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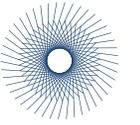
FALL 2022



WORLD BANK GROUP

# COVID and Migration in South Asia

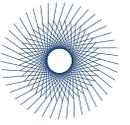




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## Main takeaways

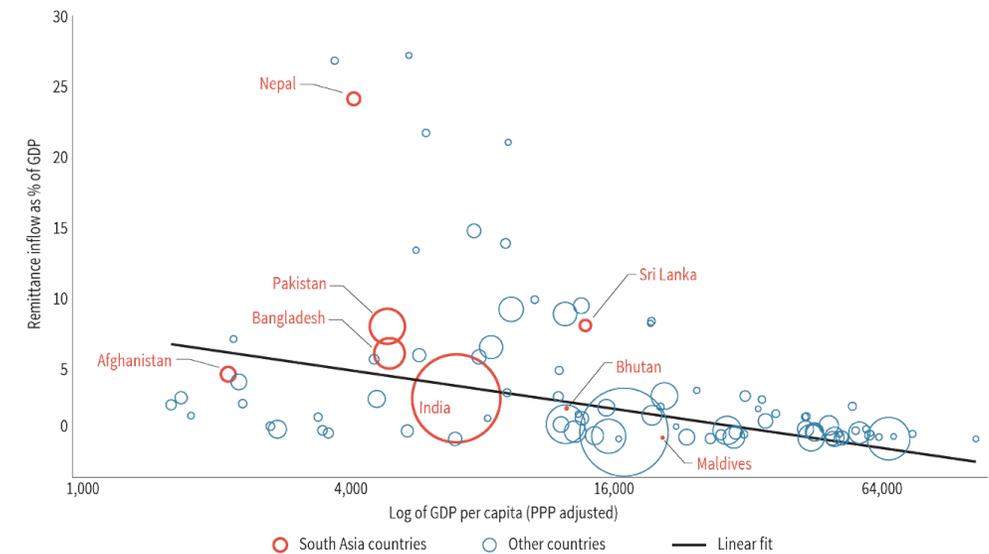
- Migration is central to the process of economic development in South Asia: it aids in reallocation of labor to more productive places and helps households manage economic shocks (such as weather-related shocks) better
- International migration is significant in many South Asian countries, although as a region, South Asia does not have an exceptionally high rate of international migration; International remittance inflows are also significant for many South Asian economies, especially Nepal
- Internal migration, especially that of a temporary/seasonal nature, is quite widespread in parts of South Asia
- Although the economic benefits to migration are positive, they have not yet been fully tapped, likely due to mobility costs—pecuniary and non-pecuniary— and frictions in credit and labor markets
- Poor South Asian migrants – who often hold temporary jobs in the informal sector – face several challenges such as precarious labor market conditions, visas tied to employment, and limited access to social protection
- The early phase of the COVID crisis exposed their vulnerability on a large scale, and the later phase of the pandemic re-emphasized the important role of migration as a mechanism to cope with shocks
- The recovery in migration, however, has been slow and uneven, raising concerns about a potential scarring effect of the pandemic on migration and migrant-supporting institutions
- Climate change has also emerged as a threat for poor, vulnerable households in the region for whom migration may be a strategy to adapt
- There is a role for policy to accelerate recovery by making migration more resilient – addressing unnecessarily high costs and frictions to migration, incorporating measures to “de-risk” migration, and understanding the climate-migration nexus and its effects on productivity better to aid inclusive and sustainable development for the region



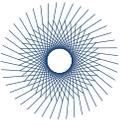
# Migration matters for economic development in South Asia

- Migration is central to the process of development in South Asia – it helps households **manage economic shocks better** and **reallocate labor** to where it is more productive
  - Seasonal/temporary migration is one of the primary mechanisms by which poor households diversify income sources and reduce risk (Banerjee and Duflo 2007)
  - Large wage gaps among workers of similar educational levels across countries and across urban and rural areas within countries suggest that there are large gains from the movement of people across countries and from rural areas to non-farm jobs in urban areas (Gollin, Lagakos, and Waugh 2014; Young 2013)

- **Remittance inflows** owing to international migration (especially from GCC countries) are also **significant for the economies** of many South Asian countries
  - For instance, Nepal derives approximately 20% of its income from remittance inflows

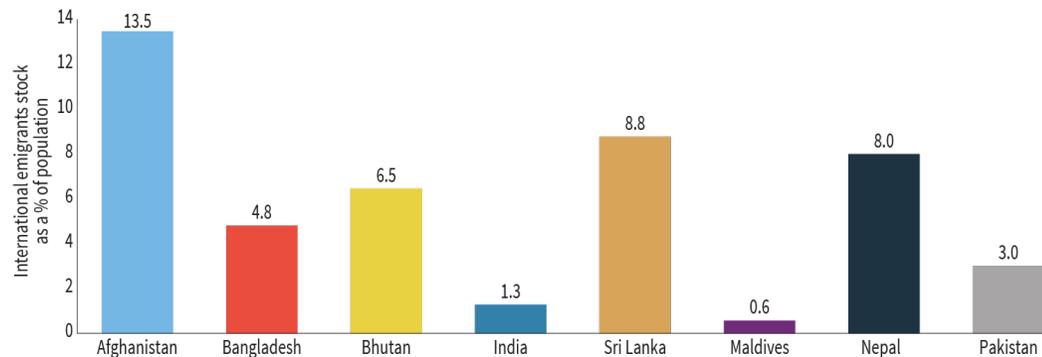


Source: Staff calculations based on KNOMAD 2019.



