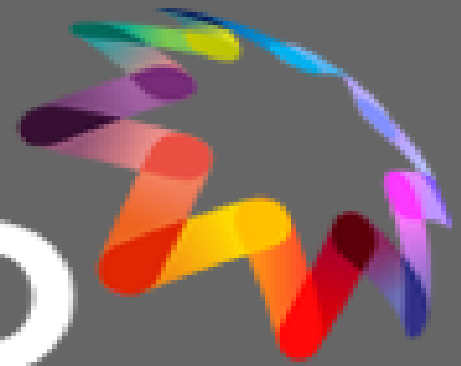


KNOMAD



SURVEYS OF MIGRATION COSTS

PRELIMINARY FINDINGS

Rationale for KNOMAD Surveys

- Rising demand for global labor mobility, especially low-skilled labor
- High migration costs violate international norms:
 - ILO Employer should pay all financial cost for migrant workers.
 - In reality, the lower the skill the higher the recruitment costs (but surveys reveal domestic work is exception).
- But no comprehensive data on migration cost available.

Benefits of Reducing Migration Costs

- Individual migrants and families:
 - Increase savings and remittances, reduce poverty
 - Less pre-departure debt, reduce migrant family vulnerability
- Employers
 - more satisfied & productive workers,
 - employees less likely to take 2nd jobs or abscond
- Governments:
 - fewer “migrant problems” like overstay

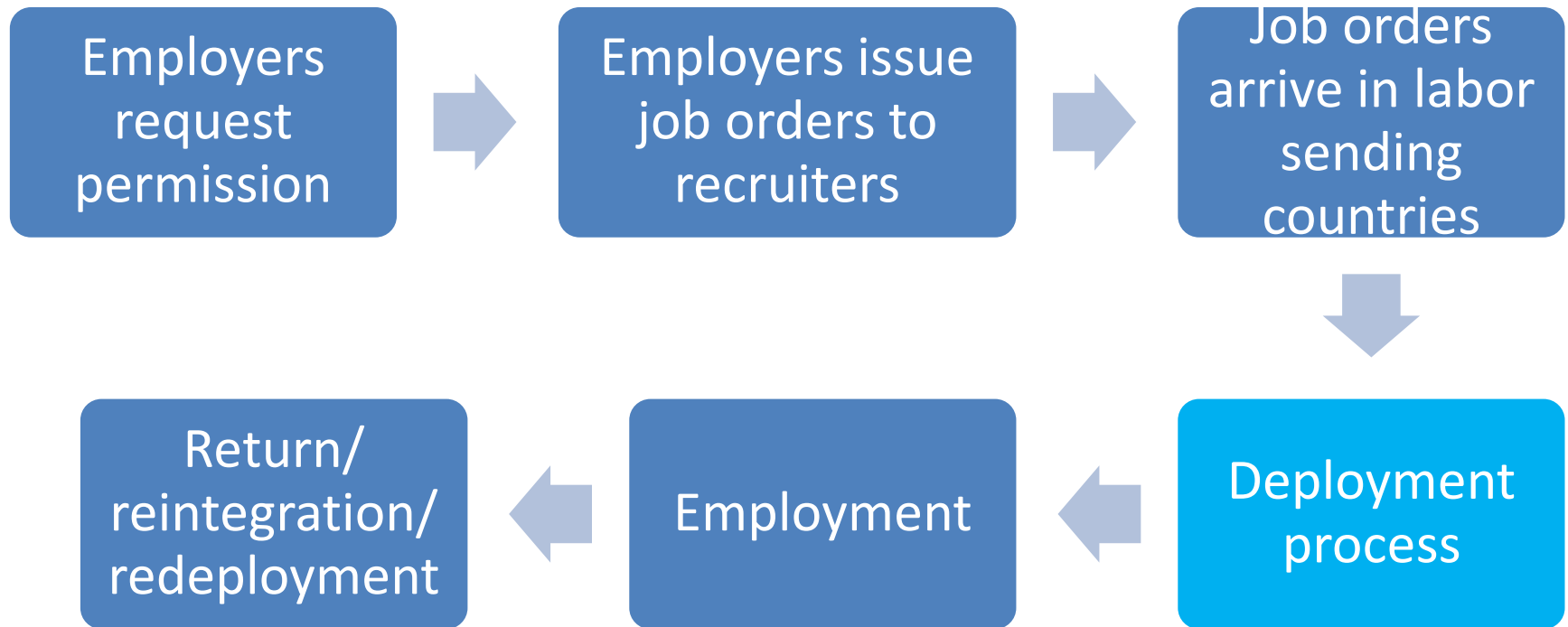
Objectives for measuring migration cost

- To build a database on migration cost (bilateral matrix), comparable across migration corridors
- Improve policies with better understanding of how regulations affect costs;
- Contribute to setting a global target to reduce migration costs as a post-2015 agenda (e.g = 1 month foreign wage)


Expected Outcomes

- Database on migration cost (bilateral matrix), comparable across migration corridors data base needed for “benchmarking” global action.
- Better understanding of how regulations affect costs leading to better policies;
- Better understanding of recruitment as a market process can point to more effective interventions to reduce costs

Which migration costs are we measuring?



Some costs not easy to allocate to any one process, hence some arbitrariness inescapable



Deployment
process

- Some recruitment costs are charged as salary deductions during employment
- Should cost of acquiring language be attributed to deployment?

What costs do we include as migration costs?

We measure “out of pocket” financial costs :

- Recruiter’s fees to get job offer
- Training fees (for skills/ language)to qualify for jobs (but not k-12 education)
- Cost of travel documents,
- Fees for registering contracts, health insurance if required, pre-departure briefing
- Local transport/lodging during application process
- Airfare for travel to foreign job site
- Interest paid on loans to pay for costs

What other costs do we try to measure?

Opportunity costs

- Earnings foregone during job search
- Earnings foregone at home while working abroad
- Potential earnings abroad if in jobs that use worker skills

What costs are we not able to measure?

Psychic costs : pain of separation from families and friends

Social costs : wider impact on family (especially children) and community left behind (especially where migrant possess non-replaceable skill).

Accepting a lower (discriminatory) wage may be the “implicit cost” of migration

Conceptualize recruitment

Survey literature

Technical workshop

Identify priority occupations
(agricultural, construction,
services) and corridors

Develop Questionnaire, design sample

Time period to be covered
limited by recall issues

Search for sampling frame;
decide on sample design,
sample size subject to
budget

Pilot Testing

Spain (workers from
Morocco, Bulgaria, Romania,
Poland, Ecuador)

