

FACT SHEET

Labor migration – The concept

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DDR'd soldiers learning how to be motor mechanics



DDR'd soldier working as a car body repairer



Tailor – working away

PHOTO: POST CONFLICT REFORMS

The Concept - Establish a pilot project with an implementing partner in conjunction with the MoLSA to legitimately assist suitably qualified DDR'd personnel to work abroad in host Countries in pre identified employment. The small program will establish the systems, clarify the monthly amounts of capital that the FC's are able to repatriate to their families and will assess the degree of professional skills that are acquired that will one day, be used in their own Country. The lessons learnt should be documented to demonstrate that the project is viable to encourage the private sector to take over the initiative and enable expat Afghans to increase their earning capacity ten fold.

Rational - Numerous Reports have concluded that labor migration is one of the most significant means available to developing economies to boost their GDP. The exposure to a new environment and modern business techniques improves the capacity of the individual and is a cost effective parallel means to develop a failed nation's skill levels – vital to ensure success in the longer term reconstruction effort. Furthermore, the synergy of being able to expose qualified DDR personnel to new environments provides a solution that helps deal with some of the difficult aspects of DDR for the individual. Labor migration provides a means to maintain their previous inflated levels of income, their standing within the community and in some cases can be used as a subtle tool to remove the less desirable from their areas of influence.

Lessons learnt - The World Bank reported in November 2005 “*international migration, remittances and the brain drain*”, that almost 200m migrant workers annually send home \$225bn to their families to use to reduce poverty and provide for education, health care and long term investments in their developing countries. For many developing countries, remittances are the biggest source of foreign exchange and should be encouraged to complement parallel development efforts at home – that will take time to produce results.

International migration can generate substantial welfare gains for migrants and their families if policies are developed to manage the flow and the transfer of remittances. These gains are all the more important for developing countries, which should seek agreements with countries to which their nationals are already legally or illegally migrating to improve the conditions under which they travel, seek and maintain employment, and make their remittances.

Official records for remittances recorded by the WB for 2005 suggest repatriated income exceeded \$225bn of which 71% went to developing countries – double all combined sources of development aid. Remittances account for 31%, 27%, 26%, 25% and 22% of GDP respectively in Tonga, Moldova, Lesotho, Haiti, and Bosnia and Herzegovina.

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Assistance to Afghanistan (continued)

The World Bank estimates that remittances sent through informal channels, such as Halwa in Afghanistan, could account for an additional 50% on top of the official estimate – “making remittances the largest source of external capital in many developing countries”.

Halawa is the traditional informal, particularly Muslim, system, for the “transfer” of funds into the local currency. It originated in Asia to assist merchants wishing to avoid carrying cash when traveling. Two people take financial positions. The Hawalader takes the money and arranges for his contact to pay the money at the desired location to the intended person upon receipt of a code. No money actually moves but a debt is created between two Hawaladers. Reverse Hawala may then take place where someone buys the debt to fund an investment, school fees or the importation of goods of an equal value.

The system is attractive to the individual because it is cheap, quick and reliable in locations where financial institutions don’t really exist. The Centre for Contemporary Conflict estimate that \$5bn a year goes through this system in Pakistan – 1/3 of which are repatriation of funds by expats – the figure is even higher in Dubai - the hub of the system.

The area of concern is that the system is unregularized and open to abuse by money launderers. The informality keeps the costs down but it is the informality, ability to respect local customs in terms of arranging for money to reach the wife at home through a trusted person and the knowledge that it has worked for many years, that are the attraction to the customers.

The WB report in contrast believes that fees charged for remittances are excessively in-proportionately high averaging between 10-15% for small transfers by poor migrants – least able to afford them. The fees are reduced in developing countries when funds are transferred legitimately through deposits in the banking system and withdrawn by the user using ATM’s. However, in developing Countries such as Afghanistan, with no banking infrastructure available to the masses, more work has to be done through the traditional systems such as Halwa, the developing micro finance institutions and the private sector – moneygram / Western Union to negotiate better rates in return for providing more business.

Using Western Union as an example, the size of the opportunity can be appreciated by the reported returns of the private company. In 2005, Western Union reported \$3bn of fees and \$1bn in profits based on 81m transactions in over 190 countries. Its philosophy is simple, fulfilling a need for migrant workers and their relatives who do not have access to bank accounts. Local Agents operate on a fee equivalent to 1-3 % of the amount but total fees vary between 5 – 20% and are met by cash rich customers with no alternative means of internationally transferring funds. Using Jamaica as a reported example, 9 Western Union Offices have grown to 130 in 15 years and have an estimated annual throughput of \$1bn.

The GoA - To date, the government has sent out mixed messages through the MOLSA and media reports. MoLSA estimates that there is a workforce of 8m in country of which 2.5m (31%) are unemployed and unskilled. On one hand, MoLSA is reported to be reluctant to support a focused DDR labor migration pilot program on the scale being discussed. It questions why it should export labor when labor is currently imported from Pakistan, India, Turkey and other countries. On the other hand, MoLSA announces ambitious schemes in the media to export 10,000 migrant workers to Kuwait, Australia and UAE and intentions to send delegations to other host nations to hold workshops to develop additional initiatives.

Enquiries with the named countries failed to find evidence that the agreements exist. Kuwait has apparently signed an MoU but that states that it will not provide any assistance other than allowing private employment agencies and the individual to contract direct.

Assistance to Afghanistan (continued)

No record of agreement or discussions could be confirmed with Australia. UAE likewise knows of discussions but there is no agreement. Employers normally have their own links with in Country employment agencies who identify suitable candidates and obtain Visa's for sponsored employees. In contradiction, Saudi Arabia is reported not to support the concept but Afghan construction workers can be regularly seen departing from Kabul airport with their spirit levels in hand – bound for Jeddah.

