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*A New Path  
Forward:  
Leveraging  
Migration for  
Development*

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# A New Path Forward: Leveraging Migration for Development

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## Abstract

This paper proposes a novel policy programme for India to leverage migration to support its domestic development. India is currently experiencing high unemployment levels and a ‘brain drain’ problem. Western countries are experiencing labour shortages and a wasted talent population where many educated immigrants are not provided opportunities aligned with their skills, and even more many migrant labourers are often marginalized and subject to various forms of abuse and exploitation in their host country. The current approach has not proven effective in both addressing the labour market needs of the host country and providing adequate economic opportunities or stability for migrants. A new approach that would be mutually beneficial for both Indian migrants and their host countries must be explored.

A practical resolution is a public programme that supports Indians to migrate for skill development and wealth creation instead of permanent settlement. Host countries can address their labour shortages and India can strengthen its human capital and invest in development. Developing such an ambitious initiative will have considerable challenges and this paper is not meant to be a comprehensive policy proposal. Rather, this paper is meant to be a catalyst for policy research. It is hoped the International Institute of Migration and Development (IIMAD) can bring together researchers and subject matter experts to develop the model introduced in this paper.

## **Introduction**

India faces many economic challenges. The foremost being the lack of employment opportunities for its growing working-age population while the industrialized world is dealing with significant labour shortages for the foreseeable future. One might believe the movement of labour from India to Western Countries would address both challenges and be mutually beneficial. However, this has not been the case.

Many Indians migrating abroad experience underemployment, labour and sexual exploitation, and poor mental health. Most disconcerting are the stories of families who have died trying to illegally cross borders; such as the Patel family who froze to death trying to cross the Canada-US border in 2022. Such migration problems will not be surmounted unless a new model is created. This paper proposes a viable new course of action.

The paper begins with a discussion of India's economic challenge on both the demand and supply side of the labour market. Later it discusses the labour shortage problem in the G-7 countries. The following chapter highlights the vulnerable plight of Indian migrants across the world. This paper also explores a new approach. This starts with considering the potential benefits of an active labour market program for migrants and how India can learn from the European Commission to cultivate a labour talent pool. This paper considers policy innovations for India including directing inward remittance towards productive investments. Finally, the paper recommends the next steps to develop this innovative model.

## **Economic Challenges Facing India**

India has considerable economic growth potential in terms of its demographic dividend. However, reaping the benefits from a larger working-age population is not inevitable. India must appreciate the challenges that are hindering it from taking advantage of its working-age population; otherwise, its demographic dividend will come-and-go as a lost opportunity.

### **The Economy Lacks Jobs**

Many studies have examined unemployment in India. Mehrotra and Parida (2019) found total employment levels declined in 16 out of 22 states between 2011-12 and 2017-18 (Mehrotra & Parida, 2019). During this same period, the unemployment rate increased to an all-time high of 8.8% (Mehrotra & Parida, 2019). More concerning is that youth employment was significantly higher for those with post-secondary education. Youth unemployment was above 30% for those with post-secondary qualifications but below 25% for those without post-secondary education (Mehrotra & Parida, 2019). Sharma (2022) examined youth unemployment and found unemployment among graduates to be six times higher compared to the uneducated (Sharma 2022). It is also important to track Youth not in employment, education or training (NEET) because these individuals are at risk of social marginalization and economic hardships. This makes it concerning that India's Youth NEET population increased by almost 20 million between 2011-12 and 2017-18 (Mehrotra & Parida, 2019).

The gender disparity among the unemployed is also noteworthy. Sharma (2022) found a greater proportion of unemployed graduates were female (40% female vs 34% men) and in NEET (50% female vs 34% men). Despite this gender disparity, Mehrotra and Parida (2021) argue quality job opportunities can increase labour force participation (Mehrotra and Parida, 2021). This is because they found rising wage/earning levels increased labour force participation among both men and women.

### **The Workers Lack Skills**

India's economic problems are not limited to inadequate job opportunities. Indian workers' skillset, or lack thereof, is also concerning. The Wheebox National Employability Test (WNET) is an annual evaluation of approximately 300,000 final-year students and post-graduates to assess the competencies and skills of new labour market entrants in India. The Wheebox 2023 Skills Report found only 50% of test takers were employable (Wheebox Corporate Office, 2023). This was an increase from 46% in the 2022 Skills Report (Wheebox Corporate Office, 2023). Notably, Women were more employable than men at 53% and 47%, respectively (Wheebox Corporate Office, 2023).

