Managing Migration: Recruiters and low-skill Migrants

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Abstract

International migrants are people who cross national borders, changing themselves, the places they leave, and the places to which they move. It is a pleasure to acknowledge the contributions of Gudrun Biffl, an empirical labor economist who emphasizes the analysis of data on migrants and their real-world impacts rather than building models based on assumptions. Biffl's careful analysis of the impacts of especially low-skilled migrants, and the implications of their presence for the lifelong training and learning of all workers, combine with her pioneering role in fostering migration studies to create solid shoulders on which her collaborators and students can build. Biffl is a giant in migration research.

About 60 percent of the world's international migrants are in the labor force of the country to which they moved. International labor migrants are an average 10 percent of the 687 million workers in the 58 high-income or industrial countries (ILO, 2015, Annex A)[1], and the migrant share of workers is expected to rise because of persisting demographic and economic inequalities as revolutions in communication, transportation, and rights make it easier to learn about opportunities abroad, move to take advantage of them, and stay abroad. Labor markets have three major functions, viz, recruitment, remuneration, and retention, and the recruitment of especially low-skilled migrant workers illustrates the frequent clash between markets and rights that are mediated by governments. Efforts to keep recruiter fees below market levels to protect migrants often fail, since workers are willing to pay for higher wage jobs.

Introduction

Almost half of the world's residents are economically active, meaning there were 3.5 billion workers among the 7.3 billion people in the world in 2015, including over four percent who were working outside the country in which they were born (ILO, 2015).[2] Most workers never leave the country in which they were born, but

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1 The ILO's 58 rich countries include most of the OECD member countries except Mexico and Turkey, the GCC countries, Russia, and places such as Hong Kong, Macau, Puerto Rico, and Réunion.

2 The ILO estimated world employment at 3.3 billion in 2015, plus 200 million unemployed.

150 million migrant workers employed in another country in 2013, usually one that offers higher wages than can be earned at home.

If the world is divided into the 30 richer industrial countries with almost 700 million workers and the 170 poorer countries with 2.9 billion workers, the 60 million migrant workers in richer countries are an average 10 percent of industrial country workers. The migrant worker share of the labor force ranges from less than five percent in Korea and Japan to over 25 percent in Australia and Switzerland. The share of migrants among all workers in poorer countries is less than two percent, but the range is wide, from less than one percent in China and India to over 90 percent in some Gulf oil-exporting states.

Most people never cross a national border for any reason; international migration for work is the exception, not the rule. However, international labor migration is increasing, making the recruiters who move low-skilled workers over borders ever more important. A low-skilled migrant with less than a secondary school education rarely strikes out on her own for a job in another country because she does not know how to navigate the process of obtaining a contract with a foreign employer, securing a passport and visa, and departing for the job.

Recruiters or merchants of labor are the key intermediaries that connect workers in one country with jobs in another; they are the glue of the international labor market. Migration involves two countries, so recruiters must learn about the needs of foreign employers, government regulations in both migrant-sending and –receiving countries, and the skills and desires of local workers who are seeking jobs abroad. In many countries, recruiters are more familiar with local government regulations than with employer and worker needs, and some use this knowledge to extract money from employers, workers, or both.

International Labor Migration

The UN defines international migrants as persons outside their country of birth for a year or more, regardless of the reason for being abroad, legal status, or plans to settle or return (UN DESA, 2015). This inclusive definition encompasses naturalized citizens, immigrants joining family members who have settled in the destination country, temporary students and workers, and unauthorized foreigners, refugees and asylum seekers, and anyone else abroad at least one year.

The UN estimated 244 million international migrants in 2015, or 3.3 percent of the world's 7.3 billion people. The World Bank (2015b), which uses a slightly different methodology, reported 249 million migrants. Both organizations distribute migrants similarly across the four major migration corridors: south-south, south-north, north-north, and north-south. Most migrants are in industrial[3] or

[3] The World Bank considers 32 of the OECD countries to be high income (not Mexico and Turkey), plus 47 non-OECD countries and places, from Hong Kong and Macao to the Gulf oil exporters to Argentina, Russia, Singapore, and Venezuela.

northern countries, 56 percent, but the largest group moved from south to south, or from one developing country to another, 38 percent. Almost a quarter of international migrants moved from north to north or from one industrial country to another, and six percent moved from north to south or from an industrial to a developing country.

Each international migrant is unique, and each migration corridor has unique features. The largest stock of migrants, 95 million or 38 percent in 2015, moved from one developing country to another, as from the Indonesia to Malaysia or Nicaragua to Costa Rica (Table 1). The second-largest stock, 84 million or 34 percent, moved from a developing to an industrial country, as from Morocco to Spain, Mexico to the US, or the Philippines to South Korea, that is, a third of international migration involves south-north movement. Some 56 million people or 22 percent of international migrants moved north to north or from one industrial country to another, as from Canada to the US. Finally, over 14 million people or six percent of migrants were north to south migrants who moved from industrial to developing countries, as with Japanese who work or retire in Thailand.

