

**HUMAN RESOURCE DEVELOPMENT AND FOREIGN  
REMITTANCES: THE CASE OF SOUTH ASIA<sup>1</sup>**

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## Introduction and Background

South Asian region has experienced substantial economic growth during the past decade. This has also been complimented by a rising middle class phenomenon, which not only acts as an impetus to growth but also adds to the innovation and entrepreneurship potential available with the region. While a growing number of people in the labour force age group represent a growing potential for increasing productivity, there are also challenges associated with the provision of public goods. For example, a growing labour force will demand improved infrastructure and social services and this is where the governments of almost all South Asian economies feel challenged (Easterly 2001, Nayab 2011). The literature also tells us that even beyond the economic importance of youth bulge and growing labour force, one should also appreciate their impact on social, political and cultural changes in the society (Collier 1999, Basu 2003, Acemoglu & Robinson 2003, Bannerjee & Duflo 2007).

We have also observed that several South Asian countries have not been able to fully absorb the newcomers in the labour market (GoP 2011). This has implied that many unemployed or underemployed end up looking abroad for post-education opportunities. However, only those end up penetrating the foreign labour markets have relevant training and skills. This implies that HRD policies not only need to address the needs of local economy but also require congruence with labour demand patterns outside the country. South Asian economies are at a very different stage if compared with those countries where the South Asian Diaspora lives, however, most skilled migrants exercise those jobs in foreign countries whose training they receive in their home countries.

This study focuses on the link between Human Resource Development (HRD), migration and remittances in South Asian economies. We have followed a multi-pronged methodology in order to study the above-mentioned linkages. First, we conduct a detailed literature review on the empirical relationship between human development, migration and economic growth. Both the global and regional literature for South Asia has been discussed. Second, we resort to a descriptive analysis based on inward flows of remittances. Over time changes in remittances and changes by education and health endowment have been studied. Third, we conduct a panel data econometric exercise based on data from Bangladesh, India, Pakistan and Sri Lanka. The purpose is to identify the HRD drivers of remittances from abroad. Lastly, in order to validate our quantitative results and to seek anecdotal evidence on the subject, we carried out a perception survey exercise. The paper concludes with some policy recommendations for national governments in South Asia.

## Growth and Remittances in South Asia

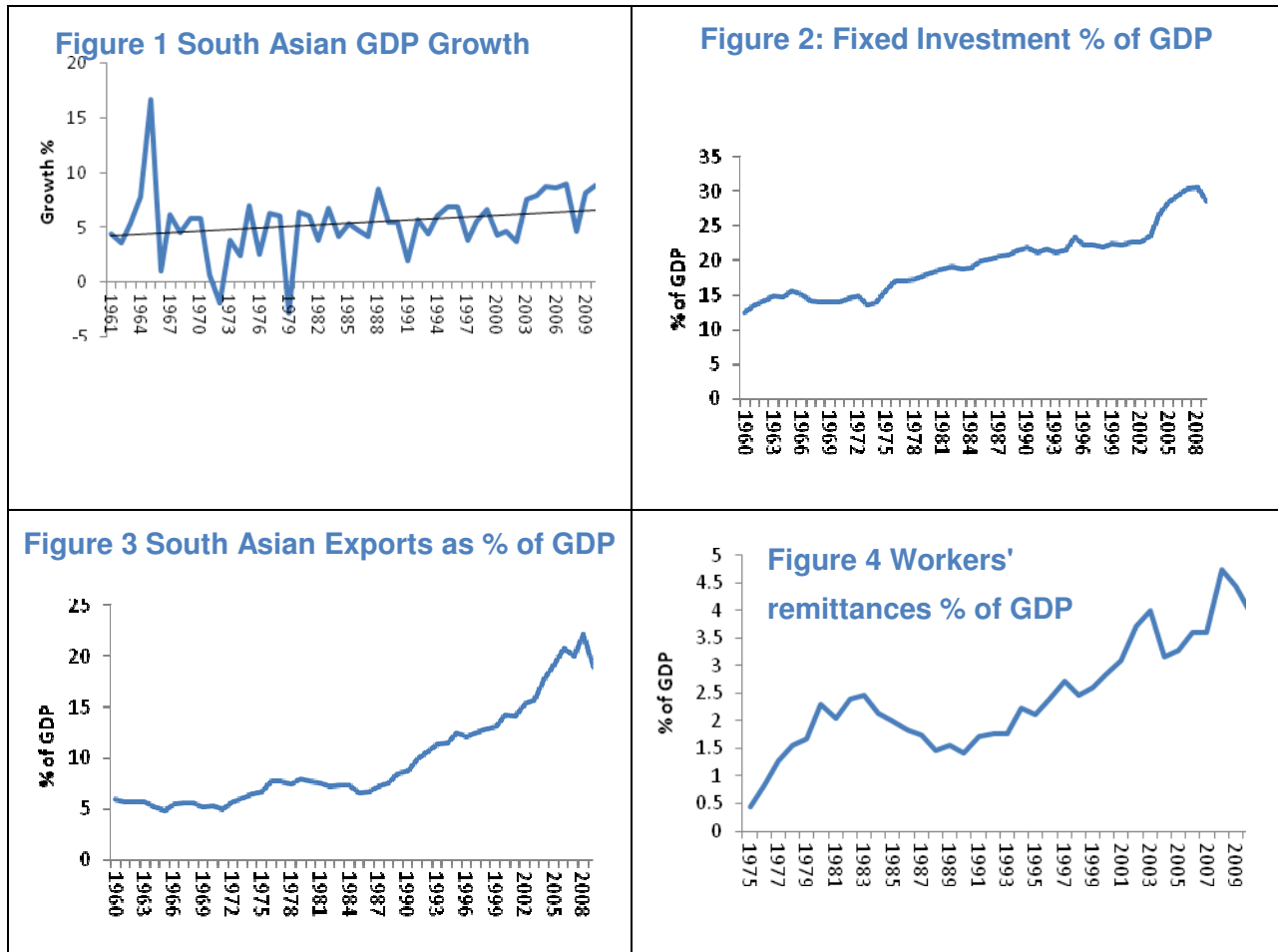
South Asian region<sup>5</sup> today has an estimated population of 1,568 million (23 per cent of the world's population) with annual population growth of 1.6 per cent.<sup>6</sup> We can observe that rising real GDP growth in South Asia (**Error! Reference source not found.**) since 1960s has been facilitated by slow but rising growth in investment (**Error! Reference source not found.**) an

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<sup>5</sup> Comprises of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

<sup>6</sup> Migration and Remittances Factbook 2011, World Bank

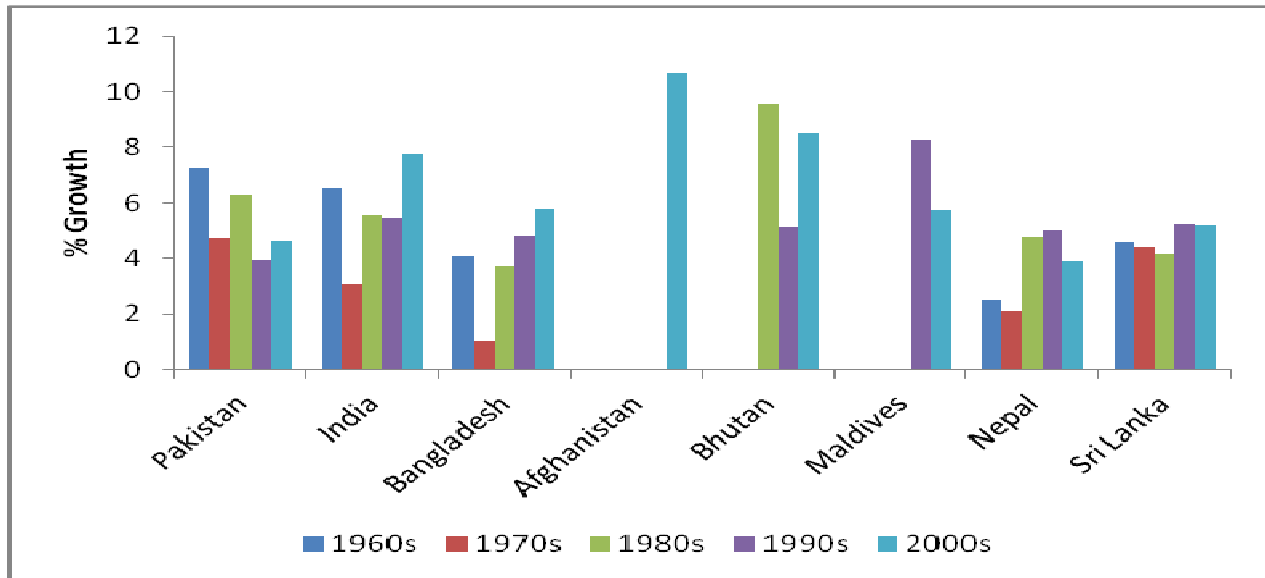
expanding export orientation (Figure 3) and the post-1990s phenomenon of rising workers' remittances (**Error! Reference source not found.**).