The inadequate skill set of Indian workers is affecting industry. Manpower Group's Employment Outlook Survey measures employers' intention to increase or decrease their workforce and determines global labour market trends. The 2022 Survey found approximately 75% of Indian employers reported difficulty in finding talent for job vacancies (Manpower Group, 2022). This figure increased to 80% in 2023 (Manpower Group, 2023). This suggests the lack of skills among workers is hindering business development and economic growth in India.

The agriculture sector which employs the most people is vital to the Indian economy. But Indian agriculture is mired in low productivity given its reliance on basic farming (Tongia, 2019). While it is critical to diversify the Indian economy towards more productive industries, there is also a need to increase productivity within agriculture. Raising farmers' skill levels should be among the chief policy initiatives to increase agricultural productivity. Gulati and Juneja, (2021) identify four key requirements to raise land productivity including capital investment, increase in non-agricultural job opportunities, skill formation, and diversification towards high-value agricultural activities. A challenge in increasing land productivity is that many older farmers lack the skills (i.e. literacy) to learn and implement new agricultural practices and innovations (FAO, 2017). Notably, the Agriculture Skill Council is focused on upgrading the skills of Indian farmers and other agricultural workers.

### **The Indian Brain Drain**

India's lacklustre economy and lack of employment opportunities are contributing to a brain drain problem where a considerable proportion of India's talent is going abroad. India is the largest source of highly skilled immigrants for OECD countries (d'Aiglepierre et al., 2020). Over three million educated Indian origin migrants are in OECD countries which are followed by China at two million (d'Aiglepierre et al., 2020). Although the cost of India's brain drain is difficult to measure, the Associated Chambers of Commerce and Industry of India estimates that Indian students studying abroad cost the economy approximately \$17 billion annually (Mishra, 2013).

This skilled emigration is having concerning social consequences for the Indian people. In 2021, India had the highest number of domestically trained doctors emigrating to OECD countries at nearly 75,000 (Buchholz, 2023). This emigration is contributing to India's healthcare workforce shortage with only 3.3 qualified allopathic doctors and 3.1 nurses and midwives per 10,000 population (Rajan and Walton-Roberts, 2020). This is well below the WHO recommended 28.5 per 10,000 population (Rajan and Walton-Roberts, 2020). Even more, Kaushik et al (2008) found medical graduates from higher-quality institutions represent a disproportionately large share of physicians who emigrate (Kaushik et al, 2008). All this suggests unless there is policy intervention, there is the risk of India's great potential becoming a great problem.

## **Economic Challenges Facing the G-7**

The International Group of Seven (G-7) consists of the seven most advanced economies in the world. These advanced economies all risk a declining GDP due to a shrinking work-age population and increasing labour shortage. This section describes the labour shortage challenges among some G-7 members.

### **Europe**

The UN estimates Europe will have 95 million fewer working age people in 2050 compared to 2015 (Kenny and Yang, 2021). To meet future labour demand European countries will have to increase their immigration levels while facing increased competition for immigrants among G-7 countries (Kenny and Yang, 2021). As recently as August 2021, the German federal employment agency reported 779,000 unfilled jobs (Spaanjart, 2021). Germany is also anticipated to have the most job openings in Europe with 20 million between 2021 to 2030, but also a shortage of 7 million workers by 2050 (Spaanjart, 2021).

A survey of approximately 9,500 U.K. businesses found 13% of the businesses face a worker shortage (Buchanan and Francis-Devine, 2023). The top number of vacancies by industry include health and social work (208,000), wholesale and retail trade (148,000), and accommodation and food service (146,000) (Buchanan and Francis-Devine, 2023). If labour shortages persist the Recruitment and Employment Confederation estimates it will cost the U.K. economy £30 to 39 billion annually (REC, 2022).

### **North America**

North America is also experiencing labour shortage problems. The U.S. had over 11 million job openings at the end of 2022 (US Labour of Statistics, 2023). Accommodation and food service had the highest job open rate at 11.3% with over 1.7 million job openings (U.S. Labour of Statistics, 2023). Health and social assistance had the largest number of job openings at 1.9 million (U.S. Labour of Statistics, 2023). Since the pandemic, U.S. firms have had trouble recruiting and retaining workers for jobs that require in-person attendance and pay relatively lower wages (Ferguson, 2023). The U.S. Chamber of Commerce found the largest labour shortage, where domestic labour supply cannot meet demand, is in durable goods manufacturing, wholesale and retail trade, and education and health services (Ferguson, 2023).

