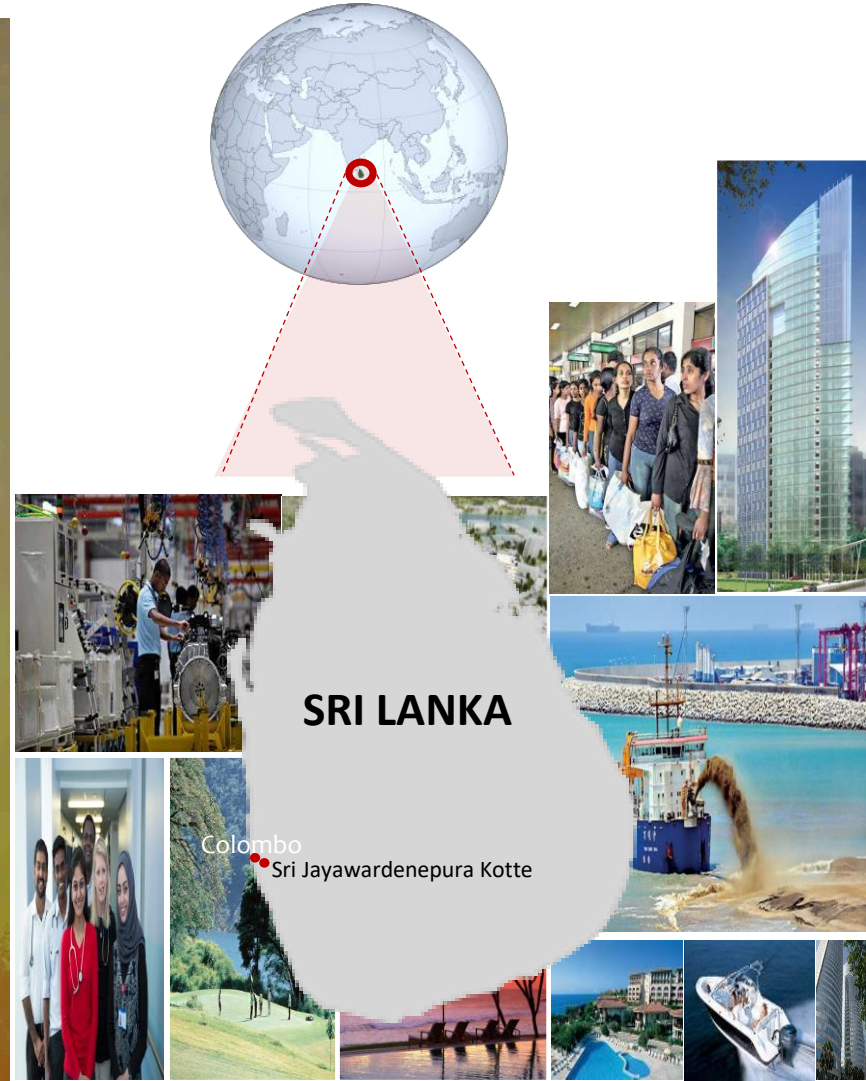
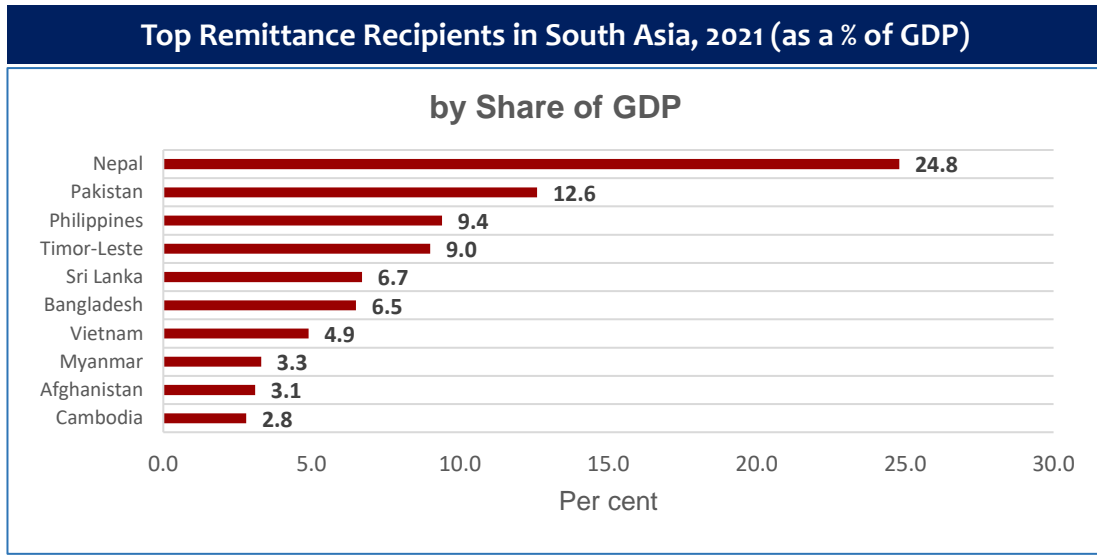
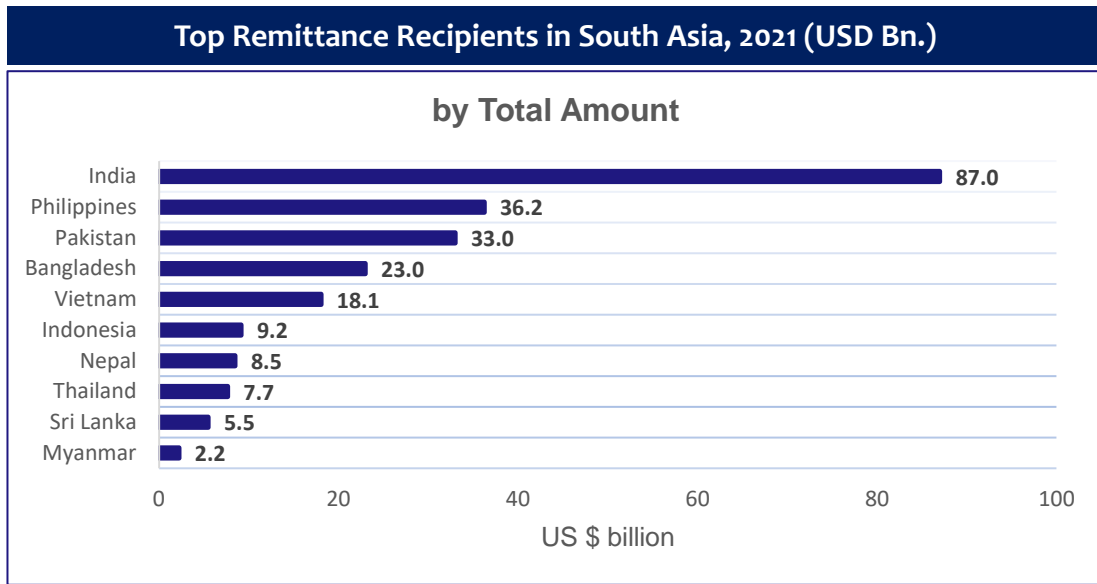


