

Worker-paid recruitment costs

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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**



What are worker's paid recruitment costs?

- Definition: Monetary costs involved in each step of securing regular employment by a migrant worker
- Components:
 - Recruitment service fees paid to recruitment agent/agency/broker
 - Document cost: Passport, visa, medical certificate, security clearance, language test
 - Transportation cost
 - 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)

- Bilateral RCI:
$$RCI_{OD} = f\left(\frac{c_i}{y_i}\right)$$

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, 4th 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 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!!

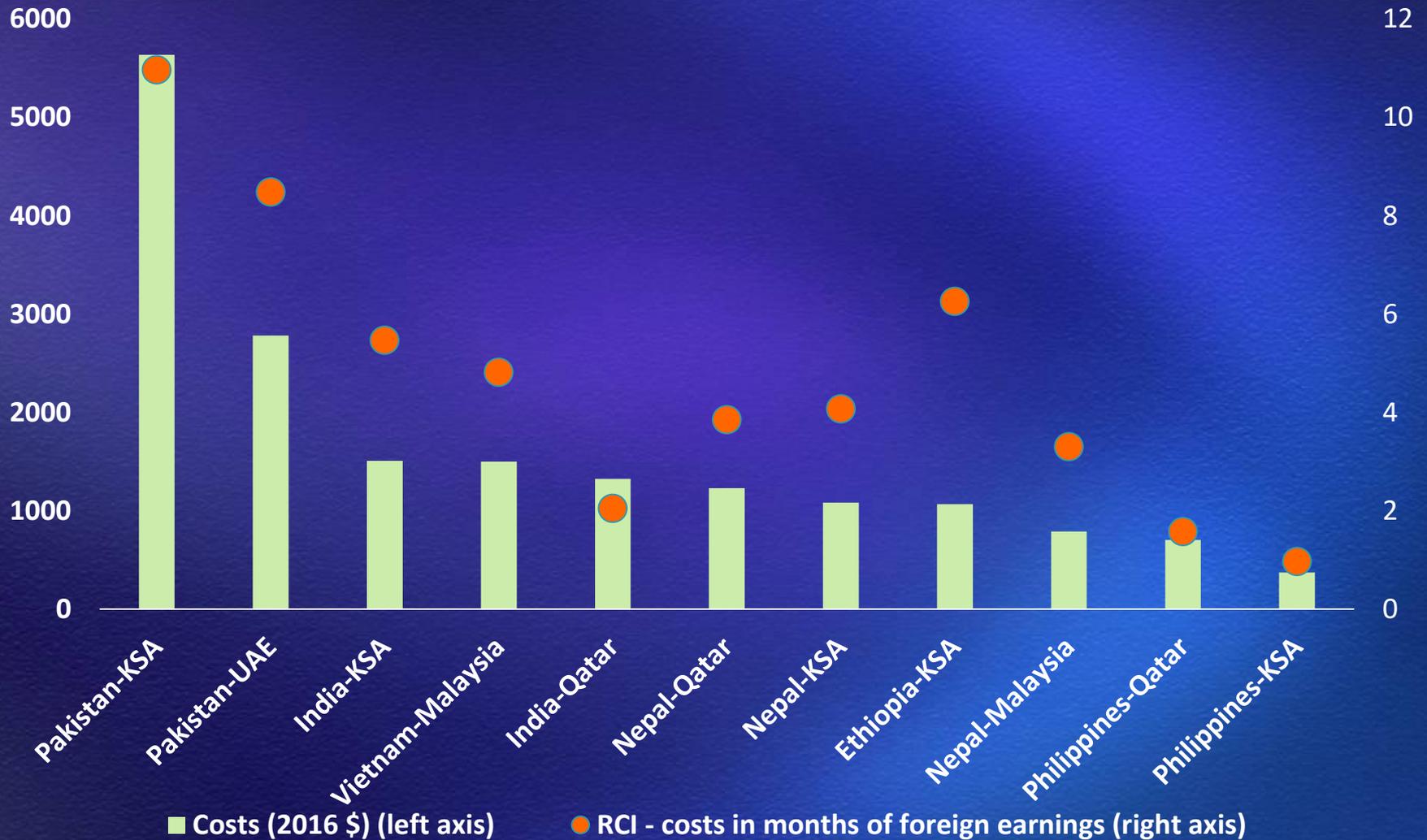
Which bilateral-corridor has the most expensive recruitment costs paid by workers (2015-2016)?

