

Worse off for working?

Kickbacks, intermediary fees and migrant construction workers in Singapore

A Transient Workers Count Too report based on research with Bangladeshi construction workers in Singapore.

This is an initial report. The final version will include further findings and proposals for action both in Singapore and Bangladesh – as well as acknowledgements to the hard working team that produced the report.

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Worse off for working? Kickbacks, intermediary fees and migrant construction workers in Singapore

Last October, Kenneth Lim Ong Long, director of the construction company Highsan Lim Enterprise, pleaded guilty to ten charges of accepting kickbacks¹. Lim allegedly collected \$6,000 per head from 30 Chinese construction workers in exchange for hiring them². When news of the case broke, a self-identified construction industry insider wrote to the *Straits Times* explaining that kickbacks are “rampant” in the industry with “all payments...made in cash, so that there will be no money trail”³. Indeed, in 2005, when senior manager Chua Swee Ann was charged with receiving \$1,500 from an employment agency for each of the 48 workers recruited on behalf of the construction contractor Kurihara Kogyo, Chua justified his actions by stating that the payments are a “market practice”⁴.

Findings from a recent TWC2 research project confirm this anecdotal evidence about the prevalence of kickbacks in Singapore’s construction industry. Our data indicates that a majority of the employers of the 245,000 strong foreign construction workforce may collect kickbacks.⁵

Analyzing the prevalence of kickback collection in the construction industry is complicated given the manner in which transactions are made. Foreign construction workers typically arrange jobs in Singapore through an intermediary (usually an employment agency, but sometimes a skill training centre or a fellow worker). Workers pay the intermediary a flat fee which in the past five years has usually ranged from \$5000 to \$9900 if they are inexperienced and \$2000 to \$3950 if they are experienced.⁶ While there is reason to believe that many Singaporean employers directly profit from these fees, workers are typically not privy to information about whether a portion of their intermediary fee is passed to their employer.

Kickbacks are most readily discernible when employers make employment arrangements directly with their employees. This typically occurs when staff are retained after the elapse of a contract period. (Foreign construction workers are usually employed on one-year contracts). Of the 100 construction workers we surveyed who renewed their initial contract with their first Singaporean employer, 65% had to pay their employers for this opportunity. Our results indicate that employers who charge for contract renewal collect between \$300 and \$2400 from each worker. Our respondents paid an average of \$1081 for contract renewal.

Intermediary and contract renewal fees present grave challenges for migrants seeking to improve their financial circumstances by working in Singapore. The fees siphon off large portions of workers’ potential earnings. Our respondents paid average intermediary fees of \$7256 when inexperienced. This is the

¹ Boss fakes workers' list to hire foreigners, *Straits Times*. 12 October 2011.

² Construction firm in 'kickbacks for hiring' probe, *Straits Times*. 6 January 2011.

³ Lee Meng Yew, Kickbacks rampant in the construction industry, *Straits Times*. 24 April 2008.

⁴ Exec took \$42,000 in bribes, *Straits Times*. 22 June 2005.

⁵ Statistic on the size of the construction workforce quoted in: Demand for foreign workers 'still strong', *Straits Times*, 31 August 2010.

⁶ One reason that the intermediary fee for inexperienced workers is higher than that for experienced workers is that the fee for inexperienced workers is typically inclusive of mandatory training and certification in a construction trade. As is elaborated in greater detail below, we believe that some respondents indicating figures in the lower end of the intermediary fee range may have been charged an additional fee for training and certification. A likely increase in intermediary fees in 2009 may also contribute to the wide range in fee quotations.

equivalent of nearly 15 months of these workers' "basic" (i.e. before overtime) salary.⁷ While intermediary fees are highest upon entry to the industry, migrants typically must overcome obstacles to earnings in the form of intermediary and contract renewal fees throughout the course of their careers. The average intermediary fee for experienced migrants in our sample is \$3332, or the likely equivalent of more than four months of these workers' basic salaries.⁸ The average contract renewal fee of our respondents is the equivalent of as much as one-sixth of their basic annual salaries.⁹

Intermediary fees can bring about the financial ruin of the small percentage of workers (perhaps about 5%) who have their initial employment contracts prematurely terminated. Intermediary fees are also devastating for the thousands of workers who return to their home countries after working for a year in Singapore. Intermediary fees cannot typically be recovered in one year, yet migrants often find themselves unemployed after completing their initial one year contract. Finally, because stable, long-term employment opportunities in Singapore's construction industry are rare, experienced workers typically must change jobs (and pay additional intermediary fees) multiple times.

Kickbacks and intermediary fees not only create an egregious financial burden for workers but they are also stunting the development of the construction industry. The Ministry of National Development has implemented new policies encouraging the construction industry to train and retain a skilled and experienced foreign workforce. Intermediary fees and kickbacks interfere with the achievement of this objective because they contribute to the industry's exceptionally high worker turnover rate. Some employers choose not to retain employees because they can collect higher fees from new workers. Workers sometimes choose not to renew their contracts because they consider their employers' renewal fee high relative to potential earnings. Kickbacks and intermediary fees also discourage unemployed workers' re-entry into the industry because they create a high financial barrier.

The following report on kickbacks is culled from a more comprehensive research project investigating the financial costs and benefits of employment in Singapore for Bangladeshi migrant construction workers. After describing the objectives and methodology of the overall research project, we present our findings on the ubiquity of purchasing jobs, kickbacks and profiteering, the consequences of kickbacks and intermediary fees for migrant construction workers and the consequences of kickbacks and intermediary fees for the construction industry.

I. Research objectives

The thousands of dollars that migrant construction workers pay intermediaries in their home countries for placement in Singapore jobs is covered sporadically in the Singapore media. News stories typically

⁷ We found that upon entry to the industry, most Bangladeshi migrants earn a "basic" daily rate of \$18. For a six-day work week, inexperienced migrants can expect to earn \$486 per month. At this rate, migrants would earn \$7256 in 14.93 months.

⁸ We do not have enough data on the salaries of experienced workers to make definite statements about their average earnings. For purposes of illustrating the expense of intermediary fees vis-a-vis workers' potential earnings, we have somewhat arbitrarily used a daily rate of \$22. This is \$4 higher than the average starting salary and seems reasonable in light of the information on salaries that we do have and what seems to be a general reluctance in the industry to reward experienced workers with higher salaries. At a daily rate of \$22, migrants would earn \$594 for a six-day work week. At this rate, the average intermediary fee for experienced migrants would be recovered in 5.61 months.

⁹ The renewal fee would represent more than two months of salary for workers earning the entry level daily rate of \$18.

document cases where employment agency fees cause extreme hardships for or even (in at least one instance) contribute to the death of workers.

