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Background Paper
GFMD RT 1.1 *Reducing migration costs*

Purpose

The roundtable will provide a forum to identify and promote attention to:

- the social and economic costs of migration;
- existing and potential new initiatives aimed at lowering these costs;
- means of implementation; and
- the roles of governments, international organizations, the private sector, trade unions, civil society organizations and other relevant actors, including the migrants themselves.

Introduction

There is now ample evidence that migration and remittances have had an important and palpable impact on lifting millions out of poverty especially in some of the world's poorest nations that have yet to benefit from globalization. Through migration millions of workers have multiplied their productivity and earning capacities, and the remittances they send to their families have contributed to macro-economic stability of their own countries, cushioning against external shocks as well as the economic effects of natural disasters. But these benefits have not been obtained without costs. Migration is a journey of hope that often exacts enormous investment and sacrifices particularly for the poor and for those with few skills.

Gaining access to another country especially a richer one is almost never easy nor cheap, but people lacking better alternatives at home often incur enormous costs as well as take high risks to do so. Costs relating to recruitment in some migration corridors are particularly high not only because of the complexities involved in crossing national borders, but also because of failure, often at both ends of the "migration chain", to establish conditions that protect migrants and respect their basic rights. Despite advances in technology that could facilitate flows of remittances, migrants still incur very high costs in transferring their hard-earned savings to their families and limitations on how these can be used.[1]

This Background Paper provides a concise overview of the evidence available on the nature and dimensions of these migration costs, especially for low-skilled migrants,[2] and examples of how these have been reduced in some countries, with a particular reference to the costs related to recruitment and remittance transactions; discusses the studies undertaken to date that seek to estimate migration costs; offers suggestions on policies and strategies for reducing costs, which recognize the scope as well as the limits of regulations; and provides some examples of recent international initiatives by a range of actors to reduce such costs.

A. Defining migration costs

What are the costs incurred in migration? A comprehensive definition of migration costs would include those costs associated with preparing for, leaving one's country and entering another, the cost of finding employment or a source of livelihood and the cost of transferring earnings to families being supported at home, costs in terms of deprivation or injuries suffered while in the country of destination which may be due to discrimination, denial of basic rights, and harassment, and costs suffered when the migrants lose earning capacity due to being denied the ability to practice their profession in another country. Many of these costs may be measured in monetary terms including income foregone (opportunity costs) but some are clearly immeasurable in this way such as disruption of family life or denial of the migrant's right to practice his or her religion. Attempts to estimate costs have understandably focused on those elements that are possible to express in financial terms but these clearly understate the full costs of migration.

Huge costs to finance migration may trap migrants into a debt bondage from which it is difficult to escape. The weight of the burden depends on their capacity to earn and to pay back their debts, although it may take long arduous months of work for many low-skilled and lowly-paid migrants to free themselves from their financial obligations. While the employer should pay recruitment fees, in some cases employers require migrants to pay back the recruitment fees. This often constitutes effective bondage when the conditions for their work permit mean not having the liberty to leave their employers. This compounds the cost of investing in their initial migration with having to work at exploitative wages and working conditions, excessive charges for inadequate food and accommodation, and, not infrequently, physical and psychological harassment.

Equally hard to measure are the "social costs" of migration meaning the costs arising from the fact that migration may have so-called "negative externalities". These are losses suffered by others as a consequence of a person's migration. The emigration of a highly skilled craftsperson, for example, may cause a drop in productivity in the source community or a disruption of the normal processes by which skills are transferred from father to son, mother to daughter, or from a master to his/her apprentices. Nelson Mandela once complained of the exodus of health professionals from Africa which set back health programmes in several countries. Long absences of a parent can have long term consequences on the psychological health of her/his children. In the host community, the entry of large numbers of migrants may lead to displacing low-skilled natives in the job market, especially older workers or add to congestion and raise the overall cost of housing.

Some costs are inherent to job search whether looking for a job at home or abroad. These include "opportunity costs" which do not involve payment but are costs just the same. If a worker is already productively employed but is seeking better employment, the time spent not working while searching for alternative work and negotiating a job contract entail a loss of income. In the case of seeking work abroad the lost income may be substantial due to the many uncertainties accompanying migration processes which force the aspirant to quit work at home. Asymmetry in information - when it is hard for the employer to assess the capability of the worker, while it may be difficult for the worker to know what the job entails - creates a demand for job brokers. In some countries, the state provides free public employment exchanges to make up for the information asymmetry, but gaps often still exist creating opportunities for job brokering for profit. Employment agencies (so-called "head-hunters") match workers to jobs especially for professional skills for a fee charged both to employers and often also to workers.[3] Employers seeking highly skilled but often scarce workers would be likely to assume the cost of finding the workers who best fit the jobs, but are less willing to do so if the jobs require lower skills for which many may be qualified.

Borders raise the cost of job search. In matching workers to jobs across borders the gaps in information for job-worker matching are naturally wider than within the same country. Unfamiliarity with where to find jobs or interested workers, absence of a common language and differences in educational and occupational systems and standards further compound the difficulty. These are often no less important in the recruitment of low-wage domestic workers than in the recruitment of professionals. These are the reasons why employers in one country seeking foreign workers in another tend to rely on recruitment intermediaries or agents. For the workers, especially those with little education, the information gap is so huge that they accept offers of employment without understanding what they are signing up to and accept whatever they are promised by intermediaries who may also be relatives, friends, or people they know and trust in the local community.

Well-intended regulations often increase costs. Information asymmetry is however not the only reason why migration costs tend to be excessively high. During the recruitment process, there are high transaction costs involved when employment contracting is governed by many government regulations rather than supported by subsidized services. What may seem like simple documentation requirements to obtain a passport and even health checks may involve days spent waiting in line in separately located offices or require the services of "facilitators". For poor people from rural areas the journey to the capital city in order to acquire such formal documents can involve considerable expenses.

