



Cost of low-skilled migration: Value chain analysis – Sri Lanka

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Outline

- Motivation
- Country context
- Migration cost value chain– Saudi Arabia
- Migration cost value chain- Korea
- Analysis
- Possible value chain interventions
- Further research

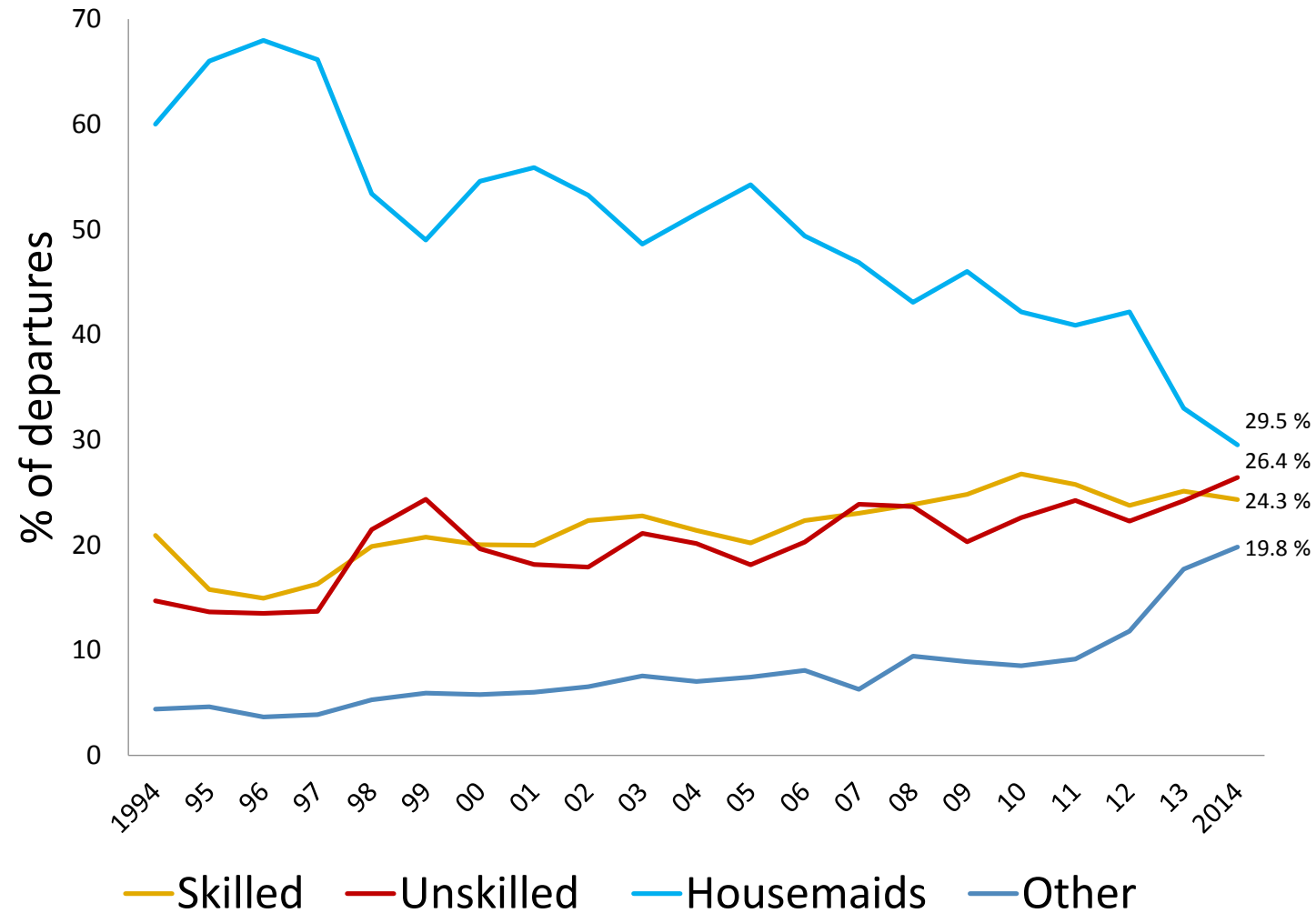
Motivation

- Rising demand for global labor mobility, especially low-skilled labor
 - An opportunity for developing countries to advance economic and social conditions.
- A key barrier – high migration costs
 - International conventions:
 - Employer pay all financial cost for migrant workers.
 - In reality, the less skilled, the higher out-of-pocket costs.
- Benefits of lower migration cost
 - Labor receiving countries: Less overstays
 - Migrant workers: More earnings available to support their families' welfare.

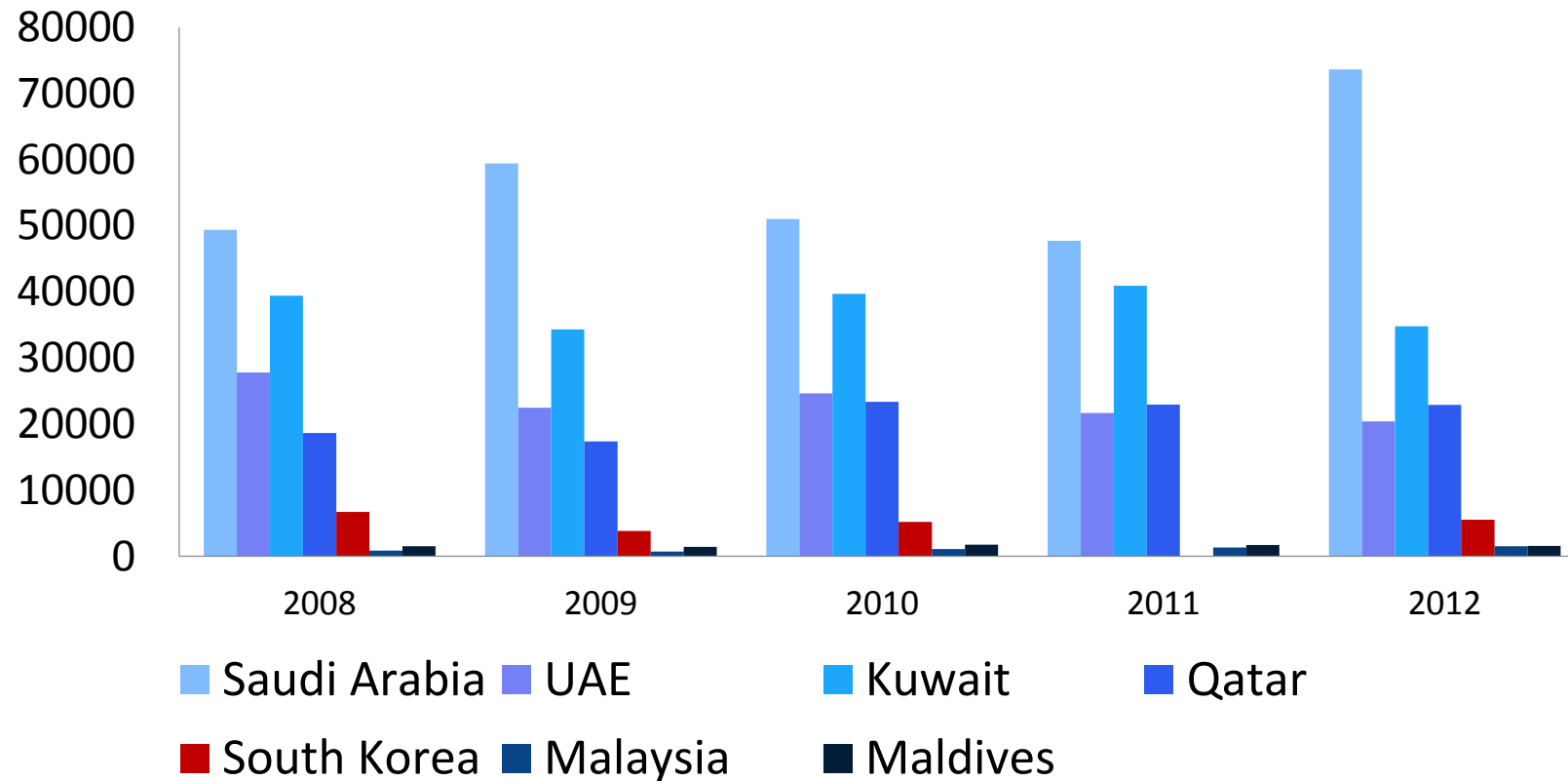
Motivation

- In Sri Lanka:
 - Except for housemaids for the Middle East region, other low skilled migrants incur high costs to migrate.
 - Often results in pre-migration indebtedness.

Sri Lanka: Majority of migrants are low skilled workers (56% in 2014)



The majority of low-skilled migrants go to the Middle East region.



About the Study

Objective:

- Analyze the cost of migration for low-skilled workers in a Value Chain (VC) framework.
- Disaggregate migration costs and identify causes for migration costs.
- Suggest value chain interventions

Scope:

- 3 corridors
 - Saudi Arabia (housemaids)
 - South Korea (manufacturing)
 - Malaysia (manufacturing)

