



## Recruitment Cost, Fraud and Redressal in Foreign Labour Migration from Nepal

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### SYNOPSIS

Using data from a sub-national survey of 1225 households, this paper discusses the recruitment cost for foreign labour migration and the various kinds of fraud experienced by Nepali workers in the process of migrating to international destinations. It also explores the justice-seeking behaviour among individuals and families who have been defrauded, and the factors constraining them from accessing justice. The paper ends with recommendations for improving Nepal's foreign labour migration sector.

### BACKGROUND

Migration for overseas employment has remained an important social phenomenon in Nepal, with the exodus of a significant number of its working-age population every year.<sup>1</sup> Labour migration has brought economic benefits to many migrant workers and their families but the costs of labour migration are reported to be still very high, consequently increasing the financial burden on migrant households.<sup>2</sup> The high cost of migration also exposes migrant workers to other forms of vulnerabilities such as debt and forced labour.<sup>3</sup>

Recruitment agencies play an integral role in the facilitation of labour migration from Nepal since they provide information on destination

countries, nature of prospective jobs, pay scale and other procedural details.<sup>4</sup> However, many recruitment companies are also found to have been involved in various fraudulent and abusive recruitment practices such as charging migrant workers excessive recruitment fees by taking advantage of the desperation of migrants to travel abroad for employment.<sup>5</sup> There are also cases where migrant workers are deceived about the nature of employment and salary. On several occasions, migrant workers experience deception by multiple formal and informal labour intermediaries. In this context, this policy brief discusses the recruitment costs and the prevalence of fraud and deception in



Nepal in the process of migration as workers to international destinations.

## METHOD

It draws on the findings of a sub-national survey conducted in March and April 2021 for a larger study on the status of migration in Koshi Province (then, Province 1).<sup>6</sup> Data was collected from 1225 households in the Province through multi-stage probability sampling. The data from the survey is generalisable at the province level with +/- 2.8 per cent margin of error at a 95 per cent confidence level.

## KEY FINDINGS

### Private recruitment agencies facilitate migration to countries other than India

More than four-fifths (83.1 per cent) of the migrants went to countries other than India via recruitment agencies, 6.4 per cent migrated with the help of friends and neighbours while the migration of 3.8 per cent of people was facilitated by contractors (Table 1). Private recruitment agencies (PRAs) (also called manpower companies) are private companies and are regulated according to the guidelines specified in the Foreign Employment Act 2007. There are 854 PRAs registered under the Department of Foreign Employment and all

**Table 1: Intermediaries Facilitating Migration to Destinations Excluding India (%)**

	Proportion of migrants
Recruitment agency	83.1
Neighbours/Friends	6.4
Family members	5.7
Informal agents/Brokers	3.8
Individually	3.2
Employment Permit System	1.2
Others	0.7
Don't Know	1.9

Note: multiple responses

these PRAs are located in the capital with only a few having branches in major cities outside the valley.<sup>7</sup>

In the case of migration to India, there is no use of recruitment agencies; almost half of the migrants went individually and a quarter of them took the support of family members.

### Migrating abroad for employment is costly

The cost of migration for employment varied based on the destination. On average, each worker paid around NPR 150,000 to migrate to Malaysia and somewhere between NPR 100,000 and 200,000 to the Gulf Cooperation Council (GCC) countries. Recruitment fees made the largest share of the total migration cost. Other costs included air fare, living and

**Table 2: Total Migration Cost and Recruitment Fees Incurred in Migration Process**

	Total Migration Cost		Recruitment Fees	
	Average Cost (NPR)	N	Average Cost (NPR)	N
Malaysia	144,648	157	113,170	124
Qatar	125,532	137	88,743	109
Saudi Arabia	122,427	129	99,414	105
UAE	154,722	101	118,055	86
India	5,885	26	5,000	2
Kuwait	99,119	27	81,256	19
Bahrain	138,231	18	102,210	13
South Korea	180,890	9	60,000	1
Oman	108,931	4	87,590	3

**Table 3: Total Migration Cost and Recruitment Fees**

	Total Migration Cost (NPR)				Recruitment Fees (NPR)			
	Male		Female		Male		Female	
	Average	N	Average	N	Average	N	Average	N
<b>Malaysia</b>	144,648	157	-	-	113,170	124	-	-
<b>Qatar</b>	125,372	128	127,828	9	90,108	104	64,600	5
<b>Saudi Arabia</b>	128,413	125	41,601	3	101,994	102	41,601	3
<b>UAE</b>	156,016	95	135,615	6	120,976	81	79,462	5
<b>Bahrain</b>	137,303	17	155,000	1	98,994	12	150,000	1
<b>Kuwait</b>	144,723	16	57,155	11	106,218	11	56,219	8
<b>Oman</b>	132,665	2	89,443	2	105,000	1	80,000	2

travel expenses incurred while visiting PRAs, for document preparation, including passports, and other miscellaneous expenses.

