


# Recruitment 1. Current system

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**BANGLADESH MANPOWER  
RECRUITING AGENCY**



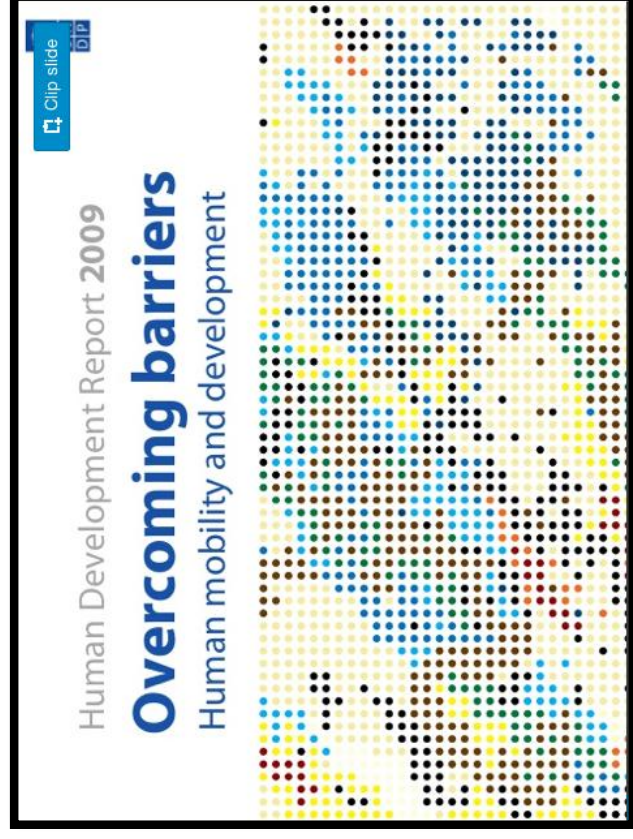
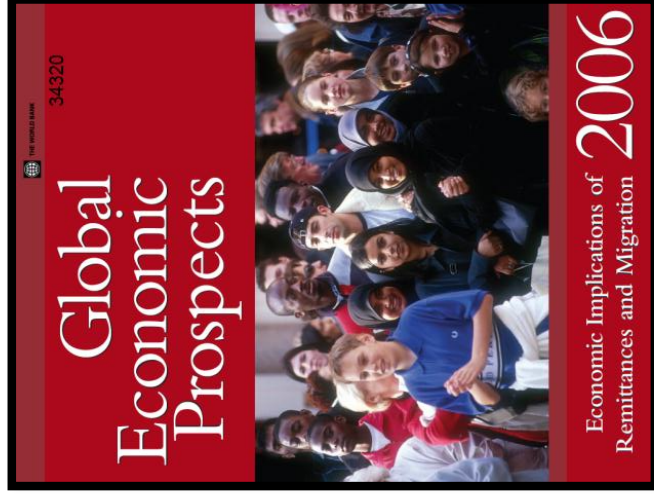
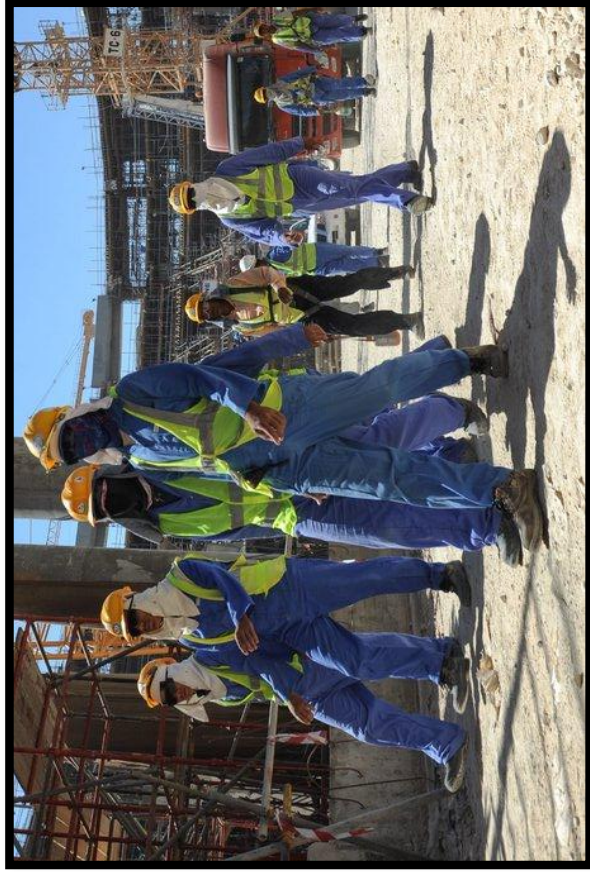
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## Highlights

- Recruitment = big business
  - 10 million workers/year @\$1,000 = \$10 billion/year
  - Who receives this revenue? How profitable? How can worker-paid costs be reduced?
  - Worker-paid costs go up as skill down? Why?  $S > D$
- Recruitment process: 4 phases: economic needs test, contract & deployment, employment abroad, return & re-integration
- Major determinant of worker-paid costs = corridor. Structural factors & policies more important than individual characteristics

