IOM International Organization for Migration
OIM Organisation internationale pour les migrations
OIM Organización Internacional para las Migraciones

GFMD 2011 Thematic Meeting

Lowering Migration Costs in Collaboration with, and Developing a Model Bilateral Framework with Receiving Countries

Session I:Understanding the Monetary Cost of Migration

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Background Note[1]

I. Introduction

Most experts would acknowledge that international migration — and especially contract labour migration — is driven by profit-seeking behaviour on the part of workers, employers and recruiters. Numerous studies have shown that for many labour migrants, the decision to migrate stems primarily from the desire to improve income for themselves and the families they leave behind. Indeed, exploiting the wage differential between the origin and destination country can have a clear economic benefit to the migrant and the household to which he or she belongs.

Migration, however, almost always requires initial financial investments such as in the form of placement fees paid to recruiters and documentation costs in procuring passports, visas and other required tests and certifications. Migrants also continue to incur costs once at the destination, by paying for their accommodations and food, and even during return, by purchasing an air ticket and making-up for missed social security payments. In short, migrating for work does not come cheap. It is a large investment for many migrants while also offering potentially handsome dividends.

This background note explores the monetary costs incurred by migrants from major countries of origin in Asia, as they move across borders to find work. It is based mostly on a review of existing literature on a selection of countries of origin in Asia. In thinking about costs, it is important to identify not only what migrants actually pay, such as placement fees or high-interest rates on loans, but also what they 'lose' because they did not receive the monetary benefits they were promised or entitled to, in the form of reduced wage or forgone social security benefits.

This note outlines the different costs migrants' incur at various stages of migration and offer an explanation of why in far too many cases, the monetary cost of migration is unbearably high, even to the point of being exploitative. Some of these expenses go towards recouping actual costs and are legally mandated by government regulations while the rest are exacted illegally by unscrupulous recruiters and employers.

Migrants' base their decision to migrate on the expectation that the benefits will more than outweigh the costs involved. Clearly, there is much room for more effective policy interventions that will translate this expectation into reality.

II. Adding Up the Cost of Migration

The opportunity to migrate for work usually comes with a monetary cost to migrants. As Table 1 below shows, migrants incur costs at various stages of migration: at pre-departure, while at destination and even upon return.

[1] This background note is prepared by Dovelyn Rannveig Agunias, Regional Research Officer, IOM and Policy Analyst, Migration Policy Institute with the research assistance of IOM's Genevieve Gruss.

Table 1 Cost at Various Stages of Migration

Pre-departure	At Destination	Upon Return
Documentation costs (passports, medical clearance, birth certificates, technical certifications, pre-departure training certificates, etc.) **Recruitment costs** (Placement fees paid to recruiters and informal brokers, housing, transportation costs, high-interest loans, airfare, etc.)	**Wage related costs (**Salary deductions, Contract substitution) **Cost of living** (Accommodation, transportation, food, medical care, etc.) **Cost of keeping in contact with families left behind** (Remittance fees, phone bills, etc.)	**Deployment cost** (Money migrants pay back to recruiters/employers should they renege on their contracts, which often includes airfare; unpaid visa fees, etc.) **Forgone benefits** (Social security payments; medical benefits, including disability etc.)

A. Pre-departure

Documentation Costs

The passport is only one of the many documents migrants have to produce in order to migrate. Many governments at both origin and destination require prospective migrant workers to meet a prescribed level of physical health and technical training, and have a record of good conduct.
Migrants have to procure various types of documents to satisfy government requirements most common of which are the following:

- *Medical certificate*. Most prospective migrants have to undergo a medical examination before going abroad. Migrants are also tested for various infectious diseases such as tuberculosis, hepatitis, AIDS, malaria, syphilis and gonorrhea. Substance abuse, mental health, and pregnancy status are also assessed. The cost of a medical exam varies from about US$30 in Bangladesh and Sri Lanka to US$48 in the Philippines.[1]

- *Skills certificate.* A number of countries also require skills certification for their workers in vulnerable sectors, especially domestic work. As of 2006, all deployed domestic workers from the Philippines, for instance, must attend a language and culture course, and secure a certification in household work from a government-accredited training agency. Sri Lanka and Bangladesh have similar training requirements for its domestic workers heading to the Middle East, lasting 15 and 21 days, respectively and covering various topics from care-giving and cooking to personal hygiene and basic Arabic and English language lessons.

