FINAL REPORT

Reducing the Cost Burden for Migrant Workers: A Market-based Approach

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Executive Summary

This report is a follow-up study for the Global Forum on Migration and Development (GFMD), which promotes intergovernmental cooperation to enhance the development impacts of migration. It was prepared for the Athens GFMD in November 2009, which will focus on integrating migrants while abroad and re-integrating them upon return to enhance migrant protection and foster development.[1]

The report assesses the feasibility of financial intermediation to provide Bangladeshi migrant workers with low-cost loans to cover their pre-departure costs. Lower up-front costs to the migrant can help to ensure more regular and safe migration, improve access to services and ensure rights in the host country, and enhance migration's contribution to development in sending countries. Bangladesh is a leader in microfinance, and this report explores how banks and other regulated financial institutions, in cooperation with the NGOs that are present in the villages where most low-skilled migrants originate, could provide loans of up to $2,000 to cover some of the costs typically incurred to obtain three-year foreign work contracts and travel to their foreign jobs.[2]

The report aims to encourage donors, including Bangladesh's development partners and donors in the major destinations of Bangladeshi migrants, to subsidize the launch of bank-NGO partnerships that provide low-cost pre-departure loans. Appendix 2 includes a draft RFP to solicit proposals offering donor funds to create sustainable pre-departure loan programs.

Bangladeshi labor migration is large and has been growing rapidly--almost 900,000 Bangladeshis left to fill overseas jobs in 2008. However, many Bangladeshi migrants pay interest of 10 percent a month on loans incurred to migrate, so that a $2,000 debt can more than double in a year. There is a sharp contrast between the successful efforts of international development agencies and national governments, together with banks and NGOs, to educate migrants and lower the cost of remitting money over national borders, and the absence of similar efforts to reduce recruitment and other up-front migration costs, which could save migrants far more. For example, a typical Bangladeshi migrant pays

[1]The Brussels GFMD in 2007 examined ways to increase the development impacts of migration, and the Manila GFMD focused on protecting and empowering migrants for development.

[2]Most Asian migrants, not just Bangladeshis, pay high pre-departure fees. A 2005 report by Verite, a firm that audits suppliers to multinationals, found that almost three-fourths of the Filipino migrants interviewed had taken out loans to pay recruitment fees. Verite interviewed 150 returned migrants in 2004, and found that many had taken out loans to pay recruitment fees that represented six months or more of their foreign earnings. Interest on these loans was often over 50 percent on an annual basis.

at least $2,000 for a three-year, $200-a-month contract that will generate $7,500 in earnings.[3] If remittances over three years total $5,000, reducing remittance costs from 10 percent to five percent saves the migrant $250, while reducing interest costs on pre-departure loans could save $2,000 to $2,500, 10 times more.

The Bangladeshi government proposed this feasibility study at the GFMD meetings in Brussels (2007) and in Manila (2008), citing several development-related advantages of low-cost pre-departure loans.[4] These include:

- Reduced pre-departure debts and less interest to be repaid by migrants, and the potential for the migrant's family to smooth its consumption rather than assume additional debt while waiting for the first remittances to arrive,[5]
- Increased likelihood that migrants are employed abroad with valid contracts, increasing their rights, access to support services, and their contribution to development upon return
- Foreign employers benefit from more satisfied and productive employees, reducing the burden on host country governments to deal with runaway and dissatisfied migrants,
- A second entity with an interest in the repayment of the loan can review migrant contracts before departure and encourage or require remittances to be returned via regulated financial institutions so that the loan can be repaid.

There may be other benefits as well, including forging links between donors, banks, NGOs and migrants to match that portion of migrant savings invested to stimulate job-creating development in Bangladesh.

Link to Athens GFMD Roundtable 2

There are two extremes along the inclusion, empowerment and development spectrum. At one extreme, legal migrants who work under the wages and working conditions they expect are most likely to be satisfied and productive workers abroad and remit, return, and invest at home, the virtuous circle that strikes the optimal balance between integration and circulation. In contrast, there

[3] Sharma and Zaman (2009) put the average cost of migrating at $2,300 in 2007.

[4]Dr. Hamid Rashid, Director General for Multilateral Economic Affairs at the Ministry of Foreign Affairs, in cooperation with the GFMD Task Force, proposed the market-based approach to reduce pre-departure costs for migrants in July 2007, and repeated the proposal in October 2008. The 2005 PSRP noted that "the large initial cost of migration prevents many prospective poor workers from even thinking of overseas employment, NGOs might find innovative ways to finance the initial cost." (Bangladesh Planning Commission, 2005, 80)

[5] If the migrant was employed before departure, the migrant's family may have no income until the migrant is abroad and remitting funds. Some part of the pre-departure loan could help to support the migrant's family until remittances arrive.

can be a vicious circle in which migrants with high pre-departure debts change employers or otherwise become irregular abroad, which can lower their earnings and remittances and keep them abroad longer than planned to avoid returning in debt. In extreme cases, migrant-receiving countries may suspend recruitment if too many migrants become irregular, as Malaysia has done on several occasions with Bangladeshi migrants.[6]

Many migrant-sending countries, including Bangladesh, have experimented with pre-departure loan programs. The results are mixed. The Bangladesh Bureau of Manpower, Employment and Training (BMET) guaranteed bank loans extended to 100 migrants in 1995. Most were not repaid even though the migrants' contracts required their employers to deposit migrant earnings in a bank affiliate abroad. Some migrants evaded this direct-repayment mechanism by changing to employers that were not bound by the direct-deposit requirement.[7] The Philippine OWWA suspended its pre-departure loan program in 2008, citing a 30 percent repayment rate. Sri Lanka's banks continue to offer pre-departure loans, but only after a migrant has a foreign employment contract, and only for a relatively small amount, so that most pre-departure costs must be covered by other migrant-obtained resources (Del Rosario, 2008).

Most Bangladeshi migrants obtain the funds required to go abroad via personal resources (including family members) and local moneylenders. In order for a bank-NGO partnership to compete successfully with the current informal lending system, an initial subsidy is likely to be required to create a revolving loan fund. This study examined the feasibility of bank-NGO partnerships operating such revolving loan funds and concluded that they are likely to be more successful if:

1. Labor migration occurs under the terms of MOUs so that government agencies are involved in the migration process in both origin and host countries.
2. Migrant contracts include provisions for employers in the host country to deposit all or some of the migrant's earnings in the bank (or its foreign affiliate) that extends loans to cover pre-departure costs, and these provisions allow the bank to deduct the interest and debt repayment from remittances before allocating the remaining balance as the migrant

[6]Almost 2,000 irregular Bangladeshi workers a month were returned from Malaysia to in the first half of 2009. There are three major reasons: in some cases, brokers promised non-existent jobs to Bangladeshi migrants, some Bangladeshis who passed medical tests in Bangladesh failed them in Malaysia and thus do not get work permits, and some Bangladeshis overstay tourist visas and work.

[7]Even after the Bangladeshi embassy in the country tracked down the migrants who changed jobs, only half of the pre-departure loans were repaid. Dr. Nurul Islam, Presentation at IOM Consultation in Dhaka, June 21-23, 2009.

specifies (some host country labor laws allow migrants to sign such contracts, others do not).

3. Loans can be made to migrants early in the migration process (usually before they have obtained foreign employment contracts) and loans funds can be disbursed directly to recruiters, government agencies, and airlines to cover migration costs so that potential migrants cannot divert loan funds to other purposes.

Research Methodology

The report is based on a review of the theory and practice of pre-departure loan programs in Bangladesh and other countries, visits to Bangladesh in July 2008 and June 2009, and information obtained from migration and banking experts. Interviews were conducted with migrants, recruiting agents, government administrators, and NGOs; we did not interview foreign employers of Bangladeshi migrants.

ILO-Dhaka facilitated the 2008 study visit and IOM-Dhaka the 2009 study visit. Special thanks are due to Nurul Islam of BMET and Rabab Fatima, Uttam Kumar Das and Adnan Sirajee of IOM for their assistance with organizing the June 2009 meetings as well as the 60+ key informants who contributed their time and expertise. Eri Ichikawa and Heather Stamps provided research assistance, and Irena Omelaniuk of the GFMD Taskforce shepherded the project and provided helpful comments.

Findings and Recommendations

The major findings include information on migration, loans, and the feasibility of a pilot pre-departure loan program:

1. Pre-departure migration costs are often twice the official maximum charge of 84,000 taka ($1,220) in 2009.[8] Many migrants turn to private moneylenders for loans to cover some or all pre-departure costs.[9] Servicing this debt can be relatively expensive because of high interest rates. Most Bangladeshi migrants who fill low-skill jobs abroad are from rural areas, and sell land or take out loans using their homes or land as collateral to cover the cost of foreign employment.

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[8]The 84,000 taka government-set maximum recruiting charge, effective in 2006, applies to migrants going to Gulf states and Malaysia. It was raised in stages from 8,000 taka in 1992 to 30,000 taka, 50,000 taka, 70,000 taka, and 80,000 taka. The maximum recruitment fee to send workers to Italy was set at 230,000 taka in 2002. Recruiters have generally charged migrants at least twice the official maximum recruitment charge (Islam, 2009).

[9]Rural moneylenders charge very high interest rates, often 60 to 100 percent. Migrants with few assets sometimes find a local guarantor to co-sign the loan; the guarantor often receives 10 percent of the value of the loan for each year that that a guarantee is provided.

2. Bangladesh has an active microfinance industry centered on making small loans to women organized into village peer groups. The loans, meant to begin or expand local income-generating activities such as buying an animal or a sewing machine, have very high repayment rates and appear to reduce poverty (Khandker, 2003). Three keys to successful microfinance include peer pressure to repay, having the loan and the benefit of the loan stay in the village, and using local residents to assess borrowers and collect repayment.

   Pre-departure loans for Bangladeshi migrants would go primarily to men who leave the village, and the benefit of the loan would come in the form of remittances and the return of migrants with experience gained abroad.[10] These differences between the dominant microfinance model - loans to women, the benefits stay with the village and local collection agents - and a pre-departure migrant loan model suggest the need to test the feasibility of new bank-NGO partnerships for pre-departure loans via pilot projects.

3. Most informants believe that a partnership of banks and NGOs could assess risks, make low-cost loans, and ensure repayment. The cornerstones of the proposed pilot pre-departure loan partnership[11] include NGOs with a presence in the villages from which migrants originate[12] and banks seeking to expand their customer base. There is a precedent for bank-NGO partnerships: a DFID-supported bank-NGO partnership delivers remittances to remote villages at low cost using pre-paid debit cards.

   The most promising way to test the proposed pre-departure pilot loan program would be to invite proposals from bank-NGO partnerships and the government recruiter, the Bangladesh Overseas Employment and Services (BOESL). We recommend support for three partnerships:
   - one partnership involving an NGO and a quasi-government bank such as Sonali Bank, which has 1,180 branches in Bangladesh, the most of any bank

[10] Islam (2009) reported that 96 percent of Bangladeshi migrants in 2008 were men.
[11]The DFID's Remittances and Payments Challenge Fund supports a partnership between the National Credit and Commerce Bank and the NGO TMSS to use pre-paid debit cards to deliver remittances at low cost to remote villages.
[12] Ray, Kumar and Chaudhuri (2007, 194-6) emphasize that NGOs have a presence in the villages from which most migrants originate, and that they are perceived by both migrants and donors as providing credible advice.

- one partnership involving an NGO and a private bank such as Islami Bank, which handles a quarter of the remittances to Bangladesh, or a micro-finance institution such as Bangladesh Rural Advancement Committee (BRAC) or Grameen Bank
- one partnership involving BOESL, the nonprofit government recruitment agency whose participation in a pre-departure loan program could provide a check on bank-NGO partnerships that work with private recruiters. BOESL would need to expand or work with an NGO to have a presence in the villages from which most migrants come.

A donor could issue a Request for Proposals (RFP) that invited bank-NGO partnerships and BOESL to propose revolving loan funds to make pre-departure loans. The donor could commit a 10 percent subsidy for each revolving loan fund—we recommend $10 million revolving loan funds and a 10 percent donor subsidy or a subsidy of $1 million a year for each bank-NGO partnership, which would support 5,000 loans of $2,000 each a year and 15,000 loans over three years. Donor support for two bank-NGO partnerships over three years would require a commitment of $6 million; a smaller amount maybe required to support a pilot BOESL-NGO pre-departure loan program. A draft RFP is included in Appendix 2.

To reduce the donor commitment, the subsidized pre-departure loan concept could be tested with half as many loans a year, 2,500 instead of 5,000. Keeping each loan at $2,000, and the donor subsidy at 10 percent would reduce the loan fund to $5 million and the donor subsidy to $500,000 per partnership per year, making the donor cost of the scaled-down pilot with two bank-NGO partnerships $3 million. The BOESL partnership may require half as much donor subsidy, $250,000 a year instead of $500,000 a year, or a total $750,000 over three years. Thus, a significant set of pilot programs that gave the concept a fair test could be mounted for a total donor subsidy of $3.75 million. If the concept functions as expected, the revolving loan fund should be self-sustaining after three years.

Proposals received from bank- and BOESL-NGO partnerships would be evaluated according to criteria that include:

- *How the partnership would market loans to potential migrants early in the migration process,* so that lower loan costs benefit migrants. NGOs are crucial for such marketing because they have a presence in the villages from which migrants originate and are credible sources of information. Pre-departure loans could be conditional, meaning that payments would be made directly to recruiters, government agencies, and airlines to cover migration expenses after the migrant secures a contract, a policy to encourage migrants to register with the NGO and qualify for the loan. NGOs, in turn, would receive a loan-origination fee from banks when loan payments are actually made, which would occur after the NGO approves the contract.[13] Bank-NGO partnerships collectively, in conjunction with BMET, could sponsor a national toll-free number that potential migrants can call to learn about low-cost loans and to answer migrants' questions.

- *The mechanics of the loans might vary between NGO-bank partnerships.* For example, most key informants suggested that the maximum loan be 75 to 90 percent of typical pre-departure migration costs, that is, the migrant must have some personal resources to go abroad. Some recommended limiting loans to the official 84,000 taka or $1,220 recruitment fee, while others would lend 90 percent of the usual $2,500 fee charged by recruiters for a package that includes a passport[14] and visa, foreign work contract, and medical tests and airline tickets. Finally, bank-NGO partnerships are likely to vary in the security or collateral required. Some key informants believe that personal credibility should suffice as collateral for migrants with valid foreign work contracts, others would form peer group circles to increase the chances of repayment, and still others would require either personal and/or co-signer land and houses as collateral.
- *Bank-NGO partnerships could also propose ways to deal with repayment*[15] and issues that are likely to arise with broken promises abroad, including migrants not earning the wage promised in the contract, having a different employer or job than originally specified,[16] or being laid off and forced to return early. It may be possible to insure against some of these reasons for non-repayment.

There was general agreement that the Bangladeshi labor recruitment system has systemic troubles ranging from visa-trading to ineffective screening of foreign

[13] Loan origination fees of 1-2 percent were suggested as appropriate.

