

A Study on Labour Migration, Remittances and Economic Growth in Sri Lanka

L.M.G. Navodya¹

Goal 08: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

1. Introduction

Labour migration and remittance inflows play a significant role in the Sri Lankan economy. 8.3% of average remittance receipts as a percentage of GDP between 2010-2018 in Sri Lanka (ILO, 2020) indicates remittance receipts were the highest source of foreign exchange income to Sri Lanka. According to the CBSL, workers' remittance has covered 80 percent of the trade deficit in the past two decades and remittance receipts have passed the trade deficit in 2020. Ramanayake and Wijetunga (2018) have studied Sri Lanka's labour migration trends, remittances and economic growth during the period of 1970 to 2015. This research fills the gap in the recent data period between 2010-2021 on labour migration, remittances and economic growth. Further, findings of this study reveal that the recent trends of labour migration according to the gender, agency used for migration, age, manpower and country before the pandemic spread and post pandemic period. Moreover, changes in remittances receipts in the past decade and flow with pandemic has been presented. This study is limited to the available data and departures of labour migration are spread over a wide area. Therefore, this study focuses only on departures for foreign employment by gender, age, manpower and country. This research will give new knowledge to those who are interested in it, and this will be new literature to researchers for their further studies. In addition, this will help policy makers for adding new knowledge to existing previous literature.

¹ Department of Social Statistics, University of Kelaniya
gayanovo@gamil.com

2. Material and Methodology

All data is secondary data gathered from SLBFE, CBSL and World Bank for several time periods to achieve the objectives. Accordingly, annual and monthly data during the period from 2010 to 2020 is collected for studying labour migration and remittance flow. Annual data between the period from 1990 to 2019 is gathered to analyze the impact of remittances on economic growth. Finally, annual and monthly data is collected for measuring the Covid-19 impact in 2020 and 2021. Moreover, different types of charts, scatter plots, tables are used to present data. Descriptive statistics analysis and three multiple regression models based on the Cobb-Douglas production function used by Paravithana (2014), Lacheheb & Ismail (2019) and Shera & Meyer (2013) for investigating the impact of remittances on economic growth in their studies are used for analyzing data. And, SPSS and MS Excel software were used to perform these analyses.

3. Results and Discussion

Total departures showed a downward trend between the period of 2010 to 2020. While female departures declined in this decade (2010-2020), male departure declined since 2017. During the period from 2014 to 2020, male departures were around 60 percent and female departures were around 30 percent. After 2014, through agencies total departures were decreased and self-basis total departures were higher than through agencies total departures. Only departures of professional level slowly increased in this decade. Male departures of the skilled level category were the highest in this decade. In every year, the housemaid category was signed the highest with around 70 percent or 80 percent. Only the age group of 50 and above showed a steadily upward trend up to 2019. Majority of male departed for foreign employment for Qatar every year in this decade. Majority of women have departed for Saudi Arabia for housemaids in this decade.

Remittance receipts have an upward trend in this decade (2010-2020). Sri Lanka received the highest number of remittances from the Middle East. Cobb-Douglas production function was used to analyze the relationship between workers' remittances and economic growth. Model 01, 02 and 03 point out that there is a significant positive

relationship between worker's remittances and economic growth. Labour migration for foreign employment dropped drastically with the Covid-19 pandemic. The minimum and maximum remittance receipts were recorded in December 2020 (US \$ 812.7 million) and November 2021 (US \$ 271.4 million) Covid-19 pandemic period respectively. Although remittance receipts have increased in 2020 compared to 2019, remittance receipts in 2021 have declined relatively rapidly. Finally, according to model 01, 02 and 03, it can be said that when the other control variables remain unchanged and average of workers' remittances decreases due to the impact of Covid-19 pandemic by 01 percent, approximately 1.2 percent or 1.3 percent decreases in Gross Domestic Product (GDP).

Accordingly, further steps need to be taken to uplift remittances and labour migration. The Sri Lankan government should go for more formal bilateral agreements and memorandum of understandings with destination countries and give more job-oriented training to increase skills. In addition, the mismatch between the received job orders and recruitments should be eliminated. Professionals and skilled-level migrant labour workers receive higher incomes in foreign destination countries. Therefore, they should be encouraged to go for better job opportunities. Sri Lankan labour migrants should be encouraged to remit using formal channels and discourage remit via Undial and Hawala type networks.

References

- ILO. (2021). ILO Global Estimates on International Migrant Workers - Results and Methodology. 3, 72. Geneva, Switzerland: ILO.
- Lacheheb, Z., & Ismail, N. w. (2019). The Impact of Remittance on Economic Growth in Low and Middle Income Countries. 9, 61-70.
- Paranavithana, H. (2014). Do Workers' Remittances Cushion Economic Growth in Sri Lanka? *International Journal of Business and Social Science*, 5.

7th National Research conference on Applied Social Statistics – NRCASS 2021

Ramanayake, S. S., & Wijetunga, C. S. (2018). Sri Lankan's labour migration trends, remittances and economic growth. *38(3S)*, 21. Retrieved on 02nd September, 2021

Shera, A., & Meyer, D. (2013). Remittances and Their impact on Economic Growth.