In periods of downturn for the construction industry (such as in 1998 and early 2009) journalists have reported on the financial devastation that employment agency fees create when workers' contracts are prematurely terminated due to project cancellations. For example, a 2009 *Straits Times* article highlighted the plight of 55 laid-off Tunnel & Shaft workers, some of whom were returning to Bangladesh with outstanding agency fee debts of \$8000.¹⁰ During the 1998 industry recession, the *Straits Times* profiled a homeless Indian worker who lived on the streets and performed odd jobs after his company stopped providing him with work. The migrant told reporters that he remained in Singapore because of the \$6000 debt he incurred for his passage. He said, "I would still rather live on the streets as an illegal than go back to India. If I went back, everyone would go after me...my family, the moneylenders...I miss my family but I'd rather stay here than go back and get killed."¹¹

In 2004, Kannian Madhu, a 30-year old Indian construction worker was reported to have died from a heart attack after learning that his employment agency was repeatedly threatening his family in India. Madhu had been unable to make payments toward his \$6000 agency debt for five months after Wan Soon Construction defaulted on salary payments.¹²

Instances in which migrants are unable to recover their intermediary fees are treated as unfortunate anomalies in most media reports profiling migrant workers in Singapore. Journalistic and academic accounts from observation and study of Bangladesh, one of the Singaporean construction industry's most important sources of labor, reveal a rather different picture.

In 1999 *Straits Times* journalists visited the Bangladeshi village of Sonarua which had sent over 1500 men to Singapore. The journalists found that "only 75 of the village's men have made good...The other stories are littered with broken dreams, split families and debts. Most no better off than before..."¹³ An academic survey carried out in the Bangladeshi village of Gurail in 2001 found that 80% of village men who migrated to Singapore experienced a net financial loss due to the high cost of migration, the unavailability of low interest rate loans and premature deportation.¹⁴

Contradictory assessments exist about whether most Singapore-bound migrants succeed in recovering their intermediary fees to gain financially from their experience in Singapore. We decided to undertake research which would provide a comprehensive understanding of the financial costs and benefits of migration to Singapore for construction workers. Our research delved into many different facets of workers' experiences - intermediary fees, training, employment positions, wages, overtime, cost of living, etc. We plan to publish a report accessing these findings in their entirety in the coming months. This

¹⁰ 55 foreign workers get the boot, *Straits Times*. 14 January 2009.

¹¹ 'Slave' on the run, *Straits Times*. 24 October 1998.

¹² Worry over loans turns fatal, *Straits Times*. 19 June 2004. The psychological distress which intermediary fees create likely contributes to foreign workers classification as a "high risk" group for suicide. Between 2000 and 2004, 68 male foreign laborers (mostly construction workers) committed suicide. Dr. Chia Boon Hock, an academic who analyzed the suicide statistics, suggested one reason foreign workers have an unexpectedly high rate of suicide is because they often feel "trapped. They have spent so much to come here, and so many hopes are pinned on them." See: Foreign workers a 'high-risk' group, *Straits Times*. 9 March 2006.

¹³ Construction-workers scam, *Straits Times*. 13 December 1999.

¹⁴ Rahman, Md Mizanur. *In Quest of Golden Deer: Bangladeshi Transient Migrants Overseas*. VDM Verlag, 2009, p. 54-56.

preliminary report focuses on intermediary fees and kickbacks which we regard as among the most pressing problems plaguing migrants and the industry.

Amendments to the Employment of Foreign Manpower Act in 2008 made it illegal for employers to collect kickbacks from foreign workers or their intermediaries. Changes to the fee cap of the Employment Agencies Act in April 2011 stipulated that employment agencies are only permitted to charge the equivalent of one month's salary for placement in a job with a one-year contract.¹⁵

Our research findings indicate that regulatory prohibitions are doing little to deter construction employers and job placement intermediaries from collecting illegal fees. Enforcement of both the anti-kickback provision and the fee cap under the Employment Agencies Act leave much to be desired. For example, in the first two years after the anti-kickback provision went into effect, only a dozen employers were prosecuted.¹⁶ TWC2 hopes that the release of this preliminary report will encourage the Ministry of Manpower to take a much stronger and more proactive stance toward enforcement. In addition, significant revisions to policy are required to prevent migrants from incurring excessive charges.¹⁷

II. Research methodology

Singapore employers are permitted to hire foreign construction workers from China, Malaysia and certain North Asian (Hong Kong, Macau, South Korea and Taiwan) and “non-traditional” (Bangladesh, India, Myanmar, Sri Lanka, Thailand and the Philippines) source countries.¹⁸ Whereas Chinese, Malaysians and North Asians are typically employed as skilled laborers¹⁹, workers from “non-traditional” source countries fill virtually all unskilled and semi-skilled positions in Singapore’s construction industry.

As it proved impractical to collect primary data from large numbers of workers from each national group, we decided to focus on Bangladeshis. Numerically, Bangladeshis are amongst the largest groups of non-traditional source country workers in the industry. An estimated 60,000 Bangladeshis comprise more

¹⁵ Ministry of Manpower. New Employment Agency (EA) Regulatory Framework. Retrieved from: <http://www.mom.gov.sg/foreign-manpower/employment-agencies/Pages/Faq-Feecaps.aspx>.

¹⁶ The *Straits Times* noted that between July 2008 and September 2010 a dozen employers “were taken to task” for kickbacks. See: Construction firm in ‘kickbacks for hiring probe’, *Straits Times*. 6 January 2011.

¹⁷ The final report will include specific policy recommendations.

¹⁸ The MOM does not provide statistics about the composition of the construction workforce aggregated according to nationality. We estimate that India, China, Bangladesh and Thailand, probably in this order, provide the construction industry with the most labor. There are also many Malaysians in the industry, many of whom work in supervisory positions or as subcontractors. The number of North Asian workers in the industry is almost certainly very small.

¹⁹ Although Chinese construction workers are generally employed as skilled laborers and earn higher salaries (in the range of \$1000 to \$1500 per month including overtime) than non-traditional source country workers, their terms and conditions of employment do not vary in most respects. Chinese construction workers also pay high intermediary fees in the range of RMB 15,000 to RMD 50,000 (\$2867 to \$9558) for inexperienced workers. See Humanitarian Organisation for Migration Economics (H.O.M.E). *The exploitation of migrant Chinese construction workers in Singapore*, 2011, p.7, and Aris Chan. *Hired on Sufferance: China's Migrant Workers in Singapore*, 2011, p. 19. Intermediary fees, specified in the reports in RMB, are converted to SGD using the mid-year (June 30 2011) historical currency conversion rate found at <http://www.oanda.com/currency/converter/>.

than one-fifth of the total foreign construction workforce.²⁰ During the industry's most recent phase of expansion (which began in 2009 and continues into the present), construction employers filled most of their new positions with workers from Bangladesh and India. As a result, the number of Bangladeshi construction workers in Singapore today is nearly double that of three years ago.²¹

Airport Exit Survey

Our primary source of data is a survey administered to 192 Bangladeshi construction workers. The survey was administered at Changi airport to departing workers boarding 13 different flights on 9 different dates between 21 December 2011 and 4 January 2012. Like the majority of Bangladeshi workers, the majority of our sample (almost 71%) were returning to their home country on Bangladesh's national carrier, Biman Bangladesh. A minority of our sample (roughly 29%) were flying with the budget airline, Air India. The majority of our respondents were returning to Bangladesh alone (i.e. they were the only person from their company traveling on that day).