- 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

2016\$, 4th quintile

Number of months

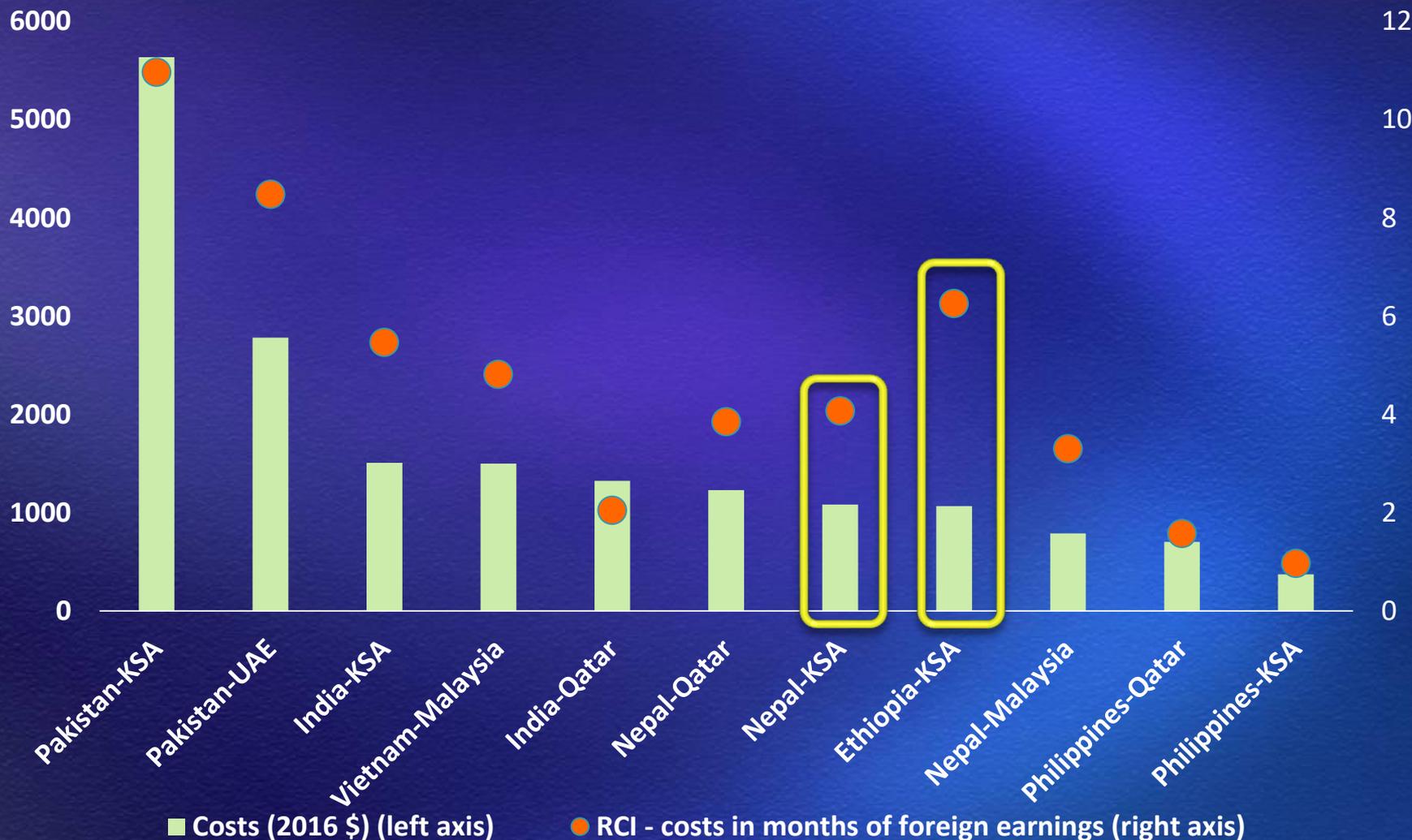


