

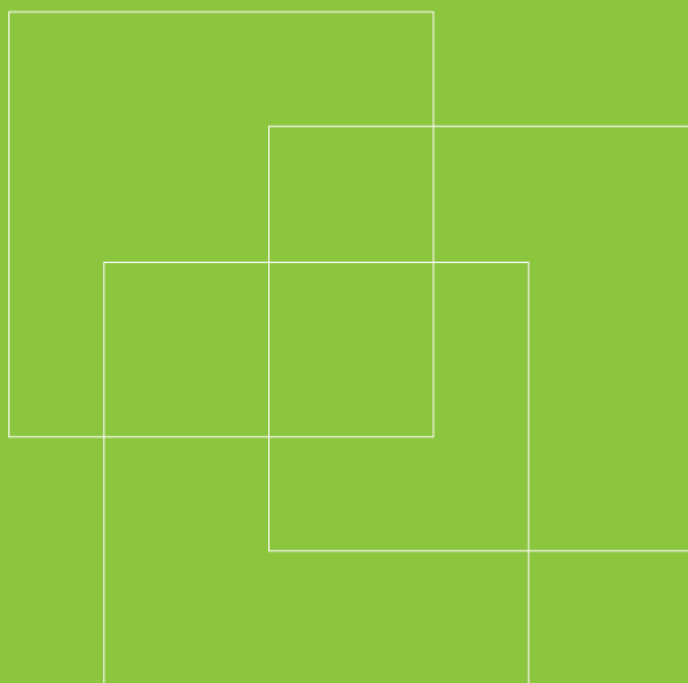
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Remittance services in the Republic of Korea



Regional Office for Asia and the Pacific

Remittance services in the Republic of Korea

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Preface

This study was made possible with the funding of the ILO/Korea Partnership Programme. In 2003, the Ministry of Employment and Labour signed a memorandum of understanding with the ILO to formalize their partnership for development. A year later, the Government of the Republic of Korea provided funding to institutionalize the ILO/Korea Partnership Programme, which focuses on realizing the objectives set out in the Asia-Pacific Decent Work Decade that were introduced during the Fourteenth ILO Asian Regional Meeting in the Republic of Korea in 2006. The Programme's support to date has been directed into three thematic (project) areas:

- competitiveness, productivity and jobs;
- labour market governance and social protection; and
- labour migration.

The Labour Migration component of the ILO-Korea Partnership Programme has supported a series of policy dialogues and training activities on the management of labour migration undertaken in close collaboration with its Korean partner organizations. The program has had a secondary focus on return and reintegration and, given that earning and sending money home is one of the drivers of the Employment Permit System (EPS) where migrant workers are concerned, financial services for remittances have also been emphasised. The importance of migrants' remittances is now widely recognized in various fora including the UN, EU and G-8. From ILO/IOM/OSCE (2006), the issues for policy makers in relation to remittances are:

- how remittance channels and services can be made more cost-effective, accessible, reliable, quick and transparent; and
- how the development potential of remittances can be enhanced.

In 2009, US\$3.1 billion in remittances were sent from the Republic of Korea (World Bank, 2010). The World Bank Database indicates that for a remittance of US\$200, the least costly remittance corridors in the region of the study are Singapore – Bangladesh, with an average cost of 4.62 per cent, and Singapore – Philippines, with an average cost of 6.68 per cent. When looking at remittance corridors from Korea to labour sending countries, data available shows that the average cost of sending a US\$200 remittance from the Republic of Korea – China is 7.23 per cent (MTOs and Banks, first quarter of 2012) and from Korea – Viet Nam 6.33 per cent (MTOs and Banks).

This study will contribute to increasing the knowledge base on remittance services, including: the choice of remittance channels and use of financial services by migrants and how remittance channels can be made more cost-effective, accessible, reliable, quick, and transparent. Specifically, this study will focus on the above features as they relate to remittance service providers (RSPs) in the Republic of Korea used by migrant workers to remit money back to their countries of origin.

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Abbreviations

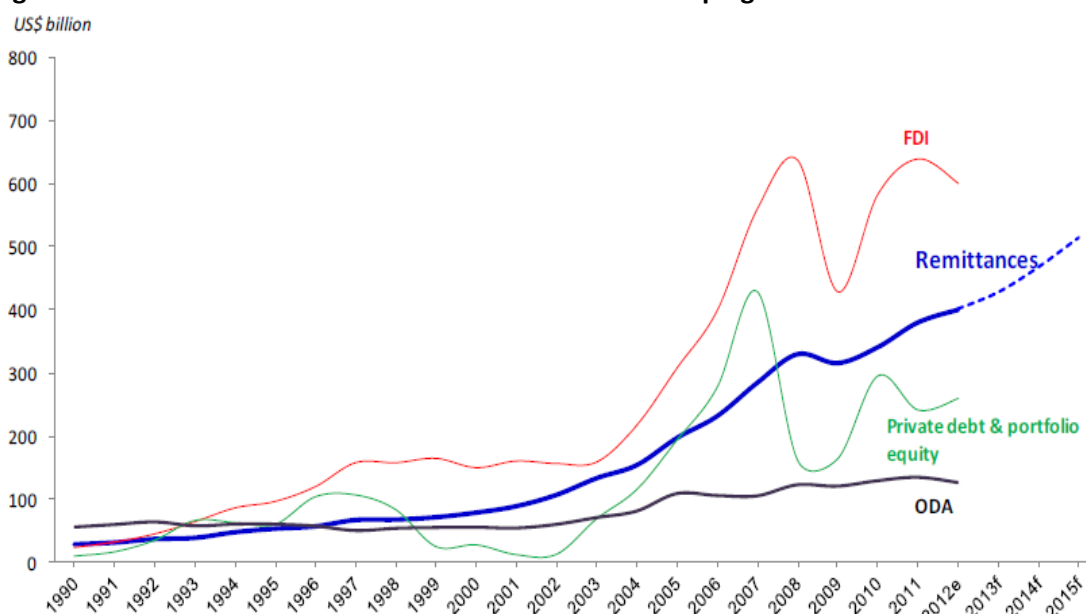
AORS	automatic overseas remittance service
ARS	automated response system
ATM	automated teller machine
BIC	bank identification code
DD	demand draft
EPS	Employment Permit System [Republic of Korea]
FX	foreign exchange
HRD Korea	Human Resources Development Service of Korea
IBAN	international bank account number
KDIC	Korea Deposit Insurance Corporation
KEB	Korea Exchange Bank
KFB	Korea Federation of Banks
KRW	Republic of Korea won [currency]
LCRS	local currency remittance services
MOU	memorandum of understanding
MTO	money transfer operator
OECD	Organization for Economic Cooperation and Development
PIN	personal identification number
RSP	remittance service provider
RTTS	real time transfer services
SWIFT	Society for Worldwide Interbank Financial Telecommunications
T/T	telegraphic transfer/telex transfer
WRS	wage remittance service

Chapter 1: Introduction

1.1 Background and purpose

According to the World Bank, remittance flows to developing countries were approximately US\$401 billion in 2012, an increase of 5.3 per cent compared to 2010. Growth in remittances to the developing world is expected to accelerate to 8.8 per cent during 2013–15. Total remittances to low-income countries is projected to grow even more during this period – 12.3 per cent – as economic conditions strengthen in remittance-sending countries (World Bank, 2013). Global remittance flows into developing countries is now more than three times than that of official development assistance. Following brisk growth in 2011, remittance flow to developing countries is expected to increase continually to reach \$515 billion by 2015 (World Bank, 2013a; see Figure 1.1)

Figure 1.1 Remittances and other resource flows to developing countries



Source: World Bank, 2013a.

