



**ABOUT** The *Data Bulletin: Informing the implementation of the Global Compact for Migration* series aims to summarize in an accurate and accessible fashion existing evidence on migration to support the discussion and any follow-up activities.

As part of the project “Support to IOM for the Global Compact for Safe, Orderly and Regular Migration,” funded by the European Union, *Data Bulletin* outlines the strengths and limitations of relevant migration data and highlights innovative data practices that are pertinent to the Global Compact for Migration. This publication reflects the collaborative nature of the Global Compact for Migration process by including relevant contributions from different parts of IOM, as well as other agencies and migration experts.

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## Recruitment costs

There are many reports of migrant workers paying high fees and taking on debt at high interest rates to obtain contracts to work in other countries, prompting global efforts to develop a database of worker-paid migration costs and policies to reduce them. Recruitment or migration costs are worker-paid fees and expenses incurred to obtain jobs in other countries. The International Labour Organization (ILO) conventions and the laws of many European Union (EU) countries require employers to pay all of the costs associated with recruiting foreign workers. As recruitment costs are often high and lack transparency, the international community is striving to reduce them by introducing increased regulation and monitoring practices, educating migrants about their rights, and increasing cooperation between origin and destination countries. Reducing recruitment costs has the potential to benefit employers, migrants and migrants' families alike, while also encouraging more regular migration.

### Employers seeking workers and workers seeking jobs incur costs

Recruitment costs can be divided into three main types (World Bank):

- Costs to comply with laws and regulations of origin and destination countries (such as obtaining work permits or medical check-ups);
- Fees paid to recruitment agents; and
- Internal and international transportation costs.

An additional important concept to better understand recruitment costs is the recruitment cost indicator (RCI), which measures how much workers pay in relation to their monthly foreign earnings. For example, a worker could pay USD 2,000 to get a job paying USD 400 a month abroad, a ratio of five. Ideally, RCIs would be zero, meaning that employers pay all worker recruitment costs.

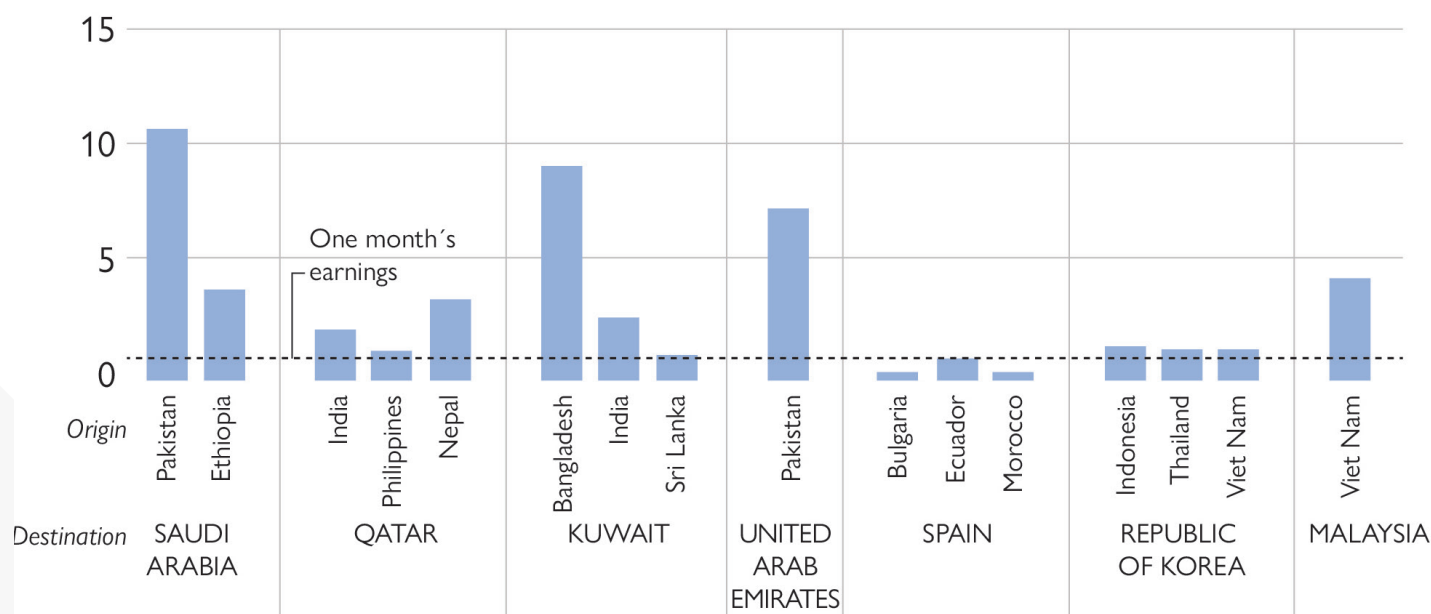
The major **employment-search costs** incurred by employers are the cost of leaving the job vacant, the cost of advertising and screening applicants, and the cost of training newly hired workers.

