The debt trap: how business and government undermine Nepali migrants' efforts to escape poverty

"In my district, I see agents cheating people every day. The people involved in this business thrive on convincing workers that if they take out loans and pay huge fees, they can get well-paid jobs abroad. But when things go wrong and workers come home without wages promised by agents, families are burdened with enormous debt. This is how the vicious cycle of poverty continues."

-Migrants' rights activist in Saptari District, Nepal

Making poor people pay for jobs abroad defies common sense. Yet in Nepal, as in many other countries where large proportions of the population migrate for work, it is standard practice. Migrant workers pay thousands of dollars in legal and illegal fees charged by middlemen, foreign employers, destination governments, and even the government of Nepal – with huge human rights implications.

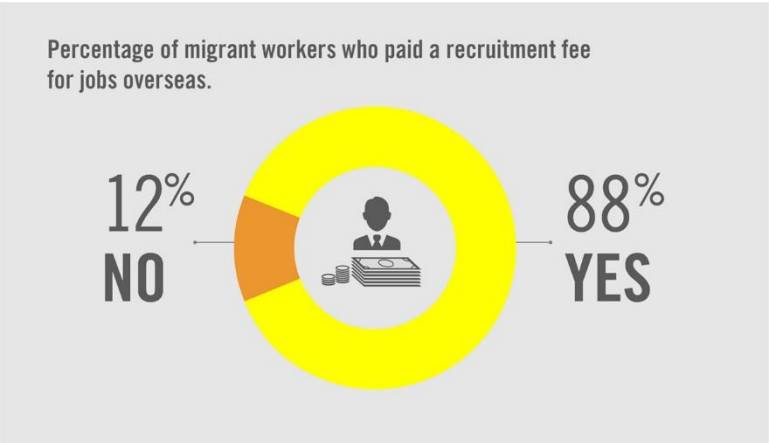
This year, Amnesty's report *Turning People into Profits* showed how migration debts have a destructive effect on the lives of Nepali migrants and their families. These often colossal debts quickly turn hopeful job-seekers into bonded labourers who are easily exploited in their jobs abroad.

A new survey we conducted with 414 Nepali migrant workers adds to this picture. Using a worker voice platform called Laborlink, Amnesty collaborated with several migrants' rights organizations, including the Pravasi Nepal Coordination Committee (PNCC), the North South Initiative and the SaMi Project/Helevatas Swiss Intercooperation Nepal, to engage groups of migrant workers to take surveys on their mobile phones. The data we collected, alongside other evidence from our investigations in Nepal, helps unpick the systemic problem of migrant worker debts and raises questions about who is really prepared to tackle the issue of indebtedness.

If we hope to make progress on eliminating modern slavery in global supply chains, as many states now do with their new anti-slavery legislation, then tackling the extortionate fees that millions of labour migrants pay must be at the top of the priority list.

1. Fees: a relentless burden on hopeful migrants

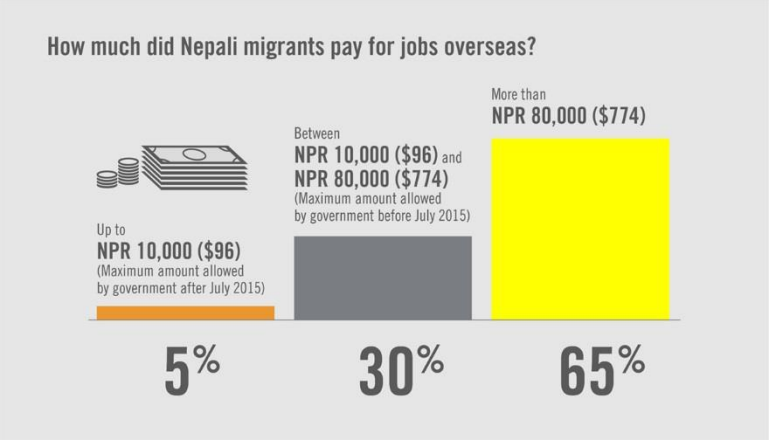
Nearly all participants in our survey reported that they paid fees to agents for their jobs overseas.



