BACKGROUND PAPER
WMR 2010
The Future of Labour Migration Costs
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The Future of Labour Migration Costs
FOREWORD

This paper is one of 19 background papers which have been prepared for the IOM, 2010 World Migration Report which is entitled the “Future of Migration: Building Capacities for Change”. The 2010 report focuses on likely future trends in migration and the capacities that will be required by States, regional and international organizations, civil society and the private sector to manage migration successfully over the coming decades.

Over the next few decades, international migration is likely to transform in scale, reach and complexity, due to growing demographic disparities, the effects of environmental change, new global political and economic dynamics, technological revolutions and social networks.

The 2010 World Migration Report focuses on capacity-building, first because it is good governance to plan for the future, especially during a period of economic downturn when the tendency is to focus on immediate impacts and the short-term period of recovery. Second, capacity-building is widely acknowledged to be an essential component of effective migration management, helping to ensure the orderly and humane management of migration.

Part A of the World Migration Report 2010 focuses on identifying core capacities in key areas of migration management. The aim is not to recommend “one size fits all” policies and practices, but to suggest objectives of migration management policies in each area, to stimulate thinking and provide examples of what States and other actors can do.

Part B of the World Migration Report 2010, provides an overview of the latest global and regional trends in migration. In recognition of the importance of the largest global economic recession since the 1930s, this section has a particular focus on the effects of this crisis on migrants, migration and remittances.

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INTRODUCTION

International labour migration has economic, social and political costs that are generally shared between employers and migrants. This paper focuses on economic costs, such as the costs of information, documents, health checks and other fees involved when workers move from one country to another. Migrant-sending and -receiving governments try to regulate the amount and distribution of these costs between employers, recruiters, governments and migrants.

International Labour Organization (ILO) and United Nations (UN) conventions call for employers to shoulder the economic costs of migration. Employers typically pay these costs for professional and highly skilled migrant workers, largely because demand usually exceeds supply for such workers, forcing employers to compete with one another. The migrant-paid share of migration costs tends to rise as skill levels fall, so that a low-skilled migrant with a three-year contract promising USD 200 a month may pay recruitment-related fees equivalent to a third of his or her expected USD 7,200 in foreign earnings, while a highly skilled migrant earning USD 2,000 a month may pay no or low fees (Kuptsch, 2006).

This paper reviews the costs to individuals of migrating over national borders and the current capacities of governments to deal with costs they incur. It identifies gaps in government capacities to set and enforce migration costs for migrant workers, and recommends ways of capacity-building to fill these gaps.

MIGRATION COSTS

People move from one place to another because they expect the benefits of the move to exceed the costs. The major economic costs of migration for individuals involve those relating to information, documents and transportation – learning about jobs in distant places, obtaining documents required to cross national borders, and travelling to the foreign job. Once at the destination, higher earnings are expected to more than offset these migration costs (Sjaastad, 1962). There are also other costs of migration – from the psychological costs of separation from family and friends, to the costs of being unable to participate in the political process in the destination area.

Governments primarily cover the costs resulting from the production of information and documents. Almost all governments have Ministries of Labour that include employment services supported by general tax revenues that post job vacancies provided by employers and maintain lists of workers seeking jobs. Economic theory justifies using general tax revenues to match workers and jobs efficiently in order to promote full employment. Indeed, some countries give public employment services a monopoly on job-matching, especially for low-skilled workers, by restricting the remit of private fee-charging firms to matching managers with managerial jobs.

ILO and UN migration conventions aim to promote scenarios in which migrants cross national borders with the help of public employment services under the terms of bilateral agreements, with employers paying economic migration costs. During the 1960s guest-worker programmes in Europe, legal migration under the terms of MOUs was the norm, although many migrants
moved outside of these channels as well (Miller and Martin, 1982). There were over 200 bilateral labour agreements early in the twenty-first century (OECD, 2004), and several relatively small programmes (including the Mexico–Canada and Guatemala–Canada programmes) included provisions that explicitly aimed to reduce costs for migrant workers.

