



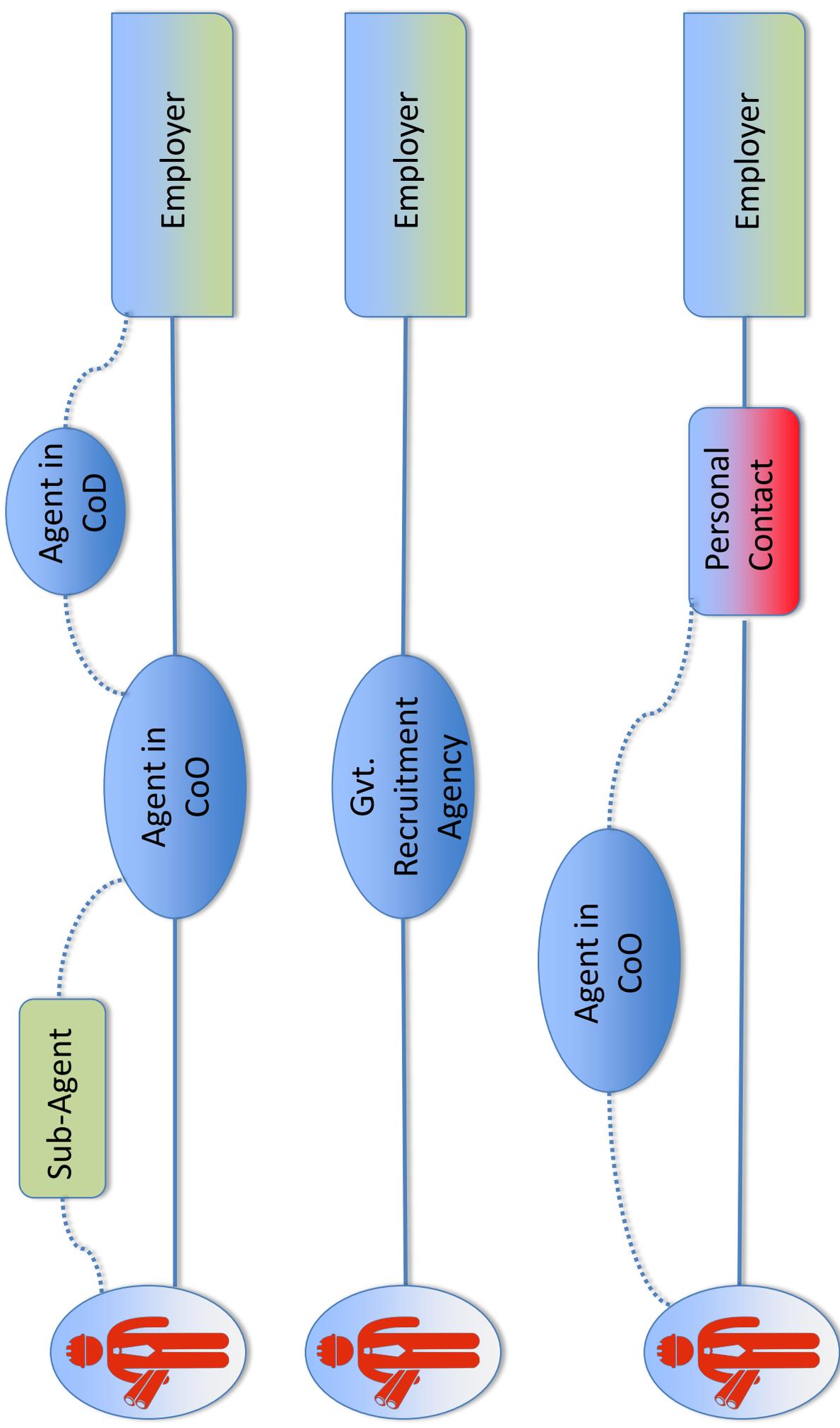
---

# Examining Current Recruitment Models in the Asia—GCC Corridors

---

**Michael Newson**  
**Abu Dhabi Dialogue – Senior Officials’ Meeting**  
**Dubai, UAE – May 11-12 2016**

# Dominant Recruitment Models



# Role & ‘Value’ of Sub-Agents

---

## ***Geographical & Language Barriers can Exist within COO***

- Urban Recruitment Agencies & Rural Prospective Workers
- Lower-Skilled Workers have lower literacy rates – not confident in navigating the system