Seven to twenty-seven construction workers were surveyed from each flight. The number of respondents surveyed on each date varied according to the number of surveyors, the timeliness of the flight and the number of non-construction worker passengers. The principal surveyor was an American woman. On two occasions she was assisted by a Singaporean man and on one occasion by a Singaporean woman. The survey was administered verbally to workers who were fluent English speakers. Workers whose English was less than fluent were given a copy of the survey questions in Bangla which they could either answer verbally (in English, with or without the assistance of an interpreter friend) or in written form (in Bangla or English).

The survey consisted of 15 questions. Three questions were devoted to establishing the worker's demographics (year of arrival, length of employment, number of employers). The remaining questions inquired about expenditures and gains during workers first placement (eight questions) and most recent placement (four questions). Follow-up questions were sometimes posed if time permitted.

The refusal rate for our survey was very low (the largest number of refusals we met with on a single flight was five; however, many flights surveyed had a 100% response rate). While we often had difficulty accessing the minority of workers who are accompanied to the point of the immigration counter by their employer or employer's representative, we feel confident that our results are otherwise representative of the construction worker passengers on these two airlines. There are three important points to note about the demographics of our sample.

First, more than 80% of our respondents joined Singapore's construction workforce within the past five years, with approximately 35% of respondents entering the industry within the past two years. In analysis, we often select for respondents who joined the industry within the past five years to ensure that data is indicative of current conditions in the industry.

²⁰ A contact at the Bangladeshi High Commission informed us that of the more than 100,000 Bangladeshis in Singapore about 60% are employed in construction.

²¹ In 2005, there was an estimated 45,000 - 50,000 Bangladeshis in Singapore. In 2007, this number increased to an estimated 50,000 - 60,000, and in 2010 to an estimated 100,000. See: The pay's not bad, and work is their pleasure, *Straits Times*. 21 February 2005.; Tamil celebs coming for film retrospective, *Straits Times*. 11 July 2007.; Bangladeshis here worry over fate of families after cyclone, *Straits Times*. 19 November 2007.; Bangladesh sets up chamber of commerce, *Straits Times*, 29 September 2010.

Table 1: Length of employment (to date) in Singapore's construction industry (N = 192)

Length of Employment (to date) in Singapore's Construction Industry	Number of Respondents	Percentage
One year or less	43	22.4%
Two years to more than one year	25	13%
Three years to more than two years	46	24%
Four years to more than three years	34	17.7%
Five years to more than four years	12	6.3%
More than five years	32	16.7%

Second, less than half of respondents (approximately 43%) had worked for more than one Singapore construction employer, so the sample size of workers for the second section of the questionnaire was considerably smaller than for that for the first.

Table 2: Number of different employers of respondents (N = 192)

Number of Employers	Number of Respondents
One	109
Two or More	83

Third, our airport sample of departing Bangladeshi construction workers is not necessarily representative of Singapore's Bangladeshi construction workforce. While applications for a new work permit (required each time a worker joins a new company) must be filed from a worker's home country, work permit renewal may be filed from within Singapore. Employees of companies with high turnover rates are likely to be overrepresented in an airport sample since workers in companies with low turnover rates do not always return to Bangladesh for annual visits.

While this may mean that the results of our survey collection could be weighted towards workers in less favourable employment situations, we consider that our main findings, derived as they are from surveys with employees of a wide range of companies and attested to by sizable proportions of respondents, are representative of the experiences of most workers employed in this sector. A countervailing factor should also be borne in mind: the workers in the most unfavourable positions, who were escorted to the airport by their employers and/or repatriation agents, were normally not in a position to respond to our surveyors.

Other Sources of Data

While this preliminary report is based mostly on findings from the airport exit survey, we will incorporate information from several other primary sources in our final report. These sources include:

- *An extended airport survey:* When beginning this project, we compiled a list of all of the questions we most wanted to pose to workers. We narrowed this list down until we arrived at 71 questions. With the help of five Bangladeshi volunteers, we administered a 71 question airport exit survey to 250 departing workers at Changi airport in October and November 2011. When attempting to analyze the data, we were forced to conclude that the survey was inappropriately designed for administration at the airport. Departing workers are busy bidding farewell to friends and relatives, repacking and checking luggage and sometimes even receiving final payments from their employers. As such most were unwilling to give our surveyors the amount of time required to complete a lengthy survey. The majority of the surveys were incomplete and beset with other irregularities. However, one of the surveyors was particularly scrupulous and succeeded with administering the survey even in these difficult conditions. We will thus present some of the findings from this smaller subset of 60 surveys in the final report.

- *Extended surveys/interviews in Little India:* We decided the 71 question survey was best administered in a relaxed setting where workers were not pressed for time. On four different Saturday evenings and Sundays from December 2011 to January 2012, we administered the survey to 30 different respondents with the help of a Bangla interpreter. Respondents were located by randomly approaching passing workers on Rowell Road in Little India.
- *Focus group findings:* A final source of information is a focus group of approximately ten Bangladeshi construction workers who were gathered at Dibashram, a Bangladeshi worker center in Little India. In February 2012, we presented the findings from our short airport exit survey to these workers and solicited their comments on our results.

III. The ubiquity of purchasing jobs

In order to be legally employed as laborers on a construction project site in Singapore, foreign nationals must possess a work permit issued by the Ministry of Manpower. Application for a work permit requires the sponsorship of a Singaporean employer who has been awarded entitlements to hire foreign workers. (Entitlements are issued to contractors with a project, or a combination of projects, valued at half a million dollars or more. Main contractors can share entitlements with their subcontractors). Work permits enable foreigners to work for a designated employer (their permit sponsor) on a designated project site for a designated period of time (usually one year).

Foreign workers generally find jobs in Singapore through an intermediary. Intermediaries can be employment agencies, training centres (all Singapore-bound construction workers must learn and become certified in a construction trade prior to their departure) or even other foreign workers. Intermediaries naturally expect to be compensated for matching employers with jobseekers. However, the amount that migrants pay to have employment arranged on their behalf clearly exceeds that of a reasonable and legal service charge. (The MOM currently caps employment agency service charges at one month's salary, non-inclusive of overtime, for a one-year contract). Rather than selling only their services, intermediaries (and employers when collecting kickbacks) should be regarded as selling jobs, or the opportunity to work in Singapore, a much-sought after commodity given the finite supply of work permits.

For purposes of understanding the prices at which jobs are sold, foreign workers can be divided into two categories: inexperienced workers (who have never been placed in a Singapore construction job) and experienced workers (who have previously been placed in a Singapore construction job).

Inexperienced workers

Most inexperienced workers find their first Singapore job through an employment agency in their home country. A minority of workers independently approach one of the training centers at which all Singapore-bound construction workers must learn and become certified in a construction trade prior to their departure. Regardless of whether workers pass through an employment agency or a training center, they are typically charged a flat fee which includes training, placement in a Singapore job and associated costs.