Challenges in Enhancing Labour Migration and Remittances

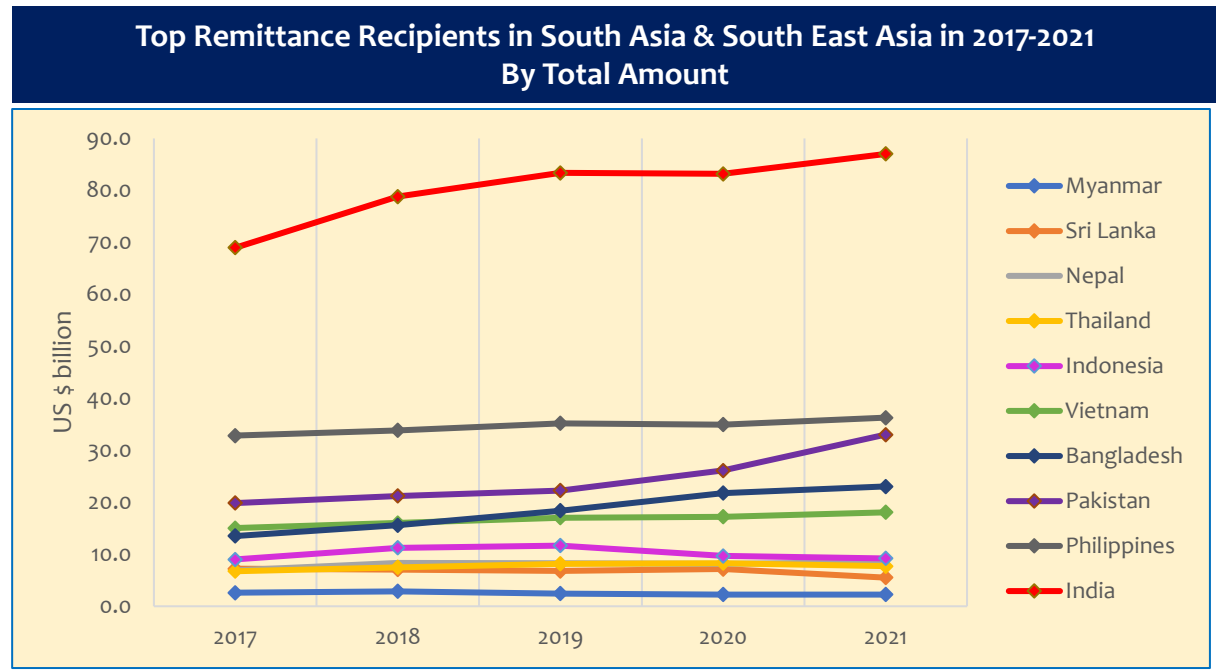


Sri Lanka's workers' remittances remain relatively high as a percentage of GDP compared to some other Asian countries...



- However, workers' remittances of Sri Lanka as a share of GDP is relatively high when compared to some other Asian countries