[14] Bangladesh passports cost 6,000 taka ($87) in 2009.

[15] For example, some key informants suggested that employers deposit all migrant earnings in the bank, and that both the migrant and his family receive ATM cards to withdraw the funds remaining after pre-departure loan charges. Others suggested that migrants receive 10 to 30 percent of their earnings from foreign employers, the balance be deposited with the bank, and the migrant direct how remaining funds be spent, that is, the migrant's family would not have equal authority with the migrant to withdraw funds using an ATM. Bank-NGO partnerships who know migrants are in the best position to determine optimal deposit and withdrawal contracts.

[16] Some Bangladeshi migrants in Saudi Arabia and other Gulf oil exporters change employers or become free agent shopkeepers or street sellers, limiting the ability of banks to be repaid from deductions taken from remittances made via the banks that made pre-departure loans.

employment contracts (Afsar, 2009). It would be desirable to reform the recruitment system to better protect migrants and to increase the benefits of labor migration for Bangladeshi economic development. However, most key informants agreed that a subsidized pre-departure loan program would represent a significant step to better protect migrants and enhance the development benefits of migration, and that lower pre-departure costs for migrants could serve as a useful stepping stone for an improved recruitment system rather than a substitute for recruitment reform.[17] Suggestions for reforming the Bangladeshi labor migration system are laid out in Appendix 1.

Bangladesh Economy and Migration

Bangladesh is a country of 150 million, with the size of the US state of Iowa, which has three million residents. The population has doubled since 1975, and today Bangladesh is one of the world's most densely populated countries. The population is growing by about 2.5 million residents a year via natural increase and, despite a falling birth rate, the population is expected to be 250 million in 2050 because of its youthful age structure--a third of residents are under 15, and fewer than five percent are 65+

Per capita gross national income was $470 a year in 2007 ($1,340 at PPP), according to World Bank Development Indicators, half the level of India ($950) and Pakistan ($870) and a third the level of Sri Lanka ($1,300). Reducing poverty requires a growth rate of at least seven percent a year, which Bangladesh has rarely achieved.[18] Unless poverty is reduced at a faster rate, more rural residents are likely to migrate from the poorer western and northern sections of the country to the central and eastern sections dominated by Dhaka and Chittagong. Poverty reduction has been fastest in areas receiving remittances or other outside sources of funds.

The Bangladeshi labor force, 55 million in 2008-09, is growing by 3.3 percent or 1.8 million a year. Employment of 52 million in 2008-09, up from 47 million in 2004/05, included 80 percent in the informal sector, which comprises agriculture (48 percent of total employment) and informal urban employment—about 75 percent of employed Bangladeshis are in rural areas.[19] Underemployment and

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[17]A few NGOs argued against subsidized pre-departure loans on the grounds that they could simply fuel the continuation of what they described as a "corrupt recruitment system."

[18] The government, which collected about 11 percent of GDP in taxes in 2006/07, one of the lowest tax takes in the world, runs a significant deficit of 4-5 percent of GDP. This limits the ability of the government to invest in infrastructure and education and training that would improve human capital.

[19] Agriculture employs about 55 percent of workers and generates 20 percent of GDP; rice accounts for 70 percent of the country's agricultural value-added, and wheat is the

poverty are widespread in agriculture and among those employed in the urban informal sector.[20] A third of the 12 million Bangladeshis with formal sector jobs are employed by the government in the civil service or in state-owned enterprises.

The government wants to increase formal-sector employment, and one option for doing so is to promote overseas migration. The MEWOE in 2007 laid out nine strategies for sending more workers overseas, including deploying migrants to new destinations and expanding their presence in the countries that already have Bangladeshi migrants by having Bangladesh embassies promote the hiring of additional Bangladeshis, improving the skills of Bangladeshis seeking to go abroad and encouraging the deployment of women, and tightening the regulation of recruiters while increasing the inflow of remittances. The MEWOE called for a marketing survey in countries employing Bangladeshi migrants in order to determine required skills and then adapting training in Bangladesh to ensure that migrants had desired skills.

Bangladesh has two major sources of foreign exchange--exporting ready-to-wear garments and sending workers abroad to generate remittances. Garments generate about $8 billion a year in revenue, half of which represents exports of knitwear and ready-made garments (www.apparel.com.bd). To produce these garments, Bangladesh imports $5 billion worth of fabric, buttons and other inputs a year, making the value added in Bangladeshi garment factories about 35 percent.[21]

Bangladeshi garment factories employ 2.5 million workers to cut fabric, operate sewing machines, and pack garments. Most garment workers are employed at least six days and 48 hours a week for a base wage of 1,662 taka ($24) a month, plus $10 a month in overtime pay.[22] About 80 percent of Bangladeshi garment workers, who are 40 percent of Bangladesh's industrial work force, are employed

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second-leading crop. Bangladesh is mostly flat, with the Ganges (Padma) and Brahmaputra (Jamuna) rivers creating deltas on the way to the Indian Ocean. Most of the 90 inches a year of rain falls between July and October, when there is frequent flooding.

[20]The government plans to launch a program in 2009 that provides, for households with incomes of less than 150 taka ($2.20) a day, at least one member with a job paying 150 taka a day for up to 100 days a year, with the jobs targeted for the sections of northern Bangladesh that experience cycles of poverty known as *Monga*.

[21]Bangladeshi garment exports were $11 billon in 2008.

[22]Ahmed and Peerlings (2008, 662) report that "In most of the apparel factories, the workers do not receive a letter of appointment or employment contract, while in some factories, they receive an attendance card, an ID card, and a gate pass… The main reason for not giving appointment letters is to avoid payment of social security benefits."

in the greater Dhaka area. Most are young women from rural areas, and most remain garment workers for less than four years. A contrast is often drawn between the relatively high-skilled men being displaced by the shrinking jute sector and the low-skilled women being hired in the garment sector.

Labor Migration

Bangladesh's second leading source of foreign exchange is remittances, $9 billion in 2008, including a third from Saudi Arabia. There were an estimated 5.6 million Bangladeshis abroad in early 2009, including two million in Saudi Arabia. Due to the global recession, many Bangladeshis completing three-year contracts in 2009 are being advised by their foreign employers to return to Bangladesh for a year or more and hope for an economic rebound. In the past, many had their contracts renewed while abroad.

Remittances first surpassed $1 billion in 1993, doubled to $2 billion in 2001, doubled again to over $2 billion in 2005, and again to over $9 billion in 2008, over 10 percent of GNI. In recent years, remittances have been rising by over 20 percent a year.

The Bangladeshi government officially approved sending workers abroad in 1976, when almost 6,100 were deployed to foreign jobs. Deployments first topped 100,000 in 1989, and rose above 200,000 in 1996. Deployments remained under 300,000 until 2006, and then more than doubled in 2007, largely because of an increase in deployments to the Gulf states, with the UAE replacing Saudi Arabia as the top Gulf destination, and 275,000 migrants going to Malaysia, making that country the top destination for migrants. Deployments to Malaysia fell by over half in 2008 compared with 2007, but UAE more than compensated, accepting almost 420,000 migrants in 2008, half of the Bangladeshi labor migrants sent abroad that year.

The Bangladeshi government would like to send more workers abroad; its goal is to deploy a million migrants in 2009. However, the global recession is likely to reduce both deployments and remittances. Between January and May 2009, some 212,000 Bangladeshi migrants went abroad, down from 379,000 in the year-earlier period. Mauritius, an island country of 1.3 million with about 20,000 workers from Bangladesh, China, India and other countries filling jobs in its garment factories, in July 2009 ordered 6,000 Bangladeshi migrants, including 4,000 employed in garment factories, to leave the country within six months in order to open jobs for local workers.

Table 1. Bangladesh: Migrants Deployed and Remittances, 1976-2008

Migrants Deployed	Migrants Deployed	Gulf	Remittanc

	Total	Change	Saudi Arabia	UAE	Gulf	Share	$ millions	Ch
1976	6,087		217	1,989	5,053	83%	24	
1977	15,725	158%	1,379	5,819	13,029	83%	83	249%
1978	22,809	45%	3,212	7,512	17,974	79%	107	29%
1979	24,495	7%	6,476	5,069	20,354	83%	172	61%
1980	30,073	23%	8,695	4,847	24,821	83%	301	75%
1981	55,787	86%	13,384	6,418	36,923	66%	305	1%
1982	62,762	13%	16,294	6,863	47,374	75%	491	61%
1983	59,220	-6%	12,928	6,615	50,792	86%	628	28%
1984	56,714	-4%	20,399	5,185	47,350	83%	500	-20%
1985	77,694	37%	37,133	8,336	69,419	89%	500	0%
1986	68,658	-12%	27,235	8,790	59,468	87%	576	15%
1987	74,017	8%	39,292	9,953	68,401	92%	748	30%
1988	68,121	-8%	27,622	13,437	62,022	91%	764	2%
1989	101,724	49%	39,949	15,184	95,991	94%	758	-1%
1990	103,814	2%	57,486	8,307	96,882	93%	782	3%
1991	147,131	42%	75,656	8,583	145,476	99%	769	-2%
1992	188,124	28%	93,132	12,975	174,956	93%	902	17%
1993	244,508	30%	106,387	15,810	171,144	70%	1,009	12%
1994	186,326	-24%	91,385	15,051	131,446	71%	1,154	14%
1995	187,543	1%	84,009	14,686	140,966	75%	1,202	4%
1996	211,714	13%	72,734	23,812	131,401	62%	1,355	13%
1997	231,077	9%	106,534	54,719	197,251	85%	1,525	13%
1998	267,667	16%	158,715	38,796	239,179	89%	1,599	5%
1999	268,182	0%	185,739	32,344	254,776	95%	1,807	13%
2000	222,686	-17%	144,618	34,034	190,308	85%	1,955	8%
2001	188,965	-15%	137,248	16,252	169,046	89%	2,071	6%
2002	225,256	19%	163,269	25,462	216,388	96%	2,848	38%
2003	254,190	13%	162,131	37,346	239,516	94%	3,178	12%
2004	272,958	7%	139,031	47,012	243,570	89%	3,561	12%
2005	252,702	-7%	80,425	61,978	212,728	84%	4,250	19%
2006	379,240	50%	109,513	130,204	307,698	81%	5,484	29%
2007	832,363	119%	204,112	226,392	480,506	58%	6,568	20%
2008	879,952	6%	132,124	419,355	792,997	90%	9,020	37%

Source: MEWOE, Overseas Employment from 1976 to 2008
http://probashi.gov.bd/publication/publication.php?cid=52&name=Overseas%20Employment%20from%201976%2
273,000 migrants were deployed in Malaysia in 2007, explaining the drop in the Gulf share

Bangladeshi migrants are employed in over 100 countries, but over 90 percent are in eight countries. In addition to the Gulf countries and Malaysia, other countries accepting significant numbers of Bangladeshi migrants in recent years include Singapore, over 56,000 in 2008, Lebanon, almost 8,500, Italy, almost 7,000, Libya and Sudan, about 5,000 each, Mauritius, 3,000 and Egypt, almost 2,000.[23] Many Bangladeshis would like to go to high-wage Asian countries such as South Korea and Japan, which accepted 1,500 and 135 Bangladeshi migrants, respectively, in 2008. Some migrants speak wistfully of relatives in North America or Europe who earn $4,000 or $5,000 a month.

Most of the Bangladeshis migrating are young men—96 percent are men, and most are married and under 30 years old.[24] Many are from the relatively more prosperous eastern regions of the country such as Chittagong division or from greater Dhaka; there are fewer migrants from the western Khulna, Rajshahi and Barisal divisions.

One of the major reasons why Bangladeshis receive low wages abroad is that most have very little education and very few speak passable English. Afsar (2009, Table 2.2, 9) reported that a third of her sample of 60 returned migrants had no education, and 60 percent had less than five years of schooling; before migration, 80 percent of the migrants' families earned less than 6,000 taka ($88) a month. These low levels of education mean that many migrants could not read the foreign work contracts even if they received them; Afsar (2009, 39) reported that 90 percent of 60 returned migrants interviewed had only been given a verbal summary of their contracts.[25]

Half of the male migrants in the Afsar sample were going abroad for the first time, and two-thirds of the men reported that they were employed in non-farm jobs before emigration, in construction, manufacturing, or services (Afsar, 2009, 14). Reasons for seeking a foreign job varied, ranging from the demonstration effect of a successful migrant from the village (90 percent of the men in Afsar's sample had a relative abroad) to wanting to escape family or other problems at home. Some migrants reported that they sought higher wages abroad to pay off debts at home, including those incurred for health emergencies or social events

[23]Some of these newer destinations for Bangladeshi migrants, including Libya, Syria, and Iraq, reportedly allow foreign worker contracts that require migrant earnings to be deposited in specified banks that deduct pre-departure costs from earnings before the balance is allocated as the migrant specifies.

[24] Low-skilled Bangladeshi women could migrate only to Saudi Arabia until December 2002, when they were allowed to migrate to all Gulf countries. About 19,000 women went abroad to work in 2007, and 21,000 in 2008. Bangladesh lifted a ban on women going abroad to be domestic helpers in 2003 (Oishi, 2005).

[25]Details of the foreign job, wages etc are often included in a contract letter that Dhaka-based recruiters often summarize for sub-agents rather than providing copies. Afsar (2009, 40) reported that some recruiters create fake contract letters offering higher-than-actual wages so that BMET will clear migrants to depart.

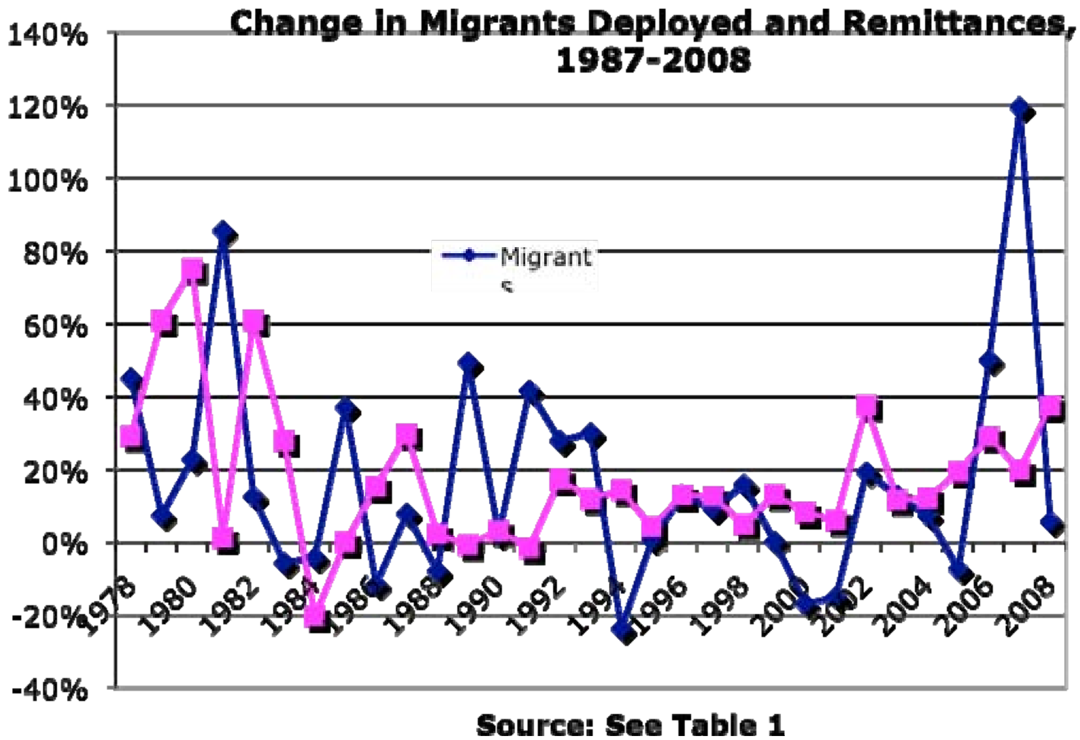
or because of a decline in the family's income because of crop failure or family breakdown. Some mentioned the need to pay children's education fees.

