



# END INJUSTICE IN MIGRANT WORKERS' RECRUITMENT FEES

TWC2 Research Report February 2020  
Policy Recommendations on Recruitment Costs

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## Executive Summary

This report is the concluding element in a research project that lasted for three years, from the end of 2015, and considered the migrant labour recruitment policies and practices of various countries and territories and, in particular, measures adopted to try to limit the recruitment costs borne by migrant workers. It considered policies adopted both in countries of origin and in destination countries.

TWC2 believes that migrant workers should not have to bear the cost of their recruitment, any more than highly paid professionals do. In this respect, TWC2's view is consistent with that of the International Labour Organisation and migrant rights organisations in general.

However, migrant workers coming to Singapore normally bear heavy recruitment costs. From our research, we believe that there are practical and achievable steps that could be taken to reduce these costs, both in Singapore and in the countries of origin of the workers. This report sets out a variety of measures that might be usefully considered as means of reducing the cost of recruitment for workers. Some would be more effective than others and they are not substitutes for the implementation of a zero fees policy, but we think they answer effectively any suggestion that it is simply not possible to reduce the high costs that many migrant workers are currently compelled to bear.

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## Foreword

The present paper concludes a long-term research project that was launched at the end of 2015. Papers were researched and published on TWC2's website on recruitment practices and costs in Brunei, China, France, Hong Kong, Indonesia, Macau, Malaysia, Philippines, Poland, Qatar, South Korea and Taiwan: a range of countries and territories that included both countries of origin of migrant workers and those of destination. The intention was to look at various approaches to reducing the costs for migrant workers of securing a job and finally, to produce a report that would draw on the work already undertaken, as well as looking further afield in order to set forth a range of practical measures that might be adopted in relieving migrant workers coming to Singapore of the heavy burden of high recruitment costs.

This paper is the result. As work on it progressed, we realised that there was still more that could be investigated, still more that might be proposed, but it was felt that it needed to be finished and shared. We therefore offer it as what we believe will be a sound contribution towards obtaining a better deal for those people who leave their homes to earn money working in other lands in jobs that are typically low paid, and in the hope that it will encourage action and further initiatives to realise this goal.

We are grateful to the writers of the country-focused papers: Kellynn Wee, Jiang Haolie, David Dickinson, Peter Teo, Philomène Franssen-Ando, Irna Nurlina, Anna Nowak and Monika Roszkowska, for contributing the case studies upon which the paper drew.

## 1. Introduction

This paper presents a range of practical policy recommendations for reducing recruitment costs for low-wage migrant workers in Singapore. It also illustrates how it is both feasible and necessary to achieve a system where zero recruitment costs are borne by these workers.

Low-wage migrant workers include domestic workers (nearly all female) and male workers in construction, shipyards, certain cleaning jobs and some other sectors. There are differences between how they are recruited: for domestic workers, the process is normally more visible than for the male workers. Domestic worker recruitment and placement generally takes place through agencies, whereas it is often less clear who handles the recruitment and

placement of male workers. Terms such as “intermediaries” or “middlemen” are therefore used in this report to refer to those handling recruitment and placement of migrant workers in general and more specifically, to describe those operating in the grey area of male worker recruitment. The emphasis in this report is upon male workers, who generally pay substantially more in recruitment costs than domestic workers.

In Singapore, migrant workers who are work permit holders are often charged considerable fees to obtain a job. The direct and indirect costs of this practice for migrant workers and for Singapore are too high and create many negative effects.

The policy changes suggested would reduce the potential for the exploitation of low-wage migrant workers by recruitment agents through high recruitment fees.

Policy recommendations in this report are based on a review of case studies of different countries' policies, practices and outcomes, drawing out policies that appear promising and adapting them to the Singapore context. Additionally, we draw on extensive research from other sources, such as other labour rights NGOs and experts, as well as the vast experience of our volunteers on the ground at TWC2.

There is existing research by local and international migrant labour organisations and academics that investigates the causes and effects of high recruitment fees, embodies country case studies and puts forward recommendations and best practices. However, previous studies are either not specifically related to the Singapore context, or are broad recommendations that have not gone into detail.

Thus, this report aims to fill a gap by providing detailed and specific recommendations and highlighting best practices for effectively regulating recruitment costs paid by migrant workers to work in Singapore. The recommendations provide for reductions in recruitment costs in the near term that may be utilised as stepping stones towards fully eliminating recruitment costs for low-wage migrant workers.

Some approaches included are more far-reaching than others, and the implementation of certain approaches may make others

unnecessary. Taken as a whole, the proposals demonstrate the feasibility of cutting recruitment costs substantially. Our ultimate goal, in principle, is a zero fees recruitment practice, with employers bearing the cost of recruitment and workers only shouldering costs similar to the type of expenses currently shouldered by highly qualified professionals.

Note that, in general, we have not footnoted references to information contained in our reports on specific countries and territories. It is easily located on the TWC2 website, using the list in the appendix.

### Recruitment Costs and Zero Fees Policy

Recruitment costs refer to “any fees or costs incurred in the recruitment process in order for workers to secure employment or placement, regardless of the manner, timing or location of their imposition or collection.”<sup>1</sup> Recruitment costs may comprise both legitimate costs (fair fees for necessary services) and fraudulent costs (fees that originate from overcharging, rent-seeking, kickbacks, unnecessary materials and services etc).<sup>2</sup>

Recruitment fees can be classified into two types: costs incurred before hiring and costs incurred after hiring.

A zero fees policy is one under which workers pay the costs of becoming eligible for a job, such as training courses, required medical exams and personal identity documents, similar to the practice for more highly paid professionals.

Once they are hired, all fees are paid by the employer (such as airfare, agency fees, accommodation)<sup>3</sup>. There should be no

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<sup>1</sup> International Labour Organisation (ILO) (2019). [General Principles and Operational Guidelines for Fair Recruitment](#). Available at [ilo.org](http://ilo.org). Hereafter, ILO (2019).

<sup>2</sup> “Agent fees are broadly understood to be composed of two parts: (1) legitimate, fairly priced, necessary services for the migration process, and (2) the rest, which is generally considered exploitative of the migrant worker.” N.M. Harrigan & C.Y. Koh (2015). [Vital yet Vulnerable](#).

(p.45) Lien Centre for Social Innovation. Available at [lcsi.smu.edu.sg](http://lcsi.smu.edu.sg).

Hereafter, Harrigan & Koh (2015).

<sup>3</sup> The Open Working Group on Labour Migration and Recruitment (OWGLMR) (n.d.) [Policy Brief #1: Recruitment Fees & Migrants' Rights Violation](#). Available from [recruitmentreform.org](http://recruitmentreform.org); hereafter, OWGLMR Policy Brief #1; and [Policy Brief #5: Ethical Recruitment](#).

overcharging, kickbacks or unnecessary costs extracted from workers. Placement or agency fees should not be charged to workers.

TWC2 believes that Singapore should press forward towards a zero fees policy for migrant workers being recruited to work in Singapore. The current practice is untenable, being rife with abuse and fraud, with employers and intermediaries all too often colluding to exploit workers and flout laws to profit from workers through the recruitment process.

It would be unimaginable for Singaporeans and well-paid expatriate workers to be forced to pay extraordinary fees for a job. If expatriates in business or the academic world pay zero recruitment costs in order to work in Singapore, and are even sometimes provided relocation allowances, it stands in principle that low-skilled migrant workers too should not be forced to pay for a job.

### Regulating recruitment costs in Singapore

While Singapore has regulations such as the agency fee cap to keep recruitment costs reasonable, these regulations have proven largely ineffective, with inadequate enforcement of laws against kickbacks and the fee cap regulation, especially for male migrant construction workers, most of whom are not recruited through intermediary channels similar to those used for domestic worker recruitment<sup>4</sup>. Fee caps in general do not work, and a zero fees policy is more effective<sup>5</sup>.

On the other hand, regulations to limit recruitment fees paid by domestic workers, introduced by Singapore and countries of origin such as the Philippines have been somewhat more effective. These regulations go beyond

capping fees, with a complete ban on Philippine employment agencies charging domestic workers for recruitment<sup>6</sup>.

Hence, initiatives that stop short of reforming the current system will always be of limited effect. However, gradual steps can be taken that not only work towards eventual reform but have immediate returns. This report will outline recommendations that can be implemented by stages to ease the transition.

Policy changes to reduce recruitment costs will also need to close any loopholes that allow agencies and employers to take advantage of charges that may legitimately be made to workers to exploit them, such as insisting that workers pay for training that they don't need or already have completed.

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Available at [www.madenetwork.org](http://www.madenetwork.org); hereafter, OWGLMR Policy Brief #5.

<sup>4</sup> Transition Workers Count Too (TWC2) (2012). [Worse Off for Working?](#) (p.8-14). Available from [twc.org.sg](http://twc.org.sg). Hereafter, TWC2 (2012).

<sup>5</sup> Global Forum on Migration and Development (GFMD) (2016). [Background Paper: Reducing Migration Costs](#) (p.10). Available from [gfmd.org](http://gfmd.org). Hereafter, GFMD (2016).

