

KDI-TAF 2014
Asian Approaches to Development Cooperation

**Social Mobility:
Experiences and Lessons from Asia**

edited by
Taejong Kim and Anthea Mulakala

KDI



The Asia Foundation

KDI-TAF 2014

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| Preface |

Since 2010, the Asian Approaches series, hosted jointly by The Korea Development Institute (KDI) and The Asia Foundation (TAF), has provided a forum for Asian officials, experts, policy makers, and practitioners to address the challenges and opportunities that face the region. In the dialogues and resulting publications, participants from Malaysia to Mongolia share their experience, strategies and actions for addressing contemporary challenges. Topics have included Asian approaches to development cooperation, pro-poor and inclusive growth, and climate change adaptation and mitigation. This knowledge exchange also opens the door to opportunities for south-south cooperation. Dialogues have provided a platform for Asian experts to share their experience with Western counterparts, a process which becomes more vital and stimulating as the development discourse is increasingly influenced by Asian trends.

In 2014 we examined the trends and prospects for social and economic mobility in Asia. Social mobility is widely researched in the west, but there are few studies focusing on Asia. Though the world's fastest growing region, Asia remains home to nearly half the world's extreme poor. While Asia has had remarkable success in fighting poverty, not enough of the region's economic prosperity is reaching its poorest people. It is essential to balance the region's economic expansion with more inclusive policies. In Sri Lanka in August 2014, participants from Bangladesh, China, India, Korea, Mongolia, the Philippines, Sri Lanka, Thailand, and Vietnam discussed how Asia's experience with social mobility is influenced by distinctive factors such as caste, migration, gender, and education. The collection of papers in this volume provide insight into unique national experiences and address the reforms that are required to make upward social and

economic mobility accessible to Asia's poor.

The collaboration between KDI and The Asia Foundation is largely due to the early vision and leadership from former President Hyun Oh-Seok and Dr Wonhyuk Lim (KDI School). We would like to extend particular thanks to Dr Gordon Hein, Senior Vice President, The Asia Foundation, for his leadership and commitment to the AADC initiative; Ms Anthea Mulakala, Mr Peter Beck, Ms Sunita Anandarajah, and Ms Kyung-sook Lee who coordinated and managed the project from the TAF side; and Prof. Taejong Kim, Prof. Dong-Young Kim and Ms Taeyang Kim for managing this project from the KDI side. We acknowledge their ongoing support and commitment to the partnership. We also extend thanks to The Asia Foundation Sri Lanka and the Centre for Policy Analysis Sri Lanka for convening the Social Mobility dialogue. This publication was also made possible by the invaluable efforts of BlueSky International and Amanda Yeoh for their excellent copy-editing and editorial assistance.

Joon-Kyung Kim
President
Korea Development Institute

David Arnold
President
The Asia Foundation

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Introduction

Social mobility is a multidimensional concept that refers to the change of an individual's status within a community. Not merely reflected through one's financial standing, it is also influenced by one's societal prestige and power. It is closely linked to the idea of economic mobility, which is measured through earnings, income, and wealth.

Western academics have typically examined social mobility through issues such as social class, a notion developed by German sociologist Max Weber. According to Weber, social class comprises of power, prestige, and property. Thus, based on this theory, two forms of social mobility exist: vertical and horizontal mobility. The former results when there is a change in social class while the latter arises when there is a change in occupation, but not social class.

Given Asia's exponential growth and development in the late 20th century, Western literature has inadequately dealt with the prevalence of social mobility in the region. Social mobility issues relevant to Asia such as caste, ethnicity, gender and religion are missing from the discourse.

This book elucidates the culturally-specific challenges Asian communities face as they grow and develop. The authors have focused their analysis on several middle income nations: India, Bangladesh, Sri Lanka, China, Mongolia, Vietnam, and the Philippines. Viewing social mobility from an Asian lens, they have factored in regional conditions in order to retain the cultural nuances of these communities. Chapter 1 by Taejong Kim and Chapter 2 by Salze-Lozac'h open the volume by analyzing the state of economic mobility in Asia as a whole, considering

high income nations such as Singapore and South Korea as models for Asian nations.

In the following chapters two main themes emerge. First, the authors illustrate the extent to which living standards are improved through migration. In Chapter 7, Arunatilake suggests that while remittances increase purchasing power in Sri Lanka, migrants who return from abroad face difficulties reintegrating into their communities due to the lack of economic opportunities at home. Bangladesh's heavy reliance on remittances as a source of national income is echoed by Huda in Chapter 6. Although remittances have enabled Filipino migrants to access better education, as Tigno has demonstrated in Chapter 5, migrants also experience brain waste, which occurs when migrants work in jobs for which they are overskilled. Domestic migrants in China face a separate set of challenges. As Guan expounds upon in Chapter 10, they face high barriers to social inclusion, despite the government's social welfare policies.

Gender is the second dimension through which social mobility is discussed. As compared to men, women encounter different levels of social stigma in asserting their financial independence. For example, even though Bangladeshi and Filipino women gain income from working abroad, they have to grapple with communal doubt about the legitimacy of their occupations. These discrepancies are highlighted in Chapters 5 and 6, by Tigno and Huda, respectively. Additionally, as Deshpande has indicated in Chapter 3, measuring social mobility for Indian women is particularly difficult because women feel socially obligated to get married. Thus, their prospects for education take a backseat. In India mobility is further influenced by caste, as discussed by Sabharwal in Chapter 9.

Other chapters analyze unique features of social mobility in Mongolia, Vietnam, and Sri Lanka. Tsetsenbileg in Chapter 4 analyzes the impact of the geographical divide on social mobility in Mongolia, where poverty persists despite the resource-related economic boom. Silva in Chapter 8 discusses how charity and philanthropy have improved prospects for poor communities in Sri Lanka. Finally, in Chapter 11, Tuan demonstrates how the Provincial Competitive Index (PCI) has positively impacted Vietnam's private businesses thus

bolstering prospects for social mobility.

As Asian nations have become remarkably richer over the last few decades, they have also witnessed an increase in social inequality. Hence, the discussion on social mobility in Asia is especially relevant because it is key in bridging the gap between the rich and the poor. Effectively, what has emerged in this volume is a fascinating discussion about the socioeconomic trajectory of these societies.

Part I

A Historical Experience of Upper Income Countries

CHAPTER 1

Intergenerational Economic Mobility in Korea: Assessment, Drivers, and Lessons

By

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Sejong, Korea

1. Introduction

In this chapter, we assess the state of intergenerational economic mobility in South Korea (henceforth Korea), contemplate on the likely drivers, and try to corral possible lessons from the experiences in the transformation of the society and the economy in the country. Drawing on the outcomes from the recent empirical studies in Korea, we will find that Korea as yet remains a country where generational mobility is probably higher than in most other developing countries, and possibly as high as in the often-touted countries in Nordic Europe. Amongst the likely drivers, we will focus on the role of inclusive public policy and public investments, especially in education, and argue that sensible strategies in public investment have the potential to raise and maintain the level of intergenerational mobility.

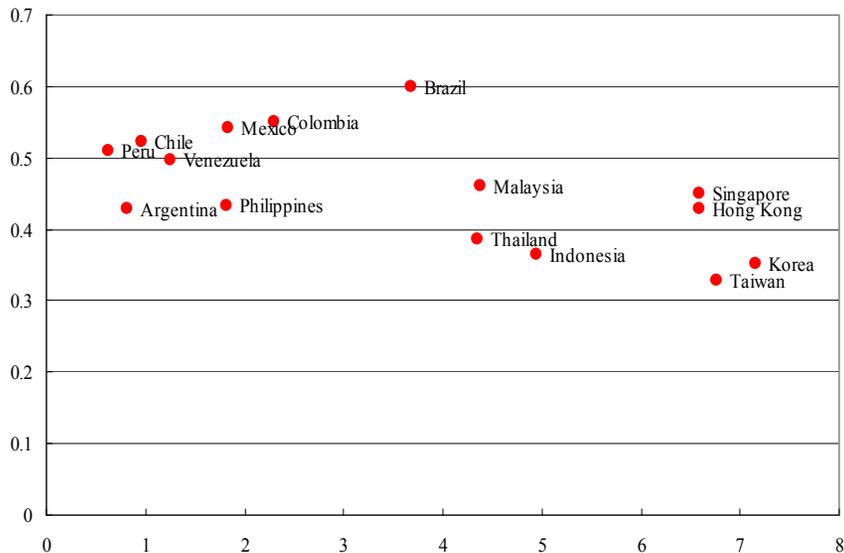
Exclusive focus on intergenerational economic mobility in Korea does not mean that we consider other dimensions of barriers against social mobility less important. The other chapters in this volume highlight the diversity of barriers against social mobility including

ethnicity, religion, caste and other forms of class rigidity, and gender, critically impeding the social goals of equity, prosperity, and social cohesion in different parts of Asia. Indeed, historically in Korea women used to be confined to domestic chores and subservient status with the law and social norms providing scarce little protection for those who would venture beyond or seek independence. Rigidities in the class system prevailed based on the land-owning status. A significant portion of the population struggled in some professions under a caste system. These are now mostly considered as part of history, and how the changes took place is worth delving into for possible implications for international development cooperation. Our focus on intergenerational economic mobility is partly motivated by the limited space. More importantly, we believe that generational mobility is an important aspect of social inclusion from the perspective of the children, and that the focus in the Korean context will enable a more proactive discussion of lessons from the story of the Korean transformation in the form of emphasis on the role of inclusive public investment strategies for human development.

2. Assessing Intergenerational Mobility in South Korea

Korea is well known for its sustained, fast-paced economic growth. Perhaps less well-known is how widely shared the fruits of the growth have been. For the high-growth period of the country from 1965 till 1990, Korea maintained an annualized growth rate of over 7%. At the same time, the value of Gini coefficient remained stable in the relatively low range around 0.3. The World Bank report *East Asian Miracle* touted the remarkable combination of high growth and its relative inclusivity in its economic transformation (World Bank 1993, also see Figure 1-1). Recent studies by the Korea Development Institute (KDI) show that intergenerational economic mobility is relatively high as well. The panels in Table 1-1, reproduced from Kim (2009), compare the patterns of transition in income status between generations for five countries, Korea, U.S., Canada, U.K., and Germany. In the panels, each row corresponds to the parents' income standing among four income quartile

Figure 1-1 Annual Economic Growth Rates and Gini Coefficients for a Sample of Countries



Note: The figure is retaken from Kim and Kim (2012). The data is originally from World Bank (1993). The growth rates refer to the period 1965-1990, and the Gini coefficients are for the years for which the coefficient values are most recently available.

Table 1-1 Transition Matrix between Parental Annual Income (row) and Sons' Monthly Income (column): International Comparison

A. South Korea (Korea Labor and Income Panel Study, 427 couples)

	Bottom quartile	Second quartile	Third quartile	Top quartile	Sum
Bottom quartile	0.34	0.23	0.26	0.17	1
Second quartile	0.30	0.27	0.19	0.24	1
Third quartile	0.22	0.25	0.28	0.26	1
Top quartile	0.14	0.26	0.26	0.34	1

Table 1-1 (Continue)

B. U.S. (Panel Study of Income Dynamics, 526 couples)

	Bottom quartile	Second quartile	Third quartile	Top quartile	Sum
Bottom quartile	0.42	0.30	0.19	0.09	1
Second quartile	0.27	0.28	0.29	0.16	1
Third quartile	0.19	0.25	0.24	0.32	1
Top quartile	0.13	0.16	0.28	0.43	1

C. Canada (Canada Longitudinal Tax Records, 428,022 couples)

	Bottom quartile	Second quartile	Third quartile	Top quartile	Sum
Bottom quartile	0.33	0.29	0.22	0.16	1
Second quartile	0.25	0.27	0.26	0.22	1
Third quartile	0.21	0.24	0.27	0.28	1
Top quartile	0.21	0.20	0.25	0.34	1

D. U.K. (British Cohort Study, 1,707 couples)

	Bottom quartile	Second quartile	Third quartile	Top quartile	Sum
Bottom quartile	0.37	0.22	0.25	0.16	1
Second quartile	0.29	0.31	0.24	0.16	1
Third quartile	0.22	0.25	0.26	0.27	1
Top quartile	0.12	0.22	0.25	0.41	1

Table 1-1 (Continue)

E. West Germany (German Socioeconomic Panel, 289 couples)

	Bottom quartile	Second quartile	Third quartile	Top quartile	Sum
Bottom quartile	0.35	0.32	0.21	0.12	1
Second quartile	0.27	0.35	0.19	0.19	1
Third quartile	0.22	0.14	0.37	0.27	1
Top quartile	0.16	0.21	0.22	0.41	1

Note: The panels are taken from Kim (2013). Kim (2013) itself quotes the lower panels from B to E from Blanden (2005).

groups (from low to high). Then the figures in the panels represent transition probabilities in income status for their sons to each of the four income quartile groups. For instance, the figures in the first row in panel A show that sons born to parents in the bottom quartile in terms of their annual income have 34% probability to remain in the same group and 23% probability to move up to the next highest quartile group and so forth.

Children born to poor parents are more likely to be poor themselves, and those born to rich parents rich themselves, regardless of their country of residence. Yet, transition matrices reveal that there are important differences in their likely fates depending on where they are born. Upward mobility of children born to poor parents is relatively higher in Korea and Canada; downward mobility of children born to rich parents is also relatively higher in the same set of countries. The patterns in transition probabilities are indeed rather similar between Korea and Canada. On the other hand, wealth and poverty seem stickier in generational linkages in the United States, the United Kingdom, and Germany.

A more recent study from the KDI attempts a simultaneous international comparison of income inequality and international

economic mobility (Kim 2015). Income inequality is measured by the value of the Gini coefficient. Intergenerational economic mobility measures the extent to which the differences in parental income are transmitted to the labor market outcomes of their children. The specific measure of mobility taken up in the aforementioned study as well as in most of the burgeoning international literature on the phenomenon is the so-called intergenerational income elasticity. Typically, the value of the elasticity coefficient β estimated lies between 0 and 1. Higher values of the coefficient mean lower intergenerational mobility, with a greater share of the income gap among children determined by the gap in parental income. For instance, 0.5 in intergenerational income elasticity implies that when the income gap between two parents is 100% the corresponding income gap between their children is 50% in average.¹

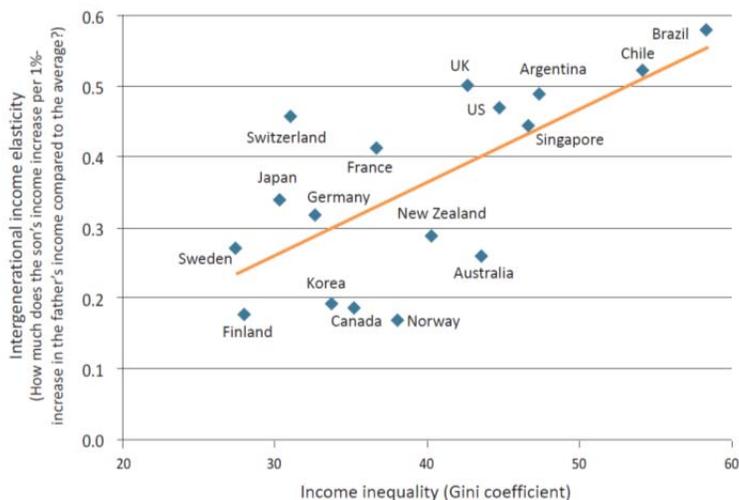
Figure 1-2, reproduced from Kim (2015), reveals that Korea belongs to the group of countries with both relatively low income inequality and relatively high intergenerational mobility. While developing countries in general exhibit higher income inequality and lower intergenerational mobility, Korea is located in the same general neighborhood that includes Canada and Nordic countries. As Kim (2015) cautions, international comparison of measures of intergenerational mobility is fraught with problems. For instance, differences in the method of measurement of parental income as well as differences in the average parental age in the sample under study may result in vastly different estimates of the coefficient β . In first approximation, however, the data in Figure 1-2 seem to suggest that Korea indeed belongs to the select

1 Intergenerational economic mobility is typically measured by estimating the coefficient β in the following equation:

$$\log Y_i^K = \alpha + \beta \log Y_i^P + \varepsilon_i$$

where $\log Y_i^K$ represents the income of the child, $\log Y_i^P$ the income of the child's parents, and ε_i the idiosyncratic disturbance. The coefficient α roughly corresponds to the average income in the children's generation, while the coefficient β measures how closely related the child's income is to that of the parents. In the equation, when the parents' income increases by 1%, the child's income will rise by $\beta\%$. For a more detailed exposition, the reader may refer to Corak (2013) among other references.

Figure 1-2 Income Inequality and Intergenerational Economic Mobility: International Comparison



Note: The figure is taken from Kim (2015). The original figure in Kim (2015) is in turn based on the estimates by Corak (2013) for the countries other than Korea in the figure.

group of countries featuring relatively high degrees of intergenerational mobility.² The results from the earlier comparison of transition probabilities between parents’ and children’s income lend credence to this interpretation.

3. Drivers behind Intergenerational Mobility in Korea

The mechanism that transmits poverty and wealth of the parents onto the labor market outcomes of their children is complicated. At the core lie the channels through which the advantages (and disadvantages) of the earlier generation influence the outcomes for the children. Broadly

² Kim (2015) tries to enhance the international comparability of the estimate of the Korean β by using a relatively lengthy span of observations on parental annual incomes to more reliably estimate the “permanent” parental income as recommended in the international literature, say in Corak (2006).

speaking, Roemer (2004) identified three such channels: (a) genetic transmission of ability, (b) transmission of family culture affecting the attitudes and motivations of the children, and (c) access to quality education and jobs through family's economic means and social connections. The children born to rich parents are likely to enjoy advantages from each and every one of these channels, but the opportunities and the efficacy of these disparate channels are conditioned by social institutions. Finally, there is the role of public policy (Corak 2006). Inclusive strategies in public investment in education and healthcare can mitigate the influence of differences in parents' economic station in life.

One must note at the outset the extraordinary events, outside the usual realm of public policy, that helped level the playing field in the modern history of Korea (Kim 2015). The loss of sovereignty to Japan and the ensuing colonial rule during the earlier half of the twentieth century thoroughly discredited any claim of cultural legitimacy of the rigid class-based traditional cultural norms, freeing the aspirations of people who used to struggle under the yolk. The land reform that was instituted immediately after the independence of the country in 1945 is assessed to have been thorough and substantive. The reform enabled the families in the former peasant class to invest resources for their children's education. The Korean War (1950-53) was in and of itself a great leveler, and also indirectly helped further leveling of the playing field when the war-time inflation significantly eroded the value of the bonds in which the former land owners had been paid for the lands appropriated for the land reform. The latter meant fundamental dismantling of the country's agrarian elite class, who could have impeded further reform measures subsequently to be adopted by the government.³

The choice of the national development strategy by the government since the early 1960s also played an important role in further promoting the upwardly mobile aspirations of the parents for their children's education. The export-led development strategy pursued by the government since 1964 was well aligned with the prevailing

3 See Park (2013) for a systematic account of the land reform and its aftermath.

comparative advantage of the economy, which meant subsequent expansion of labor-intensive manufacturing industries, creating gainful job opportunities for the youth, especially for the educated. At the same time, the government's development strategy actively sought continuous upgrading of Korea's station in the structure of international division of labor and value chain, judiciously trying to remove barriers in the form of externalities and coordination failures and lack of information on the market opportunities abroad. The opportunities opened up by the continual upgrading of the industries were eagerly taken up, and also enabled, by successive generations of the youth better and better educated. This turn of events probably helped inculcate in the public an enduring sense of the importance and the sensibility of investments in the children's education across the range of different income classes among parents.

The role of public policy in Korea in the enhancement of intergenerational economic mobility cannot be overemphasized. One of the key thrusts in the government policy in healthcare and education has always been to ensure inclusive access to quality public service in the sectors through a succession of government administrations. Korea has always been at the forefront of developing countries in promoting universal access to primary education, and then subsequently, after the achievement of the goal, to secondary education. Korea was also among the first developing countries to achieve the important landmark of universal health insurance in 1988.⁴

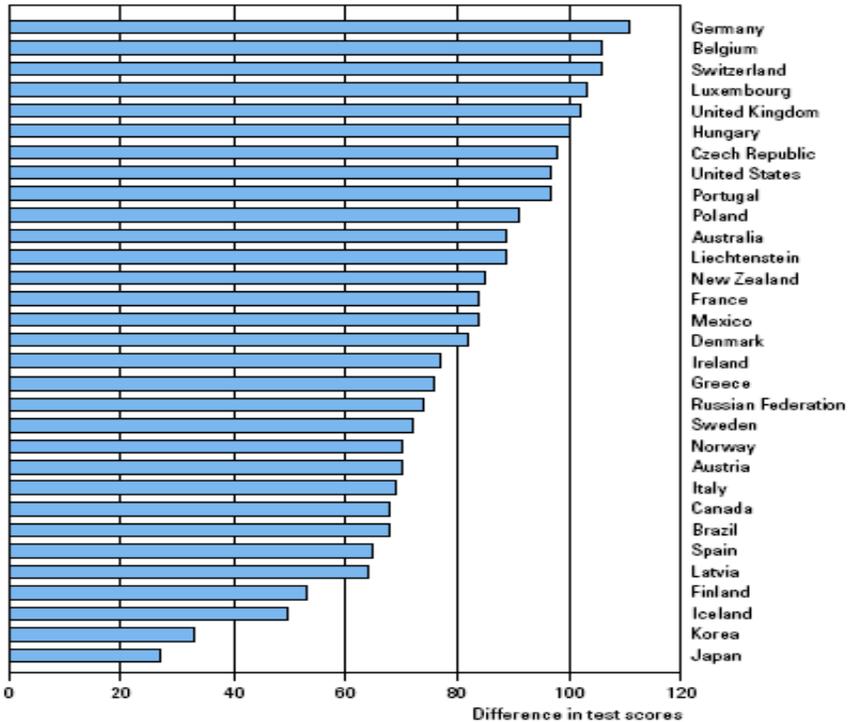
Maybe the best illustration of the emphasis on inclusivity in the provision of basic public services can be found in the education sector. The OECD's Program for International Student Assessment (PISA) measures learning outcomes of 15-year-olds in all OECD countries plus an increasing number of participating countries from the developing world in every three years in four areas of reading literacy, mathematical literacy, scientific literacy, and problem solving. Korean children

4 See Yoon *et al.* (2012) for an account of the government efforts to achieve the universal access to elementary education after the end of the Korean War. See Kim (2014) for a treatment of the Korean experiences on the achievement of universal health insurance system in 1988.

participating in the assessments regularly exhibit performance at the head of the resulting international league tables, comparable to the performance by their counterparts in some Nordic countries such as Finland and their regional neighbors from Japan and some of the participating cities in China.

Less well known is the relatively mild “socioeconomic gradient” in the levels of performance between groups of children born to rich and highly educated parents and the others. Figure 1-3 presents the results of the comparison of the differences in average reading scores in the PISA assessment of two groups of children: those born to parents in the top

|| Figure 1-3 || International Comparison of Reading Test Score Differentials between 15-year-old Children Born to Rich and Poor Parents



Note: The chart is reproduced from Education at a Glance (OECD 2009). The chart compares the differences in average reading scores of children born to rich and highly educated parents belonging to the top quartile in their socioeconomic status, and those of children born to parents in the bottom quartile.

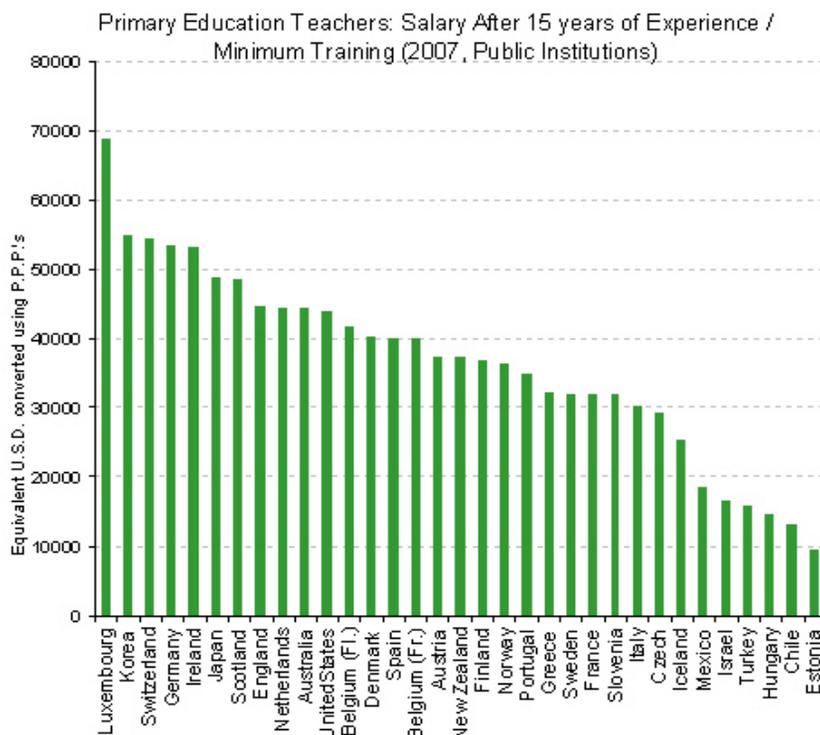
quartile in their socioeconomic status and those born to parents in the bottom quartile. Children born to rich and highly educated parents outperform those who are less fortunate, no matter where you look, as might be expected. However, the gap in learning outcomes is more substantial in some countries than others: the socioeconomic gradient is steeper in some countries such as those in continental Europe, the United Kingdom, and the United States. Korea is found in the chart in the region with relatively mild values of the gradient together with countries such as Finland and Japan.

So it would seem that Korean children learn well in average, and at the same time, the learning gap is relatively small between rich and poor children. This perhaps has most to do with the nation's teacher policy. Korea has successfully tried to attract good people to the teaching profession, and retain them there. Figure 1-4 shows the comparison of teacher compensation among OECD member countries. Korean teachers are remarkably well paid in view of the relatively low level of Korean average income in the group of countries being compared. Indeed, the Korean teacher pay in terms of the number of multiples of national per capita income beats is at the highest level in the group. The same OECD publication (OECD 2009) also shows that the number of hours Korean teachers teach is relatively small. It is a small wonder then that teaching is among the most coveted professions in the country. In the nation's public school system, teachers are also rotated periodically across neighborhoods in different socioeconomic ranks.

In combination, the teacher policy in Korea ensures that children in relatively poor districts also get to benefit from quality education provided by good teachers.

The Korean school system also features a remarkable degree of national integration and standardization. All the schools in the country from elementary to upper secondary follow the same national curriculum, and learning outcomes of the children are rigorously monitored. The school finances are nationally integrated, even to the extent to cover notionally private schools except for a small number of "special purpose" high schools instituted to ensure adequate exposure to specialized curricula for students with special interest and talent in science, foreign languages, and arts. Nine years of education is

|| Figure 1-4 || International Comparison of Teacher Compensation (Primary School Teachers after 15 Years of Experience, 2007 Public Institutions)



Note: The chart is from OECD (2009), and reproduced from the New York Times (http://economix.blogs.nytimes.com/2009/09/09/teacher-pay-around-the-world/?_r=0)

compulsory from elementary to lower secondary. Student fees are nominal and uniform across the nation for upper secondary or high schools, and teachers in public and private schools receive compensation according to the same pay scale. (Kim 2006)

4. Conclusion

Rapid transformation of the Korean economy has been a tumultuous process with wide-reaching social and political repercussions. The modern history in the country has witnessed the reign by authoritarian

governments, violent clashes between political camps with different future visions, but fortunately, a relatively peaceful transition to democracy in the mid-1980s. Inclusive growth where the fruits from the economic transformation was relatively widely shared among the populace, as evidenced in the relatively low values of the Gini coefficient, doubtlessly underpinned the eventually peaceful transition to democracy. With the benefit of the hindsight, helped by the recent empirical studies, we now see the relatively high level of intergenerational mobility probably helped in the process as well. The high level of inclusivity and mobility also meant efficient utilization of human resources in the country that didn't have much else to rely on in endowments. We also see that the inclusive public policy in the education and the healthcare sectors played an important role in enhancing the intergenerational mobility by empowering the young children and families with few economic means who would otherwise have been sidelined, and whose potential for contribution to the nation's development would have been wasted.

Complacency is not warranted, however. Recent surveys routinely show a continuing decline in the proportion of parents who “see a better future for their children than the life they themselves have”. It is also worrying that the country's youth are less sanguine than their elders about individuals' own efforts are the key determinant of their life outcomes. Indeed there is a growing sense that the social ladder that girded the upward mobility of millions of youth in the recent generations is being removed. Growth itself is inevitably slowing down, not just because the world economy on which the very open Korean economy so critically depends is in doldrums, but also because the Korean economy has already taken the lower-hanging fruits in its development trajectory.

Some form of public expectations management will be necessary as the secular decline in the growth performance of the economy will not be reversed anytime in the near future. At the same time, some fresh initiatives are called for revamping of the provision of public services to more effectively empower the younger generation. The recent decade has witnessed a dramatic increase in the share of the government budget for provision of early childhood care and education (ECCE) in the

country. This is very welcome in view of the growing consensus in the international literature about the unique significance of the ECCE services for addressing the disadvantages suffered by the children born to struggling families, low-income or handicapped otherwise.

Korea will struggle, going through trials and errors, to keep up the relatively high level of intergenerational mobility. Hopefully, the collective insight garnered through the historical experiences of the Korean polity will help in the process to keep the mobility agenda at the center of public policy debate. At the same time, we hope that Korea will be able to provide helpful materials for international knowledge cooperation based on its experiences, and that development cooperation initiatives organized by the Korean agencies will be informed by the collective experience of the polity.

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Part II

Key Ingredients of Social Mobility in Asia

CHAPTER 2

Economic Mobility and Inclusive Growth in Asia: The Need for Improved Public-private Collaboration

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1. Introduction: Asia Growth, Poverty Reduction and Economic Mobility

Asia, the largest and most populous of the continents, has experienced unprecedented economic growth in the last four to five decades — growth that has shifted the global economic center of gravity to the region. Real gross domestic product (GDP) growth and real GDP per capita growth averaged 5.8 percent and 3.9 percent respectively between 1961 and 2013. Asia has become richer faster than any other region of the world, although striking disparities in growth persist across the continent. According to the International Monetary Fund (IMF) (2014) report for Asia and the Pacific, the outlook for Asia remains one of steady growth, with a GDP growth forecast of 5.5 percent in 2014–15. Indeed, a 2013 IMF regional update predicted that Asian countries would continue to make steady gains as a result of the “gradual pickup in exports to advanced economies and resilient domestic demand” (IMF 2013a: 1).

This success story, one of unprecedented economic performance over the last decades, has led experts and politicians to predict Asia as the

dominant force of the twenty-first century. Building on this concept of an “Asian century,” an Asian Development Bank (ADB) (2011) study forecast that the region’s per capita income could rise six-fold in purchasing power parity (PPP) terms, reaching European levels by 2050. This promising outlook, however, should not lead Asian countries to underestimate the many economic, social, political and environmental challenges they face. These challenges include the issues of income distribution and inclusive growth and their corollary, economic mobility — the last defining the ability of individuals, families, or groups to move up or down the income ladder. The present paper will present an overview of the role of economic mobility in meeting these challenges and look at the types of interventions most likely to succeed.

Asia embodies a number of very twenty-first century paradoxes. Extremes of poverty and prosperity mingle strikingly. Asia remains home to half the world’s extreme poor, despite real poverty reduction and gross national income (GNI) growth per capita that have improved economic standing and living conditions for millions. Moreover, income inequality is on the rise: as the real and perceived gap widens between the poorest and the wealthiest, the question of economic mobility gains in urgency.

As the international community defines the post-2015 Sustainable Development Goals (SDGs), a general agreement has arisen that higher levels of Asian development will depend on more inclusive and sustainable growth. This also implies growth based on more dynamic economic mobility. And in an age of increasing and deepening interconnection, meeting these challenges may well depend on the capacity for cooperation among the public, private and civil society sectors.

2. Economic Mobility, a Multi-dimensional and Dynamic Concept

(1) Equality of Opportunity and Economic Mobility: Myth or Reality?

As mentioned above, economic mobility refers to the ability of individuals, families, or groups to move up or down the income distribution ladder, often presented in quintiles (dividing the population into fifths). In a society with perfectly equal opportunity, a person born in the top quintile should have just as high a chance of finishing there as a person born in the bottom quintile does of rising there. Economic mobility is a dynamic and multi-dimensional indicator allowing for a qualitative as well as quantitative assessment of growth.

Economic mobility is a subset of social mobility, which takes into account the status of the individual within a society — status that depends on many factors other than revenue: notions of prestige, power, heritage, caste, and so forth. French sociologist Pierre Bourdieu (1986) identifies three types of capital — economic, social, and cultural — that inflect an individual’s social category; to these we could add “political capital” as an equally important determinant. Separating the roles of each form of capital is not easy, given their close interrelationship.

Economic mobility is also closely related to the notion of **equality of opportunity**. The usual conception of the latter has two components: (1) factors implying accountability for actions (at the individual level, e.g. level of effort put into one’s career and education, or at the country level, e.g. the set of policies and laws decided by a government and their implementation) and (2) factors which are beyond control (e.g. social status of birth family or gender for individuals; a country’s geography or natural resources).

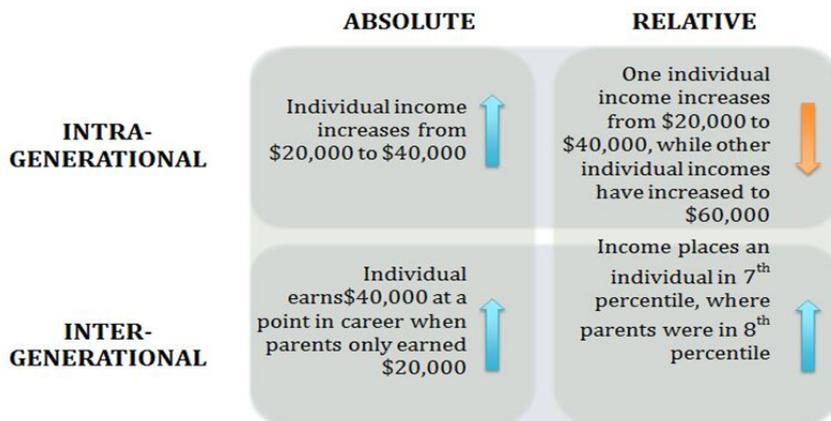
The concept of the “American Dream” perfectly illustrates the notion of economic mobility, implying that with hard work and an entrepreneurial spirit, any person could climb up the social classes and income ladder. In a society based on merit rather than privilege and where social origins, gender or ethnicity did not limit individual opportunities, everyone would have access to economic mobility. Many

commentators have signaled a shaken faith in the dream: notably, Thomas Piketty (2014) has highlighted the unprecedented level of income inequality in the US, arguing that avenues of upward mobility have closed off. But George Monbiot’s quote about Africa applies equally to Asia, and best summarizes the lost utopian vision of equal opportunity: “If wealth was the inevitable result of hard work and enterprise, every woman in Africa would be a millionaire” (Monbiot 2011).

(2) The Difficult Task of Measuring Economic Mobility

Economic mobility is, by definition, a dynamic concept, since it implies a situation evolving over time and across generations. Indeed, it is often studied in terms of **intragenerational or intergenerational mobility**. Intragenerational mobility examines how much a person’s income changes over his or her lifetime. Alternately, intergenerational mobility measures how adult incomes compare with those of their parents at a similar age. One may measure both forms of mobility in either absolute or relative terms (Figure 2-1). Absolute mobility refers to income level changes of a person or group compared with an earlier point in time, while relative mobility addresses how a person or group changes in relation to others (Butler, Beach and Winfree 2008).

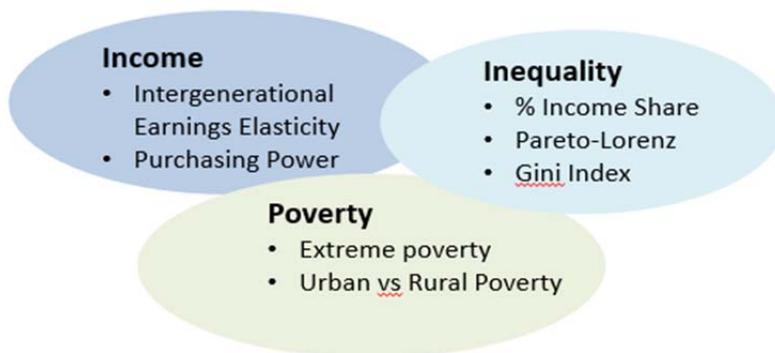
|| Figure 2-1 || Examples of Different Types of Economic Mobility



| Figure 2-2 | Measuring Economic Mobility

Measuring Economic Mobility

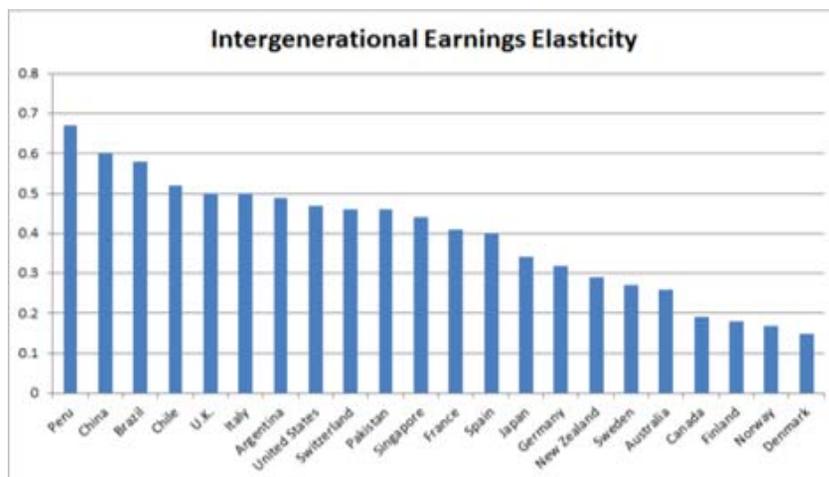
- > *Multi-Dimensional*
- > *Comprises Earnings, Income, and Wealth*
- > *Non-Constant – varies amongst segments of the population*



Measuring economic mobility is not an easy task. No single indicator can capture the complexity of this multi-dimensional concept. Rather, a combination of indicators, including poverty measurement (signaling transitions in and out of poverty), and inequality indices (such as the Gini coefficient) is necessary to measure economic mobility (Figure 2-2).

