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# An Exploratory Study on the Role of Corruption in International Labor Migration





## Background

In the 2013 white paper, "Corruption and Labor Trafficking in Global Supply Chains," Verité detailed how fraud, corruption, bribery, and other illegal practices are common features of the international recruitment of migrant workers. The myriad official approvals, documents, and associated fees - foreign worker quotas, job order attestations, exit and guest worker visas, medical certifications, police clearances, work permits etc. - required to deploy a migrant worker from one country to another mean the opportunities and incentives for employers and their recruitment agents to bribe civil servants have become a structural feature of the international labor migration process. Since recruitment agents and employers ultimately transfer most, if not all, of the upfront costs of employment to foreign migrant workers, both of these forms of recruitment-related corruption directly contribute to the excessive and illegal fee burdens frequently faced by migrant workers. In this way corruption is a significant contributing element to migrant worker vulnerability to debt bondage, human trafficking, and forced labor.

Further, Verité and others have pointed out that the corrupt activities all too common in migrant worker recruitment also create potential legal risk for companies under origin and destination country laws as well as extraterritorial anti-corruption statutes such as the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act (UKBA). Because multinationals can be liable for the acts of their foreign subsidiaries, franchisees, joint venture entities, and even suppliers that use third party employment agencies under a number of legal theories including traditional agency principles, the risk arises where corrupt payments result in a direct or indirect benefit to an employer - an improper advantage - through cheap migrant labor or the avoidance of the upfront costs of employment.

Ironically, these many procedures and requirements that are so vulnerable to corruption were often put in place to protect workers and ensure regular process in the highly complex governance of international migration. The governments' responsibilities to protect the labor and human rights for migrants and to regulate a growing, dynamic private recruitment sector are not in question. Nor is the fact that legitimate private labor recruiters can play an important role in connecting workers with much-needed jobs; indeed, good recruiters are seeking to reform and reinvent the system. There is a flurry of efforts underway by governments, unions, civil society organizations, recruiters, employers, and international institutions like the ILO and IOM to reform the systems in place.

Yet, even as reform efforts proceed apace, as this report outlines, "pay-to-play" kickback commissions and other corruption payments are all too common in the migration process; understanding the nature and extent of those payments is vital to reforming the process. Indeed, the lack of deep knowledge of the role of corruption in the process is a very real threat to the success of reform efforts. With new policies and procedures being proposed or enacted every month in countries around the world, it is vital that deeper understanding is achieved of the nature and extent of corruption. Corruption occurs for many reasons and eliminating controls and processes because corruption is attached to them is by no means the proper approach. Reform efforts themselves will generate unintended consequences in terms of corruption risk and new costs and threats to migrants. Hence, much humility and patience are called for as a wide range of institutions globally promote new models to protect workers.

## Overview

In this targeted, exploratory research project, Verité examined three illustrative transnational migrant worker recruitment corridors - Nepal to Qatar, Myanmar to Malaysia, and Myanmar to Thailand - to identify the points in the recruitment process where bribes or illicit payments are solicited and paid; the entities implicated; the range and nature of such payments; and the corresponding benefit that accrues to the employers of migrant workers. For comparison purposes, Verité also highlighted the resultant fee burden borne by migrants in each of the recruitment corridors. While these three corridors represent a large, diverse set of challenges, business sectors, governance models, and institutional relationships, we are not claiming that they are representative of the entirety of the global labor recruitment industry. And the sheer complexity of the corruption dynamic is such that we are definitely not claiming the results in this report are authoritative and complete.

Yet, even an exploratory research effort such as this one yields striking results. In each corridor the payment of illegal kickback commissions and bribes to government officials was found to be commonplace. Origin or sending country recruitment agents offer or are solicited to pay kickback commissions to the employer or destination country recruitment agent for the demand letter or job order to supply migrant workers. While the amount reported by interviewees for this report ranged from the equivalent of \$50 - \$500 per worker, the norm appears to be \$300 - \$500 per worker depending on the nationality of the workers, occupation being recruited for, and destination country. This commission effectively cancels out the professional services fees employers pay to recruitment agents. In many cases, employers don't pay any professional services fees to recruitment agents so these commissions either defray other recruitment-related costs, are retained by the receiving country recruitment agent, or simply drop to the bottom line.

In addition, the research revealed that employers or their duly appointed recruitment agents also paid anywhere from \$115 to \$600 per worker in bribes or un-receipted fees to a range of government officials in both receiving and sending countries to fraudulently approve a host of applications or facilitate discretionary decisions including, but not limited to, foreign worker quotas, demand set attestations, visas, medical certificates, and work permits. These improper payments ensure that the highly regulated and administratively burdensome migrant worker process in each corridor examined (which are, essentially, guest worker visa programs) are not an obstacle to the rapid deployment of large numbers of foreign workers and that employers

are able to effectively pass on all or a significant proportion of the upfront costs of employment to the migrant workers themselves.

By identifying the published legitimate per worker costs to employers or their appointed agents to deploy foreign workers and adding standard or customary professional services fees payable to private recruitment agents, it is possible to calculate the financial benefit to employers of the endemic corrupt practices. In the corridors studied, the per worker costs avoided by employers ranged from the equivalent of \$500 to \$1,400. Excluding the Myanmar to Thailand corridor, which is predominantly characterized by informal recruitment channels, the range of cost savings is much higher at \$900 to \$1,400. These estimates are directional but almost certainly conservative since costs that could not be easily expressed on a per worker basis but are frequently passed onto workers - foreign worker quota fees, demand set attestations, employer travel and accommodation for interviews etc. - are not included.

The fee burdens carried by foreign migrant workers have been well documented by Verité and others. In the corridors in this research project the level of fees paid by migrant workers ranged from \$500 to \$1,600. Excluding the Myanmar to Thailand corridor and informal recruitment channels, the range is typically \$1,200 to \$1,500. Given the narrow focus of the project, Verité was unable to confidently quantify the extent to which bribes or improper payments affected the level of fees paid by workers. What is clear is that corrupt payments occurring between employers, recruitment agents, and government officials is central to the efficient recruitment, selection, and deployment of workers in the corridors reviewed and that these illicit payments enable employers to effectively transfer or pass along significant upfront employment costs to vulnerable migrant workers. The relatively close correlation between the improper advantage enjoyed by employers and the fees and expenses paid by workers bears this out.

In the case of informal recruitment corridors such as Myanmar to Thailand, and Malaysia to some extent, migrant workers often choose to avoid the formal government regulated recruitment processes because of the perceived high cost of corruption that is ultimately paid by the workers. The reality is that the costs are broadly similar if not higher than through formal channels, but workers or smugglers they pay end up bribing border control, police, and military personnel to facilitate the journey. These alternative channels avoid much of the complicated and officious administrative requirements and they are reportedly faster. However, the use of smuggling networks exposes vulnerable migrants to risks such



as blackmail, kidnapping, violence, and even death. Once workers arrive at their destination, as undocumented immigrants they are faced with the very real threat of detention, and deportation. Undocumented migrants also often lack social services, legal protection and aid, and other supports in the destination country. Interviewees indicated that this vulnerability results in constant extortion from local authorities in order to avoid arrest.

## Methodology

For this report, Verité combined a literature review, qualitative field work, and, where relevant, institutional knowledge based on years of audit, research and consulting experience in the corridors examined. The nature of this research was exploratory, meaning we aimed to get input from a range of perspectives that can help us better understand the nature and extent of corruption in all its complexity, without attempting to reach firm or sweeping conclusions about the exact levels of corruption in particular countries. Moreover, another important additional goal of the study was to better understand the methodological challenges and opportunities connected to researching corruption in migration corridors so that we can better design future research that will be able to reach more definite conclusions.

The literature review covered both previous international reports highlighting abuses in international recruitment, notably those by Amnesty International and Human Rights Watch, and local investigative journalism. Though many studies to date have identified corruption as an underlying driver of challenges in migration, none had explicitly or systematically “followed the money.” This report seeks to help fill the gap in understanding of the nature and range of costs of migration, particularly the role of corrupt and illegal payments. We are not presenting a full literature review in this paper, yet will refer to studies and media reports throughout to set the context and provide a list of sources at the end of the report.

Field research relied on interviews with NGOs, workers, recruiters, government officials and employers. This approach yielded a well-rounded perspective of the challenges faced by each stakeholder group. However, relatively small sample sizes of stakeholder interviews means that the figures cited should be read as indicative of individuals’ experiences rather than as statistically significant representative averages. Given the sensitive nature of the research, individual interviews also represented the most reliable way to obtain information on the exact nature and level of corrupt and

fraudulent payments. Due to the strong likelihood of reprisals against them, we have omitted the names and other identifying characteristics of interviewees.

In Nepal, Verité conducted in-depth interviews with four respondents from three private recruitment agencies (PRAs), one informal recruiter/sub-agent, three respondents from two NGOs, representatives from two government agencies, and several workers.

In Qatar, in-depth interviews were conducted with labor suppliers, a private recruitment agency, a large Qatari construction company, and ten Nepalese workers recently arrived in Qatar. Field research focused on the construction sector, which, alongside domestic work, is the principal employer of migrant labor in Qatar.

