Protecting Overseas Workers

Research Findings and Strategic Perspectives on Labor Protections for Foreign Contract Workers in Asia and the Middle East

Verité
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About Verité

Verité is an independent, not-for-profit social auditing, research, and training organization based in Amherst, Massachusetts, USA. Verité’s mission is to ensure that people worldwide work under safe, fair, and legal conditions.

Verité’s work includes:
- factory audits for compliance with international standards and corporate codes of conduct;
- research into key questions related to workplace human rights in global supply chains;
- evaluations of supply chain and human rights-related risk for multinational corporations and investors; and
- capacity building for governments, businesses and nongovernmental organizations to improve implementation of labor protections.

Since 1995, Verité has conducted over 1,500 comprehensive factory evaluations for multinational corporations and local suppliers in 60 countries; numerous factory-based management training and worker-education programs in Asia, Latin America and the Middle East; and research for socially concerned investors worldwide.

Other research by Verité includes:
- Verité Country Labor Assessment Series: including Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, and Venezuela.

- Labor Law Digests: for Bangladesh, Brunei, Bulgaria, China, Dominican Republic, Ecuador, Egypt, Honduras, Hong Kong, Hungary, India, Indonesia, Kenya, Macau, Mauritius, Mexico, Nicaragua, Pakistan, Peru, Philippines, Romania, Sri Lanka, Taiwan, Thailand, Turkey, and Vietnam.

- Recent Verité Issue Reports:
  - Social Compliance in Information Technology: Identifying Problems and Advancing Solutions in India
  - Excessive Overtime in Chinese Supplier Factories: Causes, Impacts, and Recommendations for Action
  - Chinese Labor Law and Core Code of Conduct Issues: A Detailed Comparison

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About this report

Verité Research Reports illuminate key issues related to labor rights in international sourcing and provide recommendations for action by a variety of stakeholders to improve working conditions.

The research presented in this report was conducted under the supervision of Dan Viederman, Executive Director; Marie Apostol, Verité Southeast Asia Program Director; Simon Peter Gregorio, Verité Southeast Asia Research Manager; and Erin Klett, Research Program Manager. The report was written by Simon Peter Gregorio; and edited by Erin Klett, Shannon Tenney and Debra Hertz.

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Verité gratefully acknowledges the support of the Sigrid Rausing Trust in conducting this research and capacity building initiative. The Sigrid Rausing Trust is a philanthropic foundation based in Great Britain and takes as its guiding framework the United Nations’ Universal Declaration of Human Rights. The Sigrid Rausing Trust funds innovative programs in the areas of women’s rights, minority rights, social and environmental advocacy, and human rights.
Executive Summary

Foreign contract labor - an arrangement by which workers arrive in a foreign country “under contract” with a third-party labor broker to work at a particular workplace for a specified timeframe - is a widespread and growing phenomenon worldwide.

Strict legal limits on workers’ freedom of movement (including the lack of freedom to change jobs) and restrictions on their ability to organize, as well as the considerable debt that they often enter into in order to finance jobs abroad, create a special vulnerability to wide-ranging exploitation and abuse. Over the course of more than 1,500 factory audits, Verité has found the following abuses to be common among foreign contract laborers: excessive overtime; improper wage payment and wage withholdings; poor health and safety conditions; harassment - physical, verbal and sexual; and compromised freedom of movement. In recognition of the gravity of this problem, the Trafficking in Persons Report of the United States Department of State includes debt-bonded foreign contract labor in its definition of human trafficking.¹

To illuminate the special situation of foreign contract workers and identify appropriate policy responses, Verité undertook a two-year project to study both legal protective regimes and on-the-ground practices in seven countries in Asia and the Middle East. The project entailed interviews with 600 returned foreign contract workers, as well as detailed legal studies and consultations with experts from broad-ranging backgrounds. The main objectives were to:

- Ascertaining the legal and policy frameworks governing the export of labor to foreign countries, including labor protection measures implemented by governments for outgoing and incoming contract workers.
- Identify and document the actual practices and processes of labor broker arrangements, whether they fall within or outside the legal framework. In this respect, Verité was particularly interested in:
  - Clarifying the amount of fees being charged by labor brokers in practice, and comparing that with legally prescribed maximums.
  - Illuminating the methods by which foreign contract workers are financing the payment of placement fees and the degree to which such financing then becomes a catalyst for increasing vulnerability to abuse while abroad.
  - Determining the prevalence and extent of other labor broker and employer practices that directly affect the ability of migrant workers to earn sufficiently while abroad to pay off placement fees and debts.

The study focused both on countries that send contract workers abroad, and countries that receive and host those foreign contract workers. Sending countries included Indonesia, the Philippines, Thailand, and Vietnam; the receiving countries were Jordan, Malaysia, and Taiwan. Legal reviews were performed in both the sending and receiving

¹ The report notes, “A person may travel of his or her own volition to another location within his or her own country or abroad and still fall into a state of involuntary servitude later. The movement of that person to the new location is not what constitutes trafficking; the force, fraud or coercion exercised on that person by another to perform or remain in service to the master is the defining element of trafficking in the modern usage. The person who is trapped in compelled service after initially voluntarily migrating or taking a job willingly is still considered a trafficking victim.” U.S. Department of State. Trafficking in Persons Report. June 2005. <http://www.state.gov/g/tip/rls/tiprpt/2005/>.

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countries; and the survey of returned foreign contract workers was administered in the sending countries alone.

This report focuses primarily on the research findings from the survey of on-the-ground practices. More detail on Verité’s legal findings will be forthcoming in future publications and initiatives.

The key findings from this research of on-the-ground practices for the recruitment and deployment of foreign contract workers are:

- Service or placement fees charged by recruitment agencies commonly exceed legal limits.
- Additional fees charged by recruiters compound the financial burden of workers.
- The majority of workers interviewed did not have the financial means to fund placement fees.
- Recruiters sometimes misrepresent the cost of placement fees and level of earnings until late in the recruitment process.
- The terms of lending can place workers in situations of highly leveraged debt.
- The on-site collection of “runaway insurance” is common, and significantly adds to the financial burden of foreign contract workers.
- Salary deduction appears to be the most onerous and disadvantageous option available to workers for financing placement fees.
- A majority of workers report the need to work overtime to repay their debts.
- Formal legal mechanisms for funding and governing the payment of placement fees were absent, with the exception of Vietnam.

This study helps clarify the level of indebtedness of foreign contract workers, the circumstances leading to that indebtedness, and the vulnerability and exploitation that can result. It also points to the routine and widespread violation among labor brokers of legal limits on fees for their services. Average placement fees paid among workers interviewed by Verité ranged from US$367 to $2,251. While legal limits on fees were generally set at one month’s salary, the actual fees paid ranged from 1.8 to 4.8 months of salary.

These high fees typically exceed any savings available to workers, with the result that they must find alternative means of financing. To finance fees, loans were taken by 73 percent of Filipino, 57 percent of Thai and Vietnamese, and 35 percent of Indonesian foreign contract workers interviewed for this study. Average loans ranged from US$376 to $2,367.
While many workers reported being able to borrow money from family or friends; many others were forced to borrow from informal moneylenders, the terms of which were unfavorable. Interest rates ranged from 0 to 60 percent, with the average time required to pay off a loan ranging from 10 to 36 months.

The study also revealed a profound lack of awareness among workers of the implications of heavily-leveraged debt and of the true conditions of their employment arrangements prior to arrival in a foreign country.

Compounding the stress of indebtedness are other ancillary costs and withholdings associated with foreign contract work - many of which are unknown to workers prior to taking a job. Particularly problematic is the issue of “runaway insurance,” withheld from workers as a way of ensuring their continued stay at a particular place of employment abroad. Workers interviewed for this study reported runaway insurance withholdings amounting to as much as 30 percent of their monthly salaries. While such withholdings are generally refunded, they remain a serious barrier to workers’ ability to repay other debts and send money home to their families.

This study makes clear that the need to repay debt results in a heightened vulnerability for foreign contract workers. An overwhelming majority of Filipino, Thai, and Vietnamese workers interviewed for this study - 82 percent, 63 percent, and 88 percent, respectively - reported the need to work overtime in order to repay their loans. Many surveyed reported working too much overtime in situations where the voluntary nature of the overtime itself was questionable, and the level of overtime oftentimes excessive of legal limits.

This report offers a detailed presentation of Verité’s findings, followed by a conclusion and recommendations.

**Recommendations**

This section of the report provides recommendations to resolve problems associated with the recruitment and deployment of foreign contract workers. The recommendations suggest a tentative agenda for action, ones that will need further refinement and consideration from interested stakeholders. Using this report as a starting point, Verité intends to engage public, private, and nonprofit partners in multistakeholder discussions about possible action steps and move toward their implementation.

Key recommendations, described in more detail in the body of the report, include:

**For governments**

- Ratify the UN Convention on Migrant Workers.
- Leverage other resources for monitoring and enforcing established labor protections governing licensed recruitment and labor export companies.
- Prioritize the signing of bilateral agreements between sending and receiving countries.
- Establish an incentive system by which labor brokers and export firms are rewarded for good labor practices.
Spearhead the creation of alternative financing mechanisms for the payment of broker fees by nonprofit organizations, parastatal agencies, and formal financial institutions.

For international agencies
- Establish standards and frameworks for the creation of bilateral labor agreements that contain provisions on labor protection for foreign contract workers.