A World Bank-supported survey conducted in 2007 in 20 villages in 10 of 32 districts known to have relatively large numbers of migrants; 11 percent of the households in these high-migration villages had a member who went abroad to work in the past decade (Sharma and Zaman, 2009, 6). As with the Afsar sample, almost all migrants were young men (average age 31) with relatively little education (average seven years). However, Sharma and Zaman (2009, 10) collected detailed information on the cost of recruitment, reporting that recruitment fees paid to agents averaged 161,300 taka ($2,300) and were a median 120,000 taka—in both cases far more than the official maximum charge of 84,000 taka. In addition, migrants reported a median seven days outside their village to complete health and other checks in a process that took a median three months from first application to leaving the country.

There is not a close relationship between the change in the number of Bangladeshi migrants deployed and the change in remittances received. For example, between 1984 and 1985, migrant deployments rose by 37 percent, but remittances were unchanged. Similar examples of sharp increases in deployments and stable remittances occurred between 1988 and 1989 and 1990 and 1991. Between 2001 and 2002, remittances rose twice as much as migrant deployments, perhaps reflecting more remittances being sent through formal channels after the September 11, 2001 terrorist attacks.

One reason why remittances may have remained strong in 2008, and so far in 2009, is that some Bangladeshi migrants may be returning for good or for extended periods, in which case they are likely to bring overseas assets with them. Such returns provide a one-time boost to remittances.

Figure 1. Bangladesh: Change in Migrants Deployed and Remittances, 1978-2008



The BMET classifies migrants in four skilled categories. Professionals are those with university degrees, including doctors, college teachers, and accountants and nurses. Skilled workers are those with certificates and/or on-the-job experience, including construction trades such as carpenters and electricians as well as cooks and drivers. Semi-skilled workers include farm workers, gardeners, and helpers for construction trades workers; and less-skilled workers are cleaners, laborers, and servants.

Most Bangladeshi migrants are classified as less skilled—about half of those deployed between 1976 and 2008. Over the 1998-2008 decade, the share of less-skilled migrants fell to a low of 39 percent in 2000, when there were more skilled than less-skilled migrants deployed, and rose to a peak of 61 percent in 2006. The government has urged recruiters to ensure that at least 30 percent of the workers they send abroad are skilled or semi-skilled.

Table 2. Bangladeshi Workers Deployed by Skill, 1976-2008

	Professional	Skilled	Semi-skilled	Less-skilled	Total	Less Skilled
1976	568	1,775	543	3,201	6,087	53%
1977	1,766	6,447	490	7,022	15,725	45%
1978	3,455	8,190	1,050	10,114	22,809	44%

1979	3,494	7,005	1,685	12,311	24,495	50%
1980	1,983	12,209	2,343	13,538	30,073	45%
1981	3,892	22,432	2,449	27,014	55,787	48%
1982	3,898	20,611	3,272	34,981	62,762	56%
1983	1,822	18,939	5,098	33,361	59,220	56%
1984	2,642	17,183	5,484	31,405	56,714	55%
1985	2,568	28,225	7,823	39,078	77,694	50%
1986	2,210	26,294	9,265	30,889	68,658	45%
1987	2,223	23,839	9,619	38,336	74,017	52%
1988	2,670	25,286	10,809	29,356	68,121	43%
1989	5,325	38,820	17,659	39,920	101,724	39%
1990	6,004	35,613	20,792	41,405	103,814	40%
1991	9,024	46,887	32,605	58,615	147,131	40%
1992	11,375	50,689	30,977	95,083	188,124	51%
1993	11,112	71,662	66,168	95,566	244,508	39%
1994	8,390	61,040	46,519	70,377	186,326	38%
1995	6,352	59,907	32,055	89,229	187,543	48%
1996	3,188	64,301	34,689	109,536	211,714	52%
1997	3,797	65,211	43,558	118,511	231,077	51%
1998	9,574	74,718	51,590	131,785	267,667	49%
1999	8,045	98,449	44,947	116,741	268,182	44%
2000	10,669	99,606	26,461	85,950	222,686	39%
2001	5,940	42,742	30,702	109,581	188,965	58%
2002	14,450	56,265	36,025	118,516	225,256	53%
2003	15,862	74,530	29,236	134,562	254,190	53%
2004	12,202	110,177	28,327	122,252	272,958	45%
2005	1,945	113,655	24,546	112,556	252,702	45%
2006	925	115,468	33,965	231,158	381,516	61%
2007	676	165,338	183,673	482,922	832,609	58%
2008	1,864	281,450	132,825	458,916	875,055	52%
Total	179,910	1,944,963	1,007,249	3,133,787	6,265,909	50%

Source: BMET
www.bmet.org.bd/Reports/Overseas_Statistics.htm

A report prepared for the Danish embassy in Bangladesh assessed the strengths and weaknesses of Bangladeshi migrants in foreign labor markets.[26] Strengths included young workers willing to work for low wages and "kinship ties [that] play a positive role in financing the cost of migration" (Ray, Kumar and

[26] The report includes some useful descriptive information on the Bangladeshi recruitment and education systems and their problems, but spends most of its 200 pages, plus almost 200 pages of appendices, constructing indexes of foreign country destinations for Bangladeshi migrants that are mostly laughable (Ray, Kumar and Chaudhuri, 2007). The US is one of the "star" countries to which Bangladesh is urged to target for sending more migrants, but the report uses employer-advocate analysis of official labor force projections that mis-interpret them.

Chaudhuri, 2007, 153). Weaknesses included low education and skills, lack of information and inability to communicate abroad that can lead to mis-understanding and abuse, "money-related problems, including debts in the process of emigration and misuse of income on gambling and women… health problems… mental stress and strain, and homesickness (Ray, Kumar and Chaudhuri, 2007, 153). The report concluded that "only a few thousand technical and professional graduates" have "skills … suitable for the global economy, only 10-20 percent of the certified people from over 2,300 vocational training institutes and less than 10 per cent of general college graduates meet" the needs of foreign employers (Ray, Kumar and Chaudhuri, 2007, 160).

Many migrant-sending countries want to diversify destinations for their country's workers, send more skilled workers abroad, and better protect them. Bangladesh is no exception, and Ray, Kumar and Chaudhuri advised the Bangladeshi government to target what it called "star" countries with the potential to absorb more Bangladeshi migrants, the Gulf countries and Canada, the UK, and US, as well as "bright sparks" such as Western European countries and Israel, Japan, Australia, and Kazakhstan (2007, 163-4). The report sees little potential to send more Bangladeshi migrants to what it termed "cash cows," the UAE, Singapore and Jordan, and calls a diverse range of mostly developed and oil countries, from Norway to Hong Kong to Libya, "setting suns" likely to offer ever fewer jobs to Bangladeshi migrants.

To upgrade migrant skills, Ray, Kumar and Chaudhuri urged more enrollment of Bangladeshis in secondary and postsecondary schools, more internationally accredited training institutions in Bangladesh, and encouragement for migrants abroad to seek education and certificates there (2007, 166). Ultimately, the report recommends that "Brand Bangladesh" be developed to highlight the value of Bangladeshi migrant workers, using microfinance industry leaders and others to promote Bangladeshi migrants abroad (Ray, Kumar and Chaudhuri, 2007, 189).

Regulating Labor Migration

Labor migration from Bangladesh is regulated under the Emigration Ordinance of 1982. The government has three major agencies to deal with the 3 R's of recruitment, remittances and returns:

- the Ministry of Expatriates' Welfare and Overseas Employment (MEWOE-- http://probashi.gov.bd),
- the Bureau of Manpower Employment and Training (BMET-www.bmet.org.bd), and
- the Bangladesh Overseas Employment and Services (BOESL--www.boesl.org.bd).

The MEWOE, established December 20, 2001, has authority over all government agencies dealing with labor migration, including private recruiters and migrants, the labor attaches in Bangladeshi missions abroad, and the Wage Earners' Welfare Fund. The MEWOE encourages the Bangladeshi Diaspora to invest in projects in their home communities and facilitates expatriate investments in Bangladesh by maintaining ties with associations of Bangladeshis abroad. A policy giving remitters "special citizens' privileges" was introduced in 2008, and an Expatriates' Welfare Desk is to be created in all Deputy Commissioners' offices.

The Bangladesh Overseas Employment Policy was adopted in October 2006 to promote the deployment of Bangladeshi migrants to overseas jobs by strengthening training institutions in Bangladesh and to better protect migrants by better regulating recruiters and increasing the capacity of Bangladeshi embassies to assist Bangladeshis abroad. It is clear that Bangladeshi workers are willing to migrate abroad to work and that Bangladeshi migrants have a reputation abroad to work hard for relatively low wages (Ray, Kumar and Chaudhuri, 2007).[27] However, several foreign governments have periodically halted the recruitment of Bangladeshi migrants because of recruitment issues, including high pre-departure debts that encourage migrants to break contracts.

The Wage Earners' Welfare Fund was created in 1990 and, under December 2002 regulations, is supported by fees from migrants (initially 1,000 taka), interest on the bonds of recruiters, and a 10 percent surcharge on fees charged by Bangladeshi missions abroad. The WEWF supports BMET-staffed desks at Zia International Airport for migrants leaving and returning to Bangladesh, including Probashi Channel buses from the airport to the major Dhaka bus terminals and supports migrants overseas with legal help. The WEWF transfers the remains of migrants who die abroad, and provides support to the families of deceased migrants in Bangladesh as well as returning migrants who were not

[27] The heart of this 400-page report is an analysis of which countries may be most attractive to receiving Bangladeshi migrants and in which occupations (Table 5.5, pp98-104). It is not clear how the lists of apparently "labor-short" occupations were compiled—for the US, the lists appear to be a mix of fast-growing occupations, such as nurses, and occupations projected to have shrinking employment, such as laborers. Instead of using official Bureau of Labor Statistics projections, the report used employer-advocate interpretations of them aimed at persuading the US Congress to approve a new guest worker program (pp107-121). BLS did not project labor shortages, as asserted on p121.

paid by their foreign employers.[28] The WEWF is administered by a board that includes ministers of various government agencies and BAIRA.

The major new initiative of the MEWOE is an Expatriates Bank that would, inter alia, make pre-departure loans to migrants.[29] Minister of Expatriates' Welfare and Overseas Employment, Khandker Mosharraf Hossain, in May 2009 said that the most important issue facing Bangladeshi migrants was pre-departure debt. He said: "We are trying to make sure that overseas jobseekers do not need to sell land or borrow money to go abroad for jobs. Expatriates Bank, which is to open soon, will help solve their credit problems."[30] It appears that, if the Expatriates Bank is created, it may be capitalized with surpluses that have accumulated in the Wage Earners' Welfare Fund. Some have questioned the legality of using Fund monies to establish a new bank.[31]

At least four Bangladeshi banks have pre-departure loan programs, but they make few pre-departure loans. For example, during the February 2008 launch of a project to reduce the cost of remitting funds to remote villages using ATM cards, the National Credit and Commerce Bank (NCCBL) announced an Overseas Employment Loan Scheme for migrants who have valid foreign employment contracts and an Education Loan Scheme for Bangladeshi students seeking higher education abroad. The NCCBL appealed to the MEWOE to help find "need-based genuine candidates" for the migrant loans. There were no data on how many pre-departure loans have been made by these banks, but most key informants said the number was "very few."

BMET, a government agency established in 1976 with 17 offices around Bangladesh, is charged with promoting the employment of Bangladeshis abroad

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[28]Samren (www.samren.org/Govt_Programmes/bangladesh/B1.htm) reported that the families of deceased migrants receive 20,000 taka ($290) and the families of migrants who die abroad receive 100,000 taka ($1,450). In February 2006, it was reported that the WEWF death benefit was 100,000 taka, and that foreign employers usually pay 500,000 taka to the families of deceased migrants. Syful Islam, "Short-term life insurance yoke on Bangladeshi migrant workers," New Nation, February 27, 2006.

[29] Visiting migrants in Saudi Arabia in April 2009, Prime Minister Sheikh Hasina promised to establish an Expatriate Bank that would offer remittance transfers via mobile phones, introduce machine-readable passports, and modernize Bangladesh Biman Airlines.

[30] Quoted in Migration News. 2009. South Asia. Volume 15 Number 3, July. http://migration.ucdavis.edu/mn/comments.php?id=3537_0_3_0

[31] Newspapers frequently report "irregularities" in the WEWF, such as MPs and government officials charging trips abroad to market Bangladeshi migrants to the WEWF. Porimol Palma, "Manpower market shrunk for policy failure," Daily Star, November 5, 2006.

and encouraging them to send remittances home, providing employment counseling, regulating private recruiters, and training and conducting research on migration and its effects on development. All Bangladeshis migrating abroad legally must be registered with BMET, although in most cases recruiters register migrants with BMET as one of the final steps before their departure.[32] BMET reported that some three million Bangladeshis have registered since registration began in June 2004, and 2.6 million left Bangladesh. Registered job seekers receive a photo ID with a registration ID and personal information.

BMET operates three one-hour pre-departure training programs a day, and issues the certificates of attendance (emigration clearance cards) required to leave Bangladesh—the cards are bar coded to be read while departing from the country. One study suggests that many migrants do not participate in BMET-run pre-departure training.[33]

BMET also handles complaints from migrants about recruiters, and returned 90 million taka ($1.3 million) to aggrieved migrants in 2008. BMET reported receiving 392 complaints about recruiters in 2008; however, the results of its inspections of recruiters are apparently not made public, although recruiters whose licenses are suspended are named. Afsar (2009, 50-51) reported that several migrants sued subagents and recruiters for cheating them, including relatives, but without receipts were unable to win compensation. Ten percent were injured at work abroad, and none reported receiving assistance from Bangladeshi labor attaches. The 2005 PSRP asserts: "The recruitment industry will be regulated more effectively. The renewal of licenses of private recruiters can be made contingent on their performance." (Bangladesh Planning Commission, 2005, 80).