In Myanmar, Verité conducted interviews with five private recruitment agencies, one NGO, and a selection of workers. Previous in-country research with government agents and workers also informed the report. In Thailand, four private recruitment agencies, several local NGOs, two employers, and approximately sixty workers were interviewed.

In Malaysia, Verité conducted interviews with three private recruitment agencies, one NGO, one government representative, and four workers in Kuala Lumpur to augment existing data drawn from audits, assessments, and media/NGO reports. This report also references confidential interviews conducted among undocumented migrant workers, and a former immigrations officer.

In this report, Verité uses the term “corruption” as an umbrella term for both the traditional definition of the word, the abuse of public office for individual gain, and also for the broader term of “fraud,” which can refer to both public and private sector actors. This approach reflects the fact that corruption and fraud in recruitment are closely intertwined and mutually reinforcing; as the World Bank notes, “when corruption is systemic in the public sector, firms that do business with government agencies can seldom escape participating in bribery.”

When quantifying the frequency and level of corruption and fraud, Verité looked at three broad categories of payments. For direct costs, workers themselves paid, making these relatively easy to pinpoint. In contrast, indirect costs were paid by intermediaries, generally PRAs, to government officials, employers, or intermediaries. For non-financial costs, there was not a monetary transaction but unevenly applied regulations did result in increased worker vulnerability, sometimes costing workers money in the long-run, for instance by placing them in non-existent

jobs which made them unable to earn an income. Identifying or quantifying corruption was not simply a matter of adding all possible costs. First, because exact costs were sometimes opaque, particularly when identifying breakdowns of indirect costs. Second, because while there is an appeal in identifying an “average” percent increase in costs attributable to corruption, this would be overly simplistic and not reflect the reality of the highly diverse, extremely variable rates workers actually paid. In many instances, workers could easily double or triple legal costs by getting caught up in a number of schemes while others in the same corridor could get away with paying bribes which account for just one percent of the total cost. Some workers might go through the process without paying a bribe at all.

**An appendix to this report includes charts for the three migration corridors outlining the types and amount ranges for both improper and corrupt fees charged as well as legal fees and reasonable migration costs.**

#### Limitations

While this report definitively concludes that corruption is a common feature in the cross border recruitment of migrant workers, and that employers derive an improper advantage from these illegal activities, the sensitive nature of the activities researched and the small sample sizes do represent limitations. Workers and recruiters in all of these corridors face different paths to move through and successfully complete the process; so the intent of this report is not to definitively document the process, but rather present risks of corruption within the generally recognized official routes and procedures.

Illegal and covert activities always present a significant research challenge, in this case one heightened by the complex nature of corruption in global recruitment. As a rule, recruitment agents were surprisingly forthright in sharing the payments they faced, largely because they saw these payments as an obstacle to doing business. Employers were less frank about payments they made and government representatives even more evasive. Where possible, data was triangulated against other stakeholder interviews, other research reports, and the rare public reporting of cases of corruption and fraud.

The sample sizes listed above provided a rounded perspective of where and how corruption took place, but were not sufficiently large to be considered representative. This is another reason the report provides possible ranges for corruption costs rather than averages. A formal, more structured large-scale survey would be a natural extension of this first round of research.

Top image: Nyein Chan Naing/EPA

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### Background

Recruitment is big business for both origin country Nepal and destination country Qatar. Migrants comprise over 90 percent of Qatar's workforce, and, of these, some 400,000 workers originate from Nepal. These migrants in turn account for 20 percent of Nepal's working expatriates and \$4 billion in annual remittances. Remittances from Nepali migrant workers abroad make up an estimated one third of the country's GDP. However, the impact of this economic partnership is undermined by the systematic corruption present in both countries throughout the recruitment and migration process. A 2010 World Bank study conservatively estimated that corruption in the foreign employment industry in Nepal amounted to over NPR 17.2 billion per year (\$194.7 million). A 2014 report, prepared by the international law firm DLA Piper on Migrant Labour in the Construction Sector in the State of Qatar, concluded that there is anecdotal evidence that "recruitment fees" paid to recruit, select, and deploy migrant workers to Qatar include elements of corrupt or improper payments.

### Key Findings

Verité's research in the Nepal to Qatar migration corridor indicates that corrupt or improper payments amount to the equivalent of \$480 - \$1,100 per worker deployed. Within this range, \$300 - \$500 per worker is paid in illegal 'kickback' commissions by Nepali manpower agents to Qatari recruitment agents acting on behalf of Qatari employers, or to employer representatives directly, in order to secure 'demand letters' or job orders for workers. As previous reports have outlined, and according to our research respondents, some Nepali manpower agents have paid between \$180 - \$600 in bribes per worker deployed to government officials on behalf of their Qatari principals, in order to secure final approval for the Foreign Worker Permit (exit visa) which is stamped in each deploying worker's passport and is required to leave the country and take up employment with the 'approved' Qatari employer.

Further, Nepali manpower agents are frequently expected to pay the travel, accommodation, and entertainment expenses of Qatari employer representatives or their recruitment agents to travel to Nepal to interview prospective workers and conduct or observe skill tests. These trips can cost thousands of dollars.

In order to secure authorization to employ Nepali workers, Qatari employers must also pay fees to a variety of Qatari government entities and the Embassy of Nepal in Doha for different 'approvals' such as, but not limited to, 'block' visa approvals or quotas, 'demand set' attestations, work visas, residency permits, and medical certificates and cards. Verité's research did not extend to identifying corrupt payments at the initial approval or quota stage of the recruitment process. However, because these mandatory procedures involve interactions with government entities and the payment of fees for discretionary decisions, they represent an elevated risk of corrupt or improper payments.

Verité's research indicates that the bribes paid on behalf of Qatari employers by their duly appointed Nepali manpower agents enable employers to avoid, or substantially reduce, the hard, upfront, legitimate, and reasonable costs of recruitment - hard costs that we conservatively estimate to be approximately \$1,150 - \$1,400 per worker deployed in the Nepal to Qatar corridor. This estimate is conservative as it excludes certain significant fees such as those for block visa approvals and demand set attestations that cannot easily be quantified at the per worker level.

Qatari employers achieve these savings, in part, by permitting or turning a blind eye to the 'fees' collected by their duly appointed Nepali agents from workers prior to deployment to cover costs which, legally and contractually, should be borne by the employer. NGOs reported Nepali migrant workers paying recruitment fees in the NPR 100,000 - 140,000 (\$1,350 - \$1,800) range. In its 2014 report on Migrant Labour Recruitment to Qatar, the Qatar Foundation estimated that Nepali workers paid \$1,300 - \$1,500 in recruitment fees prior to deployment. In addition, many Qatari employers also





recoup all or a portion of the Qatar-side fees through deductions from workers' pay once they commence employment. Bribes paid by the recruitment agents of Qatari employers facilitate the transfer of all or a significant portion of the upfront costs of recruitment to vulnerable foreign migrant workers who consequently often end up working in debt bonded labor for Qatari employers.

These corrupt or improper payments provide Qatari employers with an indirect or direct benefit by way of reduced migrant labor recruitment costs - an improper advantage that undoubtedly violates employment and anti-bribery statutes in both countries, as well as extraterritorial anti-bribery and anti-corruption statutes in related jurisdictions.

#### Context

The administration of labor migration from Nepal to Qatar is based on a complex and rapidly evolving set of policies and procedures, which involves a dizzying variety of actors in both countries. While it may be easy to criticize or wonder at this complexity, it is worth noting that many regulatory steps in this and other countries

were designed to bring some uniformity and protection into the migration process. It is beyond the scope of this report to fully document or analyze the full set of legal and regulatory measures in place and those rules are indeed changing very frequently. Regardless of the complexity, some key features and steps of the process are worth summarizing.

Overseas employers who want to hire Nepali workers must appoint a licensed manpower agency in Nepal as their legal representative in all transactions pertaining to the recruitment and deployment of Nepali workers. There are approximately 750 licensed manpower agencies (also referred to throughout this report as private recruitment agencies) in Nepal involved in the recruitment and placement of workers in overseas employment. In accordance with the Foreign Employment Act 2007, the Department of Foreign Employment (DoFE), under the supervision of the Ministry of Labor and Employment (MoLE), is the government entity in Nepal charged with responsibility for the licensing and monitoring of manpower agencies and approving the deployment of Nepali workers abroad.

The Nepali manpower agent provides the DoFE with the demand letter from their Qatari principal and other documents such as the block visa approval, proof the employer has provided the agent Power of Attorney, employment contracts for the relevant occupations, an executed service contract between the Nepali manpower agent and their Qatari client - all of which must have been attested by the Qatar Chamber of Commerce and the Nepalese Labor Attaché, Consulate, or Embassy in Qatar. Manpower agents often procure passports for Nepalese workers, many of whom have never left the country previously, from the Ministry of Foreign Affairs. There are also mandatory medical tests and pre-departure training that must be undertaken. The Foreign Employment Promotion Board (FEPB), also under the supervision of the MoLE, is responsible for the regulation and supervision of pre-departure medical clinics and training centers. Evidence of airline ticket purchase and other requirements must also be presented.