For nongovernmental organizations
- Advocate at the national and international levels for ratification of the UN Convention on Migrant Workers by major receiving countries and for adoption of firmer protections and enforcement mechanisms for foreign contract workers.
- Develop capacity for monitoring efforts at the national, bilateral, and international levels to protect foreign contract laborers.
- Develop and advocate for use of an independent rating system of labor brokers to be run and managed by nongovernmental organizations (NGOs).
- Develop mechanisms by which intermediary parties (between the worker and the employer) to the brokering process are reduced or eliminated.

For multinational companies with foreign contract workers in their supply chains
- Require the full extension of Code of Conduct provisions to foreign contract workers in supply chain production.
- Ensure that all staff with sourcing responsibilities are aware of the particular issues of foreign contract labor and that company code of conduct provisions clearly articulate the standards that must be met before engaging in a supplier relationship involving foreign contract workers and the consequences of failure to meet those standards.
- Maintain updated information from organizations such as Verité or the ILO on issues that may be present in supplier factories using foreign contract labor.
- Maintain updated information on the legal requirements of both sending and host countries that apply to migrant workers and ensure that vendors’ employment practices incorporate any such protections.
- If working with a factory that employs foreign contract workers, ensure that the workers and factory management personnel are provided with information regarding the particular vulnerabilities of this population, potential solutions to problems that may arise, and local resources for assistance.
- Develop action plans for immediate responsiveness to problems involving foreign contract workers that may be identified during the monitoring of a facility. Such action plans may include identifying and building relationships with local and regional migrant labor support services, and consulting with country labor ministries and international organizations.
Require that source factories create policies and procedures in accordance with Verité’s best practices for foreign contract workers, and provide the necessary information and support for factories in developing and implementing such policies and procedures:

- Ensure that the labor broker or recruitment agency contracted to provide the factory with foreign contract workers is compliant with laws protecting worker welfare in both the sending country and the receiving country.

- Stipulate the following in its agreement with labor brokers:
  - The company pays wages directly to workers.
  - Terms or burden of deposits or fees paid by workers are within the legal limits.
  - Conditions of return to worker’s home country do not create a financial burden that results in conditions of forced labor.
  - Interest rates on loans required to secure employment do not create a financial burden that results in conditions of forced labor.
  - Any deposits made to a labor broker are to be returned in full at the end of the worker’s contract, whether the worker is terminated or resigns.

- Ensure that labor brokers/agencies are informed of the company's conditions/code and the brokers/agencies obligation to comply with them.

- List and maintain a database of reputable employment agencies and labor brokers, and only engage the services of such agencies.

- Provide employment agreements of foreign contract workers that state the amount and manner of deductions made by either the factory or the labor broker and a provision stating that in the event of repatriation, the burden of the cost of repatriation will be assumed by the company.

- Where host country laws allow deductions from the workers' wages for “savings,” ensure that such deductions are strictly voluntary and supported by the written consent of the workers. Savings must be placed in the individual worker’s savings accounts. Workers should be able to monitor and have access to these accounts at any time.
Introduction and Background

The forces of a globalizing world economy have led to increased movement of workers across borders. This phenomenon is especially pronounced in Asia, where the International Labor Organization has estimated that two million individuals leave every year, under contract, to work in other countries within and outside the region.2

Rapid economic growth in some newly industrialized countries of Asia has resulted in worsening labor shortages. In response, companies and governments have looked beyond their borders for sources of affordable labor. The 1997 Asian economic crisis resulted in the outflow of workers in search of employment abroad. Labor surpluses, poverty, and inequality in such countries as Sri Lanka, Indonesia, China, and the Philippines have led governments to encourage citizens to find work abroad. The need to develop domestic export industries has prompted other governments, such as Malaysia and the Persian Gulf states, to recruit foreign nationals to supplement their local workforce.

The majority of these labor flows occur either informally or illegally. However, in many instances, governments sponsor or facilitate the recruitment and placement of foreign workers. This is most often accomplished through a system of third-party labor brokers. Workers arrive in a foreign country “under contract” to work at a particular factory for a specified timeframe. This phenomenon has come to be known as “contract labor.”

Verité has come face-to-face with foreign contract labor over the course of more than 1,500 factory audits in over 60 countries; and through interviews with over 10,000 workers and hundreds of factory managers and supervisors. Through these experiences, Verité has witnessed a clear pattern of abuse and exploitation that correlates with such foreign contract labor status. Foreign contract workers - whose movement within the country is typically restricted, and whose continued stay is typically contingent on remaining at a particular workplace - have proven to be particularly vulnerable to a wide range of exploitative conditions. These include excessive overtime; improper wage payment and wage withholdings; poor health and safety conditions; harassment - physical, verbal and sexual; and compromised freedom of movement.

In recognition of the gravity of this problem, the Trafficking in Persons Report of the United States Department of State includes debt-bonded foreign contract labor in its definition of human trafficking.4

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3 Because “contract labor” can also be used to refer to short-term or temporary employment contract arrangements within a domestic country context, Verité uses the term “foreign contract labor” to describe workers under third-party contract for employment abroad.
4 The report notes, “A person may travel of his or her own volition to another location within his or her own country or abroad and still fall into a state of involuntary servitude later. The movement of that person to the new location is not what constitutes trafficking; the force, fraud or coercion exercised on that person by another to perform or remain in service to the master is the defining element of trafficking in the modern usage. The person who is trapped in compelled service after initially voluntarily migrating or taking a job willingly is still considered a trafficking victim.” U.S. Department of State. Trafficking in Persons Report. June 2005. <http://www.state.gov/g/tip/rts/tprrt/2005/>. 
Verité’s factory audits and independent research have also identified consistent gaps between labor laws governing foreign contract labor and actual practice. Discussions on the topic of migrant workers have revealed dissatisfaction among multinational companies, factory management, and workers with regard to current approaches to the problem of foreign contract workers, as well as acknowledgement that methods to address the issue are needed.

In response to this need for a more thorough examination of the underlying catalysts driving the exploitation of foreign contract laborers, Verité designed and launched this study to:

- Ascertain the legal and policy framework governing the export of labor to foreign countries, including labor protection measures implemented by governments for outgoing and incoming contract workers.
- Identify and document the actual practices and processes of labor broker arrangements, whether they fall within or outside the legal framework. In this respect, Verité was particularly interested in:
  - Clarifying the amount of fees being charged by labor brokers in practice, and comparing that with legally prescribed maximums.
  - Illuminating the methods by which foreign contract workers are financing the payment of placement fees and the degree to which such financing then becomes a catalyst for increasing vulnerability to abuse while abroad.
  - Determining the prevalence and extent of other labor broker and employer practices that directly affect the ability of migrant workers to earn sufficiently while abroad to pay off placement fees and debts.

The study focused both on countries that send contract laborers abroad, and countries that receive and host those foreign contract workers. Sending countries included Indonesia, the Philippines, Thailand, and Vietnam; the receiving countries were Jordan, Malaysia, and Taiwan. This set of countries included those where extensive work has already been undertaken by governments and nongovernmental organizations to address emerging problems with migrant labor; and countries for which the export of labor is a relatively new experience and strategies have yet to be developed.

The study sought to describe actual labor recruitment practices, fee structures, payment documentation procedures, and contracting arrangements. A principle aim of the study was to identify the factors contributing to workers’ indebtedness. This entailed a document review of all legal instruments in both sending and receiving countries, and a survey of returned foreign contract workers in the four sending countries. Laws and regulations were reviewed and contrasted with actual on-the-ground practices. Through this process, we identified strengths and weaknesses of laws and constraints to enforcement and regulation, as well as best practices in the area of worker protection, with a view to offer policy recommendations and strategies for both home and host countries.

The preliminary results of the study were shared and discussed at a December 2004 conference in Bangkok, Thailand. Representatives from governments, multinational companies, NGOs, international institutions, labor brokers, and unions gathered to learn about Verité’s findings and identify paths for future research, discussion, and action. The results of the conference are presented herein, and Verité intends that the findings from
this study will continue to advance multistakeholder dialogues to address issues of foreign contract labor practices in supplier factories.

This report focuses primarily on the research findings from the study of on-the-ground practices; more detail on Verité’s legal findings will be forthcoming in future publications and initiatives.
Methodology

The study methodology is based on Verité’s extensive experience in both legal research and qualitative interview methods with workers. The study solicited and examined the experiences of foreign contract laborers in procuring employment and working abroad. The study relied on trained interviewers using a structured interview process to gather a broad range of information. A large number of interviews, conducted over a specific time period, provide a snapshot of the experiences of Indonesian, Filipino, Thai, and Vietnamese workers abroad.

The surveys sought to discover the nature, extent, and breadth of migrant worker employment experiences. Interviews with returned foreign contract workers probed for information relating to the payment of recruitment fees, the financing of their payment, and other practices that directly or indirectly increased the cost of migrant labor and may have led to indentured labor or debt bondage. The surveys were supplemented by qualitative information gathered through case studies, which sought to provide depth and a human face to the information gathered from the survey and to illuminate best practices for potential replication.

In each of the four sending countries - Indonesia, Philippines, Thailand, and Vietnam - 150 returned foreign contract laborers were interviewed. Interviews took place from June to November 2004. Those selected to be interviewed were blue-collar workers, laboring in the formal manufacturing sector with contracts abroad of one year or more. The study did not include domestic workers, highly specialized or technical workers, managers, or irregular workers.