Obtaining the necessary information on employment opportunities is the first economic cost of migration. Most migrants crossing national borders to work do so with the help of private recruiters who obtain job offers from employers and migrants to fill these jobs (recruiters may be paid by migrants and/or employers for their services). There are often two recruiters: one in the destination country to obtain job offers from employers, and another in the country of origin to find workers to fill those jobs. Governments more often regulate private recruiters than compete with them by providing recruitment services, making the spread of information largely a private-sector affair.

Documents – the second economic cost – are normally required to move legally from one country to another to work. In a bid to protect particularly low-skilled workers, migrant-sending governments often require migrants leaving legally to show passports, visas and work contracts as they depart, and migrant-receiving governments typically require both job offers from employers and health and criminal certificates from workers before they issue work visas. Obtaining these documents costs time and money, and particularly low-skilled migrants rarely know how to navigate bureaucracies at home or abroad. Recruiters and their agents typically include documentation in the package of services they provide, including the foreign job offer, passports, visas and health certificates, among others.

In addition to documentation costs, many governments require particularly low-skilled migrants to receive pre-departure training and orientation, which can be provided by the public or private agencies. Training and orientation fees are generally low, but migrants must often be away from home, incurring living costs while foregoing earnings for periods ranging from a week to several months. If orientation is provided by private agencies, governments often regulate its quality, although there are frequent allegations that certificates are issued for skills that migrants do not have so that agencies can collect fees from the migrants they send abroad.

Finally, there are the costs of transport to the destination. Migrants who cross borders into neighbouring countries typically travel by van or bus at relatively low cost, while those flying to the destination have highly variable costs. Governments indirectly regulate migrant transportation costs via the prices charged by national or flag carriers as well as their policies towards discount airlines and schedules. For example, it is far cheaper to fly from Bangladesh to Malaysia than to Gulf Cooperation Council (GCC) countries because of the presence of discount air carriers on the Bangladesh–Malaysia route.

**Current capacities to manage migration costs**

This section deals with the three major items affecting migration costs: information or job-matching services; the recruiter’s share of the wage gap that motivates people to migrate; and government efforts to manage migration via licensing, regulation and competition with private recruiters.
JOB-MATCHING COSTS

About half of the UN-estimated stock of 214 million international migrants in 2009 were in the labour force, reflecting the fact that the search for economic opportunity is the primary motivating factor in migration over national borders. International labour migration is expected to increase because of persisting demographic and economic differences between nation States at a time when globalization makes it easier for the young people most likely to move to learn about and cross borders in search of opportunity.

International labour migration matches workers with jobs outside their country of birth or citizenship. Labour economics recognizes that job-matching is a costly exercise, as employers screen applicants and workers consider alternative jobs. With neither party having full information, job-matching can cost from several months’ to several years’ salary within national labor markets.

The basic job search model imagines that each job seeker has a reservation wage, so that the duration of job search for a worker is a function of the frequency and distribution of wage offers she receives and the availability of unemployment insurance and other non-work income. The length and cost of job search depend on how often applicants receive job offers, their variance, and the cost of waiting for a better offer in terms of foregone income (Mortensen and Pissarides, 1999).

Almost all countries operate no-fee public employment services to facilitate job-matching, and many have a variety of private recruitment agents and temporary help firms active in job-matching as well. Generally, the higher the level of education and salary, the more likely the job match will involve a private fee-charging agent. However, at higher levels of education and salary, employers seeking workers generally pay any recruitment fees charged by fee-charging brokers.