After reviewing the eligibility of the worker and employer, the DoFE provides its approval for each worker to deploy to a specified Qatari employer in the form of a Foreign Worker Permit (exit visa) stamped in the individual worker's passport.

According to a 2010 World Bank research study by Manandhar and Adhikar on issues related to the recruitment of migrant workers from Nepal, the foreign recruitment process is challenged by enticement to corruption and inefficiency. That study conservatively estimated that corruption in the foreign employment industry in Nepal amounted to over NPR 17.2 billion per year (U.S. \$194.7 million). That report's findings are consistent with Verité's 2012 report on Labor Brokerage and Nepali Migrant Workers. Field research for this report, including interviews with government staff and other stakeholders, also identified lack of staffing resourcing and high turnover as key contributors to corruption vulnerability.

Key informants in our field research corroborated many of those findings, including reports of people paying to get certain government jobs where they were in a position to solicit or demand bribes. The Foreign Worker Permit approval process is lengthy and can involve up to six discrete stages of verification and pre-approval to recruit before final approval at the Director level is forthcoming. While the multiplicity of steps and offices involved might have been designed to provide safeguards and oversight, it is also true that each step in the process represents an opportunity to extract a bribe or corrupt payment. Interviewees shared that the process is often deliberately delayed - documents misplaced or rejected for spurious reasons - in order to set the scene for under-the-table grease payments.

A DoFE respondent confirmed that 'commissions' are required at every stage of verification or approval in order for the process to move forward. Manpower agents interviewed for this report indicated that approvals can be readily procured even without the required documentation or satisfaction of eligibility, "if the right amount has been paid to the right officer" in DoFE. This practice was also identified in interviews contained in a report commissioned by the Qatar Foundation - Migrant Labour Recruitment to Qatar 2014. The process can take up to 16 weeks for agents who do not cooperate.

### Fees and Corrupt or Improper Payments

#### Nepal

The challenges of corruption in Nepal are well known. The media reports on it and various local and institutional institutions have studied it and are engaged in the problem. For instance, in March of 2014 the Commission for Investigation of Abuse of Authority (CIAA) arrested and charged six DoFE staff including the Director of the DoFE for accepting NPR 3.27 million (\$32,700) in bribes from manpower agents to fraudulently approve the deployment of 109 Nepali workers to Qatar - an average of \$300 per worker deployed. This followed an earlier investigation in which 18 officials from the Department of Immigration, 15 from DoFE, and nine from the Tribhuvan International Airport desk were arrested for fraudulently approving and permitting the deployment of 77 Nepali migrant workers to Qatar. Media reports in Nepal indicate that DoFE officials receive bribes of approximately NPR 50,000 (\$500) per worker deployed to Gulf countries.

In June 2015 the CIAA filed charges against 12 government officials at DoFE including an under-secretary for approving falsified documents related to the deployment of workers to a number of countries including Qatar, in return for bribes from manpower agencies. Representatives from 21 manpower agencies were also charged. On the heels of the same investigation, the CIAA also recommended that a further unindicted 47 manpower agencies, accused of submitting fraudulent documents on behalf of foreign employers including Qatar-based companies, be prevented or debarred from deploying workers on behalf of foreign clients.

Nepali manpower agents interviewed for this project reported that they are typically 'charged' \$300 per worker by recruitment agents acting for Qatari employers in order to secure the demand letter or job order. If the demand letter comes directly from a Qatari employer the cost is frequently \$400 as the company human resources, contracts, or procurement representative also allegedly receives \$100. In Migrant Labour Recruitment to Qatar 2014, it

was reported that many employers in Qatar are paid bribes by recruitment agencies in origin countries, including Nepal, of approximately \$300 - \$500 per worker in order to secure labor supply contracts - demand letters. These kickback commissions or 'pay to play' payments are illegal under Qatari law.

Nepali employment agents are also frequently expected to pay the costs of travel, accommodation and the entertainment expenses of Qatari employer representatives or their recruitment agents to travel to Nepal to interview workers and conduct skill testing. One company respondent identified a recent example of such trip for 5 company representatives for 2 weeks to nearby Bangladesh (to recruit and test 1,400 workers) which cost \$19,000.

Respondents for this research reported that on average a 'commission' of \$30 - \$100 per worker to be deployed is paid by the manpower agent at each DoFE 'desk' or level of approval. The amount varies depending on the job, number of workers, and the tenure of the officials at the various levels - newer appointees 'charge' more than their more seasoned colleagues. In some cases there will be a negotiated amount per demand letter or job order irrespective of the number of workers. Some indicated that the 'mood' of certain officials can even influence the commission payment. All interviewees indicated that the 'Director' receives the largest commission.

Manpower agents are also frequently required to pay bribes at Tribhuvan International Airport to clear immigration. The practice is known as 'setting' and ensures that even workers being deployed to Qatari employers that have engaged blacklisted or unlicensed manpower agents can depart. The agents pay the setting of \$50 - \$100 per worker rather than run the risk of having to rebook workers' flights at far greater cost if they are detained or delayed by immigration officials. The manpower agent marks the workers passport in a pre-arranged way and the worker is instructed to queue at a particular window where he will be cleared to depart. Immigration officials are paid by the manpower agent per marked passport. Previously, the Open Society Foundation reported that officials at the labor desk at Kathmandu International Airport were receiving NPR 2 million (\$20,000) per day in improper payments to approve travelers' documents.

### **Qatar**

In order to hire Nepali workers, Qatari employers or labor supply agents need to apply to the Directorate of Expatriate Affairs at the Ministry of Interior for a 'block visa' detailing the occupation, gender and number of workers required. The Permanent Committee for Recruitment within the Ministry

decides on the nationality and number of persons to be allowed under each group visa application. The fee for the approval is QAR 1,500 (\$405). The Qatari government reportedly operates a non-transparent quota policy based on nationality. Requests are not always granted and employers often end up with approvals for nationalities and/or occupations they did not request. It is possible to apply to have the visa changed but requests are not always granted. Once workers are hired the employer has to apply to the Ministry of Labor and Social Affairs (MoLSA) for an employment visa for each worker at a cost of QAR 300 (\$81) per individual visa. Applications for small numbers can be processed online with larger quantities (100+) requiring in-person application and interviews.

Qatari law prohibits charging fees to workers, which means employers are responsible for the professional services fees of their recruitment agents and expenses related to the deployment of workers. Although some employers that use Qatari agents pay a fee and a portion of recruitment related expenses, the reality is that the duly appointed Nepali manpower agents are not paid professional services fees by their client or principal. In fact the Nepali agents actually cover or reimburse all or a significant portion of the Qatari employer's costs and/or their local recruitment agents fees through the pay to play kickback commissions. These illegal payments are ultimately passed onto workers in the form of recruitment fees that invariably render them vulnerable to forced labor.

Once the block visa has been approved, the Qatari employer or their local recruitment agent must have their demand letter or job order and supporting documents attested by the Qatar Chamber of Commerce or the Qatari MoLSA at a cost of QAR 500 (\$137). This is then submitted along with the block visa approval and a series of other documents to the Nepalese Labor Attaché in Doha including, but not limited to, the employment contract, evidence of Power of Attorney executed in favor of a licensed Nepalese manpower agent, a copy of the service agreement with their chosen Nepali manpower agent, and inter-party agreements between recruitment agents in Qatar and Nepal. Additionally, letters of guarantee and undertaking are submitted to the Nepalese DoFE regarding the employer's assumption of responsibility for recruitment-related and other employment costs. The cost of the demand set attestation reportedly varies and is not transparent. The Embassy of Nepal in Doha's published cost is QAR 390 (\$105) per demand set. It seems that cost varies depending on the length of the demand letter and/or number of individual contracts included in the demand set. One respondent reported paying QAR 3,500 (\$960) for a demand set for 300-350 Nepali

