

# The Effect of Recruitment Intermediary's Informal Status on Negotiating Recruitment Incentives for Migrant Workers

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# Motivation

- ▶ Temporary Labour migration is an important component of the Sri Lankan economy (242,930 departures in 2016).
- ▶ Recruitment for Female Domestic Worker (FDW) jobs often involves recruitment intermediaries.
  - ▶ informal
  - ▶ unregulated
  - ▶ migrants have varied perceptions about their formal status
  - ▶ all previous efforts to regulate them failed
- ▶ There is yet another effort to regulate recruitment intermediaries
- ▶ In this context, this study aims to find out how migrants' perception about recruitment intermediaries' formal status affects migrants in the recruitment process.

## Latest Effort to Regulate

March 2017, a Cabinet Paper (No: 03/2017) was issued to regularize Sub Agents

1. **Grant permission to the licensed Agents (Agent) to appoint Sub Agents for the purpose of promoting business**
2. No. of Sub Agents per Agent to be determined by SLBFE.
3. **Functions of Sub Agents should be decided, monitored and regulated by SLBFE.**
4. **All Sub Agents should be registered with Agent and Sub Agents' license should be issued by SLBFE.**
5. List of Sub Agents should be published by SLBFE.
6. Agent & Sub Agents should enter into a Legal agreement approved by the SLBFE.
7. Liabilities of Agent and Sub Agents should be clear, any liability of Sub Agent shall be treated as done by Agent.

# Recruitment Process

- ▶ Sub Agents are most involved in the Recruitment for Female Domestic Worker (FDW) jobs in the Gulf Cooperation Council (GCC)
- ▶ The recruitment process has evolved into a unique set up in Sri Lanka.
  - ▶ entire recruitment cost is paid upfront by the employer in the host country.
  - ▶ recruitment incentive is paid upfront by the employer in the host country.
  - ▶ incentive are shared by – agents in both countries, informal recruitment agent and migrant/family.

# Research Questions

- ▶ (1) Does the migrant's perception of the Sub Agent's formal status affect her negotiation of upfront recruitment incentives?
- ▶ (2) Does the migrant's perception of Sub Agent's formal status affect the the amount of up front incentives actually received?
- ▶ (3) Does the migrant's perception of Sub Agent's formal status affect her negotiation of salaries?

# Literature Review

- ▶ The malpractices conducted by Sub Agents in the recruitment process include :
  - ▶ forging travel documents, medical certificates and training certificates,
  - ▶ illegally withhold the passports of potential migrants (Caritas, n.d.).
  - ▶ 'exploitations of prospective migrant worker' (ILO, 2013).
- ▶ Licensed agencies hire and delegate duties to Sub Agents, but bear no responsibility for the illegal actions of Sub Agents (HRW, 2007).
- ▶ But regulating Sub Agents will create more problems as they act in ad hoc ways and their activities are not limited to a single agent (HRW, 2007).

# Literature Review

- ▶ 'Intention to change existing legislation to include compulsory registration and regulation of sub agents'. However, there is no consultative process or transparency in amending these laws (Gunasinghe,2013).
  
- ▶ 'The present SLBFE Act does not adequately cover the role and responsibility of sub-agents who are involved in migration' (Thimothy et al., 2016).

# Data

- ▶ Primary data collected in three purposely selected districts in Sri Lanka (Gampaha, Kurunegala and Puttalam) with high migration.
- ▶ Collected between April & July 2017.
- ▶ Surveyed 503 households with current/potential migrants.
- ▶ 280 current migrants 223 potential migrants.



# Summary Statistics

Variable	%	Variable	%
Age of Sub Agent		Official representatives of Licensed Agents	
-30-40	22	51	-Yes
46			
-40-50	-No	16	
-50-60	20	-Dont know	38
-Other	7	Sub agent Officially recognized by SLBFE	
Incentives		-Yes	38
-Promised by Licensed Agents	57	-No	16
-Promised by Sub Agents	34	-Dont Know	46
-None of the above	9	Sub Agent showed Official Identification	
Disbursement of Incentives		-Yes	29
-Licensed Agent	44	-No	38
-Sub Agent	44	-Dont know	33
-Both	12		
Recipient of Incentives		Power In recruitment process	
-Current Migrant	57	-Licensed Agents	20
-Husband	24	-Sub Agents	63
-Parents	7	-Dont know	17
-other	12		

# Summary of Incentives Received

Variable	N	Average	Standard deviation
Incentives Promised			
- both current and potential migrants	483	154,517 LKR	85,125 LKR
- current migrant	214	168,790 LKR	87,539 LKR
-Incentives Received by current migrants	221	123,618 LKR	88,329 LKR