The next step down the job-matching ladder involves employers advertising for workers and holding or participating in job fairs, posting job openings in the workplace, asking current workers to refer friends and relatives, and finally turning to public or private employment service agencies. In many industrialized countries, instead of recruiting unskilled workers via the public employment service, employers turn to temporary help firms, 1 especially to find workers to fill seasonal jobs or jobs whose duration is uncertain. Workers employed by temporary help firms usually pay for job-matching services in the form of lower wages; temporary help agencies try to attract so-called temps by stressing the flexibility of working as a “temp” and the potential to become a full-time employee with the employer to whom the worker is assigned. 2

1 There are also two other segments of the employment services industry: employment placement agencies or headhunters, who seek to place permanent employees, usually in managerial positions; and what the United States calls “professional employer organizations”, which often take over work that is being “outsourced,” placing employees in a workplace on an ongoing basis to handle, for example, computer services. Profiles of the various types of agencies in different countries are available at: www.marketresearch.com/browse.asp?categoryid=274&Sid=60044113-304447042-296832275

2 See www.staffingtoday.net. The advantages of flexibility, bridges to permanent jobs, and choice of assignments are generally applicable only to workers with full labour market rights, which many migrant workers lack. The US Department of Labor reported that, in 2002, the median hourly earnings in occupations that included direct hire and
The declining role of the public employment services in most industrialized countries has been mirrored by the rise of temporary help agencies and contractors who deploy a crew of workers from job to job. However, when workers are in one country and jobs are in another, these labour market intermediaries tend to provide only job-matching services rather than becoming the employer of workers placed in jobs. The fees that private agents charge for matching local workers with foreign jobs depends primarily on the wage gap between countries, although factors such as employer-provided benefits, the nature of the work, and prospects for permanent residence and upward mobility also influence a migrant’s willingness to pay agent fees (Abella, 2004).

RECRUITERS AND MIGRANTS

The absence of internationally recognized job descriptions and worker credentials means that bureaucratic public labour exchanges are generally ill-suited for cross-border matching of workers to jobs, which is why flexible social networks and private recruiters do most job-matching in the international labour market. Workers who are in employment know the requirements of the job and the capabilities of friends and relatives at home. Employers with “good” migrant workers often turn to them to recruit friends and relatives when they need additional workers. Employed workers, in turn, recruit only workers capable of doing the job and often take responsibility for orienting and training the workers they recommended to employers. Regardless of whether recruitment involves only social networks or a mix of private agents and networks, the result is that particular workplaces can be “colonized” so that workers from a particular country and region fill jobs at a particular workplace (Martin, 2006).

Private recruiters operate along a spectrum that has public employment service agencies at one end and social networks at the other. Their major assets are contracts to fill foreign jobs and knowledge of workers willing to migrate to fill them. Some recruiters are ex-migrants who understand what the foreign job entails, but many recruiters have little knowledge of the abilities of the workers they send abroad to fill foreign jobs. Many recruitment agencies are specialized, with one part of the agency focused on lining up jobs to be filled, and another recruiting workers to fill them.

Job-finding and worker-recruiting activities cost money. General trends in migrant recruiting have shifted costs from employers to workers, and costs rise further if the number of eager migrants rises faster than the number of available foreign jobs. Under these circumstances, it is easy to understand why recruiting agents who are paid according to the number of job offers they procure promise to recruit workers for even marginal jobs and promise migrants more wages and benefits than they will receive. In most cases, it is not the recruiters or employers but the migrants who have incurred debts to go abroad who wind up being forced to bear the adjustment cost if there is a gap between the promise and the reality.

Abella (2004) examined the recruiter’s share of the wage gap, emphasizing that the fee a migrant is willing to pay to a recruiter depends primarily on the gap between wages at home

hires via temp firms were as follows: labourers, USD 9.48 versus USD 7.90; helpers, USD 9.25 versus USD 7.79; and packers, USD 8.03 versus USD 7.65.
and wages abroad. Other factors that increase the willingness of migrants to pay higher recruitment fees include prospects for settlement and upward mobility and the difficulty of migrating illegally (or without the help of recruiters). The literature suggests that recruiting fees are highest at the beginning of a labour migration flow because, once workers are established abroad, other potential migrants are likely to have access to information via social networks and may find alternative ways of travelling abroad for employment, including going as tourists to visit relatives and staying on to work (Martin et al., 2006).

