. Partly this may have been due to the inadequacy of

the data in particular the well known conceptual ambiguities and statistical pitfalls in measuring the unemployment. Part of the reason was the rise in labour force participation rates because of the discouraged workers phenomenon. An additional reason could be the changes in the factor mix and absorptive capacity of the economy partly or wholly related to labour export and remittances.

A careful examination of the real wage data pertaining to Pakistan is indicative of a significant rise in the real wages of all the workers coinciding with the period of massive outflow of workers to the Gulf region. Labour export has been an influential factor in raising the real wages of the workers in the domestic labour market during the 1980's. Irfan and Ahmed found significant and positive effect of stock of Pakistani worker on real wages of unskilled worker in the domestic labour market.

Some studies have tried to document the effect of labour exodus and wage rise on choice of the factor proportions in the economy. In a survey of construction and transport firms in 1982, Irfan (1986) found that wage costs as a fraction of output have risen over time implying that labour productivity in value terms has deteriorated or failed to match growth in wages. The employers in response did appear to resort to selective mechanisation in the medium term. For instance, the construction industry reduced the share of wages directly through introduction of machines and indirectly through the use of pre-fabricated material. Similarly, the shift towards higher capital intensity through mechanisation in agriculture could also be interpreted as a by-product of labour shortage occasioned by labour exodus. The evidence on elasticity of employment with respect to value added for various sectors of the economy tends to substantiate the claim that there has been a shift from less capital intensive to more capital intensive techniques of production during the late 1970s and early 1980s.

#### **(b) Saving/Investment**

It is difficult to assess the totality of the impact of remittances on the economy. The evidence at the macro-level suggests that neither the saving rate nor investment as fraction of the GDP experienced a perceptible rise as a consequence of the inflow of remittances. The expenditure pattern out of remittances of the recipient households involved a major portion being spent on consumption and construction or renovation of houses. Some remittances, though a small share, are invested in financial assets. The consumption pattern engendered by the inflow of remittances through a demonstration effect may have had adverse repercussions on the saving behaviour of the non-recipient households too. The likelihood that the remittances tend to substitute for, rather than augment, domestic savings, though not very well explored by the researchers, can hardly be ruled out.



Still, undeniably at the macro level the inflow of remittances must contribute towards bridging the saving/investment gap or foreign exchange gap.

Increased expenditure facilitated by remittances has had a bearing on the sectoral pattern of investment. One of the effects of increased expenditure due to remittances has been that consumption pattern particularly in urban areas has shifted towards consumer durables using electricity. Purchasing ownership of dwellings also appears to have been a highly favoured sector for the first round of remittances expenditure. Increased demand for consumer durables by remittance recipient and other households led to local production of a number of consumer durable product. For instance, growth in the plastics industry and engineering industry in producing appliances such as washing machines and coolers, have been notable in manufacturing. Similarly, the construction boom had an impact on related industries such as electrical, sanitary wares and metal fixture.

### CONSEQUENCES OF BRAIN DRAIN

The implication of brain drain for developing world have been widely discussed in 1970's. Pakistan did experience brain drain in 1960's and presumably is caught up at a larger scale during 1990's. With the possible exception of medical doctors whose shortages were felt during early 1970's one hardly finds any trace of shortages in labour market. In the wake of massive unemployment among the educated youth during 1990's it is viewed that the recent exodus of highly qualified person should not have any negative influence.

However, this is a simplistic rather superficial analysis of totality of the impact associated with brain drain. In fact there is a need to incorporate in the analysis firstly the failure of the country to internalise the benefits occurring through human capital investment. Secondly by exporting qualified persons the internal pressures to rectify the investment priorities in education are eased. Finally tertiary level of education is highly subsidised which underscores the need to extend user cost particularly when most of the highly educated emigrants tend to settle abroad on a permanent basis and hardly any remittances are sent back.

