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Asymmetric Information under the *Kafala* Sponsorship System: Impacts on Foreign Domestic Workers' Income and Employment Status in the GCC Countries

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Abstract

This paper examines the legal and policy implications of information asymmetry on foreign domestic workers employed under the *Kafala* sponsorship system in the Gulf Cooperation Council (GCC) countries. Drawing from ethnographic and field-based observations in large GCC migrant destinations—including Kuwait, Qatar, and the United Arab Emirates (UAE)—we investigate the flow of information and market uncertainties between five key stakeholders: labor-receiving government, labor-sending government, recruitment agencies (subagents), sponsors (employers), and social networks. Several factors contribute to asymmetric information: the lack of bilateral labor agreements and government policy coordination, programs between and among government entities, the absence of labor law for domestic workers, and the *laissez faire* approach of the labor-receiving government. These sources of asymmetric information do not only create serious market vulnerabilities for the domestic worker population, but often lead to loss of employment and early deportation. The concluding section further outlines various critical policy implications and potential areas of methodological research on GCC migration.

Keywords

Kafala, Kuwait, Qatar, United Arab Emirates, UAE, information asymmetry, labor migration, emigration, immigration

Disciplines

Economic Policy | Inequality and Stratification | International and Comparative Labor Relations | Labor Economics | Public Policy | Work, Economy and Organizations

Comments

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Asymmetric Information under the *Kafala* Sponsorship System:
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Abstract: This paper examines the legal and policy implications of information asymmetry on foreign domestic workers employed under the *Kafala* sponsorship system in the Gulf Cooperation Council (GCC) countries. Drawing from ethnographic and field-based observations in large GCC migrant destinations—including Kuwait, Qatar, and the United Arab Emirates (UAE)—we investigate the flow of information and market uncertainties between five key stakeholders: labor-receiving government, labor-sending government, recruitment agencies (subagents), sponsors (employers), and social networks. Several factors contribute to asymmetric information: the lack of bilateral labor agreements and government policy coordination, programs between and among government entities, the absence of labor law for domestic workers, and the *laissez faire* approach of the labor-receiving government. These sources of asymmetric information do not only create serious market vulnerabilities for the domestic worker population, but often lead to loss of employment and early deportation. The concluding section further outlines various critical policy implications and potential areas of methodological research on GCC migration.

Introduction

“When I came to the UAE, I thought I would work as a beauty manicurist. But when I arrived here, my recruitment agency pushed me to work as a domestic worker. I did not have training, but I had to do it. I borrowed US \$2,000 in order to come to the UAE, and now I am in debt before I even start my job”—

Martina, 28, a Filipina runaway domestic worker in Qatar¹

“One of the main challenges we face is the lack of coordination between sending and receiving countries. There is lack of procedure for addressing domestic workers’ rights. There is no labor law and this puts us in a tricky, unregulated labor market, where labor violations are high.” – Country official in Kuwait

In the Middle East, domestic work migration has increasingly become one of the most important policy discourses.² In particular, among Gulf Cooperation Council (GCC) countries, temporary labor migrants—mostly from Asian and Arab countries—constituted 40 percent of the total population (18 million out of 41 million) in 2010 (Fargues and Shah, 2014). Domestic workers account for more than 2.5 million of the foreign labor (almost 15 percent) (International Labor Organization (ILO), 2012). Domestic workers, who mainly come from the Philippines, Indonesia, Bangladesh, and Nepal, are employed under the GCC countries’ *Kafala* sponsorship system. Various international human rights organizations—such as Amnesty International and Human Rights Watch—have strongly criticized the GCC countries’ failure to regulate the domestic work sector, highlighting various labor rights violations, including but not limited to non-payment, long hours of work, squalid accommodation, weak access to judicial systems, and even physical abuse (HRW 2010, 2011, 2013).

Similar to other female domestic workers in the Middle East, Martina’s need to travel for financial reasons indirectly indicates that domestic workers are motivated by home

¹ For the purpose of this study, the participants’ actual names were altered to protect and maintain their confidentiality and anonymity.

² Moors et al (2009) links the rapid growth in paid domestic labor to the feminization of international migration along with income inequality and family composition.

country factors and/or destination country factors (Massey et al, 1993), whereby a rational economic agent follows a cost-benefit analysis when determining migration decisions. The costs include the actual moving expenses and other indirect non-monetary costs. Benefits also have monetary and non-monetary aspects. Both literatures on Neoclassical and the new economics of migration (NEM) suggest that, to a large extent, the expected wage differential between the destination and home countries trigger migration. Unexpected shocks in the destination country introduce risk factors that affect the expected wage and ultimately the migration experience. Shocks include macro-shocks, exogenous to the migrant, and micro-shocks, which are endogenous and directly linked to the migrant (i.e. committing a crime). Although macro-shocks, such as bad economic conditions, are largely out of the migrant's capacity, their effects on temporary labor migrants are often direct. On the other hand, micro-shocks are related to the migrant. Both types of shocks can lead to loss of employment and subsequently loss of expected earnings. In either case, at the heart of the labor migration dilemma is keeping a job at the destination despite any shock. In the case of the GCC countries, unexpected shocks to migrants are even more costly because they include loss of income (loss of employment) and could lead to an early return to their home countries.³ In traditional migration destinations such as North America and Europe, migrants have a path to permanent residency and citizenship; therefore, the loss of employment does not necessarily impede their right to stay.