The data from this study shows that PRAs still collect exorbitant amounts as service charge from migrant workers. Only two workers had paid NPR 10,000 or less as mandated by the law. In all cases, workers paid between NPR 80,000 and 120,000 as

recruitment fees (Table 2).

The cost of migration for female workers was relatively lower compared to male workers although that was not consistent across all the major destinations (Table 3). The lower migration cost for female workers is associated with the fact that women migrate mainly as domestic workers (Table 4).

**Table 4: Average Migration Cost and Recruitment Fees for Major Destinations**

Job Type	Qatar		Saudi Arabia		UAE		Malaysia	
	Average (NPR)	N	Average (NPR)	N	Average (NPR)	N	Average (NPR)	N
<b>Migration Cost</b>								
Construction labour	122,790	34	124,817	19	115,894	8	135,802	15
Factory labour	108,212	21	133,903	25	128,702	18	139,770	60
Driving	136,541	12	119,725	9	205,504	7	136,931	2
Helper/Cleaner	154,012	7	63,377	6	138,779	7	134,164	2
Hotel services	162,019	6	142,377	24	125,893	7	167,184	10
Security guard	186,442	5	120,000	1	267,655	19	156,556	29
Domestic work	122,901	4	44,814	3	133,887	3	150,000	1
<b>Recruitment Fees</b>								
Construction labour	81,333	29	118,709	13	92,859	7	123,715	9
Factory labour	92,417	19	106,209	20	96,622	15	111,542	49
Driving	97,916	6	100,692	7	157,282	5	120,000	2
Helper/Cleaner	90,977	6	77,279	5	92,627	7	109,545	2
Hotel services	121,157	5	99,608	23	105,476	6	128,657	8
Security guard	115,190	5	85,000	1	194,368	17	118,364	24
Domestic work	50,000	2	35,569	3	68,399	3	150,000	1



**Table 5: Total Costs and Recruitment Fees for Migration (by caste/ethnicity) (in NPR)**

Caste/Ethnicity	Total Migration Cost				Recruitment Fees			
	GCC Countries and Malaysia		India		GCC Countries and Malaysia		India	
	Average	N	Average	N	Average	N	Average	N
Janajati (Mountain and Hill)	137,790	223	9,123	8	103,038	178	10,000	1
Hill Caste	135,993	185	14,149	5	102,711	146	-	-
Dalit (Hill and Tarai)	114,482	53	4,076	5	87,444	37	2,500	1
Tarai Caste and Tarai Janajati	130,358	112	2,761	8	108,126	98	-	-
<b>Total</b>	<b>133,422</b>	<b>573</b>	<b>5,885</b>	<b>26</b>	<b>102,632</b>	<b>459</b>	<b>5,000</b>	<b>2</b>

The average cost of migration did not vary significantly across caste/ethnic groups except that Dalits were paying relatively lower recruitment fees on average (Table 5). In general though, the recruitment fees were much higher than the ceiling authorised by the government since 2015 for GCC countries and Malaysia under ‘free-visa, free-ticket policy’, indicating weak, or even non-enforcement, of the policy. As per the ‘free-visa, free-ticket’ policy employers are required to cover the cost of visas and airfare of migrant workers to the seven major countries of destination of Nepali

workers, the GCC countries and Malaysia.<sup>8</sup> The policy allows recruitment agencies to charge a maximum of NPR 10,000 for their services while the workers themselves would be responsible for other costs related to medical check-up, insurance and pre-departure orientation. Furthermore, the bilateral labour agreements (BLAs) and memorandums of understanding or cooperation (MoUs/MoCs) with the governments of some of the major destination countries, including Jordan, the UAE, Mauritius and Malaysia, require the employers to pay for the recruitment fees,