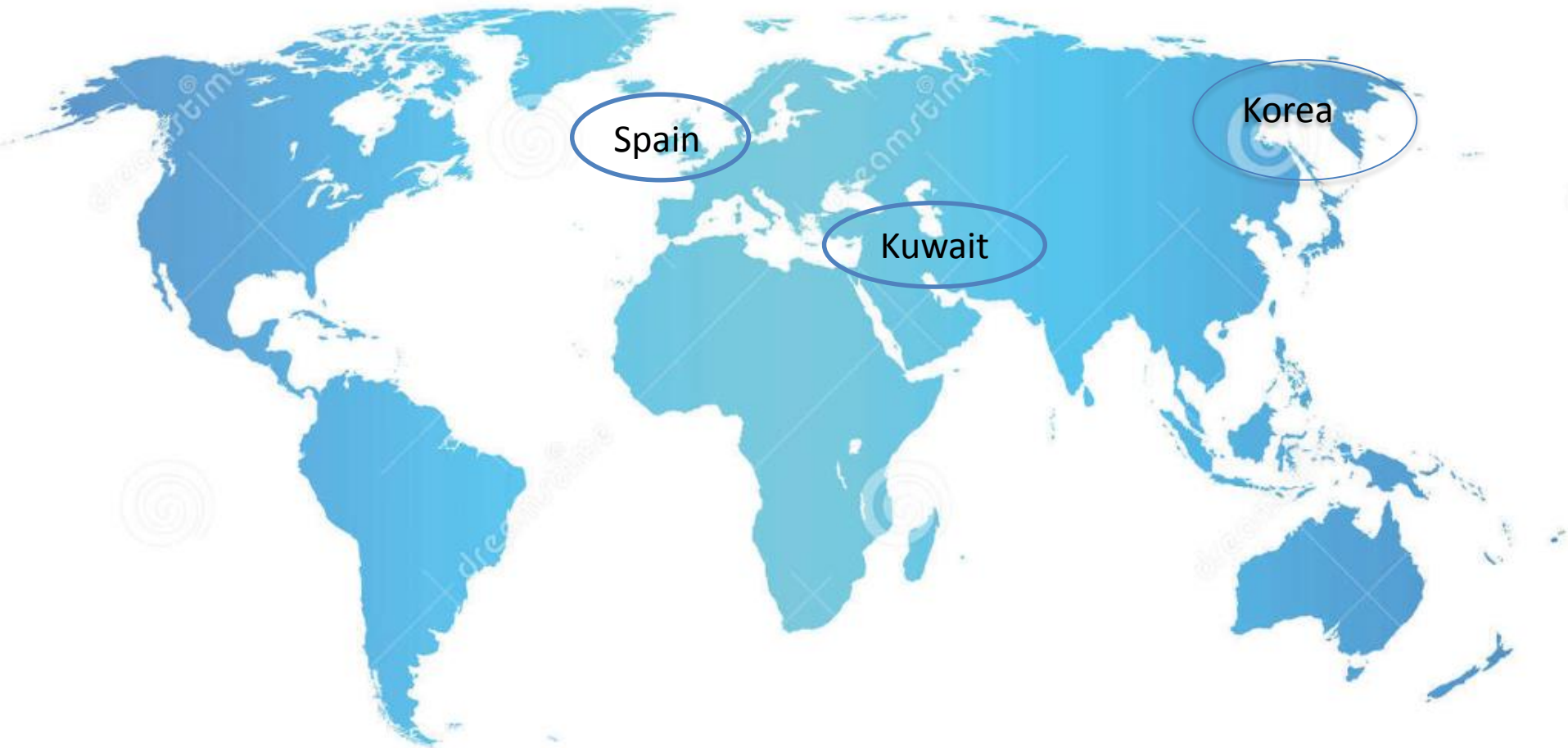
Kuwait (workers from India,
Bangladesh, Sri Lanka, Egypt)

Korea (workers from
Indonesia, Philippines,
Thailand, Vietnam)

3 Phases of KNOMAD migrant surveys

- Phase I (2013/4, *completed*):
 - Pre-pilot survey in Spain,
 - Pilot survey in Kuwait and Korea.
- Phase II (2014/5):
 - Returnee surveys in Ethiopia, India, Nepal, Pakistan (ILO) and the Philippines.
 - Migrant surveys in Malaysia (ILO) and Mexico
 - Using CAPI, building capacity of local researchers
- Phase III (2015/6, *planned*): Surveys in Italy, Russia, Argentina, promote making survey part of national labor force survey surveys in selected countries

KNOMAD Pilot surveys IN 2014



Spain

Korea

Kuwait

KNOMAD 2014 surveys revealed worker-paid costs(\$)

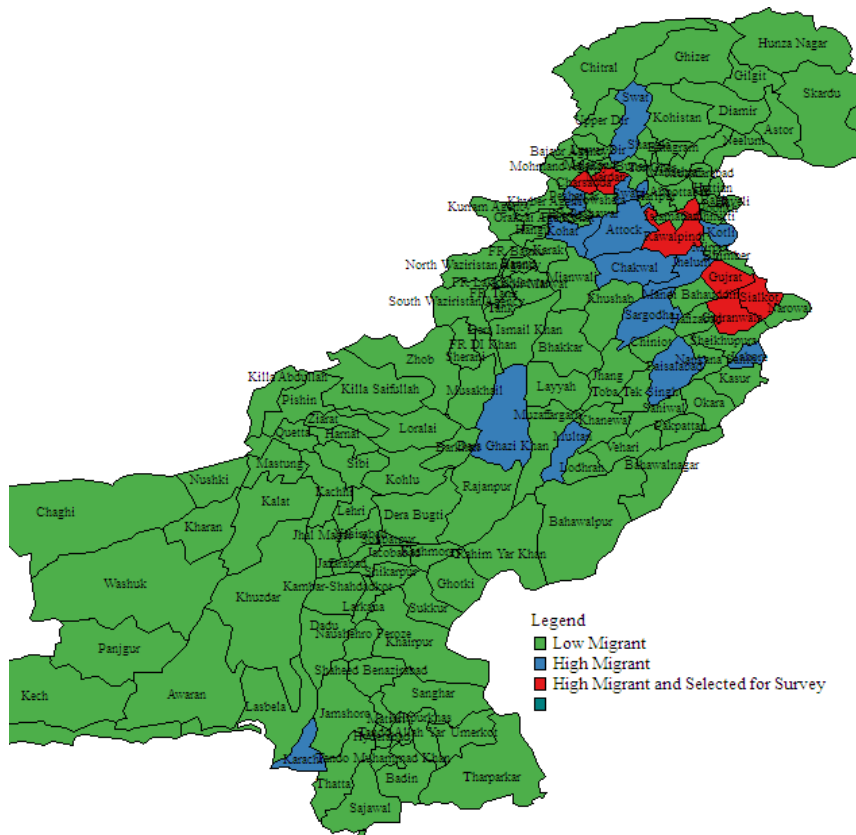
Destination	Origin	Recruitment costs	Earnings in destination	Recruitment costs in months of earnings	Prior earnings in origin country (month)
Korea	Indonesia	1,506	1,394	1.1	219
Kuwait	India	1,248	494	2.5	192
Spain	Ecuador	1,046	1,300	0.8	132