At least five major government agencies, from BMET to the Ministry of Textiles, operate training centers in Bangladesh. The BMET's 38 Technical Training Centers (six for women) offer six-month and two-year courses and have 28,000 graduates a year as well as refresher training; students are linked to the industries that use the skills they are acquiring.[34] Several TTCs provide Korean-

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[32] In an effort to avoid BMET registration as a last rather than a first step in migration abroad, BMET is supposed to operate a lottery, so that a recruiter seeking 100 workers is provided with the names of 100 workers with the requisite qualifications who are registered with BMET. This apparently does not happen in practice.

[33] (Afsar, 2009, 24) reported that only one of 60 returned migrants attended the BMET pre-departure training: "Interviews with the recruiting agencies suggest that they obtained BMET certificates on the respondents' [migrants'] behalf by offering extra money to the desk officer."

[34] Some BMET training centers are operated according to standards established by Singapore employers, who visit the centers to select graduates for employment in

and English-language training to Bangladeshis seeking foreign jobs (Malek, 2008, 3); there are also 97 private polytechnic training centers. There are other training centers for glass and ceramics, graphic arts, textile technology and leather technology, 12 public and 47 private agricultural training institutes, and four Bangladesh Institutes of Technology (converted into universities). The Ministry of Education has 64 public sector technical schools and colleges, and the Department of Youth Development also does training, but there is no coordinated mechanism to link the training provided to foreign employment.

BOESL is a wholly owned government agency with 38 employees and a 2009 budget of 20 million taka[35] ($290,000), that publicizes the availability of Bangladeshi workers in foreign countries via its own offices and in collaboration with local partners. BOESL specializes in providing skilled and professional migrants for large civil engineering projects abroad, screening Bangladeshis interested in these foreign jobs, inviting foreign employers to Bangladesh to interview potential employees, and arranging for selected Bangladeshis to obtain the necessary documents to go abroad. In most cases, foreign employers cover the pre-departure costs of BOESL-deployed workers, although migrants going to Korea, most of whom are relatively low-skilled, must pay for Korean language training in order to have their names placed on the list from which Korean employers can select them.[36]

BOESL maintains a database of Bangladeshis seeking foreign jobs. After receiving foreign employer requests for workers, BOESL can consult this database and/or place ads for workers who fulfill the foreign employer's requirements. Short-listed candidates are sent to foreign employers, who can select from the list or send a representative to Bangladesh to interview workers.

Between 1999 and 2006, selected private recruiters sent Bangladeshi workers to South Korea; the maximum recruitment fee was 210,000 taka. Under the Korea-Bangladesh labor migration MOU signed in 2006, BOESL has a monopoly on sending migrants under the Employment Permit System, and charges a maximum 60,000 taka ($870).[37] BOESL sent 1,500 migrants to Korea and an

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Singapore. Bangladeshis pay for their typical three-month training to prepare for jobs in Singapore, but almost all graduates are hired by Singapore employers.

[35] Six million taka, 30 percent, represent BOESL salary costs.

[36] BOESL noted that it must often cover at least the local costs of foreign employers who come to Dhaka to interview Bangladeshi workers.

[37] Before the EPS system went into effect in 2004, four Bangladeshi recruiting agencies linked to MPs controlled the migration of trainees to Korea. They reportedly charged trainees 800,000 to 1,100,000 taka, ($11,600 to $14,500), which encouraged some to change employers to earn more, including traveling to Japan, where trainees were paid

additional 430 to other destinations in 2008, that is, the average cost of deploying 2,000 migrants was about $145, far less than typical private recruiter fees even though BOESL does not receive government subsidies. As a non-profit recruiter, BOESL could provide a reality check for private bank-NGO partnerships that make loans to migrants who use private recruiters to go abroad.

Some 8,000 Bangladeshis have reportedly passed the Korean language test,[38] which enables them to be placed on recruitment lists from which Korean employers select migrants.[39] However, with unemployment rising, the Korean government in March 2009 reduced the intake of foreign workers under the EPS from 72,000 in 2008 to 34,000 in 2009. Over 90 percent of EPS migrants in Korea are employed in small manufacturing firms with 30 or fewer workers.

Recruitment

According to government data, about 60 percent of Bangladeshi migrants leave on their own, 39 percent leave with the help of recruiters, and one percent leave via government and other channels. However, most of the 60 percent who leave "on their own" in fact leave with the help of private recruiting agents who coach migrants to say they are leaving on their own. By going "independently," the government loses a tool to check that the foreign job is genuine, and “independent migrants” have little recourse if the foreign job turns out to be something other than promised.

Table 3. Bangladeshi Migrants by Method of Recruitment, 1990-2008

	BOESL	Recruiter	Individual	Total	Individual
1990	435	40,258	63,121	103,814	61%
1991	140	64,889	82,102	147,131	56%
1992	541	59,746	127,790	188,077	68%
1993	559	129,479	113,967	244,005	47%
1994	178	95,361	90,551	186,090	49%
1995	627	74,921	111,922	187,470	60%
1996	398	118,670	92,646	211,714	44%
1997	335	85,793	144,934	231,062	63%
1998	419	85,300	181,948	267,667	68%
1999	309	110,669	157,204	268,182	59%

more. Korea eventually banned the recruitment of trainees in Bangladesh. Porimol Palma, “Manpower market shrunk for policy failure,” Daily Star, November 5, 2006.

[38] The Korean language test, which consists of 25 listening and 25 reading questions, is available at: www.hrdkorea.or.kr/eng/main.html Between 2005 and 2009, some 440,000 foreigners took the test, and about half passed.

[39]Migrants admitted under the EPS are entitled to the Korean minimum wage of 3,770 ($3) an hour, but many, expecting to earn a million won a month with overtime, pay fees to recruiters anticipating higher-than-minimum wage salaries.

2000	524	91,475	130,686	222,685	59%
2001	149	76,669	112,147	188,965	59%
2002	226	84,401	140,629	225,256	62%
2003	456	82,507	171,227	254,190	67%
2004	306	85,458	187,194	272,958	69%
2005	645	81,608	170,449	252,702	67%
2006	977	104,949	275,590	381,516	72%
2007	619	362,531	469,459	832,609	56%
2008	2,172	207,018	665,092	874,282	76%
Total	14,811	2,333,526	3,874,797	6,223,134	62%

Source: BMET
www.bmet.org.bd/Reports/Overseas_Statistics.htm

Licensed recruiters have a monopoly on helping Bangladeshis leave for overseas work. There were 801 licensed recruiters in the Bangladeshi Association of International Recruiting Agencies (BAIRA)[40] in June 2009; 100 are active in deploying migrants.[41] Recruiters receive one-year licenses by submitting a police verification of authenticity and recommendation from two members of BAIRA and posting a 1.6 million taka ($23,300) bond with the BMET (Ray, Kumar and Chaudhuri, 2007, 32)). BAIRA has a 35-point list of aims and objectives, including #25, to compensate "persons wrongly selected and sent abroad." (www.hrexport-baira.org/aims_objective.htm)

Recruiters receive foreign employers' demand letters or job offers and recruit workers to fill the jobs they offer. Most depend on sub-agents in villages to recruit, but some recruiters also place ads in newspapers for workers. Recruiters manage the process of legal out-migration, from securing passports, visas, medical checks, and air tickets to obtaining clearance certificates from BMET.

Recruiters are often defensive about their business. On the one hand, they point out that migrants generate more foreign exchange than garment exports, but the recruiting industry does not receive government subsidies as the garment industry does. Many recruiters offer training to migrants, aiming to improve the skills of the workers they send abroad. Recruiters are supposed to pay a 30 percent VAT tax on their revenues, and must show that they have paid this tax in order to renew their licenses, which may help to explain the lack of receipts. In addition, Bangladesh levies a 30 percent tax on airline tickets, which raises the cost of leaving the country.

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[40] BAIRA was established with government support in 1984.

[41] The 700 non-active BAIRA member recruiters reportedly assist Bangladeshis who have received foreign job offers via friends and relatives abroad, or who are returning to foreign employers, to complete required paperwork in Bangladesh. These migrants go on-their-own in Bangladeshi data.

BAIRA also emphasizes that, given the large number of Bangladeshis deployed to work abroad, the share who file complaints against recruiters is infinitesimal—fewer than 400 complaints filed with BMET in 2008, when almost 900,000 migrants went abroad.

On the other hand, NGOs and advocates emphasize that most recruiters are Dhaka-based businesses that depend on foreign recruiters to provide job offers and layers of subagents known as Dalals to find migrants to fill them. They emphasize that many recruitment agencies are in one of the most expensive parts of Dhaka, Gulshan, and that some licensed recruiters sell, rent, or trade their recruiting licenses to others.[42]

The subagents (Dalals) who deal with migrants in villages are generally older returned migrants living in the same or an adjacent village, in their 40s rather than in their 20s, and better educated.[43] Most subagents have high-school education, and must be able to read work contracts and communicate with Dhaka-based recruiters (Afsar, 2009, 18-19).

Subagents explain the foreign job to often illiterate migrants, and help them to complete the paperwork needed to obtain passports; some accompany migrants to Dhaka for medical tests, and to the airport for departure. Afsar (2009, 20) reported that both subagents and migrants initially said they did not collect or pay fees, but probing revealed that subagents received commissions from Dhaka-recruiters of 10,000 to 60,000 taka ($145 to $870) per migrant. Because migrants trust village-based subagents, they do not compare fees charged by recruiters, so suggestions that recruiters be required to advertise their total charges may not lead to competition that reduces migrant costs.

BAIRA recruiters often see themselves as victims of what even they acknowledge is a flawed recruitment process. For example, BAIRA representatives complained that they find it hard to obtain visas to visit Gulf countries, so they do not know much about the employers[44] to whom they are sending workers or

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[42]We were told in June 2009 that 17 of the 345 Members of Parliament held recruiting licenses (45 seats in Parliament are reserved for women).

[43]Most migrants expressed trust in the subagents, believing they could recover what they paid from the subagent if the foreign job did not materialize. In some cases, subagents were relatives of the migrants they helped to go abroad. Some subagents reported that, if they did not trust the work contract, they would not give it to a relative or a person they knew; instead, they would only give uncertain contracts to strangers (Afsar, 2009, 21).

[44] Some BAIRA recruiters complained that HR departments in some Gulf country workplaces are controlled by Indian and Sri Lankan migrants who discriminate against

their recruiter-partners. Another complaint is that recruiters in Gulf states can sometimes get two or more BAIRA recruiters to bid against each other for the jobs they are offering, while Filipino embassies in some Gulf states reportedly limit Gulf employers and recruiters to particular Filipino recruiters.[45]

During discussion of the recruitment process, even BAIRA recruiters acknowledged that, in comparison to the Philippines, the Bangladeshi system of regulating recruiters could be tightened. Bangladeshi recruiters must post a 1.6 million taka bond ($23,300), but they receive a permanent license, unlike Filipino recruiters who receive three-month temporary licenses, and only after a review of their operations is the license made permanent. In the Philippines, recruiting licenses cannot be sold or lent, and those who do not deploy at least 100 migrants a year can lose their licenses.

Ray, Kumar and Chaudhuri (2007, 10) blame Bangladeshi government regulations for some of the problems of recruiters, calling on the government to allow recruiters to deal legally in foreign currency. The most common reform suggestions involved substituting technology for recruiters and establishing maximum recruitment fees linked to expected foreign salaries (Ray, Kumar and Chaudhuri, 2007, 174-5).

One recurring problem is the gap between the qualities an employer expects and the skills of the migrants provided. Without long-term relationships between Bangladeshi recruiters and particular foreign employers, recruiters have an incentive to send unqualified workers, and employers respond by reducing promised wages. For example, an unskilled Bangladeshi may offer to pay more for a work contract promising $250 a month for a plumber, while a Bangladeshi trained as a plumber will not accept such a low foreign wage.

The recruiter can charge an unskilled Bangladeshi a higher fee for the higher-wage contract, send him, and have the dis-satisfied foreign employer reduce the wage because the worker does not have the specified skills. Foreign employers, recruiters abroad and in Bangladesh, and migrants may be involved in such discrepancies, but it is often the migrant who loses.

Bangladeshis by charging them fees that they do not charge to recruiters in other countries. For example, we were told in June 2009 that Bangladeshis had to pay 6,000 riyals ($1,600) for jobs, but Nepalese pay no more than 1,200 riyals ($320). Ray, Kumar and Chaudhuri (2007, 174) put recruiting costs at 2,000 riyals ($535) for Pakistanis and 3,000 riyals ($800) for Indians.

[45] Filipino recruiters are jointly liable with foreign employers to abide by the terms of the contracts with which Filipino migrants leave the country.

Labor markets match workers and jobs, a process complicated by asymmetric information, national borders and differences in language, culture, and educational levels. Migrants are motivated to cross national borders because of wage differences that create a wedge between their earnings abroad and at home. Rational migrants, evaluating the benefits and costs of migration, will pay recruitment fees that reflect these wage differences, adjusted for risks of unemployment or injury abroad and the costs of family separation.

Low wages in Bangladesh enlarge the wage wedge that encourages migration. The size of the wedge absorbed by recruitment fees is one issue, and a second is the distribution of risk between employers, recruiters, and migrants. In an efficient market, risks should correlate with rewards, so that those taking the largest risks reap the largest rewards. However, Bangladeshi migrants appear to bear almost all of the risks involved in migration, as employers can in some cases get replacement migrants at no additional costs and recruiters can sometimes profit from migrant turnover. Reducing pre-departure costs for migrants and using banks and NGOs to review contracts and make loans can help bring the risk and reward ratio involved in international labor migration into better balance.

Bangladesh-Gulf

There are two major types of visas issued to Bangladeshis heading to work in Gulf countries: Aquama work permits tied to a particular employer and job and free or Kafeel-sponsor visas. Aquama or fixed visas are the norm in international labor migration, and are cheaper than free visas because employers are supposed to pay passport and visa and travel costs for the migrant workers they hire. However, recruiters in Saudi Arabia, Kuwait and other Gulf countries, some of whom are nationals of migrant-source countries such as Bangladesh, often keep much of this employer-paid fee. As a result, Bangladeshi recruiters usually charge migrants for passports, visas and travel, and most do not issue receipts.

Many Bangladeshis prefer to migrate with free or sponsor visas, believing they can work in any occupation. Free visas may be useful to Bangladeshis who can work with a friend or relative in a shop or business in a Gulf country and not encounter the police. The local citizen-sponsor is ultimately responsible for the migrant, who may not meet the sponsor if he works with other Bangladeshis in a place that the sponsor nominally owns but rarely visits. Apprehension by the police means contact with the sponsor, who may say that the migrant is not his employee, resulting in detention and deportation.

