

**Background Paper<sup>1</sup>**  
(Original Version: English)

**Roundtable 1: *Human mobility and the well-being of migrants***

**Roundtable Session 1.2:**

***Reducing the human and financial costs of international migration, particularly labour migration: Cooperative approaches to fair recruitment practices and lower remittance fees***

**Expected outcome**

*The expected outcome for this roundtable could be:*

- 1. A list of promising practices and approaches in reducing the costs of remittance transfers and recruitment; and*
- 2. A discussion of how international organizations can assist governments in building their capacity to address these issues, with an emphasis on setting measurable targets that can be revisited in future meetings.*

**Background and context**

This document has been prepared in contribution to the 2015 Global Forum on Migration and Development, Roundtable (RT) 1.2 on “Reducing the human and financial costs of international migration, particularly labour migration: Cooperative approaches to fair recruitment practices and lower remittance fees”. In the context of the Third Financing for Development Conference, the Addis Ababa Action Agenda (AAAA)<sup>i</sup> recognizes the positive contributions of migrants and commits to lower the costs of recruitment of migrants, and combat unscrupulous labour recruiters, in accordance with national circumstances and legislation, as well as to work towards reducing the average transaction cost of migrant remittances by 2030. “Transforming Our World: the 2030 Agenda for Sustainable Development” also recognizes the positive contributions of migrants for inclusive growth and sustainable development. The main drivers of growth in remittances flows are: growth of international labour migration, expansion of migrants’ incomes and improving conditions for remittance transactions through official channels, including competition of new companies and access to new technologies.

The “costs of international migration” are varied in nature and can be economic or social; many are measurable and defined. However, there is no database or comparable migration costs matrix where countries can have access to that information. They are borne overwhelmingly by migrants themselves, during the migration process and in the country of destination, and by the families and communities they leave behind. The social costs of migration can result from situations of labour exploitation and forced labour, discrimination, abuse and lack of access to basic social rights. The direct consequences of high social and economic costs are the reduction of the positive outcomes of migration and an increased vulnerability for both migrants and their families, who may find themselves in precarious situations. This is true both at the individual level and for societies, as ultimately these costs can negatively impact the relationship between migration and development. In addition, the high economic and social costs incurred by migrants are increasingly recognized as serious impediments to realizing sustainable development outcomes from international migration.

Conversely, a more balanced approach facilitating international migration, improving the cultural dialogue between the continents, reducing recruitment costs, combating unscrupulous labour recruiters, simplifying the legal

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<sup>1</sup> This paper was prepared by the **IOM Labour Mobility and Human Development Division**, with inputs from the **RT 1.2 co-chairs Russian Federation and United Arab Emirates** and **RT Government Team members Angola, Bangladesh, Belgium, Cyprus, Egypt, France, India, Mauritius, Moldova, Netherlands, Pakistan, Philippines, Sweden, Switzerland** and **Non-state partners IFAD, ILO, IOM, KNOMAD, OECD, UPU, and World Bank**. The paper is intended to inform and stimulate discussion of Roundtable session 1.2 during the Turkish GFMD Summit meeting in October 2015. It is not exhaustive in its treatment of the session 1.2 theme and does not necessarily reflect the views of the GFMD organizers or the governments or international organizations involved in the GFMD process.

instruments of labour migration and cooperation on migration between States, are tremendously important to help reduce the human and financial costs of international migration.

In his eight-point agenda for action,<sup>ii</sup> the United Nations Secretary-General recognized the enormous gains to be made by lowering migration-related costs, highlighting both the transfer costs of remittances and fees paid to labour recruiters as part of the recruitment process, as well as the lack of mutual recognition of diplomas, qualifications, and skills, and non-portability of social security and other acquired rights. This was recently reaffirmed in the *Addis Ababa Action Agenda* of the Third International Conference on Financing for Development.

This background paper considers these first two types of costs, which are both economic and social in nature, and the negative outcomes they have for migrants, their families and societies, governments and the private sector. It considers in particular how lowering remittance transfer and recruitment costs can help enhance the benefits of migration for all stakeholders and makes some suggestions to that end. If recruitment costs averaged USD 5,000 and they were reduced to USD 1,000 per migrant worker, the cost savings would be USD 4 billion for every 1 million workers.<sup>iii</sup> If half of the estimated 10 million benefitted from these cost reductions, the saving would total USD 20 billion per year. It is entirely plausible, therefore, that the savings generated by reducing recruitment costs for low-skilled migrant workers could match the amount saved by reducing remittance costs.<sup>iv</sup> More could be saved if pre-departure loans and corresponding interest rates<sup>v</sup> - sometimes ranging between 24 and 36 per cent a year – are considered.<sup>vi</sup>

## **Remittance transfer costs**

Remittances are private funds that represent a share of migrants' earnings transferred nationally or internationally to their families, friends and communities, inter alia on a regular basis. Remittances may be spent on essential services such as health, education and housing, or put towards savings.<sup>vii</sup> Remittances can act as a form of social insurance helping recipient households to cope with unforeseen and/or high-level expenses, sustaining relatives abroad. Although most remittance transfers consist of relatively small amounts sent periodically,<sup>viii</sup> they increase disposable income and help build assets under different forms, ranging from in-kind savings, monetary savings (either in cash or stored in a formal account), and possibly investment in small businesses.