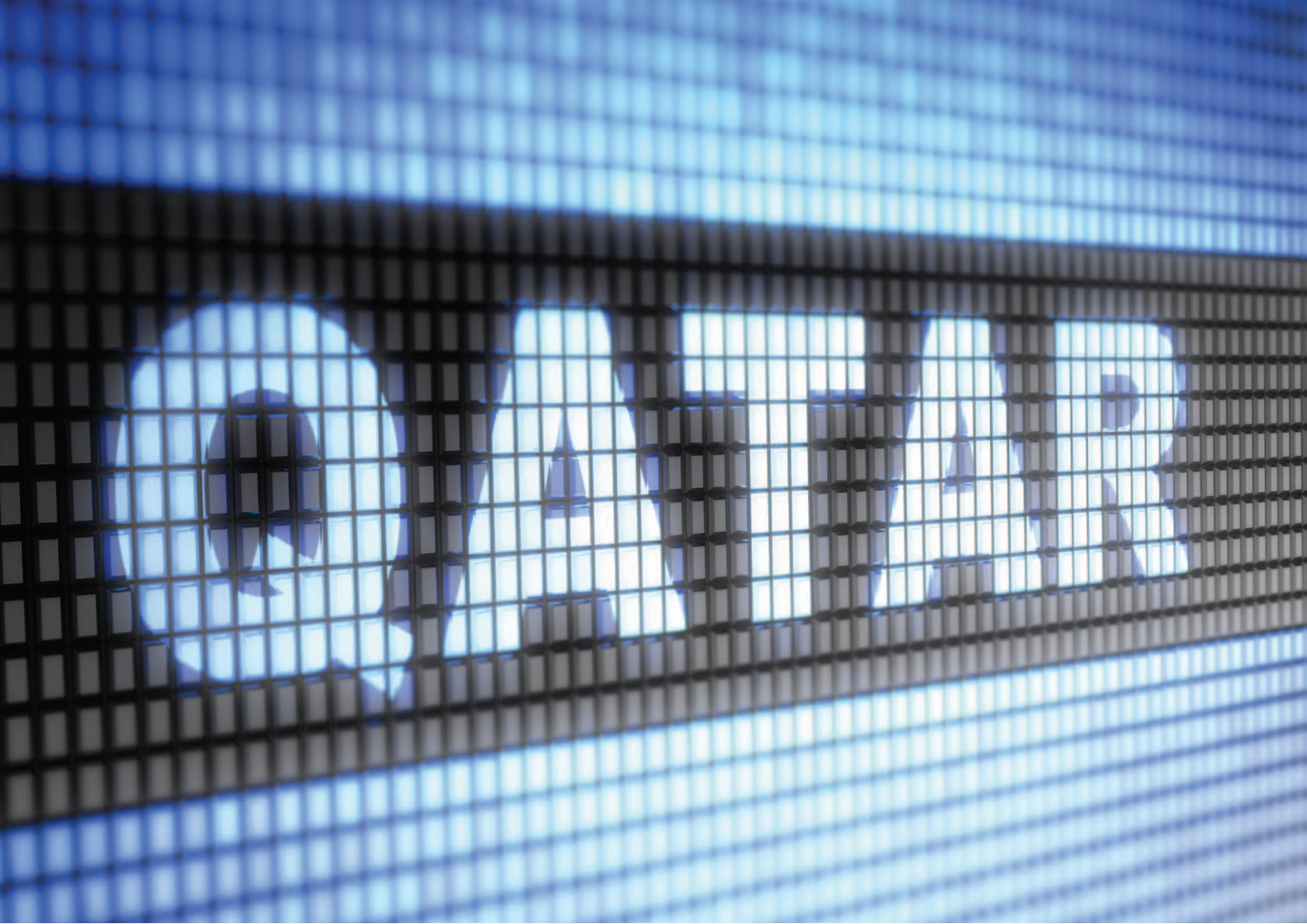


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workers and not being clear on the basis of the calculation of charges. Payments of this nature represent a substantial bribery and corruption risk.

Once the deployed workers have arrived in Qatar and completed their 90 day probationary period, the Qatari employer must apply for and secure a residency permit, medical testing, and a health card for each worker at an estimated aggregate cost of QAR 1,400 (\$383) per worker. The scope of the field research did not include determining if there were corrupt or improper payments associated with these specific interactions and transactions with government entities. Yet, as each of these interactions with government entities involve discretionary decisions and the payment of fees, there is a material risk of corrupt or improper payments. It was also clear that these hard costs were frequently passed on to workers via wage deductions.

Block visas that cannot be amended or used (by having a plumber work on an electrician's visa, for instance) often find their way onto the black market of so-called 'free visas' when Qatari employers 'lend' or sell them to middlemen.

The market rate for a free visa from a sponsoring company who has been granted the visa to Nepal is reported to be \$1,000 to the migrant worker with \$200 of that going to the Nepali manpower agent. Workers who arrive on a free visa to Qatar will get a residency permit from their 'initial' sponsor after 3 months, but need to find proper work within 12 months. They will invariably also have to pay for the residency permit, medical testing and health card. After finding a proper employer, they will need a No Objection Certificate (NOC) from their sponsor and are likely to be charged QAR 5,000 (\$1,370) for the NOC. Those demanding these payments are frequently middle managers at sponsor companies, including human resources managers.

### Background

Since the early 1970s, Malaysia has relied on the abundant regional supply of low-to-semi-skilled labor to fuel national economic growth, and the country has become a leading destination for migrant workers from throughout South Asia and Southeast Asia. The migrants are generally imported for a limited duration on a contractual basis, in order to alleviate local labor shortages in labor-intensive industries such as oil and gas, palm oil, construction, and electronics manufacturing. As per capita GDP has risen for Malaysian nationals, foreign workers have moved in to fill the country's less-desirable, low-wage, low-skilled jobs, and levels of migration have steadily increased in spite of government claims that they encourage employers to hire locally where possible.

One 2010 study estimated that there are 2.2 million documented foreign workers in Malaysia, with an equal number of undocumented (irregular) workers, together accounting for 40% of the country's workforce. Another (2013) study placed these estimates at 1.9 million documented, and at least 2 million undocumented, foreign workers. Migration along the Myanmar to Malaysia corridor has increased in recent years, and, as of May 2015, some 2,430 workers per month enter the country through formal channels. Malaysia is the single largest destination country for migrants in South East Asia, and workers from Myanmar accounted for seven percent of the foreign workforce, with the number of irregular migrants thought to be at least equal that of formal migrants. The Kuala Lumpur-based Burma Workers Rights Protection Committee previously estimated that there were about 500,000 registered and unregistered migrants from Myanmar in Malaysia.

Malaysia's challenges related to foreign migrant workers are well known, including those related to corruption. Several reports have established connections between senior level government officials and the ownership of private recruitment agencies or outsourced labor providers. Law enforcement is also heavily implicated in corrupt practices: a 2015 survey found that 80% of Malaysian border enforcement officials were implicated in corrupt practices and the smuggling of people, drugs, and weapons. Civil society organizations, including the Malaysia Bar Council, and the media frequently highlight the role of corruption in the foreign employment sector, including government efforts to legalize the status of workers that have entered Malaysia through informal channels.

In Myanmar, the government's strict control over the approval and issue of passports and exit visas - designed to protect workers and control migration closely - also has the effect of fueling rampant corruption as applicants routinely pay fees and bribes. Passports are often denied for political reasons and government approvals stalled where applicants are unwilling to offer a bribe or inducement. According to interviewees for this report, the majority of the estimated 4 million workers from Myanmar working abroad migrated through informal channels to avoid the high cost of doing so through the official government regulated process. Ironically this irregular migration through smuggling networks reportedly increases the cost to migrants and exposes them to very real risks of blackmail, kidnapping, and serious injury or death.

### Key Findings

Verité's research in the Myanmar to Malaysia migration corridor related to the formal or official recruitment process indicates that corrupt or improper payments minimally amount to the equivalent of \$465 - \$830 per worker deployed. This estimate is almost certainly understated as respondents in Myanmar were reluctant to specify the quantity of 'under-the-table' payments beyond 'several thousand' per worker allegedly required at the Ministry of Labour offices to secure approval of the foreign employer and exit visas for selected workers. Consequently the actual amount is probably significantly higher. Furthermore, recruitment agents in Malaysia interviewed for this report spoke of unofficial 'express fees' for expedited endorsement of the employer's quota and demand letter at the Labour Attaché office, as well as other "un-receipted fees" at embassies of countries that send foreign workers to Malaysia. While agents declined

to specify amounts, they also indicated that they were obliged to pay other payment to unspecified “government officials” in order to secure the necessary approvals to recruit.

Within this range, a government respondent interviewed in Malaysia reported that the standard, illegal, facilitation payment to secure foreign worker quota approval at the Ministry of Home Affairs (MoHA) is MYR 500 (\$115). In addition, further ‘unofficial’ fees of MYR 300-700 (\$70-\$165) are solicited from ‘unqualified’ employers or labor outsourcing providers. Respondents in both countries confirmed that recruitment agents in Myanmar pay employers or their agents in Malaysia MYR 1,500 - 2,400 (\$350 - \$550) per worker in ‘kickback’ commissions to secure ‘demand letters’ or job orders for workers.

Malaysian recruitment agents interviewed indicated that they are also frequently expected to pay the travel, accommodation, and entertainment expenses of their client employer representatives who travel to Myanmar to interview prospective workers and conduct or observe skill tests. These trips can cost thousands of dollars.

In order to secure authorization to employ workers from Myanmar, Malaysian employers must also pay fees to a variety of Malaysian government entities and the Embassy of Myanmar in Kuala Lumpur for different ‘approvals’ such as, but not limited to, quota approvals, foreign worker levy, security bonds, ‘demand set’ attestations, calling visas, work permits, medical testing, and temporary employment stickers. Because these mandatory procedures involve interactions with government entities and the payment of fees for discretionary decisions, they represent an elevated risk of corrupt or improper payments.

