

## Migrant Workers' Remittance and its Economic Impact in Bangladesh

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### Abstract

Working as a nonresident abroad, many Bangladeshis send home their hard-earned money there. And it is thus fair to say that the remittances are the life line of the Bangladesh economy. National revenues from such a remittance now exceed any other types of foreign exchange inflows, as well as official development assistance and net earnings from exports. The remittances have emerged as a key driver of economic growth and poverty reduction in Bangladesh. The remittance transfers from these migrant workers have reached a phenomenal level of over US\$10 billion in 2009, approximately 11 percent of GDP in Bangladesh. In general, the consumption type of remittances in their homeland can be divided into two categories. One is consumption and the other investment. In terms of micro-economic impacts, most of the micro-level studies on remittance indicate that households receiving remittance spend the largest fraction of it on living. In terms of macro-economic impacts, the remittance earnings have been used in financing the import of capital goods and raw materials for industrial development. The steady flow of remittances has resolved the foreign exchange constraints, improved the balance of payments, and increased national savings. Such remittances also constituted a very important source of the country's development

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budget. However, the rise of international labor migration has increasingly posed pressing political and administrative challenges for the Bangladesh State. To foster the benefits from migration and to maximize its developmental effect further, the Government of Bangladesh needs to diversify the labor market by seeking new destinations and increasing the flow of skilled manpower. And the structural problems with the existing system of migration, such as an inefficient remittance system, the increasing cost of foreign migration and employment, lack of skill and education of migrant workers from rural areas, corruption in the recruitment process, labor exploitation and harassments, and many others, are to be addressed, and thereby the government has to take some realistic policy measures for remedial action in order to make Bangladesh a better society.

**[Keywords]** Migration, Migrant Workers, Remittance, Bangladesh, Development, Diaspora

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## I . Introduction

The Bangladeshi diasporas and the overseas employees living in different parts of the world are considered as one of the greatest off-shore assets for the country. According to the International Organization for Migration (IOG, 2014), it is estimated that over five million Bangladeshis are currently working overseas, contributing greatly to their families, their communities and the country's economy through remittances. Most of these workers temporarily migrate to work in Middle East and Southeast Asia. This mass movement of temporary migrant workers has, to some extent, eased unemployment pressures on the over-burdened labor market in this highly populated country (Mamun and Nath, 2010: 1). As a parallel development to this growth in outward movement of the workforce, the volume of inward remittances has accelerated to become a regular and substantial source

of resource transfer into Bangladesh, although this was not the case until the year 2000, before which remittances were seen as trivial in size and had little developmental relevance (Barai, 2012:1) What is worth noting here is that Official Development Assistance (ODA), which was significantly higher than remittance two to three decades ago, has been overtaken by the latter by nearly five times (Zaman and Akbar, 2013:110). The remittance transfers received from these migrant workers reached a phenomenal level of over US\$10 billion in 2009, approximately 11 percent of Gross Domestic Product (GDP) in Bangladesh. In fact, remittances now exceed many-fold its foreign direct investment (FDI) and ODA combined. According to the Migration and Remittances Factbook (World Bank, 2011), official remittances to Bangladesh exceeded US\$11 billion in 2010, making it the seventh largest remittances recipient country in the world (World Bank, 2011). Certainly, this is a significant flow of funds for Bangladesh. Indeed, a regular growth in the flow of remittances has upended the developmental significance of remittances, both in social and economic sectors, in the eyes of the policy strategists (Barai, 2012: 2). However, linking the development impacts of remittances with the socioeconomic variables in the recipient economy is largely dependent on the pattern of uses by the beneficiaries. This paper is an attempt to explore the outgoing migration process from Bangladesh along with relevant institutional arrangements, the legal framework and the analysis of the inward remittance flow. Particularly, this study aims: to identify the volume of migration and overseas employment of Bangladeshis; to estimate the amount of inflow of foreign remittance in Bangladesh; to understand the usage of foreign remittance in the Bangladesh economy; and to identify the impact of foreign remittance on its economy. The study also tries to assess the possible policy implications of the migration process to the development of Bangladesh.

## II. The Bangladeshi Diaspora and the Non-Resident Bangladeshi

### 1. Historical Antecedents

Though migration is frequently labeled as a recent phenomenon; a manifestation of the globalized world, but it has a long history, perhaps from the beginning of human civilization. Evidence of ancient migration by large group from Bangladesh can be found in Sri Lanka where the Sinhala population is believed to have migrated from the territory over centuries ago (Siddiqui, 2003). At a personal level, the remarkable migration from Bengal may be noticed by the visit of the Buddhist religious scholar, Atish Dipankar (980-1054), to Tibet in 1042 (Islam, 2013).

In modern time, the migration from Bangladesh can be traced during the British colonial period. During the 18th and early 19th century, sailors originating from the southeastern parts of East Bengal (Chittagong and Noakhali districts), found jobs in the British merchant navy shipping goods from Kolkata to all over the world. Landless peasants from the northern Sylhet district, who had no opportunities for work in their own locality, gained employment in the dockyards of Hooghly, near Kolkata, as well as in the British merchant navy. Many seafarers from the latter group jumped ship whenever opportunities arose, landing in the United States of America and the United Kingdom (Alam, 1988; Ali, 1997; Carey and Shukur, 1985 cited in Sikder, 2008: 258). These runaways were considered pioneer migrants to the West (Sikder, 2008: 258).