As a measure of equality of opportunity, intergenerational income mobility shows the capacity of income levels to change across generations. It assesses **intergenerational earnings elasticity**, where a lower number means more mobility. In a case of no intergenerational income mobility (or an intergenerational income elasticity equal to 1), all poor children would become poor adults and all rich children would become rich adults. In the contrary case of intergenerational income elasticity equal to zero (that is, a complete intergenerational mobility), there would be no relationship at all between family background and the adult income of children. A child born into poverty would have exactly the same likelihood of earning a high income in adulthood as a child born into a rich family (Corak 2013). Thus, high elasticity suggests a

Figure 2-3 | Intergenerational Earnings Elasticity for Selected Countries (2013)



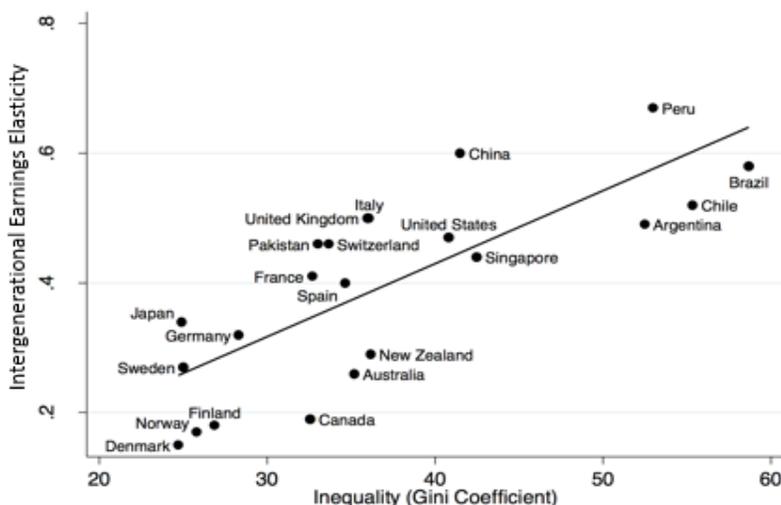
Source: Corak (2012)

strong relationship between parental and offspring income and less income mobility across generations (Figure 2-3).

All of these measures (and those of mobility in general) must also take into account **the gender dimension of economic mobility**, which can vary dramatically between girls and boys, women and men. For example, Sun and Ueda (2013) estimate that in Taiwan, the intergenerational earnings mobility for sons is approximately 0.25-0.3 while that for daughters approaches 0.4, and that education accounts for about 40 percent of the intergenerational transmission of earnings. This study thus indicates that sons have more earnings mobility than daughters.

The analysis of these indicators requires caution, as they do not always correlate with economic mobility in a straightforward manner. In a World Bank report entitled “Inequality of opportunity, income inequality and economic mobility: some international comparisons” (World Bank 2013), the authors find evidence of a positive correlation between the inequality of economic opportunity (IEO) index and income inequality as well as a negative correlation between IEO and measures of intergenerational mobility. The figure below, however, indicates that while a general trend exists correlating intergenerational

Figure 2-4 | Correlation between Intergenerational Earnings Elasticity and Inequality (Gini Coefficient)



Source: Corak (2012)

earnings elasticity and inequality, in some countries, lack of economic mobility can lead to increased inequality (as is the case in China), while countries with high economic mobility can also have high inequality (as in Singapore) (Figure 2-4).

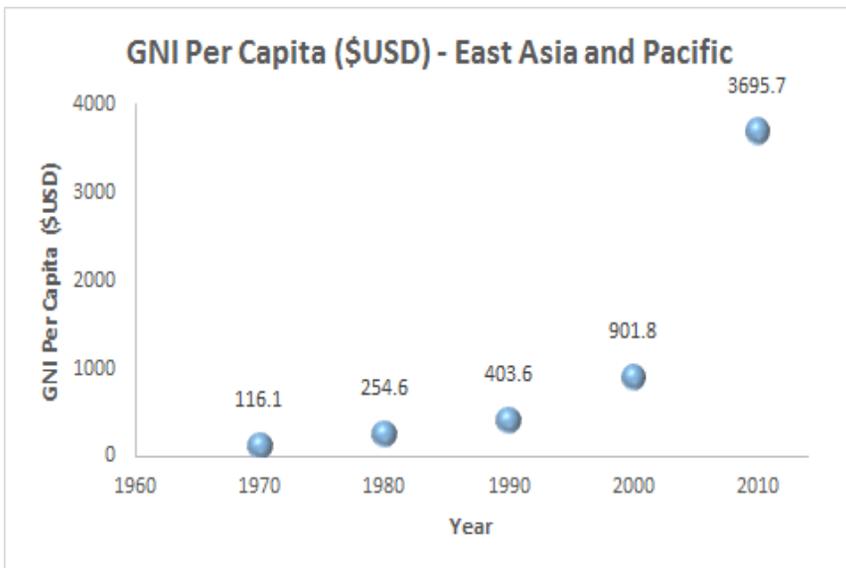
Considering these various dimensions, what is Asia’s performance in terms of economic growth, poverty reduction, inequality and economic mobility?

3. Economic Growth, the Necessary but not Sufficient Engine of Economic Mobility

As a direct consequence of years of rapid economic growth, several Asian economies have enjoyed upward mobility in recent decades, quickly moving up the ladder of gross national product (GNP) per capita; at the individual level, poverty has receded and a new middle class has

emerged. Between 1950 and 2010, five Asian economies — Japan, Hong Kong SAR (China), South Korea, Singapore and Taiwan — graduated from upper-middle income to high-income national status (with a GNI per capita of more than \$12,746¹ according to the World Bank classification of high income countries). On the eve of the twenty-first century, only a few Asian countries (Afghanistan, Bangladesh, Cambodia, Myanmar, Nepal and North Korea) remain in the World Bank low-income countries category (with a GNI per capita of \$1,045 or less), while the majority of Asian countries belong to the large category of upper and lower middle-income countries (with respectively, a GNI between \$3,975 and \$12,275 and between \$1,045 and \$3,975). Figures 2-5 and 2-6 illustrate this impressive upward movement, comparing the GNI per capita (in USD) of Asian and Pacific economies in 1980 and in 2010.

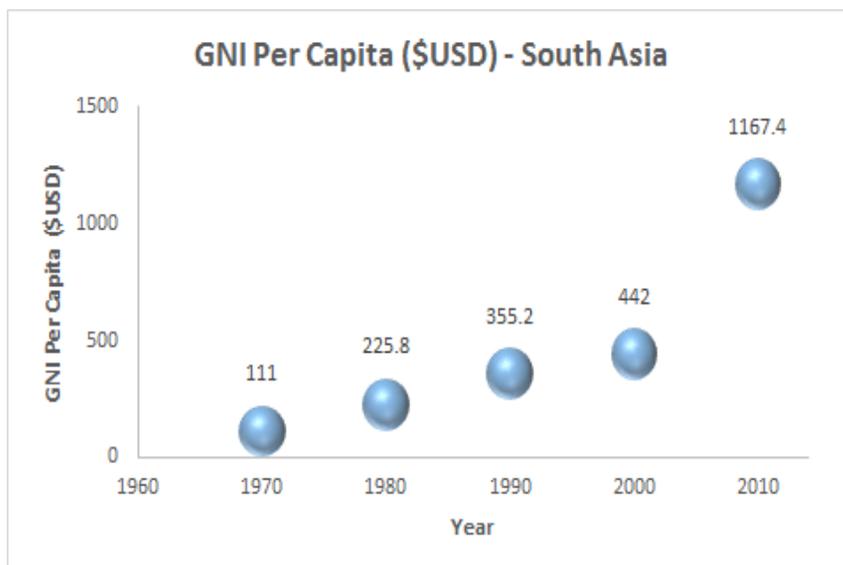
|| Figure 2-5 || GNI Per Capita (USD) in East Asia and Pacific Region 1970-2010



Source: The World Bank (2014a)

1 The currency sign “\$” stands for the United States Dollar (USD) throughout this chapter.

Figure 2-6 | GNI Per Capita (\$USD) in South Asia Region 1970-2010



Source: The World Bank (2014a)

During these decades of rapid economic growth, millions of people moved out of poverty, a middle class emerged, and standards of living improved for a large share of the Asian population.

A 2014 ADB report (Chotikapanich, Griffiths, Karunaratne and Prasada Rao 2014) highlights that the Asia-Pacific region has reduced by more than half the number of people living on less than \$1.25 a day, 10 years ahead of the 2015 global target set out in the United Nations Millennium Development Goals. The three most populated countries in Asia — China, India and Indonesia — accounted for the majority of these reductions. Between 1992 and 2010, the number of poor dropped from 1,110.7 million to 566.9 million in these three countries alone.

In tandem with the reduction of poverty, Asian economic growth has seen the emergence of a **new middle class** — a class whose rise has proven phenomenal indeed, according to Andrew and Yali (2012). In their article describing how emerging markets contribute to the rise of the middle class, they refer to a 2010 ADB report that defined the middle class as those who spend USD \$2-20 per person per day.

According to this definition, only 21 percent of the population of developing Asian countries qualified as middle class in 1990. By 2008, this share had more than doubled. Again, China is the driving force, with a middle-class population estimated between 250 to 300 million. By 2030, projections have the middle class accounting for more than half of the overall population in most developing Asian countries (Andrew *et al.* 2012: 2-3).

Across Asia, **standards of living** have risen rapidly. Access to private transportation, technology, housing, and affordable holidays have transformed the continent's landscape and lifestyle. The number of passenger cars offers one of the most impressive examples of rapidly changing living standards. The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (2011) shows that China and South Korea recorded double-digit annual growth rates in car numbers per thousand between 1980 and 2000. Even less-developed countries such as Cambodia or Bangladesh experienced average annual car growth of 6 percent and almost 9 percent respectively during that period (Senbil, Zhang and Fujiwara 2007). Similarly, technology consumption is on the rise, with staggering numbers adopting mobile phones and seeking digital access via internet and broadband; the International Telecommunications Union counted about 3.6 billion mobile-cellular subscriptions in the Asia-Pacific region in 2014 (ITU 2014). The ADB (2011) highlights that ten years ago, only 2-3 of 1,000 Indians had access to a telephone (mainly fixed lines). By the end of 2010, this number had grown to 700 million mobile phone connections. And this is only the beginning; the potential for growth remains phenomenal, especially in India and China.

However, one should treat these optimistic figures with caution. Asia still faces important challenges in economic mobility, including growing inequalities and the threat of a middle-income trap in some countries. Economic growth, however explosive, has still left millions with little opportunity for sustainable upward mobility. The notion of inclusion adds a qualitative element to the quantitative measure of economic growth. It implies a more redistributive growth, whose benefits are shared by a larger portion of the population and not just by the most privileged. It also implies not merely rapid growth but one that opens

new opportunities for all, even the poorest or most marginalized. Inclusive growth improves the terms by which individuals and groups participate in society, and thus directly affects the concept of economic mobility.

The plight of those millions “left behind” in Asian growth merits further attention. Recall that Asia still houses two-thirds of the world's poor; many no longer considered poor remain in very vulnerable situations, where loss of employment, health issues or natural disasters can precipitate them back into poverty. Downward economic mobility still threatens millions. In fact, ADB warns that most of those exiting extreme poverty become moderately poor (living on \$1.25-\$2 per day), and therefore highly vulnerable to economic and environmental hiccups. An ADB working paper reports that while 150 million moved out of extreme poverty from 2005 to 2008, the number of moderately poor dropped only marginally, by around 18.4 million (Wan and Sebastian 2011: 1).

Moreover, for a portion of the population in severe and **chronic poverty**, economic growth has brought no benefits, and may even have contributed to harsher living conditions. In Asia as in other parts of the world, these chronic poor, even when economically active, suffer from a total lack of the fundamentals that could aid mobility — such as food security, safety, literacy, and access to water, sanitation, health, housing and other basic services (Shepherd, Scott, Mariotti, Kessy, Gaiha *et al.* 2014). They live at the opposite end of the economic mobility spectrum and stagnate in severe poverty over their entire lives, passing poverty on to their children as well. This chronic poverty — defined as extreme poverty that persists over years or a lifetime, often transmitted intergenerationally (Shepherd *et al.* 2015: 17-21) — will significantly challenge Asia’s commitment to more inclusive growth.

Some degree of inequality may promote investment — by fostering the accumulation of capital in the hands of a few entrepreneurs, rewarding talent, innovation, and willingness to take entrepreneurial risks. However, too much inequality implies reduced economic mobility for the majority that can hinder long-term growth and lead to social and political unrest. The figures published by Oxfam give stunning urgency to calls for more inclusive growth. According to their 2014 report (Seery

and Arendar 2014), seven out of ten people live in countries where the gap between rich and poor is greater than it was 30 years ago. Almost half of the world's wealth is now owned by just one percent of the population. After warning against "the growing tide of inequality," Oxfam called on leaders at the 2014 World Economic Forum at Davos to make the commitments needed to counter the growing tide of inequality, and launched a worldwide campaign to "even it up" (Oxfam 2014).

Over the past twenty years, the gap between Asia's rich and poor has widened. According to the Chief Economist of the ADB, in Asia as a whole, the Gini coefficient has increased from 39 percent to 46 percent (Rhee 2012). Income inequality has widened in China, India and Indonesia, the countries that have powered the region's economic growth. Hong Kong, with a Gini of 0.54, has the widest income gap in Asia (Romann 2014). According to the property firm Knight Frank (2014)², over the next ten years, Asia will overtake Europe in its billionaire population, with a forecasted 66 percent growth in the number of the ultra-high net worth individuals (UHNWIs) – individuals with \$30 million or more in net assets excluding their main residence. About 49,000 persons (around 0.001 percent of the region's 2013 population) were classified as UHNWIs and held about \$7.5 trillion of net wealth in 2012-2013. In some countries, this class of rich account for half of the GDP (UNESCAP (2014)). Over the next ten years, the number of UHNWIs is expected to grow by 80 percent in China, 99 percent in India, by an impressive 144 percent in Indonesia, and with a stellar 166 percent hike in Vietnam. Leaving aside New York and London, the top two most important cities in global UHNWIs, Asia dominates the higher end of the rankings, accounting for four of the survey's top 10 places.

Despite these impressive forecasts — and even as countries such as

2 Knight Frank, an independent global property consultancy, and Bank of China International Limited jointly hosted a press conference in Hong Kong for the launch of *The Wealth Report 2014*. Now in its eighth year, the report provides insights on wealth trends, prime residential and commercial property markets, and the attitudes of the ultra-wealthy to property and other investment.

Sri Lanka, Thailand, Malaysia, Philippines, and Vietnam continue their climb toward middle- and upper-middle income status — many observers worry about the difficulties some of these countries face in sustaining their rapid growth rate, as well as their risk of stagnating at this middle-income level. The **middle-income trap** (MIT) concept, often assimilated with the risk of weakened competitiveness, refers to countries that have experienced rapid growth based on low-wage, unskilled labor, low-added-value manufacturing, and heavy reliance on exports; many of these have historically stagnated at the middle-income level and failed to graduate to upper-income status. Such a slowdown in economic growth may bring lower employment and fewer entrepreneurial opportunities, curtailing opportunities for upward mobility. Common factors contributing to this trap include weak or ineffectual institutions, inadequate macro-economic environments and policies, poor transport and communication infrastructure, constrained labor markets, and weak educational and research capacities (Aiyar, Duval, Puy, Wu and Zhang 2013).

The foregoing suggests that factors impacting inequality and competitiveness are closely related to those affecting economic mobility. The next section will look more closely at the latter, with a focus on the roles of government and business.

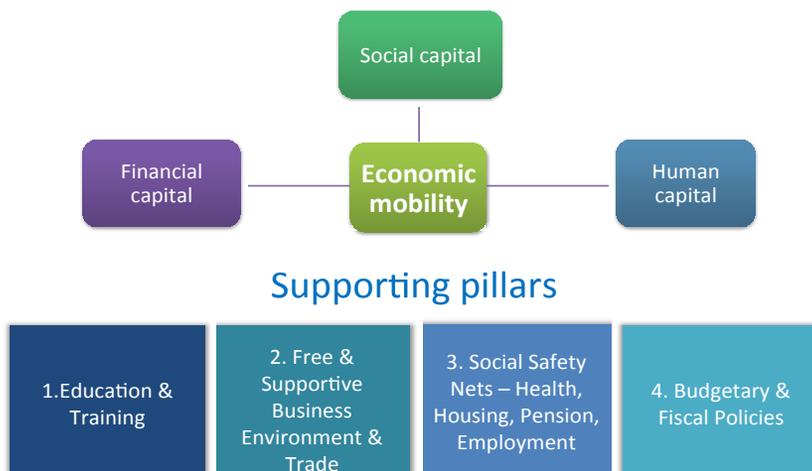
4. Pathways for Improving Economic Mobility: a Role for Both the Private and the Public Sector

(1) Key Determinants of Economic Mobility

Many factors affect economic mobility within a country. The Pew Charitable Trust's Economic Mobility Project identified key determinants of economic mobility and categorized them as social, human, or financial capital (Butler *et al.* 2008). Some of the main determinants of each appear in Figure 2-7.

Figure 2-7 | Key Determinants of Economic Mobility

Key Elements of Economic Mobility



Social capital relates to individual family background and the level of parental education. Networks help shape this social capital (e.g. those arising in schools, universities, professional groups and communities) — particularly in Asia, where they contribute essential access to information, knowledge, capital and business opportunities. **Financial capital** stresses the importance of savings and accumulated wealth (including home or land ownership and inheritance, a restrictive factor of economic mobility), but also that of credit, critical to private sector development and economic growth. Finally, **human capital** constitutes an essential pillar of economic mobility: education, knowledge, skills, talents, experience and training all determine individual capacity to produce economic value, for example through employment or entrepreneurship. Intergenerational transmission of human capital (i.e. through parental investment in children’s education and passage of skills) provides the crucial support for the next generation’s social and economic ascent to improved living conditions.

Obviously, certain determinants of economic mobility rest on the actions or influence of individuals, firms or governments, while others

depend more on underlying structural, cultural, or social constraints beyond such direct influence. However, we may identify four main areas where governments, along with private enterprises and civil society, play a key role in influencing economic mobility: (1) education and training; (2) facilitating environments for business development and trade; (3) social services and safety nets, including health, housing, retirement and labor markets; and (4) budgetary and fiscal policies, including access to credit, fiscal policies of redistribution, taxes on inheritance, etc. Political instability, which takes the focus off economic growth and sustainable development, can also have an adverse effect on economic growth and mobility. As political instability may affect private firms of all sizes, ranging from multinational corporations to small family agricultural businesses, a stable environment is essential for ensuring the private sector's role in promoting economic mobility.

The diverse determinants of economic mobility imply equally diverse solutions to enhance mobility. The present paper does not pretend to exhaust government policy options for ensuring more equitable access to these determinants; rather, it will suggest a few areas that require attention of both the public and private sectors to ensure more sustainable and inclusive growth in Asia.

Developing new partnerships: Engaging the private sector in supporting economic mobility

Both the market and government intervention can increase or decrease the level of inequality in a society. Governments and the private sector both have a role to play in encouraging a “level playing field” that can offer individuals opportunities without discrimination. Given a favorable business environment and a legal framework that protects economic initiatives as well as worker rights, private firms can catalyze economic mobility while retaining good business sense. Private enterprises generate both employment opportunities and tax revenue, which governments may use to strengthen key pillars of economic mobility such as education, health, and other safety nets.

Improved economic mobility essentially rests on successful public-private collaboration and partnership. Government and private sector

alike can generate fruitful outcomes in the right environment and platform. Avenues such as **public-private sector dialogue forums** may create a positive environment for constructive discussion between public officials and the private sector, providing collaborative opportunities for workable action plans and concrete decisions, with benefits at local, nation and regional levels. Such dialogues may address issues related to economic mobility — removing trade barriers hindering small business expansion, or easing credit access for women entrepreneurs, for example.

(2) Combining Adequate Public Policies to Create a More Favorable Environment

Increased collaboration between the public and private sectors on policy reform can remove obstacles to income mobility and thereby promote equality of opportunity. Such policies can enhance growth by allocating financial, technical and human resources to their best use, thus favoring economic efficiency and competitiveness. Typical examples include policies that shape access to quality education and training, as well as those affecting intra-generational income distribution (e.g. taxes on inheritance) or redistribution (e.g. progressive fiscal policies and transfer schemes). A recent study on fiscal policies from the IMF (2014a) highlights the importance of designing relevant policies. The study shows that redistributive transfers and taxes reduce inequality by about a third in advanced economies (IMF 2014a: 15). However, in developing economies (including both emerging and low-income countries), fiscal policy plays a much too modest role. Levels of redistributive expenditures are much lower, particularly when it comes to social protection. The IMF report also highlights how poorly-designed and -targeted social spending in developing economies actually increases inequality. One example given is the use of energy subsidies as a form of social assistance in several Asian countries; in reality, such subsidies disproportionately benefit upper-income groups (IMF 2013b: 19).

Other efficient tools include social safety nets that provide regular and predictable transfers (in cash or in-kind) to the poor and vulnerable,

as well as policies for public housing, pensions and healthcare. In its State of Social Safety Nets 2014 report, the World Bank (Gentilini, Honorati and Yemtsov 2013) notes that well-designed programs increase inclusive growth, give more access to education and health services to the most vulnerable, and increase job opportunities. Asia needs continued progress on these fronts; the report notes, for example, that in South Asia, social safety nets cover only a quarter of the poorest quartile (Gentilini, *et al.* 2013).

Korea and Singapore — the “Asian Swedens” in term of economic mobility — provide good examples of policies influencing some key mobility determinants. Both public educational expenditure and policies encouraging private investment (in secondary and tertiary education and in technical and vocational training) have helped these economies grow impressively since the 1950s. Governments have also promoted the transfer of know-how from other countries by favoring partnerships and embracing international trade and the globalization of supply chains (Lim 2014). Government policies have improved the climate for investments and business, bolstering private sector development and increasing process transparency in processes. These pro-business policies have accompanied development of certain social policies (e.g. public housing, pension, healthcare). More importantly, in both countries, policies focus on a close partnership between the public and private sectors, aligning interests and building a culture of dialogue and collaboration; these have helped them address upcoming challenges and adapt more efficiently to changing environments.

(3) Supporting Small Business to Propel Inclusive Growth

Micro-, small and medium-sized enterprises (MSMEs) are widely recognized as principal drivers of growth, in Asia and worldwide. The International Finance Corporation (IFC) (2014) noted that there are approximately 400 million MSMEs in developing countries, and the sector constitutes an important source of economic mobility. Micro-enterprises, often started as survival activities, aid mobility among the poor, while SMEs are recognized growth actors as well as vectors for

middle- and upper-class mobility (IFC 2003).

Micro-enterprises have the greatest vulnerability; their entrepreneurs require support in terms of training and skills development, access to information, finance, technology, networks, and so on. Small- and medium-sized firms also need assistance, as these firms tend to experience more barriers to growth. Support in the form of loans, credit, and growth initiatives for MSMEs can level the playing field to achieve broader economic mobility. Encouraging new and improved policies targeting MSMEs — including political-economy approaches to reform and public-private dialogues to identify and resolve key development constraints — will help governments and donors as they search for new approaches to reach larger numbers of SMEs, and have a real impact on their growth and sustainability (Bagg and Fields 2003).

In partnership with private enterprises, governments and development institutions can improve economic mobility by facilitating private investment and production. Experience shows that clear laws and regulations and transparent business environments greatly enhance private sector development (see e.g., the 2015 and other editions of The World Bank “Doing Business” report (World Bank 2014b). The private sector creates demand for such an environment and pushes for reforms. Open and transparent networks, motivated by a common interest in improving good governance and fostering the business climate, have proven very effective in this context (Bollinger and Merchant-Vega, 2013; Alexander and Salze-Lozac’h 2012; TAF and TDRI 2014)

The expanding **social enterprises** sector offers an alternative approach to purely profit-driven private-sector job creation. These revenue-generating businesses, whether operated by a non-profit organization or by a for-profit company, have two objectives: to achieve social, cultural, community, economic or environmental outcomes, and to generate revenue. These enterprises can effectively aid underserved groups or low-income individuals, moving them into employment, and increasing their earnings and thus their economic mobility. Nobel Laureate Professor Muhammad Yunus, a pioneer of microcredit and microfinance as economic mobility strategies, is now focusing on supporting social enterprises, through initiatives including the Grameen Creative Lab, the Grameen Foundation and the Yunus Centre (Yunus

Centre 2008).

(4) Favoring Regional Economic Cooperation

The public and the private sectors also have a shared interest in furthering regional integration. Successful cooperation and integration will determine whether Asia can achieve high, sustainable growth over the medium term, and can continue to climb the ladder toward upper-income status. Regional economic cooperation may bring about broad-based economic benefits for participant economies, such as increased competitiveness and more efficient supply and production bases. As the economic giant of China continues its growth of 7.4 percent in 2014 (IMF 2014b), the rest of Asia can increase its competitiveness by looking regionally, through associations and networks such as the Association of South-East Asian Nations (ASEAN) and the South Asia Association for Regional Cooperation (SAARC). Through these platforms, Asian countries diversify their export markets and rationalize their sourcing.

Asia still requires significant progress on several fronts, including policies that improve institutions, infrastructure, and human capital, as well as technology and innovation. But investing in regional economic cooperation has already proven a potent strategy for more growth. As the Organization for Economic Co-operation and Development (OECD) (2014) states, “regional initiatives have great potential for reinforcing national development initiatives and so increasing the prospects for Emerging Asia in becoming high-income advanced economies” (OECD 2014: 22). Furthermore, regional integration can also play a key role in addressing gender inequality (by providing more opportunities for women in business) and in closing income gaps (by providing new opportunities to SMEs). However, regional policies and regulations often prove complex and onerous. The challenge for governments lies in ensuring transparent processes, disseminating information, and collaborating with the private sector for successful integration across Asia.

(5) Unleashing Women's Full Potential

In many Asian countries, income inequality remains relatively high and economic mobility restricted, due to income gaps and unequal opportunities persisting between genders, ethnicities, regions, and educational/skills levels. The gender gap, for example, has been recognized as a real constraint to more inclusive and sustainable growth in Asia. The World Economic Forum (2013) noted in their report on gender that although the Asia-Pacific region had closed sixty-seven percent of its gender gap in 2013, it is still behind every other region apart from the Middle East and North Africa in gender parity.

Women's employment and entrepreneurship too often remain an untapped resource in the region. While women are recognized as a driving force in economic and social development, they tend to have unequal access to key determinants of economic mobility, such as education, employment, and entrepreneurship. They also have unequal access to the information and networks instrumental in opening economic opportunities. This situation represents a major constraint to economic mobility and growth. The IMF estimates that in certain regions, GDP per-capita losses attributable to gender gaps in the labor market account for up to 27 percent (Elborgh-Woytek, Newiak, Kochhar, Fabrizio, Kpodar *et al.* 2013: 4); meanwhile, the United Nations estimates that Asia-Pacific economies could grow by an additional \$89 billion per year if women realized their full economic potential (UN Women 2011). Positive evolution calls for more active engagement among both governments and the private sector, promoting women's inclusion in the economy and providing them with equal opportunities in the labor market.

(6) Addressing Crony Capitalism and Poor Economic Governance

As mentioned earlier, social capital pre-established over generations and the rigidity of social clusters may prove severe barriers to policy reform, economic mobility, and more inclusive growth. Although these networks are unavoidable (if often legitimate), and can help upward

mobility by opening new opportunities, they may also prove major constraints on development and mobility in many Asian countries. By maintaining rigid clusters over time, social capital often implies close relationships between the social and economic background of families and individuals from one generation to the next, replicating privileges and frameworks for favoritism. Crony capitalism becomes the extreme form of an economy relying on self-serving networks and relationships; networks cultivate contacts with officials and politicians to “fix” or evade laws and regulations, ranging from collusion among market players to pure monopolies and rent-seeking industries. These established self-serving “protectionist” networks may all too often block newcomers from entering an industry; this restricts competition, technological upgrading and innovation, and thus limits the global competitiveness of the economy. According to a “crony capitalism index” published by *The Economist* (2014), which measures how much economic activity occurs in cronyism-prone industries, Thailand, the Philippines and Indonesia saw their score worsen between 2007 and 2014; however, Hong Kong, Russia and Malaysia occupy the top three spots.

Both the public and the private sectors share responsibility for changing the rules of the game — favoring open and transparent business practices that will attract more international investment, unleash the potential of newcomers, increase productive competition, and open new opportunities for sustainable business.

5. Conclusion: Economic Mobility as the Driving Force of Inclusive Growth

As Asian societies grow in affluence between now and 2050 (ADB 2011), the issues of income distribution, inclusive growth, and economic mobility will become more prominent. They may even determine whether Asia will follow a scenario closer to an “Asian Century” of dominance or the “middle income trap.” Governments, enterprises, and civil society all have roles to play in ensuring that Asia continues on the

path of growth.

Asia currently faces struggles with the recent global economic crisis, the slowdown of some of its economies, and growing inequalities both real and perceived. Improving income mobility may offer one way towards greater economic inclusion and efficiency, not to mention enhanced political and social cohesion.

Shifting wealth in Asia has created new resources that governments may tap to promote and finance more inclusive and sustainable development. Rising inequality, the persistence of a large and vulnerable “near-poor” population, an expanding middle class with new aspirations, rapid and massive urbanization, uncertain environmental hazards, and regular social and political unrest: all these factors suggest that reviving the “grail” of mobility and equal opportunities would benefit Asian governments and businesses alike.

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CHAPTER 3

Caste, Education and Social Mobility in India

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1. Introduction

Conventional wisdom holds that education — especially higher education — could be one of the keys to socioeconomic mobility; that one can gauge the fairness and meritocracy of societies by how far “having what it takes” (i.e. education, skills and hard work) allows offspring to outperform their parents. In their summary of modernization theory literature, Vaid and Heath (2010) highlight a widely-held view: as a society modernizes, merit-based criteria (such as educational qualifications) become more salient compared to ascriptive criteria (e.g. gender or caste) in determining access to advantaged positions. However, concerns have arisen that growing inequality of opportunity due to advantage (or disadvantage) may transfer across generations — in particular, in the industrialized Western economies, traditionally perceived as lands of opportunity. The outcome appears as a kind of “narrowing at the top,” implying that those making the key decisions come from a very narrow band of socio-economic backgrounds.

This “narrowing” seems primarily driven by unequal access to quality education. A 2014 Guardian article asserts that education, along

with superior home environment and networks, allows a few families to “grab” desirable jobs because they can make their children’s applications “stand out” (Guardian 2014).¹ However, if such access to higher education, especially to elite institutions, indeed correlates with parental or family background, then we face a conundrum: does education enable intergenerational mobility or does it reinforce intergenerational persistence?

This paper examines the links between education and social mobility in contemporary India through the lens of caste, focusing on the transmission of educational status between male generations. India offers an appropriate case study for the education puzzle, because while caste persists as a strong marker of socio-economic differentiation, India has also seen rapid economic growth and an expansion of avenues for advancement in recent years. It also has a decades-old affirmative action program that targets the former untouchable castes — traditionally, highly stigmatized, disadvantaged and marginalized. This program reserves seats for Scheduled Castes (SCs), Scheduled Tribes (STs), and more recently Other Backward Classes (OBCs)², in higher educational

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- 1 This clearly runs counter to popular perception of how societies should work. A recent report by the Social Mobility and Child Poverty Commission (SMCP) of Great Britain entitled “Elitist Britain?” (SMCP 2014) summarizes various contemporary surveys that indicate strong support for the ideals of fairness and meritocracy. For instance, 95 percent of the British public agrees that “in a fair society, every person should have an equal opportunity to get ahead” or that 85 percent believe that “in a fair society, people’s income should depend on how hard they work and how talented they are” (SMCP 2014: 3). This endorsement co-exists with the realization (albeit to a smaller extent) that their society might not be meritocratic after all: 65 percent of British people, according to research conducted by the social mobility and child poverty commission, believe that “who you know” is more important than “what you know,” and three-quarters believe that family background has a strong influence on life chances in Britain today.
 - 2 The caste system is a system of graded inequalities with the ex-untouchable castes, officially grouped together as “Scheduled Castes,” at the bottom, and upper castes at the top. Scheduled Castes are often referred to as “Dalits” (the oppressed), used as a term of pride by several members of the community. Distinct from the caste system, India has also has a large tribal population (the “Adivasis”, or the aboriginals), several of whom are extremely marginalized and disadvantaged. These have been officially grouped under the umbrella category of “Scheduled

institutions, government jobs, and for the former two groups at all electoral levels. Hence, it provides crucial higher education access to individuals who might otherwise have been excluded, and thus has the potential to break or weaken the link between access to higher education and parental background.

This paper will analyse data from two rounds of the National Sample Survey (NSS). The next section presents key results on education and social mobility from an earlier study (Deshpande and Ramachandran 2014). These results show that while intergenerational persistence in education has declined for all caste groups (i.e. India has seen an increase in intergenerational mobility measured by access to education), the extent of mobility differs by caste: the most disadvantaged groups show the least amount of intergenerational mobility. The succeeding section discusses these results, and offers concluding comments.

2. Caste and Education: the All-India Picture

As part of a larger investigation into the changing contours of caste disadvantage, we examined trends in education, using primary data from the Employment-Unemployment Survey (EUS) from NSS for 1999-2000 (NSS-55) and 2009-10 (NSS-66) (Deshpande *et al.* 2014). We looked at differences between SCs and STs (together), OBCs, and residual “Others”, the last a rough proxy for upper castes. The NSS collects data on co-resident members of a given household (defined as a unit with a common kitchen). The data specify the relationships between members of a household thus defined. The data are organized by households, not families, and do not allow tracing members of a family if they have left the parental household. We identify father-son pairs based on the household identifier and “relationship to head of household”

Tribes” for benefits of affirmative action. “Other Backward Classes” is a group of intermediate castes and communities that have also been granted benefits of affirmative action. “Others” comprise the residual non-SC-ST-OBC population. Details about the caste system and the affirmative action programme can be found in Deshpande (2011).

variable. Thus, we can only identify father-son pairs residing in the same household.

Since daughters typically marry early and move to the marital home, NSS data does not have a mechanism to match daughters with either fathers or mothers, unless they reside in the same household. Most resident daughters are minors, with many still in school, so the survey could not determine their ultimate educational category (Deshpande *et al.* 2014: 11). Marriage in India is nearly universal,³ creating a challenge in comparing adult female educational or occupational attainments to those of parents. This constraint is less severe for men, as the joint family system is very widespread: it remains a very common practice for adult men to live in the same households with their parents, spouses and children.

Using the age of the respondents in the survey years, we constructed six birth cohorts, a decade apart, with the oldest cohort born between 1926 and 1935 and the youngest between 1976 and 1985. We used the methodology of “difference-in-differences” (D-I-D), examining the gap between two groups for one cohort and whether it has increased or narrowed compared to the previous cohort.⁴

(1) Years of Education

NSS data do not give information on years of education, but we use information on educational attainment to calculate that indicator. We find that all three groups have seen an increase their average years of education over the 50-year period. The oldest cohort born during 1926-35 has 0.70 years of education for the SC-STs, 1.14 years for OBCs and 3 years for Others. We see that these increase steadily over time, and stand at 4.52, 6.09 and 8.30 respectively for the cohort born during

3 According to the 2011 census, 81 percent of women in the reproductive age group (15-49 years) are married (Ministry of Home Affairs 2011).

4 All the technical details can be found in the original paper, but to summarise: we conducted D-I-D probit regressions and other statistical analyses across four educational indicators for the sample groups of OBCs, SC-STs, and Others compiled from two survey rounds of NSS data. See Deshpande *et al.* (2014), especially pages 7-14.

1976-85.

We find that gaps between the SC-ST and Others cohorts remain roughly constant, i.e. show neither convergence nor divergence, but that gaps between younger cohorts of Others and OBCs become narrower than those between older cohorts, indicating convergence.

(2) Other Indicators of Educational Attainment

We then divided the composite indicator “years of education” into four categories describing the proportion of minimum attainment in each cohort: (a) achieved literacy; (b) finished primary schooling; (c) finished secondary schooling; (d) graduated from university or obtained advanced degree.

For the two categories of “[at least] literate” and “[at least] primary education,” we find a steady convergence between Others on the one hand and both SC-STs and OBCs on the other. Moving to higher categories of education, the picture changes somewhat. Among the cohort born in 1926-35, 2 percent of SC-STs, 3 percent of OBCs and 13 percent of Others had at least a secondary education. This increases to 19, 30 and 48 percent respectively for Cohort 6 (born in 1976-85), indicating that many more Indians have completed secondary or higher education. However, here we find divergence between Others on the one hand, and SC-STs and OBCs respectively: the gap between younger cohorts is greater than that for older cohorts.

For the highest level of education, in the cohort born in 1926-35, 0.5 percent of SC-STs, 0.4 percent of OBCs and 4 percent of Others had at least one university or graduate degree. This increases to 4.7, 9 and 20 percent respectively for the cohort born in 1976-85. Comparing the gap between the OBCs and Others for Cohort 2 with that for the youngest Cohort 6 shows that the gap increased from 6 percentage points to 10.5 percentage points, indicating divergence. The gap between Others and SC-STs for Cohort 2 was 7 percent, which increases to 15 percent for the Cohort 6 born in 1976-85.

3. Assessing the Intergenerational Transmission of Education

We matched the years of education of every male household head to the years of education of each male child in that household. We then estimated the relative measure of intergenerational persistence in education, for the three social groups and two survey rounds, via the following equation:

$$E_i^S = \alpha + \beta E_i^f + R_i + S_j + A_i + \epsilon_i$$

where E_i^S refers to the years of education of son labeled i and father of i , respectively; R_i is the dummy variable for the religious group of individual i ; S_j refers to state fixed effects, A_i to the age of son i ; and ϵ_i is the error term. β is the parameter of greatest interest, since it measures how strongly the son's education depends on his father's. A value of 0 would imply that the father's education has no independent effect on his son's — in other words, complete intergenerational mobility.

Estimating this equation, we find the strongest intergenerational persistence in education for SC-STs, followed by OBCs, and finally the Others. In other words, SC-STs have the lowest levels of intergenerational mobility. However, we also found a decrease in the relative intergenerational persistence of education over the two survey rounds. The average beta coefficient decreases from 0.51 to 0.42, indicating an increase in mobility for all three social groups. This result is very similar to that identified by Azam and Bhatt (2012). In the previous paper (Deshpande *et al.* 2014), we undertook further econometric estimation to assess whether the intergenerational patterns differ across social groups, and found that indeed, intergenerational persistence for Others is significantly lower than the two SC-STs and OBCs combined.