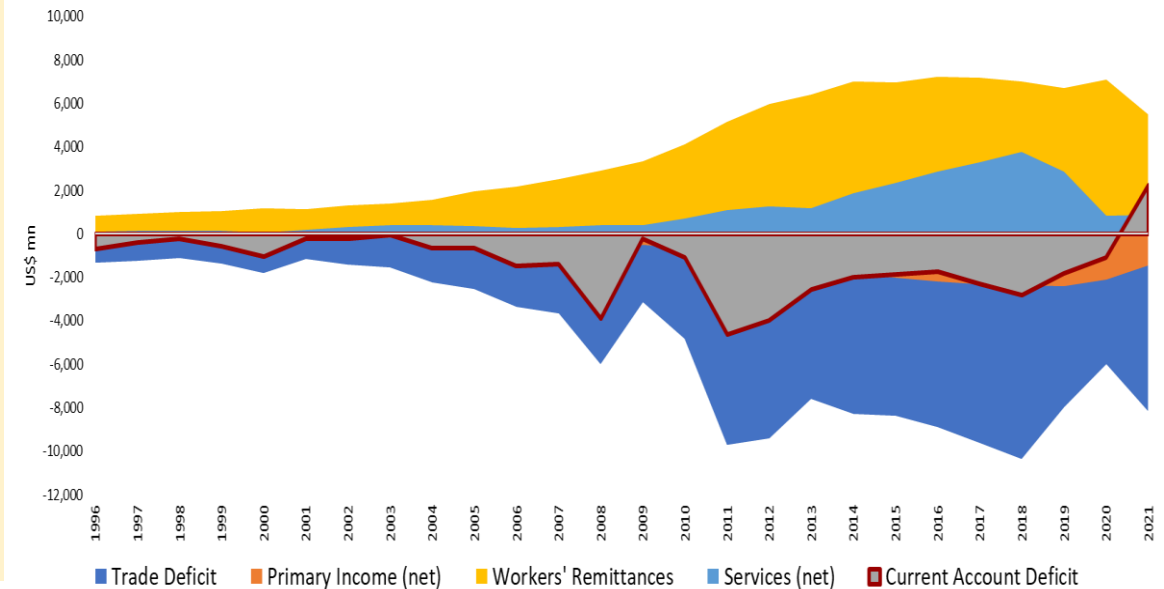
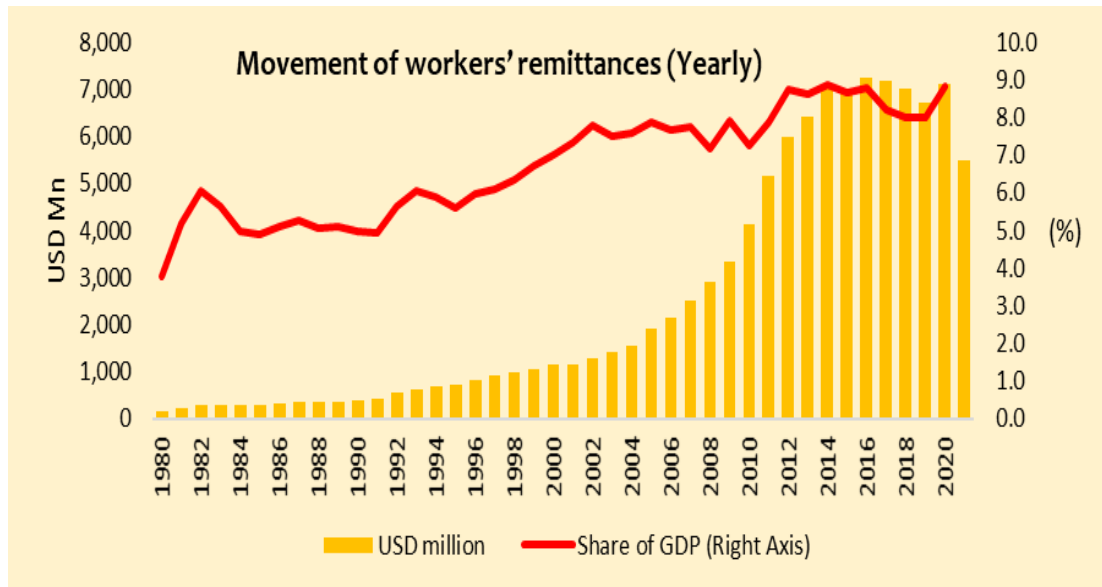
- India is the **top recipient of remittances globally** although, the share of remittances is **only 3% of GDP** in comparison to the size of its economy
- **Pakistan, Bangladesh, Nepal, & Sri Lanka** featured in the list of top 50 recipients of remittance inflows in the world



Source: World Bank –KNOMAD, 2021



Worker migration and their remittance inflows have been a driving force of the Sri Lankan economy amidst many challenges...