## 2. The Scale and Destinations of Migration

There are various theories that try to explain the process and the reasons of migration. Most of the rationales for migration have originated from the economic perspectives. The classical logic for migration states that people migrated to obtain higher income from the host area. The 'neo-classical theory of migration' also explained the migration from the economic perspective. It focused on differentials in wages and employment conditions between countries, and on migration costs. As an individual tries to maximize his/her utility level and the differential wages and employment conditions lead to migration (Lewis, 1952; Todaro, 1969; Borjas, 1989). New economics of migration, in contrast, consider not only the labor market as reasons to migrate, but also conditions of other markets, such as the capital market or unemployment insurance market (Stark, 1991). Apart from these economic reasons, migration can be initiated by other logics like 'logics stems from political consequences.' The 'push-pull model' is better in position to explain maximum of these logics. It shows that the factors initiating migration are present in both the source as well as in the receiving regions of migrants (Lee, 1966; GLOPP, 2007: 1). The demographic factors including growth in population, economic factors like high unemployment and low living standards in the home country and socio political factors are included in the push factors. The factors like the better economic opportunities, higher living standards, political stability, rule of law, and incentives for immigration may act as the pull factor from the host country.

In Bangladesh, the recent trends of migration are mainly initiated due to economic logic. The rise in oil prices in the 1970s increased the demand for low-skilled workers to work in the infrastructure development projects in the Middle Eastern countries. Later, there were similar demands from the newly industrialized countries of Southeast

Asia. Migration to these regions has been characterized by short-term employment with specific job contracts and migrants returning home after completion of the contract period (Masum and Nath, 2010: 4).

<Table 1> World Top Emigration Countries and Top Remittance-Receiving Countries in 2010

Ranking	Country	Top Emigration Countries in 2010 (number of emigrants in millions)	Ranking	Country	Top Remittance-Receiving Countries in 2010 (US\$ billions)
1	Mexico	11.9	1	India	55.0
2	India	11.4	2	China	51.0
3	Russian Federation	11.1	3	Mexico	22.6
4	China	8.3	4	Philippines	21.3
5	Ukraine	6.6	5	France	15.9
6	Bangladesh	5.4	6	Germany	11.6
7	Pakistan	4.7	7	Bangladesh	11.1

Source: World Bank (2011: 3 and 13).

At present, about 8.3 million overseas employees have been involved in overseas employment in more than 100 countries up to December 2012 from 1976 (BMET, 2012). Though Bangladeshi migrants are spread over five continents, Asia is by far the major continent of destination for Bangladeshi emigrants, accounting for 92.4 percent of all emigrants from the country (UNDP, 2010). The major destination regions for Bangladeshi workers are the Middle East (Saudi Arabia, United Arab Emirates, Jordan, Qatar, Oman, Bahrain, Lebanon, Libya, and Kuwait), South-East Asia (Malaysia, Singapore, and Brunei), and Europe (UK, Italy, Spain France, and Ireland). The statistical trend shows that more than 80 percent of the total migrated population reside and work in the Middle East.

However, the number of expatriate Bangladeshis in the Kingdom of Saudi Arabia and Kuwait has been declining since the late 2000s. Bangladesh appears somehow to have fallen out of favor as a source of labor with the Saudis (Rahman, 2011). For example, since 2009 Bangladesh has been sending an average of only 14,500 people to Saudi Arabia and that decline is worth about US\$200 million a year in remittances alone (Economist, 2013). In contrast, the number of expatriate Bangladeshis in Bahrain, UAE, and Oman) has increased over the years (See Table 2). Saudi Arabia, the largest overseas labor market for Bangladeshi migrant workers, has worked to reduce the number of resident Bangladeshis since 2008, though it has not moved to ban them altogether. In Kuwait, a ban was imposed on Bangladeshi workers in 1999 and lifted in 2000 only to be reinstated in 2006 and again in 2008. In 1994, Malaysia agreed to recruit Bangladeshi workers, but it banned them from entry in 1997 and then the doors reopened ten years later in 2007, but closed again in 2009.

<Table 2> Number of Expatriate Bangladeshi by Country

Year	KSA	Kuwait	UAE	Bahrain	Oman	Malaysia	Singapore	Others	Total
2001	137248	5341	16252	4371	4561	4921	9615	6656	188965
2002	163254	15767	25438	5370	3927	85	6870	4545	225256
2003	162131	26722	37346	7482	4029	28	5304	11148	254190
2004	139031	41108	47012	9194	4435	224	6948	25006	272958
2005	80425	47029	61978	10716	4827	2911	9651	37903	255440
2006	109513	35775	130204	16355	8082	20469	20139	44032	381516
2007	204112	4212	226392	16433	17478	273201	38324	52457	832609
2008	132124	319	419355	13182	52896	131762	56581	68836	875055
2009	14666	10	258348	28462	41704	12402	39581	80141	475278
2010	7069	48	203308	21824	42641	919	39053	75840	390702
2011	15030	29	282734	13928	135260	742	48666	71673	568062
2012*	3182	-	86966	5042	53012	178	12579	25302	186281

\* Up to March, 2012.

Source: Government of Bangladesh (2012:37).

The employment market for Bangladeshi workers is not static. During the 1970s, Saudi Arabia, Iraq, Iran, and Libya were major des-

tinuation countries. Today, Saudi Arabia remains a primary destination, with Malaysia and UAE being important receiving countries as well. In the mid-1990s, Malaysia became the second largest employer of Bangladeshi workers; and despite a dramatic decline after the Asian financial crisis, Malaysia remains the most sought after destination in the Asian region, followed by Singapore and Republic of Korea (UNDP, 2010). Among the western countries, UK, USA, Italy, Canada do have the highest number of emigrants. Now some other countries like Australia, Sweden, and Germany are also becoming popular destinations for the Bangladeshi emigrants.