With so much money moving across the globe, scholars have studied several aspects related to the transfer of remittances, such as: why migrants send money; how recipients use the remittance; and the relative merits and challenges associated with different remittance channels.

Several reasons have been put forward by scholars to account for why remitters send money. These theoretical explanations include: altruism (Yang & Martinez, 2006; Adams, 2006); pure self-interest geared at asset proliferation, (Hoddinott, 1994; Brown, 1997); and co-insurance or future rewards from beneficiaries such as their children and brothers/sisters (in other words, enlightened self-interest or a tempered altruism) (Cox Edwards & Ureta, 2003; Mansuri, 2006; Mueller & Shariff, 2011; Prabal & Ratha, 2012).

The use of remittances is another essential issue, particularly the question, “Are remittances a potential tool for development?” This apparently simple question is not easy to answer. The prime use of remittances may be to purchase food and other consumables. And there exist potential

negative aspects to migration and remittance, such as reduction in the workforce of sending countries and a potential increase in moral hazards like unproductive dependency or laziness brought on by access to unearned income, as well as conspicuous consumption and an increase of the possibility that a Dutch Disease¹ scenario may occur. However, even if most remittances are only used for consumption, they still make a valuable contribution towards satisfying basic needs and relieving poverty, and there is a tendency for remittance flows to turn towards investment in both human and physical capital once immediate consumption needs are satisfied. Empirical research shows that, at the household level, remittances are highly correlated with not only alleviation of poverty but also improvement in children's upbringing and education as well as the family's health.

This study, however, will address the third main area of research on remittance flows: the choice of remittance channels and use of financial services by migrants and how remittance channels can be made more cost-effective, accessible, reliable, quick, and transparent. Specifically, this study will focus on the above qualities as they relate to remittance service providers (RSPs) in the Republic of Korea used by migrant workers to remit money back to their countries of origin.

This introduction will first present some general background on the study of remittance channels and services. Jampaklay and Kittisuksathi (2009) note the impact of remittance on development is not only related to the number of available opportunities in the receiving country for productive investment of remittances, but also on migrants' access to cost-effective, transparent, and safe money transfer channels. This is due to the fact that transaction costs shrink the amount ultimately received by recipients in the country of origin, which along with security concerns, can decrease the incentives for migrant workers to remit money overseas. The choice of which remittance channel to use depends on a number of factors, such as the cost of the transaction, speed, security, geographic proximity/ accessibility of both the remittance sender and receiver, convenience in terms of familiarity and language, etc. The attractiveness of different formal and informal channels varies greatly across these aspects (Freund & Spatafora, 2005).

The Remittance Prices Worldwide database² shows the cost of sending remittances based on RSP types, including commercial banks, money transfer operators (MTOs), and post offices. In most corridors, commercial banks continue to be the costliest RSP. The average total cost of transferring US\$200 through commercial banks increased from 13.14 per cent of the transferred amount in 2010 to 13.58 per cent in 2011. Banks are also one of the least transparent types of RSP: out of 905 bank services included in the database, 253 (28 per cent) did not disclose the exchange rate applied to the transaction. Post offices are not as expensive, and they are the only RSP to show a drop in the average total charges in recent years, going from 8.08 per cent charged for a US\$200 transfer to 7.16 per cent the following year. Only 17 out of 38 postal systems in the database were able to disclose their exchange rate margin. MTOs increased their average cost for a US\$200 transfer from 6.94 per cent of the transferred amount in 2010 to 7.37 in 2011. However, MTOs are the most transparent

¹ In the 1960s, the Netherlands experienced a vast increase in its wealth after discovering large natural gas deposits in the North Sea. Unexpectedly, this ostensibly positive development had serious repercussions on important segments of the country's economy, as the Dutch guilder became stronger, making Dutch non-oil exports less competitive. This syndrome has come to be known as "Dutch disease." Now "Dutch disease," broadly refers to the harmful consequences of large increases in a country's income (Ebrahim-zadeh, 2003).

² Remittance Prices Worldwide was launched by the World Bank in September 2008 and is a key tool to monitor the cost incurred by remitters and beneficiaries when sending and receiving money along major remittance corridors. The recently launched ninth iteration of Remittance Prices Worldwide covers 219 country corridors worldwide, originating from 32 remittance sending countries to 89 receiving countries. The database is accessible at <http://remittanceprices.worldbank.org/> [accessed 25 June 2014].

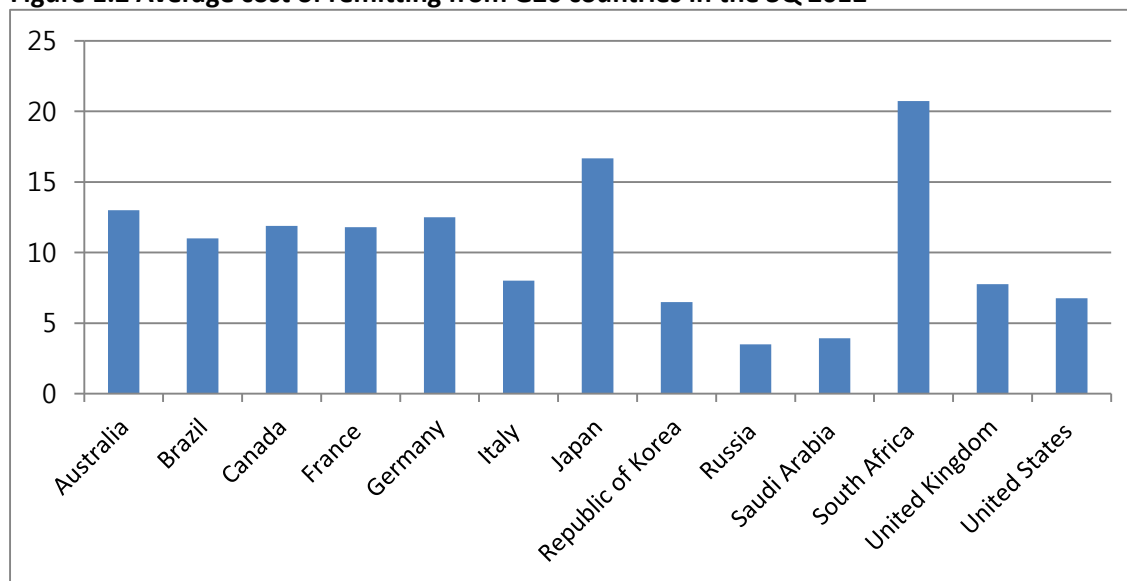
RSP type, with 99 percent of the 1,677 services in the database disclosing full information to their customers.

The transaction costs related to sending money through informal channels may be cheaper than those charged by formal RSPs. For instance, Orozco (2003) shows the cost of a *hawala* (transfer with trust) and *hundi* (collect) transaction in Asia to be less than 2 per cent of the value of the principal transferred; Sander (2003, as cited in Freund & Spatafora, 2005) estimates the average cost of remitting through informal channels to be 3–5 per cent globally; and Swanson and Kubas (2005, as cited in Freund & Spatafora, 2005) report costs from less than 1 to 5 per cent. Similarly, remittances through friends, taxi drivers, etc. are also low-cost channels compared to formal channels. Similarly, Siddiqui and Abrar (2003) find that the cost of using informal channels in Bangladesh is about 45 per cent that of the cost of remitting through formal channels. While there is anecdotal evidence of the low cost of informal remittance channels, little is known about whether the costs vary depending on the amount transferred or where money is being sent and received (Freund & Spatafora, 2005). Cost considerations aside, informal channels tend to be faster and more convenient. They are not subject to bank and foreign exchange regulations, agents are located in close proximity to remittance senders and receivers, door-to-door services are available, and customer are not required to have a bank account or any knowledge about operating such an account.

