NYU | STERN

Center for Business and Human Rights

Research Brief

Less than One Percent: Low-Cost, Responsible Recruitment in Qatar's Construction Sector

INTRODUCTION

Since the oil boom of the mid-1970s, Arab Gulf governments have invested heavily in infrastructure, leading to the establishment of a sizable construction industry in the region. To accommodate this development, construction firms have recruited millions of migrant laborers, mostly from South Asia. In a very competitive bidding environment, many construction companies and their Gulf clients have sought to reduce labor costs by not paying for recruitment of workers. As a result, workers are compelled to pay fees for their own recruitment up front, which often total the equivalent of a year's wages. Many workers are forced to obtain bank loans, which they must pay off before they start to receive the financial benefits of their employment. This subjects them to a situation akin to debt bondage.

Local laws in most Gulf countries that prohibit shifting the payment of recruitment fees to workers are not enforced, even though many of these contracts are for government-controlled and -funded construction projects. Most construction companies and their subcontractors perceive that it is standard business practice to not pay for recruitment and therefore simply omit the cost of recruitment in project bids submitted to clients. A key reason these practices prevail is the widely shared belief that paying for recruitment would be prohibitively expensive.

This report assesses the actual cost of responsible recruitment by closely examining the 2015-2016 recruitment efforts of QDVC, a general contracting and construction company currently active in Qatar. QDVC has pursued worker recruitment in a responsible fashion that to our knowledge has never before been tried in the Gulf. Based on the company's recruitment drive in 2015-16, we conclude that in this case, the cost of recruitment was far less than 1% of the overall cost of the construction project. Moreover, we find that other construction companies could responsibly recruit workers at a similarly reasonable cost.

As one of the major venues for the Gulf construction boom, Qatar issued construction contracts worth more than US$88 billion in 2017 alone.[1] As part of its National Vision 2030 program, the country, which derives its wealth primarily from natural gas, has committed US$200 billion to public spending, half of which is earmarked for infrastructure related to the 2022 FIFA World Cup tournament.

Qatar has made important progress recently in the regulation of workers' rights. It has acted to prevent delays in the payment of wages to laborers and to reform the *kafala* (sponsorship) system, which historically gave employers inordinate power over migrant workers. The government also has made other salutary changes, such as the partial abolition of employers' prerogative to deny workers the right to leave the country and the establishment of newly funded mechanisms for resolving employee grievances. The government of Qatar also has taken measures to improve worker accommodations and workplace safety.

The government has not made corresponding progress, however, on recruitment practices. Its record on recruitment is similar to that of other Gulf states. The recruitment policies of QDVC constitute a notable exception to prevailing practices in Qatar and the rest of the Gulf. Over 2015 and 2016, the company conducted a major worker-recruitment drive in India and Bangladesh, in which it sought to eliminate worker-funded recruitment fees. To achieve this objective, QDVC implemented a number of internal policies and practices, which this report analyzes.

BACKGROUND ON QATAR AND RECRUITMENT FEES

A tiny country, with only about 250,000 citizens, Qatar hosts approximately 2.4 million foreign workers to help it achieve its ambitious development goals.[2] As with other Gulf countries hosting large populations of mostly low-wage migrant workers, historically, Qatar has been slow to address a range of serious workers' rights violations. Recently, though, the government has begun to address some of these problems. Some of the largest government-supported Qatari construction clients, including the Supreme Committee for Delivery and Legacy, have paid significantly greater attention to their contractors' treatment of migrant laborers. In 2015, Qatar introduced a "wage protection system" addressing the common practice of contractors delaying payment to low-wage construction workers. Breaching employment contracts, cash-strapped contractors would take this "pay-when-paid" approach, waiting to be paid by clients before compensating laborers.[3]

Moreover, in May 2018, the country ratified two United Nations human rights treaties: the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social, and Cultural Rights (ICESCR). Embracing these treaties constitutes a major advance, despite the government's disappointing decision to include reservations on fundamental rights protections, such as the rights of workers to form independent trade unions. Instead, a tentative step towards giving workers greater voice was taken by requiring companies to establish "joint labor committees," with representation of both employees and the employer, to discuss work issues.[4]

HOW RECRUITMENT WORKS

When a contract is awarded, the winning general contractor or construction company has several ways to hire low-wage workers. The company may directly hire and employ its own pool of construction workers by collaborating with a recruitment agency, which are often based in major cities in migrant-sending countries. These agencies, however, often lack access to rural villages where most low-wage workers live, so they rely on local sub-agents, which are usually unlicensed, informal entities. Alternatively, the contractor may engage subcontractors, which provide expertise in particular areas of construction, thereby "indirectly" accessing the subcontractor's own workers.