Verité’s research indicates that the bribes paid by Malaysian employers or their duly appointed recruitment agents in Malaysia and Myanmar enable employers to avoid, or substantially reduce, the hard, upfront, legitimate, and reasonable costs of recruitment – hard costs that we conservatively estimate to be \$900 - \$1,400 per worker deployed in this corridor. This estimate is conservative as it excludes certain significant fees such as those for quota approvals and demand set attestations that cannot easily be quantified at the per worker level. It also excludes travel and entertainment expenses to interview and test candidates in Myanmar prior to selection and deployment.

Malaysian employers achieve these savings, in part, by permitting or turning a blind eye to the recruitment ‘fees’ collected by their duly appointed agents in Myanmar from workers prior to deployment, to cover

costs which, legally and contractually, should be borne by the employer. Interviewees for this report explained that the amount of fees charged to workers prior to deployment depend largely on how much of the recruitment-related fees and expenses are covered by the employer but that, typically, workers pay MYR 5,000 (\$1,165). Respondents indicated that the costs to workers associated with using the alternative informal channels are in the MYR 6,000 - 7,000 range (\$1,400 - 1,600). Verité’s 2014 report *Research on Indicators of Forced Labor in the Production of Electronic Goods in Malaysia* found that 94% of workers from Myanmar surveyed paid recruitment fees between MYR 1,000 - 4,500 (\$230 - \$1,050) with the average being MYR 2,000 (\$465). In addition, most Malaysian employers also recoup all or a portion of the Malaysia-side fees through deductions from workers’ pay once they commence employment. This amounts, conservatively, to a further MYR 1,500 (\$350) inclusive of the foreign worker levy, FOMEMA medical testing, visa, and work permit. It should be noted that, since 2013, the Government of Malaysia allows employers to recoup the cost of the foreign worker levy from employees.

At least one recruitment agent interviewed for this report indicated that they are paid MYR 1,200 (\$280) by their employer client to cover their ‘service’ fees and expenses. Another indicated that some employer clients pay them all or a proportion of the recruitment-related fees and expenses. However, the majority of recruitment agents interviewed for this report, and during other Verité field work in the Myanmar to Malaysia corridor, report that most employers do not pay professional service fees to their agents nor reimburse recruitment-related expenses. Rather, bribes paid by the recruitment agents of Malaysian employers in Malaysia and Myanmar to circumvent the regulations that exist to protect workers facilitate the transfer of all or a significant portion of the upfront costs of recruitment to vulnerable foreign migrant workers, who often end up working in bonded or forced labor for Malaysian employers.

The system of illegal payments represents a way by which Malaysia-based employers gain concrete indirect and/or direct benefits. They pay less themselves for labor recruitment costs, which is an improper advantage that places them and their supply chain partners at risk of violating a number of employment and anti-bribery statutes in several jurisdictions.

### Context

Unlike other migration corridors in this report, Myanmar and Malaysia have not signed an official Memorandum of Understanding (MOU) covering the movement of workers between the countries.

The principal government ministries relevant for employers wishing to employ foreign workers in Malaysia are the Ministry of Home Affairs (MoHA), the Ministry of Human Resources (MoHR), and the Ministry of International Trade and Industry (MITI), which together administer what is known as the Foreign Worker One-Stop Approval Agency, or 'One-Stop Center' (OSC). The OSC's purpose is to process and approve the application of eligible employers to hire foreign workers on the same day the application was filed. MoHA grants the actual quota approval to employers to hire foreign workers, based on the recommendation to do so by MoHR. The MoHR oversees the implementation of labor laws in Malaysia. It has a foreign workers division with responsibility for issues related to the employment of foreign workers. MoHR reviews and approves employment contracts, and it is also in charge of the licensing and monitoring of private employment agencies (PEAs). The Immigration Division of MoHA is responsible for issuing visas and work permits to migrants. A foreign worker's authority to enter, remain, and work in Malaysia emanates from a valid temporary visitor pass or pas lawatan kerja sementara (PLKS). In addition, all foreign workers are required to hold a work permit. Work permits allow migrants to temporarily reside and work in Malaysia, with the sole objective of meeting labor market needs. Workers arrive into the country on a calling visa, and after they have entered Malaysia legally, the employer can apply for the work permit within three months of arrival. Medical testing is a prerequisite to obtaining a work permit in Malaysia.

Private employment agents in Malaysia recruit and place workers with employers, provide outsourced management of foreign workers to employers, and (since 2012) can be licensed to act as a 'contractor for labor' or the employer of record of foreign migrant workers. Up to 2014, there were 241 licensed outsourcing agencies operating in Malaysia, and many foreign workers are now employed by their private employment agents during their time in Malaysia, instead of by the facility in which they work.

Under Malaysian law, the employer or licensed outsourced labor provider acting as the employer of record must apply to the MoHA for authorization to hire foreign workers. An approved application in the form of a permit to employ a specific number of foreign workers - the "quota" - is issued in the name of the employer or labor provider who becomes responsible for the payment of guarantee deposits, visa fees, and the foreign worker levy. Once the levy has been paid, the employer or labor provider can then proceed directly to Myanmar or use agents or brokers there or in Malaysia to recruit workers. Typically the Malaysia-based employer or their

recruitment agent issues their counterparties in Myanmar orders, demand letters, or job orders along with a copy of the Approval Letter from the Department of Immigration in Malaysia as evidence of their quota to enable them begin to secure and process the documents needed to submit individual worker applications for permission to migrate from Myanmar's Ministry of Labour (MoL).

In Myanmar, the MoL regulates the foreign employment sector and recruitment agents via The Law Relating to Overseas Employment. The Myanmar Overseas Employment Agencies Federation (MOEAF) is an influential recruitment industry association with over 200 members that is also involved in the monitoring of recruitment agents and endorsement or verification of demand letters or job orders from foreign employers.

Typically, when the workers arrive in Malaysia, they are picked up at the airport by the recruitment agent. The agent arranges for the worker's registration and mandatory medical examination with FOMEMA, the entity subcontracted by the Malaysian government to operate the foreign worker health screening system. The agent also arranges for the payment of medical and documentation fees needed to process the migrant's work permits from the Immigration Department of the MoHA. Delays in issuing work permits are a regular occurrence. Temporary employment stickers from the State Immigration Office are frequently required. Work permits are valid for a year and can be renewed annually for up to three years.

Several reports have established connections between senior level government officials and the ownership of private recruitment agencies or outsourced labor providers. Even Malaysia's attempt to register and provide an amnesty to undocumented migrants became mired in corruption through illicit schemes offering the chance to obtain formal status. This scheme dates to 2011, when a "6P" Amnesty program allowed a projected 2.3 million undocumented immigrants in plantation, construction, manufacturing, and farming to register with the MoHA. While 350,000 workers were ultimately registered, the Ministry outsourced parts of the program, resulting in companies advertising programs to assist workers through the process and match them with a job. These companies charged fees in the range of MYR 3,000 - 4,000 (\$ 700-930), or the equivalent of 3-4 months' salary, on top of an additional biometrics fee of MYR 300 (\$ 70), almost nine times the legal rate of RM 35 (\$8). This program was ultimately halted after many of the workers who paid the fees were placed in shell companies which did not offer actual jobs, locking them into unpaid

roles and prevented from seeking paid work. A series of government raids in 2013 and 2014 detained and deported thousands of migrant workers, including hundreds from Myanmar, who had registered and attempted to file legally under the program but had been exploited by the third parties engaged by the government to manage the program. Malaysian NGO Tenaganita reported that some 30,000 workers were caught in this scheme. While the amnesty program has officially ended, sources indicated that corrupt companies continue to advertise legalization assistance, charging fees for a non-existent service.



Image: Thorsten Rust/Shutterstock.com

### Fees and Corrupt or Improper Payments Malaysia

Both Malaysian recruitment agents and their counterparts in Myanmar interviewed for this report indicated that the sending country agent pays the receiving country agent between \$400 and \$550 per worker as a 'kickback' commission for the job order. The actual amount varies depending on the nature of the jobs on offer and number of workers requested in the demand letter or job order. In the case of male workers, it was reported that the Malaysian agents require payment upfront either before the workers deploy or upon arrival. As female workers are reputedly less likely to 'run away,' the Malaysian agents are willing to extend credit to their counterparts in Myanmar and deduct their commissions from the worker's salary.

Recruitment agents in Myanmar are also frequently expected to pay the costs of travel, accommodation, and the entertainment expenses of Malaysian

employer representatives or their recruitment agents to travel to Yangon to interview workers and conduct job skills testing.

Interviewees for this research (including NGOs, recruitment agents, and government officials) reported that that MoHA quota approval process is beset by corruption. The Malaysia-based employer completes an application form at the MoHA's 'One-Stop Center'. The application seeks information on the employer, details of previous quota approvals, and the number and nationalities of workers required. The employer is required to pay the published government levy of MYR 410 - 1,850 (\$95 - \$430) per worker at the time of application. The specific amount depends on the sector - the rate for manufacturing and construction is MYR 1,250 (\$288). Approval from the MoHA, also known in Malaysia as a KDN Visa Approval, is contingent on the employer's assumption of responsibility



for the payment of all recruitment related fees such as security bonds, visas, and work permits for the approved number of foreign workers. According to the government representative interviewed for this report, the standard amount payable 'under-the-table' to government officials is MYR 500 (\$115) per worker. If the employer does not meet the eligibility criteria for quota approval, officials will approve nonetheless or speed up the review process in return for an additional illicit payment of MYR 300 - 700 (\$70 - \$165) per worker. Verité's own fieldwork regularly identifies situations where Malaysia-based employers or recruitment agents claim they are able to secure otherwise unavailable quotas based on their relationship with, or connection to, officials at the MoHA.