Canada had a record number of job openings in March 2022 at over one million (Fair et, a., 2022). Moreover, almost 40% of businesses expect recruiting skilled labour as an ongoing challenge (Far et, a., 2022). Top industries facing a challenge to recruit workers include healthcare and social assistance, real estate and rental, and accommodation and food service (Fair et, a., 2022). A Business Development Bank of Canada (BDC) survey of over 1200 entrepreneurs found 55% are struggling to hire workers for three months or longer (BDC, 2021). Moreover, 45% reported difficulty hiring due to a lack of candidates and 44% due to a lack of skilled candidates (BDC, 2021). Almost two-thirds of businesses reported losing business opportunities due to their labour shortage (BDC, 2021).



## **Japan**

Japan has a large ageing population which is leading to a fast-declining working-age population and increasing labour shortage. In 2019, the country had a labour shortage of 600,000 workers (Duong, 2022). The Japanese workforce is anticipated to decrease by a further 20% by 2040 (Fleming, 2019).

## **The Plight of Indian Migrants**

For years Indians have been immigrating to labour-seeking countries. Recognizing the plight of these migrants is vital to understand the need for policy interventions to change the status quo. This section discusses the plight of migrants going abroad as skilled migrants, labour migrants, and students. This section of the paper discusses the plight of migrants in G-7 and Middle East countries. A particular focus is on migrants from India.

## **The Brain Waste Problem**

Between 2010 and 2019, the U.S. college educated immigrant population grew by 42% (compared to 27% US born) and the number of immigrant college graduates increased faster than the national average in 25 states (Batalova and Fix, 2021). However, skilled immigrants are more likely to be underemployed. In most States, underemployment was 21% among high-skilled immigrants but 16% for U.S. born (Batalova and Fix, 2021). Batalova and Fix (2021) estimate there are 2 million underemployed immigrants and up to 3.5 million if you include overqualified immigrant workers (Batalova and Fix, 2021).

In Canada, there is abundant research examining the socioeconomic position of immigrants. Crossman et al (2021) compares the employment rate and weekly earnings of immigrants with Canadian born workers from 2011 and 2019 (Crossman et al, 2021). The study considered three categories of immigrants: new immigrants (1 to 5 years in Canada), recent immigrants (6 to 10 years in Canada), and long-term immigrants (over 10 years in Canada). Crossman et al (2021) found a negative earnings gap for all immigrant groups compared to Canadian-born citizens.

Hira-Friesen (2021) explored the likelihood of immigrants (recent and established) and Canadian-born to be employed in precarious work. The study found that African and South Asian men are twice as likely to be employed in involuntary part-time work. They also had the highest likelihood of being employed in temporary positions (Hira-Friesen, 2021). Further, immigrant men were over-represented in precarious work (Hira-Friesen, 2021).

Immigrants also have higher rates of poverty in Canada. Hou (2019) found the poverty rate of recent immigrants increased from 1.4 times to 2.4 times higher compared to Canadian born citizens. Research by Burnes et al, suggests the economic position of immigrants is leading to negative health consequences. Burnes et al, (2019) examined how successfully immigrants and Canadian-born citizens age. His study found Immigrants had a lower likelihood of successfully ageing compared to their Canadian-born counterparts (Burnes et al, 2022).

## **Exploitation of Labour**

Labour exploitation is a common problem faced by Indian migrants. The Kerala-based Centre for Indian Migrant Studies surveyed over 6,000 migrant workers which illuminates the exploitation of Indian labourers. The Centre found 12% of migrants were victims of wage theft which totalled approximately US \$16.5 million (US \$21,338 per worker) (Devi, 2021). A majority of the victims (53%) were from Kerala (Devi, 2021).

Even more, the Indian Ministry of External Affairs reported almost 34,000 migrant workers died in Gulf countries between 2014 and 2019 (MEA, 2019). The number of worker complaints during this same period was over 100,000 (MEA, 2019).

The Human Rights Watch interviewed almost 100 women to understand the exploitation of domestic migrant workers in the United Arab Emirates (Begum, 2014). More than two dozen experienced physical or sexual abuse and nearly all were forced to work very long hours (up to 21 hours per day) with no rest or days off (Begum, 2014). Some women even reported not receiving wages for over one year (Begum, 2014). Employers were also known to confiscate the worker's passports to exercise control over them (Begum, 2014). These domestic workers come under the Kafala system which is UAE's visa sponsorship program which ties migrant workers to individual employers who are their visa sponsors (Begum, 2014). The Kafala system makes migrants beholden to their employers because the employer can revoke their sponsorship and must grant permission for a worker to change employers (Begum, 2014).

