



Issues Paper

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Roundtable 2 - Human mobility and human development

RT Session 2.1: *Reducing the costs of migration and maximizing human development*

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1. Executive Summary

This paper supports the preparation and discussion of GFMD Roundtable session 2.1. It addresses key issues and strategies to reduce the costs of migration to migrants and maximize the human development of migrant men and women in the context of cross-border labor mobility. In line with the partnership orientation of the GFMD, it considers four strategic areas for possible joint and complementary action by origin and host countries to expand the opportunities and capabilities of migrants and their families:

- i) Reducing the upfront costs of migration;
- ii) Facilitating education, training and skills recognition for migrants and their families;
- iii) Ensuring social security for migrants;
- iv) Providing health care for migrants and their families.

The session will complement the work of RT 1 on partnerships and expand on earlier GFMD Roundtables on labor mobility, regular migration, circular migration and human development, as well as some outcomes of earlier GFMDs, such as comparing social protection schemes across countries, or considering public-private sector schemes for reducing migration costs.

2. Objectives

The main objective of RT 2.1 is to identify workable strategies for governments and civil society with regard to reducing upfront costs of migration, facilitating education, training and skills recognition, and providing social security and health, that can improve the developmental prospects and outcomes for labor migrants, their families and communities.

3. Background and Context

Labor mobility presents some of the biggest challenges and opportunities for policy development and partnership-building at the interface of migration and development. It can bring tangible benefits for migrants, their families, home and host societies, and local and national economies by filling vacant jobs abroad, easing unemployment at home, expanding migrant skills, and creating economic and other returns to the migrants' countries of origin. But it can also exact significant personal and financial "costs" of the migrants and their families along the way.

A key point of departure for this paper and roundtable session is that migrants' human development and potential to contribute to development in their home and host countries are closely intertwined with the perceived and actual costs of migration. These costs can take many forms (i.e. social, human, financial), are determined by many factors, can be measured in various ways and at different points in the migration cycle, and are directly or indirectly influenced by policies and conditions in the countries of origin and destination.

The more time, energy and resources migrants need to spend on the various costs of migration, the less they are able to devote to their own development and that of their families and communities. Such costs can be regarded as a "leakage" from the developmental gains that migration can generate.

As the dynamics of international migration change, so do the costs associated with the various forms of migration, particularly low skilled temporary migration. While cheaper transportation and communication have made it easier for many to move and/or circulate globally, other costs may have grown, such as high recruitment fees, reduced earning capacity because of lack of skills/qualifications recognition, or the social impacts of family separation or restricted access to social services. In this context, origin and host countries could cooperate in more targeted ways

to adapt their policies to current realities and remove obstacles to low cost, high return migration. As always, a gender perspective should apply (see RT 2.2 for more details).

There are many stakeholders in this field (migrants, governments, recruiters, unions, employers, banks/financial institutions etc), who all have a role to play in lowering the costs and raising the gains of migration for development.

The examples used in this paper are by no means exhaustive, and have been selected for their strategic and illustrative value for the migration and development debate. They belong to that slowly growing body of evidence that an enabling policy/legislative environment which reduces barriers to regular, safe and affordable migration and circulation can also advance the development efforts of individuals and societies. Recent efforts at regional and international levels are also drawing more attention to this issue and offer some useful guides to policy makers

4. Areas for strategic policy action

i) Reducing the upfront costs of migration

High upfront migration expenses, for example health checks, pre-departure orientation and training, recruitment fees, visa application fees, air tickets etc., can counteract efforts to protect and empower migrants and increase the likelihood of irregular and risky forms of migration. They can hamper effective matching of labor supply and demand across borders, a key condition for successful integration in the country of destination and reintegration upon return. They can also lower migrant capacities to save and transfer remittances to their families.

Some upfront expenses may be necessary for the proper functioning of migration systems (for example fees that help cover the costs of administering and processing work permit applications), while others may be unnecessary, unintended and/or illegitimate (for example excessive passport and visa fees; bribes demanded by intermediaries; or the migrants' inability to exercise their rights and due benefits because of a lack of information and awareness).

Upfront costs tend to rise in inverse proportion to migrants' skill levels. Employers often cover these costs for more skilled migrants, but lower-skilled migrants often lack adequate information and have less bargaining power vis-à-vis recruiters and employers.¹ High upfront costs can also negatively affect the preconditions for and developmental potential of voluntary return and circular migration.

