Worker-paid recruitment costs

Ganesh Seshan
Senior Economist

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Sustainable Development Goal 10.7

• SDG 10.7: Facilitate safe, orderly and responsible migration through planned and well-managed migration policies

• SDG indicator 10.7.1: Recruitment cost borne by employees as a % of yearly income earned in the destination country
Reduce recruitment costs

$4 Billion for every 1 million migrants

$4,000

$0
What are worker’s paid recruitment costs?

• Definition: Monetary costs involved in each step of securing regular employment by a migrant worker

• Components:
  
  o Recruitment service fees paid to recruitment agent/agency/broker
  
  o Document cost: Passport, visa, medical certificate, security clearance, language test
  
  o Transportation cost
  
  o Informal payments
Recruitment cost indicator (RCI)

Bilateral RCI for each origin-destination (OD) country corridor is a function of recruitment costs paid as a multiple of monthly foreign earnings received (on arrival)

\[
RCl_{OD} = f \left( \frac{c_i}{y_i} \right)
\]

- \( c_i \): the total recruitment costs paid by worker \( i \)
- \( y_i \): monthly foreign wage, including overtime, after deducting taxes and social-security contributions

Various functional forms, \( f \): mean, median, 4\(^{th}\) quintile

Can be calculated for sub-categories such as employment sector, or year of arrival
Survey waves and migration corridors

**2014 (pilots)**
- Kuwait
  - From: Bangladesh, India, Sri Lanka, Egypt
- South Korea
  - From: Vietnam, Thailand, Indonesia
- Spain
  - From: Morocco, Ecuador, Bulgaria, Poland, Romania

**2015**
- Ethiopia-KSA
- India-Qatar
- Nepal-Qatar
- Philippines-Qatar
- Vietnam-Malaysia
- Pakistan
  - To: Saudi Arabia, UAE
- Mexico
  - From: El Salvador, Guatemala, Honduras

**2016**
- India-Saudi Arabia
- Philippines-Saudi Arabia
- Nepal
  - To: Saudi Arabia, Malaysia, Qatar
- Italy (2016)
  - From: Egypt, Senegal, West Africa
  - From: Egypt, Senegal, West Africa
  - CFA, West Africa
- Russia
  - From: Kyrgyzstan, Tajikistan, Uzbekistan
KNOMAD-ILO Migration Costs Surveys

Covers 19 bilateral corridors with a total of 5,603 interviewed migrants in 2015 and 2016

2016 dataset:
- India to Saudi Arabia; Philippines to Saudi Arabia
- Nepal to Malaysia, Qatar and Saudi Arabia
- Kyrgyzstan, Tajikistan, Uzbekistan to Russia (non-recruited workers)
- West African countries to Italy (non-recruited workers)

2015 dataset:
- Pakistan to Saudi Arabia and United Arab Emirates; Ethiopia to Saudi Arabia
- India to Qatar; Nepal to Qatar; Philippines to Qatar
- Vietnam to Malaysia
- Guatemala, Honduras and El-Salvador to Mexico (non-recruited workers)

Publicly available at www.knomad.org
Pop Quiz!!

Which bilateral-corridor has the most expensive recruitment costs paid by workers (2015-2016)?

A. India to Kingdom of Saudi Arabia
B. Pakistan to Saudi Arabia
C. Philippines to Saudi Arabia
D. Ethiopia to Saudi Arabia
Pop Quiz!!

Which bilateral-corridor has the most expensive recruitment costs paid by workers (2015-2016)?

A. India to Kingdom of Saudi Arabia: $1507
B. Pakistan to Saudi Arabia: $5637
C. Philippines to Saudi Arabia: $372
D. Ethiopia to Saudi Arabia: $1068
Recruitment cost in various corridors

Source: KNOMAD-ILO Migration Cost Surveys
Recruitment cost in various corridors

2016$, 4th quintile

Number of months

Source: KNOMAD-ILO Migration Cost Surveys
Recruitment costs can be highly regressive
The components of recruitment costs vary considerably by corridors.

**Itemized Costs in 2016 USD: Corridors with KSA as a destination country**

- Police/security clearance
- Others
- Language training
- Informal payments
- Exit clearance from the home government
- Contract approval from the home government
- Overseas migrant welfare fund
- Visa/Work permit
- Skills certificates/testing
- Health/life insurance/social security
- Pre-departure training/briefing
- Passport
- Medical exam
- Domestic transportation
- International transportation
- Fees for brokers/recruitment and manpower agencies

Source: KNOMAD-ILO Migration Cost Surveys
Recruitment costs may vary over time in response to destination country policies.

Source: KNOMAD-ILO Migration Cost Surveys
Adding loan costs would further increase the costs to workers in some corridors

Source: KNOMAD-ILO Migration Cost Surveys
What factors are associated with recruitment costs

- Females tend to pay less (about 40% lower)
- Workers who use brokers and agencies tend to pay more (28 to 37% higher)
- Workers who are promised higher earnings tend to pay more
  - All else equal, we see a 2% increase in costs for every 10% in promised monthly earnings
A double penalty? Higher costs are associated with poorer working conditions abroad

Source: KNOMAD-ILO Migration Cost Surveys
How can worker-paid costs be reduced?

- Bilateral labor agreements/ public recruitment services
  - Korea’s EPS: From $3700 (under ITS) to $1100

- Address information asymmetries/gaps
  - Publish itemized data on migrant costs
  - Publish ranking of reputable recruitment agencies (Singapore, Indonesia)
  - Tap in migrant networks: Kerala example
In Kerala (India), migration cost are lower in localities with high prevalence of overseas migration

Source: Kerala Migration Surveys, various waves