According to the World Bank, the global average cost of transferring remittances is 7.68 per cent.<sup>ix</sup> Transfer costs can vary considerably, however, especially between African countries, where they can be as high as 20 per cent<sup>x</sup>. Overall, global costs have decreased since 2009, when the Group of Eight endorsed the objective of reducing the average cost from 10 to 5 per cent in five years (the 5x5 Objective). According to the World Bank, such a decrease would result in an extra USD 16 billion for recipient households globally every year. Although some progress has been made, the objective has not been fully reached, demonstrating the continuing need for governments, financial institutions and migrant associations to coordinate policy efforts in order to reduce remittance transfer costs<sup>xi</sup>. Target 10.c in the Sustainable Development Goals specifically references transfer costs: "By 2030 reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent". However, several companies are offering remittance products at 3 percent or lower in corridors with a multitude of money transfer operators (for example, the UAE to India corridor).

Some migrants use informal channels – such as personal contacts, family and community members – to send money, rather than banks or authorized money transfer operators. Their reasons for doing so vary and include convenience, the trust vested in social networks, or simply the fact that formal channels may not be accessible in remote areas, they are very expensive or there are no transfer providers since several banks have closed the bank accounts of remittance companies. In addition, informal channels may be the only option available to irregular migrants, who find it difficult to open bank accounts or provide a proof of identity. Informal channels are not without risk, however, and leave the senders with little or no protection if the go-between fails to carry out the transaction.<sup>xii</sup> States prefer formal channels because the money circulating through them is recorded and can therefore be taken into account in economic planning<sup>xiii</sup> and when assessing State credit-worthiness they can use remittances in their debt sustainability analysis or for credit ratings. For these and other reasons, governments can do more to facilitate the remittance transfer process and thereby mobilize development through increasing competition and promoting interoperability of mobile companies and financial inclusion.

## **Reasons for high costs**

Transfer costs are high for a variety of reasons, primarily related to: (i) the international regulatory framework; (ii) the lack of competition between money transfer operators; and (iii) the lack of transparency about costs.

As the AAAA states, “We will support national authorities to address the most significant obstacles to the continued flow of remittances, such as the trend of banks withdrawing services, to work towards access to remittance transfer services across borders. We will increase coordination among national regulatory authorities to remove obstacles to non-bank remittance service providers accessing payment system infrastructure, and promote conditions for cheaper, faster and safer transfer of remittances in both source and recipient countries, including by promoting competitive and transparent market conditions. We will exploit new technologies, promote financial literacy and inclusion, and improve data collection.”<sup>xxiv</sup>

Legal constraints affect smaller operators, which are sometimes forced to close down,<sup>xv</sup> narrowing competition further and raising transfer fees, in particular in South-South corridors. Some large operators “lock” markets by signing exclusivity agreements with banks, foreign exchange bureaux and post offices; this results in the establishment of local monopolies or duopolies.<sup>xvi</sup>

The lack of transparency about the actual costs of transferring money in a wide range of States also helps keep prices high. Sometimes senders can choose from among several money transfer operators that offer different services (in terms of speed, exchange rate, costs and availability in remote areas) but rarely break down the composition of the total fee. In some cases, the fees for currency conversion alone can be as high as 6 per cent.

### ***Fostering competitiveness and transparency***

Post offices, characterized by their wide physical networks, particularly in rural areas, can be less expensive than banks or money transfer operators and are a potential alternative. However, they often lack the infrastructure (IT systems and internet connectivity) needed to handle remittances and large amounts of money efficiently.<sup>xvii</sup> Owing to regulatory requirements, some post offices prefer working with large operators. The Turkish PTT, for example, is a Western Union agent. The most important action will be for post offices to work with different operators and not have exclusivity agreements. Several international agencies such as the International Organization for Migration (IOM), the International Fund for Agricultural Development (IFAD), the Inter-American Development Bank (IDB) and the World Bank are working with the Universal Postal Union (UPU) for postal services to enhance competition in the remittance marketplace as well as to promote the use of new technologies. Through its partnership with UPU, for example, IOM is endeavouring to expand the availability of services that facilitate money transfers by utilizing post offices.<sup>xviii</sup>

The introduction of online and mobile money transfer systems in many developing countries offers new opportunities for more cost-effective means of sending money. Sub-Saharan Africa continues to lead other regions in the take up of mobile money services, accounting for 130 live mobile money services. Mobile technology can lower the cost of remittances, as it removes the need for physical points of presence and ensures a timely and secure method of transaction. Mobile money transfer services such as MPesa have transformed the landscape for domestic remittances in several African countries.<sup>xix</sup> The digitization of domestic remittances has reduced the costs of sending remittances to rural areas. For example, these costs have declined by 20 percent in Cameroon.<sup>xx</sup> Increased access to mobile telephony, including smartphones, has opened new prospects for lowering remittance costs worldwide,<sup>xxi</sup> as has the availability of more services facilitating the transfer of money within and across borders without passing through bank accounts.<sup>xxii</sup>

As a good practice, financial literacy components are being incorporated into pre-departure orientation curricula for migrant workers to provide information on the availability of various transfer channels and on the tools and resources designed to help migrants make informed decisions about money management.<sup>xxiii</sup> By enhancing their awareness of the issues and options available to them, migrant workers are able to make informed decisions about remittances, investments and savings.

### ***Promoting financial inclusion of migrants and their families***

The importance of linking remittances to financial inclusion has been underscored by the renewal in 2014 of the ‘5 by 5 Initiative’ by the Group of Twenty (G20) at the Summit in Brisbane, where for the first time the G20 Leaders’ communiqué committed not only to take strong practical measures to reduce the global average cost of transferring remittances to five per cent, but also to enhance financial inclusion as a priority.<sup>xxiv</sup>

Since 2006 IFAD has been pioneering in this field through the Financing Facility for Remittances (FFR)<sup>xxv</sup> which has been developing different initiatives that help to both reduce the costs of sending money home and increase the financial options for the migrants and their families mainly focusing on three essential aspects: use of technology, cards and mobile banking platforms, and diaspora investment.