<sup>6</sup> TWC2 (2016). [The Price Of A Job](#) (p.3) – although the report makes it clear that Filipina domestic workers are still typically charged more than they legally ought to be. Available from [twc2.org.sg](http://twc2.org.sg).

## 2. The Problem of Recruitment Costs

Recruitment costs charged to low-wage migrant workers are often exorbitant and artificially inflated by recruiters, job agencies, other intermediaries and employers who may profit from the recruitment process, with practices of purchasing jobs, extorting kickbacks and profit-making from the recruitment process commonly reported<sup>7</sup>. Many workers are left heavily in debt, consequently becoming entrapped in their jobs under adverse terms for extended periods and thus becoming more susceptible to further workplace abuse and exploitation.

High recruitment costs affect most low-wage migrant workers in Singapore, including construction workers, foreign domestic workers, shipyard workers and cleaners. Some pay significantly higher costs than others. One 2015 study found that the overwhelming majority of its sample of South Asian migrant workers in Singapore paid recruitment fees, ranging from an untypical low of \$1,000 up to \$10,000<sup>8</sup>.

In 2016, TWC2 conducted a pilot survey which showed that first-time Bangladeshi construction workers in Singapore pay an average of \$15,000 in recruitment costs, and require an average of 35 months of work in Singapore to pay off the debt<sup>9</sup>.

This represents double the average recruitment fee these same workers paid according to a survey conducted in 2012<sup>10</sup>.

This group of workers may well be in the worst position of all migrant workers in Singapore as far as recruitment costs are concerned. Domestic workers typically face recruitment costs amounting to the equivalent of six to nine months of their salaries. The cost of recruitment remains a significant issue globally.

High recruitment costs have numerous repercussions for migrant workers and for countries of destination such as Singapore. Migrant workers' remittances are directly affected and the workers become more vulnerable to abuse and rights violations. Workplace safety also suffers. Furthermore, a system that allows high recruitment costs to be charged to workers results in negative externalities for Singapore's economy and society. These include distorting the migrant labour market and fostering extortionary and corrupt practices.

### 1. Lower remittances

High recruitment costs exact a significant toll from migrant workers and their families. They directly reduce the immediate benefits and the amount of remittances<sup>11</sup> available for the survival, development and social mobility of workers' families and home communities.

### 2. Facilitating abusive practices and rights violations

The consequences of recruitment fees and kickbacks for migrant workers in Singapore include oppressively high debts, extreme

<sup>7</sup> Pages 8-14, TWC2 (2012). Also see the consequences on the pages following.

<sup>8</sup> Page 40, Harrigan & Koh (2015).

<sup>9</sup> TWC2 (2017). [Average Recruitment Cost Hit \\$15,000 in 2015 for First-Time Bangladeshi Construction Workers](#). Available from [twc2.org.sg](http://twc2.org.sg). As part of TWC2 (2017). [Pilot Survey on Agent Fees, 2016](#). Available from [twc2.org.sg](http://twc2.org.sg).

<sup>10</sup> Page 2, TWC2 (2012).

<sup>11</sup> R. Jureidini (2016). [White Paper: Ways Forward in Recruitment of low-Skilled Migrant Workers in the Asia-Arab States Corridor](#). (p.6). ILO Regional Office for the Arab States, Beirut. Available from ilo.org. Hereafter, Jureidini (2016).

financial hardship, and psychological distress<sup>12</sup>. This is despite current regulations including a fee cap, and research suggests that the fee cap is commonly flouted by Singapore agencies<sup>13</sup>.

Research has shown that systems which allow high recruitment costs to be borne by workers result in workers being locked-in to their employment situation through debt and provide opportunities for their exploitation<sup>14</sup>.

High debts increase workers' vulnerability to mistreatment<sup>15</sup> and foster an environment prime for abuse and rights violations<sup>16</sup>.

The enormous debts entrap workers in their existing jobs and in cyclical abusive dynamics with their employers. Workers are less likely to report abusive employers for fear of repatriation and losing their jobs and becoming unable to repay debts for recruitment costs. Such reporting is hampered by stringent MOM regulations which deny migrant workers job mobility – workers may not be transferred to other employers or companies even for legitimate reasons such as having abusive employers or the insolvency of the current company – although welcome but limited steps have recently been taken that seem to offer greater flexibility in this respect<sup>17</sup>. Workers who lose their jobs are almost invariably repatriated, sometimes even at a net income loss due to their initial recruitment costs. The awareness of this predicament emboldens

abusive practices by employers, such as the withholding of salaries, evading insurance payouts, forced repatriations, etc. This is a reality encountered first-hand by many of TWC2's volunteers who work with abused workers.

### 3. Workplace safety

When workers face pressure to pay off large debts, they will be more likely to take on overtime work past the legal limits. Fatigue results, increasing the likelihood of workplace accidents.

In addition, workers who pay enormous sums for their jobs, often find it too risky to report safety violations for fear of dismissal<sup>18</sup>. Hence, recruitment costs are a significant factor in workplace safety.

### 4. Kickbacks and extortion

Laws that allow recruitment costs to be borne by workers create a breeding ground for opportunism and exploitation. The current system makes it easy for intermediaries, as well as employers of male workers in certain sectors to extort kickbacks, a form of corruption<sup>19</sup>, with corporate contractors "profiting from lack of transparency in supply chains"<sup>20</sup>. The lack of regulation and lucrative benefits of costs extraction incentivises rent-seeking. Government-mandated training programmes and recruiters in countries of origin, such as Bangladesh, are more likely to engage in rent-

<sup>12</sup> HOME & TWC2's (2010) [Justice Delayed, Justice Denied](#). Available from [twc2.org.sg](http://twc2.org.sg). Hereafter, HOME & TWC2 (2010). TWC2 (2012) and HOME & TWC2 (2010) outlined the consequences of kickbacks and intermediary fees for migrant construction workers in Singapore. Harrigan & Koh (2015) found that the likelihood that a worker suffers from psychological distress correlates with (1) whether they paid recruitment fees and (2) whether they had unpaid debt.

<sup>13</sup> HOME & TWC2's (2010) found that Singapore agencies generally flouted the fee cap.

<sup>14</sup> OWGLR Policy Brief #1 provides a broad overview of how collection of fees leads to rights violations.

<sup>15</sup> P. Martin (2014). [How to Reduce Migrant Worker Recruitment Costs](#). Available from [compasanthology.co.uk](http://compasanthology.co.uk). From B. Anderson & M. Keith

(eds) (2014), [Migration: A COMPAS Anthology](#), Oxford: COMPAS. This is a concise statement of the problems attendant on high recruitment costs and proposed solutions to them. Hereafter, Martin (2014a).

<sup>16</sup> OWGLR Policy Brief #1 provides a broad overview of how collection of fees leads to rights violations.

<sup>17</sup> For information on policy changes and their limitations, see TWC2 (2017). [Only 400 survived the fight for new jobs. Out of 100,000?](#). Available from [twc2.org.sg](http://twc2.org.sg). Hereafter, TWC2 (2017).

<sup>18</sup> J. Gee (2017). [Help migrant workers stand up for their own safety](#). The Straits Times. Available from [www.straitstimes.com](http://www.straitstimes.com).

<sup>19</sup> Page 45, Harrigan & Koh (2015).

<sup>20</sup> Page 6, Jureidini (2016).

seeking extortion practices, rather than economically-productive value-adding and training that is put to use. This has further tangible impacts on the overall efficiency and productivity of the industry.

Additionally, the prevalence of extortion through high recruitment fees abets corruption in many countries of origin, normalising corruption in the industry and communities as well as entrenching the role of corrupt institutions in these communities.

### 5. Distortion of migrant labour market

Economically, recruitment costs represent a distortionary effect on the migrant labour market. They erect barriers to efficiency and competitiveness by creating an artificial price floor. Recruitment costs lead to inefficient worker-job matching<sup>21</sup>, shutting out potential experienced migrant workers who are unable to afford or unwilling to pay recruitment fees. Jobs are given to the highest bidders instead of the most suitable workers. With recruitment costs creating “distortions and inefficiencies in labour market mobility”<sup>22</sup>, the private sector profits in the short term at the expense of the public and overall national economic interest and productivity.

### 6. Productivity & competitiveness

Productivity levels and long-term competitiveness are another casualty for countries of destination such as Singapore, when recruitment systems incentivise employers to hire more workers than they need because they can charge workers for low-paying jobs<sup>23</sup>.

The practice of extracting kickbacks and intermediary fees from workers results in elevated levels of turnover of workers and lower productivity for the construction industry in Singapore<sup>24</sup>, though efforts by the Ministry of Manpower to counter this practice in recent years have had some impact.

### 7. Singapore’s long-term interests

In the long term, the trend of rising recruitment costs reduces the attractiveness of economic migration to Singapore and may present long term labour supply shortages for the construction sector, despite the appearance of there being an abundance of willing workers at present. Already, the high recruitment costs of working in Singapore coupled with the low salaries have made Singapore a much less attractive country of destination relative to the Gulf States and East Asia.