Workers were identified in a variety of settings, depending on the particular challenges of each country’s environment and the location and capacities of the research teams. Researchers were directed to interview an equal number of men and women. Roughly half of the Indonesian respondents were interviewed on-site in Malaysia, with the other half interviewed in areas on Java and Sumatra known for high concentrations of returned migrant workers. Half of the Filipino respondents were interviewed while processing their papers at the Philippine Overseas Employment Administration (POEA), and the other half were interviewed in their home villages in known sending regions in the Philippines (Regions 2, 3, and 4 in Luzon and Region 11 in Mindanao Island). In Thailand, workers were interviewed while processing their papers at the Thailand Overseas Employment Administration Building in Bangkok. Eighty-five percent of the Vietnamese respondents lived in Ho Chi Minh City, with the remainder spread out over ten other areas including Hanoi, Hung Yen, and Ha Tay.

Potential weaknesses of the survey methodology employed were the nonrandom selection of participants, and the difficulty of validating self-reported information. Taking into account these potential methodological complexities, this report provides a conservative analysis of the information gathered.
Findings from this inquiry of on-the-ground practices were triangulated with document research and consultations with experts on the legal protective regimes of workers’ countries of origin, to yield insight on the coverage and effectiveness of existing legal protections for foreign contract workers. More detail on Verité’s legal findings is forthcoming in future publications and initiatives.
Research Findings

Fees Charged to Foreign Contract Workers

Service or placement fees charged by recruitment agencies commonly exceed legal limits.

Service, placement, or recruitment fees (terms used interchangeably) refer to the amount of money that private labor brokers charge for mediating between a would-be foreign contract worker and the worker's would-be employer. Such services can include any or all of the following: identification of a place of work and facilitation of a work contract; the processing of travel documents, visas, and work permits (if obtainable from the embassies of the receiving country); registration for skills testing and the cost of certification; mandatory physical and health tests and other tests required by the receiving country (e.g., an HIV/AIDS test); the cost of language training and/or a predeparture orientation seminar; transportation costs; and any vaccination or inoculation required by the receiving country.

In all sending countries covered by the study, laws exist that limit the collection of employment “service” or “placement” fees to a set percentage of a migrant worker’s salary. These limits differ in the scope of the service fee, with some countries segregating documentation costs (passport and the processing costs for other documents obtained from the sending country government) from the agency service fee.

This study polled returned foreign contract workers about the amount of service fees they paid; and then compared these to legal limits. The results must be viewed as an approximation of aggregate fees actually paid, as workers sometimes did not specify whether fees included documentation or other ancillary costs.

Verité found the service or placement fees charged by recruitment agencies to be excessive in two regards: (1) These fees commonly exceed legal limits; and (2) These fees often account for a large portion of a worker’s earnings, and thus represent a significant financial burden.

Table 1. Comparison of monthly salary to placement fees

<table>
<thead>
<tr>
<th>Country of origin for foreign contract workers</th>
<th>Average Monthly Salary (in USD)*</th>
<th>Average Placement Fee (in USD)*</th>
<th>Median Monthly Salary (in USD)*</th>
<th>Median Placement Fee (in USD)*</th>
<th>Range of Monthly Salaries (in USD)*</th>
<th>Range of Placement Fees (in USD)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>$200</td>
<td>$367</td>
<td>$158</td>
<td>$368</td>
<td>$62-970</td>
<td>$96-947</td>
</tr>
<tr>
<td>Philippines</td>
<td>$432</td>
<td>$1,886</td>
<td>$464</td>
<td>$1,528</td>
<td>$107-800</td>
<td>$54-6,360</td>
</tr>
<tr>
<td>Thailand</td>
<td>$503</td>
<td>$2,251</td>
<td>$553</td>
<td>$2,000</td>
<td>$200-1,125</td>
<td>$250-5,000</td>
</tr>
<tr>
<td>Vietnam</td>
<td>$658</td>
<td>$1,154</td>
<td>$620</td>
<td>$700</td>
<td>$220-2,340</td>
<td>$0 - 1,900</td>
</tr>
</tbody>
</table>

*Local currency amounts have been converted to US dollars, to enable comparison across countries.
Table 2. Law and practice in the payment of placement fees for overseas work

<table>
<thead>
<tr>
<th>Sending Country</th>
<th>Legal Limitations</th>
<th>Actual Fees Paid*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>• Company fee (placement fee) should not exceed one month’s salary.</td>
<td>1.8 months of salary</td>
</tr>
<tr>
<td>Philippines</td>
<td>• Fees should not exceed one month’s salary, exclusive of documentation costs, e.g.</td>
<td>4.4 months of salary</td>
</tr>
<tr>
<td></td>
<td>passport, birth certificate, trade test, medical examination.</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>• Service fees should not exceed one month’s salary.</td>
<td>4.8 months of salary</td>
</tr>
<tr>
<td>Vietnam</td>
<td>• If the contractual wages paid by employers to laborers <em>do not</em> cover meals, accommodations, and</td>
<td>1.75 months of salary</td>
</tr>
<tr>
<td></td>
<td>labor accident insurance for the time laborers work overseas, payable service charges shall not exceed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12 percent of their monthly wages. (For land-based workers only. A different scheme applies for seafarers.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Where contractual wages <em>do</em> cover meals, accommodations, and labor accident and medical insurance,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>laborers must pay service charges not exceeding 8 percent of their monthly wages.</td>
<td></td>
</tr>
</tbody>
</table>

*Fees are expressed in terms of average monthly salaries of workers, to facilitate comparisons between countries.

Additional fees charged by recruiters compound the financial burden on workers.

Adding to the financial burden placed on migrant workers is the payment of what are known as “commitment” fees (also known as “membership” or “reservation” fees in the Philippines). With the exception of the Philippines, legislation governing this practice was absent in the sending countries studied. While these fees were not found in Vietnam, instead Vietnamese workers are required to pay a “surety bond” before deployment (discussed in greater detail below, in the context of “runaway insurance”). Such additional predeparture fees increase costs for the worker securing employment abroad.

Some workers must pay commitment fees to recruiters in order to secure spots on the lists of job candidates that are circulated to factories seeking workers. This practice is

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9 Ibid.
10 In such cases, the payment of this fee is, in practice, a prerequisite for employment; since a worker whose name is not on the list of potential candidates for a job would not have the opportunity to be selected for employment by interested employers.
illegal in the Philippines. Recruiters often advertise for job candidates even before definitive job orders are placed by employers, in order to ensure their capacity to fill job orders when they are received. Under Philippine law, this practice is known as “manpower pooling,” and overseas job advertisements must include a pooling notation in their advertisements if no job orders have been received at the time the advertisement is run. Philippine law prohibits the collection of fees for manpower pooling purposes, yet these fees are, in fact, a common practice, and this practice is not reported to authorities. Commitment fees are also used by brokers as a mechanism to prevent applicants from “broker shopping” or submitting their names to a number of brokers in order to secure the best job offer.

Filipino and Thai workers interviewed by Verité reported paying fees ranging from a low of US$17 to a high of US$1,250. These fees are nonrefundable if the worker withdraws his/her name from the candidate pool. In some cases, commitment fees represented no financial harm to workers, if brokers deducted the amount of the fee from the placement fee once the worker has been successfully deployed. However, in many cases, these fees were not refunded.

Not all workers paid commitment fees. In the Philippines, 23 percent of respondents paid such fees; and in Thailand, only 14 percent paid these fees. However, in the Philippines, 80 percent of respondents who reported paying a commitment fee also stated that their brokers did not deduct the commitment fee from the placement fee. In these situations, workers were required to pay two fees to secure employment. By contrast, in Thailand, 60 percent of workers who reported that they paid a commitment fee said that their labor broker deducted the commitment fee from the service fee.

The table below shows the average, median, and range of commitment fees paid. These are compared against the average monthly salary. Note that in Thailand the average commitment fee paid exceeded the average monthly salary.

Table 3. Law and practice in the payment of reservation, commitment, or membership fees for overseas work

<table>
<thead>
<tr>
<th>Sending Country</th>
<th>Legal Limitations</th>
<th>Actual Fees Paid (range reported by workers) in USD^</th>
<th>Average Fees Paid^</th>
<th>Median Fees Paid^</th>
<th>Average Monthly Salary^</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>Collection of fees for “manpower pooling” purposes is illegal. The job advertisement must state that the solicitation for applicants is for manpower pooling purposes only (and not for a particular job).(^{11})</td>
<td>$17 to 1,198</td>
<td>$359</td>
<td>$191</td>
<td>$432</td>
</tr>
<tr>
<td>Thailand</td>
<td>No law found</td>
<td>$125 to 1,250</td>
<td>$585</td>
<td>$500</td>
<td>$503</td>
</tr>
</tbody>
</table>

*Data inconclusive for Indonesia. These fees were not found to be charged in Vietnam.

^Local currency amounts have been converted to US dollars, to enable comparison across countries.

Why Borrow?

*The majority of workers interviewed did not have the financial means to fund placement fees.*

Placement and recruitment fees are a major expense for foreign contract workers, and the necessity of financing adds to their burden. Often, even if workers have access to cash savings, the amount is insufficient to pay the entire placement fee. For this reason, the majority of workers often reported selling or pawning valuable assets and borrowing from relatives, friends, informal moneylenders, or lending companies associated with recruitment or placement agencies.

While some of these lending options are relatively inexpensive, or even cost-free; others - especially informal moneylenders and lending companies associated with recruitment or placement agencies - carry onerous terms and aggravate the already heavy financial burden carried by departing foreign contract workers.

The most popular means of financing placement fees was found to be through loans, either singularly or in combination with other financing modes. The nature of these financing arrangements are discussed below.