The major **job-search costs** for workers include lost earnings while seeking a job, spending money on training or other assistance to increase the chances of being hired, and paying a recruiter to get a contract for a particular job.

**Matching workers with jobs** has costs that must be paid by someone, employers, workers, or governments. Workers who invest in education and training and obtain licenses and certificates generally find that employers seek them out and often pay their costs to move to the



**Figure 1: Recruitment costs (months of earnings at destination)**



Note: All surveyed Sri Lankan workers in Kuwait were females engaged in domestic help services.  
Source: World Bank, 2017.

job. Low-skilled workers, on the other hand, may find that there are 5 or 10 workers seeking each available job, allowing recruiters and other intermediaries to profit from workers' willingness to pay.

### Recruitment costs are high, regressive and non-transparent

Many migrant workers pay several months foreign earnings to get jobs, taking on debt at high interest rates to obtain contracts to work in other countries. High worker-paid costs are regressive in the sense that lower-wage workers pay more for foreign jobs than higher-wage workers. Furthermore, many workers do not know upfront how much they will have to pay for foreign jobs, so they can be induced to pay more than they expected once they are abroad.

### High-skilled versus low-skilled workers

Employers usually pay recruitment costs for highly skilled workers, since the demand for mobile professionals, such as accountants and nurses, typically exceeds the supply of workers willing to move. But the supply of workers earning less than USD 500 a month often exceeds the number of jobs, allowing employers, recruiters and others to charge workers some of the wage gap between poorer and richer countries that motivates workers to seek foreign jobs. Data from the European context shows that workers earning USD 2,000 or more a month are much more likely to have employers pay their recruitment costs than workers earning less than USD 1,000 a month.

In addition, according to the analysis of the Migration Cost Surveys<sup>1</sup> (2016–2017), carried out by the Global Knowledge Partnership on Migration Development (KNOMAD) and the ILO, low-skill migrant workers may incur high recruitment costs and receive lower wages than promised. Thus, the migrant workers who are already in vulnerable situations are likely to also have higher costs.

### Recruitment costs vary considerably across different migration corridors

Migrant workers often have recruitment costs that exceed one month's foreign earnings.<sup>2</sup> For example, migrant workers from various countries of origin migrating to Spain and the Republic of Korea pay recruitment costs amounting to about one month's earnings (or about 4 per cent of earnings for a typical two-year contract). However, migrants from Pakistan working in low-skilled jobs in Saudi Arabia pay recruitment costs of approximately 11 months' earnings (or about USD 4,400 at 2014 rates).<sup>3</sup>

<sup>1</sup> The World Bank (2016-2017). KNOMAD-ILO Migration Costs Surveys 2016. Available from <http://microdata.worldbank.org/index.php/catalog/2944>

<sup>2</sup> KNOMAD (2014). Migration Costs of Low-skilled labor migrants: Key Findings from Pilot Surveys in Republic of Korea, Kuwait and Spain.

<sup>3</sup> Martin, Philip (2016). What do Migrant Workers Pay for Foreign Jobs? Available from <https://gmdac.iom.int/sites/default/files/papers/WhatdoMigrantWorkersPayforForeignJobsPMartin.pdf>

## Case study: Italy and Spain

The KNOMAD and the ILO surveyed migrant workers to determine what they paid for foreign jobs. Data was collected from workers employed in Italy and Spain, all of whom were young and low-skilled, typically between 20 and 35 years old. Most had not completed secondary school.

- A 2016 survey in Italy of non-EU workers who arrived by boat and in other irregular ways from Egypt, Ghana, Nigeria and Senegal found median Italian earnings of USD 850 a month.<sup>4</sup> There was much more variance in worker-paid migration costs: Egyptians paid a median of USD 3,200 or almost four months median monthly earnings; Ghanaians paid a median of USD 1,800, the equivalent of over two months earnings; Nigerians paid USD 4,500, or over five months earnings; and Senegalese, USD 1,400, almost two months earnings. Many of the migrants reached Italy by boat from Libya, and transportation was an average 60 per cent of migrant-paid costs.
- A 2014 survey of migrant workers from Bulgaria, Ecuador, Morocco, Poland and Romania employed in Spanish agriculture found average earnings of USD 1,000 a month.<sup>5</sup> Median migration costs were USD 500 or half a month's wages.