Italy hosts tens of thousands of Indian migrants (predominantly from Punjab) working in farm fields. These labourers pay thousands of dollars for an Italian work visa only to fall under the control of the Italian mafia who hire 'capos' to manage farm labourers. These capos are responsible for creating slave-like conditions. The Italian Parliamentary Commission of Inquiry on Working Conditions describes the exploitation of Punjabis as comparable to slavery (Saikia, 2022) There are reports of Punjabi labourers experiencing physical violence and being forced to ingest performance-enhancing drugs (Williams, 2019). Most concerning is the plight of Punjabi female farm labourers in Capos, who are known to be sexually exploited when raising questions about fair wages and work contracts (Saikia, 2022). Workers who do not comply get paid less than one Euro an hour and are forced to work up to 14-hour shifts (Saikia, 2022).

### **Lost Potential**

India is a top source country for students for many advanced economies. The dearth of research to understand this population group makes a study by Punjabi University academics Rakshinder Kaur and Kamaljeet Singh vital. The study examined the socio-economic profile of study visa aspirants in Punjab and its findings include (Kaur and Singh, 2018):

- 67% of students are from farming families.
- 56% of the students' families owned five acres of land or less, and 80% owned 10 acres or less.
- 54% of the students' families will sell property or take a loan to fund their education.

This suggests a sizeable proportion of study visa aspirants from Punjab are rural working class (Kaur and Singh, 2018). These families of modest means, dissatisfied in Punjab, are willing to

make a considerable financial sacrifice to move abroad. A survey conducted by the Centre for Studying Developing Societies found 78% of Punjab youth felt the quality of employment opportunities in Punjab was bad (Rampal, 2021). This was far above the national average of 41% making Punjab youth the most dissatisfied cohort in India (Rampal, 2021). Karnataka had the highest satisfaction with employment opportunities in their state where only 6% considered job opportunities as bad (Rampal, 2021).

There is also ample evidence of the marginalization of international students studying in G-7 countries. The report *The Realities of International Students: Evidenced Challenges* discusses the systemic issues afflicting Indian students and their dire consequences in Canada. The report details how financial interests are leading to many ill-equipped Indian youths being made vulnerable and exploited (Kahlon, 2021). The exploitation starts in India where unscrupulous agents often deceive families when recruiting their children for Canadian schools. Further, public post-secondary schools charge international students exponentially higher tuition fees while provincial governments reduce their proportion of funding for higher education (Kahlon, 2021). Canada's international education model is essentially using migrants to generate wealth and privatize higher education. The report discusses how this has resulted in widespread social problems including labour exploitation, sexual exploitation, and mental health and suicide concerns among Indian international students (Kahlon, 2021).

Studies by Statistics Canada, Canada's national statistical office, have found international students have relatively worse economic outcomes in the country. A 2017 Statistics Canada study found on average, Canadian-educated immigrants had significantly lower earnings than their Canadian-born counterparts (Hou and Lu, 2017). Another 2021 Statistics Canada study found international student graduates have lower earned income than Canadian citizens for all fields of study (Choi et al., 2021). The largest earnings gap is in the field of Business and Public Administration, which is the most common field of study for international students (Choi et al., 2021).

Furthermore, a 2023 Statistics Canada report challenges the notion that international education is addressing labour shortages in Canada. The report found for every quarter from 2016 to 2022, the number of unemployed individuals with a bachelor's degree or higher was greater than the number of job openings requiring at least a bachelor's degree (Morissette, 2023). In contrast, the number of unemployed individuals with a high school (grade 12) education or less was below the number of job openings requiring a high school education (Morissette, 2023). This suggests widespread labour shortages are more prevalent in low-skill occupations that do not require a post-secondary education. Canada recruiting post-secondary international students by the hundreds of thousands when there is a dearth of job opportunities should be a cause for concern.

The problems are not limited to Canada. An Australian study involving over 4,000 migrants explored the problem of wage theft and working conditions among international students, backpackers, and other temporary migrants (Berg and Farbenblum, 2017). The study found approximately 30% of participants earned only half the legal minimum wage and 58% of Indian

participants were being paid less than the minimum wage (Berg and Farbenblum, 2017). A Coroner's report identified 47 international student suicides between 2009 and 2019 in the State of Victoria (Coroners Court of Victoria, 2020). A common theme among the suicides were education and financial stress, isolation and homesickness, plus poor access to mental health support (Coroners Court of Victoria, 2020). A U.K. survey found 70 out of 124 students felt they were destitute or are becoming destitute (Migrants' Rights Network, 2020). Notably, 54% of the respondents were from India. In another U.K. survey exploring the mental health of post-secondary students 36% of international students reported having suicidal thoughts (Atack, 2018).