Table 4. Percentage of surveyed workers who utilized loans, singularly or in combination with other financing modes, to fund placement fees

<table>
<thead>
<tr>
<th>Country</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>35%</td>
<td>73%</td>
<td>57%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Challenges to Borrowing and Repayment

*Recruiters sometimes misrepresent the cost of placement fees and level of earnings until late in the recruitment process.*

Desperate for a job abroad and ill-informed about the laws, rules, and regulations governing overseas employment, a would-be foreign contract worker often agrees to pay placement fees, even prior to signing a work contract. This practice violates the law in two of the countries studied - Thailand and the Philippines. As stated earlier in this report, these placement fees were routinely found to exceed legally mandated maximums. Interviews with returned workers and legal experts indicated that brokers

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escape detection by issuing false receipts for these placement fees, or by failing to provide receipts at all.

Often when the work contract is presented for the worker's signature, the salary is lower than previously advertised or quoted by the recruiter. Workers reported that after the considerable effort of securing requisite documents, undergoing a battery of required tests, outlaying large sums of money, and aware that they had little bargaining power, they generally signed the labor agreement even though it did not meet their expectations.

Recruiters are able to significantly lower previously advertised salaries by changing the job title/category or job requirements once workers are present and ready to sign work agreements. For instance, recruiters may advertise for Grade 1 mechanics, but may actually offer the worker a job as a Grade 2 or 3 mechanic. Applicants consequently sign labor contracts for jobs they did not initially apply for and at lesser salary rates than originally quoted.

Some Filipino workers interviewed also stated that labor brokers required them to sign more than one work contract. One contract contained the actual job title and salary the worker agreed to, and another with better conditions and provisions was submitted to the relevant government agency.

### Case Studies: Misrepresentation of Job Type and Salary

Rafiq, an Indonesian migrant worker, signed a contract with a recruitment agency to work as an operator of waste management machines in Malaysia. When he arrived in Malaysia, Rafiq discovered that both the type of work and the salary were different than what was stated in his contract. He was also required to work overtime without compensation. While Rafiq understood that he was being exploited, he felt he was without any other options. When Rafiq finally decided to leave his job after 14 months, his employer kept both his passport and other important immigration documents. Without the appropriate paperwork, he was considered an illegal migrant worker and could not find another job. With no money saved, an outstanding debt to his lender, and no legal protection, Rafiq returned home on a meat boat to avoid being arrested by the Malaysian police.

Kitty was an unemployed Indonesian worker, desperate for a job, who decided to seek employment abroad. She inquired among friends who had worked as foreign contract laborers, and was referred to a recruitment agency that had sent a friend abroad to Brunei. Upon visiting the agency, she was told that she would be charged a recruitment fee of four million rupiah, which would cover the expense of a required medical examination, a passport, and airfare. While working in Brunei, she only received four hundred rupiah a month, less money than she had been promised by the agency. This low monthly salary did not even cover the costs of living in Brunei. Kitty stayed two years at this factory, only saving enough money to buy a ticket home. Once home, she had to face her family’s debt of five million rupiah that accrued from the loan taken to pay her recruitment fee.
The terms of lending can place workers in situations of highly leveraged debt.

Loans taken by foreign contract workers surveyed for this study ranged from a low of US$56 to a high of US$4,500. In Indonesia, Thailand, and Vietnam, the majority of workers who borrowed from sources other than relatives reported having to provide collateral - 56 percent in Indonesia, 98 percent in Thailand and 60 percent in Vietnam. Land was the collateral most often provided.

Interest rates ranged from 0 to 60 percent, and the average time required to pay off the loans ranged from one to 36 months. It should be noted that this study found it difficult to ascertain accurate information on interest rates paid. Often, those interviewed did not have a clear understanding of how the interest rate was set or how the total interest due was calculated.

Table 5: Characteristics of indebtedness among foreign contract workers

<table>
<thead>
<tr>
<th>Sending country</th>
<th>Average loan (USD)*</th>
<th>Median loan (USD)*</th>
<th>Range in loan amounts (USD)*</th>
<th>Range of interest rates</th>
<th>Average repayment period</th>
<th>Range of repayment periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>$376</td>
<td>$263</td>
<td>$63 - 2,000</td>
<td>0 - 10%</td>
<td>14 months</td>
<td>1 - 30 months</td>
</tr>
<tr>
<td>Philippines</td>
<td>$1,122</td>
<td>$944</td>
<td>$56 - 3,137</td>
<td>0 - 20%</td>
<td>10 months</td>
<td>1 month - 3 years</td>
</tr>
<tr>
<td>Thailand</td>
<td>$2,387</td>
<td>$2,125</td>
<td>$125 - 4,500</td>
<td>0 - 60%</td>
<td>10 months</td>
<td>1 month - 2 years</td>
</tr>
<tr>
<td>Vietnam</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$100 - 4,000</td>
<td>3 - 15%</td>
<td>12 months</td>
<td>2 - 18 months</td>
</tr>
</tbody>
</table>

*Local currency amounts have been converted to US dollars, to enable comparison across countries.

Informal lenders, lending investors, and labor brokers doubling as financiers charged the highest interest rates among the financing options reported by surveyed Filipino and Thai workers. Formal financial institutions charged the least.

Table 6: Sources of Credit and Range of Interest Charged*

<table>
<thead>
<tr>
<th>Source</th>
<th>Philippines (%)</th>
<th>Thailand (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relatives or Kin</td>
<td>5-10</td>
<td>24-36</td>
</tr>
<tr>
<td>Neighbors</td>
<td>5-20</td>
<td>12.5</td>
</tr>
<tr>
<td>Friends</td>
<td>8-20</td>
<td>0</td>
</tr>
<tr>
<td>Labor Broker</td>
<td>-</td>
<td>24-48</td>
</tr>
<tr>
<td>Informal Moneylender</td>
<td>5-20</td>
<td>36-60</td>
</tr>
<tr>
<td>Government Bank</td>
<td>-</td>
<td>6-12</td>
</tr>
<tr>
<td>Private Bank</td>
<td>3-5</td>
<td>6-18</td>
</tr>
<tr>
<td>Pawnshop</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Lending Investor</td>
<td>2-3</td>
<td>48</td>
</tr>
</tbody>
</table>

*Data unavailable for Indonesia and Vietnam.

The combination of a lack of access to formal financial institutions and the high rates charged by informal lending sources compel many migrant workers to finance overseas work via personal savings and loans from relatives. However, this strategy is also often
limited by lack of funds; consequently many would-be migrant workers are forced to borrow outside the family.

The qualitative portion of this study found that there were many institutions (banks, NGOs, and government agencies) helping migrant workers and their families invest and use their savings wisely. Research additionally revealed a number of reintegration programs implemented by sending countries. However, few institutions that assist migrants in financing their placement fees were found. One NGO that assists foreign contract workers with saving, investing and reintegration, Koop Balikabayani13 (see Appendix 1), is exploring the possibility of financing the payment of placement fees. Koop Balikabayani suggests a cap on loan amounts as a means to educate workers about fair prices and to encourage them to work through recruitment agencies that charge reasonable placement fees.

The on-site collection of “runaway insurance” is common, and significantly adds to the financial burden of foreign contract workers.

“Runaway insurance” or “surety bonds” are monies withheld from workers to prevent them from changing employers, reneging on their work contracts, or simply disappearing once they arrive in the host country. Research revealed that the on-site (within the host country) deduction and withholding of runaway insurance is a common practice, and that the levels of runaway insurance withheld typically represent a significant portion of a worker’s monthly earnings.

Table 7. Characteristics of runaway insurance

<table>
<thead>
<tr>
<th>Sending Country</th>
<th>Extent of Runaway Insurance (% of surveyed workers who were charged)</th>
<th>Cost of Runaway Insurance (average amount paid per month, USD)*</th>
<th>Average Monthly Salary (USD)</th>
<th>Cost of Runaway Insurance as % of Average Monthly Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>38%</td>
<td>data inconclusive</td>
<td>data inconclusive</td>
<td>data inconclusive</td>
</tr>
<tr>
<td>Philippines</td>
<td>61%</td>
<td>$88</td>
<td>$432</td>
<td>20%</td>
</tr>
<tr>
<td>Thailand</td>
<td>71%</td>
<td>$87</td>
<td>$503</td>
<td>17%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>61%</td>
<td>$200</td>
<td>$658</td>
<td>30%</td>
</tr>
</tbody>
</table>

*Local currency amounts have been converted to US dollars, to facilitate comparison across countries.

Runaway insurance or surety bonds often represent a temporary loss of income for workers, while employers use such funds for their own benefit. Paying runaway insurance or a surety bond means workers have less money available to send back to their families and it contributes to their debt burden. Workers do not have the opportunity to earn interest on their bond payments, though their employer does earn interest on all these deposits. Runaway insurance and surety bonds also act as a large disincentive to change employers, thereby decreasing the mobility and bargaining power of workers.

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13 Balikabayani is a mixture of three Tagalog words namely; balik - return; kabayan - fellow countrymen; bayani - hero. Overseas foreign workers are regarded as modern-day heroes due to their contribution to the Philippine economy.
The extent and degree of runaway insurance charged varied by country. For Filipino and Thai workers, those who worked in Taiwan registered the highest amount of runaway insurance:

- Filipino workers in Taiwan reported monthly deductions averaging US$111 for runaway insurance. The highest monthly deduction reported was US$180 and the lowest, US$72.
- Thai workers in Taiwan reported monthly deductions averaging US$88 for runaway insurance. The highest monthly deduction reported was US$150 and the lowest, US$30.

Filipino workers who had worked in Taiwan reported that the runaway insurance increased with the length of tenure of employment.