Finally, the contractor or subcontractor may employ the services of "manpower" agencies, which offer a flexible supply of migrant workers for various phases of a project. Both subcontractors and manpower agencies engage in their own direct recruitment, through recruitment agencies. Since the cost of recruitment is not factored into most contractors' bids, neither the contractor nor its subcontractors or manpower agencies adequately remunerate recruiters in sending countries. Instead, the responsibility to cover the cost of recruitment falls on the worker.

Qatar's decision to ratify these treaties followed a 2017 agreement with the International Trade Union Confederation on reforming elements of the *kafala* system, which has given employers extensive authority over migrant workers. Another milestone was the inauguration of the first International Labor Organization (ILO) project office in Qatar in April 2018, which reflected the government's high-level commitment to addressing labor issues and aligning the country's laws and regulatory system with international standards. In September 2018, the Qatari government enacted a law eliminating the "exit visa" system for many – though not all – migrant workers. Before making this change, the law had required all foreign workers to obtain their employers' permission to leave the country. Finally, the government appears to be poised to approve the establishment of a Workers' Support and Insurance Fund, which would speed up consideration of workers' financial grievances against employers. These and other examples of noteworthy progress by the Government of Qatar stand out in the Gulf region, where neighboring states continue to resist needed reforms. But despite this progress, recruitment fees remain perhaps the most serious unresolved issue in Qatar. As a matter of law, the country prohibits charging workers for their own recruitment. Qatar also has set up visa centers in migrant-sending countries that are supposed to prevent middlemen recruiters from charging workers. And many large, quasi-governmental clients on paper require contractors to repay migrant workers for any recruitment fees they have paid. But enforcement of this requirement is relatively rare. Taking their lead from the government, most companies in the construction industry continue to ignore their legal obligations and fail to take responsibility for absorbing the cost of recruiting low-wage workers. As a result, laborers who migrate from countries like India, Bangladesh, Nepal, Pakistan, and Sri Lanka pay their own recruitment costs through an intricate, multi-layered process. The NYU Stern Center for Business and Human Rights explored these issues in a 2017 report entitled *Making Workers Pay: Recruitment of the Migrant Labor Force in the Gulf Construction Industry*.

Severe human rights consequences flow from workers being forced to bear the cost of their own recruitment.[5] Very few workers can afford to pay the fees, so they resort to selling their property or borrowing money at high interest rates. This debt exacerbates other problems. Workers desperate for the wages that will allow them to repay their debt may hesitate to object to unsafe work or inhumane accommodation. In addition, workers may feel they cannot stand up for their rights when they are victims of other common practices, such as contract substitution, which occurs when workers are misled during the recruitment process as to the terms of their employment.

QDVC'S 2015-16 DIRECT RECRUITMENT DRIVE

In the face of these challenges, at least one construction company in Qatar has sought to tackle the problem of recruitment costs in a commendable way. That firm is QDVC, a joint venture between the French company VINCI and Qatari Diar, a large player in Qatar's domestic construction market. Incorporated in 2007, QDVC specializes in large-scale projects involving design, civil engineering, and contracting services. QDVC's portfolio includes Qatari infrastructure projects such as Doha's Metro Red Line South, the New Orbital Highway, roadwork projects in Lusail, and the Lusail Light Railway Transit System.