**Figure 1: Average Recruitment Fees Over the Years for GCC and Malaysia (in NPR)**

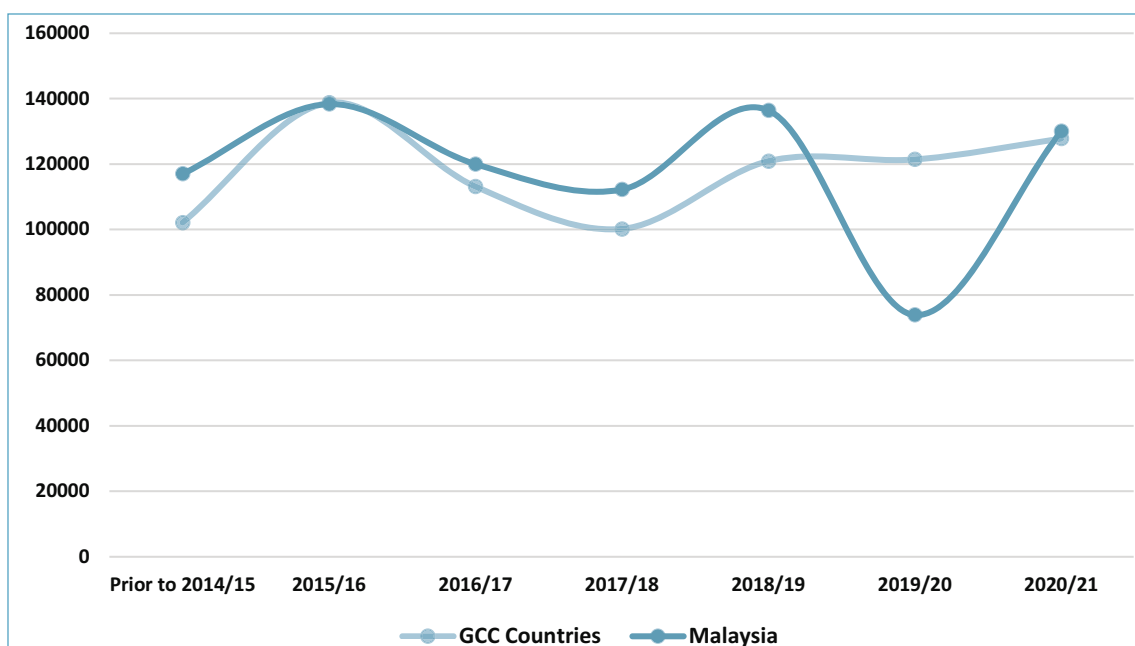
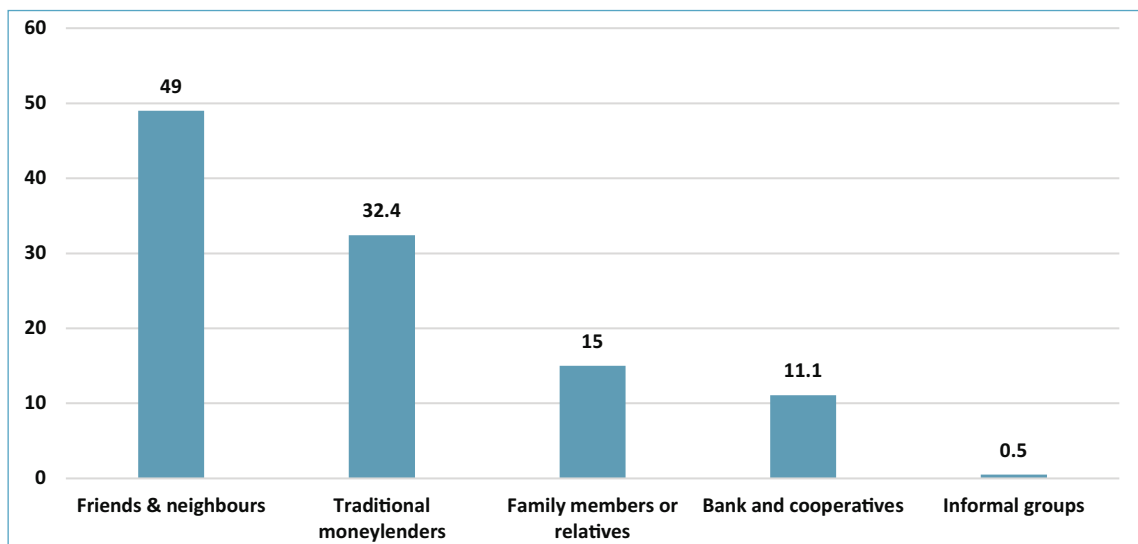


Figure 2: Sources of Loan for Destinations Excluding India (%)



Note: Multiple responses

airfare and other costs associated with the migration process.<sup>9</sup> Prior to the implementation of these policies and agreement, a PRA could charge migrant workers up to NPR 70,000 for the Gulf countries and NPR 80,000 for Malaysia.<sup>10</sup> However, the data does not show much change in the migration cost pre- and post-introduction of the policy except that the average costs have been generally higher in recent years. The average amount paid by migrant workers for these countries after the policy came into effect has always exceeded NPR 100,000 except for Malaysia in 2019/20 (Figure 1).<sup>11</sup>

## Migrant workers depend on loans to finance their migration abroad

Migrant workers depended on multiple sources to pay the high cost of migration. Most (85.5 per cent) of those migrating to destination countries other than India had taken loans to pay for the full or partial costs of their migration while 16.1 per cent also used their savings and 1.9 per cent sold land and jewellery.

Migrant workers accessed loans from various sources. Around half (49 per cent) took loans from friends and relatives while a third (32.4 per cent) did the same from traditional moneylenders (Figure 2). Around 11 per cent got loans from bank and other financial institutions. There was no noticeable difference in terms of source of loans for different destinations. The average loan amount for international destination, excluding India, was NPR 179,300 with the average for the GCC countries and Malaysia, the main destinations of Nepali migrant workers, being NPR 154,000 and 160,918, respectively.