Source: World Bank 2010

While most of South Asian economies are similar in economic characteristics such as a predominantly rural-agricultural labour force, rising proportion of youth in the population, increased exports and remittances, however their individual growth performances have been greatly affected by political economic milieu in each country.

Figure 5: Economic Growth Performance across South Asia (%)



Source: World development Indicators 2010, World Bank

During the 1960s, for example, Pakistan had the highest growth rate across South Asia and to some extent Pakistan maintained this lead in 1970s and 1980s despite the sour experiences of nationalization of industry and Soviet invasion of Afghanistan (**Error! Reference source not found.**). However, the 1990s transition towards democracy was painful and average growth rates plummeted. During 1990s Maldives and India rose in growth performance and during the 2000s Bhutan, Afghanistan and India remained in the lead. In case of Afghanistan and Bhutan, the increase was partially due to the substantial excess capacity available in their economies. For India, particularly after and during 1990s, it was deregulation and liberalization that spurred growth. Despite a respectable growth history, South Asian countries still remain distant from each other in terms of intra-regional trade in goods and services.

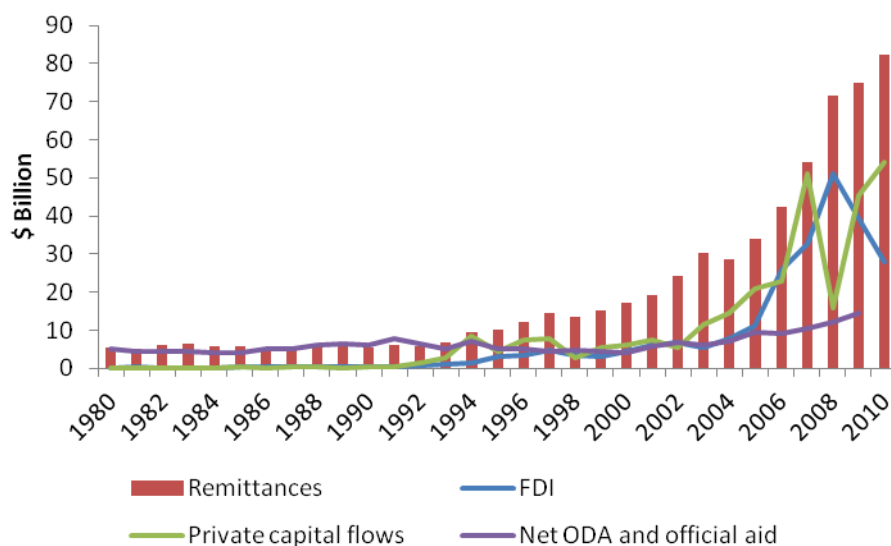
### Trends in Remittances across South Asia

Today, around 80 per cent of remittance flows are directed towards developing countries and since the last one decade this has almost doubled.<sup>7</sup> The remittances increased from US\$31 billion in 1990 to \$83 billion in 2000 to more than \$338 billion in 2008. According to the Migration and Remittances Fact book published by the World Bank, around 3 per cent of the world population or approximately 215 million people live outside their country. In 2010, the world remittances flows had exceeded \$ 440 billion of which more than US \$325 billion was flowing in the direction of developing countries, which shows a 6 per cent increase since the global crisis. This also indicates the resilience of remittances to developing countries and includes the South Asian region, which has recorded an increased inflow for the past two decades. The overall

<sup>7</sup>Haas and Piper, "Remittances, Migration and Development: Policy Options and Policy Illusions, ADB policy document 2010 and migration and remittances fact book 2011, world bank

global external inflow shows that in 2010 there was a decline in the Foreign Direct Investment (FDI), private investment and aid inflows, however remittances outpaced other inflows and this is also true for the South Asian region, which is evident from the **Error! Reference source not found.** below. The remittances proved to be counter cyclical for South Asia. The increase is from \$17 billion in 2000 to \$75 billion in 2009 and is recorded at close to \$80 billion in 2010 for the whole region. The remittances had shown greater increase than the total private capital inflows, which stood at \$69 billion in 2009.

**Figure 6: External Resource Inflow – South Asia 1980 – 2010**



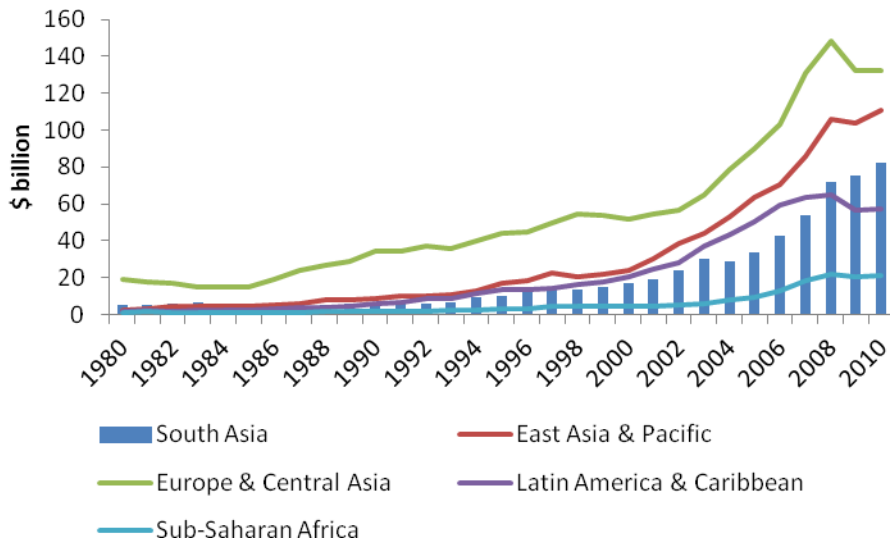
Source: World development Indicators 2010, World Bank

Moreover, three South Asian countries fall in the top recipients of remittances in the world. In 2010, these countries included India (\$55 billion), Bangladesh (\$11.1 billion) and Pakistan (US\$9.4 billion). This is also supported by the fact that the total emigration in 2010 from the South Asian region stood at 26.7 million or 1.6 per cent of the population with destination to high income OECD countries (23.6 per cent), high income non OECD countries (34.2 per cent), intra-regional (28.2 per cent), other developing countries (9.4 per cent) and unidentified (4.6 per cent), whereas the immigration in 2010 represents 12.2 million or 0.7 per cent of population as compared to 3.2 per cent of the world, which accounts for 45.6 per cent in the form of females, 20 per cent as refugees and other represent the male labour force category.

Although, in terms of the value of remittance inflows South Asia is lower than many other regions of the world, the resilience of South Asia bound remittances is clearly evident despite global economic uncertainty, which impacted remittance flows to other parts of the world (

). South Asia also seems to be catching up with the levels of remittances seen in case of East Asia and the Pacific.