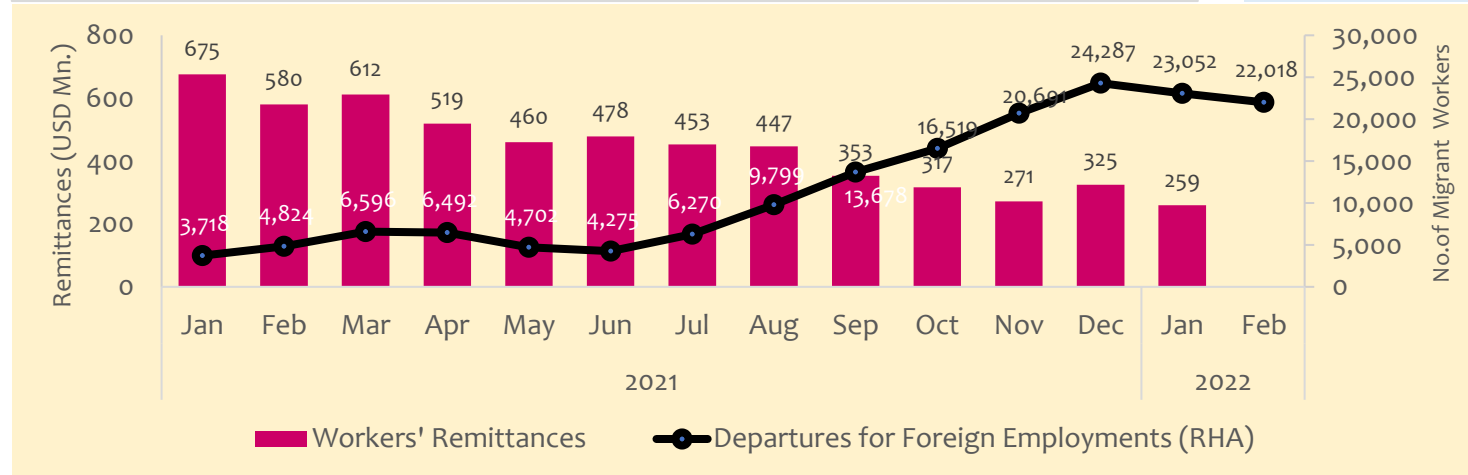
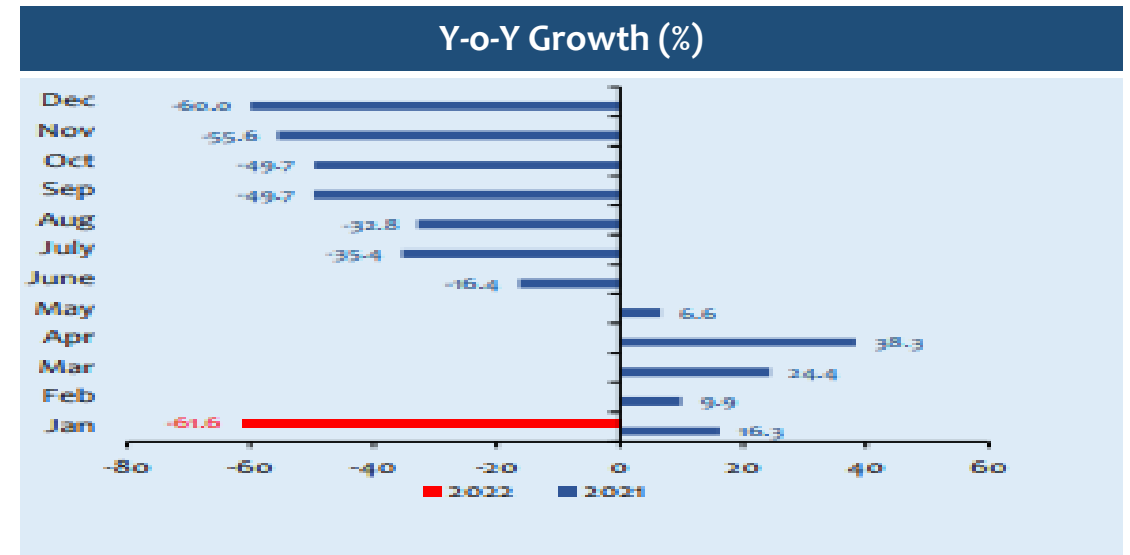
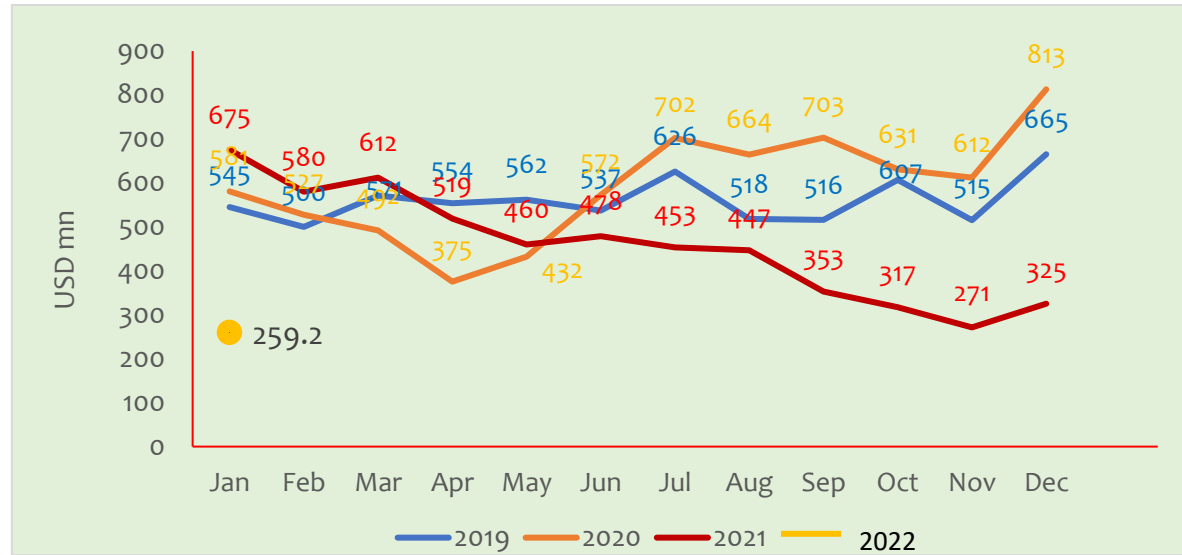


- The average workers' remittance inflows from Sri Lankan foreign employees **amounted to around USD 7 bn over the last five years (2016-2020)**, being the largest earner of foreign exchange of the economy
- **Workers' remittances as a % of GDP, which averaged around 5.7% during 1981-2000 period, increased to around 8.0% of GDP during the period from 2001-2020**, reflecting the increased importance of workers' remittances
- Over the past two decades, annual remittances have represented nearly one fourth of the total credits to the external current account



COVID-19 pandemic severely affected the stock of migrant workers & remittance inflows of Sri Lanka con't...