# Migration can be win-win-win Migrants, COD, COO

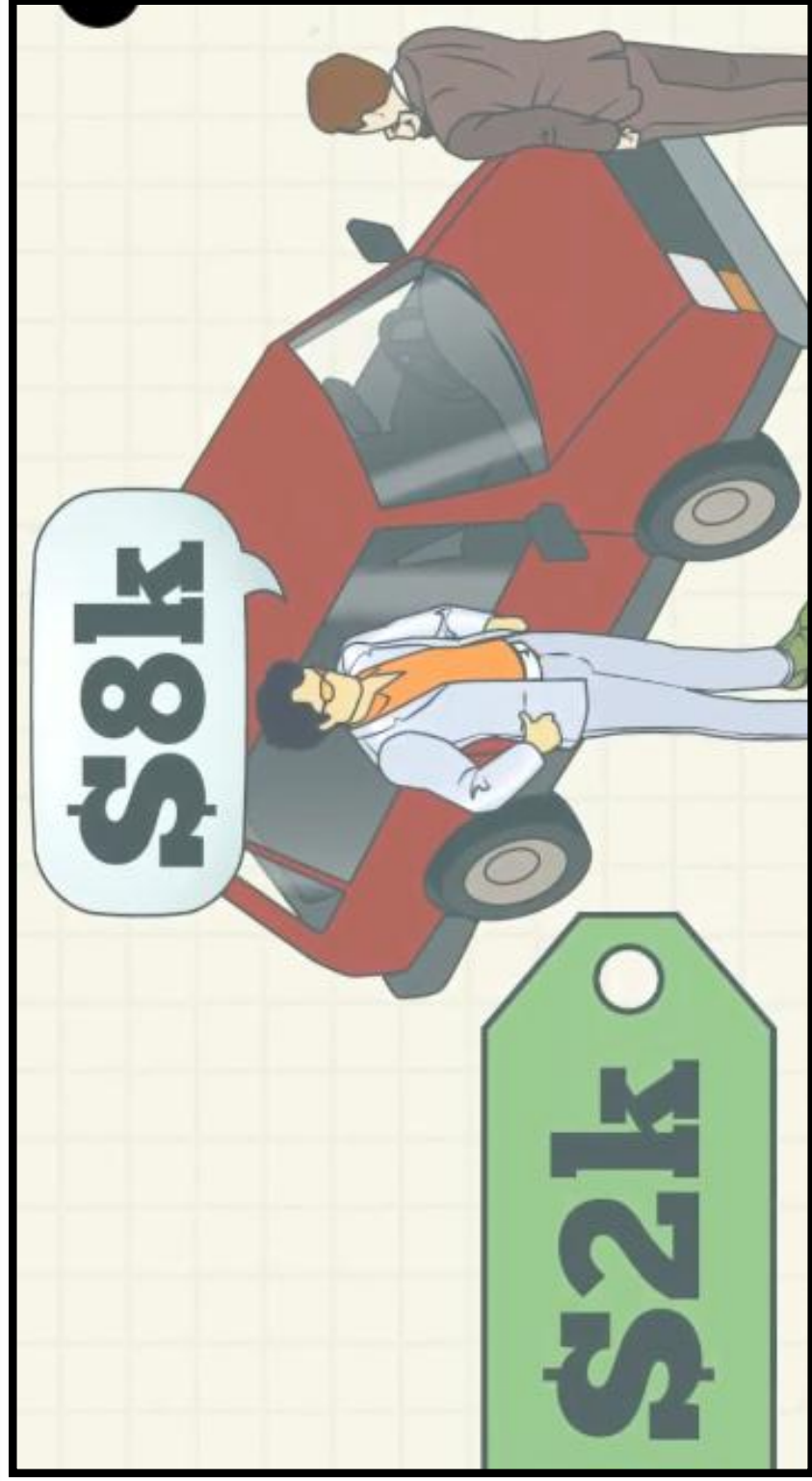


# Matching workers and jobs is hard

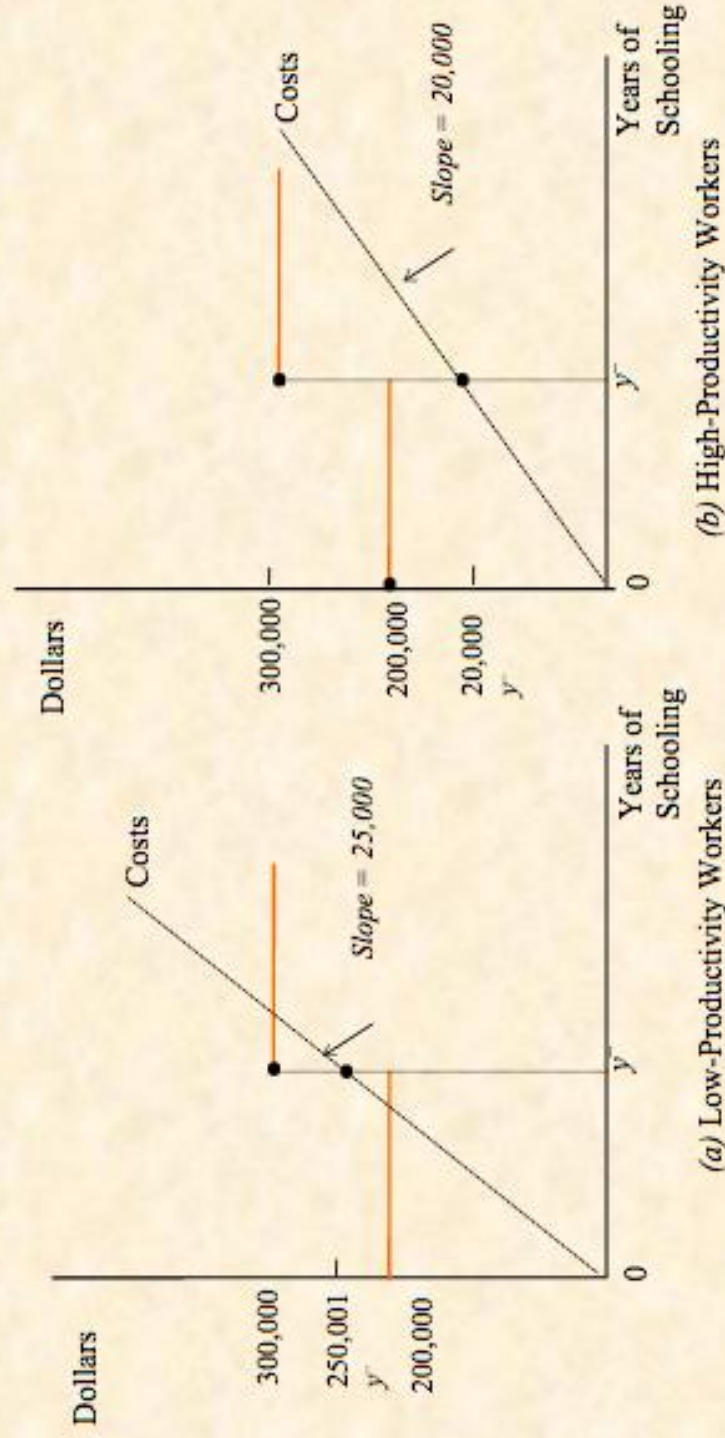
- Asymmetric information:
  - Employers know most about the jobs they offer
  - Workers know most about their abilities
  - How do employers **screen** applicants to find best workers?  
How do workers **signal** employers?
- Recruitment within borders:
  - Employers advertise, social networks: little use of public ES
  - Workers read ads & use networks: little use of public ES
- Recruitment over borders:
  - Employers pay most fees for high-skilled
  - Why do low-skilled pay? More workers than jobs
  - Best protection for migrants: the ability to say NO to a bad job offer or a high recruitment charge (having decent work alternatives at home)