The GoA is however, reportedly working with the Min of Justice to put its house in order and develop regulations that will assist it in sending labor abroad but to date it has not demonstrated that it has the capacity to move this initiative forward on its own.

Implementers - IoM has discussed implementing the process using DDR personnel and USAID funding for the first pilot project – to develop the concept and produce lessons learnt.

IoM, as an implementing Partner (IP), would formalize the above in a concept paper agreed with the MoLSA and USAID and agree who would be responsible for negotiating contracts and arranging visa's and travel.

In parallel, the IP would use its network of international offices to identify and develop links with credible recruitment agencies and businesses to identify suitable placement opportunities and negotiate terms and conditions.

The IP and host country partners would process applications through the labor and immigration departments, confirm visa's, employment, accommodation, return travel arrangements and lodge a suitable deposit or bond – to ensure the person returns. (In UAE the returnable Bond could amount to \$900 but the monthly net income for the individual could be \$200 - \$250 three to four times more than their earnings back home and would be high enough to fund a fee for services provided by the private sector.

The IP with good DDR experience would identify suitable DDR personnel with the appropriate language and professional skills in Country ensuring an ethnic and regional balance to help spread word of the concept and avoid claims of nepotism. Those selected would then attend workshops explaining the terms of employment and obtain personal orientation training. Finally, those selected would be carefully monitored and the findings used to develop lessons learnt for a larger self funding program.

Security - Authorities claim that Afghans do not work overseas. However, the concept is already informally established with thousands of Afghan's illegally obtaining Pakistani passports and Visa's to work overseas as "Pakistani's" on construction sites, driving taxi's in Abu Dhabi, etc. The illegal movement of personnel using false passports is a security risk that should be prevented.

Legitimizing labor migration would significantly contribute towards improving national, regional and global security by removing the honest economic migrants, tempted to travel illegally due to no alternative, from the equation.

Formalizing labor migration would remove the need and demand for Afghans to pay to be illegally trafficked as economic migrants and the need for Afghans to obtain false passports and travel as Pakistanis or other nationalities. This simple initiative would collectively reduce the number of honest illegal migrants and by reducing the numbers involved, increase the odds of catching those traveling under false pretences.

Assistance to Afghanistan (continued)

53 Afghans were arrested by Pakistani officials crossing the border illegally to seek employment having earlier been repatriated under UN sponsored programs.

Qyum Khan, a Pakistani national was caught by police at Kabul Airport, with a forged Afghan Passport that he had obtained in Peshawar and used to travel to UAE and Saudi Arabia – reverse migration!

53,000 Afghans are reported to have been hired along the southern border towns to work in the UAE, traveling as Pakistanis, using Pakistani visa's. The security implications are clear.

DDR - The UNDP ANBP program has provided reintegration options for 95% of the 63,380 personnel that have disarmed and have received some employment assistance but unfortunately for some there was no correlation made by the IP's training with the demands of the labor market. The individuals who are not satisfied are therefore either unemployed, underemployed and or working in areas that have no relevance to the \$700 of reintegration that they received through the UN. Furthermore, the ability to use labor migration as a subtle tool to economically relocate some DDR'd personnel away from their old stamping grounds for a period of time may be of some assistance in breaking the chains of commands. Furthermore, it provides some Afghans, who are a very proud people, with an economic face saving solution to legitimately maintain the same level of income that their family are used to and which they once enjoyed through the AMF, to retain their social standing in their community. 350 mid level Commanders will graduate from the UN's two year commanders incentive, salary protection, program from September 06 onwards – very few of whom have identified suitable employment and have no legal means of maintaining their salaries.

Conclusion - Labor migration provides a tool that could redress that balance and assist Reintegration efforts. Introducing suitably qualified personnel to new environments, colleagues, the latest techniques and the ability to earn a monthly salary 3- 4 times higher then the average income in Country provides hope and is another piece of the jigsaw that will contribute to the long term stability of the Country. The DDR personnel are a special group of people worthy of a \$142m UN program and their collective risk factor must not be overlooked.

The GoA and appropriate IP's must work together to legitimize and develop labor migration to boost the Countries GDP. Nationals must be trained in cultural matters and posses the language skills to be able to use their professional skills to work overseas and continue to develop themselves. Any scheme must assist those working overseas to economically repatriate funds. The benefits to the Country in terms of boosting GDP, reducing unemployment, building skill levels and removing the trade in illegal migration, leading to improved security, are obvious – so why has nothing been done in the last five and a half years?

Richard Scarth March 2006

Further detailed information is available on www.ddrafg.com

Assistance to Afghanistan (continued)

Typical scenario

Terms of employment
 Three year contracts.
 Work six days a week.
 Hours will be 0700 to 1800 in the winter and
 0700 – 1200 and 1600 to 2000 in the summer.
 Stopping for two breaks and lunch.
 Living accommodation and food will be provided by the
 employer.

Set up Costs

| | |
|--------------------------------|-------------|
| Visa | \$275 |
| Recruitment Agency Fee | \$275 |
| Air Fare – return | \$365 |
| Meet and assist upon arrival - | \$13 |
| Security Bond (refundable) - | \$960 |
| Gross Total | \$1,888 |
| Net Total | (\$928 net) |

| Income | UAE | (Back in Afghanistan) |
|--|---------|-----------------------|
| Standard rate | \$165 | \$50 |
| Over time | \$40+ | \$0 |
| Monthly payment say \$200 | | \$50 |
| Annual payment | \$2,400 | \$600 |
| Payment over 3 years | \$7,200 | \$1,800 |
| Net payment to Individual less net costs | | \$4,472 |

In three years, the person can earn ten times more than he would if he had remained in Country.