Measuring recruitment costs of migrant workers through household surveys: results of a pilot test from Lao PDR labour force survey 2017

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Abstract:
Lao PDR implemented its 2nd national labour force survey (LFS) in September 2017. The survey included a module testing the measurement of international labour migration, return migrants, and absentees, as well as recruitment costs of migrant workers. The module was meant to contribute to methodological work for the 2030 Sustainable Development Goals (SDGs) indicator 10.7.1 on "Recruitment cost borne by employee as a proportion of monthly income earned in country of destination".

The indicator is currently considered as Tier II in the SDG Global Indicator Framework, with a new measurement methodology not yet broadly implemented by countries. The pilot process in Lao PDR LFS 2017 was done before the methodological work on this indicator was completed. Results of this pilot process are presented in this paper. The main data used in this analysis are those on return migrant workers: there were 52,600 return migrant workers in Lao PDR in 2017, representing only 0.7 per cent of the total population, and their average recruitment costs were estimated at USD141, i.e. one third of the monthly salary during the last job abroad.

Keywords:
International migration; return migrant; employment; earnings; country of origin.

1. Introduction:

Migration has seen an increased role in the SDGs unlike the previous Millennium Development Goals (MDGs), including a dedicated Target 10.7 on safe migration (UN, 2015). For the monitoring of this Target two indicators have been adopted, and one of these, i.e. SDG indicator 10.7.1, is on the costs that migrant workers have to pay to get a job abroad.

Migration is prominent into the SDGs in three ways: (i) with a migration-specific target, i.e. SDG Target 10.7 (Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies); (ii) as part of at least some other 5 Targets (such as Target 5.2- trafficking of women and girls, Target 8.7- forced labour and human trafficking, Target 8.8- migrant workers' rights, Target 10.c- remittances, and Target 16.2- trafficking of children); and (iii) as an overarching disaggregation variable (as stated in Target 17.18).

In 1990 the UN General Assembly adopted the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families in its resolution 45/158, with a legal definition of a migrant worker (UN, 1990). However it is only recently that the international community adopted a statistical definition of international labour migration at the 20th International Conference of Labour Statisticians (ICLS) of October 2018 (ILO, 2018). The Guidelines on statistics for SDG indicator 10.7.1 (ILO & World Bank, 2018) were also endorsed by the Inter-agency and

Expert Group on SDG Indicators (IAEG-SDGs) in November 2018. Its methodology is therefore still new. Lao PDR LFS 2017 was among the first country-level pilot tests to contribute to developing these Guidelines.

2. Methodology:

This section covers the main concepts used in this paper in line with current international standards, as well as the estimation methodology for SDG indicator 10.7.1 from Lao PDR LFS 2017 data. The survey, implemented by Lao Statistics Bureau (LSB) from mid-July to end August 2017, was a one-time stand-alone national household survey covering a representative sample of 10,520 households.

Main concepts used in this paper:

International migrant: the UN recommendations on statistics of international migration define international migrants as "the set of persons who have ever changed their country of usual residence, that is to say, persons who have spent at least a year of their lives in a country other than the one in which they live at the time the data are gathered" (UN, 1998). In practice such information corresponds to the total number of usual residents born abroad (foreign-born population), or usual residents who are not citizens (foreign population), as in the recent Principles and Recommendations for Population and Housing Censuses, Revision 3 (UN, 2017).

Migrant worker: the 1990 UN Migrant workers convention defines a migrant worker as "a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national" (Art.2.1). As per international migration, the reference population for international labour migration covers all persons who are usual residents of the measurement country. However it also includes "persons who are not usual residents in the country but who are, nevertheless, in the labour force or potential labour force or any other forms of work in that country" (ILO, 2018), with the exception of refugees and asylum seekers.

The 20th ICLS Guidelines concerning statistics of international labour migration define therefore migrant workers as international migrants and non-resident foreign persons who are in the country's labour force. However the concept excludes: (i) foreign military and diplomatic personnel, (ii) international travellers on tourism whose main purpose is not to work, and (iii) non-resident staff of call centres and those providing services from a foreign location.

Return migrant worker: the term comprises "all current residents of the country who were previously international migrant workers in another country" (ILO, 2018), irrespective of their citizenship, birth place, current labour force status, or whether they were residents in the foreign country of work. This paper identifies a return migrant worker as any usual resident who lived in another country in the past, or who travelled abroad at any time in the past, even if for a short period, for the purpose of working or looking for work. In practice *return migrant workers* are proposed as the main target population when running recruitment costs surveys in a migration sending country, or country of origin, while for the country of destination the proposed target population is that of *usual resident migrant workers*.