Saudi Arabia

Employer in Saudi



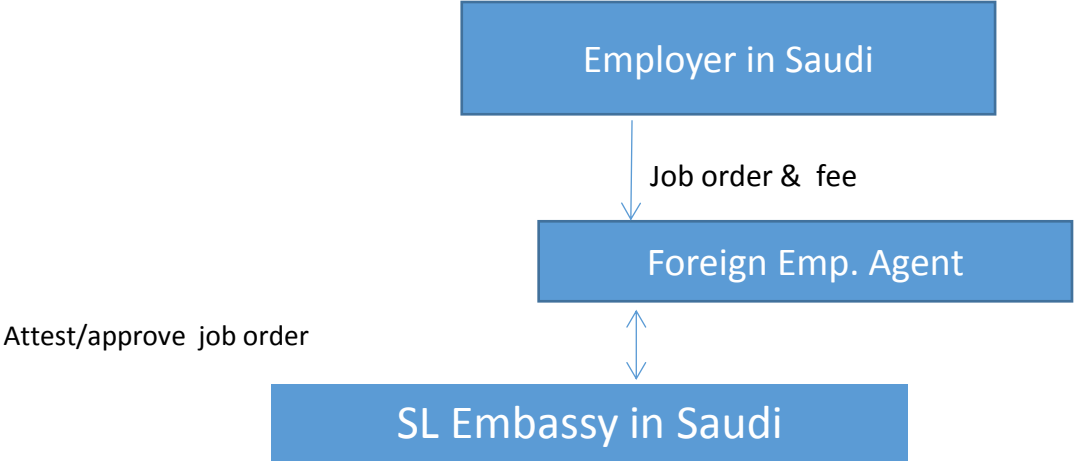
Employer in Saudi

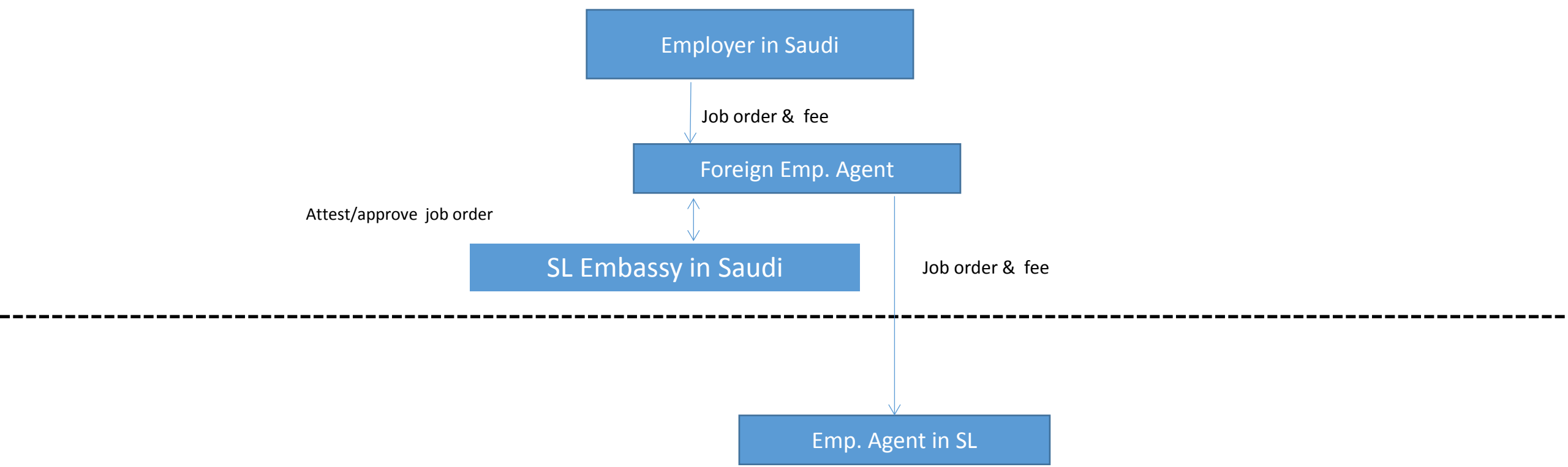


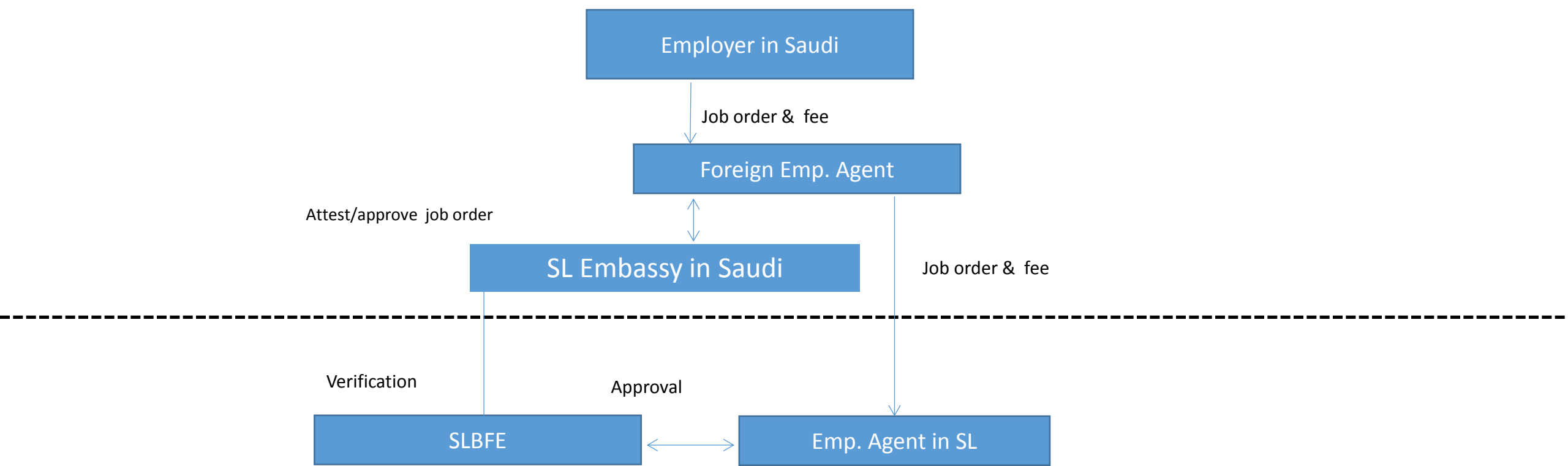
Job order & fee

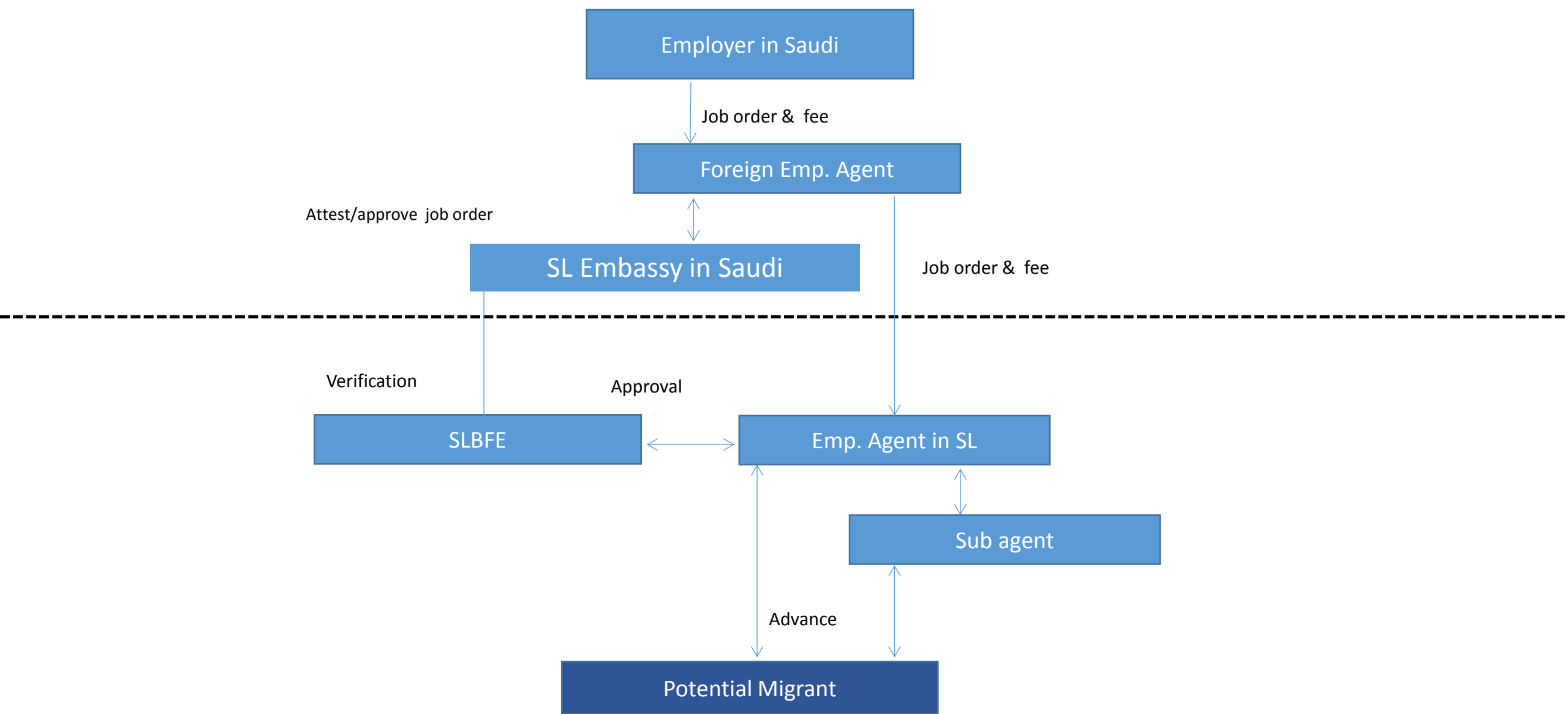
Foreign Emp. Agent

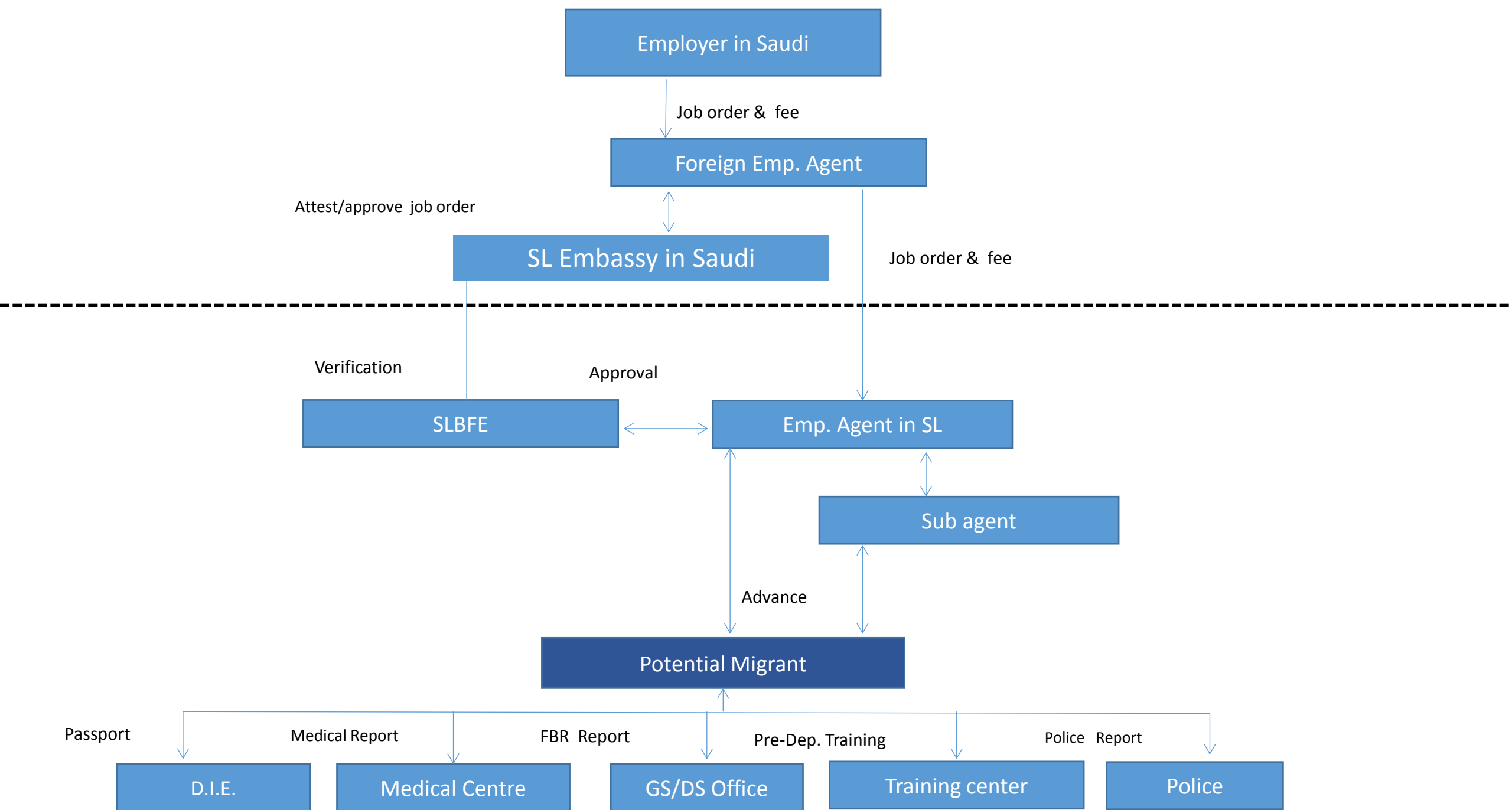


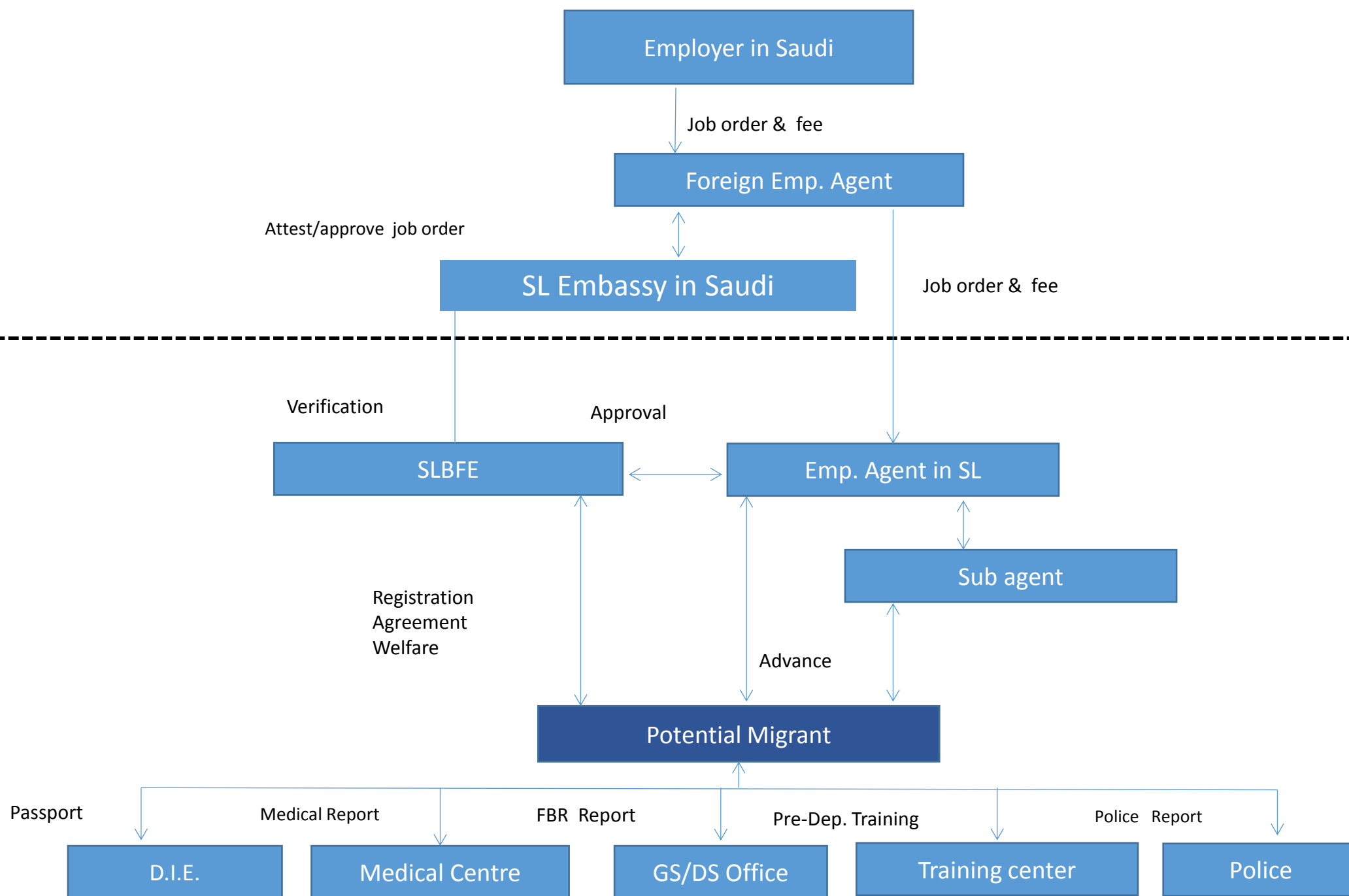


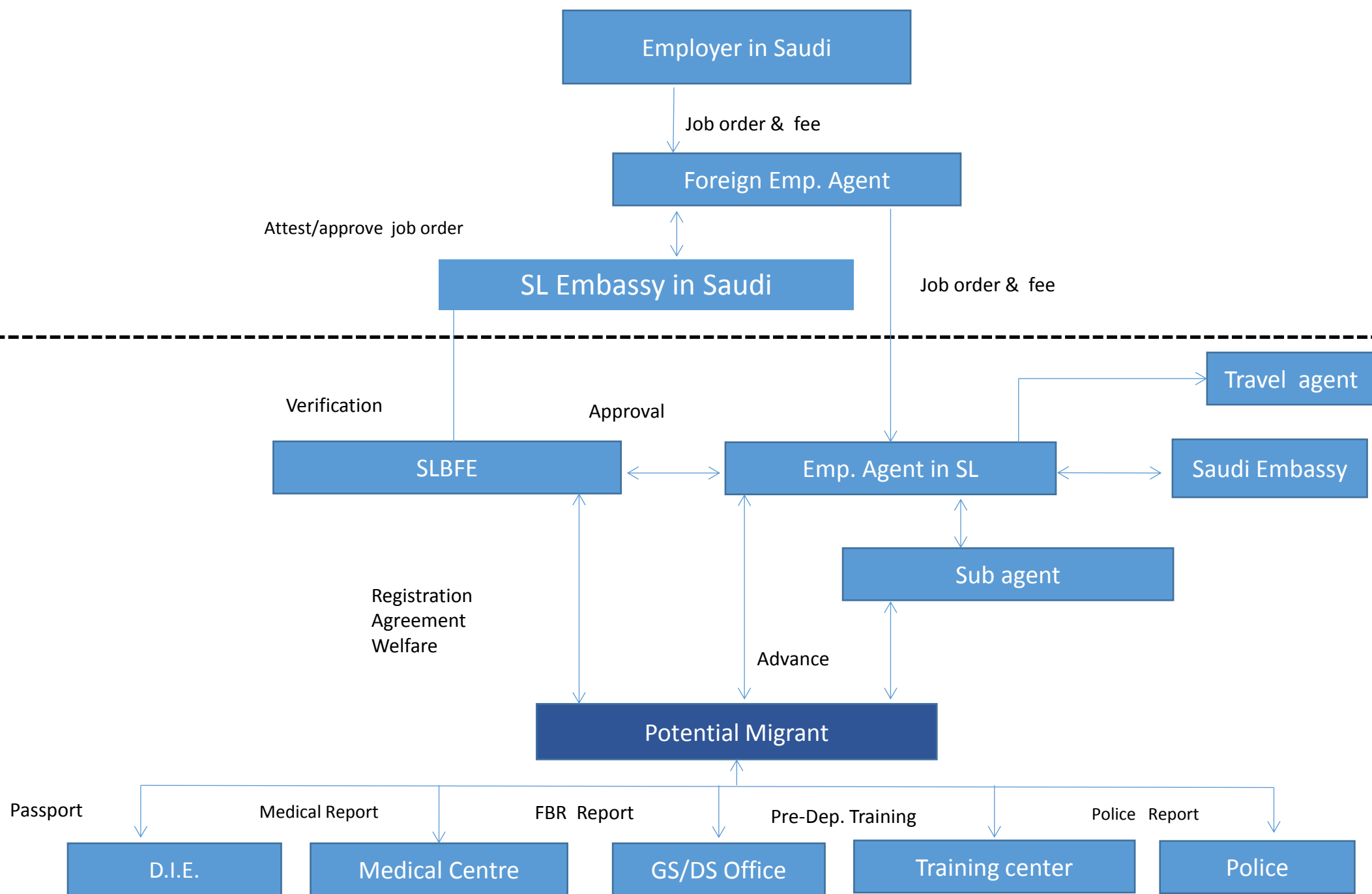


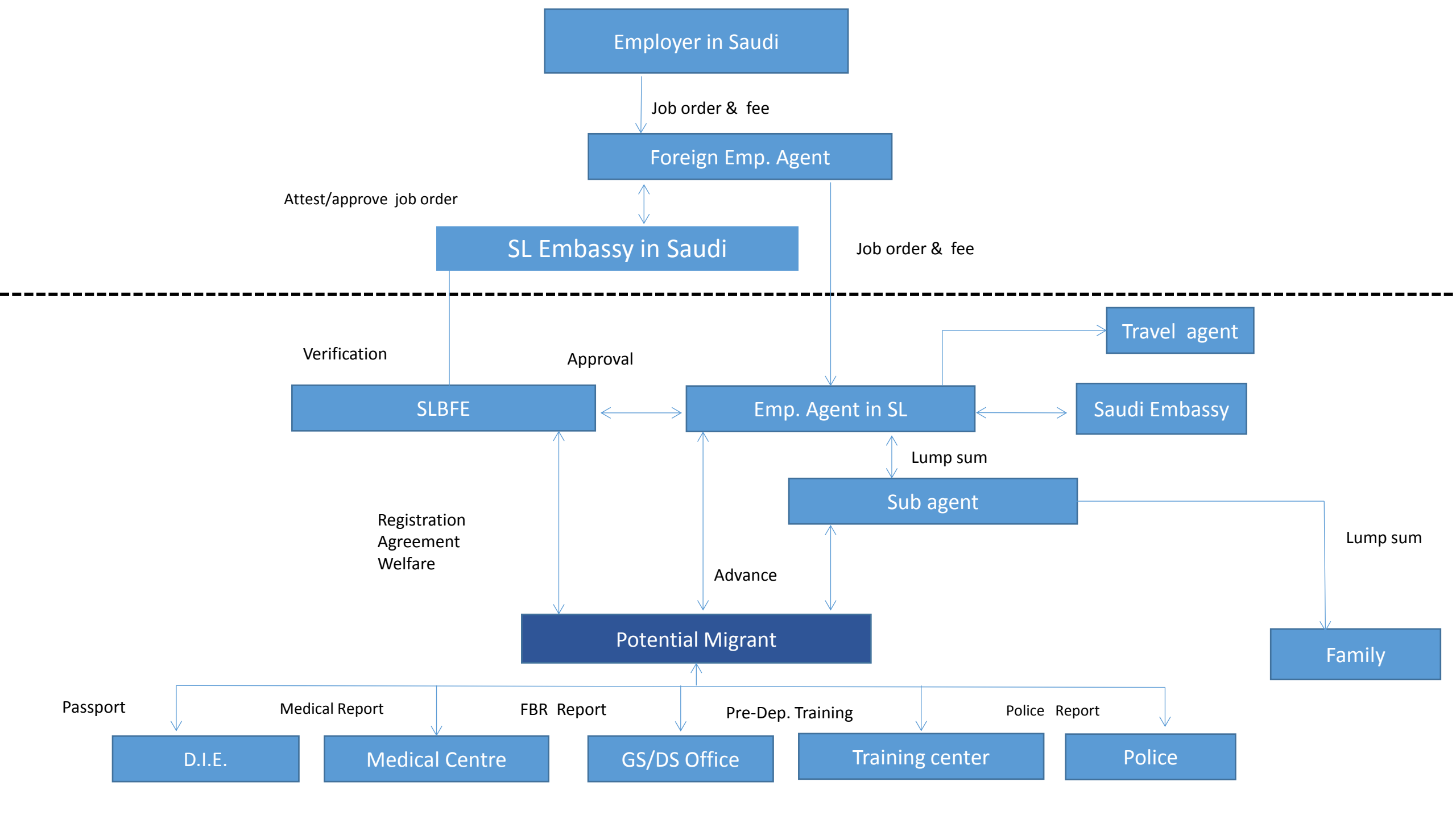