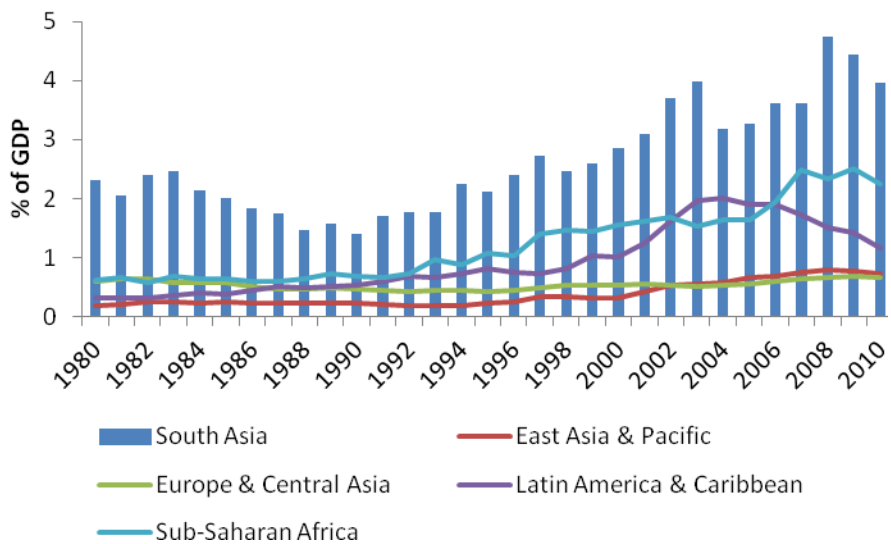
Figure 7: Global Workers Remittances- (\$ Billions)



Source: World development Indicators 2010, World Bank

If the value of remittances is seen relative to national output then South Asia tops the list of remittance recipient countries (**Error! Reference source not found.**). In this indicator, South Asia is then followed by Sub-Saharan Africa and Latin America. This measure correctly portrays the current dependence on remittance inflows seen in South Asia. It may be noted that after 2008 the ratio of remittances to GDP has declined.

Figure 8: Worker's Remittances relative to GDP (%)

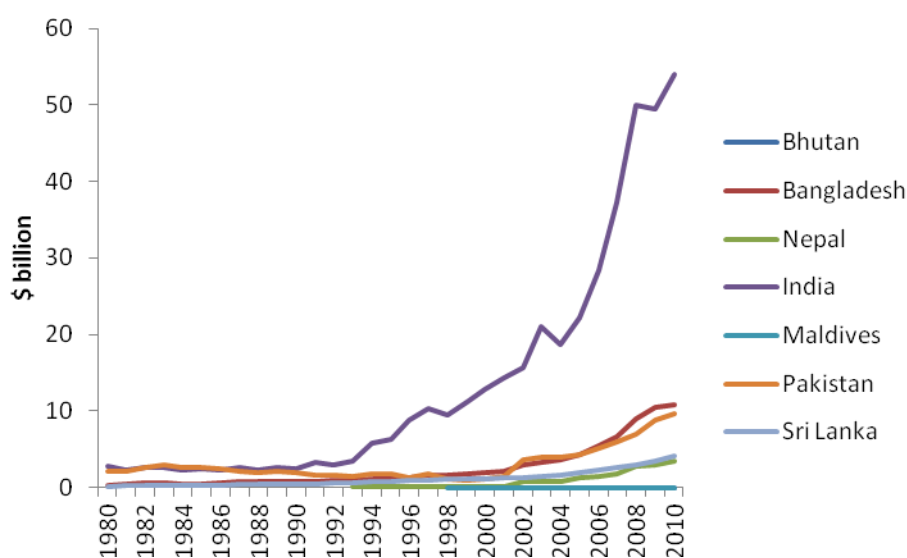


Source: World development Indicators 2010, World Bank

**Error! Reference source not found.** indicates the value of remittances received across South Asia. India is followed by Bangladesh and Pakistan. While India and Bangladesh both faced slight decrease after 2008 before recovering again, the remittance flows in case of Pakistan remained resilient. In fact the remittance inflow is projected to overtake the export value of textiles in Pakistan.<sup>8</sup> In terms of percentage share (Source: World development Indicators 2010, World Bank

Table 1) India received 66 per cent share of South Asian remittances, while Bangladesh and Pakistan received 13 and 12 per cent respectively.

**Figure 9: Remittances in South Asia- \$ billions**



Source: World development Indicators 2010, World Bank

**Table 1 Share of South Asian Countries in Regional Remittance Inflow**

Country	Percent (%)
Bhutan	0.01
Bangladesh	13
Nepal	4
India	66
Maldives	0.005
Pakistan	12

<sup>8</sup> The largest item in Pakistan's export basket is textile.

Sri Lanka	5
Total	100

Source: World Bank 2010

Table 2 illustrates the remittances to South Asian countries by origin. The major chunk of remittance comes from EU, North America and Middle East countries. The highest remittances inflow to India can be seen from countries like Australia, Canada, Kuwait, Saudi Arabia, UAE, UK, USA, Oman and Qatar. In case of Pakistan a pattern has been seen where low skilled migrants (who send low level of remittances) are found in Middle East and EU. However Pakistanis who make it to North America are usually highly qualified or highly skilled. The highest remittances share for Nepal comes from Qatar, Thailand, USA and EU.

**Table 2: Origin of Remittances- US \$ Million**

Remittances sent from	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
<b>Australia</b>	----	42	----	1,016	1	24	45	153
<b>Bahrain</b>	----	0	----	665	0	0	115	0
<b>Canada</b>	----	79	----	2,501	0	14	312	240
<b>France</b>	----	4	----	171	0	3	42	85
<b>Germany</b>	----	15	----	328	0	11	93	93
<b>Italy</b>	----	147	----	487	0	2	129	155
<b>Japan</b>	----	23	----	101	0	34	19	17
<b>Jordan</b>	----	117	----	140	0	5	54	201
<b>Kuwait</b>	----	429	----	1,904	0	0	247	408
<b>Malaysia</b>	----	252	----	517	0	0	33	9
<b>Oman</b>	----	306	----	2,168	0	0	191	80
<b>Qatar</b>	----	0	----	1,213	0	627	504	171
<b>Saudi Arabia</b>	----	917	----	7,034	0	65	2,022	765
<b>Singapore</b>	----	42	----	761	0	0	46	6
<b>Spain</b>	----	18	----	158	0	3	110	2
<b>Thailand</b>	----	11	----	117	0	128	16	53
<b>United Arab Emirates</b>	----	207	----	10,582	0	0	911	315
<b>United Kingdom</b>	----	431	----	3,185	0	115	908	222
<b>United States</b>	----	304	----	8,009	0	143	579	68
<b>Other South</b>	----	867	----	1,487	0	261	314	70
<b>Other Countries</b>	----	6,839	----	12,455	2	2,077	2,717	499
<b>Total</b>	----	<b>11,050</b>	----	<b>55,000</b>	<b>3</b>	<b>3,513</b>	<b>9,407</b>	<b>3,612</b>

Source: Asian Development Bank Online Database 2011

The level of intra-regional remittances still remains very low (Table 3). Like the high barriers to trade in goods (due to cross-border political conflicts), there is also a stiff resistance to labour movement in these countries. For example, during the recent negotiations towards Pakistan granting Most Favoured Nation (MFN) status to India, it was seen that the biggest non-tariff barrier between the two countries is the limited availability of visas on both sides. Similar is the case between Bangladesh and India. Another important point here is that the data on labour movement within these countries is very poor. Therefore, the data given and explained here only represents officially reported instances.

**Table 3: Intra Remittances Inflow (South Asia) - US \$ Million**

Receipient Country	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
<b>Afghanistan</b>	----	0	----	0	0	0	0	0
<b>Bangladesh</b>	----	0	----	5,097	0	0	45	0
<b>India</b>	----	6,770	----	0	0	2,018	2,314	316
<b>Nepal</b>	----	1	----	4,025	1	0	43	1
<b>Bhutan</b>	----	0	----	184	0	2	0	0
<b>Sri Lanka</b>	----	0	----	1,628	0	0	0	0
<b>Pakistan</b>	----	0	----	0	0	0	0	0
<b>Maldives</b>	----	0	----	0	0	0	0	0
<b>Total</b>	----	<b>6,772</b>	----	<b>10,934</b>	<b>1</b>	<b>2,020</b>	<b>2,402</b>	<b>317</b>

Source: Asian Development Bank Online Database 2011

There is a significant share of unemployed workers having tertiary education in South Asia. Here we observe that the nature of unemployment, less than global rates of returns and better career prospects have led to an increase in emigration rate of tertiary educated population by 10.2 per cent in 2009. The rate is highest for Sri Lanka (having the highest literacy in South Asia) followed by Afghanistan and Pakistan (Table 4). In case of Afghanistan and Pakistan, there is evidence of conflict-induced migration as well. Many have also viewed the emigration of tertiary educated persons as a phenomenon of brain circulation rather than brain drain as these people later in their lives contribute in their native countries through reverse migration, joint ventures in their home country, transfer of technology, knowledge and ideas (Ahmed 2010).