- *Pre-departure Orientation.* A number of countries also require some or all migrants to attend an orientation programme prior to departure. Orientations often include information on financial literacy (such as budget planning and remittance sending) as well as health and safety. They are typically conducted in a classroom setting for a prescribed number of hours or even days, and in partnership with members of the private sector and civil society, such as recruitment agencies and NGOs. Upon completing the orientation, migrants typically receive a clearance or certification required for departure. Fees vary widely. For instance, while pre-departure orientations are offered free in Bangladesh and Indonesia, migrants pay a minimal fee in the Philippines (PP100, US$2.50) and a much higher fee in Nepal (NR700, US$10). [2]

- *Police Clearance or Proof of Clean Record*. Most prospective migrants also need to get a police clearance or other proof of a clean record since destination countries generally restricts the entry of migrants with criminal records as well as former migrants who violated their employment contracts or the provisions of local laws and regulations.

Procuring the needed documents is more expensive for migrants who live in rural areas, and must travel to city-centers for processing. Prospective migrants who do not hold basic documentation such as birth certificates also incur additional costs, since they have to go through a much more elaborate process to prove their identity. Access to these documents can be extremely difficult for these prospective migrants that many are forced to avail the services of informal brokers or middlemen who can procure or fabricate documents in the black market.

Recruitment costs

On top of documentation costs, most migrants also pay fees directly associated with their recruitment, such as placement fees paid to recruiters and brokers, interest on pre-departure loans and accommodation and transportation expenses.

Placement and Smuggling Fees

Placement fees are at the center of most recruitment irregularities, with recruitment agencies charging excessive prices. The level of placement fees differs depending on many variables, such as the country of destination, gender of migrant, nature of work and prospective salary.

In general, migrants pay higher recruiting fees if the job carries prospects for settlement abroad, if it is difficult to migrate via social networks, and if there are far more workers seeking to go abroad than there are contracts available.[3] Generally, costs are also higher for migrants going to Europe, North America and Australia. For instance, migrants who are leaving to work via the irregular channels generally have to pay a very stiff price. Khalid Koser's study of smuggling from Pakistan suggests that, depending on routes and destination, smugglers ask between US$3,000 to US$20,000.[4] Smuggling fees from China to the United States are much higher, reported at various sources to be ranging from US$30,000 to US$70,000.[5]

Low-skilled migrants, in general, pay more in placement fees relative to their prospective income. In India, a joint-study by the Public Accounts Foundation and Goa Migration estimates that low-skilled migrants pay an average of between INR 55,000 (US$ 1,200) to INR 64,000 (US$1,500). Female domestic workers, who typically earn between S$200 (US$ 134) to S$250 (US$ 167) a month, pay about S$600 (US$ 403), or three months' salary, to recruitment agents to get contracts in Singapore.[6]

Fees also vary depending on the destination country. Chinese construction workers bound for Japan and Singapore pay agents between US$3,000 to US$10,000.[7] Recruitment companies in Thailand normally collect around 75,000 – 130,000 Baht (US$ 2,500- 4,300) from migrants but this varies by destination country and have increased markedly in recent years. For instance, in the 1990s, licensed and unlicensed agencies recruiting Thai workers to go to Taiwan, Province of China, charged THB 60,000 – 80,000 (approximately US$ 1,600- US$ 2,200) but by 2008, these agencies have nearly tripled their charge at THB 180,000 – 200,000 (approximately US$ 5,100-US$ 5,400). [8]

Placement fees also vary by demand, reflecting, for instance, a preference for female workers. Female Sri Lankan migrants heading to work in factories in Jordan pay their recruiters what they generally perceived as a minimal amount. The placement fee ranges between 17,500 LKR (US$ 156) and 25,000 LKR (US$ 225), which is equivalent to a month's expected salary. On the other hand, male factory workers from Sri Lanka pay significantly more — between 60,000 LKR ($540) and 80,000 LKR (US$ 720). Male factory workers from the Philippines also pay a significant up-front placement fee: between P50, 000 (US$1,142) and P60, 000 (US$ 1,371). These amounts are equivalent to three or four months of expected salary and are nearly three times more than what their female counterparts would pay to be placed in exactly the same job with the same monthly salary. [9] The same has been observed among women workers from Bangladesh who generally pay a quarter of what their male counterpart pays. [10]

Highly skilled migrants also pay placement fees. For instance, research in China suggests that nurses aiming to enter the Australian and United Kingdom market pay recruiters between US$ 4,000 and US$ 15,000.[11] Teachers recruited to the United States pay between 7 to 15 per cent of annual salary as a placement fee, on top of documentation and training costs.[12] Filipino nurses going to Jordan typically pay double the Philippine government's prescribed limit of a one-month salary. Nurses with an expected monthly salary of between P20,000 (US$ 456) and P25,000 (US$ 571) pay around P40,000 (US$ 914) in placement fees. [13]