Responsibility for reducing the costs of labor migration lies with both origin and host countries. Better information and documentation before departure, and while abroad, can save migrants undue financial and social losses at all stages of migration. Migrants and employers can take some responsibility for this, but states are also responsible for managing their labor markets and protecting migrants.²

For example, federal laws in Canada and the United States require employers in those countries to cover recruitment and travel costs of migrant workers. Israel and Philippine laws set ceilings on what migrant workers should pay for their recruitment. In the United Arab Emirates, regulations mandate that employers carry the totality of costs associated with employing foreign workers, including fees charged by local recruitment agencies. Recruiters and other intermediaries can be regulated to prevent excessive fees; but the question is, how can this be enforced across borders?

¹ As pointed out in UNDP's Human Development Report 2009, Asian migrants moving to the Gulf States often pay 25-35% of what they expect to earn over two to three years in recruitment and other fees.

² In some countries charging fees to temporary migrant workers seeking work abroad is prohibited by law. (See the ILOLEX (Database of International Labour Standards) website at <http://www.ilo.org/ilolex/english/convdisp1.htm>)

In 2009, the GFMD Working Group on Protecting and Empowering Migrants for Development commissioned a study on the feasibility of NGO-bank partnerships providing low-cost loans to Bangladeshi migrants, who typically spend a third of their expected earnings over three years in the Gulf States on recruitment, travel and related fees. Migrant loans are not a new concept in origin countries, but they have been seriously challenged by low (or defaulted) loans repayments and/or reluctance by banks and other financial institutions to provide guarantees. Sri Lanka offers a pre-departure loans scheme at low interest rates through the State Banks once the migrant has signed a foreign employment contract. The feasibility study on the NGO-bank partnerships in Bangladesh proposes that low cost loans be provided early in the recruitment process via NGOs already operating microfinance schemes in villages, in partnership with banks.³

The Philippines limits recruitment fees to the equivalent of one month's salary abroad and enforces this maximum fee with an active campaign to inform migrants and the threat to suspend or cancel the licenses of recruiters who charge more. The Government also imposes a "joint and several liability" on recruitment agencies and foreign employers, so that the recruiter may be liable for violations of the migrant's contract abroad. These policies appear to have a deterrent effect on high fees (although many migrants may nonetheless still be prepared to pay more).⁴

A key challenge, especially for low-skilled migration, is to design systems that protect migrants from exploitative intermediaries and optimize the development benefits of their labor mobility, while avoiding over-regulation of the private sector. Codes of conduct for recruiters are one option that could be considered. Host countries and employers could also consider mechanisms that give preferential access to migrants who arrive through recognized and licensed recruiters.

ii) Facilitating education, training and skills recognition for migrants and their families

Education, training and skills recognition are critical factors for the migration-development nexus – either as positive outcomes of migration or as triggers for migration decisions. They are crucial to the success of the stay in the country of destination, the return and reintegration in the country of origin, and the circulation of people and skills between countries.

Some useful mechanisms to better match skills and jobs across borders include labor databases (e.g. IMIS between Egypt and Italy, implemented by IOM), migrant resource centres (MRCs) in origin and host countries and labor observatories run by ILO).⁵ The aim is to better facilitate training, skills upgrading and job matching prior to departure and during the stay in the host country, and in some cases upon return.

Germany, for example, supports the establishment of a training and information centre in Shakhriyabz, Uzbekistan, which *inter alia* offers business start-up training, enhancement of entrepreneurship skills, and financial literacy courses to returning migrants and families, as well as the local unemployed. The Information Centre in Mali, supported by France, helps inform would-be migrants about foreign jobs. The Migrant Resource Centre in the Democratic Republic of Congo (DRC) helps returning migrants find jobs and set up businesses, and offers training and micro-credit for women. Under the EU-Cape Verde Mobility Partnership, a Centre for Migrant Support in the Origin Country (CAMPO) has been established in Cape Verde, with co-funding from Spain, Portugal and the EC, to prepare migrants for emigration to the EU and

³ The NGOs would also check the validity and terms of the contracts. The loans would be repaid via remittances sent through the banks, which would deduct the loan costs before dispersing the balance. Donor subsidies could launch the bank-NGO partnerships, which should become self-financing over time. ("Reducing the Cost Burden for Migrant Workers: A Market-based Approach", by Philip Martin, www.gfmdathens2009.org).

⁴ Filipino recruiters must post a bond, but this is relatively small in relation to the potential cost of repatriation of other penalties if migrants file successful claims against them (OUMWN, Philippines) (RT 1.3, Brussels GFMD).