Freund and Spatafora (2005) estimate that informal remittances amount to about 35–75 per cent of official remittances to developing countries. There is significant regional variation: the authors estimate the use of informal remittance sending channels to be very high in Sub-Saharan Africa and Eastern Europe and Central Asia, while in Latin America and Asia use of the informal sector has been declining. Use of informal remittance channels is relatively lower in corridors to East Asia and the Pacific. The authors determine that the total amount of remittances received depends on the migrant stock in Organization for Economic Cooperation and Development (OECD) countries. Transaction costs are related to competition in the banking sector, exchange rate volatility and the size of the banking sector and financial markets.

According to the World Bank (2011) the cost of remitting from G20 countries has followed the same pattern as the global average since the 3Q 2009. The data shows that the average as of the 3Q 2011 was 9.13 per cent of the transferred amount, slightly lower than the global average (9.30 per cent). South Africa and Japan are the costliest remittance sending countries in the G20 group, with an average of 17.73 per cent and 16.84 per cent, respectively (World Bank, 2013b; see Figure1.2). The cheapest sending countries, together with Russia, are Saudi Arabia (4.13) and the Republic of Korea (6.36), followed by the United States (6.93).

Figure 1.2 Average cost of remitting from G20 countries in the 3Q 2012



Note: G20 Average: 9.12 per cent

Source: World Bank, 2013b.

The World Bank Database indicates that for a remittance of US\$200, the least costly remittance corridors in the region of the study are Singapore to Bangladesh, with an average cost of 4.62 per cent of the transferred amount, and Singapore to the Philippines, with an average cost of 6.68 per cent. When looking at remittance corridors from the Republic of Korea to labor-sending countries, the data available show that the average cost of sending US\$200 remittance from the Republic of Korea to China is 7.23 per cent (MTOs and Banks, 1Q 2012) and from the Republic of Korea to Viet Nam is 6.33 per cent (MTOs and Banks).

As mentioned above, this study focuses on remittance channels and services in the Republic of Korea and their associated cost, accessibility, reliability, speed, and transparency. To this end, the study team conducted a survey of migrant workers and semi-structured interviews with key stakeholders in order to examine the use and characteristics of RSPs in the Republic of Korea. The purpose of collecting such information was so that it could then be analyzed and ultimately digested for dissemination among migrant workers living in the Republic of Korea in order to improve their ability to send home remittances in a safe, cost-conscious, and transparent manner.

1.2 Methodology and research tools

A desk review of secondary resources was used to review the regulatory frameworks and financial infrastructure; to identify remittance service providers; to review remittance transfer mechanisms; and to identify remittance-related financial products available to migrant workers in the Republic of Korea.

Quantitative data regarding the use of RSPs by migrant workers was gathered through the survey of migrant workers. Additional qualitative data was collected and/or validated through semi-structured interviews with key stakeholders, such as officers from concerned financial institutions and government officers from concerned agencies, in order to assess current financial services systems for cost-effectiveness, speed, and transparency.

1.2.1 Review of the regulatory frameworks and financial infrastructure

The literature review included research on formal and informal remittance service providers in the Republic of Korea, such as commercial banks, MTOs, and other remittance transfer institutions (e.g., postal systems).

1.2.2 Data collection methodology

A survey of migrant workers was conducted, as well as semi-structured interviews of stakeholders in the remittance transfer process.

Survey of migrants

Number surveyed: 514 overseas migrant workers who entered the Republic of Korea through the Employment Permit System (EPS) were interviewed. Out of this there are 468 useable samples.

Sampling: The sample was stratified based on nationality and residence of foreign workers in the Republic of Korea. 15 countries have signed a Memorandum of Understanding (MoU) with the Republic of Korea on the recruitment of migrant workers under the Employment Permit System. However, East Timor and Kyrgyzstan were not included in the survey as the numbers migrant workers from these countries are small and the population is widely dispersed. At least 30 foreign workers from each country were interviewed.

Survey language: Translated into English and 12 other languages in order to accommodate workers of different nationalities.

Survey methodology: Staff members of Korea Foreign Worker Support Centres were engaged as interviewers and surveyed migrant workers who visited the centres.

Monitoring: Meetings were held between the interviewers and our research team in order to ensure the reliability of the survey results. The survey fields were also checked to enhance the reliability of the survey.

The survey questionnaire sought the following information from the migrant workers interviewed:

1. Personal back ground: nationality, sex, age, marital status, schooling years.
2. Entry/ current job status: entrance year, current working years, current occupation, language skill.
3. Remittance: wages, savings, living expenses, currently using bank account, remittance amount, remittance beneficiaries, remittance channel being used, evaluation of remittance service providers in terms of safe, speed, accessibility, transparency, remittance fees, and exchange rate spread.

Key stakeholder interviews

Qualitative data was collected and/or validated through semi-structured interviews with key stakeholders, such as officers from concerned financial institutions (banks, MTOs, and post offices), NGOs, and government authorities.

(a) Banks:

- Remittance corridor: How many ways can migrant workers send money abroad through your institution?
- Remittance sending fees.
- Preferential treatment for foreign workers' remittance.
- The bank's efforts to reduce remittance cost.
- Possibility of translators at the bank counter: Into how many languages have the required documents for sending remittance been translated? Can foreign workers

receive help from an interpreter at the bank counter? Can you offer practical help to foreign workers in dealing with paperwork?

(b) NGOs (Foreign Support Centre, Multicultural Support Centre, etc.):

- Have you heard of any problems migrant workers face in the sending of remittances? What problem is the most serious?
- Do these problems differ depending on the migrant worker's country of origin?
- What kinds of remittance services do migrant workers want? What is the most demanded remittance service among migrant workers?
- Do you have any policy advice related to remittances?

(c) Government (Division of Foreign Workforce in the Ministry of Employment and Labor; officers in the Human Resources Development Service of Korea):

- Have you heard of any problems migrant workers face in the sending of remittances?
- Have you introduced any policies to lower remittance-sending costs, especially for migrant workers under the EPS?
- If not, will you develop any cost-efficient remittance policy plans to address issues related to sending remittance s?

Chapter 2: The Employment Permit System

2.1 Labour laws and the Employment Permit System

The survey conducted for this study was used to analyze the remittance behavior of migrant workers who entered the Republic of Korea with an E-9 visa via the Employment Permit System (EPS). The EPS was introduced in 2004. It allows employers that have failed in their attempt to hire local workers to employ a foreign worker legally in labor shortage industries such as agriculture and stockbreeding, fisheries, construction, and manufacturing. Employers are only eligible to hire migrant workers under the EPS if they employ fewer than 300 local workers. Each year the Government of the Republic of Korea decides on the quota of foreign workers allowed into the country depending on domestic labor market circumstances. The process of foreign worker selection and introduction is implemented based on an MOU signed by the Government of the Republic of Korea and the government of the migrant worker's country of origin. Countries participating in the EPS as of 2013 include: Bangladesh, Cambodia, China, Indonesia, Kyrgyzstan, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Timor-Leste, Uzbekistan, and Viet Nam. The EPS scheme oversees recruitment of workers by government agencies, pre-departure training, skills and jobs matching, processes to issue a visa (E-9) and employment contracts, employment conditions (covered by Korean labor law), complaints mechanisms, health and accident insurance, pension schemes, and cross-cultural workplace programs.

