

Financial Crisis and Coping Strategies of Migrant Households in Pakistan

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Introduction: Motivation

- Financial crisis has adversely affected
 - ✓ international labor demand and even caused lay offs
 - ✓ 59 million workers have lost their jobs
 - ✓ 6 percent remittances have declined
- Pakistan has a long history of international migration to different parts of the world
 - ✓ 4.6 million during 1971-2008

Motivation

- About half of them
 - ✓ Gulf Cooperation Council (GCC), with a concentration in
 - Saudi Arabia (27.7 percent) and
 - United Arab Emirate (12.6 percent)
- How can we expect that no worker from Pakistan will be laid when firms by the dozens are shutting off daily, with daily lay offs of employees being in hundreds if not in thousands in GCC

Motivation

- Migrant workers who lost job but
 - ✓ continued to stay were estimated to be 41000
 - (2 percent of total emigrant stock) and
 - ✓ those returned were estimated to be 64000
 - (3 percent of total emigrant stock)
- Flow of remittances from GCC countries substantially declined and
 - ✓ increase in remittances was 17 percent in 2009-10 as compare to 34 percent in 2008-09

Motivation

- Importance of remittances and overseas migration
 - ✓ Enhancing Investment, BOP Support, Building Foreign Exchange Reserve
 - ✓ Reduce Poverty, Smooth Consumption
- Decline in remittances and lay off of migrant workers
 - ✓ adverse impact on economy both at micro and macro level
- In this context, it is important to analyze coping strategies adopted by crisis affected emigrant and return migrant households

Objective

- The objective of present study
 - ✓ To identify the coping strategies undertaken by
 - Emigrant Households and
 - Return Migrant Households
 - to mitigate the adverse effects of financial crisis