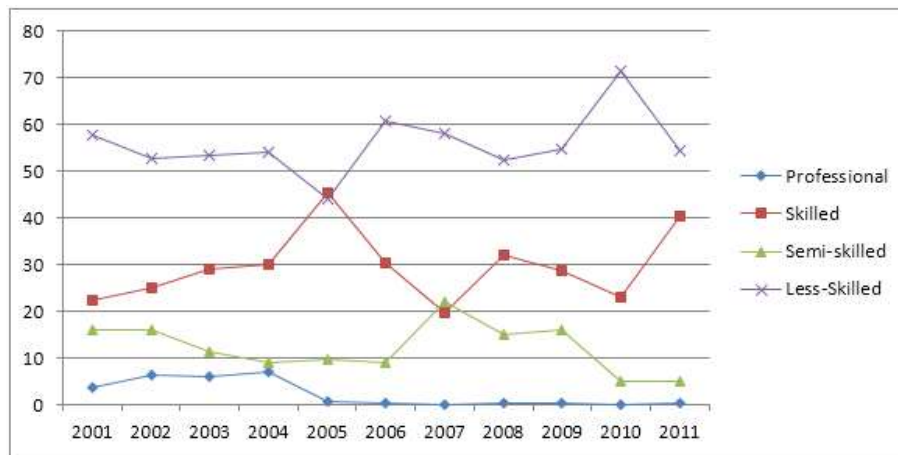
### 3. The Attributes of Migration from Bangladesh

The gender-based statistics of external migration indicate that migration has remained mostly a male affair. The World Bank (2011) shows that of the total migrants from Bangladesh in 2010, only 13.9% was female. Also, the migration rate of the tertiary-educated population is considered to be low; it was only 4.3% in 2000 (Barai, 2012: 5). The BMET database does not have the information on age and educational level of the migrants. A number of micro studies conducted in areas of high migration has shown that the majority of migrants are aged between 15 to 30 years old when they first migrate (Siddiqui, Sikder and Hussain, 2004; Siddiqui and Abrar, 2000; Afsar et al., 2000; Murshid, Iqbal and Ahmed, 2000, cited in Sikder, 2008, 264); and that a substantial majority are either illiterate or their educational background ranges from class one to a Secondary School Certificate (Ibid, 264).

There are two major patterns in international migration from Bangladesh: one to the industrialized West that includes the United Kingdom and the United States, and the other to Middle East and Southeast Asia. The migration to the industrialized countries is per-

ceived to be long term or permanent in nature while migration to Middle East and Southeast Asia is usually for short term. The Bangladeshi immigrants living in the industrialized countries of Europe and North America can be divided into two distinct groups: a group of well-educated, high or middle income people of Bangladeshi origin, and the other belonging to the low income or unemployed segments of the population (Mamun and Nath, 2010: 3).

On the basis of skill, BMET has classified the temporary migrant population into four categories. These are professional, skilled, semi-skilled, and unskilled. Doctors, engineers, nurses and teachers are considered as professionals. Manufacturing or garment workers are considered as skilled, while construction workers, masons and the like as are semi-skilled; housemaids, cleaners, and laborers are classified as unskilled (Siddiqui and Abrar, 2003: 15). The first two categories are generally the better-off citizens, whilst the remaining groups constitute migrants from poor families, with little or no education. In general terms, the first two categories consist of permanent migrants and the latter categories consist of temporary migrant workers. Apart from Saudi Arabia, the UAE and Malaysia are the two other most preferred destinations for Bangladeshi temporary migrant workers. Barring these destinations, there are migrants working in North America, Europe, Africa and South-east Asian countries. Figure 1 indicates the labor outflow from Bangladesh since the year 2001 and their divisions on the basis of skills.



Source: Developed from the Government of Bangladesh (2012: 36-37).

<Figure 1> Trends of Overseas Employment by Skills

Various studies showed that the people migrating from Bangladesh mainly came from some specific regions. There is higher concentration of people migrating from the districts of Sylhet, Chittagong, Noakhali, Comilla, and Dhaka (Murshid et al., 2002: 10). While it has its origin in history, it has some important implications for current immigration. For instance, there are some interesting links between destinations and origins. For example, the Bangladeshi migrants in the Tower Hamlets in the United Kingdom mostly came from Sylhet. Similarly, migration to Rome mostly originates in Faridpur district. This indicates the strong network effects among the immigrants. Social networks play a crucial role in the migration process. In other words, personal networks provide information and support that factor into the migration decision-making process (De Jong, et al, 1986; Negron, 2012). These places also serve as the first stepping stone for international migration from Bangladesh (Masum and Nath, 2010: 6).

### Ⅲ. The Legal and Institutional Arrangements for Migration

The Government of Bangladesh adopted the Overseas Employment Policy in 2006 to organize the overseas employment sector and to ensure the welfare of the Bangladeshi emigrants working in abroad. The Emigration Ordinance of 1982 is the key regulatory instrument used by the government with respect to migration. However, several statutory regulatory orders and framed rules introduced subsequently have played complementary or supplementary roles to this instrument (Mamun and Nath, 2010: 7). In 2002, the government issued “Emigration Rules” and “Recruiting Agent’s Conduct and License Rules” to define the core issues related to labor migration and the role of recruiting agencies (Buchenau, 2008).

