

Overcharging by Recruitment Agencies and Burdensome Philippine Government Fees Eat Up Wages and Remittances of Filipino Migrant Workers

**SURVEY REPORT on Recruitment Fees, Wages and Remittances
of Filipino Migrant Workers in Hong Kong - 2007**

by **The Mission For Migrant Workers - Hong Kong (MFMW, Limited)**

Sponsored by the Centre for Environment, Gender and Development (**ENGENDER**)



Introduction

The **Survey on Recruitment Fees, Wages and Remittances** was launched by The Mission for Migrant Workers in 2007. The goal of the survey was to gain a greater understanding of the effects of the recruitment process on migrant workers, particularly on domestic helpers; and to uncover the systemic debt bondage that increases women's vulnerabilities in labour migration.

What we are trying to understand is how many women get trapped in the cycle of debt because of the high costs of agency fees. The high costs incurred from agency fees force many women to seek out loans through financing companies and individuals. Even though they are coming abroad to better their financial situation, many of the women find themselves in a worse financial situation due to loans and debt repayment. It is also important to keep in mind that the loan and debt payments are being paid on top of the other expenses of living and the remittances that they send home.

We want to uncover the leading factors that promote the economic insecurity of Filipino domestic workers in Hong Kong. Among those we wanted to investigate are the roles of government policies, recruitment agency practices and migrant spending and remittance patterns.

The Sampling

While it would be impossible to survey all 100,000 plus Filipina domestic workers, the survey that we have conducted has reached a representative, percentage of the domestic workers. Our survey was distributed to almost 500 people. A total number of 493 surveys were returned to our office. Out of these, the majority, 82%, were distributed during random surveying, especially during various cultural events on Chater Road. Another 13% came from organizations that are networked with the Mission, including the Mission Volunteers (MOVERS) and the Abra-Tinguian Ilocano Society (ATIS). The remaining 5% came from walk-in clients of the Mission.

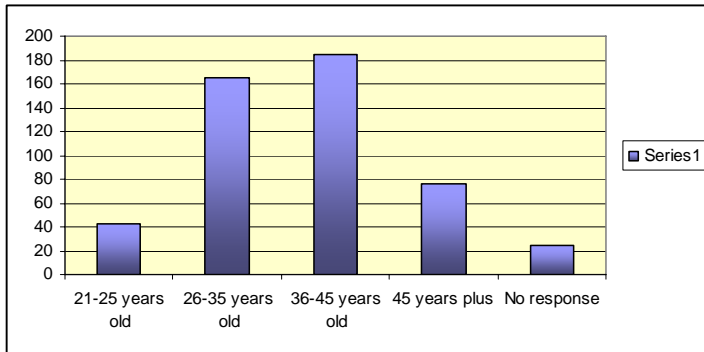
All remaining statistics stated come from this sampling of the domestic worker population. Because over 80% of the surveys were taken at random and only 5% were taken by those who sought our help in the Mission, it can be assumed that this is indeed a fair representation of the problems domestic workers face when it comes to agency fees.

To gain a greater understanding of the population this survey worked with, the following graphs show the ages, civil status, how many have children and educational background of the women who answered the survey.

As seen in Fig. TA-1, the majority of women (39%) who are working in Hong Kong as domestic helpers are between 36 and 45 years old. In close second are women between the ages of 26 and 35 years old making up 35% of the workers. This age bracket represents a

very significant part of a woman’s life – the time when most women are getting married and raising a family - are being spent abroad as migrant workers.

Fig. TA-1 Age distribution



This can also be seen in Figures. TA-2 and TA-3, which show that 44% of the women are married and 80% of the respondents, have children.