This paper examines the legal and policy implications of asymmetric information under the GCC's *Kafala* sponsorship system, focusing on domestic workers from the Philippines. A domestic worker is typically a female employee working in or for a household

³Once they are made redundant, migrants have 30 days to find a job before they must leave. In instances of criminal activity (in Kuwait, this could be as simple as a speeding ticket), repatriation is done by deportation, which is typically followed by a lifetime ban on the migrant. A ban on the migrant permanently shuts down the work destination and a lucrative source of income.

of the sponsor/employer.⁴ While various human rights studies have proliferated in the domestic work migration discourse of the GCC, no studies have examined how asymmetric information inherently generates economic micro-shocks and, in many instances, early repatriation of domestic workers living in the GCC. Selected case studies from Kuwait, Qatar, and the UAE are presented to explore this growing phenomenon. This particular study is therefore critically relevant because, with the expected continuous growth in the local economies, GCC countries will inevitably demand higher number of domestic workers to address manpower shortages in various households or hospitality sectors in the GCC.

This paper is divided into four main sections. The first section briefly reviews the literature on asymmetric information and labor migration, highlighting various empirical limitations. The second section examines the GCC-wide *Kafala* sponsorship system and explains the role of asymmetric information in the domestic labor market. The third section examines various key factors that contribute to asymmetric information, while explaining legal and policy gaps in the existing literature. The final section investigates policy implications.

Literature Review

Any situation in which the first party has more or better information than the second suggests the existence of asymmetry in information. Under these circumstances, the market equilibrium is not optimal. The initial application of asymmetric information was developed in the used-car market, but it has been widely studied since then (Akerlof, 1970). In particular, asymmetric information between employers (or sponsors) and migrants has direct economic implications on the labor market. As Katz and Stark (1987: 718) acknowledges, the

⁴ Under the Domestic Work Convention (2011), a domestic worker is an individual who performs in or for a household or households. It also means “any person engaged in domestic work and employment relationship.” However, a person performs domestic work occasionally and not on an occupational basis is not considered an official domestic worker.

“most natural application of the asymmetry information lies where (at least initially) employers do not know the productivity level of individual employees.” Asymmetric information can also occur when market “information does not ordinarily flow across them or does not flow costlessly and freely” within the labor market. While some literature has examined the effect of asymmetric information on international migration (Katz and Stark 1984, 1987) and consequences on transnational households and remittances (Chen, 2006; De Laat, 2008; Ashraf, 2011; Chin, 2011; Seshan, 2012; Ambler, 2012), no studies have directly analyzed the impact of asymmetric information (particularly in economic, legal, and social aspects) on migrants’ income and employment status (i.e. wages, working conditions) within the host-country labor market.

Asymmetric information poses unintended direct costs and risks before and after the migration process. It often becomes more prevalent when labor mobility between different countries is considered in conjunction with the source country’s languages, systems, institutions, and cultures, because they differ widely from the destination country (Kar, 2009). A policy study by the National Planning Commission in Nepal, for example, found that Nepalese workers pay recruitment US \$1,200 to secure job placement in Qatar, despite the Qatari government’s prohibition of unauthorized placement fees (International Organization for Migration (IOM), 2011). The lack of public awareness, exacerbated by the unequal flow of information incurs additional and, in many cases, relatively significant income shocks for migrants. Similarly, in a field study of Filipino migrant workers in the UAE, Agunias (2012) concluded that, although Filipino migrants are often aware of the migration risks involved (paying around 10-30% of their monthly salary for the first three months to the recruitment agency), they do not often problematize recruitment agencies unauthorized placement fee policies, including those of their subagents and brokers. On the contrary, many Filipino workers, unaware that these placement fees are illegal, find this

practice “acceptable”. Amongst all immigrant workers, domestic workers were particularly likely to find the policies acceptable. The case of Filipino domestic workers, for example, not only shifts the financial burden/costs to migrants, but also poses direct negative effects on their earnings (and consequently remitting power) and potentially even on their employment status in the host country (for instance, by absconding in the hope of finding a better paying job).

Other studies emphasize the risks perpetuated by recruitment agencies in creating uneven levels of information in the labor market. One example of this inequity is the recruitment agencies’ contract substitution practices, which directly contribute to serious income shocks on migrant’s earnings, oftentimes resulting in employment withdrawal. Battistella and Asis (2009) found that legal and illegal recruitment agencies in sending and receiving countries often deliberately practice ‘contract substitution’ to circumvent government regulations, frequently falsifying market information (i.e. wages, working conditions, employer’s background) to lure potential migrants to move. Such findings also reflect Agunias’s (2010) conclusions, which indicate that migrants are often tempted by high-compensation packages stipulated within the government-mandated contracts before pre-departure, which become invalid in the host country after the costly move. Furthermore, the ongoing labor exploitation and abuses perpetrated by agents in both origin and destination countries tend to increase recruitment costs, which is particularly shifted to “the weakest chain in the link: the migrant worker” (Agunias, 2012: 7). This uneven level of information, often regulated by recruitment agencies and their brokers, not only creates negative income shocks for migrants but also reinforces market vulnerabilities in the host country.⁵

⁵ Jureidini (2014) argues that the created vulnerabilities from such practices give rise to serious human rights offenses such as forced labor and human trafficking.