Well-intentioned policies and regulations aimed at protecting workers but which cannot be applied with sufficient flexibility to adapt to different circumstances may only aggravate the cost of migration. For instance, some destination country governments may require interested applicants from another country to go through costly training in designated institutions to qualify for jobs that may not require much skill. Similar issues have arisen in the case of requirements for job applicants to undergo medical tests. In many countries, concern that aspiring migrants will fall prey to fraudulent job offers from unscrupulous foreign tricksters has led to laws banning outright foreign employers from directly recruiting their nationals for jobs abroad. All recruitment must then pass through licensed recruitment agencies or through public employment services which often do not have a good track record for job placement abroad. As a consequence, most aspiring migrants go through private recruitment agents even if direct recruitment is possible at a lower cost. In many instances the goal of preventing abuse of women migrants in the hands of foreign employers has led to outright banning of their migration but such policies, in addition to being discriminatory, are unpopular with migrants because they are seen as blocking employment opportunities for women who see no better opportunities at home. An unintended consequence is to cause some to emigrate irregularly, with the result that they risk falling into the clutches of criminal syndicates, human traffickers and people smugglers.

In some migration corridors high cost is due to "visa trading". Often the major factor responsible for high transaction costs in migration is the high price for securing authorization to work in another country. This cost has little relation to official fees but is determined by unlawful practices such as "visa trading" in some migration corridors. Given their relative scarcity, employers or sponsors who obtain them from national authorities are able to put them on sale to the highest bidders, not unlike "scalping" of tickets to popular sports events or shows. They are bought by individuals who aim to make a profit by re-selling them to workers or to recruitment agencies in origin countries. As shown below, the visa cost may account for up to four-fifths of the worker's investment in migration.

Costs incurred after entry in the country of destination. Once migrants are already in the destination countries there are other "costs" which are just as real for the migrants as the money they invested to reach their destination. Some of these costs may be measurable in financial terms such as discriminatory treatment in wages (lower wages compared to prevailing levels for the same work), unpaid overtime work, delayed payment of wages, loss of earning capacity due to injuries sustained at work, non-compensation for work-related injuries, and lost old-age pensions due to non-portability of social security, but others are more difficult to take into account. These include denial of some basic human rights such as the right to practice one's religion, the right to freedom of expression, or the right to freedom of association, which includes the right to join a trade union. The costs are evidently much higher for those who are in an irregular migration situation for one reason or another since they have no bargaining power to demand equal treatment.

Remittance costs remain high and are disproportionately higher for migrants. Migrant remittances are the most tangible and perhaps the least controversial link between migration and development.[4] The World Bank estimates that migrants' remittances reached US$ 582 billion in 2015 of which US$ 432 billion went to developing countries involving some 244 million international migrants.[5] "These remittances constitute a lifeline for millions of individual households, helping families raise their living standards above subsistence and vulnerability levels".[6] The World Bank estimated that reducing costs to 1 per cent would release a saving of US$ 30 billion per year, an amount larger than the entire bilateral annual aid budget for Africa (Ratha, 2007). Savings would actually be larger because remittance channels are also used for aid, trade and investment purposes.

B. Estimating migration costs

Newspapers and other media have carried numerous anecdotes from interviews with migrants on the often huge costs they have incurred to make it to countries of destination. Many of these are accounts of irregular migration, often of movements organized by people smugglers. More systematic efforts to estimate average costs using statistically sound methods have been rare however and undertaken mostly by researchers using surveys of migrants in the countries of employment or those who have returned to their home countries. Most of the studies conducted have been on migration costs in Asian corridors, and almost wholly on labour migration through regular channels. Seeking to estimate the "private" (as opposed to social) cost of migration, these studies defined migration costs by identifying the various components which invariably consisted of what migrants paid in order to:

- obtain information about opportunities in destination countries;
- secure an offer of employment from a foreign employer or his/her agent including for recruitment and to meet specific training and testing requirements of the employer;
- obtain the necessary documents to travel;
- obtain authorization to exit his/her country including the cost of having a job contract approved by a national authority and going through a pre-departure briefing;
- obtain authorization (or visa) to enter the country of destination, including the required health checks and security (police) clearance;
- travel to the destination country; and
- actually gain entry, including by making informal payments to people smugglers, border police, and others.

Evidence from studies on cost to migrate. In 1996, a survey in Kuwait of 800 skilled and low-skilled workers from four South Asian countries[7] found that Bangladeshis paid about twice what the others paid. Because they received lower wages, it took them on average 11.2 months to recover what they paid compared to only three months for Indians and two months for Pakistanis. In Kerala (India), data from the 2008 Kerala Migration Survey found a puzzling result that the average Indian workers paid US$ 1,660 to migrate to Saudi Arabia, US$ 1,257 to the United Kingdom and only US$ 935 to the United States.[8] More recent data from large household surveys undertaken since 1998 in Kerala by the Centre for Development Studies showed that what households spent to send a member to a job in the Gulf has declined since the early 1980s from over US$ 4,200 to US$ 1,126 in 2013.[9] Costs varied by destination country from US$ 853 for jobs in Oman to US$ 1,412 for those in Saudi Arabia.

There are fewer estimates of migration costs available for other regions. A case study of migration from Ecuador gives a rough estimate of the cost of migrating to the United

States from Ecuador using *coyotes* (people smugglers). It claims that, as a consequence of increased immigration restrictions in the United States, the cost of migrating from Ecuador to the United States using *coyotes* rose four times between the early 1980s and 2002 from anywhere between US$ 1,500 and US$ 3,000 to between US$ 8,500 and US 12,000.[10]

KNOMAD/ILO surveys of migration costs. Since 2014, the World Bank Global Partnership for Migration and Development (KNOMAD) and the ILO have been collaborating in surveys of low-skilled migrant workers in important migration corridors to estimate what costs they incurred to migrate.[11] These surveys went further than the other studies by obtaining information on the duration of the job search, the types of jobs the migrants did at home and abroad, how much in wages were promised, whether deductions were made and how much were actually received, if there were delays in payment, how many hours they worked, whether the migrants suffered work-related illness and injuries, and if they were denied their basic rights such as freedom of association. Preliminary findings based only on recruitment costs incurred by the migrants (excluding income foregone while searching for jobs and non-monetary costs incurred while at work) are shown in Table2 . The table then compares these recruitment costs with average monthly earnings abroad to show how many months it takes to recover such costs. The key findings of the surveys are:

- ***The migration corridor is the most important determinant of worker-paid migration costs***. In some migration corridors, costs are equivalent to only a few days of work (e.g. Bulgaria to Spain), while in other corridors equivalent up to 10.6 months of work (e.g. Pakistanis to Saudi Arabia).
- Cost differences between individuals ***within a migration corridor*** are high, but generally less than average cost differences between corridors.
- Workers with more ***education*** **or ties to** ***social networks*****, previous** ***experience*** **working abroad, and** ***women*****, pay less** than first-time male migrants who are not linked to migration networks. Women who are mostly in domestic work incur much lower costs to migrate than men, but they earn much less and incur higher costs in terms of long working hours and other deprivations.
- ***Recruiters add to worker-paid costs but not to foreign earnings***. Most workers rely on private recruiters and pay them to obtain job offers, but while fees paid increase costs they do not add to better jobs or wages in destination country.
- ***Borrowing*** to finance migration came mostly from family and relatives at very ***low interest rates***, and were repaid with foreign earnings. The highest interest rates were paid on loans from moneylenders.

