

Asian Labour Mobility: New Dimensions and Implications for Development

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INTRODUCTION

This paper argues that the rise of organized labour migration has introduced a new structural feature in the international labour market. Unlike previous migration for employment flows, where personal linkages and kinship provided the necessary information about employment opportunities abroad, the recent migration flows have been organized by commercially-motivated agents. This new factor in the labour market has a number of implications which deserve closer attention. First, the "organization" of migration by these agents contributes to making labour supply highly elastic during upswings in demand for expatriate labour. This suggests that considerable adjustments are imposed by the migration process on the labour markets of labour exporting countries. Second, it also makes for inelasticity during periods of weakening demand because of its "stockpiling effect" on labour supply. Hence, it may have the effect of dampening pressures for contract wage increases during the periods of rising demand for labour while they probably accentuate the tendency of wages to decline during the periods of slackening demand. The point that is also to be emphasized is that these agents are able to siphon off large proportions of the earnings of migrant workers indicating that this new structural feature of the labour market may have some previously overlooked income distribution effects.

GROWTH OF ORGANIZED LABOUR MIGRATION

Many authors have referred to the growth of organized labour migration especially to the Middle East as a characteristic of recent Asian migrant flows. Birks and Sinclair (1980) were perhaps the first to note its significance when they contrasted the large-scale inflows of Pakistanis and Indians as well as of other Asians to the Gulf in the early 1970s with that of Arab labour supplying countries like Yemen, Egypt and Jordan. The former were made possible because they were better organized than the Arab flows. They referred particularly to the role of "agents"

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who have counterparts in major Asian centres and were able to recruit labour of known skill and capability quickly.

The number of Asian migrant workers in the Gulf countries rose from about 0.12 million in 1970 to about 0.37 million in 1975, 1.98 million in 1980 and may have exceeded 3.3 million in 1985. These are estimates of stock at certain points in time. The number of Asian workers who have actually been to the Gulf for a one-year or a two-year contract of employment is almost certainly much larger. The cumulative flows, for example, from the Asian countries to the Gulf from 1981 to 1985 totalled some 5.2 million including repeat migrants but excluding clandestine emigrants.

The intermediation of "agents" in the recruitment of Asian labour was very pronounced in all the Asian countries. Close to 80 percent of all Asian workers who left their countries for the Gulf were sent by private agencies. Another 5 percent were sent by state recruitment agencies. These agencies, private or state-owned, supplied manpower of all types to the foreign employers usually for a fee charged from the employers, the workers or from both. They were able to organize the whole migration process from advertising job openings to selecting applicants, securing their visas, arranging their travel, getting their contracts approved by the authorities, and to even replacing workers who are rejected by the foreign employers.

The organization of workers migration has taken an extreme form in the case of Korean (and later Filipino, Indian, and now Chinese) workers who go abroad as employees of contractors from their own country. Their stay abroad is tied to the life of the projects being implemented by their employers during which time they live in "enclaves" and are virtually cut-off from the rest of the national community. A related variant is the flow of migrant workers hired directly by large multinationals which are implementing various projects in labour-short countries. The migration of these workers is equally well organized, this time the organization being provided by a foreign multinational.

RECRUITMENT INTERMEDIATION

Recruitment intermediation emerged as a major business activity in many countries of Asia only during the boom in Middle East construction in the mid-1970s and early 1980s. The huge demand for expatriate labour created by the construction activities in that region which rose to about \$35 billion a year at the turn of the decade could not have been met by the conventional avenues for labour recruitment. The demand for a very large variety of skilled manpower spawned a tremendously lucrative business for manpower recruitment. In 1983 the ILO M. I. Abella (1987) estimated that the size of manpower outflow from 8 Asian countries had already reached a million workers a year. These workers had to be

tested, selected, issued travel documents and visas, and transported to worksites all over the Middle East and North Africa.

While the early flows comprised mainly of those taking part in chain migration processes where employment is secured through the help of friends or relatives who have gone ahead the situation changed very rapidly in the mid-1970s when thousands had to be mobilized over very short periods of time to take part in ambitious infrastructure projects abroad. This led to a virtual proliferation of recruitment agents (variously called overseas employment promoters in Pakistan and manpower suppliers in Indonesia shows that the share of recruiters in total manpower placements has grown in Pakistan from about 55 percent in 1977 to about 70 percent in 1980, and in Bangladesh from only about 7.4 percent in 1977 to 57 percent in 1985 M. Irfan (1986). In the Philippines and Thailand recruiters for overseas employment were virtually unknown in the early 1970s but they soon accounted for most of recruitment from the time of the Middle East boom (Table 1).