### **SECTION III CONCLUDING REMARKS**

Manpower exodus to Middle East was massive in terms of numbers which tended to subside later on. However, constricted over a short period of time, a sizeable fraction of the incremental labour force joined the ranks of workers in the Middle East. Needless to mention that it had a wide-ranging effect which still awaits a rigorous analysis. The effects of the remittances on the recipient households have generally been regarded as positive, a rise in income and consumption levels, release of capital constraints for investment activity including educational investment. A drastic drop in the incidence of poverty of the recipient households has been noticed too. Not much is known about the impact of this manpower exodus and inflow of remittances on the non-migrant households. Obviously, the demonstration effect of rising consumption level of recipient households may have influenced the behaviour of non-migrant households too.

The impact on the total economy needs a rigorous exercise reckoning with both the direct and indirect effects of labour exodus and the remittances. The net balance for engagement in such a transaction for the country at present is not very clear. This manifests itself from relative insensitivity of some of the macro indicators like investment and saving as fraction of GDP, juxtaposed with the flow of remittances over the years. It may also be noted that the inflow of foreign remittances appears to have elevated the consumption standards of the country which may not be consistent with the resource base. For instance, in contrast to real per capita income growth of 63 percent between 1975-76 to 1996-97, the consumption of electricity has gone up by a factor of 16 in the household sector and the number of cars multiplied itself by seven times during this period. In essence, if one were to look at Pakistan which received 37 billion US dollars through official channels as remittance over the past two decades or so, little can be presented as an evidence of use of this money except construction of houses and plazas. On the other hand, the studies do find a positive impact of the inflow of remittances on the incidence of poverty in Pakistan. In fact, the period during which the country received substantial amount of remittances, the level of poverty in the country had gone down. Similarly, one should not under-rate the importance of workers remittances in providing an easy access to the foreign exchange and also substituting the foreign funds at least to keep the investment rate intact.

There is a need to be emphatic about one lesson though unpalatable that labour exports are neither a panacea nor a substitute for sound development policies. If the government does not create an economic environment that is conducive to investment and productivity at home, one cannot conclude that the inflow of

remittances is inherently associated with consumption liberalisation and less productive activities. At the same time, in the absence of sound economic policies, all the official schemes to channelise the remittances into productive uses will meet with limited success.

To the extent Pakistan is caught up with a phenomena of brain-drain at larger scale than in the sixties, this will entail sacrifices from the economy and the society. There is a need to consider the imposition of user costs to recover the entire amount invested in the education of qualified persons departing Pakistan. It makes more sense because most of the educated and highly qualified people who leave the country tend to delink from Pakistan with little remittances, if any and currently a high level of subsidy is provided to tertiary education.

The ramifications of massive exodus of Pakistani workers needs to be understood in the overall context of the economy. This is not to suggest that such an emigration should be curtained but policies to minimise the negative impact of this exodus on the economy and society are needed. Short-term contract migration to Middle East and recently to East Asia represents a unique type of transaction wherein exported commodity has to be re-imported in the shape of return-migration. Thus reintegration of return migrants emerges as a major challenge. The labour market integration of a labour abundant country with a capital-rich and labour-short economy in addition also poses a challenge to policy makers to shield the factor prices, choices of product and technology in the domestic market from transient influences of short-term emigration and inflow of remittances.

### **Emigration Pressures**

Notwithstanding the fact that the export of labour whether unskilled or skilled and educated can hardly be regarded as unmixed blessing, the supply pressures in the country and depressed economic conditions indicate a vast potential and resultant emigration pressures. Stagnation in economic growth, freeze on government hiring, deflationary effect of budgetary measures under structural adjustment policies and shift in the governmental role wherein job escalation in public sector is no more feasible constitute some of the influencing factors for job creation during the 1990's. The conjunctive influence of these factors bearing upon the labour market produced employment growth less than that of growth in labour force. Thus low level of employment growth, increasing marginalisation and casualisation of labour, rising unemployment level and declining real wages constitute some of the disturbing features of 1990's, as discussed below.