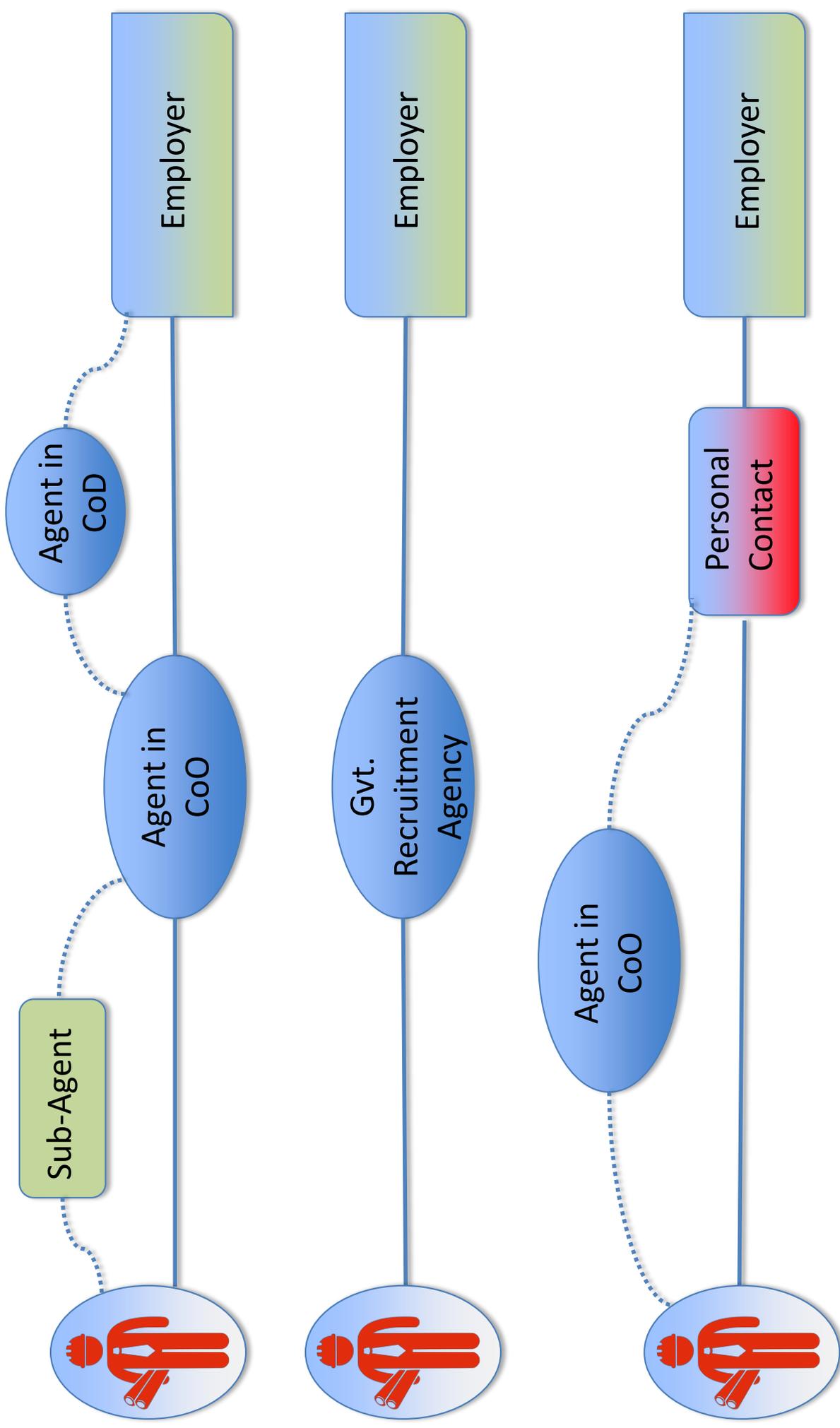
## ***Price Discrimination***

- Highly local connections – Ability to vary prices is somewhat limited by local knowledge and reputation issues
- Price discrimination more likely influenced by social networks than assessing levels of interest / means to pay

## ***A Non-Essential Layer***

- In Kerala, higher education/literacy rates have allowed individuals to navigate their own way to agents without need for Sub-Agents
  - Need to develop communications channels to provide information to prospective workers in a way they understand and can act upon
-

# Dominant Recruitment Models



# Private Recruitment Agencies

---

## ***Common Perceptions***

- Often seen as primary culprits
- Beyond a few bad actors, idea that ‘powerful associations’ collude to keep prices high

## ***What are the costs of doing business & profit margins?***

- 20% of surveyed recruitment agents in Kerala were considering either leaving the business or diversifying due to low profit margins
  - Increasing marketing/networking costs due to intense competition
-

# Private Recruitment Agencies

---

## ***Business Costs***

- Business premises/daily operations
- Bank Guarantees
- Advertising & Recruitment Processing
- Travel Costs
- Marketing/Networking – Representation in CoD (20% of business costs)
- Employer Visits for Recruitment

## ***Additional Considerations***

- Risks of mismatch, requiring recruiter to replace a worker
  - Risk of applicant dropping out midway through recruitment (10-15%)
-

