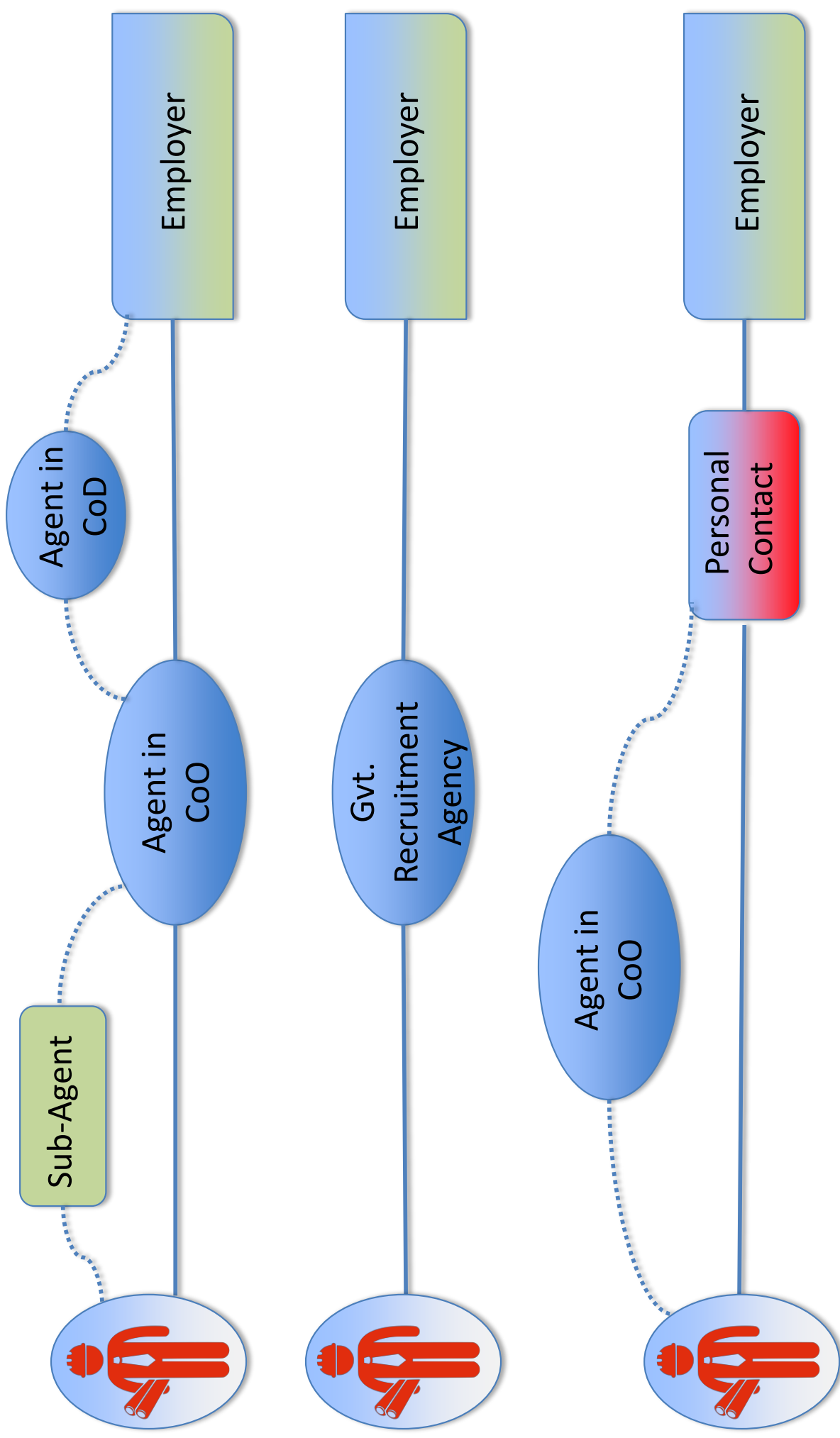




Examining Current Recruitment Models in the Asia—GCC Corridors

Michael Newson
Abu Dhabi Dialogue – Senior Officials’ Meeting
Dubai, UAE – May 11-12 2016

Dominant Recruitment Models



Role & ‘Value’ of Sub-Agents

Geographical & Language Barriers can Exist within COO

- Urban Recruitment Agencies & Rural Prospective Workers
- Lower-Skilled Workers have lower literacy rates – not confident in navigating the system