In addition to economic hardships, asymmetric information produces legal market vulnerabilities that also eventually shift economic costs onto migrants in the host country. Shuck (2007) emphasizes that “law defines individuals’ rights to property and economic activity [...] and the content and configuration of these extra-immigration rights help to structure the set of opportunities that people can exploit.” Halabi (2008) finds that migrants are at a market disadvantage due to the mismatch between their knowledge of migrant-related rights and the knowledge of their recruitment agencies. Migrants are dependent on the *Kafala* sponsorship system, producing large disparities in the power balance between sponsors and migrants in which the former have full autonomy to exercise control (i.e. deportation or breach of contract). The disproportion in the power balance in the household of employment not only impacts the domestic workers’ employment security/stability and income but also poses critical challenges to immigration and residency status of migrants within the host country.

Due to these economic and legal challenges, other scholars also examine migrants’ coping mechanisms. Chris (2007) notes in his fieldwork in the UAE that, despite the wealth of information made available by the official Philippines state and non-state institutions’ (i.e. NGO information, websites), many Filipino migrants often do not utilize these sources, placing them at a disadvantage in the labor market. However, Filipino migrant workers often effectively utilize informal social networks (i.e. friends, family members) to accumulate local knowledge and information, particularly about employment and other socio-legal information about the host-country labor market. Unfortunately, this information is commonly the result of real-life experiences endured by a migrant worker, frequently with a negative outcome. A migrant’s specific experience does not necessarily apply to others.

To further explore the connections between asymmetric information and economic shocks in the host country, various semi-structured qualitative interviews with domestic

workers, government officials, and recruitment agencies were employed. Direct participation in key official meetings and conferences were also integrated to further validate various factors that produce asymmetric information under the GCC's *Kafala* sponsorship system. The data collection process was executed in three different phases - Phase I (June – August 2012), Phase II (November – January 2013), and Phase III (April – May 2014) – in select GCC countries, including Kuwait, Qatar and the UAE.⁶ Approximately 70 domestic workers and officials participated in the interviews, of which 60 domestic workers responded. At least 75% of interviewed domestic workers had a high-school education, while only 5% reported a college education. The average age was 29, and 82% of the interviewed domestic workers had at least one child. In the qualitative interviews, key factors, including demographic background, labor market experiences, and legal issues in the destination country, were captured. Interviews with labor-sending and receiving countries further validated various key factors that directly produce asymmetric information under the GCC's *Kafala* sponsorship system. The next section briefly discusses the *Kafala* system and domestic work regulations.

The GCC's *Kafala* Sponsorship System and Domestic Work Regulations

The *Kafala* sponsorship system is a government policy used to organize, manage, and control temporary labor migrant population in GCC countries. *Kafala* requires all temporary labor migrants to have an official local sponsor responsible for their immigration visa and residency status in the country (Gardner 2010). The *Kafala* sponsorship system is directly tied to the domestic work regulations, whereby the GCC governments often regulate domestic work-specific regulations. For example, under the standardized contract agreement, domestic workers are legally required to work for two years and are often put on a three-month probation period with their respective employer. Within the probation period,

⁶ The data collection was part of a wider project that also included a quantitative section. This study focuses on the qualitative aspect of the data.

domestic help can be returned to the agency at no cost to the employer (if the prospective employer is not satisfied or if his/her preferences change) and can potentially become a re-hire by other employers to mitigate the agency's transportation and other immigration-related costs. Outside the probationary period, domestic workers are often sent to the sending country's embassy. The employer will not be able to receive any reimbursement due to the expiration of the contractual probationary period. This particular short-term probationary period not only poses critical economic issues between parties but also often becomes the source of moral hazard. As one Filipino official, Rodrigo notes: "...employers and recruitment agencies want to control costs so they often seek reimbursement from domestic workers, or deduct from their salary in order to protect themselves [...]." It is also important to note here that the probationary period makes it difficult for domestic workers to understand regulations of domestic workers, given the common "no-day off policy" within private households. Further, domestic workers typically have no access to information from other sources (workshops, web, social interaction, etc.).⁷ Therefore, the combination of short-term and unregulated structure of the probationary period with the limited access of domestic workers to the outside world works to disrupt the flow of information to the migrant, generating morally hazardous behavior by both the recruiting agency and the sponsor (employer). The next section examines the sources of information asymmetry within the *Kafala* sponsorship system in more detail.

⁷ In such a short period of time, migrants have little opportunity to network with others for information. Therefore, the only source of information comes from a migrant's connections (if they exist) before the current job.

Triggers of Asymmetric Information under the GCC's *Kafala* Sponsorship System

Factors Contributing to Asymmetric Information

Drawing from our qualitative interviews with authorities from origin and destination governments, three key factors appear to contribute to asymmetric information under the GCC's *Kafala* sponsorship system.