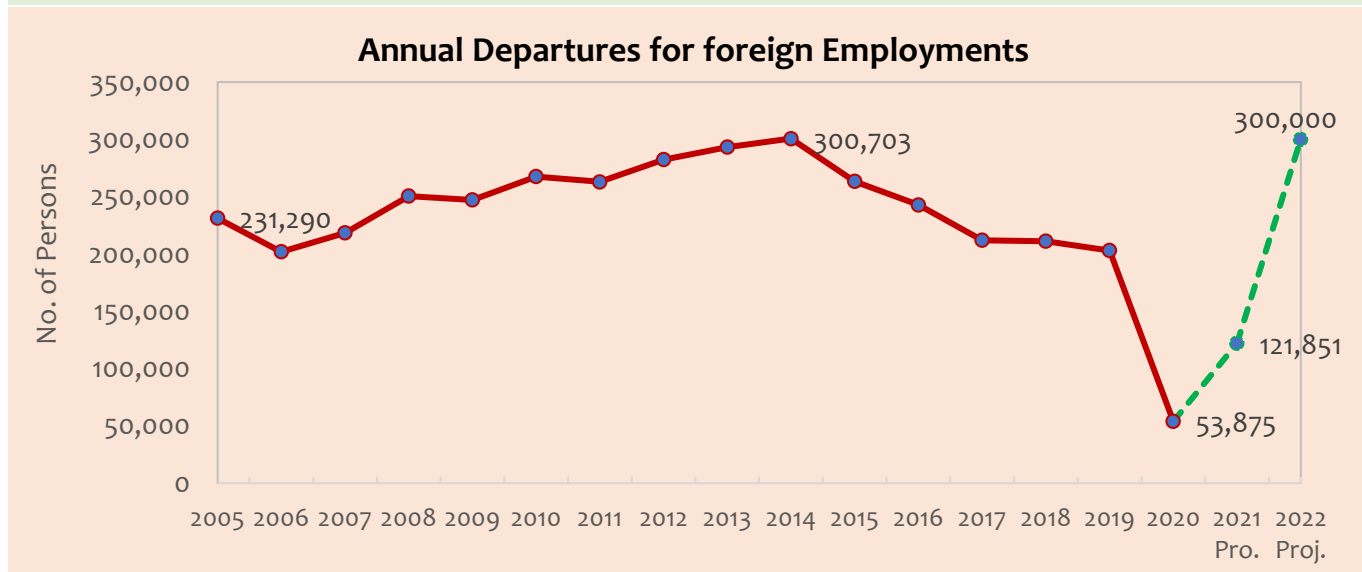
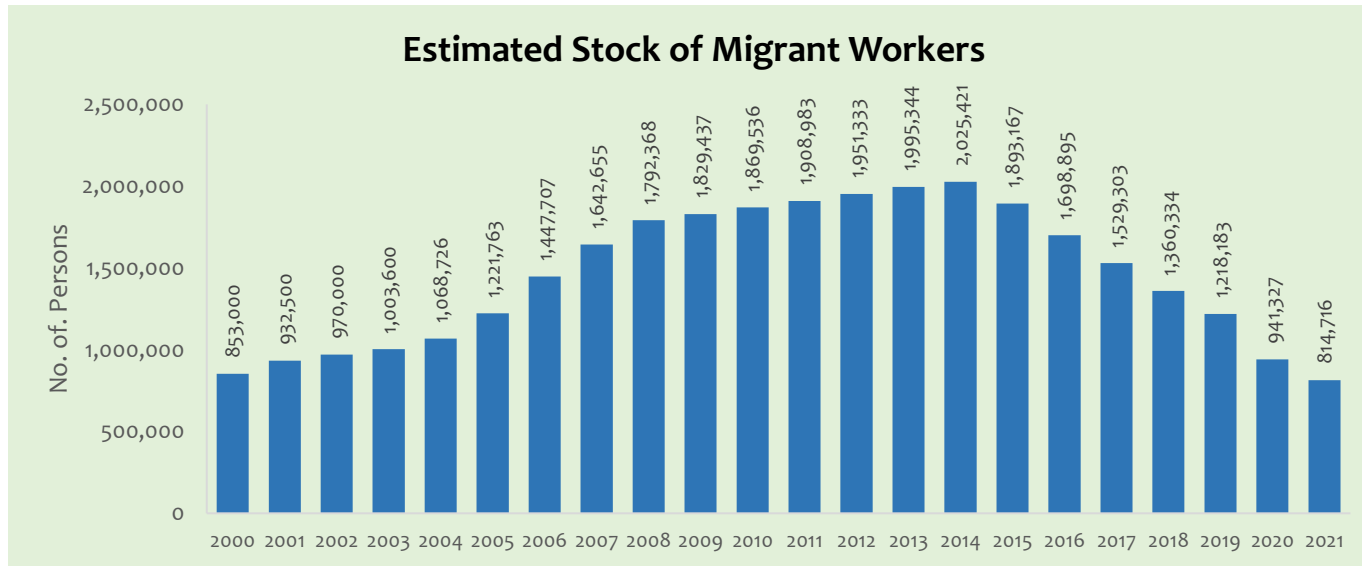
- Reflecting decline in migrant population and high tendency to move towards informal channels for remitting money, workers' remittance inflows to Sri Lanka significantly declined in recent months



- 2021 Dec : USD 325 mn (-60.0% y-o-y)
- 2021 (Jan-Dec) : USD 5,491 mn (-22.7% y-o-y)
- 2020 (Jan-Dec) : USD 7,104 mn
- Workers' remittances in Jan./2022 declined by USD 416 mn to USD 259 mn compared to the same month in 2021



COVID-19 pandemic severely affected the stock of migrant workers & remittance inflows of Sri Lanka...