Source: KNOMAD-ILO Migration Cost Surveys

Recruitment cost in various corridors

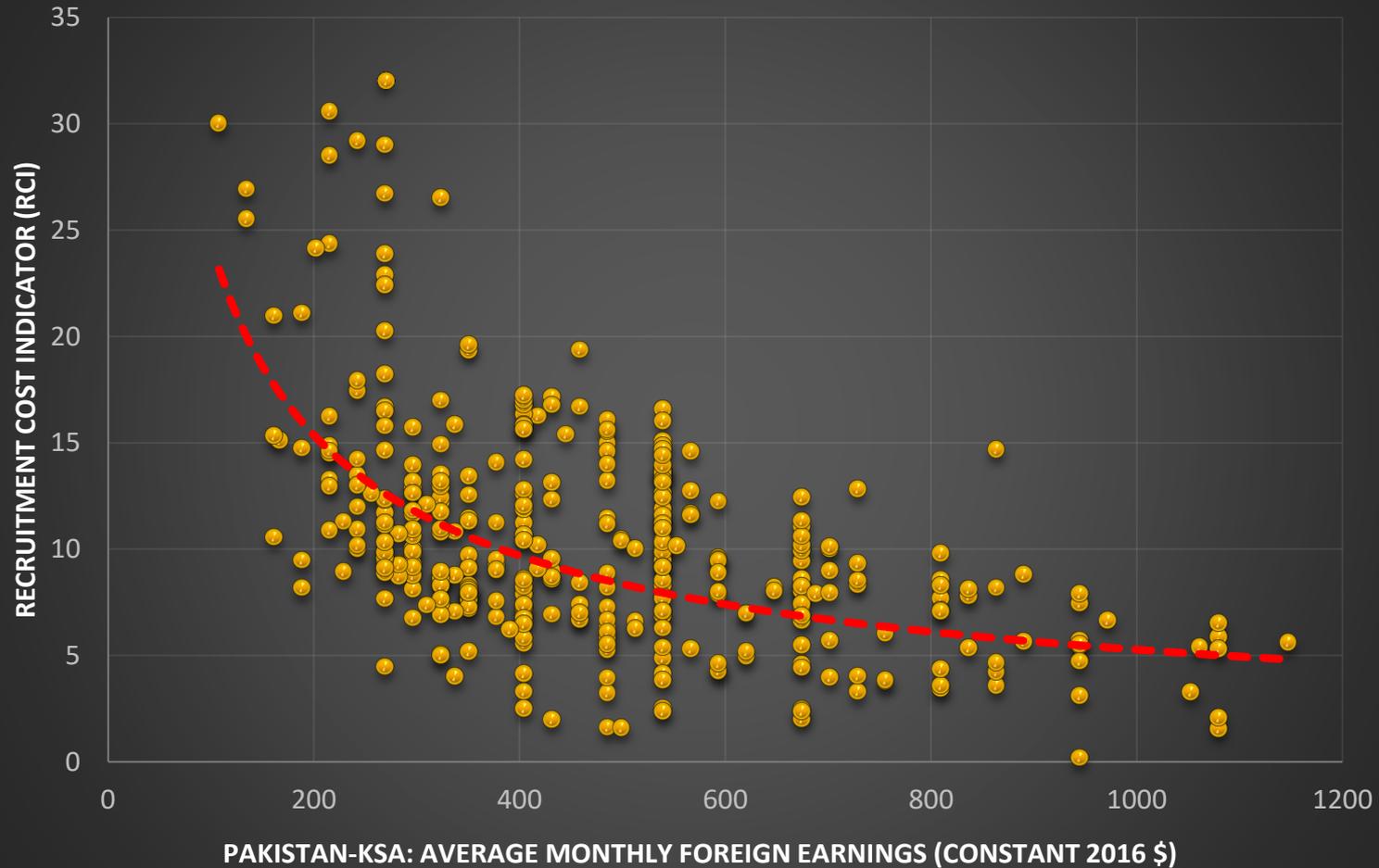