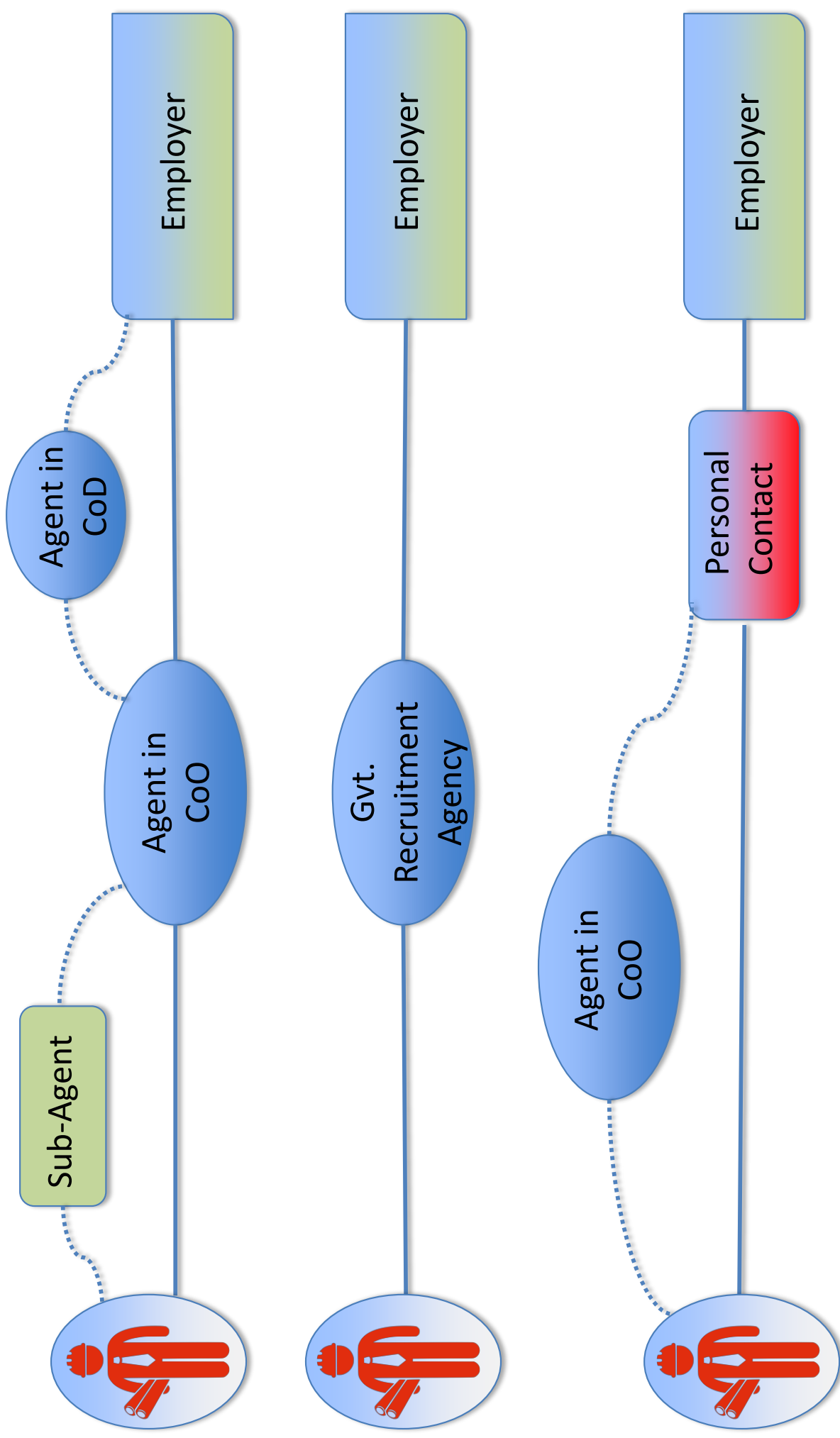
Price Discrimination

- Highly local connections – Ability to vary prices is somewhat limited by local knowledge and reputation issues
- Price discrimination more likely influenced by social networks than assessing levels of interest / means to pay

A Non-Essential Layer

- In Kerala, higher education/literacy rates have allowed individuals to navigate their own way to agents without need for Sub-Agents
 - Need to develop communications channels to provide information to prospective workers in a way they understand and can act upon
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Dominant Recruitment Models



Private Recruitment Agencies

Common Perceptions

- Often seen as primary culprits
- Beyond a few bad actors, idea that ‘powerful associations’ collude to keep prices high

What are the costs of doing business & profit margins?