(1) The Education Transition Matrix

The results reported so far have analyzed shifts across birth cohorts.

To examine generational shifts, we constructed a matrix that depicts the transitional probabilities of the son achieving a particular education level, based on that attained by his father.

We constructed six levels or categories of education as follows: 0 representing illiterate; 1 literate but less than primary schooling (Grade 4); 2 more than primary schooling but less than secondary (Grade 8); 3 more than secondary but lower than higher secondary (Grade 12); 4 more than higher secondary but lower than undergraduate; and 5 representing undergraduate education and higher. We then match the male head of household's category to his son's for both rounds of the data (NSS-55 and NSS-66).

The transition matrix provides an easy visual representation of intergenerational mobility in education for the three social groups. It helps us discern whether the increases in attainment observed above arise because sons of well-educated household heads reach equal or even higher levels, or because sons whose fathers had less education move upward.

The matrix shown in Table 3-1 computes the probability p_{ij} – the probability of a father with education category i having a son in educational category j . A high p_{ij} (where $i = j$) represents low intergenerational education mobility, while a high p_{ij} (where $i < j$) would indicate high intergenerational mobility. The last column of the table labelled “size” shows the proportion of fathers in that particular educational category.

Comparing the transitional probabilities of NSS-55 (in the original paper) with those of NSS-66 shown above, we first observe that for all three social groups, the average proportion of fathers has increased in higher educational categories. The proportion of fathers with more than primary schooling but less than secondary schooling increases from 17.45 to 22.85 percent, 23.98 to 29.87 percent and 27.87 to 29.80 percent for the SC-STs, OBCs and Others respectively. We also observe that for sons with fathers in category 3, 4 or 5, the probability of the son achieving an equal or higher category than his father increases for all three groups. In other words, intergenerational persistence is high for families with higher levels of education. The probability of the father belonging to category 3 (more than secondary but lower than higher

Table 3-1 | Educational Transition Matrix for India, 2009-2010

		Son's education category						
Father's education Category	Transition Matrix for SC-ST							
		Edu 0	Edu 1	Edu 2	Edu 3	Edu 4	Edu 5	Size
	Edu 0	0.2318	0.0948	0.422	0.1278	0.0962	0.0275	50.12
	Edu 1	0.041	0.0998	0.5477	0.1617	0.1037	0.0461	14.08
	Edu 2	0.0262	0.0318	0.4454	0.2441	0.1964	0.0562	22.85
	Edu 3	0.0081	0.0029	0.2303	0.2746	0.368	0.1162	6.38
	Edu 4	0.001	0.0109	0.1212	0.272	0.3243	0.2706	3.33
Edu 5	0.0015	0.1054	0.0594	0.0946	0.3607	0.3784	3.24	
Father's education Category	For OBCs							
		Edu 0	Edu 1	Edu 2	Edu 3	Edu 4	Edu 5	Size
	Edu 0	0.1904	0.1166	0.3815	0.1633	0.1071	0.0411	35.66
	Edu 1	0.0414	0.1082	0.4262	0.2132	0.1685	0.0425	13.53
	Edu 2	0.0334	0.0176	0.3796	0.2511	0.2183	0.0999	29.87
	Edu 3	0.0078	0.0125	0.1304	0.2833	0.358	0.2079	10.57
	Edu 4	0.0154	0.0007	0.1266	0.1532	0.4247	0.2794	6.16
Edu 5	0.0004	0.0007	0.065	0.1289	0.4694	0.3356	4.21	
Father's education Category	For Others							
		Edu 0	Edu 1	Edu 2	Edu 3	Edu 4	Edu 5	Size
	Edu 0	0.1492	0.1013	0.3952	0.185	0.1174	0.052	23.20
	Edu 1	0.0236	0.0815	0.453	0.2027	0.1616	0.0776	9.89
	Edu 2	0.0233	0.0196	0.3223	0.275	0.2387	0.1211	29.80
	Edu 3	0.0063	0.0033	0.1132	0.2558	0.3476	0.2737	16.26
	Edu 4	0.0082	0.0006	0.0846	0.1077	0.4452	0.3537	8.81
Edu 5	0.0057	0.0001	0.0164	0.0794	0.3584	0.5401	12.04	

Note: Each cell ij represents the average probability of a household male head with education i having a son with educational attainment level j . The column titled "size" reports the fraction of fathers in education category 0, 1, 2, 3, 4 or 5.

Source: Deshpande and Ramachandran (2014: 35); authors' calculations based on NSS-66.

secondary) while his son belongs to category 3, 4 or 5 increases in each caste division—from 73.8 to 75.9 percent, 72.8 to 85 percent and 82.1 to 87.8 percent for the SC-STs, OBCs and Others respectively.

That said, we should note that, conditional on their fathers' education,

Other sons are more likely to equal or exceed paternal categories compared to SC-STs and OBCs. In 2009-10, for example, for fathers in category 5 (university education and higher), the probability that their sons also reached that level is 37.8, 33.56 and 54.01 percent for the SC-ST, OBCs and Others, respectively. The matrix suggests that, among highly educated parents of all groups, the Others succeed best in ensuring an equivalent or higher education for their children. The fact that SC-ST sons have a higher probability than OBCs of reaching university and above (when their fathers had also graduated) suggests that reserved slots for SC-STs in higher education may also play a role in their advancement.

(2) Ordered Probit Regressions for Education Categories

We ran an ordered probit regression to calculate the marginal effects of membership in five educational levels, defined as follows: 1: not literate; 2: literate, below primary (class 4); 3: primary (class 4 completed); 4: middle (class 8 completed); 5: secondary (Class 9) and above. We find that all cohorts of OBCs and SC-STs are significantly more likely to be illiterate (level 1) than Others. The marginal effects rise from Cohort 1 to 3 and decline thereafter, such that between Cohort 1 and 5, the likelihood of OBCs being illiterate as compared to the Others drops from 20.6 percent to 7.2 percent. We see a similar trend for SC-STs as well; but first, their likelihood of illiteracy relative to Others is higher than that for OBCs, and second, there is less decline in this probability over successive cohorts than that for OBCs.

For higher educational levels, the trend in probabilities changes. For level 2 (literate below primary), we find that the three youngest cohorts of OBCs show positive marginal effects compared to the Others, indicating convergence. For the next higher level, we see that only the two youngest cohorts of OBCs show positive marginal effects. All cohorts of OBCs are less likely to be in the final two educational levels (middle, secondary and above) than the Others; this confirms the D-I-D result that after the middle school level, we see divergence rather than convergence in educational attainment.

4. Discussion and Concluding Comments

To summarise the main findings, all caste group males have seen an increase in years of education: while gaps between SC-STs and Others have not changed over the 50-year period, younger cohorts of Others and OBCs show a trend toward convergence. Breaking this down by educational attainment, we find convergence between caste groups in lower categories of literacy and primary education. But from secondary schooling onwards, higher categories of education show divergence: gaps between younger cohorts of caste groups exceed those for older cohorts. We find that while intergenerational persistence has declined for all caste groups, the more disadvantaged caste groups show the highest degree of intergenerational persistence, or the lowest degree of mobility. Looking at the changes in transition probabilities over the two survey rounds, we find that proportion of fathers with higher education levels has increased. Depending on their fathers' education levels, sons of Others are much more likely to achieve an equal or higher level, as compared to SC-STs or OBCs.

Deshpande and Ramachandran (2014) also specifically examine the effects of affirmative action on various indicators, including educational attainment. We find that affirmative action does have a significant effect in improving secondary education, suggesting that policy intervention can break the disadvantage associated with social identity and poor economic outcomes.

The challenge of achieving intergenerational mobility in education comprises only one part of overall social mobility. The greater challenge lies in achieving occupational mobility, which occurs at a lower overall rate and remains deeply segregated by caste, religion, gender and other social identities. Deshpande and Newman (2007) document how modern urban labour markets pay lip service to merit, but a complex set of stereotypes shapes employer definitions of the concept, with overlapping notions of caste, class, religion, gender, and ethnicity. All of this results in low levels of overall social mobility, captured by the phrase we evoked at the outset — “narrowing at the top.” As the article we cited in the introduction eloquently puts it,

It suggests that there are people, talented but not privileged, who could pull the levers of power at least as effectively as others who actually hold these levers by virtue of background. The sense in poor communities that “nobody from round here could ever land a job like that” saps individual ambition, and in a real sense, too, drains the feeling of living in a democracy, where things are run by the people for the people (Guardian 2014).

As long as that narrowness persists, then, it ultimately affects political as well as social and economic outcomes, and the viability of the democratic project itself.

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CHAPTER 4

Social Mobility as an Impact of Development in Mongolia

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1. Introduction

Located between two superpowers, Russia and China, Mongolia is an independent democratic state with a proud history as the motherland of Chinggis Khan's empire. It is a large country (1,564,100 square kilometres) with a small population (3 million in January 2015). While many people continue the traditional nomadic life of herders, growing numbers reside in the capital. Mongolia's population is young, with almost two-thirds living in urban areas and the rest scattered in the steppes and mountainous ranges of Central Asia, tending herds.¹ On the one hand, remoteness and underdeveloped infrastructure; on the other, a young, dynamic and literate population, eager to live a modern life: this paper will address the life choices framed by these contrasts and how they affect social and economic mobility.

¹ According to National Statistical Office (NSO) (2014a), Mongolia had 794,100 households in 2013, of which 64.4 percent live in urban areas and 35.6 percent reside in rural areas. The latest National Population and Housing Census (NSO 2011) revealed that the two-thirds of population is 15-55 year olds, and literacy level (among population aged 15 and above) is 98.3 percent (NSO 2011).

Moreover, Mongolia has opened its “demographic window” (Spoorenberg 2008) as youth under age 15 account for less than 30 percent and seniors older than 65 less than 15 percent of the population. The remaining population, as a potentially large and active workforce, creates a 30-to-40-year window of opportunity, during which Mongolia may develop labour-intensive industries, improve productivity, create more wealth, and spur economic growth (Spoorenberg 2008). These fundamental demographics, combined with rapid economic change, make Mongolia a special case among Asian nations in the domain of social mobility.

Since the simultaneous adoption of democratization and a market economy in 1990, Mongolia has undergone two epic decades of transition, from socialism into a democratic country with healthy market economy (World Bank 2012a). Previously, under the 70 years of Soviet dominance, the country depended heavily on economic assistance from the USSR and the socialist bloc countries, which abruptly stopped with the collapse of this system. According to Griffin (2003), between 1990 and 1993 total output fell by 20 percent, while inflation shot up to 325 percent in 1992. Industrial shrinkage, privatization of state property, and liberalization of trade and prices unleashed market forces while creating more unemployment, losses in health and education, and shortages of food and basic necessities (such as soap, fabric, and shoes) (Griffin 2003).

The collapse of the political and economic system had a strong influence on social mobility. In the Socialist period (from the 1930s to 1990s), the keys to upward mobility rested on good academic performance, political reliability, and party membership. The party and the planned economy system controlled most social movements, including occupational movement and advancement (Worden and Savada 1989); this “command economy” conducted massive youth mobilizations to build the great socialist industrial centers (such as Darkhan in the 1960s and Erdenet in the mid-1970s), while streamlining talented individuals via education and upward career advancement (Solongo 2007). The vast socio-economic changes of 1990-1993 affected everyone. Many lost jobs, income, status, families, homes— all in the midst of an unclear future, where the fight for basic survival came

with the necessity of expressing one's political beliefs (Rossabi 2005). The Constitution of 1992 lifted the ban on domestic and foreign travel (Constitution of Mongolia 1992). In an attempt to survive and feed their families, thousands of Mongolians in the early 1990s went to the southern border town Erlian to buy Chinese consumables for resale in Ulaanbaatar's black market or in Russia. These unprecedented movements of ordinary people had long-term implications. They provided a sharp learning curve in acquiring traders' skills, but also lifted the closed-in mentality of the remote nomads, teaching them that travel to other countries was possible (Dash-Endon 2013).

In recent years, Mongolia has become one of the most rapidly expanding economies in the world. The construction of the Oyu Tolgoi (OT) copper-gold mine — among the five largest in the world — lifted gross domestic product (GDP) growth above 17 percent in 2011. The economy has since continued to grow in double-digits annually, albeit at a slower pace (World Bank 2012b). According to the Asian Development Bank (ADB 2014), the economy grew by 17.3 percent in 2011, 12.3 percent in 2012 and 11.7 percent in 2013.

These ongoing dynamic changes affected the society at large and were reflected in the population's social mobility. This paper examines how political, economic and social changes in Mongolia have shaped mobility — in particular, spatial and occupational mobility, both the most notable forms and the primary survival strategy for Mongolians in a rapidly transforming society.

We seek to identify regional variations in social mobility of Mongolians, both within and outside of Mongolia. A detailed look at internal and international movements, the role of remittances, and the current structure of mobility channels will help us understand the employment, residence, and education choices of Mongolians. A number of powerful forces have produced potentially uneven opportunities for upward social mobility, a matter attributable not only to the rich/poor divide but to limited government capabilities. In addition, urbanization sheds a light on the overall social mobility picture. As the capital and hub for financial services activities and public sector bodies, Ulaanbaatar seems to boast many of the characteristics that one would associate with the best and most rapid of these opportunities. But

the current economic development of the country reveals significant and widespread mismatches between the spatial patterning of jobs and the distribution of labour-seeking workers (Ronnas 2011). These spatial mismatches provide an important explanation of mass labour migration to “locations of opportunity” within Mongolia’s ongoing economic transformation.

2. Spatial Mobility

Urbanization in Mongolia has developed sharply since the second half of the last century due to industrialisation. Solongo (2007) analysed governmental economic and development policies — namely industrialization, the building of railroads and the expansion of the crop industry since the 1960s — as the causes of a visible change in population resettlement. From 1956-1969, the urban population increased three times while the rural population grew by only 10 percent. Around 44 percent of the total population of Mongolia lived in urban areas in 1969. By the mid-1970s, the urban population exceeded the rural population; in 1989, it constituted 57 percent of the total (Solongo 2007). According to the relevant census data, the average rate of population increase per annum was 9.5 percent (its highest) between 1956-1963, 3.0 percent from 1963-1969, 4.2 percent between 1969 and 1979, 3.1 percent from 1979-1989, 3.0 percent between 1989-2000, 3.8 percent from 2000-2008 and 4.2 percent from 2008-2012 (Tsetsenbileg and Purev forthcoming).

Since the beginning of the transition in 1990, Mongols have followed several pathways of mobility.

(1) From Cities to the Rural Countryside

As noted, at the beginning of the transition, Mongolia’s economy and working population was concentrated in a capital, two major cities, and provincial centres. The economic crisis, however, prompted many urban people to move to the countryside, retreating into herding and leading the normative nomadic life of their parents (Solongo 2007). Labour

proved highly mobile across space and occupations, and many adopted subsistence livestock herding as a survival strategy. Keith Griffin has noted the “unprecedented” and “massive” outmigration that dropped the urban population to 49.6 percent by 1998 (Griffin 2003: 57). The rural economy, centred chiefly on livestock husbandry, managed to absorb this labour force, but without any guarantee of financial security or adequate livelihood (Solongo 2007). Ronnas (2011) signalled the primary drivers of the flight into herding, noting that favourable agricultural prices (relative to prices in other sectors) helped cushion the potential negative effects of the rapid growth of herding, while the absence of livestock taxes counterbalanced the fall in productivity and returns (Ronnas 2011: 4).

(2) From Rural Loss of Subsistence to Seeking Better Livelihoods in Cities

Harsh weather conditions in three consecutive winters starting in 1999 caused an excessive loss of herds. Migration, especially towards Ulaanbaatar, has increased since 2000, due to natural disasters caused by severe cold weather and absence of grass to graze. Many rural Mongolians, having lost their primary livelihood with their herds, had no choice beyond moving to Ulaanbaatar and other cities and seeking employment in the formal and informal economy. In a single year, 2003, the rural population fell from 50.4 percent of the total to 41.4 percent (Griffin 2003).

According to census data from 2000 and 2010, in ten years the urban population has increased significantly, both absolutely and relatively; 1,345,000 people resided in urban areas in 2000, to 17,981,000 people or 68 percent of the population in 2010, with a growth rate of 33 percent (NSO 2011).

Based on the Population and Housing Census data from 2000-2010, internal population movements have chiefly flowed towards Ulaanbaatar city and the two major cities of Darkhan and Erdenet.

The population increase in Ulaanbaatar greatly exceeds that of other cities. The cancellation of the capital city registration fee for migrants in late 2003 has played a significant role in increasing their numbers. The population and housing census of 2010 (NSO 2011) counted around

544,813 citizens, 47.2 percent of Ulaanbaatar's population, as having been born in the city and never lived elsewhere. The remaining 52.8 percent (or 609,477) had moved to the capital; of these, 19,078 people or 3.1 percent were born in Ulaanbaatar city, had moved to another place for a while, and then returned to the city (NSO 2011).

Therefore, the majority of population lives in Ulaanbaatar and the central and northern parts of the country. Recent mining developments in the southern Gobi provinces have brought paved roads, electricity, railroads, and better social infrastructure, thus opening economic opportunities for job seekers from other provinces. The remote areas of western Mongolia, despite the encouragement offered by road development, lag behind other parts of the country; thus many have migrated from Western areas, such as Uvs and Huvsgul provinces, to the copper-mining city of Erdenet, to Darkhan, the second-largest city, and to Ulaanbaatar (NSO 2011).

Ulaanbaatar plays a leading role in the Mongolian economy, given its concentration of health and education services, production, financial activities, and high-income residents. Moreover, the capital has 88.5 percent of all universities in Mongolia and 95.3 percent of its students (NSO 2014a).

According to the Labour Force Survey (NSO 2014b), 59.4 percent of economically active 1,160,299 people live in urban areas and 40.6 percent live in the countryside. The 45.6 percent concentration in Ulaanbaatar city generates opportunities for business expansion (NSO 2014c). Ulaanbaatar city created 64.6 percent of Mongolia's GDP in 2013 (NSO 2014c). According to the regional distribution of Mongolia's total GDP, the GDP performance of western areas increased by 19.4 percent in 2012 (compared to 2013), that of mountainous areas by 14.8 percent, central areas by 31.8 percent, eastern areas by 16.8 percent, and Ulaanbaatar city by 33.8 percent (NSO 2014c). Government and private-sector investments pour in the capital city, the economic hub of infrastructure, markets and the workforce. By contrast, the rural areas lack paved roads, electricity, and internet (despite the presence of mobile communication in virtually every small town); markets remain small and remote, and rural residents continue to rely on herding.

However, Mongolia's impressive economic growth has not translated

into significant poverty reduction, which has dropped from 35.2 percent in 2007-2008 (World Bank 2008) to 27.4 percent in 2012 (World Bank 2013). The incidence of poverty is higher in rural herding households, twice that of the urban poor (0.40 percent vs 0.27 in 2008) (World Bank 2007-2008). Inequality is notable in rural Mongolia among herders and socially vulnerable people (single headed households, disabled, unemployed, etc.) (Ronnas 2011).

Migrants seek out the better social infrastructure, services, education and health care in Ulaanbaatar and the central region. A study by the Institute of Philosophy, Sociology and Law shows that the “pull factors”— such as employment, the search for economic security, and better education —motivate much of the migration to the capital (IPSL 2012).

Surprisingly, the search for a better life has also threatened the quality of life due to urban overpopulation and concentration of recent migrants in peri-urban areas — resulting in heavily congested traffic, polluted soil and air (especially during the winter heating season), lack of amenities, shortage of social and medical care (to the point that sick children admitted to Bayangol’s children’s hospital during the 2014-15 flu season had to lie on the floors), with the added problem of electricity burden when existing power plants work at their full and deadly capacity. Since 2009, the capital city has faced the dual challenge of improving livelihoods for the disadvantaged rural newcomers, while at the same time meeting the needs of the upper and relatively well-off middle class, i.e. by building high-rise office and residential buildings. (Tsetsenbileg and Purev forthcoming).

(3) Outbound Mobility

The freedom to choose one’s place of residence and to travel abroad, brought about by the democratic changes of 1990, opened the doors to migration. Initial massive relocations occurred in 1990-1993, when 50,000 Mongolians of Kazakh nationality crossed the Mongolian-Kazakhstan border to settle permanently in Kazakhstan.

Mongolians started to move outside of the country in search of higher-paid foreign jobs and greater income opportunities for themselves

|| Table 4-1 || Number of Mongolians Living Abroad and Reason for Emigration

Country of destination	Number of people	Purpose to go abroad (%)			Other
		Study	Work contract	Work on own	
South Korea	29,534	22	40	22	16
USA	17,036	44	4	20	33
Czech	7,274	9	52	19	21
China	7,273	71	4	8	17
Japan	5,401	48	11	14	27
Russia	5,008	67	3	10	19
Germany	3,852	48	4	13	35
England	3,701	55	4	17	24
France	2,859	18	9	30	43
Turkey	2,645	54	8	30	8
Kazakhstan	2,523	57	6	20	18
Hungary	1,615	15	39	20	26
Other	18,419	36	8	23	33
	107,140	37	19	20	24

Source: NSO (2011)

and their families. According to 2006 figures, official sources estimated that approximately 120,000 Mongolians resided abroad; however, unofficial sources from 2008 state that this figure might be as high as 250,000 (IOM 2012). According the Population and Household Census from 2010, Mongolia has 107, 410 citizens who have lived abroad for more than six months (NSO 2011) (Table 4-1).

South Korea, Japan and Czech Republic are the three countries that extend official contracts to workers from Mongolia; South Korea leads the list of Mongolian labour-receiving countries. On the South Korean embassy webpage, the Ambassador Lee Tae Ru has mentioned a total of 25,000 Mongolians currently residing and working in Korea (Lee 2015). Korean scholar Jin-Young Kim (2013) refers to 1,830 Mongolians in 2009 as marriage immigrants (98 percent female). There were 4,952 Mongolian students in Korea as of December, 2012, according to the

Korea Immigration Service (Kim 2013).

According to a survey by the United Nations Population Fund (UNFPA) and the Mongolian Population and Development Association (MPDA) (2005), migrants' reasons for emigrating vary according to the country of destination. For migrants to the Republic of Korea, 84.5 percent answered that their poor economic condition and unemployment motivate them to emigrate. Family and personal matters were the key motives for 73 percent of the migrants to the Czech Republic and 77.5 percent of the migrants living in the United States. A substantial proportion of respondents in the United States also cited poor economic conditions at home and unemployment. The percentage of migrants (27.4 percent) in the United States stating that they had emigrated in pursuit of higher education was higher than that of the other two study countries (UNFPA and MPDA 2005).

Profiles on work engagement of those living in the USA and Czech Republic appear in Table 4-2, which draws on surveys conducted in 2005 and 2007 by the Institute of Philosophy, Sociology and Law of the Mongolian Academy of Sciences.² (Tsetsenbileg and Batjargal forthcoming).

Table 4-2 reveals that up to two-thirds of Mongolian migrants were engaged in manual or service jobs, generally on a lower pay scale. Office workers accounted for approximately 10 percent of Mongolians in the US in 2005, around 5 percent of those in the Czech Republic in 2007, and not quite 3 percent of those in the US in 2008. As the author concluded after the survey interviews if Mongolian university-educated migrants in pursuit of higher pay only find "dirty, difficult and demanding" jobs in foreign countries, they actually lose social status with this downshift by losing professional touch with their fields of training; after five to ten years of manual work, they would find it

2 The study "The Mongols abroad" was conducted by the Institute of Philosophy, Sociology and Law (IPSL) of Mongolian Academy of Sciences among Mongolians living in America (2005, 2008) and in the Czech Republic (2007). In 2005 and 2008, IPSL surveyed 138 and 151 people (respectively) living in the Washington, DC, and Chicago areas, aged 16 to 60 years. In 2007, 196 people were interviewed in the Czech Republic, ranging from 19 to 57 years and living in 32 towns and villages (IPSL 2009).

Table 4-2 Mongolian Immigrants' Employment Status:
USA and Czech Republic

(unit: %)

	Mongols living in USA		Mongols living in Czech Republic
	2005	2008	2007
In general, physical labour /blue collar/	32.8	48.3	58.7
Intellectual labour /white collar/	10.4	2.6	5.3
Combination of both	14.2	11.9	26.5
Organization, service	38.0	35.1	6.3
Personal	-	-	0.5
I don't work	3.7	0.7	1.1
Total	100	100	100

Source: IPSL (2009)

extremely difficult to restore former occupational skills. Should they seek to do so, they face re-training and competition with young job seekers. In addition, the interviewees mentioned age as a problem for job-seekers upon return: few jobs exist in Mongolia for “people of 45 plus,” unless acquaintances and friends offer vacancies.

That issue raises another question: what are the long-term intentions of outbound migrants?

Most Mongolian migrants in the USA seek employment, although around a quarter of them pursue education as a personal investment. They usually intend to bring that knowledge back to Mongolia to create businesses or other gainful employment, and so earn higher incomes. On the other hand, the Czech-settled Mongolian migrants work mostly on labour contracts. Regarding their intentions for future residency and employment, most respondents answered that they would return to Mongolia sometime in the indefinite future. Less than 10 percent of them were likely to choose the USA or Czech as permanent homes once they fulfil their migration goals (Tsetsenbileg and Batjargal forthcoming).

In the last five years, the outbound migration has slowed due to new developments in mining and construction, and thus better work prospects at home. A reverse human cross-border movement began to develop.

(4) Inbound Migration

The Mongolian economy's outstanding performance over the last decade, and its rapidly growing mining sector, make Mongolia an increasingly attractive destination for high-, semi-, and low-skilled migrants from abroad. Due to expansion in construction, roads, and the mining sectors, the demand for workers has risen. Since the adoption of the Law on Sending Labour Force Abroad and Receiving Labour Force and Specialists from Abroad dated April 12, 2001 (GOM 2001), the numbers of foreign nationals granted Mongolian work permits have steadily increased: 5,626 in 2001, 8,075 in 2002, 7,532 in 2003, 7,250 in 2004, 8,221 in 2005, 12,577 in 2006, 18,504 in 2007, 12,180 in 2012 (IOM 2012).

In 2012, 10,060 foreigners from 102 countries worked in Mongolia. In 2014, this number decreased to 8,000 persons from 87 countries. Compared to the previous year, these figures went down by 892 people and 14 countries (NSO 2015). Workers who came on labour contracts had the following breakdown: 34.6 percent from China, 22.9 percent from Kazakhstan, 7.4 percent from the Russian Federation, 6.4 percent from South Korea, 5.7 percent from Vietnam, 4 percent from the United States, 19 percent from other countries (NSO 2015).

In 2014, foreign contract workers worked mostly in the construction sector (1,724 or 21.6 percent), followed by mining and quarrying (1,624 or 20.4 percent, as compared to 44.4 percent in 2007), wholesale and retail, vehicle and motorcycle repair service (1,118 or 14 percent), education (908 or 11.4 percent), transportation and warehousing (477 or 6 percent), and other sectors (1,064 or 13.4 percent) (NSO 2015).

3. Remittances In-flows and Out-flows

As discussed above, one of the major reasons for working abroad is to earn money and send some of it back home— to alleviate family poverty, purchase housing, and so on. This gives us other potential lenses on migration: examining the outcomes of economic mobility for the country's population, or identifying the remittances sent in and out

of the country by both flows of migrants.

According to a survey calculating remittances from Mongols living in Czech Republic (conducted by the Bank of Mongolia [2013]), there were 5,338 Mongolians registered as of November 2012; of these, 427 persons or 8 percent participated in the survey. The respondents replied that 85 percent of them regularly send remittances home; the yearly remittance averaged \$2,041. Out of this amount, 50 percent went back through other channels than banking. The total estimated informal transfers of Mongolians in absolute value at the end of 2012 would amount to \$4.5 million, extrapolating from the survey sampling to total migrant remittances (Bank of Mongolia 2013). Remittances spending covered the following: 50 percent to meet family needs, 20 percent to pay back loans, 11 percent to deposit into saving accounts, and 17 percent to invest in business and purchase apartments (Bank of Mongolia 2013).

Numbers given by the Central Bank of Mongolia show that remittances represent a significant share of the national economy: at its peak in 2004, the remittance amount transferred through the banking system (i.e., formal transfers) constituted 10 percent of GDP of the country. In 2012, remittances totalled about \$280 million (Bank of Mongolia 2014a). The remittances value from abroad and remittances from foreign workers in Mongolia appear in Table 4-3 as “in-flows” and “out-flows.” Table 4-3 shows that remittances in-flows outweigh foreign workers’ out-flows; however, the difference has dropped from 65 percent in 2009 down to 12 percent in 2013.

In recent years, the gap has narrowed between remittances coming from abroad and those sent out of Mongolia by foreign workers. While employers, especially in mining, prefer the higher skills and technical expertise of foreign workers, the improvement in domestic vocational technical schools provides more opportunities for Mongolians to work and live at home. Another untapped resource for utilizing the “demographic window” noted above would be to stimulate new private businesses across all economical sectors and regional centres. The economic development required for 21 provincial centres needs proactive government leadership and good long-term policies, neither evident on the agenda of the current Cabinet (which has a tenure of one

Table 4-3 | Mongolia's Remittance Flows from Mongolians Abroad and Foreign Workers in Mongolia from 2009 to 2014 (USD 000s)

	2009	2010	2011	2012	2013	2014
In-country flows	191.5	247.9	249.3	286.2	211.0	210.3
Out-of-the country flows	71.4	118.5	190.8	245.3	185.6	161.8

Source: Bank of Mongolia (2014b)

year and couple of months). “Election fever” over the upcoming Parliamentary contests in 2016 can also impede timely and suitable governance intervention.

4. Rates of Mobility: Intergenerational and Occupational Mobility

The rapid expansion of the economy and investment, followed by the rapid growth of the mining, construction and service sectors, facilitated high rates of social mobility in the 2000s and the 2010s. These have resulted in transformations in several sectors of development and, overall, a vibrant economy.

In the 1980s, most Mongolians worked in different occupations from those of their parents, who were almost universally herders. Worden and Savada (1989) saw a potentially volatile intergenerational mobility resulting from this. They noted that the cohort born in the 1950s-60s would keep hold of the skilled jobs they obtained in 1980s until their retirement around 2020; this would debar much of the even larger birth cohort of the 1970s-80s from such jobs, unless the (primarily Soviet-aided) economic expansion continued. A gap in professional expertise and a declining rate of social mobility would potentially change the rules of the game (Worden and Savada 1989: 45). In the end, however, the breakdown of the socialist system brought different and perhaps more radical changes in social mobility.

Most of the cohort born in the late 1950s and the 1960s, who became skilled industrial, professional, and administrative professionals in the 1980s, changed their occupations during transition period after 1990. By

this author's estimation, based on various IPSL studies conducted over 20 years, around half of those skilled professionals shifted to another field, became "traders," or emigrated. Science workers, university professors and professionals who had pursued advanced studies [abroad] and had a good command of foreign languages tended to become part of a "brain drain" abroad, as occurred with many socialist countries. Some professionals started political careers: their most successful representatives now govern the country. A third contingent became successful business people who now provide economic leadership. Therefore the predicted lack of qualified and experienced professionals in government and mid-level management occurred in the first decade of the twenty-first century, contrary to Worden and Savada's estimate. The cohort born in the late 1970s and 1980s, often educated abroad in Western countries, filled this gap. One may see the evidence in the relative youth of many top managers and CEOs of Mongolian companies, who typically fall in the 28- to 40- years-old bracket. Needless to say, parental accumulated wealth, social capital and status provided and accelerated the educational difference for this cohort.

Ronnas (2011) analysed the differentiation of the labour market into winners and losers, into those who attain productive employment and those who do not, and concluded that it is largely an issue of poor and unequal employability and labour market access. He identified a number of contributing factors, such as poorly functioning markets (not least credit markets), corruption and rent-seeking among governmental and private employees, and poor geographic, vocational and social mobility; all these constrain the working poor and unemployed to move to more dynamic regions and sectors of the economy. He also signals that group membership may add further constraints, noting that "[c]ultural and social stereotypes may result in a fragmentation of the labour market along gender, ethnic or other lines, thus confining large parts of the labour force to specific segments of the labour market" (Ronnas 2011: 19).

The data in Table 4-4 demonstrate a severe sector imbalance between economic and employment growth. The agricultural sector accounted for nearly one-half of the labour force in 2000; however, since the mid-2000s some of the service sectors — in particular trade, hotel and restaurants — have become the main source of new jobs: for example,

| Table 4-4 | Number of Employees by Division at Year's End (000s)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	809,0	832,3	870,8	926,5	950,5	968,3	1 009,9	1 024,1	1 041,7	1 006,3	1 033,7	1 037,7	1 056,4	1 103,6
Agriculture, hunting and forestry	393,5	402,4	391,4	387,5	381,8	386,2	391,4	385,6	377,6	348,8	346,6	342,8	370,0	329,1
Mining and quarrying	18,6	19,9	23,8	31,9	33,5	39,8	41,9	44,1	46,5	34,8	34,1	45,1	46,7	50,3
Manufacturing	54,6	55,6	55,6	54,9	57,3	45,6	47,0	47,9	47,5	62,7	64,8	65,8	64,9	81,0
Electricity, gas, steam and air conditioning supply	17,8	17,8	19,8	22,7	23,4	28,5	30,0	31,1	30,1	9,5	12,4	11,9	14,5	13,8
Water supply; sewerage, waste management	-	-	-	-	-	-	-	-	-	6,1	7,8	5,1	6,7	7,9
Construction	23,4	20,4	25,5	35,1	39,2	48,9	56,3	60,0	66,8	49,6	48,8	52,0	59,2	72,4
Wholesale and retail trade, repair of motor vehicles and motorcycles	83,9	90,3	104,5	129,7	133,7	141,9	160,6	162,2	169,7	160,3	146,2	152,5	131,3	156,0
Transportation and storage	34,1	35,1	38,8	39,5	42,2	31,9	31,0	33,2	35,8	68,7	76,5	75,8	56,1	65,9
Accommodation and food service activities	13,3	16,5	20,9	23,3	28,4	29,5	31,0	32,4	34,5	23,3	27,7	26,4	30,2	31,7
Information, communication	-	-	-	-	-	10,6	10,2	10,9	10,5	10,2	14,5	11,5	14,7	16,7
Financial and insurance	6,8	7,3	9,4	12,6	15,9	16,1	16,8	17,4	19,8	12,3	15,2	16,6	17,4	20,9

| Table 4-4 | (Continue)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real estate activities	7,2	6,8	10,9	9,3	11,2	9,0	12,0	14,5	12,0	0,2	0,5	0,3	1,2	0,8
Professional, scientific and technical activities	-	-	-	-	-	-	-	-	-	10,9	9,5	11,4	11,3	13,6
Administrative and support service activities	-	-	-	-	-	-	-	-	-	8,9	9,4	9,2	13,3	15,0
Public administration and defense, compulsory social security	34,7	41,0	43,9	44,8	46,2	46,7	46,9	48,5	50,9	56,1	61,0	55,6	62,9	65,3
Education	54,4	55,2	59,3	55,3	57,8	58,8	62,0	64,8	66,2	74,9	85,3	85,5	86,3	89,8
Human health and social work activities	33,6	33,0	34,5	36,8	39,4	39,5	39,3	40,2	42,3	35,7	40,3	36,4	37,5	40,4
Art, entertainment and recreation	-	-	-	-	-	-	-	-	-	6,9	8,5	7,8	7,4	9,2
Other service activities	29,0	26,9	27,5	37,0	34,5	26,7	22,9	19,7	19,7	22,3	21,4	21,8	19,8	20,2
Activities of households as employers	2,6	2,5	4,4	5,2	5,2	6,4	7,0	7,5	7,7	1,9	0,9	1,8	1,3	1,4
Activities of extraterritorial organizations and bodies	1,5	1,6	0,6	0,9	0,7	2,3	3,6	4,1	4,1	2,2	2,3	2,4	3,7	2,2

Source: NSO (2014a)

the number of workers in wholesale and retail trade and in motor vehicle and motorcycle repair has almost tripled, from 64,800 in 2000 up to 162,200 in 2007. As Ronnas (2011) has noted, perhaps the most troubling aspect of this growth pattern has been the lack manufacturing sector reconstruction. Manufacturing accounted for less than 3 percent of the GDP growth between 2003 and 2007, while employment in this sector continued to fall (NSO 2014a).

The high economic growth of the past decade did not result in sufficient creation of new jobs or a significant decrease in poverty (Ronnas 2011: 11). The sector composition of growth largely explains this pattern of rapid economic but little employment expansion. The mining sector comprised 32.9 percent of GDP in 2012 while employing only 46,700 people or 4.76 percent of the entire labour force, in contrast to the 31.12 percent employed as agriculture workers in the same year (World Bank 2014). The mining boom and its higher wages, while spurring the spinoff supply sectors and affecting many livelihoods, finally showed limitations; these became more evident when hostile political discourse chased out foreign mining investors and the economy fell back to one digit growth. Neither policymakers nor ordinary citizens have fully embraced this sobering reality; both continue to wonder why the crisis hit so heavily in 2014. The last year (2014) witnessed public demonstrations by teachers, medical workers, bus drivers, taxi drivers, and science workers, all demanding that the government take measures against job losses and low wages. The government literally emptied its coffers when pensions and government salaries came tardily at the end of the year. As Ronnas (2011) warned, overheated mining development would deteriorate other economic sectors, crowding out domestic competitive developments and impeding regional initiatives.

5. Channels of Social Mobility

The transition period destroyed the former channels of social mobility — military service, massive youth mobilizations channelling of talented individuals via education and upward career advancement, and

|| Table 4-5 || Growth of the Higher Education Institutes (HEI) Sector in Mongolia, 1995-2015

	1995-1996	2005-2006	2014-2015
Number of HEIs	70	174	101
public	29	49	16
private	41	125	85
Number of students	20,000	137,600	178,300
public	29,167	91,800	
private	8,930	45,800	
Number of vocational schools	34	35	76
Number of students	7,987	23,200	42,800

Source: NSO (2015)

party affiliation (Dash-Endon 2013). No new state-initiated, country-wide workforce recruitment and relocation has taken place since 1990s. The higher education system has undergone changes: tertiary education now consists of a handful of state-owned universities and private institutions (including foreign, jointly-established or domestic ones). Literature on social mobility identifies education in a meritocracy as the main determinant of an individual's relative occupational and social mobility (Ham, Findlay, Manley and Feijten 2010). Mongolia is one of the countries with the most educated people and the highest educational achievement for the small size of its population. Higher education underwent its most rapid enrolment expansion in the years of transition, which ended strict and limited university enrolment systems and created freedom of choice in study specialties, occupations, and locations (Dash-Endon 2013). The number of higher education institutions increased dramatically in one decade, from 14 in 1991 to 178 in 2002, of which 136 are private. Enrolment in such institutions has greatly expanded. Table 4-5 summarizes the past two decades of growth.

