"The current system is no good": The challenges of Singapore's domestic work industry

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Employment agents who match migrant domestic workers to Singaporean employers play a critical role in the way Singapore's migration industry is currently structured: they set fees, create job matches, intervene when fissures appear, and shape migration flows between Singapore and countries of origin. Based on 47 interviews with employment agents and other key actors in Singapore and Indonesia, we break down the cost components for both employers and workers, pay attention to the flow of money across the migration industry rather than the sum costs, and show how the employer, agent and worker are tightly bound in a complicated web of debt. Employers become contractually liable for defaulted loans and must pay high upfront fees, while workers' vulnerability and stress are heightened by protracted salary deductions. We suggest that Singapore would benefit from better labour protections and more thorough skills differentiation for workers, as well as policies to prevent agents from collecting placement loans on behalf of their overseas counterparts.

WHAT'S THE PROBLEM?

"The current system is no good," says the employment agent emphatically. He runs one of the largest employment agencies in Singapore and has been active within the industry for nearly 20 years.

Punctuating his point by hitting the table with the palm of his hand, he says: "I introduce the maid to you, I charge you 6-7 months of salary deductions. After the maid finishes the 6-7 months, if the employer's got a problem, she comes to me. Honestly speaking, what is inside my heart? I'm standing opposite from you. It's better you change maids. If you change, I can charge the maid again. Or I send her back, and then I let her re-enter Singapore; I charge another 6-7 months. It's very cruel, but in the business world, this is how it happens."

Employers are heavily reliant on workers' assistance with domestic labour and care work: one of five resident households in Singapore employs a migrant domestic worker (Department of Statistics Singapore 2016). Agents facilitate Singapore's continued dependence on migrant labour for domestic help. They perform the everyday tasks which make the inflow of domestic labour possible: they liaise with overseas recruitment companies, screen and match workers to Singaporean employers, and intervene when employment relationships go sour.

However, the migration industry is often criticised as opaque and exploitative. Employment agents are castigated as villainous and extractive, ready to profit from vulnerable migrants with little access to information or capital (Lindquist, Xiang, and Yeoh 2012), or out to bamboozle employers to earn more money. Common complaints from employers have included the payment of astronomical upfront costs, hiring workers who are poorly equipped to handle care work and household chores, and the difficulty of retaining good workers over long periods of time. Additionally, the industry is bloated with business. At first glance, it appears that the migration industry flourishes at an exponential rate: in 2013, there were 1,129 licensed employment agencies which place migrant domestic workers; as of Sept 2016, there are 1,456, a 28.9% increase. However, the bulk of these employment agencies are inactive, or place a negligible number of workers: 516 (35.4%) have placed zero domestic workers in the past year, and only 663 – or 45.5% – have recruited and placed an average of 20 domestic workers or more per month.

Migrant domestic workers work for an average of 7-9 months with little to no pay in order to repay placement loans, which average SGD $3,600 (Platt *et al.* 2013). These fees are naturalised as the inevitable cost of migration. The debt-financed migration system has produced a host of problems, such as protracted salary deductions, agents racking up workers' loans by frequently redeploying them to new employers without serious attempts to mediate problems in employer-employee relationships, and employers tightening control over domestic workers in order to protect their loan 'investments'.

METHOD

Using a mixture of purposive stratified and snowball sampling techniques – based on agencies' retention rates, placement volumes and accreditation types – we conducted in-depth interviews with a range of employment agency managers, trainers, directors, and frontline staff members in Singapore (n=28). We mapped their cross-border ties, recruitment and matching techniques, and other features of their business. To triangulate our information, we interviewed a few key actors within the industry (n=6), including representatives from CaseTrust, embassies, non-governmental organisations (NGOs) and the Association of Employment Agencies (Singapore) (AEAS). Part of the fieldwork also took place in Indonesia, which builds on previous research on Indonesian domestic workers conducted by our team; significantly, the largest group of domestic workers in Singapore is also from Indonesia. We spoke to recruitment company owners, managers, trainers, and administrative staff, former domestic workers, brokers and sponsors, government actors, and NGO representatives (n=13).