KNOMAD 7 Surveys IN 2015



Sample selection in Pakistan

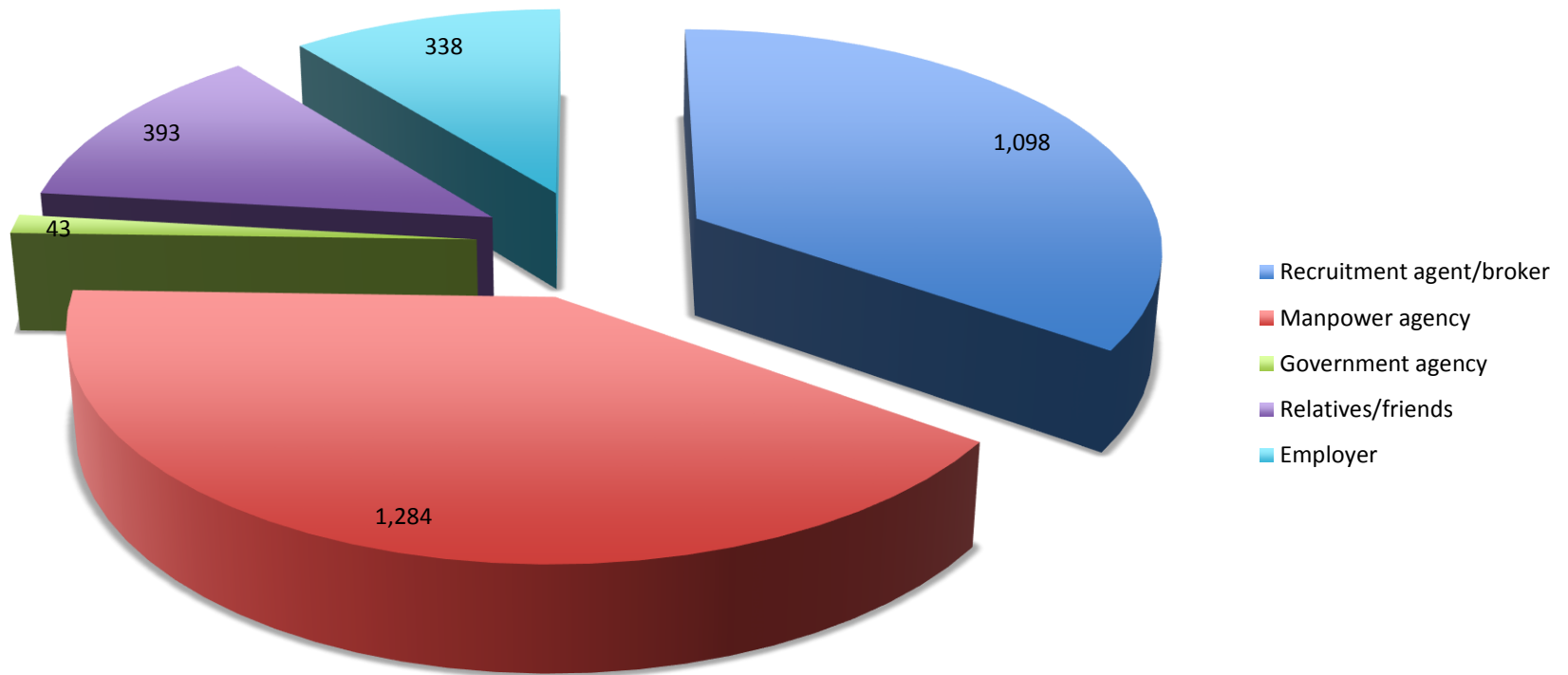
Districts of concentration



Respondents in selected areas

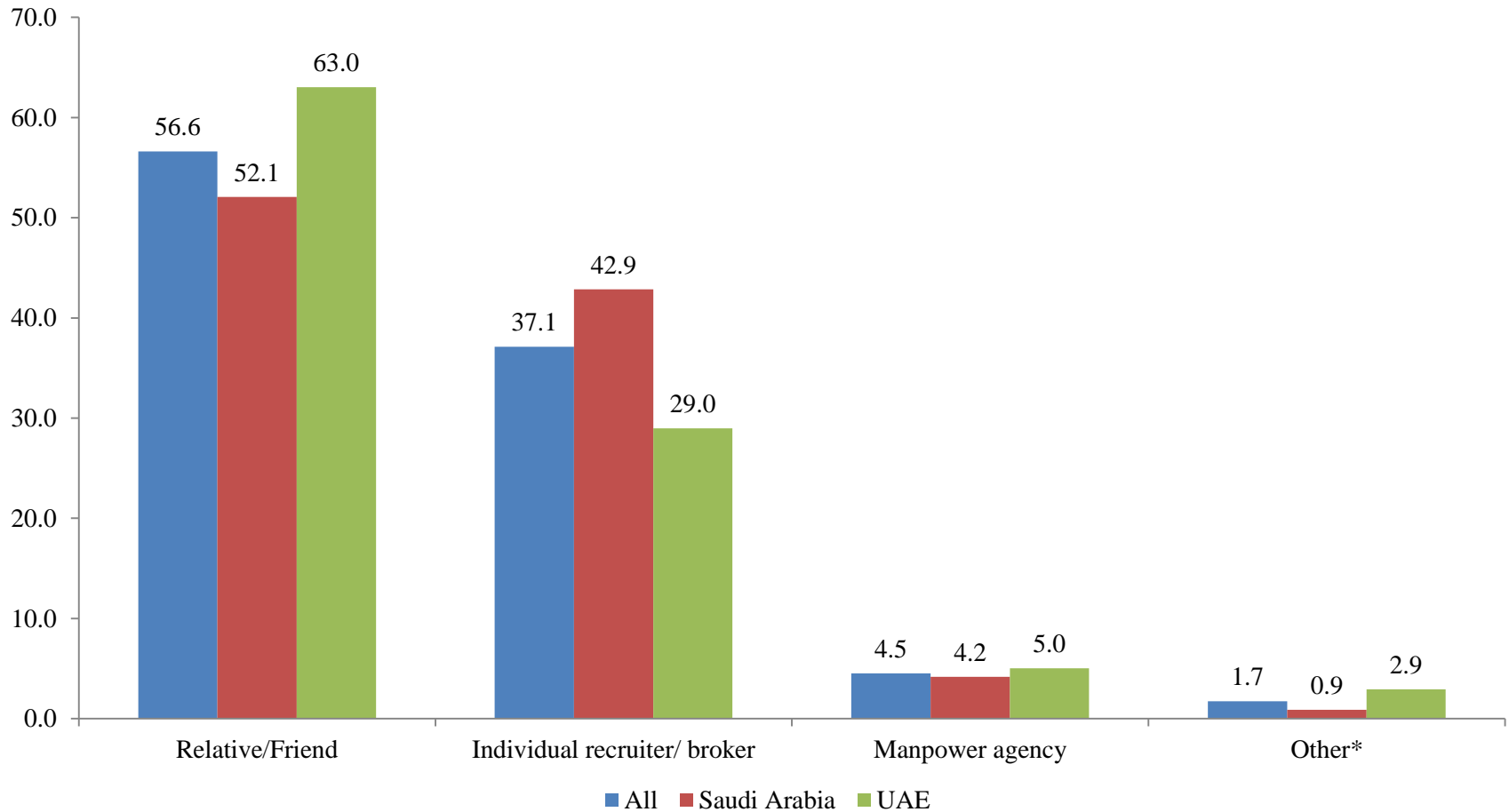
District Name	No of Respondents
Sailkot	150
Gujranwala	151
Gujrat	155
Rawalpindi	110
Mardan	151
Charsada	160
	877

Sample Respondents in 7 Survey Countries by mode of recruitment



Summary of main findings

Pakistan survey: formal sources of job information still play very little role

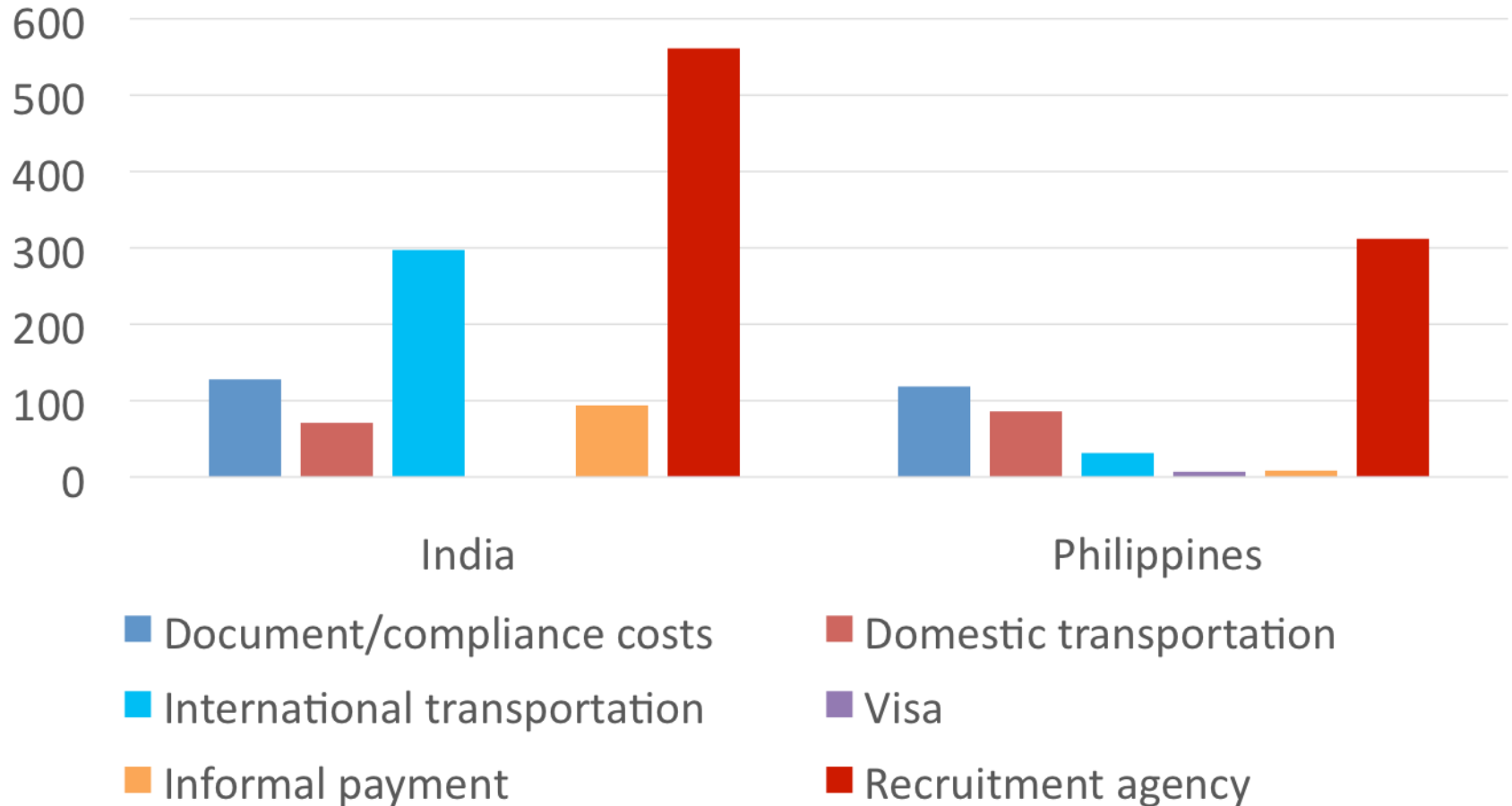


Pakistan survey: “visa cost” takes lion’s share; migration corridor key determinant