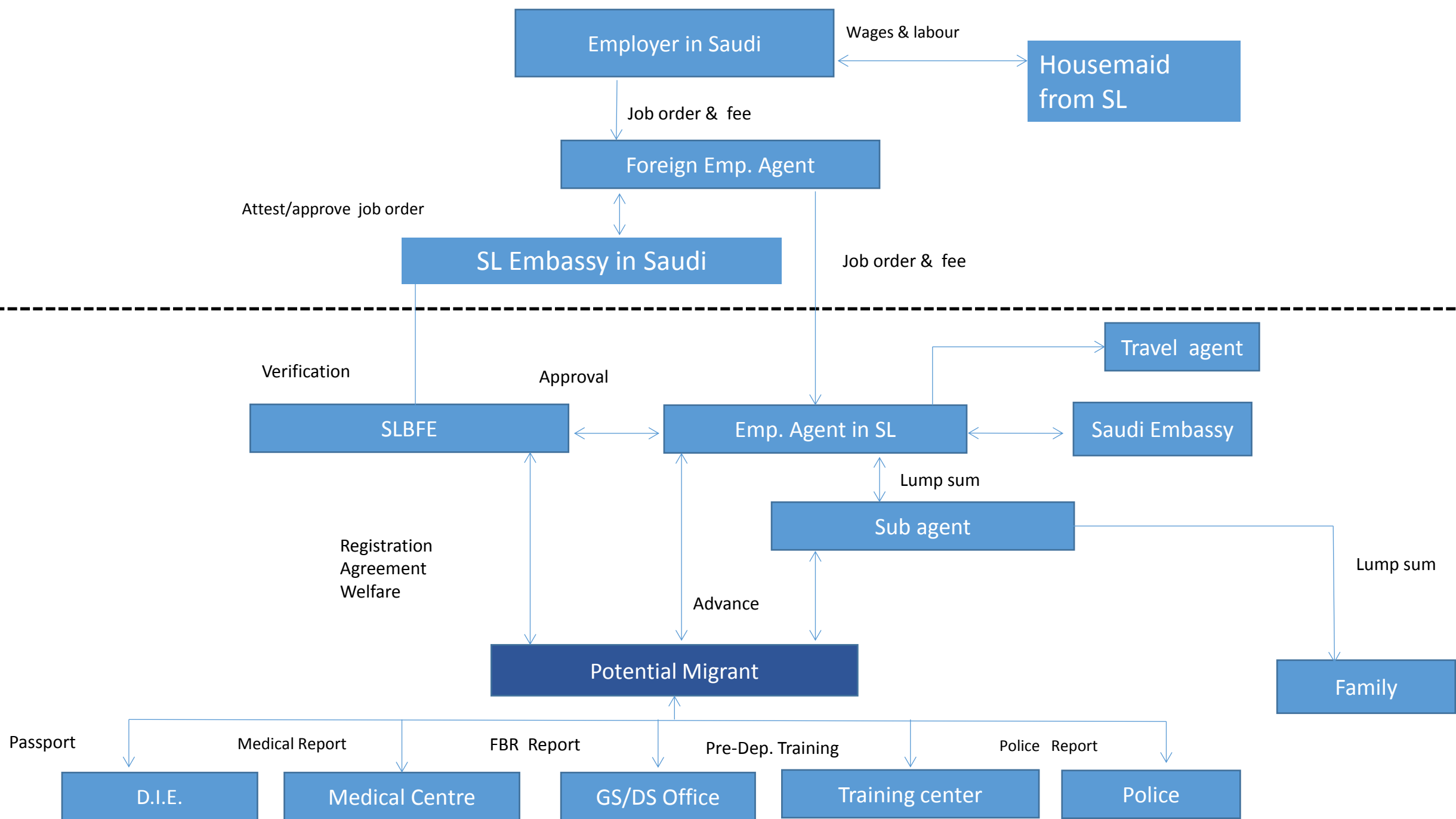


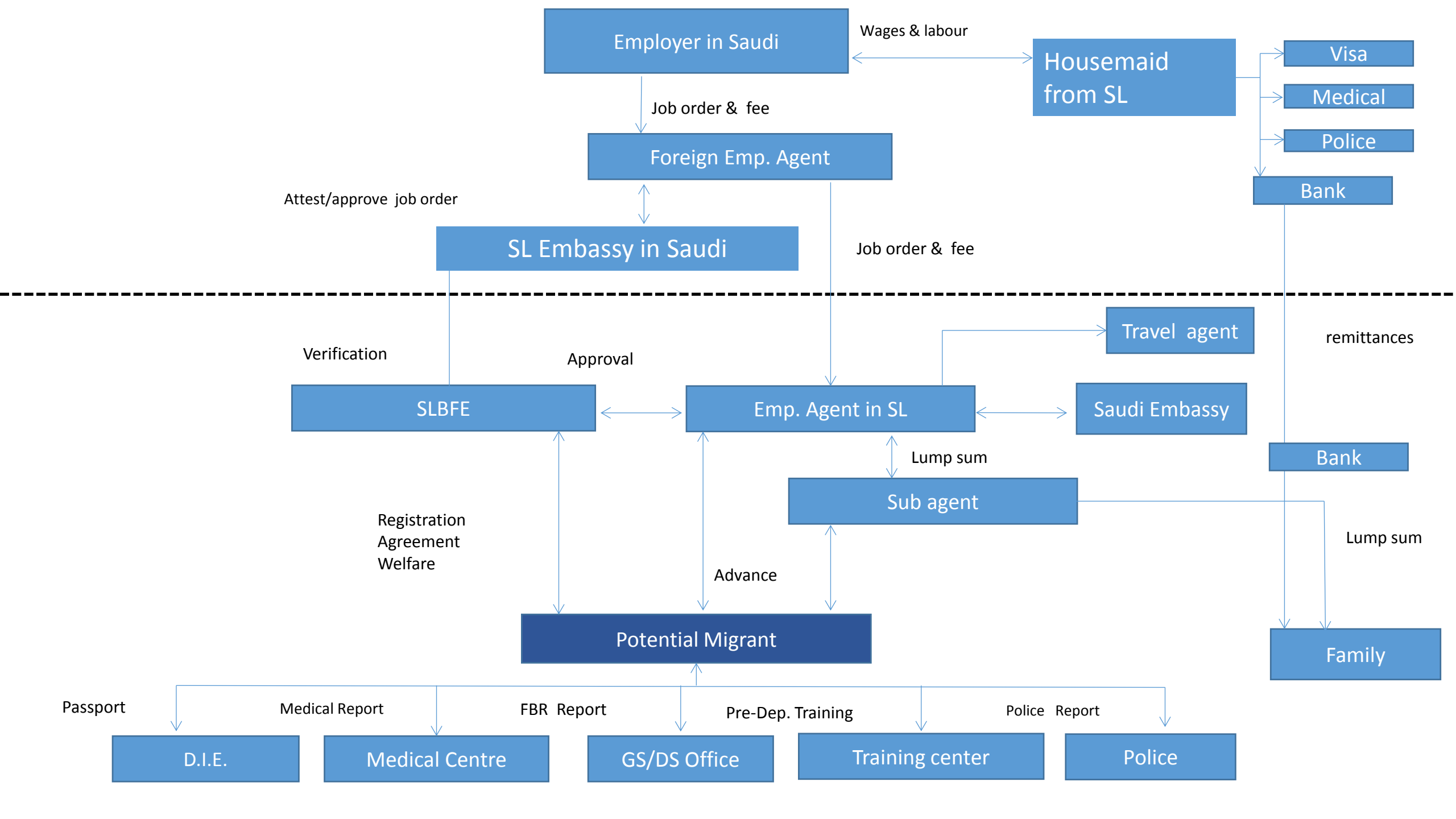


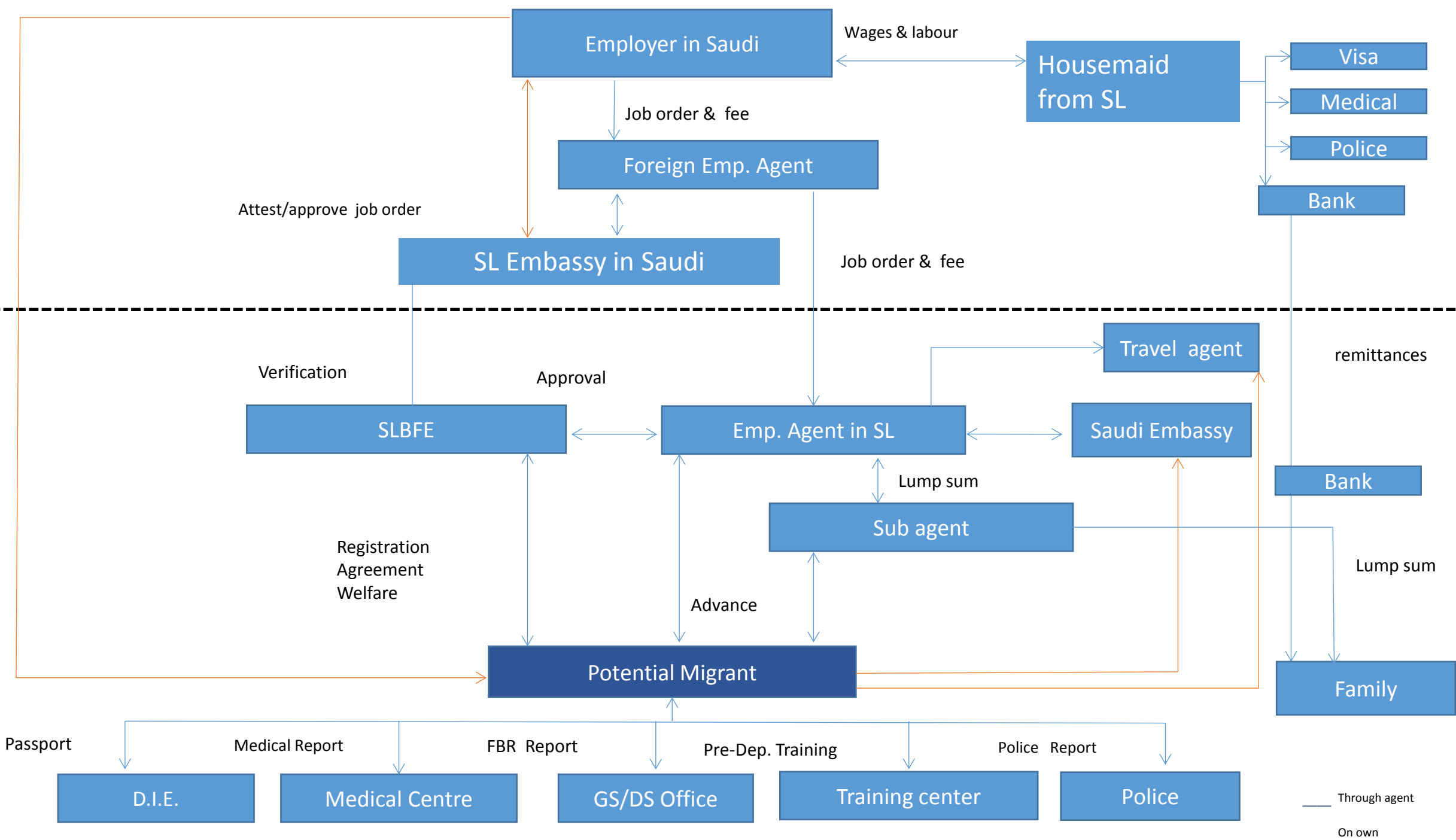












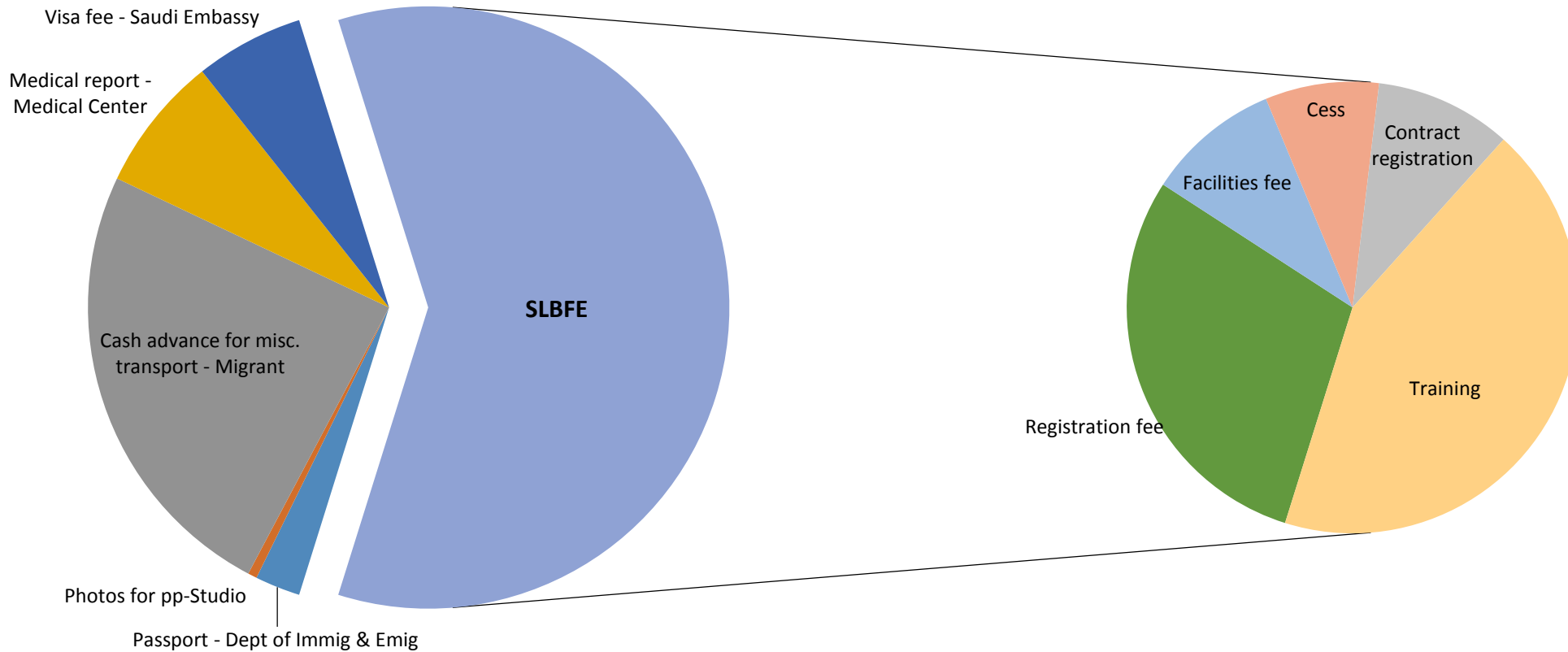
— Through agent
 — On own

Cost Components

COMPONENT	FROM	TO	AMOUNT (LKR)
Passport	Agent/Migrant	DIE	2,500
Photos for pp	Agent	Stdio	500
Training	Agent	SLBFE	26,500
Medical report	Agent	Medical center	7,500
Visa fee	Agent	Saudi Embassy	5,500
Registration fee	Agent	SLBFE	18,000
Facilities fee	Agent	SLBFE	5,882
Cess	Agent	SLBFE	5,000
Contract registration	Agent	SLBFE	6,000
Air ticket	Agent	Travel agent	27,500
Cash advance to cover misc. transport	Agent	Migrant	25,000
			SUB TOTAL
			129,882
Lump sum	Agent	Migrant's family	225,000
Lump sum	Agent	Sub agent	100,000
Agency fee	Agent	Agent	50,000
TOTAL			504,882