Five government ministries (the Ministry of Expatriates’ Welfare and Overseas Employment that was created in 2001, the Ministry of Home Affairs, the Ministry of Foreign Affairs, the Ministry of Finance, and the Ministry of Civil Aviation and Tourism are involved in international labor migration (Siddiqui, 2005: 4). The Government of Bangladesh has established the Ministry of Expatriates’ Welfare and Overseas Employment in 2001 in order to ensure the welfare of the expatriate workers and enhancement of the overseas employment. Under this ministry, the Bureau of Manpower, Employment and Training (BMET) is the executing agency, responsible for a wide variety of functions ranging from control and regulation of migrant worker recruiting agents to organizing pre-departure briefing sessions for the migrant workers and resolving legal disputes.

Moreover, the Bangladesh Overseas Employment Services Limited (BOESL) plays an important role in earning more foreign exchange by way of exporting skilled and unskilled manpower overseas. The

BOESL, established in 1984, is the state-owned manpower exporting company in Bangladesh. However, overall government agencies' performance for recruitment is not significant. During 1976–2003, for example, less than 2 percent of the migrant workers were assisted by the government agencies (BMET and BOESL), while about 41 percent received assistance from private recruitment agencies which are licensed by the government, and organized under the national umbrella organization called Bangladesh Association of International Recruitment Agencies (BAIRA). Moreover, more than 55 percent of migrant workers were recruited through individual initiatives and social networks (Mamun and Nath, 2010:8).

The recruiting agencies are expected to assist workers in signing contracts with the sponsor that specify the terms of employment, such as the type of job, pay, hours, provisions for leave, and other conditions. However, underlying the high costs for less-skilled Bangladeshis to go abroad to work is the widespread corruption within the transnational recruitment industry. Intermediary service providers may engage in dishonest practices that involve the transnational collusion of multiple businesses as well as government officials. The illegal practices and high costs imposed by the transnational recruitment industry have contributed to the growth of an undocumented population of Bangladeshi workers in receiving nations.

The rise of international labor migration has posed increasingly pressing political and administrative challenges for the Bangladesh state. The state has faced growing political and administrative pressures to take on a more effective role in ensuring the rights and well-being of its citizens abroad, especially concerning migrant worker exploitation and prejudices against Bangladeshi workers. However, there is a substantial criticism about the role of the Government of Bangladesh. Human rights advocates have been particularly vocal in their calls for the state to participate effectively in migration management, migrant worker pro-

tection, bringing attention to the vulnerability of less-skilled Bangladeshi workers to abuse and exploitation while they are abroad (Kibria, 2011).

## IV. Remittance

The portion of migrant workers' earnings sent back from the country of employment to the country of origin can be defined as 'international remittances' (ILO, 2000). Remittance can also be sent in kind but such transfers are quite difficult to measure. Levitt (1996) identified ideas, practices, identities and social capital that flow from receiving to sending countries as social remittance. One may, however, argue that social capital, identities and ideas that are taken by the migrants from their countries of origin to the countries of destination should also be seen as social remittance. In this case, it flows from origin to destination.

Remittances can be individual and it can also be collective. When individuals send remittance to his/her household or kith and kin, it can be termed as individual remittance. When a group of migrants, their associations or professional bodies mobilize resource together and send for collective or community programs, it can be termed as collective remittance. Individual remittances are mostly geared towards the family whereas collective remittances are generally used for community development (Siddiqui, 2004: 5).

### 1. The Trends of Remittance Flow

The Central Bank of Bangladesh documents the flow of remittance to Bangladesh from all over the world. For remittance inflows in Bangladesh, the importance of the Kingdom of Saudi Arabia (KSA), in particular, and other Middle Eastern countries, in general, can be understood by analyzing the flow of remittance. These countries have the

highest share in the remittance pie in Bangladesh. In the year 2011-12, the KSA alone was responsible for 28.06% of the total remittances. The second largest country is the United Arab Emirates (UAE) in terms of the volume of remittance flow in Bangladesh. As mentioned earlier, the number of expatriate Bangladeshis in the Kingdom of Saudi Arabia and Kuwait has been declining since the late 2000s so that the amount of remittance from KSA and Kuwait has also declined, while the amount of remittance from UAE has increased (See Table 3).

<Table 3> Remittance Flow in Bangladesh by Country

Fiscal Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
KSA	39.25	35.31	29.00	29.37	29.51	31.19	28.24
UAE	11.49	11.68	13.46	14.34	18.11	17.20	17.19
Qatar	3.54	3.65	3.90	3.66	3.54	3.28	2.74
Oman	3.41	3.44	3.29	2.79	2.99	3.18	2.87
Bahrain	1.75	1.40	1.34	1.75	1.63	1.55	1.60
Kuwait	10.57	10.29	11.39	10.91	10.02	9.28	9.23
USA	14.48	15.83	15.56	17.44	16.26	13.21	15.87
UK	9.76	11.56	14.84	11.32	8.15	7.53	7.64
Malaysia	0.66	0.43	0.20	1.17	2.91	5.34	6.04
Singapore	1.24	1.43	1.34	1.64	1.70	1.76	1.74
Others	3.84	4.97	5.68	5.61	5.17	6.47	6.85
Total(%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total (million US\$)	3,848.28	4,805.88	5,978.03	7,914.84	9,689.16	10,987.31	11,650.31

Source: Government of Bangladesh (2012: 38).