Table 6: Interest Rate by Source of Loan (%)

	Average	Maximum	N
Informal groups	34	36	5
Traditional moneylenders	33	60	191
Friends or neighbours	28	60	281
Family members or relatives	20	60	87
Bank or cooperatives	18	48	78
<b>Total</b>	<b>27</b>	<b>60</b>	<b>642</b>



**Table 7: Sources of Fund to Pay Back Loan by Destination Country (%)**

	GCC countries	Malaysia	India
Used remittance sent by the same member	94.1	90.1	100
Sold livestock	1.6	4.0	0.0
Used remittance sent by other family members	2.7	0.7	0.0
Took loan from friends/relatives/neighbours	1.3	2.6	0.0
Sold house/land	0.8	0.7	0.0
Took loan from banks/cooperatives/other financial institutions	0.5	2.0	0.0
Sold jewellery	0.0	0.7	0.0
Others	1.3	2.0	0.0
<b>N</b>	<b>371</b>	<b>151</b>	<b>5</b>

### Migrants pay high interest on loans

Migrant workers generally pay high rates of interest on the loans they take, with the average being 27 per cent per annum (Table 6).

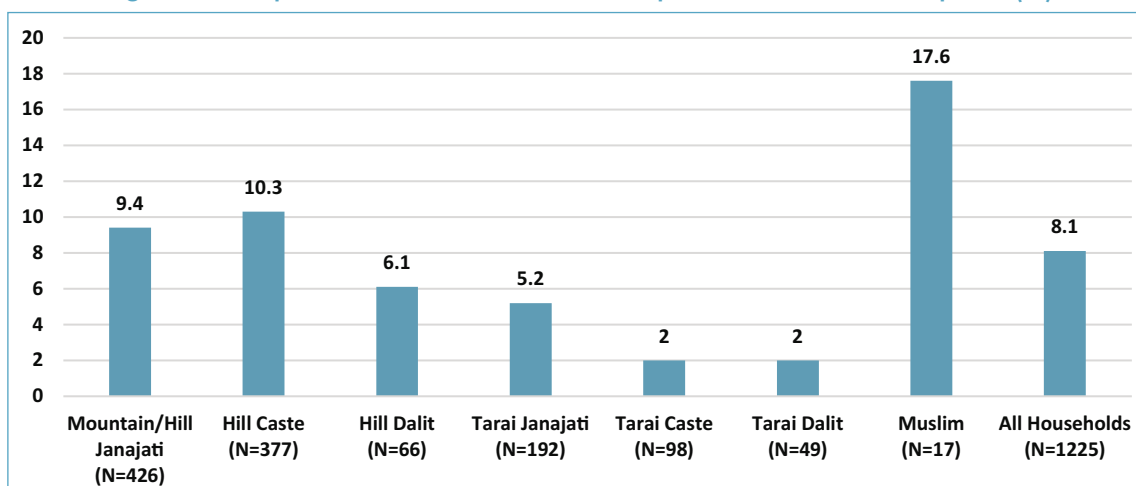
Four-fifths of the migrants with loans had fully repaid the loans they incurred in the process of migration, and the rates were similar for workers migrating to both the GCC countries and Malaysia. Eleven per cent of the loan borrowers had repaid the loan partially while 5 per cent of them had not repaid any of their loans.

Migrant-sending households paid back their loans through different sources. Most (96.2 per cent) had used remittances to pay back the loan,

while fewer than 1 per cent of migrant workers who had migrated to GCC countries and around 2 per cent who went to Malaysia had repaid the loan by taking another loan from banks and/or friends (Table 7).