Afsar's (1990, 16-19) description of the recruitment process between Bangladesh and Gulf states emphasizes that Bangladeshis already in Saudi Arabia and other Gulf countries buy job offers for 2,000 to 6,000 riyals ($535 to $1,600) each from employer-sponsors. These job offers are marked up by about 30 percent before being sold to individuals or recruiters in Bangladesh. However, even individuals with foreign job offers must use a licensed recruiter to go abroad, one reason why the 700 non-active BAIRA recruiters can earn money.

In Afsar's sample of 60 returned Bangladeshi migrants (2009, Table 4.2, 34), the average migrant reported earning 134,325 taka ($208) a month abroad during a total six years of foreign employment. The men, who comprised 75 percent of the sample, earned more than twice as much as women, 16,600 taka versus 7,100 taka a month. Wages tended to increase with time abroad, but most migrants reported problems with their wages, including discrepancies between promised and actual wages, unexplained deductions, and late payment of wages.

There is fraud in this visa buying and selling, as some Gulf employers sell visas for non-existent jobs. In most Gulf Cooperation Council (GCC) states, all foreigners must have a kafala or sponsor, a citizen "kafeel" to guarantee and take care of a foreigner, including granting the foreigner permission to leave the country. Sponsor visas have value in Bangladesh and other labor-sending countries, so some Gulf families entitled to employ, for example, a total of eight domestic helpers, guards, and gardeners can sell eight work visas to recruiters but employ four or fewer foreign workers. The family may receive $1,000 or more for each sponsorship, but the migrant workers they do not hire arrive in debt and without jobs.

Bangladeshi recruiters say abuse of the sponsorship system in GCC states is worsening. Some Gulf employers reportedly auction work contracts to the highest bidder, often a recruiting firm controlled by settled migrants from Bangladesh, India or Pakistan, albeit with a nominal local citizen owner.[46] This recruiting firm may auction the work contracts among Bangladeshi recruiting agencies, including some for jobs that do not exist. Bangladeshi recruiters collect fees from migrants, and Bangladeshi migrants wind up in the Gulf in debt and in an irregular status.[47]

Many government representatives in Gulf countries see recruitment for non-existent jobs as a Bangladeshi problem, suggesting that if the work contracts

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[46] One report says that Saudi contractors "take into consideration
expected revenue from sale of visa while quoting [bidding] for government contracts (Ray, Kumar and Chaudhuri, 2007, 173).

[47] Unauthorized migrants apprehended in Saudi Arabia are reportedly held for at least 21 days while police search for their sponsor. If the sponsor is not found, the foreigner can be fingerprinted and deported, but nonetheless perhaps return to Saudi Arabia with a new name and passport and new work contract. Malaysia and Korea reportedly have much better systems for checking fingerprints than Saudi Arabia.

offered to migrants were checked more carefully, the fraud would be detected. Bangladeshi recruiters see the kafala or sponsorship system as the root problem, since citizens in these countries can make money by selling sponsorships for jobs they do not intend to fill with migrant workers. The Bangladeshi Association of International Recruiting Agencies (BAIRA), representing almost 800 licensed recruiters, urges its members to deal directly with foreign employers rather than with foreign recruiters. However, many Gulf employers prefer to work with local recruiters to obtain migrant workers.

The kafala or sponsorship system may be ending. In Bahrain, the Labor Market Regulation Authority became the sponsor of foreign workers in August 1, 2009, issuing two-year work permits to foreign workers that allow them to change employers with three months' notice. However, the 70,000 foreign domestic helpers are not covered by the new labor permit system. Private employers urged the Bahraini Parliament to delay freedom to change employers until 2010, saying that labor costs would rise. The Bahraini labor minister responded that freedom to change employers would reduce illegal migration and improve protections for workers, and predicted that Kuwait, Qatar and the UAE are likely to adopt similar reforms in the next year or two.

Bangladeshis have a third way to enter Saudi Arabia, with an Umra visa that does not allow work. Most pilgrims enter Saudi Arabia to pay homage before Eid-ul-Azha in Mecca and Medina, which is known as Hajj, but pilgrimages can also be made at other times of the year. Some Bangladeshis use Umra visas to enter Saudi Arabia to work illegally, especially in a Saudi shop or workplace managed by a friend or relative. Those who overstay Umra visas can turn themselves in to Saudi police and receive a return ticket to Dhaka at no cost, and some reported that working illegally with an Umra visa led to a free visa from a Saudi sponsor (Afsar, 2009, 37, 42).

Despite the problems involved in migration to the Gulf, most migrants consider the migration experience a success. Even with high migration costs, an average $1,800 for the 60 migrants in Afsar's sample, most migrants earned enough abroad to repay migration costs after a year of work abroad—earnings averaged $2,500 a year. Migrants remitted an average 56 percent of what they earned abroad, almost $1,400 a year.

Table 4. Migration Costs, Earnings, and Remittances, Bangladeshis to Gulf

Job Abroad	Cost (tk)	Cost ($)	Annual Earnings(tk)	Annual Earnings($)	Annual Remittances(tk)	Annual Remittances($)
Business(8)	102,600	1,487	320,290	4,642	155,575	2,255

Fitter(7)	159,507	2,312	197,700	2,865	109,500	1,587
Construction(9)	189,980	2,753	153,926	2,231	70,549	1,022
Farm Labor(6)	171,176	2,481	119,110	1,726	81,600	1,183
House Maid(11)	61,109	886	68,760	997	60,270	873
All Migrants(60)	124,075	1,798	171,895	2,491	95,928	1,390

Source: Afsar, 2009, Table 4.7, 46
Note: these 5 occupations accounted for 2/3 of the sample migrants

These migrants had returned within 12 months before being interviewed, that is, in 2007-08. Almost half were unemployed in Bangladesh, and three-fourths were planning to go abroad again (Afsar, 2009, 49). Their foreign experience, including some who learned Arabic, led them to believe that they would be more successful during another foreign employment stint. About 20 percent of returned migrants invested in family businesses or started new businesses.

Bangladesh-Malaysia

The troubles of Bangladeshi migrants in Malaysia prompted the Malaysian government on several occasions to ban the recruitment of additional Bangladeshi migrants, explaining why the number of Bangladeshi migrants deployed to Malaysia fluctuates. For example, almost 68,000 Bangladeshis were deployed in Malaysia in 1993 and 67,000 in 1996, after which deployments fell to less than 1,000 a year in 1998 and 1999. Malaysia in October 2003 signed an MOU with Bangladesh, a year in which fewer than 30 migrants were deployed.

Deployments peaked at 273,000 in 2007, and fell sharply in 2009 with the global recession. Almost 2,000 irregular Bangladeshi workers a month were returned from Malaysia in the first half of 2009. There are three major reasons: in some cases, brokers promised non-existent jobs to Bangladeshi migrants, some Bangladeshis who passed medical tests in Bangladesh failed them in Malaysia and thus do not get work permits, and some Bangladeshis overstay tourist visas and work.

Many of the recent problems encountered by Bangladeshi migrants in Malaysia are linked to a Malaysian government rule that, after August 1, 2006, required Malaysian firms employing fewer than 50 migrant workers to obtain them via Malaysian outsourcing firms. Malaysian employers of 50 or more workers could obtain migrants directly or via outsourcing firms, but many of these larger employers use outsourcing firms to obtain migrants.[48]

[48] Outsourcing occurs when "a licensed outsourcing company that has a binding contract with another company to provide services that might otherwise be performed by in house employees."

The outsourcing firm is the employer of record for the migrant, not the factory or other work site where the workers are employed; however, the factory owner is jointly responsible with the outsourcing firm for violations of labor laws. The government assumed it would be easier to police the 270 outsourcing firms licensed by the Immigration Department of the Ministry of Home Affairs than the far greater number of small employers. To increase control over recruitment, Malaysian outsourcing firms can deal only with recruiters who are members of BAIRA, and the contracts of migrants headed to Malaysia have to be checked by the BMET.

The Malaysian factory (principal) begins the recruitment process by signing a contract to obtain migrant workers via a licensed Malaysian outsourcing firm. The factory-outsourcer contract is sent with a "demand letter" to the Malaysian Ministry of Home Affairs (KHEDN), which approves and forwards it to the Immigration Department. [49] The Immigration Department issues an "approval letter" to the outsourcing firm, which pays fees for the migrant workers' visas, posts at least a M$250,000 ($70,000) bond, and pays levy fees to the Ministry of Home Affairs.[50]

The contract between the factory and the outsourcing firm is then sent to the Bangladesh High Commission (BHC) in Kuala Lumpur for verification, including a physical check of the working and living conditions that will be offered to migrants. The BHC verification is sent to the BMET in Dhaka, which contacts BAIRA to recruit workers to fill the Malaysian jobs.[51] The selected

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[49] In July 2007, Datuk Wahid Md Don, director general of the ID, was arrested along with several other senior officials for corruption; the ID issues licenses to outsourcing firms.

[50] Manufacturing employers paid an annual levy of RM 1,200 ($345) in 2008, the same as construction employers. Levies are lower for plantation workers, RM 540, and agricultural workers and domestic helpers, RM 360. Bangladeshi recruiters complained in June 2009 that migrants were often charged these levy fees up front, in pre-departure costs, and then had levy costs deducted from their wages, meaning they paid levy fees twice.

[51]The story of the intra-BAIRA dispute about how to handle Malaysian job offers was repeated several times. Malaysia in 2006 asked BAIRA to devise a system to spread Malaysian job offers among its members. The initial proposal was to distribute them equally, a position opposed by recruiters with closer ties to Malaysia who thought they would get more through their contacts than with an equal distribution. These who-you-know recruiters won, formed a partnership, and pushed the typical charge to migrants headed to Malaysia from the official 84,000 taka ($1,220) to 200,000 taka ($2,900), prompting a partial ban on Bangladeshi migrants in October 2006. It was originally proposed that at least 30 percent of the migrants going to Malaysia go through the

workers are fingerprinted and photographed in recruiting offices in Dhaka, given medical exams, and are offered an orientation-to-Malaysia course before departure.

Bangladeshi migrants receive "calling visas" issued by the Malaysian Immigration Department in Dhaka and fly to Kuala Lumpur, where they are met by agents and transported to workplaces. Most worker contracts provide accommodation at no cost to migrants, with migrants buying their own food. Migrants bear the cost of in-bound transportation to Kuala Lumpur, and employers cover the cost of return travel at the end of typical three-year contracts.

NGOs say that this recruiter-outsourcing arrangement has not improved conditions for migrants. Indeed, after the recruitment of Bangladeshi migrants to fill Malaysian jobs resumed, over 1,000 Bangladeshi workers a day were arriving at the Kuala Lumpur airport in August-September 2007. Some outsourcing firms failed to meet them, and 15,000 migrants were stranded at the airport in September 2007 -- subject to being returned to Bangladesh if not met within three days of arrival.[52]

Recruiting agencies in Malaysia reportedly make much of their money from fees paid by migrants, encouraging them to request too many migrants. In some cases, migrants are shuffled from one agent to another after arrival if the agent to whom they have paid fees has no jobs for them in Malaysia; such migrants often end up with lower wages than called for in the contracts they signed with the first agent. If the migrants complain, agents can say the migrant has no Malaysian job, making him irregular and subject to deportation.

Datuk Ishak Mohamad, the Immigration Department's director of enforcement, acknowledges the vulnerability of migrants, saying Malaysia is "near countries that are poor with people who are desperate for work. And many people are exploiting that, not just Malaysians but also rogue agents in their home countries. For them, the money is too tempting; it is good business."[53]

Migrants, who received medical exams in Bangladesh before departure, must undergo another medical exam within a month of their arrival in Malaysia. Some

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government agency BOESL, but this did not happen. Porimol Palma, "Manpower market shrunk for policy failure," Daily Star, November 5, 2006.

[52] Some of the stranded migrants reported paying $2,000 for jobs that would pay them $150 a month in Malaysia, that is, over half of their expected earnings went for recruitment costs. See Southeast Asia. 2007. Migration News. Volume 13 Number 4. October. http://migration.ucdavis.edu/mn/more.php?id=3330_0_3_0

[53] Quoted in Hariati Azizan, "The rot is everywhere," Star, July 30, 2008.

Malaysian employers complain that Bangladeshi recruiters send migrants they know or should know will fail Malaysian medical tests.

Employment Abroad and Remittances

Most migrants go abroad in order to earn higher wages to support their families at home. Their remittances provide resources for families that reduce poverty and, when spent, have multiplier effects on local and national economies. Remittances also bolster the foreign exchange earnings of migrant-sending countries. In the case of Bangladesh, remittances are about seven percent of GDP, far more than ODA and Foreign Direct Investment.

Migrants may have difficulties earning and remitting as much as planned. Upon arrival, they may be presented with a different contract then was signed in Dhaka, and it may offer lower wages or a work assignment that is not the same as in the contract they signed before departure. Most migrants feel they must accept contract changes rather than return at the expense of the foreign employer and recruiter because of their pre-departure debt.

In the Gulf states, most recruiters offer "90-day guarantees" to households employing foreign workers, meaning that if the first migrant is not acceptable, the recruiter will send another without charging a second recruiting fee. Migrants who believe that their employer is or will be abusive can leave within 90 days and have their return airfare guaranteed, and the recruiting agency may have to pay the airfare for a replacement. However, because of this guarantee, many recruiters reportedly encourage employers not to pay migrant domestic helpers any wages during their first three months, so that a migrant breaking the contract would have to return empty handed.

Bangladesh has labor attaches in some countries with at least 10,000 migrants to help them to resolve problems. Some migrants complain that there are too few labor attaches to help them or that embassies and consulates are closed on days when migrants do not have to work. Many migrants are not employed in cities with labor attaches, and limited travel funds for labor attaches may make it hard for them to visit migrants in large countries such as Saudi Arabia.

Some migrants complain that labor attaches from the elite are not sympathetic to the problems of migrants from villages holding low-skill jobs abroad. Labor attaches, in turn, say that some migrants expect them to listen to their problems, which may include loneliness, and that they must be abrupt because each attaché has so many migrants to deal with. Bangladesh in 2008 did not have safe houses in countries with large numbers of migrants to shelter those who run away, unlike the Philippines and Indonesia.

Some foreign employers violate labor and migration laws in ways that hurt migrants, as when a Saudi employer cancels the work permit of a gardener in order to sell another work permit but does not tell the gardener, which makes him illegal if detected by police. If questioned by police, the Saudi employers may say that the gardener was terminated. If there is no quick resolution of the case, the migrant may be deported before being able to present his side of the case.

Sending remittances to Bangladesh is relatively cheap. According to the World Bank, in March 2009 the cost of remitting 750 Saidi riyals ($200) in March 2009 was two to four percent, or $4 to $8, with banks cheaper than Western Union and Express Money (http://remittanceprices.worldbank.org/RemittanceCosts/?from=0&to=17).