# THE END OF ASYMMETRIC INFORMATION?

TYLER COWEN & ALEX TABARROK | SHIRLEY V. SVORNY | JOSHUA GANS | JEFF ELY



# Education as a Signal



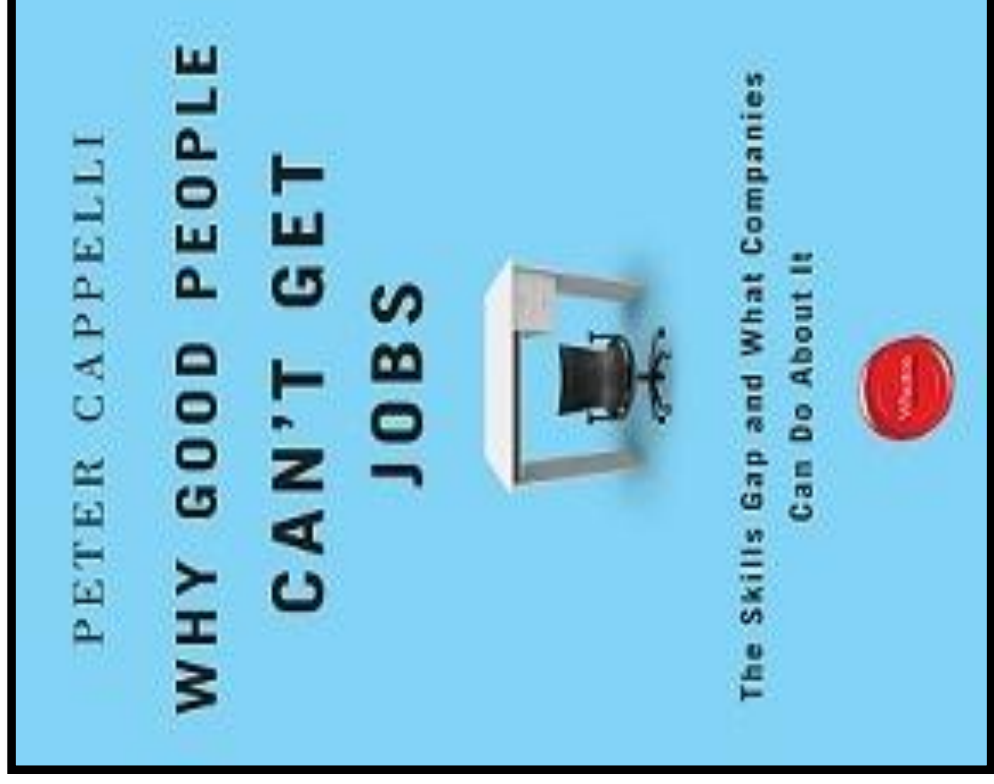
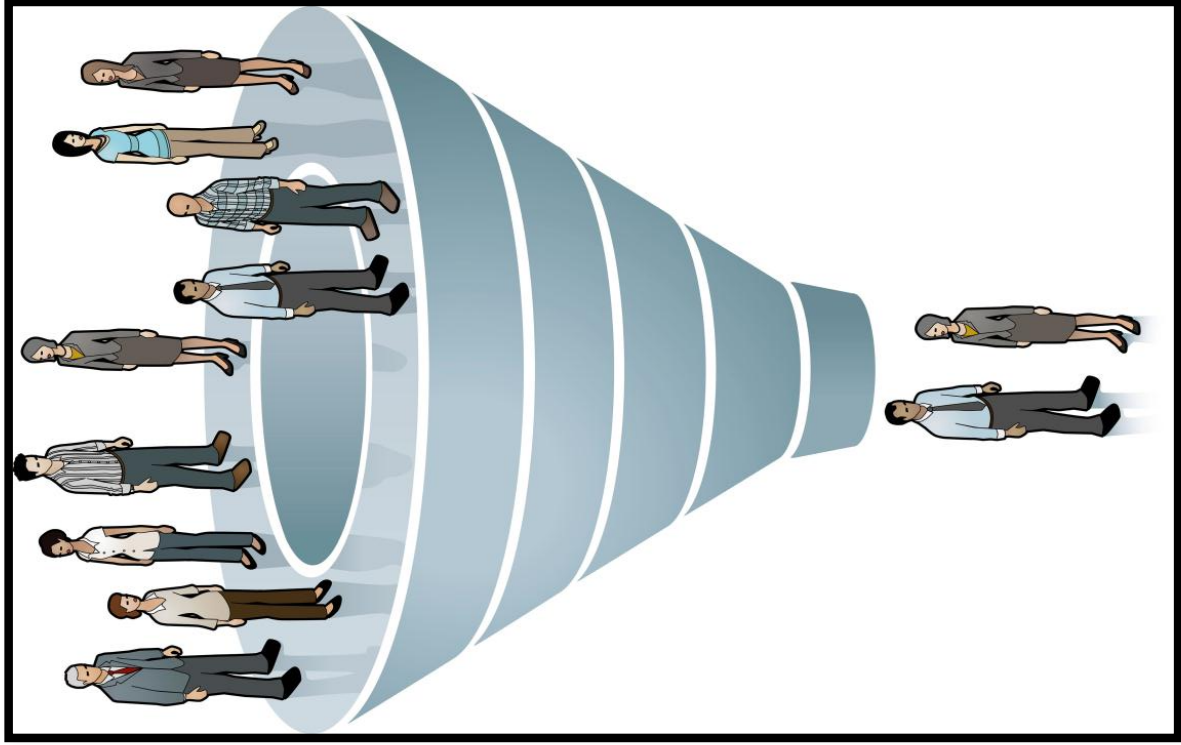
Workers get paid \$200,000 if they get less than  $y$  years of college, and \$300,000 if they get at least  $y$  years. Low-productivity workers find it expensive to invest in college, and will not get  $y$  years. High-productivity workers do obtain  $y$  years. As a result, the worker's education signals if he is a low-productivity or a high-productivity worker.

## Labor Market R' s & Migration

- Labor market = continuous bargaining
- **Recruitment:** matching workers and jobs. How many intermediaries? Who pays?
- **Remuneration:** work = exchange of effort for reward, workers give control of time to employer in exchange for wages. What wages & benefits? What performance expected?
- **Retention:** productivity rises with experience, but migrants often leave after 2-3 years
  - Who loses with departure of experienced migrants?
  - What training for new hires?