In 1994, the Government began requiring public higher education institutions to charge tuition at levels sufficient to cover the entire cost of academic staff salaries, yet the number of students did not decrease and remains very high. ADB (2008) has estimated that 80 percent of secondary school graduates continue into postsecondary education

(ADB 2008). Mongolia now has over 100 higher education institutions, but while most concentrate on the humanities, recent years have seen the establishment of private technical institutes. Education remains highly valued, and people consider it a direct route to upward mobility. (Tsetsenbileg and Batjargal forthcoming) This emphasis on education seems to support Marshall's (1997) argument that it has displaced social class as the main driver of upward social mobility.

6. Conclusion and Recommendations

The paper has demonstrated that socioeconomic changes and developmental policy possess strict links to social mobility in Mongolia. The country's heritage, its nomadic history and culture as well as its socialist legacy encourage spatial or horizontal mobility as an economic choice. We have also seen that reasons for migrating reflect inequalities among different regions and between urban and rural areas, as well as unequal opportunities — for markets, jobs and income, education, and better living environments.

Mongolia's economic growth since 2003 has been impressive; however, it has not delivered comparable benefits in job creation or poverty reduction. The agenda that Ronnas outlined in 2011 remains on the table: stimulating private companies, to expand businesses that create more and better-paid jobs, so that more Mongolians leave poverty behind and look forward to better prospects (Ronnas 2011).

The greatest issue has already shown its teeth: whether minerals and extractive growth could simultaneously benefit investors and a wider population base — and if not, what other means could empower and liberate human resources, offering more real opportunities to the most marginalized (Ronnas 2011). That task requires the cooperation of all stakeholders — policymakers, producers, social media, trade unions, professional associations, NGOs, democratic parties, people's movements, students, and government workers — everyone who has a stake in the choice of economic pathways, and who strives to work hard and live better.

Ultimately, people make their own choices as well as they can: to

live in better environments, work where wages are higher, send children to good schools, and retire with decent pensions. However, a variety of factors — life hardships, the impossibility of finding jobs, human insecurity, lack of support from authorities, or simply the gaps in the social safety net — may outweigh the lip service given to good governance. In such cases, as the proverb has it, “the heavens are high, and soil is hard.” Where citizens must either borrow money to work abroad, or remain caught helpless in the web of poverty, then at least they must unite their voices and force governments to do a proper job. And the government should, at minimum, provide a good-quality education for every child and youth, thus, laying the groundwork for egalitarian social mobility.

A number of issues pertaining to workforce mobility remain unaddressed. For example, the vocational and technical skills situation requires some further attention. The rapidly developing mining and construction sectors demand a new generation of professional, highly-skilled domestic workers, as well as technical vocational training facilities not yet widely available. To date, the government has lacked a cohesive policy for training such a workforce, particularly one with the requisite modern technical skills and knowledge of equipment and technology. To preserve their competitive edge in a market economy, private companies have resorted to foreign workers and expatriate specialists — meaning that Mongolians have seen fewer benefits from the expansion in these sectors. The revised policy measures should incorporate vocational education and training mechanisms; these will encourage trainees to acquire new technical skills and technologies, while limiting the need for inflows of less-skilled workers and resolving labour-rights discrimination issues.

The policy agenda should also engage the situation of Mongolians who reside abroad, as well as the protection of worker rights in foreign countries. It is a two-way street: such policies should serve both Mongolian migrants headed abroad and, equally, provide decent work conditions for foreign workers in Mongolia. Policies should include ensuring labour rights for those who have used private intermediaries, either to emigrate or immigrate; addressing injuries and death, and economic losses due to breach of contract; preventing human trafficking,

sexual abuse, and other illegal activities — all issues calling for more proactive government regulation and enforcement. Current policy and laws need amendments on public- and private-sector collaboration and information-sharing.

In Mongolia, unified government policy and its implementation need further improvement if they are to achieve their goals — decreased unemployment, greater youth employment opportunities with more targeted professional programs, constructive public-private partnerships to resolve labour disputes, and better participation of Mongolian migrants in national social welfare coverage.

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Part III

Labour Mobility

CHAPTER 5

“Home Improvement?” Migration, Social Mobility, and Development in the Philippines

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1. Introduction

Migration, whether internal or international, can and does have significant impacts on any country’s economy, society, and polity. Studies of these effects tend to focus on three broad domains. The first concerns how immigration may adversely affect social order and harmony in the receiving society. Through this lens, migration appears as a phenomenon that questions the ascendancy of national identity (Kofman 2005). The second examines how mobility can lead to serious repercussions in labor supply and demand, i.e., a brain-and-brawn drain that depletes the potential (and necessary) human resources in the source country or homeland (e.g., see Gibson and McKenzie 2012). A third adds a more political dimension to migration by framing it within a security/stability discourse (Weiner 1992).

The last two decades, however, have seen more attention to the potentially positive contributions of migration — witness the discourse on the so-called “migration-development nexus” so boldly forwarded by the Global Forum on Migration and Development (GFMD 2015; De

Haas 2010). The GFMD process aims “to advance understanding and cooperation on the mutually reinforcing relationship between migration and development” (GFMD 2015). The International Organization for Migration (IOM), a leading inter-governmental organization in the field of migration, echoes this view, citing the widened earnings options for poorer communities as well as the direct and immediate impact of remittances on poverty reduction (IOM and UNDESA 2012:5). The Philippine government has been one of the first to acknowledge the benefits that actually and potentially accrue from remittances as well as knowledge transfers from its overseas migrants. It has devised several mechanisms for engaging its overseas nationals, the better to increase the potential for economic and social growth in their home country.

Less critical attention, however, has gone to the impact of migration on migrant workers themselves. Migration appears to bring positive material benefits at the individual or household level (more so than foreign aid other development-related initiatives, such as cash transfers). But it remains to be seen whether, from the homeland’s perspective, migrants see gains in social standing or mobility. This paper will address precisely that question, focusing on the extent of improvement migrants and their households see from temporary labor emigration. It will analyze these issues through a mix of secondary macro-data analysis and a review of existing literature.

As one of the leading labor-exporting countries in Asia, the Philippines present a significant site for studying the effects of migration on social mobility. Since the 1970s, millions of Filipinos have left the country to settle and/or work temporarily overseas. The government’s efforts to promote labor emigration merit further evaluation; the Philippines is often cited as the management model for any labor-exporting country (Castles 2000: 108; IOM 2005). One may legitimately ask, then, whether its migrants have experienced any qualitative degree of life or “home improvement” as a result. While it is obvious that migration (by way of remittances) brings about a significant material improvement, it remains to be seen whether migrants experience such improvement in social terms.

This paper argues that migration does produce social mobility, albeit in more nuanced ways than typically depicted in the literature, which

emphasizes material or income improvement over social or more qualitative improvement. The data analyzed, however, can only establish tentative correlation and not causality; they merely suggest that migration has some role in upward (or downward) social mobility. The paper also argues that the higher mobility often experienced by migrants and migrant households cannot be equated with social equality, which reflects “change occurring in the economic, political or social orders”(Miller 1960: 4). The present analysis uses the following indicators of upward social mobility: higher educational and professional qualifications among migrants versus non-migrants; higher (remittance) income among migrant households; better schooling (and school performance) among children of migrants; and higher positions (i.e. managerial and professional) occupied by migrants in the workplace. The paper will also address the question of political mobility, namely migrant empowerment through non-resident voting: this paper assumes, in fact, that increased emigration has led to the emergence of a new socio-political class altogether – the migrant household.

2. Extent of Labor Migration from the Philippines

Filipino labor migrants have become a rather esteemed group domestically, hailed as modern-day heroes (*bagong bayani*) for their tremendous contributions to the national economy. The mass media have always been sensitive to the plight of overseas migrants, although this often entails their portrayal as weak and vulnerable (especially women) and an assumption that emigration holds the solution to glaring social and economic inequities. Government administrations have also consistently shown sensitivity to migrant needs: each year, no less a personage than the president of the republic welcomes returning and/or visiting Filipino migrants at the country’s international airport. Migrant remittances, after all, have significantly propelled the Philippines’ economic boom.

For a growing number of Filipinos, labor mobility offers several advantages. For many families, temporary overseas migration provides a means of raising the household living standard (Semyonov and

Gorodzeisky 2004). Having an overseas migrant in the household has become a mark of distinction and pride. The migrant worker phenomenon has acquired a deep presence in Filipino popular discourse on emotional sacrifice and material success (Aguilar 2002; Aguilar 1999). This phenomenon has given rise to a distinct “culture of migration” in the Philippines (Asis 2006). Overseas migrants receive certain privileges and welfare rights for as long as they work abroad (regardless of legal status in the host countries), although it remains unclear whether they experience social or political mobility as a result.

Labor migration is a rationally-driven process. Poor households essentially view migration as an anti-poverty strategy — in fact, as an investment strategy, with remittances as the return on the human capital investment (Clemens and Ogden 2014). It may prove a highly profitable investment, at least for those with a minimal skill set. Migration creates large income gains, flowing back as remittances from migrants to their home countries/communities/households. This results in higher household incomes than those of non-migrant households, with concomitant higher standards of living (Clemens and Ogden 2014).

Although migrants certainly face many risks, challenges, and constraints, “[n]o [other] investment...available to many of the world’s poor can offer anything close to reliable returns in the hundreds of percent” (Clemens and Ogden 2014: 3). In a 2005 study, half (51.2 percent) of Filipinos surveyed expressed their willingness to emigrate (ASEP-JDS East Asian Barometer Survey 2014). By contrast, a worldwide Gallup poll in 2006 found that about 16% of adults would emigrate permanently given the chance, although Asians in general were the least likely to do so (10 percent) (Esipova and Ray 2009).

The extent of labor emigration from the Philippines, then, can hardly be overstated. Since 2006, such annual departures have exceeded one million (Figure 5-1).

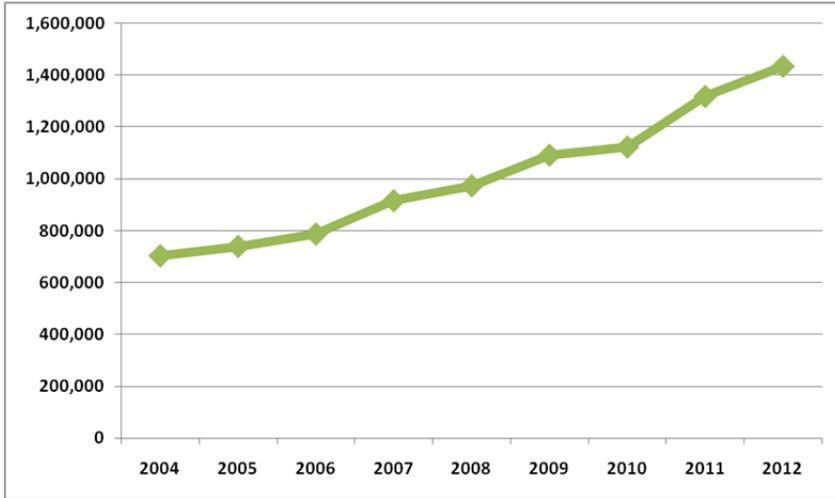
Around one-third of these annual deployments involve Filipino workers on new employment contracts (Figure 5-2).

Moreover, since the 1990s, emigration has become more feminized, with women accounting for around 60 percent of the new deployments on average (Figure 5-3).

The economic contributions of migrants cannot be ignored either.

Every year, Filipino migrants send billions of remittance dollars to their families in the Philippines, as shown in Figure 5-4. Indeed, such remittances outpace the overseas development assistance (ODA) and

Figure 5-1 Total Annual Deployments of Filipino Migrant Workers (2004 – 2012)



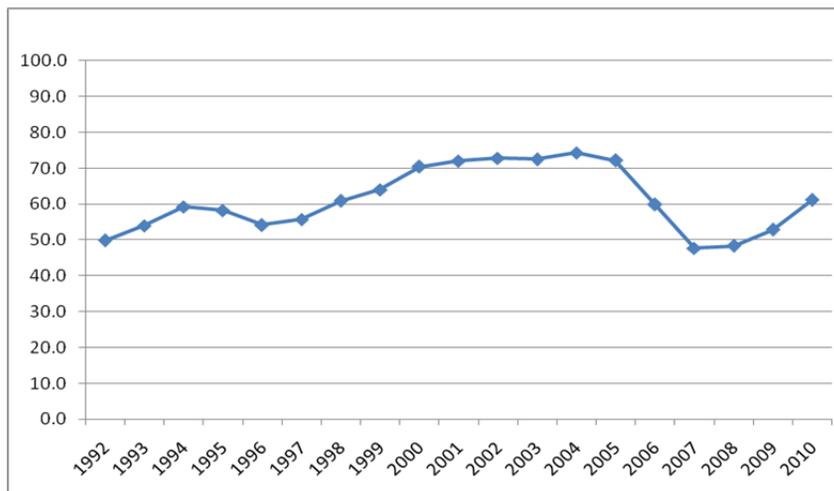
Source: POEA (2014)

Figure 5-2 Deployed Newly Hired Filipino Workers (1992-2012)



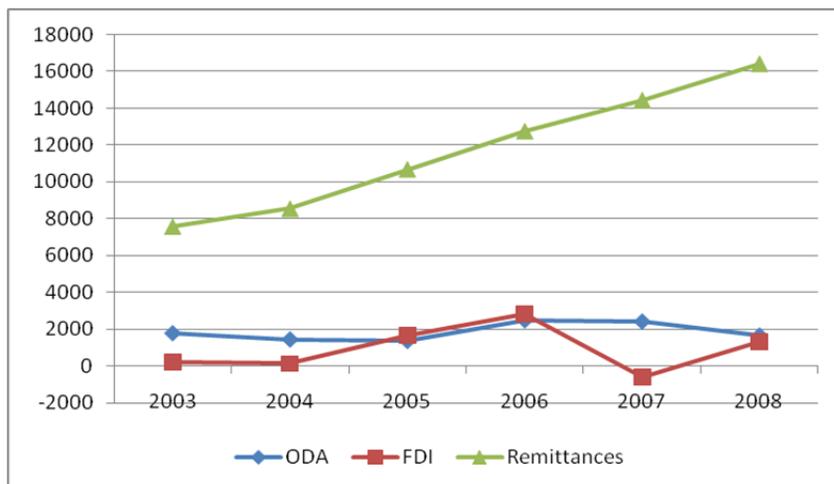
Source: POEA (2014)

Figure 5-3 | Deployed Newly Hired Filipino Workers by Gender (1992-2010)



Source: POEA (2014)

Figure 5-4 | Annual Philippine Remittances, FDI, and ODA (USD million)



Source: Remittances are from Bangko Sentral and Pilipinas (BSP); ODA and FDI are from Kang (2010: 19) Tables 2-7 based on National Economic and Development Authority (NEDA) and BSP data.

foreign direct investments (FDI) that enter the country. In 2008, total remittances amounted to \$16.4 billion. In the same year, ODA amounted

to \$1.2 billion and FDI a mere \$1.6 billion (Kang 2010: 19).¹

In counterpoint to the economic discourse that depicts migrants as “modern-day heroes,” we find actual situations that place migrants (particularly women and children) in vulnerable and exploitative conditions. Given the large number of female migrants deployed overseas, it is not surprising to find discussions critiquing the state’s role in promoting gendered exploitation — even where the decision to emigrate in the first place appears a rational one (see e.g., Parreñas 2001; Piper 2003; Rodriguez 2005).

(1) Social Mobility among Filipino Migrants

As Miller (1960) points out: “all societies have some mobility ... [n]o society has no mobility [and] no society has complete mobility” ([Emphasis not mine] Miller 1960: 2). Delorenzi has also signalled the connection between geographic and social mobility (Delorenzi 2006: 1). In assessing the extent of migrant social mobility, one should therefore bear in mind the nuances of mobility in general and those of the Filipino context in particular. Mobility manifests in structural terms at the individual level, and may prove short-term (or temporary) or long-term (intergenerational). Typically, we measure mobility in terms of upward occupational or income changes as well as improvements in social status and self-esteem (Miller 1960). The numerous interconnected factors said to affect social mobility include education, social capital, health, and employment status, among others (Nunn *et al.* 2007). To these we should add ethnicity, geographical location and relocation (Delorenzi 2006). Studies on migrant social mobility have tended to privilege the receiving or host-country context (Kelly 2014; Borjas 2006; Andersson 1996; Platt 2003), finding downward mobility in the short term but more positive long-term effects, especially for succeeding generations.

Given the decades of migration experience in the Philippines, one might situate migrant social mobility along occupational, educational, and political lines. The highly selective nature of migration correlates to a highly motivated group of the population. The high motivation of

1 The “\$” sign represents United States Dollars (USD) throughout this chapter.

migrants to seek better employment, in turn, may lead to more opportunities for upward social mobility. However, as Battistella and Sun Liao (2013) have noted, the demand for overseas work outstrips availability; Filipino migrant workers (particularly the highly skilled professionals) experience a degree of downward occupational mobility, leading to brain waste. In other words, in their quest to secure overseas jobs, workers often downgrade their occupations.

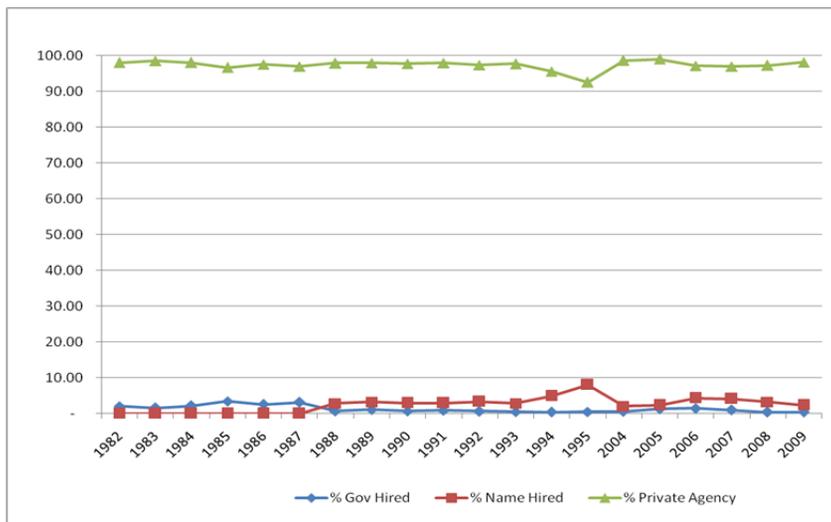
(2) Occupation

Based on data from the Surveys of Overseas Filipinos (SOF) for 1994 and 2003, Gocatek (2014) verifies this occupational downgrading. Indeed, comparing occupations before emigration with the jobs accepted abroad, she concludes that women are more likely to experience downward occupational mobility than men (Gocatek 2014). Likewise, Asis and Battistella (2013) have observed that young overseas job applicants with at least tertiary-level education apply for domestic work more than for any other occupation. This would strongly suggest a notable incidence of “brain waste”(see also Battistella and Sun Liao 2013). Battistella and Sun Liao (2013) also found that a “high number of applicants with college degrees ... seek position[s] as factory workers” (Battistella and Sun Liao 2013: 3). As many as 34.8 percent of those applying as domestic workers have college degrees — indicating a significant degree of downward occupational mobility.

“Brain waste” occurs when migrants accept jobs for which they are highly overqualified. One might also call it skills mismatch, although this could imply that workers may accept jobs beyond their qualifications (e.g., a journeyman sailor becoming a ship navigator) — a rare occurrence. Brain waste appears largely as a function of imbalances in both the educational system and the labor market. It arises from scarcity of job opportunities (or lack of information about them) as well as imperfect skills certification; it may lead to applicants accepting jobs requiring fewer skills, and thereby increasing their chances of emigration.

Using data generated through the Government Placement Branch (GPB) under the Philippine Overseas Employment Administration

Figure 5-5 Filipino Temporary Work Contracts Processed by Type of Recruitment (1982-1995, 2004-2009)



Source: POEA (2014)

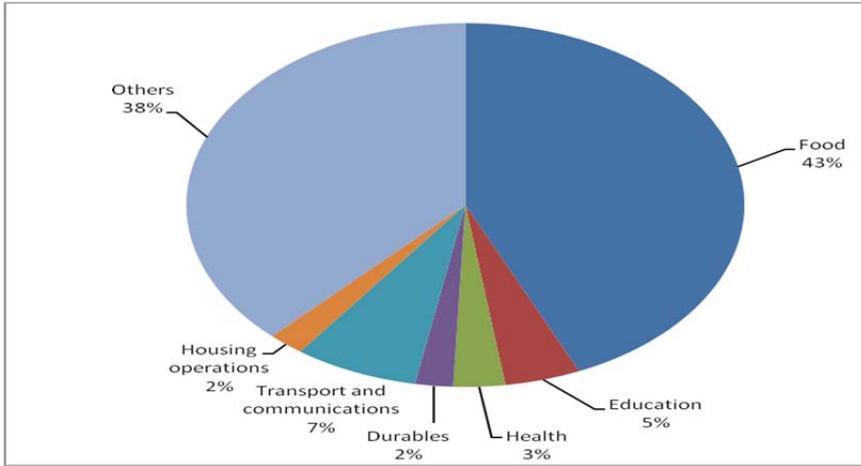
(POEA), Battistella and Sun Liao (2013) have analyzed the extent of such brain waste in the Philippines. The Government Placement Branch (GPB) has a separate mechanism for migrant worker deployment. The GPB collects applications as a way to channel the recruitment process towards countries (and projects) with which the Philippines has established formal labor agreements.

Migrant workers from the Philippines are most commonly recruited through private recruitment entities and brokers. In 2013, such private entities deployed at least 90 percent of newly-hired overseas Filipino migrants. The rest were hired directly by foreign employers under the so-called ‘name-hire’ process, and through government placements through the GPB. One must therefore note that the GPB statistics constitute a very small portion of those hired for overseas jobs (Figure 5-5).

(3) Income

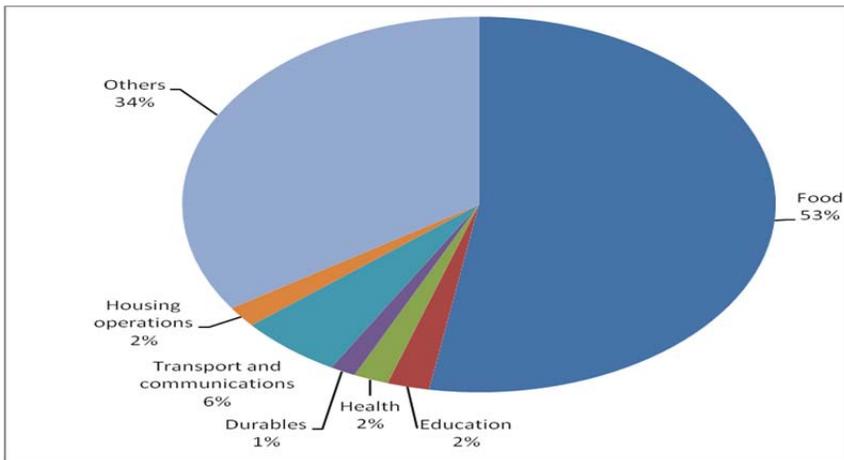
In very obvious terms, migration contributes to an increase in household income and thus ensures that families may live better lives.

|| Figure 5-6 || Remittance-Receiving Filipino Households Expenditures Share (2006)



Source: Ang *et al.* (2009: 17) Figure 8

|| Figure 5-7 || Non-remittance Receiving Filipino Household Expenditures Share (2006)



Source: Ang *et al.* (2009: 17) Figure 8

Migrant remittances certainly compensate for the low level of Filipino household incomes, especially in rural areas (Paris *et al.* 2009). The income remittances of migrants may address household health care needs (especially those families troubled with catastrophic illnesses).

Migration provides a way of preventing middle-income household from sliding into chronic-level poverty.

Migrant remittances also represent a major source of income for the nation as a whole (Ang *et al.* 2009). Such income remittances from abroad accounted for 12 percent of the country's gross domestic product (GDP) in 2008, and constitute an effective shield against economic crises or shocks that may beset migrant families (Yang 2008). Generally, remittances appear to have a positive impact on households, providing better opportunities for investment, education, food, housing, medical care, among other concerns (see Ang *et al.* 2009). Looking at national data from family income and expenditure surveys (FIES), Ang *et al.* (2009) have noted that remittance-receiving households tend to have more members than those without such income. As a result of this increased income, migrant households also tend to spend more on education and health, while reducing their relative food expenditures (Ang *et al.* 2009: 12) (Figures 5-6 and 5-7).

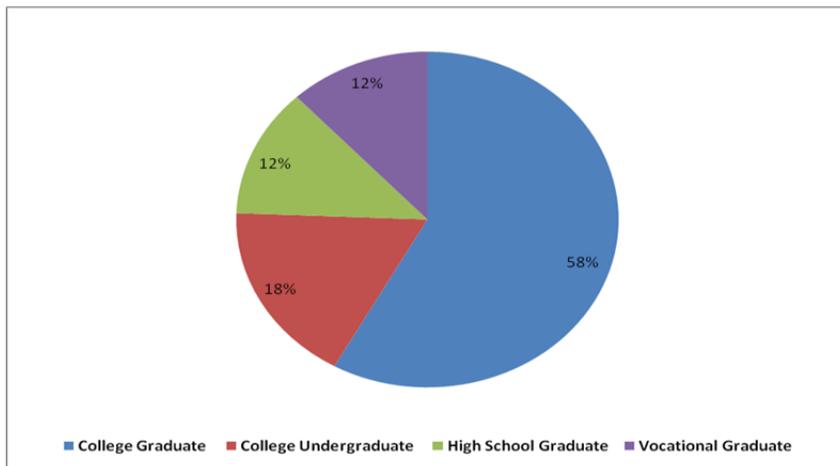
However, one may also discern gendered differences in the remittance patterns of Filipino migrants. In looking at earlier SOF data, Gocatek (2014) observed that even though migrant women earned (and remitted) less than their male counterparts, they brought more goods and other products home from abroad, leading to a net advantage in contributions.

(4) Education

Education plays an important role in determining upward (or downward) social mobility. Education may create improved employment opportunities and provide access to other basic social services (e.g., health care, housing, etc.). Migrant remittances allow households more education options, such as whether to send children to private schools or keep them in public ones. Migration can influence the education choices of children and other dependents.

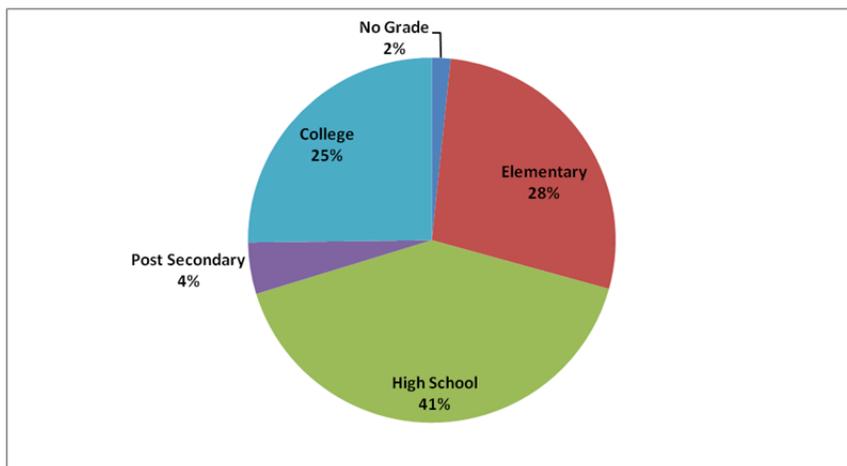
In analyzing GPB data, Battistella and Sun Liao (2013) have also observed that the international labor market greatly influences the career choices of young Filipinos. For instance, given the increased global demand for nurses, many Filipinos opt to take nursing courses in the

Figure 5-8 Philippine GPB Applicants' Level of Education (2011)



Source: POEA e-Registration Database (2011) as cited by Battistella and Sun Liao (2013: 49) Table 16

Figure 5-9 Distribution of Employed Filipinos by Highest Grade Completed (January 2014)



Source: POEA (2014)

Philippines as a means of obtaining overseas employment. Nursing has become the single most common background for overseas job applicants: about one in four hold a bachelor of science in nursing.

Moreover, education data on GPB applications show that overseas applicants are even more highly educated than the local workforce (Figures 5-8 and 5-9).

(5) Politics

When confronted with a challenging political system, an individual may seem constrained to “fight or flight” alternatives — either seeking a way out, or struggling within in the hopes of producing positive change. However, in the recent context of migrant political transnationalism, such a bifurcation can appear artificial and even unnecessary; as Oh (2011) suggests, “exit promotes voice” (Oh 2011: 43). Or does it?

Migration may have the effect of weakening, not reinforcing, the domestic political efficacy of migrants. As migrants and migrant households become less dependent upon their home political institutions, they become less engaged with them, with less incentive to reward good political performance and punish the bad through voting. Democratic accountability suffers accordingly, as Oh notes, concluding that “access to external funds through migration does not significantly increase electoral participation” (Oh 2011: 88). In not a few instances, a degree of economic independence can actually increase political detachment.

In a similar vein, the present author has found significant decline in absentee voter interest among migrants since 2004 (Tigno 2013). Such a decline may reflect incompatible logics, where the state’s desire to accommodate overseas Filipinos politically does not mesh with their own perceived interests. The state’s logic seems instrumental, even if nominally inclusive, emphasizing material gains from migration and “rewarding” migrants for their “heroism” — one not directed toward the state but toward migrant families. Absentee Filipinos, on the other hand, operate pragmatically within a logic of self-interest; they see (nominal) electoral participation without discrete representation or autonomy as undesirable, to a degree that may preclude them from voting at all (Tigno 2013: 63-4)

(6) Intergenerational and Gender Effects

In generational terms, migrant households have a clear economic advantage over non-migrant ones (CHAMPSEA and SMC 2011), and migration does not appear to disrupt the emotional and intellectual development of children left behind in the Philippines (Battistella and Conaco 1998). Economic advantages (by way of increased remittance income) generally translate into better opportunities across the board (e.g., health and nutrition, education, etc.) for children of migrants. A study by Child Health and Migrant Parents in South-East Asia (CHAMPSEA) and Scalabrini Migration Centre (SMC) (2011) observed that key members of migrant households tend to have higher education than in non-migrant households. Indeed, for a good many migrant households, the desire to offer children better education opportunities (and thereby promote upward mobility) motivates emigration in the first place. A majority of migrants surveyed reported leaving the country for the express purpose of providing for their children's education (CHAMPSEA and SMC 2011). Contrary to popular thinking, the children of migrants actually perform better educationally than their non-migrant counterparts, with more above-average outcomes and a more rapid pace of schooling (CHAMPSEA and SMC 2011)

The increasing feminization of labor migration from the Philippines occurs primarily in the domestic service sector. This reality has implications for migrant status mobility in the home society, given that migrant women from Asia are often especially vulnerable to discrimination and abuse overseas. "Gender matters," as Mahler and Pessar (2006: 29) have noted, calling for more gendered analysis of how and why migration occurs and why migrants move into particular occupational niches.

Studies show that women who migrate for employment "often experience gains in personal autonomy, independence, and greater gender parity, whereas men lose ground," especially when women earn more in their country of residence than they would have in the Philippines and remit more of their wages (Mahler and Pessar 2006: 34). Under such circumstances, women migrants may use wages as negotiating "leverage" for greater parity — in household financial

decision-making, in physical autonomy and mobility, and in domestic work and childcare (Mahler and Pessar 2006: 34). In the case of Filipino migrant women, however, a measure of empowerment does not prevent them from facing the social, psychological and emotional consequences of a lengthy absence from home (Sri Tharan 2009: 225). Participation in the paid workforce may have a positive effect on their sense of self-esteem and self-worth, especially where they become major household breadwinners. On the other hand, many Filipino women migrants work as domestic servants in the Gulf region. Many of these host countries do not acknowledge the value of migrant labor, especially of women doing domestic work, and moreover severely constrain women's social mobility (see e.g. Barber 2000).

3. Conclusion: Institutional Challenges

In conclusion, while migration can improve economic conditions for migrant households, the nuanced nature of migration from the Philippines has also led to a nuanced form of social mobility. Downward social mobility in the form of occupational “deskilling” and “brain waste” does occur. This may, in the long term, offset the increased but largely short-term income remittances that migrant households receive — unless they institutionalize the economic gains by way of investments. However, the upward social mobility (by way of increased income) of migrants and their families has the potential to lead to long-term (i.e., inter-generational) social mobility, in the form of better schooling and better family resources for migrants' children. These nuanced effects may explain why, despite the downward occupational mobility that migrants experience, they (and many other Filipinos) would still prefer to leave. It would seem that the perception of migration as a means for life or home improvement remains very much a part of the Filipino popular psyche.

The Philippines need to formulate innovative, informed policies and programmes that will enhance the development potential of labor migration. In particular, the benefits of migration need to have a more inclusive character over the long term. Towards this end, policies should

sustain, strengthen and improve the capacities of public institutions, the better to address the multifaceted nature of the challenges that labor migration brings.

Further study should clarify the differences between Filipino migrant expectations and aspirations and the reality of migration's effects. In particular, perceptions of class and status identity may indicate the degree to which migrants believe that they have achieved their hopes and illuminate the perceptions (however significant or positive) of the migrants' home community.

The state plays a vital role in both planning and shaping Filipino labor emigration. Yet there seems to be little evidence demonstrating that the state promotes the upward social mobility of migrants. It could undertake certain interventions, such as facilitating return and providing reintegration services that would minimize brain waste and create opportunities for upward occupational as well as social mobility. Such initiatives would help young and highly-educated Filipino migrants find appropriate employment abroad and, more importantly, nurture their return. However, private recruitment entities dominate the present migration management paradigm in the country; such agents and brokers do not typically benefit from steering young migrants away from less skilled occupations (Battistella and Sun Liao 2013: 5). They thrive on an information asymmetry that usually proves detrimental to the interests of applicants.

This paper has signalled a need for recasting public employment institutions in a mould that appropriately utilizes Filipino skills, both locally and overseas. This also implies a need to reform the country's educational system, making it less susceptible to external labor market demands and more sensitive to domestic needs and priorities. This system has proven "excessively fragmented," driven by private-sector mechanisms that dictate curricular choices without quality assurances (Battistella and Sun Liao 2013: 4); eventually, this produces a mismatch between the educational backgrounds of workers and the jobs they seek. Without such reforms, education — itself the *raison d'être* for much Filipino emigration— may also prove part of a vicious cycle: limiting social mobility while perpetuating the dependence on overseas employment, and increasing the political and personal costs accordingly.

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CHAPTER 6

Social Mobility and Gender: Overseas Labour Migration from Bangladesh

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1. Introduction

Social mobility has become one of the driving forces in globalization. This paper addresses the nexus between international labour migration, social mobility, and gender in Bangladesh. Many Bangladeshis have chosen migration as a strategy to achieve social mobility. However, men and women experience such mobility differently throughout the migration process; the society is in a transitional phase, with more and more women entering the workforce, resulting in both internal and international mobility. This geographical movement to enable a better life has both positive and negative impacts on women's overall mobility and empowerment. The paper draws on secondary research and Government of Bangladesh data to examine the various pressures associated with labour migration in Bangladesh, along with processes of migration governance and management. Finally, drawing from author interviews conducted with returning women, it examines the challenges and prospects particular to Bangladeshi women who pursue migration as a path to upward mobility.

(1) Features of Bangladesh Labour Migration

The movement of workers from Bangladesh (like that of other South Asian nations) concentrates in the Gulf Cooperation Council (GCC)¹ and other Middle Eastern countries. Migration of the Bangladeshi labour force to these regions commenced with the oil price boom in the Gulf countries during the 1970s. The trend of intake contract labour continued over the next decade. The outbreak of the Gulf War in 1990-1991 forced thousands of Asian migrants to return to their countries of origin. After the war, however, the Gulf countries' recruitment of Asian workers rose once again (Castles and Miller 2009). Middle East migration covers a range of human resources, from low-skilled labour to the semi-skilled and professional groups; both men and women participate, but their employment generally remains very gender-specific except in the professional category.

An estimated 8.7 million migrant workers have left Bangladesh since official records of labour migration started in 1976, as compiled by the Bureau of Manpower Employment and Training (BMET). Annually, an average of 600,000 people migrate abroad in search of better livelihoods, while remittances from abroad — a lifeline of the country's economy — will reach an estimated \$15 billion² by the end of 2014 (MEWOE 2014). Migrants often cross borders in search of livelihood, since Bangladesh and India share a 4,096-kilometer long international border (Jamwal 2004). Migrant workers from Bangladesh engage in construction, service, manufacturing, and agricultural work (Figure 6-1); women migrants principally work as domestic helpers and caregivers, with some employed in the garment industry. While a significant population migrates through official means, a large number of people move without formal documentation³ and thus remain unprotected and vulnerable to human trafficking (Ham 2010). Bangladesh has been identified as a

1 The Gulf Cooperation Council countries include Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman.

2 Throughout this paper, the "\$" refers to the U.S. Dollar (USD).

3 Anecdotal reports suggest that irregular migration across borders remains steady and high, but its nature makes documentation difficult; no official data are available.

source and transit country for human traffickers and smugglers due to its geographic location and demographic factors. Traffickers also use Bangladesh both as a collection and transit point, given the country's porous borders with India and Myanmar (AED 2011).⁴ The border districts of Bangladesh are at risk for human trafficking. Few employment opportunities, social and economic discrimination and vulnerability (among women and girls in particular), and urbanization and migration act as predisposing factors for such trafficking (Gazi, Chowdhury, Alam, Chowdhury, Ahmed and Begum 2001).

Youth constitute one-third of the total population in Bangladesh, and comprise a significant proportion of the migrant population. Bangladeshi migrants range in age from 21 to 40 (MEWOE 2014). Most migrants possess low levels of education (regardless of gender) and migrate to assume semi- or low-skilled jobs (Box 6-1).

Box 6-1 Socio-demographic Profile of Bangladeshi Migrant Workers

Gender: Proportion of female migrants, primarily female labour migrants, is relatively low (official estimation is about 14 percent in 2013)

Skill level entry: With low educational attainment, Bangladeshi male workers primarily take semi-skilled and low-skilled jobs abroad (about 51 percent of all migrant jobs); female workers are mostly in the low-skilled category.