## Unemployment and Under Employment

Open unemployment rate, admittedly not an adequate indicator in the developing world, is indicative of a worsening situation in the labour market (see Table 4 below). Unemployment rate (6%) yielded by 1996/97 Labour Force Survey (LFS) is almost twice that of 1986/87. The unemployment rate reported for urban areas is higher than that of rural areas. Similarly teenagers and female suffer from higher level of unemployment than the remaining categories. In terms of education level one finds that illiterate and those with pre-matric education level display a lower unemployment rate than those with matric and higher level of education.

Table 4

Unemployment and Underemployment Rates, 1968/69 to 1996/97

Period	Unemployment Rate			Underemployment Rate
	All Areas	Rural	Urban	Working Less than 35 hours/week -- all areas
1968/69	2.1	1.7	3.5	14.0
1969/70	2.0	1.8	2.9	8.3
1970/71	1.8	1.4	3.0	7.2
1971/72	2.0	1.7	3.7	8.4
1974/75	1.7	1.3	2.7	4.8
1978/79	3.5	3.0	5.2	13.0
1982/83	3.9	3.3	5.8	14.0
1984/85	3.7	2.9	5.7	9.2
1985/86	3.6	3.1	5.0	9.4
1986/87	3.1	2.5	4.5	10.0
1992/93	4.7	4.3	5.8	12.8
1993/94	4.8	4.2	6.5	13.2
1994/95	5.4	4.8	6.9	12.2
1996/97	6.1	5.7	7.2	11.5

Source: Labour Force Surveys.

Underemployment defined to be working less than 35 hours during the week preceding the conduct of the labour force survey seemingly remained constant. Underemployment ranged between 10% for 1986/87 to 11.5% in 1996/97. Underemployment generally has a higher level of incidence in rural areas than in urban areas. Similarly a larger fraction of female particularly those who are engaged as unpaid family helper suffer from underemployment more than their counterparts.

It may be highlighted that open unemployment rate based on labour force survey is an imperfect proxy of labour utilisation. A closer scrutiny of the data contained in 1994/95 LFS is reported in Table 5. Non-participation in labour force is rather esoteric for professionals and degree holders particularly in case of females.

Table 5

Inactivity Rates of Graduates by Discipline: 1993/95

Graduates	1993/94			1994/95		
	Both	Male	Female	Both	Male	Female
Engineers	21	12	66	13.6	10.5	33
Medical Doctors	11	-	50	12.5	14.3	50
All other Graduates	33	17	76	32.6	15.6	71
Post Graduates	18	9	10	17.0	6.0	56

Source: Labour Force Surveys.

For instance 71% female graduates and 50% medical doctors opted to be outside the labour force. In case of postgraduate females the percentage came to 56%. Given that tertiary level of education is highly subsidised such a level of inactivity raises serious equity and efficiency concerns.

An additional interesting finding of the L.F.S. pertains to the unrealistic preference structure of the unemployed. For instance around two thirds of the unemployed would like to have a full time job with the government, a proportion twice the current governmental share in the total employment. Most of the educated (Matric and above) would prefer to have a white collar job while only 1% of the unemployed covered by 1993/94 LFS preferred to have a job as agriculturist.

Unfortunately the future hardly appears promising either. Some projection exercises are reflective of the imperviousness of the existing levels of unemployment even under the optimistic condition of 7% annual growth rate of GDP. An additional disturbing trend being a perceptible shift in the educational composition of the unemployed wherein not only the educated (matric and above) will suffer from higher rate of unemployment than at present but also experience a rise in their relative share of the unemployed. Given that substantial fraction of the educated used to be engaged in public sector services in the past which are currently undergoing the downsizing, the absorption of the educated in future is going to be difficult particularly if the commodity producing sectors and

non-public services continue to remain absorbers only of unskilled and semi-skilled labour. Also whatever effective policy interventions were made in the past to improve the employment situation may not be feasible or relevant in the totality of policy environments of future.