Nepali labourers pay some of the highest costs to migrate in the region. These costs largely take the form of the extortionate fees demanded by layers of middlemen (large agencies in the capital, local agents, and their subagents) who facilitate their migrants' journeys into the global workforce.

Ensuring that migrant workers have not paid fees to migrate for work is the international standard, but in Nepal it is not illegal. Up until July 2015, the Nepal government allowed recruitment agencies to legally charge migrant workers NPR 80,000 (US $774) if they were departing to Malaysia and NPR 70,000 (US $677) if they were departing to the six GCC countries (Qatar, Saudi Arabia, the UAE, Kuwait, Bahrain, and Oman). Most of the migrant workers participating in our survey had gone abroad before 2015.

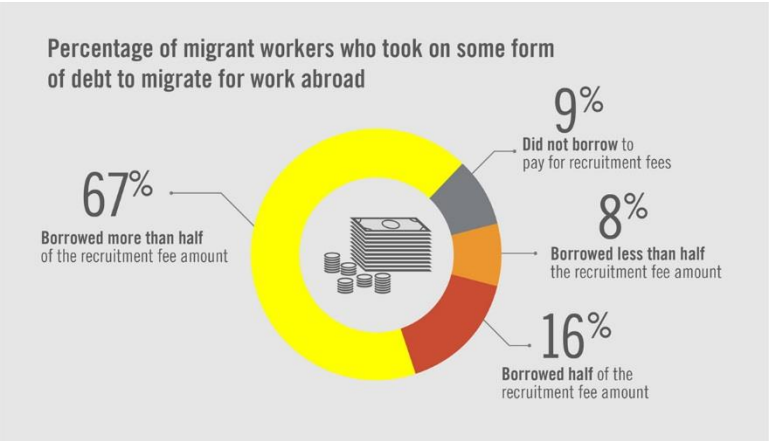
It is not that surprising that most workers paid fees. As workers have explained to me: "We have no choice but to pay agents to get jobs abroad. The fees are more than we can afford, but if we don't pay there is always another person to take our place." What is shocking, however, is the percentage of migrants who are illegally overcharged by their agents. In our survey, almost two-thirds of migrant workers paid fees that were higher than the government's maximum limit.



This corroborates Amnesty's previous research which has found Nepali migrants paying, on average, US $ 1,346 to agents for their jobs abroad. This amount does not even capture migrants' other costs, which include pre-departure orientation, medical examinations, foreign employment insurance, job training, and travel costs to and from their villages to Kathmandu. Workers may also face costs in their countries of work, such as residency permits or mandatory medical tests.

2. Loans

The majority of our respondents borrowed more than half of the recruitment fee amount in order to pay the fees charged to them.



Most migrant workers and their families cannot afford to pay thousands of dollars in migration fees, especially when their village-level income is less than US $150 a month. Daily life is already expensive for Nepalis. Even in poor villages, families have told us they pay upwards of US $350 per year if they want to send their children to a decent school.

When resources are few and credit is hard to access, migrants paying fees are easily exploited by predatory lenders. Recently in Nepal's Terai region, I found marginalised communities paying staggering interest rates of 48 to 60% on loans taken out to migrate – backing up other studies suggesting that the people most desperate for jobs and income are often the most exploited by agents and predatory lenders. "You are constantly living with stress when you take out a loan to migrate. You have made an investment in your family's future, so you better come home with something to show for it," as one worker described the situation.