Large differences among migration corridors suggest structural determinants of costs. Strong economic forces such as large income and wage differentials between origin and destination countries, existence of state-to-state agreements on free movement of workers, existence of social networks, and policies and effectiveness of governance in both origin and destination countries are clearly the more important determinants of costs. In some corridors where free movement of workers agreements exists such as among member States of the European Union (EU), the cost to migrate for employment amounts to no more than the cost of land, sea or air travel. This is particularly significant considering that wage differences among the EU member States are still very wide, especially between the EU-15 and the new member States like Bulgaria and Romania. By contrast the costs are significantly higher in the Asian migration corridors, although there are significant differences among them.

More job seekers than jobs make it difficult to reduce costs. Reducing the high migration costs in some corridors poses enormous challenges for policy makers and administrators. Where there are many more workers seeking work than the number of jobs on offer, the normal consequence is for job seekers to settle for lower wages, an *implicit cost* of migration evidenced by the high incidence of contract substitution, or alternatively, to pay "to beat the queue". Where substantial wage differentials exist between origin and destination, the difference is often "creamed off" by the job intermediaries who charge (some observers say "extort") high fees from the workers. This is the challenge faced by origin governments trying to curb "exploitative" recruitment fees and setting minimum wages for acceptable job contracts, but the outcome depends also on whether there are strong institutions for labour protection in destination countries.

Mixed evidence on indebtedness. High levels of indebtedness, in some cases debt bondage, have long been associated with migration because those who wish to migrate are often too poor to finance the venture, or have few assets that will be acceptable to banks as collateral, with the result that they rely on informal money lenders who charge usurious interest rates or on their foreign employers to advance the money on the understanding that repayment will be made through deductions from wages, effectively tying the workers to their employers. A 2009 study of ILO in Bangladesh interviewed 60 male and female former migrants and found that most borrowed money from family and friends but a third had to resort to borrowing from informal money lenders at usurious rates. The five women who borrowed from them were charged an extremely high interest rate of 10 percent a month.[12] The KNOMAD/ILO surveys also revealed that a significant proportion of the migrants incurred debts to finance their migration, but few reported paying interest. In Pakistan, over half (54 per cent) of the returning workers reported borrowing mostly from family or friends amounts ranging from US$ 75 to US$ 6,150 with a median average of US$ 610. In Nepal, almost two-thirds of the migrants borrowed money to finance their migration to Qatar, including a quarter who borrowed from money lenders at an average of over 30 per cent interest and three-quarters who borrowed from family and relatives at low or no interest rates. Of the Vietnamese workers in Malaysia, about 1 out of 3 had to mortgage their land or other assets to finance their migration, in contrast with other surveys where only a few reported having to offer collateral for their loans. Seventy per cent of the Vietnamese workers had their employers pay for them to come to Malaysia, and most were paying this amount back through salary deductions. As noted earlier, such indebtedness limits their freedom to change jobs.

Low wages and exploitative working conditions are implicit costs of migration. Costs borne by migrant workers upon employment arise from discriminatory treatment in wages and other working conditions. These costs should not arise under "developmentfriendly" and "rights-based" labour migration regimes, and are notably associated with certain migration corridors. The KNOMAD/ILO surveys captured some of these costs, including the lack of a written contract or contract substitution, differentials between promised wages and actual ones, wage differentials between nationals and migrant workers for the same type of work, delayed payments of wages, unlawful deductions from wages, non-compensation of work-related injuries, as well as long hours of work.[13]

Women migrants incur higher implicit costs due to working conditions. The surveys revealed that work conditions differ by type of occupations (gender-biased), by nationality of the workers as well as by destination. For instance, Ethiopian female respondents who worked in Saudi Arabia as domestic workers reported working an average 120 hours per week, versus 70 hours for Ethiopian males who worked as labourers in the construction sector. About half of the workers did not receive a rest day each week.

About 20 per cent of workers reported workplace injuries, and only half of those who had been injured were paid when they could not work. About 60 per cent of the Ethiopians entered Saudi Arabia without a work visa, and many were working unlawfully. The Nepalese and Pakistani workers who were mostly males employed in construction reported an average of 68 hours of work each week and many complained of injuries at work and of having their passports taken by their employers. The Indian and Filipino migrants employed in Qatar reported similar average working hours and also reported having their passports confiscated by their employers or sponsors but only a few had complaints about injuries.

Remittance costs are still too high. Low-wage migrants who send small amounts but repeatedly and those who are in low-volume corridors are impacted the most by high remittance costs. Through the Remittance Price Worldwide (RPW), the World Bank has been monitoring remittance costs in 300 corridors covering 35 origin countries and 99 destination countries. According to RPW, the global average cost of sending US$ 200 in remittances (including all fees and charges) was 7.4 per cent in the third quarter of 2016 which is far above the target for the Sustainable Development Goals (SDG target 10.c) (see Table 1). Sub-Saharan Africa with an average cost of 9.5 per cent remains the highest cost region. Measures to counter money laundering and the financing of terror (AML/CFT) have made it even more difficult to lower remittance fees. The 'de-risking' strategies now being followed by international banks have become a major threat to remittance services to fragile countries such as Somalia.