### **A New Path Forward**

India is struggling to provide opportunities for its job seekers and industrialized nations are struggling to fill job shortages. Many Indian migrants going abroad for economic opportunities are struggling to achieve upward mobility and economic security. Is there a better approach than the status quo?

The next three sections propose a new path that can be mutually beneficial. The first section looks into how labour market programs can address labour shortages and build the human capital among migrants. The second section explores how India can encourage and facilitate the return of skilled and experienced Indian migrants into the Indian labour market. Finally, the paper explains how the hard-earned wealth of Indian migrants can be channelled into productive investments.

### **Activating Labour Market Programmes**

Indians searching for economic opportunities will continue to move across the globe like an ocean current. And industrialized countries seem to believe that this flow of migrants will fill labour shortages like water-filling crevices. But whether the G-7 nation's current immigration programs meet their labour shortages and provide economic prosperity for migrants is disputable.

To achieve desired outcomes governments should be more active in addressing labour shortages while also helping migrants build skills and wealth. The best conceptual example is Japan's Specified Skilled Worker (SSW) Program and imaginative Technical Intern Training (TIT) Program. The SSW program is meant to address Japan's severe labour shortages for 12 priority occupational fields (MOFA, 2023). The program accepts experienced foreign workers with specific expertise and skills and they can work for up to five years (MOFA, 2023). Prospective employees must be able to work without additional training required and must pass a test conducted by the Japanese government (MOFA, 2023).

The TIT program was created to transfer skills and knowledge to emerging economies by accepting workers from overseas (JITCO, 2023). Ideally, this program would support international development by helping emerging economies build their human capital. A country must enter into a Memorandum of Cooperation (MoC) with Japan to enrol its workers in the TIT

program. Once an MoC is established, migrant workers can work up to five years in over 80 job categories. To help ensure skills and knowledge transfer the program requires a training plan for each worker (JITCO, 2023).

The Government of Japan reported over 360,000 participants in the TIT program as of June 2019 (MOJ, n.d.). Participants from Vietnam represented 51% of all trainees and India only sent 148 (MOJ, n.d.).

However, the TIT program has not proven to meet the potential of its concept. The TIT program has devolved into a source of cheap foreign labour and migrant workers do not obtain skills and knowledge (IHRB, 2017). Even more concerning are the human rights concerns for the treatment of TIT program participants including wage theft, overwork, and violation of labour laws (IHRB, 2017). These problems have been attributed to a lack of effective oversight with infrequent and ineffective audits of participating employers. The failure of Japan's TIT program should not be seen as a failure of concept but instead a failure of implementation. Japan's experiment underlines how governments must take seriously their responsibility for ensuring the protection of migrant workers. Notably, in November 2022, Japan established a panel to review the program failures and provide recommendations for improvement by Fall 2023 (APF Canada, 2017).

Gevorkyan & Gevorkyan (2012) also recommend institutionalizing migrant worker recruitment with coordination between the home and host country. Their Diaspora Regulatory Mechanism proposes a state-managed recruitment agency in the home country to recruit qualified candidates while non-profits from the diaspora community can find employment opportunities and provide settlement services (Gevorkyan & Gevorkyan, 2012). A country's consulate in the host country would be responsible for providing necessary administrative and technical support (Gevorkyan & Gevorkyan, 2012).

Regarding active labour market programmes India and industrialized countries should develop the following:

- Bilateral labour agreements to ensure effective oversight and labour rights protection for Indian migrants.
- Work orientation for aspiring Indian labour migrants on their human and labour rights and the health and safety risks when working in the host country.
- Develop labour market programs for migrant workers that address specific labour shortages in industrialized countries and support skills transfer.

By increasing cooperation, governments can develop a comprehensive program that supports migrants on the continuum of their journey to obtain work and develop skills.

### **Cultivating an Indian Talent Pool**

Systemic changes are required to ensure the Indian education system is equipping graduates with employable skills. However, India should look to better utilize its existing human capital (domestic and abroad) to address Indian industry's current challenge in recruiting talent. Otherwise, economic success will be hindered by the market failure of imperfect information. Job seekers with international education and experience may not know the value of their talent in the labour market and the breadth of opportunities. Similarly, many employers may not know the available workforce talent and capable candidates. Given the current lack of information it is presumptuous to expect the flow of millions of job seekers will automatically fill the labour market needs of India.