## Social and financial costs of unethical recruitment

Almost 10 million people use regular channels to migrate in search of employment every year.<sup>xxvi</sup> Many use the services of labour recruiters and other agents, likely paying USD 1,000 on average each,<sup>xxvii</sup> though in some corridors over USD 2,000.<sup>xxviii</sup> Halving migration costs could save migrants between USD 2.5 and 5 billion a year in direct costs and even more if pre-departure loans and corresponding interest rates<sup>xxix</sup> – sometimes ranging between 24 to 36 per cent a year – are considered.<sup>xxx</sup>

Labour migration costs include recruitment costs as well as foregone wages due to underpayment, late payment or non-payment of wages, lack of compensation for work-related sickness or injuries, and, as explained earlier, the costs associated with non-portability of social security benefits and non-recognition of skills and qualifications. Too often, migrant workers are subject to abusive practices in the workplace and pay high fees that can deplete their savings and make them more vulnerable to labour exploitation during the recruitment and placement processes.<sup>xxxi</sup>

International labour standards prohibit the charging of any fees or costs to workers.<sup>xxxii</sup> Unethical recruitment practices include increasing the risk of debt bondage of migrant workers by charging job-seekers fees for recruitment-related services, systematic gender discrimination, providing false or misleading information on wages, working and living conditions or the type of work being offered, and the confiscation of passports or other identity documents. The consequences of these practices often make migrant workers vulnerable to serious human and labour rights abuses, including human trafficking and forced labour, debt bondage, and other forms of labour exploitation.

The financial cost of fee-charging for recruitment costs can amount to tens of thousands of dollars for each migrant and is often borne by family and community members who see their contribution to the migrant's ability to work abroad as an investment in their own future and who may share the financial costs of labour migration. They may take out high-interest loans from banks or informal moneylenders including organized criminal networks, which may also be linked to human smuggling and trafficking in persons. In the case of temporary labour migration, this debt burden can result in migrants forced to work for a prolonged period, often in exploitative conditions, away from family and community, in order to recover their initial costs.

Countries of destination also feel the effects of unethical labour recruitment. When migrant workers pay excessive fees to secure employment abroad, they are more likely to overstay their visas or accept jobs with subpar wages and working conditions as they struggle to repay their debts before returning home. This places downward pressure on destination country labour markets, eroding wages and working conditions for nationals. It also affects the social integration of migrant workers in their host communities, heightening xenophobic sentiment among national workers who feel they are being replaced by foreign workers.

For employers, unethical recruitment practices lead to a loss in productivity benefits, as there is an increased risk of skills mismatch, occupational health and safety concerns, homesickness, and low morale. There are also reputational risks associated with the linkages between unfair recruitment practices and forced labour, which is a violation of a fundamental human rights.

For countries of origin, the negative consequences of unethical recruitment and its links to labour exploitation and human trafficking for forced labour are primarily an issue of protection of their nationals abroad. When high costs borne by workers lead to debt bondage and vulnerability to labour exploitation, it places a burden on consular officials, who are often the first point of contact for direct assistance. This is particularly true for lower-skilled workers who may have a lower level of education or a lack of proficiency in the destination country language, and are therefore in greater need of help to access remedies. In extreme cases, when unfair recruitment leads to systemic workplace abuse, it can also spark diplomatic tensions. Finally, victims of human trafficking and forced labour often do not self-identify or report these abuses. The resulting challenge is that most cases are not identified. Without trustworthy figures or estimates on the problem of forced labour at the national level, it is difficult to define effective solutions - and partnerships - to address unethical recruitment and forced labour.<sup>xxxiii</sup>

To reap the benefits from migration towards inclusive economic development, labour migration costs should be reduced through constructing fair and effective labour migration governance frameworks. Such frameworks would help to realize the post-2015 United Nations Development Agenda Sustainable Development Goal (SDG) 8 on economic growth, productive employment and decent work for all<sup>xxxiv</sup>, and Goal 10 on reducing inequality within and among countries.<sup>xxxv</sup> G20 countries could take a leadership role in setting this agenda, building on the ongoing joint World Bank, ILO and OECD work in these areas.<sup>xxxvi</sup>

### ***Involvement of the private sector***

Employers sometimes benefit from unethical recruitment practices, particularly in relation to fee-charging, in the form of reduced labour recruitment costs. They may have a financial incentive to use recruitment services that force job seekers to bear the costs of recruitment. This is due, in part, to procurement policies that privilege cheaper bids without requiring transparency as to the true costs of labour, resulting in support for an industry business model that relies upon unfair practices that are inconsistent with international labour standards. However, commentators and scholars have argued that in the long term, employers in fact benefit from ethical recruitment practices through higher productivity (reduced turnover, lower lost time for injuries, reduced sickness and health issues, increased output, increased efficiency in recruitment and tasking).

Unethical recruitment practices can be prejudicial to business interests, and harm a company reputation and brand, due in part to the known linkages between unethical recruitment and forced labour.<sup>xxxvii</sup> A recent ILO report demonstrated that workers borrowing money from third parties for their recruitment, even from relatives and friends, are at an increased risk of ending up in forced labour.<sup>xxxviii</sup> Furthermore, when workers are selected according to their ability to pay rather than their competency, employers can end up with workers who are ill-suited and ill-prepared for their jobs and who may in fact be in need of financial or other assistance. This also contributes to high turn-over rates, which increase labour costs and perpetuate the recruitment cycle. Even when companies are committed to ethical recruitment principles, the overall lack of transparency in increasingly complex labour supply chains can make them unwitting partners of unethical labour recruiters, and, as such, they may be accused of complicity in the commission of these practices.<sup>xxxix</sup>

### ***Important issues in the context of legal recruitment practice***

In the case of reducing the human and financial costs of international labour migration, the government and the State migration policy of the country should be focused on the regulation of recruitment practices. However, even when national laws and regulations governing recruitment exist, their enforcement remains a challenge due to the transnational nature of interactions and problems with extraterritoriality when it comes to the enforcement of national or subnational law.