All Indonesians surveyed had worked in Malaysia, where the average monthly runaway deduction was US$266. The highest monthly deduction reported was US$421 and the lowest, US$7.

**Surety Bonds in Vietnam: A Double Burden**

As per Vietnamese law, foreign contract workers must deposit a sum of money, or “surety bond,” at least 15 days prior to departing for their job abroad. This bond is meant to be returned, in full, to the worker upon completion of their work contract. The bond is forfeited if the worker does not fulfill his/her contract. The amount of the deposit varies depending upon the destination, with deposits set according to the cost of a one-way airplane ticket from the workers’ destination country to Vietnam (using rates obtained from Vietnam Airlines), plus three months’ contractual wages. Runaway insurance collected on-site represent an additional cost to the worker. In effect, workers are charged twice: once prior to their departure and once arriving on-site.

Surveyed foreign contract workers who failed to fulfill their contracts reported being additionally stigmatized by a formal announcement made in the village or place of residence stating that they failed to complete their labor contract. These workers thereby carried the burden of “dishonor” to themselves and their families. The alleged malfeasance was recorded on the worker’s work record as well, thus compromising future employment opportunities.

**Refunds of Runaway Insurance and Surety Bonds**

Regarding the return of runaway insurance payments to workers upon completion of their work contract, 88 percent of surveyed Filipino workers who reported paying runaway insurance received a full refund; only seven percent reported that they did not receive any refund. Filipino workers who did not receive refunds cited breach of contract and physical injury leading to deportation as reasons for forfeiture. Filipino workers who received only a partial refund of their runaway insurance cited alleged (and unexplained) debt to the employer and contract extension as reasons for the incomplete refund.

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Ninety-eight percent of surveyed Thai workers who reported paying runaway insurance received a full refund. Only one worker received no refund.

Circumstances were different among Vietnamese and Indonesian migrant workers. Fifty-four percent of surveyed Vietnamese workers who reported that runaway insurance was deducted from their salary on-site reported receiving a full refund; while 17 percent received only a partial refund and 11 percent received no refund. Among Indonesian workers, only nine percent of surveyed workers who reported surety bond deductions received a full refund, with 21 percent receiving a portion and 35 percent receiving nothing at all.  

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**Case Studies: Failure to Refund Runaway Insurance**

Mr. N, from Vietnam, is single and lives with his parents, his brother’s family, and his two sisters. He received a degree from the community university and decided to search for work overseas. To pay the recruitment agency fees, Mr. N was loaned money by his overseas relatives to be paid back with interest. His costs included document fees and airfare, a recruitment fee, and two thousand American dollars for runaway insurance. The two thousand dollars were to be kept in a Vietnamese bank and returned with interest by his placement agency upon his return home. When Mr. N came back from working abroad, the agency did not fully refund his deposit for the runaway insurance. Mr. N and 15 other workers in a similar situation filed a lawsuit. They received half of the money owed to them.

Mr. X, from Vietnam, is single and lives with his parents, his sister and his grandmother. He was just short of receiving a degree in Information Technology from the Science University when he went to work overseas. To register, he went to see a state-managed company and received a job overseas as an automobile mechanic. Mr. X was required to pay a service fee and airplane costs, as well as runaway insurance. He paid this in Vietnam, and was required to use his house and land certificates for collateral. While he was abroad, Mr. X’s family received a letter informing them that he had left his place of employment, which was a false claim. When the company was notified of its mistake, Mr. X was sent an apology letter. However, even after the apology letter was sent, the Vietnamese placement company did not return his runaway insurance deposit.

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**Salary deduction appears to be the most onerous and disadvantageous option available to workers for financing placement fees.**

Results from the study showed that the problem of excessive placement fees is exacerbated when a monthly salary deduction is the financing option chosen to pay placement fees. As demonstrated by the case study in this section, salary deduction results in extremely low take-home pay for the duration of a worker’s loan - thus affecting a worker’s ability to send money home to family.

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15 Percentages do not add up to 100 because some workers did not respond to this question.
Presumably aware of the disadvantages posed by salary deduction, less than half of workers across all four sending countries used this option, and very few reported that they repaid their placement fee debt exclusively through the means of salary deduction.

**Table 8. Incidence of salary deduction to pay placement fee among surveyed workers**

<table>
<thead>
<tr>
<th>Sending Country</th>
<th>% Workers Using Salary Deduction</th>
<th>% Workers Exclusively Using Salary Deduction (of the total who used salary deductions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>46%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Philippines</td>
<td>46%</td>
<td>10%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.2%*</td>
<td>1.2%*</td>
</tr>
<tr>
<td>Vietnam</td>
<td>31%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

*Only two respondents; both had worked in Taiwan.

Workers who used a salary deduction option devoted a significant portion of their monthly salary to the repayment of the placement fee.

**Table 9. Comparison of average monthly salary deduction to average monthly salary**

<table>
<thead>
<tr>
<th>Sending Country</th>
<th>Average Monthly Salary (of workers who availed of salary deduction) (USD)</th>
<th>Average Monthly Deduction (USD)</th>
<th>Deduction as % of Average Monthly Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>$205</td>
<td>$62</td>
<td>30%</td>
</tr>
<tr>
<td>Philippines</td>
<td>$418</td>
<td>$150</td>
<td>36%</td>
</tr>
<tr>
<td>Thailand</td>
<td>$594*</td>
<td>$270*</td>
<td>45%*</td>
</tr>
<tr>
<td>Vietnam</td>
<td>$776</td>
<td>$72</td>
<td>9%</td>
</tr>
</tbody>
</table>

*Only two respondents; both had worked in Taiwan.

Using the salary deduction method, the average repayment period for the placement fee ranged from 7 to 24 months.

**Take Home Pay for a Foreign Contract Worker Availing of Salary Deduction**

The average Filipino foreign contract worker interviewed for this study who had worked in Taiwan earned $466 per month and paid a placement fee of $2,572 to secure the job. Filipino workers who used the salary deduction option for repaying their placement fee averaged a monthly salary deduction of $179, excluding service fees.

At this rate, it would take approximately 14 months for a Filipino worker in Taiwan to pay off the placement fee via salary deduction, assuming no interest was charged.

The cost of runaway insurance must be subtracted from the worker’s wages; and such insurance averaged $110 per month, not taking into account the increase in runaway insurance the longer the worker stayed with the company.

Subtracting the salary deduction and runaway insurance, the take home pay for the average Filipino worker in Taiwan would be $177 per month, for the first 14 months of employment.
A majority of workers report the need to work overtime to repay their debts.

Loan repayment in full or in part is reported to be a difficult and time-consuming process for workers. A majority of Filipino, Thai, and Vietnamese workers reported the need to work overtime in order to repay their loans.

When triangulated with the results of case studies it becomes clear that the need to repay debt results in a heightened vulnerability for foreign contract workers. Many surveyed reported working too much overtime in situations where the voluntary nature of the overtime itself was questionable and oftentimes the overtime was illegal.

Table 10. Percentage of workers who reported that they had to work overtime to repay their loans

<table>
<thead>
<tr>
<th>Indonesia</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>28%</td>
<td>82%</td>
<td>63%</td>
<td>88%</td>
</tr>
</tbody>
</table>

Following are three examples of compulsory overtime from case studies collected for this research.

Case Studies: Overtime among Filipino Foreign Contract Workers

Maria, 31 years old, worked in a computer accessories factory in Taiwan for three years. She said that overtime work at their factory was mandatory and lasted until two o’clock in the morning during peak season (this was usually during holidays). She claimed that a worker had to show a medical certificate to the management before the worker would be exempted from overtime work.

Joel, 36 years old, worked in a construction company in Saudi Arabia for a total of seven years. He said that overtime work “normally” lasted until ten to twelve o’clock in the evening, especially on Sundays. He asked not to work overtime one day because he was sick. His supervisor granted him permission, but to his regret, his other overtime hours worked were not calculated as overtime as “punishment.” A total amount of two day’s worth of his salary was deducted from him every payday from then on. He did not complain again due to fear of further punitive deductions.

Johnny, 35 years old, worked in a recycling factory in Taiwan for three years. He claimed the factory where he worked had a very unreasonable overtime schedule. Their regular working hours were from eight o’clock in the morning until five o’clock in the afternoon. Then they were allowed to go back to their dormitory to rest for three hours, after which they were expected back at the factory to work overtime from eight o’clock in the evening until five o’clock the following morning. This usually occurred during the middle and the end of the contract year. Many workers complained of dizziness and fainting spells due to lack of sleep.
Additional Policy Challenges

Formal legal mechanisms for funding and governing the payment of placement fees were absent, with the exception of Vietnam.

Many sending countries have funds for repatriation, insurance, medical care, return and reintegration activities, and pension. These funds are typically created from the mandatory contributions of migrant workers, with state support in some instances. However there are very few large-scale, pool-funded systems to finance predeparture activities. In this area, the prospective migrant worker is often on her or his own.

Of the four sending countries, only Vietnam has a large-scale, funded mechanism for financing those who have qualified to work abroad. Article 135 (b) of the Vietnamese Labor Code as amended establishes the Overseas Employment Support Fund from which prospective migrant workers can borrow to finance their jobs abroad.¹⁶ Workers may borrow from this fund to finance service fees charged by labor export companies, the surety bond deposited prior to departure, and documentation costs. Enterprises involved in placement for overseas employment pay contributions to the fund in the form of a one percent tax on service fees charged to migrant workers. The remainder of the fund’s resources come through state allocation and is managed by the Finance Ministry. According to labor experts interviewed by Verité, the fund was set up by the Prime Minister to develop overseas markets, raise the quality of competitiveness of Vietnamese labor on the international labor market, and provide risk support to laborers.