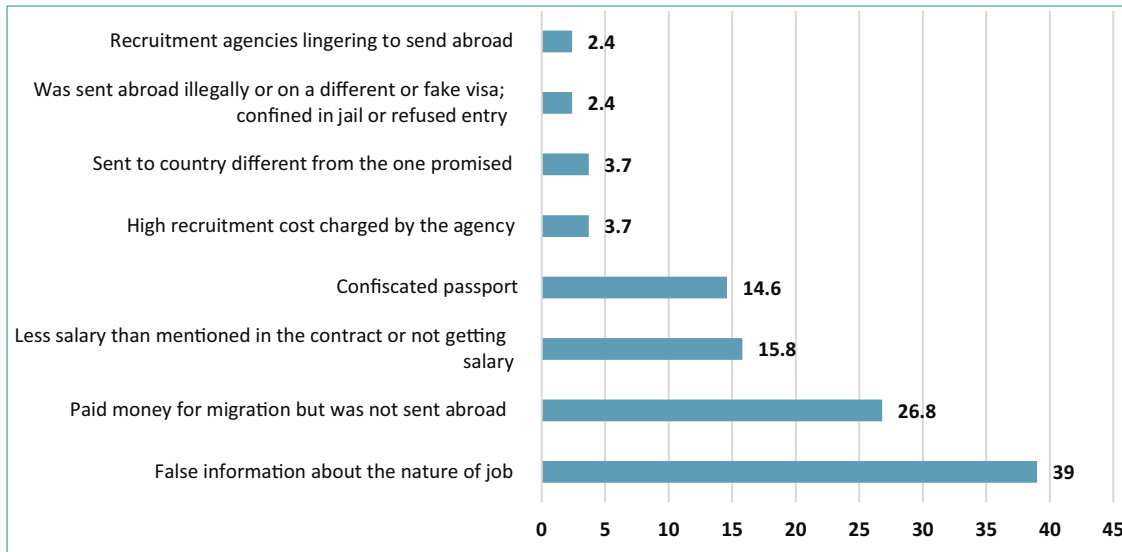
The findings illustrate the role of loans and debts shaping the migration process for labour migrants. Loans, even those with low or no interest can heighten the vulnerability of migrant workers to forced labour, exploitation as well as a debt cycle. Workers with loans are less likely to register their grievances for fear of termination from work and retaliation from employer and recruitment agencies.<sup>12</sup> Some are even forced to take new loans to pay their debts. Debt

**Figure 3: Proportion of households that experienced fraud/deception (%)**



Note: Multiple responses

**Figure 4: Major Types of Fraud and Unethical Practices by Recruitment Agencies (%)**



N=82; Multiple responses

can cause social, emotional and psychological distress among migrants and their families.<sup>13</sup>

### Many workers defrauded but rarely file complaints

Eight per cent of households reported that their household member/s had been victim of some form of fraudulence or were duped while attempting to migrate abroad (Figure 3). In terms of geographical region, the incidence of fraud was highest in the mountain region (11.2 per cent), followed by the Tarai (8 per cent) and the Hills (7.3 per cent).

Since some households had experienced multiple instances of fraud, the total number of cases was a bit higher—103. PRAs were involved in an overwhelming majority (82 out of 103) of these cases with the rest attributed to friends and relatives.

The type of fraud by PRAs included payment made for migration but not sent abroad, false information about the type of job and salary, confiscation of passport, high recruitment fees and being sent to a country other than what was promised (Figure 4).

Among the individuals defrauded by PRAs,

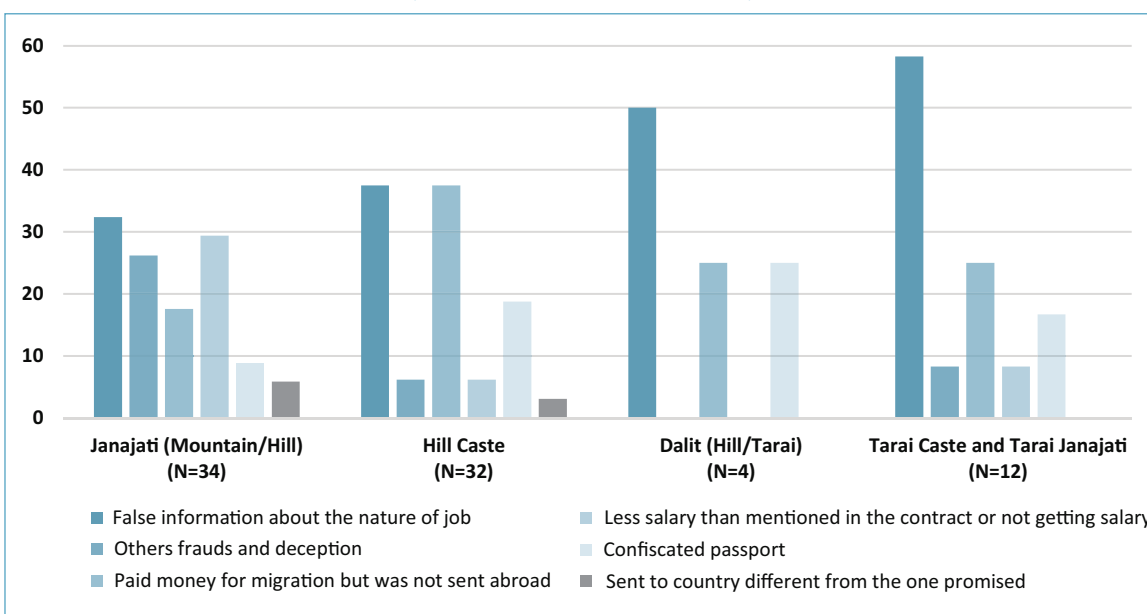
fewer than a quarter (23.2 per cent) had filed a complaint against the alleged perpetrators. All the individuals who had been defrauded by recruitment agencies but had not registered their grievances were male. Among them, 40.3 per cent were mountain and hill janajatis; 38.7 per cent, hill castes; 6.5 per cent, Dalits (Hill and Tarai); and 14.5 per cent, Tarai castes and Tarai Janajatis. These cases of fraud were related to migration to Malaysia (30.6 per cent), Qatar (25.8 per cent), Saudi Arabia (21 per cent), the UAE (11.3 per cent), Kuwait (3.2 per cent), and other countries such as Iraq, Jordan and Russia (4.8 per cent).