**Peter Cappelli: employers want “purple squirrels” (none)**

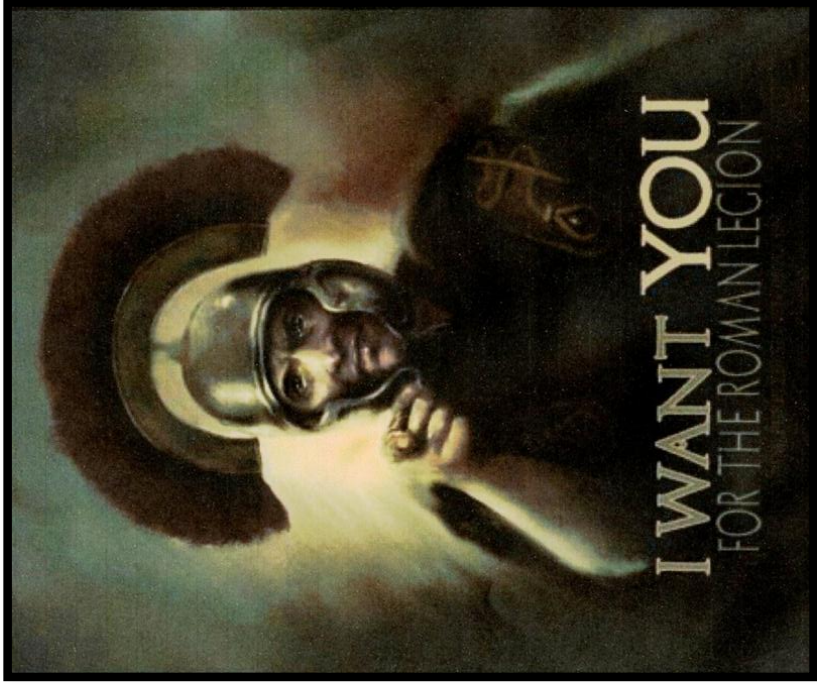
**Many people WITH IT jobs were  
rejected when they applied for their  
own jobs**





## **Recruiters: find workers for hard-to-fill jobs**

- Egypt, Greece, and Rome: recruiters find soldiers
- Modern recruitment industry: WWII
  - Recruit workers who did not have to serve in military (housewives) for factory jobs
  - Help ex-soldiers to find jobs after return to civilian life
- Three major types of recruiters today:
  - Only match workers with jobs—brokers who bring workers and employers together
  - Temp or staffing agencies: recruit & train workers and send **employees** from one workplace to another (Manpower)
  - Professional Employer Orgs (PEOs): co-employer



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AND SOURCERS  
OF THE MONTH!**




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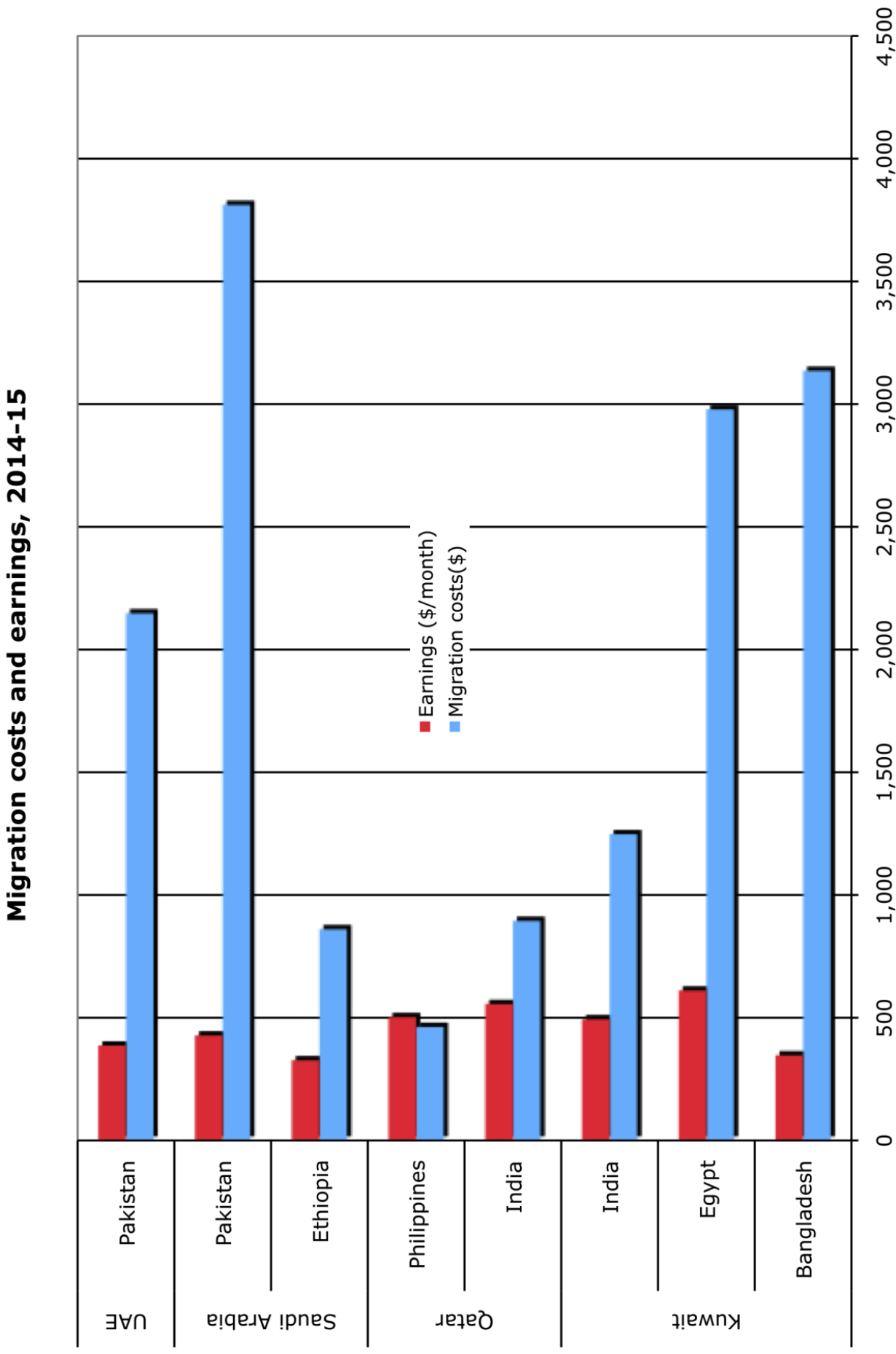