As a matter of policy, Indonesia provides migrant workers access to loans from financial companies and the Bank of Indonesia.¹⁷

In the Philippines and Thailand, the law does not contain any formal or official mechanisms for the procurement of loans to finance placement fees. Migrant workers must utilize their own resources to find funding. In the Philippines, this study identified a cooperative operating in the southern province neighboring the Philippine capital of Metro Manila that lends money for the payment of placement fees to workers (see Appendix 2).

Laws in the sending countries under study do not include regulatory policies and mechanisms for governing the manner by which fees are paid: In many instances, migrant workers finance their placement fees by installment through salary deduction. Among the four sending countries, only Indonesia has placed a cap on salary deduction.

⇒ In Indonesia, salary deduction by the labor broker is not allowed beyond those specified by the Director General of Empowerment and Placement. Indonesian law states that the monthly installment for recruitment fee should not exceed twenty-five percent (25 percent) of the worker’s salary.¹⁸ The

¹⁶ Article 22 of Decree 81 of 2003 sets forth the objectives of setting up the Labor Export Support Fund. Decree 81 states: The Finance Ministry shall assume the prime responsibility and coordinate in detailing the collection, use and management of the Labor Export Support Fund; licensing fees; oriented training and education charges, labor export service charge, labor export brokerage charges (charge for consultancy on contract exploitation), levels of, and mode of managing, laborers deposit.

¹⁷ Article 57 Ministerial Decree No.104A/2002

enforceability of this law is questionable, given that deductions are made in
the receiving country and not in Indonesia.

Finally, laws also fail to address the nature of relationships between labor brokers and
lenders. This study found that in the Philippines, workers are directed by recruiters to
borrow from friendly lending investors or sister firms. This enables them to capture a
greater share of the money circulating in the country’s recruitment and placement system
through the high interest these lenders charge. Philippine law is silent on this potential
conflict of interest.
Conclusions

Workers who seek employment abroad in contracted work arrangements often do so because of a lack of domestic employment opportunities and serious financial need. This leads to a willingness on the part of these workers to accept heavy debt burdens as a means of securing overseas employment. Debt burdens come in the form of high fees charged by labor brokers for placement in overseas work, as well as a variety of other fees for documentation services, medical exams, or “membership” with a particular labor broker. This study indicates that, in most cases, these fees amount to a thousand or more US dollars. These fees are compounded by earnings that are withheld in the form of “runaway insurance.” According to workers interviewed for this study, withholdings can amount to as much as 30 percent of a worker’s monthly earnings. The number and variety of fees and withholdings make it difficult for workers to comprehend, and pose significant challenges to monitoring and regulation on the part of governments.

Workers interviewed by Verité for this project demonstrated a lack of awareness concerning, first, the terms of loans they entered into before departure; second, the true conditions of their employment abroad - including type of work, salary, overtime, living conditions, exchange rate, and freedom of movement; and third, “runaway insurance” withholdings. This lack of understanding turns to shock and surprise when workers arrive at their destination. Some workers’ situations become unbearable for reasons such as harsh treatment by managers and the expectation that they will work excessive overtime for low compensation. In other instances, workers’ situations become intolerable if their compensation is even lower than expected. Some workers choose to leave their employer in an effort to try and find more lucrative or decent work - a decision rendering these workers to illegal migrant status, as their stay in the host country is tied to their job. Many such workers interviewed by Verité found life as an illegal migrant too dangerous, so they returned to their home country, oftentimes still indebted and causing great financial strain and embarrassment to themselves and their families.

While all four of the sending countries studied - Vietnam, Indonesia, Philippines, and Thailand - have legal limits on the amount of service fees that may be charged by labor brokers; this study found that, in practice, those limits are routinely exceeded. Similarly, while there are laws governing the signing of labor contracts prior to departure, brokers circumvent these regulations through such means as having workers sign two contracts. The first one goes to the government and the other one represents the true conditions of employment. While service fees and contracts are relatively well-regulated areas of the recruitment and deployment of foreign contract workers, there are other areas for which legal regulations are largely absent. These include regulations on the charging of additional fees such as reservation, commitment, and membership; withholding of runaway insurance; the provision of formal financing options for foreign contract workers; and the treatment of foreign contract workers while abroad.
More attention by sending country governments is needed to tighten the monitoring and enforcement of legal regimes that already govern the recruitment and deployment of foreign contract workers. Gaps and loopholes in legal regimes also must be considered. Similarly, more effort is needed by host country governments to ensure that foreign contract workers are employed in safe, decent, and legal conditions during their stay; and to construct legal and regulatory frameworks that adequately protect workers and enable them to defend their own interests. Multinational companies also have a role to play in requiring the full extension of Code of Conduct provisions to foreign contract workers in their supply chains, and in working with factories that use foreign contract workers to raise awareness about the particular vulnerabilities of this worker population.
Recommendations

The preliminary results of the study were shared and discussed at a December 2004 conference in Bangkok, Thailand attended by governments, multinational companies, and international institutions, unions, employers, labor brokers, and NGOs.

The conference involved presentations and round-table discussions on the issue of foreign contract labor, and a number of key recommendations for future action were put forward by participants. These recommendations are presented here to advance thinking about the ways in which stakeholders can develop policy recommendations and strategies in an effort to ensure better labor protections and working conditions for foreign contract laborers in both home and host countries.

For governments

- **Ratify the UN Convention on Migrant Workers.**
  Research shows that while a number of countries exporting migrant labor have ratified the UN Convention on Migrant Workers, none of the major receiving countries have done so. Ratification of this convention would help demonstrate a country’s commitment to providing adequate protection for migrant laborers and would provide a framework within which to address migrant labor issues at the national, bilateral, and international levels. Many of the proposed solutions, including those calling for formal financial institutions to finance placement fees, involve bi-national or international cooperation. Regional actions and mechanisms are also needed, especially, particularly in light of renewed debate and consideration of an Association of Southeast Asian Nations (ASEAN) Free Trade Zone.

- **Leverage other resources for monitoring and enforcing established labor protections governing licensed recruitment and labor export companies.**

- **Prioritize the signing of bilateral agreements between sending and receiving countries.**
  In both sending countries and receiving countries, advocacy for greater transparency and shared participation in the negotiations of such bilateral agreements would foster improved labor protections for foreign contract workers. Independent advocacy groups in both sending and receiving countries would then be provided with a framework within which to monitor the treatment of workers.

- **Establish an incentive system by which labor brokers and export firms are rewarded for good labor practices.**
  A good example of such practices is the Philippine Overseas Employment Administration (POEA), which rewards exceptional recruitment agencies with recognition ceremonies and extended operating licenses - measures that reduce their cost of doing business.
Spearhead the creation of alternative financing mechanisms for the payment of broker fees by nonprofit organizations, parastatal agencies, and formal financial institutions. This research study indicates that informal lenders, lending investors, and labor brokers doubling as financiers charge the highest interest rates. Formal financial institutions charged the least interest, even lower than the few relatives who chose to charge their kin interest.

For international agencies

- Establish standards and frameworks for the creation of bilateral labor agreements that contain provisions on labor protection for foreign contract workers.
  International agencies such as the International Labor Organization (ILO) are well-positioned to design and make available model bilateral agreements that conform to international labor standards.

For nongovernmental organizations

- Advocate at the national and international levels for ratification of the UN Convention on Migrant Workers by major receiving countries, and for adoption of firmer protections and enforcement mechanisms for foreign contract workers.

- Develop capacity for monitoring at the national, bilateral and international levels to protect foreign contract laborers.

- Develop and advocate for the use of an independent rating system of labor brokers to be run and managed by nongovernmental organizations (NGOs).
  Such a rating system could help both potential foreign contract workers and their employers in host countries identify labor export agencies that would best represent their interests. Buyers and/or brands could require suppliers to source workers only from agencies receiving high ratings.

- Develop mechanisms by which intermediary parties in the brokering process are reduced or eliminated.
  One participant and speaker in the Bangkok conference, Mr. Juan Aguilar, Jr. operates a company that facilitates meetings and provides venues where an employer and a potential foreign contract laborer can meet. Employers pay Mr. Aguilar, Jr. a fee for facilitating meetings between employer and employee and for successful hires (see Appendix 2.) His company is profitable, while at the same time offering a way for foreign contract laborers to bypass the exorbitant brokerage fees charged by the standard Filipino recruitment agencies.
For multinational companies with foreign contract workers in their supply chains

- Require the full extension of Code of Conduct provisions to foreign contract workers in supply chain production.

- Ensure that all staff with sourcing responsibilities are aware of the particular issues of foreign contract labor and that company code of conduct provisions clearly articulate the standards that must be met before engaging in a supplier relationship involving foreign contract workers and the consequences of failure to meet those standards.

- Maintain updated information from organizations such as Verité or the ILO on issues that may be present in supplier factories using foreign contract labor.

- Maintain updated information on the legal requirements of both sending and host countries that apply to migrant workers and ensure that vendors' employment practices incorporate any such protections.

- If working with a factory that employs foreign contract workers, ensure that the workers and factory management personnel are provided with information regarding the particular vulnerabilities of this population, potential solutions to problems that may arise, and local resources for assistance.

- Develop action plans for immediate responsiveness to problems involving foreign contract workers that may be identified during the monitoring of a facility. Such action plans may include identifying and building relationships with local and regional migrant labor support services, and consulting with country labor ministries and international organizations.