Table 1 - Total average remittance prices by regions of the world (%)

	Q3 2011	**Q3 2012**	**Q3 2013**	**Q3 2014**	**Q3 2015**	**Q3 2016**
EAP	9.80	8.88	9.00	7.92	7.82	8.24
ECA	6.86	6.54	6.88	6.17	5.89	6.36
ECA (excl. Russia)	8.68	8.21	8.41	7.67	7.10	7.49
LAC	7.68	7.65	7.26	6.02	6.29	6.17
MNA	8.15	7.85	7.61	8.25	8.37	7.02

SA	6.15	6.54	7.12	5.97	5.73	5.41
SSA	12.41	12.40	12.29	11.28	9.78	9.52
Global	9.30	9.00	8.93	7.90	7.52	7.42

Source: World Bank, *Remittance Prices Worldwide*, Issue No. 19, September 2016, p. 13 (Table 6).
Abbreviations: EAP - East Asia and Pacific; ECA - Europe and Central Asia; LAC – Latin America and the Caribbean; MNA- Middle East and North Africa; SA - South Asia; SSA - Sub-Saharan Africa.

C. Policies to reduce migration costs

In a fair, safe and orderly migration system where migrants are treated equally as nationals and intermediation in recruitment is only for the purpose of minimizing costs for matching the right workers for the right jobs, migration costs can be kept to a minimum. The migrants would then enjoy the full benefits they expect from moving across borders to improve their living or their earning capacity, while employers will gain in increased productivity by employing workers with the right skills and aptitudes. There will be no displacement of national workers by low-wage migrants which can cause resentment and xenophobia, and higher remittances will alleviate poverty and enhance the development of origin countries. Creating such conditions is of course a huge challenge to national authorities on both sides of the border but not impossible since there are examples of where such conditions are approximated. Migrant workers moving across borders in the EU do not incur much expense to find work in another member state. Similarly, nationals of the member States of the Andean community are able to move across borders with relative ease for purposes of employment. In the ASEAN, a Mutual Recognition Agreement came into effect at the beginning of 2016 which liberalizes the movement of certain categories of professional workers across their national borders,[14] a goal which may soon be realized for certain categories of professionals. Canadians and Americans have for many decades been moving across their common border with little difficulty or cost. Nevertheless, those workers originating from outside free movement areas still pay enormous amounts to gain entry, such as what many migrants from Africa and Asia pay to enter the EU.

The dilemma of allocating scarce jobs. Once access is limited and restrictions are imposed, the entitlement to entry becomes a scarce but valuable asset which may be allocated through the market or rationed out by some authority. The high cost of migration is widely blamed on leaving the allocation of scarce entitlements to the market such as when agents of employers and intermediaries “sell” visas to the highest bidders. The workers are effectively “robbed” of some of the benefits from migration, while employers are not guaranteed the most qualified workers for their jobs. On the other hand, leaving the allocation of entitlements to government bureaucracies poses equally serious concerns about creating opportunities for corruption or simply using selection criteria which bear no relation to the employers’ needs (i.e. allocating jobs to underprivileged minorities or quotas for each political district). There have been schemes tried out in some origin countries to remedy these weaknesses such as creating state recruitment companies that offer free services to workers in competition with commercial job agents but these have been notable for their failure.[15]

Setting a ceiling on recruitment fees has not worked. Most origin countries attempt to influence the price (fees) charged by recruitment agencies by regulating entry into the industry through licensing and putting a ceiling on fees that they may charge workers despite the prohibition on private employment agencies charging fees or costs to workers in ILO Convention No. 181. Penalties are imposed on violators including suspension or even cancellation of licenses. In some countries, violations may be treated not only as civil but even as criminal cases where imprisonment may be the consequence of conviction. Nevertheless, these measures have still failed to overcome the strong market forces at play since aspiring migrants may go along with paying a price above the ceiling if that is the only way to get a job. Where some fees are allowed, the administrative burden of proving non-compliance with policy is exacerbated, making an outright ban a preferable option since evidence of any payment could serve as a red flag of non-compliance. Moreover, origin country governments are powerless to enforce their standards where the cost is incurred in the form of wage deductions when the workers are already working abroad. It is clear that effective enforcement highly depends on conditions in the destination country and the cooperation of its national authorities. Some countries such as UAE prohibit wage deductions and require wages to be paid directly to the worker's bank account, a way of providing a paper trail of exactly how much has been paid.

Necessary conditions to reduce migration costs. There may be no fail-proof way of insulating migration costs from the excess supply conditions in the market but differences in costs incurred by workers in different corridors and a review of how policies have worked to contain abuses suggest that certain conditions should be met to minimize costs. These include:

- aiming for zero recruitment fees and costs to workers;
- guarantees of equal treatment for foreign workers and protection of their rights in destination countries;
- cooperation between origin and destination countries, especially through bilateral agreements, to insulate employment contracting from the influence of parties that can make undue profit by interfering in the process;
- active engagement of origin and destination governments in recruitment to enhance skills-to-job matching and minimize market inefficiencies and failure;
- more scope for direct recruitment of workers by employers including offers of free services and facilities, and use of government sponsored web-sites;
- rules requiring transparency in transactions especially where payments by workers and employers are involved;
- minimizing duplication and red tape by developing a common data base for all regulatory agencies and providing easy access to government services (i.e. one-stop centres) especially in remote areas;
- stiff penalties against selling visas.

Equal treatment and rights' protection essential to reducing migration costs. The guarantee of equal treatment and protection of human rights, including labour rights, is evidently a *sine qua non* of any effort to reduce migration costs especially as many of the costs can be traced to discriminatory treatment in wages and other working conditions, work-related injuries, physical harassment, and exclusion from social protection benefits. While these guarantees must be provided, they may not suffice however unless migrants have access to effective remedies from concerned authorities that ILO Conventions, particularly the Migration for Employment Convention (Revised), 1949 (No. 97) and the 2014 Protocol to the Forced Labour Convention, 1930 (No. 29), require member States to provide. Access may be difficult due to language barriers as well as cultural taboos prohibiting single women, for example, from being in public spaces unless accompanied by male relatives. This is the reason why the establishment of migrant-help centres providing multi-lingual services has been found necessary and helpful in some countries.[16] Equally important is the establishment of mechanisms that would enable migrants themselves to inform authorities about the migration costs they have incurred, and to suggest ways of improving regulations and procedures.