# International migration is significant in many South Asian countries though not exceptionally high as a region

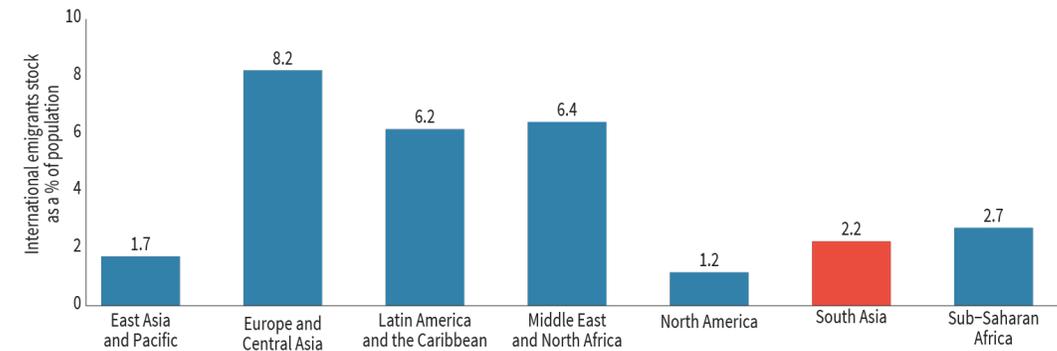
- The incidence of **international migration varies widely across countries** in South Asia – it is more significant in Sri Lanka and Nepal as opposed to India



Source: Staff calculations based on UNDESA 2019.

- Though the total stock of international emigrants from South Asia is quite sizeable, the **emigration rate for South Asia is relatively low** compared to other regions

- In 2019, 41.2 million people from the region lived outside their country of origin
- However, as a share of population, that is just 2.2% (with the average driven down primarily by India)

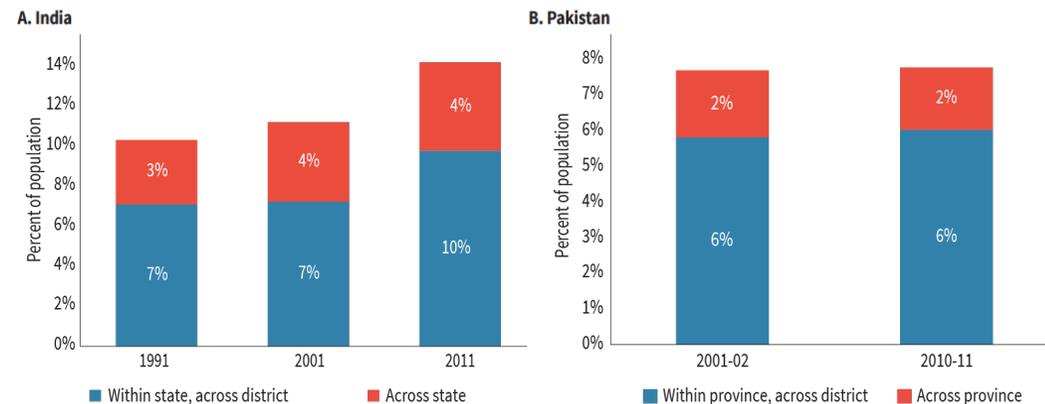


Source: Staff calculations based on UNDESA 2019.

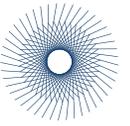


# Temporary and seasonal internal migration is significant in parts of the region

- Comparable estimates of internal migration are not available for all South Asian countries, but those for India and Pakistan indicate that long-distance internal migration is relatively low and stagnant.
- **Temporary and seasonal internal migration is more prevalent** in many parts of the region, especially among rural households
  - a third of the households in parts of Bangladesh out-migrate temporarily during the pre-harvest lean season
  - In parts of North India, 29-35 percent of the population out migrates in summer and winter, but this drops to 10 percent in the peak of the agricultural season (the monsoons).