Indeed, many origin countries have set limits on how much recruitment agencies can charge migrant workers. However, field studies suggest that these limits are generally not followed. For instance, the Ministry of Expatriates' Welfare and Overseas Employment (MoEWOE) in Bangladesh has fixed the maximum migration cost for low-skilled male migrants at BDT 84,000 (US$ 1,220) and BDT 20,000 (US$ 145) for female workers. However, migrants interviewed in a number of studies report paying brokers an average of BDT 200,000 (USD 2,900). This suggests that the cost of the middlemen and profit of the licensed recruiter is as high as BDT 150,000 (USD 2,165) or almost two-thirds of the total cost to the migrant.[14]

Similarly, in Nepal, a study commissioned by the National Planning Commission and IOM found that workers going to Qatar pay recruiters around Rs 90,651 (US$ 1,200) even though Qatari law forbids migrant workers from paying a placement fee. A Memorandum of Understanding between Nepal and Qatar indicates that the employer must pay the travel and all other expenses. [15] Similarly in Pakistan, a 2009 ILO study finds that recruitment agents charge migrants closer to Rs. 7,150 (US$ 114) which is higher than the maximum service charge fee of Rs. 4,500 (US$ 72) fixed by the Bureau of Emigration and Overseas Employment.[16]

Expensive Pre-departure Loans

Studies have shown that excessive fees levied on prospective migrants are often the first step into the cycle of dependency and coercion.[17] In order to pay recruitment and processing fees, migrants take out large loans requiring repayment at extremely high interest rates.

For instance, a male Sri Lankan factory worker going to Jordan typically takes loans of around 70,000 LKR (US$ 631) to 100,000 LKR (US$ 901) at 10 per cent interest per month. At this interest rate and with a monthly salary of just around 21,000 LKR (US$ 189), migrants can afford to pay only the interest for the first year. Filipino male workers are no better off. Group interviews conducted with mid-skilled Filipinos working in private companies revealed that some have taken loans at 16 per cent interest per month. At this rate, a loan of P55,000 (US$ 1,256) will earn P33,000 ($754) in interest in a year. [18]

There are even cases in which recruiters collect security bonds and housing or property certificates from migrants before their departures, as a form of collateral.[19]

Other costs

There are also other costs that are related to the recruitment process. Even agencies that advertise a "no placement fee" policy to entice applicants may end up charging "recruitment-related costs" deducted from the person's future salary. Some migrants do not know exactly what they are paying for.[20] Indeed, an IOM mission report in Indonesia finds that the breakdown of cost is not clear to many migrants.[21]

Some agencies, particularly those that recruit domestic workers, provide accommodations in city-centers for out-of-town applicants. Prospective migrants in the Philippines, for instance, generally pay for the housing and were charged between three and four months' worth of salary — a prohibitive cost given the poor quality of these accommodations.[22]

Transportation expenses can also pose additional hardship, especially to those who live in far-flung provinces who need to endure repeated and expensive commute in and out of city-centers. The expenses add up and can command a large proportion of annual pay. As Table 2 below shows, Cambodians and Laotians going to Thailand incur between US$ 500 and US$ 600 in costs before departure, or 4 and 5 months worth of salary.

Table 2: Estimated Costs Incurred Before Departure by Labour Migrants from Cambodia and Lao going to Thailand, 2008

Expenditure items	Cambodia	Lao
Passport	150	63
Medical check-up	10	19
Visa Fee (two years)	63	63
Exit fee and emergency insurance	5	17
Training	15	42
Service charge paid to agency	70	302
Other expenses (documentation and local broker fees, etc.)	220	111
Total Cost	US$533	US$617

Source: Pracha Vasuprasat, Interstate Cooperation on Labour Migration: Lessons Learned from MOU's between Thailand and Neighboring Countries, ILO 2008

B. At Destination

Migrants continually incur costs while at destination, not only in what they actually pay for, such as food and accommodation but what they "lose" because they did not receive the monetary benefits they were promised and/or they are entitled to, such as reduced wage or forgone social security benefits.

Cost of living

Most workers must pay for accommodation and other necessities while working abroad which can be more expensive than initially anticipated. For instance, in Dubai, United Arab Emirates, where accommodation is prohibitively expensive, migrant workers who are not staying in company-provided accommodation typically live in group homes, where even the beds are shared by two or more persons. Expenses related to food are even higher in destinations where foods that migrants are accustomed to at home are not readily available.