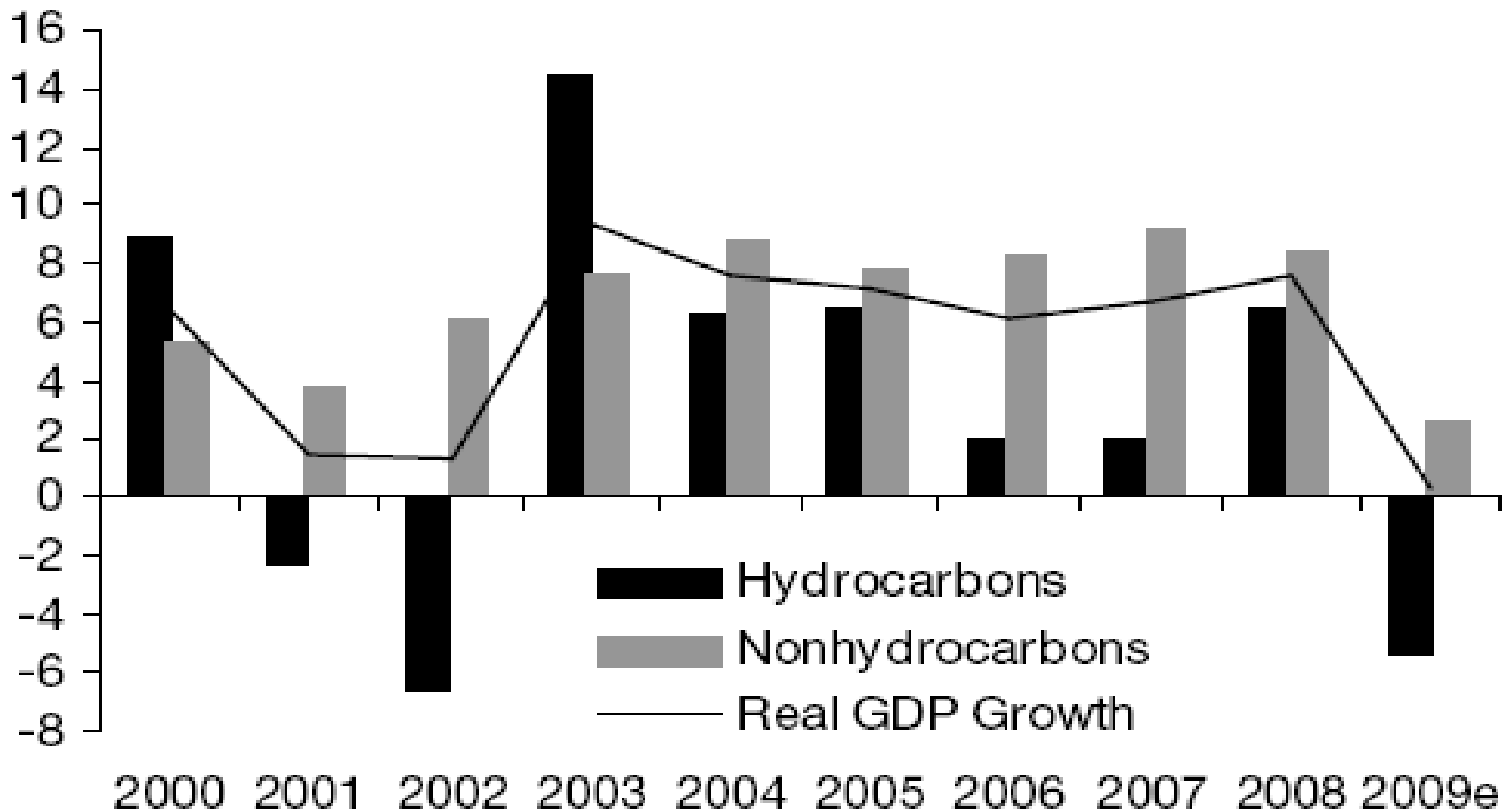
Financial Crisis in GCC

- The effect of the crisis has been slow to manifest in the GCC than in the most developed economies.
 - ✓ Large current account surpluses,
 - ✓ public funded banking sector and
 - ✓ huge trade surplus due to the export of oil were their basic strengths that
 - shielded the GCC economies from the adverse impact during the initial days of the crisis
- However, there are indications from various sources that the GCC economies began to feel the impact of global crisis since the last quarter of 2008