Some 140 million migrants are in industrial countries, making migrants over 10 percent of the 1.2 billion residents of industrial countries. There are 109 million migrants in developing countries, where they are less than two percent of developing country residents and workers. These migrants may be barely noticeable in population giants such as China and Indonesia.

	Destination Industrial	Destination Developing	Total
Origin (absolute, in million)			
Industrial	56	14	70
Developing	84	95	179
Total	140	109	249
Origin (in %)			
Industrial	22%	6%	28%
Developing	34%	38%	72%
Total	56%	44%	100%

Table 1 International Migrants in 2015

Source: World Bank Migration and Remittances Fact Book, 2015, p 28.

Most of the world‘s countries participate in the international migration system as countries of origin, transit, or destination, and often all three. This is a change from the past, when most countries were either sources of or destinations for migrants. Mexico today sends migrants to the US, receives migrants from Guatemala, and is a transit country for Central Americans moving to the US.

Europe is *the* continent of international migration, with a tenth of the world‘s people and a third of the world‘s international migrants, some 76 million. Asia is second to Europe, with 75 million international migrants. Both Asia and Europe have a quarter of the world‘s 200 countries, but Asia has 60 percent of the world‘s people and large-scale internal migration in population giants such as China and

India. Europe, by contrast, is a region with many national borders and fewer people; many European nations were created or had their borders adjusted after wars to ensure that the “right people” were in the “right countries”. Over half of European countries are members of the EU, which promotes freedom of movement of EU citizens, so that EU citizens may move to another EU country and live and work on an equal basis with citizens of that country.

North America had 54 million international migrants in 2015, almost a quarter of the world‘s total, including 47 million in the US and seven million in Canada. Africa had 21 million migrants, including over three million in South Africa and two million in Ivory Coast. Latin America and the Caribbean have over nine million migrants, led by two million in Argentina and over a million each in Venezuela and Mexico. Oceania had eight million migrants, including almost seven million in Australia and a million in New Zealand.

Two-thirds of international migrants live in 20 countries. The US had 47 million or almost 20 percent of the world's migrants in 2015, followed by 12 million each in Germany and Russia; 10 million in Saudi Arabia; nine million in the UK; and eight million each in the UAE, Canada and France. The major sources of migrants were India, with 16 million born-in-India persons abroad; Mexico 12 million; Russia 11 million; China 10 million; Bangladesh seven million; and Pakistan and Ukraine, six million each. The Philippines, Syria, UK and Afghanistan each have at least five million persons abroad.

Migrants from some countries are concentrated in one foreign country, while other diasporas are scattered widely. Almost all Mexican migrants are in the US, while only 20 percent of Indians are in the UAE, the country hosting the most Indians. Similarly, the Filipino diaspora is widely dispersed: a third of the Filipinos who are abroad in the US, followed by almost a quarter in the Gulf oil exporters.

Most migrants are young and of working age. The ILO estimated that 150 million or 65 percent of all international migrants were in the labor forces of the countries to which they moved in 2013.[4] Some 73 percent of migrants 15 and older were employed or seeking jobs, compared with 64 percent of non-migrants (ILO, 2015). Both male and female migrants have higher labor force participation rates than non-migrants, 78 percent for migrant men compared to 77 percent for native men and 67 percent for migrant women compared to 51 percent for native women. Much of this difference in labor force participation reflects age: migrants are more likely to be of working age than natives.

A third of migrant workers were in Europe, a quarter in North America, and most of the rest in Asia; three fourths of all migrant workers were in what the ILO considers to be high-income countries (ILO, 2015a, pxii). Over 70 percent of all migrant workers were employed in services (including domestic workers), 18

[4] The ILO applied ILO estimates of labor force participation to DESA estimates of migrants 15 and older to estimate migrant labor forces. The ILO acknowledges that its migrant labor force estimates may or may not include temporary residents who are permitted to work, such as foreign students, and irregular migrants.

percent in industry (construction and manufacturing), and 11 percent in agriculture.

About eight percent of international migrant workers, some 11.5 million, were domestic workers employed in private homes. Three-fourths of migrant domestic workers are women, 80 percent are in high-income countries, and two-thirds of female migrant workers are in south east Asia, Europe, and the Arab states. Most of the world‘s 67 million domestic workers are not migrants, but migrants are over 80 percent of all domestic workers in the Arab states and in North America.