Lack of bilateral agreement between countries

Bilateral agreements can play a critical role in mitigating the effects of asymmetric information. Go (2005) argues that bilateral agreements set the parameters in determining the quotas, rights, and welfare of temporary labor migrants like domestic workers between origin and destination countries. The critical challenge is that destination countries often avoid entering into an agreement with sending countries due to perceived fear of political intrusion on their policymaking. As one origin-country official from the Philippines Patricia asserts, "Bilateral labor agreements are relevant, yet some GCC countries have been reluctant so far to enter into an agreement.⁸ These instruments can set a 'guiding framework' on how to effectively address labor rights related issues, or examine contract verification systems to monitor recruitment agencies' malpractices in the long-run." On the other hand, one could also argue that the GCC countries have no incentives to engage in bilateral talks with labor sending countries. The GCC countries currently have immense bargaining power due to the infinite supply of low-cost labor from neighboring Arab countries, South Asian countries and even from Western countries. Arab countries are suffering from perpetual instability and conflict, South Asian countries are struggling with large populations and weak economic performance, and Western countries are still experiencing the effects of the last economic crisis. The lack of bilateral agreement has not only developed a divergent and often incoherent policymaking process for domestic workers, but also has allowed various

⁸ In fact, Fernandez (2014) argues that the GCC countries are even reluctant to implement existing international treaties specific to domestic workers.

recruitment agencies the power to influence the dissemination of information to domestic workers.

Lack of national labor laws

Under most GCC national labor laws, domestic workers are generally excluded from accessing various government services, including mediation, arbitration, or conciliation within relevant ministries (Malit and Ghafoor 2014). Although domestic workers have a standard employment contract—mainly stipulating their wages, working conditions etc.—they often have either limited or no protective mechanisms that could protect them from recruitment agencies. As one Filipino official, Carlos noted, “Standard employment contracts are legally difficult to enforce because there is no permanent law that is backing it. Therefore, employers and, to an extent, domestic workers can violate this standard labor contract without equal protection.” The lack of legal protection appears to contribute to asymmetric information partly because the unregulated nature of the industry (i.e. lack of monitoring of recruitment agencies’ malpractices and receiving countries’ small number of labor inspectors) provides a favorable legal environment for recruitment agencies to violate both the standardized labor contract and national labor laws in the destination country.

Limited coordination between states

The limited coordination between origin and destination countries further contributes to a weak legal framework of the domestic-work industry in the Gulf region. As one GCC labor official, Ahmed noted, “There is a weak cooperation between sending and receiving countries, but it is the responsibility of the sending countries to verify, regulate, and monitor domestic workers who come into this region. They need to be trained properly about our culture and relevant laws to address labor issues.” This particular issue reflects not only the

incoherent regulatory framework of both origin and destination countries, but also their limited efforts to systematically eradicate the existing differences in information.⁹

The weak public awareness is also imperative to understanding the production of asymmetric information in the GCC labor market. Although the Philippines offers pre-departure orientation services (PDOS) to educate domestic workers about the legal, cultural, and social background of their respective destination country, our extensive discussions with sending country officials note that workers often do not utilize existing destination countries' laws and information. Instead, domestic workers only visit the embassies if they face labor and employment problems or have to renew their passports or other travel documents. Similarly to the pre-departure services, the Philippines also offers a post arrival service at the destination countries to educate migrants in general and domestic workers in particular about their legal rights and implications in the current country. However, both of these services do not seem to be effective at closing the information gap. In fact, drawing from a 303 survey on runaway domestic workers in Qatar, more than 70% of Filipina domestic workers did not participate in the post-arrival orientation service. The orientation services are important mechanisms that allow the labor sending country to offer useful and crucial information, yet a limited number of recruitment agencies offer these provisions for its workers. Recruitment agencies directly transport domestic workers to their employers instead of giving them a post-arrival orientation by the Philippines labor office in the destination country. The inadequate implementation of key government mechanisms to ameliorate the flow and availability of information, combined with limited public awareness of domestic workers, enable recruitment agencies to influence the flow of legal information.

⁹ In a similar finding, Fernandez (2013) studies the effects of the failure to regulate intermediaries of migration on employment of Ethiopian women as domestic workers in the Middle East.

As discussed above, various political, diplomatic, and legal environments influence the flow of information for domestic workers in both the origin and destination countries. We now focus on key actors in the *Kafala* sponsorship system that play a direct role in the quality, quantity and distribution of information to the domestic worker. We identify five main players: the recruitment agency, sponsor/employer, the origin countries' governments, the destination countries' governments, and social networks. We further examine how asymmetric information in the unregulated nature of domestic work sectors in the GCC generates micro-economic shocks to the migrant.

Key Information Actors in the Kafala System

Agency

Recruitment agencies (including brokers and agents) in both sending and receiving countries play important roles in shaping information flow between labor markets. Under the Article 25 of the Labor Code of the Philippines, 'private recruitment agencies' are referred to as "any individual, partnership, corporation or entity engaged in the recruitment and placement of persons for employment" (Department of Labor and Employment (DOLE), 2013). Recruitment agencies therefore in both the sending (Philippines) and receiving (GCC) countries are both legally covered and regulated under the Philippines labor regulations. These recruitment agencies play central roles in the lives of migrant domestic workers within the UAE labor market. Agunias (2012) acknowledges:

In the fierce competition to capture the coveted Middle East labor market, private recruitment agencies fulfill an important role – that of bridging the gap between employers or sponsors and prospective migrants. They recruit and guide migrants through the shoals of immigration policies and the difficulties of transit, match employers with workers and provide information about living and working conditions in distant locations.