In theory, the Malaysia-based employer requires Malaysia MoHA quota approval and the endorsement or attestation of the demand letter and a series of other documents (including, but not limited to, service agreements, employment contracts, and licensing information) by the Labour Attaché at the Embassy of Myanmar in Kuala Lumpur. The Embassy fees payable for this service are not transparent. Apparently, it is possible to pay official express fees for expedited endorsement of the employer's quota and demand letter but there are also additional 'un-receipted fees' that must be paid to the government officials in order to secure the necessary approvals to recruit. Interviewees for this report declined to specify the amount of such fees, or how, or to whom, they are paid.

### **Myanmar**

In order to hire and deploy workers from Myanmar, local recruitment agents submit their demand letter or job order to the MOEAF for 'verification/recommendation'. Fees are assessed based on the destination. For Malaysia, the cost is MMK 2,000 (\$2) per worker. There are additional per worker fees to be paid to the Ministry of Labor (MoL) for orientation MMK 4,000 (\$4) and smart cards - MMK 1,500 (\$1.50). The MoL reviews the verified demand letter, service agreement between agents, sample employment contract, employer profile, accommodation specifications, wage levels, and recruitment agency licenses. All of the recruitment agents interviewed for this report indicated that there are also standard 'under-the-table amounts' that they must pay to the government officials in order to commence recruitment. Recruitment agents are not supposed to start recruiting until they receive official approval. The respondents declined to specify the amount - a vague indication of 'several thousand per worker' was the most that could be elicited.

Civil society organizations interviewed for this report indicated that the majority of workers from Myanmar migrating abroad choose informal recruitment channels that use smuggling routes into destination countries like Malaysia and Thailand because of the perceived high cost of corruption associated with the formal process that is invariably passed on to workers through upfront fees or salary deductions after they start work. The cost to workers is perceived to be the same as the formal channels but alternative channels avoid much of the complicated paperwork and deployment is reportedly faster. However, interviewees for this report indicated that recruitment through informal channels costs workers between MYR 6,000 - 7,000 (\$1,400 - 1,600).

### Background

Thailand's economic expansion since the 1990s has been sufficiently robust that the local labor market could no longer meet employer demand, and foreign workers from poorer neighboring countries – especially Cambodia, Laos, and Myanmar – began to migrate in to fill the gap. In those same decades, many Thai workers themselves chose to migrate to the Middle East and East Asia, lured by the prospect of higher wages in those regions than in the labor market at home. Thailand shifted from being a net labor-sending country to a net labor-receiving country relatively recently, a transition reflected in the fact that most policies for regulating migrant worker recruitment are focused primarily on protecting Thai nationals working abroad. Policy protections for incoming migrant workers are currently minimal, and abuse and exploitation of migrant workers have been widely reported. High fees that include improper and corrupt payments associated with obtaining a legal visa and work permit have made it untenable for many migrants to work legally in Thailand, and many migrants remain undocumented, contributing to their vulnerability. Most migrants are employed in the seafood, agricultural, garment, and domestic work sectors.

Thailand is the main destination for Myanmar migrants with numbers that have been steadily increasing over two decades. It is believed that Thailand is host to somewhere between 2.5 million and 3 million migrants from Myanmar, accounting for 80% of the foreign migrant population.

*The Memorandum of Understanding Between the Government of the Kingdom of Thailand and the Union of Myanmar on Cooperation in the Employment of Workers 2009* governs the official recruitment process for worker migration from Myanmar to Thailand. This bilateral 'MOU importation process' involves Thai employers, the Thai Ministry of Labor, the Embassy of Myanmar in Thailand, the Myanmar Ministry of Labor, and recruitment agents from both countries. Participation in this formal MOU-governed system of migration remains low due to the high level of fees, complexity, and delays.

Most migrants in the Myanmar to Thailand corridor rely on informal and irregular channels. In 2013, the United Nations Office on Drugs and Crime (UNODC) estimated that 83% of irregular Myanmar migrants entered Thailand via smuggling networks. Undocumented foreign migrant workers in Thailand are periodically able to register with the Department of Employment under various amnesty programs and apply for a temporary visa and work program. In recent years, a nationality verification (NV) process in Thailand has been mandated for migrants registered under the amnesty programs. The NV process requires registered migrants to provide identifying data to their origin country government so as to verify their nationality, after which they can obtain a temporary passport and a two-year Thai visa, which can be extended for an additional two years. As a recent ILO report notes, however, the process for obtaining nationality verification is often prohibitively complex, particularly for migrants from Myanmar, who make up the bulk of the migrant worker population in Thailand.

Research studies and media reports frequently focus on corruption in Thailand's foreign employment sector, emphasizing the collusion between human smugglers, labor brokers, changing rules, and corrupt government officials that facilitates the physical transportation of foreign migrants to Thai workplaces. Thailand's border provinces contain a high concentration of immigration and police checkpoints, so it is practically impossible to transport Myanmar migrants by land to workplaces without the cooperation of corrupt government officials. This connection to corruption was underscored by the recent request for asylum in Australia by a senior Thai police officer in fear of criminal gangs and the authorities. His investigation into human trafficking in Thailand resulted in charges against 90 individuals including a lieutenant general in the Thai Army, accused of being a trafficking kingpin.

Interviewees for this report identified 3 exit routes for irregular or informal migration: Tachilek, Myanmar to Mae Sai, Thailand; Myawaddy, Myanmar to Mae Sot, Thailand; and



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Kawthaung, Myanmar to Ranong, Thailand. Even formal government managed processes are alleged to be corrupt with the complicated 13-step NV program that should cost around THB 5,000 (\$140) reportedly costing migrant workers in the range of THB 10,000 - 20,000 (\$280 - \$560).

As pointed out in the Myanmar to Malaysia section of this report, the government of Myanmar's strict control over the formal migration corridor to that country is a significant contributor to corruption in the foreign employment sector. The field research for this report found that most Myanmar workers in Thailand migrated through informal channels to avoid the high cost, complexity, and lengthy duration associated with the official government regulated process. Of course, in Thailand as elsewhere, there are other many on-going costs associated with migrating informally and without proper documentation, particularly ongoing

vulnerability and threats of deportation and exploitation in the destination country, as well as risks from highly dangerous smuggling operations.

#### Key Findings

With respect to the formal or official recruitment process, Verité's research in the Myanmar to Thailand migration corridor indicates that corrupt or improper payments minimally amount to the equivalent of \$65 - \$530 per worker deployed. As described in the section above on the Myanmar to Malaysia corridor, respondents in Myanmar were reluctant to specify the specific amount of 'under-the-table' payments beyond 'several thousand' per worker required at the Department of Labor offices to secure approval of the foreign employer and exit visas for selected workers.

This range covers the illegal 'kickback' commissions of the equivalent of \$50 - \$500 paid by recruitment agents

in Myanmar to their Thai counterparts to secure 'demand letters' or job orders for workers. Some respondents indicated that Thai employers pay THB 500 (\$15) per worker in fees to brokers but the majority indicated that the brokers themselves bargain and set the commission rates that are paid by Myanmar brokers to their Thai counterparts. The costs are ultimately passed on to workers. In order to secure authorization to employ workers from Myanmar, Thai employers must adhere to a detailed set of MOU procedures and pay fees to a variety of Thai government entities and the Embassy of Myanmar in Bangkok for different 'approvals,' such as, but not limited to, quota approvals, 'demand set' attestations, visas, work permits, medical testing, and labor cards. Because these mandatory procedures involve interactions with government entities and the payment of fees for discretionary decisions, an elevated risk of corrupt or improper payments is certainly present.

Verité's research indicates that the bribes paid by the duly appointed agents of Thai employers in particular enable those employers to avoid, or substantially reduce, the hard costs that we conservatively estimate to be \$500 - \$1,000 per worker deployed in this corridor. This estimate is conservative as it excludes certain significant fees such as those for quota approvals and demand set attestations that cannot easily be quantified at the per worker level.

Thai employers achieve these savings, in part, by permitting or turning a blind eye to the recruitment 'fees' collected by their duly appointed agents in Myanmar from workers prior to deployment to cover costs which, under the MOU process, should be borne by the employer. As in the corridor to Malaysia, respondents indicated that the amount of fees charged to workers prior to deployment depends largely on how much of the recruitment-related fees and expenses are covered by the employer but that workers' pay somewhere between THB 4,000 - 36,000 (\$120 - \$1,060). The wide range of fees reflects the variety of formal and informal migration routes that are available to migrants from Myanmar going to Thailand. Verité's field assessment work in Thailand typically finds that migrants from Myanmar working in the formal sector pay THB 18,000 - 28,000 (\$530 - \$825) in fees. Respondents indicated that the costs to workers associated with using the alternative informal channels are broadly similar. The process is faster, although fraught with danger, as recent media reports about mass graves indicates.