Managing recruiters to reduce migration costs

Private agents generally deal with government agencies in two major ways: when they obtain licences that give them the right to charge fees to migrants, and when they present migrants and their documents for approval before the migrants depart.

There are three broad government responses to private recruitment costs:

- stepping up enforcement to eliminate “bad apples” by requiring recruiters to identify themselves to authorities via registration, ensuring they can meet minimum standards by requiring them to pass tests, and generating some financial security for migrants by having agents post bonds that can be tapped if agents do not fulfill their promises;
- encouraging more legitimate agents to get into the migrant brokerage business so that competition gives migrants options and leads to effective self-regulation and ratings to guide migrants toward better agents;
- trying to increase the role of public employment service agencies in moving workers over borders in the hope that public agencies are most likely to ensure that minimum standards of recruitment and deployment are met.3

These policy options are very similar to those available for dealing with migrant remittances, but there are fundamental differences between moving workers and moving money over borders. Workers are people whose status and goals can change; economies of scale may be less important in moving migrants because people generally have to be interviewed individually; and migrants evaluate a “package” of wages, benefits and other factors, rather than just the cost of sending money – all of which makes the employment package far more complex than the remittance transaction. Unlike remittances, which can be sent over borders via banks and money-transfer firms offering migrants a variety of “formal market” mechanisms, multinational temporary help and employment service firms have avoided recruiting particularly unskilled workers in one country and placing them in another, except for nationals of regions such as the European Union that allow freedom of movement.

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3 In the extreme, public employment service agencies could be given a monopoly to move workers over borders to ensure that minimum standards and norms are followed. However, the job-matching role of these agencies has declined in most countries, and the ILO has recognized the importance of private employment agencies in Convention 181. Article 2 allows States to “prohibit ... private employment agencies from operating in respect of certain categories of workers or branches of economic activity”, while Article 7.1 asserts that: “Private employment agencies shall not charge directly or indirectly, in whole or in part, any fees or costs to workers,” although Article 7.2 allows exceptions.
INCREASING GOVERNMENT CAPACITIES TO MANAGE COSTS

Most international labour migration involves migrants crossing national borders with the help of private recruitment agents or smugglers to fill jobs in other countries. Governments want labour migration to be legal and want regulated private recruiters rather than smugglers moving workers over borders. The Philippines is considered a leader in regulating recruiters, while Bangladesh is considering ways of reducing pre-departure debts.

Government capacities: recruitment in the Philippines

The Philippines is a major source of migrants, with 3 million legal overseas foreign workers, perhaps 2 million unauthorized migrants abroad, and an additional 2.4 million Filipinos who have immigrant or naturalized citizen status in other countries. Over a million Filipinos a year – an average of 3,100 a day – are “deployed”, meaning they are sent abroad under the auspices of the Philippine Government. Most are women leaving to be domestic helpers, entertainers or nurses.

Enterprises related to the business of migration are a key part of the Filipino economy: recruiters, travel agents, and remittance and insurance service agencies are common, even in remote rural areas where the major link to the global economy is migration. There were about 1,200 licensed recruitment agencies in 2004, including some operated by ex-government employees, with combined annual revenues exceeding USD 400 million a year. Many of the migrant recruitment agencies (which must be 70% Filipino-owned) belong to the Philippine Association of Service Exporters, Inc. (Pasei) or the Overseas Placement Agencies of the Philippines (OPAP).