Widen possibilities for direct recruitment. The KNOMAD/ILO surveys revealed that migrants who were recruited directly by their employers earned much better wages than those who used intermediaries. In most cases the employers paid for all the transaction costs involved in obtaining the required clearances for selected workers to emigrate, their work visa, and even their transport. Promising use of modern communication technology to link employers to job aspirants are now being tried out by UAE and Saudi Arabia with origin countries, such as “Musaned” the web-based system for hiring domestic workers between Bangladesh and Saudi Arabia.[17] Direct recruitment may however not be the chosen means by the large majority of employers so alternatives need to be developed. A system that would “insulate” the recruitment process from various means to extract money from job-seekers will need to be developed drawing lessons from the experience of some countries like Germany (the former “guest worker” programme), Canada (Seasonal Agriculture Workers Scheme), New Zealand (seasonal agriculture programme), and Republic of Korea’s Employment Permit System.

Understanding of the recruitment business is essential to designing smart policies. In origin countries, the effective regulation of private recruiters has been stymied by incoherent policies and by conditions characteristic of labour markets in developing countries. A clear example of incoherent policy is the short duration of licenses granted in some countries to recruitment agencies, often not more than for a year, unlike other businesses which enjoy indefinite-time licenses. Under such conditions, no enterprise is motivated to put serious money into the recruitment business, and well-established companies with adequate financial resources to develop international operations tend to stay away from it. Although the growth of labour migration has been phenomenal from many countries, no company equivalent to the multinational Manpower, Inc. has emerged. Since recruitment entails little fixed investment costs, the economics of the business is such that there is a strong tendency for key staff members of a recruitment agency to break into independent operators once they have secured a client abroad. Smart policies should be based on an understanding of the best “business model” for the industry. Experience shows that the larger companies are better able to maintain good employer clients abroad, successfully operate by charging fees only from employers not from the workers, and often initiate the adoption of Codes of Best Practice for the whole industry. They can be more discriminating in choosing which employers to represent, while small operators tend to cater to any foreign employer even if the terms offered for the jobs are below standard.[18]

Limits to regulation of informal job brokering. Much of migration is still organized by individuals who are in more direct contact with aspiring migrants in remote villages. Most engage in job brokering only as a part-time occupation referring workers, often friends and relations, to licensed recruiters in the cities.[19] Because informal brokers are usually well integrated in local communities, licensed recruiters in the metropolitan centres tend to rely on them to find and mobilize workers. However, regulating their activities to curb abuses has always posed a challenge to national authorities because licensing would be impractical and monitoring is nearly always beyond the capability of national ministries. Origin country authorities should consider ways of reaching them through the licensed recruiters that use them to recruit workers (i.e. making them equally culpable for abuses committed by their sub-agents). Equally important is to have a programme to engage and educate the local communities on risks of fraudulent job offers, the realities of migration and the safer alternatives available. The Philippines has for many years been providing these programmes and may already be reaping results in terms of reducing fraud and lowering costs.

Subsidizing migration for zero cost to migrants, including through bilateral and regional agreements. The real economic costs of migration are largely borne by low-skilled workers in terms of outright payments for services of intermediaries as well as travel or in terms of lower wages and conditions of employment, but States may also meet such costs through subsidies. To give nationals of member States easy access to jobs available, the EU set up the European Job Mobility Portal known as EURES.[20] The Republic of Korea developed its Employment Permit System to eliminate private intermediaries. It negotiated bilateral agreements with several Asian origin countries for cooperation in conducting Korean language tests and verifying workers' qualifications. Those who qualify are entered into the data bank of HRDKorea which also receives job offers to foreigners and screens the qualifications of employers. Foreign workers are assured equal wages with Korean workers and much effort has gone in to ensuring that there is no leakage of information which other parties can use to extort money from the workers.[21]

The agreement creating the Eurasian Economic Union (EEU) has brought to a new level the cooperation among member States in managing migration to lower costs. It provides for the establishment of a uniform system for the departure, admission, and stay of workers of member States; harmonization of policies and regulations for determination of their legal status, and regulation of their employment. In the Russian Federation, the preferences for employment and residence enjoyed by migrant workers and members of their families from other EEU member States is now the highest possible. Similar provisions are not stipulated in bilateral agreements between the CIS States and other countries. Extension of these rights to each other's nationals will lead to more rapid integration of the Eurasian region.

Employer paid recruitment. Some sectors have been successful in implementing a zero fee policy. Seafarers are not required to pay placement fees in the Philippines and in the case of performing artists and entertainers bound for a Japan (a signatory of ILO Convention No. 181), the fee is paid by the employer. In the seasonal worker programmes that New Zealand and Australia have with Pacific Island countries, employers bear recruitment costs as well as half of the airfare of the worker. However, while a few major countries of destination of Asian migrant workers have legislated zero fees to workers (e.g. Saudi Arabia, UAE and Qatar), in practice workers still pay high fees. There are also private sector-led initiatives such as the “Leadership Group for Responsible Recruitment” and the “Electronics Industry Citizenship Coalition”,[22] which offer ways to stimulate ethical and fair recruitment by seeking to change existing business practices.

Clarifying employer liability under sub-contracting. A business arrangement that has permitted some of the most egregious forms of labour exploitation is the use of sub-contractors especially in construction. Where the law is vague on who is the real employer, authorities often fail to take corrective action when workers complain of sub-standard wages, of non-payment or delayed payments, or not being given adequate food or accommodation. Regulations and guidelines for tendering jobs to sub-contractors should make clear the terms and conditions of employment of the workers, and who ultimately bears the responsibility as employers.

Promoting financial inclusion to enable migrants to recover migration costs.
Protecting migrants and maximizing the potential benefits from migration calls not only for reducing the costs, including the cost of remitting earnings to families, but also enabling them to make their earnings go a long way to securing their livelihood and reintegration upon return. Among the strategies that have been identified as essential by the joint IFAD/World Bank report on the use of remittances and financial inclusion are:[23]

- Develop financial education campaigns to improve financial literacy, and ensure proper consumer protection for remittance senders and recipients through duly regulated financial services and products. Empower women through training and other methods to have a bigger say on the allocation of remittances received by the households.[24] Such training needs to pay greater attention to gender-based behavioral differences.
- Develop products tailored to migrants and transnational migrants’ family needs.
- Cross-sector collaborative approaches have to be developed between governments, regulatory bodies and large banking institutions that ensure that smaller transfer operators are able to operate in a wide variety of remittance corridors.
- Support research, advocacy and dialogue at international and bilateral levels.
- Create incentives for migrant workers to be agents of change through reliable and attractive investment mechanisms. Direct or indirect investment in micro, small or medium-sized enterprises (MSMEs) and/or in financial instruments can be a highly effective way of creating jobs and generating income ‘back home’.