Health Costs

Not all employers provide occupational health or general medical services for migrant workers. The migrants often have to pay out of pocket for medical services offered at government facilities in the destination countries as they are not covered by any medical insurance. Lack of an understanding of the health system in the destination country and language barriers often delay the migrants' access to health care and this can increase service costs.

Salary deduction

In order to service their recruitment and processing fees, some agree to salary deduction schemes that withhold a sizeable proportion of their salaries as payment. Many migrants favour this approach given the high cost of credit at home especially for the poor-- as much as annual percentage rate of 240 per cent in the case of the Philippines. [23] Deduction arrangements vary. For instance, Filipino migrant workers in the United Arab Emirates expected or had paid a deduction of 10 to 30 per cent of their monthly salary for three to six months. Others expected to pay half of their salary for two months, while the rest did not expect to get paid the first month. Although across skill levels, many admitted they would prefer to pay nothing, they did not perceive the arrangement as exploitative. Instead, they saw it as better than taking out high-interest loans or paying upfront.[24] Earlier research by the International Labor Organization (ILO) suggests, however, that these migrants are often unaware of the payment terms and are charged at levels comparable to those of money lenders.[25]

Due to a lack of communication, illiteracy, or employment contracts prepared in a language that is not understood by migrants, some migrants do not understand their net pay or its real worth and have unexpected deductions in salary. For instance, field work in the United Arab Emirates found that unexpected deductions for airfare and accommodation reduced the net salary of Filipino migrants by as much as half in some cases. [26]For factory workers in Jordan, the main problem pertained to unexpected deductions for food. Some factories were deducting more than the amount the local agents had told migrants about before departure. Indeed, in 2010, the ILO and the International Finance Corporation (IFC) assessed 15 garment factories in Jordan predominantly employing migrant workers and found that seven did not properly inform workers about wage payments and deductions while six made unauthorized deductions from wages.[27]

Underpayment or Non-payment of Wage

Another related problem facing migrant workers upon arrival is the underpayment or nonpayment of wages. Wage-related problems, for instance, top the list of complaints filed in the Sri Lankan and Philippine embassies in Amman. Indeed, although migrants have signed a valid contract before departure that clearly indicated their expected wage, there is a concern among various stakeholders that despite this legal protection, many migrants still do not receive the wage they signed up for.

Domestic workers from Sri Lanka, for instance, might sign a contract before departure stating a monthly wage of US$ 200. But in reality they get paid less, typically in the range of US$ 125 to US$ 150. Similar practice was observed in Nepal, [28] where a forthcoming study finds that although the government has fixed the minimum wage in Malaysia for Nepali workers at 546 Ringgit (US$ 175) a month, most workers get a salary of 481 Ringgit (USD$ 155)[29] Similarly in Pakistan, an ILO study finds that Pakistani migrants sign new contract at destination with a wage provision that is usually 8 to 10 per cent lower than stated in the original contract.[30]

Problems of wage nonpayment and underpayment are even more pronounced among migrants that have taken the irregular route such as migrants from the Philippines who have defied the deployment ban on domestic workers and traveled to Jordan as tourists (see Box 1).

Box 1. The Philippine Ban on Domestic Workers Going to Jordan

In 2008 the Philippines imposed a recruitment ban on domestic workers going to Jordan. Despite the ban, licensed recruitment agencies in Jordan continue to recruit Filipino domestic workers through the help of illegal recruiters in the Philippines. Most leave illegally as tourists but enter Jordan with proper working visas. Going through this irregular route makes this particular group of Filipino migrants susceptible to abuse and exploitation from unscrupulous recruiters and employers.

A group discussion among migrants who left during the ban and are seeking shelter in the Philippine Embassy in Amman revealed that they were promised monthly salaries ranging from US$ 150 to US$ 400. Many left the Philippines within a week of meeting their recruiters, some in just a matter of days. Almost all went through medical screening and gave little or no money to the illegal recruiters. Others left the Philippines without knowing that Jordan was their final destination; they had been promised jobs in other parts of the Middle East or even in Europe. Others were not aware that they were leaving the Philippines illegally and were surprised when told by recruiters at the airport that they had to lie to Philippine immigration officials and/or approach specific airport officials who were working with the illegal agencies.