Table 4: Emigration Rate of Tertiary Educated Population (%) - South Asia

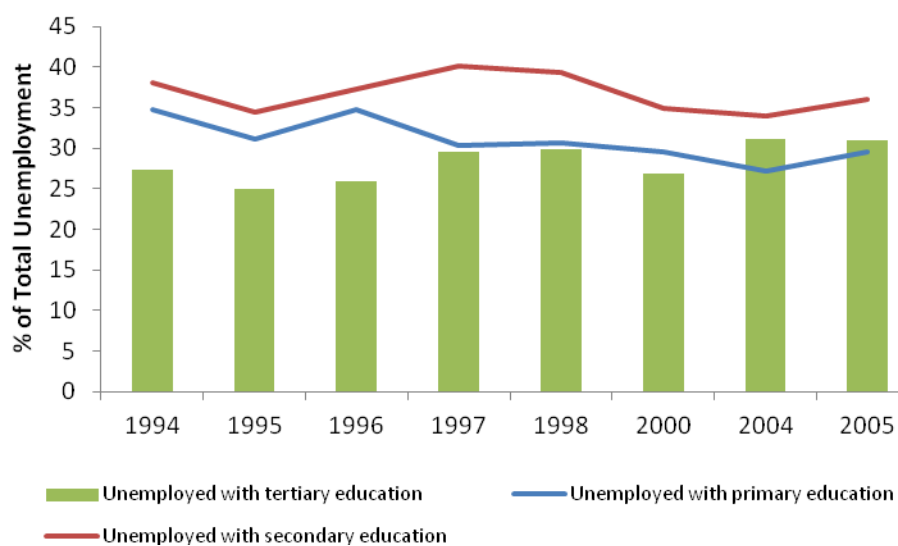
Country	Emigration rate of tertiary educated population (%)
Afghanistan	23.3
Bangladesh	4.3
Bhutan	0.6
India	4.3
Maldives	1.2
Nepal	5.3
Pakistan	12.6
Sri Lanka	29.7
South Asia	10.2

Source: World Bank 2010

### Current State of HRD in South Asia

The South Asian economies have remained slow to deregulate markets, liberalize investment and trade and provide an enabling environment for the private sector which has resulted in many educated youth not getting absorbed locally. This is depicted in **Error! Reference source not found.**, which shows the shares of educated youth by level of education. The proportion of unemployed with tertiary education has remained almost constant overtime. It is this segment that is prone to leaving home country and going abroad for green pastures where there is a higher rate of return to education.

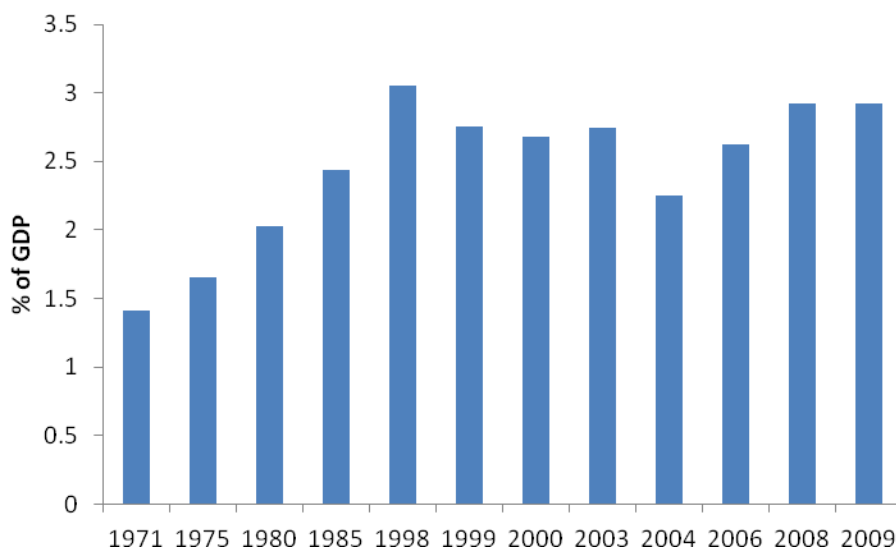
Figure 10: Educated Unemployed in South Asia (%)



Source: World Bank 2010

While there are questions raised about low budgetary priority giving to education in the budgets of South Asian governments (**Error! Reference source not found.**), however it must be flagged here that even these low levels of budgetary allocations are not absorbed fully due to governance challenges within the education sector.

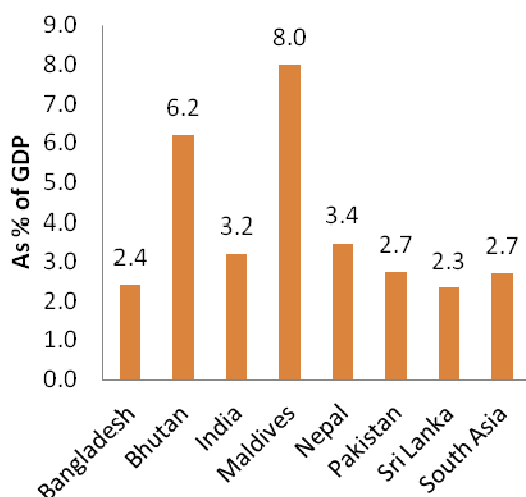
**Figure 11: South Asia Public Spending on Education- % of GDP**



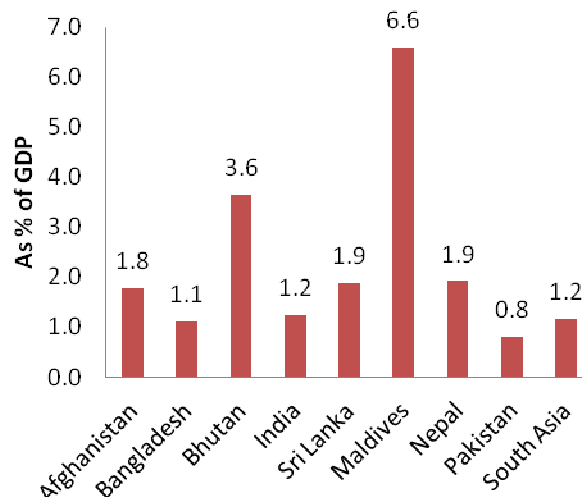
Source: World Bank 2010

There is enough data to suggest that the low level of public sector expenditure for education has prompted the private sector to step up and fill in this vacuum. There are also several studies that suggest that having private sector in the provision of education has in fact raised the quality of education in South Asia. However there are instances of market failure that suggest the dire need for public sector intervention for regions and communities that are not feasible for private sector. India, Pakistan and Bangladesh which house some of the largest populations in the world spend lower than any regional or global standards in terms of public expenditure on education (**Error! Reference source not found.**). The same situation is also observed for the health sector (**Error! Reference source not found.**).

**Figure 12: Education Expenditure – Annual Average 2005-2010**



**Figure 13: Health Expenditure – Annual Average 2005-2010**



Source: Asian Development online Indicators, 2011

Table 5 illustrates the Human Development Index (HDI) ranking of 2010 for the South Asian countries. The performance of Afghanistan and Nepal in terms of the HDI ranking has remained the same since 2000 and they ranked in 2010 at 155<sup>th</sup> and 138<sup>th</sup> respectively, which indicates there is slight or no improvement taking place with regard to human development indicators. Going forward in order to reverse these numbers this region will have to prioritize and invest prudently if it is to train and groom its human resource for international competition.

