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Global Knowledge Partnership on Migration and Development



Reducing Recruitment Costs

*December 12, 2016:
Platform for Partnerships – Global Forum on Migration and
Development*



Recruitment fees
\$4,000

Monthly income
\$200

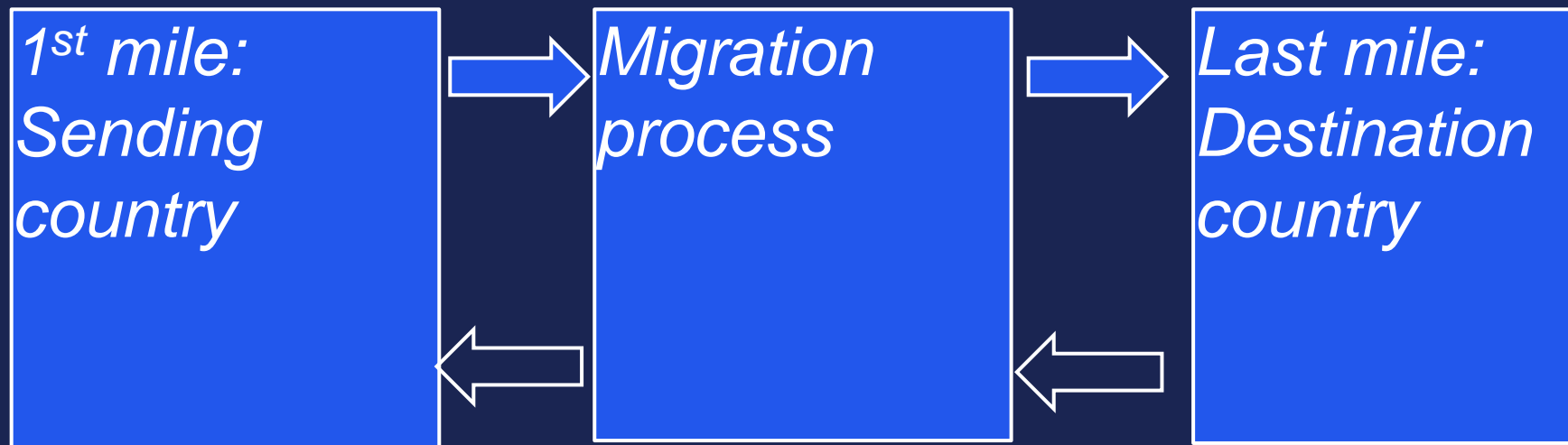
Reduce recruitment costs



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

Recruitment process



How to reduce recruitment costs: Sending country (1st Mile)

- Regulate recruitment agencies
- Educate potential migrant workers about their rights
- Equip embassies abroad to provide services to migrant workers
- Negotiate with destination countries about employment conditions of workers
- Publish data on recruitment costs by job category

How to reduce recruitment costs: 2nd Mile

- Examine visa policies
- Streamline passport issuance
- Provide information on employment opportunities to facilitate job-matching
- Provide loans for migration costs? Perhaps not.

How to reduce recruitment costs: Last Mile (Destination Country)

- Regulate employers and recruitment practices
- Educate migrants about their rights and employment conditions
- Collaborate with sending countries
- Publish data on 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 agents
 - Document cost: Passport, visa, medical certificate, security clearance, language test
 - Transportation cost

Example of Recruitment Cost

| - | Origin country | | | In-transit | Destination country | |
|---|----------------|---------------------------|--------------------|--------------------|---------------------|----------|
| | Government | Agents/ sub- agents | Private vendors | Private vendors | Government | Employer |
| - | | X | | | | |
| Recruiter/Job broker charges | | X | | | | |
| Visa costs | | | | | X | |
| Inland transportation expenses | | | X | | | |
| International transportation expenses | | | | X | | |
| Passport fee | X | | | | | |
| Medical fee | X | | | | | |
| Insurance fee | X | | | | | |
| Security clearance fee | X | | | | | |
| Pre-departure briefing | X | | | | | |
| Language training | | | X | | | |
| Skills assessment fee | X | | | | | |
| Contract approval fee | X | | | | | |
| Exit approval fee | X | | | | | |
| Welfare fund fee | X | | | | | |
| Employer recruitment costs deducted from salary | X | | | | | X |
| Debt repayments | | | X | | | |

Coverage of recruitment cost indicator

- Low-skilled migrant workers
- Focus on workers in agriculture, construction, domestic sector, and service sector
- Only worker-paid recruitment costs
- Limit to migrants admitted within past 3 years.
- Short-term and/or long-term?
- Regular or irregular?