This problem can be addressed by learning from the European Commission's promising model – the EU Talent Pool. The EU Talent Pool is a database and web-based portal that serves as a mechanism to match the skills of potential migrants with the labour market demands of EU member states. Migrants seeking jobs can publish their C.V. and access a job search portal listing job vacancies. The portal has over three million job vacancies from over 4,000 employers across Europe (European Commission, 2022). Similarly, employers can view the profiles of job seekers. The service includes advisers who can support job seekers and facilitate job matching.

Regarding cultivating a talent pool India should develop the following:

- An online database and web portal to facilitate job matching between job seekers and employers modelled after the EU Talent Pool.
- Marketing campaign to recruit employers and job seekers (expatriates, post-secondary students, skilled workers, etc...) to participate in the talent pool system.

Admittedly, the benefits of the Indian Talent Pool system would be limited to the educated class. However, the system could also help provide a more in-depth understanding of the labour market and educated workforce. Moreover, the Indian talent pool system can be included in the Digital India programme which is focused on improving access to government services by improving ICT infrastructure and increasing Internet connectivity.

### **Putting Remittances to Work**

Remittance from foreign workers and diaspora communities is an untapped source of development funds for emerging markets. In 2022, India alone received US \$100 billion in remittances (World Bank Group, 2022). But this money is not being channelled into investments that support economic and social development. The Reserve Bank of India found almost 60% of remittance is spent on household consumption and less than 10% is invested (RBI, 2018). Moreover, the investments are primarily in land and stocks (RBI, 2018). India should develop mechanisms to channel remittance funds towards productive investments. In developing policy mechanisms policymakers can reference innovative practices and ideas

### **Playing Financial Instruments**

Remittance money can provide more economic benefits if it were in the formal financial system. For example, Sri Lanka's Hatton National Bank created the Adhistana program to incentivize

migrant workers to remit and save earnings. The program, created for the country's migrant worker population, provides a higher interest savings rate for remittance money (Abayasingha, 2022). The program also provides access to loans and account holders can request the bank to deliver cash to their homes (Abayasingha, 2022).

Bonds are another financial instrument to generate funds from expatriates. India and Israel have been successful in issuing diaspora bonds from their nationals living abroad. India raised over \$10 billion in three separate issues of diaspora bonds in 1991, 1998, and 2000 (Gevorkyan, 2021). The Development Corporation of Israel has used diaspora bond sales to invest in agriculture, transportation, technology, and energy (Gevorkyan, 2021). A Development Impact Bond (DIB) is an innovation of bonds to finance development programmes. DIBs are performance-based bonds where the investor funds a development initiative and receives a return (principal plus interest) if the project is successful. The Quality Education India DIB showcases the potential of a well-designed DIB. The Quality Education India DIB aimed to improve learning outcomes for over 200,000 students in grade 1 to 8. The programme raised over US \$11 million and outperformed all its expected targets. Participating students learned 2.5 times more than non-participating students; the price per outcome was lower than expected; and the investor received a return on its investment (Cox et al, 2019).

The potential of using bonds to finance development should not cloud the challenges. Working-class labourers need remittance to alleviate poverty and improve their family's living standards (Gevorkyan, 2021). This reduces their willingness to transfer money towards public good projects (Gevorkyan, 2021). Further, innovative DIBs provide no capital protection for the investor. Being a performance-based tool, the investor only gets a return if the program reaches its performance targets. Although this ensures greater scrutiny to ensure success, labour migrants are unlikely to undertake such a risk.

### **A Bank for Development**

Innovations to channel remittance go beyond financial instruments. Gevorkyan & Gevorkyan (2012) presented the concept of a Migration Development Bank to be a bank for migrants and help stimulate development. This bank could provide a variety of financial services for migrants abroad (e.g. money transfer mechanism) and returning home (e.g. start-up capital) (Gevorkyan & Gevorkyan, 2012). The source of funding for the bank can range from unclaimed deposits, government transfers, operating in financial markets, and low-risk financial investments (Gevorkyan & Gevorkyan, 2012). The bank is also suitable to issue diaspora sovereign bonds for long-term investments (Gevorkyan & Gevorkyan, 2012). Thus, a migration development bank can channel remittance towards productive investments for development. Notably, in 2015, the Kerala Public Expenditure Review Committee recommended establishing a Migration Development Bank (Khaleej Times, 2015). The Committee advocated that this bank can help rehabilitate expats who return to Kerala and direct remittance into productive investments (Khaleej Times, 2015).