Components	Cost US \$*			<i>(as % share of total)</i>		
	All Sample	Saudi Arabia	UAE	All Sample	Saudi Arabia	UAE
Visa Fee	2823.6	3493.8	1818.4	80.9	81.4	77.1
Agent Cost	271.3	342.5	164.1	7.8	8.0	7.0
International Transport and Transport	249.4	248.2	251.1	7.1	5.8	10.6
Passport Fee	60.7	73.9	41.1	1.7	1.7	1.7
Medical Fee	46.2	48.3	43.1	1.3	1.1	1.8
Contract Fee	45.5	60.0	23.9	1.3	1.4	1.0
Others	30.8	27.5	35.8	0.9	0.6	1.5
Insurance	30.7	33.1	27.1	0.9	0.8	1.1
Briefing Fee	10.9	10.9	11.0	0.3	0.3	0.5
Clearance Fee	6.6	5.4	8.5	0.2	0.1	0.4
Exit Fee	0.9	0.8	1.0	0.0	0.0	0.0
Welfare Fund	0.9	1.1	0.6	0.0	0.0	0.0
	0.1	0.1	0.1	0.0	0.0	0.0

India/ Philippines –high recruiter fees

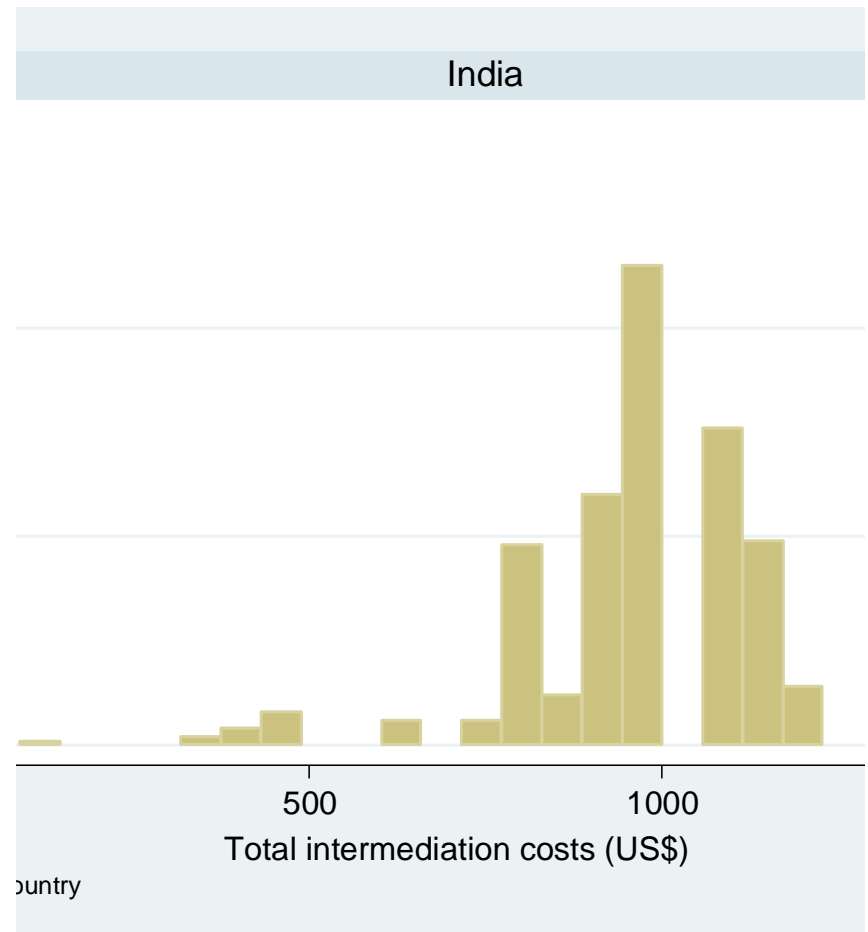
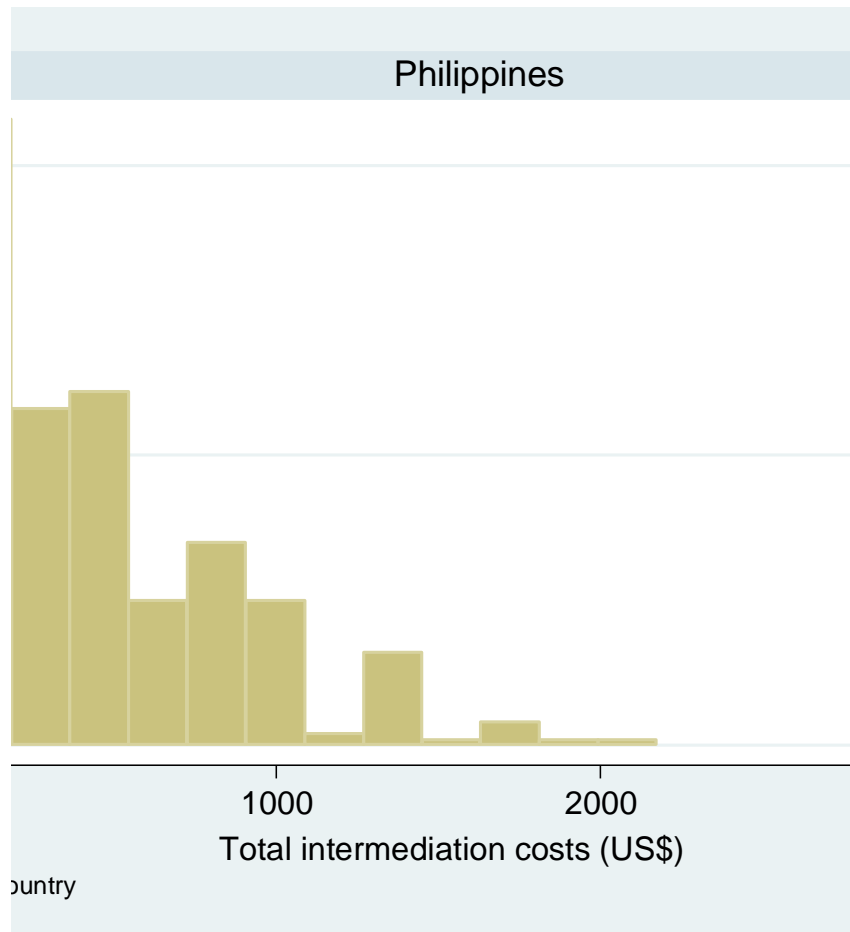
(Average costs in constant 2014 US\$)