Recruitment cost indicator (RCI)

- RCI for each origin-destination country corridor is migration costs paid as a multiple of monthly foreign earnings

- *Average* $RCI = \sum_{i=1}^n \frac{c_i}{y_i}$

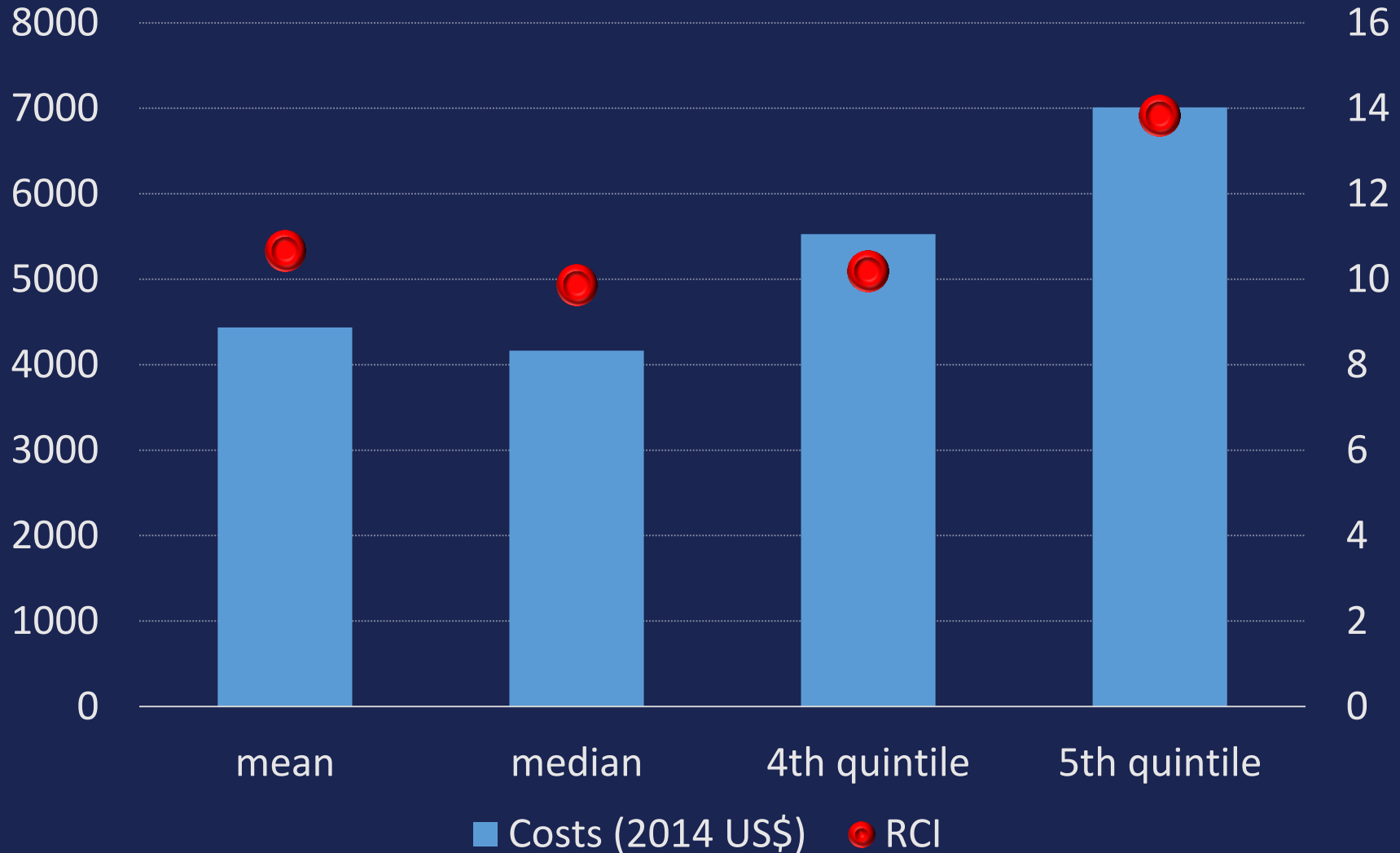
c_i : the total recruitment costs paid by worker i

y_i : monthly foreign wage, including overtime, after deducting taxes and social-security contributions

- Alternative measure: Median? 4th Quintile?