2016\$, 4th quintile

Number of months



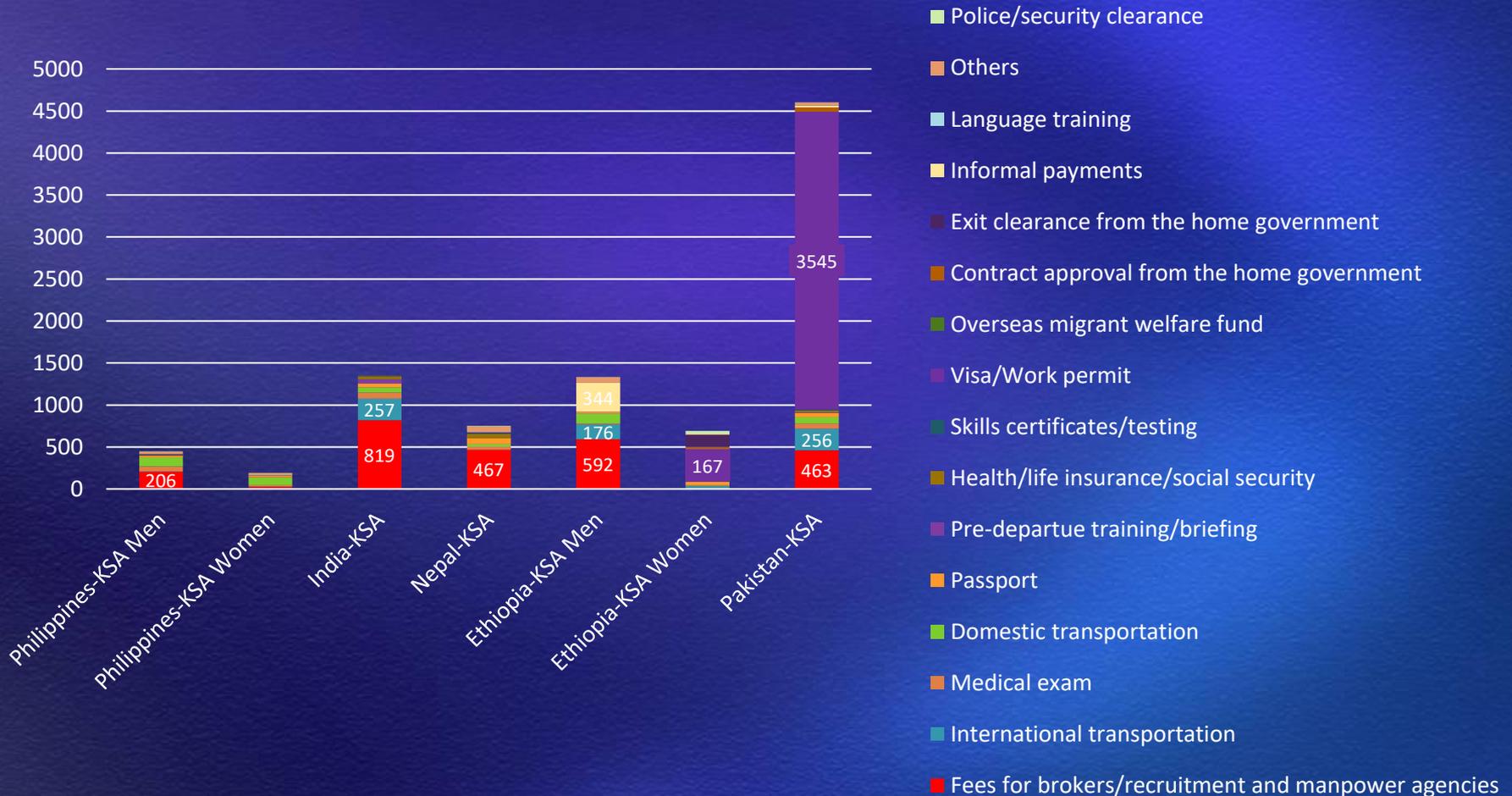
Source: KNOMAD-ILO Migration Cost Surveys