### 8. International standards

The International Labour Organization, in its [General Principles and Operational Guidelines for Fair Recruitment](#), states that governments have a responsibility to take steps towards eliminating fees, and that employers and intermediaries should pay any recruitment costs.

International conventions, including ILO Conventions 97 and 181, state that migrant workers should not bear the costs of recruitment. ILO Convention 97 states, “The administrative costs of recruitment, introduction and placing shall not be borne by the migrants.” In particular, ILO Convention 181 states that “private employment agencies shall not charge directly or indirectly, in whole or in part, any fees or costs to workers”.

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<sup>21</sup> P. Martin (2014). [Lower Migration Costs to Raise Migration’s Benefits](#). (p.12-13). Available from [newdiversities.mmg.mpg.de](http://newdiversities.mmg.mpg.de); hereafter Martin (2014b) and page 8, R. Jureidini (2016).

<sup>22</sup> Page 6, Jureidini (2016).

<sup>23</sup> Martin (2014a)

<sup>24</sup> TWC2 (2012)

### 3. Literature Review

There is therefore a strong case to be made for adopting the policies and enacting the reforms suggested in this paper which would not only reduce recruitment fees but improve economic productivity and efficiency. Singaporean employers and the local economy will gain in increased productivity when workers with the right skills are hired<sup>25</sup>, workers' welfare and remittances will improve, the workplace accident rate may be lowered and Singapore's global reputation will be advanced by reducing human and labour rights violations through improving worker protections<sup>26</sup>.

#### Overview of how recruitment processes lead to high recruitment costs

When jobs are located across national borders from potential workers, employers may engage recruitment agents in their own country, who then work with recruitment agents in potential workers' countries, either out of necessity<sup>27</sup> or expediency. While using recruitment agents may "make the process of filling vacant jobs more efficient", it may also "prompt rent-seeking that raises migration costs, as when recruiters act as gatekeepers and charge local workers seeking higher wage-jobs abroad"<sup>28</sup>.

The recruitment process may be broken down into stages. At the first stage when the worker receives the job offer, payment may be demanded for (a) learning about the job, especially for workers from rural areas and (b)

obtaining the contract (a form of rent-seeking). The second stage, obtaining government approvals, may involve paying for medical check-ups, obtaining a passport, visa and work permit. The third stage is travel, with the associated expenses<sup>29</sup>. At every stage, there is potential for overcharging, corruption, fraud and deception, opportunism and exploitation, with money extracted from workers by middlemen, agents or employers.

The root of high recruitment costs is the recruitment system. The highest recruitment costs are found in "complex systems that involve recruiters in both sending and receiving countries."<sup>30</sup> Within such systems, the "information and power asymmetry" and "the layering of middlemen that occur within the recruitment systems in the migrant workers' home countries" drive high fees<sup>31</sup>.

In these systems, with the "outsized role that private recruitment agencies play", recruitment agents collude with their counterparts across borders, and with employers, to extract payment for the contract, to overcharge and exploit workers<sup>32</sup>. Exploitative practices such as taking advantage of workers' debt-induced vulnerability due to high fees and job deception result<sup>33</sup>. Contract substitution, where workers encounter worse contract conditions on arrival, is also a problem<sup>34</sup>. These problems are worse

<sup>25</sup> Page 9, GFMD (2016) argues that with a "fair, safe and orderly migration system", employers "gain in increased productivity by employing workers with the right skills and aptitudes".

<sup>26</sup> Page 12, Martin (2014b) refers to the benefits of lowering migration costs for the destination countries (though not reputational ones), while focusing on those for migrant workers.

<sup>27</sup> Page 15, Martin (2014b) notes that "South Asian governments often restrict or prohibit foreign employers from recruiting their citizens directly, ensuring that most migrants must use local recruiters and thus pay their

fees," but the practice is not confined to South Asian governments.

<sup>28</sup> Pages 11, 13 & 17 respectively, Martin (2014b).

<sup>29</sup> Ibid

<sup>30</sup> Ibid

<sup>31</sup> Page 49, Harrigan & Koh (2015) argue, in their conclusions, that these are "two main factors" producing agent fee debt.

<sup>32</sup> Page 11, Jureidini (2016)

<sup>33</sup> Ibid

<sup>34</sup> Ibid

where workers lack access to complaint mechanisms<sup>35</sup>.

### **Broad Principles**

The different Policy Recommendations are grouped into the broad principles which an ideal migrant labour ecosystem should fulfil.

The four broad principles are:

1. Eliminating Middleman Inefficiencies
2. Transparency and Information Symmetry
3. Job Security and Mobility
4. State Accountability

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<sup>35</sup> Ibid

## Eliminating Middleman Inefficiencies

Intermediaries such as recruiting agents and language/training schools in countries of origin (COOs), and employment agents in countries of destination are the key perpetrators in extracting recruitment fees. The barriers to labour migration such as visa and skills requirements of a country of destination, and information asymmetry, necessitate the use of intermediaries in linking prospective workers with to-be employers and in assisting workers in going abroad.

Their monopoly on the recruitment process and limited local enforcement of labour rights (or the lack thereof) provides, in most countries, an impunity in exploiting workers and extracting exorbitant fees. This is in no small part facilitated by the huge demand for jobs.

Policies that either restrict and regulate the exploitation of intermediaries or directly cut out intermediaries will directly reduce recruitment fees.

### *Policy Recommendations:*

#### ***A1. Direct Hiring Between Countries***

Direct hiring is a process where prospective workers in COOs would directly apply for work in Singapore via the local embassy, authorised recruitment centres, or via an online portal, without the need of a recruitment agency. Singapore employers would apply via an online government portal where prospective worker and employers are paired based on the job requirements. If accepted by the employer, the worker will be sent to Singapore with the

assistance of the local embassy or authorised and regulated recruitment centres.

#### **Rationale**

Intermediaries, who extract much of the recruitment fees, are directly cut out from the recruitment process. The process of direct hiring would also allow both MOM and the authorities of the origin country to assert greater control and enforcement of labour protections, preventing abuses such as wage scams and contract substitution.

Additionally, the digitisation of the labour market would help increase transparency. Data generated on desired skillsets would facilitate national efforts to increase efficiency through improved job matching and productivity.

Such direct hiring is already in place in South Korea, where migrant workers are hired through the Employment Permit Scheme (EPS).

The Korean recruitment system is further discussed in Alex, “Korea’s Regulatory System for Migrant Workers Offers Many Features Worth Emulating”, posted on 9 February 2015 on the TWC2 website, and based on a talk given by Kim Misun, Executive Director of Korean NGO, We Friends<sup>36</sup>.

Recruitment fees have fallen dramatically from \$3,509/worker in 2001 to \$950/worker in 2012 (this is inclusive of administrative costs such as health check-ups and passports). A background paper of, the Global Forum on Migration and Development records that the EPS was instituted “to eliminate private intermediaries” and operates upon bilateral agreements with

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<sup>36</sup> TWC2 (2015). [Korea’s regulatory system for migrant workers offers many features worth emulating](#). Available at [twc2.org.sg](http://twc2.org.sg).

COOs<sup>37</sup>. However, it should be noted that language schools in COOs have made a lucrative trade as a result of the stringent language requirements of the EPS which may be a concern that should be considered if a direct hiring system is implemented.

Direct hiring has also been instituted by Taiwan and Malaysia. Taiwan has a Direct Hiring Joint Service Centre (DHSC) which sidesteps recruitment agencies and through a bilateral agreement (BLA) with the Philippines, instituted the International Direct E-recruitment System (IDeS) which lowers recruitment fees for Filipino domestic workers through direct hiring. Malaysia attempted to implement a G2G Plus scheme, an online portal for Bangladeshi workers where workers only pay fees for medical and security clearance, though with limited success.

### Feasibility

A direct hiring system is built upon BLAs with COOs, which must first be negotiated. Also, given the large volumes of migrant workers who find employment in Singapore, implementing a direct hiring system may be challenging and expensive. Nonetheless, imposing an administration fee on employers for use of the direct hiring portal, would pay for the system itself. Such a fee would no doubt be competitively cheaper than recruitment fees that are currently imposed by agents (although paid for by workers themselves, rather than employers) and could also be offset by rebates on the foreign worker levy to incentivise use of the direct hiring portal.

Implementation of the system can be approached incrementally by first establishing a central government-managed employment system running concurrently with the private sector before gradually moving towards an

eventual full nationalisation of the entire recruitment industry. The government can advertise recruitment in other platforms, such as newspapers, as done by South Korea. The use of the portal would also go a long way in helping Singapore achieve its goals of being a Smart Nation and enhance its ability to increase productivity through the big data collected from such a system.

### *A2. Support model agencies and employers*

Model agencies and employers that abide by their own ethical codes of conduct for migrant worker recruitment, such as a zero recruitment fees code of practice, should be supported and encouraged. Such government support can take the form of ratings where such agents are awarded accreditations, or in the form of foreign worker levy rebates for employers that have proven themselves to recruit workers ethically, either by their own code of conduct or via ethical, accredited agencies.