Financial Crisis in GCC

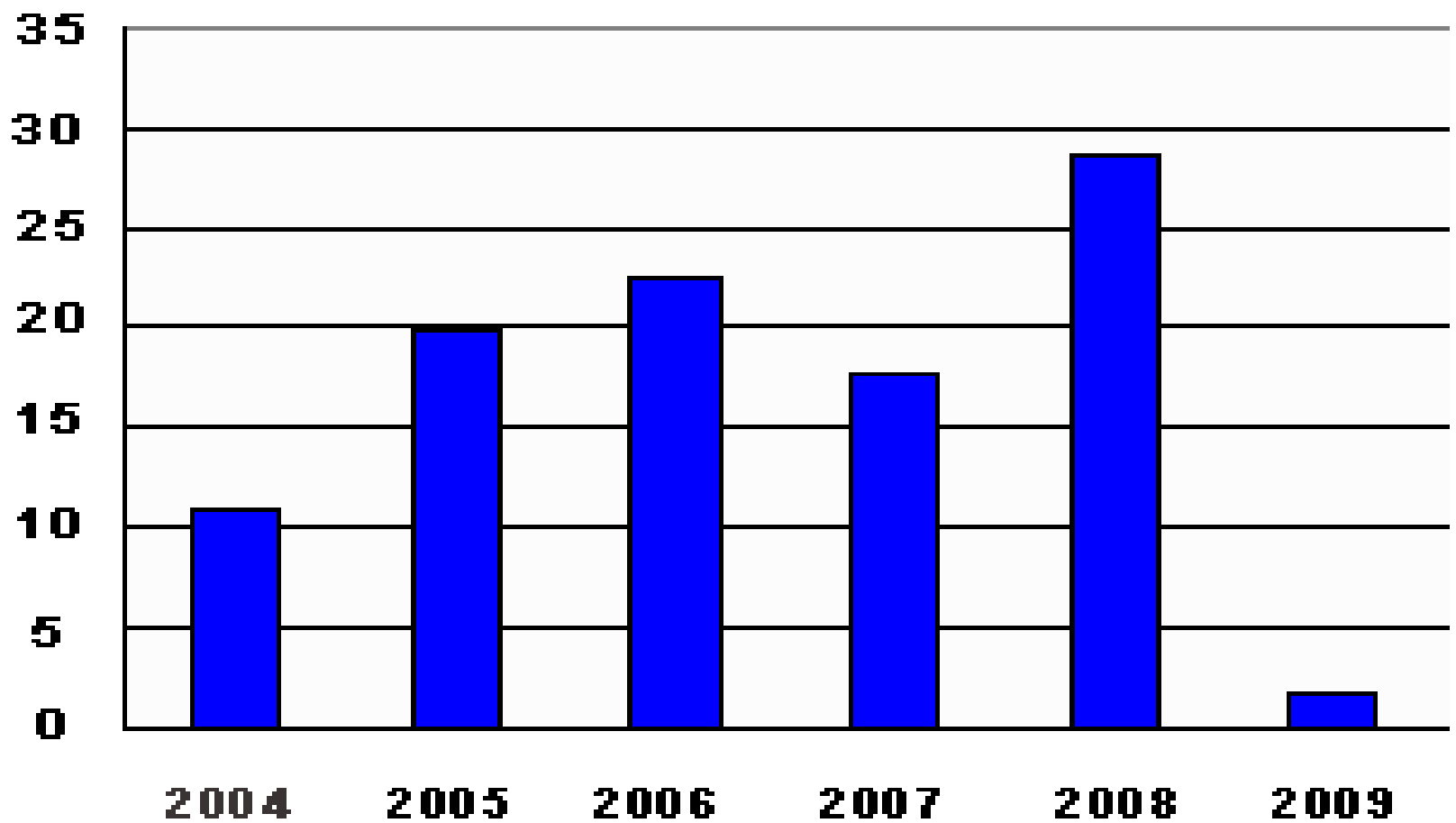
GCC: Real GDP Growth

percent



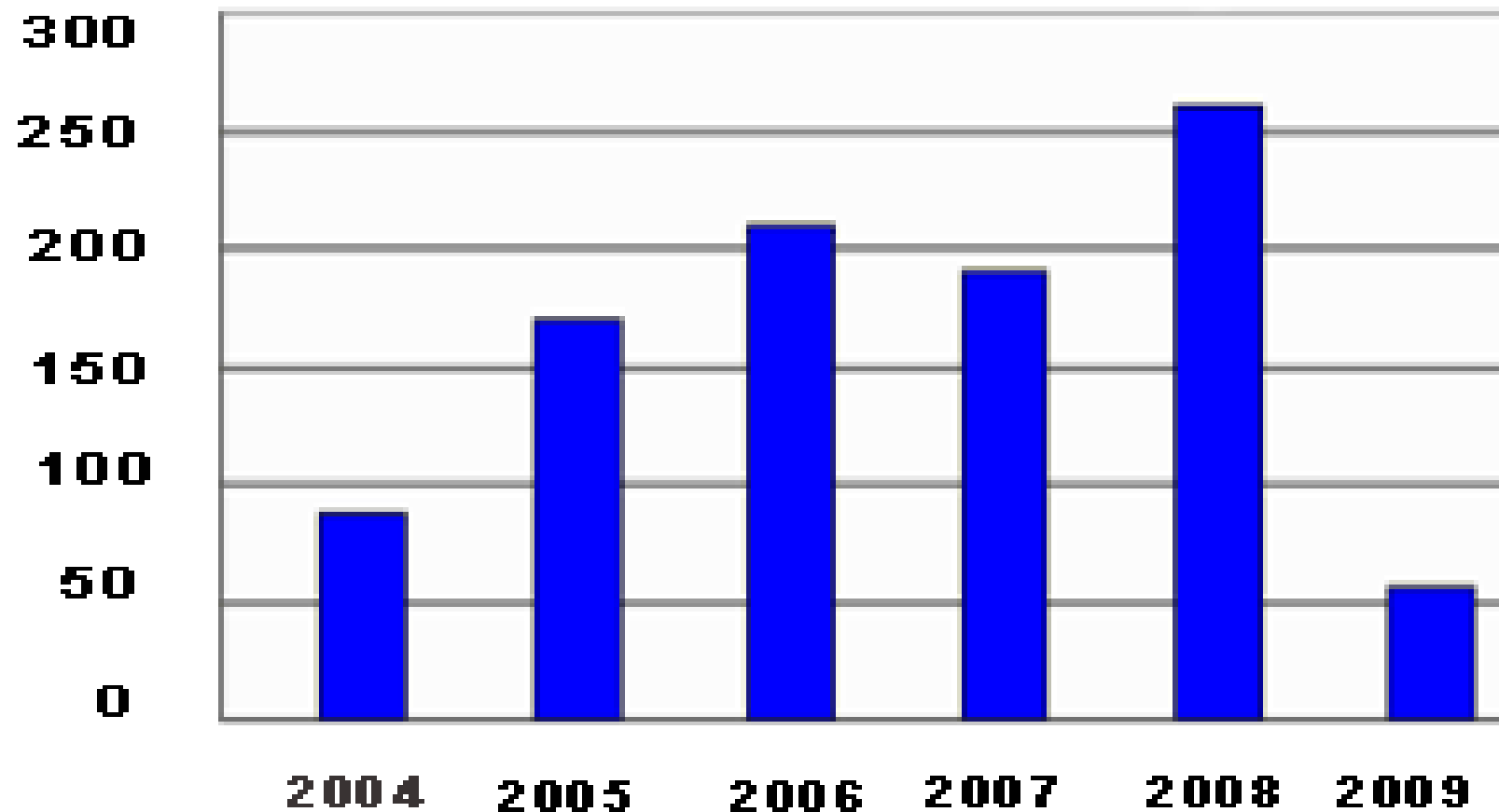
Financial Crisis in GCC