Yet such recruitment agencies are often associated with scrupulous practices that can place the worker in a vulnerable position. As Abella (2004) contends, "the fee is not determined by the financial value of the good procured but by the demand itself... What the recruiter gets is

not a fee for the recruiter's service but a 'bribe' to the job he or she offers." As one Filipina domestic worker in Kuwait, Conny, highlighted, "I paid US \$700 to get this job. I saved and sold our lands so I can come here. I thought I would be able to save here and help my family more quickly. I was wrong. I have a lot of debts now, but I don't know how to pay them when I go back home." This sum of money (including unauthorized placement fees) is not part of the process but instead is imposed by recruiting agencies, which often put a heavy financial burden on migrant domestic workers. Prospective migrants are often unaware that these practices are illegal and should not affect their labor market prospect. Despite the UAE government's strict regulations on unauthorized placement fees, private recruitment agencies have been able to continue to use their control over migrant domestic workers, often exercising direct threats to their status (i.e. immediate return or deportation, illegal salary deductions) or to the well-being of their families back home. One Filipina domestic worker in the UAE, Maria, acknowledged: "Our recruitment agency told us that we have no choice because, if we return to our country, we need to pay them US \$4000 for the expenses paid by the employer." To enforce restrictive control, the labor recruiter immediately locked the domestic workers for a few days and, instead, rehired them locally without government permission to recoup their previous recruitment costs. This particular case forces migrant domestic workers to remain in their employment, despite their employer's or agency's ensuing labor contract violations.

In addition, recruitment agencies both deliberately control the availability of information and lack the capacity or will to enforce labor standards. Agunias (2012) acknowledges "the onus for regulating the employer-employee relationship falls to recruitment agencies, which unfortunately are often ill equipped to effectively enforce labor standards". As Jenny, a Filipina domestic worker in Qatar, noted: "I was offered \$400 here, so I took this job. When I was in Manila, I worked in a factory job, making \$220 a month,

and since I have 4 children, I thought this would help me a lot. But when I moved to Qatar, the agency told me not to even dare to ask for \$400 because the average is only \$250. I was upset but I cannot go back anymore.” Despite the explicit labor violation (i.e. illegal salary deduction), the recruitment agency failed to enforce the standard payment of \$400 that is stipulated within the employment contract.¹⁰ Instead, the recruitment agency knowingly encouraged the migrant worker to continue working for only \$200. In this specific instance, the migrant’s earnings in the destination country were even lower than they were at the sending country. Further, labor recruiters often resort to threatening the families of the domestic workers to pay for deployment costs (i.e. visa, plane ticket fees). Tessa, a Filipina domestic worker who lives in Qatar, additionally complained: “When I returned to the office, my agent called my family and asked them to pay for my ticket and incomplete contract obligations. They harassed my family, so they can force me to stay in the country and repay my debt.” In other words, recruitment agencies perpetuate information asymmetry and lack the will to enforce labor standards for migrant domestic workers.

Sponsor

Like recruitment agencies, sponsors play a vital role in maintaining the *Kafala* system. Halabi (2008) explains the imbalance of power between the sponsors and domestic workers within the *Kafala* system:

In order for a migrant to work in Saudi Arabia or the UAE, she must first secure a visa through a method of sponsorship known as *Kafala*, which legally binds the worker to her employer. Although both the sponsor and worker are capable of breaking contract, this ostensible equality is merely a ruse, because if the worker breaks her contract, she must pay the cost of her return ticket (a charge that would have otherwise been paid by the sponsor). She may also be fined or forced to pay debts to the recruitment agency. Through this system of sponsorship, the fate of the migrant worker is entirely dependent upon the goodwill of an employer who, at any time, can threaten her deportation if

¹⁰On December 16, 2006, the Philippines government approved a series of resolutions to improve the quality of life of domestic workers abroad. Among other things, they included a minimum wage of \$400 for Filipina domestic workers in all major labor-receiving countries, including the GCC countries (the Philippine Overseas Employment Administration’s (POEA), 2007).

unsatisfied. Once in host countries, migrants are required to surrender their passports to their employers. Thus, even before the worker steps foot in her host country, the systems of exploitation are already in place.

Although domestic workers regularly obtain less than the contractually agreed salary, they are often compelled to stay for two years (the usual contract period) to compensate for incurred debt. After completion of the contract, they expect an easy transfer of employment to another employer. These factors influence them to stay in the host country and continue working to support any offspring back home. One Filipina domestic worker, Patricia in Qatar, noted: “I have a bachelor’s degree in business and I only took this job because I did not pay a placement fee. I was promised that I could become a business secretary after one year of employment. I realized later that I could not even get out of my contract, unless I get deported first. I had to stay because I have four children to support; who’s going to feed them?” These particular narratives not only reinforce the recruitment agencies’ manipulative role in the recruitment process, but also reflect the foreseeable challenges faced by some employers in the destination country.¹¹

Domestic workers’ lack of legal and market knowledge often influence them to stay illegal and vulnerable in the destination market. Under the Ministry of Interior's (MOI's) administrative rules and regulations, domestic workers who complete their contracts have the right to stay for one month before departing to their home countries. This rule creates an opportunity for domestic workers to settle any financial dues or, in most cases, look for employment. However, given many domestic workers’ ignorance of this immigration rule, they often do not report to local respective authorities (i.e. Philippines Embassy, police stations) to verify their immigration status. Since domestic workers are often confined to their