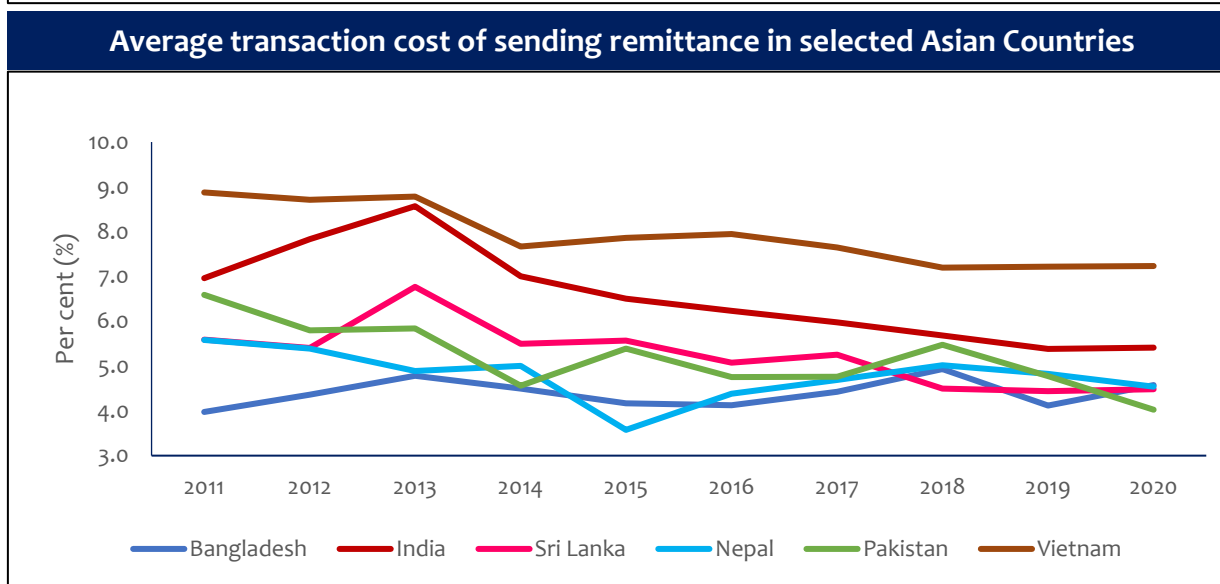
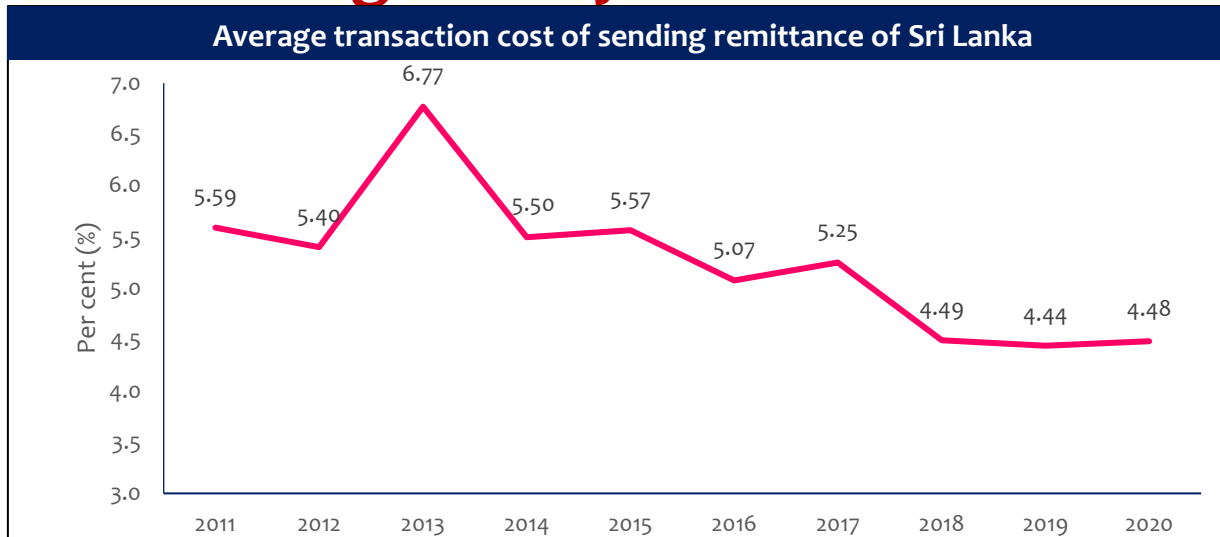


- The Sri Lankan migrant population, which amounted for **around 1.5-2.0 mn during 2007-2017** declined significantly in 2020 and 2021, due to the global economic setback and COVID-19 pandemic
- This was mainly due to;
 - Significant drop in total number of departures for foreign employment
 - Restrictions on mobility of people across the territories
 - Returning of some migrant workers from countries affected by the pandemic
 - Job terminations of some employees
 - Difficulties in departures of migrant workers

(a) Sources: 1. Wickramasekara, P., (2010), "International Migration and Employment in the Post-Refoms Economy of Sri Lanka", International Migration Papers No 107, International Labour Office, Geneva.
 2. Najab, N and Munas, M., (2014), "Policy Responses to a Changing Labour Migration", A Centre for Poverty Analysis (CEPA) Publication.
 3. Sri Lanka Bureau of Foreign Employment
 4. Staff Calculation



High remittance costs are one of the major concerns of migrant employees in remitting money to Sri Lanka...