Budget Surplus (+)/Deficit (-) as % of GDP



Financial Crisis in GCC

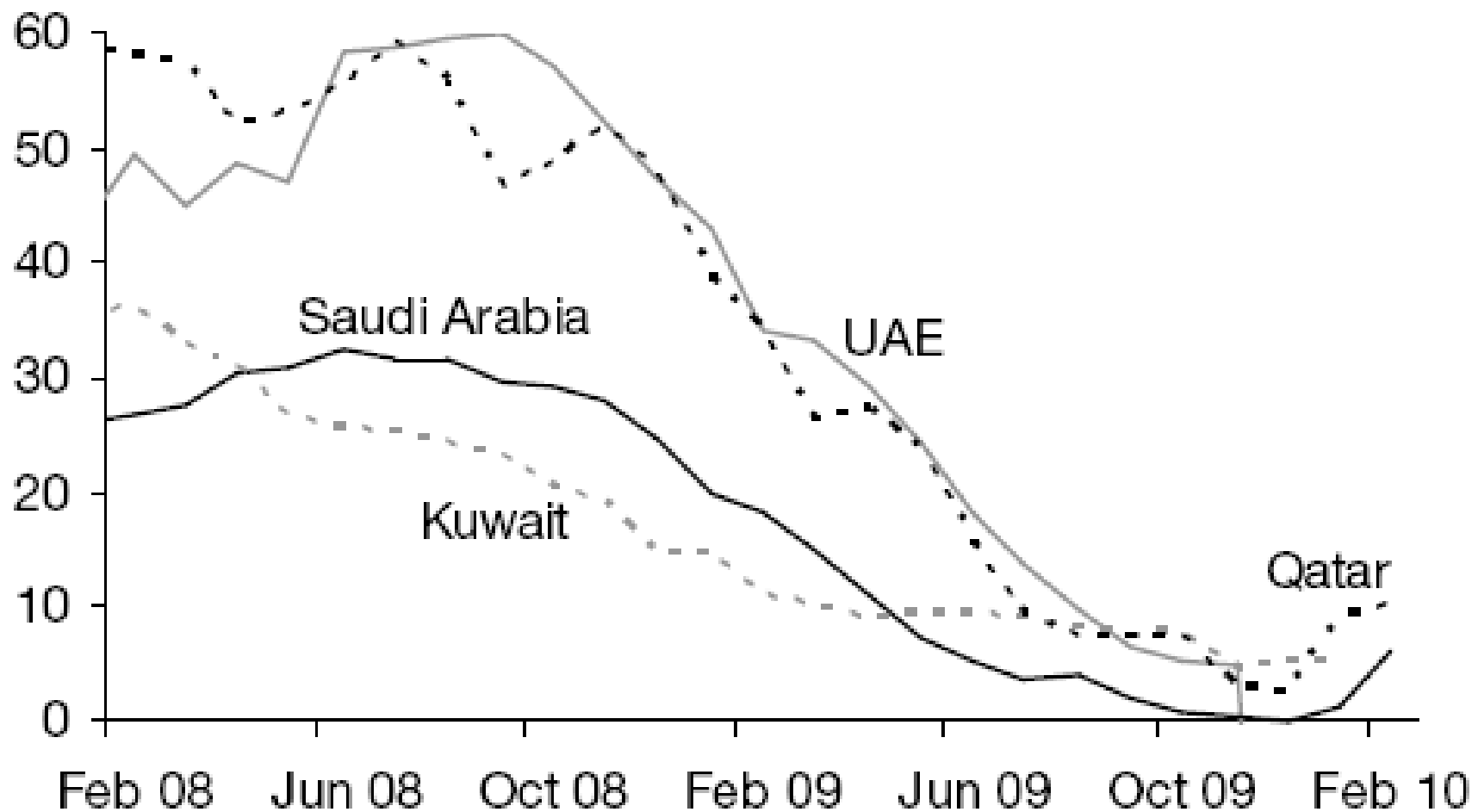
Current Account Surplus/Deficit (US \$ Billion)