In 2015, when QDVC launched a recruitment drive to hire South Asian workers to staff its projects, the company already was outperforming its peers in terms of responsible recruitment. As corporate employees describe it, the company's strong commitment to ethical practices stemmed in part from VINCI's endorsement of the UN Guiding Principles on Business and Human Rights, which the French company adopted as part of its internal Human Rights Guide. VINCI prides itself on its "humanist culture," particularly when it comes to the protection of staff. Company leaders note that this also has practical benefits, as it helps them meet requirements by international lenders and manage reputational risk. Both VINCI and QDVC are signatories to a framework agreement with Building and Wood Workers' International, a global federation of unions, which commits the company to applying "best practices" on its construction sites. Furthermore, both VINCI's and QDVC's human rights policies committed them to eliminating worker-paid recruitment fees even before the 2015-16 recruitment drive. To implement this commitment, QDVC had a stated policy of paying South Asia-based recruitment agencies the equivalent of one month's salary per worker to cover all recruitment costs in the workers' country of origin, as well as other administrative costs, such as work visa, flight tickets, and medical tests. Contracts with these agencies also mandated that no fees be charged to workers.

Nonetheless, an internal 2015 QDVC survey of low- and semi-skilled workers found that 93% of 177 directly and indirectly hired workers polled had paid recruitment fees to agents or agencies. With recruitment fees ranging from 114 QAR (US$31[6]) to as high as a few months' salary, a substantial minority of the respondents had yet to pay back loans that they had obtained to cover the fee.

QDVC launched the 2015-16 South Asian direct recruitment drive with the goals of reinforcing internal policies and tackling the issue of recruitment fees more comprehensively. To kick things off, QDVC held discussions with its South Asia-based recruitment agencies to estimate the agencies' average cost of recruiting a worker, including the agency's profit margin, and found that this was approximately 1,600-1,800 QAR (US$440-$494). After identifying specific recruitment agencies in Bangladesh and India with which they had developed trusted relationships, QDVC hired them and agreed to pay 2,500 QAR (US$687) per worker: 2,000 QAR (US$549) as a recruitment agency fee and 500 QAR (US$137) as an administrative fee. QDVC hoped that the premium – the difference between the agencies' estimates of their own cost (with profit margin) and the amount QDVC ended up agreeing to pay – would further deter unethical behavior by agencies. Such unethical conduct might include profiting from kickbacks or demanding deposits from workers as a form of insurance against "attrition," or failure to end up employed by QDVC.

QDVC was directly involved in every stage of the recruitment process, from approving local advertisements highlighting its policy on avoiding worker-paid recruitment fees to sending company employees to monitor interviews in migrant-sending countries. As a result of the 2015-16 South Asian drive, 1,133 workers (301 from India and 832 from Bangladesh) were recruited, of which 210 were eventually rejected as medically unqualified, terminated due to redundancies, or resigned prematurely. QDVC interviewed all workers on the day of their arrival in Qatar, and 97% confirmed that they had not paid fees. Recognizing workers' potential fear of disclosure during their probationary periods, QDVC conducted follow-up interviews in 2018 with 528 workers. This study showed that 91% did not pay any fees. For those who did, the average amount paid was 41% lower than results from the 2015 pre-drive survey.[7] The interviews also reinforced QDVC's hypothesis that the elimination of recruitment fees contributed to worker satisfaction and retention beyond the typical two-year worker contract period.

For all of the success of the 2015-16 recruitment campaign, the company has acknowledged difficulty in monitoring the recruitment processes of subcontractors and manpower agencies that often provide workers to QDVC projects. At its peak, QDVC's construction workforce consisted of only 43% direct hires. To address this risk, QDVC carries out regular audits of subcontractors, providing them with template contracts, advertisements, and handbooks on workers' rights. QDVC also has partnered with the ILO Project Office in Qatar to model a recruitment framework for manpower agencies and subcontractors, and expects to publish the results soon.

THE REAL PRICE OF RECRUITMENT

Our main goal in undertaking this research was to test the accuracy of the widely held belief in the Gulf construction sector that absorbing the cost of recruitment would significantly decrease contractor competitiveness or make these contracts far less lucrative. At a roundtable discussion hosted by the NYU Stern Center in Doha in February 2018, we heard widely divergent views from different construction companies as to the cost of recruitment and who should bear these costs. Some companies expressed the belief that responsible recruitment is prohibitively expensive. However, the cost estimated by QDVC, which had first-hand experience in overseeing a recruitment drive, was considerably lower than more general estimates offered by rival companies.