## Partner versus Agent Recruiters

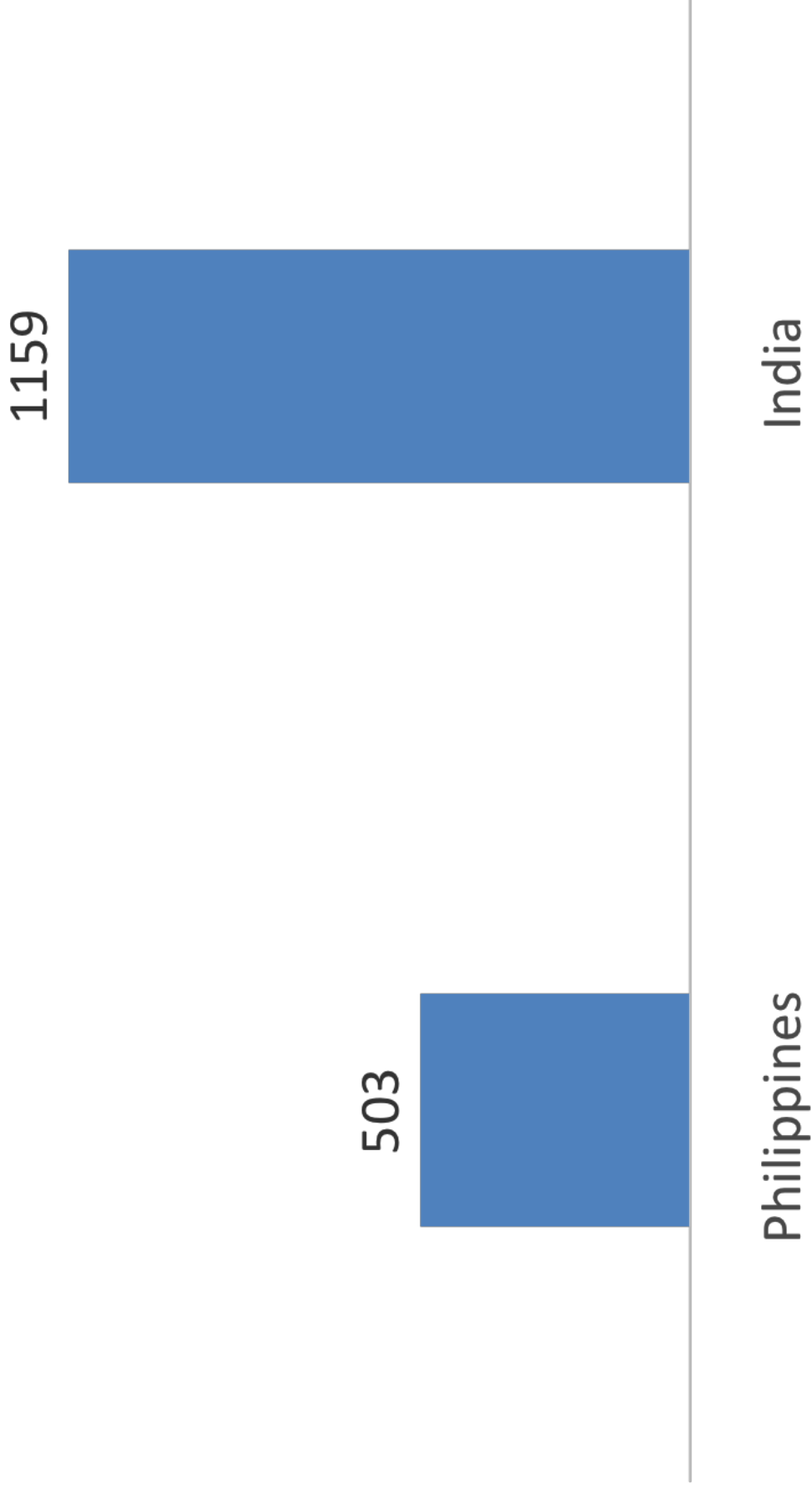
- **Partners:** learn employer needs, screen workers, and spread costs over many transactions. Repeat business provides incentives to satisfy employers
- **Agents:** may be one-time transaction, so less incentive to invest in good worker-job match
- **Remittances:** frequent transactions, standardized commodity, competition reduces costs
- **Recruitment:** few transactions, workers & jobs unique
- **Two markets:** labor market & credit market for loans
- High-worker paid costs:
  - Bad for workers, who borrow \$; 2<sup>nd</sup> job & irregular
  - Bad for govts: deal with irregulars, overstays etc