False information about the job was the main type of fraud experienced by households of all caste and ethnic groups but this rate was highest among those from Tarai caste and Janajati groups, followed by Dalits (Figure 5). A significant proportion of households from all caste and ethnic groups reported that their family member/s had paid money but were never sent abroad.

The major reasons for not registering grievances included not wanting to get involved in unnecessary legal processes, lack of information on where to file complaints, and



**Figure 5: Major Types of Frauds and Unethical Practices by Recruitment Agencies (% of [potential] migrants)**



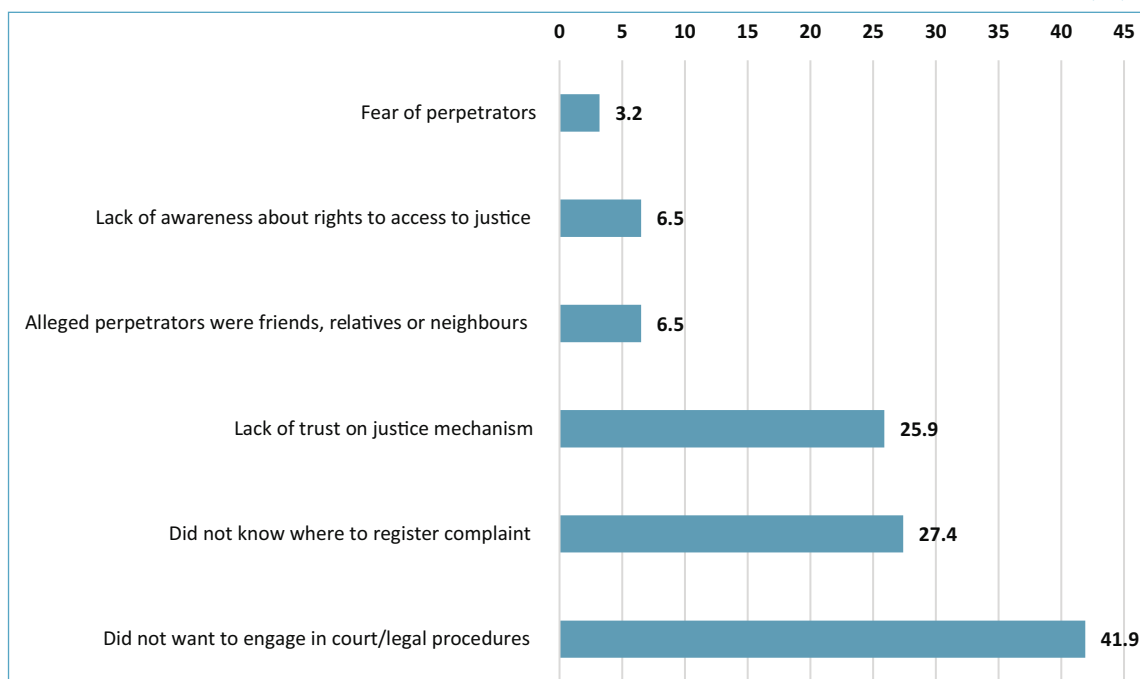
Multiple responses

lack of trust in the justice system (Figure 6). In terms of the caste and ethnicity, Janajati and Dalit households were more likely to state the lack of knowledge about where to register complaint as the main reason for not registering

grievances (Figure 7).

Similarly, in the case of individuals defrauded by family or relatives (20), only three had registered their grievances. One of the major reasons for not registering complaint was