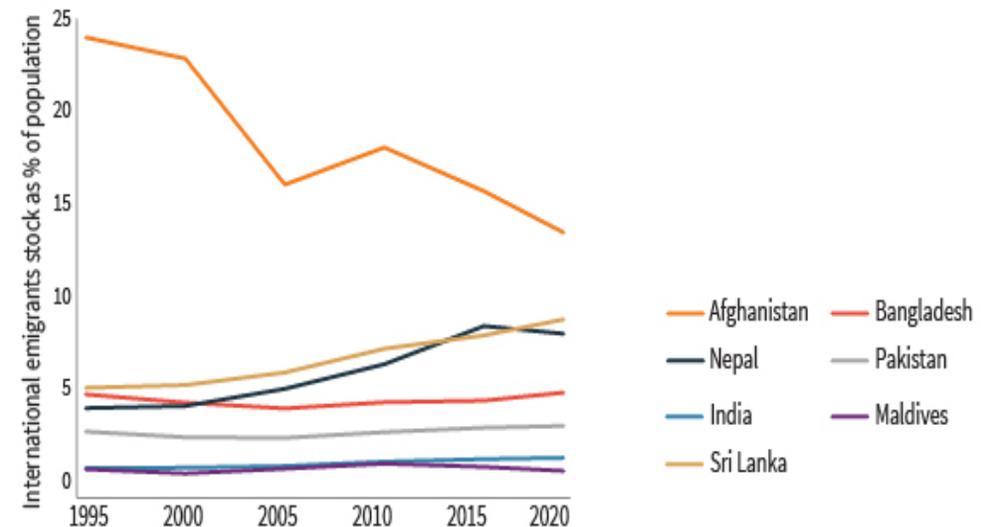


Source: Staff calculations based on data from the Population Census of India and the Pakistan Labor Force Survey.

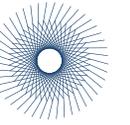


# Frictions to mobility and institutional gaps may have prevented South Asia from fully tapping the gains from migration

- The decision to migrate principally depends on the **wage differences as well as amenities** between the origin and the destination, relative to the **costs of moving** (pecuniary and non-pecuniary)
- However, even if the net benefits from migration are positive, **credit constraints, lack of information, labor market frictions**, etc. could prevent gains from migration from being fully realized
- Countries in South Asia were experiencing a **stagnation in international and long-distance internal migration** even before the pandemic began
- This suggests that the **sources of friction** impeding mobility and limiting gains from migration have **remained high and persistent**



Source: Staff calculations based on UNDESA 2019.



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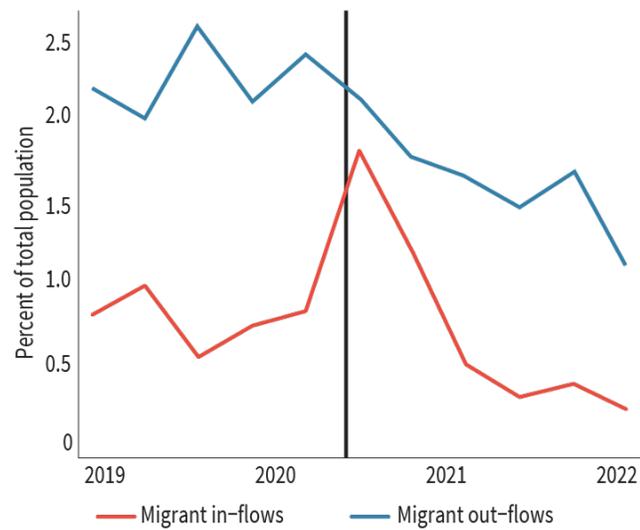
## The early phase of the pandemic highlighted and likely exacerbated the long-standing vulnerabilities of poor migrants in South Asia...

- Restrictions on mobility, lockdowns, and job losses caused **widespread shocks to employment & earnings**
  - 33% workers who were employed pre-COVID experienced a job loss and/or earnings loss (World Bank SAR-CPMS)
- Migrant-dependent households in Nepal and Bangladesh also experienced **severe economic distress**
  - They were 4x likely to be food insecure during COVID (Barker et al. 2020)
- Job losses also **triggered large flows of return migration** in the region
  - Early in the pandemic, internal return migrant flows were estimated to be 2.5x international return migrant flows (World Bank/KNOMAD 2020)
- Labor market impacts of the pandemic were heterogeneous and **may also have exacerbated pre-existing inequalities**
  - Job losses were concentrated in the non-agricultural sector and affected women, the youngest age cohorts, and workers in the informal sector disproportionately (World Bank SAR-CPMS; Bussolo, Kotia, and Sharma 2021)



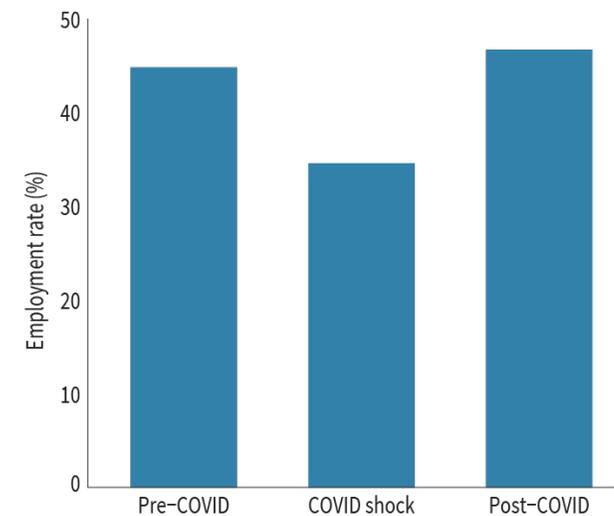
...for instance, there was a large drop in the migrant stock in India and return migrants faced many employment-related difficulties

- Newly analyzed survey data from India show that the pandemic led to an **unprecedented reduction in total migrant stock because of return migration**



Source: Staff calculations based on the Indian Consumer Pyramid Household Survey (CPHS) using survey waves 15-25.