Based on our analysis, the total cost of recruitment to QDVC represented an average of 0.077% of project value, or 2,536,931 QAR (US$696,959). Furthermore, the incremental cost – the cost increase from QDVC's pre-drive practices to its new practices – was just 0.0179% of project value, or 590,678 QAR (US$162,263). Even more telling, when we applied a sensitivity analysis to the model to calculate the incremental cost to companies currently not paying any recruitment service fees, the cost of recruitment was still, in a majority of cases, less than 1% of project value.

In order to derive the real cost to the company of recruitment, we set out to analyze all of the costs that QDVC incurred during the recruitment initiative, then calculated the total cost as a percentage of the relevant project awards. Our cost model includes variable and fixed costs as well as the size of the relevant worker pools.[8] Variable costs include residency permits, trade tests, and flight tickets. Fixed costs include staff time to plan, implement, and monitor the drive. The costs were applied to three QDVC projects to which most workers from the drive were assigned. The average adjusted value of these projects was 4,837,662,750 QAR (US$ 1,329,028,228).

In addition to data, the model is informed by interviews in October 2018 carried out with QDVC management, vendors and workers in Qatar. QDVC staff interviewees included representatives from: HR (including Thierry Fayoux, HR Director at VINCI and previously Talent Manager at QDVC, Hans Mielants, HR Director at QDVC, and Zuheb Datey, Senior HR Officer), Corporate Social Responsibility (including Henriette McCool, Social Innovation Manager at VINCI and previously CSR Manager at QDVC, and Parvathy Adiyat, CSR Officer), and Finance and Operations (Dawood Irfan, Corporate Welfare Officer). In addition, we conducted 23 interviews with construction workers, both direct and indirect hires, as well as with managers of one key QDVC sub-contractor, one manpower agency, and one India-based recruitment agency.

QDVC'S 2015-16 DRIVE: COST BREAKDOWN AND RESULTS

The approach to recruitment adopted by QDVC adds incremental cost components to pre-existing recruitment practices. To support its large portfolio, QDVC sought to hire over 1,000 workers for three major projects at the beginning stages of construction. The real cost to the company of recruitment is derived by breaking down variable and fixed costs: The variable costs depend on the number of workers recruited, while fixed costs are constant, regardless of the number of workers.

Prior to the 2015-16 drive, QDVC was already paying for several aspects of recruitment in addition to what is required by Qatari law (visas, residency permits, medical tests, flights, and a Qatari health card).[9] Specifically, QDVC was already covering tests to determine whether workers had necessary skills, and the company had a policy of paying a recruitment service fee equivalent to one month of the recruited worker's salary to recruitment agencies in order to prevent them from demanding fees from the workers.

For the 2015-16 drive, the company adopted a new minimum of 2,000 QAR (US$549) in recruitment service fees per worker, aimed at covering recruitment agencies' costs. The company provided an additional 500 QAR (US$137) per worker to recruitment agencies as an administrative fee. This 2,500 QAR (US$686) minimum per worker was determined after discussions with recruitment agencies regarding their costs.

Table 1: QDVC Payments to Recruitment Agencies

Variable Costs (QAR)	Pre-2015-16	2015-16
Visa	300	300
Residency permit	1,200	1,200
Medical test	100	100
Health card	100	100
Flight tickets	1,000	1,000
Trade test	25	25
Recruitment agency fee (blended rate)*	1,647	2,370
Administrative fee	–	500
Variable Cost per Worker	**4,372**	**5,595**

* The 2,000 QAR (US$549) in agency fees that QDVC paid was a minimum, not fixed, rate. When the worker in question earned a monthly wage greater than this minimum, QDVC was charged the equivalent of one month's salary. Therefore, the model represents the average of low- and mid-paid workers, or a blended rate, as the amount QDVC paid to recruitment agencies in fees during the 2015-16 drive.

For the 2015-16 drive, fixed costs largely stem from QDVC staff time for implementing and monitoring the initiative. Specifically, QDVC staff members were on-site in sending countries to ensure that workers didn't pay recruitment fees. The team included two human resources and operations employees who traveled to India and Bangladesh, one additional operations person who joined the team in India, and two additional staff members who joined in Bangladesh. Their travel costs included hotel, food, and flights. For the 2015-16 effort, the total time spent in migrant-sending countries was 17 days. Before 2015-16, for a comparably sized recruitment, QDVC still would have sent staff members to the sending country, but the team would have been smaller and been present for fewer days. Importantly, one factor driving the higher cost of staff travel time was that an HR director accompanied the team in-country; while QDVC felt this was necessary given the unprecedented nature of the 2015-16 drive, a senior leader normally would not be present on subsequent direct recruitment drives, which would result in lower fixed costs. In addition to implementation in the sending countries, QDVC dedicated critical staff time to planning beforehand and then monitoring afterward to ensure achievement of its goals.[10]