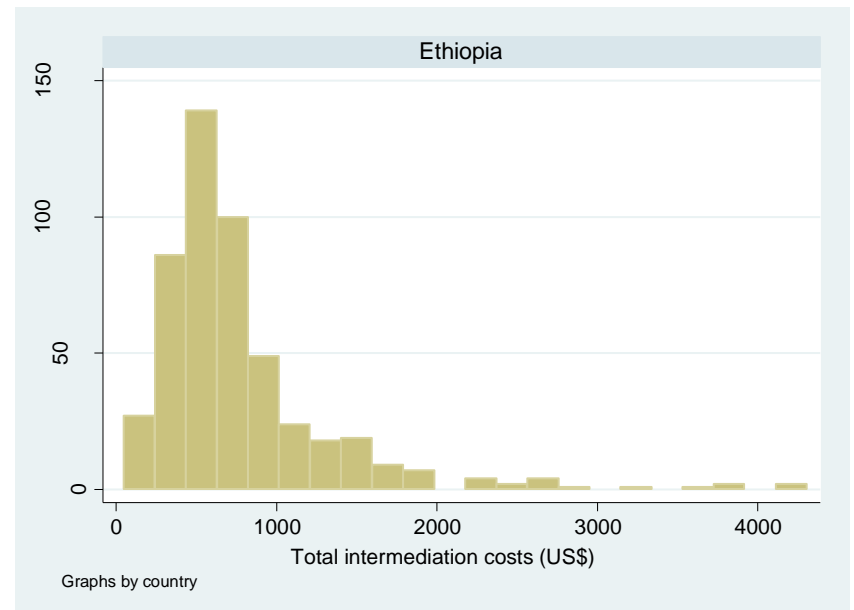
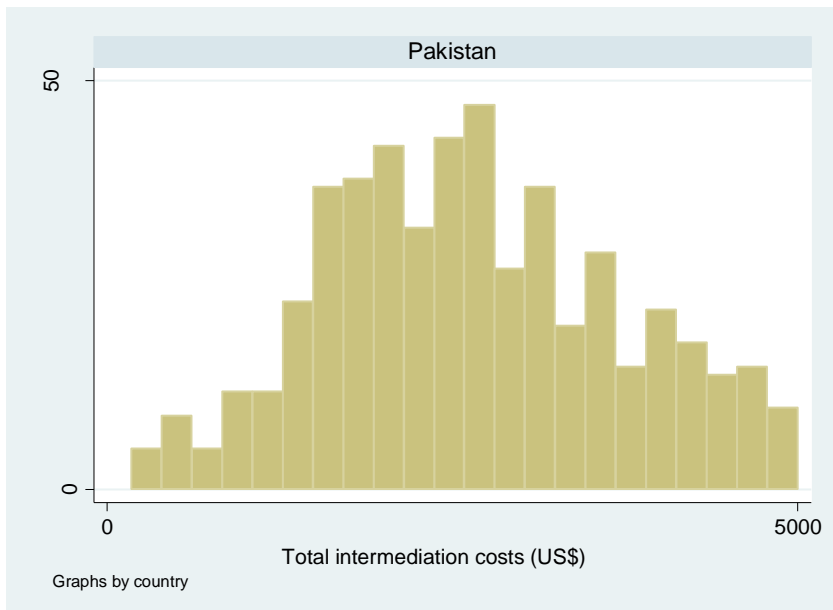
Recruitment costs data show wide corridor differences & also dispersion

Country		Recruitment agent/broker	Manpower agency	Government agency	Relatives/friends	Employer	Total
Ethiopia	Mean	953	646	822	593	234	771
	Median	772	524	622	491	234	608
	# of obs	188	241	37	27	2	495
India	Mean	923	986		436		962
	Median	901	983		462		983
	# of obs	31	356		14		401
Malaysia	Mean	1,379	1,340	1,642	1,385	1,105	1,374
	Median	1,380	1,333	1,642	1,312	1,438	1,380
	# of obs	378	8	2	4	7	399
Mexico	Mean	61		20	168	125	120
	Median	25		20	70	39	40
	# of obs	85		1	84	212	382
Nepal	Mean	1,053	966	1,648	640		916
	Median	1,030	979	1,648	567		927
	# of obs	38	245	1	66		350
Pakistan	Mean	2,890	2,354	857	2,643	1,569	2,646
	Median	2,789	2,282	857	2,426	1,818	2,573
	# of obs	244	145	1	108	14	512
Philippines	Mean	519	488	869	294	483	479
	Median	348	435	869	109	123	380
	# of obs	30	240	1	21	46	338
Total	Mean	1,504	982	862	1,159	281	1,112
	Median	1,333	901	655	613	62	979
	# of obs	994	1,235	43	324	281	2,877