The government operates three agencies to serve and protect migrants: the Philippine Overseas Employment Administration (POEA) regulates recruitment and provides pre-departure orientation; labour attaches stationed at consulates abroad provide assistance to migrants while they are abroad; and the Overseas Workers Welfare Administration (OWWA) operates centres in areas with concentrations of Filipinos that cover the cost of emergency repatriation and provide various services to families left behind. These activities are financed by fees collected from migrants, including a USD 60 processing fee charged by the POEA, whose

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4 There is also a growing number of businesses that help migrants to invest their remittance savings at home. In 2004, there were over 200 cooperatives, associations and self-help groups that pooled some of their remittances to launch small- and medium-sized enterprises. Many returned migrants buy in ‘jeepneys’ – the 20-passenger vehicles with facing rows of seats that transport riders for up to 4km for 4 pesos (USD 0.08). A used jeepney can be bought for 250,000 pesos or about USD 4,500, can generate fares of 500 pesos a day and, after paying for a driver and maintenance, will have paid for itself in a year or two. Other popular forms of investment made by returned migrants include raising pigs or poultry or developing handicraft businesses.

5 About 900 recruitment agencies specialize in placing Filipinos in land-based jobs abroad, and 300 in sea-based jobs.

6 POEA recognized 55 recruitment agencies as top performers in 2003.

7 The POEA issues a number of booklets that outline living and working conditions in various countries.

8 Filipino migrants have protested the charges levied by Philippine consulates for passports and employment contract authentication.

9 The OWWA, funded by a USD 25 fee collected from migrants, provides emergency services at 28 Philippine embassies, including shelters abroad for migrants who run away from abusive employers.
governing board includes representatives of the recruitment industry, and a USD 25 fee paid to the OWWA (Abella et al., 2004).

The most common first-time migrants are 25-year-old women going abroad to work as a domestic helpers on a two-year contract; many women complete five or more two-year contracts before returning home to stay.10 According to the Office of Reintegration of Overseas Foreign Workers (OFWs), most unskilled Filipino migrants must work abroad for at least three years to repay the debts they incurred to become OFWs. Recruitment agents are normally involved only in the first placement abroad, giving them less incentive to be honest; most migrants go abroad again, without the help of an agent.

Fees paid to private recruiters represent the largest cost of working overseas. The POEA limits private recruiter fees to one month’s wages abroad, but migrants who know that there are more applicants than jobs sometimes pay more – often the equivalent of two-to-four months’ wages to get the usual two-year contract. The POEA campaigns against illegal recruitment and overcharges, but there are almost daily press reports of migrants paying fees for non-existent overseas jobs or paying the equivalent to a month’s wages for a contract but waiting 4, 6 or 10 months before going abroad to earn wages.11

The government would like to reduce the number of licensed recruiters, and it has doubled the capital required to get a licence from 1 to 2 million pesos (from USD 20,000 to USD 40,000) and has proposed requiring agencies to deploy at least 100 migrants a year in order to retain their licences. The POEA deployed about 10,000 OFWs directly in 2003; the largest private recruitment agencies deployed 3,000 to 5,000 migrants. Filipino recruiters are jointly liable with foreign employers to fulfill the provisions of migrant contracts – a policy that helps to protect migrants but prompts some recruiters to complain that their revenues and profits depend on deploying migrants to employers abroad whom they may not know well.

Between 1992 and 2002, the POEA filed 650 cases alleging illegal recruitment, but only 66 of the cases that were recommended for prosecution resulted in a criminal conviction. The National Bureau of Investigations attributes this lack of convictions to the inefficiency of the Philippine court system and the reluctance of many migrant victims to file formal charges.12 Some victims refuse to testify because the recruiter is a relative, friend or resident of their town and, in other cases, victims who initially allege that they had to wait too long to be deployed are, in fact, sent abroad, which prevents the case from going to court.