Recruitment costs can be highly regressive



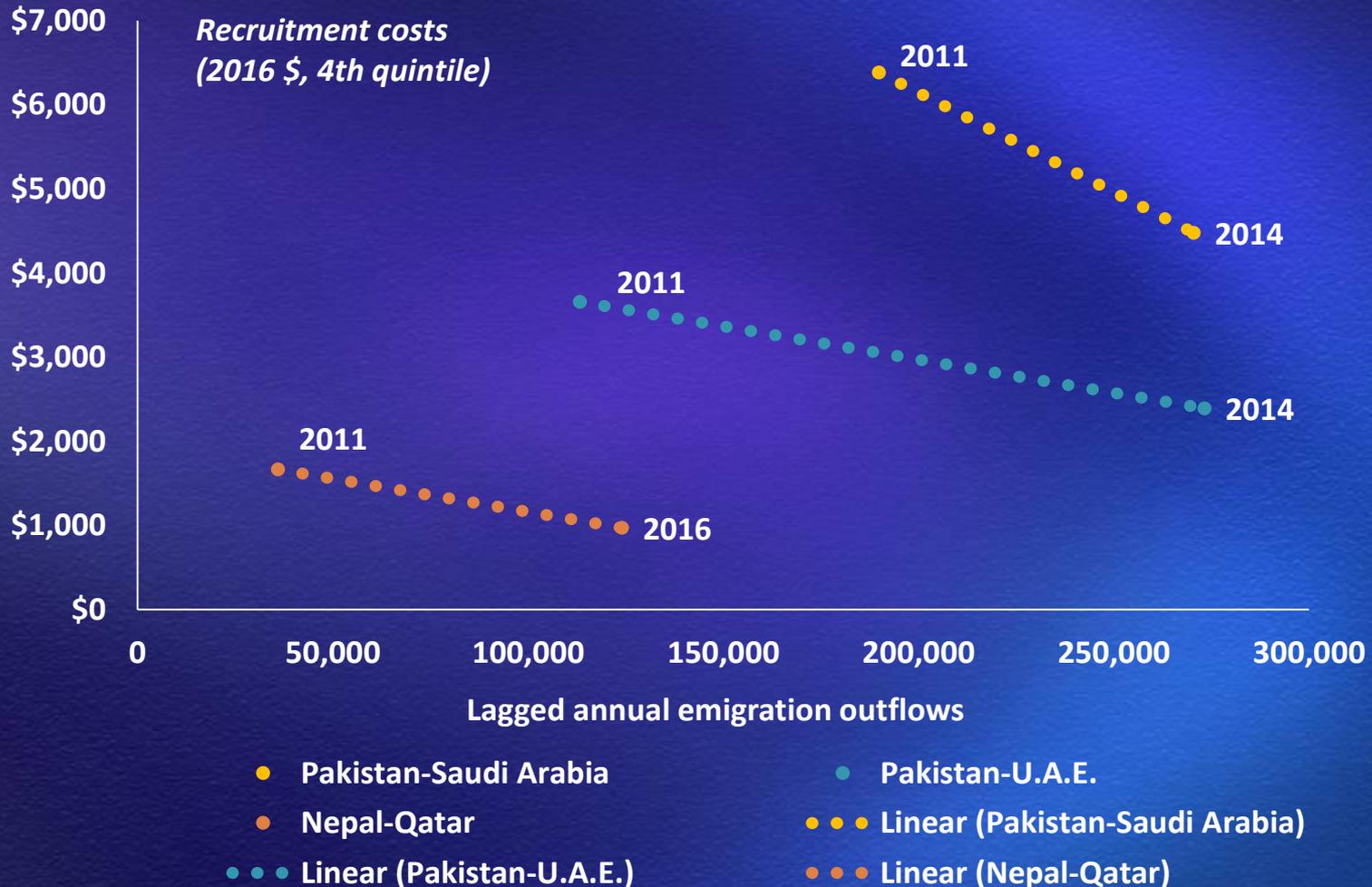
The components of recruitment costs varies considerably by corridors