Low capital requirements and the practical difficulties of imposing legal barriers to their entry have made the recruitment trade very responsive to market opportunities. This is clearly reflected in the numbers of agents that are engaged in the trade in several countries. In Sri Lanka, for example, the number of licensed agents rose from only 4 in 1976 to 544 in 1980. In the Philippines the number rose from 44 in 1974 to 650 in 1980 and 964 in 1985. Table 2 shows the growth in number of licensed agencies in 7 Asian countries. These do not include the number of agents operating in these countries illegally or without licenses. Although agencies differ greatly from each other in terms of size, the growth in numbers indicate the ease with which they can enter the trade with full legal sanction. There are many more in the trade which operate illegally.

Table 1

Share of Labour Migration Accounted for by Recruitment Agencies

(in percent)

Countries	1977	1980	1985
Bangladesh	7.4	25.4	57.4
Pakistan	55.3	70.4	58.6
Sri Lanka	—	91.0	—
Philippines	72.4	82.2	96.6
Thailand	97.0	97.2	96.8

Source: Statistics reported by BMET (Bangladesh), Bureau of Emigration and Overseas Employment (Pakistan), Department of Labour (Sri Lanka), POEA (Philippines) and Department of Labour (Thailand).

Table 2

Growth of Private Recruitment Agencies in Selected Countries

Countries	1977	1980	1985
Bangladesh	55	300+	—
India	—	850	1119
Pakistan	—	323	285
Sri Lanka	4	544	—
Indonesia	—	22	228
Philippines	—	650	964
Thailand	—	230	300+

HYPOTHESES

We posit a few hypotheses about the effect of "organized recruitment" on the labour market. The first is that Asian labour migration observed since the mid 1970s would not have been as large as it had been were it not for the growth of commercially-motivated recruitment intermediation. A second hypothesis is that such organization of migration flows have had the effect of increasing the elasticity of migrant labour supply during the upswings in demand for migrant labour. During the subsequent decline in demand, it however had the opposite effect of making the labour supply less elastic. Because of these effects, wages of contract workers rose only minimally during the period of the Middle East boom, but dropped very substantially with the subsequent decline in demand.

An *a priori* case can be made for the effect of "organized" recruitment on the rate at which labour migration takes place. In the absence of recruitment agents, information about employment opportunities abroad are channeled to hopeful job seekers at home through personal friends and relations. The rate and spread of information flow through such social systems may in fact be quite impressive but, they are nonetheless, constrained by the size of earlier migrant flows and the configuration of the social units that are affected. These are probably best exemplified by the growth of migration for permanent settlement abroad which, in many of the receiving countries, is limited by policy to immediate family members of those who have already acquired immigrant status and to those who fall under certain priority categories.

By contrast, recruiters of migrant workers are not constrained by such factors. They "sell" job information in the labour market to whoever is willing to pay what amounts to a scarcity "rent" for such information. This makes it commercially profitable to reach as many possible buyers as they can to increase the scarcity value

of the information. For this, recruiters make use of nationally-circulated newspapers, agents and sub-agents, and a host of informal media including the job applicants themselves. Information on jobs available in various parts of the world is then no longer just confined to the immediate circle of friends and relations of a few, but to all, who are reached by newspapers and networks of recruitment agencies.

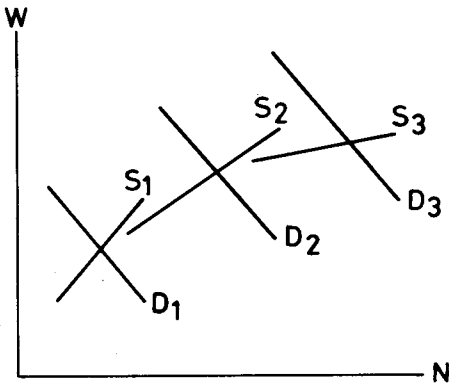
Many recruiters have developed capabilities for mobilizing hundreds of workers to fill job openings abroad in a matter of a few weeks. What would otherwise have taken many months of searching for qualified workers is now reduced to a few days because recruiters keep active files of job seekers and their qualifications. To meet competitive pressures they also have to develop capabilities for securing travel documents, visas, and exit permits, and in getting contracts approved by national authorities in the shortest possible time.