⁵ Centres for knowledge development in vocational training. The ILO Observatory on Labour in Globalisation analyses the situation of work and labour market dynamics in the world.

for reintegration into the COO labor market upon return.⁶

Some pre-departure orientation and post arrival information programs include training for language, vocational skills, financial literacy and entrepreneurship skills. The Philippine Pre-Departure Orientation Seminar, mandatory for all overseas-bound workers, includes financial and stress management courses alongside a basic language course that is free of charge for household service workers. Non-state partners also play a role in providing such services. For example, IOM has just piloted a financial literacy training program in Batangas in the Philippines. Welfare Centres at Philippine Consulates also support the migrants and prepare them for their return and reintegration. The Sri Lankan Government has made pre-departure training compulsory for all female migrants, who are able to receive training free of charge at 26 facilities in Sri Lanka.

With the exception of some bilateral labor agreements, there are few mechanisms where origin and host countries jointly prepare migrants to match their skills with available jobs abroad; and enable the migrants to enhance their skills while abroad and use them productively upon return.

Notably, the Circular Migration agreements Mauritius has negotiated with France and Canada include strategic partnerships between the origin and host country on vocational and professional training of the migrants. The agreements are integral to Mauritius' human resource development strategy, and link return and reintegration to a general strengthening of the Mauritian business environment. Under the Japanese Economic Partnership Agreements with Indonesia and the Philippines, Japan enables nurses and care workers from these countries to work as assistants in Japanese hospitals for 3-4 years, while learning the Japanese language (for 6 months) and upgrading their qualifications to local standards. During the "qualifying" period, the migrants earn the same salaries as Japanese counterparts. Spain's labor migration agreements with Colombia, Ecuador, Mauritania, Morocco and Mali allow migrants to receive education and training from contracting companies, NGOs and trade unions before commencing work. The Mexico-United States Cooperation Initiative on Education has established programs in the US to facilitate access to education for Mexican migrants and increase their potential to adapt locally.⁷

The failure to recognize foreign credentials is also a development issue. When foreign-earned educational and work-related credentials of migrants or their family members are not recognized abroad, their earning and remitting capacities are reduced, and there is a potential for "brain-waste". Similarly, if skills/qualifications are not recognized or utilized upon return, there is less incentive to return or circulate. Knowledge about the comparability of qualifications between countries is most advanced among OECD countries, but there are still inadequate mechanisms to ascertain portability of skills/qualifications between developed and developing countries and among developing countries.

Traditional immigration countries like Australia and Canada have longstanding government-driven (or in the case of the US, higher learning institution-based) procedures for qualifications recognition and certification for highly skilled migrants; and more and more migrant-receiving countries are setting up coordinated assessment/recognition systems.

In 2006, Sweden's National Commission on Validation was tasked with assessing how foreign credentials could be recognized in a fair and effective way. Following the recommendations of the Commission, the Swedish Migration Board was tasked with improving the identification of immigrants' educational and work-related qualifications at an early stage and to cooperate closely with the Swedish Public Employment Service responsible for job placement activities.

⁶ See also the GFMD paper on MRCs: http://publications.iom.int/bookstore/free/MRS_40pdf

⁷ See the programs: *Community Plaza*, *IME-Becas Program*, *Open and Remote Higher Education program*, and the Mexico-United States bi-national *Program for Migrant Education* (which includes an interchange scheme for teachers).

In 2009, the German Cabinet adopted a proposal for new regulations to assess and recognize formal qualifications and professional experience of migrants, which will be enacted in 2011.

Bilateral agreements and Mobility Partnerships can also help foster recognition arrangements. In Europe, the Mobility Partnership between the EU and Moldova includes a project to strengthen Moldova's capacity to manage labor and return migration *inter alia* through better information about job opportunities, and the mutual recognition of exams, grades and certificates in the participating EU Member States and the Moldovan labor market (for returnees and for potential labor migrants). This is aided by a database with information on the recognition and equivalence procedures in the EU. In the US, Mexico has successfully piloted the recognition and certification of skills of its migrants in sectors such as construction, garment manufacturing, hospitality and home-health care in collaboration with local employers, unions and universities.⁸

The issue of skills/qualifications recognition and certification remains a vexed one, largely because of the difficulty of cross-border comparability and the regulation by state or federal authorities in many countries of professional and vocational credentials. There is a need for more coordination of accreditation procedures within and between countries, data on good practices, efforts to combat discrimination based on credentialism, and collaboration between origin and destination countries.

iii) Ensuring social security for migrants

Lack of access to income protection and other forms of social security can disempower labor migrants and reduce their potential to contribute to development. It also creates distortions in labor markets and in migration decisions. If migrants do not fully benefit from social security, end of service and/or pension contributions, they may work informally, reducing their earnings and increasing their vulnerability. There is no universally applicable model to ensure income protection for all migrant workers. Clearly, the duration of stay in host countries, the income level of workers, their savings behavior and the labor market context in host countries need to be taken into account when selecting the optimal scheme.