The legal rights established under laws such as the Labour Standards Act, the Minimum Wages Act, and the Industrial Safety and Health Act (see Table 2.1) are applied to foreign workers and native Koreans equally. In cases of illegal acts or mistreatment by employers, such as labor contract violations or unfair dismissal, remedy of rights is possible through appeal to the Working Condition Improvement Department and the Labor Relations Commission. Discrimination against foreign workers is banned as per Article 5 of the Labour Standards Act. It should be noted that the above mentioned acts are not applied to those who are employed as domestic workers (the exclusion applies equally to local and foreign workers). In addition, articles of the Labor Standards Act on working hours/day-off/recess hours are not applied to workers who work in agriculture, the stockbreeding industry, or fisheries (the exclusion applies equally to local and foreign workers).

E-9 visa holders can be employed in the Republic of Korea for a maximum of four years and 10 months. Family accompaniment is restricted. After their sojourn period expires, foreign workers should depart from the Republic of Korea. Those workers who aim to return to the Republic of Korea under Special EPS TOPIK must head home for six months before they are allowed to re-enter the Republic of Korea for employment. The "Re-entry Employment System for Committed Workers" was introduced in July 2012 for foreign workers who worked without any change of workplace during their previous employment period of four years and 10 months. Under this system, the foreign worker is granted re-entry and can work again for another four years and 10 months with the same employer after three months from the date of their voluntary departure. This system is aimed at encouraging companies to support the use of a skilled foreign workforce and to reduce the use of irregular foreign workers.

Table 2.1 Selected labour laws in the Republic of Korea

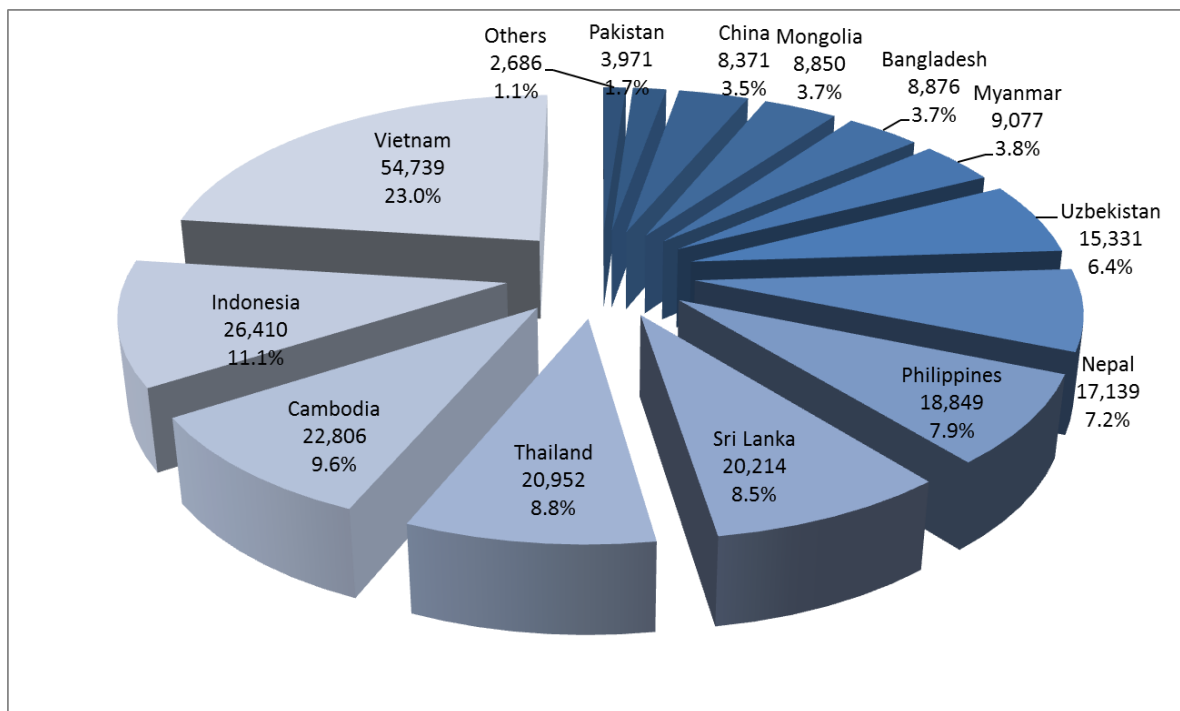
Laws	Contents
Labor Standards Act	<ul style="list-style-type: none">• The standard working hours are 40(44) hours a week (eight hours a day).• Working hours can be extended upon agreement between parties.• Workers' wages will be paid regularly over once a month in cash or through the bank account on the date specified in the labor contract

	<ul style="list-style-type: none"> • Foreign workers are entitled to receive overtime pay for extra work or night shift work (22.00-06.00) or working on holidays (does not apply to companies with four or fewer employees). • Foreign workers are entitled to receive pension payments when workers have worked for over one year continuously (Does not apply to companies with four or fewer employees).
Minimum Wages Act	<ul style="list-style-type: none"> • Foreign worker can be paid no less than the minimum wage decided by law (same minimum also applicable to Korean nationals).
Industrial Accident Compensation Insurance Act	<ul style="list-style-type: none"> • In case of injury or disease on duty, medical care/treatment benefits, compensation for business suspension, compensation for disability, and bereaved family's benefits can be received.

Source: HRD Korea, 2014.

There are legal obligations for workers entering the Republic of Korea under the EPS. Workers must go through a Post-arrival Orientation, and complete Employment Training conducted by employment training institutes upon their entry into the Republic of Korea. Foreign workers must go through a medical checkup, and those who fail their medical checkup are subject to a second medical checkup. If the worker fails the second medical checkup, they will have to return to their home country. Four insurance policies are mandatory for foreign workers: 'Return Cost Insurance,' which covers the flight ticket back to a worker's home country when their contract term expires; 'Casualty Insurance' covers non-occupational injuries and diseases; 'Health Insurance' covers against the risk of incurring medical expenses among employees; and 'National Pension Plan' provides retirement income. Registration is mandatory (see Section 4.6.3 for more on these and other insurance options and requirements). When a labor contract has expired but has been renewed, the permission for the sojourn period extension shall be obtained at a local Immigration office. The distribution by nationality of E-9 visa holders can be found in Figure 2-1: Vietnamese workers account for 23.0 per cent of the total (54,739 workers) followed by Indonesia (26,410, 11.1 per cent), Cambodia (22,806, 9.6 per cent), and Thailand (20,952, 8.8 per cent).

Figure 2.1 Stock of EPS migrant workers in the Republic of Korea (2013)



Source: Korean Immigration Service (2013).

An H2 EPS visa was introduced in 2007. Under the Immigration and Legal Status of Overseas Koreans Act (1999) a legal status equivalent to a Korean national was granted to “Overseas Koreans”. However, Koreans in China and the former Soviet Union were excluded from this status by the Enforcement Decree of the Immigration Control Act (Article 23). This was described as discrimination by some, so the Government of the Republic of Korea introduced the H-2 visa for special employment under the EPS in 2007 to address this problem, thereby allowing Overseas Koreans from China and the former Soviet Union to work in the Republic of Korea. The numbers of E-9 and H-2 visa holders for the years 2005 to 2013 can be found in Table 2.2 below.