Many violations of POEA regulations occur overseas – for example, when a migrant is required to sign a supplemental contract that requires the payment of additional fees. Migrants in such

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10 Some 70,000 Filipinas a year leave and 95 per cent go to Japan as entertainers with three-month contracts. Since 1995, women leaving the Philippines as entertainers have to be at least 23 years old, have one year’s performing experience in the Philippines, and obtain artists’ record books that attest to their training. In September 1996, Japan made it harder for entertainers to receive an extension of their three-month visas after finding that 93 per cent of entertainers who were supposed to be singing or dancing were instead attending to customers as hostesses or guest relations officers (GROs).
11 Most police stations in the Philippines have an OFW desk where complaints can be lodged.
12 In November 1998, a Malaysian, a Briton and an Australian were arrested after they recruited Filipinos for jobs in a fictitious country – the Dominion of Melchizedek – said to be in the South Pacific (in the Old Testament, Melchizedek was a model priest to whom Abraham and others paid tithes).
cases could complain to the labour attaches at Philippine consulates, but most do not, fearing that they could be dismissed by the employer and required to return home to the debts they incurred to go abroad. In other words, even if the recruitment process runs smoothly in the migrant’s country of origin, once the migrant is in the destination country, there can be recruitment-related problems that the migrant and sending country government are powerless to resolve.

The Philippine system is often considered a model for regulating recruitment and protecting migrants abroad, with perhaps the world’s most diversified portfolio of foreign labour markets for its workers, most of whom are deployed legally. However, there is an active debate among migrant organizations, some of which allege that over-regulation of recruitment raises the costs of Filipino migrants to foreign employers, thereby reducing the number of foreign jobs for Filipinos. Most recruiters, as well as the Union of Filipino Overseas Contract Workers (OCW-Unifil), want less government regulation of recruitment, arguing that it increases the costs of sending migrants abroad at a time when countries such as China, Indonesia and Viet Nam (which offer lower-wage workers) are aggressively expanding deployment.

**Government capacities: pre-departure loans**

Bangladeshi labour migration is large and growing rapidly – almost 900,000 Bangladeshis left to fill overseas jobs in 2008, although the number of migrants deployed fell to less than 500,000 in 2009. Pre-departure migration costs were often twice the official maximum charge of BDT 84,000 (USD 1,220) in 2009, and many migrants turn to private moneylenders for loans to cover some or all of their pre-departure costs. Many Bangladeshi migrants pay interest of 10 per cent a month on loans incurred to migrate, which means that a USD 2,000 debt can double in a year.

While international development agencies and national governments, together with banks and non-governmental organizations (NGOs), have been successful in educating migrants and lowering the cost of remitting money over national borders, no efforts have been made to reduce recruitment and other up-front migration costs, which could save migrants far more. For example, a typical Bangladeshi migrant pays at least USD 2,000 for a three-year, USD 200-a-month contract that will generate USD 7,500 in earnings. If remittances over three years total USD 5,000, reducing remittance costs from 10 to 5 per cent saves the migrant USD 250, while reducing interest costs on pre-departure loans could save USD 2,000 to USD 2,500 – 10 times more.

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13 The BDT 84,000 government-set maximum recruiting charge, effective in 2006, applies to migrants going to Gulf States and Malaysia. It was raised in stages from BDT 8,000 in 1992 to BDT 30,000, BDT 50,000, BDT 70,000 and BDT 80,000. The maximum recruitment fee for sending workers to Italy was set at BDT 230,000 in 2002. Recruiters have generally charged migrants at least twice the official maximum recruitment charge (Islam, 2009).

14 Rural moneylenders charge very high interest rates – often 60 to 100 per cent. Migrants with few assets sometimes find a local guarantor to co-sign the loan; the guarantor often receives 10 per cent of the value of the loan for each year that the guarantee is provided.

Reducing the pre-departure loan costs of migrants could generate win-win outcomes, including:

- reduced pre-departure debts and less interest to be repaid by migrants, and the potential for the migrant’s family to smooth its consumption rather than assume additional debt while waiting for the first remittances to arrive;\(^{16}\)
- increased likelihood that migrants are employed abroad with valid contracts, which would increase their rights, access to support services, and their contribution to development upon return;
- greater benefit to foreign employers as a result of having more satisfied and productive employees, which would reduce the burden on host country governments to deal with runaway and dissatisfied migrants.