# Methodology

- ▶ Propensity score matching technique.
- ▶ To match migrants across their perception of Sub Agents' informal status.
- ▶ If a migrant perceives a Sub Agent as formal -> treatment group, others -> control group.
- ▶ Treatment variables:
  - ▶ perception if Sub Agent is an official rep. of licensed agent
  - ▶ perception if Sub Agent is officially recognized by regulators
  - ▶ perception if Sub Agent showed (professional) identification card

## Variables in the matching equation

- ▶ A vector of migrant's characteristics :
  - ▶ age
  - ▶ indicator variables for current/potential migrants
  - ▶ country of destination
  - ▶ education level of migrant
  - ▶ previously employed or not in Sri Lanka
  - ▶ first time migrant workers
  
- ▶ gender of the sub agent

# PSM Estimates of impact of perception of sub agent's formal status

	Incentive promised		Incentive received		Wages	
	ATE	ATET	ATE	ATET	ATE	ATET
Sub agent official rep. yes vs no	3,913.0 (12095.1)	11,918.2 (13575.6)	4,462.0 (11827.6)	5,045.8 (13400.2)	1,240.4 (1434.0)	1,149.4 (1667.1)
N	299	299	158	158	312	312
Sub agent officially recognized yes vs no	-210.7 (12853.9)	14,388.9 (13148.6)	-1,659.9 (5783.8)	-1,232.8 (6111.4)	748.2 (1071.2)	968.3 (1211.0)
N	261	261	147	147	272	272
Showed ID (Yes vs No)	31,109.2** (12572.9)	22,158.7* (12153.1)	-3,232.6 (4864.8)	-6,903.4 (5355.7)	1,518.7 (1463.8)	-653.8 (1598.3)
N	284	284	181	181	294	294

Standard errors in parentheses

\*  $p < 0.10$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$

# Findings

- ▶ Migrants' perception if Sub Agents' is an official representative of Agent does not matter to
  - ▶ recruitment incentives promised
  - ▶ recruitment incentives received
  - ▶ wages negotiated
- ▶ Migrants' perception if Sub Agents' is officially recognized by SLBFE does not matter to
  - ▶ recruitment incentives promised
  - ▶ recruitment incentives received
  - ▶ wages negotiated
- ▶ Migrants who were shown an (work) identification card by Sub Agent
  - ▶ were promised higher incentives, ATE on promised incentives is 31,109.2 LKR, ATET is 22,158.7 LKR.
  - ▶ but no causal impact on actual incentives received & wages negotiated

# PSM Estimates of impact of perception of power dynamics between Agent's vs Sub Agents'

	Incentive promised		Incentive received		Wages	
	ATE	ATET	ATE	ATET	ATE	ATET
More power in recruitment process SA vs A	19,337.5*** (5373.4)	22,365.7*** (6075.1)	-4,497.6 (6323.4)	-3,358.5 (7151.2)	1,673.9* (965.7)	1,477.9 (967.5)
N	403	403	225	225	417	417
Decision maker on incentives SA vs A	23,333.7*** (8166.3)	25,989.1*** (8503.6)	-7,265.1 (4434.4)	-6,096.0 (5114.0)	1,883.6** (790.7)	2,014.3*** (774.4)
N	409	409	232	232	421	421

Standard errors in parentheses

\* p<0.10 \*\* p<0.05 \*\*\* p<0.01

## Findings

- ▶ The ATE on promised incentives for perceiving Sub-Agent has more power in the recruitment process is 19,337.5 LKR, ATET is 22,365.70 LKR.
- ▶ The ATE on wages for believing that Sub-Agent has more power in recruitment process is 1,673.9 LKR.
- ▶ The ATE on promised incentives for believing that Sub-Agent has the decision making power of the amount of incentives paid is 23,333.70 LKR, ATET is 25,989.10 LKR.
- ▶ The ATE on wages for perceiving that the Sub-Agent decides the amount of incentives is 1,883.60 LKR, ATET is 2,014.30 LKR.



## Policy Implications

- ▶ Causal impact of Sub Agent's formal status is always limited to incentives promised and never on incentives received.
  - ▶ possibility of *over promising* and *under delivery* of incentives by Sub Agents
  - ▶ future policy formulation needs to introduce mechanism to encourage and ensure dissemination of accurate information by Sub Agents.
- ▶ More than perception about Sub-Agents' formal status, a greater implications are due to perception about the power balance between agents and sub-agents.
- ▶ It is vital to understand the important of the power distribution between agents and Sub-Agents of the recruitment process.
  - ▶ incorporate this into ongoing policy efforts to regulate Sub Agents
- ▶ It is important to provide better information to migrants about formal/informal status of Agents, Sub Agents, their roles, and regulatory structure.

Thank you