# Corridor matters: structural factors & policies, not individual

## Similar earnings in GCC--different migration costs

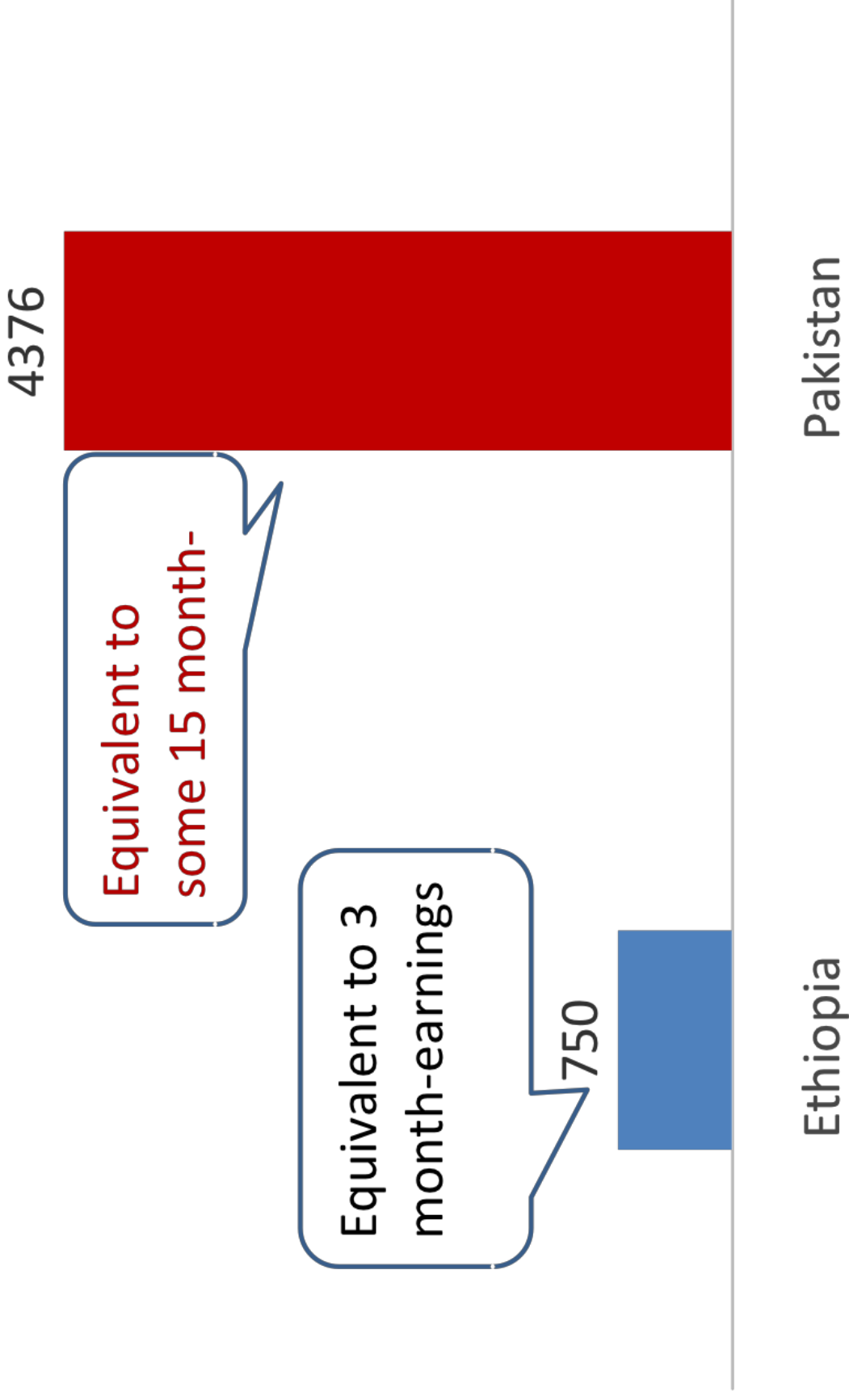


# Corridor matters: Indians pay >2x more to get jobs in Qatar than Filipinos

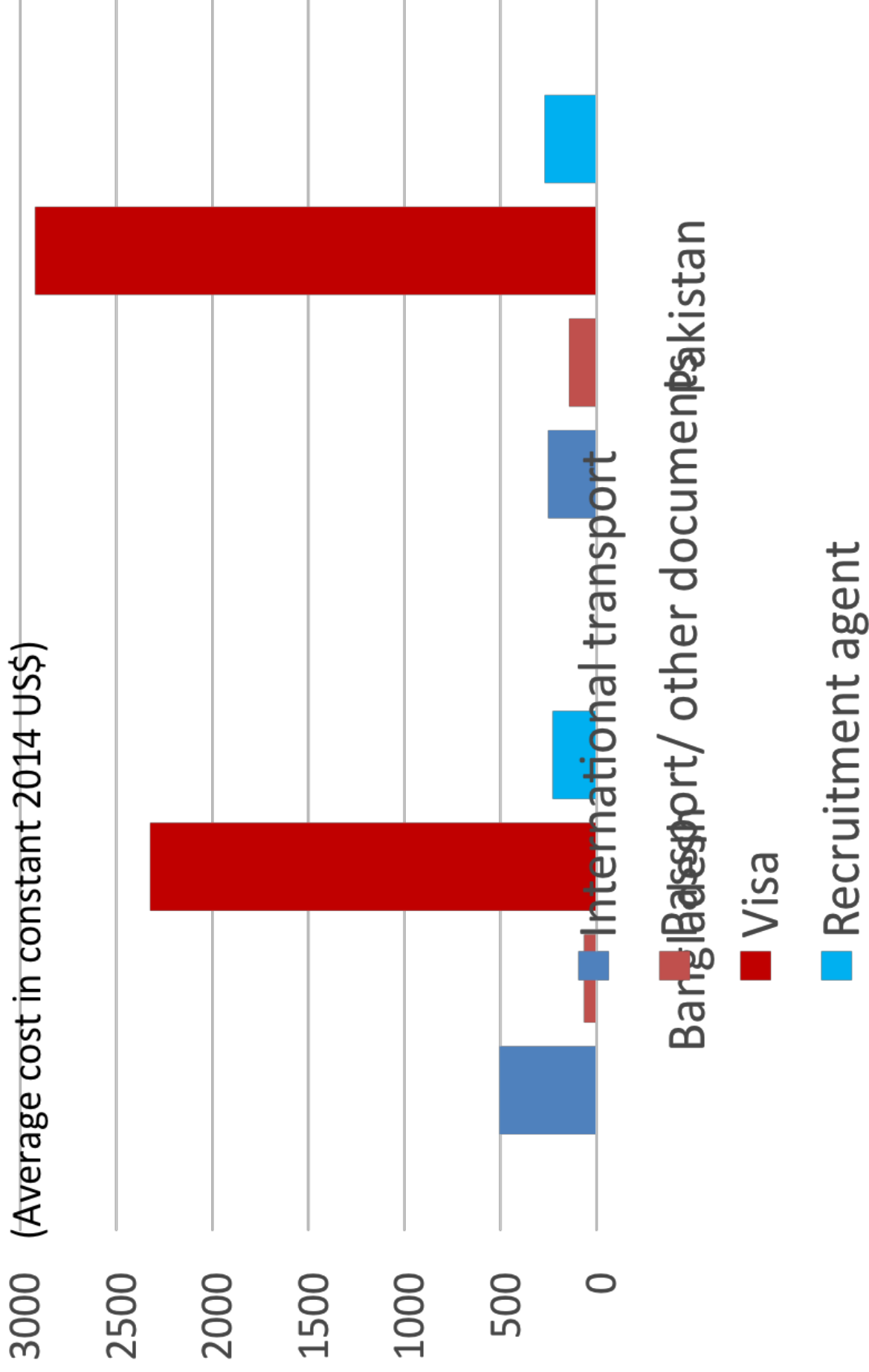


# Saudi Arabia: Pakistanis pay > Ethiopians

(Average cost in constant 2014 US\$)