Recruitment costs and components: in the ILO General principles and operational guidelines for fair recruitment and definition of recruitment fees and related costs, the concept of recruitment fees or related costs refers to "any fees or costs incurred in the recruitment process in order for workers to secure employment or placement, regardless of the manner, timing or location" (ILO, 2019), as long as those costs are borne (directly or indirectly) by the migrant worker.

The current Guidelines for statistics for SDG indicator 10.7.1 presents details of some 14 recruitment costs items that should be included in the calculation of the indicator, i.e.: (1) Recruiter/job broker charges; (2) Visa costs; (3) Inland transportation expenses; (4) International transportation; (5) Passport fees; (6) Medical fees; (7) Insurance fee; (8) Security clearance fee; (9) Pre-departure briefing; (10) Language training; (11) Skills assessment fee; (12) Contract approval fee; (13) Welfare fund fee; and (14) Interest payment on debt incurred to cover recruitment costs.

For the pilot test in Lao PDR and for this paper, recruitment costs were grouped into three main items: (a) travel costs to and back from the destination country, (b) recruitment agencies or brokers' fees and related costs, including costs paid to friends and relatives, and (c) other costs including preparations costs for work abroad, passport, visa, insurance and any medical costs.

Monthly income: the concept refers to the actual income earned as a wage/salary, as defined in the Resolution concerning an integrated system of wages statistics adopted by the 12th ICLS (October 1973). "The concept of earnings, as applied in wages statistics, relates to remuneration in cash and in kind paid to employees, as a rule at regular intervals, for time worked or work done together with remuneration for time not worked, such as for annual vacation, other paid leave or holidays" (ILO, 1973). Earnings exclude employers' contributions to social security and pension schemes, as well as severance and termination pay.

Estimation methodology of SDG indicator 10.7.1 from Lao PDR LFS 2017:
The Guidelines for statistics for SDG indicator 10.7.1 "recommend that the statistics/estimates on costs and earnings used to calculate 10.7.1 should refer to the first job obtained in the last country of destination within recent years (for example, in the 3 years prior to the survey year)" (ILO & World Bank, 2018), and earnings should be collected for the first month of that job. However this pilot test was implemented before the Guidelines were finalised, and estimates presented in this paper refer to the typical monthly earnings during the last job abroad, as in the LFS questionnaire (LSB, 2018).

Recruitment costs indicator (RCI): In this paper the RCI is defined only for the subset M of those return migrant workers with non-zero recruitment costs and non-zero earnings abroad, so that the indicator can be produced and analysed at individual level, as the equivalent number of months of salary to recover the recruitment cost. Statistics on those migrant workers with no recruitment costs or with no earnings should be published separately in addition to the RCI.

The RCI indicator is a proportion of costs in earnings at individual level. It can be expressed as a function of the costs and earnings of the return migrant worker k in the subset of M migrant workers; i.e.:

$$RCI = f(\frac{Ck}{Ek})$$

Where

   Ck = is the recruitment costs paid by individual k, among the subset of M migrant workers who declared both costs and earnings (non-zero costs and non-zero earnings);

   Ek = is the monthly earnings of the same individual k, among the subset of M migrant workers.

At aggregate levels the measure can be equated to using a proportion of totals (total costs and total earnings); i.e.:

$$RCI = \frac{\sum_{k=1}^{M} Ck}{\sum_{k=1}^{M} Ek}$$

Caution on the results:
The sampling design for the Lao PDR LFS 2017 was aimed at estimating reliable employment and unemployment statistics for the country. Sample allocation such as by urban and rural areas and by provinces was based on this requirement. However migrants do not come equally from all provinces, and this consideration was not used during the survey sampling design. To provide better estimates on migrant workers, basic information on international migration should be used in the sampling design.

The actual sample size after completion of the survey includes some 52,166 individual cases, with 1,612 cases as return migrants (3.1 per cent of the sample), and only 284 cases are return migrant workers from paid employment (0.5 per cent of the overall sample of individual cases). Some disaggregation of data from this pilot may therefore not be statistically significant due to small sample size, and we have limited the disaggregation to fewer categories when presenting results.