Such support may be formalised in a MOM hiring framework where the hiring process between model agencies and employers is made easier, or model employers are provided with preferential privileges in the labour market.

### Rationale

Such governmental support would incentivise agencies within Singapore to improve their recruitment practices and would also create a culture of ethical recruitment among employers. The impacts of such cultural shifts in hiring practices would be even greater among large-scale employers such as construction firms and the marine industry.

The Migration and Development Civil Society Network's Open Working Group on Labour Migration & Recruitment has also asserted that

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<sup>37</sup> Page 12, GFMD (2016), but note the caveat in footnote 21 concerning the expenditure necessary to meet the Korean language requirement.

supporting such voluntary standards of ethical practices among major firms may prove to be highly effective<sup>38</sup>.

### Feasibility

It is relatively easy for MOM to introduce more competitive accreditation ratings for recruitment agencies and to implement policies of levy rebates for model employers. As it stands, there already are pioneering agents and employers in Singapore who have blazed a trail for practices of ethical recruitment such as [We Are Caring](#), a Singaporean employment agency start-up that has created its own model of ethical hiring with zero recruitment fees and Capella Hotel and Resorts, which according to a report by the Lien Centre for Social Innovation research series, began recruiting migrant workers directly in order to eliminate exploitative fees and practices, in order to improve employees' motivation and quality of work<sup>39</sup>. Capella has signed agreements with model agencies, which required agents to abide by a detailed code of conduct that standardised agent fees. Errant agencies are suspended from sending workers to Capella until they meet required standards.

MOM has a moral imperative to actively support these firms and their efforts to build a more inclusive and ethically-aware Singaporean labour market.

## A3. Training Centres

### Foreign Construction Workers

Pre-departure training costs are a significant contributor to high recruitment costs for

foreign construction workers. In addition, some of this training is not relevant to workers' actual job descriptions.

Singapore employers can only hire foreign construction workers with at least a basic trade certification, obtained through Building & Construction Authority (BCA) testing in COOs. This means that workers must pay both training fees and testing fees. While Singapore administers the tests and therefore sets test fees, it does not administer training courses or regulate training centres or fees. This has led to the rise of private training centres in COOs. Training fees are unregulated and therefore prone to overcharging, hence inflating the costs of recruitment.

While TWC2 agrees that workers should bear the cost of training and testing that makes them eligible for the job, the current system of mandatory testing by BCA<sup>40</sup>, while leaving training centres unregulated, fosters overcharging practices by middlemen and training centres. In addition, the limited supply of test slots has resulted in long waiting times<sup>41</sup> and given rise to the practice of auctioning test slots, further inflating costs.

A 2015 study found that the overwhelming majority of Bangladeshi workers surveyed had to pay middlemen to gain access to training and testing so that they can find jobs<sup>42</sup>. Some of these centres also bond their trainees to specific recruitment agencies which then overcharge workers for placement services.

Furthermore, the two-tiered levy structure, where the levy for basic-skilled workers can be more than twice that for higher-skilled workers, incentivises employers to search for workers

<sup>38</sup> OWGLMR Policy Brief #5

<sup>39</sup> Page 48, Harrigan and Koh (2015)

<sup>40</sup> BCA mandates that all aspiring foreign construction workers must undergo skills testing and certification at designated Overseas Testing Centres in their home countries (Skills Evaluation Certificate (K) scheme). See [MOM's website](#) at [www.mom.gov.sg](http://www.mom.gov.sg)

<sup>41</sup> G. Baey & B. Yeoh (2015). [Migration and Precarious Work: Negotiating Debt, Employment, and Livelihood Strategies Amongst Bangladeshi Migrant Men Working in Singapore's Construction Industry](#). (p.21). Migrating out of Poverty Research Programme Consortium, 2015. Available from [migratingoutofpoverty.dfid.gov.uk](http://migratingoutofpoverty.dfid.gov.uk). Hereafter, Baey & Yeoh (2015).

<sup>42</sup> Ibid, page 7.

with higher skill certifications regardless of whether these skills are needed in the job, in order to make significant levy savings. Combined with the inflated fees for training, many workers go heavily into debt for training that is ultimately underutilised, while having no guarantee of pay higher in proportion to their skill level.

Hence, foreign construction workers are vulnerable to overcharging and unnecessarily high costs in four areas:

1. By private and unofficial training centres who can inflate costs due to high demand
2. By obtaining higher skills training, demanded by employers seeking to pay lower levies, regardless of whether it will be utilised
3. By the competition for BCA test slots
4. Unofficial training centres bonding their trainees to specific recruitment agencies which can then overcharge recruitment fees

Foreign workers bear the brunt of these high costs as well as long waiting times to take tests. Workers may give up waiting to take a test and hence lose their investment in the training course they completed.

### Foreign Domestic Workers

Domestic workers often reside in training centres during training<sup>43</sup>. The Philippines and Indonesia mandate that their citizens must undergo training before seeking domestic work abroad<sup>44</sup>. In the Philippines, courses must be approved by the Technical Education Skills Development Authority (TESDA). In both

countries, overcharging by training centres, as well as poor living and hygiene standards and restriction in freedom of movement and communication, has been reported. At the same time, Singapore employers have sometimes said that the training is inadequate.

### Rationale

TWC2 contends that BCA mandatory trade training policies are imprudent and ineffective, and these policies create an unfair burden on foreign workers who have to pay for this training on their own.

Employers' frequent disregard of the trade training of their foreign workforce suggests that mandatory trade training is failing to change labour processes in Singapore's construction industry. Initially intended to raise productivity, the policies mandating trade training for all foreign workers have failed to impact some employers' longstanding reliance on labour-intensive, low-technology labour processes<sup>45</sup>.

### Recommendations

Hence, TWC2 reiterates its recommendations first made in a memorandum to BCA in 2013<sup>46</sup>. MOM and BCA should take the following steps to ensure that workers are not overcharged, are adequately trained for the work they are hired to do, and are not paying for training that they do not eventually use in their jobs.

1. Abolish ALL mandatory trade certification requirements and the bifurcated levy rate that offers an incentive to employers for hiring workers in possession of multiple or advanced trade certifications.

<sup>43</sup> TWC2 (2009). [Indonesian Domestic Workers in Singapore: Experiences of Recruitment, Training and Return](#). Available from [twc2.org.sg](http://twc2.org.sg). Hereafter, TWC2 (2009).

<sup>44</sup> Helper Choice (n.d.). [Compulsory Training Prior to Employment for Domestic Helpers](#). Available from [helperchoice.com](http://helperchoice.com).

<sup>45</sup> TWC2 (2014). [Half of construction workers deployed outside their skill areas](#). Available from [twc2.org.sg](http://twc2.org.sg).

<sup>46</sup> TWC2 (2014). [Memorandum on required training for construction sector migrant workers](#). Available from [twc2.org.sg](http://twc2.org.sg).

2. Allow trade training and certification to continue on a voluntary basis with government funding to support contractors who train their workforces.
3. If the BCA elects to continue the mandatory trade training certification policy, then the BCA should require all licensed Overseas Testing Centres (OTCs) to ensure that Singapore-bound workers are not overcharged for their jobs or training.
  - a. Given that all Singapore-bound foreign construction workers pass through a Singapore owned and managed OTC, Singapore has the presence in COOs to ensure that workers are not overcharged for their jobs. As a condition of holding an OTC license, the BCA should require all Singaporean firms to ensure that they are only dealing with employment agencies that collect a fee within the parameters of the legal limit
  - b. A legal limit should be set that is related to legitimate costs of training, and not “what the market will bear.”
4. Transparency on why test fees are so high and how much OTCs are profiting from this.

In 2013, BCA stated in a [letter](#) responding to a [TWC2 website article](#) that test fees are capped at \$730, a figure that would roughly equate to a worker’s monthly salary, including extensive overtime.

TWC2 also recommends nationalising worker training centres<sup>47</sup>. An organisation like the Institute of Technical Education (ITE), with its experience running vocational training courses, could set up satellite training centres in COOs.

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<sup>47</sup> A. Au (2014). [Overhauling Singapore’s Migrant Labour System – An Alternative Plan](#). TWC2. Available from [twc2.org.sg](http://twc2.org.sg).

The curriculum should only cover the absolute core competencies needed. Fees would be standardised and fairly charged, below one month’s salary.

For the benefit of both foreign domestic workers and employers, we echo calls made for Singapore to provide a mandatory professional course for workers<sup>48</sup>.

Singapore can sign agreements with COOs to provide standardised training that meets the evolving requirements of Singapore households, provided at reasonable, regulated fee levels below one month’s salary. Economies of scale will help lower costs. Training should also inform workers of the legal caps on recruitment fees, their rights and ways that they can protect themselves, and help them adjust to their new working conditions abroad<sup>49</sup>. The government can tap on current course providers, like MOM-approved [Foreign Domestic Worker Association for Skills Training \(FAST\)](#) or the Archdiocesan Commission for the Pastoral Care of Migrants & Itinerant People (ACMI).