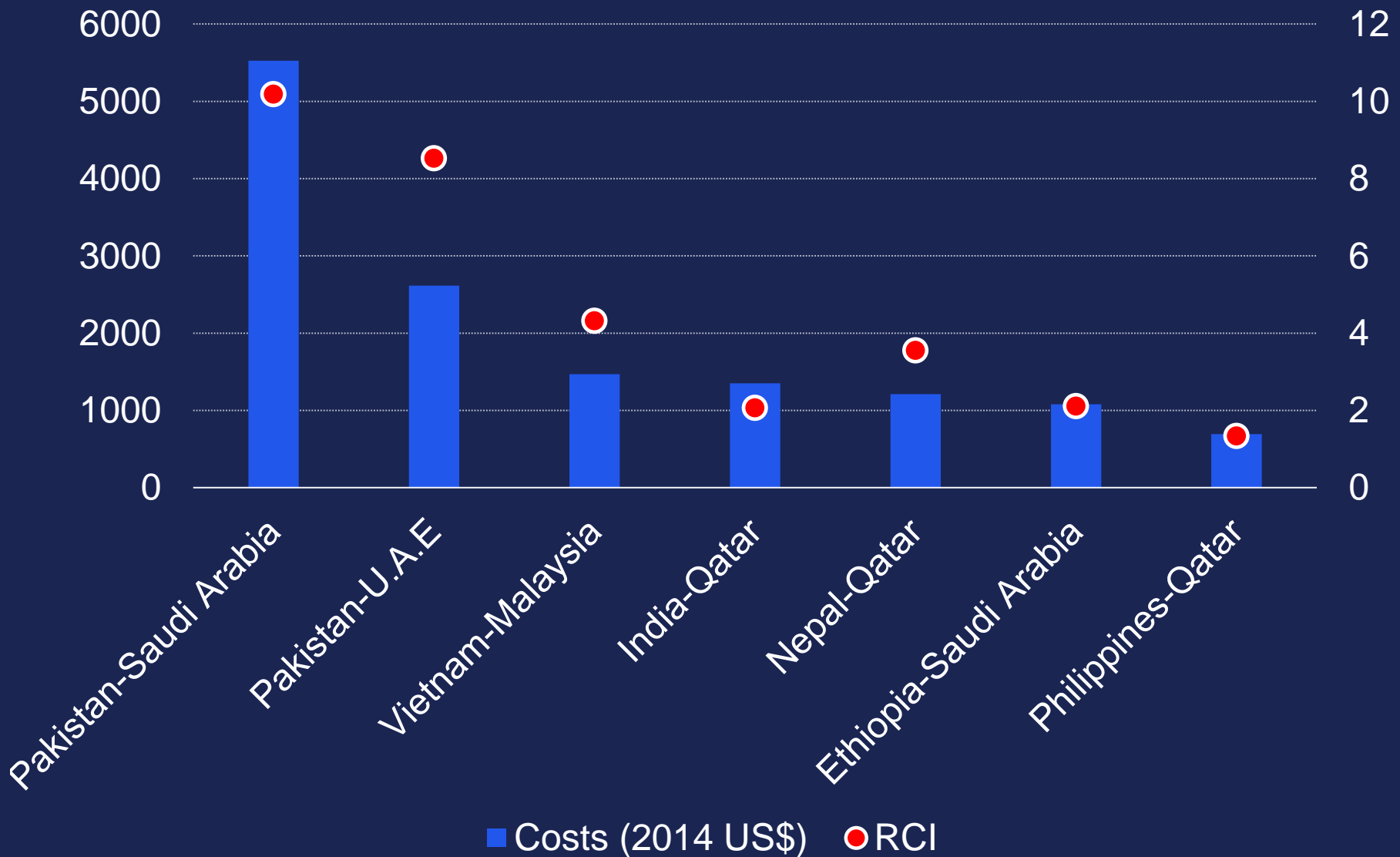
Pakistan-Saudi Arabia Corridor

Recruitment Costs for Construction Workers



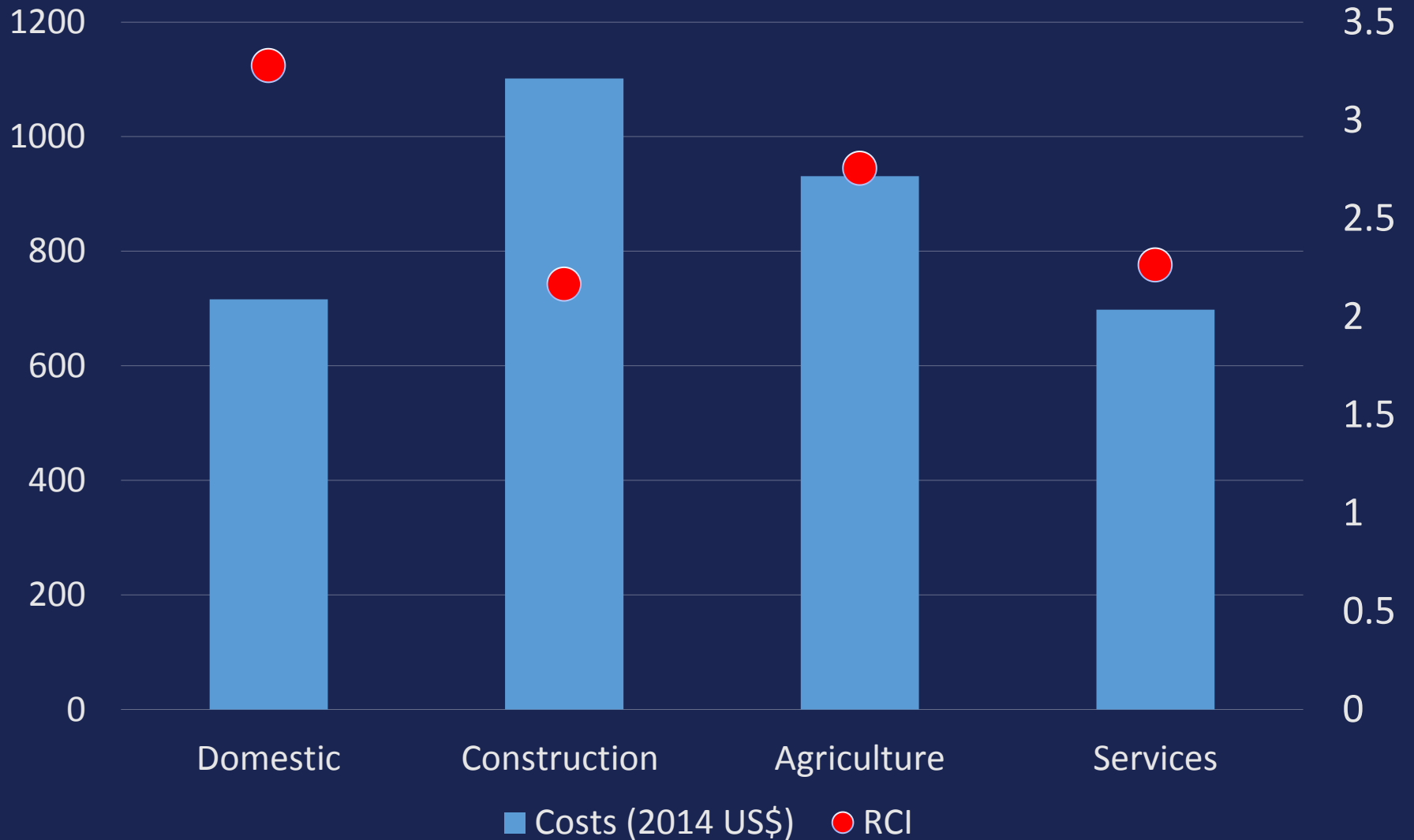
Construction Workers: Various Corridors

4th quintile Recruitment Costs



Ethiopia-Saudi Arabia: Sectoral Comparisons

4th quintile Recruitment Costs



Source: KNOMAD/ILO

Questions

- Which migration corridors?
- Where to survey migrants?
 - Surveys in origin versus destination countries.
- Survey households or establishments?
 - Household based: More detailed interviews possible but harder to obtain accurate sampling frame.
 - Establishment based: Preferably with employees.
 - How best to access domestic workers?
- Minimum sample size? Stratify by employment sectors?

Open questions

- How to better define the indicator?
- What are appropriate measures?
- What are recommendations for:
 - 1. Data collection methodology
 - 2. Sampling strategy
 - 3. Data disaggregation
 - 4. Challenges
 - 5. Sources of additional information
- Other data sources that can be used for the indicator?

