Impact evaluation of a G2G migration program

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Maheshwor Shrestha
Economist, World Bank

Jobs, Labor & Migration Course
Context: Migration from Bangladesh

- One of the major sending countries with over 0.5 million migrating every year.
  - Mostly to Persian Gulf countries (S. Arabia, UAE, Oman, Qatar) and East Asia (Malaysia, Singapore)
  - About 10 percent of workforce
- Remittance income is a large share of the economy
  - Between 6 to 10 percent of GDP in recent years
  - Major driver of recent poverty reduction
Malaysia banned recruitment from Bangladesh in 2008.
  – Due to malpractices in the recruitment industry in Malaysia as well as Bangladesh

MOU signed in 2012: To resume flow of workers
  – Solution: governments to manage intermediation process in both sending and receiving countries

‘Pilot’ to begin in early 2013 for 30,000 workers
  – For work in palm-oil sectors of Malaysia
  – Low-skilled manual work
  – With a two-year contract (possibility of extension)
  – Accommodation provided by employers
    • Food typically not provided
G2G lottery program

• The program fell out of favor soon.
  – Mostly due to criticism from the private intermediation sector.

• By June 2015, only 7,617 lottery winners had migrated to Malaysia.
  – Most of them were from Phase 1; Some from Phase 2 & 3
Study design

- The study followed up with a sample of lottery winners and losers in 2018
  - Across 522 unions
  - 3 divisions (Dhaka, Mymensingh, Chittagong)
- Administrative data used to locate the households of the migrants
  - Through phone calls + field searches
- A total of 3,512 households were found and interviewed
  - If migrated, knowledgeable family member interviewed
Methodology: 
Exploit the lottery design

• Lottery divided the applicants into three groups:
  • **Group T1**: Won the first lottery and placed in phase-1 in the second lottery
    • Most of them received intermediation support to migrate
  • **Group T2**: Won the first lottery and placed in phases 2 & 3 in the second lottery
    • Some of them received intermediation support
  • **Group C**: Lost the first lottery
    • No intermediation support from the government
    • Control group
• Since the lottery randomly (and fairly) divided applicants across these three groups, the groups are comparable to each other
  • The outcomes of the control group serve as a good counterfactual to the outcomes of groups T1 and T2
• Use lottery assignment as an instrument for migration abroad.
Impact on actual migration

• Winning the lottery increases migration – particularly for group T1 – as expected.
  – 76 percent of T1 had migrated
    – mostly through G2G
  – 29 percent of T2 had migrated
    – many through G2G
  – 19 percent of the control group also migrated

• Most migrants were still abroad at the time of the survey
Impacts on pre-migration characteristics

- Increased investments in learning Malay language
- Increased investments in skills (through skills orientation/ training)
- Increased investment in physical health (ate better food, joined gym, etc)
Migration leads to large welfare improvements

- Increases income of the migrant and their families
- Increases consumption and reduces poverty
- Reduces indebtedness and improves financial security
- Leads to changes in HH composition
- Empowers women
- Lowers HH entrepreneurial activity (through absence of the migrant)
G2G vs private channel intermediation

• Provides access to those without social network contacts abroad
• Reduces the cost of migration
• Lowers debt burden of migrants
• Improves pre-departure characteristics
• Reduces delay in starting work

6 November 2019
Cost-benefit: G2G vs private channel intermediation

• Earnings and job-characteristics are similar for G2G and private-channel migrants.
• Costs are very different
  – G2G: BDT 45,000
  – Private: BDT 390,000
• Leads to very different financing schemes
  – G2G: less borrowing; and borrowing from cheaper sources
• Net earnings from a 2-year private channel migration is less than that in Bangladesh!

<table>
<thead>
<tr>
<th>Duration of migration</th>
<th>G2G-migrants (’000 BDT)</th>
<th>Private-sector migrants (’000 BDT)</th>
<th>Percentage increase from G2G-migration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 years</td>
<td>613</td>
<td>206</td>
<td>197%</td>
</tr>
<tr>
<td>3 years</td>
<td>942</td>
<td>503</td>
<td>87%</td>
</tr>
<tr>
<td>4 years</td>
<td>1,271</td>
<td>801</td>
<td>59%</td>
</tr>
<tr>
<td>5 years</td>
<td>1,600</td>
<td>1,098</td>
<td>46%</td>
</tr>
<tr>
<td>6 years</td>
<td>1,929</td>
<td>1,395</td>
<td>38%</td>
</tr>
<tr>
<td>7 years</td>
<td>2,258</td>
<td>1,693</td>
<td>33%</td>
</tr>
</tbody>
</table>
The fate of the G2G program

- Main reasons for the ban:
  - Malpractices in sending and receiving countries
  - (Potential) presence of undocumented workers (similar to the ban of 2008)
- Currently, the governments of Bangladesh and Malaysia are trying to negotiate an arrangement to resume the flow.
  - Possibility of introducing some form of government involvement in intermediation

- 2008: Malaysia bans recruitment of Bangladeshi workers

- 2012: MOU signed to resume worker flow

- 2013: Lotteries conducted and intermediation started

- 2013–2014: Program gradually falls out of favor and is halted
  - Less than 10,000 migrants sent to Malaysia

- 2015: “G2G-plus” program introduced
  - A handful (<10) recruitment firms manage all worker flows

- 2015–2018: Malaysia bans recruitment of Bangladeshi workers

- Sep. 2018: Over 300,000 workers leave for work in Malaysia
  - Recruitment costs skyrocket

- Currently, the governments of Bangladesh and Malaysia are trying to negotiate an arrangement to resume the flow.
  - Possibility of introducing some form of government involvement in intermediation
Conclusions

• Low-skill temporary international migration is beneficial to the migrants as well as their families.
  – Welfare improves along a host of welfare measures
• But the cost of migration is very high
  – prevents the poor from getting access to such opportunities
  – reduces the net gain from migration
• Government involvement in intermediation can lower migration costs
  – The true cost of migration is probably somewhere between the G2G costs and the private-channel costs
• Complete exclusion of the private sector may not work either
  – Capacity and efficiency issues
  – Political economy issues
• Other options?
Thank you!!

• For the full report please visit: https://hubs.worldbank.org/docs/ImageBank/Pages/DocProfile.aspx?nodeid=31239627

• For the policy brief on the impact evaluation, please visit: https://hubs.worldbank.org/docs/ImageBank/Pages/DocProfile.aspx?nodeid=31239633