Sectors of work: Manual labour (construction, mason, electrician, factory workers etc.), predominantly occupied by male workers, and domestic work dominated by female workers.

Source: MEWOE (2014)

4 As many as 20 transit points exist in districts of Bangladesh bordering India, which serve to smuggle and traffic people out of the country (BIPSS 2011).

2. Recruitment

Recruiters and recruiting agencies play a major role in the migrant labour industry. In Bangladesh, prospective migrants use both public and private services. Bangladesh Overseas Employment Services Limited (BOESL) is a government-run recruitment agency that supplies workers under government-to-government agreements and contracts.⁵ At the private level, the Bangladesh Association for International Recruiters Agencies (BAIRA) controls the international labour supply from Bangladesh. The migrants' own informal networks provide another channel of recruitment: workers use their family and friends as dependable sources of information and placement,⁶ and in many cases this method works faster than more formal channels. As the most powerful single official association, BAIRA plays a major role in the Bangladeshi recruitment industry; it has, however, come under fire for lack of transparency and unfair job practices. Both the Government of Bangladesh (GoB) and private organizations accuse private recruiters of reducing or impeding market opportunities abroad. Regular reporting in the national media highlights a lack of responsibility, high and uncontrolled migration costs, and poor negotiation skills in the recruiting agencies, with potentially disastrous consequences for the overseas labour market. On the other hand, the media have also criticised the GoB's weak diplomacy on labour issues and its ineffective use of bilateral agreements and negotiation tools.⁷

5 Migrants who process through BOESL receive firmer job commitments and have better rights protection than other emigrants, as the government executes their agreements or contracts directly with various hiring companies. Migrants who take jobs through private recruiting agencies have mixed experiences. In most cases, male workers receive more legal protection than female workers, as they are hired through private companies (in construction companies and other fields). By contrast, most Bangladeshi female workers are recruited by agents for domestic services, and have little or no legal protection. Please see <https://www.boesl.org.bd> for further details.

6 Under this network system, current migrants arrange/manage visa and/or employment opportunities for their family, friends and relatives, using their contacts in destination countries (who may be sub-agents, employers etc.).

7 See, for example, the response by Expatriates' Welfare and Overseas Employment

3. Formal Support from Sending and Receiving Countries

Migration is so widespread among Bangladeshis that the Government has established a Wage Earners' Welfare Board (WEWB) within the Ministry of Expatriates' Welfare and Overseas Employment (MEWOE). The WEWB offers a pre-departure briefing program for migrants, designed to raise "aware[ness] about the employment agreement, service conditions, working environment, salary and other benefits, remittance management, local languages of the host country, etc." (WEWB 2015). Health is an important aspect of the pre-departure orientation programme.

Bangladeshi diplomatic missions play a vital role for migrant populations abroad. The GoB has placed Labour Attachés at Bangladesh missions in the major labour-receiving countries. It also provides limited assistance in returning migrants home although this mostly applies to urgent cases, such as returning stranded workers or those caught in a political crisis in their host countries (WEWB 2015).

Frameworks, Agreements and Regional Consultative Processes:⁸

Bangladesh, like other labour-sending countries, bilaterally enters into agreements with receiving countries to protect its migrant workers — generally through operational agreements, which prove difficult to enforce since they require commitments from the receiving countries. Framework agreements or memoranda of understanding also tend to

Minister Khandker Mosharraf Hossain that the GoB is not a rival to BAIIRA (Sakhawat 2014); the call by a reporter at The Daily Star (Biplob 2014) for the government to do more to help migrants; and coverage of allegations accusing GoB embassy officials of tending to personal affairs rather than providing service to expatriates (Rahman 2014).

- 8** Regional consultative processes on migration (RCPs) bring together representatives of states, international organizations and, in some cases, non-governmental organizations (NGOs) for informal and non-binding dialogue and information exchange on migration-related issues of common interest and concern. Please see <https://www.iom.int/cms/en/sites/iom/home/what-we-do/regional-processes-/rcps-by-region> for details.

have limited effectiveness. Bangladesh also takes part in several regional dialogues as a labour-sending country, such as the Colombo Process⁹ (CP), the Abu Dhabi Dialogue¹⁰ (ADD) and Asia-EU Dialogue (AEUD),¹¹ the Bali Process¹² and has vocally raised concerns about labour mobility and labour rights issues (IOM 2013). The GoB is also an active participant the Global Forum on Migration and Development (GFMD).¹³

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- 9** The Colombo Process (CP) is a Regional Consultative Process on the management of overseas employment and contractual labour for Asian countries of origin. This RCP is composed of 11 member countries (Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam) as well as eight observer countries (Bahrain, Italy, Kuwait, Malaysia, Qatar, Republic of Korea, Saudi Arabia and the United Arab Emirates). The Chairmanship of the Colombo Process was transferred from the Government of Bangladesh to the Government of Sri Lanka in 2013, and two Senior Officials meetings have taken place since (IOM 2011). For more details, please see www.colomboprocess.org.
- 10** The Abu Dhabi Dialogue (ADD) brings together migrant-sending and migrant-receiving nations to discuss labour and migration issues in the Gulf and other migrant hotspots. The ADD focuses on developing action-oriented partnerships between countries of origin and destination for development of temporary contractual labour. The Dialogue's concept of partnership and shared responsibility includes four key issues: (i) developing and sharing knowledge on labour market trends, skills profiles, workers, and remittances policies and flows, and their relationship to development; (ii) building capacity for more effective matching of labour supply and demand; (iii) preventing illegal recruitment and promoting welfare and protection measures for contractual workers; and (iv) developing a comprehensive framework for managing the entire cycle of temporary contractual work, one that fosters the mutual interest of countries of origin and destination. Philippines is the current Chair of ADD (IOM 2012a).
- 11** The Asia–EU Dialogue on Labour Migration aims to improve understanding of the key trends and issues, support the identification of common policy concerns, and promote actions which will facilitate safe and legal labour migration between the two regions and its impact on development. The Dialogue brings together the 11 members countries of the Colombo Process and the 27 European Union members. It aims for an improved understanding of the key trends and issues underlying labour markets of both sending countries of Asia and receiving countries of the European Union (IOM 2014).
- 12** The Bali Process was initiated in 2002; it aims to address practical issues related to smuggling, trafficking and related transnational crime. For additional details, please see <http://www.baliprocess.net>.
- 13** The Global Forum on Migration and Development works as a platform to bring

4. Remittances

Fundamentally, migration is driven by the promise of substantial remittances. According to the World Bank (2014), remittances by international migrants from developing countries will reach \$454 billion in 2015. Bangladesh is in the top 10 countries receiving remittances flows, totalling \$15 billion in 2014 (World Bank 2014). One might argue that the country's economy largely depends on migrants' remittances. The Bangladesh Household Remittance Survey 2009 (Orozco 2011) reveals that over 90 percent of Bangladeshi migrants said they send home \$1,100 annually.

Migrant workers earn social benefits as well as money from remittances (Levitt and Nieves 2011) and both contribute to their upward mobility in Bangladesh. Although they contribute to social mobility, remittances have both positive and negative impacts. According to the Bangladesh Bureau of Statistics 2013 survey on the use of remittances, formal channels account for about 76.1 percent of money transfers, while non-formal channels (hundi or hawala,¹⁴ or intermediators and friends) constitute 24.9 percent (BBS 2014). The government's response to remittance management has yet to take a clear shape. It may be able to offer suggestions and advice for productively utilizing remittances for financial security, especially during the reintegration phase. While it encourages safe money transfer practices, the government has yet to come up with remittance-specific financial products and mechanisms.

expertise from all regions and countries at all stages of economic, social and political development. Policymakers from a wide range of government agencies participate. It has successfully engaged civil society organizations/representative to hold parallel meetings during forum's meetings. For additional details, please see [http:// www.gfmd.org](http://www.gfmd.org).

- 14** Money is transferred via a network of informal brokers, popularly known as hundi or hawala.

5. Gender Dimensions of Migration

This section takes a closer look at the issues outlined above as they affect women migrants. In addition to the secondary data already considered, it includes findings from a previous unpublished study based on extensive interviews with migrant women and migrant communities in 2012 (Huda 2014).¹⁵

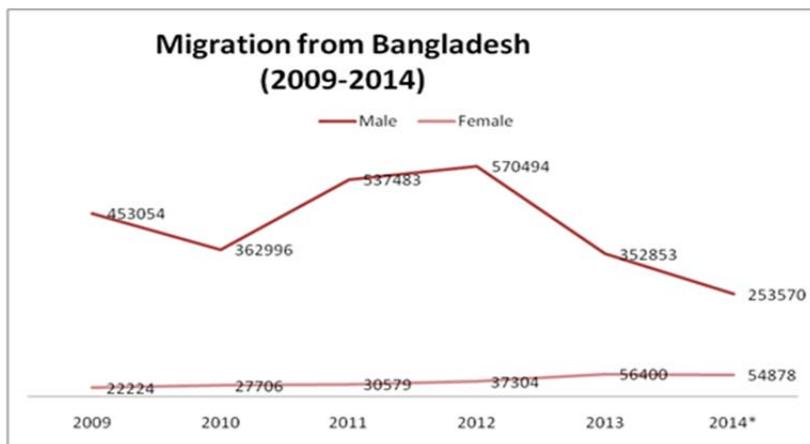
Women constitute almost half of the population (49.43 percent) of the country and have a high potential for contributing towards economic development (World Population Review 2015). However, Bangladeshi women aged 15 or more have increasingly participated in the formal labour force over the years; by 2010 they accounted for 36 percent of the Bangladeshi labour force.¹⁶ (BBS 2011). Although male workers have traditionally dominated the sphere of overseas labour mobility, an increasing need in the service sectors of many wealthy countries has encouraged Bangladeshi women to join the workforce, along with women migrants from other labour-sending countries.¹⁷ Official figures show that more than 312,337 Bangladeshi women travelled abroad in search of employment from 1991 to June 2014 (MEWOE 2014); overall, female migration increased 53 percent from 1990 to 2013 (Sijapati 2015). The United Arab Emirates (UAE), Lebanon, and Jordan have always been popular destinations for Bangladeshi women migrants. As

15 The study was commissioned by Bangladesh Ovivashi Mohila Sramik Association (BOMSA), a leading non-profit migrants' organization, and carried out in Dhaka, Manikganj and Rupganj districts in Bangladesh. Information was collected through a snowball sampling method through interviews with 50 women returnee migrants; 50 focus group discussions were conducted with the migrants' community. Participatory Rural Appraisal (PRA) techniques were applied to the in-depth interviews of respondents and the focus group discussions.

16 Bangladeshi women's participation in the labour force was 26.1 percent in 2002-2003 and rose to 29.2 percent in 2006 (Rahman and Islam 2013).

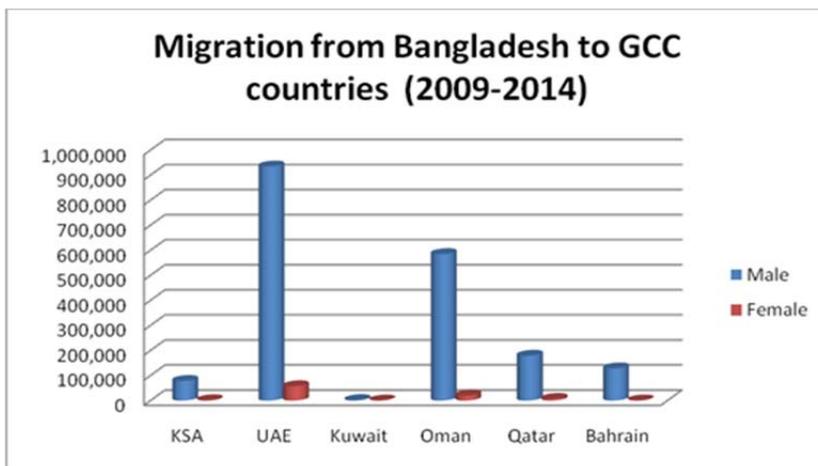
17 Up to 2001, several bans were in effect in different years on women migrating from Bangladesh to lower-level jobs. In the early 1970s, the government of Bangladesh did not have any specific policy/strategy to promote or obstruct overseas migration. Bangladeshi women began to take jobs in the Middle Eastern and other GCC countries on their own initiative, with assistance from family and friends and/or recruiters and sub-agents.

Figure 6-1 Migration from Bangladesh (2009-2014)



Source: MEWOE (2014)

Figure 6-2 Migration from Bangladesh to GCC countries (2009-2014)



Source: MEWOE (2014)

noted above, women from Bangladesh principally migrate in the less-skilled categories.¹⁸

¹⁸ According to BMET classifications, there are four categories of skill sector: (a)

Although the female percentage of total migration is officially 7 percent (MEWOE 2014), a higher percentage of women leave the country through personal or informal arrangements, mainly by collecting visas from their friends, relatives and family members currently working abroad, or through middlemen popularly called *dalal*.¹⁹ These practices place them in vulnerable situations at each step of migration, including a higher risk for human trafficking and smuggling.

Women migrate for various reasons (Huda 2014). Some economic, social and political “push” factors specific to women have been identified, including lack of job opportunities, an existing culture of migration, and national policies favouring mobility and migration. On the other hand, contextual factors also play a significant role, such as the growth of export-oriented sectors (i.e. readymade garment factories), the demand for domestic workers in Asia, and increased demand in the health and care industries in labour-receiving countries (Sijapati 2015). Yet the social factor of women’s empowerment also plays a significant role in migration decisions. In some cases, women clearly emigrate to escape unhappy social situations, including bad marriages, harassment, violence, and so on. All these make the women a socially disadvantaged group who perceive migration primarily as a quest for independence and, ideally, as a means of realizing autonomy.

Once women make the decision to migrate, they continue to face challenges. As Bangladesh is a relatively conservative society compared to many other developing countries, women face opposition in accepting non-traditional jobs. International migration certainly falls into the category of “non-traditional” (and therefore suspect) choices for Bangladeshi women. The barriers of stigma, social norms, and other forms of discrimination mean that women often undergo mistreatment²⁰ — which may even extend to sexual exploitation by abusive employers

less skilled (b) skilled (c) semi-skilled and (d) professional.

19 Dalals are unlicensed sub-agents who work for recruiters at the grassroots level.

20 On a regular basis, newspapers such as The Daily Star report on the exploitation of women migrant workers; see, for example <http://www.thedailystar.net/bangladeshis-among-migrant-workers-exploited-in-uae-hrw-47030> and <http://www.thedailystar.net/exploited-abused-47157>.

and their relatives (OKUP and UNDP and OKUP 2009)²¹ — throughout the migration process, and continue to struggle upon their return home. Such factors may help explain why Bangladeshi women have not yet had a strong role in overseas migrant labour.

Women suffer most due to their negligible bargaining power over their jobs and wages. In many cases, they fall into trap of the sub-agents and recruiters who promise big dreams but deliver nothing²². Moreover, the era of globalization demands new skills and technologies; Bangladeshi women fail to qualify for such jobs due to lesser education and training. Whatever capacity they have built before migration hardly fulfils the requirements for promising jobs and reasonable wages. Compared to well-prepared and trained female workers from other countries, Bangladeshi migrant women often face difficulties in a highly competitive job market, and will settle for a lower wage rate in job negotiations.

At the recruitment stage, the unlicensed sub-agents employed by the recruiting agencies play a central role in the exploitation of workers; women workers suffer more in the process due to their ignorance and dependence on these sub-agents (Huda 2014). As women have limited physical mobility and less access to resources both in the origin and destination countries, the sub-agents at both ends take advantage of their vulnerability. Poor and inadequate migration governance combines with limited worker awareness of migration safety, allowing swindling by sub-agents and recruiters²³ who force workers to pay high migration costs regardless of gender or skill category (with exception of high-skilled jobs). The migration cost/recruitment fees charged to Bangladeshi workers vary according to the costs of processing

21 Interestingly, a 2009 UNDP study on HIV vulnerabilities faced by women migrants from Bangladesh to the Gulf States reveals that out of 247 respondents, as high as 85 percent of women migrants reported that they experienced physical abuse and 20 percent reported sexual abuse.

22 Reported during in-depth individual interviews conducted with returnee migrants (Huda 2014).

23 See, for example, reports in The Daily Star: <http://www.thedailystar.net/strong-govt-recruiter-employer-link-must-50882> or <http://www.thedailystar.net/cheated-workers-denied-justice-50390>.

documents, such as visas, exit documents, birth certificates and passports. Such fees, along with the cost of flights, are usually charged by the destination-country recruiting agents. According to the Bangladesh Household Remittance Survey 2009 (Orozco 2011), the agents and subagents generate as much as 60 percent of the migration cost from the workers themselves, apparently one of the highest rates in South Asia.

In receiving countries, the quality and extent of welfare support services for migrants largely depend on the resources and professional attitudes of the labour attachés. Most of the Middle Eastern and GCC destination countries have inadequate protections for domestic workers in cases of exploitation or abuse. Migrant women working as housemaids discover that labour laws do not apply to them; they received practically no assistance if they feel exploited or violated (Hilleary 2012). The Bangladeshi labour attachés placed in various labour-receiving countries work with very limited resources. Therefore, they have few legal avenues or resources for protecting migrant women in the destination countries.

Women's health while overseas is also a concern. When women leave behind their families and social networks, it may affect their mental and physical health. For instance, mandatory medical testing in Bangladesh and in destination countries does not conform to universal standards; this violates individual rights and further perpetuates a vicious cycle of misinformation about sexually-transmitted infections and HIV/AIDS (IOM 2012b).

Research shows that remittances from migrant women amount to significant sums, although this has not been adequately acknowledged. The Bangladesh households of women migrants depend on these remittances for 45 percent of their income. The research also suggests that women workers save more and remit greater percentages of their income (Orozco 2011). However, they face challenges in actually sending the remittances. As domestic workers (as many as 98 percent work as housemaids [MEWOE 2014]), they are mostly confined within homes and have limited mobility in public places. They therefore have difficulties transferring money as needed, and must often depend on their male employers having time and willingness to remit for them. The

analysis of remittance behaviour also reveals that female migrant workers use safer and better-secured remittance channels than male migrants (Orozco 2011). In Bangladesh, women's earnings are utilized in a more planned way at household levels -- mostly on food, children's education, and health care for family members. While some women migrants remit money to their spouses, they often prefer to send it to other female family members (mostly parents or siblings) whom they trust more to use the funds wisely. After returning home, many women also find that the money they have sent has been consumed or spent on unplanned expenses. As noted above, remittance management in Bangladesh lacks good governance in general; returnee migrant women and their households — particularly female-headed households — stand in need of gender-sensitive remittance products and mechanisms to assist them in controlling their earnings

Thus, while remittances contribute to the overall national economy as well as to migrant households, in most cases women have little say over their spending; rather, male family members or other recipients retain full control (Orozco 2011).

The re-entry and reintegration process also poses unexpected challenges for women returning home. When women return after completing their contracts (or midway through, which may occur for various reasons²⁴), social norms, values and practices prevent them from working outside their homes (particularly as housemaids and caregivers) in the domestic labour market, no matter how much skill and experience they have acquired over time. Therefore, whatever savings they have from overseas earnings go toward repaying migration loans, consumption, and other non-productive purposes.²⁵ This makes the question of control over remittances sent from abroad all the more acute.

It is not clear whether women migrants experience positive social and economic mobility once returning home. In many cases, spouses and family members refuse to readmit returning women, calling them

24 Such as not meeting the expected conditions mentioned in the contract, physical and/or mental exploitation by the employer, etc.

25 “Non-productive purposes” denote social events such as marriage, religious gatherings, and children's needs other than education (Huda 2014).

“bad women” whose earnings abroad cast doubt on the dignity of their work. Rashid (2012) has argued that men’s work opportunities abroad carry a positive image of affluence, prospects and prosperity, while migration is perceived as insecure and unsafe for women. Given any other option, returnee migrants state that they would never want their daughters to do the same work as they did abroad. Focusing primarily on male migrants, Rahman (2007) argues that migration and mobility significantly impact families, creating moderate shifts in authority and gender roles (with women left behind taking on male roles); while families see avenues of upward mobility and gains in education, health care and quality of life, they may also face negative consequences — misuse of remittances, broken families, and inadequate parenting. Yet many returnee women also report a sense of economic empowerment, whatever the amount of their direct earnings, as well as pleasure and freedom in their absence from home (despite living in quasi-confinement with limited physical mobility) (Huda 2014).

6. Recommendations

This overview of labour mobility in Bangladesh shows the complex and multifaceted nature of the issue, along with some of the challenges for management and governance efficacy. This final section will discuss how improvements in these areas could enhance prospects for the social and economic mobility of migrants.

(1) Migration Governance

Managing labour mobility through overseas employment is a government priority and requires efficient handling and control. The Overseas Employment and Migrant Act 2013 (GoB 2013) widens the scope for more control and monitoring of the recruiting agencies and has created provisions to protect the rights of the migrants. Revising and implementing rules and policies could further help the government in monitoring the exploiters now active in all sectors of the migration and recruitment process. In addition, amending bilateral agreements for the

better protection of workers regardless of gender could reduce abuse and exploitation.

As migration involves both the state and private parties, public-private partnerships provide one of the best means of executing policies. Moreover, such partnerships give Bangladesh the best chance of surviving in the competitive market among labour-sending countries²⁶ — a matter of increased urgency in the current economic climate.

More proactive participation from the government is expected in the regional and global policy negotiation on migration policy. There is a need to raise protection issues in various forum as a labour sending country.

(2) Skill Matching and Access to Overseas Employment Market

Bangladesh needs to identify countries with opportunities for currently available worker skill sets; it should also look for new and alternative sectors to open up in the coming years through the skills development plan. The mismatch between skills acquisition in Bangladesh and overseas employment demand has become apparent, given the surplus supply of low- and semi-skilled labour (Mondal 2014). While this remains a priority, the government should also explore access to labour force databases and other information in the potential destination countries. The regional consultative processes described above could play a crucial role in ensuring such access and exchange of information. The labour attachés currently posted in the destination missions could facilitate access to labour force data in receiving countries. A network of the labour attachés in different geographical zone could also aid mutual sharing of information.

(3) Innovative Remittance Products

Although remittances remain private money, public-private initiatives might introduce innovative remittance and money transfer

26 Bangladesh, India, Pakistan, Nepal, the Philippines, Sri Lanka, Vietnam, and Thailand are major labour-sending countries in Asia.

products, targeting labour migrants to help them benefit from their hard-earned incomes. Bangladesh is an excellent site for piloting regional good practices and creating a model for such products. The Remittance and Payment Partnership Project in Bangladesh, supported by the United Kingdom's Department of International Development (DFID), has conducted several such pilot projects successfully with private-sector banks, including entrepreneurship training for migrants' family members, establishment of mutual funds by migrants' family and community, and an electronic money transfer system through Bangladesh Post Office (UKAID 2011). As discussed above, current migrant returnees and their families face difficulties in productively utilizing remittance income. Products available in private banks chiefly benefit male returnees; women have yet to gain access to the public domain, especially in the rural areas that supply most overseas migrants. Improving financial literacy for returnee women workers and migrants' families can ensure more efficient utilization of remittances. Reducing remittance costs will require more controlled interventions by both origin and destination governments.

7. Conclusion

In a country with high levels of unemployment such as Bangladesh, international migration becomes a livelihood and mobility strategy. People migrate into low- or semi-skilled sectors predominantly within the GCC countries; most women leave for jobs in the informal sector as domestic aides and caregivers, at a relatively lower wage and in less-protected working conditions in comparison to male workers. This paper has shown that the plight of unprotected migrant workers, especially women, leaves them particularly vulnerable to various forms of discrimination, exploitation, and abuse; they require special protection given the lack of adequate international safeguards.

Some remarkable progress has occurred in government response with a shift to more managed migration, as the GoB has begun to address migration governance more seriously. For example, the GoB has decentralized the service centres for migrant communities throughout

the country, with increasing efforts to fulfil information requirement for overseas employment. Public- and private-sector organizations have introduced more community-awareness programmes on safe and orderly migration, to prevent fraudulent practices by the local sub-agents. The Bangladesh government still faces key challenges: in efforts to regulate the recruitment and migration sectors and to establish a stronger monitoring system for recruiters, agents and sub-agents; in undertaking serious labour market research to explore new employment sectors for migrants (with special emphasis on female migrants), matching skills with dynamic global demand; in better management of remittances, the country's economic backbone. Such reforms, properly timed, will increase the likelihood that migrants — especially women — will see a positive change in their economic mobility.

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CHAPTER 7

Impact of Migration and Remittances on Social Mobility in Sri Lanka

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1. Introduction

Social mobility occurs with access to better earnings, better-quality jobs, and more influential social circles. Financial gains from higher incomes, social and political connections associated with better-quality jobs, and access to people with power all contribute to improved living standards. Better earnings and occupations allow people to own better housing and other assets, and give them more time for leisure and cultural activities. Social mobility can take place within a person's lifetime or from one generation to the next. This paper discusses the influence labor migration has on both forms of mobility in Sri Lanka.

Migrants can help improve the living standards of their families at two stages of their migration cycle. First, while still working abroad, workers can influence social mobility through remittances. Second, returnee migrants can become more mobile by using their savings and the experiences and skills gained abroad, improving both their economic activity and social standing back home. The influence of foreign employment on social mobility depends on a variety of factors, including the size of the earnings received, how they are used, and the

successful social and economic reintegration of migrants upon return (World Bank 2006; Arunatilake, Jayawardena and Weerakoon 2011; Jayaratne, Perera, Gunaskekara and Arunatilake 2014).

This study will summarize research undertaken from 2011 to 2014 on the impact of these various factors on social mobility. The first section traces the background of foreign emigration trends in Sri Lanka, the demographic profile of migrant workers, and the current policy environment supporting returnee reintegration. The second section examines evidence for the social mobility of migrant workers, during their tenure abroad as well as upon return. The final section offers concluding observations and policy implications, addressing the divergences identified among migrant groups and experiences.

2. Background and Literature Review

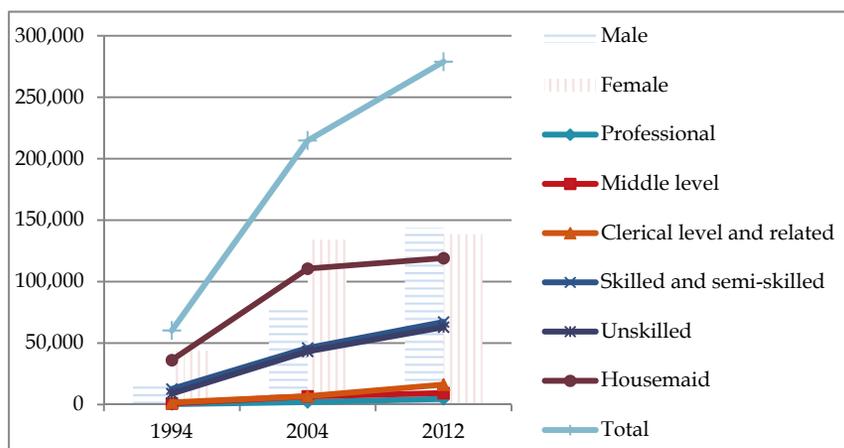
Trends in migration and remittances

As Arunatilake *et al.* (2011) have detailed in a previous study, migration is not a new phenomenon in Sri Lanka. However, large-scale temporary migration for employment mostly arose in the late 1970s, as a result of both internal and external factors. With the change of government in 1977, Sri Lanka underwent a substantive programme of economic reforms, including relaxing the stringent exchange controls that had deterred international travel. Externally, the oil price hike of 1979 opened new opportunities for employment in Middle Eastern economies, increasingly the beneficiaries of petroleum-generated wealth.

Each year close to 300,000 Sri Lankans leave the country for employment abroad. Traditionally, the majority of these labor migrants are females emigrating to the Middle East as domestic workers. In recent times, the proportion of male as well as skilled migrants leaving the country for employment has increased (see Figure 7-1). But still, a large proportion of current migrants are either domestic or unskilled workers. The Middle East remains the preferred destination for temporary work, accounting for more than 55 percent of labor migrants.

These migrants send substantial amounts in remittances to Sri Lanka.

Figure 7-1 Sri Lankan Migration Trends, by Skill Level and Sex



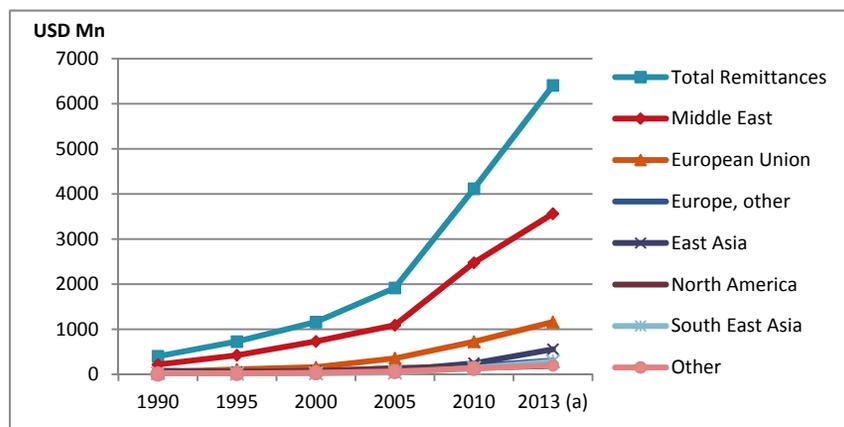
Source: Author's compilation (Central Bank of Sri Lanka 2013; Sri Lanka Bureau of Foreign Employment, 2015)

For example, the inflow of remittances to the country stood at \$6.4 billion¹ or 9.5 percent of GDP in 2013 (Ministry of Finance and Planning 2013: 691). Close to 56 percent of these remittances were from the Middle East, followed by European Union (18 percent) and East Asia (9 percent). According to the Household Income and Expenditure Survey (HIES) 2009/2010, around 7 percent of Sri Lankan households receive remittances from abroad, with a higher proportion of households in the higher deciles receiving more remittances than those in the lower deciles (Ministry of Foreign Employment Promotion and Welfare 2013). In other words, the higher the household income, the more likely that a significant portion of it derives from remittances.

Workers who emigrate for employment may improve their social standing in the home country through a variety of means and through various phases of migration. For example, migration may influence social mobility by improving overall economic status, including asset ownership by migrants and their families. The children of migrant workers may also receive better investments in education and health, increasing their opportunities for social mobility. At the same time, as

¹ Throughout this paper, the “\$” sign stands for United States Dollar (USD).

Figure 7-2 | Sri Lankan Remittance Trends



Source: Author's compilation (Ministry of Finance and Planning 2013, Table 31: 691)

discussed later in this essay, some migrants have less positive experiences and not all achieve positive outcomes.

3. Migration Policy Framework in Sri Lanka

In recent years, Sri Lanka has instituted a number of programmes and institutions to promote migration while safeguarding the interests of migrant workers. The Sri Lanka Bureau of Foreign Employment Act (SLBFE Act No. 21 of 1985) was the first major legislative act on labor migration. The SLBFE provides several measures for ensuring safe and profitable placement of migrant workers in temporary employment abroad. These include licensing of employment agencies, registration and training of workers, dispute settlement, welfare activities, migration-related research, and matching and promotion of workers for those positions. Sri Lanka ratified the international convention on the protection of the rights of all migrant workers and their families in 1996 (UNHCHR 1990).

Given the national importance of temporary labor migration, a separate Ministry of Foreign Employment Promotion and Welfare (MFEPW) was established in February 2007 to oversee foreign-

employment-related issues. MFEPW has the aim of activating government policy through identified agencies in a wider foreign employment promotion network. Three such government agencies come under MFEPW purview: the Sri Lanka Bureau of Foreign Employment (SLBFE), the Sri Lanka Foreign Employment Agency (Pvt) Ltd., and the Association of Licensed Foreign Employment Agencies (ALFEA).

In February 2009, the MFEPW launched the Sri Lanka National Policy on Labor Migration (NPLM). This policy promotes opportunities for all men and women to emigrate for decent and productive employment, in conditions of freedom, equity, security, and human dignity, and in environments with the highest standards in protecting fundamental workplace rights. The policy comprises three sections: governance of the migration process, protection and empowerment of migrant workers and their families, and linking migration to broader development. All three areas require effective implementation for migrants to achieve social mobility. First, those who experience unsafe employment situations and do not have the power to negotiate fair remuneration and working environments are less likely to see benefits from migration. Second and most vitally, better planning and investment may increase the benefits migrants receive from their savings and experiences abroad. Finally, the migration policy seeks better social and economic integration of returnees.

The National Human Resources and Employment Policy for Sri Lanka (NHREP), approved by the cabinet in 2012, gives special attention to foreign employment. Echoing the guidelines of the NPLM, the NHREP recognizes the need for ensuring and promoting skilled and safe migration — through accredited training, marketing of Sri Lankan workers abroad, strengthening the capacity of institutions to ensure migrant safety, and programs for reintegrating returnees. In early 2014, Dilan Perera (the Minister of Foreign Employment Promotion and Welfare) proposed the creation of an Employment Migration Authority to regulate the foreign employment sector. This would comprise eight new regulatory bodies, including the “Sri Lanka Rata Viruwo Foundation” (literally, “the heroes of Sri Lanka”), created to recognize the contribution of migrant workers to the country.

Sri Lanka has therefore seen many positive developments,

establishing new institutions and policies for improving migrant safety, promoting foreign employment, and fostering migrant reintegration. However, frequent changes in the ministries and their associated institutions have hampered the work of these institutions and their policy implementation (Gunasinghe 2011). For example, after 2015 presidential elections, the Ministry of Foreign Employment and Promotion became, simply, the Ministry of Foreign Employment — a renaming that may or may not signal a change in direction and priorities.

4. How Migration Affects Social Mobility

One chief measure of social mobility is the transition out of poverty. The World Bank (2006) highlights several ways through which remittances affect poverty. For example, when a community experiences a shock or disaster, its migrant workers will send additional remittances to compensate for resulting asset and income losses. As Arunatilake *et al.* (2011) noted, remittance inflows to Sri Lanka increased markedly in the aftermath of the 2004 tsunami. This indicates that remittances may act as insurance against adverse effects.

Migration also affects social mobility through earnings, not limited to the remittances sent by migrant workers. In addition to direct consumption support, remittances may also provide credit necessary for households to start their own livelihood projects (World Bank 2006). Remittances may open new opportunities for rural, less-educated households with poorer access to credit. Remittances also provide training opportunities to migrant household members that may allow them access to better jobs. However, remittances may also have a negative effect on the household labor supply: family members may view them simply as a welfare gain, and may prefer increased leisure in proportion to increasing remittances (World Bank 2006).

The literature suggests that migration has mixed effects on health and education of migrant households (Arunatilake *et al.* 2011), depending on the characteristics of both the migrants and their families. Overall, migration and remittances lead to greater investments in these areas. Remittances have made private health and education services more

affordable and increased the demand for such high-quality services in communities with a high concentration of migrant workers. This higher demand has attracted private-sector investments in high-end health and education facilities. Greater exposure to these more advanced systems has also built awareness about health and education services. However, the literature has also identified increased risks and negative consequences. Parental migration may leave families with young children with inadequate guidance and an additional burden of household responsibilities. These in turn may lead to higher school absenteeism, drop-out rates (Gunasinghe 2011), poorer child nutrition and health care (especially in younger children), and substance abuse (especially in older children). Given such risks, more research is needed to establish whether the easier access to private health and education facilities has resulted in a net improvement in the health and education outcomes of migrants. Moreover, given that Sri Lanka has a rapidly aging population, concerns have arisen among both households and policymakers about the breakdown of traditional family support for the elderly in migrant families.

Returnee migrants face significant economic and social challenges upon return (Jayaratne *et al* 2014). Many migrant workers had been the main breadwinners for their families while abroad. Unless they engage in economic activities soon after their return, the situation of their families often regresses. Many migrate due to lack of economic opportunities in their communities, and still face the same lack upon return. In some instances migrant families use remittances wisely. They not only spend on consumables, but also invest in productive assets that may generate income. But not all households see the need or have the means to invest remittances. Some households require remittances simply for meeting daily consumption needs. In such homes, little remains for savings and investments.

Gunasinghe (2011) find that squandering of remittances by migrant household members creates an added problem for returnees. Returnees may send remittances home for a specific purpose, such as building a house or investing in the education of their children. But, upon return they may find that the money has been spent on other things. Addiction to alcohol and drugs may also aggravate this problem. For example, 15

percent of the fathers from migrant households stated that they consumed alcohol daily, compared to only 5 percent of fathers from non-migrant families with working mothers (Save the Children 2006).

Returnee migrants also find reintegration with their families and communities something of a challenge. Many migrant workers become independent and empowered, both financially and socially, while working abroad. These changes could affect the power dynamics within the family and in extreme cases could lead to family breakups. For example, females who were completely dependent on their husbands financially may become breadwinners of the family when they go abroad. They may also take a larger role in making family financial decisions. If the husbands do not respond favorably to these changes, there could be friction in the family (Hettige, Ekanayake, Jayasundere, Rathnayake and Figurado 2012). Such disruptions and conflict in family life could in turn affect the social mobility and economic betterment of entire families.

5. Migration and Social Mobility

As mentioned earlier, migration may influence social mobility at two stages. First, during the phase of work abroad, remittances sent home may improve the social standing of household members. Investments in health and education may also improve the human development of children, leading to better prospects for jobs and marriage partners. The first part of this section summarizes the work of two studies that examined the influence of remittances on household spending behaviors. The next summarizes the findings of a study on social mobility of returnee migrants, as measured by their self-reported improvements in economic outcomes and assets.

6. Influence of Remittances on Social Mobility

Two recent studies examined the impact of these remittances on income, income sources, and expenditure on health and education

(Arunatilake *et al.* 2011; Ministry of Foreign Employment Promotion and Welfare 2013). Both compare the spending behavior of migrant versus non-migrant households. However, the characteristics of migrant households differ from non-migrant ones, making direct comparison impossible. These different characteristics may also influence behavior and expenditure patterns. In order to control for such possible biases, these studies select a group of households with characteristics similar to migrant households, using propensity score matching techniques (see Arunatilake *et al.* 2011 for details).² The resulting households, with similar characteristics to migrant households but without migrant workers, appear as “matched households” in Table 7-1.

Table 7-1 gives mean expenditure level comparisons for non-migrant households in general as well as for matched-non-migrant households. As the matched sample indicates, migrant households spent Rupees. 7,151 more annually than non-migrant households. This higher total household expenditure reflects higher spending in all categories. In particular, migrant households spent significantly more on average (statistically significant at 1 percent level) on non-food purchases, durable goods, and housing.