- 20% of surveyed recruitment agents in Kerala were considering either leaving the business or diversifying due to low profit margins
 - Increasing marketing/networking costs due to intense competition
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Private Recruitment Agencies

Business Costs

- Business premises/daily operations
- Bank Guarantees
- Advertising & Recruitment Processing
- Travel Costs
- Marketing/Networking – Representation in CoD (20% of business costs)
- Employer Visits for Recruitment

Additional Considerations

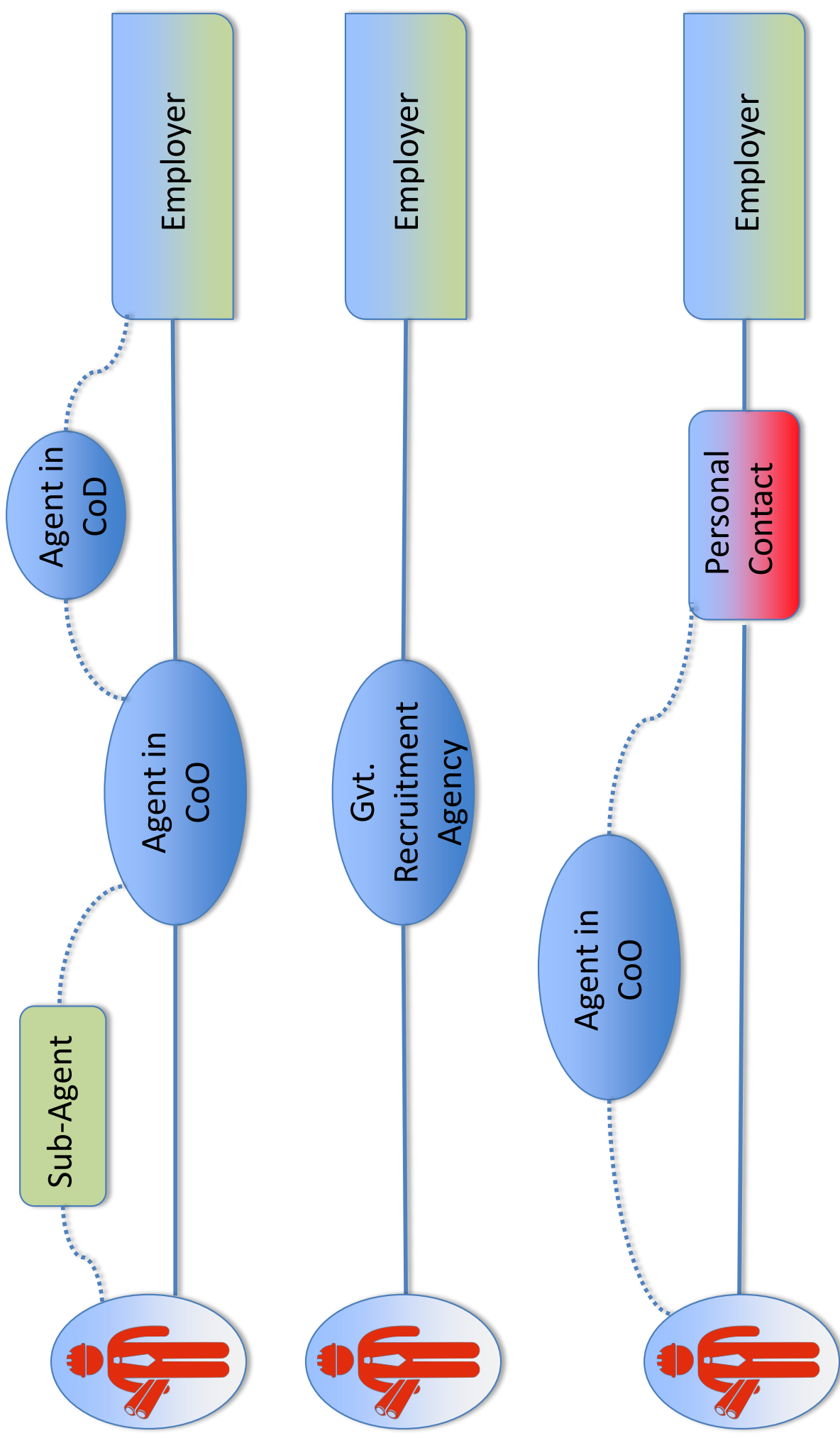
- Risks of mismatch, requiring recruiter to replace a worker
 - Risk of applicant dropping out midway through recruitment (10-15%)
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Private Recruitment Agencies

Structural Issues with Current Model

- Intense competition among many small players leads to:
 - Inefficiencies because not achieving economies of scale
 - Increased costs as budget going towards marketing/networking increases
 - In a worker-pays model, there is no pressure to address inefficiencies or reduce costs
 - Employers are needed suppliers in a scarce market
 - Prospective workers are one-time clients
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Dominant Recruitment Models