Many came to Jordan not knowing that they would end up as domestic workers. According to Imad Sharqawi, a lawyer hired by the Philippine Embassy in Amman to represent Filipino migrant workers in court and mediation proceedings, illegal recruiters in the Philippines typically promise workers placement in hospitals and beauty salons, along with a generous compensation package that includes a minimum monthly wage of US$ 400, one day off per week, a maximum work day of eight hours, and a month of paid vacation each year. However, once the migrant arrives in Jordan, a new contract for domestic work is, as Sharqawi characterized it, "forced on her." The wage is generally much smaller than promised, at around US$ 200, and workers are not allowed to take a day off from work, use a mobile phone, contact their family, or make friends outside of the home. As one Jordanian agent interviewed for this report admitted, "Some girls come here thinking that they will work in the salon, etc; when she comes in and sees the salary is US$ 200, she wants to die."

Source: Excerpt from Dovelyn Rannveig Agunias, "Running in Circles: Progress and Challenges in Regulating Recruitment of Filipino and Sri Lankan Labor Migrants to Jordan," Migration Policy Institute, 2011

Remittance costs

Migrants also incur costs in sending money home. The transaction costs in transferring remittances remain high in many corridors imposing additional costs to migrants. For instance, although the Asia-Pacific region is home to some of the most competitive remittance markets in the world, remittance costs in some corridors are quite high. Cost differences can be large. As Table 3 and 4 below show, migrants sending US$ 200 from the least costly corridor, the United Arab Emirates to Pakistan, on average pay only US$ 3.24 per transaction while migrants sending the same amount from Japan to India, pay nearly US$ 38 per transaction – almost a fifth of the amount remitted.

Table 3: Top 10 Least cost-effective remittance corridors, third quarter 2010

For sending USD 200 among 10 CP countries, third quarter 2010				
Rank	**Sending country**	**Receiving country**	**Percent**	**Average total cost in USD**
1	Japan	India	18.79	37.59
2	Japan	China	17.62	35.24
3	Germany	India	16.59	33.18
4	Japan	Philippines	13.58	27.16
5	Singapore	Pakistan	12.37	24.73
6	United States	Thailand	12.21	24.42
7	Germany	China	11.64	23.29
8	Spain	China	11.23	22.45
9	United Kingdom	China	10.7	21.4
10	United States	China	10.69	21.38

Source: World Bank.
Note: Out of 16 sending countries to 10 receiving countries in Asia. Average total cost includes the transaction fee and exchange-rate margin.

Table 4:Top 10 most cost-effective remittance corridors, third quarter 2010

For sending USD 200 among 10 CP countries,				
Rank	**Sending country**	**Receiving country**	**Percent**	**Average total cost in USD**
1	UAE	Pakistan	1.62	3.24
2	Singapore	Philippines	2.42	4.84
3	Singapore	Bangladesh	3	5.99
4	Qatar	India	3.13	6.26
5	Saudi	Nepal	3.27	6.55
6	UAE	Nepal	3.27	6.55
7	UAE	Sri Lanka	3.29	6.59
8	UAE	Philippines	3.74	7.48
9	Malaysia	Philippines	3.83	7.65
10	Saudi Arabia	Pakistan	4.12	8.24

Source: World Bank.
Note: Out of 16 sending countries to 10 receiving countries in Asia. Average total cost includes the transaction fee and exchange-rate margin.

Interestingly, informal channels are usually cheaper than formal ones. Freund and Spatafora note, for instance, that the transaction costs using official channels is estimated at approximately 13 percent of the remittance value, a far cry from the less than 2 percent *Hawala* and *Hundi* transactions reportedly charges. For the informal remittance channels as a whole, Sander reports that the average cost of remitting is at 3-5 percent globally, although they can be higher in specific cases. Swanson and Kubas report costs of less than 1 to 5 percent. Similarly, remittances through friends, taxi drivers, and the like, are also low-cost channels compared to formal ones.

Indeed, costs remain high for formal services in many corridors amidst an overall decline in fees in recent years brought about by increasing competition and the emergence of new financial products allowing electronic money transfers at low cost.

Many remitters also need to send money to locations with often weak or no financial infrastructure where banks of their host country have no existing business connections. Rural regions tend to be much less well serviced by the financial industry, unlike capitals and other urban centers that enjoy fairly good financial service availability. This explains why banks are predominantly used for remittances in the large cities in Bangladesh while informal channels remain more popular in rural areas.

Clearly, enormous challenges remain at the distribution stage of remittance transactions or the so-called "last mile." Establishing operations in rural areas includes additional costs many banks and/or money transfer companies are not prepared to bear. As a result, many rural people face higher transaction costs and weaker access compared to their counterparts in the city.