One key policy challenge is to identify how migrants can be effectively covered for social security in various scenarios, e.g. for temporary and longer term stay, and in countries with and without payroll tax-based social systems.

Social security can affect the decision to be mobile and circulate. For example, lack of portability in contributory pension systems can discourage return and circular migration and deprive origin countries of beneficial development effects. On the other hand, migrants who stay abroad for long or successive periods of time may choose not to contribute to the pension or social insurance scheme in their origin country, forcing them to rely on their own private savings if they return. Bilateral cooperation is one way to address gaps in social security protection. For example, migrants who work in several countries could gain from totalization agreements, where benefits accrued in various places are accredited in the country of final settlement.

There are a few good unilateral practices, mostly by high income countries, but also some developing countries of origin such as Philippines and Sri Lanka, which offer contributory pension schemes;⁹ and these could be considered by other countries, including in south-south migration corridors.

Migrant Welfare Funds offered by Bangladesh, Nepal, Philippines, Pakistan, Sri Lanka and Thailand can help protect temporary migrant workers from home. The Philippines Welfare

⁸ See Mexico's "Program to evaluate and certify Labor Performances".

⁹ See the IOM-ILO-OSCE Handbook on Labour Migration, Mediterranean edition 2007, Textboxes VII.14 (page 161) and VII.15 (page 163) on portability of social security negotiated by the Philippines, and other examples of unilateral social security measures by host and origin countries: <http://www.osce.org/item/28725.html>

Fund, for example, supports migrants and their families through: repatriation of distressed and physically ill contract workers, life and personal accident insurance abroad, counseling for distressed workers, and paralegal support; and secondarily with pre-departure orientation seminars, pre-departure loans, family loans for emergencies, livelihood loans for entrepreneurial development after the migrants' return; and some scholarships for families left behind. Nepal has offered financial compensation to workers returning home due to the economic crisis, funded in part by its migrant Welfare Fund and in part by recruitment agencies.

The traditional instruments for facilitating portability of social benefits are bilateral or multi-lateral agreements between countries. These can go a long way, for example among the member states of the European Union, and look promising for the MERCOSUR and CARICOM members. But they are few in number and still less common between low and high income countries. They also vary substantially in benefits covered and type of coordination offered. Typically, they offer some or full portability for pensions (old-age, disability and survivors benefits) but are more limited or non-existent for health care benefits for the returning migrant.

A key reason for limited portability of these long-term benefits are the differences in benefit design that make any inter-country agreements complex and time-consuming to develop, negotiate and implement. In a recent study, World Bank experts offer a conceptual framework for analyzing existing pension and health benefit schemes, and how they might be re-designed for portability across sectors and countries. For pensions, a defined contribution approach (contributor's accumulated payments plus interest), introduced by a number of countries, appears to lend itself more easily to portability across professions and borders. For health care, such an approach is still thinking-in-progress.¹⁰

Differences across countries in terms of designs and governance can complicate the implementation of unilateral schemes and seriously challenge any efforts at bilateral arrangements, including social security totalization agreements. Policy makers would benefit from an inventory of benefit models available today, including end-of-contract payment schemes for temporary and circular migrants. Any evidence of the (cost) effectiveness of the various schemes would support GFMD efforts at understanding their potential developmental impacts.

iv) Providing health care for migrants and their families

Health has been discussed in the GFMD as a fundamental human right critical for human development and achievement of the MDGs.¹¹ Migrant access to health services is recognized as important for public health, to reduce the potential costs of migration to the migrant and to society, and to empower migrants and their families for development. Yet access is restricted for most migrants, particularly those on temporary labor contracts, and in lower skilled jobs, *inter alia* because services are too costly, working hours do not allow access or the migrants do not know about subsidized, affordable health care. Women are often employed in the informal sector in low skilled jobs that are isolated, making it difficult to access health services (see also RT 2.2).