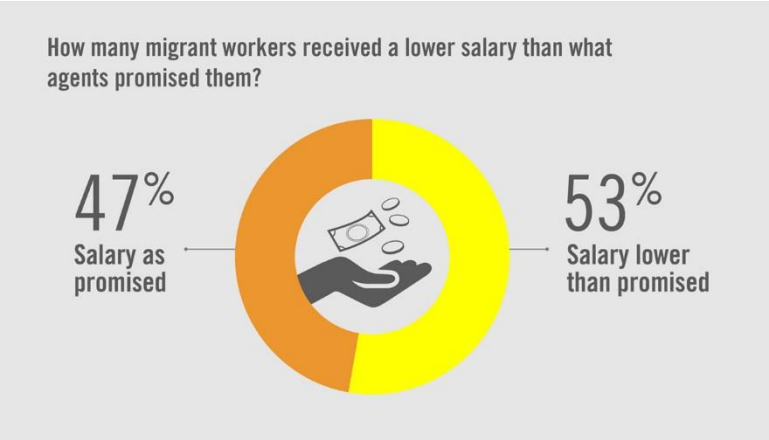
Migrant workers may easily spend their entire time abroad working to pay off their migration debts – especially when workers' calculations about how they will repay loans are derailed by unpaid wages or other forms of labour exploitation. Workers in these circumstances can feel they have "wasted" valuable time that could have been spent with their loved ones at home.

For some, migration debts can hang over their heads for years, or push the entire family to the brink of financial disaster. I have documented several cases in which migrant workers accrued more than US $3,000 in debt as a result of taking out high-interest loans. This usually happens when migrants receive salaries that are far lower than what was promised by their agents. Village moneylenders also

take advantage of migrants in these situations by doubling the interest rates on their loans if they are not repaid on time. When debts driven by migration fees become completely unsustainable, migrants find themselves trapped in an endless cycle where they are repeatedly migrating in order to pay off the loans from their previous migration.

3. Migration debts, manipulation and deception

More than half of the workers reported that they received lower monthly salaries than what was promised to them by recruitment agents.



Recruiters frequently do not deliver on their promises to workers about the salary they can expect. Debt is crucial to this process. Recruiters have explained this to us in interviews, with one saying that debts imposed on migrants "make them serious about their migration."

Nepali workers have explained to me what this means in reality: after realising they would not receive the job or salary that was promised to them, they would have backed out of travelling overseas, had it not been for the debt they had already taken on to fund their migration. Anjay, a worker from Kalili district, told me: "I only received my work contract in the Kathmandu airport—one hour before my flight. When I noticed the salary in the contract was 25% lower than the promised salary by my recruitment agency, I did not complain. At this point, I felt that I had to "make peace" with what had happened, and go abroad in order to pay off my loan."

Recruiters market Nepali workers to prospective foreign clients by highlighting how unlikely they are to leave their jobs. Over the past year, I have reviewed and analysed a hundred Nepali recruitment websites. I have found multiple sites referring to Nepali workers as "loyal to their employers" and "completely dedicated to work *even in adverse situations*."

Few most lucrative reasons that leads for choosing Nepalese workers are:

a. Popular as Honest, Hardworking and Punctual in work
b. Loyal to their Employer
c. Very much flexible in doing work
d. Completely dedicated to work even in adverse situations
e. Relatively Cost Effective in comparison to other source countries

ABOUT NEPAL DOCUMENTS REQUIRED RECRUITMENT

In November I met four Nepali workers whose agents deceived them about their working conditions. They were told they would work in a factory in Malaysia making labels for plastic bottles; but instead, they were sent to a steel manufacturer and asked to perform dangerous jobs without training. After witnessing several on-the-job injuries, the four men tried to leave but the company would not pay for their tickets home or return their passports. Heavily indebted after paying US $1,200 in recruitment fees, the men said they were trapped, scared, and unable to return home without money to buy plane tickets. I wondered: would their agents have described these men, in classic situations of forced labour, as "completely dedicated to work even in adverse situations"?

4. Hidden, unaccountable debt

Nepali workers are routinely denied documentation for the fees paid to recruiters. In our survey, an overwhelming majority of workers – 90% – did not receive an accurate receipt from agents for the recruitment fees they had paid.