Although the United Kingdom (UK) does not host many Bangladeshi short-term workers, in cumulative counting it holds the fourth position, highlighting the role of permanent migrants in remittance transfers. In the United Kingdom, there are only 0.12% Bangladeshi emigrants but they sent around 7.41% remittance in the year 2011-12 (GoB, 2012:38-40; BMET, 2012). Detailed statistics are depicted in Table 4. These statistics reflect the need for sending more skilled and professional workers. The workers who are working in the Middle

East and South East Asia are generally unskilled or semiskilled workers. If Bangladesh can send more skilled manpower, then they can contribute more to the national economy of Bangladesh.

<Table 4> Overseas Employment and Remittance Flow in Bangladesh in 2011-12 (%)

Country	Overseas Employment (%)	Remittance (%)
KSA	31.89	28.06
UAE	27.94	19.41
Qatar	2.41	2.35
Oman	8.06	3.71
Bahrain	2.95	2.52
Kuwait	5.86	8.37
UK	0.12	7.41
Malaysia	8.57	6.63
Singapore	4.97	3.01
South Korea	0.33	0.37
Other	6.9	18.15

Source: Bureau of Manpower, Employment and Training (2012).

## 2. The Channels of Remittance Flow

In Bangladesh, the mechanisms used for the transfer of funds from abroad include the formal banking system as well as the post offices and the major money transfer companies, and informal money transfer systems. In addition, a significant proportion of transfers are accounted for by funds carried by hand in the form of cash, bullion or goods, by individuals either on their own account or for others. Courier systems are also used in Bangladesh but the more common method involves relatives and friends as couriers.

The banks involved in handling remittances may be somewhat arbitrarily divided into those based in developed countries that have branches or arrangements with local banks in Bangladesh to transfer funds,

including remittances, and those (for instance, the Sonali Bank of Bangladesh) which establish branches abroad in order to capture the remittances (Seddon, 2004: 411). Credit cards (such Visa and Master Card) also are used to send remittances. The post office system is also used in Bangladesh to move money around within the country and across international borders. The major money transfer companies like Western Union, Moneygram are increasingly used in Bangladesh for sending money home via their thousands of branches. Recently, the Postal Department of Bangladesh signed an agreement with Western Union so that people can easily collect remittances sent from abroad.

In addition to the formal channel, an important portion of the money sent by migrants abroad arrives through informal channels. The most extensive informal method used by Bangladeshi migrants is the *hundi* system (i.e., *hundi* is used as a form of remittance instrument to transfer money from place to place), which often times circumvents existing tax and foreign exchange regulations and may even facilitates money laundering. The *hundi* system is distinguished from formal remittance systems by its reliance on personal trust and the extensive use of connections such as family relationships or regional affiliations; furthermore, unlike traditional banking *hundi* makes minimal use of tradable instruments and transfers are based exclusively on communication between *hundi* dealers.

The main advantages offered by this mechanism include fast delivery; door-to-door service; lower fees (if any); better exchange rates than those offered by formal institutions; and the potential to have money delivered before it is received in cases of emergency (Buchenau,2008).

A study on 'Migrant Workers' Remittance and Micro-finance in Bangladesh'(2003) also calculated the remittance transfer through official and *hundi* channels at both sending and receiving ends. At the receiving end, official channel costs included service charge, speed

money, conveyance and other costs. The average cost per official transaction was Bangladeshi Taka (BDT) 236.50. For *hundi*, at the receiving end, the costs involved phone charges, conveyance, and remittances lost. For the hundred households under the study, such costs averaged at BDT 75.53 (Siddiqui, 2004: 11). Additionally, *hundi* transactions do not require that senders present legal identification and this represents an additional advantage for undocumented workers.

### 3. The Determinants of Remittances to Bangladesh

In general, the literature differentiates between micro and macro-economic determinants of remittances. Among the microeconomic determinants, altruism towards the family left behind in the home country by the migrants, investment in home country by “self-interested” migrants, insurance against risks that migrants are exposed to in the host country, and payment back (return) to the family for the investment that it made on the migrant, have been extensively discussed and tested for various remittance receiving communities/countries around the world. At the macro level, the movements of the foreign exchange rate, differences in interest rates between host and home country, and business cycle fluctuations in host and home country of the migrants have been shown to be important determinants (Mamun and Nath, 2010: 11).

There have been only a few studies that explore the determinants of remittance transfers to Bangladesh. The existing studies mostly focus on the macroeconomic determinants. For example, Barua and his associates(2007) show that income differentials between host and home country and devaluation of home country currency positively and high inflation rate in the home country negatively affect workers’ remittance decision. By using a simple regression analysis, Hussain and Naeem (2010) identified that for a number of workers finding employment

abroad every year, the oil price, exchange rate, and GDP growth are the key determinants of changes in the level of remittance inflow into Bangladesh. According to their results, each additional migrant worker increases remittances by US \$816 annually. They also find that depreciation of the exchange rate by one Bangladeshi Taka (currency) increases annual remittance by US\$18 million and those remittances are higher during periods of low economic growth in Bangladesh. The last result is consistent with the finding of Sayan(2006) who shows that migrants from Bangladesh increase their remittance transfers during times of economic hardship in their home country (Mamun and Nath, 2010: 10).

## V. Remittance and Its Economic Impacts

Remittance accounts as the largest source of external resource flows in most of the South Asian countries. It helps to strengthen their balance of payments and reserve position. If we analyze the external resource flow in the South Asian Countries, it can be found that remittances constitute more than 50% for the maximum number of the countries. In Bangladesh, 84.9% external resources flow into the country in the form of remittance.