The highest shares of migrants among all workers are in the Gulf oil-exporting countries, where 90 percent or more of private sector workers are migrants in some countries. Overall, the ILO estimated that 36 percent of all workers in the Arab states were migrants in 2013, followed by 20 percent in North America and 16 percent in Europe (ILO, 2015, p16).

Inequalities and Revolutions

The major drivers of international migration are persisting demographic and economic inequalities between countries as globalization makes it easier to learn about opportunities abroad and cheaper to travel and take advantage of them (Martin, Abella, Kuptsch, 2006). Many demand-pull factors in receiving countries and supply-push factors in sending countries motivate people to cross national borders, from recruitment by some employers to environmental changes that make traditional ways of earning a living less viable.

There are also more international migrants because there are more countries and more national borders to cross. The number of generally recognized nation-states rose from 43 in 1900 to 193 in 2000, and more national borders means more international migrants.[5]

The demographic inequality motivating international migration is straightforward. The world‘s population reached an historic milestone on October 31, 2011 when, for the first time, there were seven billion people on earth, up from six billion in 1998.[6] The world‘s population was 7.3 billion in 2015, and is projected to continue increasing by 80 million a year to reach 9.6 billion in 2050.

Almost all of the additional 2.3 billion people are expected to be born in the world‘s 170 poorer countries, where the total population is projected to surpass eight billion. The most populous countries in 2050 are projected to be India with 1.6 billion people, China with 1.4 billion, and the US and Nigeria, each with 400 million.[7] The population of the 30 wealthier countries is expected to remain stable

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5 The number of generally recognized states doubled from 90 to 180 between the mid-1960s and the mid-1990s (Held et al, 1999).

6 See: www.un.org/apps/news/story.asp?NewsID=40257&Cr=population&Cr1#.WFW7XijYI04

7 Nigeria had 182 million people in 2015, while the US had 321 million. The total fertility rate, or the average number of children per woman, was 5.5 in Nigeria and 1.9 in the US. Nigeria

at 1.2 billion over the next 35 years, reflecting growth in Canada and the US and shrinking populations in many European countries and Japan.

The world adds the equivalent of a Germany a year in developing countries. This means that there is a youth bulge in many African and Asian countries while workforces in Europe and Japan are shrinking, suggesting that youthful migrants could stabilize the populations and workforces of aging societies.

Since richer countries can attract migrants because of their higher wages, the decision about whether to stabilize populations via immigration is a policy choice. There are many possibilities, from industrial countries accepting immigrants to settle and integrating them and their families, opening doors to migrant caregivers and other guest workers but encouraging them to depart after a few years, or encouraging rich-country retirees to move to lower-cost countries, shifting people from higher to lower income countries rather than moving workers from poorer to richer countries.

Alternatively, some developing countries may get rich quickly, so that their workers are reluctant to seek foreign jobs. Several countries have made the transition from emigration country to migrant destination within a generation, including Italy and Spain, but many others, particularly in Africa and South Asia, are likely to have more workers than jobs for the foreseeable future. If countries in Europe and Japan have more jobs than workers, while African and Asian countries have more workers than jobs, demographic inequality may set the stage for compensating migration flows from faster-growing developing countries to shrinking industrial countries.

The second inequality motivating international migration is economic. The 30 high-income countries had a sixth of the world‘s 7.3 billion people in 2015 but two-thirds of the world‘s $78 trillion of economic output, an average $42,000 per person per year, nine times more than the $4,500 average in the poorer 170 countries (World Bank, 2017, p14).[8] Especially young people are motivated to migrate from poorer to richer countries for nine times higher earnings, even if higher living costs in richer countries mean that the actual income gain is less. Globalization and disaporas make potential migrants today far more aware of opportunities in richer country than were European migrants considering a move to the Americas in the 19th century.

The very poorest people often lack the resources to move to another country. However, economic development in poorer countries can increase desires for better jobs and incomes faster than the economy delivers them, so that migration

will grow despite emigration, while the US will grow with immigration, but nonetheless, Nigeria's population is projected to be larger than the US population in 35 years (PRB, 2015).

8 The World Bank reported 1.2 billion people in high-income countries in 2015 with a combined Gross National Income (GNI) of $50 trillion or an average $42,000 per person (Atlas method of computing GNI). The combined population of low (638 million), lower-middle income (2.9 billion), and upper-middle income (2.6 billion) was 6.2 billion, and their combined GNI was $28 trillion or $4,500 per person. The per capita GNI of sub-Saharan Africa, $1,600, was a sixth of the $24,000 of Europe and Central Asia.

may rise with economic growth, the paradox of the migration hump. This is what happened in Mexico, where discussion of the economic take off expected with NAFTA in 1994 was followed quickly by a deep recession and devaluation in 1995 that contributed to an upsurge in Mexico-US migration during the late 1990s, when there was a US jobs boom (Martin, 1998-99). Apprehensions of unauthorized foreigners just inside the US peaked at 1.8 million in 2000, and of over 4,900 a day or over 200 an hour.