**Table 5: Human Development Index (Statistics Department 2011, UN)**

Country	2000	2005	2006	2007	2008	2009	2010	Rank in 2010
Afghanistan	...	0.3	0.3	0.3	0.3	0.3	0.3	155
Pakistan	0.4	0.5	0.5	0.5	0.5	0.5	0.5	125
Bangladesh	0.4	0.4	0.4	0.4	0.5	0.5	0.5	129
Bhutan	...	...	...	...	...	...	...	...
India	0.4	0.5	0.5	0.5	0.5	0.5	0.5	119
Maldives	0.5	0.6	0.6	0.6	0.6	0.6	0.6	107
Nepal	0.4	0.4	0.4	0.4	0.4	0.4	0.4	138
Sri Lanka	...	0.6	0.6	0.6	0.7	0.7	0.7	91
<b>South Asia</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	---

Source: UN Statistics Department 2011

Pakistan has shown slight improvement in terms of improving score and ranking from 0.4 in 2000 to 0.5 in year 2010. The case is similar for Bangladesh, which has shown only a slight improvement. The performance for India and Maldives also exhibit marginal improvements. Sri Lanka has performed far better in terms of HDI as compared to other South Asian countries due to its increased investment on human capital and more specifically on education, which has largely improved and has helped Sri Lanka increase migration and remittances from abroad.

**Table 6: Education & Literacy – South Asia (ADB indicators 2011)**

Country/Indicators	Primary education completion rate (%)	Total Net enrolment ratio in primary education (%)	Adult literacy rate (%)
<b>Afghanistan</b>	38.8	...	...
<b>Pakistan</b>	61.1	66.4	55.5
<b>Bangladesh</b>	60.5	89.6	55.9
<b>Bhutan</b>	88.5	88.4	52.8
<b>India</b>	94.8	95.5	62.8
<b>Maldives</b>	119.4	96.2	98.4
<b>Nepal</b>	70.0	73.6	59.1
<b>Sri Lanka</b>	97.5	95.1	90.6
<b>South Asia</b>	<b>78.8</b>	<b>86.4</b>	<b>67.9</b>

Source: Asian Development Bank Online Database 2011

Table 6 highlights certain education indicators for South Asian region and countries falling in its vicinity. The average primary education completion rate is 78.8 per cent in South Asian region. It is lowest for Afghanistan and highest for Maldives which is 119.4 per cent. India, Pakistan, Bangladesh, Bhutan, Nepal and Sri Lanka have shown improvement in this indicator if compared with previous periods. The adult literacy rate for South Asia as a whole is 67.9 per cent which is less as compared to other regions of the world. The highest literacy rate is recorded in Maldives, which is 98.4 per cent followed by Sri Lanka. Similarly, the net enrolment ratio is recorded highest for Maldives and lowest for Pakistan.

**Table 7 Mean Year of Schooling- South Asia- % (ADB indicators 2011)**

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Afghanistan</b>	2.16	2.25	2.33	2.42	2.51	2.60	2.74	2.89	3.03	3.18	3.33
<b>Bangladesh</b>	3.69	3.79	3.89	3.99	4.09	4.19	4.30	4.42	4.54	4.65	4.77
<b>Bhutan</b>	..	..	..	..	..	..	..	..	..	..	..
<b>India</b>	3.58	3.66	3.74	3.82	3.90	3.98	4.06	4.14	4.23	4.31	4.40

<b>Maldives</b>	3.02	3.19	3.36	3.53	3.71	3.88	4.05	4.22	4.39	4.57	4.74
<b>Nepal</b>	2.35	2.43	2.50	2.58	2.66	2.74	2.84	2.94	3.04	3.14	3.24
<b>Pakistan</b>	3.27	3.52	3.76	4.01	4.26	4.51	4.58	4.65	4.73	4.80	4.87
<b>Sri Lanka</b>	7.56	7.63	7.70	7.77	7.85	7.92	7.97	8.03	8.09	8.14	8.20
<b>South Asia</b>	<b>3.66</b>	<b>3.78</b>	<b>3.90</b>	<b>4.02</b>	<b>4.14</b>	<b>4.26</b>	<b>4.36</b>	<b>4.47</b>	<b>4.58</b>	<b>4.68</b>	<b>4.79</b>

Source: Asian Development Bank Online Database 2011

Within the education indicators the mean years of schooling is one of the important indicators used in the HDI.

Table 7 shows the position of South Asia in this context for the years 2000-2010. Every country in the South Asian region has shown improvement. Overall South Asian average was 3.6 per cent in 2000 and has now increased to 4.7 per cent in 2010. This can be attributed to the growing population and its demand for education, which national governments or private sector in South Asia step up to provide. Unfortunately, there is little statistics regarding private investment, which has gone towards education (and health) sectors.

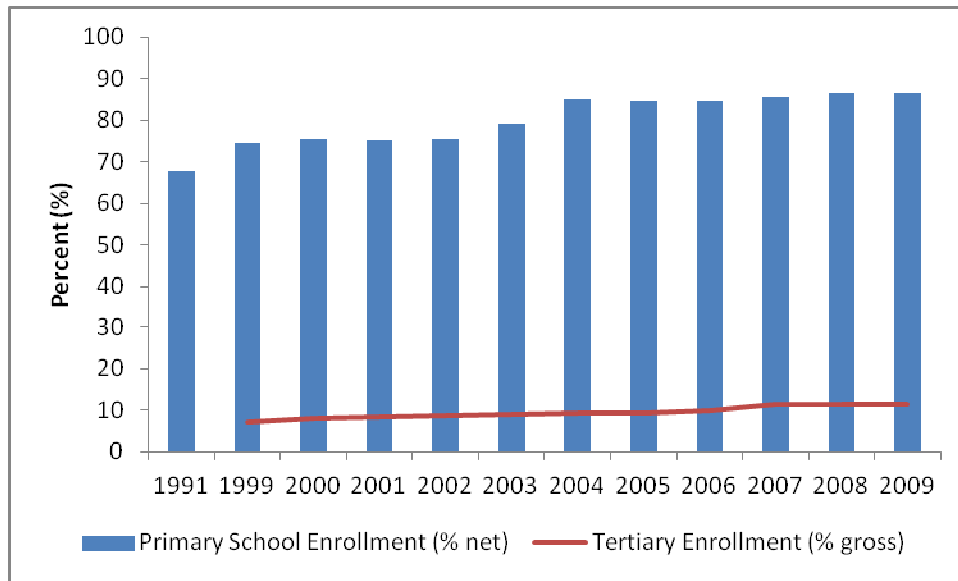
**Table 8: South Asia Pupil – Teacher Ratio (ADB indicators 2011)**

<b>Country/Indicators</b>	<b>Primary Pupil–Teacher Ratio</b>			<b>Secondary Pupil–Teacher Ratio</b>		
	<b>1990</b>	<b>2000</b>	<b>2009</b>	<b>1990</b>	<b>2000</b>	<b>2009</b>
<b>Afghanistan</b>	41.2	32.1	43.0	24.8	28.0	31.6
<b>Pakistan</b>	43.0	33.0	39.7	19.5	19.8	41.9
<b>Bangladesh</b>	63.0	47.0	43.7	27.4	38.4	27.1
<b>Bhutan</b>	...	41.1	27.7	...	32.5	20.6
<b>India</b>	46.0	40.0	40.2	28.7	33.6	32.7
<b>Maldives</b>	...	22.7	12.7	...	15.3	13.7
<b>Nepal</b>	39.2	42.6	33.3	31.1	30.2	40.9
<b>Sri Lanka</b>	29.1	26.3	23.5	19.1	19.6	19.5
<b>South Asia</b>	<b>43.6</b>	<b>35.6</b>	<b>33.0</b>	<b>25.1</b>	<b>27.2</b>	<b>28.5</b>

Source: Asian Development Bank Online Database 2011

Table 8 shows that in 1990s there was only one teacher for every 43 primary school students. By 2009, this number had come down to 33. However, the statistics were contrary for secondary schooling where the pupil to teacher ratio in fact increased. Increased students in a single class imply less of teacher's attention for everyone. This certainly impacts not only the students learning abilities, but teacher's own efficiency in terms of imparting knowledge in the most constructive manner.