KNOMAD/ILO surveys: recruitment costs in selected corridors

| Origin Country | Destination Country | Variables | Mean | Median | 4th Quintile | 5th Quintile | Standard Deviation |
|---------------------|---------------------|----------------------------|--------|--------|--------------|--------------|--------------------|
| Pakistan (n=355) | Saudi Arabia | Tot. recruitment cost, USD | 4394.9 | 4080.5 | 5520.1 | 7053.2 | 1861.3 |
| | | Monthly earnings, USD | 468.9 | 422.5 | 528.1 | 528.1 | 205.8 |
| | | Rec. cost Indicator (RCI) | 10.6 | 9.7 | 10.0 | 14.0 | 5.4 |
| Pakistan (n=244) | U.A.E. | Tot. recruitment cost, USD | 2351.2 | 2072.2 | 2621.2 | 4064.2 | 1198.1 |
| | | Monthly earnings, USD | 371.2 | 310.0 | 323.5 | 520.1 | 179.0 |
| | | Rec. cost Indicator (RCI) | 7.2 | 6.9 | 8.5 | 8.5 | 4.3 |
| Ethiopia (n=494) | Saudi Arabia | Tot. recruitment cost, USD | 991.3 | 826.1 | 1047.2 | 1713.3 | 756.9 |
| | | Monthly earnings, USD | 339.9 | 264.0 | 316.8 | 340.8 | 217.0 |
| | | Rec. cost Indicator (RCI) | 3.6 | 2.9 | 3.5 | 5.9 | 2.8 |
| Nepal (n=348) | Qatar | Tot. recruitment cost, USD | 1054.4 | 1088.1 | 1209.0 | 1480.8 | 393.3 |
| | | Monthly earnings, USD | 339.0 | 325.6 | 325.6 | 325.6 | 72.4 |
| | | Rec. cost Indicator (RCI) | 3.3 | 3.1 | 3.7 | 4.6 | 1.5 |
| Vietnam (n=394) | Malaysia | Tot. recruitment cost, USD | 1381.6 | 1376.2 | 1468.0 | 1680.0 | 283.9 |
| | | Monthly earnings, USD | 352.7 | 344.1 | 337.4 | 363.4 | 82.2 |
| | | Rec. cost Indicator (RCI) | 4.2 | 4.0 | 4.3 | 4.8 | 1.6 |

Note: All monetary values are deflated and expressed in 2014 USD. Median values are shown for the 4th and 5th quintiles.

Source: Authors's calculation using 2014-2015 KNOMAD/ILO Recruitment Cost Surveys.

Recruitment costs by sectors of employment

| Origin Country | Destination Country | Variables | Domestic sector | Construction sector | Agriculture sector | Service sector |
|------------------------|---------------------|----------------------------|-----------------|---------------------|--------------------|----------------|
| Pakistan (n=355) | Saudi Arabia | Tot. recruitment cost, USD | - | 4163.2 | - | 3844.9 |
| | | Monthly earnings, USD | - | 422.5 | - | 514.9 |
| | | Rec. cost Indicator (RCI) | - | 9.9 | - | 8.5 |
| | | <i>Observations</i> | - | 314 | - | 34 |
| Ethiopia (n=494) | Saudi Arabia | Tot. recruitment cost, USD | 716.0 | 1101.5 | 930.8 | 698.1 |
| | | Monthly earnings, USD | 211.2 | 528.1 | 264.0 | 448.9 |
| | | Rec. cost Indicator (RCI) | 3.3 | 2.2 | 2.8 | 2.3 |
| | | <i>Observations</i> | 319 | 123 | 31 | 19 |
| Nepal (n=348) | Qatar | Tot. recruitment cost, USD | 967.2 | 1096.9 | - | 1096.9 |
| | | Monthly earnings, USD | 276.3 | 345.3 | - | 355.2 |
| | | Rec. cost Indicator (RCI) | 3.3 | 3.1 | - | 2.8 |
| | | <i>Observations</i> | 59 | 267 | - | 21 |
| Philippines (n=304) | Qatar | Tot. recruitment cost, USD | 224.4 | 477.3 | - | 460.0 |
| | | Monthly earnings, USD | 297.0 | 544.3 | - | 646.0 |
| | | Rec. cost Indicator (RCI) | 0.8 | 0.9 | - | 0.7 |
| | | <i>Observations</i> | 132 | 115 | - | 26.0 |

Note: Statistics are limited to sectors with 19 or more observations. All monetary values are deflated and expressed in 2014 USD.

Source: Authors's calculation using 2014-2015 KNOMAD/ILO Recruitment Cost Surveys.