Table 2: QDVC Personnel Costs*

Variable Costs (QAR)	Pre-2015-16	2015-16
Attestation of demand letter in Qatar**	500	500
Staff time for planning	3,793	11,921
Travel costs	60,376	99,910
Staff time for implementation in sending country	110,345	199,356
Staff time for monitoring	–	60,427
Total Fixed Costs	**175,014**	**372,114**

* Based on pro-rata daily salary

** In Qatar, when an employer issues a demand letter, which lists the number of workers desired by role and salary, the Ministry of Labor accepts a one-time, fixed fee of 500 QAR (US$137) and then amends, approves, or rejects the request to recruit.

The combination of fixed and variable costs in our model offers comprehensive insight into the recruitment cost per worker to QDVC. As previously mentioned, QDVC recruited 1,133 workers (832 Bangladeshis and 301 Indians); however, we must account for the 210 workers who were terminated following a six-month probationary period because they were medically unfit, absconded, were redundant to the project, resigned, or were terminated. QDVC charged the agencies for the recruitment and administrative fees of 37 of these terminated workers. The net total variable cost for QDVC was 6,233,226 QAR (US$1,712,307). Fixed costs, which are unaffected by attrition, amounted to 372,114 QAR (US$102,222). As a result, the net total cost of recruitment per worker was 7,156 QAR (US$1,966). The new practices in 2015-16 cost QDVC an additional 1,666 QAR (US$458) per worker, relative to earlier practices.

Table 3: All Costs to QDVC – Pre-Drive vs. Drive

		Pre-2015-16	2015-16
	Variable Costs per Worker (QAR)	**4,372**	**5,595**
	Total Fixed Costs (QAR)	**175,015**	**372,114**
# Workers	**Total # Workers**		**1,133**
	Attrition (recovery)		37
	Attrition (non-recovery)		173
	Net Total # Workers		**923**
	Total variable cost	4,953,325	6,339,425
	Charge back	60,934	106,199
	Net Total Variable Costs	**4,892,391**	**6,233,226**
Cost/worker (Net)	Variable cost/worker	5,301	6,753
	Fixed cost/worker	190	403
	Total Cost/worker	**5,490**	**7,156**

To add necessary perspective, the cost of recruitment then is calculated as a percentage of project value (adjusted to account for the extent to which progress had already been made on the project prior to 2015). The 2015-16 campaign primarily provided workers for three projects at their beginning stages in 2015: the Lusail Light Rail Transit System (LRT), roadwork projects in Lusail (CP01), and the New Orbital Highway (NOH2). Although the average contractual tenure of workers is two years, at the time of writing, QDVC had not undertaken direct recruitment since the 2015-16 drive. Therefore, the cost per worker was applied to the incomplete portion of the overall project value since 2015.

Table 4: Costs as Percentages of Project Values

	LRT	CP01	NOH2
Project value (QAR)	4,505,665,596	346,292,602	5,398,934,315
% Project progress (2015 year-end)	18%	23%	20%
Adjusted project value (QAR)	3,694,645,789	266,645,304	4,319,147,452
# 2015-16 drive workers	456	152	280
Total increase in recruitment cost	760,503	253,395	466,199
Total increase in Recruitment Cost as % of Adjusted Project Value	**0.0206%**	**0.0952%**	**0.0108%**
Total 2015-15 drive cost of recruitment***	3,266,315	1,090,636	2,002,296
Total 2015-16 drive Recruitment Cost as % of Adjusted Project Value	**0.0884%**	**0.4090%**	**0.0464%**

BENEFITS OF RESPONSIBLE RECRUITING

In addition to adding negligible cost in terms of project value, there are benefits to adopting responsible recruitment practices that are not captured by the model. For one thing, focus of major clients such as the Supreme Committee on the treatment of migrant workers may presage an industry move away from a simple race-to-the-lowest-bid model. Construction companies would be incentivized to impress clients with examples of ethical conduct, particularly as projects today are under international scrutiny and major clients have pledged improvements to worker welfare. Responsible recruiting fits that bill. In Qatar specifically, international scrutiny of contractor behavior is bound to increase ahead of the 2022 FIFA World Cup. Again, responsible recruiting helps demonstrate a company's seriousness about promoting the human rights of workers. From an HR perspective, corporate ethics and integrity are proven factors in attracting and retaining talent throughout company ranks.