¹¹ Jureidini (2010) highlights the ability of agencies and employers to control migrant domestic workers as an important source for an environment of abuse and exploitation of domestic workers.

sponsors' homes, the role of the sponsors (employers) to disseminate such information is vital.¹²

Illegal immigration status further creates legal and market vulnerabilities for domestic workers in the destination country. As our qualitative interviews verified, many domestic workers struggle to bargain for higher wages with employers because of their illegal immigration status. An illegal status has often put many domestic workers in a poor position, as they cannot defend their particular rights due to the absence of employment contracts signed by the UAE government. One Filipina domestic worker, Amparo, highlighted: “My employer gave me \$200 for my salary, even though she initially promised \$350. She told me that she can easily find other illegal maids for much cheaper. I remained silent because I had no choice but to send money to my children.” Therefore, with long hours, unequal status, and little food, domestic workers like Amparo find it difficult to reinforce mutually agreed labor rights. Their lack of information and lack of knowledge of labor rights and options inherently lead to loss of income and further labor abuse throughout the process.

Asymmetric information creates both legal and economic risks for migrants and additional complications for government officials. With no official employer/agency, the Philippines government has found it difficult to secure more protection for domestic workers. As one Filipino official, Marco in Qatar maintains, “When a domestic worker becomes illegal, it is more difficult to seek legal assistance for her.”

Embassy

Under the Philippines laws RA 8042 and RA 10002, the Philippines government is mandated to extend legal protection to all Filipino workers, particularly domestic workers. The Philippines government – indirectly represented by labor and welfare officers at Overseas Worker and Welfare Administration (OWWA) and the Philippines Office of Labor (POLO) –

¹² A domestic worker employer may not necessarily be her sponsor although this seems to be the majority of the cases in our sample. For simplicity, we use both terms interchangeably.

works closely with domestic workers to address labor and employment related challenges, yet the Philippines government faces critical vulnerabilities, particularly in regards to illegal and absconding cases. In the case of Maria, the Philippines government struggled to protect her due to her prolonged illegal immigration status (Malit 2013). Runaway domestic workers could be offered some protection in case they report directly to the Philippines embassy after absconding. Another Filipina domestic worker, Trisha in Qatar, acknowledged: “I did not know that I have to report to the Philippines Embassy. If I had known, I would have been able to fix my problems and complain directly.” Her lack of information about the appropriate procedures for applying for second employment, combined with her misconception that if she seeks help from the embassy, she will be deported, further put her in a vulnerable position in the domestic work sector.

As a result, domestic workers like Trisha, and Maria often fail to receive immediate and appropriate legal protection, as the Philippines government struggles to reclaim the workers' unpaid wages and force their agencies and employers to pay for their salaries or airline tickets. Although domestic workers have limited access to the MOI police officers, the MOI personnel are the only officials allowed to follow up with labor cases. Another Filipino labor official, Marco in Qatar, observed: “Once we submit the domestic worker to the police station, the host country's government normally facilitates the dialogues with the employer. We can only follow-up and check on the status of the case, but our influence is very limited due to their own legal jurisdiction.” Because of illegal immigration status, domestic workers have no formal employers, which places substantive powers in the hands of local government agencies. Thus, early deportation often becomes inevitable.

Local Government

Under the MOI of the host country, domestic workers are covered in both legal and administrative proceedings and cases. The MOI – indirectly represented by police and

immigration officers – plays an important role in ensuring full compliance of immigration rules and procedures in the host country. One of the most challenging functions of the local government is to regulate and address domestic worker’s cases, particularly absconding ones. As one local official in the UAE, Mohammed notes: “We try to settle this case by calling their employers at home. It is hard to, because sometimes domestic workers run away even though they are paid the minimum wage of \$400 and are treated respectfully.”¹³ Absconding constitutes a violation of immigration residency and rules. These cases have created direct pressure both on the MOI to immediately regulate these immigration rules and procedures and on the employers who therefore would have to protect their status/rights. When the employer’s reaction is to file early for missing domestic worker, the runaway worker automatically becomes illegal and, therefore, faces different labor market constraints. The new environment faced by the absconding worker often has serious impacts on the earning ability of that worker.

Most domestic workers, for example, are often unaware or ignorant about the host-country laws in this environment. The recruitment agencies often do not provide such legal awareness to domestic workers, creating an imbalance of information. As one Filipino official, Marcos in Qatar, acknowledges: “It is the duty of recruitment agencies to facilitate knowledge information for the domestic workers. We call these agencies all the time, but they often do not fully reveal the information to us. On the other hand, sometimes, maids do not tell all information – whether at fault or not –and this add to the difficulty in regulating and examining the domestic work sector.” Although the Philippines government has some programs to provide legal awareness, it does not broadly cover the labor laws and legal challenges to domestic workers, particularly the role of police officers in the host country.

¹³ In our sample, some domestic workers absconded for personal reasons such as getting pregnant.

This puts domestic workers at risk, often making decisions that have potential dire consequences on income and employment.

