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

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The World Bank
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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
  o Saudi Arabia (housemaids)
  o South Korea (manufacturing)
  o Malaysia (manufacturing)
Saudi Arabia
Employer in Saudi
Employer in Saudi

Foreign Emp. Agent

SL Embassy in Saudi

Job order & fee

Attest/approve job order
Employer in Saudi

Foreign Emp. Agent

SL Embassy in Saudi

Emp. Agent in SL

Job order & fee

Attest/approve job order
Potential Migrant

SLBFE

Emp. Agent in SL

Sub agent

Emp. Agent in SL

SL Embassy in Saudi

Attest/approve job order

Verification

Approval

Job order & fee

Advance

Potential Migrant
## Cost Components

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

HRD Korea

SLBFE

Job order

Coordinate & monitor exam

General Admission & worker details
Employer in Korea

HRD Korea

SLBFE

Potential Migrant

Pvt. language Class

Employer in Korea

Job order

HRD Korea

Coordinate & monitor exam

General Admission & worker details

SLBFE

Potential Migrant

Training
Potential Migrant

Employer in Korea

HRD Korea

SLBFE

Notifies Vacancies

Coordinate & monitor exam

General Admission & worker details

General Admission & details

Training

Pvt. language Class
Employer in Korea

Job order

HRD Korea

Notifies Vacancies
Coordinate & monitor exam
General Admission & worker details

SLBFE

Selection of potential workers
General Admission & details

Potential Migrant

Passport
Medical Report
D.I.E
Medical Centre
GS Report
GS Office
Training
Pvt. language Class
CID Report
Police
Lawyer
Attesting bond
Potential Migrant

Employer in Korea

GS Office

HRD Korea

Selection of workers

Immigration

Selection of potential workers

SLBFE

General Admission & details

D.I.E

Passport

Medical Centre

GS Report

GS Office

Pvt. language Class

Training

CID Report

Police

Lawyer

Attesting bond

Coordinate & monitor exam

Notify Vacancies

General Admission & worker details

Training of workers

Medical Report

Attesting bond
Employer in Korea

Job order

HRD Korea

Selection of workers

 Immigration

Selection of potential workers

SLBFE

Financial institutes

visa

Korean Embassy

loan

Potential Migrant

Passport

D.I.E

Medical Centre

GS Report

Training

Pvt. language Class

Medical Report

GS Office

CID Report

Police

Lawyer

Attesting bond

Witnesses & Guarantors

D.I.E

Medical

Report
Potential Migrant

- Employer in Korea
- HRD Korea
- SLBFE
- Immigration
- Medical
- Banks

Worker from Sri Lanka in Korea

- Coordinate & monitor exam
- General Admission & worker details
- Selection of potential workers
- Selection of workers
- Notify Vacancies

Potential Migrant

- Passport
- Medical Report
- D.I.E
- GS Report
- GS Office
- Pvt. language Class
- Training
- CID Report
- Police
- Lawyer

- Training of workers
- Processing & Ticketing
- Loan
- Remittances
- Witnesses & Guarantors
- Attesting bond

Wages & Labour

Financial institutes

Korean Embassy
## Cost Components

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

<table>
<thead>
<tr>
<th></th>
<th>Language &amp; skills training</th>
<th>Documentation</th>
<th>Recruitment</th>
<th>Transportation</th>
<th>Other</th>
<th>Sub total cost (excluding lump sum payments)</th>
<th>Total cost</th>
<th>Wage (monthly x duration)</th>
<th>Net costs (excluding lump sum) as % total wages</th>
<th>Cost (excluding lump sum) as % total wages</th>
<th>Net costs to workers</th>
<th>Cost as % total wages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Saudi</strong></td>
<td></td>
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<tr>
<td>Costs</td>
<td>(26,500)</td>
<td>(16,000)</td>
<td>(34,882)</td>
<td>(27,500)</td>
<td>(400,000)</td>
<td>(129,882)</td>
<td>(504,882)</td>
<td></td>
<td>921,882</td>
<td>16.4 %</td>
<td>1,296,882</td>
<td>63.75 %</td>
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<tr>
<td>Earnings</td>
<td>33,000x24</td>
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<td><strong>Korea</strong></td>
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</tr>
<tr>
<td>Costs</td>
<td>40,750</td>
<td>13,600</td>
<td>61,120</td>
<td>78,500</td>
<td>20,000</td>
<td>213,970</td>
<td>213,970</td>
<td></td>
<td>4,286,030</td>
<td>4.75 %</td>
<td>4,286,030</td>
<td>4.75%</td>
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<tr>
<td>Earnings</td>
<td>125,000x36</td>
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</tbody>
</table>

Notes:
- **Wage (monthly x duration)** calculated as: (Wage x 12) / Duration.
- **Net costs to workers** calculated as: Total cost - Lump sum payment.
- **Cost as % total wages** calculated as: (Net costs to workers / Total wages) * 100.
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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