Financial Crisis in GCC

Credit to the Economy

percent change, y/y



Financial Crisis in GCC

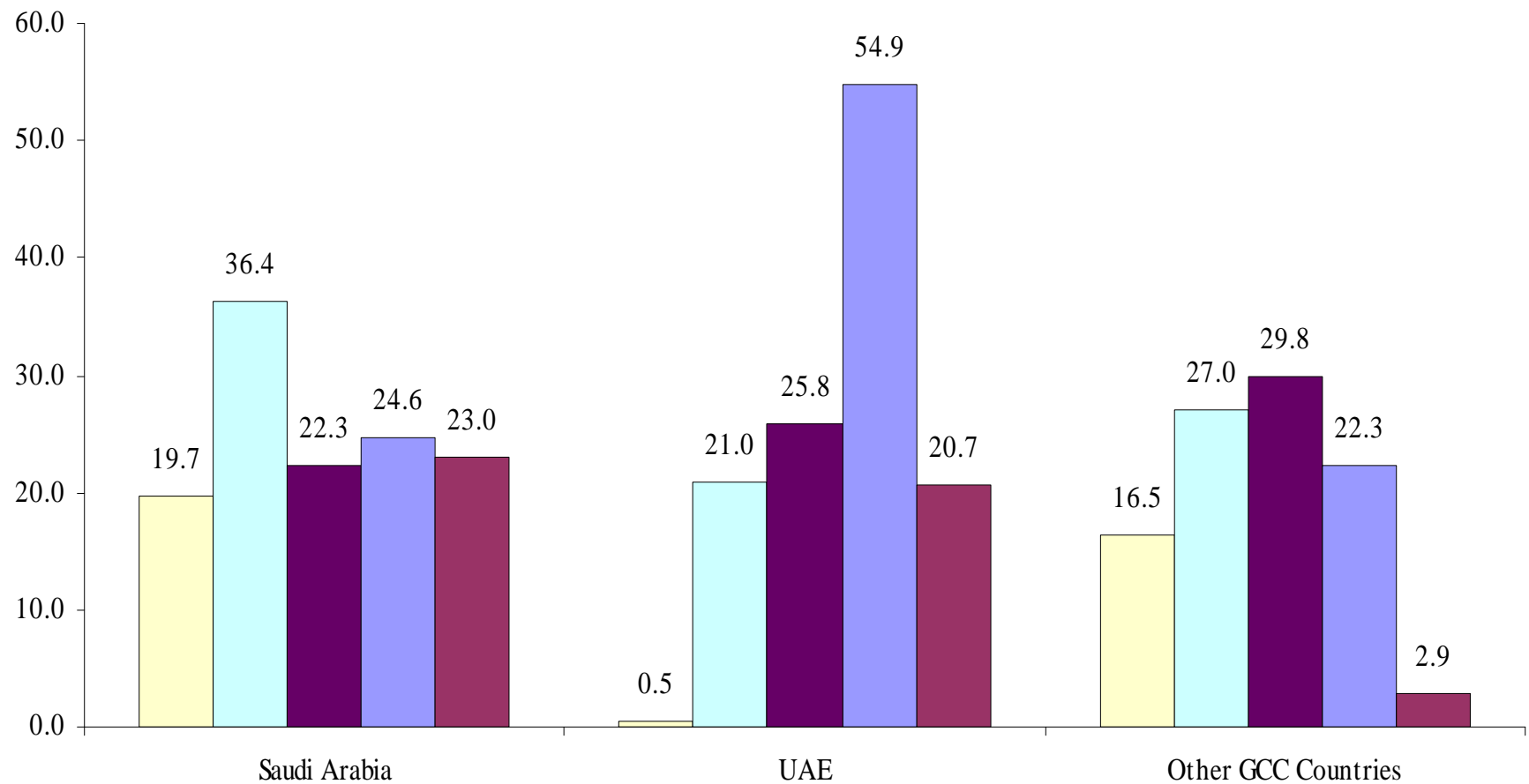
Projects on Hold or Cancelled

	<i>\$ billion</i>		% On Hold or Cancelled from total
	Originally Planned	On hold or Canceled	
Bahrain	40	6	15
Oman	50	7	14
Qatar	180	12	7
Kuwait	260	40	15
Saudi Arabia	630	60	10
UAE	900	350	39
GCC	2060	475	23

Impact on Remittances

Growth rate of worker remittances

FY-06 FY-07 FY-08 FY-09 FY-10



Transmission channels of Financial crisis and Household Responses

Global Economic Crisis



Household responses

- **Increase disposable income**
 - Labor supply
 - Dissaving/borrowing
 - Informal safety nets
 - Formal safety nets
- **Reduced household expenditure**
 - Durable goods
 - Food
 - Education/health
 - Insurance
 - Other

Choice of Coping Strategy

- Choice of coping strategy, depending on their
 - ✓ personal situation in their countries of origin and destination, and on their
