

## **Abstract**

The study estimates the welfare impact of labour emigration and foreign remittances for Pakistan for time series data, 1970-2004. A constant elasticity of scale function is employed to calculate the welfare impact individually for the years as well as a combined value is calculated for the whole time period. The study also calculates the contribution of local and emigrant labour force in the Gross Domestic Product of Pakistan. The results suggest that the contribution of local labour force in the GDP of Pakistan is greater as compared to that of emigrant labour force in the form of remittances. The combined welfare impact of outflow of labour force and inflow of remittances by the emigrants' is estimated positive. This indicates that outflow of labour force in the form of emigrants is in return being cancelled out by the inflow sent in the form of remittances by these emigrants to Pakistan. Thus outflow of labour force as emigrants is not of concern as long as emigrants cancel out this negative outflow by a positive inflow in the form of remittances to Pakistan.