It is estimated that only half of Bangladesh's remittances return via formal banking channels.[54] The private Islami Bank reportedly has a quarter of the formal remittance market. BRAC Bank in January 2008 began to offer Probashi accounts to non-resident Bangladeshis who have a legal status abroad—these accounts are denominated in taka, and can be used to remit funds to Bangladesh (www.bracbank.com/probashi/product_details.php?product_id=337&child_id=371)

DFID's Remittances and Payments Challenge Fund made a grant of up to L295,480 ($483,000) to the Foreign Remittance Payments Project, a collaboration between the private National Credit and Commerce Bank (NCCBL) and NGO Thengamara Mohila Sabuj Sangha (TMSS) to expand the remittance delivery network in rural Bangladesh (http://psp.emergingmarketsgroup.com/reader_dfid.aspx?siteId=6f0c8505-3228-4e6d-961e-59dbaa7a6c4b&contentId=56b41ffe-08c4-40c0-9d14-38e8f25f4657). The project aims to provide recipients of remittances with PIN-protected remittance debit cards, providing them with an alternative to taking remittances in cash. The grant supports the installation of electronic point of sale technology and the issuance of debit cards in migrant villages of origin. TMSS receives transaction fees from NCCBL, giving it an incentive to find new customers for the debit cards.

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[54] A survey of migrants reported by Siddiqui and Abrar (2003, 4) found that 46 percent of remittances were sent through official sources (regulated financial institutions), 40 percent via hundi, five percent via friends and relatives, and eight percent was hand-carried home by migrants. In their sample, migrants sent remittances about four times a year, and the major investment use of remittances was to purchase land.

In July 2008, the Bangladesh Post Office, which has 10,000 branches, and Western Union launched a similar remittance transfer partnership, initially at 450 post office branches.

Return and Reintegration

Most Bangladeshi labor migrants go abroad to improve the lives of themselves and their families at home. After three or six years of foreign employment, most return with savings that exceed what they could have earned if they had remained in Bangladesh.

There appear to be no special programs for the return and reintegration of Bangladeshi migrants. Unlike the Philippines and Mexico, political leaders do not symbolically welcome a few migrants home, and there is little discussion of migrants being "national heroes" for their remittances. There appear to be no programs that match migrant savings that are invested, as in many Asian countries, and nothing like Mexico's 3x1 program, which matches each $1 in donations from migrants abroad with $3 of federal, state, and local development funds to improve the infrastructure in the migrant's village of origin by e.g. paving roads or developing water and sanitation facilities (Orozco and Lapointe, 2004).

Returned migrants, as well as other local residents with some collateral, can receive loans from banks and microfinance institutions to invest in activities that may sustain them and their families, including developing fish farms, buying a rickshaw to provide transportation, or buying sewing machines.

Pre-Departure Loans

Key informants report that the actual cost of migrating from Bangladesh was at least twice the official maximum charge of 84,000 taka ($1,220) in 2009,[55] including $500 to $700 for the 5-6 hour flight to most Gulf states and $300 to $400 for the 3-4 hour flight to Malaysia.[56] Most Bangladeshi migrants are paying the equivalent of a year's earnings on a three-year contract in recruitment and travel costs—the exceptions are skilled migrants going abroad via BOESL and migrants going to Korea, also via BOESL.

Seen another way, each Bangladeshi migrant generates $1,200 in recruitment "profits" in Bangladesh, and each 100,000 migrants generates $120 million (some estimates put recruitment profits at $800 per migrant or $80 million per 100,000

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[55]Women leaving to be domestic helpers in the Gulf states are to pay a maximum 10,000 taka ($145), and their employers are to provide air tickets.
[56] A discount carrier, Air Asia, operates on the Dhaka-KL route, but there are no discount carriers to the Gulf states.

migrants). Furthermore, most migrant-paid fees originate in rural Bangladesh and wind up in Dhaka or abroad, so that migration costs represent a transfer from poorer-than-average rural Bangladesh to urban areas in Bangladesh and abroad.

Recruitment is a major industry, generating revenues of almost $225 million in 2008 from the deployment of almost 900,000 migrants paying $2,500 each; by most estimates, up to half of these revenues are profits. However, the profitability of the Bangladeshi recruitment industry is hard to evaluate because most of the almost 800 recruiting firms are private operations that do not publish financial statements, and many migrant payments are made in villages to recruiting sub-agents, who are not licensed or registered and do not issue receipts. A few recruiters complained that, when foreign employers and recruiters “cheat” the migrants they send abroad, they have to refund migrant-paid fees so that they lose money. We did not obtain data on turnover among recruiters.

Tracing migrant payments made in villages is more difficult. Some Dhaka-based recruiters say they know nothing about the subagents' activities in the villages, which is a reason why a common recommendation to protect migrants is to require that receipts be issued for all payments associated with labor migration. However, other key informants said that migrants preferred to deal with local subagents they know rather than Dhaka-based recruiters they do not know.

Most migrants are among the rural poor, where low and irregular incomes require financial intermediation, such as borrowing and lending with family members (Collins et al, 2009). In surveys, most migrants reported borrowing funds to go abroad from family members, relatives, and friends, often at no or low interest, although in some cases family members sell or mortgage land so that one family member can migrate.

In a sample of 60 returned migrants, only a third reported borrowing money from local moneylenders, usually at 10 percent a month interest (Afsar, 2009, 28). Many of the returned migrants expressed dissatisfaction with pre-migration Bangladeshi services, including long waits to obtain passports[57] and travel to Dhaka for pre-departure medical checks that were expensive and sometimes postponed at the last minute, requiring multiple trips.

Recruitment Theory

Labor brokers or intermediaries exist to mediate well known information asymmetries in labor markets (Stigler, 1961, 1962). Employers know more about

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[57] Some migrants reported waiting two to four months for passports to be delivered.

the jobs they offer than about the workers who might fill the jobs, while workers know more about their abilities to perform the jobs than employers. A variety of theories try to explain how workers can "signal" their qualities to employers (Spence, 1973)[58] and how employers can devise wage systems that encourage workers to be productive even if their efforts are hard to monitor.[59]

Inside a country, employers can advertise for workers and interview and test applicants to select those who seem most appropriate, and almost all countries' labor laws allow employers to terminate newly hired workers who cannot perform as required. National borders complicate both selection and retention decisions. In many cases, both employers and migrants rely on intermediary-recruiters. Ideally, recruiters act as honest intermediaries between employers and migrants, knowing the job and the capacities of workers they screen to determine who is best able to fill the jobs in question. However, acquiring and transmitting information on jobs and worker qualities is far more complicated with there are differences in language, culture, and expectations.

Furthermore, there are often layers of recruiters, so that the recruiter dealing with the migrant may not know much about the requirements of the foreign job, and the recruiter dealing with the employer may not know much about the worker recruited to fill it. Recruiters in the country of employment should interact with employers to understand the preferred qualities of workers, and transmit this information to recruiters in the migrant-sending country. However, the absence of internationally recognized job descriptions and generally worker credentials means that flexible social networks[60] and private recruiters fill most jobs with migrants, not public employment exchanges.

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[58]An example of worker's signaling their abilities is certification. Even if a college degree provides no specific skills for a particular job, if high-ability workers have an easier time completing college than low-ability workers, they may do to signal their superior ability to employers.

[59] Efficiency wage theory explains that, when labor productivity depends on the wage rate and worker effort is hard to monitor, the wage paid can be greater than the equilibrium wage, causing unemployment. Workers do not shirk because, if they are fired, they could wind up with a lower non-efficiency wage. The efficiency wage rises as the unemployment rate falls because at lower unemployment rates it is easier for a worker who is fired to find another job that may also pay an efficiency wage (Yellen, 1984)

[60]For example, if a current worker is reliable, and the employer wants additional workers with similar characteristics, asking current workers to recruit friends and relatives is an optimal way to get additional workers. Currently employed workers tend to recruit only workers who are capable of doing the job, and they often take responsibility for orienting and training new arrivals, especially their friends and relatives.

Private recruiters operate along the spectrum that has public no-fee employment exchanges at one end and social networks at the other. The major assets of most recruiters are contracts to fill foreign jobs and knowledge of workers willing to migrate to fill them. Some recruiters are ex-migrants who understand what the foreign job entails, but may have little knowledge of the jobs or the abilities of the workers they recruit to fill them. As with labor contracting inside a country, recruiters can become specialized operations, with one part focused on lining up jobs to be filled and another recruiting workers to fill them.

Job-finding and worker-recruiting activities cost money, and the general trend is for recruitment costs to be shifted from employers to workers, and for recruitment costs to rise if the number of migrants rises faster than the number of foreign jobs. Under these circumstances, it is easy to understand why recruiting agents who are often paid according to the number of jobs or migrants they find would promise migrants more than they can deliver. In most cases, migrants who have incurred debts to go abroad wind up being forced to make the adjustments from the promises to the realities, not employers or recruiters.

Bank-NGO partnerships would not compete with recruiters to find foreign jobs, but they may compete with local agents who recruit migrants. The major advantage for migrants should be a credible NGO providing lower-cost pre-departure services, including more realistic information about the foreign job and a lower-cost way of obtaining it. Migrants also benefit from more reviews of their foreign work contracts, which should reduce disappointments.

Bank-NGO partnerships making pre-departure loans should generate win-win outcomes. NGOs should have more village-level credibility than subagents for recruiters, Banks, whose borrowing and lending experience should give them a superior ability to manage risk, have an interest in making sure that the migrants to whom they make loans have legitimate contracts offering net earnings sufficient to repay the loan. Both migrants and foreign employers should welcome a system that improves worker satisfaction and productivity.

Bangladesh Microfinance

Bangladesh is a leader in microfinance institutions (MFIs) that offer small loans and other financial services to poor borrowers, often rural women, to launch or expand income-generating activities and to smooth peaks and valleys in income and consumption. Begun in the early 1980s as microcredit, lending to the poor has evolved into a more sophisticated system of loans, savings and insurance, and related training and advice, and has spread far beyond Bangladesh.

A study of 42 poor Bangladeshi households found that 70 percent had dealt with microfinance institutions the previous year, including 70 percent who had both loans and savings transactions and 30 percent who had only savings (Collins et al, 2009, 53). MFIs typically charge annualized interest rates of 25 percent in areas where moneylenders often charge 100 percent or more.

MFIs have diversified. Some still focus on making small loans to poor people, drawing criticism for assuming that poverty can be cured with loans (Ahmad, 2003),[61] while others offer a variety of training and business services.[62] Bangladesh has an estimated 2,000 MFIs, but 90 percent are clients of the big four: Grameen Bank, BRAC, ASA, Proshika.[63]

The financial diaries examined by Collins et al (2009, 49) emphasize that even in Bangladesh, where there is a high density of MFIs, over 90 percent of all loans taken by poor households were informal. These informal loans are most often from family and neighbors, although employers or neighborhood stores also extend credit, often at no or minimal interest. In the case of family and neighbors, a reciprocal relationship is expected, with those making loans at one point in time being borrowers the next time. The loan amounts are often less than $5, records are rare, and repayment often begins or is completed in a week or two. Informal financial intermediation is generally more flexible than dealing with MFIs, but may not be as reliable, as when family and friends do not repay as scheduled.

The key features of MFIs in Bangladesh include making small loans to women organized in peer groups, so that the failure of one member to repay makes it hard or impossible for the other women in the group to receive loans. Most MFIs have a presence in the villages where they lend. By one estimate, 50,000 Bangladeshis are employees of MFIs, and these local representatives hold frequent meetings, often weekly, so that they know of events that affect their clients.

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[61] Admad (2003, 65) reported that most of the NGO field workers thought microcredit was over-emphasized, and that many of the micro-enterprises begun with small loans were doomed to fail. Many of the field workers complained that the major criterion for keeping their jobs was to ensure that loans were repaid, not necessarily promoting development.

[62]Indeed, Collins et al (2009, Chapter 2) explain that some poor families in Dhaka did not join MFIs because they required members to take out loans. A rickshaw driver who did not want to borrow for fear of having the rickshaw stolen instead wanted a place to save on days when earnings were high.

[63] PKSF (www.pksf-bd.org) is a quasi-governmental organization that provides funds for partners to lend to individuals in small amounts, including the big four: Grameen Bank, BRAC, ASA, Proshika.

Most studies suggest that microfinance helps poor Bangladeshis to smooth consumption and build assets, which is why half of the estimated $12 billion committed to the microfinance industry in 2008 came "at below-market rates from aid agencies, multilateral banks and other donors."[64] However, transactions costs are high, and most MFIs are subsidized by donors interested in increasing the access of poor Bangladeshis to credit markets (Khandker, 2003, 2),

Estimates are that 10 million to 14 million mostly poor Bangladeshi households have access to microfinance services, that 85 percent of the 20 million plus clients are women, and that the repayment rate is almost 100 percent. Evaluations suggest that those receiving loans that may be as little as $25 can increase their assets, smooth their consumption, and take risks that are otherwise unavailable, with positive spillover effects for women, families and villages. However, more recent random experiments that provide microfinance to some poor people and not to others cast doubt on the poverty-reduction impacts of small loans.[65]

Microfinance is generally considered a Bangladeshi success story. There are trade-offs between some of the many goals embraced by MFIs, from alleviating poverty to empowering women to ensuring repayment. Microfinance "works" in Bangladesh because of committed and honest organizations and a largely hands-off government policy, high population density and the availability of university graduates without other job options, which lowers transactions costs, and relative security from foreign donor funds.[66] The fact that MFIs have built up a presence in many areas with poor people makes them ideal partners for formal sector banks and insurance companies to deliver new financial products such as pre-departure loans.[67]

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[64] "Microcredit may not work wonders but it does help the entrepreneurial poor," The Economist, July 16, 2009

[65] "Microcredit may not work wonders but it does help the entrepreneurial poor," The Economist, July 16, 2009

[66] There are other models to provide financial intermediation services to poor people that may be adaptable for migration costs. India's Kishan Credit Card described by Collins et al (2009, 58-9) gives small farmers with little land a credit card with a $575 limit that must be paid off once a year. Interest accumulates on unpaid balances, but many farmers like the flexibility of obtaining small loans by incurring charges rather than requesting funds from friends and family (www.statebankofindia.com/viewsection.jsp?lang=0&id=0,8,66,150).

[67] Collins et al (2009, 73-75) recount the first-round failure of private life insurance policies, which flooded the market after the Bangladeshi government permitted "pro-poor" private life insurance in the early 1990s. The first policies had three key features, life insurance payment in the event of death, savings in the sense that there was a payout after 10 years, and the ability to borrow against the policy.

Proposed Pre-Departure Loan Pilots

Stakeholders from government, recruiters, banks and NGOs agreed that a pre-departure loan program could use Bangladeshi expertise in microfinance to reduce the pre-departure costs of migrants. The most promising way to test a pre-departure loan program in Bangladesh would be to invite proposals for a pilot project from several bank-NGO partnerships and the government recruiter, the Bangladesh Overseas Employment and Services (BOESL).

Most banks do not have branches or facilities in the villages from which most migrants originate, so banks do not know about potential migrants and migrants do not know the banks. Key informants suggested that there should be at least three entities testing low-cost pre-departure loans, viz, a partnership involving an NGO in an alliance with a quasi-government bank that has branches throughout the country, a partnership involving an NGO in an alliance with a private bank or a micro-finance institution, and the government recruitment agency BOESL.