 - ✓ families' dependence on remittances
- In general, the following strategies are used:
 - ✓ migrants either stay where they are, deplete their savings, and start looking for jobs in other economic sectors; or
 - ✓ Return to their country of origin and take part in reintegration and requalification programs.
 - ✓ Despite retrenchment and unemployment, most migrants avoid returning to their home countries for fear of a worsening economic situation in home country

Data and Methodology

■ Household survey data

✓ *Household Survey of Emigrants (HSE)*

- This survey was conducted among the households which have at least an emigrant currently in the Gulf but lost job due to financial crisis.
- The survey was canvassed among 50 households

✓ *Household Survey of Return Migrants (HSRM)*

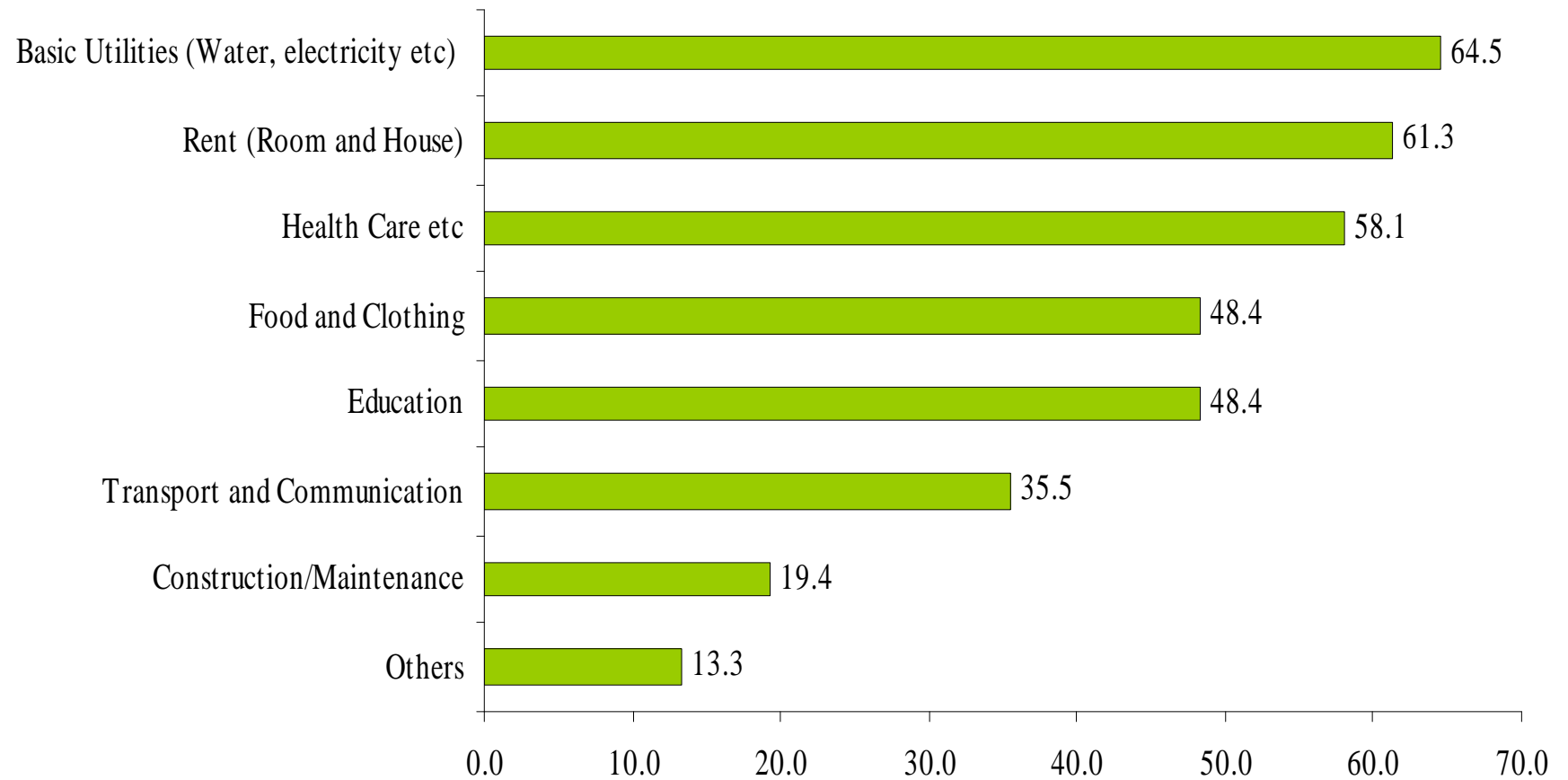
- This survey was conducted among the emigrants who lost their jobs and were forced to return home because of the financial crisis in the Gulf