Once at the workplace in Thailand, most workers face deductions from their wages to reimburse the employer for visas, work permits, and other costs. Respondents indicated the typical amount is

THB 5,800 (\$170). Verité's field assessment work in Thailand indicates that THB 10,000 (\$300) is the norm, deducted over the course of the first 10 months of employment. Employers also regularly deduct debt repayments from workers' wages that are remitted to brokers.

### Context

The MOU between the Government of the Kingdom of Thailand and the Government of the Union of Myanmar on Cooperation in the Employment of Workers 2009 aims to ensure the protection of workers in regards to their rights, prevention of illegal employment and trafficking, and effective repatriation for those who fulfil contracts.

In Myanmar, the MoL regulates the foreign employment sector and recruitment agents via *The Law Relating to Overseas Employment*. The Myanmar Overseas Employment Agencies Federation (MOEAF) is an influential recruitment industry association with over 200 members that is also involved in the monitoring of recruitment agents and endorsement or verification of demand letters or job orders from foreign employers. A third of MOEAF members focus on migration to Thailand. However, due, in part, to the high fees and extended process to join the MOEAF, the number of illegally operating private recruitment agencies (PRAs) is believed to be much higher. While informal PRAs were more likely to be linked with corruption leading to abuse of workers, formal PRAs have also been implicated; in 2013, twelve of the largest regulated PRAs were linked to corruption scandals that resulted in the suspension of licenses.

The MOU process for migrants recruited to Thailand from Myanmar starts with an employer in Thailand applying to a Provincial Employment Office (PEO) or the Bangkok Employment office of the Thai Ministry of Labor (MoL) for a quota of migrants they wish to employ. Subject to quota approval, the employer wishing to recruit Myanmar migrant workers goes to a PEO with a demand letter or job order to employ foreign workers and a copy of the employment contract for each occupation requested. The Thai MoL collects the applications and sends them to the Myanmar MoL through its embassy in Bangkok. The applications are ultimately reviewed and approved by a cabinet sub-committee of relevant ministers. Upon approval, the Myanmar MoL posts vacancy announcements through its local offices in Kawthoung, Myawaddy and Tachileik. The local Ministry of Labor offices in Myanmar process the received applications, arrange for a pre-screening medical examination of the applicants and send a list of approved candidates to the Thai Department of Employment (DoE) through the Myanmar embassy.

Upon notification of approval from the DoE, Thai employers go to a Nationality Verification Center (NVC) in Chiang Rai, Mae Sot or Ranong and interview the candidates (who come to Thailand using a border pass). A second medical examination is then arranged at this time. Migrants and employers have to report to the PEO in Chiang Rai, Mae Sot or Ranong before and after undertaking the medical examination. The Myanmar MoL and local Myanmar MoL offices are then informed by the NVC of the successful candidates, and the local DoL in Myanmar notifies the candidates of their selection.

The Thai MoL notifies the Myanmar MoL through the Myanmar embassy of the name of the employer who will pick up the selected workers at one of the Temporary Passport Issuance Offices (TPIOs) in Myanmar located in Kawthoung, Myawaddy and Tachileik. Additionally, the PEO gives an English-language version of the document to the employer, indicating the names of their approved workers. The employer can then present this document to the Myanmar authorities to prove their permission to employ the workers. The selected migrant workers then apply for a temporary passport in one of the three Myanmar TPIOs.

The employer travels to Myanmar to meet the migrant workers at one of the Myanmar TPIOs to assist them with the immigration process. Upon arrival in Thailand, migrants must contact an Immigration Bureau office to apply for a visa and stay permit. The visa fee for the first 10,000 workers was set at THB 500 (\$15) per person, with the normal rate being THB 2,000 (\$60) per person. The visa is valid for two years and is renewable for another two years. A re-entry permit or a multiple entry visa must be purchased by migrants before travelling back to Myanmar in order to return to Thailand afterwards. Migrant workers whose health clearance has expired (more than 60 days have passed between the first examination and their actual arrival in Thailand) must undergo the health examination again, either at the border or in the province in which the worker is employed. Finally, migrants must apply for a work permit at a PEO within 30 days of receiving their visa. Work permit fees vary according to the rates stipulated in the ministerial regulations on work fees.

Myanmar migrants are especially vulnerable to excessive recruitment fees, and abuse among migrant worker communities in Thailand is a major issue. The fees involved with workers migrating abroad are a major contributing factor to the lack of regularity in migration from Myanmar. The government's rigorous control of passport and exit visa issuance has perpetuated rampant corruption, as applicants are forced to pay bribes and high fees. The government

also regularly denies passports on political grounds and frequently stalls passport issuance for several months, particularly if the applicant was unwilling to offer a bribe or other incentive. Migrant workers are subjected to "shakedowns" and arrests by Thai police if they do not have their labor registration cards with them; occasionally these arrests will take place even if workers are in possession of their registration card. Migrants are vulnerable to arrest by the police if they are not registered, or, if registered, not in possession of their registration documents. Once identified by the police, migrants are often threatened with arrest in order to extract a bribe.

## Fees and Corrupt or Improper Payments

### Myanmar

In order to hire and deploy workers from Myanmar, local recruitment agents submit their demand letter or job order to the MOEAF for 'verification/recommendation'. Fees are assessed based on the destination. For Thailand, the cost is MMK 2,000 (\$2) per worker. There are additional per worker fees to be paid to the MoL for orientation MMK 4,000 (\$4) and smart cards - MMK 1,500 (\$1.50). The MoL reviews the verified demand letter, service agreement between agents, sample employment contract, employer profile, accommodation specifications, wage levels, and recruitment agency licenses. All of the recruitment agents interviewed for this report indicated that there are also standard 'under-the-table amounts' that they must pay to the government officials in order to commence recruitment. The respondents declined to specify the amount - a vague indication of 'several thousand per worker' was the typical response.

Both Thai recruitment agents and their counterparts in Myanmar interviewed for this report indicated that the sending country agent pays the receiving country agent between \$50 and \$500 per worker as a 'kickback' commission for the job order. The actual amount varies depending on the nature of the jobs on offer and number of workers requested in the demand letter or job order. It is also heavily influenced by the role played by the respective agents in the migration and how much, if any, of the fees and expenses are absorbed by the employer. Some respondents indicated that Thai employers pay THB 500 (\$15) per worker in fees to brokers but the majority indicated that the brokers themselves bargain and set the commission rates that are paid by Myanmar brokers to their Thai counterparts. The costs are ultimately passed onto workers. Interviewees indicated that workers pay somewhere between THB 4,000 - 36,000 (\$120 - \$1,060). The wide range of fees reflects the variety of formal and informal migration routes that are available to migrants from Myanmar going to Thailand. Verité's

field assessment work in Thailand typically finds that workers in the formal sector from Myanmar pay THB 18,000 – 28,000 (\$530 – \$825) in fees.

Civil society organizations interviewed for this report indicated that the majority of workers from Myanmar migrating to Thailand, in particular, choose informal recruitment channels that use smuggling routes because of the perceived high cost of corruption associated with the formal process that is invariably passed on to workers through upfront fees or salary deductions after they start work. The cost to workers is perceived to be the same as the formal channels but alternative channels avoid much of the complicated paperwork and deployment is reportedly faster.

### **Thailand**

In order to hire and deploy workers from Myanmar, Thai employers must adhere to a detailed set of MOU procedures and pay fees to a variety of Thai government entities for different ‘approvals’ such as, but not limited to, quota approvals, visas, work permits, medical testing, and labor cards. The official or published costs of these requirements amount to THB 5,800 (\$170). Additional unspecified fees have to be paid to the Embassy of Myanmar in Bangkok to attest the employer’s ‘demand set.’

Once workers arrive at the Thai border, a variety of border control, police, and military officials have to be paid THB 500 – 1000 (\$15 – \$30) at different points on the journey between the border crossing and workplace in order to ignore the workers’ irregular status. Previous reports have suggested the aggregate cost of such payments can range from \$325 – \$485. As this migration corridor is dominated by irregular or undocumented recruitment processes it was particularly challenging to identify and accurately estimate the range of improper payments involved.

The Myanmar-Thai corridor, like the Myanmar-Malaysia corridor, clearly demonstrates the costs associated with a fragmented recruitment system with separate cost structures in sending and receiving countries; this not only catches workers by surprise, it also drives up total costs and makes the final costs opaque.

In this report, Verité adds to an increasingly nuanced picture of the risks facing migrants by describing how corruption and fraud by private recruitment agents, employers, governments and intermediaries along the many stages of the recruitment process mitigate the impact of established protections, undermine the rule of law, and reduce the economic and social benefits of migration. These costs are borne largely by the vulnerable migrants themselves, whose indebtedness and exploitation due to prevailing recruitment schemes are well known. What is less well known are the very real legal, financial, and reputational risks to the many companies that are intertwined with the corruption outlined in this report.