- Promote legal and regulatory frameworks that are sound, predictable, non-discriminatory and commensurate to the level of risk in both origin and destination countries. It is equally important to ensure that competition is enhanced by encouraging more actors to enter the marketplace, widening the types of payment networks, or discontinuing exclusivity agreements when they hamper competition.

Remittances can play a very important role in raising finance for development. They can serve as collateral, through future-flow securitization, to facilitate international borrowing at lower interest and longer maturities. By improving sovereign ratings and debt sustainability of recipient countries, they in effect facilitate access to international capital markets for developing countries that may otherwise have great difficulties in accessing such markets. Of course, a more direct way is by way of tapping into diaspora savings using "diaspora bonds" and similar instruments to raise funds for investments in origin countries, without conflating them with remittances since senders and recipients should be free to decide on how to use their savings.

For many poor households and migrants, remittances are the only point of contact with the formal financial sector. By providing remittance services, banks and other financial institutions can attract new customers for their deposit and loan products" (Ratha, 2007). Such products may be tailored to meet the particular needs of small or medium-sized enterprises set up by migrants and their families.[25] Direct and indirect diaspora investments can generate real opportunities for migrants to return or to support job creation and more broadly the development of their home communities.

In 2015, IFAD proclaimed June 16 as ***the International Day of Family Remittances***, in recognition of the fundamental contribution of migrant workers to their families and communities back home, and to the sustainable development of their countries of origin. So far over 80 money transfer operators and the global network representing over 800 mobile operators worldwide have endorsed it and have committed to take concrete action to ensure that every hard-earned dollar sent home counts for more.[26]

The cost of remittance transfers within the area of the Commonwealth of Independent States (CIS) are among the lowest in the world. According to the Central Bank of the Russian Federation, commission on remittance transfers is now less than 2 per cent, compared to a global average of 7 per cent estimated by the World Bank (see Table 1). In 2015, the leading recipients of remittances from the Russian Federation were Uzbekistan (US$ 2.37 billion), Tajikistan (US$ 1.28 billion), the Kyrgyz Republic (US$ 1 billion) and Ukraine (US$ 988 million).

D. Multilateral initiatives to reduce migration costs

While global agreement on free movement of people, unlike the free movement of goods, across national borders is unlikely to be reached anytime soon, there is already wide support for concrete action, at national and global levels, to reduce the costs involved in migration and in the remittance of earnings. The 2030 Agenda for Sustainable Development, as expressed in the SDGs and the Addis Ababa Plan of Action, calls on all

UN member States to take measures to reduce remittance transaction costs to less than 3 per cent of the amount transferred, provide migrants and their families at home with greater access to financial services, adopt modern technology to facilitate money transfers, and remove the obstacles to the operation of non-bank money mechanisms.

The SDGs include targets ensuring safe, orderly and regular migration, limiting exploitation and abuse of migrants; while reducing the cost of recruitment and remittances; and improving data are explicit commitments of the Addis Ababa Action Agenda. With the view to eventually establishing benchmarks for reducing migration costs, the World Bank and the ILO are working jointly to develop the methodology for estimating such costs and are also the custodians for SDG indicator 10.7.1 on the cost of recruitment.

Beyond its work on protecting the rights of migrant workers, which are now enshrined in several ILO Conventions (e.g. Nos 97, 143, 181, 189), in 2014 the ILO launched a multi-stakeholder "Fair Recruitment Initiative" based on four pillars: (i) to enhance global knowledge on national and international recruitment practices; (ii) improve laws, policies and enforcement to promote fair recruitment; (iii) promote fair business practices; and (iv) empower and protect workers through social dialogue.[27] With regard to the second pillar, in September 2016 the ILO convened a tripartite meeting of experts to develop a set of principles and operational guidelines on fair recruitment.[28] These are comprehensive in scope covering the recruitment of all workers, both nationals and migrants, and are directed at the key actors in the recruitment process, namely governments in all countries (origin, transit and destination), employers and labour recruiters. The principles and operational guidelines will be discussed by the ILO Governing Body in November 2016 with a view to their endorsement, publication and dissemination.

Similarly, the International Organization for Migration with a coalition of partners has created the International Recruitment Integrity System (IRIS): a voluntary multi-stakeholder certification process for labour recruitment intermediaries. IRIS aims to bring transformative change to the recruitment industry by identifying intermediaries that are committed to ethical recruitment principles, thereby enabling employers to make better informed procurement decisions.

International initiatives to reduce remittance costs include:

- At their July 2009 summit in L'Aquila, Italy, the G8 countries endorsed the objective proposed by the World Bank Group of reducing the cost of remittance services by five percentage points in five years (the 5x5 objective). The commitment was then also adopted by the G20 at the Cannes, France summit in 2011. At the AU-EU Valetta Summit, agreement was reached on achieving this target by 2020.
- The work of IFAD and its Financing Facility for Remittances (FFR),[29] which works in two pillar areas to leverage the impact of remittances in rural areas: Financial inclusion and Diaspora investment; and

- Regional mobility arrangements that have served to reduce migration costs such as the free movement agreement among EU member states, among the ANDEAN Pact countries, NAFTA, SADC, and others.
- Partnerships between IOM and specialized agencies such as the International Telecommunication Union (ITU) for mobile technologies and the Universal Postal Union (UPU) for postal services to promote the development of alternative money transfer networks, providing remittance senders and receivers with more choices and hence reduce costs.[30]

E. Guiding questions for the Roundtable discussions

1. What initiatives are underway and could be conceived to address the high financial and social costs of migration? What are good practices of government regulations of labour recruiters, including recruitment intermediaries, and some recent models of their effective enforcement? What aspects of these initiatives may be suitable for possible adoption by other countries especially in high-cost migration corridors?