A second entity with an interest in the repayment of the loan could review migrant contracts before departure and encourage or require remittances to be returned via regulated financial institutions so that the loan could be repaid.

The Bangladeshi Government proposed at the Global Forum on Migration and Development (GFMD) in Brussels (2007) that donors consider expanding the country’s active microfinance industry (currently centred on making small loans to women organized into village peer groups) to male migrants leaving the country. Pre-departure loans for Bangladeshi migrants would go primarily to men who leave the village, and the benefit of the loan would come in the form of remittances and the return of migrants with experience gained abroad.\(^{17}\) Under one proposal, a partnership of banks and NGOs could assess risks, make low-cost loans, and ensure repayment, as NGOs with a presence in the villages from which migrants originate\(^ {18} \) form partnerships with banks seeking to expand their customer base. Lowering pre-departure loan costs would not, however, fix systemic problems in the Bangladeshi labour recruitment system – problems that range from visa-trading to ineffective screening of foreign employment contracts (Afsar, 2009). It would be desirable to reform the recruitment system to better protect migrants and to increase the benefits of labour migration for Bangladeshi economic development. However, a subsidized pre-departure loan programme would represent a significant step towards better protection for migrants and enhanced development benefits from migration. Furthermore, lower pre-departure costs for migrants could serve as a useful stepping stone for an improved recruitment system rather than a substitute for recruitment reform.\(^ {19} \)

\(^{16}\) If the migrant was employed before departure, the migrant’s family may have no income until the migrant is abroad and remitting funds. Some part of the pre-departure loan could help to support the migrant’s family until remittances arrive.

\(^{17}\) Islam (2009) reported that 96 per cent of Bangladeshi migrants in 2008 were men.

\(^{18}\) Ray et al. (2007: 194–6) emphasize that NGOs have a presence in the villages from which most migrants originate, and that they are perceived by both migrants and donors as providing credible advice.

\(^{19}\) A few NGOs argued against subsidized pre-departure loans on the grounds that they could simply fuel the continuation of what they described as a “corrupt recruitment system”.
CONCLUSIONS AND RECOMMENDATIONS

Governments can build capacity to reduce the economic or monetary costs of migration for individual migrants via education, regulation, and direct/indirect intervention. Education aims to help migrants learn about their foreign jobs and the procedures for filling them, so that migrants do not overpay due to lack of information. In the remittance market, education about transferring relatively small sums over borders, combined with regulatory changes and technological innovations, have begun to reduce remittance costs. It is much harder to reduce recruitment costs because jobs and workers are far less standardized and the job-matching transaction occurs far less frequently. There are often also multiple considerations when migrants evaluate foreign jobs – such as wages, benefits, housing and prospects for settlement – or when employers evaluate foreign workers – such as ability, loyalty and the consequences of a “bad” job match.

Providing information to minimize “bad” job matches over national borders is the first step. The next capacity-building step for governments is to regulate the private actors involved, especially recruitment agencies. Most governments rely on regulation, requiring recruiters to identify themselves by obtaining licences and often requiring them to post bonds and pass tests. However, enforcing recruitment regulations depends largely on migrant complaints, and most migrants do not complain for fear of losing their foreign jobs.

The third capacity-building step involves influencing and shaping the operation of the international labour market, using subsidies to encourage desired behaviour and taxes and fees to discourage other behaviour. Governments could compete with private entities by operating their own recruitment agencies. However, most government recruitment agencies focus on highly skilled workers and most deal with lower-skilled workers only under MOUs that give them monopolies, as with the Korean Employment Permit System or the Seasonal Agricultural Worker Program that moves workers from Mexico to Canada.

The best single thing that governments can do to reduce recruitment costs is to promote development, giving potential migrants decent work at home and the power to say no to excessive fees for migrating abroad. Until this occurs, education, regulation, and taxes and subsidies that promote desired behaviour offer the best hope of minimizing the economic costs of migration.
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