- Return migrants in India were also (even if temporarily) either **employed in less-favorable occupations or were unemployed**
  - Male return migrants were 10 percentage points less likely to be employed after the first COVID shock vs. the pre-COVID cohorts of return migrants

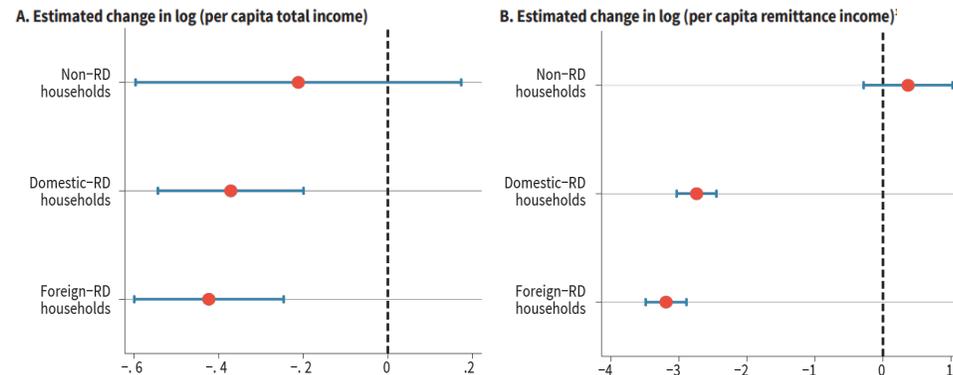


Source: Staff calculations based on the Indian Consumer Pyramid Household Survey (CPHS) using survey waves 15-25.



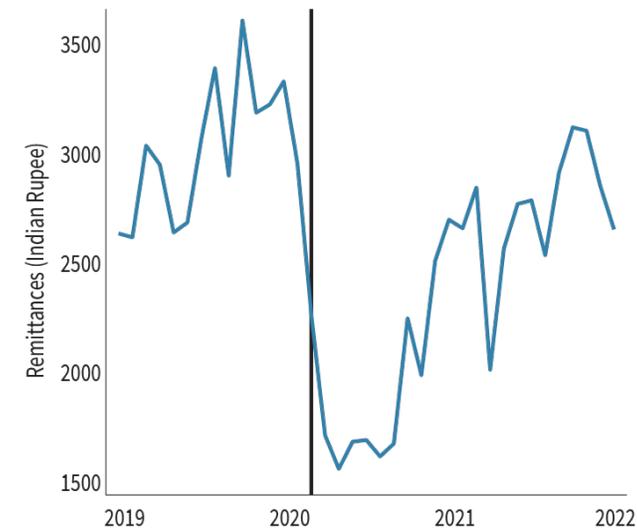
# Remittance-dependent households in the region also suffered large income shocks, likely due to a drop in remittance income

- Newly analyzed survey data from Pakistan show that among the remittance-dependent households, the **value of domestic and international remittances received fell by 21% and 35% respectively** during COVID, relative to pre-COVID levels
- Domestic (respectively, foreign) remittance-dependent households experienced a **26-percentage point (respectively, 29-percentage point) greater drop in per capita income** than non-remittance-dependent households

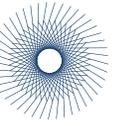


Source: Staff calculations based on the Pakistan COVID Special Survey 2020.

- Survey data from India also show that remittance-dependent households faced a negative shock in remittance inflows early in the pandemic – **monthly remittance receipts nearly halved** in the direct aftermath of the pandemic in 2020

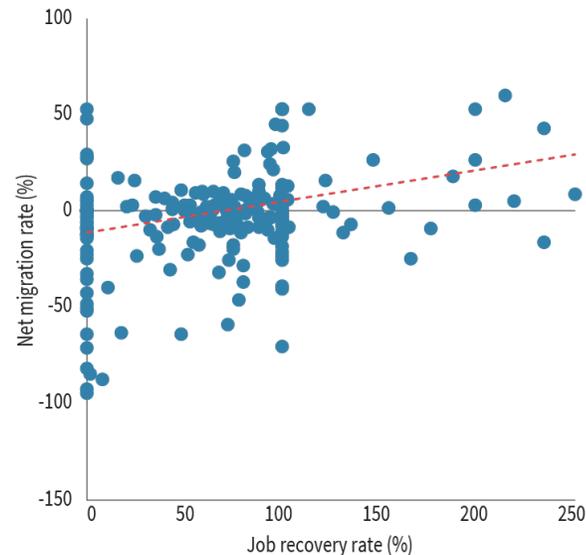


Source: Staff calculations based on the Indian Consumer Pyramid Household Survey (CPHS) using survey waves 15-25.