The results of Arunatilake *et al.* (2011) indicate that during the emigration phase, remittances not only allow migrant-households to receive direct income but also increase income from other productive sources. For example, compared to matched-non-migrant households, migrant households receive a higher level of income from properties and from financial and physical assets. Further, the migrant households receive income from a higher number (and more diverse set) of sources; they had a particularly high income from household physical assets. Having access to a diverse set of income sources improves the coping strategies of households during shocks and setbacks. These estimates

2 Propensity score matching (PSM) summarizes the characteristics of each household through an index variable, the propensity score. This score is then used to match each migrant household with a non-migrant household. The selected non-migrant households are then treated as the control group. It should also be noted that since matching can only be done through observable characteristics, the analysis does not control for unobservable factors.

Table 7-1 | Comparison of Expenditure and Income by Migrant and Non-migrant Households in Sri Lanka, with Controls for Selection Bias using Propensity Score Matching Techniques

Variable	Method 1	Migrant households	Non-migrant households	Difference	S.E.	Significance 2
Expenditure (year prior to the survey)						
Total expenditure	unmatched	41,234	30,492	10,742	1,118	***
	matched	41,243	34,083	7,151	1,561	***
Food	unmatched	15,205	13,285	1,920	176	***
	matched	15,205	14,672	533	294	*
Non-food purchasing	unmatched	26,028	17,207	8,822	1,058	***
	matched	26,029	19,411	6,618	14,443	***
Education	unmatched	1,406	971	435	121	***
	matched	1,406	1,185	221	129	*
Health	unmatched	2,132	978	1,153	271	***
	matched	2,132	1,077	1,055	565	*
Durable goods	unmatched	1,251	602	649	128	***
	matched	1,251	710	541	223	***
Housing	Unmatched	4,802	3,521	1,281	126	***
	Matched	4,802	4,350	452	222	**

Note: (1) The control unmatched group are all non-migrant households. The control matched group are households similar to migrant households (see footnote 3). The matched control group is selected according to propensity score. (2) ***, ** and * indicate significance in the difference at 1 percent, 5 percent and 10 percent respectively.

Source: Ministry of Foreign Employment Promotion and Welfare (2013) using HIES 2009/2010 data

also prove statistically significant at the 1 percent level.

The results from the two studies above show the social mobility potential of migrant households during the emigration phase. Migrant households not only have higher and more diverse income sources; they also spend more. But this expenditure appears mostly concentrated in non-food purchasing and durable goods. Although these households also

spent more on food, education, and health, these did not appear statistically significant at 5 percent level (see Table 7-1). Arunatilake *et al.* (2011) found that at the national level, school enrolment and morbidity level indicators did not show statistically significant differences between migrant and non-migrant households. These results indicate that although the migrant households spend more on education and health, they may not make these investments productively. Further studies could more fully assess the effects of remittances on education and labor market outcomes, both among migrants and their children.

7. Social Mobility of Returnee Migrant Workers

The earlier section examined the social mobility of migrant workers during their employment abroad. They generally leave Sri Lanka on two-year contracts. Do such workers fare better while abroad than upon their return? What happens to their living standards afterwards? This section will discuss the results of a recent study from the Institute of Policy Studies of Sri Lanka (Jayaratne *et al.* 2014) that looked at the economic and social integration of returnee migrants. The study rests on a 2012 survey of returnees conducted by the Social Policy Analysis and Research Centre (SPARC) of the University of Colombo, with funding from the International Labour Organization (ILO). The survey interviewed 2000 returnees, of whom 1981 remain in the study after adjustments for data quality. The survey used a purposive sampling technique; accordingly, results should be interpreted with care and cannot be extrapolated. Despite these data limitations, the survey provides valuable information on the returnee migrants.

As shown in Table 7-2, the survey asked several questions that permit us to assess the economic and social changes experienced by returnee migrants. The results are not promising. Only about a fifth of the returnees stated that their economic situation had improved after returning to the country, and only 6 percent stated that their productive assets (such as ownership of land, housing and vehicles) had improved. Furthermore, a majority reported difficulties in reintegrating with their extended and immediate families.

Table 7-2 Economic and Social Integration of Sri Lankan Migrant Returnees

	Sample size	Number saying "yes"	Percent saying "yes"
Economic reintegration			
Family economic situation improved (A1)	1981	408	20.6
Possession of productive assets improved (A2)	1981	124	6.3
More land ownership	1981	35	1.8
More housing asset ownership	1981	43	2.2
Ownership of three wheelers/vans/cars	1981	73	3.7
Social reintegration			
Successfully reintegrated, with extended family (B1)	1981	100	5.1
Successfully reintegrated, with immediate family (B2)	1648	426	25.9

Source: Author's calculations.

Table 7-3 Probit Model Results: Sri Lankan Migrant Returnees Reporting Economic Improvements and Successful Integration

Variables	Family economic improvement	Possession of productive assets	Successfully reintegrated (with extended family)	Successfully reintegrated (with immediate family)
Demographic characteristics				
Current age (decades)	0.00	0.01	0.00	0.02
Female	0.00	-0.04***	0.02	-0.13***
Marital status (base = never married)				
Currently married	0.06**	0.00	0.02	N.A.
Previously married	0.04	-0.02*	0.00	N.A.
Education (base = post primary education)				
Primary education	-0.03	0.04***	-0.03*	-0.04
G.C.E. O/L passed	0.06*	-0.01	0.00	0.04
G.C.E. A/L passed and above	0.05	0.01	0.00	-0.10

Table 7-3 | (Continue)

Variables	Family economic improvement	Possession of productive assets	Successfully reintegrated (with extended family)	Successfully reintegrated (with immediate family)
Socio-economic characteristics				
Residential sector				
Urban	0.01	-0.03***	-0.01	-0.05**
Current occupation (base = clerical service)				
Administrative, professional, technical	0.11	-0.01	-0.06	0.17**
Skilled, craft, plant	-0.03	0.00	-0.06	-0.08
Unskilled or semi-skilled	0.03	0.00	0.00	0.01
Not working	0.09***	-0.02	0.01	0.07
Foreign employment characteristics				
Foreign occupation (base =clerical service)				
Administrative, professional, technical	0.00	0.03	0.03*	-0.10
Skilled, craft, plant	0.07	0.08*	0.02	0.03
Unskilled or semi-skilled	-0.09*	0.02	-0.03*	-0.06
Country				
Middle East	-0.07*	-0.02	0.00	0.07
Duration (months)	0.02**	0.00	0.00	-0.02***
Number of emigration episodes	0.02*	0.00	0.01	-0.05***

Table 7-3 | (Continue)

Variables	Family economic improvement	Possession of productive assets	Successfully reintegrated (with extended family)	Successfully reintegrated (with immediate family)
Remittances use back home (base = housing)				
Loans	-0.01	-0.01	-0.01	0.02
Investment	-0.10	0.06	0.00	0.17**
Education	-0.05	0.01	0.00	0.03
Other	-0.06***	-0.02	-0.01	0.02
Institutional involvement				
Assistance from SLBFE	0.03	-0.02	-0.06	-0.02
Assistance from other institutions	-0.09***	0.02	-0.02	0.02
Issues faced at overseas work				
Serious Issues	-0.12***	0.00	-0.02*	-0.02
Minor Issues	-0.06**	-0.01	-0.03	-0.05

Note: Significant levels: *, **, *** represents 10 percent, 5 percent, 1 percent respectively. The regression also controlled for unclassified occupation(s), the ethnic background of respondents, and missing information on "issues faced at overseas work." The results for these do not appear in the table.

Source: Authors' calculations using survey data from the International Labour Organisation (ILO 2013)

Jayaratne *et al.* (2014) further investigated the reasons for economic success, as measured by both perceived economic improvement and possession of productive assets. Their multivariate analysis did not yield consistent results across the two dependent variables. Respondents who stated that their family economic situation had improved were significantly more likely to have [one or more of] the following characteristics: (1) married; (2) somewhat educated (with O-levels but not A-levels or higher levels of education); (3) had spent longer abroad; (4) had gone abroad multiple times; and/or (5) had no current employment. Returnees less likely to report improved economic situations tended to include those who had (1) worked in unskilled or semi-skilled occupations; (2) gone to the Middle East; (3) not used

remittances for loans, investments or education (compared to those who spent on housing); (4) received assistance from one of the Sri Lankan employment institutions; and/or (5) reported having serious or minor issues during their tenure abroad.

This analysis thus finds a positive correlation between reported improvements in family economic condition and longer and/or repeated work stints abroad. Interviews conducted to validate the results of the quantitative data indicated that most of the economically better-off respondents were waiting to go abroad again (Jayaratne *et al.* 2014). This may explain why migrants reporting improvements tend not to have current employment. Further, the qualitative results indicate that people who sought help from institutions upon returning included those who had negative experiences abroad, or who failed to improve their economic status after migration.

The results highlight the importance of secure migration for economic improvement. They show that individuals who experienced either serious or minor issues abroad are less likely to report improvements in family economic situation. The evidence also suggests (albeit less strongly) that skilled workers are slightly better off upon their return than the unskilled or semi-skilled (the latter appear significantly less likely to report improved family economic situations; skilled craftsmen and plant operators are more likely to report improved productive assets). The qualitative interviews revealed that many who reported improvements wished to emigrate for work again. Respondents who stated that their productive assets had improved tended to have a primary education and/or to have worked abroad as skilled craftsmen or plant operators. Females and those from urban areas were less likely to report improved possession of productive assets. All told, these results indicate that the influence of migration on social mobility may prove different for different classes of individuals. For example, the less-educated, males, and those from rural areas may gain more from emigration than their respective counterparts.

8. Influence of Government Policies on Social Mobility Assistance

The above-mentioned study by Jayaratne *et al.* (2014) also examined existing reintegration programmes and their impact on the living standards of returnee migrants. The findings of this study revealed that institutions involved in such programmes needed to develop their awareness and outreach efforts. Of the 1981 returnees interviewed, only 189 maintained links with any institution devoted to migrant welfare, and of these, only 63 had contacts with the principal entity of this sort, the SLBFE. Possible reasons for this low rate of contact include lack of awareness of available services among migrants, lack of training and credit facilities for returnees, and the questionable relevance of the programmes offered by different institutions — most of which, in fact, targeted returning domestic workers.

9. Conclusions

A significant number of Sri Lankans emigrate for temporary employment. This article has discussed the potential of temporary migration for social mobility. It has examined the influence of migration on households during two phases: while migrants are working abroad, and upon their return to Sri Lanka. We have argued that migration improves the economic situation of migrant households by increasing incomes and productive assets. However, our statistical analysis shows that expenditures on investment goods (such as health and education) differ less significantly than expenditures in other areas, such as non-food purchasing and durable goods. These results suggest that the positive effect of remittances on migrant households may not persist in the long term.

Although migrant households do better while their workers remain abroad, they often do less well once the emigrants return. Only a minority of households indicated that migration helped them to improve their economic situation or their ownership of productive assets. The results indicate that, at least on these headings, not everybody benefits

equally from migration. Individuals with lower levels of education and those engaged in lower-occupation categories, as well as those coming from rural areas, appear better able to improve their economic status than others.

The results also indicate that government policies could do more to assist social mobility for migrants. Safe migration appears especially important for improving economic status. Better policies for facilitating reintegration and more attention to improved skills may also enhance mobility. Although Sri Lanka already has initiated several assistance programmes, not many returnees have made use of them, at least in part because they often do not cater to returnee needs. Further study of such needs, along with other issues that returnees face, may help improve the services offered. Returnees would also benefit from better outreach, to enhance awareness of facilities and programmes.

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Part IV

Social Cohesion or Social Divide
- Gender, Race, Ethnicity,
Caste, Religion

CHAPTER 8

Ethnicity and Religion as Drivers of Charity and Philanthropy in Colombo: Implications for Social Harmony in Sri Lanka

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1. Introduction

Charity and philanthropy act as important welfare mechanisms in all societies. Charity is defined as the impulse toward disinterested private giving (Bornstein 2009), while organized philanthropy reflects notions such as corporate social responsibility, humanitarian values, and concerns about the efficacy of assistance (Fontaine 2007). Both charity and philanthropy (CP) complement and supplement the welfare services of the state, mobilizing the reservoir of goodwill and mutual caring in society. While both may involve universal human values and emotions, such as compassion and sympathy towards those in distress, research has highlighted ethnicity and religion as important drivers of CP in various societies (Bornstein 2007, 2009; Korf 2006). What implications does this have for social harmony in multi-ethnic societies, where the ethnic divide has increasingly become a key fault line and a major parameter of political alignments and conflicts? How does CP connect with and affect patterns of social mobility? Do upwardly mobile individuals turn toward charitable action as a means of self-expression,

as an assertion of identity and social responsibility, out of obligation to those left behind on the mobility ladder — or all of the above? This essay will consider these questions in the Sri Lankan context, focusing on CP in the capital of Colombo.

As drivers of CP, ethnicity and religion play complementary roles in most societies. The Buddhist idea of *dana*, the Hindu practice of *danam* and the Islamic practices of *zakath*, *sadaqa* and *waqaf* call for compassion and generosity towards fellow human beings. Religion shapes the meaning, scale and patterns of charitable giving (Ossela, Stirrat, Silva, Kabir, Alikhan and Widger 2014). Ethnicity, on the other hand, classifies fellow human beings as “us” and “them,” with corresponding notions of brotherhood, generosity, and assistance towards collective and individual social mobility (Fassin 2012). Religion and ethnicity do not, however, entirely demarcate the world of CP; larger upsurges of generosity that cut across these lines — particularly during large-scale human disasters — implicitly or explicitly imply a broader notion of humanitarianism and moral responsibility. This also calls into question how much religion- and ethnicity-motivated CP contributes towards human welfare, social harmony, social mobility, and development in general. To the extent that CP arises from the bond between the giver and the recipient, it cannot be treated as the “disinterested giving” that Bornstein considered the hallmark of charity (Bornstein 2009). Disinterested giving may be the ideal, but in reality charity takes many forms and shapes, with donor self-interest — including the emotional relief gained by helping someone in need — often playing an important role.

According to recent estimates, Sri Lanka ranks high on the global index of giving, the tenth most generous country in the world in 2013 (Ossela *et al.* 2014) and, with Myanmar, one of the more generous societies in the developing world. Considerable speculation has arisen as to why this might be the case. Not only has Sri Lanka developed a comprehensive welfare state (limiting, at least intuitively, the need for private charity), but its reported higher levels of generosity seem to conflict with its ethnic tensions and other contemporary manifestations of social strife. This context framed a major research project on charity, philanthropy and development in Colombo, the capital of Sri Lanka,

conducted in 2012-13 by a team of researchers from the United Kingdom and Sri Lanka.¹ The project sought to map the “philanthroscape” of Colombo, and to understand how it has changed over time; it assesses the developmental and welfare impact of CP against the background of Sri Lanka’s shift to economic liberalization in 1977, its nearly three decades of ethnic war, and the devastating tsunami disaster in 2004.

A variety of reasons make Sri Lanka a suitable venue for exploring contemporary forms of giving and ensuing relations between givers and receivers. Two sectors define the avenues of upward mobility in the post-independence period: first, government and political positions, fuelled by expanded state-funded free education and largely controlled by the Sinhala Buddhist ethnic majority; and second, trade and commerce, often controlled by specific ethnic minorities. Sri Lanka also experienced upsurges in international philanthropy because of the 2004 tsunami and its decades-long civil war. These events changed the texture of local forms of giving, also influenced by the country’s long exposure to international and local charities in the colonial and post-colonial periods (Silva 2014b; Fernando 2007). Moreover, globalization and economic liberalization have led to the emergence of a dynamic private sector, one now pursuing a range of activities under the heading of “corporate social responsibility.” In the post-war era, a form of “philanthronationalism” (Widger 2013) has emerged, through state celebration of “war heroes” and efforts by the Tamil diaspora and Sinhala Buddhist and Islamic foundations to assist “victims and survivors of war.” All these factors require that we assess the role of ethnicity and religion as drivers of CP in Sri Lanka.

Methodology of the Study

The current paper will present two case studies addressing different ethnic and religious contexts as drivers of CP in the Colombo area. The

1 This research received financial support from the Department for International Development (DFID) through the UK Economic and Social Research Council. For a summary of findings of this study see Osella, Stirrat, Silva, Kabir, Alikhan, and Widger 2014.

first discusses CP efforts rooted in the Indian Tamil community, and the second CP efforts centered on the Gangarama Temple, a leading Buddhist center in Colombo. These case studies formed one component of the larger “philanthroscape” project, which used a range of quantitative and qualitative procedures:

- An analysis of secondary data on population and charitable organizations in the Colombo Municipal Council (CMC) area.
- A survey of 747 households in Colombo city, selected through the cluster sampling method. Employing a structured questionnaire, this survey assessed household engagement in CP as donors and recipients over a specified period and their motivations for charity, including religious, political and social and humanitarian concerns.
- An organizational survey covering 250 businesses, 50 public sector agencies, and 50 charities selected through snowball sampling technique. This survey assessed philanthropic practices, sources of funding, services provided, and impact achieved.
- A series of case studies analyzing the social processes involved in formation of charities, the involvement of stakeholders, the pursuit of social, cultural and political agendas, and the outreach of the services provided. The case studies employed Key Informant Interviews with leaders of the relevant organizations, collection and analysis of secondary data from these organizations and group discussions with selected beneficiaries of their CP.

The case studies presented in this essay, which come under the heading of (4) above, must be understood in the light of the larger ethnic and religious profile of the Colombo urban population and ethnic monopolies in trade, employment, and national politics.

2. Ethnic and Religious Composition of the Colombo Urban Population

The presence of four global religions (Buddhism, Hinduism, Christianity and Islam) in Colombo provides a useful context not only

for the relationship between religion and charity, but also for the circulation of aesthetics and practices between religious groups and between religious and secular organizations. Demographically, central Colombo has a preponderance of ethnic minorities connected with trade and commerce, while the urban fringe has an overwhelming majority of Sinhala Buddhists. In recent decades, the inflow of war-displaced Tamils and Muslims has further reinforced these patterns. In the population census of 2012, the Tamils and Muslims together constituted 74 percent of the population in the Colombo Divisional Secretariat Division (DSD), followed by 44.7 percent, 37 percent and 32 percent in the adjacent divisions of Thimbirigasyaya, Dehiwala and Kolonnawa respectively. In contrast, the Sinhalese constituted over 90 percent of the population in all suburban DS divisions. Correspondingly, Muslims, Hindus and Christians together constituted over 80 percent of the population in Colombo DSD, followed by 51 percent in Thimbirigasyaya DSD, while Buddhists comprised over 90 percent of the population in most suburban DSDs (Silva 2013a).

Ethnic Monopolies and Niches

Ethnic monopolies in commerce add a further dimension to the potentially volatile ethnic composition of the Colombo urban population. Much of the commerce in central Colombo is controlled by Muslims, Sri Lanka Tamils, Indian Tamils, and trading groups of Indian origin. In Pettah, the central business district of Colombo, each street specializes in a particular trade controlled by a minority ethnic group.² For instance, Sea Street is famous for jewelry businesses, owned mostly by Indian Tamil traders. Similarly Keiser Street, famous for electronic appliances, is primarily controlled by Jaffna Tamil traders. Further, many of the newly established clothing chains in Colombo are owned by Muslim businessmen, who also control overseas employment agencies sending workers to the gulf region. Few powerful Sinhala business interests exist in Pettah; a handful of Sinhala traders who import fruit in 4rd Cross

2 Field research conducted by the author on charity and philanthropy in Colombo city. For details see Silva (2013b).

Street provide one exception.

Urban Colombo therefore provides a classic case of “market-dominant ethnic minorities” (Chua 2004: 2). Even though many ethnic minorities, Muslims in particular, live in inner-city low-income neighborhoods in Slave Island, Pettah and Maradana,³ their compatriots — those who have accumulated capital, business acumen, contacts and trade secrets — control the pulse of the urban economy. These minorities benefitted disproportionately from the newly-created opportunities that followed Sri Lanka’s shift to economic liberalization in 1977 (Gunasinghe 1996). While some Sinhala businesses have also emerged in response to market incentives, they often find it difficult to break into economic niches and business cartels with well-entrenched ethnic minorities.

On the other hand, democratization has concentrated political power in the country in the hands of the Sinhala ethnic majority. The tensions between the economic power of commercially-oriented ethnic minorities and the state apparatus controlled by the ethnic majority underpin much of the broader social tension in urban Sri Lanka. Amy Chua usefully elaborates this process on a global scale: “Markets concentrate wealth, often spectacular wealth, in the hands of a market-dominant minority, while democracy increases the political power of the impoverished majority” (Chua 2004: 6). The actual pattern observed in urban Sri Lanka appears more complicated: each ethnic community is internally differentiated along class lines, with a strong ethno-nationalism as a unifying force across classes within each community. For instance, the Sinhala-Buddhist suburban population in Colombo has upwardly-mobile Sinhalese dominating government employment and small businesses, while poorer Sinhalese largely comprise the shanty neighborhoods on the urban fringe. Much of the support for pro-Sinhala Buddhist political parties (such as Jathika Hela Urumaya, Mahajana Eksath Peramuna and the newly-formed Bodu Bala Sena) tends to come

3 The Urban Development Authority (UDA) has targeted these inner-city slum communities for clearance and housing improvement. At the time of this study the UDA was headed by Mr. Gotabaya Rajapaksa, a brother of the then President of Sri Lanka, who also served as Defense Secretary.

from these suburban Sinhala Buddhist concentrations, irrespective of their social class background.

The ethnic minorities controlling certain businesses in Colombo consider them hereditary ethnic entitlements. Similarly, the middle-class Sinhalese who have benefitted from state policies in education, official languages, and business nationalization have largely appropriated public-sector employment, with its regular salaries and employment security. Lately, some Sinhalese have also set their sights upon breaking into the trade monopolies of ethnic minorities. This in turn has led to incidents of anti-minority sentiment among Sinhala Buddhist nationalists, with ample support from emerging Sinhala traders (Silva 2013a).

3. Case Study One: CP among Sea Street Traders⁴

The Indian Tamil traders in Pettah have an active voluntary organization aimed at promoting education among plantation youth. This organization rests upon the ethnic sentiment and social concerns of the Indian Tamil business community in Pettah, concentrated in Sea Street (SS).

(1) The Social Context of Sea Street

As the locus of the high-end jewelry business in Colombo, SS is one of the richest streets in the city. Some 2000 jewelry shops reportedly existed in SS at one time,⁵ but many of them closed down during 1983 riots. In 2013, SS had around 400 functioning jewelry shops, with an estimated average daily turnover of Rupees 50 million (Perera and Parathalingam 2013). The jewelry business drives a layered bazaar economy that includes jewelry workshops, valuation and certification outlets, and eating houses.

4 An earlier version of this case study was presented in a CPD project dissemination workshop held in Colombo on 2 July 2013 (See Silva 2013b).

5 Based on anecdotal accounts received during fieldwork interviews.

Of the estimated 400 jewelry shops, roughly 350 are owned by Indian Tamil trading families. The shops originally belonged to Chettiars of Indian origin, who returned to India following passage of the Citizenship Act in 1949. The ownership of these businesses gradually transferred to Indian Tamils, many of whom had initially worked as assistants in the same shops (Hullop 1994: 237). The contemporary Sinhala name for SS, Hetti Vidiya, indicates that the street was originally under the control of Chettiars. Many of the current traders are Indian Tamils originating from the up-country plantation regions of Nuwara Eliya, Hatton, Dickoya and Talawakale. Typically, these traders had humble beginnings, first moving to Pettah as shop assistants, but gradually moving up the ladder to become jewelry shop owners through sheer hard work, frugal lifestyles, wise investments, and exploitation of commercial niches. A good number of SS traders are related to each other.

Employers typically select shop assistants and jewelry workers from within the ethnic community, using existing contacts. This has promoted trust, loyalty and honesty, qualities deeply appreciated in the jewelry trade. An estimated 4000 to 5000 workers, largely of plantation origin, live and work in SS. Their living quarters on the crowded upper floors of shop buildings add to the community spirit. An ethnographic study in the 1980s traced the pathways through which plantation youth exploited ethnic, caste and kinship relations in their upward social progress (Hullop 1994). On the whole, ethnicity, kinship and caste play vital roles in the formation of social and trading networks among traders in SS jewelry business.

Even though Muslims control most commercial activities in Pettah, they have not been able to gain an upper hand in the SS jewelry trade. Muslims own roughly about 50 jewelry shops in SS, some of which specialize in the gem trade. Ethnic tensions from 1983 onwards did serve to undermine the trade monopolies of both Jaffna Tamil and Indian Tamil entrepreneurs in Pettah, with corresponding advances by Muslim and Sinhala traders. However, they have not succeeded in displacing Indian Tamil interests in the jewelry business. Sinhalese jewelry traders own only two shops in SS, indicating a definite underrepresentation in this particular trade.

The social organization and culture in SS has a distinct Indian Tamil flavor. The New Kadiresan and Mutuvinayagar Kovils (Hindu shrines) attract many devotees. The Kadiresan Hall in a nearby street often hosts Hindu weddings and cultural activities. The Indian Tamil business community also celebrates key events in the Hindu calendar, such as the annual vel festival.

Gold jewelry creates material and symbolic capital for all Sri Lankans, irrespective of ethnicity and social class. It constitutes the main mobile asset owned by women, who often receive it as part of their dowry; women customarily visit SS prior to marriage and puberty ceremonies. Widely advertised in mass media, the SS gold houses try to establish a permanent clientele across ethnic divisions. Regardless of their ethnic backgrounds, sales workers have a good command of Sinhala and Tamil. Thus, in spite of the ethnic monopolies, the jewelry trade caters to a multiethnic clientele, a fact that explains its market success and survival over the years.

(2) Charitable Activities

The diverse charitable activities of gold houses defy neat classification. They include actions designed to promote smooth interpersonal and business relations across ethnic divisions, as well as activities by community leaders to assist fellow co-ethnics.

We identified four types of charity among jewelry traders:

- Distribution of alms to beggars who visit the shops on Fridays (dharmam). This is perhaps the commonest charitable activity in Pettah. Roughly 1500 beggars visit each shop in Pettah on Friday and each shop gives a coin (Rupees 1-5) to each. The identity of these beggars remains unknown; staff dispense with them quickly, simply leaving a coin on a tray for silent collection by each visitor. The label dharmam identifies this custom as a morally prescribed Hindu practice.
- Contributions for welfare (orphanages, elderly and disabled homes) and religious activities (e.g. Wesak, Poson), for which program

- organizers solicit funds from individual shops. Typically, fundraisers visit gold houses already known for their generosity.
- Sponsorship of kovil activities in Pettah and in plantation areas.⁶
 - Contributions promoting education for plantation children. A number of jewelry shops used to make individual contributions to plantation schools from time to time. Since 2006, this has become a more systematic joint activity of all Sea Street Indian Tamil shop owners, as we shall see in the next section.

In contrast to charitable activities listed above under and 1 and 2, which are open to everyone regardless of ethnicity and religion, kovil sponsorships and educational contributions by SS gold houses primarily target their own ethnic community. The next section focuses on these educational initiatives and the vital question of why SS traders have jointly embarked on sponsorship of plantation youth.

(3) Charitable Operations through the Upcountry Education Development Society (UEDS)

The UEDS was established by six Indian Tamil SS merchants on August 26, 2006. Gradually, the membership has increased to over 1000 registered members from various streets in Pettah, with SS as its primary hub. Registered as a public enterprise under the Registrar of Companies, the UEDS has a 48-person Management Committee, which elects the Board of Directors and key office-holders from its members for three-year terms. The Management Committee meets once a month and the Board of Directors once every three months. The organization has four paid workers, consisting of the Director, Assistant Director and two secretaries. Members serve voluntarily in various capacities as organizers of specific events or providers of services — including, for example, a legal advisor, media secretary, and sports coordinator. While membership is not limited to the Indian Tamil community, Tamils

⁶ Kovils are Hindu shrines devoted to one or more designated gods such as Skanda or Vishnu. The kovils engage in fundraising for annual festivals, shrine restoration work, or for their own charity work among their devotees.

constitute the organization's largest constituency. When the organization needs additional funds for specific programmes, it always approaches the three leading gold houses in SS, which typically comply. The President and the Executive Director in 2013 were jewelry merchants who had been with the organization from its inception.

The motto of the UEDS is “opening eyes through education.” At its inception, the organization identified education as a key to empowering the community and diversifying their livelihoods away from plantation labor. While the Indian Tamil jewelry merchants had moved out of plantation work through the business route — the only avenue available to them given the restrictions imposed by the plantation system — this could only liberate a small fraction of the community, as Hullop noted (1994). The traders felt that they had a moral obligation to help those remaining on the plantations to explore other avenues of advancement and other means of escaping an oppressive system. They also clearly understood that this could not be achieved through private charity targeting specific individuals (characteristic of their earlier charitable practice), but rather through a process of social mobilization from above.

In order to facilitate educational development, the UEDS carried out several activities during 2011-2013, as discovered during our field investigations.

- The organization awarded scholarships to deserving undergraduates of plantation origin. In 2013, some 140 scholarship recipients attended various higher educational institutions in Sri Lanka and abroad. Each scholar received Rupees 1000 per month from the UEDS as support for their education. Newspaper advertisements informed potential applicants about the scholarships; a committee of university academics connected to the community selected the scholars, taking into account their academic merit and parental income level. The scholars contacted by the researchers felt that this financial assistance — though not sufficient to cover all their expenses — had helped them continue their university education.⁷

⁷ As part of the current study, we conducted Focus Group Discussions with a number

- The UEDS financed several activities designed to improve the quality of education in plantation areas. These included construction of library buildings, latrines, and classrooms in selected underserved schools; supplying books and computer facilities; payment of salaries for a total of 20 volunteer teachers; and providing school bags and uniforms to selected students from impoverished families.
- The UEDS organized coaching classes for Year-Five Scholarship Examination⁸ and seminars for GCE (AL) students in up-country areas. It engaged some 45 qualified teachers from Colombo and elsewhere to provide tuition to schoolchildren on the plantations. Some of the invited teachers provided their services voluntarily as a community service. These coaching sessions, in turn, aimed to help plantation children enhance their prospects in Sri Lanka's intensely competitive educational system.
- The organization took steps to register sports clubs on plantations and provide them with some basic sporting equipment. It also organized cricket tournaments to encourage youth to take up sports. In a cricket tournament organized on 3 July 2012, some 40 teams participated, mostly from plantation areas. Several star cricketers from Colombo also attended as guests.

In addition to educational services, the organization provided immediate relief to plantation residents caught in disasters such as earth slips and floods.

Unlike most institutional CP programs in Sri Lanka relying on overseas funding, the UEDS manages itself through member contributions. The organization draws from four funding sources, namely a monthly membership fee of Rupees 200 (paid by 400 out of 450 active members in 2013), voluntary contributions by former

of UEDS-supported plantation-origin undergraduates at University of Peradeniya.

- 8** The students who obtain marks above a set cutoff point are admitted to popular schools with better facilities for the rest of their primary and secondary education. This is one of the avenues allowing gifted children from low-income families to move up the education ladder.

scholars who have found employment, fundraising activities, and extra grants by larger gold houses. In 2012, cricket lovers who visited the annual tournament paid an entrance fee. According to information provided by UEDS staff, in 2013, a concert by visiting Indian artists (led by a blind musician) took place in Kadiresan Hall as a UEDS fundraiser. As noted above, additional funds for events often come from solicitations to leading SS gold traders.

The UEDS leadership stresses that it is not a political organization and has no affiliation with any political parties. During our interviews with UEDS leaders, they maintained that the organization did not benefit Indian Tamils alone, but extended some services to deserving persons in other communities as well.

Thus, we may consider the UEDS an ethnically-driven charity, one that has opened up avenues of upward mobility for fellow co-ethnics still anchored in manual labor on colonial-era plantations. What is striking is that a group of affluent merchants collectively decided to use a portion of their profits to help the plantation children overcome the prevailing barriers to their educational and social advancement. The trade monopolies deploy ethnicity to promote self-interest and avert business competition; the UEDS actions, by contrast, invoke ethnicity to promote social responsibility and mobilize generosity among affluent Indian Tamils. In this instance, social networks within the ethnic community do the fundraising, while an organized charity with specific ethnic and social concerns disburses the educational funds. To the extent that a sense of social responsibility towards their poorer co-ethnics motivates these traders, their efforts certainly represent something more than “philanthrocapitalism” (Bishop and Green 2008) with business interests driving CP.

This first case study describes the genesis and gradual institutionalization of CP arising within a specific ethno-religious community; the next addresses an existing religious institution where CP has evolved to embrace various communities.

4. Case Study Two: the Role of Gangarama Temple in CP⁹

The Sri Lankan Buddhist temples receive large amounts of devotee donations (Samuels 2007, Gombrich 1991). In popular Buddhism, *dāna* (almsgiving) and contributions towards the upkeep of temples and monks appear as deeply meritorious acts, with positive consequences for the donors (Spiro 1970). Some Buddhist temples also engage in philanthropy targeting disaster victims and needy people in general. Examining the social services of the Hunupitiya Gangarama Temple (GT), this case study explores the changing role of Buddhist temples in the Colombo “philanthroscape.” Building on the work of Obeyesekere (1970), Gombrich (1991), Seneviratne (1999) and Malalgoda (1976), we examine Buddhist engagement with CP in modern Sri Lanka. Our primary data come from key informant interviews conducted from November to December 2013 with the chief monks, lay devotees and donors of GT, along with group discussions with selected beneficiaries, analysis of temple records, and first-hand observation.

Located in the heart of Colombo on the bank of Beira Lake and close to the central business district, GT has multiple linkages with various business houses. Its proximity to the official residence of the Sri Lankan President, and a deliberate policy of cultivating good relations with all political leaders regardless of party affiliation, have added to its visibility and significance.¹⁰

The population around GT is multiethnic and multi-religious, with a significant presence of Muslims, Tamils and Christians. The local Buddhists actually form a minority, as per the demographic profile discussed earlier. Similarly, Muslims and Malays outnumber the Sinhala Buddhists in local congested low-income neighborhoods. GT has traditionally relied on a range of Buddhist and non-Buddhist patrons,

9 A preliminary version of this case study was presented in a workshop on Charity, Philanthropy and Development held in University of Sussex, 14-15 May, 2014. See Silva 2014b.

10 These statements are based on the interviews conducted by the researcher with chief monks of the temple during November-December 2013.

both from the city and abroad.

(1) History of the Gangarama Temple

The scholar-monk Hikkaduwe Sumangala founded the temple in 1885, sometime after establishing the Vidyodaya Pirivena.¹¹ Initially, it was a small *asapuwa* (an urban monastery with one or more Buddhist monks) in a marshy area bordering the Beira Lake. Over the years the temple established good rapport with local Buddhists, Christians and Muslims.

In tracing the history of Sri Lankan Buddhist revival, Seneviratne (1999) identified two lineages, namely the Vidyodaya tradition of social service and rural development and the Vidyalandara tradition, representing militant Sinhala Buddhist nationalism. Emanating from the revivalist spirit of Anagarika Dharmapala, these two traditions merged and intersected at various points. Modern Buddhist philanthropy in Sri Lanka started during the malaria epidemic of 1934-35 through the rural development movement of the Vidyodaya group. (Silva 2014b).

Many patrons of this temple are members of the Colombo elite. In addition to elderly female devotees, all temple activities have strong youth participation. The temple has received various donations from patrons in Sri Lanka and abroad, including numerous non-Buddhists. For instance, the distinguished Sri Lankan architect Jeffrey Bawa designed the *Seema Malaka* (used by monks during their higher ordination ceremonies) on a small island in Beira Lake, with funding from the Muslim Musarjees family.¹² Similarly, in 1890 a Christian businessman donated the first printing press used for Buddhist texts printed at GT. The temple owns an extensive tea plantation of 999 acres in Akurassa (the gift of a private donor) and several crown lands donated by politicians in power.

On the other hand, the temple has organized a range of social services, development and philanthropic activities targeting the poor,

11 A monastic college (*pirivena*), forerunner of Vidyodaya University. According to Seneviratne (1999), Vidyodaya Pirivena was founded in 1873.

12 Personal communication with Reverend Assaji of Gangarama Temple.

elderly, disabled and orphans. From its inception, the temple encouraged the resident monks to engage in social services. A senior monk noted that as a young monk he received training in such services at the Tewatta Church in Ragama. The routine religious activities conducted by the temple include sathipirith (week-long pirith chanting to bless devotees), pindapatha (monks going house to house seeking alms), Navam Perahera (annual procession organized by the temple) and Wesak celebrations to mark important life events of Buddha, and free food (dansal) for devotees visiting these celebrations.

(2) The temple as a leader in Buddhist philanthropy

GT has embarked on a number of social services in collaboration with the government, private sector, and international donors.

(3) Vocational Training Programs

In the aftermath of the JVP uprising in 1971— and citing youth underemployment as one of its main causes — the temple initiated a vocational training programme for school dropouts and jobless youth, using a nearby building supplied by a private donor. The year 1973 saw the establishment of the Sri Jinarathana Vocational Training Centre as an independent institution affiliated with the temple. In 2013, this Centre had 7000 trainees following a total of 40 courses, offered in training locations in Colombo and elsewhere and covering a variety of fields — motor mechanics, welding, plumbing, driving, electronics, IT, and printing. The temple secured the equipment needed for training programmes at concessionary rates from known suppliers in Colombo. The training is provided free of charge, with some companies covering the costs involved in order to attract trainees for their own workshops. Selected through public advertisement, trainees come from varied ethnic and religious backgrounds. Buddhist religious instruction does not appear in the curriculum, reflecting the ethnic and religious diversity of the trainees. A leading vehicle importer in Colombo, Demo Limited, supports the training of drivers. The temple assists in the job placement of trainees, using its contacts in the private sector. It also promotes self-

employment after training through financial support, marketing services, and other follow-up activities.

(4) Assistance to Rural Temples and Pirivenas

In 2010 and 2011, GT initiated a number of activities to assist underserved rural temples. A devotee from Thailand funded this program, proposed by chief temple prelate Podi Hamuduruwo during a visit to that country. This initiative includes the distribution of stainless steel bowls and money for monks in remote areas, and upgrading their water and sanitation facilities.

(5) Assistance to Devotees of the Temple

The temple has established a wedding hall on its premises to permit devotees to conduct “Buddhist weddings”¹³ free of alcohol, as a way of encouraging newlyweds to adopt a Buddhist lifestyle. The temple also provides a free breakfast consisting of milk, rice and herbal drinks (kolakanda) every day to about 100 persons visiting in the early morning, usually for religious observances. This breakfast, however, is not restricted to Buddhists; some local Muslims also take advantage of the free meal.