Without receipts, migrant workers lack proof that they have been exploited by recruitment agents. This

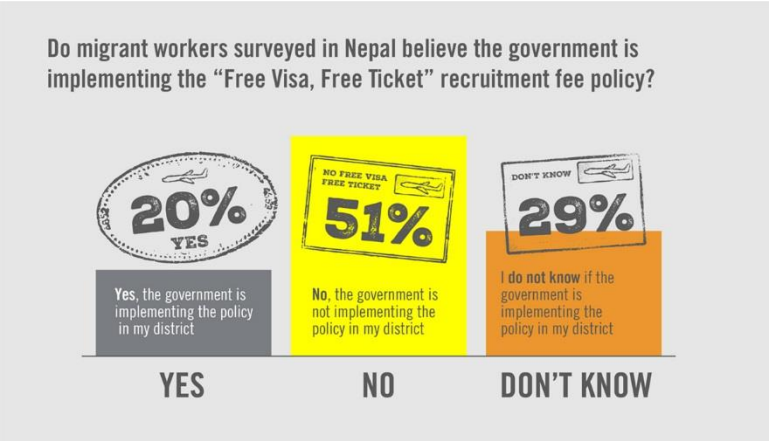
prevents them from filing legal cases against unscrupulous agents, or proving to their foreign employers that they have indeed financed their own migration even when employers believed they had paid for flight tickets, visa processing, and other associated costs.

Nepali recruiters use a range of tactics to hide their unethical and criminal business conduct, thus ensuring they are never held liable for their abuse of migrants. Migrants frequently complain that recruitment agents force them to pay middlemen in hotels rather than inside their offices, muddling their understanding of who has taken their money and is responsible for overcharging them. Recruiters have so carefully designed their own system of impunity that they even ask migrant workers to turn off or hand over their phones at any point when money is exchanged. Sometimes, they even stage videos of migrant workers, instructing migrants to state on camera that they have paid the legal limit for recruitment fees.

5. Government: Failing to take action, blaming migrants for their debts

In July 2015 the Nepal government introduced the "Free Visa, Free Ticket" policy, which revised the maximum fees workers could be charged to NPR 10,000 ($96) in response to local and international pressure. While the "Free Visa, Free Ticket" policy does not completely abolish fees, it should represent the first step toward a zero-cost labour recruitment system for Nepali migrants.

In various meetings over the past year, the government has assured us that that migrants are now paying less for their jobs overseas. But the government's upbeat assessment of the situation is hardly matched by its migrant worker population. In fact, only 20% of our survey respondents perceived that the government was implementing the "Free Visa, Free Ticket" policy in their district. Negative perceptions about government's implementation of its recruitment policy was also a common theme amongst migrants interviewed for our 2017 report.



Without resources and enforcement, the government's "Free Visa, Free Ticket" recruitment fee policy has fallen flat in achieving any meaningful reduction in migration costs. Instead of aggressive oversight over recruitment agencies, the Department of Foreign Employment (DoFE) has asked recruitment agencies to self-report on their compliance with its lower-cost recruitment policy. Government officials have admitted to us that few recruitment agencies have reported, and as far as we are aware, the government has not fined or punished recruitment agencies that have ignored their request.

Migrants receive little government help in challenging agents. Instead, government officials have a tendency to blame indebted migrants for poorly calculating their "migration choices" and for failing to assert their rights at crucial moments in the migration process (such as demanding recruitment fee receipts from agencies unwilling to provide them).

Conclusion: We can do better for migrant workers

Migrants make unimaginable sacrifices by leaving their loved ones and working overseas. Nepalis -- and other nationalities of migrants -- are rarely recognised for putting their lives *and household finances* on the line in order to fulfil jobs that are closely linked to many of the services and goods that we ourselves consume. In the villages of our research, migrant workers are the main agents of development. In the absence of adequate public services, they are the ones taking care of family health crises and investing in the education of the next generation.

This is what makes tackling the extremely high cost of migrating for work so important. At the very root of the injustice of indebtedness is that migrants who have a practical plan for their life improvement end up wasting years of their lives away from their families – with far less to invest in their anti-poverty goals than should be the case.