<Table 5> Structure of External Resource Flow in Selected South Asian Countries (in %)

Countries	FDI	ODA	Remittance
Afghanistan	2.8	97.2	0
Bangladesh	5.8	9.3	84.9
India	39.7	3.2	57.1
Nepal	1	21.7	77.3
Pakistan	17.4	19.8	62.8
Sri Lanka	9.3	15.9	74.8

Source: UNDP (2011: 161-163).

In general, remittance spending by the recipients can be divided into two broad categories: consumption and investment. The broad-head of consumption includes the recipients' expenses on items like food, clothes and furniture, medical treatment, repayment of loans, home construction/repair, social ceremonies, gift or donation, and others. The rest of the uses of remittances are treated as saving or investment. The major items included in this category are business investment, savings/fixed deposit, purchase of agricultural and homestead land, release of mortgaged land or taking mortgage of land, education cost, community development investment, and sending family members abroad. The second group is based on the consideration that all these uses have potential short- and long-term returns to the users themselves and/or to the society (Barai, 2012: 3). To understand the nexus between migration and development in Bangladesh, the impacts of remittance need to be analyzed further from both the micro and macro level.

## 1. Micro Economic Impact

Most of the micro-level studies on remittance indicates that the remittance-receiving households use the largest fraction of remittances for consumption (Siddiqi and Abrar, 2001; Afsar, 2003 cited in Mamun and Nath, 2010, 11). Though there are variations on defining the consumption pattern and whether all items can be included in consumption is disputable. Although studies show that between 1/5th and 1/3rd of remittances are spent on basic items like food and clothing, it is interesting to note that up to 40percent of remittances are spent on the purchase of land (Siddiqi and Abrar, 2001; Afsar, 2003; Sharma and Zaman, 2009, cited in Mamun and Nath, 2010, 11). Land is the safest way to invest in Bangladesh. As Siddiqi and Abrar (2001) argue, arable land provides direct economic return through crop production. Furthermore, in a land-shortage economy like Bangladesh,

the value of land appreciates very quickly. Repayment of loans also accounts for a large share of the total use of remittances. These findings are further corroborated by Sharma and Zaman (2009) who find that while the remittance-receiving families spend more on consumption of food and non-food items, land is an important part of remittance expenditure (Mamun and Nath, 2010: 11).

<Table 6> Percentage Distribution of Remittances  
by Expenditure Categories

Expenditure Categories	Range of Percentage Share of Remittance Spent
Food and clothing	20-36
Purchase of land	3-40
Home Construction and Repair	2-30
Repayment of Loans	10-19
Wedding and other Social Ceremonies	0-10
Education	0-5
Savings	3-7
Funding other People's Migration	0-7
Investment in Business	0-5
Health Care	0-4

Source: Mamun and Nath (2010: 28).

There are instances of some non-resident Bangladeshis (NRB) making individual contributions every year to Mosques, orphanages, or *Madrassas* (Religious Schools). Also, there are Bangladeshi immigrants mainly in the USA and the UK, who, coming from the same region/area, organize to pool money and transfer to the respective areas of their origin for charity or community development. However, the total transfer is very small and not well known to formal/ government institutions in Bangladesh (Mamun and Nath, 2010: 12).

## 2. Macro Economic Impact

As Bangladesh has a very narrow export base, labor migration plays a vital role for its economy. In the year 2010-11, the flow of remittances was equal to 50.82% of export earnings, making it the single largest source of foreign currency earner for the country (Government of Bangladesh, 2012). The remittance earnings have been used in financing the import of capital goods and raw materials for industrial development. The steady flow of remittances has resolved the foreign exchange constraints, improved the balance of payments, and helped increase the supply of national savings. Remittances also constituted a very important source of the country's development budget. The Government of Bangladesh treats Foreign aid (concessional loan and grants) as an important resource base for the country. However, the remittances that Bangladesh has received every year are larger than the foreign aid. Remittances have played a major role in reducing the extent of the country's dependence on foreign aid (Siddiqui, 2004: 9).

<Table 7> Remittance as Percent of GDP and Export in Bangladesh

Fiscal Year	As percent of GDP	As percent of Export
2001-02	5.26	41.78
2002-03	5.9	46.76
2003-04	5.98	44.35
2004-05	6.37	44.47
2005-06	7.75	45.62
2006-07	8.83	49.09
2007-08	10.02	56.09
2008-09	10.96	62.25
2009-10	11.13	67.8
2010-11	10.53	50.82

Source: Government of Bangladesh (2012: 100-105).

The contribution of remittance to GDP has also grown from a meager 1 percent in 1977–1978 to 10.53 percent in 2010–11. However, if one takes into account the unofficial flow of remittances, its contribution to GDP would certainly be much higher. Murshed and his associates (2000) finds that an increase in remittance by BDT 1 would result in an increase in national income by BDT 3.33. It is in this context, the labor migration has become key sector for earning foreign exchange and creating opportunities for employment and contributing to the development of the country (Siddiqui, 2004: 9).

<Table 8> Structural Transformation of Bangladesh Economy (US\$ billion)

Indicators	FY 1981	FY 1991	FY 2001	FY 2011
Export	0.73	1.72	6.47	22.92
Import	1.95	3.47	9.34	33.66
Remittance	0.38	0.76	1.88	11.65
ODA distribution	1.15	1.17	1.37	1.78
FDI (net)	0.00	0.24	0.55	0.72
GDP (current prize)	19.01	31.43	47.3	115.4

Source: Zaman and Akbar (2013: 110).