For example, as of 1 January 2015, the quota system of work permits for foreign citizens entering the Russian Federation under the visa-free regime was abolished and replaced by a system of labour patents. The price of the patent varies and is determined regionally. The introduction of this system will allow for migrant workers to leave "the tax shadow". In particular, for working in the Russian Federation, it will be necessary within 30 calendar days from the date of entry on the territory of the Russian Federation to apply for a patent, providing the necessary documents. The patent would be issued in the case when the foreigner marks in the migration card the purpose of the visit in the Russian Federation as "work". The introduction of the patent system is one of the forms of legalizing labour migration.

### ***Opportunities and challenges in addressing unethical recruitment***

The linkages between unethical recruitment practices, human rights and labour rights' violations – including labour exploitation, forced labour, human trafficking, and smuggling – are becoming better understood by both multinational companies with complex supply chains and small or medium-sized enterprises (SMEs). For this reason, businesses are increasingly including provisions for ethical recruitment, specifically prohibiting the charging of recruitment-related fees or costs to job-seekers, in their corporate social responsibility policies, thereby making it a consideration in procurement.<sup>xl</sup> What is clear from these efforts is the important role that the private sector can play in operationalizing ethical recruitment principles, particularly when these complement government regulation. However, businesses face three major challenges in this regard: 1) the inability to distinguish ethical recruitment practitioners in a largely under-regulated landscape, 2) the difficulty of increasing transparency within their own human resources supply chains, and 3) challenges in enforcing supplier accountability for violations.

More research is required in order to better understand the international labour recruitment industry, including variances in business models in different migration corridors and in different sectors. To this end, under the auspices of the Thematic Working Group on Low-Skilled Labour Migration of the Global Knowledge Partnership on Migration and Development (KNOMAD), the ILO and the World Bank have been undertaking migrant surveys to assess the extent of labour migration costs, including the costs associated with recruitment. Surveys suggest that migration costs can be as little as one-month expected wage in destination countries with strong enforcement of migration-related laws and regulations, and as much as nine-month wages in destination countries with weak

enforcement. KNOMAD is currently preparing a bilateral matrix on migration costs with a focus on agricultural, construction and domestic workers.

Contributing to this knowledge base is an ongoing study funded by the UAE to analyze both the formal and informal aspects of recruitment networks from Nepal and India to the UAE, looking at how employers there engage with private employment agencies either in the country of origin or destination; the relationships between agencies in countries of origin and destination; and the relationships between agencies in countries of origin and their sub-agents and prospective migrant workers. Additionally, as part of its multi-stakeholder Fair Recruitment Initiative, the International Labour Organization (ILO) is conducting research on promising regulatory approaches that have had an impact on the reduction of recruitment costs as well as the factors in key global migration corridors that contribute to the exploitation and abuse of workers.<sup>xii</sup> Equally, the Government of the Netherlands has recently published the CSR Sector Risk Assessment in collaboration with sectorial organizations, NGOs, trade unions, scientists and ministries. The assessment provides an analysis of the risks in the value chains of 13 business sectors and specifically identifies risks related to the exploitation of migrant workers and unethical recruitment practices in the sectors of construction, electronics and agriculture.<sup>xiii</sup>

### ***Exploration of potential ways forward***

One of the biggest challenges faced in tackling unethical recruitment is how to better capacitate governments in the regulation of labour recruiters, acknowledging the obstacles posed by the transnational nature of recruitment activities involving multiple jurisdictions and actors. Further exploration is required in the identification and promotion of good regulatory practices that increase transparency in recruitment processes from communities of origin to countries of destination, building from research recently conducted by IOM, ILO and others.<sup>xiiii</sup> These practices may include promoting government to government recruitment and bilateral information-sharing agreements to increase the efficacy of States to detect and prosecute offenders; joint liability requirements that extend accountability throughout the links of the labour supply chain, increasing employer responsibility for their procurement choices of recruitment services; and bonds that can be used to remunerate lost wages or illegal fee-charging, thereby increasing access to remedies for migrant workers. The promotion of policy coherence among regulatory bodies will also help to create a more consistent playing field for international labour recruiters and intermediaries, raising the legal bar for international recruitment activities.

Outside of government regulation, partnerships are being formed to increase the involvement of the private sector, trade unions and other civil society actors. In order to better enable companies to identify recruitment intermediaries who are committed to ethical recruitment principles, the IOM and the International Organisation of Employers (IOE), with a coalition of like-minded stakeholders, are developing a voluntary multi-stakeholder certification system for recruitment intermediaries, the International Recruitment Integrity System (IRIS). IRIS is rooted on internationally recognized human rights standards and relevant ILO conventions, and is built upon the UN “Protect, Respect, Remedy” Framework for Business and Human Rights and the Guiding Principles for Business and Human Rights.