Fig. TA- 2 Civil Status Distribution

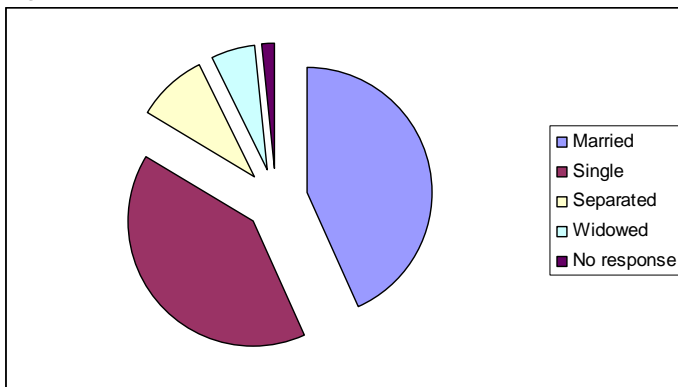
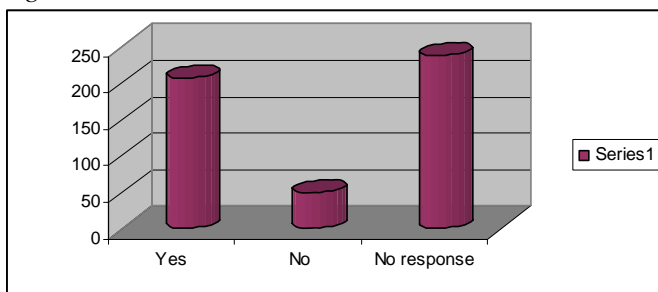
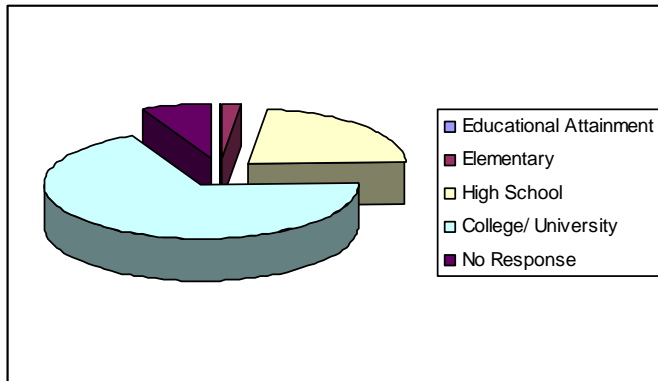


Fig. TA-3 With or Without Children



The women who come to Hong Kong to work also show a lot of dedication to higher educational achievement. An astonishing 73% of domestic workers have a college education or higher.

Fig. TA-4 Educational Attainment



The Findings of the Survey

1. Most of Filipino domestic workers come to work in Hong Kong by passing through Recruitment Agencies (RA).

Before most individuals come to Hong Kong to work as a domestic helper they must go through registered recruitment agencies to obtain employment. Around 72% of those seeking to work in Hong Kong go through recruitment agencies (RA), while a little over 19% come via direct hire and the remaining 9% came by direct hire through a private individual (DH/PI).

2. It was found that among those who went through various methods of processing employment abroad, the processing fees being paid were highest among those who went through RA.

Before 2007, the legally defined amount for placement fees to be charged by recruitment agencies should only be one month of their salary as stated in the contract. For those deployed to Hong Kong, this should only be around 25,000 pesos. Payments beyond this amount are considered as overcharging.

However, in March 1, 2007, the Philippine Government implemented what is known as the POEA (Philippine Overseas Employment Administration) Guidelines, which states that any person seeking employment overseas from a registered agency **should not pay any placement fees**.

The only fees they should have to pay for are: Passport, NBI/Police/Barangay Clearance, Authentication, Birth Certificate, Medicare, Trade Test, if necessary, Inoculation, when required by host country and Medical Examination fees.

Fig. TB-1 Processing Fees Paid per Category and Amount

	P10-15,000	P15-25,000	P25-40,000	P40-60,000	P60-100,000	P100,000+
RA	7%	7%	16%	15%	46%	8%
DH	40%	32%	5%	7%	15%	0%
DH/PI	39%	21%	17%	4%	17%	0%

But you can clearly see in figure TB-1 that the cost of processing contracts abroad are highest with Recruitment Agencies (RA). In fact the majority (46%) of the respondents who went via RAs paid between P60,000 – P100,000, three to four times the prescribed amount pre-POEA guidelines in 2007.

Compare this with 40% and 49% of those passing through Direct-Hire mechanisms. They only shelled out between P10,000-P15,000.

The undeniable fact, therefore, is that placement fees are still being collected by recruitment agencies. Also, overcharging is still rampant among recruitment agencies.

3. Filipino domestic workers who pass through agencies show higher incidences of paying additional fees on top of the recruitment processing fees as compared to those who pass through direct hire mechanisms.

According to the New POEA Guidelines for Household Service Workers, the applicants still need to pay government approved fees. In our survey, we asked the respondents, whatever the deployment process they went through, if they paid these fees on top of the processing fees in Fig. TB-1.

More than 200 domestic workers from a total of 356 (68%) who passed through RAs also paid these government approved fees **on top** of the overcharged recruitment/placement fees.

Among those who went through direct hire mechanisms, 40 (DH) and 23 (DH/IP) paid these additional fees on top of the processing costs.

Fig. TB-2 Incidence of Payment of Government-Sponsored Fees Independent of Processing Fees

Fees	RA	DH	DH/IP
NBI clearance	144	30	9
Barangay Clearance	128	22	6
Police Clearance	117	23	7
Passport fees	186	39	13
Cedula	154	33	12

ID photo	161	35	9
Transcripts	82	11	7
Birth certificates	141	29	9
Authentication fees	90	24	8
Medical Check-up fees	244	38	16
Transportation	125	14	5
Other agency processing fees	58	14	4

What this means is, for example, that among those who paid between 60,000 and 100,000 Pesos to their processing agency (please refer to Fig. TB-1) in unapproved and unstated fees, upwards of 58% in the RA category, 42% from DH and 56% from DH/PI are **also** paying for government-approved fees.