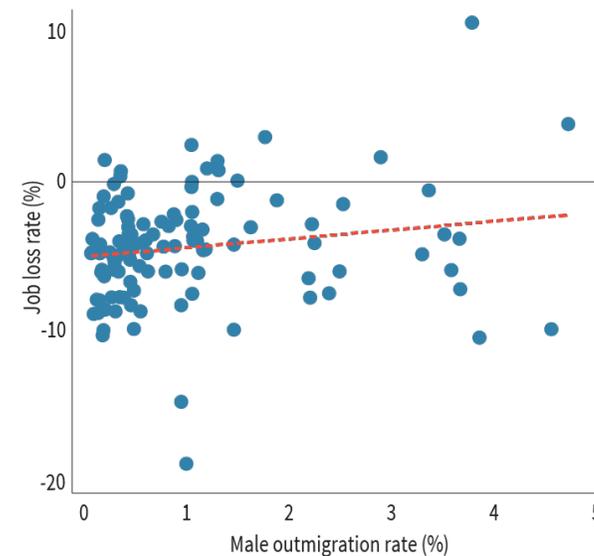
# However, in the later phase, the COVID crisis also re-emphasized the role of migration as a coping mechanism for managing shocks

- Data from the World Bank SAR-CPMS showed that **districts with higher inflows of migrants had higher job recovery rates** in Bhutan, Nepal, Pakistan, and Sri Lanka, about twenty months into the pandemic

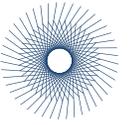


Source: Staff calculations based on SAR COVID-19 Phone Monitoring Survey, Second Round.

- Survey data from India also show that in early 2022, **out-migration rates for men were higher in districts that experienced more severe employment losses** during the COVID shock, suggesting that migration was helping re-equilibrate demand and supply

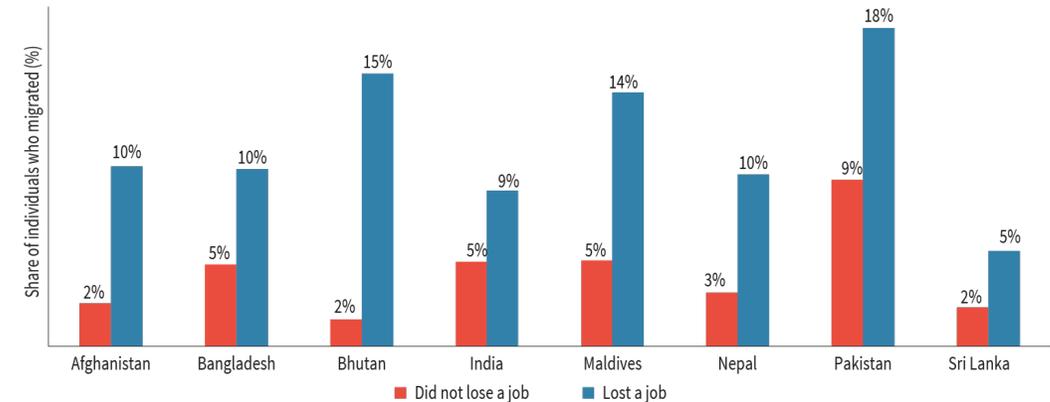


Source: Staff calculations based on the Indian Consumer Pyramid Household Survey (CPHS) using survey waves 15-25.

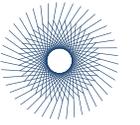


## Migration seemed to serve as a coping mechanism for those that experienced employment losses during the pandemic

- Data from the first round of the World Bank SAR-CPMS, which was conducted 6-12 months after the onset of the pandemic depending on the country, showed that **those who lost their pre-COVID jobs were significantly more likely to migrate** than those who did not
- This pattern suggests that **job losses in the first wave** of the pandemic-induced lockdowns **prompted people to move for employment**

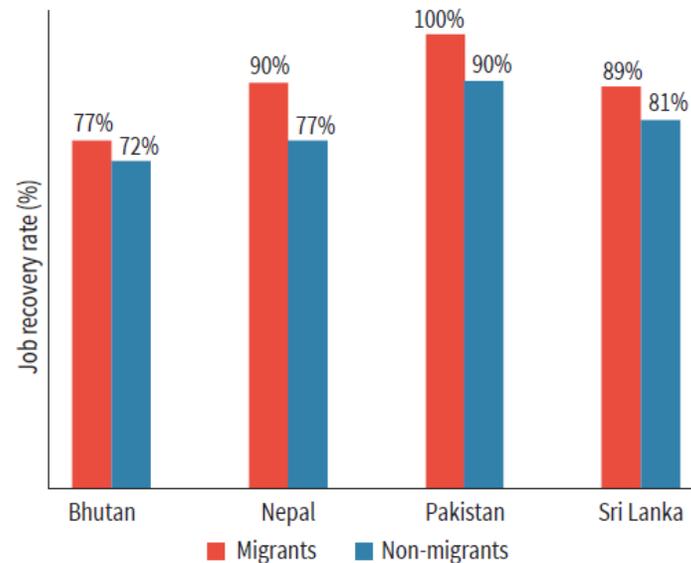


Source: Staff calculations based on SAR COVID-19 Phone Monitoring Survey, First Round.