There is a second dimension to economic differences between countries that encourages internal and international migration. Agriculture is the world‘s number one employer, engaging 30 percent of the world‘s 3.5 billion workers as farmers or hired workers (ILO, 2015). In rich countries, where agriculture employs less than five percent of workers, farmers have higher average incomes and more wealth than urban residents, and their incomes and wealth are often bolstered by government subsidies (Martin, 2009) In poor countries, where agriculture employs over half of workers, farmers are poorer than urban residents, and governments often tax them by allowing monopoly input suppliers to charge high prices for seeds and fertilizers or monopoly output buyers to offer low prices for cotton, cocoa, and other commodities.

Rural youth quickly realize that they will not get rich farming as their parents and grandparents did. For many, economic mobility requires occupational and geographic mobility, getting away from farming and moving to cities. Once in urban areas, rural youth find it easier to learn about opportunities abroad and access the recruiters, travel agents, and other parts of the migration infrastructure that can help them to cross national borders for better opportunities. In this way, movement out of agriculture in developing countries increases both urbanization and international migration.

Demographic and economic inequalities are like the plus and minus poles on a battery; they provide the potential for action but await a spark or link to induce migration. Three revolutions of the past half century, in communications, transportation, and rights, make it easier for potential migrants to learn about opportunities abroad, cross borders, and stay abroad. Adjusting the rights of migrants to manage migration is often the first instinct of policy makers grappling with migration crises, engendering conflict with the UN‘s rights-based approach to migrant workers that emphasizes the need for governments to treat migrants equally.

The communications revolution shrinks the world and makes it easier for people in one country to learn about opportunities in another. During the age of mass migration in the 19th century, pioneering migrants typically wrote letters to friends and family describing opportunities abroad, a slow means of communication in an era of limited literacy and slow transport (Martin and Midgley, 2010). Letters from the American midwest to Scandinavia took four to six weeks to reach recipients in the 1850s. After they arrived, a literate person had to read the letter and respond, so that a year could elapse between an invitation to move and migration.[9]

Communication is much faster today via cell phones and the internet. With diasporas from countries around the world settled in most high-income countries, migrants abroad can quickly inform friends and relatives at home about opportunities abroad, finance the travel of newcomers, and help them after arrival. Mobile phones and Skype were not developed to facilitate international migration, but they make it easy and cheap for people in one country to learn about opportunities in another. Similarly, movies and TV shows are made for entertainment, not to encourage youth in developing countries to dream of sharing in the riches of the other countries, but the American TV shows Dallas and Dynasty about oil barons persuade some youth dreaming of opportunities abroad to believe the promises of recruiters that there would be riches in other countries (Martin, S, 2014).

The second revolution involves transportation. Many Europeans migrating to the North American colonies in the 18th century could not pay for one-way transportation, so they indentured themselves for four to six years to whomever met the ship in New York or Philadelphia and paid the transportation costs. Most of the poorer British and Germans who indentured themselves worked for farmers after arrival, learning how to farm in the New World while living with the farm family for whom they were obliged to work.

Transportation today is much more accessible and cheaper, usually available in all countries and costing less than $2,500 to go anywhere in the world. Even Chinese migrants who pay smugglers $20,000 to $30,000 to reach the US typically repay their migration costs from higher earnings within two years, far less time than indentured servants labored to repay their transportation costs in the 1700s. Rapid repayment helps to explain why some Chinese in Fujian and other relatively prosperous Chinese coastal provinces continue to pay high fees to smugglers to move to industrial countries, although legal student migration has largely replaced unauthorized smuggling of Chinese laborers (Kwong, 1998).

The third revolution involves the rights of individuals vis-à-vis governments. Dictatorships and world wars early in the 20th century led to the creation of the United Nations in 1945 and an emphasis on protecting the human rights of individuals that was encapsulated in the Universal Declaration of Human Rights (United Nations, 1948). Many national constitutions written after World War II in post-war Europe, and in newly independent former colonies in Africa and Asia, include extensive human rights guarantees.

Governments granted individuals rights and promised them benefits to cover unemployment, old age, and ill health. There was relatively little international migration when European governments developed social welfare systems in the 1950s and as many former colonies became independent in the 1960s, so these systems often granted benefits to all qualifying residents and workers rather than

[9] In 1870, an estimated 25 percent of the world's adults were literate. Literacy rose to 50 percent by 1950, and to 80 percent by 2000 (Kenny, 2012, Chapter 5).

drawing distinctions between citizens and non-citizens. One reason for universal social welfare systems was to eliminate distinctions between peoples that in the past had led to conflict.