The solution for labor migrants is likely to depend on the prevailing health care provisions in the host country. Whether there is universal public health care available to all migrants in the country, restricted basic health care for temporary contract workers, limited accessibility for special needs (emergencies, maternal, child health), a compulsory migrant health insurance

¹⁰ Robert Holzmann and Johannes Koettl, "Portability of Pension, Health, and other Social Benefits: Facts, Concepts, Issues", revised discussion draft (29 June 2010), Marseille Center for Mediterranean Integration, Marseille, March 10, 2010. Professor Holzmann was also commissioned by the UAE to prepare a study on "Social Protection for Temporary Migrant Workers: Conceptual Framework, Country Inventory, Assessment and Guidance" to support RT 2.1 and in the context of the workplan of the GFMD Working Group on Protecting and Empowering Migrants for Development.

¹¹ See RT 2.1 Background paper for Athens GFMD 2009 (www.gfmdathens2009.org).

scheme (such as in Thailand), or employer-based insurance, also for temporary contract workers, all migrants need to be well informed about their rights and options. Available services also need to be migrant-sensitive (e.g. linguistically and culturally adapted).

In Canada, the Maple Leaf Food Processing Company has enrolled its temporary workers from Mauritius on the company medical insurance scheme, with both the worker and the employer contributing. But such schemes are not always available for low skilled temporary/seasonal workers, who may need a special basic health care insurance. Some countries of origin, such as Philippines or Sri Lanka, offer their own government-based insurance to the workers abroad (free for documented workers in the case of Sri Lanka). They also offer pre-departure information and training in migration health, including reproductive health and HIV/AIDS. Some also address the health of returning migrants, because of the documented poor health among many of these.

Mexico and the United States have designed joint cross-border strategies to preserve, improve and care for the health of the Mexican migrant population. These include information, referrals, engagement of local migrant networks and access to services, as well as training and guidelines to service providers.

In the UAE, a new draft law aimed at protecting the rights of domestic workers is going through the legislative process. This Bill builds on the unified contract that came into effect in 2007 and was intended to spell out the rights and duties of domestic workers and include medical aid provision. The draft law grants Ministry of Interior inspectors access to domestic workers for the purpose of enforcing its provisions.

Under Spanish national legislation, including the Organic Law on the Rights and Freedoms of Aliens in Spain and their Social Integration, all migrants who register with local municipal authorities are entitled to health care assistance on the same terms as Spanish citizens. As part of Spain's Strategic Plan for Citizenship and Integration, the Ministry for Labour and Immigration and the Andalusian Health Care authorities offer a "Training Course for Trainers in Intercultural Competences" to better manage cultural healthcare diversity.

To date, there has been no assessment of the most cost effective health care models for various types of migrants, how they work on the ground, and the role that private partners play in making them work. Some systems offering universal health care access to migrants have not succeeded as planned because of unclear policies on the registration/documentation of migrant workers, and reservations by migrants about registering.

Equally critical for migrant workers is the health care of their accompanying family members or family members left behind. Will their health insurance in the host country carry over to the home country? If not (which is mostly the case), what provisions exist for voluntary coverage in the home country; particularly where there is little or no such cover available for the nationals? (See a more detailed list of examples of global migrant health responses at Annex 1.)

Hopefully, lessons that can be drawn from past and ongoing agreements and policy initiatives under discussion in the GFMD - some of which are highlighted in this paper - will help the session gather more empirical evidence of "good practices".

5. Questions to guide the discussion

1. How can governments ensure that recruiters and other intermediaries keep migration expenses low for migrants?
2. What are some (cost) effective models/systems to provide social security and health care to labor migrants and their families, in both temporary and longer term situations?
3. What other policy areas affect migration costs and the ability of migrants and their families to choose to migrate and circulate in pursuit of better prospects?

6. Possible Outcomes of the RT discussion

1. Promote monitoring and licensing systems for recruiters and other labor market intermediaries.
2. Develop “codes of conduct” for recruiters.
3. Explore innovative approaches to providing low-cost loans for migrants.
4. Promote cooperation mechanisms between origin and host countries for better job matching and skills recognition.
5. Develop a Handbook on partnerships to provide social security for migrants, including temporary/circular migrants.
6. Promote portability of pensions and other social rights.
7. Promote “one-stop-shops” in origin and host countries for information on migration and return (also circular migration), to minimize the “information asymmetry” for migrants.
8. Assess cost effective health care models for various types of migration scenarios.

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