Another factor which is important in this respect is the significance of organization in the decision of the workers to emigrate. The risks associated with emigration are generally considered high and decisions to take such risks could be assumed to rest on calculations of probable income abroad compared to more certain income streams at home. In the absence of recruitment intermediation employment terms can only be negotiated at a distance with foreign employers abroad. With intermediation it is possible to obtain some insurance against the risks of expected incomes not materializing since the recruiter would in the first instance seek to avoid a mismatch between the worker and the job.

This "organization" of labour migration, we argue, is a new element in the market for expatriate labour which probably explains the minimal rise in contract wages during the period of fast rising demand in the late 1970s to early 1980s, and also the significant drop in wages since then. The upward shifts in demand for expatriate labour during the upswing opened up vast opportunities for profit in the recruitment trade and led to an upsurge of competition among organized labour suppliers, often with the support of the governments in the countries of origin. Recruiters actively sought out opportunities for manpower deployment and were quick to establish contacts with foreign employers and their agents abroad.

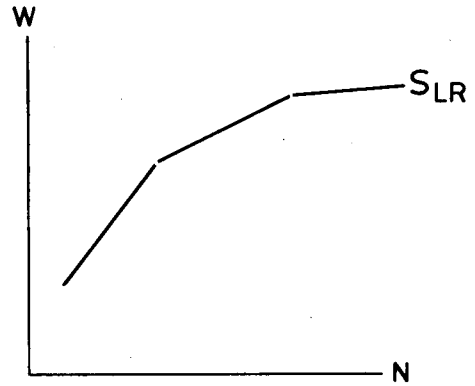
A simple representation of what had taken place would take the form of shifts in labour supply over time in response to upward shifts in labour demand. During the early stages of the upswing, the short-run supply curve of expatriate labour is relatively inelastic for a number of reasons: lag in spread of information, time needed to acquire training in skills needed overseas, higher risks associated with foreign compared to domestic employment etc. But it must have become more and more elastic as "organized" recruitment became more and more prominent (Figures 1 and 2).

The reverse trends became notable during the downswing as the demand for labour shifted downwards. This time however recruiters which entered the market



SHORT-RUN SUPPLY CURVES

Fig. 1.



LONG-RUN SUPPLY CURVE

Fig. 2

in large numbers during the previous upswing would be unlikely to quickly withdraw. Some kind of "stockpiling" of labour supply would have taken place making for a less elastic supply of labour. Workers already geared up for overseas employment would continue to offer their labour services even at lower wage rates. Workers' behaviour would in part reflect income expectations that were developed during the previous period of higher wages.

REVIEW OF AVAILABLE EVIDENCE

Between 1977 and 1983 the number of Asian workers emigrating from nine South and East Asian countries (Bangladesh, India, Pakistan, Sri Lanka, People's Republic of China, Indonesia, Republic of Korea, Philippines, and Thailand) rose by almost 3.7 times from some 331,300 to 1,223,100. During this period the relative share of the countries changed very significantly. Pakistan's dominant share of 42.4 percent of total emigration in 1977 dived to a low of 10.5 percent of the 1983 total and down further to 8.5 percent in 1985. During the same period, the share of the East Asian countries rose from 44.2 percent in 1977 to 61.1 percent in 1983 and to 64.5 percent in 1985. But this was not equally shared by the countries in the sub-region. Korea's share, for instance, gradually declined from about 21 percent in 1977 to only 11.4 percent in 1985, while that of the Philippines rose very rapidly from a similar share of 21 percent in 1977 to 37 percent in 1985 (Table 3).

Aside from the degree of "organization" the differences in the rate of growth of outmigration would depend on several other factors such as the size of wage differentials between home and abroad, rates of employment at home of skills in demand overseas, distance to countries of employment reflected in relative transport

Table 3

Share of Countries in Total Asian Labour Migration Flows
to All destinations 1977-1985 in Percentages