Large variance in intermediation costs: Compare Philippines & India

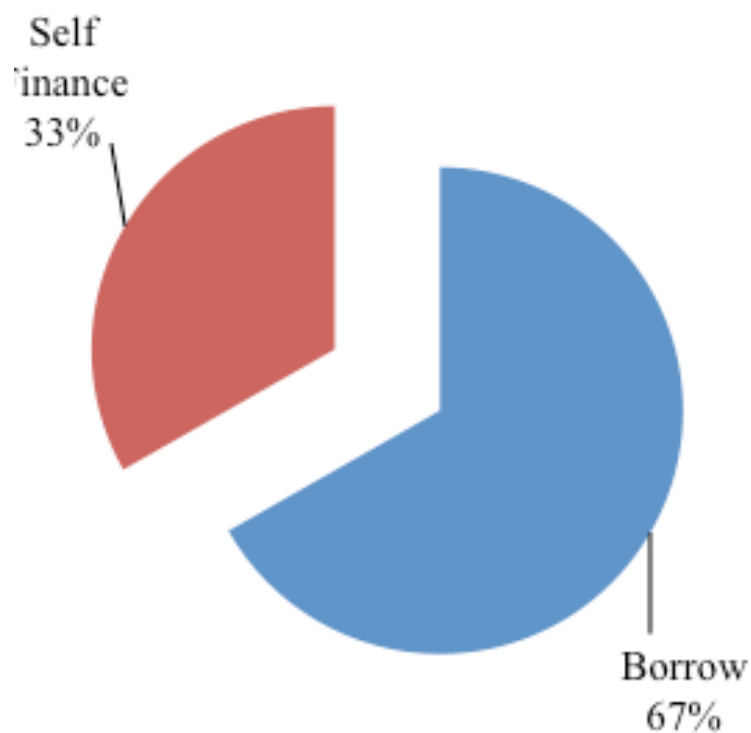


Intermediation costs : Pakistan & Ethiopia

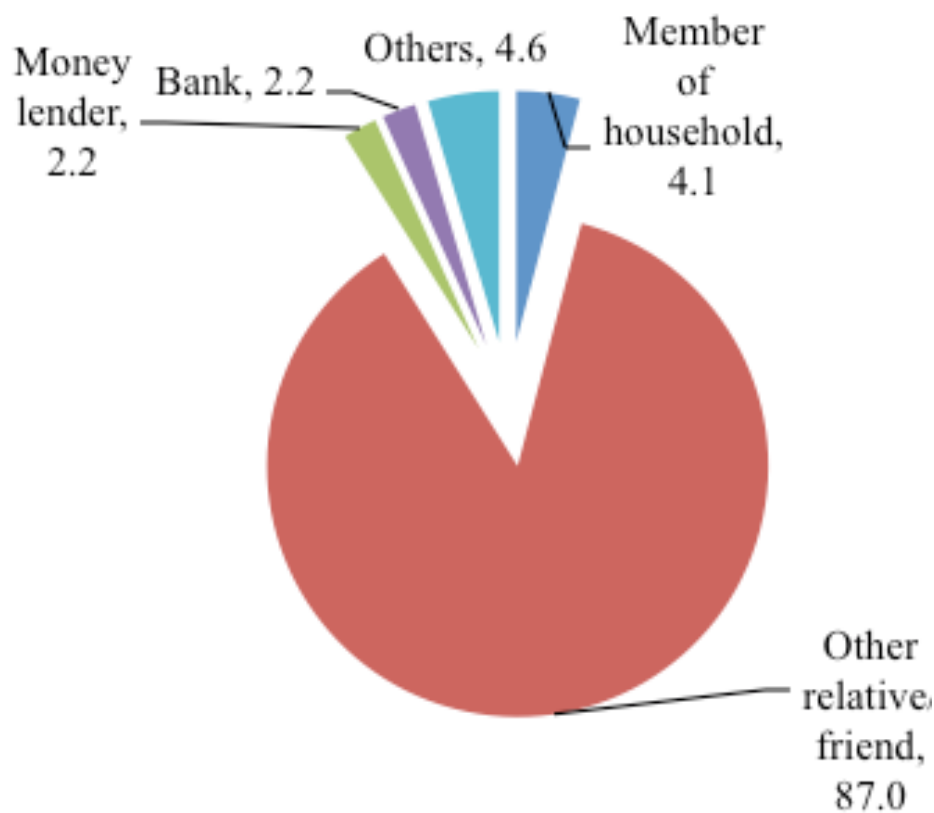


Pakistan survey: relatives and friends, not banks, are main source of finance,

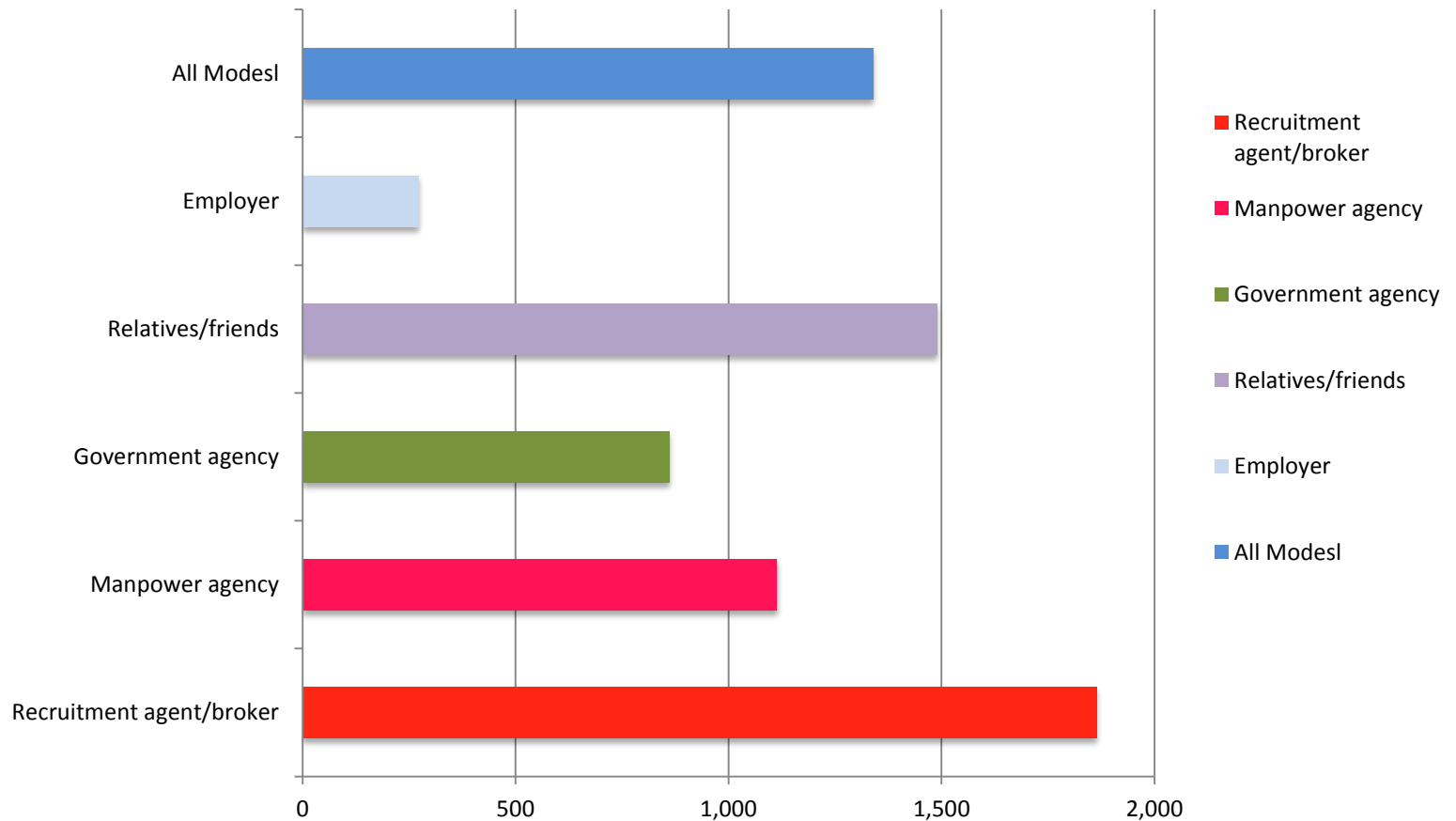
What is source of finance (self financed or borrow?)



If borrow: Who was the money borrowed from?



How costly is it to get a job abroad?



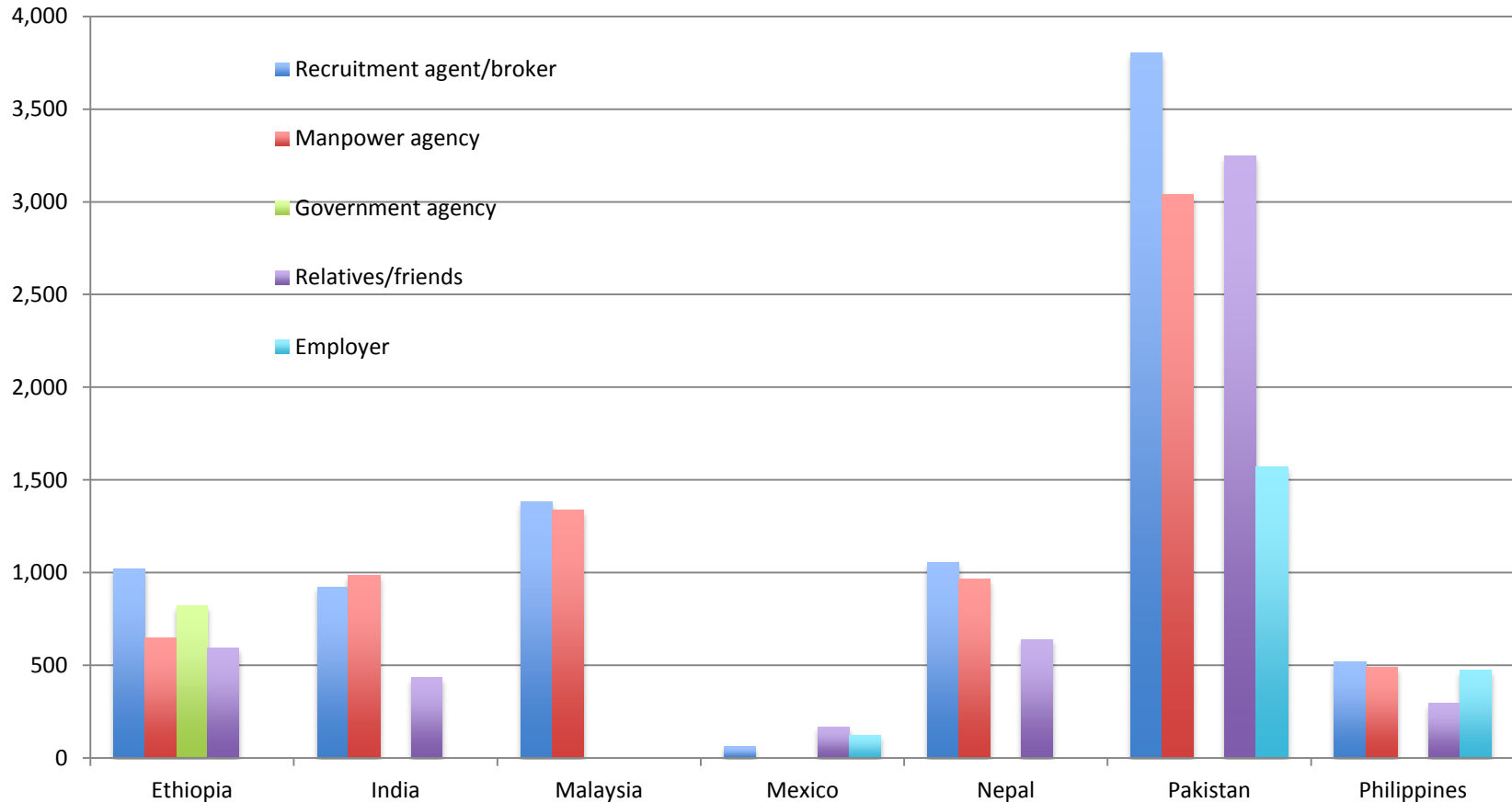
Mean Cost in USD estimated from combined samples in 7 survey countries

What is the value added by recruiters?