150 respondents who began work in Singapore between 2007 and 2011 indicated that they paid intermediary fees which ranged between \$2500 and \$11000, with 86.6% of respondents indicating that they paid between \$5000 and \$9900. The average of the amounts that our respondents indicated that they were charged is \$7256.²²

²² Over half of our respondents quoted a figure in SGD. Some respondents indicated that they were quoted a fee in SGD and paid the fee's equivalent in Bangladesh Taka (BDT). 70 of our respondents quoted a figure in BDT. We converted these figures to SGD using the historical exchange rates found at

Figure 1: “How much were you charged for your first job in Singapore?” (N = 150)

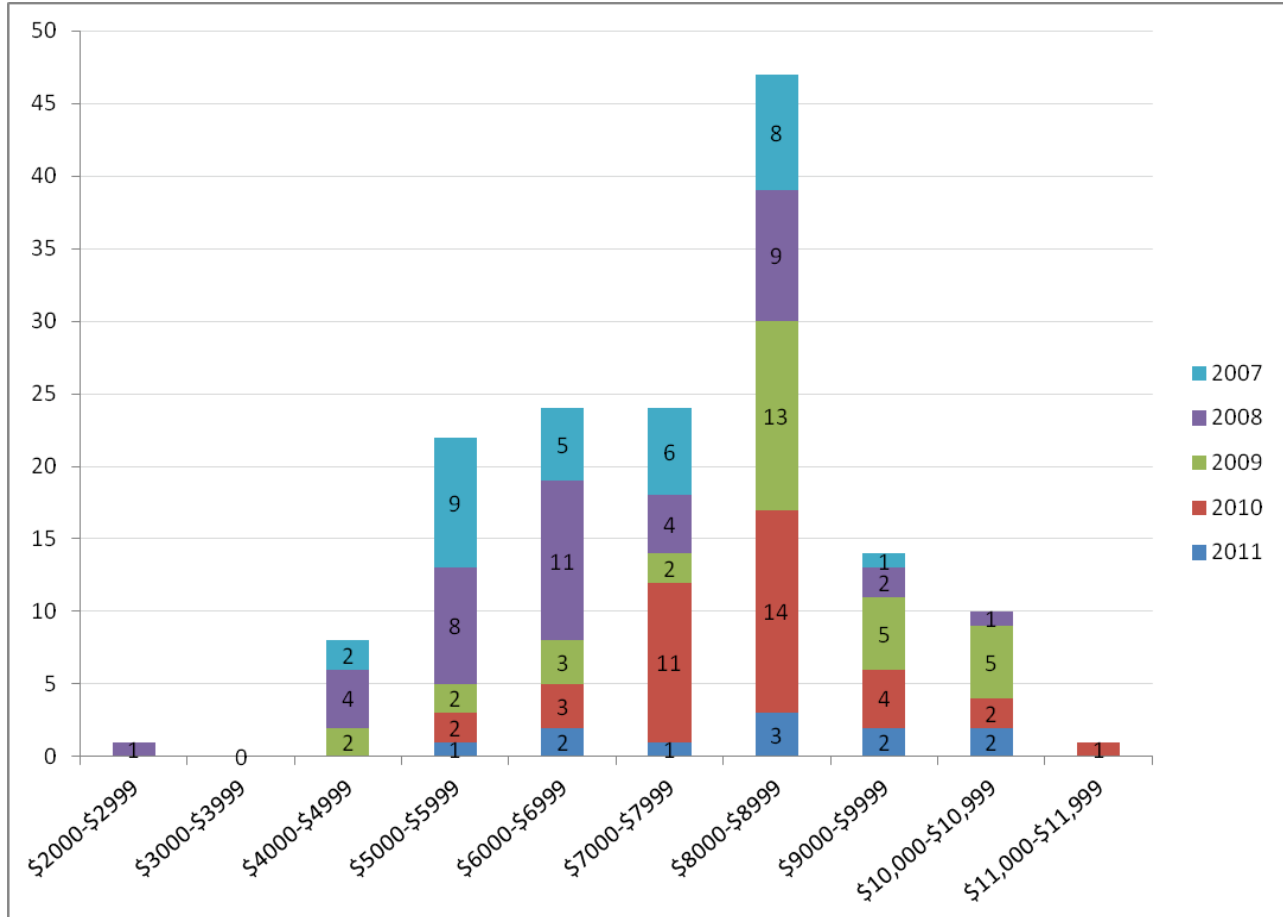


Table 3: “How much were you charged for your first job in Singapore?” (N = 150)

Year arrived in Singapore	N =	Range (\$)	Mean (\$)
2007	31	4000 - 9000	6511
2008	40	2500 - 10199	6472
2009	32	4000 - 10,199	8023
2010	36	5385 - 11,000	7802
2011	11	5000 - 10,771	8183
Combined	150	2500 - 11,000	7256

Our data suggests that initial intermediary fees may have risen significantly in 2009. More than 72% of respondents who indicated that they paid less than \$6999 entered the industry in 2007 and 2008. Respondents who entered the industry from 2011- 2009 reported paying intermediary fees more than \$1000 higher than respondents entering the industry from 2008-2007.

<http://www.oanda.com/currency/historical-rates>. We used the selling rate for the end of the year (December 31) in the year before migrants indicated that they traveled abroad.

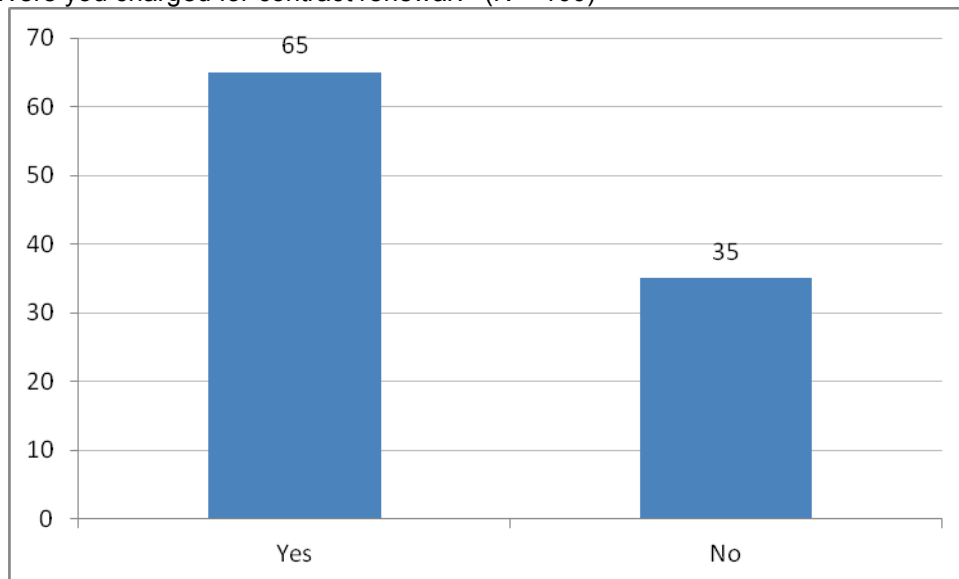
Alternatively, our focus group at Dibashram suggested that intermediary fees exceeded \$6999 even in 2007 and 2008. They suspected that respondents who specified a fee at the low end of the range (\$2500 - \$6999) may have failed to include training costs. Indeed the phrasing of our question (“How much were you charged for your first job in Singapore?”) does not indicate that we expect migrants to factor in this cost. Rather than an actual rise in costs, our data may reflect a change in the way intermediary fees are collected from separate charges for training and placement to a lump-sum fee.