Table 2.2 Number and proportion of E-9 and H-2 visa holders from 2005 to 2013

Visa Type	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	104 348	199 620	362 460	454 431	461 203	489 955	537 663	46 900	476 516
E-9	52 305	115 122	134 015	156 429	158 198	207 786	234 295	230 237	238 271
%	50.1	57.7	37.0	34.4	34.3	42.4	43.6	49.1	50.0
H-2	52 043	84 498	228 448	298 002	303 005	282 169	303 368	238 765	238 245
%	49.9	42.3	63.0	65.6	65.7	57.6	56.4	50.9	50.0

Source: Korean Immigration Service; Note: The figures are as of the end of years except 2013 (as of June 30)

Chapter 3: Regulatory frameworks and financial infrastructure in the Republic of Korea

3.1 Financial transaction system in the Republic of Korea

3.1.1 Real-name financial transaction system¹

The real-name financial transaction system was introduced in the Republic of Korea in 1993. Under this system, banks may request for name verification, such as a national ID, a passport, or a business registration certificate, and may request presentation or submission of other documents as required. For foreigners, an alien registration card or a passport (travel document) can be used as an ID card. If a family member of a foreigner wishes to open a bank account on their behalf, the following are required: 1) an alien certificate issued by the Immigration Office that proves the family relationship, and 2) the ID card of the account holder.

3.1.2 Designation of a correspondent bank for foreign exchange transactions

Foreigners have to designate one correspondent bank in the Republic of Korea for all foreign exchange (FX) transactions, such as currency exchange and overseas remittance, to allow for reporting or post-management of FX transactions. Of course, foreigners can switch their correspondent bank by visiting the bank that they wish to designate. Benefits, such as cheaper fees, may be given in remitting or exchanging currencies by designating a corresponding bank.

3.1.3 Deposit insurance system²

The Korea Deposit Insurance Corporation (KDIC) was established in 1996 to perform the deposit insurance function, which includes protecting depositors and maintaining financial stability in the event that banks are unable to repay deposits due to a payment suspension order or bankruptcy. The KDIC insures banks, financial investment companies, life and non-life insurance companies, merchant banks, and mutual savings banks. The KDIC covers up to KRW50 million (US\$43,929) per depositor (as of 3 July 2013).

3.1.4 Korean currency and exchange rates

The won (KRW) is the legal currency of the Republic of Korea. Korean won banknotes come in four denominations: 50,000, 10,000, 5,000, and 1,000; and coins come in six denominations: 1, 5, 10, 50, 100, and 500. The exchange rates of the Korean won to the US dollar, the euro, and the currencies of EPS Memorandum of Understanding (MOU) countries (as of 10 July 2013) are summarized in Table 3.1.

¹ Draws from FN Hub Korea, 2010.

² See KDIC (www.kdic.or.kr or <http://www.iadi.org/profiles/korea.pdf>) for more details [accessed 25 June 2014].

Table 3.1 Exchange rates of the US dollar, the euro, and the currencies of EPS-MOU countries in KRW (as of 10 July 2013)

Country	Exchange rate	
Bangladesh	1BDT	14.63KRW
Cambodia	1KHR	0.29KRW
China	1CHY	1 885.49KRW
Indonesia	1IDR	0.11KRW
Mongolia	1MNT	0.78KRW
Myanmar	1MMK	1.16KRW
Nepal	1NPR	11.88KRW
Pakistan	1PKR	11.42KRW
Philippines	1PHP	23.23KRW
Sri Lanka	1LKR	8.72KRW
Thailand	1THB	36.7KRW
Uzbekistan	1RUB	34.30KRW
Viet Nam	1VND	0.05kRW
United States	1US\$	1 138.20KRW
Europe	1EUR	1 131.75KRW

3.1.5 The Foreign Exchange Transactions Act (1998)

Article 1 of the Foreign Exchange Transaction Act states the purpose of the law, which is to “contribute to the sound development of the national economy by striving to facilitate foreign transactions, to maintain the equilibrium of balance of international payments and to stabilize the value of currency by ensuring the liberalization of foreign exchange transactions and of other foreign transactions, and by revitalizing market functionality.”³

Due to the Foreign Exchange Transactions Regulations and Restrictions on interstate sharing of electronic networks, transfers of funds from a foreigner's bank account in the Republic of Korea to an overseas bank account as well as overseas withdrawals from a foreigner's bank account in the Republic of Korea are limited.

According to the Foreign Exchange Transaction Act, up to US\$50,000 can be remitted overseas per year through the designated correspondent bank; but to remit an amount greater than \$50,000, documentation proving domestic income, such as a wage statement or tax payment certificate, is required. A foreigner may withdraw up to \$5,000 per day and \$10,000 per month when abroad, if the foreigner designates a corresponding bank before leaving the Republic of Korea.

3.1.6 Opening a bank account and conducting financial transactions

No fee is charged for opening the bank account. Proof of identification, such as a passport or an alien registration card, a seal (or signature), and a PIN (Personal Identification Number) are required for opening a bank account and conducting a financial transaction at a bank counter. Bank deposits and transfers are possible at a bank counter or via ATMs, and internet, telephone, or mobile banking. The transfer limit is KRW6 million per transaction and KRW30 million per day.

Nowadays most people use non-face-to-face banking systems, such as ATMs, internet banking,

³This article wholly amended by Act No. 9351, 30 Jan. 2009.

telephone banking, or mobile banking, for making deposits, withdrawals, transfers, exchanges, or sending remittances rather than placing a face-to face order (i.e., making use of a teller at a bank counter). In September 2012, non-face-to-face channels were used to make 87.80 per cent of all transactions in Republic of Korea banks. The share of ATM transactions was relatively high at 42.7 per cent, followed by that of internet banking services at 30.3 per cent (See Table 3.2).

Table 3.2 Market shares of deposits, withdrawals, and fund transfers by method used for making transaction

Year	Face-to-face (teller)	Non-face-to-face			
		Sub-total	CD/ATM	Telebanking	Internet banking
Sep. 2012	12.2	87.8	42.7	14.8	30.3
Sep. 2011	13.5	86.5	42.5	15.8	28.1
Sep. 2010	14.8	85.2	42.5	15.9	26.7

Source: Bank of Korea.

(1) Internet Banking

Nowadays, most banks have extended their services to include internet banking. As of the September 2012, the number of subscribers to internet banking services (including mobile banking services) at 19 Korean financial institutions totaled 84.12 million, an increase of 2.5 per cent (+2.02 million subscribers) compared to the end of the preceding quarter.

Before conducting a financial transaction via the internet, an account holder has to apply for internet banking service at the website of the bank. Most banks offer overseas remittance services in English. Generally, transaction charges incurred through internet banking are lower than those incurred at the bank counter.

(2) ATMs

Most ATMs provide services in English as well as Chinese and Japanese⁴. The ATMs of the Korea Exchange Bank offer services in 17 languages. ATMs accept deposits of any denomination of KRW banknotes but not foreign currency.

(3) Telephone banking (Telebanking)

Telephone banking refers to a service in which an account holder transfers money, reviews transaction details, or reports lost or stolen cards by phoning an automated response system (ARS) or contacting the customer call centre without visiting a bank counter.⁵ In order to use this service, the account holder should visit their bank, apply for a telephone banking service, register a password, and confirm the remittance limit in advance. However, not many banks offer overseas remittance telebanking services.

⁴ Kookmin Bank, Shinhan Bank, Woori Bank, Korea Exchange Bank, Standard Chartered Korea First Bank, and National Agricultural, Cooperative Federation (Nonghyup).