Figure 14: South Asia School and Tertiary Enrollment (%)

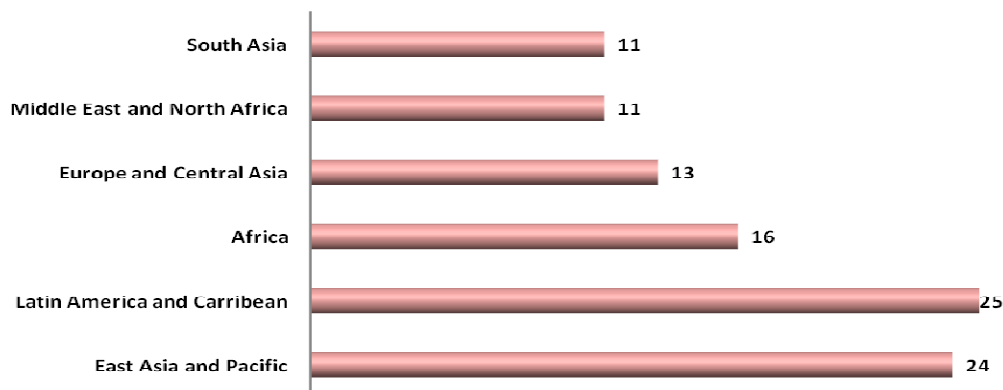


Source: World Bank 2010

It is also important to see in **Error! Reference source not found.** the wide gap that exists between primary and tertiary enrolments. In 2009, while primary school enrolment in South Asia was 86.4 per cent, the tertiary enrolment was a mere 11.4 per cent. There is wide research in this region that shows how such a gap has occurred. Primarily, this has to do with declining returns to education. The governments in this part of the world must act fast in order to reverse this trend and to bring about public policies that encourage a maximum number of students to continue education until the tertiary/professional level.

Currently the level of vocational education in the South Asian region is still very low. The position of South Asia in terms of formal training lacks far behind the other regions of the world. The rate of formal training stands at 11 per cent, whereas the same rate in Latin America and Caribbean is at 25 percent, East Asia and Pacific and Africa are at 24 and 16 per cent respectively (**Error! Reference source not found.**).

Figure 15: Formal Training by Region( %)



Source: World Bank 2010

**Table 9: Skill Development Indicators- South Asia (WCR 2011, World Economic Forum)**

Country	Higher education and training	Quality of education system <sup>9</sup>	Local availability of specialized research and training services	Higher education and training (rank)
Afghanistan	----	----	----	----
Bangladesh	126	94	127	126
Bhutan	----	----	----	----
Maldives	----	----	----	----
Nepal	131	116	133	131
India	85	39	51	85
Pakistan	123	87	97	63
Sri Lanka	62	44	46	62

Source: World Competiveness Report 2010-11, World Economic Forum (WEF)

The South Asia region still has a long way to go in improving its human capital base and this will depend on the reforms and structural changes in the areas of education which also includes the skill development initiatives. Moreover, India and Sri Lanka have shown improvement in higher education faster than the rest of the South Asia (Table 9). The poorest in this regard was Nepal.

After education and skills development indicators we look at the health performance in the region. Table 10 below shows health indicators and their performance across South Asian countries. Health imparts the level of productivity which labour needs and eroded health has ramifications in the loss of labour productivity, deprivation from education and motivational attitude towards skill development and other related concerns. The position of few selected indicators reveal that on average the total fertility rate in South Asia is around 3 births per women, prevalence of underweight children under five years is 37 per cent, under five mortality rate is 70, infant mortality rate is 51 and maternal mortality ratio stands at 361. By any global comparisons South Asia has performed poorly as regards health sector performance.

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<sup>9</sup> Imparting quality and new education with higher education means the increase in the enrolment from secondary level especially education at the college or university level.

Table 10: South Asian Health Indicators (ADB indicators 2011)

Country	Total fertility rate (births per woman)	Prevalence of Underweight Children Under Five Years of Age (%)	Under Five Mortality Rate(deaths per 1,000 live births)	Infant Mortality Rate(deaths per 1,000 live births)	Maternal Mortality Ratio(per 100,000 live births)
<b>Afghanistan</b>	6.6	39	199	134	1,400
<b>Bangladesh</b>	2.3	46	52	41	340
<b>Bhutan</b>	2.6	19	79	52	200
<b>India</b>	2.7	48	66	50	230
<b>Maldives</b>	2.0	30	13	11	37
<b>Nepal</b>	2.9	45	48	39	380
<b>Pakistan</b>	4.0	38	87	71	260
<b>Sri Lanka</b>	2.3	29	15	13	39
<b>South Asia</b>	<b>3.0</b>	<b>37</b>	<b>70</b>	<b>51</b>	<b>361</b>

Source: Asian Development Bank Online Database 2011

Why has increased labour force population not resulted in improvement in labour force participation rate? The answer primarily lies in the poor human resource standards that South Asian labour force brings to work place. With almost 40 per cent children malnourished in South Asia, it is not surprising that the participation rates are low.

## **Linking HRD, Migration and Remittances: Review of Literature**

### *a. Migration and Development*

Remittances have been known to spur development and also act in a counter cyclical manner during times of economic crises. The remittance inflows are in fact non-debt creating instrument, which are safety nets managed by families and communities (Brown 2006). The literature also recognizes that the contribution of remittances can be enhanced through conducive macroeconomic environment in countries exporting manpower, innovations in financial sector that enhance flow of remittances through formal channels and greater coordination at policy level in the context of Mode 4 of the General Agreement on Trade in Services.

There is extensive research where concerns have been raised about rising brain drain in developing countries and main causes highlighted for such trend include deteriorating economic conditions, lack of good governance and political instability (Tessema 2009). Besides this, poor remunerations, lack of professional infrastructure (in case of medical and engineering professionals) and insecurity of assets and earnings points towards major concern in developing countries Tahir et al. (2011). However, migration is now increasingly being perceived as a normal part of social transformation processes, which is contrary to the earlier view where migration was thought of as a loss of home country's human capital (Castles 2009, Rahman 2010).

### *b. HRD Strategies, Economic Growth and Migration*

The inability of most developing countries to raise a quality human resource base has been a constraint not only for growth domestically but also for mobility of labour force in the context of migration abroad. This issue has recently been highlighted as a critical constraint in the growth of India's outsourcing industry. Karuvilla & Ranganathan (2008) highlight four interrelated human resource policy challenges for outsourcing industry namely current skill shortages, inability of a country to produce higher value skills, higher levels of employee turnover and rapidly increasing employment costs.

The importance of HRD for economic growth has been highlighted in Asia to a larger extent after the booming growth of East Asian economies. It has been recognized that the acceleration of growth will require technological progress which in turn originates from increase in human capital (Quibria 1999 and Low 1998). However, increases in labour force that are a consequence of demographic changes in South Asia will not automatically imply positive changes in the quality of human capital, which is a result of upgrading of tertiary education particularly science and technology, making investment in research infrastructure in universities and a general macro and microeconomic milieu that promotes creativity, innovation and entrepreneurship.

The employment practices (including HRD culture) at firms' level also plays a crucial role in sustaining development of human capital. This is helped by the entry of multinational companies in developing countries as they bring in new technologies and practices, ultimately pushing the knowledge frontier in developing countries across the board (Lawler et al. 1995). This is also supported by on-the-job trainings, which not only address the needs of organizational changes domestically but also enable the workers to compete abroad (Osman-Ghani & Jacobs 2005).

A new stream of analysis in South Asia focuses on gender responsiveness of HRD policies and their consequent impact on domestic participation of women and their mobility abroad. Women who are skilled and have accessibility abroad (through ICT or otherwise) have been found to

prefer working abroad on account of incongruous local labour force environment, unsafe conditions in field work, discriminatory behavior of superiors and non-recognition of women's rights and roles. This has implications for migration of skilled women in particular. Excluding them from domestic participation in fact implies not giving them equal opportunities for obtaining job related skills in turn making them non-competitive abroad. For analysis of women managers in Pakistan see Alam (2009). For analysis on migration of skilled nurses from Bangladesh see Aminuzamman (2007).

Pradhan (2008) establishes an important connection of remittances and human resource development and ultimately its impact on poverty alleviation. The study uses data on 36 countries including South Asia. It concludes that increase in education has led to positive impact on migration and remittances. This has helped in alleviating poverty in the long run, improving social conditions and opportunities in the native country and has been largely associated with the positive impact on balance of payments.