Experienced workers

Experienced workers can prolong their employment in Singapore in two ways. They can renew their contract with a current employer (in this case, the employer will apply to the MOM for work permit renewal) or they can find a job with a new employer (who would sponsor a new work permit). While arrangements for renewal are almost always made directly with the employer, experienced workers typically find new jobs through employment agencies (in either Bangladesh or Singapore), migrant brokers (i.e. workers who act as recruiters for their employer), or friends and relatives. In most cases, payment is required.

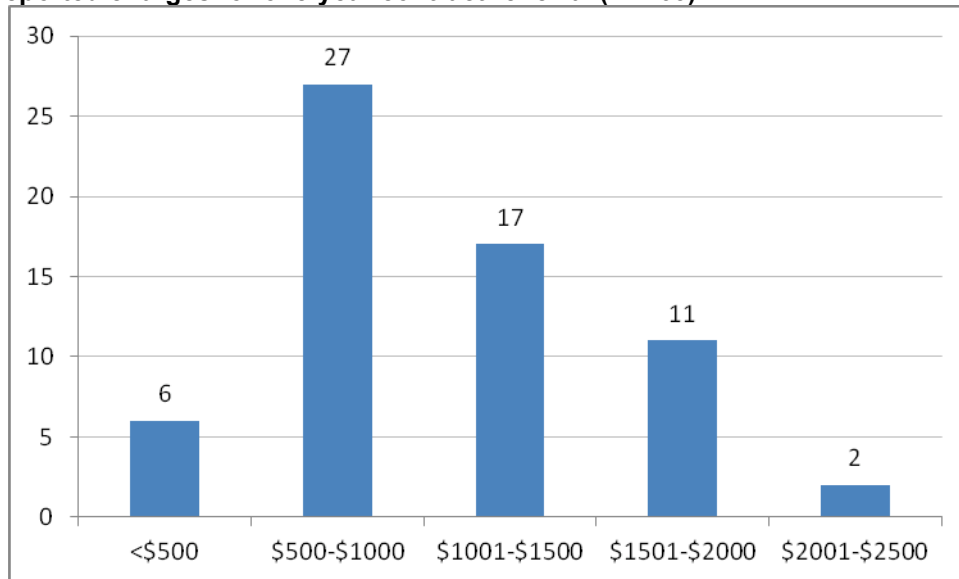
Of the 100 workers in our sample who renewed their contract with their initial Singapore employer for a second year, 65 (or 65%) were charged for contract renewal. The amounts that workers paid for contract renewal ranged from \$300 to \$2400 for a one year renewal.²³ The average renewal payment was \$1081.

Figure 2: “Were you charged for contract renewal?” (N = 100)



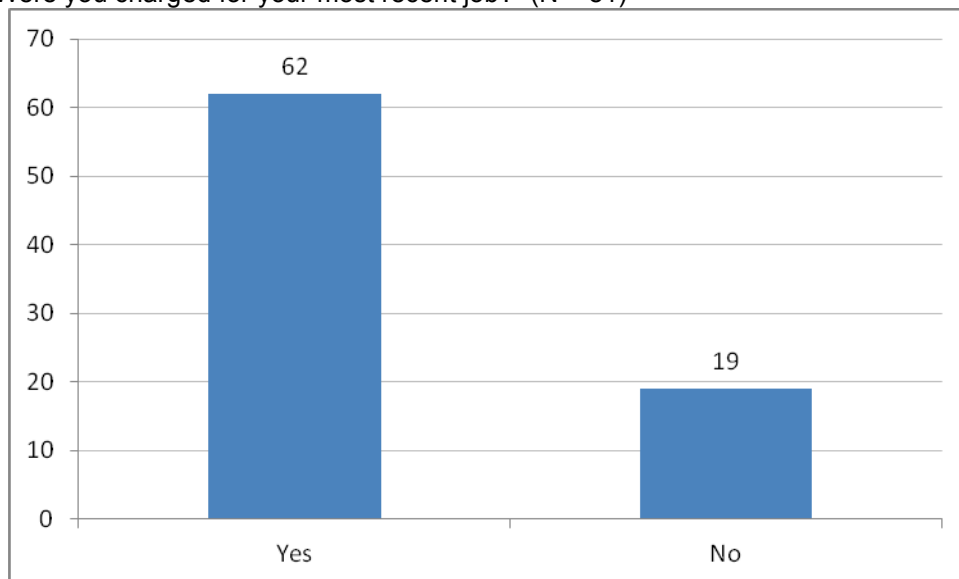
²³ One respondent said that he paid \$2700 for a two-year renewal.

Figure 3: Reported charges for one-year contract renewal (N = 63)



78 workers in our sample who had worked for two or more employers responded to a question about whether they had to pay for their most recent job. Of these 78 respondents, 59 (or 76%) paid for their most recent job. The amounts that respondents reported paying for their most recent jobs ranged between \$500 and \$7884 with 87% reporting figures in the range of \$2000 to \$3950.²⁴ The average amount that workers reported paying for their most recent job (for an employer other than their initial employer) was \$3332.²⁵

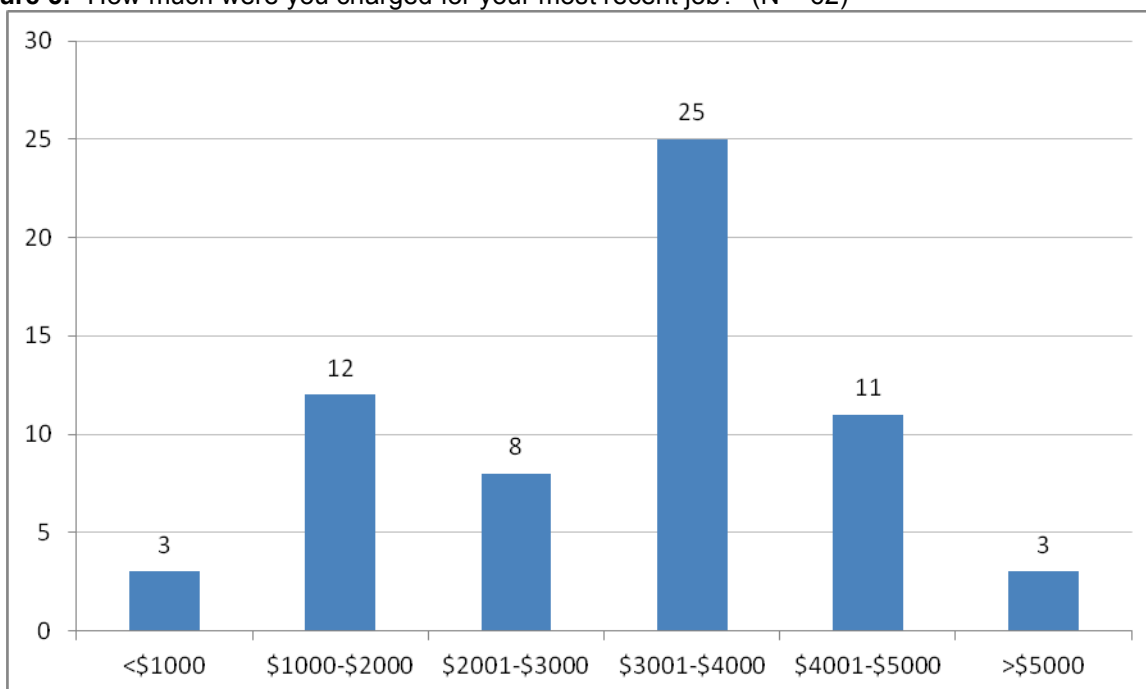
Figure 4: “Were you charged for your most recent job?” (N = 81)