Countries	1977	1978	1979	1980	1981	1982	1983	1984	1985
South Asia	55.7	51.8	55.4	51.6	52.3	42.5	38.9	35.0	35.4
Bangladesh	4.7	5.1	3.9	3.7	5.3	5.4	4.8	5.0	7.4
India	6.9	15.5	27.4	28.7	25.7	20.8	20.4	18.1	15.6
Pakistan	42.4	29.4	20.0	15.7	15.9	12.2	10.5	8.8	8.5
Sri Lanka	1.7	1.8	4.1	3.5	5.4	4.1	3.2	3.1	3.8
East/S. E. Asia	44.2	48.2	44.6	48.4	47.7	57.5	61.1	65.0	64.5
P. R. China	—	—	—	—	1.6	2.6	2.4	4.1	3.8
Indonesia	0.9	1.8	1.6	2.0	1.7	1.8	2.4	3.5	5.4
R. of Korea	20.9	23.0	19.3	17.8	16.5	16.8	15.1	13.4	11.4
Philippines	21.2	19.9	21.9	26.0	25.2	26.9	35.4	37.4	37.2
Thailand	1.2	3.3	1.7	2.6	2.5	9.3	5.6	6.6	6.7
All Countries in 000's	331	443	627	824	1056	1168	1223	1136	1044

Source: Official statistical reports.

costs, discrimination in overseas labour markets, and a host of socio-cultural factors including language and ethnic similarities, religion, previous migration patterns, literacy, and so on. We shall not attempt the daunting task of isolating the "organization effects" from all these other influences on the differential rates of out-migration. This would call for a much bigger effort than what we can undertake at this juncture. Instead we are bringing out the information available from various country sources which suggest the direction of the relationships.

In Table 4 below are shown indices of outmigration growth from the whole of Asia and for selected countries: Bangladesh, Republic of Korea, Pakistan, the Philippines, and Thailand. The lower rows also show the share of "organized" migration from each of these countries. Of the three countries with the highest percentages of "organized" migration, namely Republic of Korea, the Philippines and Thailand, the latter two displayed very high rates of outmigration throughout the upswing from 1977 to 1983. Migration from Korea grew at a slower rate than that for the whole of Asia due possibly to the equally attractive employment opportunities at home during the period.

Both Pakistan and Bangladesh which had lower percentages of "organized" migration, experienced slower rates of growth than the regional average, except for the first two years in the case of Pakistan, and 1985 in the case of Bangladesh. How much of these growth rate differentials can be attributed to the degree of "organization" of migration is very difficult to estimate since available data sets do not allow us to separate noises coming from other influences. We can probably safely assume

Table 4
Indices of Labour Outmigration from Asia, 1977-1986

Countries	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
	Growth of Outmigration									
Asia	100	195	229	302	397	480	501	453	403	355
Bangladesh	100	147	157	193	349	403	377	362	497	335
R. of Korea	100	157	190	231	265	290	250	193	138	86
Pakistan	100	284	271	278	363	329	287	224	197	144
Philippines	100	134	285	513	713	820	1257	1211	1036	1021
Thailand	100	367	220	536	637	2721	1670	1763	1593	1915
	Share of Organized Migration									
Bangladesh	.07	.87	.12	.25	.40	.40	.44	.57	.60	.60
R. of Korea*	.97	.97	.97	.97	.97	.97	.97	.97	.97	.97
Pakistan	.55	.60	.64	.70	.71	.69	.61	.64	.59	.49
Philippines	.72	.69	.73	.82	.87	.87	.87	.98	.98	.97
Thailand	.97	.99	.86	.97	.92	.99	.98	.97	.97	.97

*Average for the period cited by national authorities.

that some discrimination among different nationalities of migrant workers is present in the foreign labour markets. This discrimination is in favour apparently of groups that do not pose any threat of eventual integration with the national community of the employing country. It is however very plausible that this factor is intimately correlated with "organized" migration since the latter is often associated with very temporary expatriate work forces.

The influence of domestic wages on the supply of labour to foreign markets awaits empirical assessment. We hinted earlier that the relatively slower growth of labour migration from Korea is due to domestic employment conditions in that country. Would this be also true of Pakistan? From the outmigration indices above, it would seem that the flows from Pakistan exceeded the regional average from 1977 to 1980 but fell behind thereafter. From studies of labour market adjustments in Pakistan such as those of Irfan (1986) and Kazi¹ (1987) it would seem however that the period of steep increases in the real wages of occupational groups in demand overseas (i.e. construction skills) occurred in the late 1970s and that some decline in real wages actually was experienced in the early 1980s. Migration therefore should not have been supply-constrained unless the demand had already shifted by then to other occupation groups.²

The differences in the rates of decline during the downswing in the Middle East demand are also reflected in Table 4. For the region as a whole, outmigration dropped by 4.3 percent between 1982 and 1983, and by about 12 percent in each of the years that followed. Both Pakistan and Korea felt the decline earlier than the others and both had experienced faster rates of decline. Korea experienced the fastest decline with outflows being cut down in 1986 to half of the total for 1982. Pakistan suffered a drop of 9 percent as early as 1982, 12 percent in 1983, 22 percent in 1984, and 12 percent in 1985. The other countries experienced milder declines with Bangladesh actually even experiencing growth in 1985.