⁵ Kookmin Bank, Woori Bank, Korea Exchange Bank, Citibank Korea, and National Agricultural Cooperative Federation (Nonghyup) provide a telephone banking service.

(4) Mobile banking

Mobile banking is a banking service system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone. This service was introduced in December 2009, and has shown sustained growth in its uptake. Mobile banking accounts for 29.1 per cent of total internet banking, which stands at an average of 45.7 million uses per day. The majority of online banking transactions were conducted via computers, but the use of mobile banking has been on the rise.

3.2 Remittance service providers (RSPs)

A remittance service provider (RSP) transfers funds from one person in one country to a second person in another country. There are a multitude of RSPs in the Republic of Korea providing remittance services. The remitter's choice between the various channels and RSPs may be influenced by a host of factors, such as the kind of institutional infrastructure available in the host and the home countries, ease of access to formal financial institutions, speed of funds transfer through alternate channels, differential cost of funds transfer, government regulations, incentives offered by the home country in the form of tax concessions and interest rates, identification requirements, and procedural burdens embedded in the formal channels (World Bank, 2006).

Global payments are largely accomplished by banks. Foreigners who can access bank accounts, ATMs, the Internet, and smartphones in the Republic of Korea can initiate payments in a number of ways. In addition, bank transfers are fast, secure, accessible and reliable. However they can be expensive, slow, and inaccessible depending on institutional infrastructure available in the workers' home country. As a result, other RSPs, such as MTOs, perform a unique function in the cross-border retail payment infrastructure. MTOs offer delivery of funds through instruments and channels that are accessible to the recipient, such as cash from a disbursing agent that is located close to where the recipient lives or that offers courier delivery.

Table 3.1 Summary of transfer methods, cost, speed, reliability and accessibility offered by RSPs

RSP	Transfer Methods	Cost	Speed	Reliability	Accessibility
Banks	T/T	Expensive	Fast/slow	Very high	High/how
	D/D	Inexpensive	Slow	Very high	
Post office	Mail Transfer	Low	Slow	Very high	Low
	International Money Order	Low	Slow	Very high	Low
MTOS		Very High	Very Fast	Very high	High
Informal channels	Hundi/hawala	Low	Fast	High	
	Cash	Low	-	Low	

But since domestic payment systems in many receiving countries are underdeveloped, informal networks of agents provide a substitute and prevent recipients from having to travel to places covered by the banking system (Andreassen, 2006). Compared to bank and official MTO transfers, these unregistered transfers are relatively anonymous, fast, and inexpensive (Siegel, et al., 2010). Despite the potential advantages of informal remittance channels in terms of cost, speed, accessibility, and anonymity, informal channels have increasingly been debated due to concerns about their potential misuse for criminal ends, including money laundering, the financing of terrorism, and smuggling. Moreover, with regard to safety and security, informal channels are generally perceived to be more risky because they often rely on informal contracts and entail a

higher risk of theft or loss (Kosse & Vermeulen, 2013). The use of such informal remittance channels is not permitted under Korean law.

Under the Foreign Exchange Transactions Act⁶, only authorized financial institutions such as commercial banks, post offices, and international MTOs (e.g., Western Union, MoneyGram, PayPal) are allowed to offer outbound remittance services in the Republic of Korea. Commercial banks and post offices can provide the service directly, while MTOs can remit funds through agents such as banks.

These formal RSPs are legally required to disclose the fees applied to their services. RSPs are also legally required to disclose the foreign exchange rates applied, any taxes applied, the speed of the transfer, and the available complaint mechanisms. In addition, RSPs must inform customers on the details of the transaction before the funds are transmitted and provide customers with a receipt containing the details of the transaction. However, RSPs are not required to provide information about additional charges such as the spread of exchange and bank fees charged by the financial institution in the recipient country.

All RSPs have to be registered with a competent authority, but they do not have to be licensed by a competent authority. They need only to be incorporated as banks, to meet stipulated capital requirements, and to comply with Anti-Money Laundering regulations.

Legislation on consumer protection and best practices codes for the protection of financial service users are in place in the Republic of Korea. A best practices code is applicable to remittance services. There are also public authorities to regulate financial service institutions and protect customers (e.g., the Korean Consumer Agency; the Foreign Investment Ombudsman of KOTRA; the Korea Credit Guarantee Fund; the KDIC; and the Financial Supervisory Service).

In order to provide services internationally, RSPs either need to open branches in other countries or make an arrangement with a correspondent financial institution overseas. The remitting and receiving of money through banks, post offices, and MTOs is processed through overseas correspondent accounts established by banking institutions so that they can receive deposits from, make payments on behalf of, or handle other financial transactions for other financial institutions. Establishing branches across the world might be a solution, but it may not always be feasible or desirable to do so. Therefore, making an arrangement with a correspondent financial institution provides a convenient solution. Such arrangements allow RSPs to do business in other regions and countries without having to open a new branch, while keeping these services at an affordable price for customers.

⁶ Article 8(2) of the Foreign Exchange Transactions Act states that “Only financial institutions are entitled to engage in a foreign exchange business.” The primary “foreign exchange affairs” as defined in Article 3(14) of the Act are as follows:

1. issuance or purchase and sale of foreign exchange;
2. payment, collection and receipt between the Republic of Korea and a foreign country;
3. deposits, lending and borrowing of money, or guarantee with residents which is denominated in or paid for with foreign currency;
4. deposits, lending and borrowing of money or guarantee with nonresidents; and
5. other affairs which are similar to the provisions of items (1) through (4) and which are prescribed by Presidential Decree.

RSPs also need an international network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized, and reliable environment. The Society for Worldwide Interbank Financial Telecommunications (SWIFT) is a representative example of such a network. Most international transfers are executed through the SWIFT network. It is a member-owned cooperative through which the financial world conducts its business operations with speed, certainty, and confidence. More than 10,000 financial institutions and corporations in 212 countries use SWIFT services every day to exchange millions of standardized financial messages.⁷ This activity involves the secure exchange of proprietary data while ensuring its confidentiality and integrity. SWIFT does not facilitate funds transfer; rather, it sends payment orders that must be settled by correspondent accounts that the institutions have with each other.

In addition to the above, RSPs need a payment system that links bank accounts and provides the functionality for monetary exchange using bank deposits. Such a system governs the operational network by laws, rules, and standards (Summers, 2012). The payment system is the infrastructure (consisting of institutions, instruments, rules, procedures, standards, and technical means) established to effect the transfer of monetary value between parties discharging mutual obligations. Its technical efficiency determines the efficiency with which transaction money is used in the economy, and the risk associated with its use (Bossone & Cirasino, 2001). What makes it a "system" is that it employs cash-substitutes; traditional payment systems are negotiable instruments such as drafts (e.g., cheques) and documentary credits such as letters of credit. With the advent of computers and electronic communications a large number of alternative electronic payment systems have emerged. These include debit cards, credit cards, electronic funds transfers, direct credits, direct debits, internet banking, and e-commerce payment systems. Payment systems may be physical or electronic and each has their own procedures and protocols. Standardization has allowed some of these systems and networks to grow to a global scale, but there are still many country- and product-specific systems. Examples of payment systems that have become globally available are credit cards and ATM networks.