■ Methodology

✓ Descriptive statistics

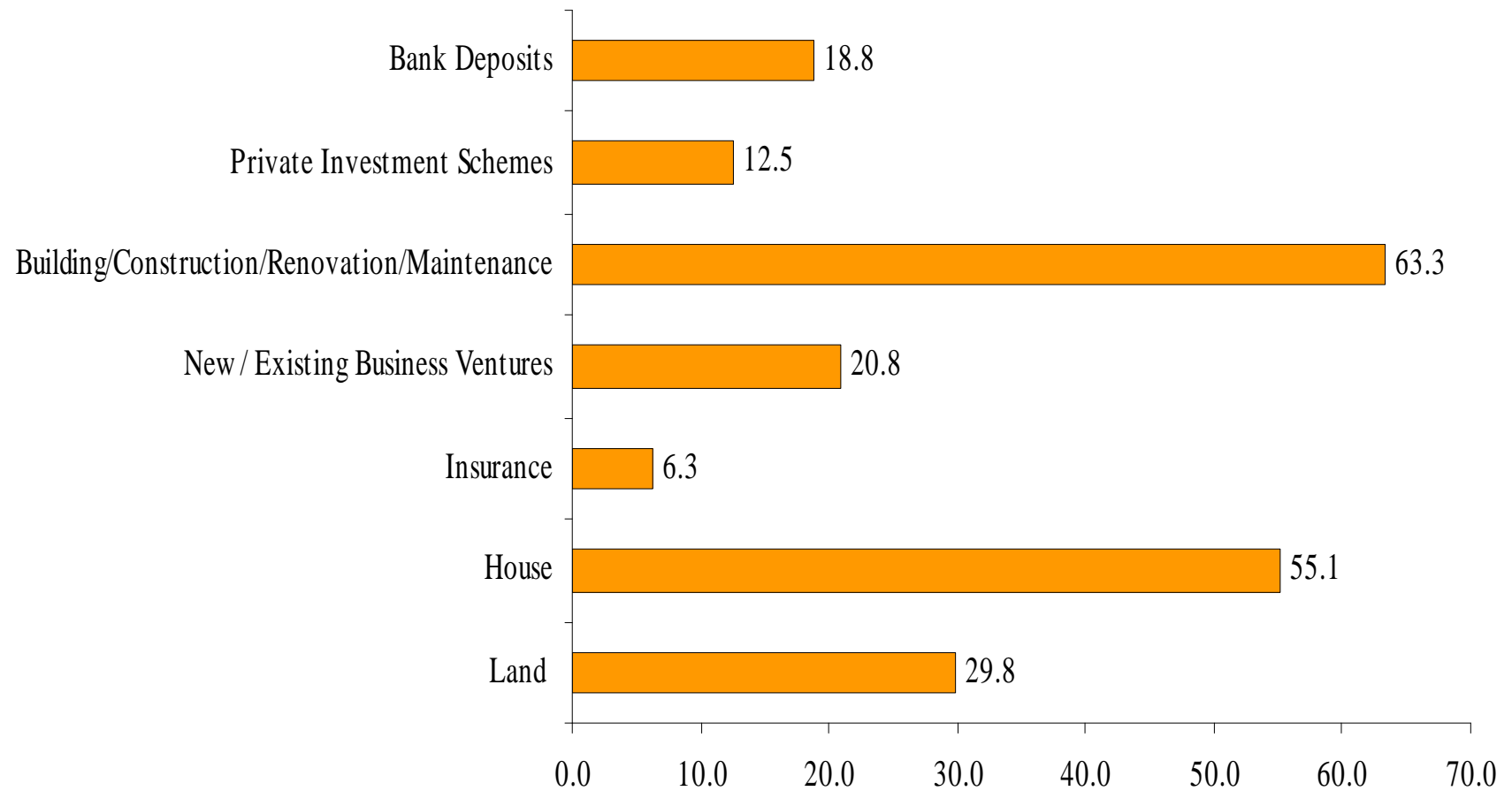
Results from HSE

Decrease in Consumption Expenditures



Results from HSE

Postponement of Investment among Emigrant Households

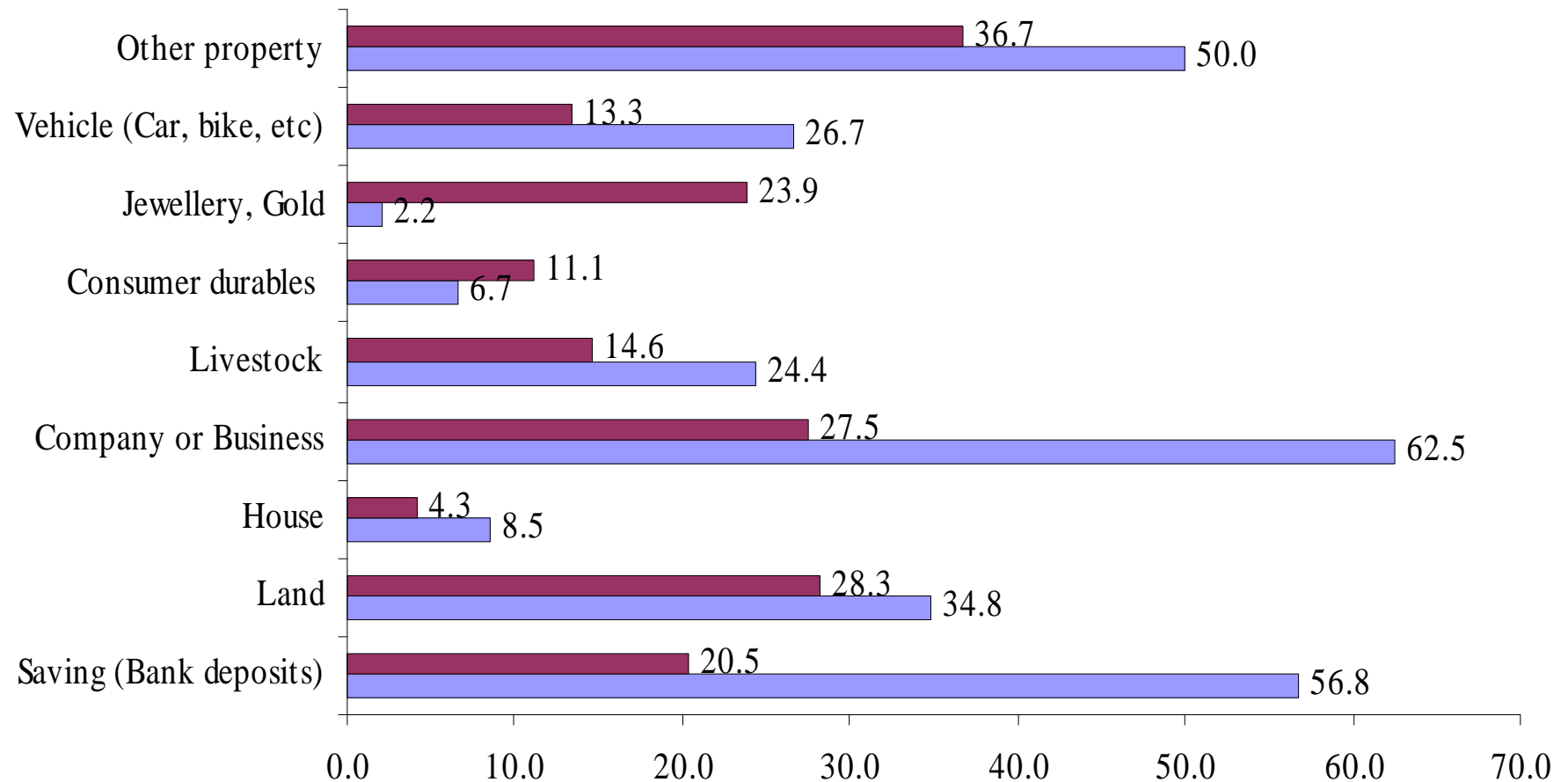


Results from HSE

Income Increasing Coping Strategies

Sold

Pawned



Results of HSRM

Employment Status before and after return

Particulars	Self Employed	Regular salary/wage paid employed	Casual wage Labor	Unemployed
Present status	31.4	21.6	11.8	35.3
One month after return	12.0	0.0	0.0	88.0
Two weeks prior to return	7.8	23.5	5.9	62.8
Six months prior to return	7.8	60.8	27.5	3.9
More than six months prior to return	9.8	60.8	29.4	0.0

Results of HSRM

Consumption pattern before and after return

Items	Before return exp	After return exp	% age declined in exp
Food expenses	6137	5557	9.5
Education	1030	1293	-25.6
Basic Utilities (cloth, fuel, rent, elect, water and transp)	4302	4043	6.0
Entertainment	380	287	24.6
Savings of any form	1596	180	88.7
Debt repayment	6537	2145	67.2
Construction of house etc	10839	3750	65.4
Any other expenses not classified above	527	25	95.3
Total expenditures	31347	17280	55.1