We did not include the growth index for India because the available data for the base year, 1977, seems implausibly low and we have no breakdown by mode of recruitment. The figures for the latter years seemed more reasonable from which it is possible to derive annual rates of change. From about 172,000 in 1979 the total number of Indian outmigrants rose to 272,000 in 1981, dropped to around 247,000 in each of the two following years, then declined further to 205,000 in 1984, about 163,000 in 1985 and hit a low of 114,000 in 1986. India, like Pakistan, also felt the downturn earlier than the rest.

¹The real wage of unskilled production workers rose by 60 percent from 1970-71 to 1977-78 but declined thereafter. A similar pattern emerged for the more skilled carpenters and masons, although slightly less steeply Shahnaz Kazi (1987).

²Shifts in the occupational composition of labour demand in the Middle East became pronounced only after about 1983.

CONTRACT WAGES DURING UPSWING

We have hypothesized that during the period of rapid growth in the overseas market for expatriate labour the supply of labour correspondingly shifted but in the process became more and more elastic. We would then expect contract wages to rise but at a slower rate than the growth in employment. The short-run and the long-run supply of labour, in our view, is not a horizontal, perfectly elastic curve, but rather a gently sloping curve that gradually flattens as it rises. The initial inelasticity is due to a number of factors including the higher risks associated with the "unknown" as information about foreign countries is still poor, the time it takes to acquire certain skills, and various institutional factors such as the time it requires for sending countries to set up efficient procedures for controlling the issuance of travel documents or the terms of contracts. The gradual flattening is due, as we have hypothesized, to the progressive "organization" of labour migration which reduces the state of ignorance about foreign work places while creating pressures for breaking down institutional barriers, and the increase in number of workers who would have acquired the requisite skills to qualify for jobs abroad.

We have tried, albeit unsuccessfully, to obtain information on wage trends in the countries of employment. We then have to resort to information available from various official and non-official sources in sending countries. In Table 5, we have put together a collage of wage information drawn from reports of Departments of Labour, sample surveys of return migrants, and the like.

Sparse as the information may be, it is still possible to see from Table 5 that wages did rise up to about 1981 to 1983 indicating that labour supply was not perfectly elastic even for unskilled labour. Nominal wages declined generally thereafter for practically all of the occupations reported. Korean data on wages of production workers show a steep rise from 1976 to 1977 and then a slower rise till 1980. Thai sources show a similar rise initially (about 10 percent from 1981 to 1983 in the contract wages of electricians and 8.5 percent in the wages of common labourers) and then a decline. These observations are widely shared among those dealing with overseas employment issues in the region even if statistical reporting of the trends is rather poor. What we are however unable to show is a more convincing demonstration of the precise turning points. The Korean data suggests a much earlier turning point than the other sources. Considering that the Korean data reflect what Korean companies pay their own nationals we would have expected a later turning point on account of wage movements in Korea itself. The fact that the turning point was early might only suggest the pressure of competition from other labour supplying countries.

In brief, the behaviour of contract wages during the period of the upswing in demand suggest an initial rise up to about 1981 for some occupations and up to 1983 for others. The data set is too weak to support firm conclusions regarding

Table 5

Average Monthly Wages of Migrant Workers abroad: Selected Occupations
(in US Dollars)

Occupations	1976	1978	1980	1981	1982	1984	1986
Production Workers	(K) 280 (P) 430	341	354	339	339 400		
Electricians	371 (K)			421 (T) 376 (I)		463 (T) 295 (S)	
Carpenters	344 (K)			360 (T)		362 (T)	318 (T) 254 (I)
Welders	408 (K)			397 (T) 376 (I)			391 (T)
Plumbers	371 (K)			433 (T)		404 (T) 314 (S)	315 (T)
Masons				353 (T)		366 (T) 229 (S)	308 (T) 261 (I)
Painters				392 (T)		377 (T)	307 (T)
Drivers				491 (T) 259 (I) 496 (T)		261 (S) 669 (T)	210 (T)
Foremen				456 (I)			493 (T)
Labourers				223 (T) 290 (K) 194 (I)		242 (T)	198 (T) 183 (S) 260 (I)
Service Workers	400 (P)					200 (P)	
Nurses						614(T) 462 (S)	564 (T)
Housemaids						118 (T) 40 - 60 (I)	60 (T)

Sources: Korean source-wage paid to Korean workers by Korean construction companies according to Overseas Construction Association. Thai sources: NESDB Survey of 1981, Stahl's study of "International Labour Migration and the ASEAN Countries" 1983, and Department of Labour, 1986. Indonesian sources: Department of Manpower, and Sri Lankan sources; Ministry of Plan Implementation Study "Foreign Employment Sri Lanka Experience" 1984.