3. Results:

In this paper we present selected results of the pilot test, starting with a summary on recruitment costs, earnings, and the RCI. We then look at the structure (distribution) of recruitment costs and earnings, and finally present data for the main corridor (Thailand), as well as for the skill levels of migrant workers (low- versus high-skilled migrant workers).

Summary results:

A summary of main results on return migrant workers, recruitment costs, monthly earnings, and the RCI, is presented below.

Table 1: Return migrant workers and key recruitment costs statistics (recruitment costs and earnings in USD*)

Statistic	Sample cases	Estimate (person)	Estimate (mean, or percent)	Min	Max	Standard error (of mean)	Totals (for costs & earnings)
Population (person)	**52,162**	**6,915,559**	**…**	**…**	**…**	**…**	**…**
Male	25,736	3,408,996	…	…	…	…	…
Female	26,426	3,506,563	…	…	…	…	…
Return MW (person)	**280**	**52,639**	**…**	**…**	**…**	**…**	**…**
Male	172	31,037	…	…	…	…	…
Female	108	21,602	…	…	…	…	…
Costs (mean)**	**254**	**48,429**	**141.31**	**2.41**	**1,060.56**	**.64**	**6,843,640**
Male	153	27,919	141.35	2.65	1,060.56	.91	3,946,239
Female	101	20,510	141.27	2.41	964.15	.88	2,897,401
Earnings (mean)**	**254**	**48,429**	**430.88**	**4.82**	**3,266.04**	**1.90**	**20,866,748**
Male	153	27,919	435.49	22.30	2,548.96	2.39	12,158,304
Female	101	20,510	424.60	4.82	3,266.04	3.08	8,708,444
RCI (months, mean)	**254**	**48,429**	**0.33**	**.01**	**2.67**	**…**	**…**
Male	153	27,919	0.32	.01	2.50	…	…
Female	101	20,510	0.33	.01	2.67	…	…
MW with no costs (%)	**11**	**2,574**	**4.9**	**…**	**…**	**…**	**…**
Male	8	2,000	6.4	…	…	…	…
Female	3	574	2.7	…	…	…	…
MW with no earnings (%)	**20**	**2,864**	**5.4**	**…**	**…**	**…**	**…**
Male	15	2,174	7.0	…	…	…	…
Female	5	690	3.2	…	…	…	…

<u>Source:</u>   Authors calculations based on LFS data from the 2017 labour force survey of Lao PDR.
<u>Notes:</u>   (*) = September 2017 UN exchange rate: 1 USD = 8,297.500 Laotian Kip (LAK).
(**) = Subset of migrant workers with non-zero costs & non-zero earnings; four outlier cases (all males) who earned more than USD5,000 per month were removed from the analysis (by identifying unusual cases).
(…) = Denotes Not Applicable.
(MW) = Denotes migrant worker.

The average recruitment costs is about USD141; however, the median is at USD96, i.e. about USD45 below the average, and the mode is at USD36, signalling low recruitment costs for many Laotian migrants, as the majority goes in the neighbouring Thailand, and use mostly informal channels to obtain a job there. Only 6.4 percent went through formal channels, i.e. through a job transfer or registration (see also Harkins B et al., 2017). However the sample was too small to capture reliable data on costs incurred for formal channels of migration which, in the case of Lao PDR is likely to be higher. Return migrant workers received an average monthly wage of USD431 (slightly higher for males than for females, i.e. USD435 against USD425). On average they paid about 33 per cent of monthly earning of their last job abroad in recruitment costs. The total of all recruitment costs was estimated at USD 6.8 million (i.e. 0.04 per cent of the 2017 country's GDP).

Distribution of recruitment costs and earnings:
The figure 1 below present the distribution of costs and earnings, as well as the recruitment cost indicator (in 3 panels).