Responsible recruitment also promotes productivity in two critical ways. First, the industry's current practice of pushing recruitment costs onto workers' shoulders incentivizes recruitment agents to select workers on the basis of willingness to pay rather than by skill level. The responsible approach aligns agencies' interests with employers': finding workers who best fit the employer's requirements. Better screening of workers also may lead to less frequent termination and attrition and may affect the efficiency of workers on the construction site.

Second, without the burden of debt, workers may be more motivated and focused on tasks at hand. Ethical processes may enhance worker retention.[11] For instance, QDVC has not needed to undertake any further recruitment since the 2015-16 drive[12] and the average QDVC worker seniority has risen (from 3.2 years in 2017 to 4.2 in 2018). Furthermore, our worker interviews indicated strong loyalty to QDVC, stemming in large part from the recruitment experience. Workers we interviewed said that of their peers, only those who were hired by QDVC avoided paying for their own recruitment.

We did not quantify and incorporate the benefits associated with retention and productivity that QDVC enjoys because they cannot be attributed exclusively to responsible recruitment. Workers report a high level of satisfaction: For instance, survey results show that 94% of workers would recommend QDVC to friends or relatives. The company's commitment to worker welfare includes provision of decent worker accommodation, access to healthcare, and high-quality food, which all could contribute to higher worker retention, satisfaction, and productivity.

CAN QDVC'S APPROACH WORK AT OTHER COMPANIES?

Beyond our analysis of QDVC itself, we wanted to determine whether its approach would work at other construction companies. To this end, we conducted a sensitivity analysis that measures whether and to what extent our results are applicable to a range of project values and numbers of workers. We wanted, further, to ensure that even companies with sub-standard practices could adopt QDVC's model with minimal incremental cost relative to project value. Our sensitivity analysis considered four types of companies:

- **Sub-standard:** Currently, the company pays processing fees to the Qatari government but does not pay for flights or other costs associated with recruitment.
- **Standard:** Following current industry norms, the company pays fees to the Qatari government, covers flight costs, and may cover some of the South Asia-based recruitment agency's administrative fees, but does not pay the agency a service fee for locating and providing workers. Therefore, even if the company "bans" recruitment fees in its policies or contracts with recruiters, it takes no meaningful steps to ensure compliance.
- **Leading:** The company pays fees to the Qatari government, flight costs, recruiters' administrative costs, and a service fee, although this fee may not fully cover the agency's costs and right to a fair profit. According to QDVC, it fell into this category prior to its 2015-16 drive.
- **Target:** QDVC's new standard represents the most responsible recruitment practice that currently exist in the industry.

Our analysis shows that, in the case of large, high-value projects, such as those that QDVC undertakes, the cost for even sub-standard companies to reach the target state is miniscule. However, we recognize that the number of such projects with an award value of over 1 billion QAR is relatively small. While the mean project award value in Qatar in 2017 was approximately 1.35 billion QAR (US$370 million), this is skewed by a small number of very high-value projects (the median value was 490 million QAR (US$135 million)).

Table 5: Incremental costs of recruitment (as a percentage of project value) for a sub-standard company to achieve target state for high-value projects

	In QAR	1,000,000,000	2,000,000,000	3,000,000,000	4,000,000,000	5,000,000,000
# Workers	50	0.06%	0.03%	0.02%	0.01%	0.01%
	100	0.08%	0.04%	0.03%	0.02%	0.02%
	200	0.12%	0.06%	0.04%	0.03%	0.02%
	300	0.15%	0.08%	0.05%	0.04%	0.03%
	400	0.19%	0.10%	0.06%	0.05%	0.04%
	500	0.23%	0.12%	0.08%	0.06%	0.05%
	600	0.27%	0.14%	0.09%	0.07%	0.05%
	700	0.31%	0.15%	0.10%	0.08%	0.06%

For these lower-value projects, the cost of ethical recruitment is still mostly below 1% of contract value. For example, it remains affordable even for sub-standard companies until project value falls below 300 million QAR (US$80 million). Projects where the cost of recruitment would exceed 1% are unlikely scenarios, since lower-value contract awardees typically do not hire hundreds of workers (as in the gray-shaded cells below). For standard and leading companies, the cost of implementing best practices follow the same general pattern, although in these cases the threshold below which the cost begins to become problematic is 200 million QAR (US$55 million) and 100 million QAR (US$27 million), respectively.