#### Feasibility and Existing Singaporean Policies

It is easy for BCA to make modifications in its training programs. MOM, in turn, can monitor changes to training policies in collaboration with BCA. However, it might not be feasible to influence the training programs which are run in Indonesia. An agreement between the two governments should resolve the issue, or Singapore’s government could implement training programmes which benefit domestic workers as well. After all, taking these measures, in the long run, will benefit the economy by reducing the turnover of foreign workers.

<sup>48</sup> O. Siong (2015). [Call for Maids to undergo Professional Training in Singapore](#). The Today Online. Available from [todayonline.com](http://todayonline.com).

<sup>49</sup> Page 31, TWC2 (2009)

#### ***A4. Eliminating bureaucracy and streamlining the hiring process***

We recommend making greater use of online-based systems for hiring and processing of matters relating to migrant workers, recruiters and companies. Digitisation of the direct online hiring process is in line with the government's vision for a Smart Nation. Furthermore, the ILO recommends the adoption of online processes in reducing red tape, thereby reducing recruitment costs in their Fair Recruitment Initiative and Guidelines<sup>50</sup>.

Indonesia has an online system, SiskoTKLN, to facilitate transactions and capture all information regarding costs and contracts, in a central database. In Europe, jobseekers use a job mobility portal, EURES, to access information on available jobs across the continent. In the Gulf, Bayt.com serves the same function in order to speed up recruitment and improve transparency and job-matching.

#### ***A5. Enforcing a zero-fees policy while maintaining the current agent-facilitated system***

Seven aspects of recruitment costs are grouped together in one recommendation below as they are closely interrelated and impact recruitment costs. Also, taken together, they are a way to improve the current system without completely overhauling it. These aspects are:

- COO fees
- COD fees
- Written statement on fees
- Loans and salary payment
- Kickbacks
- Agency regulation

Singapore has already recognised through its existing laws that high agency fees, kickbacks, loan repayment and salary payment are concerns. Many of the recommendations in this section only require expanding or building on existing policies and regulations.

#### **(a) Signed and itemised declaration that states all wages and fees**

##### ***Current Regulations***

Singapore has the In-Principle Approval (IPA) letter which is required for work permit applications. The IPA states the breakdown of salary, allowances, deductions and fees paid to the Singapore agency and costs incurred overseas (e.g. medical exam, flight, visa and passport).

Workers must be sent their copy in their native language (or at least, one they understand) before departing for Singapore. For domestic workers, it states rest days. Under the Employment Act, which does not cover domestic workers, employers are also required to give written records of Key Employment Terms (KETs) no later than 14 days after the start of employment. The KETs must include duties, work days and hours, rest day, basic salary, overtime pay and allowances, deductions, leave and benefits. It is not mandatory for the KETs to be provided in a language the worker can understand, and workers are not required to sign off on KETs.

Current penalties for stating falsely high salaries include a fine of up to \$20,000 and/or imprisonment of up to two years for each offence, and MOM may suspend employers' work pass privileges. Penalties for reducing workers' salaries from what is declared in the IPA letters without consent include a fine of up to \$10,000 per infringement. Penalties for not abiding by KETs regulations include

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<sup>50</sup> ILO (2019).

[administrative penalties](#) (financial penalty but no criminal record).

It should be noted that NGOs concerned with migrant worker rights have, in the past, raised questions about the effective enforcement of IPA terms, citing instances where workers were obliged to settle for inferior terms, including lower pay, which were then deemed legitimate, as having been obtained with workers' consent, despite their inability, realistically to refuse their assent.

1. We recommend expanding the current In-Principle Approval letter to be more comprehensive and rigorous by including both COO and Singapore agency itemised costs and all loans extended prior to employment (with repayment period and deductions) and other anticipated deductions by the employer and agents (including for food and accommodation).
  - a. The IPA letter should be linked to the KETs, KETs should be made available in the worker's native language and signed by the worker before the worker departs for Singapore, and KETs should also be mandatory for domestic workers.
  - b. The application for an IPA letter should be signed by all stakeholders - employer, worker, COO and COD agents, and verified by Singapore, and it should be read by workers in their native language when signing. The costs and deductions must follow regulations, with penalties for breaches.
  - c. The above is currently being done in Taiwan under a formal documentation system providing for a "Foreign Worker's Affidavit for Wage/Salary and Expenses"

that are incurred before entering Taiwan for employment.

2. Alternatively, a more streamlined solution would be a Standard Employment Contract (SEC)<sup>51</sup> that is signed by the worker and submitted in work permit applications, and would need to include the KETs and be available in the worker's native language. This contract would need to include an annex that covers the items not found in the contract, i.e. COO and Singapore agency itemised costs and all loans extended (with repayment period and deductions).

There should be enforcement checks on all parties involved (Singapore and COO agencies and employers) with proportionate penalties for submitting false information or charging any costs not stated in the IPA or KETs. This may include surprise checks, for instance comparing the documents against the salary and deductions made in workers' bank accounts (See below, p.15 on mandatory payment into bank accounts), interviewing workers and employers, etc. Routine agency inspection procedures should include reviewing fees to ensure they are consistent with the documents. The inspection rate must be frequent enough for deterrence. Agencies with good records should be rewarded. Whistleblowing must be encouraged and protected, with workers given a good chance to switch employers.

## **(b) Responsibility for different types of fees**

### ***Current Regulations***

Under the EFMA, "employers are also prohibited from recovering employment-related costs such as levies and other fees from foreign employees."

<sup>51</sup> TWC2 (2018). [MOM Booklet Sweeps Forward, then Stumbles](#). Available from [twc2.org.sg](http://twc2.org.sg).

MOM states, “Employers are responsible for paying administrative costs, including levy and fees for work pass applications and renewals” and that “they are not allowed to recover the fees (directly or indirectly) from their foreign employees”, and they are also responsible for “costs incurred in Singapore for training, medical check-ups and upkeep and maintenance.” Any EAs found to be recovering such fees from workers would be committing or abetting an offence. “EAs are also not allowed to charge agency fees for work pass renewals.” “Any employer who deducts the foreign worker levy from a foreign worker's salary may be penalised up to \$20,000, per count. Errant employers will also be barred from hiring FWs.” The penalties are not clear for other unauthorised deductions.

Singapore agents are not allowed to collect more than one month of the worker's salary for each year of service, capped at two months' salary, however, the fee cap does not include “fees incurred overseas for costs of training, medical check-ups overseas, and airfare to Singapore”. There is no clear regulation on the types of fees that should be included in this cap, so it is unclear whether the cap includes some costs plus a service fee or is solely a service fee.

We recommend that regulations should make clearer the types of fees that workers and employers are liable for. The employer should pay the cost of the visa, permits, service and processing fees and full transportation costs from the worker's home to residence in Singapore. The worker should only be charged for the costs of becoming eligible for the job, as follows: costs relating to personal documents (passports etc), medical exams, training courses. This also means that once a worker is hired, all fees are to be paid by the employer.

This can be enforced through the signed declaration which must state what the worker paid for, how much and to whom.

This demarcation of responsibility for fees is found in the Philippines, where workers can only cover certain expenses and cannot legally be charged service fees. Another example is Hong Kong where the employment contract states that employers are responsible for documentation expenses incurred by domestic workers, including expenses incurred for renewing contracts.

### **(c) Caps on agent fees (COO and COD)**

#### ***Current Regulations***

Fees paid to COO agents are not regulated by Singapore, as being beyond its jurisdiction. Violations of COO regulations are sometimes reported to embassies/High Commissions. Singapore agencies must issue itemised receipts and must refund at least half of agency fees if workers are terminated within the first six months of employment. The penalties for breaching Employment Agency Act licensing conditions are a fine of up to \$5,000, possible licence revocation and key office holders barred from their roles, with imprisonment up to six months for re-offenders. There is a guideline for employers that states that domestic workers from the Philippines should use only up to half of their monthly salaries for loan repayment to employers.

We recommend that all placement fees should be borne by the employer. Caps are difficult to monitor and enforce and, at best, should only be considered as transitional measures. In that they exist at present, we make the following proposals solely for their more effective implementation.

Regulations should clearly state that (1) fees cannot be collected before employment, (2) fees can only be collected in monthly instalments with a maximum monthly deduction of 25 per cent of the workers' salary, (3) workers will not be liable for future instalments if the contract is terminated before the full fees are paid, and (4) a contract is

instituted between agencies and workers itemising services and fees before any collection of fees.

This is a practice currently found in Taiwan.

Enforcement would be through the signed declaration stated in (a), and both Singapore and COO agencies would face penalties for breaches. Penalties should be increased from a \$5,000 fine per charge to a \$20,000 fine in order to counter the profit incentive, as excess fees collected may [exceed \\$5,000](#). EAs should be suspended, with the duration increasing with multiple cases, or be banned. Any employer found to be involved in facilitating over-collection of fees should also face penalties.

Case studies include Taiwan.

In the Philippines, it is illegal to charge placement fees to domestic workers and seafarers, and fees are capped at one month's salary for all other workers. There are clear rules on what types of costs can be charged to the worker, all service fees should be covered by employers or agents, and the employer pays for visa, round trip airfares, transportation from the airport to jobsite, work and residential permits.

