

'Regulation by reputation': Rating program can help combat migrant abuse in the Gulf

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In a world increasingly dependent on social media, consumers rely on reviews and ratings for everything from restaurants to service providers. And those opinions, published instantly online, can make or break a

business.

University of Notre Dame economist A. Nilesh Fernando recently examined whether a [rating system](#) could impact a far greater issue—the effort to prevent the widespread abuse of South Asian migrants in the Persian Gulf region at the hands of their employers.

A study by Fernando, an assistant professor in the Department of Economics, and Niharika Singh, a postdoctoral research scholar at Columbia University, focused on a Sri Lankan governmental review system enacted to combat labor abuses of that country's [migrant workers](#) employed in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

"As with many international migrants, Sri Lankans leave home to find employment as laborers in construction and as domestic workers and vehicle and machinery operators, hoping to financially support their families and build better lives," Fernando said. "In fact, roughly 17% of the total Sri Lankan work force—approximately 1.5 million workers—were employed in the Gulf region alone in 2015."

Unfortunately, many Gulf region employers routinely withhold pay; seize passports; engage in verbal, physical and sexual abuse; and fail to honor their contracts, leaving [migrant](#) workers with few options for legal recourse, Fernando said. Using administrative data on more than 1.5 million Sri Lankan migrant workers, the researchers found that approximately 8 percent of them make a complaint to a consulate to report labor abuses—with 80 percent of those complaints coming from female migrant workers—although the occurrence of abuse is likely much higher.

Countries that supply migrant workers have no power to control labor laws in host countries, and banning migration altogether hurts both the

migrants and the economies of their home countries. However, migration in the Gulf corridor is often mediated by recruitment agencies, Fernando noted, and targeting these intermediary agencies for reform has the potential to help solve the problem.

"Vulnerable migrants place their trust in intermediaries in return for finding them safe passage and employment opportunities," he said. "As a consequence, these middlemen have enormous power in determining the potential quality of the migrant's job.

"But if nobody holds an intermediary accountable in Sri Lanka, and an abusive employer is willing to pay you more money, they may as well send the migrant to an abusive employer. We found that some agencies systematically send migrants to abusive employers; we call them 'underperforming' or 'low-quality' agencies. Those are the ones that you really want to find a way to improve on their practices."

In 2010, the Sri Lankan Bureau of Foreign Employment instituted a [rating](#) program to give star ratings to eligible intermediaries to incentivize them toward better placement practices. ("Eligible" intermediaries were those agencies that sent more than 100 migrants to jobs in 2009.) The government announced it would grant intermediaries zero to five stars based on each agency's total recruitment, skill intensity of jobs matched and performance in resolving complaints. In 2012, the star ratings were then announced in a public ceremony and made available in an online database.

To assess this "regulation by reputation" strategy, Fernando and Singh examined how eligible Sri Lankan intermediaries responded, beginning with when they first learned they would be reviewed and rated based on their business practices. They discovered that the star-rating policy did make a difference and that intermediaries responded proactively to an incentive that threatened their reputation—especially those agencies that

were underperforming.

To determine this, Fernando and Singh compared agencies that were eligible to those that were not, by tracking individual migrants and their contracts, local recruiters, foreign employers and, ultimately, whether they sought assistance from a Sri Lankan consulate for an employment-related dispute.

What was most surprising, Fernando said, was the timing and the efficacy of the policy.

"The period between 2010 and 2012 when the intermediaries were given the chance to get their act together was the most productive," Fernando said. "That was when the agencies, particularly those who were previously underperforming, started complying and taking action to improve what their future rating would be—before it was revealed how many stars they had garnered.

"If you create a reputational incentive for these intermediaries—if you give them a carrot, so to speak—then they start caring about where they place migrants. The agencies will choose better employers when they have reason to do so."

In a related result, Fernando and Singh found that employers also sought out the higher-rated intermediaries to find workers for them because they deemed them more dependable and trustworthy in finding reliable, consistent help.

The researchers did not find evidence, however, that migrants responded to the star ratings, in large part because the ratings were primarily made available on the internet, which, at the time, was accessible to less than 12% of the Sri Lankan population. In fact, only 14 percent of the migrants had ever heard of the rating program. The researchers

concluded that work still needs to be done to better market the star ratings to a broader audience.

Improving the lives of Sri Lankan migrant workers is not only personally important to Fernando, who is from Sri Lanka, but is also completely aligned with the spirit of Notre Dame, he said.

"I can't think of something more consistent with Notre Dame's mission than caring about the dignity of labor. Any human being, no matter where they come from—no matter if they are rich or poor, Black, brown or white—has an inherent dignity about them that we should respect."

"And being able to conduct research that uses credible methods, that is empirically oriented, that uses a ton of data to make simple points, is very much consistent with the idea of valuing human development and human flourishing."

More information: Regulation by Reputation? Intermediaries, Labor Abuses, and International Migration.

news.nd.edu/assets/501978/migrec_070622.pdf

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