- Require that source factories create policies and procedures in accordance with Verité's best practices for foreign contract workers, and provide the necessary information and support for factories in developing and implementing such policies and procedures:
  - Ensure that the labor broker or recruitment agency contracted to provide the factory with foreign contract workers is compliant with laws protecting worker welfare in both the sending country (where workers originate) and the receiving country (where the factory is located).
  - Stipulate the following in its agreement with labor brokers:
    - The company pays wages directly to workers.
    - Terms or burden of deposits or fees paid by workers are within the legal limits.
    - Conditions of return to worker's home country do not create a financial burden that results in conditions of forced labor.
    - Interest rates on loans required to secure employment does not create a financial burden that results in conditions of forced labor.
    - Any deposits made to a labor broker are to be returned in full at the end of the worker's contract, whether the worker is terminated or resigns.
- Ensure that labor brokers/agencies are informed of the company’s conditions/code and of their obligation to comply with them.

- List and maintain a database of reputable employment agencies and labor brokers, and only engage the services of such agencies.

- Provide employment agreements of foreign contract workers that state the amount and manner of deductions made by either the factory or the labor broker and a provision stating that in the event of repatriation, the burden of the cost of repatriation will be shouldered by the company.

- Where host country laws allow deductions from the workers’ wages for “savings,” ensure that such deductions are strictly voluntary and supported by the written consent of the workers. Savings must be placed in the individual worker’s savings accounts. Workers should be able to monitor and have access to these accounts at any time.
Appendix 1: Koop Balikabayani International (KBI) OFW Savings and Credit Cooperative

Introduction
Region IV, located immediately south of the Philippine capital, is the third largest “sending” region in the Philippines, with one of the largest concentrations of returned Overseas Filipino Workers (OFW) in the country. In San Pablo City (Laguna Province), concerned NGOs and former OFWs established a cooperative to help OFWs save for their return and reintegration in the Philippines. The cooperative is called Koop Balikabayani International (KBI)\(^{19}\).

The Birth of KBI
In 1995, Atikha\(^{20}\), an NGO assisting OFWs and their families with their psycho-social needs, conducted a survey to uncover the impact of labor migration on OFWs and the families they left behind.

The survey was conducted in Region IV and focused on migration problems, especially as they manifested in family units. Common problems were: the inferiority complex of a child due to the absence of parent(s), especially the mother; disorganized spending of remittances; and indebtedness despite having an OFW family member gainfully employed.

The survey showed that 70 percent of OFWs had been unable to save money. Ms. Norma Laguindam, current chairperson of KBI, worked with other individuals to set up an organization that could encourage OFW’s to save money.

Using a financial cooperative system that was prevalent in the Philippines, Koop Balikabayani International was established in February 2003. Each of the 15 founding members contributed PhP 1,000 (USD 17.80) as share capital. They subsequently received training from the Cooperative Development Authority (CDA), a government agency which regulated cooperatives.

Vision and Mission
KBI adopted the following as their Vision and Mission Statement:

- “To improve the lives and social welfare of OFWs, their families, and communities that would lead them to their successful reintegration in the Philippines.”
- “To materialize the OFWs’ dream of establishing their own business enterprise prior to their eventual homecoming - which, in time, could pilot their community to economic growth.”

\(^{19}\) Balikabayani is a mixture of three Tagalog words namely; balik - return; kabayan - fellow countrymen; bayani - hero. OFWs are regarded as “modern day” heroes due to their contribution to the Philippine economy.

\(^{20}\) Atikha is a Tagalog word that literally means “to gradually save or earn money.”
Implementation
During the first five months, KBI had difficulty recruiting members. According to Ms. Laguindam, “Building confidence had been difficult because of sad experiences with mismanaged cooperatives, which in time, folded up.”

To gain the trust of their target clientele, KBI promoted and observed a policy of transparency in every aspect of their operation, offering new services in response to borrower needs.

From conception, the cooperative opted for “quality, not quantity” in their member recruitment. Targeting clients with reliable reputations, Ms. Laguindam personally conducted credit investigations, which were required prior to approval of membership applications. (See Box A for details regarding membership requirements and conditions.)

Constituents
Concurrently, KBI has 223 members from San Pablo City, Batangas City (Batangas Province); and other provinces in Region IV. Their active OFW members were employed in Hong Kong and Italy.

Any member who has paid at least PhP 1,000 (USD 17.80) in share capital, and has been a member for at least a month, can access the cooperative’s lending services.

Box A

Who can become a member?
• must be at least 18 years and not more than 70 years of age.
• must be an OFW/OFW relative resident of Region IV*
• KBI also accepts children & youth ages 0-17 years, as associate members

How to become a member:
• fill out a membership application form
• register for the next pre-membership and education seminar (PMES)
• attend the PMES to know the obligations of being a cooperative member
• submit the application form to the Membership Committee for approval
• upon approval, the new member shall deposit the required share capital

*Returning OFWs and their relatives can apply as associate members and are entitled to all the rights, privileges and duties of members except the privilege to be nominated for any elective position (see Table B for privileges & responsibilities of a member)

Loan Services
There are many different types of loans available to members of KBI. (See Box B for details regarding types of loans.)

A borrower can choose to repay her/his loans daily, weekly, semi-monthly, or monthly. KBI charges an interest rate of 3.33 percent per month. A grace period of seven working days is granted from the payment due date. A loan is considered past due if no payment has been made by the eighth day. If the member opts to pay the past due amount, s/he is charged a penalty of five percent.
**Box B: Loan Services**

1. Regular Loan - a maximum of PhP 25,000 (USD 445), payable within 6 mos.
2. Petty Cash Loan - a maximum of PhP 3,000 (USD 53.40), payable in 1 mo.
3. Educational Loan - for payment of tuition and other fees, a maximum of PhP 5,000 (USD 89), payable within 6 mos.
4. Medical Loan - for hospitalization or other medical expenses by a member and his/her immediate family members, a maximum of PhP 5,000 (USD 89), payable within 6 mos.
5. Productive Loan - for livelihood purposes and available only to long-term members who own a business - a loan amount of three times the share capital and savings, but not more than PhP 25,000 (USD 445), payable within 1 yr.
6. Appliance Loan - for purchase of appliances, payable for 6-12 mos.
7. Special Loan - available to an "associate member" who owns a business, a loan equivalent to the member’s total amount of shared capital and savings deposit - payable daily for 1 mo. (An associate member can save and borrow, but has no voting rights, unlike a regular member.)

None of the loans available require collateral except the Productive Loan. Good borrowers, or those who paid on time, can borrow up to PhP 30,000 (USD 534) (See Box C for interest rates and loan deductions.) KBI has considered the possibility of adding a "recruitment fee loan" service.

**Box C**

**Interest rates:**
- regular Savings Deposit - 2% per annum
- Time Deposit - would be based on deposit amount, i.e.:*
  - PHP1,000 (USD17.8) - PHP9,999 - 2.5%
  - PHP10,000 (USD178) - PHP49,999 - 3%
  - PHP50,000 (USD890) - PHP99,999 (USD1,780) - 4%
  - PHP250,000 (USD4,450) - PHP500,000 (USD8,900) - 5%

**Loan deductions:****
- Service fee - 5%
- for Share Capital & Savings Deposit - 10%***

*Maximum of 8%.
**All deductions are made once.
***This deduction would be deposited straight to the borrower's account.

The privileges of a KBI member are:
- to vote and be voted as an officer of the cooperative
- access to various types of loans & other services offered by the cooperative
The responsibilities of a KBI member include to:

- pay the share capital of PHP4,000.00 (USD 71.2) (this can be paid within a year)
- pay for the membership fee of PHP200.00 (USD 3.56) & PHP100.00 (USD 1.78) for the ID
- regularly attend meetings & general assembly
- recruit potential members
- save, at least, PHP100.00 (USD 1.78) per month
- repay his/her loan on time

KBI has an office in San Pablo City (Laguna) with four staff members (a chairperson, manager, bookkeeper, and clerk). The cooperative could not afford to fill other office functions, so the four staff members perform multiple functions including accountant, consultant and collector. KBI also employed one regular collector.

**Pook Tulungan**

KBI also offers “Value Formation and Skills” and “Enterprise Development” services. These services were implemented through the organization of small division cooperatives, known as *Pook Tulungan*, which were organized per *barangay*, or village (the smallest politico-administrative unit in the Philippines). Each *Pook Tulungan* had 15 to 30 cooperative members with their own set of leaders. The *Pook Tulungan* was established to encourage member participation and to encourage social responsibility among members. Its mandates were: 1) to aid in the membership drive and screening of potential members; 2) to assist with credit collection; 3) to put into practice value formation activities; 4) to recognize and plan for skills and business development training; and 5) to plan for community projects.

*Pook Tulungan* members are also required to attend the cooperative’s monthly general assembly. During the monthly general assembly, members receive updates on the cooperative’s financial status and ratify changes in policies.

**Other Services**

Members also enjoy services including 1) livelihood training; 2) enterprise development; 3) *Tulungan at Damayan* benefits (assistance in case of a member’s death); 4) counseling; 5) value formation seminars; 6) savings program for children; 7) Patronage Refunds (profits made from the cooperative’s convenience store, distributed among members who have no past due payments).

**“Little Savers”**

The “Little Savers” program was introduced to foster financial independence and diminish the children and youth’s dependency on remittances as they grow older. From infancy to 17 years old, the children and youth associate members of KBI are trained in the value and practice of financial savings. The “little savers” pay a share capital of PHP 100 (USD 1.78) and a membership fee of PHP 100 (USD 1.78). Neighbors recall how amusing and invigorating it is to watch children, passbooks in hand, patiently waiting to make transactions.