### **Key questions to address**

#### **On Remittance transfer costs:**

- 1. What are recent examples of government strategies, policies and measures which has been proven to effectively reduce the cost of remittance transfer?**  
*These may include new banking or remittance regulations/ policies, taxation, market competition, and use of new technology.*
- 2. What are recent good practices for educating workers and their families in handling their income or finances wisely?**  
*These may include well-designed investment products for migrants, financial literacy training and their immediate impact on families, and relevant programs initiated by destination or origin countries.*
- 3. What are the evidences that promoting transparency in remittance cost have empowered or benefitted migrants? How can transparency in remittance cost be achieved?**  
*These may include research findings, and the practical challenges of promoting transparency in remittance costs.*

## On social and financial costs of unethical recruitment:

### 4. What are good practices of government regulations of recruitment intermediaries, and some recent models of their effective enforcement?

*These may include successful inspection and law enforcement operations dealing with transnational issues and labour migration; enforcement of regulations on recruitment fees; and promoting positive incentives for compliance with relevant regulations.*

### 5. What are some recent successful endeavors of the private sector in ensuring due diligence in the labour supply chain in terms of ethical recruitment?

*These may also include views on how the private sector, including small and medium sized enterprises, may be better capacitated to promote or adhere to ethical recruitment principles.*

### 6. How can governments work more effectively with business and civil society to promote ethical recruitment practices, especially in the context of current and future trends on labour migration?

*These may include future challenges as well as recent successes in collaborative or cooperation approaches such as on promoting ethical recruitment across borders, designing workers pre-departure and post-arrival education support, working on joint enforcement efforts, and promoting due diligence in labour supply chains.*

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<sup>i</sup> The Addis Ababa Action Agenda of the Third International Conference on Financing for Development. Paragraphs 40 & 111. <http://www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/07/Addis-Ababa-Action-Agenda-Draft-Outcome-Document-7-July-2015.pdf> [accessed 18 September 2015].

<sup>ii</sup> See *International Migration and Development – Report of the Secretary-General*, United Nations General Assembly, Sixty-eighth Session, document A/68/190 of 25 July 2013, para. 108.

<sup>iii</sup> Ratha, D. 2014 Reducing migration costs, available: <http://blogs.worldbank.org/peoplemove/reducing-migration-costs> [accessed 30 March 2015]

<sup>iv</sup> If recruitment fees are eliminated entirely, as per ILO standards, the savings could be 8 times this amount for the migrants” (“Promoting Decent Work for Migrant Workers”, ILO, 2015, available at [http://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---migrant/documents/publication/wcms\\_344703.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---migrant/documents/publication/wcms_344703.pdf)).

<sup>v</sup> Ratha, D. 2014 Reducing migration costs, available: <http://blogs.worldbank.org/peoplemove/reducing-migration-costs> [accessed 30 March 2015]

<sup>vi</sup> Wickramesekara, Piyasiri. 2014. “Regulation of the recruitment process and reduction of migration costs: Comparative analysis of South Asia”. In *Promoting cooperation for safe migration and decent work*. Dhaka: ILO.

<sup>vii</sup> Ratha, D., et. al. *Leveraging Migration for Africa: Remittances, Skills, and Investments*; 2011. Washington DC: The World Bank,

<sup>viii</sup> This is confirmed by many cost-comparison websites, which tend to provide information on remittance transfers up to USD 500.

<sup>ix</sup> World Bank, *Remittance Prices Worldwide*, June 2015.

<sup>x</sup> Watkins, K. and Quattri, M. *Lost in Intermediation – How excessive charges undermine the benefits of remittances for Africa*, Overseas Development Institute, London, April 2014.

<sup>xii</sup> See, for example, Sayeedul Haque, M. and Bashar, M.A., *Channel of Remittances – A Micro Level Study*, 2009. Available from <http://www.scribd.com/doc/16152588/Channel-of-Remittances-A-Micro-Level-Study>.

<sup>xiii</sup> World Bank., *Migration and Remittance Flows: Recent Trends and Outlook, 2013–2016*, Migration and Development Brief 21, October 2013.

<sup>xiv</sup> The Addis Ababa Action Agenda of the Third International Conference on Financing for Development. Paragraphs 40. <http://www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/07/Addis-Ababa-Action-Agenda-Draft-Outcome-Document-7-July-2015.pdf> [accessed 18 September 2015].

<sup>xv</sup> In one case, Dahabshiil, a money transfer operator covering African corridors (in particular between the United Kingdom and Somalia), obtained an interim injunction in the High Court of Justice of England and Wales preventing Barclays Bank from closing its clearing account.

<sup>xvi</sup> See, for instance, *The impacts of remittances on developing countries*, European Parliament, Directorate-General for External Policies of the Union, Directorate B, Policy Department, Brussels, April 2014.

<sup>xvii</sup> Ibid.

<sup>xviii</sup> IOM and UPU signed a Memorandum of Understanding on 20 April 2010 on cooperation in the field of postal payment services, including related remittance matters and migration. IFAD, IDB, and WB are also working with UPU.

<sup>xix</sup> Ratha et. al. 2011.

<sup>xx</sup> World Bank. 2014.

<sup>xxi</sup> See, for instance, *Mobile money services: “A bank in your pocket”. Overview and opportunities*, Asia, Pacific and the Caribbean (ACP) Observatory for Migration, Background note ACPOBS/2014/BN13, 2014. Available from [http://publications.iom.int/bookstore/free/Mobile\\_money.pdf](http://publications.iom.int/bookstore/free/Mobile_money.pdf).

<sup>xxii</sup> M-Pesa is an example of a mobile network operator that facilitates cash transfers.

<sup>xxiii</sup> For example, as a standard practice IOM includes financial literacy components into its pre-departure curricula for both labour migrants and refugee resettlement programmes.