C. Upon Return

Some migrants also incur additional costs upon return such as paying back expenses related to their deployment for those who want to break their contracts and forgone social security benefits. Migrants may have to return to their home country because of ill health and unable to work. As most migrants do not have private health insurance policies or may not have been able to contribute to a national health insurance, they will have the burden of paying for their health services upon return to their home country. Lessons can be learnt from the good schemes managed by the Philippines overseas welfare association.[31]

Deployment cost

The biggest problem arises when for some reason or other, migrant workers refuse to work with their current employers and would like to go home. In such cases, agents typically ask the migrants to pay back the expenses incurred in bringing them abroad. The deployment costs can be prohibitively expensive since, unlike placement fees, they are not regulated. In other words, there is no government-prescribed rate or guideline to calculate how much a migrant should pay the recruiter and/or employer should he or she break a contract.

For instance, a recent fieldwork in Jordan found that migrant workers who would like to break their contracts must still pay agencies' deployment costs, ranging from US$ 2,000 to US$ 3,000 for domestic workers and at about US$ 1,500 for factory workers. Agencies calculate the deployment cost by adding the price of a round-trip airfare, visa fees, and other fees associated with the deployment. Interviews in Jordan with government officials, recruiters, and migrant workers alike reveal that many cannot afford to pay the deployment costs, which amount to almost a year's salary, and are forced to make the difficult decision to resume work and finish the length of their contracts.[32]

Kingsley Ranawaka, Chairman of the Sri Lankan Bureau for Foreign Employment (SLBFE), notes that this problem occurs not only in Jordan but also in other countries. For Ranawaka, without a standard way to calculate deployment costs, "employers are free to demand unreasonable amounts. In the absence of evidence to prove harassment or unhealthy working conditions, employees who face difficult conditions are forced to pay this money back or stay and endure the poor conditions." Ranawaka accurately framed the situation for many of these migrants: "They mortgage their property to secure a job and when employers demand an almost equal amount to give release they become helpless."[33]

For many migrants wanting to leave their employers, the only real options is to seek shelter in their respective embassies or find alternative employment opportunities in the informal economy as daily wage earners, where they are unable to access entitlements such as sick pay or rest days. The practice of demanding repayment of deployment costs makes migrants more vulnerable to exploitation.

Social Security Rights

Upon return, many migrants also lose out on some or all of their social security benefits. Since existing bilateral or multilateral social security agreements cover only some 20 to 25 per cent of international migrants, the majority of migrants face obstacles in the portability of their pension and health care benefits.

Social security rights are usually related to periods of employment, social insurance contributions, and/or residency. Without social security agreements between countries of origin and destination, migrant workers are often excluded from the social security coverage of the country of employment. Further, even if they are covered by the statutory social security scheme of that country, they are often unable to receive those benefits when returning to their country of origin.

Migrants therefore may lose out on social security benefits twice: they may lose their entitlements to social security benefits in their country of origin due to their absence, and may also be restricted from enjoying the full benefits of the host country's social security system. Indeed, although many destination countries have social security systems in place, migrants are not necessarily contributing to them.

According to the most recent worldwide study on this issue, less than one per cent of migrants from South Asia, and only four per cent of migrants from Sub-Saharan Africa move under total portability of pensions. The top migrant sending countries—Russia, Mexico, India, Bangladesh, Ukraine, and China—with emigrant stocks between 6 and 13 million have concluded very few bilateral portability arrangements.

III. Drivers of Migration Cost

Lowering the cost of migration requires an understanding of what is driving the cost up in the first place. The costs of migration to migrants are shaped by myriad factors, of which five are most influential.

Restrictive Entry, High Demand

First, in many destination countries, there is a policy mismatch between restrictive entry and high labour demand, especially for the low and mid-skilled. This mismatch increases the likelihood that recruitment itself is either unnecessarily expensive or, even exploitative. Research has shown that where legal migration is limited and demand for migrant labour is high, recruitment agencies pay a higher price to get clients abroad.

Lito Soriano, former president of the industry group Federated Association of Manpower Exporters (FAME) and a long-time recruiter from the Philippines, explains that the desire to keep clients drives agencies to negotiate for lower salaries and other benefits. In an ideal situation, Soriano said, agencies should ask for better benefits for the migrants. However, the recruiter runs the risk of losing the employer as a client. This is a daunting prospect in the competitive international market, where recruiters not only compete against each other but with recruiters from developing countries that do not have similar regulations. Instead of bargaining with the employer, an unscrupulous agency arranges an informal deal with the migrant for a lower salary, to which the migrant (especially one working in the low-skilled sector) generally agrees. Some agencies might not even inform migrants that they will receive a lower salary than stated in the contract because they are banking on the high probability that migrants, fearing deportation, will not complain.[34]

Some agencies with preferential access to jobs make money solely by trading visas in the black market at a handsome price. For instance, given the high demand for work in the United Arab Emirates, interviews with UAE industry practitioners revealed that some make money by "selling" their access to employers and jobs to agencies in the countries of migrant origin. Migrants in very competitive labor markets are generally compelled to pay more simply because there are more people wanting to emigrate than there are (legal) places, causing the "price" of getting a job to rise.