### *c. Education and Migration*

Many South Asian economies represent a surplus of labour found in both rural and urban areas and at times facing under employment or unemployment. The migration opportunities present a possible outlet for this substantial surplus. This is particularly true for countries such as Afghanistan where efforts are underway to negotiate cross-border labour migration. However in order to market its labour abroad it is essential that Afghanistan (and other South Asian economies) put in place policies where the surplus pool of labour can be quickly trained and that their skills carry a global market demand. In this context private sector recruitment and employment exchange agencies can also play an important role (Pasha 2008). The higher skill level of migrants abroad significantly influences the purpose of remittances towards more productive investments in native countries (Vandean 2007).

Sward & Rao (2009) explore the link between migration and education across four villages in India and Bangladesh. Their analysis shows that although remittances were not widely invested in education however education helped the mobility of local villagers. The authors recommend expanding programmes to improve schooling in rural areas particularly improving state of school facilities, provide training to teachers, and ensure scholarships for children belonging to poor households. Deshingkar et al. (2006) also explain how lack of skills, education and social networks prevent workers from breaking away from indecent jobs. The skill level is positively associated with wage level. Additional efforts towards reforming public policy in education and health are required for helping human development and migration of women and households from lower castes. For India's case see also Chisti (2007). For Nepal's case see Bhattarai (2005) and Adhikari (2009).

For Nepal, Bhadra (2007) show how educational profile of migrants has changed overtime. In the past the instances of illiterate migrants going abroad particularly to Middle East was common. However currently it is common to see migrants going for same jobs who are endowed with primary and at times secondary schooling.

Arif (2009) in a study on Pakistani migrants in Saudi Arabia shows that skill composition has not changed overtime and unskilled workers remain the dominant category. Second the educational level of migrants is higher than national average. Around three-quarters of migrants were employed domestically prior to their migration. The personal savings of migrants was the major source of financing the migration process as 37 per cent went through recruitment agencies while other were helped by their relatives or associates. These findings point towards an

important observation i.e. more educated labour force is now available to compete for even low-skill jobs abroad.

Sharma (2008) shows for South Asia that lack of basic primary education reduce chances of recruitment abroad (some developed countries have also put strong language requirements to qualify for visa). The poor (and non-educated) migrants are more likely to be victims of fraud and exploitation in sending and receiving countries.

Sinha & Chaudhuri (2007) show for Bangladesh that public policy needs to be geared towards synchronizing educational schools with training institutes and universities so that global labour demand can be targeted and internationally relevant education is provided. An equal emphasis should be on language proficiency at school level. ADB (2005) shows that education levels of migrants influence their justification and duration abroad and also influences behavior and manner in which money is remitted.

### **Econometric Investigation**

In this study we have carried out panel data analysis of how remittances are influenced through HRD variables in South Asian economies (Bangladesh, India, Pakistan and Sri Lanka). Our basic model specification is as follows.

$$R = \alpha_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \varepsilon_i \dots\dots\dots(1)$$

Where: R=Remittances as % of GNI, X1 = Infant Mortality, X2 = School enrolment, primary (% of gross), X3 = School enrolment, tertiary (% of gross), X4 = Real per Capita GDP, and X5 = Credit to Private sector % of GDP.

The main HRD and socio-economic indicators which influence the flows of remittances are considered including health, education, business environment in the native country, living standard in their native country and credit instruments (as an indicator for exercising freedom of enterprise). Similar specification is found in Cordova (2006).

In our data there seems to be high correlation of secondary school enrolment with primary school enrolment, mortality rate and real per capita GDP, therefore in order to avoid the problem of multicollinearity we drop this variable. Table 11 shows the OLS estimates of our model. Findings show that higher infant mortality negatively impacts remittances and results are statistically significant.<sup>10</sup> In case of education, primary school enrolment has negative impact on remittances whereas tertiary school enrolment has positive impact. The results are significant and are in line with the findings of (Clark & Drinkwater 2001). The labour force with higher education is more likely to contribute towards remittance inflows.

Real per capita GDP negatively impacts remittances, which implies that increase in real per capita GDP will result in more jobs at home which in turn will increase labour demand in home country. The result is significant and in line with the findings of Blue (2000) that low income in the native country positively influenced (migration) remittance flows. Credit to private sector as percentage of GDP has positive impact on remittances inflow which implies that those who migrate have access to financial markets. This also means that a well established financial system helps the mobility of labour inside and outside of one's country.

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<sup>10</sup> Ernesto Lopez- Cordova (2006) also find the negative relationship between remittances and infant mortality.

**Table 11: Ordinary Least Square Estimates**

Remittances (as % of GNI)	Coef.	Std. Err.	t	P>t
Infant Mortality Rate	-0.03	0.00	-8.1	0
Primary School enrollment, (% gross)	-3.73	0.24	-15.7	0
Tertiary School enrollment, (% gross)	0.59	0.15	3.9	0
Real per Capita GDP	-0.20	0.08	-2.6	0
Credit to Private sector % GDP	0.49	0.09	5.6	0
Intercept	19.33	1.57	12.3	0
No of Observations = 152				
R – Square = 0.81				

Due to the simplistic nature of the model there is chance that it may distort the true relationship between the exogenous and endogenous variables. Therefore, to take account of this problem we will apply Least Square Dummy Variable (LSDV) model or Fixed effect Model. The LSDV model is specified as:

$$R = \alpha_1 + \alpha_2 D_{2i} + \alpha_3 D_{3i} + \alpha_4 D_{4i} + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \epsilon_i \dots (2)$$

Where  $D_{2i} = 1$  if the observation belongs to India, 0 otherwise;  $D_{3i} = 1$  if the observation belongs to Pakistan, 0 otherwise; and  $D_{4i} = 1$  if the observation belongs to Sri Lanka, 0 otherwise. Since we have four countries, we have used only three dummies to avoid the dummy-variable trap (i.e., the situation of perfect collinearity). Hence there is no dummy for Bangladesh. In other words,  $\alpha_1$  represents the intercept of Bangladesh and  $\alpha_2$ ,  $\alpha_3$ , and  $\alpha_4$ , the differential intercept coefficients show by how much the intercepts of India, Pakistan, and Sri Lanka respectively differ from the intercept of Bangladesh. In short, Bangladesh becomes the benchmark for comparison among the countries.

**Table 12: Least Square Dummy Variable Model**

Remittances (as % of GNI)	Coef.	Std. Err.	t	P>t
D2	-0.43	0.14	-3.13	0.00
D3	0.40	0.32	1.23	0.22
D4	1.78	0.71	2.50	0.01
Infant Mortality Rate	-0.01	0.00	-2.78	0.01
Primary School enrollment, (% gross)	-3.31	0.29	-11.38	0.00
Tertiary School enrollment, (% gross)	1.29	0.26	5.02	0.00
Real per Capita GDP	-0.83	0.37	-2.24	0.03

Credit to Private sector % GDP	0.69	0.16	4.36	0.00
Intercept	20.93	2.78	7.52	0.00
No of Observations = 152				
R- Square = 0.86				

Table 12 shows the results of LSDV model and comparing it with the OLS regression results discussed earlier, it shows that all the coefficients are individually highly significant. The intercept values of the four countries are statistically different. For instance, in case of Bangladesh, the intercept is 20.93 and for India, 20.5 (= 20.93 + -0.43) for Pakistan, 21.32 (= 20.93+0.40) and for Sri Lanka 22.70 (= 20.93 + 1.78). The differences in intercepts may be due to unique feature of each country, such as differences in education and skill development facilities across countries.

### Survey Results

The main purpose for carrying out a perception survey for this study is to gauge the impact of direct and indirect contribution by South Asian migrants in home country. We also wanted to know if: a) increased literacy rate, improved qualification and better health standards helped in increasing the amount of remittances sent back home? b) What are the measures that may be taken in order to provide prospective migrants market-oriented skills which have global demand?

### Survey Methodology

The survey was initiated after finalizing a structured questionnaire in collaboration with the SAARC Human Resource Development Centre (SHRDC). After piloting the questionnaire, it was circulated amongst migrants from South Asian countries via dedicated web portal. All respondents in the survey were requested for information and data within one month of the receipt of the questionnaire and a through follow up was maintained. A total of 119 valid responses were received from all the member states of South Asian Association for Regional Cooperation (Saarc) which were analyzed with key findings given below. While interpreting the results of this study caution may be observed as this is a perception survey which was primarily sent via email to those who were computer literate and had access to internet facility. indicates the number of responses received for each country.