A state-level development bank is not uncommon. Rather, Subnational Development Banks (SDBs), which operate at a regional or state/provincial level, are considered vital for

development. SDBs allow for a bottom-up approach to development that can complement the top-down approach from national or multilateral development banks such as the World Bank or Asian Development Bank (FIC, 2021). The advantage of SDBs is that they can better understand local needs and be more effective in selecting investment opportunities (Bedeschi Costa et al., 2020). This can help increase the welfare in economically neglected regions (Bedeschi Costa et al., 2020).

Only 66 SDBs are operating in the world and the majority of them are in two countries: Brazil and Vietnam (Bedeschi Costa et al., 2020). They have varying mandates which include but are not limited to, providing long-term credit for investment projects and providing loans for SMEs (Bedeschi Costa et al., 2020). Their primary funding source is financial transfers from their respective federal governments (i.e. national development banks). SDBs can also leverage financial support from multilateral institutions for specific initiatives such as sustainability. For example, Brazil's Development Bank of Minas Gerais (BDMG) partnered with the European Investment Bank to finance a renewable energy project (Bedeschi Costa et al., 2020).

Regarding utilizing remittance for productive investments Indian states should develop the following:

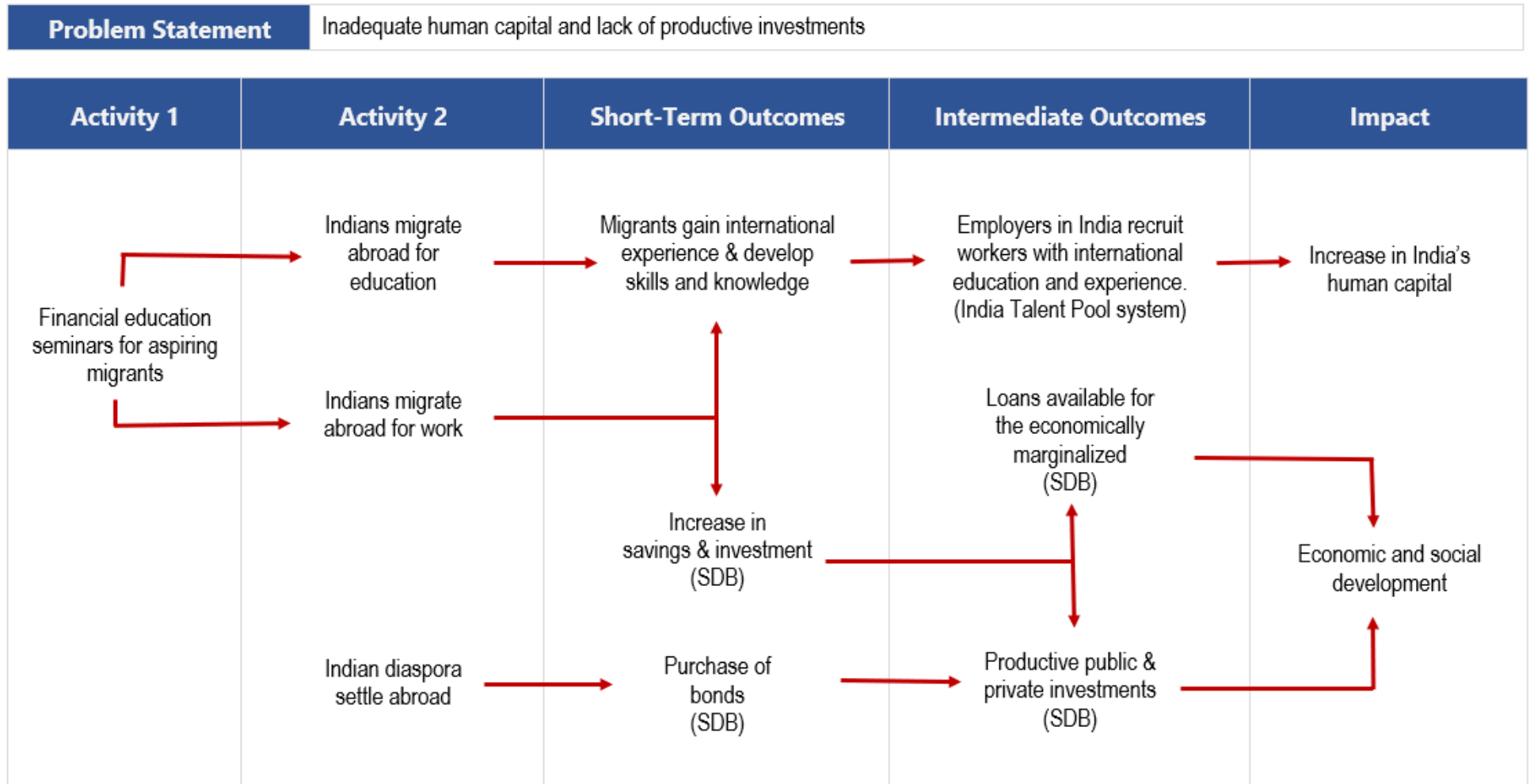
- A SDB based on Aleksandr V. Gevorkyan's migration development bank model. This can be further developed to have more diverse funding sources similar to other SDBs.
- Education services for migrant worker account holders to improve financial literacy.
- Diaspora bonds for diaspora communities interested in making long-term investments in their home community in India.
- An investment framework that ensures a high probability of success for Development Impact Bonds. This can help get capital protection for short-to-medium-term development projects.