Human and social rights guarantees make it difficult for governments to remove foreigners who want to stay. Once inside a richer country, migrants can use administrative proceedings and courts to argue that they should be allowed to remain because they have developed roots in the country or would face persecution at home. Governments have found it very difficult to draw a sharp distinction between refugees and economic migrants, even though many migrants have mixed motives for migration, that is, both economic and non-economic motives for moving. In such cases, governments must determine whether a particular person is a refugee entitled to protection who should be allowed to stay or an economic migrant seeking better opportunities who should be returned.[10]

Migration and Labor Markets

Work is the exchange of effort for reward. Work involves employees giving up control over some of their time to employers in exchange for monetary wages and work-related benefits. Unlike many other market transactions, such as a customer buying an item in a store and never shopping there again, work is unusual because it requires a continuous relationship between employer and employee in the workplace, as supervisors assess employee performance and workers consider their satisfaction with the job. Employers may terminate unsatisfactory workers, and dissatisfied workers may quit their jobs.

There is a second important dimension of labor markets that make them unique. Goods that are purchased do not care who buys or consumes them, but workers care about their supervisors and fellow workers and the society in which they live. Workers are not clothing or tools in other ways as well. Workers are multidimensional, with lives outside the workplace that include raising families, participating in leisure activities, and voting for politicians who collect taxes and allocate resources while setting the rules of the society and economy.

Mobility is the key to labor market adjustments; mobility ensures that the "best" workers are in the "best" jobs. Employers try to recruit the best workers, develop remuneration packages to encourage them to perform, and offer promotions to retain them, since experience is usually associated with higher productivity. Workers may quit one job and move to another to achieve higher wages, better benefits, or more opportunities. The movement of workers between jobs is considered a normal component of well-functioning labor markets.

International borders and limits on migrant worker mobility between employers while abroad complicate labor market adjustments. Instead of advertising for local

[10] UNHCR recognizes the reality of mixed migration flows, and developed a 10-point plan in 2006 to provide advice to governments: http://www.unhcr.org/en-us/mixed-migration.html

workers under non-discrimination laws, employers may specify that they will hire only male or female guest workers. Once in another country, migrant workers are usually prohibited from switching jobs unless they obtain the approval of both the old and new employer and a government agency. Migrant workers must generally leave the country when their contracts expire or if they are terminated by their employers, preventing wages and benefits from rising with experience and productivity.

Labor markets have three major functions, viz, recruitment, remuneration, and retention. Recruitment matches workers with jobs, remuneration or the wage and benefit system motivates workers to perform their jobs, and retention systems assess workers to identify and retain the best. Most workplaces have human resources departments to manage these three labor market Rs to ensure that the firm has productive and satisfied employees.

National borders complicate the three Rs. When jobs are in one country and workers in another, language differences and variance in education and training standards and certificates can make it hard to match workers in one country with jobs in another efficiently. Employers seeking workers in other countries often turn to private recruiters in their own country or abroad to find workers to fill jobs, and these intermediary recruiters can make job-matching more efficient or simply add to the cost of matching workers with jobs. Governments often regulate recruiter-worker transactions, and this regulation can improve protections for workers and reduce migration costs or add to complications and worker-paid migration costs.

The other two R-labor market functions may also be complicated by national borders. ILO conventions and many national laws call for equal pay for equal work, so that all workers doing the same job receive the same wage regardless of their citizenship or work-permit status. It can be hard to ensure equality in the workplace. Even if migrant and local workers receive the same wages, migrants may be cheaper than local workers because employers do not have to pay work-related taxes on migrant earnings, especially if migrants will not be in the country long enough to receive benefits. For example, the US exempts employers from paying federal social security and unemployment insurance (UI) taxes on the earnings of many guest workers, which can save employers up to 15 percent on payroll taxes (Martin, 2014c).[11]

In addition to payroll tax savings, migrants may work harder than local workers because their right to be in the country depends on satisfying their employer. The superior work performance of migrants is lauded by employers who emphasize that migrants are abroad in order to work and send money home to their families, making them eager to please the employer and volunteer for overtime work. Many US employers of low-skilled H-2A and H-2B guest workers cite their "reliability and loyalty", emphasizing that they are in the US to work and that they cannot

[11] The H-2A program allows US farmers anticipating labor shortages to receive certification to employ guest workers, generally up to 10 months.

easily switch employers (Martin, 2014c). British employers similarly praise the work ethic of Poles and other Eastern European workers, saying that soft skills such as being willing to work unsocial hours and reliably coming to work are more important than English (Ruhs and Anderson, 2010).