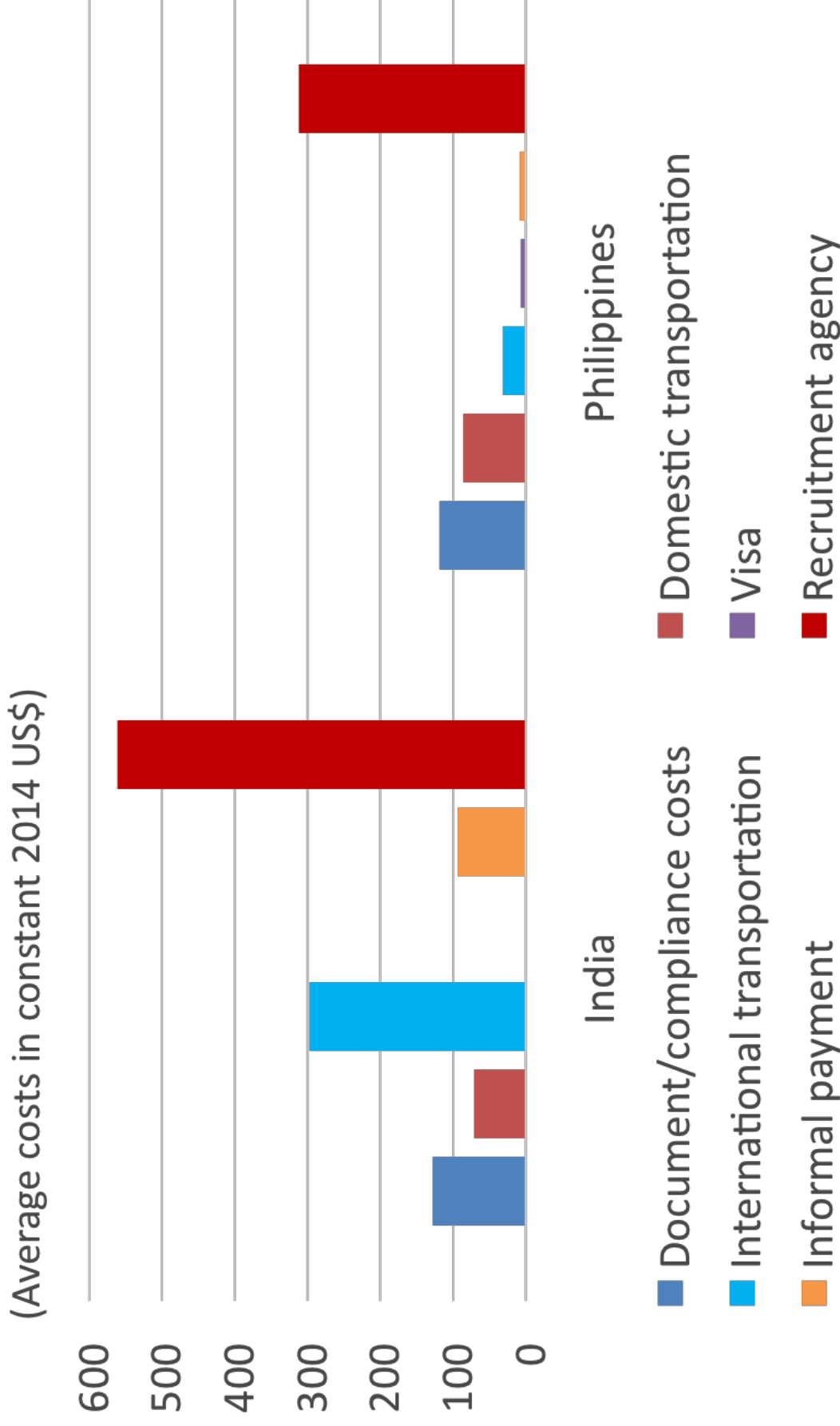


# Bangladesh & Pakistan – high visa fees





# India & Philippines: agent fees



# Conclusions

- **International contract labor migration is win-win:**
  - Workers earn 3-6x more abroad, can acquire new skills, learn new ways of organizing and performing work
  - Employers fill jobs, multiplier effects in both COO and COD
- **Can private recruiters overcome labor market asymmetries?**
  - Partners learn employer job requirements, get paid by recruiters, recoup investments with placements over time
  - Agents want to maximize transactions to collect commissions, see workers and jobs as interchangeable, price discrimination
- **Corridor determines worker costs: Workers in some corridors pay more than workers in others, even if worker and job traits are similar**



## Highlights

- Regulation: what mix of incentives and penalties?
  - Recruiters: obey govt-set maximum fees or face penalties. Enforcement depends on complaints, but few complaints
  - Would incentives help?
- Improve labor market matching
  - COD employers shape training curriculum in COO
  - Training centers issue certificates recognized in COO and COD
  - Models: COD employer links to training centers in COO; COD industry to COO industry; govt to govt (NQFs)

## **Regulating recruiters (job-worker matchers)**

- **Governments:**
  - Identify: get license by passing test, posting bond, satisfying citizenship & education criteria etc
  - Enforce regulations: operate the business, but do not overcharge workers (market determines employer-paid fees)
- **IF there are more workers than jobs, what is allocative mechanism?**
  - First come, first served, lottery?
  - Select best workers to fill foreign job
  - Select workers willing to pay more

**Tension: Promote foreign employment, regulate recruiters**



**Serving the Recruitment Industry**  
*and Protecting Workers at the Same Time*

# Cases of abuse lead to more regulations, but hard to enforce

MIGRANT WORKERS' ACCESS TO JUSTICE SERIES

## Migrant Workers' Access to Justice at Home: **Nepal**




Sarav Pradhan | Eleanor Taylor-Nicholson | Dorothy Sigdel | Basima Farberbaum

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MIGRANT WORKERS' ACCESS TO JUSTICE SERIES

## Migrant Workers' Access to Justice at Home: **Indonesia**



Basima Farberbaum | Eleanor Taylor-Nicholson | Sarah Parment

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# Solutions: educate workers, prosecute violators



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## PLANNING TO WORK OVERSEAS?

Don't get fooled by illegal recruiters!  
Be informed! Be smart!

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## Cost to Workers

- |  |                        |
|--|------------------------|
| 1. Test of Proficiency in Korean (TOPIK) | US\$24.00              |
| 2. Preliminary Training                  |                        |
| a. 45-hr refresher course (POEA)         | Php 729.00             |
| b. EPS Orientation / PDOS                | (Free)                 |
| 2. Re-Medical Examination                | Php1,500.00            |
| 3. E-Receipt/OEC                         |                        |
| a. POEA Processing Fee                   | US\$50.00              |
| b. OWWA Membership                       | US\$25.00              |
| c. PhilHealth/Medicare                   | Php1,200.00            |
| d. PAG-IBIG contribution                 | Php100.00              |
| 4. Visa Fee                              | Php 2,250.00           |
| 5. Airfare (US\$145)                     | Php11,000.00-13,000.00 |
| In case of chartered flight              | Php16,000.00           |
| 6. Pocket Money                          | US\$150.00             |





**Enforcement = false  
promise if recruiter  
provides the jobs  
workers want**



**FLCs in CA: harder to  
hire a farm worker than  
any other except child  
actors**



## **Incentives to induce recruiter compliance?**

- **Best incentive:** empower workers to say no; ensure that workers have decent jobs at home
- **Micro** for individual recruiters (ABC rating system)
  - Faster processing and lower fees for A-rated recruiters
  - Subsidize rather than tax A-rated recruiters
  - Awards, accompany president abroad etc to meet good (partner) employers
- **Macro** changes in recruitment industry
  - Encourage fewer and larger (ag & industry) recruiters to promote standardization and economies of scale
  - Allow foreign employers to recruit workers directly
  - Favor long-term employer-recruiter partnerships over short-term agent relationships

# Other options: certify good employers and recruiters



International  
Labour  
Organization

## Fair recruitment initiative

Fostering fair recruitment practices,  
preventing human trafficking  
and reducing the costs of labour migration