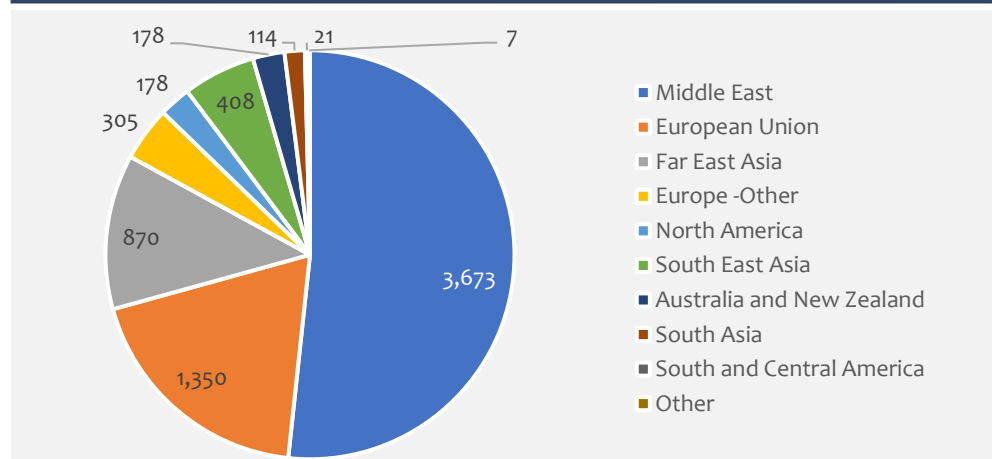
- The 2030 Sustainable Development Goals (SDGs) set forth by the United Nations also **include a target for reducing remittance costs to 3% by 2030** to achieve the SDG of reducing inequality within and among countries (World Bank, 2020)
- **However, remittance costs still remain higher than the set target globally, an average of 6.51%**
- South Asia remains relatively low-cost receiving region, with an average cost of 4.88 per cent
- **Average transaction cost for Sri Lanka is 4.48%**



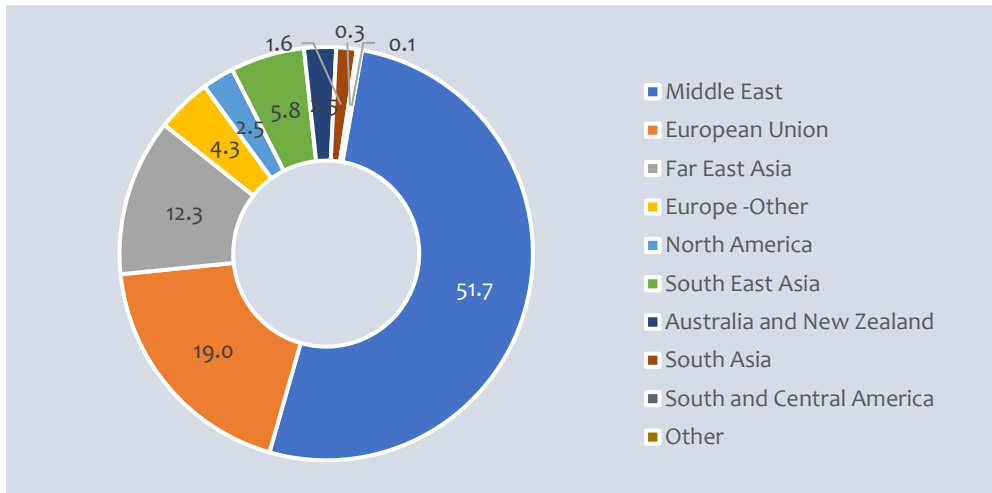
Source: World Bank, 2020

Workers' remittances of Sri Lanka is highly vulnerable to geopolitical tension in Middle Eastern region as the destination for majority of migrant workers...