²⁴ 9 respondents supplied figures in Bangladeshi Taka. These figures were converted to Singapore dollars using the historical currency calculator found at <http://www.oanda.com/currency/historical-rates>. The selling rate for 31 December 2010 was used.

²⁵ This average is based on a sample size of 62 workers.

Figure 5: “How much were you charged for your most recent job?” (N = 62)



In sum, the Bangladeshi construction workers in our sample paid an average of \$7256 for their first job in Singapore. The majority of respondents had to pay to prolong their employment beyond the initial contract period. For contract renewal with the same employer, respondents paid an average of \$1081. To work for a new employer, respondents paid an average of \$3332.

IV. Kickbacks and Profiteering

Bangladeshis collectively pay millions of dollars each year for Singapore jobs. Singaporean employers profit from these payments both directly and indirectly. The evidence that employers are profiting from Bangladeshis' payments is most clear in cases where workers are charged for contract renewal. Workers pay contract renewal fees directly to their employer or to their employer's representative. In other cases, fees for contract renewal are deducted on a monthly basis from workers' salaries.

Many employers likely also directly profit from workers' intermediary fees, although evidence of this is more tenuous. An academic conducting research on the industry in the 1990s found that competition amongst employment agencies for clients had led them to offer kickback payments in exchange for the opportunity to recruit labor.

Indeed, there is evidence that employment agencies in Singapore pay employers in possession of work permit quotas between S\$500 - S\$1500 per work permit holder. According to an industry source, this is the market rate for Thai workers; for workers from India, Bangladesh and China, the "kick-back" demanded may amount to \$3000.²⁶

²⁶ Wong, Diana. (2000). Men who build Singapore: Thai workers in the construction industry. In *Thai migrant workers in East and Southeast Asia, 1996-97*. Edited by S. Chantavanich, A. Gemershausen, and A. Beesy. Bangkok: Asian Research Center for Migration, Chulalongkorn University.

One member of our research team spoke with representatives from half-a-dozen Singaporean employment agencies engaged in the recruitment of construction labor. While none of the agencies admitted to paying kickbacks, one disgruntled agent explained that his business was no longer profitable because workers were “spoiling the market”. This agent claimed that employers were increasingly deciding to recruit experienced workers through existing employees who paid them for the privilege. This was advantageous for the employer, the agent explained, because, “Money get. Worker also get.” Indeed, some of our respondents who paid money to a friend or an acquaintance for a job claimed that they were informed that a certain portion of their money would be given to their new employer. In a few cases, we talked with experienced workers who paid money directly to their employer when entering a new company.

While small to medium-sized sub-contractors and contractors may recruit most of their labor through a Singapore employment agency or existing employees, many large contractors make limited use of intermediaries. Instead they have established personnel divisions or even subsidiary employment agencies charged with overseeing this process. Overseas Testing Centers, which in addition to training and testing jobseekers in construction trades sometimes place trainees in Singapore jobs are owned and operated by Singapore construction contractors.²⁷ Far from being a process carried out in a distant source country beyond the purview of Singaporean employers, many large contractors appear to be active participants in the recruitment of inexperienced workers.

In addition to main contractors and subcontractors, a third type of construction firm operating in Singapore is the worker supply company. As their name suggests, worker supply companies supply labor to construction project sites for a duration of time which can range from a few days to months. As foreign workers are only permitted to be deployed on the construction project to which their work permit application is tied, supply company workers are often illegally deployed. Supply companies are notorious for charging high contract renewal fees (in the range of \$1500 to \$2000) and for refusing to renew experienced workers’ contracts. When respondents told us that they didn’t renew their first year contract, they often cited the policies of worker supply companies as the reason:

“At that time, worker supply company, no man renew”

“Company is agent, never renew”

“Wanted to bring new workers”

“Worker supply company never takes renewal”

Worker supply companies clearly expect to collect money from each worker they supply with a work permit. However, in many cases, this money is not added to their profits but rather is a business cost. Entitlements to hire foreign labor are allocated to main contractors who can use them to hire labor directly or can allocate them to project subcontractors. The MOM explicitly prohibits contractors from selling their entitlements; however, the practice seems to be widespread, as supply companies typically appear to purchase the entitlements that allow them to apply for work permits. A well-placed industry contact informed us that the entitlements for a one year permit are currently being sold for \$2000. Supply companies collect kickbacks from workers in order to purchase entitlements from contractors. Supply companies then generate a profit by selling workers to contractors on a day-rate basis.

Not all Singaporean construction employers collect kickbacks or directly profit from intermediary fees. Nevertheless, all employers benefit financially from a labor recruitment system which allows them to hire

²⁷ For a current list of the overseas training and testing centers see the website of the Building and Construction Authority, <http://www.bca.gov.sg/academy/testcenters.aspx>.

foreign labor with a minimum outlay of time or funds (all employment agencies that we spoke with said employers never paid them for their services, their profit and costs comes entirely from the worker). This system of labor recruitment, which is easy and often directly profitable for employers, is extremely onerous for workers as is described in the next section.

V. The consequences of kickbacks and intermediary fees for migrant construction workers

Focusing on the intermediary fee charged to inexperienced migrant construction workers, this section describes how kickbacks and intermediary fees affect workers. As described above, our respondents indicated that they paid an average of \$7256 for their first jobs in Singapore. This intermediary fee is very high in proportion to inexperienced workers' salaries.

Bangladeshi construction workers generally earn a starting wage of \$18 per day (or \$486 per month).²⁸ Most work as much overtime as is offered, which can increase their earnings substantially. The 149 respondents who began working in Singapore within the past five years indicated average total monthly salaries (basic plus overtime) in their first year of employment which ranged from \$350 to \$1035. The average of the average monthly salaries of our respondents is \$674.