TABLE 13 indicates the number of responses received for each country.

**TABLE 13: Overall Survey Responses**

Country	Total Responses
Afghanistan	10
Bangladesh	13

Bhutan	10
India	20
Maldives	10
Nepal	19
Pakistan	26
Sri Lanka	11
<b>Total</b>	<b>119</b>

The key results from survey are given below:

- About 88% reported sending part of their incomes in remittances back home while 12% do not send any amount to their native country.
- In terms of age composition, around 15% of respondents fell between 18-25 years of age, 59% were between 25-40 years and 26% were more than 40 years of age. In terms of their marital status around 61% are married while the rest are single. About 72% of total were living abroad with their families while for the rest the families were in native countries.
- The experience profile of the respondents was such that 42% of the individuals had worked less than five years i.e. they were recent migrants. Around 23% had foreign experience of 5-10 years, 20% reported between 10-15 years and 15% reported over 15 years of experience.
- About 54% of the respondents indicated monthly incomes of over \$2000, 12% were between \$1500-\$2000, 10% between \$1000-\$1500, 11% between \$500-\$1000 and 13% less than \$500.
- About 56% of the respondents showed that remittances have helped in supplementing household income in home country, 10% reported investing in some form of business in their home country, 10% reported constructing of residential property in their home country, 15% indicated spending the money to improve quality of children education and 8% had mixed reaction.
- About 45% of the respondents believed that education has been the key factor in their obtaining an employment abroad, 24% reported that home country (vocational) certification helped to start a business in foreign country, 18% reported better scholarship opportunities abroad due to their educational endowment in home country and 13% believed that their education in home country had no relation with what they were presently doing in a foreign country. This is an important finding as 45% migrants attached high importance with education take-up. Most of the 13% who did not believe that education had played any role were those who had qualifications but were doing some job which was less than their educational stature. These included for example taxi drivers from South Asia working in gulf countries, most of whom had an upper higher secondary qualification.
- About 87% respondents reported no illness during the past 12 months. Migrants who have high health standards in their home country manage to make it to the greener

pastures abroad. There are strict health controls for employees abroad and usually foreign employers only employ a South Asian worker once he or she is cleared by medical experts. A healthy population therefore implies greater number of prospective manpower available to work in and out of the country.

- While there may not be significant illnesses, usually population in South Asia is marred with short term illnesses originating due to weak immune system and nutrition standards compared to other parts of the world such as Latin America and in some cases even Africa. So for example 6% of total respondents believed that they lose near to 7 working days a year due to temporary illnesses, 7% reported between 7-30 days of illness annually, 2% reported more than 30 days while 86 % reported nil – many of whom did not remember their precise reasons for absenteeism.
- About 10% of the respondents believed that remittances have helped them in reducing inequality back home, 6% reported that remittances provided their households increased opportunity for improving skill and education profile back home, 11% reported that remittance inflow had helped to improve the societal profile of their household (which in turn impacts for example children's schooling and marriage decisions). Similarly 3% reported that savings from remittances helps them to perform religious rituals like Hajj. Around 5% save their incomes for ultimately settling in their home country but migrating along with family from village to urban areas, which may entail costs on for example housing. Around 55 % reported securing an overall better standard of living (without any reference to a particular benefit). Around 8% of remitting migrants reported that they could now make some charity which was not possible earlier. Around 3% were conscious of the fact that remittances have pulled their household from below to above the poverty line.

Our findings indicate that most of South Asian Diaspora recognizes that education, skills and health endowment played an important part in their securing a job opportunity abroad. Furthermore, there was a realization (as suggested by anecdotal evidence in the survey) that migration should not be viewed as brain drain. Rather the governments in South Asia should frame public policies to facilitate easy mobility of labour inside and outside in order to strengthen what many migrants termed as 'brain circulation'. This is because many felt that they had contributed to the welfare of their household and country by sitting abroad in a manner which is higher in magnitude and more versatile if compared to their contribution while they were in their home country.

It is important to note that many contributions by the migrant workers (in their home countries) were termed non-monetary. For example some reported having introduced a new technology or its usage in their village. Such kind of technology, knowledge and ideas transfer is usually not reported in quantifying the true benefits of brain circulation. Similarly many South Asian migrants reported that job conditions were very competitive abroad and they feared losing jobs in the face of a prolonged global recession. In order to safeguard against such fears they wanted to start a business in their home country to which they could devote full time at a latter stage once they return back. However given the overly regulated business environment, presence of cartels and complicated procedures of doing business in South Asian countries, it was increasingly becoming difficult to even think in this direction. Some respondents even reported actual examples of their friends who tried to move back to their home country with genuine business ideas and capital of their own, however the lack of facilitation from the public sector and existence of strong monopolies at the private level forced them to abandon their idea and return back.

## **Conclusion and Policy Recommendations**

This study has tried to document linkages between HRD, migration and remittances in South Asia. The results of our qualitative and quantitative exercises suggest that increased stock and quality of HR leads to growth in remittances, which in turns help developing economies in augmenting the balance of payments. We have also explained in detail the various channels through which HRD promotes migration and remittances and a case has been made not to consider this process as brain drain rather it should be viewed by public policy practitioners as brain circulation which can in turn result not just in increased foreign exchange reserves but also increased prospects for transfer of technology and creative ideas.

Econometric results suggest that infant mortality, gross primary school enrolment and real per capita GDP have negative relationship with remittance inflows in South Asia, whereas gross tertiary school enrolment and credit to private sector has positive relationship with remittances in these countries. The result indicates that higher levels of education facilitates mobility of labour and allows better opportunities for working abroad. Furthermore we have applied fixed effect model to study the difference in the relationship between endogenous and exogenous variables among four economies and found a slight deviation in intercepts which may be attributed to unique features (e.g. available HRD facilities) across countries. Our findings from the perception survey also validate that South Asian Diaspora recognizes the importance of HRD in their success abroad.

South Asia is still exporting in large quantities unskilled and semi-skilled workers. Only if these workers can be further equipped with life skills through an improved HRD regime – can they become a greater source of advantage not just by remitting value-added sum from abroad but also in terms of knowledge and technology transfers. It is ultimately the transition from production-led to ideas-led economy that sustains economic growth across several decades.

Going forward and in order to help the vast number of poor living in this region, South Asian governments must deliver on the promises they have established towards MDGs. Several of these goals address a common objective i.e. improvement in HRD. This report has shown that despite of rising economic growth in South Asia and to some extent improvement in social sector indicators, this region is far behind in terms of global indicators in productivity and competitiveness.

Given the youth bulge in the region, most countries will see a faster growth in labour market entrants. The growth in domestic economy will not be enough to absorb the growing stock of labour force. This implies that South Asian workers will have to compete with global labour force in order get placements abroad. Strategies for promotion of HRD should include education and health interventions, active labour market strategies and skill development initiatives. This in turn facilitates mobility of labour which is by far the most important element towards realization of personal freedom and aspirations.

There are also prospects for a regional approach towards improvement in HRD. South Asian countries are producing home grown solutions to local predicaments which need to be shared across the region. Initiatives such as South Asia University and SAARC Human Resource Development Centre should be promoted and strengthened. The region currently has low levels of intra-regional movement of labour which needs to be addressed. Even small measures such

as liberalization of visa regime in South Asia can enhance connectivity between people and places. Cross-border skill development initiatives can greatly reduce the cost and increase the knowledge about occupational opportunities.

South Asia also needs a collective voice when it comes to negotiating movement of labour and rights of migrants abroad. Currently workers from this region (particularly unskilled workers) are living in foreign countries under a constant fear of harassment from foreign entry and exit regulations. Most of these workers are not fully aware about their rights and entitlements. Such a regime can only be changed through a collective intent and voice. These issues must be taken up on priority during the SAARC summits. The civil society and related stakeholders will also have to play a pro-active role in order to mount the pressure on national governments to promote the basic rights of workers and facilitate their internal and external movements.

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