The final labor market function, retention, is also complicated by national borders. Most studies find that more experienced workers have higher productivity. However, guest worker programs that require workers to depart after two or three years can mean the loss of experienced workers and their replacement with new hires who must be trained. Some governments allow seasonal workers to return year-after-year, and some permit employers to sponsor migrant workers for permanent resident status, but most guest worker programs require migrants to depart when contracts end, forcing experienced workers to leave.

Recruitment, remuneration, and retention are challenging for native employers and workers, and these 3 Rs are more complicated when jobs are in one country and workers in another. The fact that workers must be matched with jobs across borders adds to costs, especially during recruitment.[12]

Matching workers with jobs has costs that are usually borne by employers seeking workers and individuals seeking jobs. Employers advertise for workers, request that current employees inform their friends and relatives about vacancies, and notify public and private employment services that they are seeking workers. Workers seeking jobs contact employers directly, ask their social networks about job openings, and turn to public and private agencies that specialize in helping workers to find jobs.

The major cost for both employers and workers in job search is opportunity cost, the cost of not having a job filled for employers and the cost of not working while engaged in job search for workers. The financial costs of advertising for workers in newspapers or paying recruiters, and worker costs to visit employers and public and private agencies, are usually small relative to these opportunity costs, which explains why most jobs are filled quickly and why most jobless workers find jobs within a few months.

International migration can slow worker-job matches. There are four major phases in the international labor migration process, and each can generate migration costs that are paid by workers. Employers set the migration process in motion by developing job descriptions, obtaining government approval to fill jobs with migrant workers (usually after seeking and failing to find local workers), and contacting workers in another country directly or via a recruiter to fill the job. If the employer utilizes a local recruiter, that recruiter may incur costs to contact workers in another country directly or via a recruiter in worker countries of origin.

Migrant workers appear in the second phase, when they learn about foreign job opportunities, obtain contracts to fill foreign jobs, apply for passports and undergo

[12] Many authors attack international labor markets because governments favor high-skilled over low-skilled migrants and often distinguish between legal and desired versus illegal and dangerous migrants.

health, criminal and other checks before receiving visas, and have their documents and contracts approved before departure. Some migrant workers receive weeks or months of language, skills or other training before departure and, even if the training is free, there are opportunity costs as migrants study rather than work. Most worker payments to recruiters and government agencies are made during this second phase of the migration cycle, and many workers take out loans to cover these costs.

The third phase involves migrant workers employed abroad, typically for two or three years. As the end of their contracts approaches, migrants may seek to have their contracts renewed and remain abroad or return to their country of origin to rest before going abroad again. If migrants return to stay, they can invest savings from employment abroad to start a business or to find a wage job. Some migrants are entitled to end-of-service bonuses, reimbursement of some expenses, and refunds of social security contributions upon completion of their contracts.

The fourth phase involves re-integration at home or preparation to go abroad again. The re-integration process is not well understood, so there is little reliable data on the share of migrants who return to stay versus those who cycle between work abroad, rest at home, and going abroad again. Farm employers say that workers admitted under guest worker programs that permit eight or ten months of employment abroad often return year-after-year for several decades. There are also many reports of so-called serial migrants who work two or three years abroad, return for a year or two, and then go abroad again as their savings diminish (Parrenas, 2015).

Workers incur several types of costs in each of the four migration phases, including monetary and opportunity costs. For example, the opportunity costs of not working may be higher than the travel costs paid by rural workers who must go to capital cities to sign contracts and receive pre-departure training. Migrants may also incur costs if they receive substandard wages and benefits abroad or if they work abroad in jobs that do not utilize their skills. In some migration corridors, maximum migration costs and their division between employers, workers, recruiters, and government agencies are specified in bilateral agreements or program rules. In others, only some or none of worker-paid migration costs are regulated.

Recruiters and Migrants

Recruiters are the merchants of labor who match workers in one country with jobs in another. Recruiters are paid for their services, and governments more often aim to regulate the fees recruiters charge *workers* rather than the fees they charge *employers*. Most governments allow markets to determine employer-paid fees to recruiters.

Many governments set maximum worker-paid fees at less than what workers are willing to pay for higher-wage foreign jobs. As a result, alternative allocative mechanisms often determine who goes abroad, including the willingness of workers to pay recruiters and their agents. The "unfairness" of low-wage workers paying high upfront fees for 3-D jobs (dangerous, difficult and dirty) abroad, and often borrowing money at high interest rates to pay recruitment costs, makes recruiters convenient villains. Migrant workers arrive abroad in debt and are vulnerable because they do not want to lose their jobs and return to recruitment debts at home that were incurred in anticipation of high foreign wages.