In implementing such regulations, care must be taken to ensure loopholes do not allow violations to occur. Another key point is that COO agencies must be prevented from extracting additional excessive payments through training, testing and medical exams.

In Hong Kong, agency fees for domestic workers must not exceed 10% of the first month's wages received after being successfully placed in a job. Most expenses or costs such as visa applications cannot be

passed to the FDW and must be borne by the employer.

#### **(d) Regulations on salary payment, loans, loan-servicing**

Currently, itemised payslips are mandatory for all except domestic workers. For work permit holders, electronic payment of salaries is only available on request. There is assistance available from the Centre for Domestic Employees to domestic workers to set up a special POSB account without minimum balance requirements, and MOM has an online system to allow employers to open bank accounts for their work permit holders automatically upon work permit applications. There are heavy penalties for employers who fail to pay salaries and "safe-keeping" is banned.

We recommend that itemised payslips be made available in the worker's native language (MOM can provide translated templates) and should be made mandatory for all including domestic workers. The payslips should be available in both hard copy and through an online system. A bank account should be set up automatically for every worker upon approval of work permit. It should be mandatory for salaries to be directly paid by employers to workers' bank accounts on time every month. This allows for checking and can go a long way towards preventing fraud.

In Qatar, Saudi Arabia and the UAE, it is mandatory to pay salaries of foreign workers through bank account transfer<sup>52</sup>.

#### **Current Regulations**

Currently, for non-domestic workers, employers are allowed to deduct up to 25% of workers' salaries to recover loans. For domestic

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<sup>52</sup> TWC2 (2017). [As Singapore Goes Cashless, Dismantle Structural Barriers Faced by Foreign Workers](#). Available from [twc2.org.sg](http://twc2.org.sg).

workers, it is common for employers to extend personal loans, to pay for placement fees to agencies, including to COO agencies - hence the high deductions (usually six to nine months without salary) despite fee caps.

We recommend that before the start of employment, all loans made should be documented, this documentation made available in the worker's native language, and signed by employer and worker, along with the purpose of the loan, repayment period and deduction amount, and this document should be submitted in the work permit application. Every repayment should be made electronically from the worker's bank account to the employer's bank account after the salary is credited so that there is an electronic trail. The restriction of loan deductions of up to 25% of salaries should also cover domestic workers. Singapore agencies should not be allowed to extend loans or receive or collect any amount of loan incurred by the foreign worker, in order to prevent over-collecting, a restriction currently in force in Taiwan. Also, employers should not be allowed to make salary deductions for debts or loan repayments on behalf of third parties.

#### **(e) Effectively outlawing kickbacks**

Currently, Singapore has laws against kickbacks but they are not well-enforced and the practice is rampant in male foreign worker cases, with many reports of employers and middlemen demanding kickbacks. Errant employers currently face a fine of up to \$30,000 and/or jail term of up to two years, and may be banned from employing foreign workers. Employment agencies that offer kickbacks to employers face a fine of up to \$5,000 and/or imprisonment of up to 6 months, or may be found in breach of Employment Agency licence

conditions with its associated penalties. Nevertheless, there are real enforcement difficulties, since those demanding kickbacks are careful to leave no documentation trail.

We recommend that enforcement be stepped up, and the fine amount be increased for agencies involved in offering and collecting kickbacks for employers. Whistleblower protections should be instituted, including assistance to find a new employer, as is done in South Korea, and awarding of financial rewards for reporting violations, as is done in Taiwan, which will encourage bystanders to give information.

Workers should also be trained in how to gather evidence if they face extortion.

#### **(f) Regulating Overseas Agencies**

To ensure overseas agencies abide by the regulations outlined above such as those regulating costs and loans, we recommend mandatory licensing of offshore agencies that wish to send workers to Singapore, a system that the New Zealand government enforces in its own recruitment regime<sup>53</sup>. Singapore EAs would face penalties if they work with unlicensed COO agencies.

Firstly, all workers who apply for visas must list all agencies and persons who had provided immigration advice. These agencies and persons (including COO agencies) must be licensed by a dedicated Singapore authority, in order to send workers to Singapore. Licensed agencies/persons are bound by regulations that are enforced by sanctions.

The dedicated authority receives and investigates complaints, which may be made by any person. The authority may refer cases to a dedicated disciplinary tribunal. The tribunal may impose sanctions including warnings,

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<sup>53</sup> Pages 47-48, Harrigan & Koh (2015)

training, suspension of the ability to send workers, license suspensions and cancellations, compensation to clients, fines.

**(g) Bilateral agreements on workers' conditions and fees**

Singapore should have bilateral or multilateral agreements on workers' conditions and fees that should be charged to the employer and fees charged to the worker. This will help ensure that agencies on both sides of the migration route are compliant and that governments can penalise them for breaches that are not permitted on either side.

The difficulty arises when workers have received advice from relatives who also claim a fee but do not operate a business. Enforcement may be limited to the final agency that sent the worker, not the persons/agencies involved beforehand, if it is a chain of contacts that brought the worker.

**Concluding remarks**

All these regulations above – or rather, such of them as may be adopted -should be described and conveyed as part of a mandatory course for new workers which should be in their native language.

## SECTION B:

# Transparency and Information Symmetry

Information asymmetry between workers, prospective workers, agents and employers exacerbates the existing power imbalance and is a fundamental contributing factor to the exploitative ability of agents and employers to extract recruitment fees.

For example, the lack of clarity on promised wages, training requirements of a country of destination, recruitment and training fees, especially when they are lumped together in an opaque lump sum, puts workers at a distinct disadvantage in negotiating both costs and their rights. Additionally, language barriers such as the use of legal English contracts for a worker who speaks only Bengali further accentuate this asymmetry and the resulting potential for exploitation.

The ILO asserts that increasing labour market information and the creation of rules for transparency in transactions are two of the key ways in which recruitment costs may be reduced in their Fair Recruitment Initiative and Guidelines.

Policies that educate workers and provide for transparency in the ecosystem, during the recruitment process and during employment, rebalance this asymmetry and make for a fairer and safer migrant labour ecosystem.

## Policy Recommendations:

### ***B1. Informing potential workers about required training, approved training centres, appropriate fees and fraudulent practices***

When workers are informed about the specific skill sets that are needed for their jobs, and the appropriate fee levels they should expect to pay, the risk of overcharging through inflated fees or unnecessary training should be reduced. When there is a list of approved training centres, fraudulent training centres will not survive.

It is also recommended that construction workers and domestic workers be trained in their native language to know common violations in relation to their legal rights, how to collect evidence, essential information about working in Singapore, and risks of fraudulent practices or job offers prior to commencement of their work. This practice will help to protect the workers from being victims of abuse or fraud.

### ***B2. Transparent and accessible contracts***

It is recommended that it be a requirement for all contracts and materials to be signed by a migrant worker be made available in a language they can understand, as well as being provided in hard copy for the worker's future reference. Migrant workers should have the right to consent to or reject any proposed changes without reprisal<sup>54</sup>.

It is also recommended that in the case of subcontracting, working contracts should clearly state who the employer is and what the

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<sup>54</sup> OWGLMR Policy Brief #5.

terms and conditions of employment are, instead of being deliberately unclear and vague<sup>55</sup>.

### Rationale

Current laws stipulate that migrant workers must agree to any changes to existing contracts by individual signature before they are instituted. However, often times changes made are not written in a language native to the migrant worker and thus cannot be disputed easily. Particularly in the case of subcontracting contracts, sometimes the employer as well as the terms and conditions are unclearly stated.

### Feasibility

It would require some effort on MOM's part to have translators available to service all migrant workers' needs. This would cause some inevitable delays in contracts being signed and instituted, possibly to the detriment of the worker if this would lead to threats of unemployment by employers.

Currently, for domestic workers, an employment contract is not mandatory and MOM has not issued a recommendation that a copy be made available to her in her native language. However, a safety agreement is mandatory and the copy the domestic worker signs must be in her native language. Hence, it should not be difficult to implement the same for employment contracts.<sup>56</sup>

<sup>55</sup> Page 13, GFMD (2016) sets out the problems with subcontractor arrangements. Sometimes, a main contractor with good practices for its direct employees makes extensive use of sub-contractors whose practices towards their employees are markedly inferior.

### *B3. Inclusion of "labour recruitment cost analysis" as part of the project tendering procurement process, and standards-setting through Government procurement processes*

Project tendering policy procedures, especially in the construction sector, should mandate transparency in labour recruitment costs and enforce ethical recruitment practices.

The minimum criteria to win contract bids should be, firstly, that the tenderers and subcontractors use ethical recruitment agencies that do not charge fees to workers, and secondly, that employers pay for all recruitment fees and costs for accommodation, food and training. All these costs as well as the names of the recruitment agencies used should be detailed in the bidding proposal. The lowest bids should be especially scrutinised to ensure that cost savings do not come at the expense of the workers.<sup>57</sup> Contractors should be contractually obliged to practice due diligence with their subcontractors, "who should go through the same tender evaluation procedures including labour cost evaluation".<sup>58</sup>

### Rationale

By making this a part of the evaluation process, unfair recruitment can be detected. When procurement takes into account the welfare of workers, workplaces will be safer and workers will be healthier and more productive.