(6) Tsunami Response

GT carried out its own tsunami response in Seenigama (southern Sri Lanka), an area severely affected by the disaster. Under the leadership of Podi Hamuduruwo, devotees provided immediate relief to tsunami survivors by supplying cooked food, dry goods, clothing and medicines, along with emergency shelter for those displaced. Nine hundred families,

13 Gombrich and Obeyesekere (1988) report that this idea of a Buddhist wedding has arisen in other Buddhist establishments in Colombo. The authors argue, however, that this practice has no basis whatsoever in tradition: Buddhist monks committed to a life of celibacy and free of secular engagements had no involvement whatever in wedding ceremonies.

identified through local contacts, received prefabricated building materials, and trainees from the Jinarathana Training Centre came forward to assist shelter construction.¹⁴ Impressed by this emergency housing response, the widow of Edwin Thilakaratna, a leading local politician, donated a five-acre land for a permanent housing project for the tsunami survivors; GT built 50 housing units using funds generated in Sri Lanka and abroad, and distributed them among the more deserving families¹⁵ as temporary shelter.

(7) Homes for the Elderly, the Disabled, and the Abandoned Children

GT administers a number of homes for the destitute, mostly outside of Colombo (Gangarama Temple 2011). The Suhada Nivasa orphanage in Madiwela, Kotte accommodates a total of 50 disabled or abandoned children; Kataragama has a similar establishment. GT maintains these houses through voluntary contributions from devotees. The beneficiaries belong to various ethnic and religious backgrounds; Tamils and Muslims displaced by the tsunami and by war in eastern Sri Lanka account for many of the residents in the Kataragama Home. These homes provide accommodation, food, clothing, and medicine and attend to other needs, such as eyeglasses for elderly, wheelchairs for disabled and school education for children.

(8) Heritage Project

The temple has pioneered the collection and preservation of valuable cultural artifacts, including ola leaf manuscripts and photographs of temple paintings. Sri Jinaratana Thero began these efforts in the 1960s, identifying them as an important national priority and implicitly acknowledging a cultural conservation role for the temple. This also touches on the concept of “philanthronationalism” (Widger 2013), and

¹⁴ For details see Gangaramaya (2011).

¹⁵ The GT defined “more deserving” the tsunami-displaced families who had lost the chief breadwinner, those who had nowhere else to go, and larger families; all received priority over others in selecting beneficiaries of the housing scheme.

suggests that the temple also subscribes to the cultural preservation aims of Sinhala nationalist ideology, along the lines of the Vidyalkara tradition. Some of these artifacts have come to the temple via devotee donors, who identify GT as the most suitable venue for preserving these national treasures. The temple has also purchased some antiques and religious paraphernalia from various dealers who would otherwise have exported them to foreign collectors.

In summary, GT's pathway to Buddhist philanthropy points to the continued engagement of Vidyodaya Buddhist temples in social services, with increased vigor following the 2004 tsunami and the end of war. Further, the temple also shares in the Sinhala Buddhist ideology inherited from the Vidyalkara tradition, indicating the interpenetration of these different revivalist Buddhist orientations.

As for drivers of CP, this study found that religious motivations often combined with secular and humanitarian concerns as well as political and social interests. Significantly, the chief monks have collaborated with Colombo business families, the political leadership, and international partners wherever possible. A combination of support from private philanthropists, private businesses, temple funds, government agencies and international patrons has collectively facilitated GT's CP work. Much of the temple's success derives from its strategic position for attracting funding and institutional support from a variety of sources, and its ability to mobilize volunteers — not only from its devotees but from a range of other actors, including beneficiaries.

There are also elements of “philanthrocapitalism” in the business-centric nature of many services provided by the temple. One might cite vocational training, efforts promoting loyalty to employers, linkages with the tourist industry, and temple involvement in profitmaking operations, such as plantations and pilgrim services.

Finally, “philantronationalism” only plays a limited role in the CP efforts of this leading Buddhist temple in Colombo. Temple outreach did not limit itself to Sinhala Buddhists, either in terms of fundraising or in selecting beneficiaries. Even though its linkages with the ruling political elites and its concern for preserving cultural heritage may point to nationalist tendencies, the social constituency of the temple is multi-ethnic and multi-religious, preventing a parochial ethno-religious

orientation in its activities. This appears an important lesson of the present study, and one that has broader relevance in policy debates surrounding CP.

5. Conclusion

The two case studies presented here describe how ethnic and religious sentiments along with various other motivations drive CP in Colombo. In conclusion, we may explore the social mobility and harmony implications of our findings.

As regards social mobility, both case studies illustrate the perception that education and training provide pathways for upward social mobility, for disadvantaged youth in particular. In the UEDS, this entailed provision of scholarships and other services for plantation youth to assist them in their educational pursuits. Given their disadvantaged position, stemming from their hereditary bondage to plantation labor, this assistance appears as a radical move to open up education for the socially and ethnically marginalized. In this instance, ethnic sentiments towards poorer co-ethnics merge with generosity among the Indian Tamil traders in Colombo. To the extent that these inducements expanded educational opportunities for plantation youth, they facilitated their upward social mobility along pathways that had historically excluded them. Similarly, vocational training initiated by the GT sought to train unemployed youth, as a means both to wean them away from JVP and help them enter the workforce. Despite quite different circumstances, in both instances support for education and training came from the privileged layer of society to promote the upward mobility of disadvantaged youth.

In both the UEDS and GT, CP actions clearly mobilize ethnic and religious sentiments to varying degrees. The UEDS fell more in line with an ethnically-driven generosity, in that the rich Indian Tamils collectively embarked on assistance for plantation youth, primarily targeting their poorer co-ethnics. This is understandable, given that the plantations have limited facilities for education and continue to experience bottlenecks towards educational advancement; moreover, as

an ethnic minority, Indian Tamils have traditionally faced obstacles to upward mobility, due to poor facilities for Tamil-language education in plantation areas, low enthusiasm for education, and prior inclination to join plantation labor (Little 1999). While its programs certainly did not benefit Sinhala Buddhists alone, GT practices a CP that shares the hegemonic Sinhala Buddhist ideology of the state. Contributions by GT to the celebration of war heroes and its provision of religious services and blessings to the predominantly Sinhala Buddhist military indicate that the temple has established a niche in the philanthronationalism that has evolved since the civil war. The leading monks of the temple, however, have stressed that its services cater to the urban population in general, irrespective of their ethnic and religious backgrounds.

The two case studies reaffirm that the landscape of CP in the city of Colombo by no means maps along ethno-religious lines alone. The charity of jewelry traders in Colombo extends to those outside their ethnic network as well, in gifts to beggars and many others seeking their donations. In the case of GT, some Malay and Christian business families rank among the leading patrons of the temple, and its social welfare schemes tend to accommodate Buddhists and non-Buddhists alike — according to their needs rather than on the basis of their ethno-religious identities. In many ways, the temple has sought to transcend the ethno-religious as well as class divides in society, by cooperating with the Sinhala-Buddhist political elite on the one hand and the largely non-Sinhala business elite on the other. Its success largely rests upon the intricate ways in which it has won the trust of diverse interest groups, including the urban elite and the urban poor, the Sinhala Buddhists, and ethno-religious minorities.

At the policy level, it must be recognized that CP driven by ethnicity and religion plays a useful role not only in social welfare and social support but also in facilitating social mobility of the underprivileged. The state may even support such charitable activities where they have a transformative impact by opening pathways to upward social mobility for the historically underprivileged. Tax relief for financial contributions to organizations such as the UEDS might help the state stimulate such activities. On the other hand, GT illustrates how CP may invoke a humanitarianism that transcends religious and ethnic divides, in

fundraising as well as in serving war victims, unemployed youth, and the disabled, regardless of their origins. This in turn warns us against any state policies or programs, such as the celebration of “war heroes,” that may hinder social harmony among ethnic and religious communities by turning one community against the other, and undo some of the good that CP has fostered.

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CHAPTER 9

Addressing Challenges of Social Mobility Across Excluded Groups

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1. Introduction

In India, recognized ethnic, caste and religious minorities constitute a sizable portion of the country's population. These mainly include lower castes (Scheduled Castes or SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and religious minorities such as Muslims. The Scheduled Castes include the former untouchables and the Other Backward Classes include the socially and educationally disadvantaged Hindu sections. The Scheduled Tribes include ethnic groups that have suffered from physical and social isolation and whose status resembles that of indigenous groups in other countries.

These excluded groups tend to suffer from high poverty as compared to the general population: 42.3 percent for SCs, 47 percent for STs versus 21 percent for "Others"(Table 9-1). Similarly, these groups have worse rates of malnutrition (SCs: 48 percent, STs: percent as compared to 34 percent non-SCs/STs), mortality, illiteracy, and unemployment (9.4 percent for SCs vs 5.3 percent for non-SC/ST), compared to the general population (Table 9-1).

Table 9-1 India: Caste and Ethnic Group Inequality 2009-2010

(unit: %)

Development Indicators		SC	ST	OBC	Others	Women	Muslims	ALL
Poverty								
1	Poor (Rural)	42.3	47.4	31.9	21.0	33.8	36.2	33.3
2	Poor (Urban)	34.1	30.4	24.3	12.4	21.8	33.9	20.8
3	Poor Agricultural Labour (Rural)	50.5	61.7	49.1	37.3	49.9	45.8	49.4
4	Poor Casual Labour (Urban)	53.8	61.0	42.3	47.0	49.0	52.5	47.2
Malnutrition and Under-nutrition								
1	Infant Mortality	66.4	62.1	56.6	48.9	59.0	52.4	57.0
2	Child Mortality	23.2	35.8	17.3	10.8	22.7	18.6	18.4
3	Children with Anemia	72.2	76.8	70.3	63.8	69.9	69.7	69.5
4	Underweight Children	47.9	54.5	43.2	33.7	43.1	41.8	42.5
Unemployment Rate (Rural)		9.4	6.3	6.5	5.3	8.2	6.1	6.8
Non-Agriculture Wages of		139	136	161	199	113	N/A	161
Literacy (2009-2010)								
1	Literacy rate Rural	62.4	61.6	68.1	77.0	58.0	64.9	68.4
2	Literacy rate Urban	77.3	81.2	83.2	90.6	79.8	77.9	85.6
Percentage of Non-Agriculture		40.4	21.4	41.7	55.5	27.2	61.0	43.4

Source: NSSO/GOI (2010); MHFW/GOI (2006)

The Indian state has developed affirmative action policies, based on constitutional provisions for the SC and ST groups and on administrative decisions, for the Muslim minorities (PC/GOI 2013).¹ These policies have brought about positive changes, but the gap in deprivation levels between the excluded groups (such as the SCs and

¹ The state has mostly followed economic and social empowerment policies for Muslim minorities, which are similar to pro-poor policies or anti-poverty measures undertaken for the poor. For example, The Multi-sectoral Development Programme (MsDP), formulated for 90 Minority Concentration Districts (MCDs), aims to address the “development deficits” of these districts and bring them up to the national average.

STs) and others remains wide. The deprivation of these groups aligns closely with processes of caste and ethnicity-based exclusion and varied forms of discrimination (Thorat and Sabharwal 2014). This involves the denial of equal rights and entitlements due to “unfair exclusion and/or (unfair) inclusion,” combined with discriminatory or differential treatment (Sen 2000). Such discriminatory practices may prevent affected groups from receiving entitlements and result in low income and poverty. Without some weakening of these exclusionary constraints, the marginalized groups may not see appreciable reductions in poverty or increases in social mobility.

This paper focuses on the exclusion and discrimination associated with the institution of caste. We first present the compensatory measures of the Indian State to address the past denial of economic and social rights; we next discuss the impact of these measures, and then address the current challenges these groups still face. The paper concludes with some policy recommendations for further alleviation of poverty and improving the chances of social mobility.

2. The Indian Constitution and Legal Safeguards against Discrimination

The Government of India’s (GOI) approach towards the empowerment of the scheduled castes and the scheduled tribes reflects the constitutional provisions guaranteeing “equality before the law,” which overturned the customary rules of the caste system (GOI 1950, Article 14). The Constitution empowers the state to make special provisions to provide legal and other safeguards against discrimination in multiple spheres, and to promote the educational, economic and political interests of SCs/STs². With the backing of these provisions, the government has enacted laws banning untouchability and protecting SCs and STs against atrocities. Additionally, governments have also provided benefits for

² The relevant provisions are GOI 1950, Article 15, Article 15 (4), Article 15 (5), Article 16 (4), Article 16 (4A), Article 17, Article 19 (g), Article 29 (2), Article 46, Article 330, Article 332, Article 342T, Article 243 D and Article 335.

these groups in employment, education and political participation. These, however, are limited to the public sector and do not include the private sector.

Therefore, the state's approach to group-specific constraints of SCs and STs includes two types of measures, as elaborated below.

- Measures against discrimination, including the following:
 - i. Anti-Untouchability Act of 1955 (renamed the Protection of Civil Rights Act in 1979; GOI 1955 and 1979), and the Scheduled Caste/Tribe Prevention of Atrocities Act of 1989 (GOI 1989) are legal safeguards to protect SCs and the STs against untouchability discrimination in public spaces, and against violence and atrocities. The Prevention of Atrocities Act aimed specifically to prevent violence against the SCs and STs by individuals of other groups;
 - ii. The Reservation Policy, which reserves a specific quota of positions in proportion to the population in the following areas:
 - a) Politics (Constitution of India, Part XVI, Special Provisions Relating to Certain Classes, Article 330, Article 332, Article 342 T),
 - b) Employment (Constitution of India, Part XVI, Article 335)
 - c) Education (Constitution of India, Part III, Fundamental Rights, Article 15-5);
 - iii. Reserved promotions for any class or classes of posts in state services, in favour of the SCs and STs (GOI 1950, Article 16 (4-A);
 - a) Reserved public procurement from micro- and small enterprises (MSEs) owned by SCs and STs (MMSE/GOI2012);
 - b) Reserved places in other public and state-supported sectors, including government housing and government spaces for shops (DDA/GOI 2012: 10).
 - vi. Special Provisions: an array of other special provisions accompanies reservation policies, designed to facilitate and to improve the ability of these groups to compete for government jobs and higher education. These include relaxations in the minimum age for entry in to the service, the minimum standard of suitability within reasonable limit (subject to required minimum qualification), and associated fees. Additionally, SCs/STs may

qualify for training fellowships or scholarships and pre-examination training. Finally, job selection provides for separate interviews for SC/ST persons and inclusion of experts from their backgrounds on selection committees (Thorat 2009; Sabharwal 2014).

vii. Targeted initiatives and group-specific focus of Affirmative Action policies: Besides reservation in employment, education and politics, the State has also developed various special initiatives exclusively focused on group-specific problems faced by the SCs and the STs. For example, a scheme addressing the manual-scavenging community provides capital to individuals for undertaking self-employment ventures (MSJE/GOI 2013; MHRD/GOI 2013).

- General measures for economic and social empowerment included as part of anti-poverty programmes.

The state's general anti-poverty policies include "embedded" preferential measures for the scheduled castes and the scheduled tribes groups to provide equal access to their services. For example, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) guarantees one hundred days of wage employment in a fiscal year for unskilled manual labor, to any adult member of a rural household. The programme has selected agricultural development of SC- and ST-owned land as one of its employment efforts (MRD/GOI2005).

(1) Implementation and Monitoring

The Central Government has developed administrative mechanisms for regulating, monitoring, and implementing the reservation policy and other programmes. These institutions comprise those (a) directly involved in regulating (that is, periodically preparing rules relating to reserved positions) and monitoring the fulfilment of the required quotas in central government services, (b) acting as investigation agencies in the event of violation of reservation, and lastly(c) those concerned with policy-making and overseeing the overall development of SCs and STs.

(2) Financial Mechanisms

The funds for the operation of reservation policies and for the general development of programmes for SCs/STs are earmarked in the government's annual budget. These special financial mechanisms are called the Scheduled Caste Sub-Plan (SCSP) and Tribal Sub-Plan (TSP). The SCSP and TSP channel the flow of funds (and hence the benefits) from the general sectors in the annual States and Central Ministries plans towards the development of Scheduled Castes and the Scheduled Tribes. The funds under SCSP and TSP are allocated in proportion (at a minimum) to the percentage of Scheduled Castes and Scheduled Tribes in the national population (16.2 percent and 8.2 percent respectively, as per the Census of India (2001)). The sub-plans include those development schemes that secure direct and quantifiable benefits to the SCs and the STs, both individuals and tribal region habitations (Ministry of Human Resource Development 2013).

The monitoring mechanisms to ensure planning, allocation, and utilization include a dedicated unit in the Ministry of Social Justice and Empowerment at the Centre as well as social welfare departments at the state level. The specific function of the Welfare Departments at the State level is to coordinate and supervise the implementation of the activities of other Departments designed for SC and ST development. Further, to ensure effective implementation of the SCSP and TSP, Andhra Pradesh (a state in India) recently enacted a law (Andhra Pradesh, 2013) that acts as a safeguard against diversion of the funds earmarked under SCSP and TSP for other purposes. The government has also created separate financial institutions to provide funds for the targeted programmes for SCs and STs. These include the National SC&ST Finance and Development Corporation (NSFDC), the Scheduled Caste and Tribes Development Corporation (SCDCs), and the National Safai Karamachari Finance and Development Corporation.

3. Impact of Policy on SC and ST Empowerment

This section examines the impact of the reservation policy on

employment, education and the composition of the legislature.

(1) Employment

Reservation of positions over the period discussed has, in fact, helped increase the representation of SCs and STs in government-funded services. As per the information in the 2011-2012 Annual Report from India's Ministry of Personnel, Public Grievance and Pensions India (MPPGP/GOI 2012), the representation of SCs in services increased from 13.17 percent in 1965 to 17.15 percent in 2011-12. Similarly, for STs, the representation in services increased from 2.25 percent to 7.16 percent in 2011-12 respectively. This increase in representation in services includes the safai-karamcharis (sweepers). Representation of SCs and STs in Group 'A' Services³ (which carry higher ranks and responsibilities) has also increased. From 1965 to 2011-12, representation of SCs in Group 'A' services increased from 1.64 percent to 11.6 percent, while the percentage of STs in this group has increased from 0.27 percent to about 4.5 percent (MPPGP/GOI 2012: 37-38).

One should note that these figures do not include many other government-funded spheres such as educational institutions; counting these sectors, the absolute number of posts obtained through reservations will increase further. Thus, during the last sixty years the share of SCs/STs in government services has improved quite significantly.

(2) Education

In the case of educational admissions, only limited estimates exist about the impact of reserved slots on higher education. In 2007-2008, the gross enrolment ratio (GER) in higher education for the scheduled

3 The Civil Services at the Union and State levels in India are classified into Group A (includes All India and Central Services), Group B, Group C and Group D based on ranks, roles and responsibilities. Group 'A' posts include senior management positions in Ministries/Departments. Group 'B' constitute the middle level in the government. Group 'C' are clerical staff. Group 'D' posts are low-level service workers, such as clerks, watchmen, cleaners and other support staff who carry out routine duties and other supporting functions.

castes was 11.6 percent, with 7.7 percent for the scheduled tribes. The GER in higher education for these two groups has recorded an increase overtime. For the SC group, the GER grew at 1 percent per annum from 1983-93 and at 0.08 percent between 1995-96 and 2007-08. The ST group also recorded an increase in their GER – at 2 percent annually from 1983-93 and at 0.06 percent annually from 1995-2008. However, compared to their percentage in the total population (16 percent and 8 percent respectively), the enrolment rate remains very low (Khan and Sabharwal 2012). It is difficult to estimate how many students have benefited directly from reservation. Weisskopf (2004) concluded that about a third of SC and ST students in desirable programmes had pursued higher education because of reservation policy. This amounts to about half of seven hundred thousand SC and ST students attending universities and enrolled in desirable institutes or programmes (Weisskopf 2004).

(3) Reserved Seats in the Legislature

The Constitutional provisions for legislative reservations mandates that seats be reserved in proportion to the population of SCs and STs in each state (Constitution of India, Article 330). In 2004, 75 seats of 543 (13.81 percent) in the Lok Sabha (House of the People: Lower House of the Parliament) were reserved for SCs and 41 seats (7.55%) for STs (Table 9-2). Of the total seats in the Vidhan Sabha (State Legislative Assembly), more than 2000 were reserved for SCs and STs. However, these percentages rest on the 1981 census of SCs and STs, and have not been updated to reflect the 2010 census (EC/GOI 2010; Sabharwal, Lal and Ojha 2013).

Therefore, the reservation policy has succeeded to a marked extent in placing the members of SC/ST communities in government services, educational institutions, Parliament, and in State Legislative Assemblies and other government bodies. However, in some job categories actual reservations fall short of their targets (proportion of SCs/STs in the total population of the country) and tend to cluster in certain services, departments and grades. For instance, in 2012-13 the lower categories of jobs, C (clerical) and D grade posts (clerks, watchmen, sweepers),

**Table 9-2 | India: Member of Parliament by Social Groups
from 5th to 14th Parliament**

S.No.	Election Year	Year	Number of Members of Parliament				Share of Members of Parliament (%)			
			SC	ST	Other	Total	SC	ST	Other	Total
1	5th Lok Sabha	1971	75	33	440	548	13.69	6.02	80.29	100
2	6th Lok Sabha	1977	64	33	462	559	11.45	5.90	82.65	100
3	7th Lok Sabha	1980	81	31	453	565	14.34	5.49	80.18	100
4	8th Lok Sabha	1984	79	43	449	571	13.84	7.53	78.63	100
5	9th Lok Sabha	1989	81	37	413	531	15.25	6.97	77.78	100
6	10th Lok Sabha	1991	78	39	427	544	14.34	7.17	78.49	100
7	11th Lok Sabha	1996	79	38	428	545	14.50	6.97	78.53	100
8	12th Lok Sabha	1998	74	39	432	545	13.58	7.16	79.27	100
9	13th Lok Sabha	1999	83	41	443	567	14.64	7.23	78.13	100
10	14th Lok Sabha	2004	75	41	427	543	13.81	7.55	78.64	100

Source: Sabharwal, Lal and Ojha (2013) GOI (2010)

account for almost 93 percent of total reserved SC/ST posts in the government(MPPGP/GOI 2013: 43).

4. Improvements in Mobility, but Gaps Still Persist

Notwithstanding these gains in the last fifty years or so, the gap between the SCs and the other sections of the Indian society still persists, as the SCs lag behind in a number of development-related indicators. Statistics summarized in Table 9-3 indicate that in 2009, a lower

|| Table 9-3 || India: Access to Agricultural Land and Capital Assets: Distribution of Workers (UPSS) by Household Type, Sector, and Social Group in 2009-2010 (percentage)

Sector and household type	ST	SC	OBC	Others	Total
Rural					
Self-employed in non-agriculture	6.6	13.1	17.0	18.0	15.1
Agricultural labour	32.9	39.5	24.4	16.5	26.9
Other labour	12.3	22.1	13.1	10.3	14.4
Self-employed in agriculture	43.1	19.9	40.4	46.4	37.6
Others	5.1	5.4	5.1	8.9	6.0
Total	100.0	100.0	100.0	100.0	100.0
Urban					
Self-employed	27.8	29.1	44.3	44.6	41.6
Regular earning	42.5	40.1	34.5	46.1	40.6
Casual labour	25.9	28.5	19.4	7.5	15.9
Others	3.8	2.3	1.7	1.8	1.9
Total	100.0	100.0	100.0	100.0	100.0

Source: NSSO/GOI (2010)

proportion of the SC group had acquired access to capital assets as compared to the non-SC/ST group. In rural areas, 20 percent of the SC households were self-employed in agriculture, compared with 46 percent among the non-SC/STs. Similarly, in urban areas 29 percent of the SC households were self-employed, as compared to 45 percent among the non-SC/STs household. About 66 percent of the SC households derive their incomes from wage labour, compared to 27 percent for the non-SC/STs — a much higher level of wage dependence (Table 9-3). Employment rates and wage earnings have also tended to be low. Unemployment rates among them are at 9.4 percent – nearly twice that of other groups (5.3 percent) (Table 9-1). The literacy rates are also lower for the SC group as compared to the non-SC/ST group — 62 percent versus 77 percent of others (Table 9-1). Inequalities of similar magnitude exist in health status (Table 9-1). The prevalence of anaemia among women and the mortality rate among children are also high, as

compared to the non-SC/STs. The cumulative impact of these deprivations appears in the high incidence of poverty—about 42 percent among Scheduled Castes versus only 21 percent among non-SCs/STs (Table 9-1).

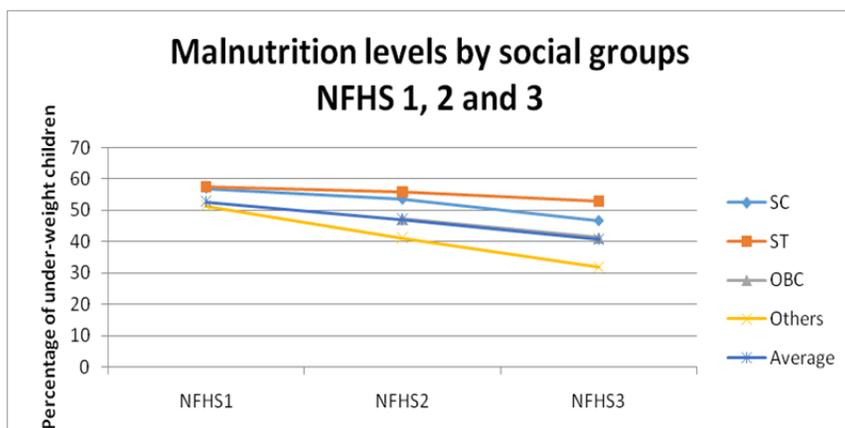
In the case of STs, about 47 percent were poor in contrast to 21 percent of non SCs/STs. The literacy rates among them were much lower, 62 percent as compared to 77 percent among others in rural areas and 81 percent versus 91 percent for urban areas. Unemployment rates among the STs were higher (6.5 percent) than among non-SCs/STs (5.3 percent). In sum, although the status of the SCs and STs over the period under consideration has shown marked gains, their rate of improvement has been slower. Hence, disparities among the non-SC/STs and the SCs/STs persist, indicating lower levels of human development among them. As we can see from Table 9-4, compiled by Thorat and Dubey (2012), in

|| Table 9-4 || India: Average Annual Change in Poverty Rates by Household Types in Rural Sector 1993–1994 to 2009–2010 (percentage)

Socio-religious Groups	Rural				Urban			
	ST	SC	Others (non-SCs/STs)	Total	ST	SC	Others (non-SCs/STs)	Total
Self-Employed in Non-Agriculture	-2.8	-2.6	-3.1	-2.9	-2.6	-2.0	-2.5	-2.4
Agriculture Labour	-1.6	-2.3	-2.4	-2.3	-3.3	-3.0	-3.1	-3.0
Other Labour	-2.1	-2.1	-2.7	-2.5	-0.6	-1.7	-1.9	-1.8
Self-Employed in Agriculture	-2.4	-2.2	-3.1	-2.8	-	-	-	-
Others	-2.9	-1.7	-3.8	-3.2	-1.2	-2.2	-3.5	-3.2
All	-2.2	-2.4	-2.8	-2.6	-2.1	-2.1	-2.4	-2.3

Source: Thorat and Dubey (2012).

Figure 9-1 India: Malnutrition Levels by Social Groups (NFHS 1, 2 and 3)



Source: Sabharwal (2013: 34)

rural areas, during 1993–2010, poverty declined at 2.5 percent per annum. However, non-SCs/STs (2.8 percent) experienced the highest reduction, followed by SCs (2.4 percent) and STs (2.2 percent). Table 9-4 further shows that among the agricultural self-employed, poverty rates for the SCs in the rural areas declined at a lower rate (2.2 percent) than that of the non-SCs/STs (-3.1 percent). SCs and STs in urban areas also showed a lower rate of poverty reduction (Table 9-4). Similar slow progress appears in malnutrition rates. Figure 9-1 shows that between 1999–2000 and 2004–05, the proportion of underweight children declined at the over-all level (at a rate of 0.9 percent). As with poverty rates, the rate of decline in malnutrition rates was lower for SCs (-0.9 percent) and STs (0.8 percent) as compared to non-SCs/STs (-2.3 percent).

(1) Discrimination as a Risk to Social Mobility

The processes and channels that serve to deny excluded groups access to resources and opportunities differ from those that may keep non-excluded groups in poverty. This section will provide evidence on the processes of caste- and untouchability-based discrimination. We present an empirical account of social exclusion and discrimination experienced by SCs in market and non-market transactions. In the end,

we suggest policy measures to overcome the discriminatory barriers that affect the excluded groups.

- Discrimination in Rural and Urban Markets

Economic discrimination associated with the institution of caste and untouchability is an under-researched area in Indian social sciences. There are, however, limited studies that bring out the nature and forms of discrimination faced by the former “untouchables” or Scheduled Castes in various markets. The empirical evidence from these studies suggests that SCs experience discrimination in seeking employment in urban and rural labour markets in seeking inputs and services necessary for farm and non-farm production, and in sale and purchase of products and consumer goods. Therefore, although SCs have access to various markets, that access does not overcome restrictions and discriminatory behaviour on the part of the higher caste persons.

In the urban labour market, studies provide evidence of discrimination faced by the Scheduled Castes in employment and wage earning. Using National Sample Survey data for the years 1983, 1993-1994 and 1999-2002, Madheswaran and Attewell (2010) found the following:

- Differences existed between the Scheduled Castes and higher castes in wage earning during these three periods;
- part of this wage gap is attributable to different “human capital” endowments, and part to (discriminatory) differences in earnings rewards;
- discrimination accounts for the larger part of the gross earning differences, with job discrimination (access to certain occupations) proving considerably more important than wage discrimination;⁴
- discrimination partially operates through occupational segregation;
- for the regular/salaried urban labour market, differences in human

⁴ In a decomposition exercise combining wage and job discrimination, the study found that wage discrimination explained about 21 percent of the gross wage differences, while occupational discrimination accounted for 34 percent.

capital accounted for the major share of the earning differential between the Scheduled Castes and the Scheduled Tribes and others; market discrimination accounted for 15 percent;

- both wage and employment discrimination occurred more often in the private sector than the public sector.

The correspondence study by Thorat and Attewell (2010) found that the Scheduled Castes had 65 percent less probability of receiving a call for an interview, as compared to higher-caste candidates of comparable education and other human capital endowments.

In the rural labour market, the study by Thorat *et al.* (2010) presents evidence of discrimination that denies SCs employment in some types of work. For example, in farm sector, the SCs tend to face selective exclusion, particularly in harvesting fruits and vegetables. In non-farm work, SCs experienced exclusion in household tasks such as cooking, cleaning of food grains, and milking of milk animals, since notions of impurity and pollution remain associated with untouchable status. The same study also provides evidence of discriminatory access to business (farming). For instance, land sales generally occur with buyers of the seller's caste or of a higher caste, and this provides restricted entry to the "untouchable" buyers. SC farmers face restrictions in the input markets necessary for agricultural production. These restrictions take the form of higher purchase prices for some inputs and poorly-timed delivery by higher-caste suppliers.

It also emerged from this study that the higher caste wage labourers considered it below their dignity to work on the farm of SC cultivators. As a result, the SCs must depend on wage labour from their own caste. The discrimination in sale and purchase of farm products generally takes the form of lower price for their goods as sellers, limited access to markets in their local villages, and selective restrictions on the sale of consumer goods, particularly milk and vegetables, due to the perceived notion of SC "pollution." The SCs try to use alternative market avenues to sell their products, such as sale in outside markets that may involve travelling for distances ranging from a few kilometres to over 100 kilometres; this in turn increases the transaction cost and reduces profits and earnings. While these various modes of discrimination do not

appear uniformly across the country, they do impact the profitability of SC businesses (Thorat, Motilal and Sabharwal 2010).

- Discrimination in Non-Market Transactions: Education

Empirical studies also throw selective light on discrimination in non-market transactions — goods and services supplied by government/government-approved agencies, along with government-run programmes in some spheres. This section will focus on the evidence of discrimination in school and higher educational institutions.

In primary and secondary schools, discriminatory practices take the form of segregated seating along caste hierarchies, with SC children relegated to the back of the classroom; less teacher time spent with SC children as compared to the rest; and a practice of addressing SC children by their caste names (Nambissan 2010). At the mid-day meal, discriminatory practices include selective denial of meals, insufficient quantities served, service provided last and at a distance, humiliation of children from marginalised groups who ask for a second serving, separate seating arrangements for such children, failure to recruit cooks from the lowest castes, refusal by higher-caste children to eat if food was cooked by a marginalised group member, requiring lower-caste children to bring their own plates, and refusal to wash their plates (Nambissan 2010; Sabharwal 2014). While these forms of discrimination do not appear in every part of the country, they are widespread enough to impact how SC experience school education.

In higher education, studies indicate that discriminatory attitudes against SC students manifest in many overt and covert ways. For example, SC students find it difficult to get support from faculty, students and administrators. The discriminatory practices include ridicule based on caste, colour or complexion, habits and culture; professors refusing to mentor SC students, even though factually SC students may qualify for such mentoring; attitudes of aloofness and sometimes even contempt towards SC students; exclusion of SC students from pairings for class assignments; professors awarding low grades; poor laboratory facilities; poor marks in practical examinations, sarcastic remarks and, in general, unequal treatment (Patwardhan and

Palshikar, 1992; Economic and Political Weekly 2006; Telegraph 2007; Sukumar 2008; Rao 2013; Singh 2013; Malish 2013; Sabharwal, Thorat, Balasubrahmanyam and Dilip 2014).

Further, discriminatory attitudes from peers may take the form of refusal to share food, avoidance of drinking from the same cups, or refusal to ever talk to or make eye contact with SC students. The Dalits for all intents and purposes are treated as if they are invisible or “polluted” (Ovichegan 2013). Dalit students face apathy from the administrators at the time of admission and difficulty obtaining information about courses and hostel facilities; they have limited access to information on examination schedules or rescheduling of classes. They also have difficulty accessing scholarships and other government funds for SCs/STs, and sometimes find their funding deliberately delayed, diverted or simply embezzled by officials (Singh 2013). Such discriminatory practices result in exclusionary social and academic groups formed on the basis of caste; absence of SC/ST groups in the everyday social and academic life of their campuses; and demoralisation and demotivation amongst the SC students (Rao 2013).

To summarise, some restrictions on the lower caste have lifted, allowing greater economic and educational participation, but traditional caste relations have not disappeared altogether—they continued as remnants of the past, in reduced forms and in certain spheres of activity. These forms of discrimination reduce lower-caste and untouchable access to employment and keep their wage earnings low. Discrimination against SC farmers in input and product markets affect their input use and costs and, ultimately, their yield rate and net income, and thus may aggravate poverty. Discriminatory access to education demoralizes SC students and demotivates them to complete their studies, leading to higher dropout rates than in the rest of the population.

The state has recently implemented several legal safeguards against discrimination in school and higher education for SC students. The Right to Education Act (RTE), 2009 (MLJ/GOI 2009), and the UGC Promotion of Equity in Higher Educational Institutions Regulations 2012 (MHRD/GOI 2012) protect at-risk groups such as women, scheduled castes and scheduled tribes, through formal prohibition of discrimination or harassment of students belonging to the disadvantaged

groups in schools and Colleges. The administrative guidelines under the RTE Act (MHRD/GOI 2014) require States to establish systems for addressing discrimination complaints within 60 days of filing, and, in higher education institutions, to create equal-opportunity cells and appoint anti-discrimination officers. Further, to enforce the Constitutional provisions relating to the SCs and STs and to check incidents of discrimination and harassment against them, the Ministry of Human Resources has implemented the UGC (Establishment of Mechanisms for Grievance Redressal) Regulations, 2012 (EC/GOI 2012). The fact that the government felt a need for such rules indicates the prevalence of caste-based discrimination and exclusion on campuses.

Similarly, recent legal measures have formally empowered SC producers and safeguarded them against discrimination in market spaces. In 2012, the Centre's Public Procurement Policy required the Central Ministries, Departments, Public Sector Undertakings and States to procure 4 percent of their goods and services from micro- and small enterprises (MSEs) owned by SCs and STs (MMSE/GOI 2012). In 2014, the State enacted the Corporate Social Responsibility Policy, which requires every company⁵ to spend at least 2 percent of its average net profit (over the preceding three years) on social responsibility activities (MCA/GOI 2014).-Such activities include measures for reducing inequalities faced by socially and economically backward groups. Additionally, in 2008 the private sector in India adopted a voluntary affirmative action policy, to address the challenges of the scheduled castes and the scheduled tribes in education, entrepreneurship, and employment (Jain and Venkata Ratnam 1994).

5. Policy Recommendations

The governmental approach towards the Scheduled Castes and

5 Affected companies include private-limited or public-limited firms with a net worth of Rupees 500 crore/a turnover of Rupees 1,000 crore/net profit of Rupees 5 crore. (A crore is a unit in the Indian numbering system equal to ten million (10,000,000; in scientific notation: 10⁷).

Scheduled Tribes primarily reflects provisions in the Constitution of India that authorize several classes of state intervention: (a) special provisions to promote the educational, political and economic interests of SCs/STs, and (b) provision of legal and other safeguards against discrimination in multiple spheres. In addition to India, Malaysia and Brazil have recently formulated affirmative action policies. Malaysia developed a comprehensive policy to enable the Malays to acquire a greater share in the capital of private companies (Thorat and Sadana 2009). To ensure access to education, Malaysia also has quota systems operating in tertiary education and scholarships abroad (Guan 2005). Similarly, Brazil enacted a quota law in 2012, requiring public federal universities and technical institutes to admit black, mixed-race and indigenous students in proportion to their percentage of the Brazilian population (Simon 2012; Jenkins and Moses 2014). However, such affirmative action policies —including India’s —mostly affect a very small state sector; the vast private sector that accounts for the bulk of employment and economic activities has no affirmative action whatever. The existing policy in the Indian private sector is voluntary and self-regulating, with no legally binding responsibility attached.

To deal with unequal and discriminatory access, any policy framework for social mobility must therefore place the needs of marginalized groups at its heart. It will require efforts towards reducing the poverty gap by strengthening and expanding the present policy of empowerment and equal opportunity. India’s approach offers a conceptual framework on policies to address the challenges faced by the excluded groups. Our recommendations include a combination of anti-poverty policies and targeted, group-specific affirmative action policies. Alongside safeguards against discrimination (already in the process of implementation), social mobility for the excluded will require measures supporting non-discriminatory access to market and non-market institutions — in resources, capital, employment, education, and civil rights.