Migration cost to Saudi – LKR 129,882

(Paid out by agents, excluding lump sums)



Saudi Arabia: Reasons for hiring Sri Lankan workers

- Relatively low monthly wages (900 riyal).
- Reputation to be good caregivers for children and elders.
- Better trained than migrants from rest of South Asia.
- Established recruitment networks.

South Korea

Employer in Korea



Employer in Korea



Job order

HRD Korea



Employer in Korea



Job order

HRD Korea



Coordinate & monitor exam

General Admission & worker details

SLBFE



Employer in Korea



Job order

HRD Korea



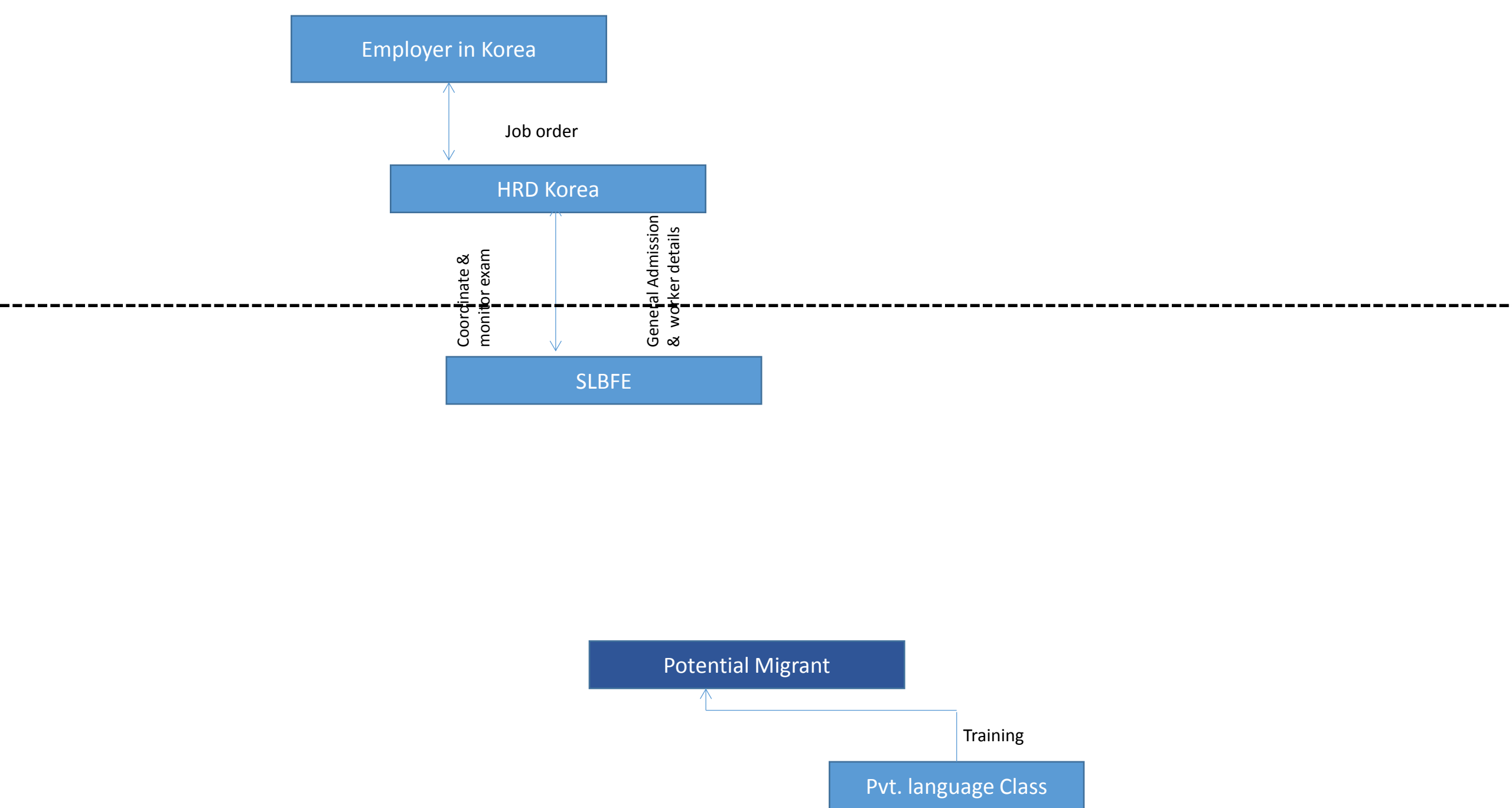
Coordinate & monitor exam

General Admission & worker details

SLBFE



Potential Migrant



Employer in Korea

Job order

HRD Korea

Coordinate & monitor exam

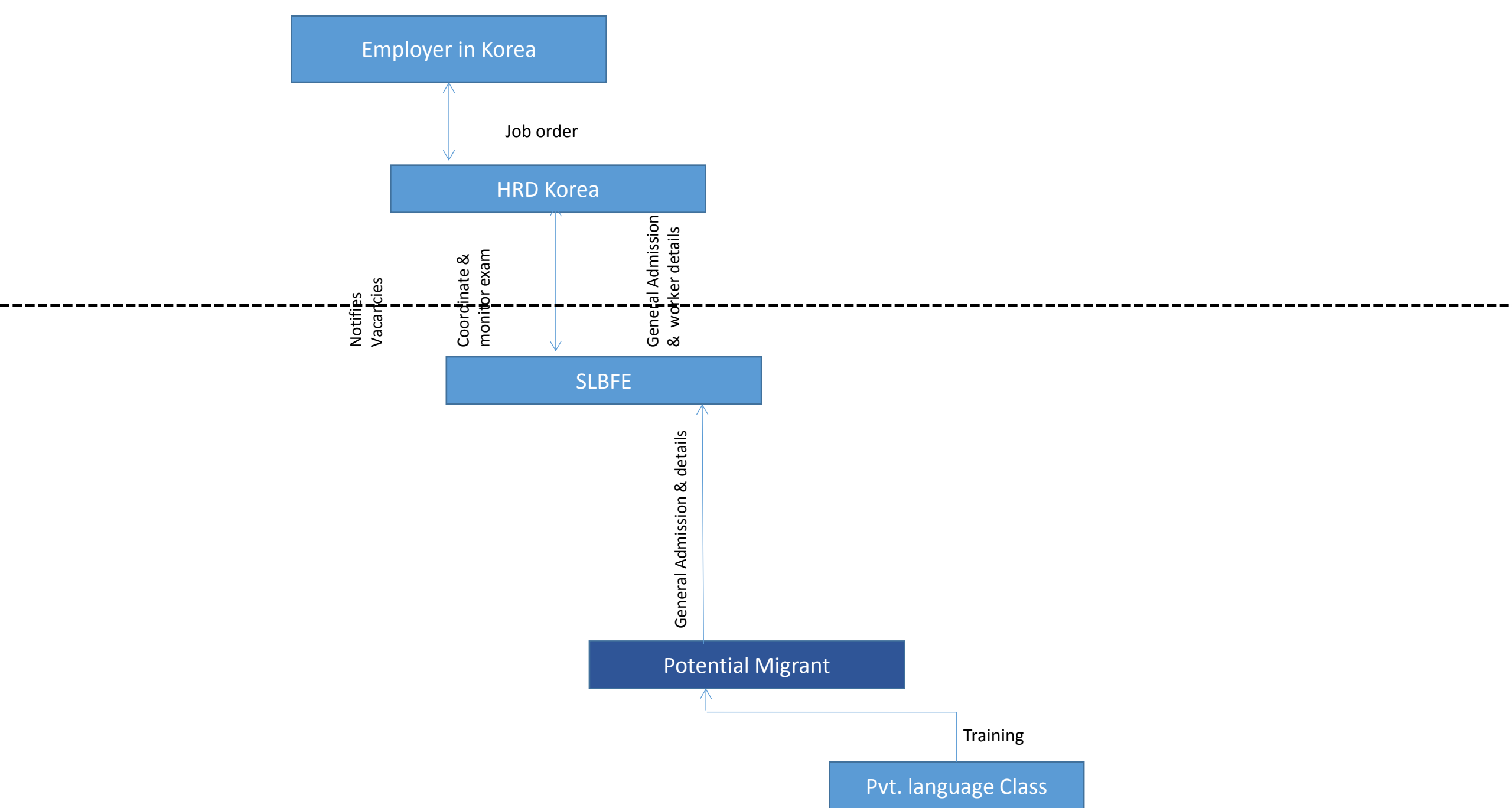
General Admission & worker details

SLBFE

Potential Migrant

Pvt. language Class

Training



Employer in Korea

Job order

HRD Korea

Notifies
Vacancies

Coordinate &
monitor exam

General Admission
& worker details

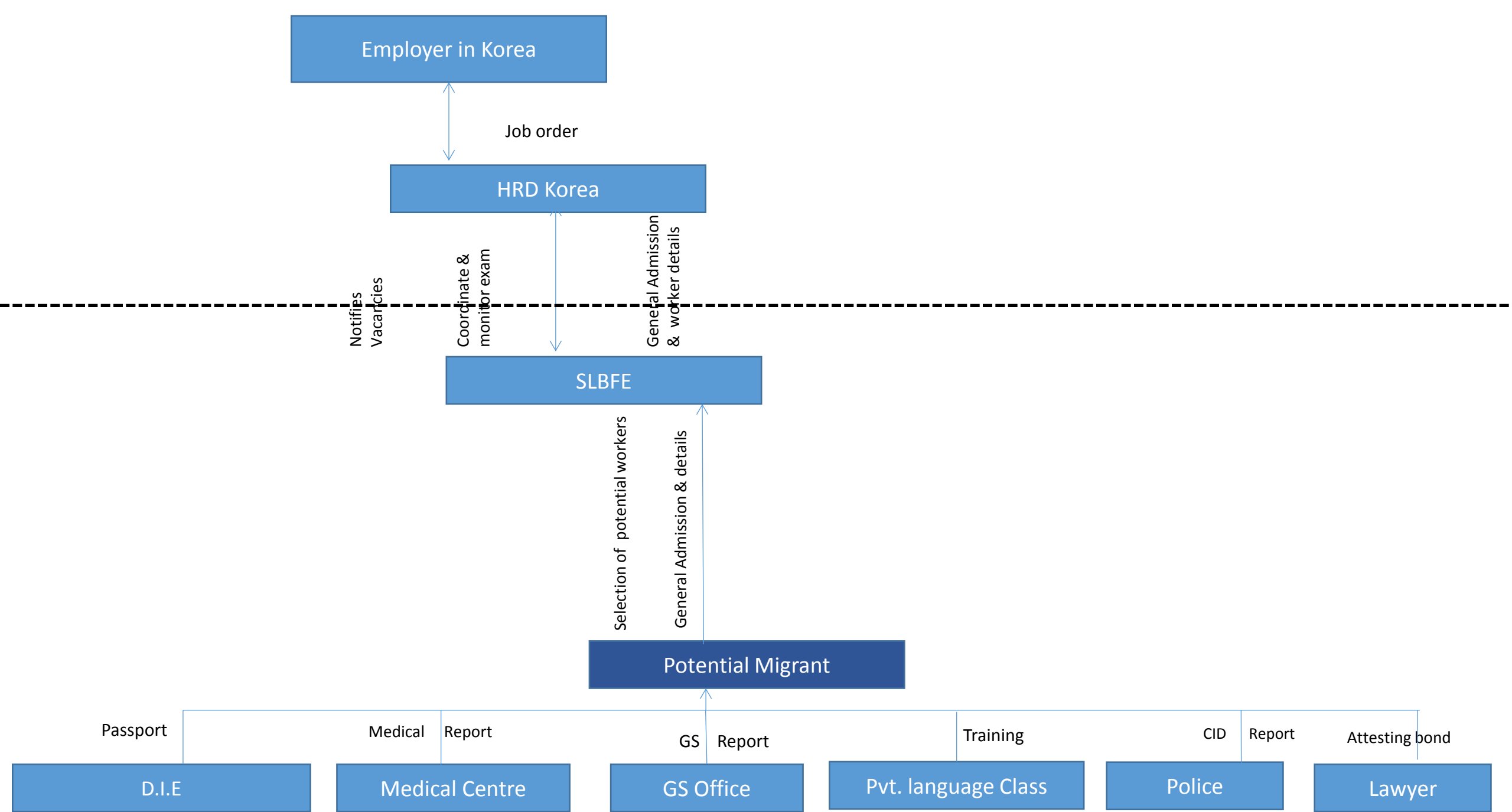