The labour market conditions at present are suggestive that even under optimistic conditions of GDP growth, the problem of productive use of human resources still remains. Particularly, the unemployment and nonuse of the educated workers will pose a real challenge to the policy-makers in future. In the context of population growing at a little less than 3 percent per year. Pakistan is equipped with a vast potential for emigration. Exactly, what possible shape and composition of this outflow alongwith the destination cannot be specified at present. It may be added that some projection exercises conducted by Planning Commission in connection with formulation of Ninth Five Year Plan (1998-2003) anticipate a rise in the annual outflow of workers from 127 thousands in 1996 to 170 thousands in 2003. Most of this emigration is expected towards Middle East. Given the recent drop in the labour flow the projections are going to prove widely off the mark.

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Appendix Table 1

Statement Showing Pakistanis Who Left Abroad for  
Higher Studies/Jobs During 1961-1966

Countries	Students	Workers		
		All	Medical	Engineer
UK	3364	1100	1100	0.0
USA	837	1054	30	5
West Germany	113	7	4	1
Libya	0	276	173	100
Canada	98	81	29	12
Saudi Arabia	42	6000	1068	26
Other Countries	118	171	42	46
Total	4572	8689	2446	190

Source: Ahmed and Hasan (1970)

Appendix Table 2

Year/Country Wise Emigration From Pakistan 1971-1999

Years	Saudi Arabia	U.A.E	Oman	Qatar	Kuwait	Bahrain	Iraq	Others	Total
1971	937	529	1215	174	39	478	-	162	3534
1972	788	806	1258	132	42	325	1	1178	4530
1973	1306	3929	1156	446	14	1114	25	4312	12300
1974	1211	7713	3806	344	94	906	53	2201	16326
1975	1338	7255	6651	1750	109	2271	502	3201	23077
1976	18460	10784	3123	590	179	1552	1318	5684	41690
1977	47349	39500	18545	3302	4890	5523	1719	19694	140528
1978	51381	28280	14591	2235	4541	3594	3152	22751	130525
1979	70698	17882	10771	1721	4634	2603	6369	10829	125507
1980	80124	16639	7839	1294	4388	2113	7821	9629	129847
1981	85339	26058	12063	2450	4156	2494	21809	14034	168403
1982	82035	21165	9236	4735	3180	3569	16998	2027	142945
1983	79997	16168	11007	4582	6529	4236	4270	1427	128206
1984	66680	15013	9114	1872	1357	2805	2529	1037	100407
1985	53870	16503	8938	2239	2067	2881	856	1107	88463
1986	29992	17467	7001	2485	1893	1793	1294	643	62568
1987	35846	16870	7489	2524	3589	2074	768	459	69619
1988	49718	20313	7462	2203	976	2491	1118	559	84840
1989	59520	21617	8787	1774	1225	3071	1563	1128	98687
1990	79435	20083	8364	1367	1338	2516	2076	341	115520
1991	113291	15286	9947	1471	4083	2741	40	485	147344
1992	137694	23816	11664	1935	16812	3551	-	621	196093
1993	99027	28347	6511	1263	18940	2013	-	1632	157733
1994	70444	28750	4248	1492	6124	1735	-	1247	114040
1995	77373	28681	9334	632	3898	1424	10	1268	122620
1996	79036	30851	3724	1453	5574	1583	-	5563	127784
1997	78982	39823	4809	2528	4748	1212	-	1827	153929
1998	44667	44761	2713	2070	3851	2102	-	3880	104044
1999	11082	33763	1084	1301	2525	985	-	842	41582
(Jan-June)									

Source: Bureau of Emigration (unpublished).

Appendix Table 3

Occupational Composition of Pakistani Workers in the  
Middle East, 1977-1996

Year	Professional Workers	Service Workers	Production Workers	Other Workers	All
1977	7.8	8.8	68.3	15.1	100
1979	6.0	10.4	71.8	11.8	100
1980	5.1	9.7	68.1	17.1	100
1981	5.9	10.4	70.2	13.5	100
1982	6.9	13.3	71.5	8.3	100
1983	7.8	14.6	66.9	10.6	100
1984	6.8	16.5	64.7	12.0	100
1985	6.6	18.5	64.4	10.5	100
1986	8.1	18.9	59.5	13.5	100
1987	8.3	19.1	59.7	12.9	100
1988	8.3	21.2	58.8	11.6	100
1989	9.7	21.8	60.3	8.2	100
1990	9.5	21.3	63.2	6.0	100
1991	8.6	19.1	68.3	4.0	100
1992	10.3	19.7	66.5	3.5	100
1993	6.9	20.2	62.3	10.7	100
1994	6.9	19.2	64.8	9.1	100
1995	6.2	19.7	62.7	11.4	100
1996	7.1	19.7	60.0	13.2	100