For each of the contexts studied, Verité and its partners interviewed migrants, PRAs, employers and government representatives in order to determine the nature, frequency, and extent of corrupt payments and practices across the recruitment process. However, because of the small samples, wide variation in fees cited, and the difficulty of making a fair determination of indirect costs in some cases, the figures here should not be taken as “average” costs of corruption in a given context. Rather, they should be read as indications of where the most corruption occurs, which actors in a given context benefit most, and what underlying issues future responses need to address in order to obtain success.

It is worth noting that the forms of corruption outlined in this report are specific to each country and to each migration corridor, even though other corridors are likely to have similar dynamics. For instance, in the Nepal-Qatar corridor, heavy visa documentation requirements and the distance between countries combine to encourage frequent visa fraud, both with and without migrants’ cooperation. In contrast, in Myanmar-Thailand, fluid borders and a large network of unregistered PRAs result in easy undocumented migration, but with high levels of bribes to officials along the way. In Malaysia, a disadvantageous legal context placed heavy financial burdens on workers upon arrival.

In addition to corruption, these corridors are characterized by a large number of quasi-legal intermediaries, such as broker sub-contractors and broker-employer intermediaries that drive up the cost of migration and increase the opportunity for fraud. These hidden costs and indirect processes suggest that legal protections for workers, or, the case of recently imposed fee limits in Nepal, will be unlikely to be successful without explicitly tackling corruption in the recruitment process.

This exploratory research reveals that corrupt payments to facilitate international migration in these three corridors are both numerous and substantial. Yet, the very complexity of the migration systems outlined in brief in this report demands that careful attention is paid to designing both additional research and any reform efforts. Despite the need for further clarification of this complex topic, there is no doubt that the extent of corruption represents an unequivocal risk to companies associated with these actors.

For those government officials, international institutions, progressive private recruitment agents, employers, civil society organizations, unions, and private recruitment sector professional bodies that seek to reform international labor recruitment, it is vital that they take into consideration the corruption that shadows the processes they and others have put in place in the past and very well might shadow those they seek to institute now to better regulate migration. In two of three corridors studied, for instance, bilateral agreements between sending and receiving countries apparently protect workers through the recruitment process. In all three contexts, legal protections for workers such as prohibitions against excessive worker fees, a key driver of forced labor, are already in place. Also in all three contexts, these protections are easily and regularly circumvented through corrupt means. A recruitment sector consistent with emerging global standards will need to explicitly address corruption regardless of what legal frameworks are in place. While undoubtedly many policies and procedures still need reform, corruption must be fought as a phenomenon that all too frequently and easily attaches itself to any processes and institutions regardless of the stated purpose and apparent wisdom of policies. Unintended consequences must be expected.



Corruption in global recruitment is an area ripe for further research. The material presented in this report itself can and should be further researched. The dynamics articulated and analyzed here can also be studied in other corridors and more deeply with larger, perhaps statistically representative, samples of migrants, recruiters, and even government officials. However, the many difficulties of such research cannot be underestimated. Future studies can build on this report by investigating, for instance, recruiters' internal cost structures and business models to more precisely understand in various contexts the interplay among fees recruiters charge workers; the amount paid in legal and corrupt fees for all stages and processes of migration; and amount kept as profit. It would also be helpful to research whether certain assumptions about reform of migration processes would or would not decrease or eliminate fees and/or corruption. For instance, does reducing the steps and people involved in approving documents reduce the amount of corruption (and therefore amounts charged to workers) or are shortfalls "made up" elsewhere?

This analysis of multi-faceted drivers of corruption suggests that, in addition to efforts to improve the rule of law, efforts to reconfigure and streamline migration processes could reduce opportunities and motivation for corruption. However, it should not be forgotten that the many processes currently in place were themselves often motivated by the goal of protecting workers and providing oversight, as well as meeting the reasonable needs of destination countries and employers (e.g., certification of age, health, education, etc.) Certain processes, such as obtaining a passport and visa, will not be eliminated anytime soon, even if they can be made more efficient and less prone to corruption. It will be important to carefully monitor and evaluate efforts, for instance, to move key migration processes online and thereby reduce the number of stages of recruitment and perhaps opportunities for bribes (and thus the total cost of corruption and migration to workers.)

Now that global attention is squarely focused on reducing the severe, systematic exploitation of migrant workers in multiple sectors and countries around the world, it is imperative that the scourge of corruption that plagues so many recruitment processes and policies be addressed directly. Simply put, migrants' rights cannot be successfully fulfilled without addressing corruption. The many illegal corrupt payments described in this report add up to more than a crushing financial burden on vulnerable workers; they represent a glaring legal and reputational risk for companies throughout the world with supply chain partners that source workers through recruitment systems similar to those described in this report. Companies cannot be sure of protecting their legal and reputation integrity without squarely taking on the challenge of corruption in their labor supply chain.



## Corrupt or Improper Payments: Nepal to Qatar Labor Migration

Payment Type	From	To	Low	High
Kickback Commissions	Nepali PRAs	Qatari PRAs or Employers	\$300	\$500
Bribes	Nepali PRAs	Nepali government officials	\$180	\$600
Total			\$480	\$1,100

## Standard Legal and Reasonable Costs of Recruitment (Estimated Per Worker): Nepal to Qatar Labor Migration

Payment Type	Low	High	Low	High
<b>Nepal</b>				
Foreign Worker Visa (all inclusive)	NPR 6,000	NPR 6,000	\$60	\$60
Medical Clearance	NPR 2,650	NPR 2,650	\$27	\$27
PRA Professional Service Fee (One month salary)	NPR 30,000	NPR 30,000	\$300	\$300
Airfare One-Way	NPR 30,000	NPR 30,000	\$300	\$300
Subtotal	NPR 68,650	NPR 68,650	\$687	\$687
<b>Qatar</b>				
Visa	QR 300	QR 300	\$81	\$81
Residency Permit	QR 1,200	QR 1,200	\$324	\$324
Medical Clearance	QR 200	QR 200	\$54	\$54
PRA Professional Service Fee (One month salary)	-	QR 900	-	\$243
Subtotal	QR 1,700	QR 2,600	\$459	\$702
Total			\$1,146	\$1,389

1 NPR = \$0.01 1 QR = \$0.27

### Corrupt or Improper Payments: Myanmar to Malaysia Labor Migration

Payment Type	From	To	Low	High
Facilitation	Malaysian employers / PRAs	Malaysian government officials	\$115	\$115
Unofficial Fees	Malaysian employers / PRAs	Malaysian government officials	-	\$165
Kickback Commissions	Myanmar PRAs	Malaysian PRAs / employers	\$350	\$550
Total			\$465	\$830

### Standard Legal and Reasonable Costs of Recruitment (Estimated Per Worker): Myanmar to Malaysia Migration

Payment Type	Low	High	Low	High
<b>Myanmar</b>				
MOEAF Recommendation/ Verification	MMK 2,000	MMK 2,000	\$2	\$2
Orientation Fee and Smart Card	MMK 6,000	MMK 6,000	\$6	\$6
PRA Professional Service Fee (One month salary)	MMK 210,000	MMK 210,000	\$210	\$210
Transportation	MMK 300,000	MMK 500,000	\$300	\$500
Subtotal	MMK 518,000	MMK 718,000	\$518	\$718
<b>Malaysia</b>				
Foreign Worker Levy	MYR 1,250	MYR 1,850	\$290	\$430
Calling Visa	MYR 20	MYR 20	\$5	\$5
FOMEMA Medical Clearance	MYR 185	MYR 185	\$42	\$42
Work Permit	MYR 60	MYR 60	\$14	\$14
PRA Professional Service Fee (One month salary)	-	MYR 900	-	\$210
Subtotal	MYR 1,515	MYR 3,015	\$350	\$700
Total			\$870	\$1,420

1 MMK = \$0.001 1 MYR = \$0.23

### Corrupt or Improper Payments in Myanmar to Thailand Labor Migration

Payment Type	From	To	Low	High
Kickback Commissions	Myanmar PRAs	Thai PRAs / employers	\$50	\$500
Bribes	Thai employers	Thai border control/police/military	\$15	\$30
Total			\$65	\$530

### Standard Legal and Reasonable Costs of Recruitment (Estimated Per Worker): Myanmar to Thailand Labor Migration

Payment Type	Low	High	Low	High
<b>Myanmar</b>				
MOEAF Recommendation/ Verification	MMK 2,000	MMK 2,000	\$2	\$2
Orientation and Smart Cards	MMK 6,000	MMK 6,000	\$6	\$6
PRA Professional Service Fee (One month salary)	MMK 215,000	MMK 215,000	\$215	\$215
Transportation	MMK 200,000	MMK 500,000	\$200	\$500
Subtotal	MMK 423,000	MMK 723,000	\$423	\$723
<b>Thailand</b>				
Work Permit (3 years).	THB 2,700	THB 2,700	\$80	\$80
PRA Professional Service Fee (One month salary)	-	THB 7,200		\$215
Subtotal	THB 2,700	THB 9,900	\$80	\$295
Total			\$500	\$1,015

1 MMK = \$0.001 1 THB = \$0.03

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