Results of HSRM

Coping with Unemployment after Return by Return Migrants

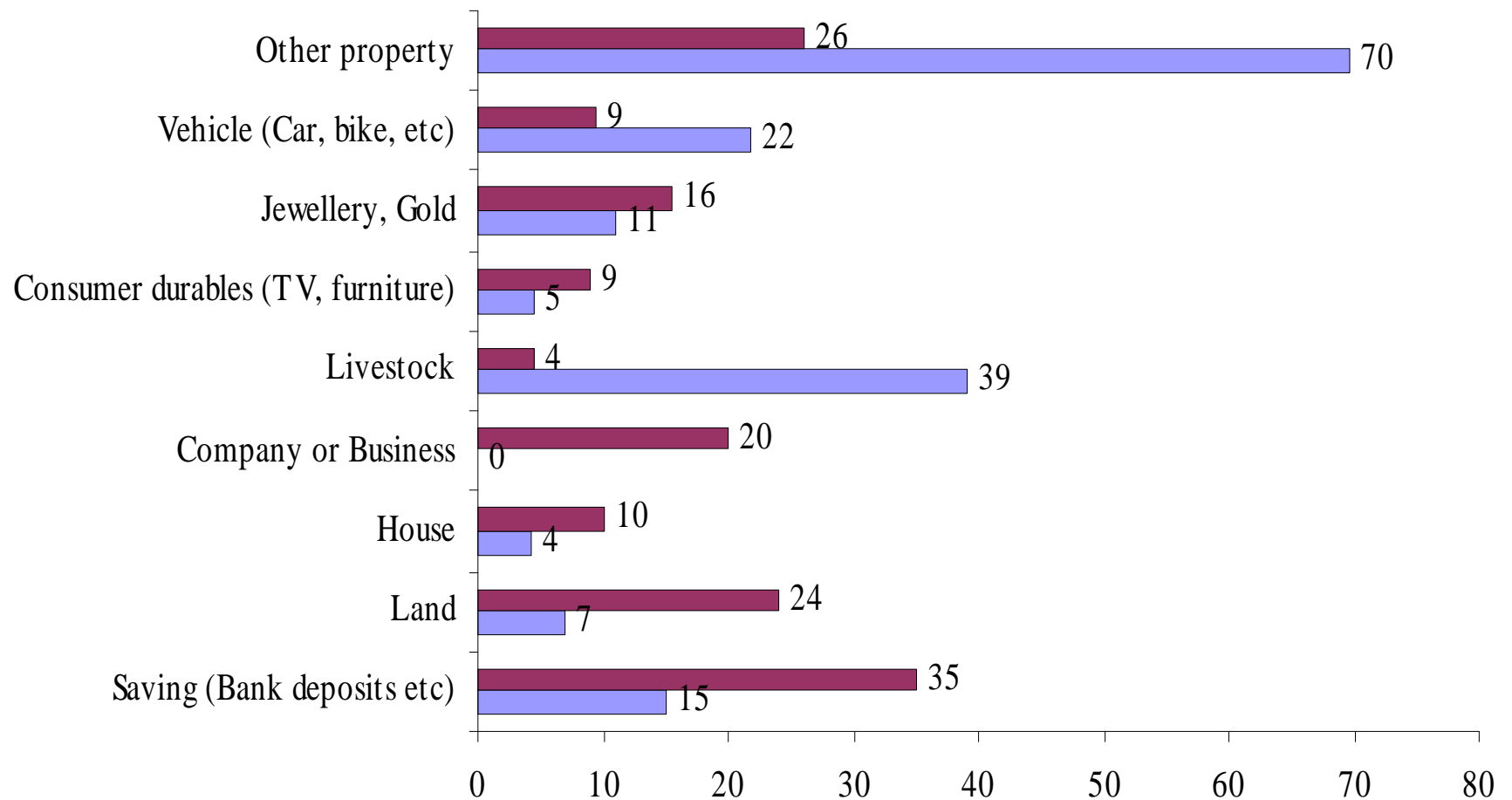
	Two weeks prior to return	One month after return	Present status
Lived in Past savings	56.3	43.2	44.4
Borrowed to stay on	37.5	38.6	16.7
Depended other earning members of the household	6.5	18.2	38.9

Results of HSRM

Income Increasing Coping Strategies

Sold

Pawned



Concluding Remarks

- Crisis affected migrant households tried to cope with income shocks by
 - ✓ increasing disposable income or
 - ✓ by decreasing household expenditures.
- Household relied on a portfolio of strategies rather than a single strategy to cope with crisis
- The most common set of strategies adopted by emigrant households and the return migrant households during the crisis involved reducing household expenditures

Concluding Remarks

- Households reduced expenditures on a broad range of goods and services during the crisis
 - ✓ Durable goods purchases and food expenditures were reduced.
- Crisis effected households tried to cope with the crisis by increasing labor supply, despite the challenges of a weak labor market, either by increasing the number of hours worked, or by sending nonworking members of the household into the labor market

Concluding Remarks

- It was also found that live stock and other property were the main source of financing during the crisis
- Approximately 20 percent households had borrowed money from various sources.
 - ✓ Majority of them (80 percent) had borrowed money from their relatives and friends
- Employment patterns of return migrant shows that majority of them were unemployed on their return and remain even unemployed even after a month

Policy Options

- Various policies are required
 - ✓ Governments should provide skills training to jobless migrant workers.
 - ✓ Public infrastructure projects should hire as many migrant workers as they can.
 - ✓ Returned migrants can be an opportunity for rural economic development.
 - Policies to support migrants who return home to start businesses in rural areas

Thanks