Figure 1: Distributions of costs (Panel A), earnings (Panel B), and RCI (Panel C)

| Panel A | Panel B | Panel C |
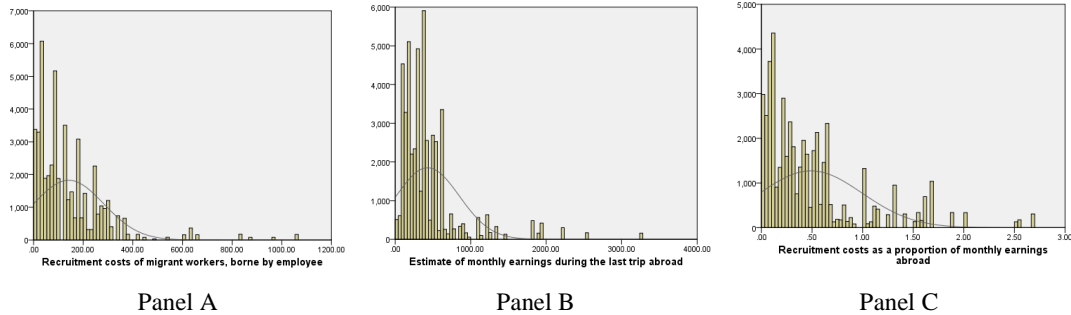
Both three distributions are skewed as any costs or earnings. Recruitment costs and earnings are concentrated at the lower side (the median of earnings is about USD100 lower than the average, even after removing the outliers). However, 15.8 per cent of return migrant workers paid at least one month of wage of their last job abroad as recruitment costs (1.00 and above in Panel C). About 4.9 per cent did not pay any recruitment costs (see Table 1).

Recruitment costs per corridors and skill levels:
Table 2 below presents statistics on recruitment costs per corridors and low- versus high-skilled workers, for those migrant workers with non-zero values for both recruitment costs and earnings. Only Lao PDR-Thailand corridor is presented as it is the main corridor, with 94.4 per cent of return migrant workers (statistics on the other corridors may not be reliable due to small sample size).

Table 2: Recruitment costs of return migrant workers with non-zero values on both costs and earnings (in USD*) by sex, geographic location, last country of destination (corridors), and skill levels (**)

Selected variables	Frequency, return MW (person, %)	Recruitment costs (mean, USD)			Proportion in monthly earnings abroad		
		Total	Male	Female	Total	Male	Female
Total	**52,639**	**141.31**	**141.35**	**141.27**	**0.33**	**0.32**	**0.33**
Geographic location							
Urban	20.3	92.00	109.91	71.26	0.22	0.23	0.20
Rural	79.7	151.62	147.38	157.61	0.35	0.35	0.36
Country of destination (corridor)							
Thailand	94.4	138.04	136.85	139.59	0.33	0.32	0.33
Others	5.6	247.82	231.00	450.78	0.36	0.33	0.67
Skill levels							
High-skilled	0.7	482.07	-	482.07	1.00	-	1.00
Low-skilled	99.3	141.08	141.35	140.71	0.33	0.32	0.33

Source: Authors calculations based on LFS data from the 2017 labour force survey of Lao PDR.
Notes: (*) = September 2017 UN exchange rate: 1 USD = 8,297.500 LAK.
(**) = Estimated by educational levels in this paper as in ISCO-08 (ILO, 2012); the ideal should be by occupations abroad.
(-) = Denotes zero value.
(MW) = Denotes migrant worker.

One notes that return migrant workers in Lao PDR were mostly low-skilled (99.3 per cent) and were mostly living in rural areas (79.7 per cent). Therefore statistics presented in Table 2 are not reliable for high-skilled and urban workers due to small sample size. However one can note that recruitment costs seem to be higher for rural than for urban migrant worker, and are likely to be higher for high-skilled than for low-skilled return migrant workers (in the Lao PDR context).

4. Discussion and Conclusion:

Despite possible issues with the small sample size, Lao PDR LFS 2017 provides an insight and data on the labour migration process in and from Lao PDR, and on recruitment costs: return migrants were estimated at 208,500 persons, and only 25.2 per cent of them (52,600 persons) were return migrant workers as currently defined in the SDG indicator 10.7.1 Guidelines. The main destination country of Laotian migrant workers is Thailand: about 94.4 per cent of return migrant workers in 2017 were coming back from Thailand.

The recruitment costs of return migrant workers as a proportion of their monthly earnings is estimated at 33 per cent, with no significant differences between women (33 per cent) and men (32 per cent). Laotian return migrant workers were mostly found in rural areas and were predominantly low-skilled workers (99.3 per cent). However, some statistics of this study such as those on high-skilled migrant workers are to be considered with caution due to small sample size. Surveys on SDG indicator 10.7.1 will need to make sure the sampling design takes into consideration the existing data on both migrants in urban and rural areas, in high and low skill levels, as well as those with formal versus informal migration channels.

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