Source: Unpublished data from the Bureau of Emigration

Appendix Table 4

Out and Return Flows of Workers as the Percentage of Labour Force, 1977-1995

Year	No. of Placement	Emigrants as % of Incremental Force	No. of Return Migrants	Returnees as % of Emigrants	Returnees as % of Incremental Labour Force
1977	140445	14.3	14949	10.6	1.5
1978	129533	12.7	33819	25.9	3.3
1979	118259	21.6	58140	46.3	10.0
1980	118397	22.4	75397	58.1	13.0
1981	153081	27.2	89761	53.3	14.5
1982	137535	22.3	106526	74.5	16.6
1983	120031	23.7	120085	93.6	22.2
1984	93540	18.3	125972	125.5	22.9
1985	82333	16.1	124853	141.1	22.0
1986	58002	6.2	120946	193.1	11.2
1987	66186	8.0	112921	162.2	11.6
1988	81545	9.0	101317	119.4	10.1
1989	95863	11.0	94546	95.8	9.7
1990	113781	12.0	93594	81.0	10.0
1991	142818	12.9	96226	65.3	9.0
1992	191506	28.0	75162	52.6	14.7
1993	154529	15.5	66618	48.0	6.5
1994	110930	24.8	71308	58.0	15.5

Source: Unpublished data from the Bureau of Emigration; Pakistan Economic Survey, 1996-97

Appendix Table 5

Immigrants to Australia, Canada and USA by Country of Last  
Permanent Residence, 1980-1991

Country of Arrival	Country of Origin			
	Bangladesh	India	Pakistan	Sri Lanka
<b>Australia</b>				
1980/81-1984/85	119	5784	1720	4791
1985/86-1988/89	162	8324	3015	8228
1989/90-1990/91	NA	6636	912	4619
<b>Canada</b>				
1980-84	369	37058	3927	1763
1985-89	1807	39888	5362	11626
1990-91	1598	23414	4981	9880
<b>U.S.A.</b>				
1982-84	1915	66509	14413	1477
1985-89	7395	128289	37045	2613

Source: Shah, 1994

Appendix Table 6

## Inflow of Foreign Remittances to Pakistan, 1977-1995

Year	Total Remittances (US\$ m)	Remittances from the Middle East (%)	Remittances from Saudi Arabia (%)	Remittances as % of Total Export	Remittances as % of GDP
1976-77	577.72	75.7	27.5	50.6	3.7
1977-78	1156.33	81.2	40.1	88.2	6.1
1978-79	1397.93	78.8	42.5	81.8	6.6
1979-80	1744.14	78.1	45.6	73.7	6.9
1980-81	2115.88	78.8	46.5	71.5	7.0
1981-82	2224.89	83.1	50.8	90.3	6.3
1982-83	2885.67	83.5	50.0	107.1	9.1
1983-84	2737.44	85.6	52.6	98.9	8.0
1984-85	2445.92	84.6	50.9	98.2	7.3
1985-86	2595.31	77.9	44.8	84.5	7.5
1986-87	2278.56	73.5	41.5	61.8	6.4
1987-88	2012.60	70.5	41.1	45.2	5.0
1988-89	1896.99	71.5	43.2	40.7	4.6
1989-90	1942.35	68.1	40.8	39.2	4.7
1990-91	1848.29	66.8	44.9	30.2	4.0
1991-92	1467.48	67.1	45.4	21.2	3.0
1992-93	1562.24	70.2	47.9	22.9	3.0
1993-94	1445.56	74.1	50.9	21.2	2.8
1994-95	1866.10	77.2	49.1	22.9	3.0

Source: Pakistan Economic Survey, 1996-97