### *The surveys in Italy and Spain have three major findings:*

**1. Migrating legally and to a pre-arranged job reduces migration costs.**

**2. Network recruitment is very important to employers and workers,** so that once a core group of reliable workers is in place, the employer asks current workers to refer friends and relatives who are qualified to do the job. Newly hired workers often train the new hires they bring into the workplace, reducing costs and burdens on employers.

**3. Migration is economically worthwhile for low-skilled migrants despite the migration costs they incur.** Migrants in Spain repaid their migration costs with less than a month's earnings. Since many were not employed at home, working six months in Spain generated at least USD 5,000 that the worker would not have had at home. Migrants in Italy expected to stay indefinitely, and despite traveling irregularly via Libya, most could repay their migration costs with less than five months of earnings in Italy.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

## Comparison of recruitment costs in the European Union and Gulf Cooperation Council countries

In GCC countries, migrant workers are over half of private sector workers. Low-skilled migrants interviewed as they returned from GCC countries in 2015 reported earnings of USD 265–500 a month, and recruitment costs that ranged from USD 400 for Filipinos to USD 4,000 for Pakistanis. Guest workers in GCC countries stayed an average of two years, and Filipinos and Indians repaid their migration costs much faster than Pakistanis.

**1. Earnings are far less variable than costs.** In Europe, the earnings of low-skilled workers were USD 850–1,000 a month, while recruitment costs ranged from a few hundred dollars to USD 4,500, a 20-to-1 gap between the highest- and lowest-cost jobs. In the GCC countries, the range in earnings was 2 to 1, while the range in recruitment costs was 10 to 1.

**2. The major variable affecting worker-paid migration costs is corridor.** Policies such as worker education and recruiter transparency can reduce migration costs in all corridors, but corridor-specific policies are likely required to reduce costs in many corridors.

**3. Migration is economically worthwhile for most migrants despite paying one or more months of foreign earnings to obtain jobs.** Migrants normally repay migration costs and begin to save after one to nine months abroad, which gives them more money than if they had remained jobless or in a low-earning job at home. Migration that delivers a payoff after a few months' work provides an enormous incentive for young people to move.

**4. Legal workers who move within and to European Union (EU) countries pay much less than irregular workers, some of whom apply for asylum after arriving in the EU and work legally.** Surveys suggest migrants to the EU pay from one to four months earnings for their jobs, which is less than what most migrant workers pay for jobs in Gulf oil exporting countries.

### Data on recruitment costs

Data on recruitment costs have been collected in recent years. The available data on recruitment costs show low-skilled workers almost always pay something for foreign jobs. Such data can help policymakers to design evidence-based policies to reduce worker-paid costs.

As recruitment fees are often imposed illegally, measuring such costs in surveys has limitations:

- **Hidden costs are not counted.** Most available data on recruitment costs focus on the costs paid to recruitment agents to obtain a job abroad and on the travel-related costs to reach the recruitment office at home and the job abroad (visa, documents and transportation). However, there are also i) the opportunity costs of wages not earned while training and preparing to go abroad and ii) the social costs associated with separation from family and friends,

and restrictions on rights while employed abroad. If these two dimensions were included, recruitment costs would be even higher.<sup>6</sup>

- **Data are provided by workers, not employers.** Most data on recruitment costs are obtained by interviewing migrant workers. Collecting data on recruitment costs by interviewing recruiters and employers could contribute to improved recruitment costs estimates and to a better understanding of how recruitment dynamics work.<sup>7</sup>

The focus going forward should be to:

- Build a global database on recruitment costs tracking what workers are paying and trends in worker-paid costs over time, to enable informed policymaking.
- Develop a standard questionnaire to collect similar data on recruitment costs across different migration corridors.

<sup>6</sup> IOM (2017). Migration Policy Practice (Vol. VII, Number 1, January–March 2017). Available from <https://publications.iom.int/fr/books/migration-policy-practice-vol-vii-number-1-january-march-2017>

<sup>7</sup> Martin, P. (2016). What do Migrant Workers Pay for Foreign Jobs?

### IOM's GMDAC

In response to growing calls for better data on migration, and for better use and presentation of migration data, IOM has created the Global Migration Data Analysis Centre (GMDAC).

Located in Berlin, Germany, the Centre aims to provide authoritative and timely analyses of data on global migration issues as a global hub for data and statistics on migration.

**For more information, please contact:**

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