SLBFE

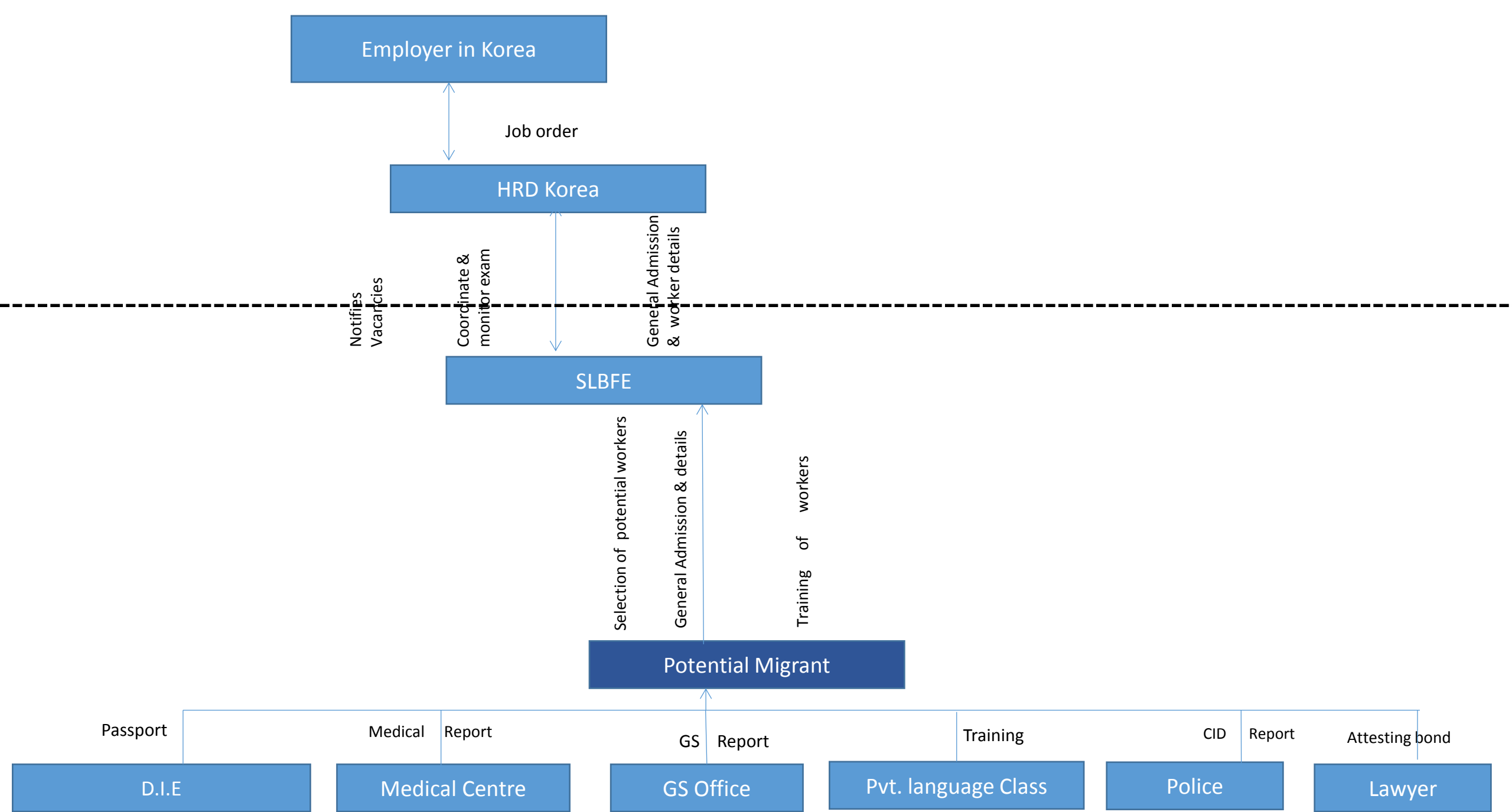
General Admission & details

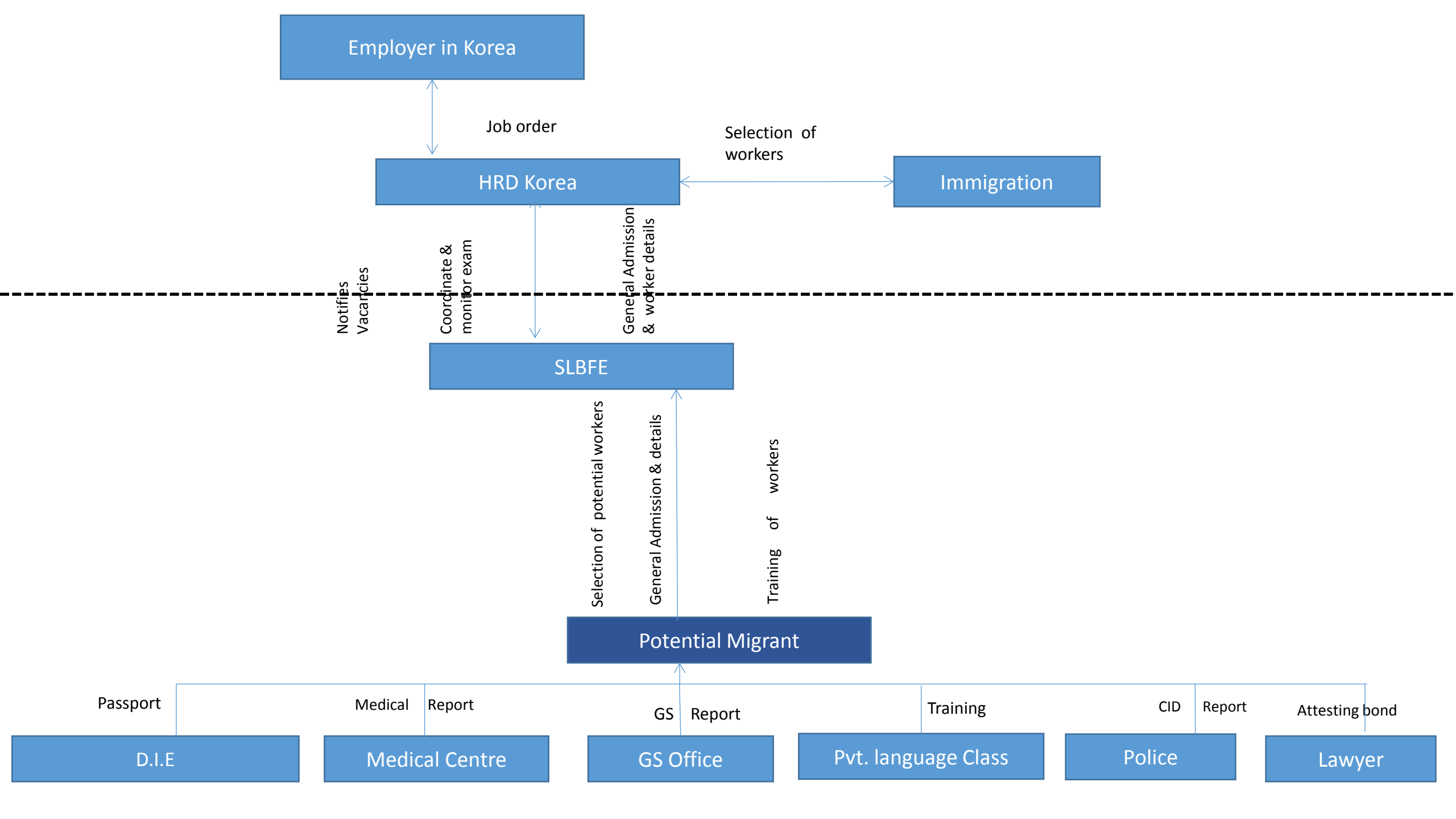
Potential Migrant

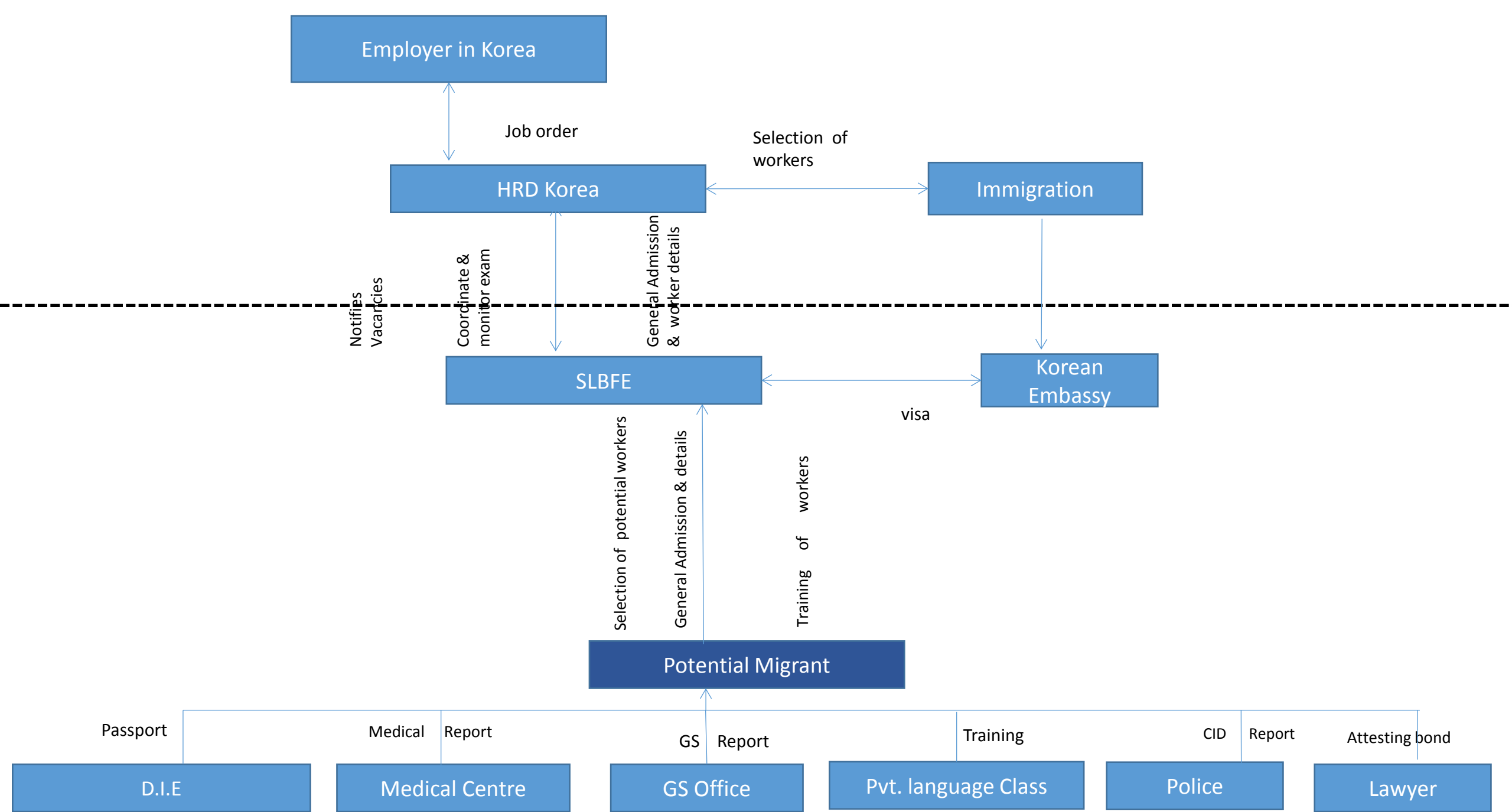
Training

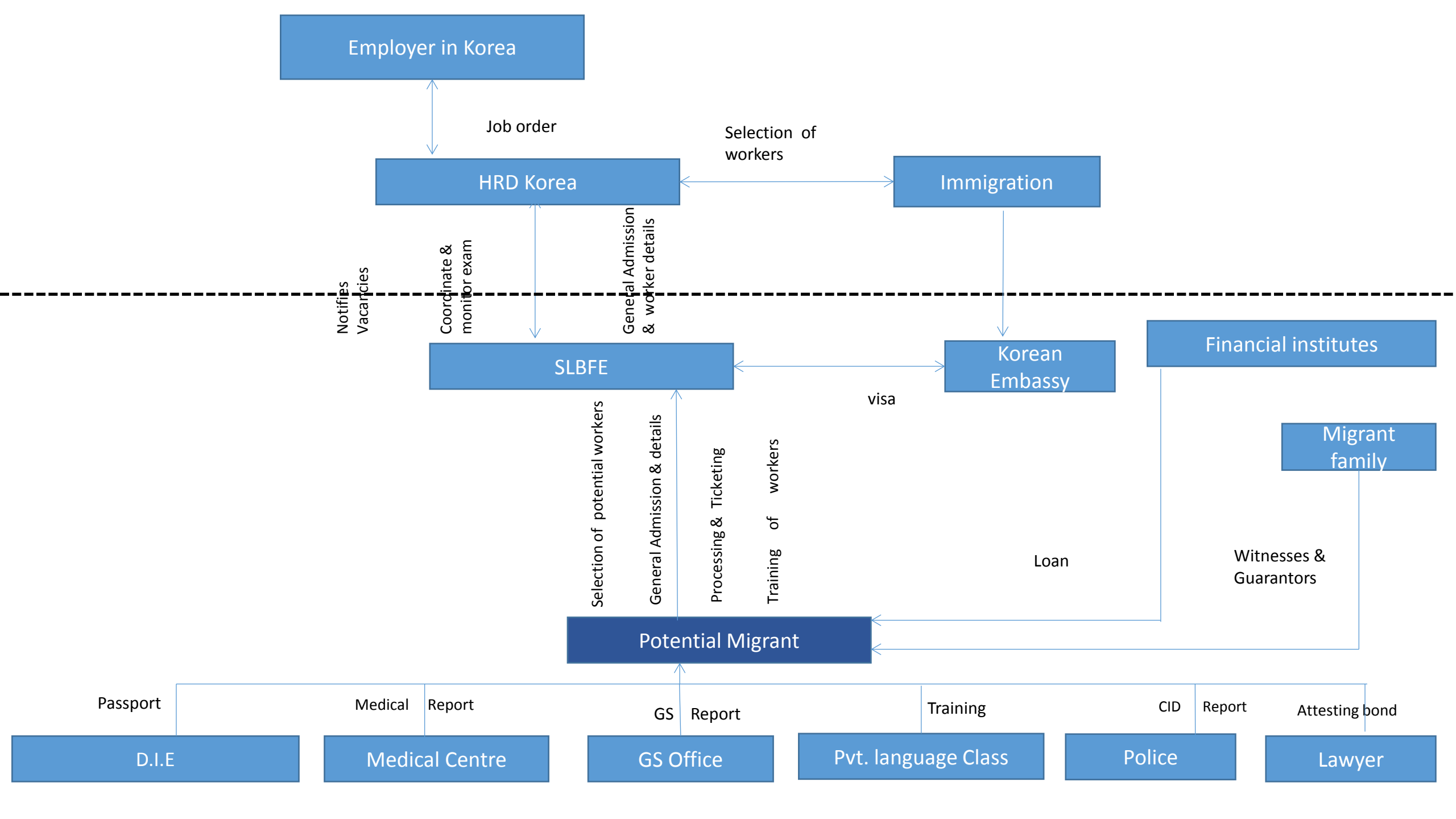
Pvt. language Class

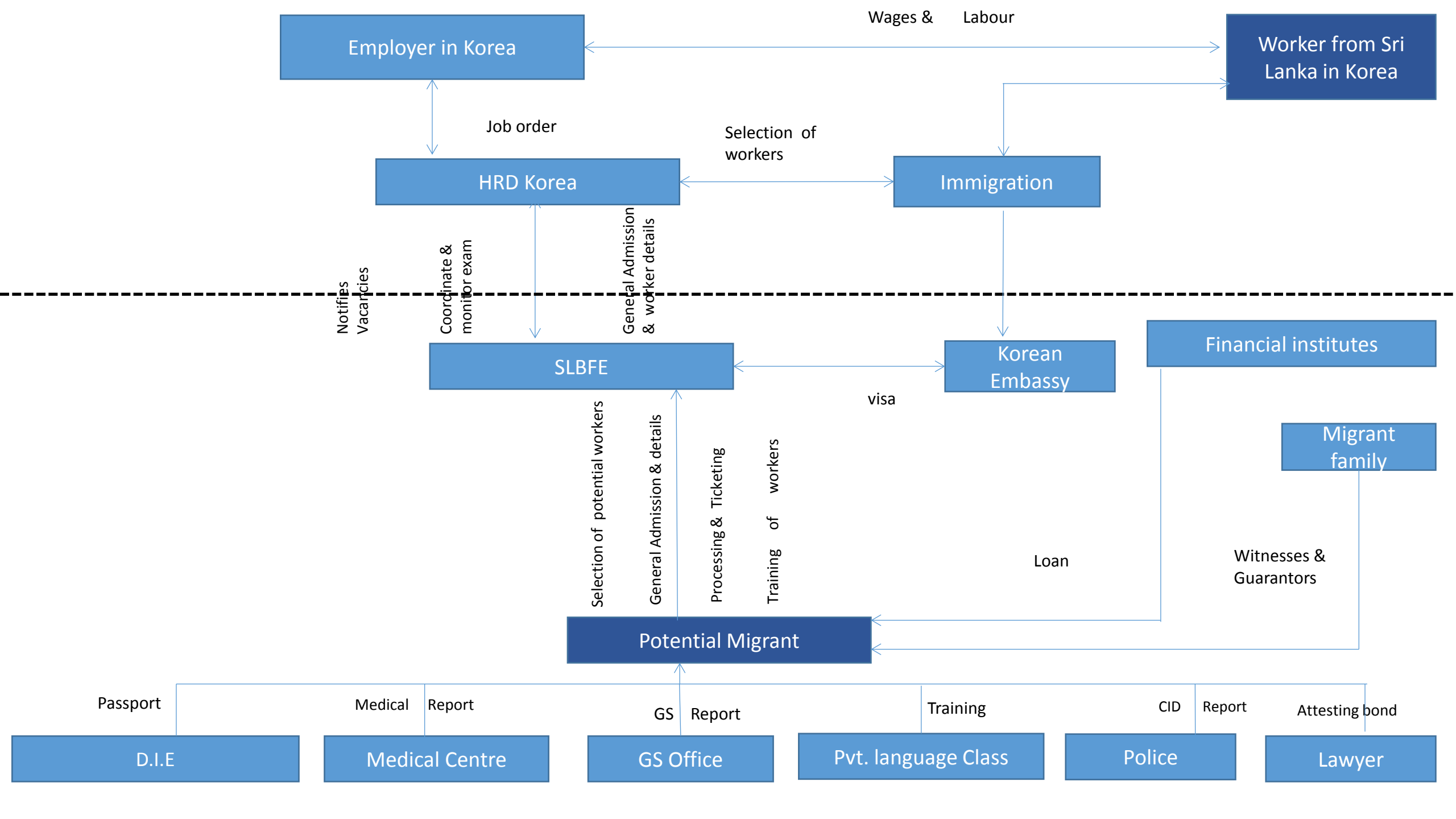


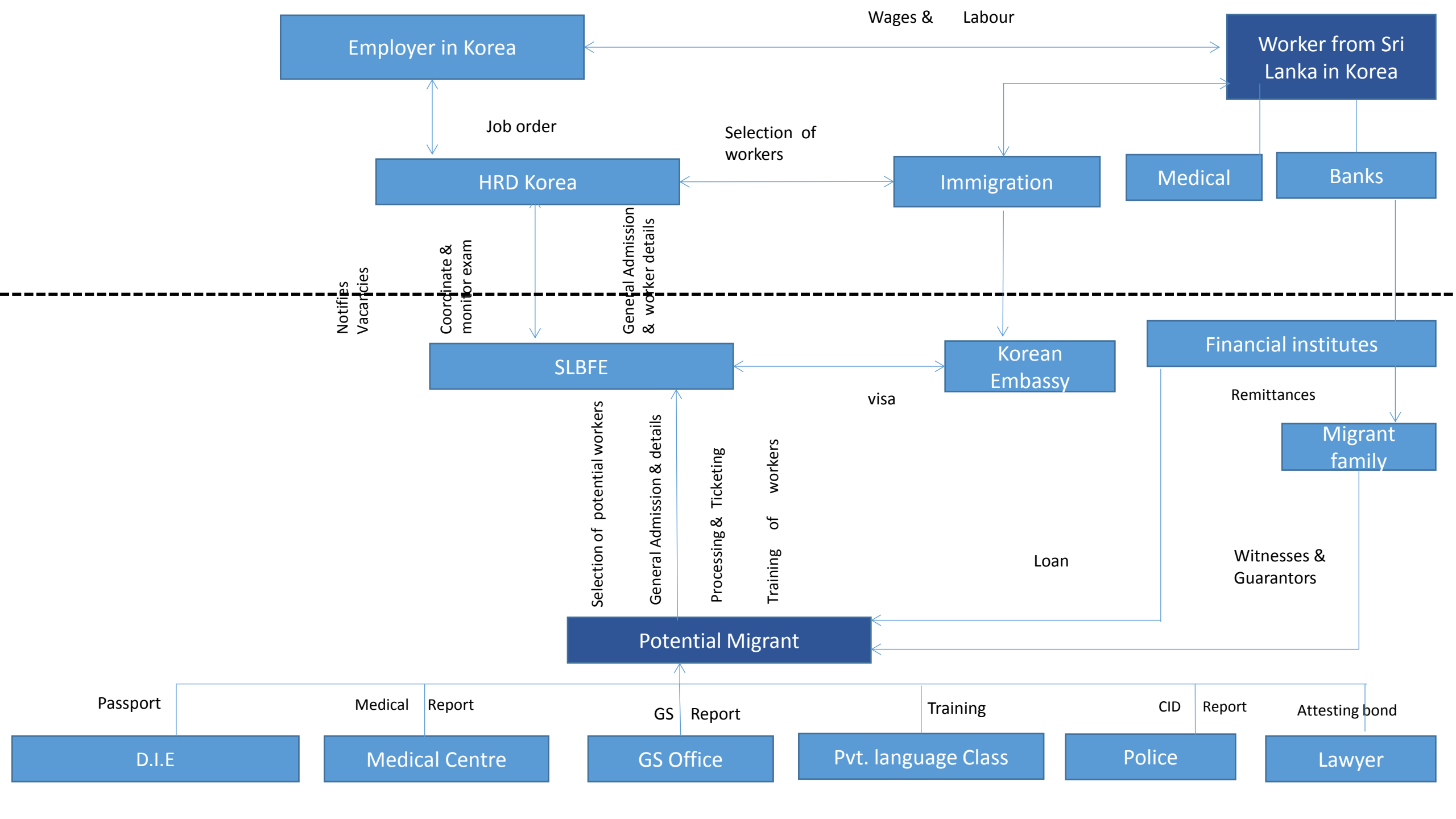








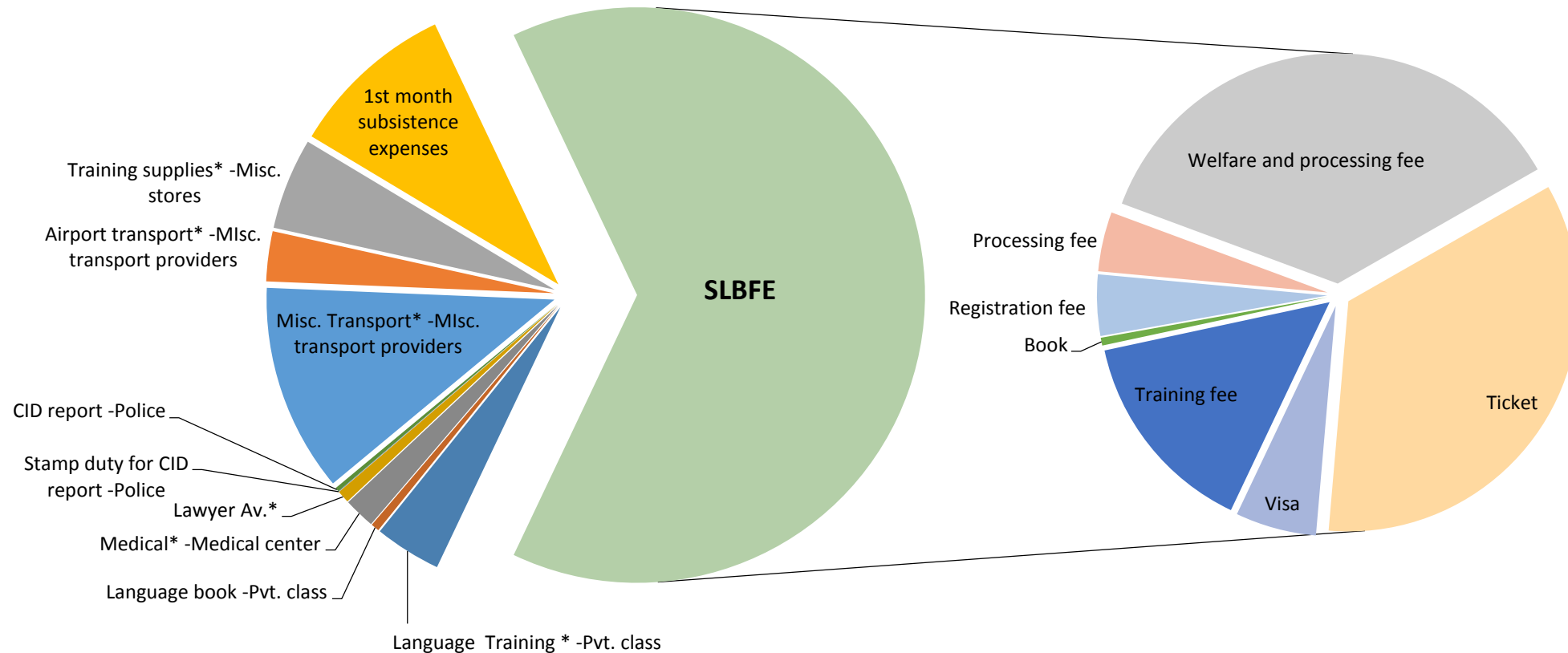




Cost Components

COMPONENT	FROM	TO	COST (LKR)
<i>Language Training</i>	Migrant	Pvt. class	8,000
<i>Language book</i>	Migrant	Pvt. class	1,000
Medical	Migrant	Medical center	3,750
<i>Lawyer</i>	Migrant	Lawyer	1,500
Stamp duty for CID report	Migrant	Police	50
CID report	Migrant	Police	500
<i>Training supplies</i>	Migrant	Misc. stores	11,000
Training fee	Migrant	SLBFE	20,000
Book	Migrant	SLBFE	750
Registration fee	Migrant	SLBFE	5,887
Processing fee	Migrant	SLBFE	5,733
Welfare and processing fee	Migrant	SLBFE	49,500
Ticket	Migrant	SLBFE	47,500
Visa	Migrant	SLBFE	7,800
<i>Misc. Transport</i>	Migrant	Misc. transport providers	25,000
<i>Airport transport</i>	Migrant	Misc. transport providers	6,000