Donors could test the feasibility of a low-cost pre-departure loan program by issuing an RFP inviting proposals to create revolving loan funds. The donor could provide 10 to 20 percent of a $10 million revolving loan fund over three years, which could support up to 5,000 loans of $2,000 each a year and a total 15,000 such loans over three years.

The purpose of the pilot programs is to test their feasibility, and evaluation criteria should be part of the RFP. There are at least three key evaluation criteria—marketing, disbursement, and incentives; loan amounts and collateral, and repayment.

- First, how would the NGO-bank partnership market loans to potential migrants? The goal is to ensure that migrants have access to low-cost loans early in the migration process, making NGOs with representatives in migrant villages crucial. NGO representatives in villages could educate potential migrants on conditional loans, meaning that the migrant will receive the loan if the NGO and bank approve the foreign work contract provided by the recruiter. Furthermore, to avoid having the migrant spend the loan for non-migration purposes, some or all of the loan amount could be paid directly to recruiters, government agencies, and/or airlines

Small weekly or monthly payments made the policies affordable, and many poor people took them. However, the insurance firms did not provide reliable service, a key requirement of poor people who have the alternative of informal insurance services. Some families lost money—up to $100. The "pro-poor" private life insurance policies were re-launched after 2000 in partnership with NGOs to increase reliability.

to cover migration expenses. Finally, to provide an incentive for NGOs, banks could pay them loan-origination fees when loan payments are made.

- Second, what is the optimal amount to loan and against what collateral? The government-set maximum charge for foreign jobs in 2009 is 84,000 taka or $1,200, although all key informants agreed that most migrants pay twice this amount, about $2,500. NGO-bank partnerships should have flexibility in deciding how much to loan for pre-departure costs so that it can be determined whether a standard loan amount, say 80 percent of the total cost, or variable amounts should be offered. Partnerships are also likely to vary in the security or collateral required for loans, with some using the microfinance model of peer groups and personal credibility and others wanting land or houses and co-signers. Instead of prescribing loan amounts and collateral, it may be best to allow partnerships to experiment to determine what works best.

- Third, how is repayment assured? In contrast to microfinance loans, pre-departure loan programs do not have a good record on repayment for many reasons. The loans most likely to be repaid are those that require employers to deposit migrant earnings directly in the bank making the loan, which deducts interest and repayment before allocating the balance as the migrant instructs.[68] In cases where such direct-deposit earnings agreements are not possible, partnerships could develop incentives that encourage migrants to deposit their earnings with the bank, perhaps by offering lower-cost ways to remit funds to their families. Partnerships may be in the best position to deal with migrant collateral in cases when the migrant is fired or changes employers abroad, in which case there may be no regular earnings to deposit.

The purpose of pre-departure loan programs is to reduce costs for migrants and increase employer and migrant satisfaction abroad. The partnerships will generate data on the number of loans made, the cost, and repayment rates, as well as challenges and opportunities. Other data should be collected from migrants on the availability and cost of alternative loans, the usefulness of a second review of their contracts, the satisfaction of migrants and employers abroad, and the views of governments in both migrant-sending and –receiving countries.

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[68]Such direct-deposit earnings agreements could be combined with ATM cards for both the migrant abroad and family members at home to minimize the cost of accessing earnings and remittances.

Pre-Departure Loans: Other Countries

Governments in several migrant-sending countries have recognized the problems of migrants assuming large pre-departure loans and have developed programs to reduce such costs. These governments would like bilateral agreements that require receiving-country employers to pay recruitment and pre-departure costs. Failing that, they aim to regulate local recruiters, including the fees they charge migrants, such as the well-known Filipino campaign to limit recruitment fees to one month's foreign earnings, or 4.2 percent of the earnings under a typical 24-month contract.

Philippines

The Overseas Workers Welfare Administration (www.owwa.gov.ph) is a self-funded agency within the Department of Labor and Employment that collects $25 from departing migrant workers and Filipino migrants already abroad to provide core and secondary services to them. The cost is $25 per foreign contract, not per year; the OWWA receives an estimated $75,000 a day from the 3,000 departing migrants.

The OWWA, created by Section 21 of the Migrant Workers and Overseas Filipinos Act of 1995 (RA 8042), had $172 million in assets in 2005 and over a million members in 2007 (Ruiz and Aguinas, 2008, 4); its assets were P10.2 billion ($216 million) in 2008, including P8.2 billion in investments. [69] The OWWA typically collects more money than it spends; 55 percent of OWWA spending between 2002 and 2006 was for administrative and operational costs.

The core services of the OWWA include repatriation, insurance, and assistance in settling the work-related disputes of migrants abroad. Filipino migrants who become ill or die abroad are repatriated by OWWA, which keeps a reserve of $10 million to handle the return of a large number of migrants if war or natural disaster eliminates their foreign jobs. The families of OWWA members receive $2,000 if a migrant member has a natural death abroad and $4,000 for accidental death abroad. Upon payment of an additional $18 a year, migrant families in the Philippines can receive OWWA-funded health insurance. The third core OWWA service is assistance abroad, including legal assistance for migrants.

Pre-departure loans are one of the three secondary services offered by OWWA, which also include pre-departure orientation to the country to which migrants are going and scholarships for children of OWWA migrants who attend college. The pre-departure loan program, established in the Philippines Labor Code (Article 39, Section 32), requires the creation of a Migrant Worker Loan

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[69] Cher Jimenez, "OWWA stops pre-departure loans for workers," Business Mirror, May 5, 2008

Guarantee Fund that offers migrants "financial assistance to pay or satisfy their pre-departure costs." Once abroad, their families in the Philippines can obtain emergency financial help in the form of Family Assistance Loans (Ungos, 2007, p198).

Migrants who have contracts and visas for foreign jobs apply for OWWA pre-departure loans, which are made by the Land Development Bank after the OWWA approves the migrant's application.[70] However, in May 2008, the OWWA stopped making new pre-departure loans because of a P70 million loss, which DOLE Secretary and OWWA administrator Marianito Roque blamed on the failure of borrowers to repay their loans. Some P100 million ($2.1 million) was allocated for pre-departure loans, but Roque said: "We've released P70 million and only 30 percent have [re]paid, so how can we survive?"[71]

Sri Lanka

The Sri Lanka Bureau of Foreign Employment (SLBFE) has since 2002 offered pre-departure loans to prospective migrants. Some 1,500 pre-departure loans totaling $553,000 were made by state banks in 2002, making the average pre-departure loan $360 (del Rosario, 2008, 21). Pre-departure Ransaviya loans of up to 50,000 rupees ($465) are available to cover pre-departure costs, including the cost of SLBFE registration fees, plane tickets, and other expenses associated with foreign employment.

To obtain a pre-departure loan from SLBFE, Sri Lankans aged 18-50 with a foreign job offer certified by SLBFE open an account at a state bank by showing their passports and depositing at least $50 (Maimbo, 2005, p29). The SLBFE subsidizes these loans, usually absorbing 7 to 8 percent of the 14 to 16 percent interest cost. Perhaps because SLBFE certification represents the final stages in the process of going abroad to work, and because loan amounts are relatively small, Del Rosario (2008, 19) reported that the number of loans made was less than 100, although the time period was not specified.

Several private banks offer pre-departure loans to migrants. For example, Bank of Ceylon (www.boc.lk/bochome/personal/predep.jsp#kor) offers up to Rs75,000 ($650) to Sri Lankans who have foreign employment offers approved by

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[70]A Filipina who was laid off after eight months of a two-year contract in Taiwan reported that she had taken a P40,000 ($830) pre-departure loan and was expected to repay P50,000 ($1,040) over one year. She repaid the pre-departure loan and received a P50,000 business start-up loan from OWWA (http://globalnation.inquirer.net/features/features/view/20090427-201654/Their-own-boss-with-P50000-OWWA-loans).

[71] Quoted in Cher Jimenez, "OWWA stops pre-departure loans for workers," Business Mirror, May 5, 2008

the SLBFE and passports and visas in hand, up to RS 200,000 ($1,735) for those going to South Korea, and up to RS 50,000 ($435) for those migrating to other countries to work. For South Korea and other countries, two SL guarantors and a special guarantee from the Sri Lanka Export Credit Insurance Corporation (www.slecic.lk/Tools/Forms/Gty/Form_101A.pdf) are also required. National Savings Bank and People's Bank provide similar pre-departure loans.[72]

Sri Lanka has had mixed experiences with pre-departure loans. In many cases, migrants did not repay the loans unless the migrant's contract required the foreign employer to deposit migrant earnings in a SL bank affiliate abroad that deducted the cost of the loan before directing the remaining earnings as the migrant instructs.

Israel is a special case that illustrates the dilemma of high pre-departure costs and host-country labor laws that limit efforts to assure repayment. SL caregivers going to Israel often seek pre-departure loans to cover the $3,000 commissions charged by Israeli agents, plus $500 for airfare and $1,500 in other pre-departure costs. Some of the caregivers who departed for Israel via the quasi-governmental Sri Lanka Foreign Employment Agency (SLFEA) obtain pre-departure loans from Sri Lankan state banks, but most did not repay them. Israel requires workers to receive checks that reflect their earnings, and does not allow employers to make deductions to repay pre-departure loans. SLFEA staff traveled to Israel to urge caregivers to repay their loans, but only half of the SL migrants who got pre-departure loans from state banks repaid them.[73]

The Korea-Sri Lankan MOU allows migrant workers to sign contracts that require remittances to be returned to Sri Lanka via state banks and specifies that the banks can deduct the interest and principal on pre-departure loans before directing the balance as the migrant specifies. The SLFEA sent trainees to Korea until the Employment Permit System came into effect in 2004 (www.eps.go.kr/wem/eh/inf/eh9901010b01.jsp); the SLBFE handles the recruitment of workers headed to Korea under the EPS. Under the Korean EPS, migrants are treated like Korean workers, entitled to the minimum wage of 840,000 won ($570) a month in 2009, with many expecting to earn a million won a month with overtime. EPS migrants are also covered by pension, health, employment and workers compensation programs while employed in Korea.[74]

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[72]Self-employment and housing loans are also available (www.gic.gov.lk/functiondetail_display.php?did=d17&fid=F180&sid=S96)

[73]Interview at the SLBFE, July 2008.

[74]The Korean government has signed agreements with 14 to regulate migrant worker selection and employment under the EPS, including the Philippines, Thailand, Vietnam, Sri Lanka, Mongolia, China and Indonesia. In migrant-sending countries, government

Conclusions

Bangladesh is an optimal laboratory to test the promise of low-cost pre-departure loans, as proposed by the government during GFMD meetings in Brussels (2007) and Manila (2008). Bangladesh has high pre-departure costs, an active microfinance industry, and examples of successful bank-NGO partnerships related to assisting migrants. A low-cost pre-departure loan program would fulfill an aim of the GFMD to find and encourage best practices to protect and integrate migrants while employed abroad and to help re-integrate them upon return, thus encouraging the circulation of workers between migrant-sending and –receiving countries that can accelerate the development of both.

Lower pre-departure debts promote virtuous circles between migration and development by lowering pre-departure debt for migrants, providing an extra check aimed at protecting migrants abroad, and giving foreign employers more satisfied and productive employees. Less pre-departure debt can reduce vicious circle links between migration and development, as when migrants with high debts change employers or otherwise become irregular, generating complaints from employers and enforcement issues for governments.

This report laid out the major trends in Bangladeshi labor migration, the structure of the recruitment industry, and the reasons why key informants believe a pre-departure loan program is needed and sustainable. It recommends that donors, including the major destinations for Bangladeshi migrants and Bangladeshi development partners, invite proposals for bank-NGO partnerships. These partnerships would receive subsidies to propose ways to market, make, and collect repayment of low-cost pre-departure loans.

The goal is to lower migrant costs, increase migrant protections, and facilitate the re-integration of returning migrants. However, it should be acknowledged that there are systemic problems in the Bangladeshi labor recruitment system, but there is also consensus that low-cost pre-departure loans offer incremental improvements for migrants and migrant-sending and –receiving countries.

Migration is a journey of hope and fear. The young men who predominate among Bangladeshi migrants know something of the difficulties and dangers they face abroad but, like young men everywhere, most are focused on the higher wages they expect abroad, not well-publicized abuses and disappointments. The fact that more migrants want to go abroad than there are jobs, despite well-publicized migration failures, as when migrants return without savings or were abused abroad, testifies to the sense that many Bangladeshis see

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agencies usually select, train, and deploy migrants, who must learn some Korean (at their own expense) before arriving in Korea.

few options for decent work at home. The best protection for migrants, in Bangladesh as elsewhere, is the power to say no to low wages and abusive employers, a power that normally arises when workers have the option of choosing decent work.

The goal of migration systems is to maximize success and minimize failure. Bangladesh may have a high rate of "failure" among migrants. Afsar (2009, 44) concluded that 20 percent of the migrants in her sample had "negative" migration experiences, meaning they did not earn enough to cover pre-departure costs and their remittances were small. But 60 percent of migrants had positive experiences, earning enough to repay pre-departure costs within a year of being abroad, to send home remittances, and to achieve savings that improved lives at home.[75]

The fact that a majority of migrants are successful, and that those seeking foreign jobs have few domestic decent-work options, suggests that labor migration from Bangladesh is likely to continue. Lowering pre-departure costs with loans from bank-NGO partnerships will not solve all the problems of Bangladeshi migrants, but is an important first step to achieve more of the win-win-win outcomes sought in the emerging links between migration and development.

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[75]In Afsar's sample, migrants to Gulf states remitted an average 56 percent of their earnings. Most were able to repay their pre-departure costs within a year of being abroad, but a third failed to repay their pre-departure costs even after being abroad an average over six years. Among those not repaying loans, several mentioned between cheated by recruiters, subagents, or social networks.

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Appendix 1. Best Practice Migration Management Recommendations

The purpose of this project is to find private sector-based mechanisms to reduce pre-departure costs for low-skilled Bangladeshi migrants. The major vehicle recommended to achieve this goal are bank-NGO partnerships that receive a donor subsidy to create sustainable revolving loan funds that lend migrants the funds necessary for passports and fees, recruiting costs, and travel at a lower cost than is currently available to migrants. Rather than specifying exactly how such partnerships should operate, we recommend inviting proposals from them and evaluating them on the basis of their ability to provide loans to migrants early in the migration process, their capacity to evaluate risk and collateral, and their repayment record.

The purpose of this report was deal with one aspect of the Bangladeshi labor migration system, loans for pre-departure costs. However, almost all of those interviewed cited a wide range of problems in the Bangladeshi labor migration system, from recruitment to return and reintegration. This appendix outlines several best-practice recommendations to deal with some of the issues raised. Some can be implemented in the short term, some in the medium term, and some are long-term activities.