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



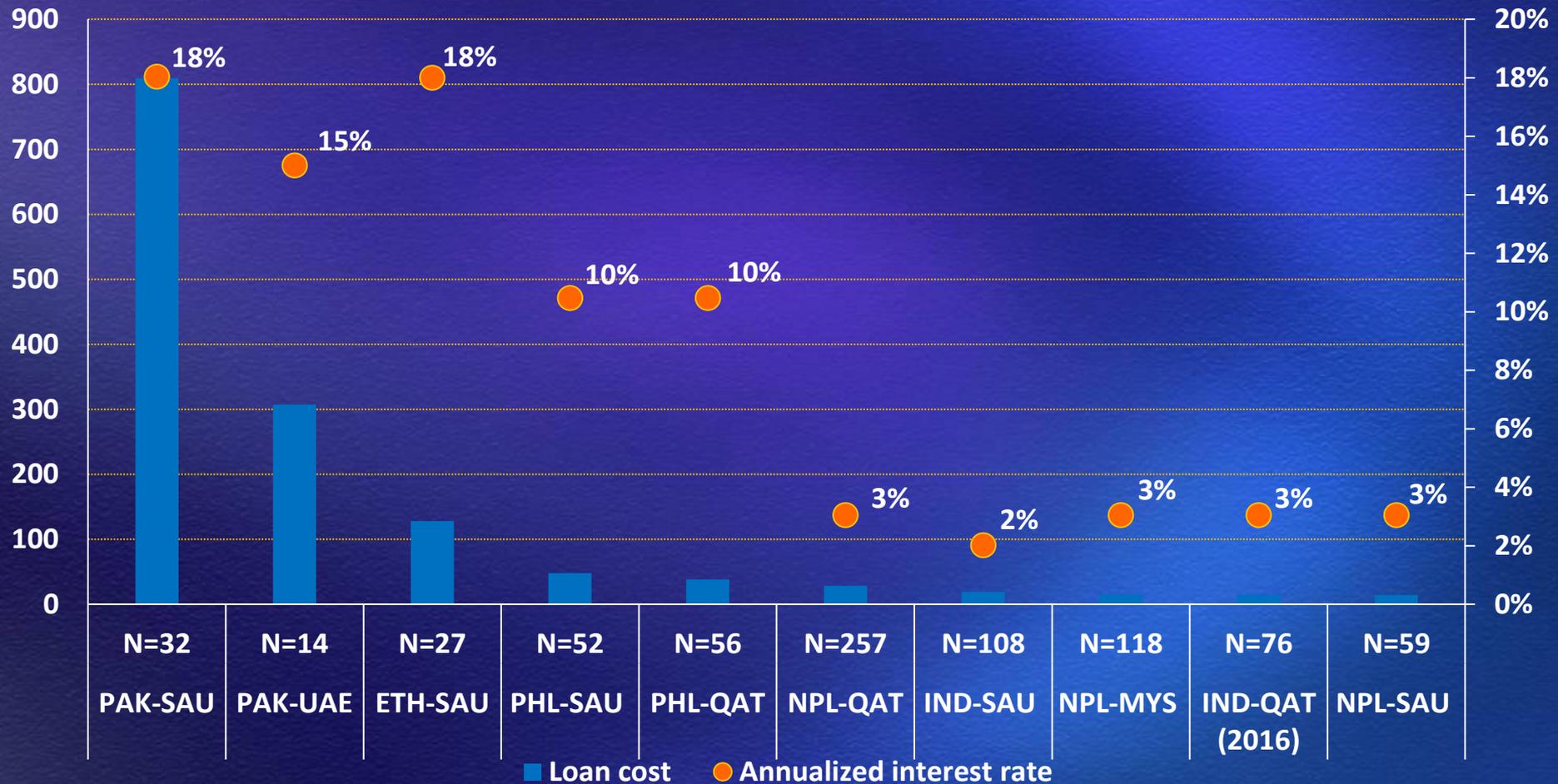
Source: KNOMAD-ILO Migration Cost Surveys