The creation of this transparency would pressure employers, mainly contractor firms, to audit their own recruitment practices and ensure that they abide by market standards.

### Feasibility and Existing Policies in Singapore

<sup>56</sup> Ministry of Manpower (MOM) (n.d.). [Contracts and Safety Agreement for Foreign Domestic Worker](#). Available from mom.gov.sg.

<sup>57</sup> Page 19, R. Jureidini (2016).

<sup>58</sup> Ibid

The government can set an example by including labour recruitment cost analyses and ethical recruitment practices in the evaluation of tender bids for government construction projects.

For the private sector, the government can provide advice and assistance for implementing these procedures and give awards and incentives to companies that do so.

After a trial period, the government can legislate that these procedures be mandatory for construction projects. This is necessary because there would otherwise be little or no incentive for projects/contractors to adopt such procedures in the tendering process.

Standards-setting through Government procurement processes

The government can continue setting strong standards in their procurement processes that “demand compliance with ethical recruitment standards and respect for labour rights”.<sup>59</sup>

A requirement should be instituted that all procurement by government agencies must adhere to ethical standards of recruitment and respect for labour rights.<sup>60</sup>

Singapore can be a leader alongside pioneering businesses like Capella by insisting that certain standards of treatment for migrant worker employees (higher than the minimum legal requirements) should be observed by any company seeking to do business with a government agency.

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<sup>59</sup> Page 8, OWGLMR Policy Brief #5.

<sup>60</sup> Ibid.

The lack of job security and poor labour protection for migrant workers in Singapore perpetuates the debt trap and at times increases the incidence of recruitment fees extraction. The financial indebtedness of migrant workers is worsened by wage theft, employers renege on contractual wage or insurance obligations or obligations to cover medical costs arising from work injuries. The lack of job mobility, where work visas are tied to employers, contributes to workers' poor financial position as workers are in danger of being repatriated after reporting abuses. Returning to Singapore for another job incurs yet again a new set of recruitment fees.

Poor job security and the overhanging double threat of repatriation and perpetual debt perverts the already imbalanced power differential between workers and employers. Ensuring job mobility and security would mean that workers are better able to protect and defend their rights.

#### Policy Recommendations:

##### ***C1. Facilitate rehiring of workers at the end of their contracts***

This could be made possible through a government rehiring scheme where employers seeking to employ migrant workers must hire from the pool of workers already in Singapore and looking for a new job, before hiring new migrant workers. MOM can leverage the Foreign Construction Workers Directory System

(FCWDS) online platform to facilitate and promote the rehiring program.

At present, many workers have to return to their home countries immediately after their contracts are completed or even ahead of the expiry of the term for which a work permit was issued (for example, if a construction project is completed in less than the term of a construction worker's work permit), and must pay high recruitment fees again for a new job. By facilitating rehiring within Singapore, workers save on fees, and employers can even meet and interview workers here in Singapore.

Allow all workers more time to look for another job. At present, workers whose contracts are ending, or who have lost their job due to errant employers (such as those who faced salary abuse), are allowed to look for a new job in Singapore without having to return home first.

However, the time window is unrealistically short - 20 days for end-of-permit workers and 14 days for salary-unpaid workers (who can apply for an extension to 28 days).<sup>61</sup> Instead, workers leaving a job should have their visas extended by one full month to look for a new job, with an additional month if he or she so requests.

More incentives are needed to encourage employers to hire workers through FCWDS. The subscription fee of \$2,000 for employers to use the portal should be fully subsidised by the government, and for every worker that a firm hires through FCWDS, the firm should get a rebate on the first month's levy.

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<sup>61</sup> O. Ho (2015). [Portal to Match Foreign Workers with Urgent Jobs](#). The Straits Times. Available from [straitstimes.com](http://straitstimes.com).

The open-door policy for new hires greatly diminishes the effectiveness of FCWDS.<sup>62</sup> Therefore, the hiring of new workers from abroad should be disallowed if there are qualified workers already in Singapore looking for a new job. Another possibility would be to implement differential levy rates for experienced workers vs. new workers.<sup>63</sup> Otherwise, some employers would prefer to hire new workers so that they can illegally profit from a cut of the high recruitment fees, ignoring gains in productivity. Others may see new workers as more pliable. The enforcement of the proposed policy, would also help to tackle the problem of kickbacks.

Ensure that workers don't pay any fees to agents or employers when they use this portal. MOM should ensure that workers are able to access this scheme and the COE without paying high recruitment fees.

### Rationale

It is more efficient and productive for Singapore as a society to rehire existing migrant workers in Singapore rather than hire new workers in their stead, as they are already in the country, have experience and do not require training in preparation for similar employment engagements.

While there are costs, it would be an investment in higher productivity standards that would reap greater rewards for the Singapore economy.

The FCWDS website boasts the gains from hiring workers through this portal, including saving on hiring time, saving money, faster deployment, increased productivity.<sup>64</sup> Furthermore, as an initiative by the

construction sector itself, it has the approval and backing of the industry. The money invested in building this portal can have greater returns by encouraging expanded use of the system to hire workers.

### Feasibility

The Singapore Contractors Association (SCAL), with the support of MOM and the Infocomm Development Authority of Singapore (IDA) has introduced the FCWDS to link up construction workers who are in the last two months of their contract with new employers. The government has thus recognised that helping workers to find new employers without having to return to their home countries and pay recruitment fees is important.

One Member of Parliament has said that retention of existing foreign workers is useful because "the learning curve for these workers is minimal as they have experience of Singapore, so straightaway they can be productive".<sup>65</sup>

However, there might be some opposition from middlemen of various kinds due to the high recruitment costs (revenue for recruitment agencies) associated with hiring new migrant workers instead of rehiring existing ones.<sup>66</sup>

### ***C2. Allow all workers the right to change jobs without employers' consent and ban hiring new workers***

Currently, migrant workers are tied to an employer, and employers have the power to send workers home at any time. Workers require employers' consent to change jobs, unless they are nearing the expiry date of their Work Permit.<sup>67 68</sup>

<sup>62</sup> TWC2 (2017) (See footnote #17).

<sup>63</sup> Au (2014).

<sup>64</sup> Foreign Construction Workers Directory System (FCWDS) (n.d.). [How FCWDS will benefit Singapore Companies?](#). Available from fcwds.com.sg.

<sup>65</sup> Ho (2015).

<sup>66</sup> FCWDS (n.d.). [Foreign Construction Workers Directory System](#). Available from fcwds.com.sg.

<sup>67</sup> MOM (n.d.). [Work Permit: Hiring an Existing Construction Worker](#). Available from mom.gov.sg.

<sup>68</sup> Workers with valid claims against employers have been allowed to find another employer. See MOM (2017).

We recommend scrapping the employer permission requirement.<sup>69</sup> We also recommend allowing all workers to use the FCWDS system to search for a new job at any time. Migrant workers should have the ability to change employers within their specific industry at any time, without needing permission from their employers. We also recommend expanding the Change of Employer scheme to Special Pass holders, including workers with salary or injury claims who have become fit to work, and allow these workers access to FCWDS.

These workers can apply to be recirculated into the standing pool of available migrant workers awaiting hire by COD employers, facilitated by relevant government agencies. During this period of change of employment, migrant workers should be permitted to stay in Singapore for a reasonable, specified period of time of at least 60 days.

### Rationale

Workers pay high recruitment fees which place them in a vulnerable position as they cannot afford to lose their jobs for fear of being sent home without being able to cover these fees. This results in employers having great power over the workers, while the workers have little as a counterweight. Even if employers are abusive or exploitative, many workers would have to stay with the employer because they have no alternative. This also deters whistleblowing and fosters a sense of employer impunity.

Any Singaporean worker has the right to change jobs and need only serve the notice period in their contract. If Singaporean workers had to obtain employers' permission to change jobs, most Singaporean workers would not be

able to change jobs even if the job is not a good fit or if the working conditions are bad, simply because employers would not want to let them go. This would readily be recognised as unjust.

The power relationship between employers and migrant workers will be less imbalanced, and workers would not be subject to as much deception, exploitation and intimidation from employers, e.g. having their passports being routinely taken away.

A worker who is unhappy with his existing employer for some reason should be able to seek an alternative one, without penalty.

As things stand, that might be within the same sector as the worker's original employment. It is recommended that migrant workers may be re-contracted with another employer for reasons such as having an abusive employer, retrenchment, extortion etc.

The ability for workers to change their employers reduces the power differential where the fear of firing and repatriation in retaliation for reporting abuse will be diminished.

### Country Case Studies

In South Korea, workers may change their jobs up to three times for the duration of their stay. This is allowed for a variety of reasons such as retrenchment, insolvency of employer, abusive employers, etc. Workers are recirculated into a roster of available workers that are recommended to prospective employers for recruitment. The success of this system in South Korea is due to the relatively small pool of construction workers. Replicating this in Singapore may be problematic, logistically and

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[Written Answer by Mr Lim Swee Say Minister for Manpower to Parliamentary Question on Number of Work Permit Holders Granted Transfer of Employer.](#)

Available from [mom.gov.sg](http://mom.gov.sg).