However, a number of studies on the effect of remittance such as Akkoyunlu and Vickerman (2000), Solimano (2003), Rapoport and Docquier (2003), and others have raised the possible “Dutch Disease” effect of remittances (i.e., harmful consequences of large increases in a country’s income), whereby an appreciation of the real exchange rate of the domestic currency due to inflow of a large sum of remittances could lead to a rise of price of exportable commodities. This may erode the competitiveness of the domestic products in the international markets and thus jeopardizes the development of the tradable goods sector. For Bangladesh, the effects of such a “disease,” if any, need to be examined further (Barai, 2012: 3). Table 9 is an indication of both positive and negative impacts of remittance. These observations are also indicative to the possible impacts of remittance in Bangladesh as well.

<Table 9> Possible Positive and Negative Impacts of Remittances

	Positive Impact of Remittances	Negative Impact
Macro economic level	<ul style="list-style-type: none"> <li>·Strengthening balance of payments by provision of foreign exchange</li> <li>·Remittances are stable and counter-cyclical</li> </ul>	<ul style="list-style-type: none"> <li>·Deterioration of balance of trade by stimulation of import and appreciation of local currency</li> <li>·Deterioration of social balance</li> <li>·Remittances tend to decrease as migrant community is more established in the destination country</li> <li>·Economic dependency on remittances</li> </ul>
House hold level	<ul style="list-style-type: none"> <li>·Allow family to meet basic needs</li> <li>·Opening up of opportunities for investing in children's education, health care, housing, real estate, etc.</li> <li>·Loosening of constraints in family budget to invest in business or savings</li> <li>·Emergency resources</li> <li>·Social security resource base</li> </ul>	<ul style="list-style-type: none"> <li>·Dependence on remittances and neglect of local productive activities by families</li> <li>·Hardly used for productive investment</li> </ul>
Community and regional level	<ul style="list-style-type: none"> <li>·Boost local economy</li> <li>·Financing local development projects</li> </ul>	<ul style="list-style-type: none"> <li>·Increase inequality between families who receive remittances and those who do not</li> <li>·Inflation</li> </ul>

Source: De Bruyn and Wets (2006: 12).

## VI. Conclusion

The remittance market of Bangladesh has been showing a steady growth in terms of incoming remittance volume. Bangladesh has experienced a continuous surge in inward remittance flows both in terms of volume as well as in terms of ratio to GDP over the last forty-two years. Though, the expatriate Bangladeshi workers are pumping the economy of the country, their plight has not yet been addressed. They are deprived both at home and abroad. Many of their ordeals start with the beginning of the recruitment process. They sometimes face fraud and deception by the fraudulent recruitment agencies and *Adom Bepari* (the middle men). The Bangladeshi emigrants encounter difficult conditions abroad as well, especially in some Arab countries due to a lack of workers' rights and different socioeconomic systems.

Generally, these migrations take place within the rigid labor contract frameworks; workers are not allowed to settle or bring in dependents, and are often segregated in barracks. They can be deported for misconduct of behavior and often have to work very long hours. Female domestic workers are often subjected to exploitation and sexual abuse (Sedden, 2004: 410 ). That is why the Bangladesh government is conservative in sending female workers. Observing the problems of migrating people of Bangladesh, Chowdhury (2007:) asserted that the market for migrant workers is highly imperfect, characterized by high transaction costs, pervasive information gaps and misplaced expectations. The market imperfections are often evident and based in unfair labor contracts. Recruiting agents often reap abnormal profits, largely at the expense of the migrant workers' interests. Language barriers and a lack of understanding of the country's legal system can make it difficult for migrant workers to seek legal remedies against unfair labor practices. The unhealthy competition among recruiting agencies from different developing countries often exacerbates the situation (Buchenau, 2008). So, Bangladesh needs to take steps to address a wide range of issues to improve the migration process.

Recent initiative to use online registration and use of information and communication technology (ICT) to select the potential workers for Malaysia is now considered as a laudable model for sending workers abroad. It helps to address the problem of the high transaction costs of migration. Under this model, the cost of migration is reduced significantly from the current estimated BDT 200,000 to about BDT 40,000. The removal of private recruiting agencies and the middleman from the recruiting process and that the employer will bear the cost of the ticket fare will facilitate this huge drop in cost.

In most of the cases, workers who work abroad use informal channels like *hundi* and the government policies are not efficient and do not have enough data about foreign remittances. Government and the

different official channels should be involved in making the channels easier and safer to send money from abroad.

In recent years, government agencies as well as the private sector in Bangladesh has undertaken various strategies to make remittance transfer easier and hassle free, but there are still a lot of problems in Bangladesh. The major roadblocks to a smooth and efficient payment of foreign remittances include poor infrastructure in the rural and semi-urban economies, inadequate reach of private commercial banks in rural areas, active '*hundi*' market, in efficiency of financial institutions and uneven competition among financial institutions, poorly regulated exchange houses and remittance markets, and lack of investment in ICT backbone development for market efficiency. These above inefficiencies have resulted in an abnormal share of '*hundi*' business in this sector and such abnormal situations must be improved by government agencies and banking industries in Bangladesh.

The workers are not as skilled as they need to be. Government needs to start a project for unskilled workers so that they can take training to make them skilled and skilled workers can become more efficient. Additionally, trafficking in persons including the trafficking of women and children for sexual and labor exploitation remains a grave concern in the country. The overwhelming majority of Bangladeshi labor migrants have been men due to former government policies restricting the labor migration of women. From 1997 to 2003, women made up less than 1 percent of the worker outflow from Bangladesh (Kibria, 2011). There are, however, signs of a shift away from this gender imbalance. Though the migration bans had arisen from concerns about the potential for Bangladeshi female workers to become victims of sexual exploitation and human trafficking while migrating or residing abroad, the government of Bangladesh lifted the ban limiting the labor migration of women in 2007. In order to deal with growing challenges, the government operational and administrative capacity

needs to be enhanced. Responses include further investment and assistance in cross-border technical cooperation, capacity-building, prevention of migration-related crime, awareness-raising on the risks of irregular migration and improved labor migration management (IOM, 2014).