- Do they find “better jobs” for workers?
- Do they find the same jobs at lower cost than going thru friends or thru other modes of recruitment?
- Do they find “better workers” for employers?

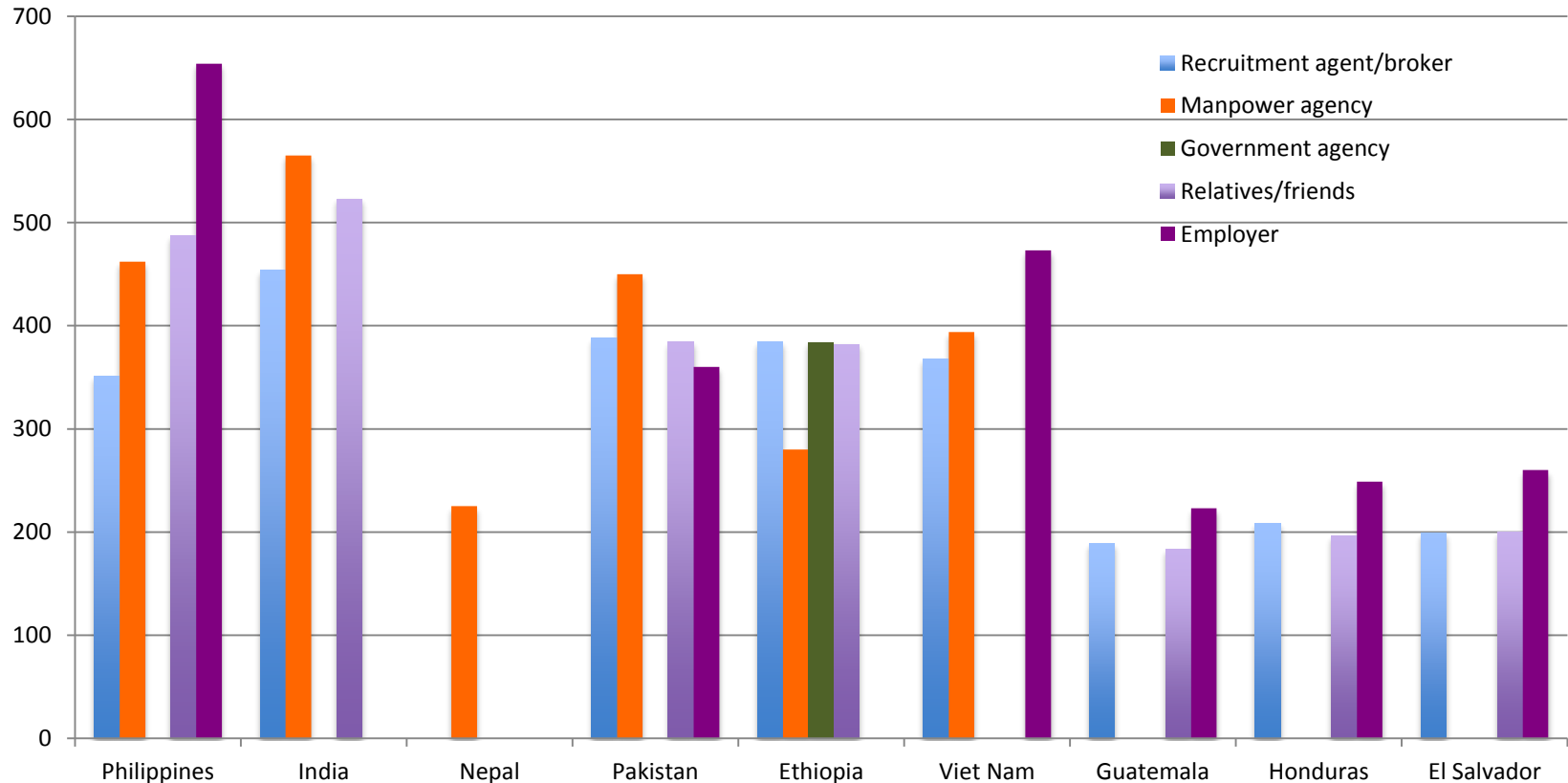
Costs differ by corridor and mode of recruitment