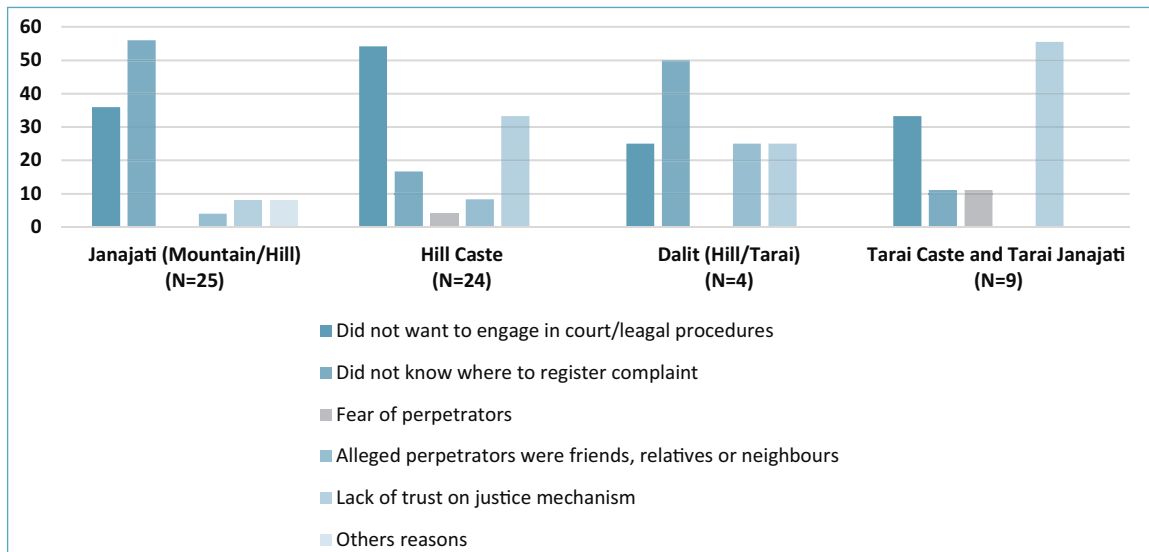
**Figure 6: Reason for Not Registering Grievances against Recruitment Agencies (%)**



N=62; Multiple responses



**Figure 7: Reason for Not Registering Grievances against Recruitment Agencies (% of [potential] migrants)**



Multiple responses

because the alleged perpetrators were family, relatives or friends (Figure 8). Such frauds had occurred mainly in relation to migration to the GCC countries and Malaysia (13).

Most victims of frauds (93.2 per cent) did not receive any compensation despite experiencing financial losses due to fraud from PRAs, family/relative and others. Among those who did receive compensation, more than half

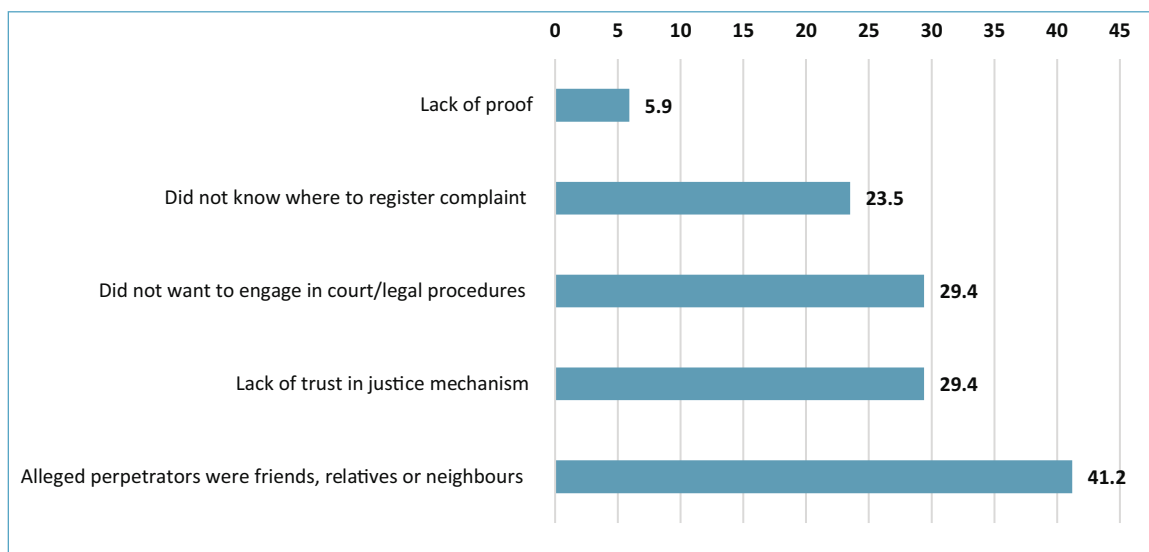
received it in cash while 14 per cent were sent abroad (to the promised or a different country) for employment or study.

## RECOMMENDATIONS

The following recommendations are made based on the study findings:

- *Reduce labour migration cost:* Workers still pay

**Figure 8: Reason for Not Registering Grievances against Informal Intermediaries (%)**



N=17; Multiple responses



exorbitant recruitment fees. The unethical and illegal collection of high recruitment fees suggests weak or non-implementation of the 'free-visa, free-ticket' policy in Nepal. All three tiers of government need to coordinate their work to ensure recruitment agencies and agents do not charge workers illegally during the recruitment process. Migration costs have also increased for workers due to the need to make numerous trips to Kathmandu during the migration process as a result of the centralisation of all the migration services in the capital. Although there have been attempts made at decentralising some of these services, they do not seem adequate, especially for those migrating for the first time.