1st month subsistence expenses	Migrant	Migrant	20,000
TOTAL			213,970

Migrant's cost to Korea - LKR 213,970



Reasons for demanding Sri Lankan workers

- Diligent workers
- Hard workers
- Quota

Comparison of Saudi Arabia and Korea

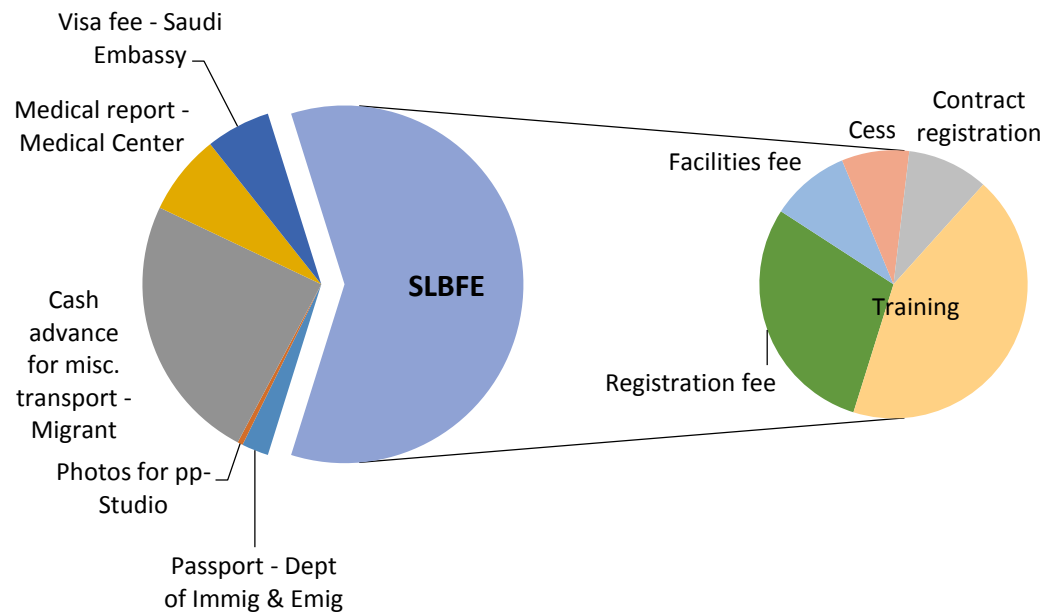
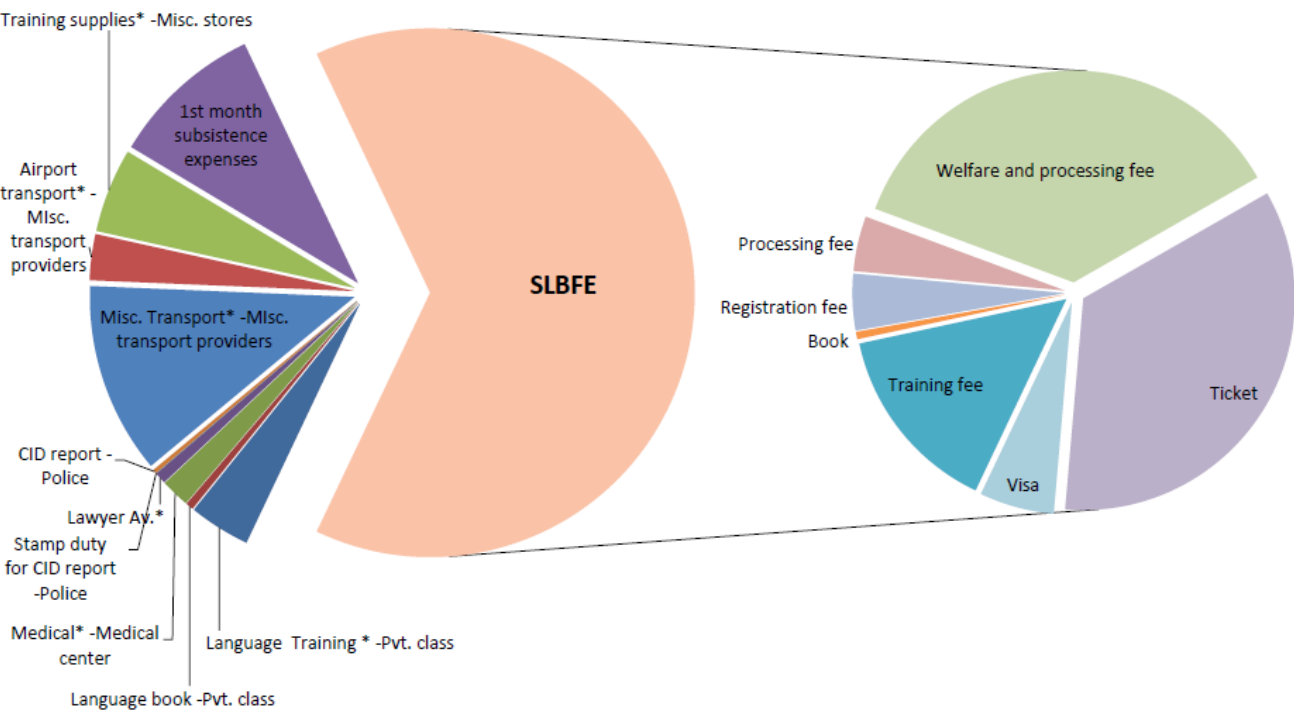
Labor exports - Comparison of the two value chain analyses: Net costs to workers (I) in LKR

		Language & skills training	Documentation	Recruitment	Transportation	Other	Sub total cost (excluding lump sum payments)	Total cost	Wage (monthly x duration)	Net costs (excluding lump sum) to workers	Cost (excluding lump sum) as % total wages (6)/(8)*100	Net costs to workers	Cost as % total wages (7) / (8) *100
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Saudi	Costs	(26,500)	(16,000)	(34,882)	(27,500)	(400,000)	(129,882)	(504,882)		921,882	16.4 %	1,296,882	63.75 %
	Earnings								33,000x24 =792000				
Korea	Costs	40,750	13,600	61,120	78,500	20,000	213,970	213,970		4,286,030	4.75 %	4,286,030	4.75%
	Earnings								125,000x36 =4500000				

Comparison of the two value chain analyses

- Korea

- Saudi



Earnings of recruitment agencies (Sri Lanka)

- Approx. 10 % of total recruitment fee paid by employer
 - (as per 1 KII, others refused to share this information).

Simplifying the value chain

- Saudi:
 - Amalgamate agents' and sub agents' functions.
- Korea:
 - Attesting of bond to be done by SLBFE in-house lawyers.

Value chain interventions in each stage

- Streamline the process to issue necessary documentation (i.e. time taken for Police report)
- Reform FBR
- Decentralize SLBFE activities to regional offices
- Regulate informal sub-agent.
- Capacity building for SL Embassy personnel at destination to minimize paper work

Further research areas

- Low skilled manufacturing sector migrants to Malaysia.
- Value chain analysis of other skills groups.
- Comparative analysis with other sending countries.
- Quantitative analysis of migration cost using data from migration cost surveys.

Thank You

For further questions, please contact

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