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



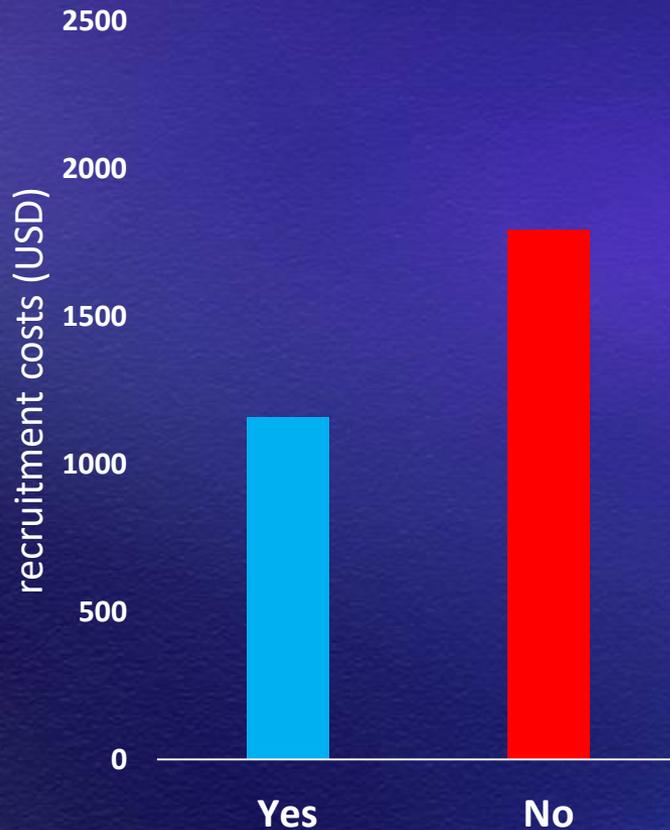
Source: KNOMAD-ILO Migration Cost Surveys

What factors are associated with recruitment costs

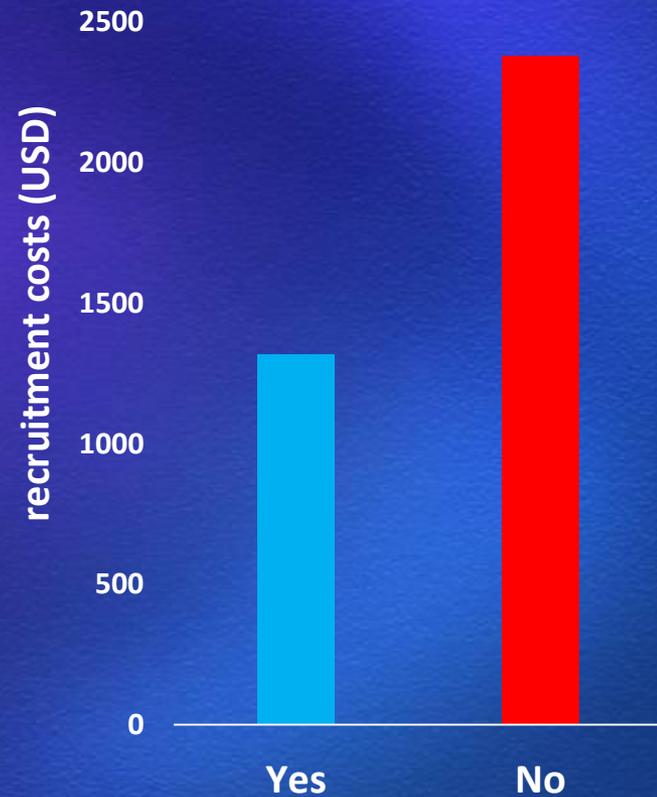
- Females tend to pay less (about 40% lower)
- Workers who use brokers and agencies tend to pay more (28 to 37 % higher)
- Workers who are promised higher earnings tend to pay more
 - All else equal, we see a 2% increase in costs for every 10% in promised monthly earnings