- *Access to complaint registration mechanisms:* The study found that most people do not file any cases against alleged perpetrators of fraud and illegalities for several reasons. Many are not even aware they can file cases. Government and nongovernment bodies can work in removing barriers to access to justice of migrants and their families. The process of registering complaints can be made easier by allowing cases to be registered at the local or provincial levels. Awareness campaigns regarding available mechanisms for registering complaints along with the provision of a support system during the migration process can benefit migrants and their families.

## Endnotes

- 1 Ministry of Labour, Employment and Social Security, *Nepal Labour Migration Report 2020* (Kathmandu: Ministry of Labour, Employment and Social Security, Government of Nepal, 2020).
- 2 United Nations Office on Drugs and Crime and International Labour Organization, *Preventing and Responding to Abusive and Fraudulent Labour Recruitment: A Call for Action* (n.p.: UNODC and ILO, n.d.).
- 3 Amnesty International, *False Promises: Exploitation and Forced Labour of Nepalese Migrant Workers* (London: Amnesty International, 2011).
- 4 Amnesty International, *Turning People into Profits: Abusive Recruitment, Trafficking and Forced Labour of Nepali Migrant Workers* (London: Amnesty International, 2017); Arjun Kharel, Sudhir Shrestha, Sadikshya Bhattarai, Pauline Oosterhoff and Karen Snyder, 'Assessment of Outreach and Engagement with Prospective Migrants by the Agencies Recruiting Labourers for Foreign Employment,' *IDS Working Paper* 571. DOI: 10.19088/IDS.2022.037
- 5 Amnesty International, *False Promises: Exploitation and Forced Labour*.
- 6 Arjun Kharel, Sadikshya Bhattarai, Dogendra Tumsa, Shalini Gupta and Pawan Sen, *Province 1 of Nepal: Migration Profile* (Kathmandu: SDC and CESLAM, 2022).
- 7 Data obtained by CESLAM research team from the Department of Foreign Employment.
- 8 Bandita Sijapati, Mohd Ayub and Himalaya Kharel, "Making Migration Free: An analysis of Nepal's 'free-visa, free-ticket' scheme," in *South Asia Migration Report 2017: Recruitment, Remittances and Reintegration*, ed. S. Irudaya Rajan (Oxon and New York: Routledge); Amnesty International, *Turning People into Profits*.
- 9 Most recently, Nepal has signed Bilateral Labour Agreements (BLAs) with the UAE, Mauritius and Malaysia in 2019 and with Jordan in 2017. The BLAs stipulates that employer have to pay for the recruitment related cost and fees including recruitment agency fees, airfares and insurance, visa and medical fees; 'Bilateral Arrangements', CESLAM, <https://www.ceslam.org/governance/bilateral-arrangements>.
- 10 International Labour Organisation, *Promoting Informed Policy Dialogue on Migration, Remittance and Development in Nepal* (Kathmandu: ILO, 2016), 27.
- 11 It could not be identified why the cost was lower for migration to Malaysia in 2019/20. It could have been due to visas being sponsored by family members or relatives during this period as regular migration flow to Malaysia had disrupted due to disagreement between two countries on labour recruitment modality and the year 2020 was hit by COVID-19 pandemic.
- 12 Sarah Paoletti, Eleanor Taylor-Nicholson, Bandita Sijapati and Bassina Farbenblum, *Migrant Workers' Access to Justice at Home: Nepal* (New York: Open Society Foundation, 2017); Migrant Forum Asia, *Challenges on Access to Justice for Migrants* (Quezon City: Migrant Forum Asia, n.d.); National Human Rights Commission, *Research-Report on the Situation of the Rights of Migrant Workers: Recruitment Practices and Access to Justice of Migrant Workers* (Kathmandu: National Human Rights Commission, 2019).
- 13 Amnesty International, *Turning People into Profits*; IOM, *Sub-Regional Study on the Debt of Migrants Assisted with Voluntary Return and Its Impact on The Sustainability of Reintegration in Countries of Origin: A Study Conducted in Côte d'Ivoire, Burkina Faso, Mali, The Gambia, Senegal, and Guinea under the Coordination of IOM Regional Office in Dakar* (Dakar: IOM, 2021).



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The Centre for the Study of Labour and Mobility (CESLAM) is a research centre within Social Science Baha. Its primary objectives are to contribute to broader theories and understanding on labour and mobility by cultivating new insights through interdisciplinary research; conduct reliable, policy-relevant research on critical issues affecting working people and develop policy alternatives; improve understanding about the impact of labour and migration as well as inform migrants, labourers and the public at large about their rights and responsibilities; serve as a forum to foster academic, policy and public debates about labour and mobility through an open interchange of ideas; and disseminate knowledge to a broad range of audience using a variety of academic, policy and media outlets.

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