The Bangladesh Overseas Employment Services Limited (BOESL) is involved in the direct recruitment of workers for international migration. As discussed earlier, less than 2 percent of the migrant workers were assisted by the government agencies (BMET and BOESL), while about 41 percent received assistance from private recruitment agencies during 1976-2003. Therefore, the capacities of migration-related agencies (BMET and BOESL) must be innovated and upgraded for better service delivery. The Bureau of Manpower, Employment and Training (BMET) needs to establish more vocational institutes and training programs for unskilled workers, particularly in poor urban and rural areas and foreign development partners might be able to assist such problems.

Moreover, migrants need to have job security. Job security will be ensured if the term of service is fixed at a minimum of five years, which will help workers repay the cost of the ticket to the employer in installments. To foster the benefits from migration and to maximize its developmental effect further, the Government of Bangladesh needs to diversify the labor market by seeking new destinations and increasing the flow of skilled manpower. Alongside, the problems (an inefficient remittance system, the increasing cost of foreign migration and employment, lack of skill and education of migrant workers from rural areas, corruption in the recruitment process, labor exploitation and harassments, and others) that are found in the existing system of migration, realistic policy measures need to be addressed and implemented in Bangladesh. Reform initiatives like these on the migration process may contribute further in the development process of Bangladesh.

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## 방글라데시 이주노동자의 송금과 경제적 영향에 대한 연구\*

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### 국문요약

방글라데시는 전체인구가 약1억6천만여명에 이르러 인구밀도가 높은 나라이고, 경제적 취약성 등으로 인하여 해외에서 일하는 이주노동자가 많은 나라이다. 그래서 이주노동자가 해외에서 번 소득 일부를 국내로 보내는 송금액이 많다 보니 이주노동자의 송금액이 방글라데시 국가경제에 중요한 부분을 차지하고 있다. 이러한 송금 총액은 해외수출로 인한 순소득이나 공적개발원조(ODA) 금액 규모를 능가한다. 따라서 송금액은 방글라데시의 경제성장과 빈곤감소의 중요한 동인이 되고 있다. 지난 2009년도의 이주노동자들이 방글라데시로 반입한 송금액은 미화100억 달러를 초과했는데 이는 방글라데시 국내총생산(GDP)의 약 11퍼센트를 차지할 정도의 놀라운 수준이다. 이주노동자 송금액의 경제적 영향은 소비와 투자라는 두 가지 차원에서 살펴볼 수 있을 것이다. 송금에 대한 대부분의 미시적 연구는 송금을 받는 가구들이 다양한 형태의 소비(생활비, 교육비, 주거비 등)에 충당하고 있다고 지적하고 있다. 거시적 차원의 영향으로는 송금소득이 방글라데시의 산업발진을 위한 재화나 원자재 수입에 사용되거나 환율안정, 국민저축, 부채지불 등에 기여한 것으로 나타났다. 아울러 송금액은 방글라데시 개발예산의 중요한 원천이 되고 있다. 그러나 해외노동이주가 늘어나면서 많은 문제가 발생하고 있는 것도 사실이다. 방글라데시 국민들의 해외이주노동자가 늘어나면서 방글라데시 정부당국에 상당한 정치행정적 도전을 주는 것도 사실이다. 해외이주로 인한 다양한 문제(노동권과 인권 훼손, 인력송출관련 고비용 구조와 부패 등)가 발생하고 있으므로, 방글라데시 정부는

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보다 숙련된 해외인력 송출을 증대시킬 필요가 있으며, 새로운 해외노동시장도 개척하면서 해외인력 송출과정과 송금제도 등을 개선해야 하는 것이 주요한 과제가 되고 있으므로, 방글라데시 정부당국의 다양한 정책개발과 추진이 시급한 실정이다.

**【핵심어】** 이주, 이주노동자, 송금, 방글라데시, 개발, 디아스포라

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주저자 모바셔 모넴(Mobasser Monem)은 영국 런던대학교에서 행정학박사학위를 받고 독일 하이델베르그대학교에서 박사후과정(Post Doc)을 수료하였으며, 현재 방글라데시 다카대학교 행정학과 교수로 재직 중이며 연구분야는 방글라데시 행정혁신과 사회발전 등이다.

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참여저자 하산 무하마드 반자민(Hasan Muhammad Baniamin)은 방글라데시 다카대학교를 졸업한 후에 노르웨이 베르겐대학교에서 행정학석사학위를 받고 연구원으로 재직 중이며, 연구분야는 방글라데시 경제개발과 사회발전 등이다.

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교신저자 김판석(金判錫)은 미국 American University에서 행정학박사학위를 취득하고, 연세대학교 원주캠퍼스 정경대학 글로벌행정학과 교수로 재직 중이다. 세계행정학회(IIAS) 회장과 유엔행정전문가위원회(UNCEPA) 부위원장 등을 역임하였으며, 현재 아시아행정학회(AAPA) 회장으로 봉사하고 있으며, 영문편저 Public Sector Reform in ASEAN Member Countries and Korea 등 다수의 저작이 있다.

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