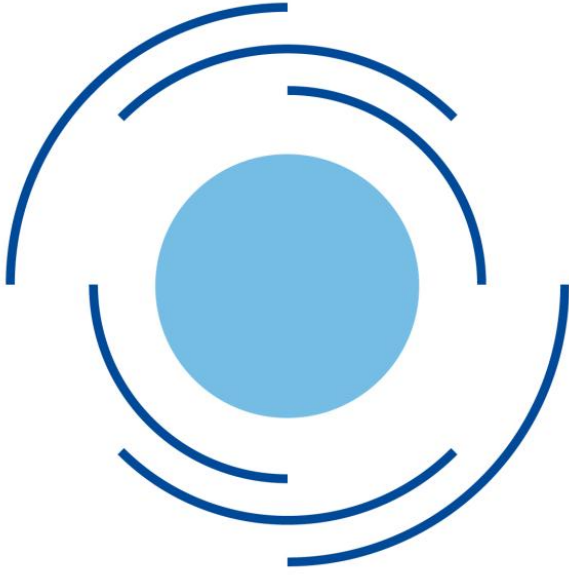


## LEADING IN A CHANGING WORLD OF WORK





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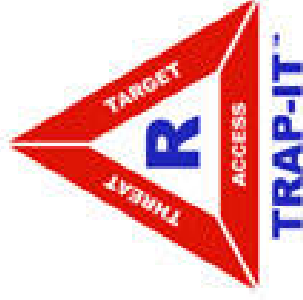
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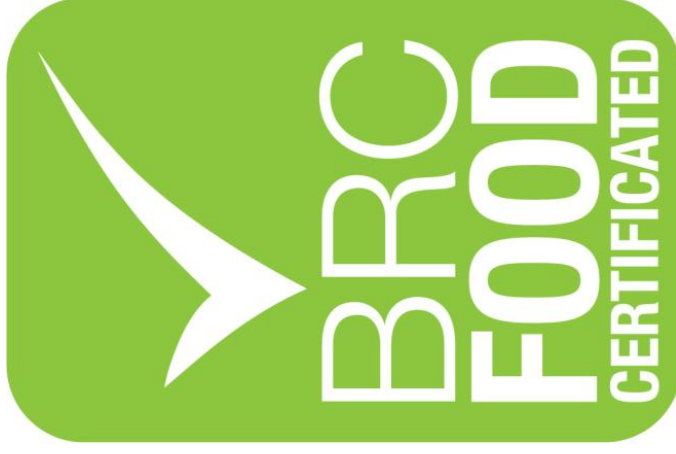
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# primus



TM



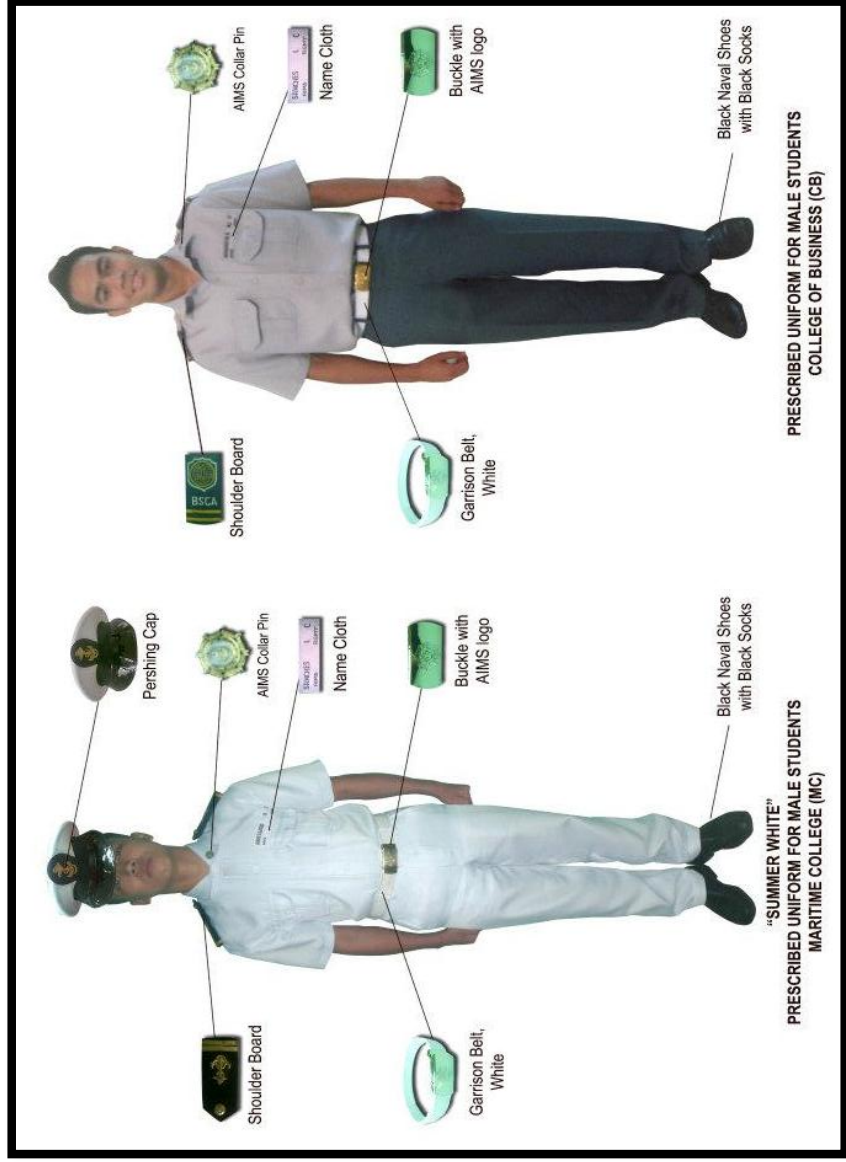
# Bilateral agreements: EPS, RSE, SAWP, Bangladesh-Malaysia



# **Coordinated training and certification**

- **Employer in COD & training center in COO**
  - Employer shapes curriculum and may subsidize training
  - seafarer schools, cruise ship workers (costly mistakes)
- **Industry in COD and industry in COO**
  - Construction trades: COD industry relies on foreign workers
  - How to find the best partners? If industry shapes curriculum, does COD industry also subsidize training in COO?
- **Government to government**
  - MRAs: mutual recognition agreements for professionals, so that a COO nurse license is recognized in COD
  - NQFs for skills acquired on the job, as in construction, hospitality etc. How to develop and agree on required skills and develop MRAs for mutual recognition of certificates?

# COD employer-assisted training: from seafaring to construction?



# Conclusions

- Regulating recruiters is very hard
- Trade off between promoting foreign employment and protecting workers
- Workers may pay more than govt-maximums to go first
- Penalties and incentives
  - Micro for A-rated: faster processing, subsidies, awards
  - Macro: promote fewer & larger, allow direct recruitment, favor long-term partnerships
  - Other options: seals of approval, BLAs, MOUs,
- Coordinated training and certification
  - Move MRAs down the job ladder, so that more occupations are standardized; from accounting to construction
  - COD employer or industry links to COO training centers
  - Govt-to-govt NQFs