Social Networks

Perhaps the most important source of information for migrants is social networks. Migrants' social networks comprise relatives, friends, or acquaintances who have migration experience. These networks are divided into two geographical locations: those in the Philippines (pre-departure) and those at the destination country (post-departure). There is no doubt that technological advances (mobile and smart phones, voice-over-internet protocol) and access to other domestic workers, through the proliferation of internet cafes, for instance, or even through direct access from the sponsor/employer, facilitate transfer of information across different networks and eventually to migrants.¹⁴ However, the information being transferred is often related to a specific migrant's encounter with the law and, therefore, is not always applicable to others. In fact and in many instances, our qualitative interviews suggest that advice based on a personal and specific migrant's story can be useless if not even harmful to domestic workers due to the rapidly changing legal and administrative policies on domestic workers in the Gulf countries.¹⁵

To summarize, domestic workers in the Gulf region can obtain information from five different sources located in both the sending and receiving countries: labor agencies (in both sending and receiving countries), sponsors in the destination country (employers), governments of origin and destination countries and social networks (Figure 1).

¹⁴ See for instance Moors et al (2009).

¹⁵ Friends, family members, and, in some cases, newly recruited government officers (both sending/receiving countries) provide conflicting recommendations on how to resolve domestic workers' cases. These sources, in many cases, are being taken at a face value by workers given their perceived 'legitimate' roles in government.

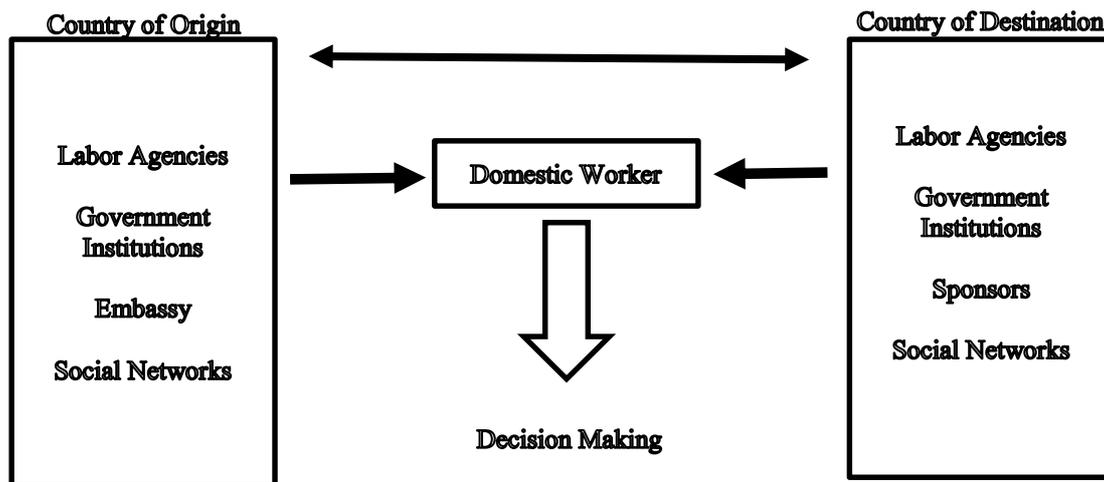


Figure 1 highlights the source of information available to the domestic worker in time of decision making. The decision making starts with the decision to migrate based on available information from labor agencies, government institutions, and social networks at the country of origin. Once at the destination country, faced with a different set of information and potentially harsh working conditions, domestic workers often contemplate to escape by absconding. One Filipina domestic worker in the UAE, Patricia, asserted: “My recruitment agent said once I finish my contract, he can easily take me into another job as a saleslady. But, instead, he forced me to work for another family after the two-year contract. I did not get my salary so I decided to find my own employer. I did not know exactly where the embassy is, so I left and moved in with friends.” Instead of reporting to official institutions (whether the country’s embassy or the host country’s authorities), some runaway domestic workers often hide from the authorities, which obviously places them in a more vulnerable conditions. With limited information, domestic workers often become illegal and vulnerable migrant targets. Migrants’ new immigration status decreases their income potential and violates the immigration residency and rules in the process, including the current UAE residency/immigration law (Under the Federal Labor Law No. 8, domestic workers are not legally protected, including mediation and reconciliation).

The decision to abscond could be a rational decision or a consequence of another decision, which is often the result of a lack of information. A rational, fully-informed migrant would weigh the expected value before deciding to quit his or her job since the decision to abscond has an inherent element of a gamble. On the positive side, an absconding migrant has more mobility and more freedom in the choice of work.¹⁶ On the negative side, a clandestine migrant has less bargaining power and is seen as an illegal, so he or she will potentially face jail time, deportation and eventually a ban.¹⁷ An employed domestic worker faces the following two outcomes after absconding: not get caught, and get caught with respective probabilities of occurring. Under each scenario, absconding domestic workers will face different expectations of earnings or payoffs. The expected earnings under the first scenario (absconding without getting caught) could be lower (due to the loss of bargaining power) or higher (due to the mobility and flexibility). If a domestic worker gets caught then the payoff becomes zero or even negative (daily fines for being illegal). A risk loving domestic worker would decide to abscond if the expected value is at least zero while a risk averse worker would only abscond if the expected value of the gamble (abscond) is greater than zero. If the expected value is negative then the domestic worker would decide to stay at her current job. The outcome of the expected value is heavily dependent on the amount of information that the domestic worker has, affecting both the probability and payoffs.