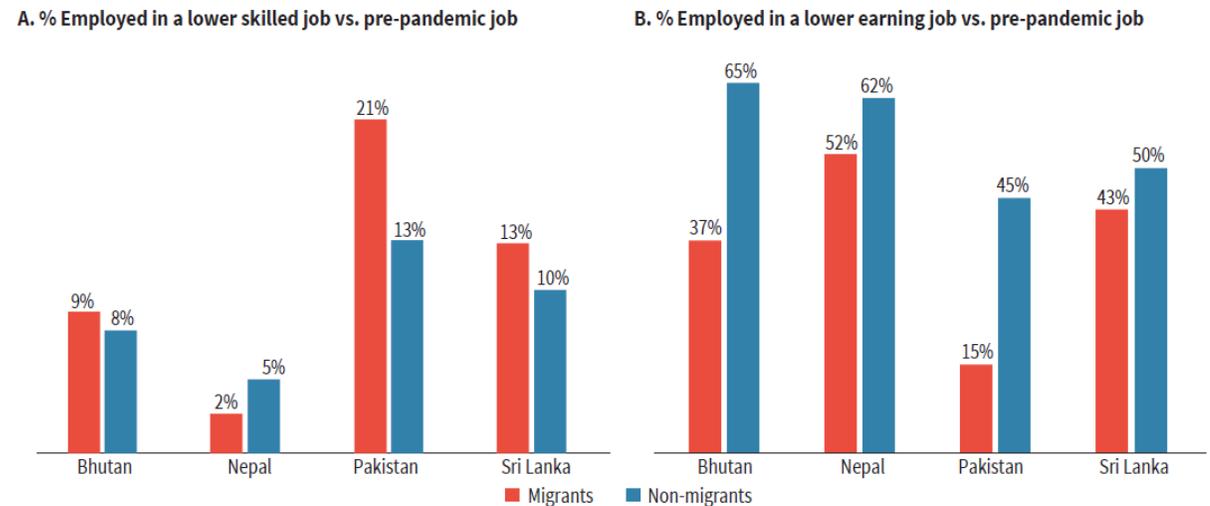


# Those who migrated were more likely to have recovered their employment status and also have a better job

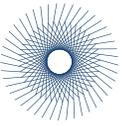
- Six-twelve months into the pandemic, **job recovery rates were also higher among those who migrated**, and they remained so twenty months into the pandemic (World Bank SAR-CPMS)
- Migrants were also **less likely to have been employed in a lower earnings job compared to non-migrants**, vs. their respective pre-COVID job, twenty months into the pandemic (World Bank SAR-CPMS)



Source: Staff calculations based on SAR COVID-19 Phone Monitoring Survey, Second Round.

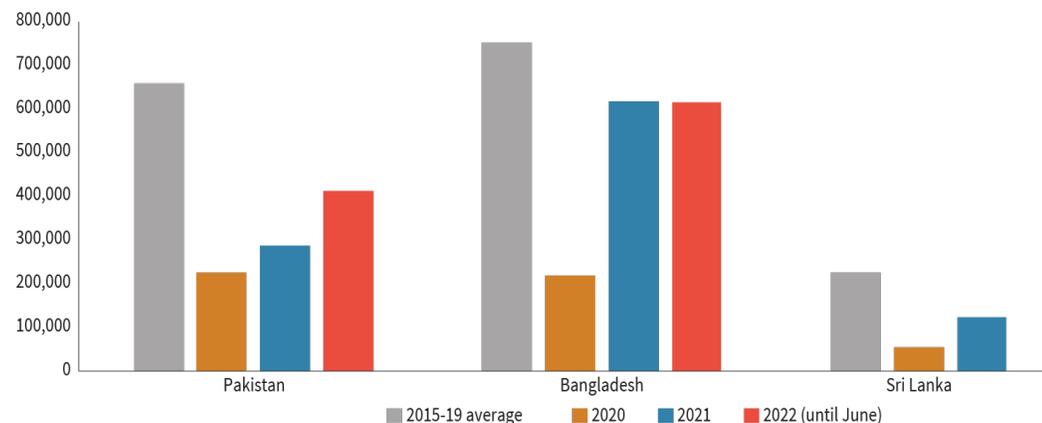


Source: Staff calculations based on SAR COVID-19 Phone Monitoring Survey, Second Round.