Multiple Layers of Recruiters: Sub-agents and Brokers

Second, the proliferation of unlicensed subagents and brokers further increase the cost of recruitment. Private recruitment agencies rarely work on their own, but rather use a host of mostly informal sub-agents or brokers to find prospective migrants or employers, creating additional layers of intermediaries. Most Bangladeshi recruitment agencies work with brokers in destination countries, many of them of Bangladeshi, Indian or Pakistani origin. These brokers typically work for factories looking for employees from overseas.[35] At the same time in countries of origin, private recruitment agencies also work with local sub-agents, known colloquially as *dalals*, who find and refer prospective migrants from villages and areas far from city-centers.[36] Essentially the intermediaries, sub-agents or brokers are not formally connected to the agencies they work with and rarely are accountable to them or to the migrants they eventually help to deploy.

This practice of outsourcing recruitment to sub-agents increases the costs to both workers and employers. For instance, agencies and government officials alike agree that subagents earn the most profit, and in many cases earn more than the licensed agent. W. M. P. Aponso, President of the Association of Licensed Foreign Employment Agencies (ALFEA) noted that of the US$ 600 that Sri Lankan agencies typically receive from Jordanian agents as commission, two-thirds, or US$ 400, goes to the subagent.[37]

Exploitation and Collusion among Local and Foreign Agents and Between Agents and Employers

Third, interviews with industry insiders also indicate a fair amount of exploitation among local and foreign agents and between agents and employers. Since migrants, especially those working in low-skilled sectors, occupy the lowest rank in this complicated food chain, agents and employers recover their losses from each other by passing their costs on to migrants — whether in terms of higher placement and deployment fees, lower salaries, and/or poor working and living conditions.

One of the biggest problems relates to how much agencies charge one another and the employers. W Aponso of ALFEA in Sri Lanka has noted that agencies are simply charging one another more than they should.[38] For instance, in the domestic work sector, a Jordanian agent recruiting from the Philippines receives around 2,000 JD (US$ 2,820) from the employer. From this amount, the Jordanian agent deducts roughly two to three months' salary as commission, or between 300 JD (US$ 424) to 500 JD (US$770). Agents in Jordan also spend money on medical examinations, work permit applications, and other expenses, which add up to another $700. The rest — around US$ 1,800 — is remitted to the illegal recruiter in the Philippines. Illegal recruiters then use this money to purchase airfare, pay subagents, and cover other costs, including bribes, to government officials. Agents in Jordan complain that agents in the Philippines do not only ask for stiff commission but also arbitrarily increase it with no clear reason. Since it would cost agents in Jordan more money to cancel existing job orders and find another agency in the Philippines, many agree to the new amount and pass the additional cost to the workers.[39]

Agents also collude with employers at destination further driving up the cost of recruitment for the migrant. For instance, Sri Lankan agencies find that employers, especially in the garment industry, do not like to employ men due to a perception that men like to consume more alcohol and engage in fights, especially with workers of other nationalities. Sending female migrants is actually more profitable for Sri Lankan agents because employers generally pay $200 per deployed female worker. For the agency, the only way to make money from sending male workers is to ask for a substantial placement fee directly from the male workers themselves. The placement fee typically covers all the expenses the employers refuse to pay, such as the airfare and, more often than not, an allowance for bribing employers. Since the demand for male factory workers is very low, Kingsley Ranawaka — who chairs SLBFE and is a lawyer by training — is aware that some Sri Lankan agents offer up to $350–$400 in bribes to employers and/or their brokers to accept male workers.[40]

Excessive and Complex Regulations at Home and Abroad

Fourth, excessive and complex regulations have created additional costs for recruiters and other actors, such as corrupt officials and the like. In the United States, for instance, the labour certification process for foreign workers remains complicated and is often expensive and time-consuming. Although processes exist for temporary and permanent labour certification, workers seeking temporary employment, especially those that are low skilled, are particularly vulnerable to the backlogs and fees associated with the certification process.[41]

Interestingly, IOM country assessments for Thailand, Nepal and Indonesia found that due to lengthy and time consuming requirements, existing procedures often serve to discourage migrants from using the legal route. Some migrants find it cheaper and less time consuming to leave without documentation than to meet government requirements. [42] The irony in this last point is hard not to miss: some policies that run under the guise of protecting migrants from unscrupulous recruiters also run the risk of increasing the cost of migration.