Recruiters, as with information brokers in other markets where prices are not always transparent, can charge different prices for similar services. Such differential pricing is an example of price-discriminating monopoly. If a recruiter controls access to workers that the employer wants to hire, employers who are "desperate" for workers will pay more to recruiters than employers who can wait to fill jobs. Price discrimination may also work in reverse. If employers "sell" jobs to recruiters, they can effectively auction their job offers to the recruiter willing to pay the most.

Recruiters who place workers in jobs abroad can charge workers different prices for their services if they can determine how much workers are willing to pay. The key to determining what workers will pay are agents and subagents who live in or visit villages with low-skilled workers. These agents get to know potential migrants, can determine what workers are willing to pay, and inform the recruiter, who often collects from the worker and reimburses the agent.

Recruiters who place low-skilled workers in foreign jobs are often agents rather than partners. Agents often bring parties together for a one-time transaction, which gives them less incentive to learn about employer and worker needs. In low-skilled occupations such as domestic service and construction laborer, where there are more workers seeking foreign jobs than there are jobs available, agent-recruiters can charge workers to move up the queue of those waiting to go abroad. Even if low-skilled workers know they are paying higher-than-government-set maximum fees for foreign jobs, they may not complain if they get what they want, a foreign job that offers a higher wage.

The distinctions between agents and partners can be clarified by examining the nature and frequency of three types of transactions, viz, real estate, recruitment, and remittances. Real estate and recruitment are similar in the sense that each transaction is unique, reflecting the needs of particular buyers and the attributes of each house, just as worker traits and job characteristics are unique. Housing and recruitment transactions occur rarely, sometimes only once a lifetime, and often require navigating several markets, such as both the labor market and the credit market.

Sending remittances, by contrast, involves a standard commodity and is a transaction repeated frequently. The consequences of bad decisions are also different. Home buyers and migrant workers are often "locked in" by the loans taken to buy a house and find a job abroad, while a poor remittance transaction usually results in the loss of only a portion of worker earnings.

There are other similarities between real estate and recruitment transactions. Even though many homes and condos are similar or identical, heterogeneity allows agents to charge high commissions because each buyer is unique. Agents may invest time to learn buyer needs and priorities in terms of space, neighborhood, price and other factors, so that "finding exactly the right house" works against transparency and competition, minimizing the cost-reductions expected with more transactions. Similarly, recruiters may offer similar or identical jobs abroad to low-skill workers, but justify charging differential fees by saying that they invest to learn which foreign job is best for a particular worker. Making what appear to be homogeneous transactions to outsiders heterogeneous to participants helps recruiters to extract money from employers and workers.

Real estate transactions are similar to low-skilled workers going abroad in their frequent reliance on credit. Many home buyers rely on credit to purchase homes, just as many migrant workers take out loans to pay recruitment fees. In both cases, people are forced to negotiate two unfamiliar markets, for housing or foreign jobs and for credit to complete the transaction. Home buyers seeking credit can do so in a fairly transparent market because of regulation and the security of the house being purchased, but migrants seeking credit must usually navigate a less transparent credit market that offers less security to lenders, since the foreign work contract may not generate expected earnings to repay the loan.

There are other similarities between buying real estate and working abroad. Housing has both investment and consumption benefits, just as moving abroad to work generates income, may lead to new skills or settlement abroad, and can help rural youth to escape conservative rural villages. There is usually mobility in both real estate and migration transactions, as people move over local borders to new homes just as migrants move over national borders to jobs.

How should recruiters of low-skilled workers be regulated to improve worker protections? The straightforward regulatory solution is for governments to set maximum worker-paid fees and enforce them. However, this does not work in practice because there may be 100 workers seeking 10 higher-wage jobs abroad, allowing recruiters to auction scarce foreign jobs among workers seeking them.

One way to strengthen migrant worker protections is to provide incentives for recruiters to comply with protective labor laws. These incentives can be symbolic, such as awarding recruiters who agree to abide by a code of conduct and have no adjudicated complaints against them a seal of approval that they can use to attract foreign employers or local workers. Alternatively, economically significant compliance incentives, such as lower fees for government services, preferred access to foreign job offers or local workers seeking jobs, and allowing A-rated recruiters to certify that they have followed government regulations, can persuade recruiters to abide by worker protection laws.

There are two types of economic incentives that could improve recruiter behavior, micro and macro. Micro incentives affect individual recruiters, while macro incentives affect the recruitment industry. Micro incentives to influence recruiter behavior fall into three major categories, viz, costs, taxes, and publicity. Good or A-rated recruiters could pay lower fees and or receive faster government processing of the paperwork required to send workers abroad, A-rated recruiters can be granted tax exemptions and tax credits, and A-rated recruiters can receive awards that generate more business. If such government incentives raise revenues more than costs, recruiters have incentives to maintain compliant or A-ratings.