Notes: K = Korea, I = Indonesia, P = Phillipines, S = Sri Lanka, T = Thailand.

changes in the rate of increase, but whatever data could be gathered support our general contention that wages rose faster in the initial years and slowed down gradually as the boom reached its peak. At the same time the rate of growth of foreign employment continued at a fast pace till about 1981 when it started to decelerate.

CONTRACT WAGES DURING THE DOWNSWING

The decline in contract wages of migrant workers during the last three or four years is also widely observed in the Middle East. The severity of the decline is probably worse than generally assumed since it is not only reflected in money wages but also in compensation in kind such as free board and lodging. The money-wage data shown in Table 5 point to different rates of decline for different occupations. For common labourers, the drop in the wage between 1983 and 1986 was as much as 31 percent according to the Thai data. This magnitude of wage decline seems to have been felt by other sending countries as well. For the more skilled the rate of decline averaged about 9 to 12 percent.

The emigration of Asians however did not show a decline till 1984. In fact, between 1981 and 1983, the outmigration of Asians rose by 26 percent. It then declined by about 11 percent in each of the following two years. Does this provide evidence of increasing inelasticity of labour supply?

Although we are unable to provide data on "net" migration flows, we feel that the emerging picture already point to greater inelasticity of supply in the overseas labour market. Even if the return flows are increasing, it is highly unlikely that these are voluntary except possibly in the case of unskilled labour whose wages have really been drastically cut. But even here, although the return of unskilled Pakistani workers may be voluntary because of improved wages at home, the same is very unlikely in the case of Bangladeshi, Sri Lankan or Indian workers because very large wage differentials persist between unskilled wages in their countries and in the Gulf countries. Had there been no institutional barriers to their staying longer, many migrant workers would remain in those foreign labour markets for other jobs available.

We have earlier cited reasons why "organization" of labour migration would have the effect of making labour supply less elastic during the period of declining demand. We alluded to some kind of "stockpiling effect" of recruitment intermediation as agents, motivated by commercial gain, build up high expectations about potential incomes from foreign employment using the experience in wage increases during the upswing. To this, we can add another contributing factor. Recruiters are unlikely to quickly withdraw from the market even when wages go down because the price they are able to extract from the workers and the foreign clients for their services are related more to numbers of workers sent rather than to wage rates of the job offers they are able to secure. During the period of the upswing, recruiters may encounter supply shortages and the situation does not provide an opportunity to

charge very much from workers. During this period, foreign employers may actually be paying them fees for getting the qualified manpower. But during the decline, in the face of greater competition among labour suppliers, the opportunities for charging a scarcity "rent" for the few jobs available emerge. In this situation it would actually pay the recruiters to further drum up interest in overseas employment and to increase the size of the queues of job seekers lining up for jobs overseas.

ORGANIZED MIGRATION AND INCOME TRANSFERS

At the beginning of this paper, we suggested that the existence of intermediaries in the labour migration process would have some income distribution effects. Recruitment agents are able to capture a significant share of the earnings of migrant workers because of conditions in the labour market. Where "organized" migration accounts for a large proportion of total migration, the size of the income transfers involved may be very great indeed. The information on recruitment "fees" comes from studies conducted in several countries so there are likely to be significant differences in definition. In recent years, for instance, the recruitment fees may already include the cost of one-way air travel and various medical tests, aside from the usual charge for services. In Table 6 below, we have made some very rough estimates of direct income transfers due to payments by migrant workers to recruiters in selected countries. The "fees" do not include transport costs (where the data allowed such distinctions to be made).