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Part V

Governance and Political Institutions

CHAPTER 10

Social Inclusion in China: Progress and Challenges

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1. Introduction

As a result of more than three decades of rapid growth, China may celebrate its economic success; at the same time, it also faces several serious social problems. China's development has followed a complicated trajectory over this period: at the beginning, it put most, if not all, its energy into economic development while largely neglecting social issues. With social concerns rapidly increasing years later, the Chinese government has been forced to shift from a purely economic strategy to one that balances economic and social development, with more attention to social inclusion. The present paper will explore some of the past and present barriers to such inclusion, with a special focus on marginalized groups such as domestic migrants.

2. Socioeconomic Changes in the Last Thirty Years

(1) Two Economic Transitions in Three Decades

Two large-scale economic transitions have occurred in the three decades. The first was the market transition, i.e. the transition from a

planned to a market economy, beginning in the 1980s and lasting until the 2000s. The second is the ongoing transition from a labor-intensive economy to a technology-intensive model. These two transitions have had different impacts on social policy.

(2) Large-scale Demographic Change

The last three decades have also seen enormous demographic changes and shifts in associated policies. Three decades years ago, only 4.9 percent of the total population was over 65 years old in 1982 (National Bureau of Statistics 2014); the government's chief concern was the population size and rapid growth rate. With the over-65s at 9.7 percent of the population in 2013 (National Bureau of Statistics 2014), government attention has shifted to the rapid aging of its citizens. Moreover, three decades ago, about 80 percent people lived in rural areas; feeding them posed one of the country's greatest challenges. But with more than half of China now living in urban areas (National Bureau of Statistics 2014a), the policy focus has changed to solving the problems caused by rapid urbanization and large-scale domestic migration.

(3) Political Changes

Significant changes have taken place even in the political arena. While the basic political system has not fundamentally altered, the Chinese have made more appeals for economic/social rights, social equity, and participation in policy-making; the political process, especially the social policy-making process, must respond to the public's appeals.

3. Social Inequality and Social/Economic Policies to Narrow Social Gaps

(1) Inequality

The rapid increase in inequality has proven one of the most serious

and fundamental social problems in China in the last three decades. With a Gini index income measurement of 0.473 in 2013 (National Bureau of Statistics 2014e), China has changed from a relatively equal country to one of the most unequal in the world within this period. Several economic and social forces have shaped this accelerating inequality — not only the imbalance of economic development between urban and rural areas (and among different regions) and the economic inequality caused by the competition in the free market, but also unequal features in social policy. On this last score, one could cite low governmental expenditure on social programs, leading to inadequate social welfare service; but unequal distributions of social spending also worsen inequalities, with the rich receiving more and the poor less. Since the beginning of the century, the government has made key changes in social policy in an effort to address growing inequalities since the 1980s. The next section gives an overview of these policy changes and the issues they aimed to correct.

(2) Changes in Development Ideology and National Development Strategy

In the 1990s, the governmental development ideology simply made economic growth the center of its strategy. With the new century, the government proposed a new development goal, the “Harmonious Society” which emphasized the values of social development and environment protection. At the 17th National Congress of the Chinese Communist Party in 2007, the Central Commission proposed a more balanced development strategy in four domains: economic, politic, cultural and social. The 18th National Congress in 2012 added the environmental dimension, and thus a balanced development strategy across five domains emerged as the supreme guideline for governmental policies.

(3) Tax and Income Policies to Narrow the Income Gap

The government has taken several economic actions in the last decade to narrow the income gap, including a more progressive earned-income tax policy. This entailed raising the starting earned-income tax

income from CNY¹ 2000 to CNY 3500 in 2011, and introducing seven levels of progressive tax rates, from 5 percent to 45 percent, thereby directing more of the benefit to the lower income group. But so far property taxes in China are still very low, and do not strongly serve redistribution between richer and poorer. Moreover, almost all local governments have set a minimum wage, and most if not all cities have increased this minimum almost annually or every few years. However, compared with most other countries, to date the minimum wage standards in Chinese cities remain very low. Currently the minimum wage ranges between ¥1250-¥1820 per month, or about 20 to 30 percent of the average salary of employees in the same regions (Li 2014).

(4) Developments in social policy

China's most significant achievements in social inclusion have come in the area of social policy. In recent decades, both central and local governments have taken action to provide more social services and thus narrow the economic and social gaps between different groups.

In the last decade, several significant actions have promoted a more comprehensive, universal, and adequate social welfare system, including:

- Creating new pension and medical insurance programs to cover all citizens;
- Reinforcing existing contributory benefits for the unemployed, along with insurance programs for occupational injury and maternity leave for urban employees;
- Providing public rental houses to urban low-income families, including rural migrants;
- Increasing public education expenditure to provide free education for all children in the nine-year compulsory education period, and to reduce personal payments for higher education;
- Enlarging a comprehensive social assistance system to cover all

¹ Throughout this paper, CNY is the currency code for Chinese Yuan (or Renminbi), and the currency symbol is ¥.

poor families in both rural and urban areas. These benefits now annually reach more than 70 million of China's poorest people, or 6 to 7 percent of the total population.

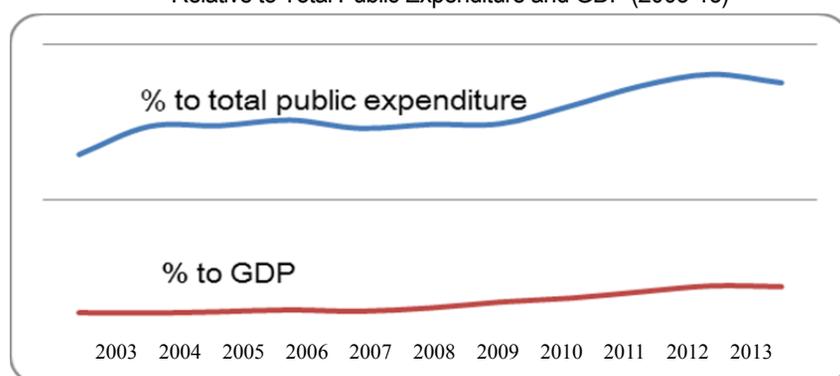
The government has expanded welfare provisions in the last decade, as measured by increased governmental social expenditure (Table 10-1, Figures 10-1 and 10-2).

Table 10-1 | Increases in Chinese Government Social Expenditure in 2007-2013 (CNY, 100 million)

Year	1	2	3	4	5	6	7	8
	Total gov. expenditure	Education	Health	Social Security & employment	Housing	Sum of 2-5	% of the total exp	% of GDP
'13	140212.10	22001.76	8279.90	14490.54	4480.55	49252.75	35.1	8.66
'12	125952.97	21242.10	7245.11	12585.52	4479.62	45552.35	36.2	8.78
'11	109247.79	16497.33	6429.51	11109.40	3820.69	37856.93	34.7	8.02
'10	89874.16	12550.02	4804.18	9130.62	2376.88	28861.7	32.1	7.19
'09	76299.93	10437.54	3994.19	7606.68	725.94	22764.35	29.8	6.68
'08	62592.66	9010.21	2757.04	6804.29	-	18571.54	29.7	5.91
'07	49781.35	7122.32	1989.96	5447.16	-	14559.44	29.2	5.48

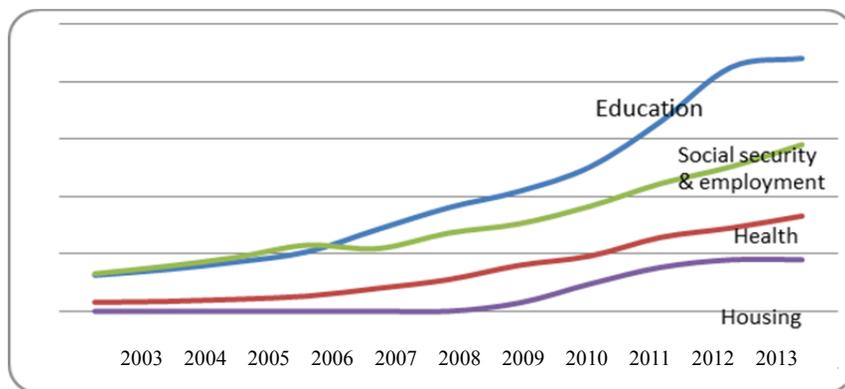
Source: National Bureau of Statistics (2013a)

Figure 10-1 | Percentages of Chinese Government Total Social Expenditure Relative to Total Public Expenditure and GDP (2003-13)



Source: National Bureau of Statistics (2013a)

Figure 10-2 Trends in Increase of Chinese Government Social Expenditure (2003-13) (CNY, 100 million)



Source: National Bureau of Statistics (2013a)

The data in Table 10-1 and Figures 10-1~2 demonstrate the large increase in social expenditure over the last decade. However, the overall level of social welfare spending remains low compared to developed countries. Moreover, the localized and fragmented social welfare system results in unequal distribution of public financial resources, meaning unequal welfare benefits among different groups (Guan 2013).

(5) The Most Serious Present Challenge: Income Inequality

Among the most serious unresolved serious social issues in China is the enormous inequality in income. Despite economic and social efforts to narrow the income and welfare gap, the Gini index measurement remains at a high 0.47, although it has not further increased since its peak of 0.491 in 2008. Three dimensions account for most of the total: the inequalities between rural and urban areas, those among different regions, and those affecting groups within cities or rural areas, such as workers in different kinds of industries and occupations. The data in Table 10-2 describe the income gap between rural and urban areas in recent years:

We note that, according to official statistics, rural residential per capita incomes have been just one-third (or less) of their urban

counterparts. The percentages have increased slightly, but the basic inequality has not changed.

The second dimension of social inequality is that among different regions, as shown by the data in Table 10-3.

|| Table 10-2 || The Per Capita Income of China's Residents in Rural and Urban Areas (2007-2013) (CNY per month)

Year	Rural	Urban	Rural/Urban (%)
2007	345.0	1149	30.0
2008	396.7	1315	30.2
2009	429.4	1431	30.0
2010	493.3	1593	31.0
2011	581.4	1818	32.0
2012	659.8	2047	32.2
2013	741.3	2246	33.0

Sources: National Bureau of Statistics (2013b; 2013c; 2014a; 2014b; 2014c);

|| Table 10-3 || The Ratio of Per Capita Disposable Income of Rural and Urban Households in Eastern, Central, Western and Northeastern China (2005-2013)

Year	Eastern Region		Central Region		Western Region		Northeastern Region	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
2005	1	1	0.63	0.66	0.50	0.66	0.72	0.65
2006	1	1	0.63	0.66	0.50	0.65	0.72	0.66
2007	1	1	0.66	0.69	0.52	0.67	0.74	0.68
2008	1	1	0.67	0.69	0.53	0.68	0.77	0.68
2009	1	1	0.67	0.69	0.53	0.68	0.76	0.68
2010	1	1	0.68	0.69	0.54	0.68	0.79	0.68
2011	1	1	0.68	0.69	0.55	0.69	0.81	0.69
2012	1	1	0.69	0.70	0.56	0.70	0.82	0.70
2013	1	1	0.70	0.70	0.57	0.70	0.82	0.70

Source: Calculated according to the data in the China Statistical Yearbook (2005-2013) (National Bureau of Statistics 2013b).

Table 10-3 makes the following inequalities evident. First, the Eastern Region has the highest per capita income in both rural and urban areas, and the people in Central, Western and Northeastern regions only have from one-half to four-fifths of that amount. Second, the rural residents in Western regions have the lowest per capita income; comparing the lowest Western rural incomes to the highest Eastern urban ones, the per capita income ratio is 0.21.

The third dimension is the inequality within both urban and rural areas. This proves more complex than the first two because it includes several sub-dimensions. First, such income gaps arise in both property and working income. Second, large income inequalities exist among different trades. According to official statistics, the 2013 highest annual per capita annual wage of CNY 99,653 belonged to “financial intermediation,” and the lowest wage of CNY 25,820 to the trades of “agriculture, forestry, animal husbandry and fishery” (National Bureau of Statistics 2014b) — with the latter just 25.9 percent of the former.

(6) The Main Tasks in Promoting Future Social Inclusion

The serious social problems China faces will require major efforts in the near future. First, the government faces the supreme challenge of reducing income inequality in the coming decade or so. Second, it should take stronger action to equalize public services — that is, to make social welfare provision more equitable by narrowing the “welfare gaps” between different groups. Third, China needs to continue increasing social welfare spending — not just to protect the basic living standard for the country’s poorest, but also to reduce inequality. Both are crucial to fulfilling the Party’s political goal of an equitable society and government objectives in social development strategy. Finally, an inclusive development model will require more inclusive social policies, especially for domestic rural migrants.

4. Institutional Exclusion and Inclusion Processes: Problems and Social Policy for Rural Migrants

Mass emigration from rural areas, and the consequences for migrants and society as a whole, have emerged as serious social concerns in China. The economic and social situation of rural migrants also provides a significant instance of social exclusion during the last three decades. The dynamics of this problem illustrate how social policy has played a role in the ongoing process from social exclusion to inclusion.

(1) Domestic Rural Migrants: Basic Statistics

China's "domestic migrants" are those who live and work outside their household registration counties or districts. This group accounted for 245 million in 2013, or 18 percent of the total population (National Bureau of Statistics 2013). According to a seven-city survey taken in 2013,² migrants are a predominantly male (58.8 percent to 41.2 percent) and young group (two-thirds born in the 1980s and 1990s). Table 10-4 shows their education status.

In summary, the data in Table 10-4 show that current rural-to-urban migrants have achieved higher education than the older generation, higher than their peer counterparts in rural villages, and even higher than the national adult average. Migrants with urban registration also clearly have higher attainment than those with rural registration.

Mass migration has made a great contribution to economic development in the last three decades, but it has also caused numerous social problems. First, in rural areas, the large-scale emigration of young people has created "empty villages" with associated issues, such as family problems, psychological loneliness, lower-quality education, and inadequate services among those "left behind"—mainly women, children and the elderly (All-China Women Association 2013; Zhou 2013; Ministry of Civil Affairs 2013). In the cities, immigration from

² The migrant survey included Tianjin, Shanghai, Harbin, Guangzhou, Wuhan, Lanzhou and Chengdu. It was conducted July-August, 2013 by a research team from Nankai University, led by the author.

Table 10-4 Educational Attainment of Domestic Migrants in China

	All the correspondents			Rural registration			Urban registration			National Total Adult (15-59)	
	N	%	cf%	N	%	cf%	N	%	cf%	%	cf%
No formal education	60	1.7	1.7	54	2.1	2.1	6	0.6	0.6	2.1	2.1
Primary education (6 years)	368	10.3	11.9	341	13.5	15.6	27	2.5	3.1	18.8	20.9
Junior middle school (9 years)	1155	32.2	44.1	1004	39.8	55.4	151	14.2	17.3	48.4	69.3
High School (12 years)	494	13.8	57.9	368	14.6	70.0	126	11.9	29.2	18.7 *	88.0
Middle Technical school (12 years)	289	8.1	65.9	207	8.2	78.2	82	7.7	36.9		
Higher technical school (14-15 years)	529	14.7	80.7	283	11.2	89.4	245	23.1	60.0	7.0	95.0
University/college (16 years)	600	16.7	97.4	244	9.7	99.1	355	33.5	93.5	4.7	99.6
Graduate school (18 years and more)	93	2.6	100.0	24	1.0	100.0	69	6.5	100.0	0.4	100.0
Total	3588	100.0		2525	100	-	1061	100	-	100.0	-

Source: The survey data are from the author's seven-city migrant survey, conducted by the research team of Nankai University July-August, 2013; the national adult data are from the National Bureau of Statistics (2014d).

rural areas has contributed to social differentiation and new inequalities, higher crime rates, and other new social problems, such as social exclusion and conflicts in industrial relations (Yang 2012). Second, migration has negative impacts on the rural migrants themselves, such as unstable employment, lower income, fewer social security and welfare benefits, problems with separation from families, and many difficulties in personal life (Duan, Ly *et al.* 2013).

(2) Problems Caused by Migration and Associated Social Exclusion

Unlike their counterparts in many other countries, rural migrants in China face not only migration-related problems but institutionally-driven barriers. A series of governmental regulations based on the household registration system results in both social and economic exclusion, i.e. unequal rights in social welfare and unequal opportunities in employment and promotion (Yang 2011; Feng and Guihong 2013)—both typical socially-constructed problems, and the real essence of the migrant issue. In China, the household registration system requires each person or family to register in just one place, a registration that cannot change freely with change of residence. Before the so-called Economic System Reform of 1978, the household system required most rural residents to stay where they were born for their entire lives, and did not permit migration for jobs or change of residence. Since the Reform, the registration system has lifted the job and residency restrictions, but migrants still cannot change their household registration freely from their rural homes to the cities where they work. Without the urban household registration, rural migrants cannot receive social services and welfare benefits equal to those of urban residents in the same cities.

(3) Unequal and Exclusionary Features in Migrant Social Policy

Despite progress in welfare development for rural migrants over the last decade, many unequal and exclusionary aspects persist in Chinese social policy — in employment, social insurance, education, health services, social welfare benefits, and so forth. This section will detail some of the resulting inequalities.

- **Employment: from unequal rights to unequal abilities**
In the early stages of the mass rural migration of the 1980s and 1990s, many cities limited jobs available to migrants —usually to the dirty, sweaty, dangerous and low-income jobs that urban residents preferred to avoid. In the last decade, at the prompting of the central government, almost all cities have abolished these exclusionary labor market rules. Rural migrants may now freely

seek jobs in cities without institutional barriers; but on average their competitiveness in labor markets suffers compared to their urban counterparts because of poorer education and skills — the result, in turn, of weaker rural economic and social conditions during their early years (Luo and Huang 2011).

- Social insurance: equal rights but not equal conditions

Current corporate social insurance schemes for urban employees have included rural migrants from the outset. These schemes actually welcome rural laborers because most of them are currently “net contributors” — that is, they will pay contributions for many years before they retire and receive pension benefits. However, in many cities, actual participation in social insurance among rural migrants remains very low. Two unfavorable factors deter migrant participation: first, social insurance is difficult to transfer across regions when the workers move on, and thus not adapted to floating laborers; second, it sets 60 percent of the regional average wage as the baseline for contribution, too heavy a financial burden for many migrant laborers whose actual wages fall below that threshold. For these reasons, pension insurance regulations seldom match migrant conditions and interests. (Sun and Du *et al.* 2011)

- Child education: from equal rights to social inclusion

For a long time, migrant children did not have equal rights to enrolment in urban public schools. In the last decade, this situation has improved as a result of changes in education policy: such children now have these rights for their nine-year compulsory education (Duan, Ly *et al.* 2013). But most rural children still have some social/psychological difficulties in interacting with urban children. Moreover, migrants still have fewer opportunities in cities beyond the compulsory education years — that is, for pre-schooling, high school, and higher education. Migrant children still have to return to their rural homes to take entrance tests — not only inconvenient but unfair, since rural students typically have fewer opportunities to enroll in good universities (Guo and Li 2014).

- **Health: equal rights, but at very low service levels**
 Health services may be the most equitable social services available to migrants. First, as a kind of public good, preventive health services tend to benefit all people in a city or district. Second, migrant employees in companies have an equal right to participate in medical insurance. Third, urban local community health services, which provide public preventive health and primary medical care, have extended benefits to migrants in recent years. Doubtlessly, migrant health services remain at a very low level, but this is true for all urban residents.

- **Occupational training: long ignored but recently included**
 For a long time, urban public occupational training programs did not target migrants as beneficiaries, but this has recently become one of the government's chief priorities, resulting in greatly increased access. According to the "National Plan for the New Urbanization (2014-2020)," a comprehensive public program by the central government for dealing with urbanization challenges, local governments will provide training services to at least 10 million "peasant workers" each year, with each permitted at least one training stint (National Development and Reform Commission 2014).

- **Social assistance and other formal social welfare: so far, still excluded**
 China has a comprehensive social assistance system, with nine programs offering welfare benefits to the poor in both urban and rural areas. Any family whose per capita income falls below the local standard can apply for benefits from the local government where their household is registered. However, this does not benefit migrants who have fallen into poverty, because regardless of their length of residence or employment, they cannot apply for the benefits where they live and work. By regulation, they can only apply for these means-tested benefits in their registration region, but because they have not actually lived and worked there during their employment, they seldom obtain them. Therefore, this

important social safety net actually excludes the majority of migrants. Once they fall into poverty or meet with some serious hardship, it is very difficult for them to get proper social assistance. (State Council of People's Republic of China 2014)

- Social services for those “left behind”

The other face of migrant hardship is the “left-behind” problem. It is estimated that migrants leave about 50 million elderly, 60 million children, and a large but unknown number of women when they move to urban areas (All-China Women Association, 2013; Zhou 2013; Ministry of Civil Affairs 2013). The left-behind elderly face the question of their long-term care: who will look after them when they become infirm? For the left-behind children, serious problems include low educational quality in rural areas, an environment with fewer social protections (especially for young girls), and psychological problems affecting children in “grand-families” (those with only grandparents and grandchildren) (Zhou 2013). Therefore, those left behind require more social services, but such needs have long been neglected. In recent years, the central government has begun to pay attention to this issue, and has proposed public programs to meet the problem (Ministry of Education 2013); however, most local governments have yet to take strong action.

(4) The Latest Developments towards Equal Rights and More Inclusive Policies

In recent years, both the central and local governments have paid more attention to inclusive social policies that might solve migrant problems. In early 2014, the central government issued an important document to enhance the Household Registration System Reform, including a new policy of open household registration for migrants to small cities, and more opportunities, albeit still restricted ones, for those moving to mid-size cities. However, household registration opportunities in large cities remain very limited. Second, the central government now encourages local governments to offer more social

services to migrants, including education, training, employment, housing, and health services; but so far, the central government's own migrant service package does not include social assistance for the poor, nor social welfare programs for the elderly, the disabled and children (Legislative Affairs Office of the State Council 2014).

5. Conclusion

This paper has traced some of the social inequality and exclusion issues that have come with China's success in recent decades, with a focus on marginalized groups such as rural migrants. Government social policy efforts have sought to narrow the economic and social gaps, but so far without success. In the case of migrants, one can see recent policy progress towards economic and social inclusion, but institutionally, major economic and social gaps remain between migrants and urban residents. These may prove insoluble without a new, fully open household registration system, or without policies that detach economic opportunities and social rights from household registration.

Considering the large differences among various regions and groups in this enormous country, it may prove difficult to totally abandon the current household system in the near future, or to offer all people the right to open household registration. Migrants may have a long way to go towards full social inclusion. Nevertheless, important tasks remain before us that may accelerate the solution of current problems and create better conditions for the future. Our present priority may lie in more social services that help migrants enhance their human and social capital, so that their own capabilities help them achieve inclusion.

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CHAPTER 11

Advancing Economic Mobility for Vietnam's Domestic Private Enterprises: Benefits of the Provincial Competitiveness Index

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1. A Brief Overview of Vietnam's Private Sector

Since 1986, Vietnam has come a long way in its transition from a centrally-planned state economy to a market-oriented one. Especially since the introduction of the Enterprise Law in 1999, the private sector has boomed, going from about 30,000 enterprises to about 600,000 – a twenty-fold increase over fifteen years. Despite their small scale, these formal private enterprises account for about 50 percent of the country's total labor force and welcome the majority of new workers joining the labor market. This sector also makes up 40 percent of the gross domestic product (GDP) —up to 60 percent, if one includes the informal sector (MPI 2014).

This paper will address the importance of governance in the development of Vietnam's private sector and the specific role of provincial governments. After a brief overview of the sector's principal characteristics, this paper will examine how a particular set of indicators, the Provincial Competitiveness Index (PCI), usefully allows stakeholders to analyse and target effective governance as it affects the

private sector. We will conclude by summarizing the PCI's implications for economic mobility and national policy.

The central importance of the private sector in Vietnam's new economy can hardly be overstated. As reported by Vietnam's Ministry of Planning and Investment (MPI) (2014), the domestic private enterprises in Vietnam provided jobs for 86.3 percent of total work force in 2012. Although state-owned enterprises (SOEs) control more than 40 percent of the economy's total investments, they employed only 10 percent of the work force (MPI 2014). The Foreign Invested Enterprises (FIEs) also played a very modest role, as seen in Table 11-1:

|| Table 11-1 || Number of Employees in Vietnam by Sector
(Workers Aged 15 and Older; in 000s)

Year	Total	Domestic Private Enterprises	State-owned Enterprises	Foreign Invested Enterprises
2008	46,461	39,707	5,059	1,694
2009	47,444	41,178	5,041	1,525
2010	49,049	42,215	5,107	1,727
2011	50,352	43,401	5,251	1,700
2012	51,699	44,603	5,381	1,715

Source: MPI (2014).

The Government of Vietnam has decentralized the economic development authority to its 63 administrative provinces/cities since the late 1990s. Along with a decentralization process that has accelerated since then, the provincial governments have acquired wider powers and more autonomy in making and implementing their economic policies, including those for enterprise development. It seems obvious that, given the same general legal framework, the more dynamic provinces will promote more business development, creating more jobs and even attracting more labor migration (VCCI 2006).

2. A Policy Tool Measuring Economic Governance for Business Development

Although highly decentralized, provincial governments find themselves without an adequate monitoring mechanism for their apparatus. Governance and administrative procedures are of poor quality, partly caused by the lack of a feedback mechanism. These governments seem to confine their attention to large state-owned enterprises or firms with foreign investment, crowding out local private small and medium-sized enterprises. Yet the effectiveness of government policy performance over time is rarely addressed, let alone measured.

In this context, the Vietnam Chamber of Commerce and Industry (VCCI), with the support of the United States Agency for International Development (USAID), has implemented the Provincial Competitiveness Index (PCI) project.¹ The PCI aims to measure the quality of economic governance, business environments, and administrative reform efforts in Vietnam's provinces and cities, from the perspective of private-sector businesses. The overall PCI consists of 10 sub-indices: Entry Costs, Land Access and Security of Tenure, Transparency, Time Costs, Informal Charges, Policy Bias, Provincial Leadership Proactivity, Business Support Services, Labor Training, and Legal Institutions. Each sub-index consists of a range of indicators that draw from an annual business survey and other statistical data sources². PCI is the collaborative result of a group of local and foreign Vietnam Chambers of Commerce and Industry (VCCI) and USAID experts.

To collect data for this index, VCCI conducts a business survey throughout all provinces and cities in Vietnam. Each year a survey questionnaire is mailed out to about 44,000 locally- operating firms, receiving approximately 10,000 responses — to date, the largest business survey in Vietnam. In addition, VCCI also collects and updates

1 In its first period from 2005 to 2008, the PCI project was implemented by VCCI within the framework of the Vietnam Competitiveness Initiative (VNCI), with the Asia Fund as an implementing partner.

2 For example, percentage of land lots issued Land-user Rights Certificate, percentage of workers trained, and percentage of cases solved annually by the courts, and so forth.

other data sources, published by various ministries and agencies³ and relating to local business and business environments, to establish the system of indicators.

Since the 2005 iteration, a yearly PCI Launch Workshop has taken place in Hanoi, with the participation of leaders from all 63 provinces and cities, along with a large number of central government agencies (e.g., the Ministry of Planning and Investment, Ministry of Commerce and Industry, Ministry of Home Affairs), business associations, investment promotion organizations, and press agencies. Based on PCI ranking results, the VCCI presents awards to the best performers and best reformers, on behalf of the business community as a whole.

After each PCI launch, VCCI coordinates with about 30 to 40 provinces and cities across the country to conduct PCI diagnostic workshops aiming at analysis and evaluation of the PCI results, seeking solutions to improve local business environments. Top provincial leaders conduct the workshops, demonstrating their appreciation of PCI; they also show strong a commitment to further improving business environments, as signalled through their efforts in administrative reform (Tuan and Winkler 2014).

Thanks to its exceptional features, PCI has generated much useful information; a wide variety of development actors have recognized its value— not only the provinces but also the central government, ministries and agencies, local and foreign investors, investment promotion organizations, business associations and elected representatives (National Assembly deputies, representatives of provincial People’s Councils), donors, research institutes, universities, press agencies, and so forth (VCCI 2013).

(1) The Correlation between PCI and Vietnamese Business Development

According to several studies conducted in Vietnam, local economic governance, as measured by the Provincial Competitiveness Index (PCI),

3 Ministry of Natural Resources and Environments, Ministry of Labour-Invalid and Social Affairs, Ministry of Education and Training, the Supreme People’s Court of Vietnam, and the General Office of Statistics.

has a significant impact on the efficiency of business operations, especially in the private sector. McCulloch, Malesky and Nguyen (2013) showed that the transparency index, a key indicator of PCI, has a strong and statistically significant association with private investment. Private-sector investment tends to increase in provinces and cities with high transparency ratings. A study by Pham and Nguyen (2014) on the relationship between the PCI and business efficiency demonstrated the critical role of economic governance in the outcome of business operations. With the sole exception of time costs, any improvement in each of the 10 PCI sub-indices indicated a positive effect and significant business efficiency for the enterprises. For instance, the indices of labor training and legal institutions have a positive impact on firm revenue⁴. A one-point increase in the legal institutions and contract protection indicators can lead to an improvement of 10 percent of business revenue, while the increase of one point in the labor training score can result in a 15 percent increase (Pham and Nguyen 2014). This implies that improving labor training and legal institution efficiency will produce a significant positive effect, increasing business revenue through increased productivity.

This study also showed that reduced informal charges (e.g. improved administrative procedures), enhanced transparency, and access to information at the provincial level may also exert a positive influence on business operations. An additional point in this index can increase business revenue by about 8-9 percent. Furthermore, improvement of market entry (which reflects the costs incurred by newly established firms and private business support services) also has a positive impact on business outcomes. A one point increase in this indicator can lead to an increase in 6 percent of business revenue on average. The same pattern of effects has also been acknowledged across the leadership proactivity indicators⁵; it also appears in sub-indices of access to land

4 The labor training sub-index measures the province's efforts to (1) promote vocational training and skills development in support of local industry, (2) match businesses with job-seekers. The Legal Institutions sub-index rates the private sector's confidence in the local court and judiciary system, in resolving disputes or complaints about harassment by local public officials.

5 The leadership proactivity sub-index measures the innovation and creativity of

and security of tenure (Pham and Nguyen 2014).

(2) A Critical Tool for Strengthening the Role and the Voice of Private Sector

The private sector in a transitional economy such as Vietnam is often viewed as inferior to the public sector, lacking its own voice in development policy. In this context, the PCI may serve as the “collective voice” of private local firms, summarizing their perceptions of their local business environments. As a scientific and independent channel, the PCI allows firms to describe openly the obstacles they face in doing business in the provinces, without having to worry about the sensitivity of speaking out directly to local governments.

Since its launch, PCI has also had a positive impact in advancing the role and standing of businesses in many parts of the country. In seeking to raise their PCI scores, improve the business environment, and enhance information for businesses, many provinces have organized frequent dialogues with the private sector or have aimed to provide higher-quality public services (Nghì 2013). Many provincial governments have started consulting with and for business associations about local economic development plans or administrative procedural reforms related to business (Son 2014).

The publication of the PCI findings has enjoyed solid support and appreciation from the business community, reflected by the increasing response rate each year. Firms and business associations have also expressed massive support for the VCCI’s presentation of PCI results at business conferences and forums. Many businesses have taken their own cases as proof of PCI’s results (Thang 2014).

(3) An Underlying Motive in Improving Provincial Governance

The PCI allows provincial leadership to collect non-biased feedback from the business community, thus identifying strengths and weaknesses

provincial leadership in implementing national policies and in making its own decisions for development of the private sector.

of their business environments and creating motivation for the government apparatus at all levels to carry out further reforms. Under the same policy framework at the central government level, the PCI serves as an objective indicator of good performers or regions, allowing other localities to learn and share experiences.

Instead of the questions and doubts about implementation that occurred in the first few years, the discussion has now shifted towards concrete measures to improve PCI rankings, and thereby improve the business environment in the coming years. Many provinces have held every individual department and agency responsible for such improvement, devising specific implementation plans and roadmaps and putting mechanisms in place for monitoring and evaluating the effectiveness of local business development plans as well as administrative reforms. Localities have adopted collective measures, such as regular/thematic online dialogues or direct meetings, to remove difficulties for enterprises.

According to VCCI statistics, all 63 provinces and cities have issued their own action plans to improve the business environment and competitiveness of their localities. The 2013 PCI has proven positive, with a national median score of 57.81 points — higher than that of 2006 (52.41 points) and with 51 of 63 provinces and cities showing increases from their rankings of that year (VCCI 2014).

The PCI has also bolstered the process of sharing good practices among provinces across the country. The top PCI performers have become the destination for learning about administrative reform and business support efforts. Other provinces have begun replicating the most successful models —the "one-stop shop" for resolving administrative procedures for businesses of Binh Duong, Da Nang; reformed investment and land procedures in Bac Ninh, Binh Dinh; or the public-private dialogue of Lao Cai, Dong Thap, to name but a few examples (VCCI 2014).

(4) A Pressure for Changes at the National Policy-making Level

From a national perspective, the PCI provides reliable and comprehensive data for assessing the business environment on a yearly

basis. Given nearly 10,000 firm responses each year, the survey results furnish valuable insights into the business environment in Vietnam. Such data have implications for national policy as well as local practice.

Recent surveys have shown notable improvements in areas such as market entry and time costs. Businesses surveyed report registration and market entry as the most remarkable reforms in Vietnam over the past eight years. The actual time that a firm has to spend on registering or re-registering its business has declined by more than three times over the past nine years (VCCI 2014).

Substantial changes in governance taking place in some localities have created good outcomes, explicitly acknowledged by the government. The PCI survey has found significant improvements in the areas of market entry, transparency, time costs, labor training, and business support services (VCCI 2014). These changes largely arise from collective action by both the private sector and the central policymakers to accelerate reforms at the provincial level. Government leaders have employed PCI results as an independent and objective source of information during their provincial field visits, using it to give praise and commentary.

Furthermore, in March 2014, the Prime Minister signed Resolution No. 19/NQ-CP, which addressed tasks and solutions to improve the business environment and enhance national competitiveness. The resolution includes a clause that holds the provinces and cities responsible for improving PCI rankings to the level of those with the best performances in 2013. As a result of VCCI's publication of PCI results and their positive impact, the Government has approved PCI as a tool to promote a competitive environment at the national level.

3. An Important and Objective Source of Information for Other Partners

Some donors and research institutes have used PCI-rich data for their support and research activities. For the donors that own provincial technical assistance projects — such as Germany's agency for international cooperation (GIZ), the International Finance Corporation

(IFC), the European Union (EU), and the World Bank (WB) — the PCI serves as a reliable indicator to design assistance activities or to assess program effectiveness. Many researchers have employed the PCI data for their studies, reports, research papers. PCI has become a ‘hot’ topic in scientific studies, doctoral dissertations and master's degrees in the field of Vietnam’s economic development.⁶

Lessons derived from the PCI’s construction have prompted other organizations in the country to develop their own tools for monitoring and assessing developments in their domains. For example, the United Nations Development Programme (UNDP) in Vietnam has developed and published the Public Administration Performance Index (PAPI), based on citizen experiences since 2010, to assess policymaking, policy implementation, and monitoring of public service delivery in Vietnam. The Viet Nam Lawyers’ Association also developed the Provincial Judicial Index in 2012 to assess distributive justice and equality in Vietnam.

The PCI has attracted considerable media interest. Each PCI launch has occasioned numerous articles and commentaries in both the national and local presses (Tuan and Winkler 2014). Notably, press coverage typically discusses the PCI launch not just as an event, but goes on to utilize it in analysing the potential and strengths of business and investment environment, or to highlight specific areas where provinces and cities need to improve.

In brief, PCI has become a useful tool for the local business community to express their perceptions of the actual business environment in Vietnam, while providing the government with concrete, authentic insights into business aspirations, contributing effectively to on-going administrative reform efforts. It has also fostered invaluable dialogue for making growth more inclusive across the country. By allowing the private sector a voice, it can enable business and investment growth on an unprecedented scale.

6 For details of studies using PCI, visit the PCI Vietnam organization website (in Vietnamese): <http://pcivietnam.org/nghien-cuu-khac-c51.html>.

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Conclusion

This book's value lies in its presentation of insightful analysis on the culturally-specific barriers that exist in enabling social mobility in Asia. The authors highlighted the links between ethnicity, religion and social class, while also analyzing the effectiveness of existing regulations in India, Vietnam, China, and Sri Lanka. Fresh analyses on the gender and migration dimensions of social mobility deepens the existing discourse.

In their efforts to form more cohesive societies, Asian governments must implement comprehensive policies which encourage greater social inclusion. These policies must be specific to the problems which challenge each country. In the Philippines, Bangladesh and Sri Lanka, governments must ensure that remittances continue to positively impact members of society, especially women. While India must overcome the intergenerational mobility challenges that persist amongst members of the lowest caste, China needs to review its social policies to better account for domestic migrants. Mongolia on the other hand must devise better employment schemes to tackle poverty while maximizing the economic opportunities its natural resources afford.

Asian societies must prioritize equality of opportunity in order to achieve economic mobility. Education is a key driver of social mobility because it improves an individual's economic potential. As the authors have demonstrated, this is true for the Philippines, Mongolia, Singapore, and South Korea. However, many barriers still exist for disadvantaged members of society in India. As highlighted in Chapter 6, members of the lowest caste system face high levels of discrimination in accessing education. Indian women are also severely disadvantaged because social

norms nudge them into a domesticated life. For Asian nations as a whole, implementing an effective education system is a persistent challenge, but one worth pursuing.

Another avenue for facilitating social mobility lies in the formation of more public-private initiatives. Coupled with public sector reform, these initiatives may sprout more employment opportunities for individuals. Vietnam's introduction of the Provincial Competitive Index (PCI) is a step in the right direction because it allows private businesses to engage in meaningful discourse about their business environments. Pro-business policies that increase access to training are also highly recommended because they equip individuals with relevant skills.

The Asian nations addressed in this book are at a crossroads. Given their recent growth trajectory they have the potential to continue thriving into an "Asian Century", as noted in Chapter 1. However, this can only materialize once countries overcome their respective barriers. For example, China must address its widespread social inequality before it can propel itself into the status of high income nations. Other middle income countries, such as the Philippines, must refine their integration efforts to avoid being stuck in the middle income trap. South Asian nations such as India and Bangladesh must tackle gender-based discrimination on an institutional level. Thus, the ability to foster social mobility through social cohesion is key for all Asian nations in the decades to come.



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