<sup>xxiv</sup> [http://www.g20australia.org/official\\_resources/g20\\_leaders\\_communique\\_brisbane\\_summit\\_november\\_2014](http://www.g20australia.org/official_resources/g20_leaders_communique_brisbane_summit_november_2014)

<sup>xxv</sup> Since 2006, IFAD's Financing Facility for Remittances has co-funded nearly 50 pilot projects in more than 40 countries and built a network of some 200 partners from the public, private, and civil-society sectors. Through project financing, research and advocacy, the FFR has promoted the development of innovative instruments and mechanisms which allow migrants and their families to foster their economic and social development through the use of remittances. The FFR Brief, 2013.

<sup>xxvi</sup> Martin, P. “Lower migration costs to raise migration’s benefits” in *New Diversities* (2014, Vol. 16.2), pp. 9-36. Available at: [http://newdiversities.mmg.mpg.de/wp-content/uploads/2015/02/2014\\_16-02\\_NewDiversities.pdf](http://newdiversities.mmg.mpg.de/wp-content/uploads/2015/02/2014_16-02_NewDiversities.pdf) [2 July 2015].

<sup>xxvii</sup> Ibid

<sup>xxviii</sup> ILO. “Promoting Decent Work for Migrant Workers.” Paper prepared for the thematic meeting on migration in the post-2015 UN development agenda of the Global Forum on Migration and Development in Geneva, Switzerland, 5 February 2015. [http://www.un.org/en/development/desa/population/migration/events/coordination/13/documents/backgrounddocs/GFMD\\_ILO\\_Discussion%20Paper\\_Promoting%20Decent%20Work%20for%20Mw.pdf](http://www.un.org/en/development/desa/population/migration/events/coordination/13/documents/backgrounddocs/GFMD_ILO_Discussion%20Paper_Promoting%20Decent%20Work%20for%20Mw.pdf)

<sup>xxix</sup> M. Abella, P. Martin, *Reducing migration costs* (2014), available at: <http://blogs.worldbank.org/peoplemove/reducing-migration-costs> [2 July 2015].

<sup>xxx</sup> P. Wickramasekara: “Regulation of the recruitment process and reduction of migration costs: Comparative analysis of South Asia” in *Promoting cooperation for safe migration and decent work* (Dhaka, ILO, 2014).

<sup>xxxi</sup> ILO, OECD, World Bank, 2015. “The Contribution of Labour Mobility to Economic Growth”. International Labour Organisation, Organisation for Economic Co-operation and Development, World Bank Group. Joint paper for the 3rd meeting of G20 Employment Working Group. Cappadocia, Turkey, 23-25 July 2015.

<sup>xxxii</sup> The ILO Private Recruitment Agencies Convention, 1997 (No. 181) specifically prohibits private employment agencies from charging, directly or indirectly any fees or costs to workers (Art. 7).

<sup>xxxiii</sup> ILO. “ILO Global Estimate of Forced Labour.” 2012. [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_182004.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_182004.pdf).

<sup>xxxiv</sup> This includes the SDG target 8.8 ‘protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

<sup>xxxv</sup> This includes the SDG target 10.7 ‘facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies’.

<sup>xxxvi</sup> The draft final outcome document of the Financing for Development discussions includes a commitment by governments to cooperate to ensure safe, orderly and regular migration, with full respect for human rights, on portability of benefits, skills recognition, and to lower recruitment costs for migrants. See: Final Draft Outcome Document, Addis Ababa Accord of the Third International Conference on Financing for Development (as at 25 June 2015).

<sup>xxxvii</sup> The ILO Protocol of 2014 to the Forced Labour Convention, 1930 (No. 29) and its Recommendation on supplementary measures for the effective suppression of forced labour, 2014 (No.203) specifically address recruitment malpractices in the context of prevention and protection.

<sup>xxxviii</sup> ILO: *Profits and Poverty: The Economics of Forced Labour*, (Geneva, 2014), p. 44.

<sup>xxxix</sup> For example, as part of its commitment to fair hiring and employment practices within its supply chain, Apple reports that it has required its suppliers to repay about USD 3.9 million in excess foreign contract fees, including recruitment fees (see <http://www.apple.com/supplier-responsibility/highlights-2014/>).

<sup>xl</sup> For example, Apple revised its own Supplier Code of Conduct to include a prohibition against fee-charging to migrant workers in its supply chain (January 2015), while HP banned the use of recruitment intermediaries and requires its suppliers to recruit its workers directly, whenever possible (November 2014), and palm oil giant Wilmar International now includes a no fee-charging provision as part of its “No Deforestation, No Peat, No Exploitation” policy.

<sup>xli</sup> See B. Andrees, et. al., *Regulating labour recruitment to prevent human trafficking and to foster fair migration: Models, challenges and opportunities*, ILO (Geneva, 2015). Available at [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_377813.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_377813.pdf). For the ILO Fair Recruitment Initiative, see <http://www.ilo.org/global/topics/fair-recruitment/lang--en/index.htm>

<sup>xlii</sup> KPMG Advisory N.V. *CSR Sector Risk Assessment: Considerations for Dialogue*. September 2014.

<sup>xliii</sup> For example, IOM, “Recruitment monitoring & migrant welfare assistance: What works?” 2015, and ILO, “Regulating labour recruitment to prevent human trafficking and to foster fair migration: Models, challenges and opportunities” 2015.