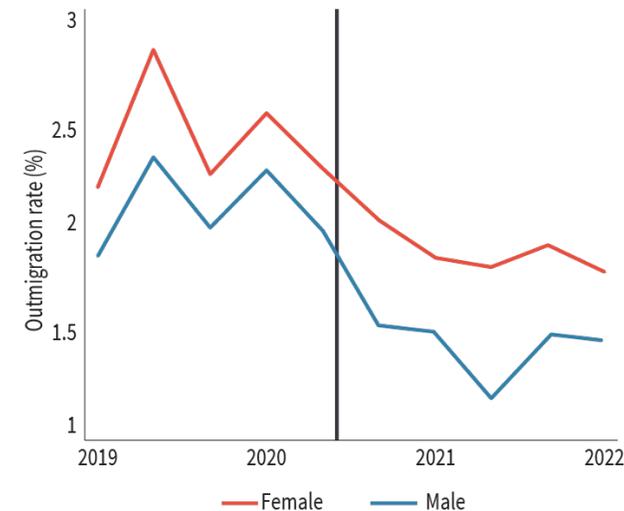
# While migration seems to be recovering, it remains slow and is still below pre-COVID levels

- National administrative records on registered overseas workers in the region show **promising signs of recovery in international migration**
- Data on the permits issued in the first half of 2022 indicate that that **overseas migration might rebound to pre-COVID levels or even beyond in Pakistan and Bangladesh**

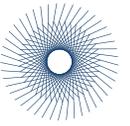


Source: Staff calculations based on data from Pakistani Bureau of Emigration and Overseas Employment; Bangladeshi Bureau of Manpower, Employment, and Training; Sri Lanka Bureau of Foreign Employment.

- In India, survey data on monthly internal and international outmigration show that the **monthly rate at which males emigrated started to recover in the second half of 2021** but was still below pre-pandemic levels in early 2022

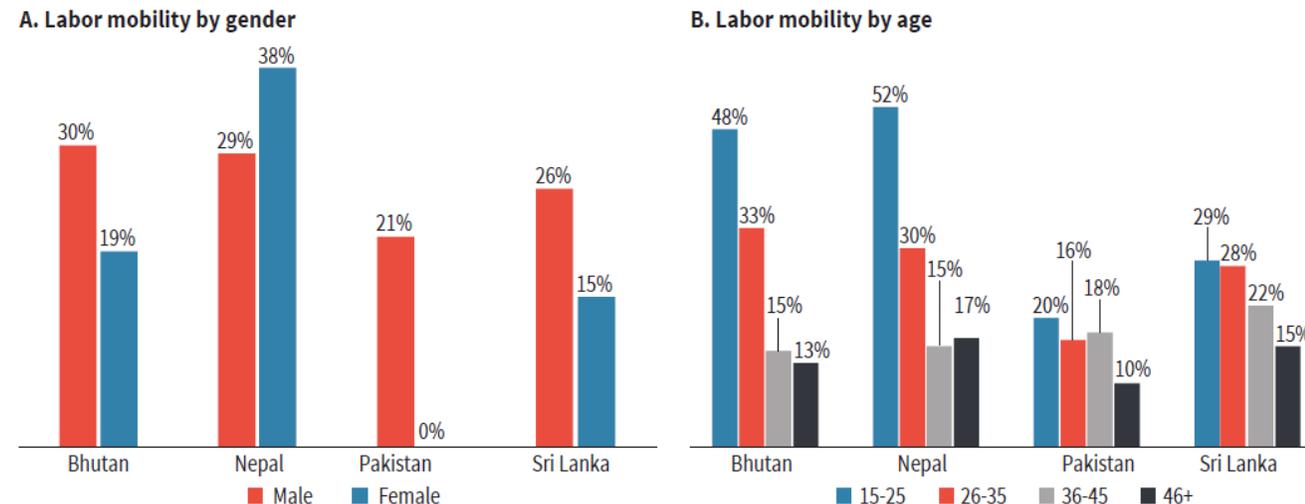


Source: Staff calculations based on the Indian Consumer Pyramid Household Survey (CPHS) using survey waves 15-25.

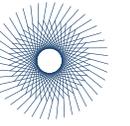


# This slow and uneven recovery in migration raises concerns about a potential scarring effect of COVID-19 on migration...

- Data from the World Bank SAR-CPMS show that **migration costs may have constrained specific demographic subgroups** from moving and subsequently recovering from job losses
- In most South Asian countries, six to twelve months after the pandemic began, among those who lost their pre-pandemic jobs, **women and the elderly were less likely to migrate**, and this was true even twenty months into the pandemic