If the average respondent in our sample put his entire monthly salary toward his intermediary fee, then he could recover his fee after working for ten months and three weeks, or a mere five weeks prior to the expiry of his work permit. Of course, workers are not able to devote their entire salaries to the recovery of their intermediary fee. They have expenses such as food, transport, toiletries, telephone bills and (in some cases) housing. Some workers must also pay off interest-bearing loans on their intermediary fees. Others support family members in Bangladesh.

How do workers fare when it comes to recovering their intermediary fees and making financial gains from their migration? Our respondents can be divided into three categories: those who returned to Bangladesh before their initial contract period elapsed, those who returned to Bangladesh with an outstanding intermediary fee and those who recovered their initial intermediary fees. Note that these categories are not mutually exclusive. Respondents included in the first category also belong to the second category. Workers who have paid off their initial intermediary fee may have had their contracts terminated prematurely or returned to Bangladesh with their initial intermediary fee outstanding in the past.

(1) Premature Contract Termination

A minority of our sample (14 respondents, or 7%) returned to Bangladesh before completing their initial contract. While the reasons that workers did not complete their contracts varied, the majority (10 respondents, or 5%) indicated that their contracts were prematurely terminated by their employer.

²⁸ The monthly salary was calculated based on a 31 day month with four days off, or a 27 day month.

Table 4: Reasons for premature contract termination (N =14)

Reason for not completing contract	Number of respondents
Company closed	2
Company lost project / entitlement	7
Injury	1
Family problem	1
Fired (manager disliked)	1
Found new employer	2

While the number of workers affected by premature contract termination is relatively small, it creates a serious hardship for these workers given that intermediary fees would be extremely difficult to recover in the local labor market in Bangladesh.

(2) Return to Bangladesh with an outstanding intermediary fee

Of our 192 respondents, 41 indicated that they were returning to Bangladesh without having recovered their initial intermediary fees.

Table 5: Have respondents recovered their initial intermediary fee? (N = 180)

Recovered initial intermediary fee	130
Yet to recover initial intermediary fee	41
Unknown ²⁹	9

It is important to note that our survey only measured respondents who were *currently* returning to Bangladesh without recovering their intermediary fees. It did not account for workers who returned to Bangladesh with outstanding intermediary fees at some point *in the past*. Some workers who could be counted amongst those who had already recovered their initial intermediary fee had returned to Bangladesh before this occurred. A few workers had difficulty recounting exactly how long it took them to recover their initial intermediary fee because their recovery time was interrupted by a return to Bangladesh (and in some cases, compounded by additional intermediary fees).

“First year, no money. Six months good, next six months no good. One month, twenty days working. Then go back. Pay agent again.”

“First time cannot, only earn [for purposes of recovering initial intermediary fee] \$2000. Sometime overtime don't have. Only basic have.”

Even without accounting for the total percentage of our respondents affected, our results suggest that **return to Bangladesh with outstanding initial intermediary fees is extremely prevalent**. The 41 respondents who were returning to Bangladesh with outstanding intermediary fees are equivalent to 21%

²⁹ This data is derived from the question, “How long did it take you to recover the amount that you were charged for your first job in Singapore?” In addition to the 41 respondents who indicated that they could not answer the question because they had not yet recovered their intermediary fee, there were nine other respondents who could not answer. Two respondents indicated that they were not counting. Two respondents reported that they were not privy to this information because a relative paid the fee and managed their remittances. Five respondents said they were unable to calculate the length of time because their initial intermediary fee was compounded with a second intermediary fee before they could pay it off.

of our sample of returning workers. If we take our sample to be indicative of Bangladeshi construction workers as whole, then this means that about 5,796 of the approximately 27,600 Bangladeshi construction workers who departed from Singapore last year would have been leaving without recovering their initial intermediary fees.³⁰

Each year, thousands of Bangladeshi construction workers likely return to their home countries indebted thousands of dollars. 15 of the 41 respondents who were returning to Bangladesh without recovering their intermediary fee replied to a follow-up question inquiring about the respective amounts of the intermediary fee recovered and outstanding. Figures supplied on the amount of the intermediary fee recovered ranged from \$1564 to \$5474 with an average of \$3526. Figures supplied on the amount of the intermediary fee outstanding ranged from \$626 to \$5000 with an average of \$3279. An additional 4 respondents, who had all been in Singapore for one year, indicated that they suspected they would need a total of either “two years” or “a minimum of two years” to recover their intermediary fee.

Not only do many first year migrants depart from Singapore indebted, they also return to Bangladesh unemployed. The reasons first year migrants did not renew their contracts with existing employers varied. Some employers no longer had projects or entitlements. In other cases, workers were unwilling to pay the requisite contract renewal fee. Some workers stated they hoped to find a better employer - wages were too low or hours too sporadic in their current company. A few workers mentioned that they had family problems in Bangladesh to resolve.

Only a couple of first year migrants indicated that they had a definite job in Singapore to which to return. While we would expect workers whose contracts were prematurely terminated to be returning home without jobs, surprisingly, this was also true for most of the respondents in our sample who had just completed (but did renew) a one-year contract with their first employer.

Table 6: Future prospects for respondents who completed (but did not renew) a 1-year contract (N = 35)

Found a new employer	2
Yet to find a new employer	29
Did not wish to return to Singapore	2
No response	2

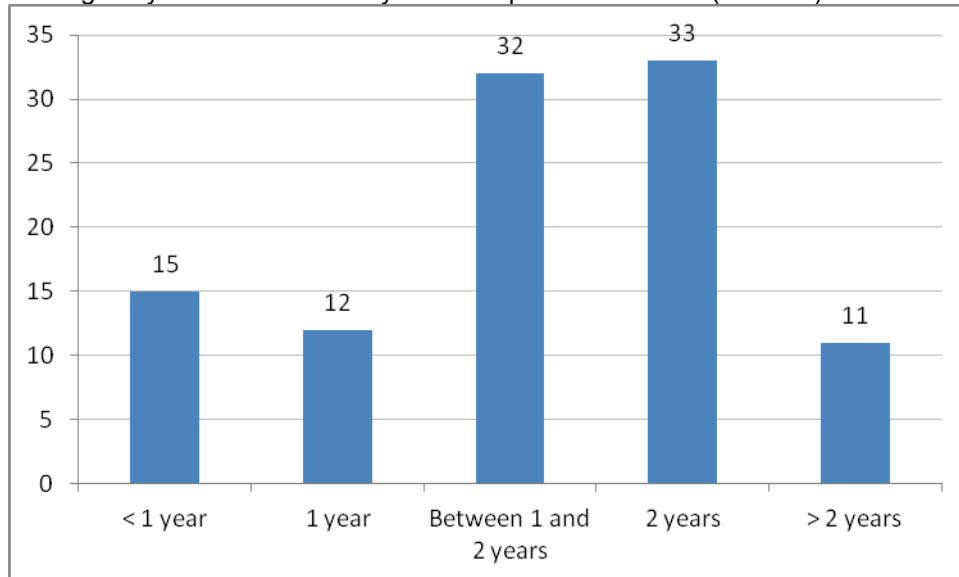
Only a couple of our respondents had decided that they no longer desired to work in Singapore. However, most spoke about the possibility of their return to Singapore in vague terms. Many said they would wait and see if they could find a good company. Others planned to visit an agent in Bangladesh. Some hoped that friends or relatives in Singapore could arrange a good job for them at low or no cost. Yet if our statistics can be taken as an indicator, then if our respondents decide to return to Singapore they will most likely have to forfeit additional money. As stated above, we found that 76% of our respondents who had worked for two or more employers purchased their most recent jobs for an average of \$3332.