We also made use of a number of complementary techniques: informal conversations, on-site participant observation, follow-up interviews, the creation of a media archive charting local news coverage of the migration industry, and the collection and analysis of a large number of documents related to the migration industry.

THE COSTS OF DOMESTIC WORK

Singaporean employers pay the Singapore agent two sets of costs when hiring a domestic worker through an employment agency. First is a fee for the agent's services. The second is the mandatory local employment costs (MLEC) associated with hiring any migrant domestic worker, such as the costs of the Settling-in Programme, the Work Permit application, a medical check-up, and insurance coverage.

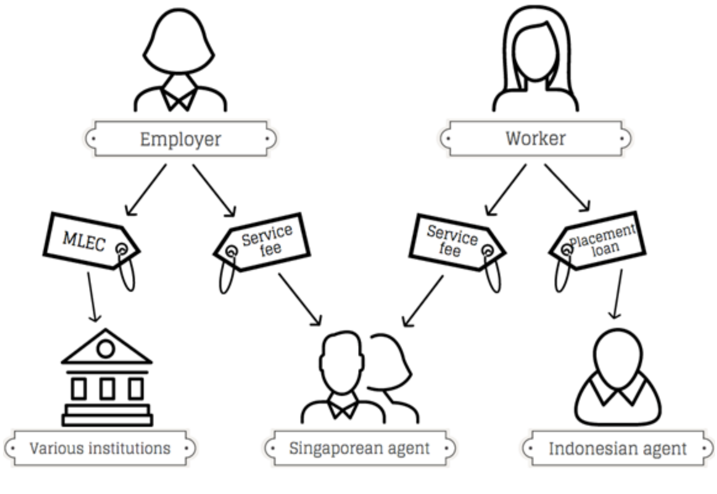
While the MLEC amounts to a fairly fixed cost for employers, the service fee may range from as little as SGD $38 to SGD $2,000. This wide variation might be due to a number of factors, such as a worker's nationality, an agency's business strategy, and the 'replacement policy' offered by an agency should the employment relationship fail. Some service fees encompass the MLEC while others might not.

On top of this, the employer also pays for the cost of the Employer Orientation Programme if they are first-time employers. Additionally, they purchase a $5,000 security bond, and, if ineligible for the concessionary levy, pay a monthly foreign domestic worker levy of SGD $265 to the government (Ministry of Manpower 2015a).

Workers also pay two sets of fees. They pay Singapore agents a service fee, which is regulated by the Employment Agencies Act: for two years of work, the service fee is capped at a maximum of two months' salary (Ministry of Manpower 2015b). The average salary earned by an Indonesian worker per month ranges between SGD $450-$550, meaning that this service fee may range from SGD $900 to $1,100.

The second fee is a placement loan, which is what a worker owes her Indonesian recruitment company for costs such as training, accommodation, visa and passport applications, transport, and so on. This may range from SGD $2,240 to $3,550.

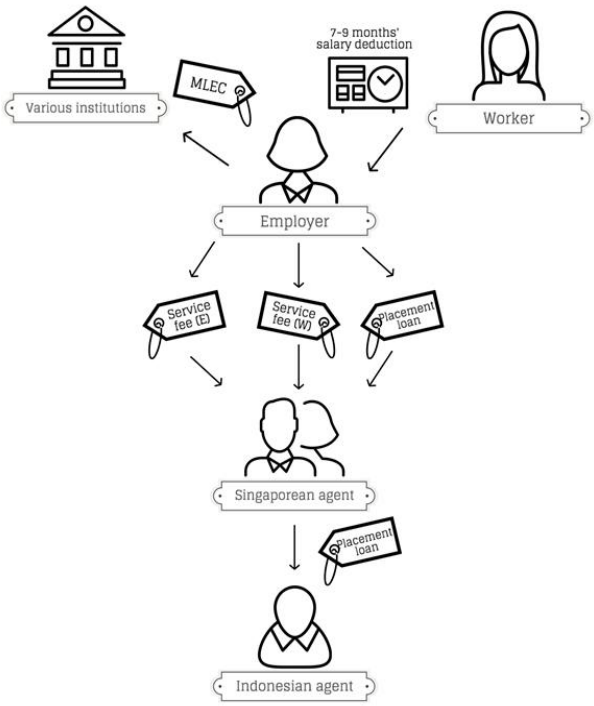
These fees are illustrated in Infographic 1. The analysis of financial flows in Infographic 1 implies the employer and the worker are key nodes through which the payment of debt is facilitated.