Lack of Core Rights at Destination

Lastly, part of the problem also pertains to the lack of leverage among migrants vis a vis their recruiters and/or their employers. Without access to a core set of rights, migrants — especially those with undocumented status — are vulnerable to exploitation. As Mary Cunneen argues, particularly in relation to migrant workers, "policies that seek to control intermediaries' operation …will ultimately be ineffective without an underpinning of core labor rights that can be claimed by all workers."[43]

In an uneven relationship, migrants typically have little ability to bargain with their recruiters and or employers, which often leads to fraud and abuse. It is not a coincidence that many cases of recruitment-related abuse occur in specific sectors and countries that afford very limited protection to migrants. Most countries with a huge proportion of temporary migrant workers exclude certain groups of migrant workers from the protections of their labor laws. For instance, in an ILO study of national laws in 65 countries, only 19 have specific laws or regulations dealing with domestic work.[44]

Some countries do not honor contracts signed in the country of origin or at the migrant's embassy. This practice has led to side contracts that the recruiting agencies, employers, and workers sign. These contracts usually stipulate salaries below the minimum wage.[45] In some countries in the Middle East, employers require workers to sign a new contract, which may specify a different position, wage, and entitlement.[46]

In the United States, under the Fair Labor Standards Act, employers of farm workers are only required to pay the minimum wage if they have more than seven employees. Farm workers are also not entitled to overtime pay. The Migrant and Seasonal Agricultural Worker Protection Act of 1983 also exclude them from claiming rights to join unions and bargain collectively, one of the entitlements highly recommended by the ILO.[47]

Indeed, although the North American Agreement on Labor Cooperation generally states that migrant workers should have the same labor protections as nationals in the country where they are working, exceptions are common. Some protections and benefits are not necessarily afforded to migrant workers. For example, certain Canadian provinces do not provide migrants with health insurance, and certain migrants do not meet the requirements for unemployment benefits in the United States.[48]

The ILO came up with recommendations on the set of minimum rights that should be afforded to migrant workers. They include:[49]

- freedom of association and collective bargaining.
- adequate protection in terms of minimum wages; working time and other working conditions;
- statutory social security benefits;
- access to training; occupational safety and health;
- compensation in cases of occupational accidents and diseases and insolvency and protection of workers' claims;
- maternity protection and benefits.

Of course, the composition of a set of core rights will and should be a matter of intense debate, but it certainly should not be out of the question. Protecting migrants from abusive recruitment and labor practices requires, at the minimum, a healthy and honest discussion of the basic protection mechanisms that should be accorded at destination.

Some Council of Europe member states have already adopted rules ensuring that temporary migrant workers receive the same treatment in terms of wages, working conditions and social rights as the local labor forces in their respective countries. Moreover, Article 19 of the revised European Social Charter also provides guidelines for some of the basic standards with respect to the right of migrant workers and their families to protection and assistance, including treatment in respect of remuneration and working conditions.[50]

IV. Conclusion

The high monetary cost migrants' incur not only at the pre-departure stage, but while at the destination and even upon return, has been clearly highlighted in the foregoing discussion. Costs pertain not only to what migrants actually pay out of their pockets but also what they 'lose' because they did not receive the monetary benefits they were promised or entitled to.

As this note emphasizes, most migrants have to procure various types of documents to satisfy government requirements and many pay fees directly associated with their recruitment, such as placement fees paid to recruiters and brokers, interest on pre-departure loans and accommodation and transportation expenses. Many pay for food and other necessities while working abroad while some have agreed to salary deduction schemes that withhold a sizeable proportion of their salaries as payment. Others do not get the wage they signed up for and incur costs in sending money home. Upon return, many migrants who broke their contracts, regardless of reason, pay back expenses related to their deployment while others lose access to social security benefits at home, abroad or both.

Factors driving these costs are many. International labor markets are extremely competitive, especially among the low skilled, compelling many migrants, and even their recruiters, to pay upfront to ensure a spot. Proliferation of unlicensed subagents and brokers and exploitation and collusion among local and foreign agents and between agents and employers further increase the cost of recruitment. Excessive and complex regulations can also breed more opportunities for corruption and abuse while the lack of core rights among migrants kept them unable to bargain effectively vis- a-vis their recruiters and/or their employers.

Lowering migration costs require addressing these various factors, ideally in collaboration with other governments. International migration, by definition, transcends borders. The problems that arise from international movement of people are, in most cases, transnational — as are many of the solutions.

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