3.2.1 Banks

Most banks allow a remitter to electronically send money to the bank account of a recipient overseas. Comparison of remittance charges imposed by various banks in the Republic of Korea is possible through use of the Korea Federation of Banks (KFB) website (<http://www.kfb.or.kr>). The KFB and its member banks update the latest information on changes in interest rates, fees, and other conditions of bank products. For instance, the KFB provides the outward remittance fees to be paid to a Korean bank when remitting funds overseas through that bank. However, the KFB does not offer information about additional charges that may be incurred, including intermediary bank charges levied by overseas intermediary banks and bank charges in the remittance-receiving country incurred when withdrawing the transferred funds from the receiving bank. The transaction cost related to remitting funds varies greatly depending on the receiving country and the method of transaction used.

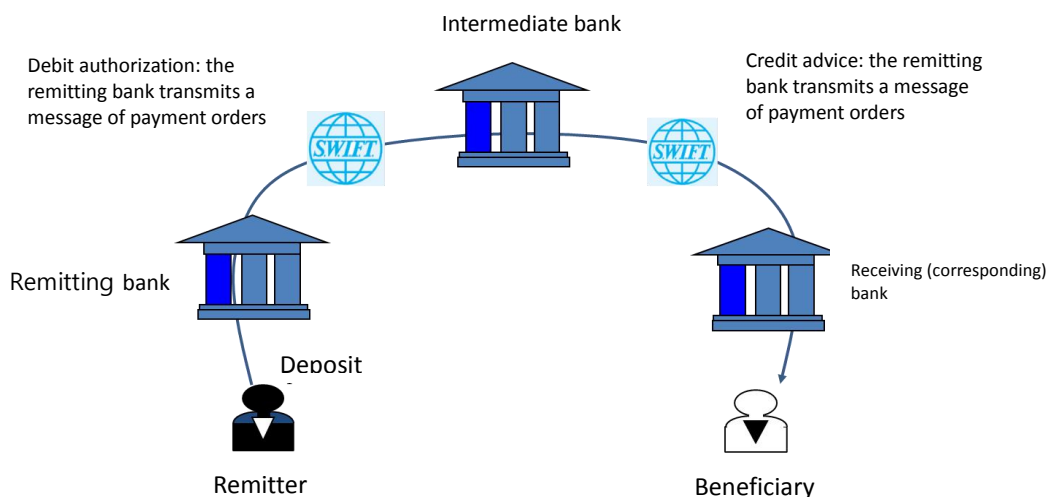
3.2.1.1 Telegraphic transfer, or telex transfer

Telegraphic transfer (or telex transfer) is an electronic means of transferring funds overseas using cable, telex, and SWIFT. Commonly abbreviated as T/T, a telegraphic transfer is a banking term that refers to a cable message from one bank to another in order to affect the transfer of money.

⁷ For more information see the SWIFT website at http://www.swift.com/about_swift/index [accessed 25 June 2014].

Remittance using T/T is available at 16 of the country's Korean banks⁸ as well as at other foreign banks operating in the Republic of Korea. A T/T is often the cheapest method for transferring funds between bank accounts. The general process of a bank wire transfer is as follows in Figure 3.1:

Figure 3.1 The process of a standard bank wire transfer



Source: Authors' graph.

In order to send money overseas, international bank account number (IBAN) or bank identification code (BIC) are provided by the remitter, so that the remitting bank knows where the money needs to be sent. The Korean bank may request more information about the recipient of the funds and the receiving (or corresponding) bank, such as their name, address, and phone number.

The remitting bank transmits a message to the receiving bank via a secure system (such as SWIFT), requesting that the receiving bank affect payment according to the settlement instructions given. The actual transfer from the sender's account to the receiver's account takes several hours or even days. Banks impose charges for the service on both the remitter as well as the recipient. The sending bank typically collects fees for remittance service and T/T transfer service, while the intermediary banks through which the transfer travels and the receiving bank deduct fees from the money being transferred. The recipient also bears the financial expense caused from the spread in foreign currency exchange. Therefore, the recipient receives less than the amount sent.

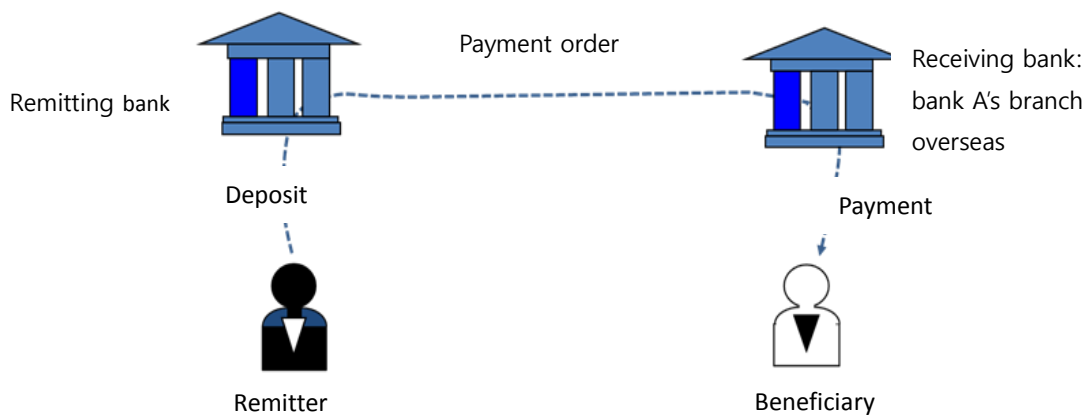
T/Ts have relative merits in terms of accessibility, liability, and security compared to the other transfer methods. Thus, T/T is the most common way to remit, despite the complex fee structures.

The transfer process may be simplified based on a bank's business system. For instance, Citibank provides remittance services without the use of an intermediary bank by utilizing its extensive international network of bank branches. So the remittance is transferred directly to the recipient countries' currency without a double exchange process, if both the remitter and the recipient hold

⁸ Busan Bank, City Bank of Korea, Daegu Bank, Hana Bank, Industry Bank of Korea (IBK), Jeju Bank, Jeonbuk Bank, Korean Development Bank (KDB), Korean Exchange Bank (KEB), Kookmin Bank, Kwangju Bank, Kyungnam Bank, National Federation of Fisheries Cooperatives (NFFC), Nong Hyup, Shinhan Bank, and Woori Bank.

accounts with Citibank. There are no transaction costs (i.e., T/T charge, intermediary bank charges, and receiving bank charge) except the spread in foreign currency exchange. It is called a unilateral transfer (See Figure 3.2).

Figure 3.2 The process of a unilateral transfer (e.g. Citibank Korea)

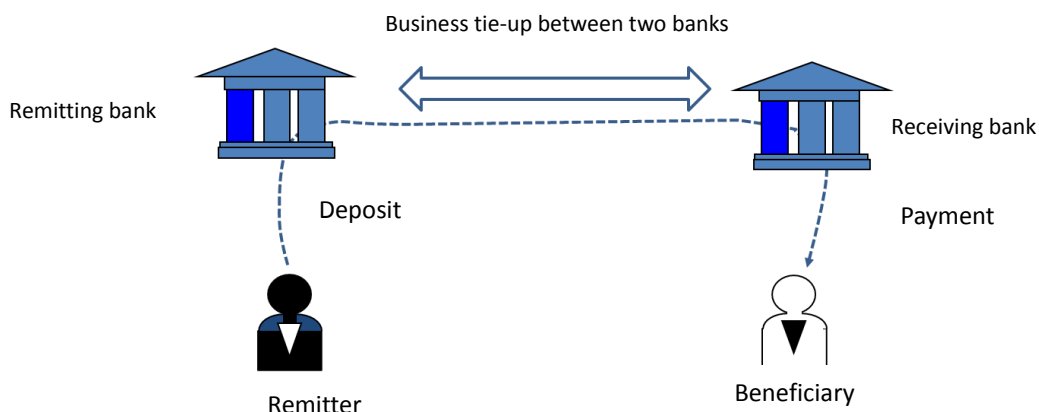


Source: Authors' graph.