## ANNEX

*This Annex contains descriptions and references to examples of relevant frameworks, policies, programmes, projects and other experiences in relation to the issues raised in the policy part of the Background paper. This second part of the Background paper aims to form the basis of an evolving catalogue of policies and practices with a view to be stored and displayed on the GFMD PfP website in the M&D Policy and Practice Database. See <http://www.gfmd.org/pfp/ppd> .*

**Title of M&D Policy or Practice:**

“NEXUS Moldova”: Strengthening the link between migration and development: testing an integrated service provider to Moldovan migrants and their communities

**Country:**

Moldova

**Partner(s):**

International Agency for Source Country Information  
Diaspora Relations Bureau / State Chancellery

**Thematic Area(s):**

Migration and development  
Private – public Partnerships  
Migrant service provision

**Tags:****Summary:**

The overall objective of the EU funded project NEXUS Moldova is to foster links between migration and development at the local level, by developing durable capacities and systematic collaboration among national and sub-national authorities, civil society and private-sector stakeholders. By connecting key partners and stakeholders (public and private sector) with the express purpose of engaging with beneficiaries in a holistic manner – from pre-departure through to return and reintegration – and thereby helping those beneficiaries to migrate smarter and return better, the project provides clear benefits to partners, stakeholders and beneficiaries alike.

In doing so, the partners specifically recognize that the ability to efficiently collaborate is an essential link in a viable migration-development value chain – one where private sector interests meet priority public sector objectives and the interests of the migrant themselves.

The project is grounded on a clear migrant-centric approach, insofar as it provides practical support to the individual needs of migrants during every phase of the circular migration experience from preparation and departure to period in migration and sustainable return. The core objective of the project is to work with target groups to help beneficiaries (potential, current and returning migrants) by delivering advisories, products and services that assist migrant to achieve their core migration objectives via the NEXUS one-stop service centres across the country.

At the national and local levels, the project directly supports the design and implementation of policies and institutional arrangements, working with the public-private sector partners to redesign or refine their products, services and market approaches in order to appeal to the beneficiary community that they target.

**Web Links:**

<http://nexusnet.md/>

<b>Title of M&amp;D Policy or Practice:</b> Promoting CSR and due diligence of the Dutch private sector operating abroad	
<b>Country:</b> Netherlands	<b>Partner(s):</b>
<b>Thematic Area(s):</b> Ethical recruitment Corporate social responsibility	<b>Tags:</b>
<p><b>Summary:</b></p> <p>The Government of the Netherlands aims to promote Corporate Social Responsibility in Dutch business sectors, including ethical recruitment and labor standards. In light of this objective, the Government recently published the CSR Sector Risk Assessment in collaboration with sectorial organizations, NGOs, trade unions, scientists and ministries. The assessment provides an analysis of the risks in the international value chains of 13 business sectors. It specifically identifies risks related to the exploitation of migrant workers and unethical recruitment practices in the sectors of construction, electronics and agriculture, while risks related to labor abuses were identified in all of the thirteen sectors selected for the study. The assessment was only a first step facilitated by the Government of The Netherlands in promoting the due diligence process of Dutch businesses and a starting point for a dialogue with the sectors involved.</p> <p>An important element in this approach is that the government plays a stimulating, facilitating and enabling role in these dialogues. It is the idea that Dutch business sectors themselves indicate how they wish to promote due diligence in their value chains. The Government of the Netherlands, civil society and international organizations can provide support where needed. Ideally, Dutch business sectors and the Government of the Netherlands conclude covenants on how to further improve due diligence in the future.</p> <p>An example of a business sector where unethical recruitment and exploitation of (migrant) workers in the value chain presents a high risk is the construction sector in the Middle East. The risks in these value chains extend from unethical recruitment practices in countries of origin, including human trafficking, to labor exploitation in the Middle East. Building on the responsibility of the (Dutch) business sector to operate in line with UN standards on CSR has proven to be rather effective in assessing and addressing exploitation and labor standards in the manufacturing industry in Bangladesh.</p>	
<b>Web Links:</b>	

<b>Title of M&amp;D Policy or Practice:</b> No Placement Fee Policy	
<b>Country:</b> Philippines	<b>Partner(s):</b>
<b>Thematic Area(s):</b> -Reducing the human and financial costs of international migration, particularly labor migration: Cooperative approaches to fair recruitment practices and lower remittance fees.	<b>Tags:</b> -Recruitment practices -Labor Migration -Protection - Empowerment and Rights of Migrants
<b>Summary:</b> The Philippines Overseas Employment Administration (POEA) implemented a rule that provides penalty for charging and or collecting placement free from workers seeking employment in countries which have laws that provide the same. The No placement fee policy is a serious administrative offense with a penalty of cancellation of license of the concerned recruitment agencies. The same administrative rule penalized that act of charging of excessive placement fees. To date, these is a total prohibition on changing placement fees from Filipino household service workers, seafarers, and workers for deployment to countries which disallows placement fee collection.	
<b>Web Links:</b> <a href="http://www.poea.gov.ph">http://www.poea.gov.ph</a>	

<b>Title of M&amp;D Policy or Practice:</b> Overseas Filipino Workers Total	
<b>Country:</b> Philippines	<b>Partner(s):</b>
<b>Thematic Area(s):</b> -Reducing the human and financial costs of international migration, particularly labor migration: Cooperative approaches to fair recruitment practices and lower remittance fees.	<b>Tags:</b> -Minimizing Costs -Labor Migration -Mainstreaming Migration into Development Planning
<b>Summary:</b> The Bangko Sentral in Philippines (formerly know as Central Bank of the Philippines) created an interactive portal that will link users to information on the different banks on non-bank remittance companies in the Philippines, including locations of their branches abroad, remittance center, foreign banks/correspondents, products and services, and charges fees for remittance services to any part of the Philippines. The establishment of the OFW Portal is part of its efforts to improve the environment for OFW remittance flows, and to assist overseas Filipinos on their remittances concerns.	
<b>Web Links:</b> <a href="http://www.bsp.gov.ph/about/advocacies_ofw.asp">http://www.bsp.gov.ph/about/advocacies_ofw.asp</a>	