Mean total cost in USD

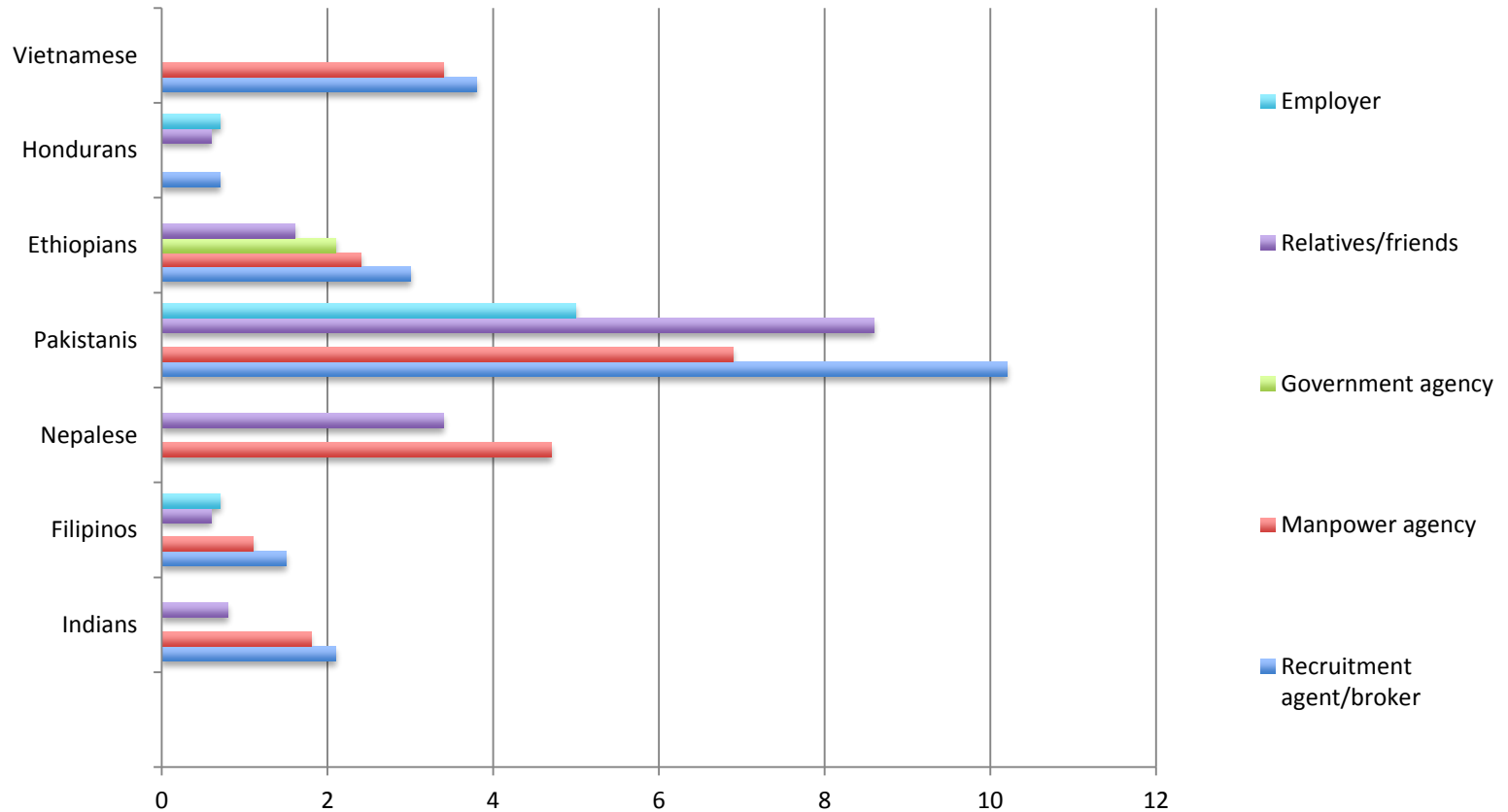


Migrants get higher paying jobs directly from employers, not recruiters

Mean monthly earnings in USD

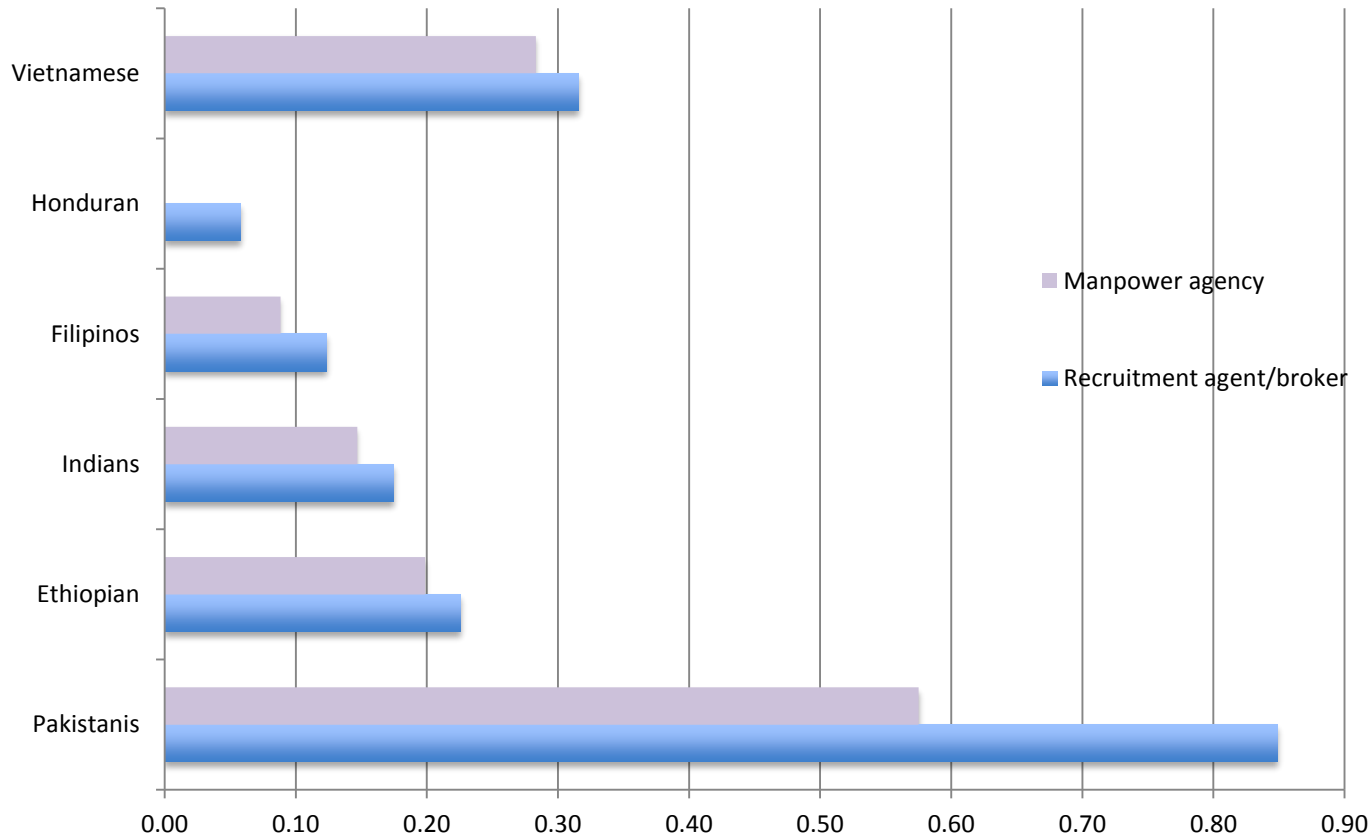


It takes many months to recover costs for some corridors and mode of recruitment



Months of work to recover costs

Costs as proportion of earnings vary greatly among corridors



How far can mode of recruitment account for earnings differences?

How do other factors like age, education, occupation, industry of employment explain differences in earnings?

To estimate impact of different variables on earnings

Use regression models

- Model 1 - Earnings = f (mode of recruitment)
- Model 2* - Earnings = f (mode of recruitment, age, education, previous experience working abroad, occupation, industry of employment.

* (natural log to allow for interpretation in terms of percent changes)

Model 1 Earnings=f(Mode of recruitment)

	Constant	Coefficient*	R ²	Notes
Ethiopians	5.8	- 0.324 M ₂	.089	Earnings via broker 28% greater than via manpower agency
Indians	6.108	0.215 M ₂ 0.149 M ₄	.10	Earnings via broker 24% lower than via manpower agency; and 16% lower than via relatives/ friends
Vietnamese			.01	Earnings not explained
Mexicans	5.196	0.196 M ₅	.079	Earnings via broker 22% lower than by employer, but same as via relatives/friends
Nepalese			.007	Earnings not explained
Pakistanis			.008	Earnings not explained
Filipinos	5.78	.226 M ₂ .367 M ₄ .565 M ₅	.081	Earnings via broker 25% lower than via manpower agency; 44 % lower than via relatives/friends

*** There are 5 modes of recruitment : Broker (M₁); Manpower Agency (M₂): Government (M₃) Relatives/Friends (M₄) and Direct hire by Employers (M₅)**

	Constant	Coefficient		R ²	Notes
Ethiopians	5.17	-.196 0.326 1.014 0.239 0.487 -.617	M ₂ Ed ₄ Oc ₅ In ₄ In ₆ In ₁₁	.346	Earnings via broker 18% greater than via manpower agency Earnings also greater with tertiary education, and certain occupation and industries
Indians	5.57	.095 .042 .170 .139 .005	M ₂ Ag Ed ₃ Ed ₄ Xp	.606	Earnings via broker 10 % lower than via manpower agency, but no difference via other modes Greater with age, years working outside, education, occupation
Vietnamese	5.7	.034 .32 -0.31	Ag In ₆ In ₇	.143	Earnings greater with age and certain industry
Mexicans	4.7	.160 .028 .137 .130 .011	M ₅ Ag Ed ₂ Ed ₃ Xp	.12	Earnings via broker 17% lower than direct by employer Greater with age, education, and years working abroad

Independent variables with insignificant relationship to earnings were omitted from table

Model 2 Earnings -(Mode, Age, Edu, Exp, Occup, Industry)

	Constant	Coefficient*	R ²	Notes
Nepalese	5.59	-.21 Oc ₈ -.106 Oc ₉ .33 In ₃	.174	Earnings variation not explained by mode of recruitment ; lower for some occupations;
Pakistanis	6.03	.157 Ed ₂ .210 Ed ₃ .340 Ed ₄ .334 Ed other -.455 Oc ₉ .213 In ₄ .339 In ₅ .318 In ₉ .647 In ₁₆ .640 In ₁₇	.294	Earnings greater with education and certain industries; lower for one occupation
Filipinos	5.64	.185 M ₅ .331 Ed ₃ .343 Ed ₄ .257 Ed other -.412 In x	.392	Earnings 20% lower via broker compared to by employer, but not compared to other modes; Greater with education; lower for certain industry

Independent variables with insignificant relationship to earnings omitted from the table

Main conclusions

- Migration costs vary greatly by corridor; visa cost, brokers' fees and transport costs account for most of the cost;
- Job brokers /recruiters provide information and access to foreign jobs, but do not offer better jobs compared to relatives/friends in spite of higher cost;
- Cheapest to get jobs directly from employers but information lacking and very few able to contact employers directly;
- Previous experience abroad reduces costs, but impact of education is not clear

Main conclusions (cont'd)

- Mode of intermediation able to explain only a small part of differences in earnings;
- Licensed agencies offer better paying jobs than informal job brokers
- Earnings abroad rise with age and previous experience abroad.