For the three countries, the recruitment trade generated no less than US \$1.2 billion over the period 1977 to 1985 from migrant workers who actually obtained employment abroad since our estimation procedure used numbers of reported outmigrants as multipliers.³ In actual fact many more aspirants for overseas employment would have paid money to recruitment agencies in the hope of getting

³We estimated the amounts of direct transfers (T) by adding together legal fees paid (f)x number of outmigrants (N) and illegal or extra fees (p)x sixty percent of outmigrants for Pakistan and the Philippines.

$$\begin{aligned} T &= fN + .6pN \text{ or} \\ &= N(f + .6p) \end{aligned}$$

For Pakistan Farooq-i-Azam found an average of Rs 10,488 in overcharges over the period 1976-1983 from reported cases of overcharging. See Farooq-i-Azam, "Working Conditions of Pakistani Workers in the Middle East", ILO Working Paper, MIG WP 25, Geneva, 1966.

For the Philippines, the legal fee actually changed from about \$68 to the present \$250 but the total of \$450 is based on the study of the Institute of Labour and Manpower Studies, *Working abroad*, Manila, 1984.

For Thailand the legal fee is a percentage of contract salary. For simplicity we used the amount of fees paid by workers on the average based on an NESDB study. According to this study the prevailing recruitment fees amount to B 26000 or about US \$1000 which is inclusive of one-way air fare to a Middle East destination. We found that this averages to about US \$400 hence the recruitment fee is about \$600. See Peeratep Roongshivin, "Some Socio-Economic Consequences of Thailand's Migration to the Middle East", NESDB, 1984.

Table 6

*Estimates of Direct Income Transfers Due to Recruitment
Intermediation 1977-1985*

(Million US Dollars)

Pakistan	364
Philippines	647
Thailand	232

jobs, but may not actually succeed in doing so. Unfortunately, we could not find any previous study of the extent of this phenomenon which would have served as a basis for a better estimate. We hazard the guess that there are at least three unlucky job seekers for every one who ends up going abroad. If each one paid the same amount to the recruiters then our estimates above would need to be quadrupled. The net effect of these income transfers on income distribution is impossible to capture statistically but it would almost certainly be true to say that the income transfers were from low to high income groups.

CONCLUSIONS

From a collage of information sources we have tried to construct a picture of the workings of the overseas market for migrant workers during the period 1977 to 1986. We postulated the hypotheses that in this market the supply curve of Asian labour must have increasingly become elastic during the period of the boom in the Middle East because of the growth of organized migration. However, during the succeeding downswing which started perhaps in 1981-1982, the supply curve must have become inelastic again for reasons traceable to the growth of recruitment intermediation. We feel that this is a new structural feature of the Asian labour migration process which has heretofore not received the attention it deserves from researchers and policy-makers.

The empirical evidence we provided in this paper suggest that the behaviour of variables such as wages and employment did conform to what could be expected if our hypotheses were true. Contract wages did exhibit some growth in the period of the upswing, levelled off at roughly the time when the boom had peaked, and came down sharply thereafter. The rates of outmigration accelerated during the upswing when wages were going up but declined at somewhat slower rate than the decline in wages after the peak of the boom was reached. The different rates of outmigration experienced by the different Asian countries of origin were consistent with expectations deriving from differences in the relative sizes of "organized" as opposed to individual migration.

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Comments on “Asian Labour Mobility: New Dimensions and Implications for Development”

This is an interesting paper where the author has tried to analyse the working of the overseas market for migrant labour. The subject matter of the paper deals with the changes in the elasticity of labour supply during the up and down swings of migration to the Middle East. The phenomenon that “the rates of outmigration accelerated during the upswing when wages were going up but declined at somewhat slower rate than the decline in wages after the peak of the boom was reached” is characterised by the author as a ‘kink’ in the supply curves. The major factor injecting this kink has been the entry of private agents, new firms in the business of employment promotion. According to the author the “organization of migration by these agents contributes to making labour supply highly elastic during upswings in the demand”. The inelasticity during periods of weakening demand is attributed to ‘stockpiling effects’ of this so-called organization by private agents. The paper also touches upon the efficiency and equity aspects of this new “structural” feature of the labour market.

Given the reservations of the author about the quality of the data used in the paper, further comments in this regard would be tantamount to belabouring the obvious. One cannot however, overlook the implications of the overly aggregative nature of the analysis even if the data were adequate. Is the phenomenon being observed pertain to a single labour market? At the minimum one would have liked to know the nature of assumptions involved in putting together the supply curves of various labour sending countries and treating them as a single supply schedule. The same query is applicable to the treatment of labour-importing markets.