Macro incentives and policies can reshape the recruitment industry and its relationships with employers and workers by favoring larger over smaller recruiters, permitting foreign employers to recruit workers directly, and encouraging long-term partner relationships between employers and recruiters rather than short-term agent transactions. Larger recruiters can achieve economies of scale that lower their costs per worker deployed and develop market power to avoid destructive competition that allows foreign employers to charge recruiters for jobs. Larger recruiters can become comprehensive one-stop shops for employers and migrants, offering everything from training for foreign jobs and skills certification to placement in foreign jobs and handling travel arrangements.

There are other advantages to fewer and larger recruiters, who can develop standard procedures for preparing workers for departure and maintain contact with them while they are employed abroad. As workers abroad near the end of their contracts, recruiters can remind them of end-of-contract and other benefits they have earned and certify any skills acquired abroad for future local or foreign employers. Fewer and larger recruiters are easier for regulatory agencies to monitor.

Conclusions

Recruiters or merchants of labor are the glue of international labor markets, the intermediaries between workers in one country and jobs in another. They have long been considered necessary evils to fill less-desirable jobs. Private recruiters today are involved in the movement of most of the 10 million workers who cross national borders each year, generating revenues of $10 billion to $20 billion a year for the international recruitment industry.

Worker-paid migration costs are a concern for three reasons. First, they are high, absorbing from low-skilled workers one to 10 months foreign earnings and diverting money that could go to migrants and their families into the pockets of better off recruiters and others in the migration infrastructure. Survey data show that recruiters often add little value to worker-job matches, that is, they do not ensure employers that workers have needed skills nor put workers in the job best suited to their skills.

Second is the regressive nature of recruitment costs, with lower-skill and lower-wage workers paying more in migration costs than high-skilled migrants because the supply of low-skilled workers exceeds the demand for them. Highly skilled workers invest in earning degrees and obtaining certification of their skills. The fact that demand often exceeds supply for highly skilled workers, and that the costs of poor worker-job matches rise with the level of skills, means that employers are willing to invest more to recruit high-skilled workers and to pay their migration costs.

Third is the lack of transparency about recruitment costs. No one knows exactly how much low-skilled workers pay for foreign jobs. Media reports suggest that many workers pay far more than one month's foreign earnings to get contracts for jobs abroad, and exposés of workers who arrive abroad in debt can leave the impression that most workers pay a significant fraction of their foreign earners to recruiters and others. Data from workers returning from Gulf oil-exporting countries in 2015 and 2016 do not agree with this conventional wisdom, as low-skilled workers reported relatively modest migration costs (Martin, 2017).

Matching workers with jobs is a core function of labor markets and subject to extensive government regulation. Governments enact laws that lay out minimum standards, from wages and benefits to safe working conditions, and rely on workers to complain in order to enforce these regulations. This same approach is used to regulate recruiters, who are generally required to identify themselves by obtaining licenses, and to pass tests and post bonds to do business. Workers are educated about recruiter regulations, and their complaints prompt investigations of suspect recruiters.

Recruiting is an economic business, and licensed recruiters try to maximize profits. The current regulatory model aims to protect workers by penalizing recruiters who violate protective laws. If recruiter-worker interactions are akin to victimless crimes in the sense that some workers willingly pay recruiters more than legal maximums in order to ensure that they are selected to fill foreign jobs, relying on worker complaints to ensure compliance is unlikely to be effective.

An alternative to the stick of enforcement is the carrot of government incentives that increase the revenue of good recruiters. Governments can offer three major economic incentives to induce better recruiter behaviour: lower processing costs, tax breaks, and awards and introductions. Good or A-rated recruiters can be exempted from some or all fees, providing recruiters with some of the revenue that would otherwise come from migrant workers. The justification for lower fees is that governments need to spend less to check on good recruiters and the workers they send abroad.

Similarly, good recruiters can be exempted from VAT and other taxes that consume 15 percent to 25 percent of their revenues. The justification for giving good recruiters tax breaks is the same as that for offering incentives to foreign investors. Just as foreign investment can bring new technologies and create jobs, so sending workers abroad can speed development at home, justifying tax exemptions and subsidies for good recruiters. Awards and the opportunity to accompany political leaders abroad can help good recruiters to expand their business, giving them a leg up in the competition with other recruiters.

Offering incentives to recruiters is an example of the empirical approach to labor markets associated with Gudrun Biffl. Instead of building models of how the recruitment industry should work, or of how government-to-government agreements could eliminate recruiters, the empiricism of Biffl focuses on how employers, recruiters and workers actually behave, opening the door to incentives to reinforce penalties and effectuate lasting changes in the labor market.

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