<b>Title of M&amp;D Policy or Practice:</b> Web site “Money From Sweden”	
<b>Country:</b> Sweden	<b>Partner(s):</b> Swedish Consumer Agency
<b>Thematic Area(s):</b> Remittance transfers	<b>Tags:</b>
<b>Summary:</b> The Swedish government finances a national price comparison on line service “Money from Sweden” ( <a href="http://www.moneyfromsweden.se">www.moneyfromsweden.se</a> ) with a view to increase transparency and lower the transfer costs for remittances sent from Sweden. The online service is totally independent of all market players and is run by the Swedish Consumer Agency. Money from Sweden is certified by the World Bank to meet the mandatory requirements of a national price database for remittance services.	
<b>Web Links:</b> <a href="http://www.moneyfromsweden.se/">http://www.moneyfromsweden.se/</a>	

**Title of M&D Policy or Practice:**

Global Forum on Remittances and Development (GFRD2015), Milan, Italy, 16 – 19 June 2015

**Country:**

IFAD - International Fund for Agricultural Development

**Partner(s):**

World Bank  
European Commission

**Thematic Area(s):****Tags:****Summary:**

Global Forum on Remittances and Development (GFRD) 2015

The fifth Global Forum on Remittances and Development (GFRD), convened by the International Fund for Agricultural Development (IFAD), the World Bank and the European Commission, took place from 16 to 19 June 2015 in Milan, Italy. The event brought together more than 420 policymakers, private-sector stakeholders, civil-society leaders and delegates from 70 countries, to pave the way for leveraging the development impact of remittances. This fifth edition, dedicated to Europe, also coincided with the first observance of the International Day of Family Remittances aimed at recognizing the importance of remittances to families in developing countries, and the launch of the new IFAD report “Sending Money Home: European flows and markets”, which analysed the US\$ 109 billion remittance market and its individual flows within and from Europe as well as development related issues such as financial inclusion and ramifications for fragile states.

While figures have increased over the years, the take-home message and key words resonate around the same concepts: Access, financial inclusion, entrepreneurship, opportunities to save and invest. All are related to key development goals that can help make migration a choice rather than a necessity and provide hope for millions of families to remain together.

Despite the significant progress achieved in recent years and the increasing role that remittances play in the development of countries of origin, much more still needs to be done, in terms of operations and advocacy.

As we enter the post 2015 era and its development goals at a time of limited resources, migrants and their families are an inspiration for development organizations like IFAD. Towards the aim of making their efforts count, participants called upon governments, private sector institutions, NGOs, and civil society groups, to join in a global effort to make a difference in this field. In addition, identifying concrete roles each stakeholders can play in order to make migrants’ remittances count more should be prioritized while keeping in mind that promoting effective mechanisms to further leverage their investments back home in their families and in the communities where they live is essential.

Beyond 2015, stakeholders should identify and apply already proven ways to scale these efforts to spur development taking into account what more than 100 experts and more than 400 participants who took part during this GFRD brought to the table in terms of latest innovations, trends and challenges.

**Web Links:**

The complete official GFRD2015 report will be available in the coming months. In the meantime, all information regarding the GFRD2015 (final agenda, the Sending Money Home Europe report, all presentations and newsletters, pictures and videos, etc.) is available on the website.

[www.ifad.org/remittances/events/2015/globalforum](http://www.ifad.org/remittances/events/2015/globalforum)

**Title of M&D Policy or Practice:**

ILO Fair Recruitment Initiative

**Country:**

ILO Re: Global, regional and national activities

**Partner(s):**

ILO social partners and their affiliates play a central role in the design and implementation of this initiative, including the International Trade Union Confederation (ITUC) and affiliates, and the International Organisation of Employers (IOE) and affiliates, in particular the International Confederation of Private Employment Services (CIETT). ILO's Fair Recruitment Initiative is closely coordinated with the Global Migration Group (GMG) and the Inter-Agency Coordination Group against Trafficking in Persons (ICAT) agencies, in particular IOM, World Bank, OHCHR and UNODC.

The Institute for Human Rights and Business (IHRB), Verité, Migrant Forum in Asia, Panos Europe Institute and other civil society organizations are also implementing partners.

**Thematic Area(s):**

- Global knowledge on national and international recruitment practices
- Laws, policies and enforcement mechanisms to promote fair recruitment
- Fair business practices
- Workers protection and empowerment against

**Tags:**

Fair recruitment, labour migration, fair migration, migrant workers, forced labour, human trafficking, employment, labour market

**Summary:**

In his report to the 2014 International Labour Conference, the ILO Director-General called for an ILO Agenda for Fair Migration and emphasised the growing concern about abusive and fraudulent recruitment practices affecting migrant workers.

In response to those challenges, in 2014 the ILO launched a global "Fair Recruitment Initiative" to:

- help prevent human trafficking and forced labour
- protect the rights of workers, including migrant workers, from abusive and fraudulent practices during the recruitment process (including pre-selection, selection, transportation, placement and possibility to return)
- reduce the costs of labour migration and enhance development outcomes for migrant workers and their families, as well as for countries of origin and destination

This multi-stakeholder initiative is implemented in close collaboration with governments, representative employers' and workers' organizations, the private sector and other key partners. It is based on a four-pronged approach which puts social dialogue at the centre. The Fair Recruitment Initiative focuses on:

1. Enhancing global knowledge on national and international recruitment practices
2. Improving laws, policies and enforcement mechanisms to promote fair recruitment practices
3. Promoting fair business practices
4. Empowering and protecting workers

**Web Links:**

[http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_320405.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_320405.pdf)

<http://www.ilo.org/global/topics/fair-recruitment/lang--en/index.htm>