³⁰ A source at the Bangladeshi High Commission informed us that in 2011, 46,000 Bangladeshi workers traveled to Singapore. As approximately 60% of Bangladeshis employed in Singapore work in the construction industry, it is reasonable to extrapolate that approximately 27,600 arriving Bangladeshi workers were employed in construction. While the Bangladeshi High Commission does not keep statistics on Bangladeshis returning to Bangladesh, an employee at Biman Bangladesh, the airline most Bangladeshis in Singapore patronize, informed us that in 2011 arriving flights roughly paralleled departing flights in number and composition.

(3) Recovery of initial intermediary fees

Some workers, of course, eventually have financial gains to show from their labor. The amount of time that 103 respondents reported that was required from them to recover their initial intermediary fee ranged from 5.5 months to three years. The average reported intermediary fee recovery time was 17.5 months.

Figure 6: How long did you take to recover your initial placement fees? (N = 103)



Yet given the nature of the Singapore construction industry, the recovery of initial intermediary fees does not for most workers herald the beginning of a long, profitable stretch of employment. Instead, most workers who remain in the industry find themselves having to change employers and pay additional intermediary fees.³¹ Far from reaching the position of being able to generate a reliable month by month stream of earnings for their families, many find that their incomes remain subject to attrition by irregular deductions and periodic charges for changes of employer and contract renewal. It is a poor reward for all the effort they expend.

VI. The consequences of kickbacks and intermediary fees for the industry

In March 2011, Singapore's Ministry of National Development (MND) and the Building and Construction Authority (BCA) unveiled a Construction Productivity Roadmap. The Roadmap outlines new policies and initiatives intended to "transform the construction industry and raise its productivity" by 2020.³² The construction industry's poor productivity record has long been blamed on its use of cheap, low-skilled foreign labor. New policies and initiatives provide the industry with incentive to upgrade to less labor intensive means of production and encourage the retention of a skilled and experienced foreign workforce.

³¹ This point will be developed in more detail with supporting evidence from the in-depth interviews in the final report.

³² See http://www.bca.gov.sg/newsroom/others/pr03032011_CPA.pdf.

The architects of the Construction Productivity Roadmap highlight Singapore contractors and Singapore as a whole as beneficiaries of the new policies and initiatives.³³ It is believed that higher productivity will benefit Singapore contractors because it will increase their competitiveness and enable them to secure international contracts. Singapore as a whole is also specified as a beneficiary of productivity improvements because there would be smaller numbers of foreign workers to manage and house. Policies which encourage the retention of a skilled and experienced workforce are also in the best interests of foreign workers.

Kickbacks and high intermediary fees are a grave obstacle to the realization of the goals outlined in the Construction Productivity Roadmap. As kickbacks and high intermediary fees contribute to high worker turnover and create financial barriers to reentry into the industry, they are in direct opposition to the objective of building a skilled and experienced workforce.

Kickbacks contribute to a high worker turnover rate because they discourage workers from renewing their contracts. 44% of respondents who completed their initial contract did not renew it.³⁴ Of course, the low rate of contract renewal cannot be attributed entirely to kickbacks. Reasons respondents gave for not renewing their first-year contracts included their employers' lack of entitlements (and thus ability to offer further employment); dissatisfaction with the current terms of their employment (especially salary, an irregularity of work and a lack of overtime) and family problems.

However, many respondents cited fees as the deciding factor of their non-renewal. As one worker, whose supply company was asking for \$2000 explained, if he had renewed then he would in essence have to work three to four months for free at his \$600 monthly salary. Other respondents, as quoted in the section on kickbacks and profiteering, suspected that their employers would not renew their contracts because they could reap higher kickbacks from inexperienced workers.

What is apparently an exceptionally high turnover rate amongst inexperienced / first-year workers is likely a product of the placement of many of these workers in supply companies. Given the nonexistence of raises and the certainty of renewal fees in supply companies, many workers do not want to renew their contracts with supply companies even if given the opportunity.³⁵ While many former supply company workers will dig into their pockets and pay again with hopes of working for a subcontractor or a contractor, others will chose to remain in Bangladesh or pursue employment in a third country.

Neither is it only first-year workers that kickbacks and intermediary fees dissuade. As the number of workers that construction contractors and subcontractors require constantly fluctuates according to the value of projects in hand, workers often find that they are unable to renew their contracts. Finding a new job is generally more expensive than renewing a contract and is a significant barrier to reentry into the industry after a period of unemployment. Kickbacks and illegal intermediary fees must be tackled before

³³ See Speech by Senior Minister of State for National Development, Ms Grace Fu, at the Committee of Supply Debate on "Construction Productivity", <http://app.mnd.gov.sg/Newsroom/NewsPage.aspx?ID=1915&category=Parliamentary%20Speech&year=2011&RA1=&RA2=&RA3=>.

³⁴ This statistic is based on a sample of 144 workers who entered the industry within the past five years. When all respondents are considered (n=181) then 41% of workers did not renew their contract.

³⁵ Most workers consider supply companies their least favorable type of employer. As supply companies do not have regular projects, work is often highly irregular ("nine months working, three months sleeping", one of our informants explained). In addition, supply companies rarely pay more than the industry's standard basic rate of \$18. Perhaps most burdensome, supply companies almost always charge contract renewal fees in the range of \$1500 to \$2000.

the industry can retain an experienced and skilled workforce as is outlined in the Construction Productivity Map.

VII. Conclusion

The development of Singapore's economy and the interests of the migrant workers who come to the country hoping to earn a better living than they would at home would seem to be best served by moving away from a of labour placement and employment that maintains the majority of the workforce at a low level of recompense, with little or no prospect of progression. This should be replaced by a model that stresses extended periods of employment in Singapore for a workforce whose skills will be upgraded and who will adapt to the norms of living in Singapore better than a largely transient migrant workforce can do. These workers should be able to secure decent pay to begin with, unencumbered by heavy debts and protected against irregular deductions and demands for kickbacks for contract renewal. They should be able to look forward to pay increases for length of service and skills upgrading and when they return home, they should be able to take with them a positive recollection of their years in Singapore.

In this preliminary report, we have illustrated the hardships that intermediary fees and kickbacks create for migrant construction workers. In the final report, we will demonstrate how policy failure enables the collection of illegal intermediary fees and kickbacks and introduce detailed policy recommendations to rectify the situation.

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