<sup>69</sup> This requirement is part of the sponsorship system in operation in Singapore. It leaves workers vulnerable to

coercion whenever they have complaints against their employers. See T. Fillinger, N. Harrigan, S. Chok, A. Amirrudin, P. Meyer, M. Rajah & D. Fordyce (2017). [Labour Protection for the Vulnerable](#). (p.12) Available from [twc2.org.sg](http://twc2.org.sg).

financially, but is surely not beyond the country's capability.

## SECTION D:

# State Accountability, Recognition & Moral Commitments

The state as a regulator of economic activity and a provider of general welfare is obligated to institute recognition of its own moral and operational accountability in relation to migrant worker rights.

## Policy Recommendations:

### *D1. Rights-Based Legislation*

Rights-based legislation, under which migrant workers are ascribed rights (e.g. Work Pass holders have the right to fair remuneration), should be introduced. The current laws pertaining to migrant worker protections, mainly the Employment of Foreign Manpower Act, are framed largely in the language of regulations, rather than rights. By explicitly recognising fundamental rights of migrant workers rather than just regulations alone, the Singaporean state would better legitimise protection for workers from exploitation and rights to fair work, and also provide a useful chassis from which greater reforms can be enacted.

### *D2. Ratification of ILO and UN Conventions*

It is recommended that Singapore ratifies the ILO and UN conventions governing rights and protections for migrant workers. They are as follows: ILO C181 Private Employment Agencies Convention (No. 181); ILO C143 Migrant Workers (Supplementary Provisions) Convention (No. 143); ILO C097 Migration for Employment Convention (Revised), 1949 (No. 97); ILO C189 Domestic Workers Convention, 2011 (No. 189); UN International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

## Rationale

Standards fulfil a strategic role in adding value and confidence to the Singaporean brand. Recognising and ratifying international standards on labour protections signals Singapore's commitment to the undergirding norms and principles of the international community as an industrialised economy at the forefront of human development. Importantly also, bringing Singapore up to date with international standards on migrant worker rights would provide a framework and impetus to improve on existing regulations and to competently enforce these laws.

## Feasibility

While it is noted that in terms of foreign policy, Singapore has consistently aspired to ensure its international obligations do not adversely affect its economy and adaptability, Singapore is already a signatory to 20 ILO conventions that are currently in force.

Singapore is also a signatory to the 2007 ASEAN Declaration on the Protection and Promotion of the Rights of Migrants, the 2016 ASEAN Convention Against Trafficking in Persons (ACTIP), the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), and most recently, the 2017 ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers.

In this respect, the conventions on migrant labour rights are consistent with many of the instruments that Singapore has already ratified, such as those related to fundamental rights pertaining to forced labour and equal remuneration, and would furthermore be consistent with Singapore's principles of ethical

labour rights and recognition of international standards and norms on migrant workers.

### ***D3. Accreditation of recruitment agencies by industry associations/ standards organisation***

This utilises the power of business associations and/or NGOs to standardise rights protection as a business standard. Ethical firms that abide by and uphold migrant worker protections will be certified.

Accreditation lends greater legitimacy to recruitment agencies, and commercial incentives and standards of rights protection set by employers/agents themselves may lend greater authority to rights protection than unenforced regulations.

The Qatar Foundation, a private organization which enjoys “high-level support from the Qatari state authorities”, has adopted a set of [mandatory standards](#) for migrant worker welfare for the 20,000 migrant workers who are employed under Qatar Foundation projects. These requirements applied to contract tenders from the pre-qualification stage, requiring potential contractors to demonstrate a willingness to adhere to these standards.

They include, for instance, commercial penalties for non-compliance, monitoring and auditing from welfare officers, holding contractors responsible for all recruitment charges and fees, and collaboration with accredited ethical recruitment agencies.”

These standards suggest that commercial requirements instead of legislative change are more effective in ensuring ethical behaviour.

Another reference point is the International Recruitment Integrity System (IRIS) created by the International Organization for Migration with a coalition of partners. This initiative promotes ethical recruitment through a voluntary multi-stakeholder certification process for recruiters.

### ***D4. Strengthen Regional Treaties, Frameworks and Cooperation on Migrant Worker Protections***

Singapore can support ASEAN in implementing stronger ASEAN treaties to enhance migrant worker protections. One such treaty would be an agreement on zero recruitment fees across all ASEAN states, of both origin and destination countries. Ray Jureidini’s ILO [White Paper](#) asserts that a zero-fees law is easier to implement, monitor and enforce than a fees cap.<sup>70</sup> Such ease would be greatly enhanced if ASEAN, as an aspirant common market, were to agree to a standardised, enforceable zero-fee practice.

Additionally, regional cooperation is also desirable for improved enforcement of existing migrant labour laws and frameworks for G2G cooperation. It would also make for better migrant worker recruitment practices and policies such as direct hiring.

For example, the European Convention on the Legal Status of Migrant Workers, ratified by 11 European states, guarantees migrant workers zero recruitment fees and restricts EAs to government-linked ones.<sup>71</sup> This has contributed to the ability of agreeing states to control and eliminate recruitment fees across borders. While ASEAN may be structurally and culturally different from the signatory European states,

<sup>70</sup> Page 15, R. Jureidini (2016).

<sup>71</sup> Irish Human Rights Commission (2004) [Safeguarding the Rights of Migrant Workers and their Families: A Review of EU and International Standards: Implications for Policy in](#)

[Ireland](#). Irish Human Rights Commission and the National Consultative Committee on Racism and Interculturalism, Ireland. Available from [ihrec.ie](http://ihrec.ie).

the success of the Convention provides valuable insight into how regional cooperation could greatly facilitate improved enforcement of migrant worker laws.

The 2017 ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers has set out a comprehensive series of articles that serve as a guide to best practices for migrant worker rights and protections. However, the effectiveness of the Consensus is wholly handicapped by the qualifying clause that each of one the articles are “subject to the laws, regulations and policies of respective ASEAN member states”. Nonetheless, the Consensus is indicative that ASEAN states and Singapore, in principle, acknowledge the recommendations of the Consensus as best practices.

In all, stronger and enforceable ASEAN cooperation on migrant workers will better facilitate the integration of the ASEAN Economic Community with standardised practices of ethical labour mobility, and increased welfare of ASEAN citizens, noting the large numbers of migrant workers originating from ASEAN countries of origin and improved human resource and capital development.

Indeed, such a step would be consistent with the ASEAN vision, set forth in the declaration, “ASEAN 2025: Forging Ahead Together” adopted at the 27th ASEAN Summit in 2015 in Kuala Lumpur, Malaysia, of an ASEAN community that is “rules-based and socially responsible and where the well-being and livelihood of the peoples are enhanced”.<sup>72</sup>

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<sup>72</sup> The Association of Southeast Asian Nations (ASEAN) (2017). [ASEAN Consensus on the Protection and](#)

[Promotion of the Rights of Migrant Workers](#) (2017) (p.3 pp.3). Available from [asean.org](http://asean.org).

## 4. Appendix – Recruitment Costs Briefs

The following papers can all be found at <http://twc2.org.sg/2016/06/01/research-series-recruitment-costs/>. Each is headed “Research Brief Migrant Worker Recruitment Costs”. For convenience, we list them alphabetically by country or territory, rather than by author.

1. Brunei, Peter Teo, April 2017. [Recruitment costs brief – Brunei](#)
2. China, Jiang Haolie, July 2016. [Recruitment costs brief – China](#)
3. France, Philomène Franssen-Ando, May 2017. [Recruitment costs brief – France](#)
4. Hong Kong, David Dickinson, April 2016. [Recruitment costs brief – Hong Kong](#)
5. Indonesia, Kellynn Wee, June 2016. [Recruitment costs brief – Indonesia](#)
6. Macau, Jiang Haolie, May 2016. [Recruitment costs brief – Macau](#)
7. Malaysia, Irna Nurlina, December 2016. [Recruitment costs brief – Malaysia](#)
8. Philippines, David Dickinson, September 2016. [Recruitment costs brief – Philippines](#)
9. Poland, Anna Nowak, April 2017. [Recruitment costs brief – Poland](#)
10. Qatar, Kellynn Wee, July 2016. [Recruitment costs brief – Qatar](#)
11. South Korea, Jiang Haolie & Monica Roszkowska, February 2017. [Recruitment costs brief – South Korea](#)
12. Taiwan, David Dickinson, April 2016. [Recruitment costs brief – Taiwan](#)

TWC2 is a non-profit organisation in Singapore dedicated to improving conditions for low-wage migrant workers, perhaps the largest group of disadvantaged persons here, numbering about one million out of a total population of nearly six million in this city.



This report is part of TWC2’s Recruitment Cost research series:  
<http://twc2.org.sg/2016/06/01/research-series-recruitment-costs/>