Infographic 1: Breakdown of payments by employer and worker

However, if we pay attention to the *flow* of money (as in Infographic 2) we can see that it is actually the *employer* and the *agent* – not the worker herself – who most immediately deal with the repayment of the worker's debt.

The employer pays the fairly fixed MLEC costs to various institutions and other parties, but also pays her service fee, her worker's service fee and her worker's placement loan to the Singapore agent, who then purportedly remits the loan to her Indonesian counterpart.



Infographic 2: Flow of payments through the migration industry

These payments flow smoothly only if the worker's employment relationship with the employer is successful and she works for a sufficient period of time. With an average retention rate of 51.78 per cent, 48.22 per cent of workers placed by employment agencies in Singapore either transfer to a new employer or return home after less than a year with the same employer (Ministry of Manpower 2016). If the employment relationship breaks down before the worker has finished repaying her debt to this specific employer, the placement loan and/or a service fee between an employer and the agent have to be reconfigured. Depending on the contract and the agent's assessment of the situation, this takes place in a number of ways.

IMPLICATIONS OF THE CURRENT SYSTEM

What does this debt-financed migration regime mean for workers and employers?

Employers pay thousands upfront. Because the loan is frontloaded onto the worker's first 7-9 months on the job, employers must pay a few thousand dollars upfront in order to secure a worker. For some employers, this is beyond what they can afford; a frontline agent from a major employment agency says: "Some employers come from a poor family, frankly speaking. They come and tell me, they even cry. 'My father just got a stroke, 60 over years old, and nobody is working. Madam, I really got no money.'"

Workers suffer unlimited additions to their loans. If a worker has worked less than six months before her employment relationship ends, the agency is required to refund her one month's service fees. However, when she begins a new contract, she will be charged two months' fees – thus adding one month to her loan. This might become a profit-making strategy for some agents: if agents deliberately mismatch workers or are willing to cycle workers indefinitely within their pool of employer clients, the additional one month's salary becomes a quick way of racking up profits. Within the industry, this is a practice known as 'churning' or 'recycling'. Workers who are 'churned' are caught in eternally ballooning debts which are very difficult to pay off.

Employers are liable for unpaid loans. In the event that an employer repatriates a worker with unpaid loans instead of seeking a replacement with the agency, the employer is usually held contractually liable for the remainder of the placement loan. This binds the employer in a relationship with an agency that they might no longer wish to hire from – and forms the basis from which conflicts often erupt.

Workers face extreme stress, which may result in high turnover rates. For a worker who is experiencing her first sojourn away from home, enduring the passage of 7-9 months without any pay or receiving only a nominal fee of SGD $10-$20 is a profoundly stressful experience (Platt *et al.* 2013). She is unable to remit any money home or have the financial freedom to purchase items that she might need. A prolonged salary deduction period also contributes to cracks in the employment relationship as the worker struggles with these pressures: the owner of a mid-sized agency says, "If you take everything and [workers] don't see money for six months, then they are thinking, 'I don't want to work already.'" Low retention rates (Ministry of Manpower 2016) and the high volume of domestic workers seeing help from NGOs within their first six months of placement are evidence of this issue (J. Gee, personal communication, September 16, 2016).