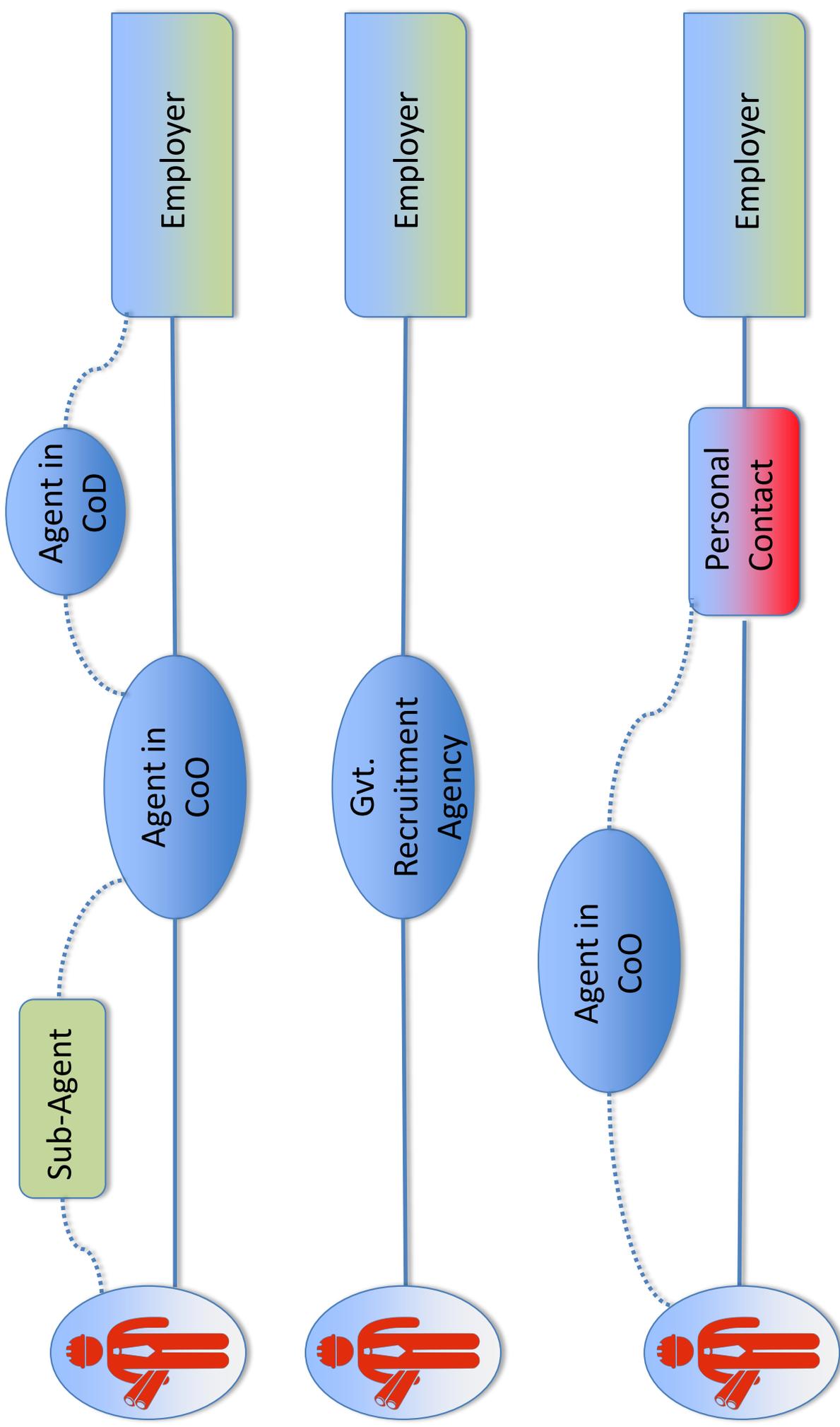
# Private Recruitment Agencies

---

## ***Structural Issues with Current Model***

- Intense competition among many small players leads to:
    - Inefficiencies because not achieving economies of scale
    - Increased costs as budget going towards marketing/networking increases
  - In a worker-pays model, there is no pressure to address inefficiencies or reduce costs
  - Employers are needed suppliers in a scarce market
  - Prospective workers are one-time clients
-