Table 6: Incremental costs of recruitment (as a percentage of project value) for a sub-standard company to achieve target state for low-value projects

	In QAR	10,000,000	100,000,000	200,000,000	300,000,000	400,000,000	500,000,000
# Workers	50	5.66%	0.57%	0.28%	0.19%	0.14%	0.11%
	100	7.61%	0.76%	0.38%	0.25%	0.19%	0.15%
	200	11.51%	1.15%	0.58%	0.38%	0.29%	0.23%
	300	15.40%	1.54%	0.77%	0.51%	0.39%	0.31%
	400	19.30%	1.93%	0.96%	0.64%	0.48%	0.39%
	500	23.19%	2.32%	1.16%	0.77%	0.58%	0.46%
	600	27.09%	2.71%	1.35%	0.90%	0.68%	0.54%
	700	30.98%	3.10%	1.55%	1.03%	0.77%	0.62%

Ethical recruitment only starts to look unaffordable where the project value is relatively small and many workers are hired. We recognize that the position of pure construction companies, small subcontractors, and manpower firms is different from that of large construction companies or design-and-build firms like QDVC. The cost of low-wage labor for these smaller firms is a higher proportion of their revenues, and a small increase in costs arising from responsible recruitment may be enough to render a company in this highly competitive market less profitable. Nonetheless, it is unlikely for these companies to require several hundred newly-recruited workers for relatively small projects, and therefore the cost of responsible recruitment as a percentage of project value is likely to remain low, even if higher than for large firms.

Most manpower agencies and subcontractors also service multiple contractors. Therefore, a single contractor does not necessarily have the purchasing power to incentivize its subcontractors and agencies to alter practices outside of the work they carry out for that contractor. Due to these challenges, clients of smaller construction companies, subcontractors, and manpower firms are best positioned to drive change. QDVC, for instance, regularly audits its manpower suppliers and provides them with necessary tools to carry out responsible recruitment. Most importantly, QDVC is willing to pay a premium to these manpower agencies for workers that are hired ethically. In turn, the clients that commission contractors like QDVC should also allow contractors to price their subcontractors' true costs into project bids.

CONCLUSION

This report concludes that the responsible recruitment of migrant workers for many construction projects in countries like Qatar can be achieved at a cost of less than 1% of the overall cost of the project. We base this conclusion on an estimate of the actual costs borne by QDVC in its 2015-16 South Asian recruitment drive, using concrete data collected in extensive conversations with QDVC, their partners, and migrant workers. Applying a sensitivity analysis to our model tests the generalizability and applicability of the QDVC model to other construction projects of different values and sizes.

While the quantitative model and its findings provide an important baseline estimate of the cost of recruitment to companies and their clients, several factors require further attention. The model, for instance, does not factor in possible cost savings or other financial benefits, including worker productivity and retention. QDVC believes that greater worker retention has been a large cost-savings factor, as the company has been able to reduce the scale of its recruitment efforts since 2015-16. While the case for increased productivity resulting from responsible recruitment has yet to be made conclusively, we are optimistic that QDVC's ongoing partnership with the ILO may lead to further research in this area.

In adopting responsible recruitment practices like those undertaken by QDVC, companies will need to remain vigilant that no fees are being collected from workers downstream. As important as it is to add recruitment costs to the books, companies also will need to oversee and audit their recruitment agency partners, as QDVC did. QDVC paid recruitment agencies a minimum of 2,500 QAR (US$687) in recruitment and administrative fees. Going forward, it will be important to assess the optimal amount for construction firms to pay to ensure that worker-paid recruitment fees are eliminated. To do this, construction firms and recruitment agencies will need to increase cost transparency at every phase of the recruitment process.