¹⁶ Pessoa et al (2014) discusses market vulnerabilities among Ethiopian workers who moved to Qatar under a free visa system where the job associated with the visa does not exist, giving the worker freedom of the choice of work as long as he/she fulfilled the visa costs.

¹⁷ Periodically, GCC countries offer amnesty towards illegal migrants. Amnesty offers typically occur around religious holidays (such as the Holy Month of Ramadan). The offer allows illegal workers to return back home without prosecution.

Policy Recommendations

To summarize and regroup, the *Kafala* sponsorship system creates different levels of information that ultimately increase the labor market vulnerability of domestic workers. Domestic workers, for instance, frequently end up in work environments that do not match the stipulated original employment contract (in terms of salary, job description and work conditions). As a result, domestic workers choose to abscond in search for a better job opportunity. It is not clear how prevalent absconding in the Gulf region is since data is scarce but the recorded number of new absconding domestic workers in the UAE was more than 14,000 in 2013 alone.¹⁸ Absconding domestic workers add costs to both, the host and sending country. The host country covers the daily cost of hundreds of absconding workers in several deportation centers while awaiting for their repatriation back home. Other absconding workers become illegal migrants and blend in the total workforce. Shah (2009) estimates that illegal migrants constituted around 15% of the total workforce in the Gulf region in the early 2000s. For the labor sending countries, workers who abscond and lose their income earnings do not remit and eventually increase local unemployment after being repatriated. In other terms, both host and sending countries have the incentives to deal with information asymmetry. What should be done?

1. Better policy coordination among labor sending and receiving countries, particularly in information dissemination on labor market regulations and immigration procedures. This could materialize through bilateral agreements, establishments of joint labor migration committees and sharing of data.
2. Better monitoring and inspection of recruitment practices. As seen from the abovementioned discussion, recruitment agencies do not only play a crucial role in

¹⁸ In its latest report, the General Directorate of Residency and Foreign Affairs (GDRFA) in Dubai announced that the number of absconding cases of domestic workers in 2013 was 14,150 (a little bit lower than 14,741 recorded in 2012) (Sambidge, 2014). This number includes new absconding cases that have been reported by the employer/sponsor.

applying legal procedures in moving workers but also in disseminating the type, quality and level of information available to workers. GCC countries should strictly regulate and monitor recruitment agencies, possibly even considering centralizing recruitment efforts by opening and expanding state agencies in the labor sending countries. At the same time, creating an updated online database of recruitment agencies that monitors the recruiting practices and offers agency rankings could help guide potential migrants to the better performing agencies. In fact, rankings of the agencies would be based on feedback from domestic workers and would create the right incentives for recruitment agencies to improve their practices.

3. Social networks also play substantial role in shaping domestic workers' decision-making patterns. These formal or information sources of networks directly reach domestic workers and therefore offer a unique opportunity to close the information gap. Labor receiving countries should create social media presence (similar to that of Dubai Police online social media accounts on different platforms) that directly interact with domestic workers and offer information and assistance. Labor sending countries should offer cheap smartphones to departing migrants so they could access social media on their phone. Both of these proposed steps would allow domestic workers to gain a wider scope of information, potentially reducing information gaps from employers and recruitment agencies for information.

Conclusions

This paper examines the influence of asymmetric information on the domestic worker's income and employment status in the Gulf labor market. Using data from semi-structured qualitative interviews with domestic workers, government officials, and recruitment agencies we identify the following findings. First, under the *Kafala* sponsorship system the flow of information to the domestic worker is controlled by five key players: labor sending country, labor receiving country, recruitment agency, sponsor (employer) and the worker's social

network. Second, the incoherent bilateral and legal cooperation between origin and destination, combined with limited coordination, facilitates asymmetric information in the GCC domestic labor market. Third, asymmetric information not only produces costly market failures but also creates legal vulnerabilities in the host-country labor market. The lack of legal immigration and residency rules, combined with limited knowledge of English and Arabic languages often put migrant domestic workers in a difficult position to challenge current labor practices. Fourth, recruitment agencies (both in the sending and receiving countries) play a significant and often deliberate role in facilitating a mismatch in information. These particular practices (i.e. illegal salary deduction, providing limited training or awareness for domestic workers) directly reduce migrant domestic workers' income and incentivize them to breach the labor contract rules and regulations, which often results in the early return of migrant domestic workers to their countries of origins, despite their heavy financial losses (i.e. pre-departure fees). Fifth, given the aforementioned recruitment agencies' role, sponsors often employ violent tactics (i.e. threatening to early deployment, filing absconding) to protect potential income losses and reduce legal risks with hiring domestic workers. These particular cases have become key causes of human rights abuses, but also considered to have been influenced by the recruitment agencies' failure to inform sponsors' about domestic workers' profile. Finally, receiving (i.e. local police and immigration officers) and sending (welfare bureaucrats and or government officials) countries' authorities often regulate domestic workers' cases and complaints due to incoherent and unequal flow of information between sponsors, domestic workers, and government authorities. This does not only burden the receiving and sending country's public resources, but also often deepens existing sociopolitical tensions, regarding legal/labor protection for domestic workers in the host country. These conclusions on asymmetric

information constitute costly market failures and place migrant domestic workers in a legally vulnerable condition in the host country.

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