A double penalty? Higher costs are associated with poorer working conditions abroad

Paid promised salary



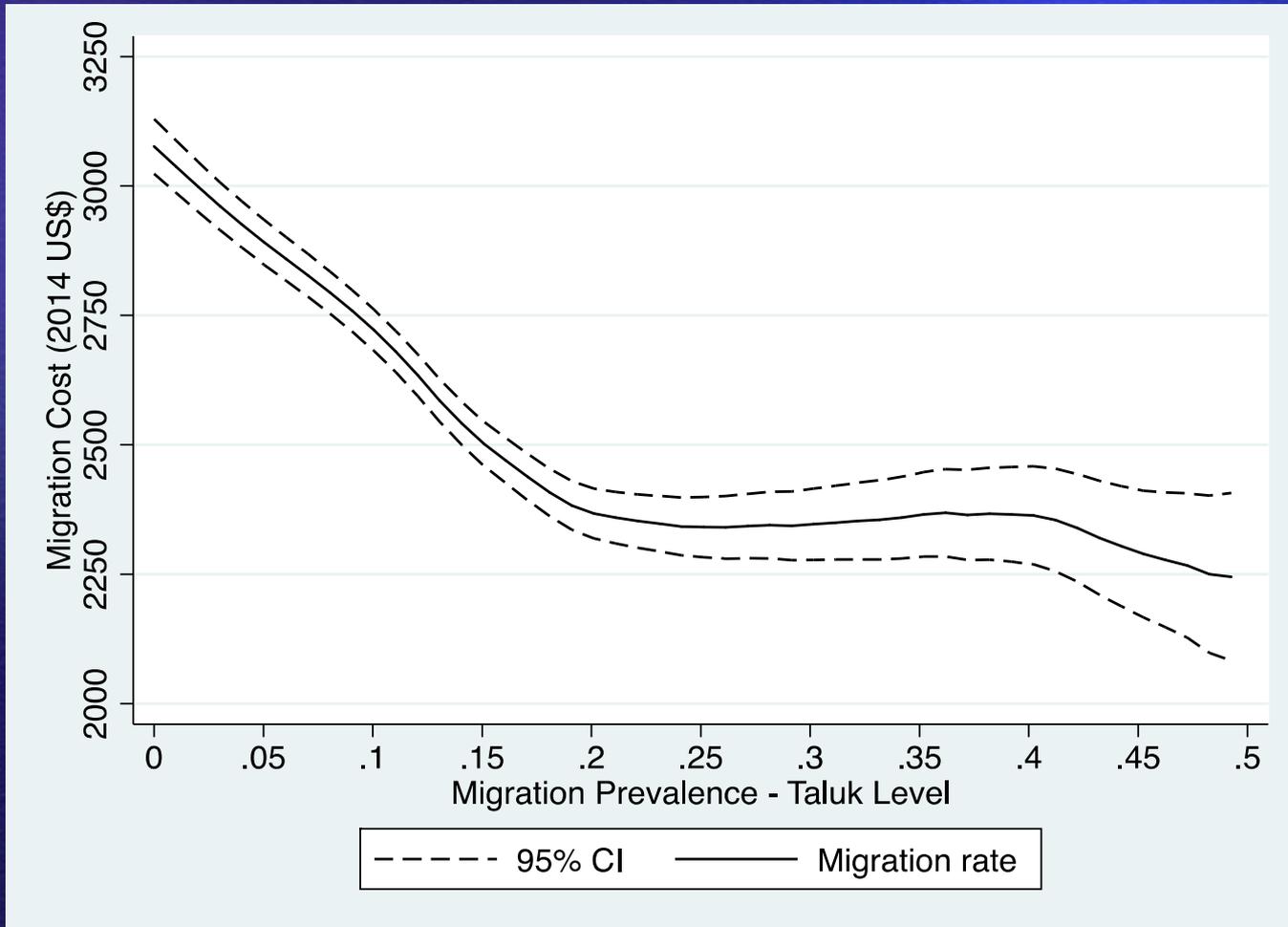
Paid regularly



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