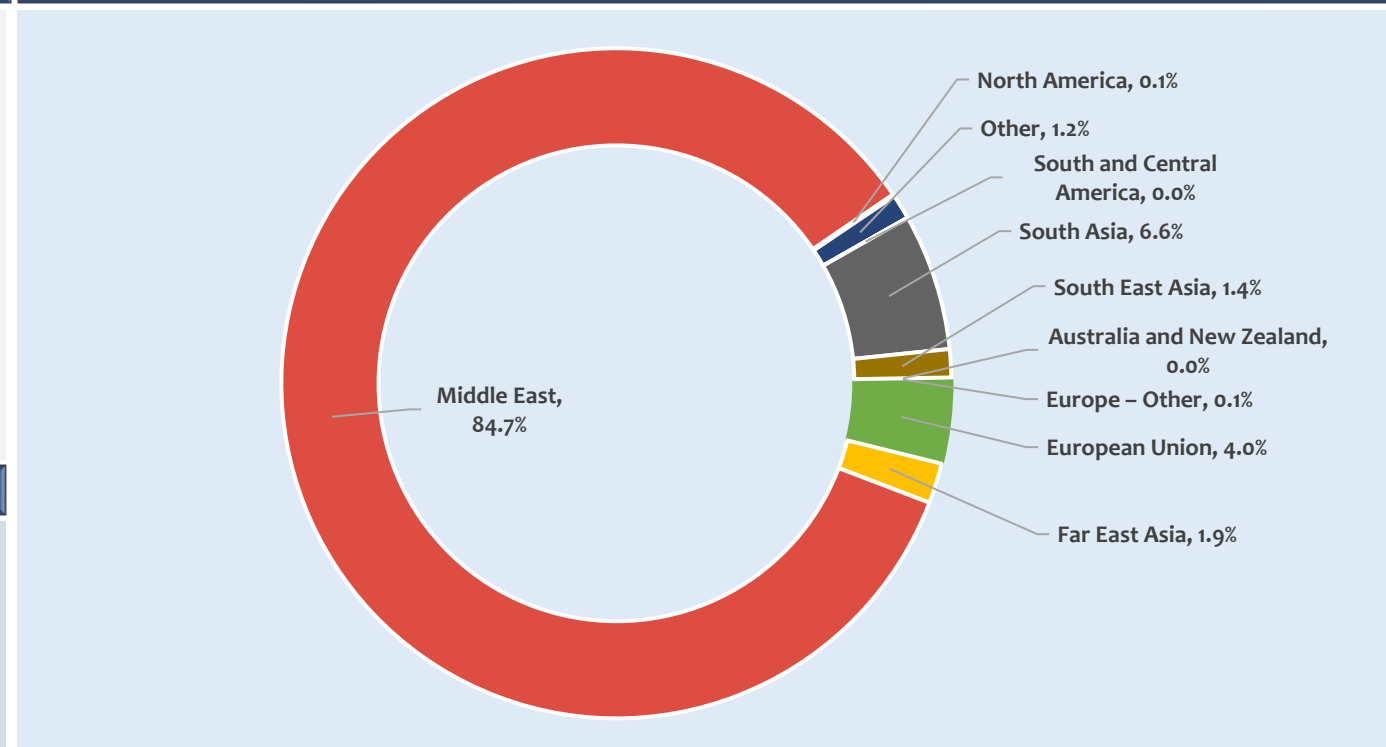
Workers' Remittance (USD mn)



Share of Total Remittances (%)



Share of Total departures for foreign employment (share of total-%)



■ The Middle East region remains the primary market for Sri Lankan migrant workers, accounting for 80-90% of annual departures for foreign employment and **more than half of the total remittance receipts**



Other impediments in enhancing the earning capacity of migrant employees and remittance inflows...



Margin between the official exchange rates and the “grey-market” exchange rates prevailed during last few months



Low digital literacy of migrant workers



Mismatch between the international demand for jobs and Sri Lankan supply capabilities



Limited training institutions with international accreditation



Unavailability of social security programmes for migrant employees

Several measures were taken to address the challenges and to deal with growing threat of informal channels...

- In view of enhancing remittance inflows to the country by overcoming the existing challenges related to foreign employment, the Government and Central Bank introduced several policy initiatives in three ways



- **Provide Incentives to migrant workers who remit their earning through formal channels**
 - Payment of an incentive of **Rs. 2.00 per US dollar** for workers' remittances
 - Introduce an additional incentive of **Rs. 8.00 per US dollar** for workers' remittances (*removed in March 2022*)
 - Introduce an incentive scheme to **reimburse the transaction costs** borne by migrant workers up to Rs. 1,000
 - Establishment of the **Foreign Remittances Facilitation Department** to facilitate remittances inflows through formal channels



- **Make it convenient for the prospective migrant workers to get required services by addressing impediments in the sector**
 - Working with all relevant stakeholders to **address the contemporary issues in labour migration and designing measures** to enhance remittances
 - **More banking outlets** to be established for convenience of the prospective migrant workers
 - Implementing a **Mobile Application "SL- Remit"** to facilitate Foreign Remittances



- **Make it difficult or impossible to remit money through informal channels**
 - Improving **the awareness of the people** highlighting the risks of transferring money through the informal channels
 - Strengthening **the surveillance framework of the Central Bank** to eliminate the informal practices of money transferring

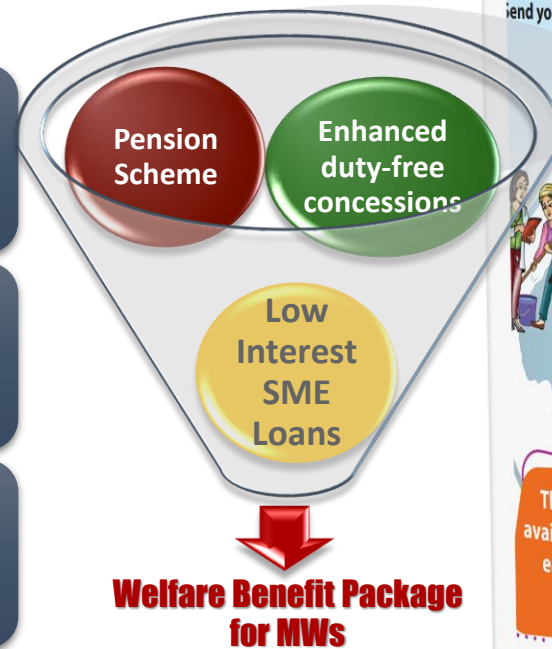
Further measures are being taken to provide benefits for migrant workers who remit their money through formal channels...

Assist for establishment of the **pension /insurance scheme for migrant workers**

Assist for establishing **Accident/Life Insurance cover** migrant workers

Introduce **new loan schemes for migrant workers** who return to Sri Lanka (low housing & low interest self-employment loan)

Establish a framework to provide enhanced **duty-free allowance** for migrant workers



- Only Sri Lankans working abroad who send foreign exchange to Sri Lanka through formal channels are eligible for these benefits
- Benefits from these scheme and incentives will be proportional to the volume of foreign exchange remitted to the country

Thank you