The paper bears upon, hitherto relatively unexplored areas of the recruitment and employment promotion. The role of private agents in dissemination of information and handling the plethora of procedural requirement is highlighted by the paper. This, by itself, hardly substantiates the claim made by the author that the relative size of the “organized” as opposed to individual migration explains the difference in rates of outmigration experienced by the different Asian Countries. The time-series data on Pakistan do not support this. In fact, a very important factor, the receiving country’s effort to keep a racial balance, has been completely overlooked

by the author. Similarly, the role of Kafeel in the Middle East and his interaction with local employment promoters, the terms at which the spoils of trade are distributed between the two partners are not discussed at all. The authors' finding regarding the siphoning off worker's earnings by private agent and consequent adverse effects on income distribution are, however, commendable but the matter requires further analysis.

One wonders why the author has not opted for the demand side to explain changes in the level of migration and wages. Essentially, it is a movement of labour from the low wage sector (Asian labour exporting countries) to the high wage (Middle East) sector. Given the wage differentials, the relevance of the labour supply conditions in the low wage sector has to be established for the framework utilized by the author.

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Comments on "Asian Labour Mobility: New Dimensions and Implications for Development"

First, I must congratulate the author for writing a useful paper on an important topic. The author has analysed the role of local employment promoters in organizing the massive outflow of workers from some developing countries of Asia, like Pakistan, India, Bangladesh, Sri Lanka, Republic of Korea, Philippines and Thailand to the Middle East and its impact on wages. The main argument of the paper is that the existence of the local employment promoters has contributed in making labour supply highly elastic during the upswing in demand for foreign workers in the Middle East and inelastic during periods of weak demand. There is no doubt that the phenomena Mr Abella has analysed had been experienced by many countries. I would like to comment on two things: First circumstances under which we can expect an elastic supply of labour and, second the importance the author has given to the role of local employment promoters.

It is common knowledge that the massive outflow of workers from the developing countries of Asia to the Middle East was the result of large-scale investment programmes, especially in infrastructure, undertaken by the oil producing countries of the Middle East after the increase in the oil price. The actual flows, however, depend on a number of factors, specific both to the labour-exporting countries and the migrants. While analysing the outflow of workers from the developing countries, the author has taken labour as a single homogeneous factor. This, I believe, is a very strong assumption. In fact, not only are there occupational differences among workers but also for each occupation, workers from different countries have a different reservation wage. It is precisely for this reason that over time the share of some countries in the total stock of foreign workers in the Middle East has declined while that of others has increased.

To me, the fact that wages did not increase much during the upswing in demand in the Middle East is not very surprising. This is exactly what one would expect in a labour-surplus economy within the neo-classical economic framework. If one thinks of the Middle East and the other developing countries of Asia as one big economy (which is not a bad assumption considering the fact that there were very few restrictions on labour mobility across countries) with excess labour then

wages are not likely to rise. Actually, it would have been surprising if the wages had risen under such circumstances. This is exactly what happened between 1976–80 in the Republic of Korea: wages of Korean workers increased significantly.

Now what is the significance of the role of local employment promoters. I would say that these employment promoters have been doing a service for companies in the Middle East for which they are paid. Actually, the companies could have opened their offices in the labour-exporting countries and done the advertising and hiring themselves. But for minimizing their costs they opted to use the local employment promoters. Local employment promoters are just like firms having their offices in the labour-exporting countries and their growth was the result of demand for such services from the Middle East. In fact, had there been no employment promoters and the companies had done the advertising and hiring themselves, still we would have achieved the same result. The only difference between the two situations from the workers perspective is that the local employment promoters, because of access to scarce information, are able to charge a premium from the migrant workers. In my opinion, the process of the outflow of workers from the developing countries is an entirely demand-led phenomena and what the author has examined is only from the supply side.

Coming to the trend in wages during the downswing in demand in the Middle East which started after the decrease in the price of oil in the international market, I would say that increased competition among the labour-exporting countries and the reservation wage were the significant factors. In this regard, the author has talked about the "stockpiling effect". Given the fact that for Pakistan during this period the actual number of registered employment promoters declined (Table 2, p. 366), I am not sure to what an extent this effect was significant. The evidence presented in the paper shows that the share of some countries, e.g. Pakistan and the Republic of Korea, in the total migration flow to the Middle East has declined significantly. These are also the countries which experienced an increase in real wages within their respective economies due to labour shortages caused by the outflow of workers. I think it would have been interesting if Pakistan and the Republic of Korea were analysed separately from the other countries and then the differences compared. The important factor again is the difference in reservation wages of workers from different countries.

Lastly, the author has discussed the income distribution effects of organized migration. In my opinion this section is incomplete. Simply on the basis of estimates of income transfers, it is difficult to conclude anything.