Kerala remittance figures suggest a development bank could be a windfall for development. The Reserve Bank of India found Kerala represented 19% of total Indian remittance (RBI, 2018). In 2011, remittance accounted for approximately 30% of Kerala's GDP and was over six times greater than federal revenue transfers provided to Kerala (Khaleej Times, 2015).



## Theory of Change

The Theory of Change diagram describes how the proposed policy programme can lead to development.



### Assumptions

- Indian migrants open accounts in a Subnational Development Bank (SDB) for remittance.
- Diaspora communities invest in long-term bonds.

## Recommended Next Steps

This paper takes a broad approach to identify the different areas that require government intervention. A solution will require government commitment. But before implementation, these policy ideas must be further scrutinized and developed. To forge this new policy path the paper presents the next steps for researchers. The recommended next steps provide a more precise research focus for the respective topics.

### **1. Active Labour market program**

- Develop a conceptual framework for an active labour market program(s) that address job shortages and support skills development and transfer by:
  - Identifying best practices for skills development and transfer.
  - Assessing the viability of getting the participation of the private sector in G-7 countries.

### **2. Indian Talent Pool**

- Assess the need and potential benefits of an Indian Talent Pool system modeled after the EU Talent Pool. As assessment should measure stakeholder interest in participating in the proposed system by surveying Indian industries and potential job seekers.

### **3. Putting remittance funds to work**

- Survey diaspora communities to determine their willingness to invest in bonds to fund development in their home country.
- Develop a theoretical governance model and institutional financial framework for a subnational development bank.
- Explore potential development initiatives suitable for a subnational development bank to fund.
- Assess the viability of providing principal protected Development Impact Bonds by:
  - Develop an investment criteria framework that can identify development projects with a high probability of success.
  - research principal-protected bonds issued by the World Bank.

## Concluding Remarks

The fact that many Indians are moving to the West and settling in low-skill careers is concerning. An IMF study found that less-educated workers were significantly more vulnerable to job loss in both the 2008 recession and the 2020 pandemic-induced recession (Shibata, 2020). Low-wage jobs with routine tasks are more susceptible to technological change (Aaron & Phelan, 2019). Low and semi-skilled work has also been found to provide fewer career advancement opportunities (Willhelm, 2017). Unfortunately, current immigration programs drive a large segment of migrants into a low-skill career path. These people face the dilemma of struggling in their home country or struggling in the West. They need a path to economic mobility.

This paper proposes a new approach that treats precarious occupations as transitory used to build skills, experience, and wealth – not permanent careers. This more agile approach is warranted in an increasingly dynamic economy and labour market.

Admittedly, this approach will require greater international cooperation; however, there already exists a strong global interest to build stronger relations with India. The U.S. has multiple military agreements. The U.K. is engaged in negotiations for a free trade agreement. Canada developed an Indo-Pacific strategy. Japan and Finland even entered into labour agreements to receive Indian workers. India should leverage this interest to encourage the industrialized world to develop programs that allow India to send its workforce and build its human capital. Further, this approach aligns with the World Bank's efforts to increase private capital funding and their Human Development Project which aims to enhance skill development.

Moreover, many Western countries are spending significant resources dealing with migration challenges. The U.K. will spend £500m to stop migrant crossings across the English Channel (Grammaticas & Whannel, 2023). The U.S. developed the Root Causes Strategy to address illegal migration (National Security Council, 2021). Alternatively, these countries can invite these migrants as a transitory population and support their skill development. As well as support SDBs to channel productive investments in countries that are the source of illegal migration. Hence, by applying the proposed innovations migrants can be the key for international development.

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