Public Recruitment Agencies

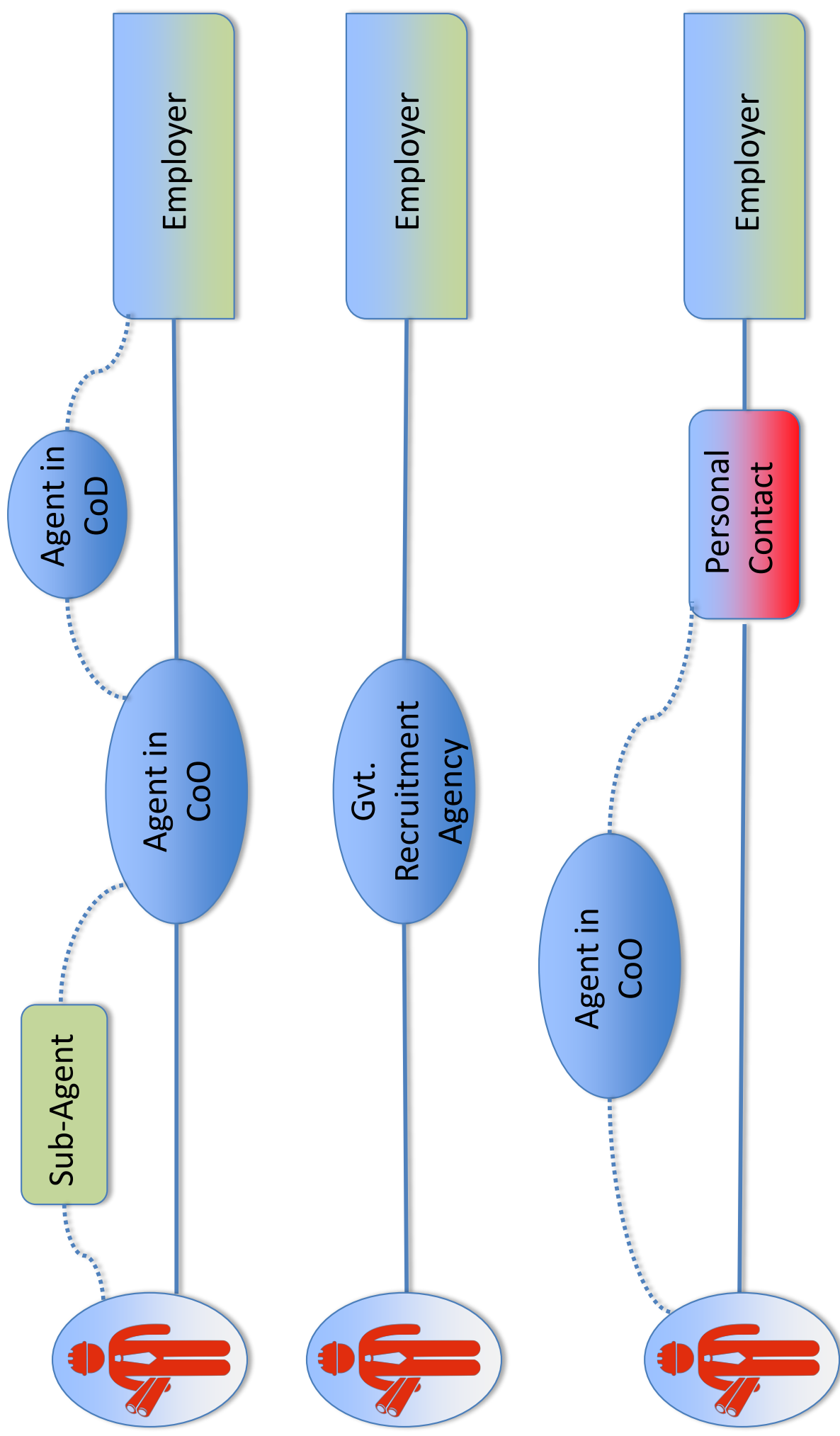
Expectations

- Provide an effective service that creates competition for private sector agencies – downward pressure on recruitment costs

In Practice

- Workers prefer to go through private recruiters despite higher costs because of greater number of matches/opportunities
 - Practices that allow Public Recruiters to keep costs lower (limited marketing/networking) also limit their ability to secure positions
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Dominant Recruitment Models



Social Networks

Role

- Plays a large and growing role in recruitment:
 - 70% of Indians surveyed in Kuwait indicated that a friend or family member had assisted them in getting their job
 - 45% of Indians surveyed who had worked in UAE indicated that a friend or family member had introduced them to their employer
 - Seen as reducing risks both for worker and employer
 - Works primarily for lower skilled and smaller scale recruitment needs
 - While payments may be made, tend to be lower than formal channels
 - Greater tendency to violate rules of work permit
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Conclusions

- Risks of abuse/exploitative fees exist within all models – need to be addressed through regulation and enforcement mechanisms
 - Need to look at prevailing business models and how the industry's structure influences certain types of behaviors and patterns
 - Room for Improvement: Current model perpetuates inefficiencies and increasing costs that are borne by workers while not adding any additional value for employers
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