2. How can migration costs be minimized through closer collaboration and agreements between countries, at bilateral and multilateral levels, and with a view to helping countries anticipate future requirements?

3. What are some recent successful endeavours of the private sector in ensuring due diligence in the labour supply chain in terms of fair and ethical recruitment? What roles should be played by employers, labour recruiters, employers' organizations, trade unions, migrant associations and other civil society organizations? Are there unintended consequences of such initiatives?

4. What institutions and processes could facilitate the reduction of costs of recruitment and remittances, as well as promote financial literacy, inclusion and services?

5. How could these initiatives assist countries in the implementation of the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda?

F. Preliminary recommendations

1. Countries of origin and destination should cooperate to minimize worker-paid recruitment costs especially by enhancing access of workers and employers to information about skills and job opportunities, and insulating employment contracting from the influence of parties that can make undue profit by interfering in the process.

2. Countries of employment should guarantee equal treatment of foreign workers under their national legislation and undertake the necessary measures to enforce them so as to minimize the implicit costs of migration and avoid displacement of national workers.

3. Countries of origin and destination should promote fair and ethical recruitment practices by employers and labour recruiters, suppress the selling of visas, require greater transparency of recruitment transactions, and provide more scope for direct recruitment of workers by employers, including through provisions of free services and facilities and use of government sponsored web-sites.

4. All countries should encourage innovations in money transfer mechanisms which can bring down remittance prices to targeted levels in accordance with the commitments in the 2030 Agenda.

5. Governments should encourage participation of all relevant stakeholders (including employers, labour recruiters, trade unions, civil society actors and the migrants themselves) in the formulation and implementation of policies to reduce migration costs.

Table 2 - How long does it take to recover costs to migrate?

Destination	Origin	Total recruitment costs		Average monthly earnings in destination (US$)
		Average (US$)	In months of earnings in destination (averages)	
Saudi Arabia	Pakistan	4,395	10.6	469
	Ethiopia	991	3.6	340
Qatar	India	1,149	2.0	592
	Philippines	480	1.1	469
	Nepal	1,054	3.3	339
Kuwait	Bangladesh	3,136	9.0	347
	India	1,248	2.5	494
	Sri Lanka	319	0.9	339
UAE	Pakistan	2,351	7.2	394
Spain	Bulgaria	201	0.2	1,300
	Ecuador	1,032	0.8	1,300
	Morocco	333	0.3	1,300
Republic of Korea	Indonesia	1,506	1.3	1,200
	Thailand	1,466	1.2	1,200
	Vietnam	1,582	1.3	1,200
Malaysia	Vietnam	1,382	4.2	353

Source: KNOMAD/ILO Surveys, 2015.

Table 3 - Comparative Recruitment Costs paid by Migrant Workers in Different Migration Corridors (in USD)

	Vietnamese to Malaysia		Ethiopians to Saudi Arabia		Filipinos to Qatar		Indians to Qatar		Nepalese to Qatar		Pakistanis to Saudi Arabia and UAE	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Agent	1,248	1,260	553	441	492	443	551	559	874	877		
Inland transportation	69	40	128	106	106	69	70	71	108	66	73	55

International transportation	88	88	281	233	(a)	(a)	296	297	402	302	411	386
Medical test	28	25	37	31	67	66	52	52	34	29	59	55
Passport	18	10	19	17	29	24	46	45	75	60	46	45
Clearance	2.5	1	1	1	5	4					74	73
Briefing					4	2	24	25	9	8		
Skills test							11	11				
Insurance	13	13			40	34	7	6	37	35	32	30
Visa (b)	307	377							319	170	2,859	2,432
Other (c)	30	36	604	354							44	30

(a) International travel mostly paid for by employers.
(b) Reflects price of visas sold, and not the official fee.
(c) Other costs include fees paid to human smugglers and bribes.
Source: KNOMAD/ILO Surveys, 2015.

ENDNOTES

[1] The Addis Ababa Plan of Action of the Third International Conference on Financing for Development (A/CONF.227/L.1) gave explicit recognition of this problem and called on all States to bring down remittances costs to less than 3 percent (para. 40).

[2] This Paper uses the term "low-skilled" with reference to the attributes of the occupation rather than of the person. Many jobs in agriculture, in construction and services fall in this category.

[3] Article 7 of ILO Private Employment Agencies Convention, 1997 (No. 181) prohibits the charging directly or indirectly, in whole or in part, any fees or costs of recruitment to workers but allows for exceptions if it is in the interest of the workers concerned, and after consulting the most representative organizations of employers and workers.

[4] Ratha, Dilip, Leveraging Remittances for Development. Policy Brief. MPI, June 2007.

[5] World Bank, Migration and Development Brief 26, April 2016; UNDESA (2016) *International Migration Report 2015: Highlights*, United Nations, New York.

[6] International Fund for Agricultural Development (IFAD) and the World Bank, "The Use of Remittances and Financial Inclusion", IFAD/World Bank, September 2015.

[7] Sample of 200 skilled and low-skilled workers from each of Bangladesh, India, Pakistan and Sri Lanka. See Shah, N. (1996) "The role of social networks in Migration to Kuwait Among South Asian Males" unpublished paper cited in Abella, M. (2004) "Role of Recruiters in Labor Migration" in *International Migration Prospects and Policies in a Global Market*, D. Massey and J. Edward Taylor (eds) Oxford University Press. Other estimates of recruitment costs include that of Siddiqui, Tasneem "Recruitment cost in Bangladesh: Challenges of Governing Migration in Countries of Origin", who reported that skilled workers pay 30 per cent less compared to the unskilled. The so-called "free visa" where a *kafil* is involved costs US$ 2,264 compared to a fixed job contract visa which costs US$ 1,450. Siddiqui reported that male migrants to Saudi Arabia paid between US$ 4,000 to US$ 5,400, to UAE, Oman and Libya between US$ 2,700 and US$ 3,400. Much less was paid by female workers to UAE US$ 270-US$ 950, to Lebanon US$ 400-US$ 1,000, and to Jordan US$ 140. In another study, Afsar, R (2009) "Unravelling the Vicious Cycle of Recruitment: Labour Migration from Bangladesh to the Gulf States", Working Paper 63, ILO Geneva estimated the cost for Bangladeshi migrants at Tk 144,584. An IOM survey of Household Remittance (2009) revealed that on average migrants to the Middle East spent Tk 199,844. See 2009 *The Bangladesh Household Remittance Survey 2009: Summary Report*. Mitra and Associate, IOM and UKAid, Dhaka, Bangladesh.