Table A1. Best-Practice Recommendations

Item	Action
Short-Term	
Lack of copies	Provide NGOs with represen
Second ID and info card with key contacts and rights in destination country	During mandatory pre-depar
Encourage low-cost air carriers serve Dhaka	Develop studies and possible
Use returned migrants to help provide pre-departure orientation; videos of life abroad	Returned migrants may be be
Medium-Term	
Brand Bangladesh	Develop and publicize a "Bra
Improve spoken English and other language skills	Most higher-paying foreign jo
Training to global standards	Ensure that global standards
Upskill domestic helpers to caregivers	Provide additional training fo
Long-Term	
Stepping-stone migration	Retain contact with Banglade
Job fairs in for foreign employers	Invite foreign employers to ir
Incentives for recruiter self-regulation	Develop ABC rating system, a
Better understand remittance corridors and costs	Remittances may become the

Short-Term Activities

Most low-skilled Bangladeshi migrants have little education; most migrants are men with less than five years schooling. The villages from which most migrants originate have few low-cost ways of making copies; visiting returned migrants often has migrants unfolding carefully wrapped documents that perhaps partially reinforce the point they are making about their experience.

There are NGOs in many of the villages from which migrants originate, and providing them with copiers, and encouraging migrants to visit NGOs to make copies of migration-related documents at low cost would (1) give the migrants the documents they need to more credibly deal with disputes that may arise and (2) provide an entre for NGOs to help migrants by reviewing their documents, including informing them about the availability of low-cost pre-departure loans.

Migrants go abroad with passports and visas; some foreign employers retain worker passports for "safekeeping" or to prevent migrants from "running away." For this reason, migrants are effectively "undocumented" when they are on the streets in the destination country, since most authorities do not accept copies of passports and visas.

A second government-issued and secure ID card, such as the Mexican matricula consular card, could help migrants whose employers retained their passports. The Bangladeshi government could negotiate with banks financial institutions in destination countries to accept the card to open accounts and remit funds, and with authorities in destination countries to accept the card as valid identification. Note that the card does not provide proof that the foreigner is entitled to work in the destination, thus not serving as a substitute for a work-and-residence visa in a worker's passport, but does provide identification for non-migration related encounters.

Many key informants emphasized that it was far more costly to travel from Dhaka to Gulf countries than from Dhaka to Malaysia; most attributed the lower Malaysian travel costs to the presence of discounter Air Asia on the Dhaka-Malaysia route. The Bangladeshi government may want to conduct studies to encourage low-cost carriers to serve routes that carry migrants to Gulf countries, and perhaps subsidize their entry on such routes, much as many US and European cities subsidize the start up of low-cost carriers to lower travel costs for residents.

Migrants are to attend a BMET-run pre-departure orientation for the country to which they are being deployed and receive a certificate of attendance. During these orientations, it may be very useful to use at least a few returned migrants, who understand the perspective of the migrant, to explain how to navigate airports and what they can expect abroad. It may be very useful to make videos of travel and entry formalities, as well as accommodation and work abroad, and both show these at pre-departure orientation and make them available to NGOs in villages so that those considering migration can more realistically consider what they will face abroad.

It may be very useful to have labor attaches also make short videos of Bangladeshi migrants at work abroad, to show safe houses and explain how migrants access them, and to show how a complaint against a foreign employer and Bangladeshi recruiter is processed.

Medium-Term Activities

Bangladeshi migrants are often associated with low-skill jobs such as cleaner or laborer. Many Bangladeshi migrants are skilled, but their contributions in foreign countries are often obscured by publicity about cleaners and laborers driven to protest by nonpayment of wages. The Bangladeshi government could help to develop a more positive Brand Bangladesh image of its migrants by highlighting the contributions of skilled migrants, aiming to have Bangladeshi migrants associated with e.g. construction crafts or another occupation in the same way that, even though most Filipino migrants are also low-skilled, there is a mental association of migration and Filipino seamen and nurses.

Most Bangladeshi migrants speak only Bengali, which limits their ability to communicate abroad. This can lead to mis-communication with foreign employers and limit the ability of migrants to hold higher-paying service jobs abroad.

Making English and other language instruction widely available, including inviting native-language young people to be volunteer teachers, to supplement instructor salaries in public and private training institutes, and encouraging donors to provide portable technologies such is IPods that migrants could borrow to learn some of the job-related terms they are likely to encounter abroad could make migrants more productive abroad, enabling them to earn higher wages and reducing mis-communication that can lead to disputes and abuse.

Bangladesh has a wide variety of public and private training institutions. Their quality is variable, suggesting the need to ensure that scarce resources train the tens of thousands who participate each year to improve their skills that the skills being taught satisfy global standards. Singapore helps to finance training at several BMET-run training centers, and almost all graduates of these centers are offered jobs in Singapore, a model that could be extended to employers in other countries.

In Bangladesh, as in many other countries, many youth who pass university exams are not admitted because there are too few slots. These youth, who have demonstrated capacity for learning, could be urged to train in centers that prepare them to fill service jobs abroad, as in health care or hospitality. Many shun construction or manual labor jobs, but some might be persuaded to become skilled construction workers when they learn of the high wages available abroad. More skilled Bangladeshi construction workers could have positive externalities, as foreign employers began look to Bangladesh for skilled workers.

Fewer than five percent of Bangladeshi migrants are women, but more women are considering migration for employment. Many female Bangladeshi migrants are domestic helpers, and most earn very low wages abroad. One reason for these low wages is that the migrants come from villages that lack the appliances migrants are expected to use abroad and the women typically cannot communicate in English or the native language of the household in which are employed, limiting their ability to deal with emergencies.

If the language and other skills of female Bangladeshi migrants could be improved, it would be easier for them to earn higher wages. One way to begin an upskilling program would be to start with women going for a second-stint abroad, offering them caregiver and language skills so that they can do more abroad and expect higher foreign wages.

Longer-Term Activities

Many Bangladeshis complete several three-year work contracts abroad, and some move from their first country of foreign employment to a higher wage country, as from the Gulf to Europe. Other Bangladeshi migrants could benefit from such stepping-stone migration.

The BMET may want to adapt its database to track migrants who do not return to Bangladesh. By keeping in touch with these often successful migrants, inviting them to embassy functions etc, these migrants may be able to help other Bangladeshis secure jobs in higher-wage destinations.

Most Bangladeshis leave with the help of recruiters who secure job offers from foreign employers. If foreign employers could be persuaded to come to Bangladesh to interview workers, migrants may enjoy lower pre-departure costs and there would likely be better worker-job fits abroad, reducing dis-satisfaction and abuse.

Inviting foreign employers to visit Bangladesh and interview potential migrants, perhaps beginning with the best public and private training institutions, could lower migrant recruitment costs and raise the profile of Bangladeshi migrants abroad. If some graduates were hired, the result could be a competition between public and private training institutions to achieve the highest share of graduates offered jobs by foreign employers—graduates would not have to accept them, but the foreign employer job offer could serve as a validation for the quality of the training.

There is widespread agreement that the largely Dhaka-based recruitment system is much closer to the Bangladeshi government than to migrants or foreign employers. Recruiters often see themselves as victims of dishonest foreign employers and recruiters and of a Bangladeshi government that taxes their activities despite the contribution of remittances to poverty reduction and GDP.

It is hard for government agencies such as BMET to regulate recruiters. However, instead of seeking compliance with regulations via the stick of fines or suspension of licenses for violations, it may be useful to experiment with incentives for self regulation, as in the Philippines, where outstanding recruiters receive recognition and rewards in the form of simplified clearance processes for the migrants they deploy.

An ABC rating system that rewarded the best recruiters with an A-rating and allowed them to self-certify foreign worker contracts, avoiding potential delays at BMET and offered them the opportunity to accompany government officials on trips to visit Bangladeshi migrants abroad and market recruitment services may help to induce compliance with regulations. B-rated recruiters would be treated as all recruiters are treated now, and C-rated recruiters would be on notice that their licenses may be suspended.

The ABC system could be used to rate employers who do not have worker complaints filed against them as well as recruiters who achieve other goals, including sending more skilled workers to higher-wage destinations, which can increase the share of Bangladeshi migrants who are skilled, improve migrant protections since more-skilled migrants are better able to protect themselves, and generate more remittances from higher wage migrants.

Remittances could soon surpass garment exports as the number one source of foreign exchange for Bangladesh. There is relatively little information on the cost of remitting funds via formal and informal means from various countries that

host migrants—it appears that only about half of the remittances to Bangladesh arrive via formal channels. The Bangladesh Bank could be encouraged to study remittance corridors, including costs and ways to reduce them.
For example, the Philippines allows approved banks to sign up migrants completing the pre-departure clearance process. The banks offer migrants a photo ID at no charge that also serves as a low-cost way to withdraw funds from ATM machines abroad if they elect to open an account.

Appendix 2. Draft RFP for Bank-NGO Partnership

The Bangladeshi government proposed at the Global Forum for Migration and Development a market-based approached to reducing pre-departure costs for migrants. Many Bangladeshi migrants incur costs of $1,500 to $2,500 to obtain three-year contracts to work in Gulf countries or Malaysia. Many borrow some of this amount from village-based moneylenders at high interest rates.

This RFP solicits expressions of interest from partnerships of banks willing to make pre-departure loans to migrants combined with NGOs that have a presence in migrant areas of origin. Up to $1 million a year will be available to each partnership for up to three years, a total of $3 million for each of three partnerships, to create revolving loan funds that make $10 million a year available to migrants.

We are seeking proposals from two types of partnerships: (1) a (quasi) government bank linked with an NGO which has a presence in the villages from which migrants originate and (2) a private bank or microfinance institution linked to an NGO which has a presence in the villages from which migrants originate.

The criteria for evaluating responses to this RFP include:

1. How the partnership would market loans to potential migrants early in the migration process so that lower loan costs benefit migrants
2. The mechanics of loans, such as their maximum amount and security or collateral required
3. Repayment mechanisms, including direct deposit of a migrant worker's earnings with the bank's foreign branch or affiliate and ways of dealing with workers whose contracts are broken by layoff, changing employer etc.

Appendix 3. Filipino Pre-Departure Loan Form

www.owwa.gov.ph/filemanager/download/18

OWWA-Development Bank of the Philippines
CREDIT PROGRAM FOR OVERSEAS FILIPINO WORKERS (OFWs)

Region: ____
PRE-DEPARTURE LOAN (PDL)
Control No. ________
Name of OFW: ______________________________
Category: ____________________
Name of Applicant: ___________________________
Relationship to OFW: __________
Name of Co-Borrower: ________________________
Relationship to OFW: __________
Date of Departure: ___________________________
Salary: ______________________
Duly accomplished Application Form
Visa
Proof of OWWA Contribution
Contract of Employment
Passport/Seaman Book
Others: ______________________
Above documents received and original seen by:
OWWA Account Officer: _______________________
Date: ____________
Received by: ________________________________
Date: _____________
Recommended Loan Amount: __________________
Recommended Loan Amount: __________________
Recommended Terms of Payment: ______________
No. of Grace Period: _________________________
Recommending Approval:
CPU Head: _________________________________
Date: ______________
Received by: ________________________________
Date: ______________
Endorsement to ALPHA INSURANCE & SURETY CO., INC.
Recommending Approval by OVERSEAS WORKERS WELFARE ADMINISTRATION
DOCUMENTARY REQUIREMENTS
Endorsement to DEVELOPMENT BANK OF THE PHILIPPINES
REMARKS

Appendix 4. Micro Finance and Migration Loans: A Cautionary Tale

Anthropologist David Stoll (2009) reported that micro-finance allowed a lending-for-unauthorized-migration-to-the US system to develop in Nebaj, an isolated municipality of about 50,000 in the state of Quiche in western highlands of

Guatemala. Most of the limited Spanish-speaking residents in this mountainous region live in villages. The women are known for intricate weaving of huipiles (a one-piece pullover), many in red and white.

Guatemala has about 13 million residents; a million Guatemalans have emigrated, mostly to the US. Guatemala's minimum wage is Q52 or $6.75 a day or Q1560 or $202 a month in 2009 (www.investinguatemala.org).

During the 1980s, the Guatemalan army destroyed villages and killed residents believed to be sympathetic to Marxist guerrillas. After the fighting stopped, indigenous Ixils and their K'iche' neighbors who had received refugee aid in the 1980s were ready for development assistance provided by donors in the 1990s. A typical greeting for foreigners became--Que proyecto trae, or what project do you bring?

One of the major innovations brought by donors was micro finance, and programs eager to lend small sums proliferated. However, there was too little good farm land to grow crops for export, and residents soon modified a traditional strategy to increase earnings—migrate within Guatemala to pick coffee or cut sugar cane—to migration to the US. Many of the Guatemalans who fled to the US in the 1980s eventually got legal immigrant status, and remittances to Guatemala topped $4 billion in 2008. However, the Ixils did not begin migrating until the 1990s, and most of those from Nebaj are concentrated in Homestead, FL, Centerville, VA, and Dover, OH.

Migrants from Nebaj who arrived in the US before the 9/11/01 terrorist attacks have generally done well. However, those who arrived after 2006, often owing up to $5,000 to be smuggled into the US, have had a much tougher time finding the higher wage US jobs they seek. Stoll notes that migrants with successful US relatives to pay smugglers, and those who do not have to borrow in Nejal to pay smugglers, are best off. Those who must borrow from banks or moneylenders to migrate, and arrive only to be deported or unable to find a US job, can return to Guatemala in debt.

Stoll found that some Nejal women, the major borrowers from microfinance institutions, borrowed at two percent a month and lent to aspiring migrants at 10 percent a month, profiting from the interest rate spread. One enterprising woman with was able to persuade women from various villages to form solidarity groups, borrow up to $14,000, and turn the borrowed money over to her in exchange for a gift; she promised to repay with remittances from her husband and son in the US. In 2007-08, this woman may have been able to borrow at least $125,000. Several other women followed suit.

When the women who got the money did not repay, the solidarity group's debts rose. A debtors' committee accused banks of failing to verify their ability to repay when making loans—76 Nejal households in October 2008 reported loans to an average three banks. Banks were reluctant to forgive the loans, fearing that if they did all borrowers would stop paying.

Stoll's lesson is that Nejal residents with very little education took advantage of easy money, but not to develop viable local businesses. Instead, as with poor people everywhere, most of their experience with borrowing was for health emergencies or other expenses. Showering micro-credit on Nejal for local business development was likely doomed to failure. Many borrowers may have been able to repay if latecomers to the US migration stream were economically successful and repaid their loans, but in fact micro-credit and remittances led to a mini-bubble economy in Nejal that drove up the price of land and housing, making it even harder to start viable businesses.

In the case of Nejal, what began as displacement in war, and was converted to migration in a search for higher-wage opportunity, eventually turned into a debt spiral as easy access to credit fueled the migration of residents who failed to find high-wage US jobs. Many families took on far too much debt because loans were readily available; if these debts are not forgiven, even more Nejal residents may believe they must migrate to the US, so that Stoll concludes that what began as wage-driven opportunity migration may become debt-driven repayment migration.