Workers experience conditions of control and compliance. The current system depends on isolating and immobilising migrant workers to ensure their repayment of the placement loan. An agent who runs her agency in Singapore's heartlands says that employers feel like they are "buying" the workers (and hence have the wherewithal to do as they please) because of the risky investment of high upfront costs. Agents – who may have an interest in minimising potential conflicts arising from disruptions in salary repayments – might confer with employers about withholding days off, reducing mobility outside the home, and controlling mobile phone usage until the loan has been properly repaid. As a result, workers endure a protracted period of isolation and vulnerability.

POLICY RECOMMENDATIONS

Positioning Singapore as a country of destination

Singapore's structural dependence on migrant domestic workers increases the stakes of attracting a sufficient number of qualified workers to its shores. To continue doing so, Singapore must compare favourably with other migrant domestic work destinations in the region. Employment agents have expressed fears of a lack in the number and 'quality' of women who come to work in Singapore, especially since Indonesian workers make up the largest number of domestic workers in Singapore and are in high demand by Singaporean employers. Agents note that, in comparison to Hong Kong and Taiwan, the salaries offered in Singapore are significantly lower, Singaporean employers are known to be especially demanding, and the repayment of placement loans is more onerous. In order to maintain a steady stream of workers, Singapore should consider aligning itself to shifting global labour standards, where domestic workers are formally protected by labour acts and have the option to live-out. While Indonesian domestic workers appreciate Singapore's geographical proximity and safety, a familiar tropical climate, and the ease of learning English compared to Cantonese or Mandarin, it would be prudent to proactively ensure that Singapore enhances its attractiveness as a destination country by following in the steps of the legislation of the day-off policy to improve working conditions for migrant domestic workers (Koh *et al.* 2016).

Recognise skills differentiation within the industry

With the projection that one in five residents will be aged 65 and above by 2030, the demand for skilled caregivers is slated to increase in Singapore. Especially with the Ministry of Health's plans to support home-based eldercare and aging-in-place, live-in caregivers feature prominently in Singapore's care plans. Employers prefer hiring a migrant domestic worker for eldercare to hiring a local nurse or sending an elderly person to a nursing home, but migrant domestic workers are often under-qualified and under-supported in tending to the serious medical conditions of elderly persons. Introducing a two-tiered visa system that distinguishes the job scope of caregivers from general household service workers would attract qualified and professional healthcare talent well-equipped to care for elderly Singaporeans, and better calibrate the services of caregivers and general household workers to the needs of Singaporeans households. The differentiated visa should also reflect differentiated working conditions, such as better salaries and benefits, and potentially even a live-out option, in order to be meaningfully attractive to experienced caregivers. At this juncture when other countries of destination are keen to recruit healthcare talent and countries of origin are increasingly reluctant to send unskilled workers abroad, these measures that acknowledge and remunerate a tier of caregivers above general household workers could be in order.

Collect placement fees in source countries

The Work Permit system ties each migrant domestic worker to an employer who pays upfront for the worker's recruitment and placement fees, before recovering them through salary deductions. While this arrangement makes labour migration accessible to women without capital, it can also compound the vulnerability of women during the months of salary deduction. Not only do workers receive little remuneration during this period, employers often isolate workers to recuperate their loans. Further, the transactions between employment agents in countries of origin and destination are informal, transnational, and prove hostile to regulation, creating opportunities for the worker to be charged more than is due. The recent Household Service Workers Industry Scheme (HIS) spearheaded by the Indonesian government in collaboration with the Association of Employment Agencies in Singapore seeks to eliminate the collection of placement costs on the behalf of Indonesian recruiters. It remedies the fudging of placement costs by conferring on each worker a loan from a bank in Indonesia. We cautiously affirm that this scheme could be a step in the right direction.

However, there are also some implications to this migration regime which must be carefully considered (see, for e.g., Goh *et al.* 2016). Limiting the payment of placement costs to the country of origin is a fundamental change to the current regime of the migration industry and might produce unexpected consequences, such as workers having to raise upfront fees before coming to Singapore and hence powerfully limiting the number of workers able to migrate here for work. The ripple effects of such a change for Singapore might be best anticipated by detailed and regular consultations with employment agencies, civil society, and the Indonesian government.

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