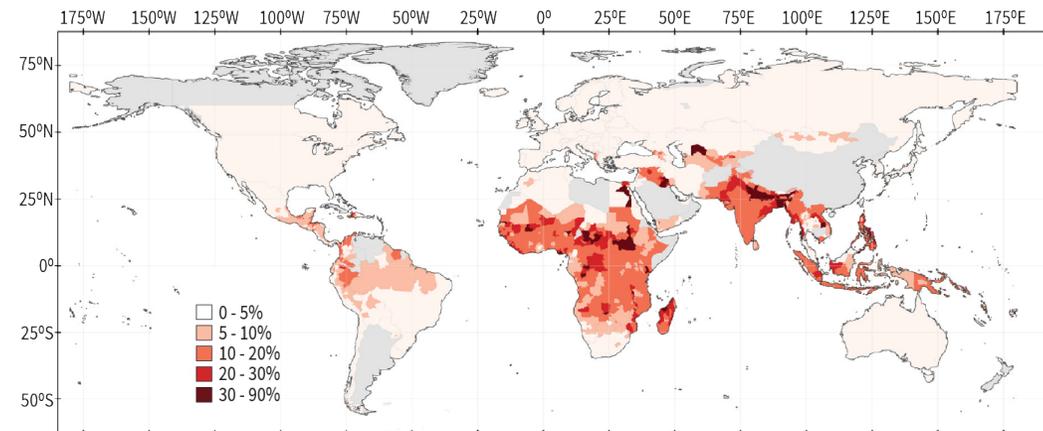


Source: Staff calculations based on SAR COVID-19 Phone Monitoring Survey, Second Round.



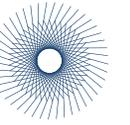
# Migration also plays a role in adapting to climate change

- **South Asian countries are among the most vulnerable to climate change:** ranging from sudden disruptions due to intensifying extreme events to longer-term changes
  - South Asia has a very high share of poor population that is exposed to risk of flooding



Source: Rentschler, Salhad, and Jafino 2022.

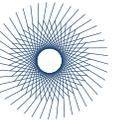
- One of the widely discussed **strategies for such households to adapt to climate change is to migrate** – temporarily or permanently, internally or internationally
  - It is estimated that by 2050, as many as 40.5 million people in South Asia may become internal climate migrants because of local environmental changes, with 19.9 million of such migrants in Bangladesh alone (Clement et al. 2021)
- **Climate change may also affect the cross-border migration patterns** by affecting the environment and thus the labor demand in destination countries
  - Given that remittances owing to cross-border migration allow households to hedge against climate risks at home, this could be especially challenging for countries with a high remittance-to-GDP ratio such as Nepal, Pakistan, and Sri Lanka



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For embarking on the road to resilience, policy priorities for South Asia include: 1) reducing frictions to labor mobility...

- **Bilateral and multilateral agreements** could reduce the high (often prohibitive) costs migrants pay to work abroad
  - South Korea's Employment Permit System (EPS) reduced migration costs from over US\$3,700 to ~US\$1,000 (Cho et al. 2018)
  - Bangladesh and Malaysia's government-to-government visa lottery program reduced migration costs for Bangladeshi workers by a factor of eight and their debt burden by 16 percentage points (Shrestha, Mobarak, and Sharif 2019)
- **Effective policy design to allow migrants to access existing schemes** could reduce indirect mobility frictions
  - India's One-Nation-One-Ration-Card scheme introduced interstate portability of ration card benefits
- **Strengthening the remittance infrastructure** could further unlock gains from migration and make it more attractive
  - Greater access to digital remittance technologies has been shown to result in greater migration in Bangladesh (Batista and Vicente 2022; Lee et al. 2021)
- **Information and training programs** could help potential migrants make better decisions about moving
  - Bangladesh, India, and Sri Lanka have programs that provide pre-decision and pre-departure information to help potential migrants make better decisions about whether to move, where to move, and how to navigate the migration and remittance-sending process (Ahmed and Bossavie 2022)



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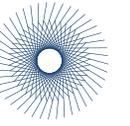
## ...2) de-risking migration...

- **More flexible visa policies** could help host countries manage labor market shocks by facilitating labor mobility
  - South Korea's EPS relaxed sectoral regulations for temporary migrants, allowing them to work in agriculture, and extended the job search period for those seeking to change jobs (Moroz, Shrestha, and Testaverde 2020)
- **Migrant welfare funds** and **inclusion of migrant welfare policies in bilateral agreements** could also help de-risk international migration
  - Foreign workers under the EPS in South Korea were eligible to benefit from fiscal measures to support SMEs, including employment retention subsidies and paid leave subsidies (Moroz, Shrestha, and Testaverde 2020)
- **Comprehensively extending social protection systems** to the informal sector could also reduce risks for migrants with limited access to social protection programs
  - Nepal's 15<sup>th</sup> economic development plan includes universalization of social protection and expansion of social assistance to the informal sector (NPC 2020)
- **Measures to preserve access to urban housing and introduction of urban temporary workfare programs** inclusive of migrant workers could help prevent costly, unnecessary displacement of internal migrants during shocks
  - Some states in India such as Tamil Nadu and Rajasthan have introduced urban employment guarantee programs
  - A public sector nonprofit in Kerala has implemented a migrant hostel program to house interstate migrants

# Thank you!

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& Siddharth Sharma (Lead Economist)**

Office of the Chief Economist for the South Asia Region  
The World Bank



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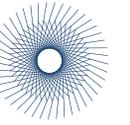
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