Finally, construction firms operating in the Gulf need to recognize that the cost of recruitment is distinct from other costs associated with workers' rights, such as suitable accommodation and access to benefits. QDVC has learned, for example, that building new worker housing has been more expensive to the company than implementing fair recruitment practices.

Although the issue of responsible recruitment is complex, our cost analysis shows that every line item is quantifiable for an employer of migrant workers. Our model further demonstrates that as construction firms devote greater time and attention to implementing responsible recruitment practices, they may see that their business interests are more aligned with ethical and reputational considerations than they previously believed.

ENDNOTES

1. Construction contracts awarded are based on the Gulf Construction Tracker, a joint project between the Center and the Business & Human Rights Resource Centre, supported by Humanity United.

2. CIA World Factbook, "Qatar." April 7, 2019 (https://www.cia.gov/librarY/publications/the-world-factbook/geos/qa.html) and Ministry of Development Planning and Statistics, "March 2019 Population," (https://www.mdps.gov.qa/en/statistics1/Pages/default.aspx).

3. Jill Wells, "Protecting the Wages of Migrant Construction Workers," December 2018 (http://engineersagainstpoverty.org/wp-content/uploads/2018/12/EAP-OSF-Final-WEB.pdf).

4. "Cabinet nod for formation of joint labour committees," *Gulf Times*, November 23, 2017 (https://www.gulf-times.com/story/572279/Cabinet-nod-for-formation-of-joint-labour-committe).

5. Ray Jureidini, "Migrant Labour Recruitment to Qatar," 2014(http://www.qscience.com/userimages/ContentEditor/1404811243939/Migrant_Labour_Recruitment_to_Qatar_Web_Final.pdf).

6. All currency conversions are approximate and based on October 30, 2015 rate of 3.64 QAR to US$1.00.

7. For workers who paid recruitment fees, the average amount paid for workers from Bangladesh was a sixth compared to the previous survey; for Nepalese workers, it was down 12%; and for Indian workers, it was nearly zero (only one out of 37 Indian workers reported paying any fees and did not mention the amount).

8. In addition to data, the model is informed by interviews with QDVC management, vendors, and workers in Qatar in October 2018. QDVC staff interviewees included representatives from HR, Corporate Social Responsibility, Finance, and Operations. In addition, we conducted 23 interviews with construction workers, both direct and indirect hires, as well as with managers of one key QDVC subcontractor, one manpower agency, and one India-based recruitment agency.

9. The model assumes that the cost per worker of flight tickets remains constant. However, as noted in the Center's earlier report, "Making Workers Pay," unscrupulous recruitment agents will sometimes make workers wait for lengthy periods of time – often forcing them to stay at the airport – to put them on the cheapest flight possible. Given that QDVC was already paying for flight costs, we presume that their recruitment agencies were not incentivized to engage in such practices, and so have used consistent prices.

10. For the sake of comprehensiveness and to be conservatively high in our estimate, the model incorporates the full value of the estimated cost of staff time on monitoring. It is important to acknowledge, however, that QDVC's post-drive efforts were exceptional in their level of thoroughness and covered worker-welfare issues beyond recruitment fees. Other companies wishing to replicate this model may expect similar up-front investments, with lower fixed costs for future drives.

11. Ironically, retention is one justification often cited by companies for charging recruitment fees, since they believe that indebted workers are less likely to abscond, as they have little choice but to stay on. In addition to this being an ethically questionable stance, there is limited evidence that it is true.

12. QDVC's attrition rate was 19% in the month immediately following its recruitment drive mainly due to a one-off redundancy program. While we have kept the cost of these workers in our analysis, ignoring them would drop the attrition rate to 12%.

Gabriel Ng, who formerly worked as a lawyer with Shearman & Sterling, holds a dual MBA/MPA (2019) from New York University.

Su-Kyong Park, a part-time MBA student (2020) at NYU, is an Associate Manager at the AIG General Insurance Technology PMO.

Kinni Shah, who holds an MBA (2019) from NYU, will be moving to India to work with her family's business.

David Segall was formerly a Senior Program Manager with the NYU Stern Center for Business and Human Rights, where he oversaw work on migrant worker recruitment fees in the Gulf construction sector.