4. The New POEA Guidelines for Household Workers actually intensified the malpractices of recruitment agencies and worsened the financial situation of Filipino domestic workers in Hong Kong.

When the new POEA Guidelines was established in December of 2006, 291 of our respondents were already in Hong Kong. Of those that came to Hong Kong before the POEA Guidelines 35% had paid 60-100,000 Pesos in processing fees and only 5% had paid over P100,000.

After the POEA Guidelines came into affect however, those totals rose to over 51% paying in the P60-100,000 range and over 10% paying over 100,000 Pesos. If the POEA Guidelines were established to help overseas workers in recruitment costs, why is it that, after the new rules, overseas domestic workers started paying more, particularly in the higher categories?

In Fig. TB-3 below, you will see that on top of placement fee payments (Fig. TB-2) and government approved fees (Fig. TB-3), there is a high incidence of paying dubious fees.

These dubious fees are controversial fees which have drawn flak from many migrant organizations and service institutions. They cover up for higher recruitment fees and higher government taxation to overseas Filipino workers.

Fig. TB-3 Other Exactions

	RA	DH	DH/IP
Training Fees	192	15	6
TESDA assessment fees	77	9	5
PhilHealth fees	106	13	10
OWWA membership fees	188	36	18
POEA administrative fees	172	32	14

Take note of the Training Fees and TESDA assessment fees. They have been the subject of controversy of the POEA Guidelines for House Hold workers. These fees have been replacing the “traditional” way of overcharging workers. Instead of calling it “placement fees”, recruitment agencies have termed it “Training Fees”.

The government, through their agencies - TESDA, OWWA and POEA, has outlined various fees on top of the regular processing requirements to exact more and more from the OFW in the name of better protection, welfare and professionalization.

5. Despite the high fees and costs incurred before even leaving, the domestic helper is also faced with charges by the Hong Kong agency once they start their employment.

At least 120 others had to pay some amount after arriving in Hong Kong as well.

Through methods such as salary deduction by their employer, monthly payments to agencies, finance companies or individuals, domestic workers in Hong Kong are paying off debt for up to 15 months, with 28% of those still in debt making payments for more than three months. Of those who went through RA, 29% of those still in debt are making payments of anywhere from \$300 to \$3,400 for more than three months.

An estimated 48% of our respondents are still in debt here in Hong Kong, due to the excessive agency fees paid both in the Philippines as well as here in Hong Kong.

6. Those who went through RAs had a higher debt rate than those who passed through direct-hire mechanisms.

When comparing the situation between those who passed through RA and those who went through other means, there is debt across the board. However, those who went through RA had a higher rate of debt, with 75% of those listed in debt coming from agencies. The remaining 17% and 8% came from DH and DH/PI, respectively.

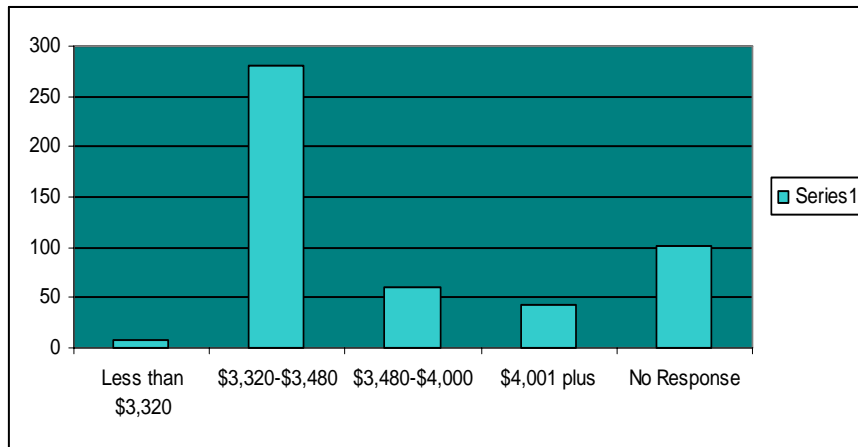
After debt payments, remittances and necessary living costs, many domestic workers find that they have overspent themselves because of the low wage levels in Hong Kong. Because of these factors, many are forced to seek out loans. Finance companies and personal loans on top of the agency debts, keep domestic workers in a vicious cycle of debt payment, one from which they have a hard time digging themselves out of.

Let us look at the factors which compound the debt problem:

a. Low Wage Levels

Domestic workers are among the lowest paid workers in Hong Kong. Judging by arrival dates compared to salaries, it is estimated that 2% of our respondents are underpaid, 71% are within the minimum allowable wage, and 26% make higher than the minimum allowable wage.