[8] The reason for the relatively low averages for the U.S. and the UK is probably on account of the fact that most of the migrants going to those countries are highly skilled. See Table 5.10 in Irudaya Rajan, S. and Prakash, B.A. "Migration and Development Linkages Re-examined in the Context of the Global Economic Crisis" in *India Migration Report 2012*. Irudaya Rajan, S. (ed) Routledge, New Delhi, 2012.

[9] Seshan used the data from CDS Kerala Migration Survey Waves (10,793 observations were derived from these surveys in 1998, 2007, 2008, and 2013/14), Do social networks make a difference to costs? Seshan found that the expansion of networks does help reduce migration costs. However, the relationship is not

monotonic. Beyond a critical level, increasing density of networks leads to higher costs because as costs decline more people are attracted to migrate and after a point denser social networks lead to bidding up the price of overseas jobs. Seshan, G. (2016) "Migrant Networks and the Financial Cost of Migration: Evidence from South India", unpublished paper, Georgetown University School of Foreign Service, Qatar.

[10] Escobar Garcia, A. and A. Velasco, "Family and School Reconfiguration: The Case of Ecuadorian Highland Migration to Spain" in Cortina, J. and Ocho-Reza, E. (2013) *New perspectives on International Migration and Development*, Columbia University Press.

[11] The surveys covered workers doing low-skill work in agriculture, construction, and domestic work. Small pilot surveys were initially conducted interviewing migrant workers in Kuwait, Spain, and the Republic of Korea, followed by larger sample surveys in India, Nepal, and the Philippines of returned workers from Qatar, returned workers in Ethiopia from Saudi Arabia, and Pakistani workers from Saudi Arabia and the UAE. For more recent studies, see KNOMAD publications, including Abella, M., Martin, P and Soonhwa Yi (2016) "Why are migration costs so high for low-skilled migrants?".

[12] Afsar (2009) cited an account of the process by a Bangladeshi migrant. "… they bought visas by paying 2,000-6,000 Riyals per permit from those companies/individuals, depending on the nature of job, duration of contract, types of entitlements, etc. Then they sold these visas to Bangladeshis or to recruiting agencies in Bangladesh, keeping a profit margin ranging between 500-2,000 Riyals per permit. If a Bangladeshi expatriate bought a visa, he would then send it to his family members/relatives with the help of a recruiting agency, as under the existing laws of Bangladesh, only listed agencies can buy and sell visas. If an agency bought the visa, it would then recruit [workers] through its own network of sub-agents or by advertising in the daily newspapers."

[13] These were included in the KNOMAD/ILO surveys in India, Pakistan, Nepal, Philippines, Ethiopia, and Malaysia, but not in the "pilot surveys" conducted in Spain, Kuwait, and Korea in 2013-14.

[14] The ASEAN Qualification Reference framework was endorsed by the ASEAN Economic and Education Ministers in September 2014 and its governance structure was adopted by the Ministers of Education in May 2016. Referencing processes will be piloted in 2016 and ASEAN envisions that this should be completed by 2018. See http://asean.org/asean-enhances-mobility-of-skilled-labour-through-qualifications-reference-framework/.

[15] In India, some states like Kerala and Maharashtra established overseas employment corporations, and the Bangladesh and Pakistan governments established the Bangladesh Overseas Employment Services Ltd. and the Pakistan Overseas Employment Corporation respectively. The Philippines created in the early 1970s the Overseas Employment Development Board but it only existed for a few years. Unfortunately, these companies, despite receiving public subsidy, have everywhere failed to account for more than a tiny proportion of total job placements abroad. It is understandable why they fail to compete with private agencies. They charge a fee from foreign employers who may obtain the same services for free from private agencies which are eager to represent them and who know they can pass on the cost to the workers.

[16] The Republic of Korea has migrant centres which offer multi-lingual advisory services and assistance in relaying employment-related issues to the proper authorities.

[17] See https://www.musaned.gov.sa/en.

[18] KNOMAD is undertaking a "value chain analysis" of recruitment processes to assess where regulations lead to higher costs.

[19] In South Asia, most of the recruitment for overseas work is done with the help of informal brokers known as "*dalals*" who have their equivalent in other regions as well.

[20] See https://ec.europa.eu/eures/public/homepage.

[21] The weakness of the system however is that for every worker who obtains a job in the Republic of Korea, many more than those who succeed in getting hired incur costs to learn the Korean language.

[22] See respectively https://www.ihrb.org/news-events/news-events/the-leadership-group-responsible-recruitment and http://www.eiccoalition.org/.

[23] See IFAD/World Bank. *The Use of Remittances and Financial Inclusion*, 2015. Report presented at the G20 summit in Antalya, Turkey.

[24] Some studies have shown that women are more likely than men to allocate the additional income to the basic needs of the family.

[25] At the same time, governments that use bank accounts to transfer benefits and payments of payroll programmes can also drive the adoption of models that promote financial inclusion by dispersing payments through the system.

[26] See IFAD dedicated webpage: https://www.ifad.org/topic/remittances/idfr/tags/25237915 and the UN official list of observance of International Days: http://www.un.org/en/sections/observances/international-days/.

[27] See http://www.ilo.org/global/topics/fair-recruitment/lang--en/index.htm.

[28] See Report for discussion at the Tripartite Meeting of Experts on Fair Recruitment Principles and Operational Guidelines (Geneva, 5-7 September 2016): http://www.ilo.org/global/topics/labour-migration/events-training/WCMS_508966/lang--en/index.htm.

[29] See https://www.ifad.org/documents/10180/e5b2381d-52dc-43c6-a95b-02fa8423d6e5.

[30] Initiatives also include the development of information channels that provide accurate up-to-date information on remittance costs for migrants, such as Tawipay's innovative remittances prices comparison website, as well as their Global Remittances Observatory.