# Dominant Recruitment Models



# Public Recruitment Agencies

---

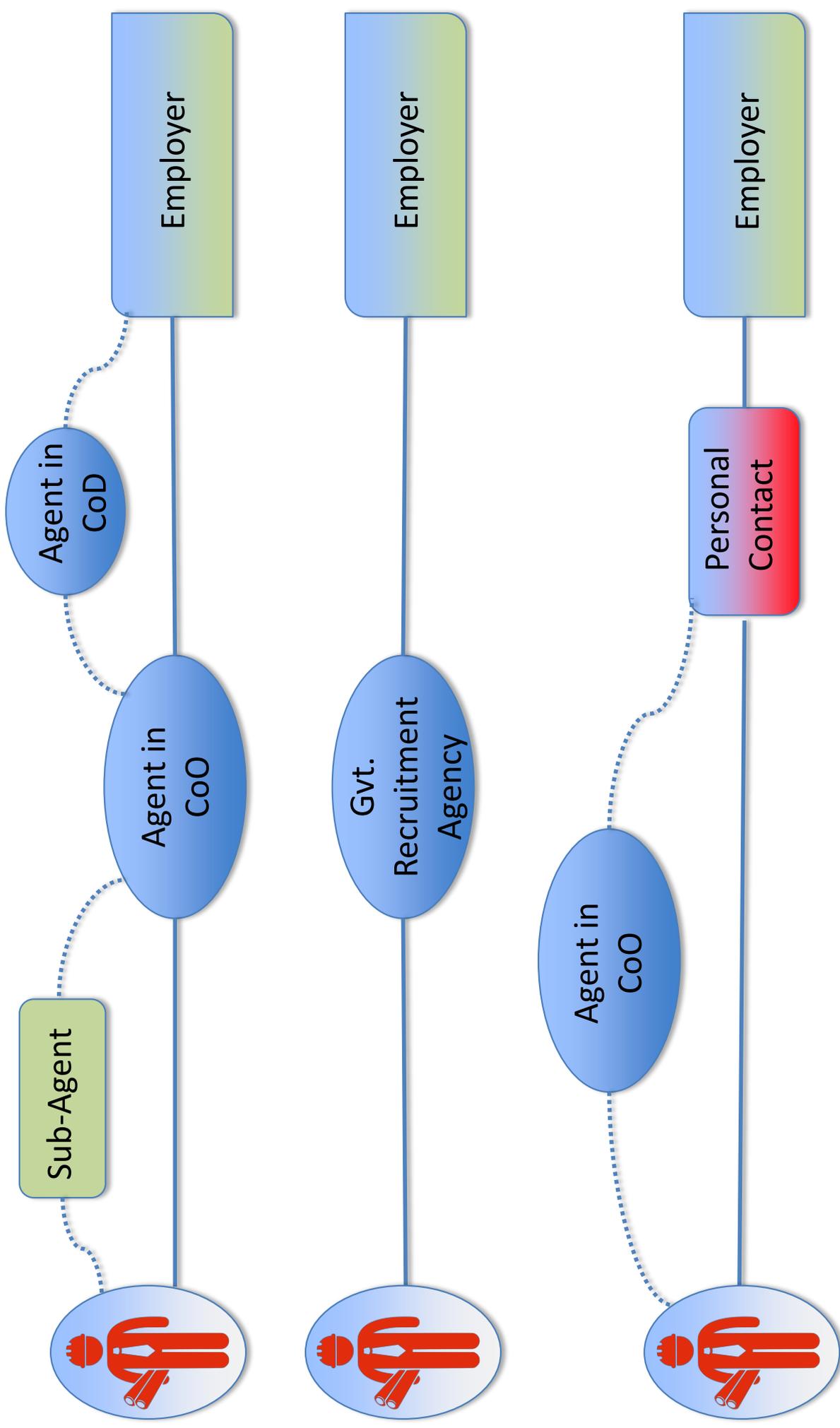
## *Expectations*

- Provide an effective service that creates competition for private sector agencies – downward pressure on recruitment costs

## *In Practice*

- Workers prefer to go through private recruiters despite higher costs because of greater number of matches/opportunities
  - Practices that allow Public Recruiters to keep costs lower (limited marketing/networking) also limit their ability to secure positions
-

# Dominant Recruitment Models



# Social Networks

---

## **Role**

- Plays a large and growing role in recruitment:
    - 70% of Indians surveyed in Kuwait indicated that a friend or family member had assisted them in getting their job
    - 45% of Indians surveyed who had worked in UAE indicated that a friend or family member had introduced them to their employer
  - Seen as reducing risks both for worker and employer
  - Works primarily for lower skilled and smaller scale recruitment needs
  - While payments may be made, tend to be lower than formal channels
  - Greater tendency to violate rules of work permit
-

# Conclusions

---

- Risks of abuse/exploitative fees exist within all models – need to be addressed through regulation and enforcement mechanisms
  - Need to look at prevailing business models and how the industry's structure influences certain types of behaviors and patterns
  - Room for Improvement: Current model perpetuates inefficiencies and increasing costs that are borne by workers while not adding any additional value for employers
-