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4 *Pook Tulungan* is a combination of two Tagalog words meaning “area of assistance.”

5 *Tulungan at Damayan* are Tagalog words for “assistance and moral support.”
**Insurance**
KBI joined forces with the Co-op - Life Mutual Benefit Services Association, Inc. (CLIMBS). At present, KBI provides members with the following:

- **Co-op Life Savings Plan (CLSP)** - This program assists the cooperative in generating savings. In case of a member’s death, CLIMBS pays the amount equivalent to his or her insured savings/shared deposits to his or her beneficiary. The membership of the deceased member may be assumed by their beneficiary, subject to the cooperative’s evaluation.

- **Co-op Loan Protection Plan (CLPP)** - This service offers protection to both the lender (KBI) and the borrower, specifically a member with an optional Accidental Death and Dismemberment (AD & D) Rider. This minimizes loan delinquencies due to a member’s death or crippling disability by waiving the member’s outstanding debt to minimize the burden on the beneficiaries.

**Performance**
To date, the rate of drop out has been only two percent. Drop-outs are described by those unwilling or unable to pay their loans or to save regularly. The following table details the KBI loan receivables and member performance.

**Table 1. KBI Loan Receivables**

<table>
<thead>
<tr>
<th>Aging of Loans in PhP and (USD)</th>
<th>Amount Granted</th>
<th>Balance after Offset</th>
<th>Non-Del.</th>
<th>1-30 Days</th>
<th>1-3 Mos.</th>
<th>3-6 Mos.</th>
<th>6-12 Mos.</th>
<th>&gt;12 Mos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td>1,435,000 ($25,543)</td>
<td>1,087,418 ($19,356)</td>
<td>564,141 ($10,041)</td>
<td>126,584 ($2,253)</td>
<td>173,740 ($3,093)</td>
<td>74,081 ($1,319)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Distribution of Current Balance</td>
<td>51.88%</td>
<td>11.48%</td>
<td>11.64%</td>
<td>15.98%</td>
<td>6.81%</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Delinquency Amount: PhP 374,406 (USD 6,664)
Delinquency Rate: 34.43%

**Loan Loss Provisions** in PhP and (USD)

<table>
<thead>
<tr>
<th>Percentage of Provision</th>
<th>0%</th>
<th>35%</th>
<th>35%</th>
<th>35%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Provision</td>
<td>0%</td>
<td>44,304 ($789)</td>
<td>60,809 ($1,082)</td>
<td>25,928 ($462)</td>
<td>0</td>
</tr>
<tr>
<td>Percent of Provision by Age</td>
<td>0%</td>
<td>33.81%</td>
<td>46.40%</td>
<td>19.79%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Total Loan Loss Provision: PhP 131,042 (USD 2,333)
Appendix 2: FMWHRI (Filipino Migrant Workers Human Resources International)

Introduction
As overseas work has become one of the few economic opportunities for Filipinos, hundreds of recruitment agencies have opened. Many of these agencies charge recruitment fees over and above the legal limits. An anomaly among these agencies is the Filipino Migrant Workers Human Resources International. This is a labor brokerage firm established by professional Overseas Filipino Workers (OFWs) to provide legal and ethical labor placement for migrant Filipino workers.

A Brief History of the FMW Group
As parents of children in the International Philippine School in Riyadh, Saudi Arabia, twelve OFWs often met during Parent-Teachers Association meetings to discuss problems and exchange ideas. These discussions often centered on the critical issue of OFW reintegration.

After several meetings, the group decided that the reintegration lessons they shared in Riyadh could be brought to the Philippines for the benefit of other OFWs. The group, comprised of Filipino professionals, determined that their knowledge could be shared through forming a business enterprise.

In early 1996, the 12 formed the FMW Group. They organized four business units as subsidiaries, namely; the FMW Group Holdings, Incorporated; the FMW Lending Corporation; the FMW Marketing Corporation; and Patriarca and Associates, Incorporated. (See Box A for definitions of each business unit.)

Box A

- **The FMW Group Holdings, Incorporated** - Provided management consulting and initiated and administered the Group’s business programs.
- **The FMW Lending Corporation** - Was the initial business scheme of the group which served as the financial backbone with a mission to extend its services to small and medium loan financing bodies throughout the Philippines.
- **The FMW Marketing Corporation** - Concentrated on the management of marketing, sales, and purchases, especially of the Group’s industrial projects.
- **Patriarca and Associates Incorporated** - Rendered professional services for the supervision of business institutes.

The Development of FMW Human Resources International
Personally experiencing the unjust practices of labor recruitment agencies, and watching their proliferation, motivated the core group to combine their resources and organize the FMW Human Resources International (FMWHRI), a labor brokerage firm that is the youngest of the FMW Group of companies. Mr. Francisco S. Aguilar, Jr., one of the 12 pioneers, headed the firm.
During research interviews, Mr. Aguilar, Jr., who had worked in Riyadh as an engineer for 13 years, recalled his motivation for returning to the Philippines. “I left a lucrative job in Riyadh and came back here in the Philippines in 1998 to enter this dirty business [of recruitment].” He stated that he was disturbed that many overseas job applicants, poor as they were, were being driven deeper into debt by recruiters charging exorbitant placement fees.

Contrary to other recruitment firms’ practices, FMWHRI established a no-placement-fee policy. According to Mr. Aguilar, Jr., “I do business with the employers, and I take no single centavo from the applicants. I don’t do business with employers who do not agree to abide by my policy.”

FMWHRI does not even solicit the legally permissible fees that a placement agency can charge an applicant. Given that FMWHRI has placed more than a thousand workers abroad, Mr. Aguilar, Jr. observed that he and the organization “would have been leading a lavish life by now if we had charged placement fees, but it is enough for me and my family to lead a simple life with a healthy body and a sound mind. I can sleep peacefully at night without being bothered by my conscience.”

Mr. Aguilar, Jr. is able to pay his staff and keep the labor firm afloat with service fees paid by employers.

**Manpower Pooling**

FMWHRI targeted potential OFWs through newspaper advertisements and through personal recruitment. The newspaper carrying the FMWHRI’s job ads was active in the campaign against illegal recruitment in cooperation with the Philippine Association of Service Exporters, Inc. (PASEI). PASEI is the largest organization of employment firms in the Philippines and Mr. Aguilar, Jr. served on the Board of Directors of PASEI for two terms, the first OFW to do so.

Mr. Aguilar, Jr., himself, traveled periodically to the provinces to identify potential recruits. One FMWHRI staff member reported that Mr. Aguilar, Jr. occasionally covered the transport fare of applicants who could not cover the expense.

**Recruitment Process**

To be placed in an overseas job, an applicant has to comply with common requirements including:

- Passing an occupational skills test (for skilled workers, i.e. engineers, technicians, etc.)
- Submitting personal credentials (birth certificate, passport, diploma, etc.)
- Passing a medical examination. (Female applicants bound for Kingdom of Saudi Arabia (K.S.A) must undergo a pregnancy test which is included in the medical examination.)
- Passing a personal interview (which was occasionally conducted by Mr. Aguilar, Jr.)
FMWHRI did not charge placement fees, although workers had to pay for the requirements mentioned, excepting the interview. Compared to traditional recruitment agencies’ charges, the cost was relatively minor for workers.

If the applicant successfully passed the tests and met the requirements, a work contract was signed by the applicant with a salary matching his or her capability or skill set. FMWHRI has two Liaison Officers who processed papers with the help of the Philippine Overseas Employment Agency (POEA) and the embassies of the receiving countries. This process generally takes 20 to 30 working days.

Applicants were required to visit the receiving country’s embassy if there were any errors or omissions in their paperwork/documents, i.e. unclear pictures, questionable papers, etc. FMWHRI policies regarding the authenticity of applicants’ submitted documents were very strict. After documents were processed, the applicant waited three to four days for their flight abroad.

**Employment Contract**
Any loopholes in the employment contract affects workers’ well-being; therefore, FMWHRI made every effort to ensure full disclosure on work contracts. Mr. Aguilar, Jr. personally ensured that every contract is properly disclosed before workers’ departure. This ensures that workers receive benefits including medical insurance and worker’s compensation, and that other fringe benefits including travel documents processing fees, airfare (roundtrip), and adequate board and lodging are secured for each worker.

Moreover, Mr. Aguilar, Jr. insists that the “Joint and Solidary Liability” (JSL) principle in the Migrant Workers Act of 1995 be included in every employment contract. The JSL states that the labor recruiter and the foreign employer are jointly and severally responsible for the workers’ welfare.

If workers recruited by FMWHRI report any complaint of contract violations, Mr. Aguilar, Jr. personally addresses the issue. At the same time, he also takes measures to ensure that his recruits follow the terms of their labor contract to avoid repatriation. Mr. Aguilar, Jr. also negotiates salary raises for deserving workers. FMWHRI had not dealt with a repatriation case since it began operation in 1998.

**The Importance of Being a Labor Recruiter**
Considering the unethical practices perpetuated by many recruitment agencies, Mr. Aguilar, Jr. responds, “Recruitment can destroy lives of OFWs and their families. It can create an intolerable situation for them. Success for me is the knowledge that I touched the lives of many OFWs by deploying them without asking them for money.” He adds, “I would always stand for the (OFWs) side and fight for their rights. I am not afraid to lose my job as long as I know I am right.” Referring to his recruits, he added, “They are my ambassadors because they carry my agency’s name.”

The challenge is to expand coverage of the FMWHRI and other similar organizations. Presently, FMWHRI only deals with skilled workers bound for the Middle East.

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