That migrants are paying exorbitant and inflated costs to recruiters to get jobs abroad is an indisputable fact. This year Amnesty has urged the Nepal government to fully invest in the implementation of its "Free Visa, Free Ticket" recruitment fee policy. A good starting point would be to impose financial penalties on recruitment agencies that ignore government requests to report on their business' compliance with the policy, and to use the information that is provided by agencies for further investigation into recruitment abuses. Yet the government has repeatedly failed to protect workers' interests by not taking firm action against recruiters.

In this context, legal and reputational pressure is growing on large corporations that – either through direct employment or through suppliers and contractors – are involved in the employment of migrant workers in Malaysia, the Gulf and elsewhere. Even when large corporations are not the ones directly recruiting workers, they still have a responsibility to assess and mitigate how they are contributing to human rights abuse through their business relationships – as made clear by global standards on business and human rights. Corporations can avoid complicity in bonded migrant labour by requiring that the businesses in their contracting and supply chains respect principles on ethical recruitment. After all, the inexpensive labour that migrant workers provide is key to many businesses' profit margins.

However very few companies are taking concrete and transparent steps to manage and respond to these risks and labour abuses in their supply chains and operations. Instead, many appear to be distancing themselves from any responsibility - both to check for risks and to provide remedy to affected workers – by hiding behind opaque corporate structures and their outsourcing relationships. I regularly see representatives of large corporations at roundtables and conferences talking about putting workers first in their supply chain decision-making. Compare this with truly dismal levels of corporate reporting on how companies have identified and addressed supply chain human rights risks and labour abuses. The slow move from corporate rhetoric to robust implementation suggests companies will not adhere to critical human rights standards relevant to labour recruitment until such standards have teeth in the domestic law of their home jurisdictions.

There are some instances where companies are starting to respond by establishing policies to

reimburse workers for illegal fees paid to recruitment agents. But this only works when policies truly reflect the realities of recruitment abuse.

Qatar's 2022 World Cup organizers, for example, have a clear policy that payment of recruitment fees by workers will not be tolerated, and require companies who are working on the World Cup to abide by this standard. Still, this policy requires migrant workers to produce recruitment fee receipts in order to receive reimbursement for the illegal fees that recruitment agencies have extracted from them. As our survey data well-illustrates, remedies for recruitment abuse miss the mark when they wrongfully assume workers can provide documentation and proof of payment for migration costs. The reality is that exploitative recruiters boost their business *precisely* by denying workers evidence of illegal payments. There are concrete proposals for how businesses could address this well-known risk, but there are too few examples of them being put into practice.

To address and remedy recruitment abuse in their supply chains and operations, businesses will need to raise their own due diligence in line with international standards on preventing and remedying recruitment abuse. One huge step forward on this issue would be for major corporate actors to implement policies that require the businesses involved their supply chains to reimburse the workers that they have recruited for any fees that have been paid to migrate. Such policies, however, must shift the burden of proof away from migrants. Without bold measures to aggressively tackle this entrenched issue, Nepalis and other migrants will continue to face cycles of abuse built on the high cost of migration.

Methodology

Amnesty International partnered with Laborlink, a worker voice platform that is part of ELEVATE, to employ a community-based survey methodology to surface issues around migrant worker abuse and exploitation. We conducted mobile phone surveys in Malaysia with groups of migrants working in different sectors, as well as in Nepal with migrants who had returned home after undertaking foreign employment in Malaysia or Gulf countries. Our surveys asked migrants a number of questions about the process of getting work overseas and the protection of their labour rights while working abroad. We also asked them about the implementation of Government of Nepal policies designed to reduce migration costs. The vast majority of the workers we had surveyed migrated before 2015, meaning that they migrated before the government enacted its new "Free Visa, Free Ticket" policy that considerably decreased the maximum legal fee that can be charged to workers by recruitment agents. While statistical significance of the survey results is difficult to assess without knowing the migrant worker populations in each country, the results represent approximate perceptions across our target population. The results also corroborate the qualitative research findings from our 2017 report.