Fig. TB-4 Wage Levels



It has already been stated that 196 of the respondents are still indebted. With these meager salaries, which are still below the rate they should be compared to the economy climb after the major wage cuts that happened between 1999 and 2003, domestic workers still manage to send an average of 48% of salaries home to family in remittances. (see Fig. TB-3) Another 38% of their salary is spent on debt payments, leaving the average indebted domestic worker with only \$800 a month to pay for food, transportation, phone cards/IDD and to put into savings.

b. High Cost of Living

Once a domestic worker arrives in Hong Kong, they take on the costs of living in a city where items such as food and transportation costs are higher, as the costs of living in Hong Kong are higher than that of their home country. Domestic workers are spending on average every month:

- \$156 for food,
- \$63 for clothing,
- \$85 for personal groceries,
- \$136 for phone cards,
- \$381 for savings and
- \$404 for non-agency related debt.

c. Remittances

Out of the 196 that are in debt, an astonishing 75% still remit money home. These hard working domestic helpers are supporting whole families back in the Philippines, sometimes as large as 10 people. The average domestic helper is supporting 4.3 people back home. Their families are spending 27% of their remittances on food, 4% on housing, 14% on

transportation, 21% on education, 20% on electricity, 7% on debt in the Philippines and 6% on other needs.

Fig. TB-5 Amount of Remmitances

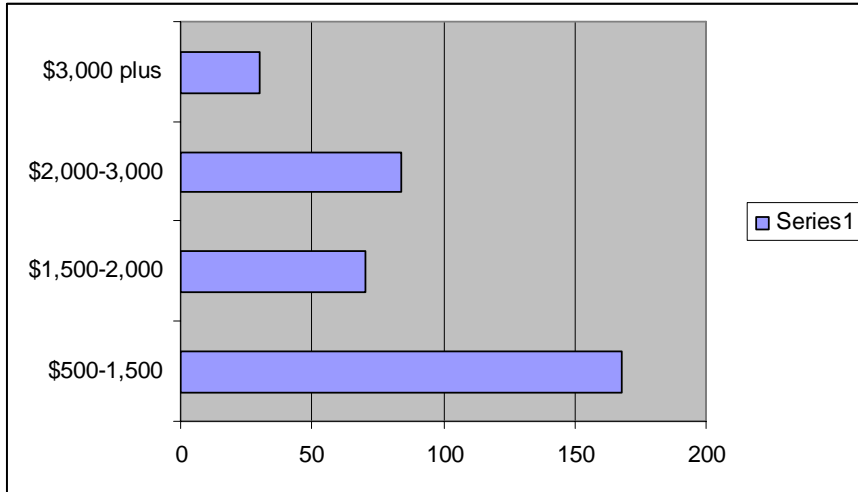


Fig. TB-3

With the necessity of remitting money home, and the strain of paying debts and loans, most domestic workers are overwhelmed with financial obligations. The wages cannot compensate for these necessary costs.

Also, there was also a section in the survey that asked if any had experienced employment problems. The employment problems included assault, confiscation of passports or official documents by the employer or agency, rape, illegal work, illegal deductions, insufficient food, sexual harassment and improper accommodations.

There were 88 who indicated that they experienced one or more of the listed employment problems. Of those 88, there are 37 who are still in debt and still employed in harmful or dangerous situations.

That over 46% of those experiencing problems in the work place still stay on, it can be assumed that it is because of the debt they have to pay off. This magnifies the debt trap that is victimizing the domestic worker in many fronts.

Conclusion:

Coming to a foreign country is hard enough without saddling a migrant worker with debt and bondage to corrupt agencies. The experiences of indebted domestic workers who are seeking to improve the quality of life for their family and their country is appalling. It is apparent that the policies and rules set out by the Philippine government through the POEA are exploitative, and in all actuality, illegal.

It can easily be seen from the results of this survey that the recent POEA Guidelines have done nothing to ease the financial burden of foreign domestic workers, but has in fact, worsened their situation, causing added stress and strain on the worker and their family. When will the government come clean? When can these fraudulent agencies and institutions be brought to justice? When can an individual seek work without fear of being put in debt bondage?

While so much attention has been given to Recruitment Agencies from the Philippines, a country of origin, it is not possible to make it happen if these agencies did not have connections with Hong Kong-based principals / counterparts / representatives to ensure the effective collection of such usurious fees

. Likewise, the nature of policies and degree of participation of both the Hong Kong government and the Philippine government in Hong Kong (the Philippine Consulate General), contribute significantly to the proliferation of such agency malpractices. The existing government bodies that set out policies which are expected to address the problems are inadequate and many times, ineffective. These need another area of study.

A similar situation on agency fees collection is happening among migrants from Indonesia and Thailand and it will be interesting to see the common problems that can be addressed in Hong Kong where the pressures, schemes and collections are actually put into operation. #