A second example of remittance transfer between banks without the use of intermediaries is through business-tie-up arrangements (See Figure 3.3). In such an arrangement Bank A will form a partnership with another bank, Bank B. Under this partnership, Bank A acts as Bank B's depository correspondent bank or as an agent and pay bank, and vice versa. Thus, the remittance is transferred directly to the recipient's country without double foreign currency exchange. Some examples of these arrangements can be found between certain Korean banks and partner banks overseas, including:

- Hana Bank and Indonesia Bank Cenirac Asia
- Uri Bank and Bank of The Philippine Islands
- KEB and Mongol Kahn Bank.

Figure 3.3 The process of transferring remittance between banks in a business-tie-up arrangement



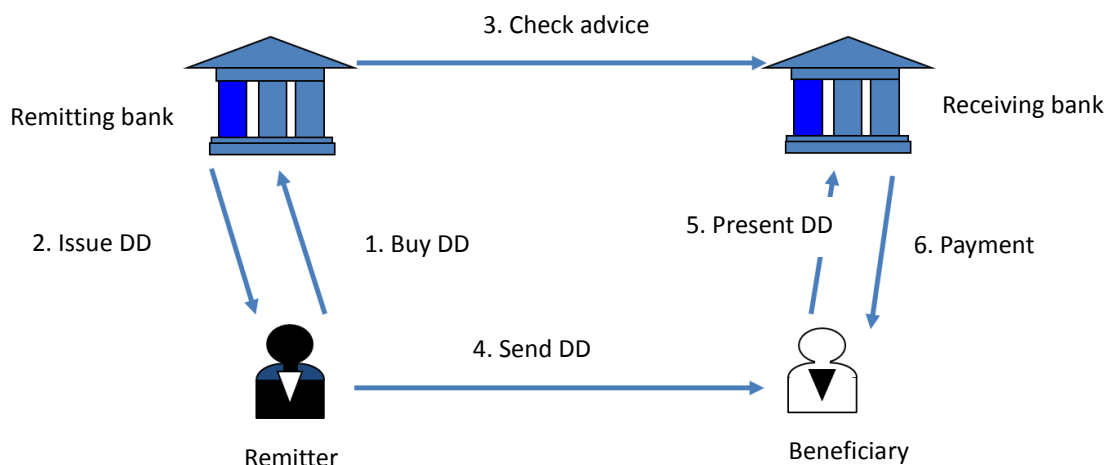
Source: Authors' graph.

3.2.1.2 Bank cheques

A. Demand draft

A demand draft (DD) is a way of sending remittance through a bank-issued document that guarantees the recipient the amount of money stipulated on document. DDs are similar to a cheque in appearance; however a DD is a guaranteed payment, while a cheque may prove illegitimate if the account to which it is attached does not have sufficient funds. Most commercial bank can issue DDs without the remitter's signature. Instead, the demand draft states that the cheque is authorized by the remitter and is guaranteed by his bank. If a remitter sends a DD to a beneficiary, the beneficiary must request payment at the receiving bank, which will pay out to the beneficiary the amount stated on the DD cheque (See Figure 3.4).

Figure 3.4 The process of remitting via demand draft (DD) or international money order



Source: Authors' graph.

B. Mail transfer

A mail transfer is a way of sending money in which a remitting bank issues a payment order and mails that order to the receiving bank directly, requesting that a payment be made in accordance with the order. The receiving bank then deposits the stipulated amount into the beneficiary's account and notifies the beneficiary on behalf of the remitting bank. A copy of the payment order is issued to the remitter, but the original copy of the bank payment is sent directly from the remitting bank, so there is no possibility of fraud, especially if the order is lost. Mail transfers take more time but cost less than T/Ts. Thus, it is used mainly for small amounts of money to address specific needs at home, rather than regular, larger remittance amounts.

C. International money order

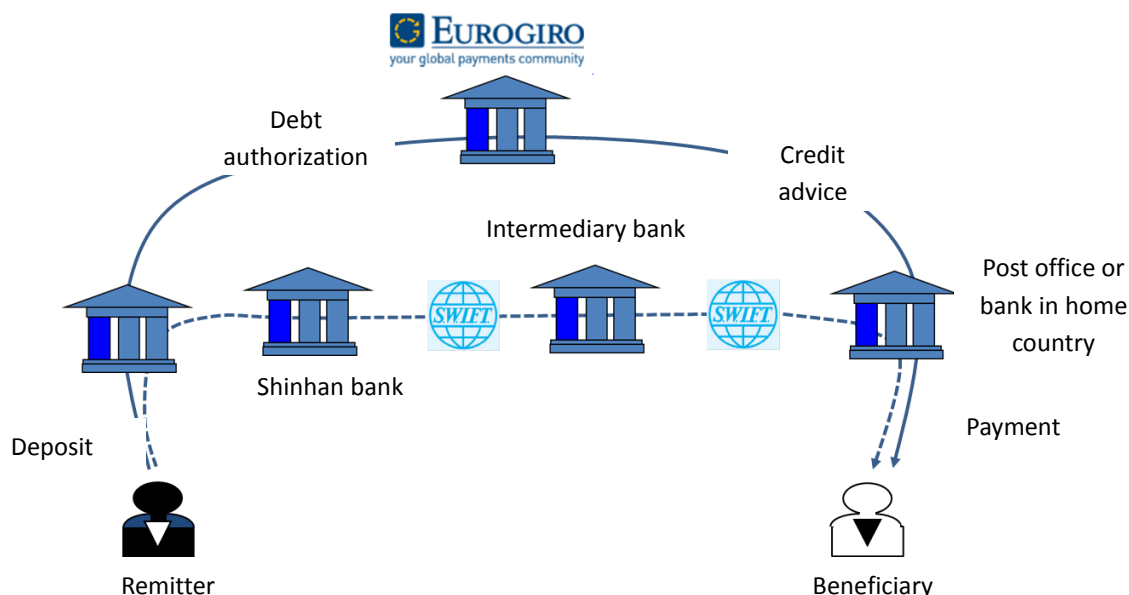
A money order is a financial certificate or note for a pre-specified amount of money. A money order is a more trustworthy payment method than a personal cheque because it is prepaid for the specific amount shown on the order, rather than being tied to an account that may or may not have adequate funds to cover the amount specified on a personal cheque. In addition, money orders can be purchased without having a bank or credit account. An international money order is a regular money order that can be used to make payments abroad. A remitter can easily send money via the mail to a recipient who resides in another country. International money orders are often issued by commercial banks and post offices. They are thought to be relatively safe because various forms of identification are required to cash them. When purchasing an international money order, it is important to ensure that the specific type of money order is acceptable in the receiving country. Several countries are very strict when it comes to international money orders, for example requiring that the order be written on pink and yellow paper and bear the words "international postal money order".

3.2.2 Post offices

The Republic of Korea's post offices entered the international remittance market in the 1990s by offering the possibility of transfers through a bank cheque similar to an international money order.

Eurogiro⁹ services for remittance have been available in all post offices across the Republic of Korea since 2006. Korea Post, the national postal service, limiting its remittance services through Eurogiro to Japan, Mongolia, the Philippines, Sri Lanka, Switzerland, and Thailand¹⁰. The fee charged for this service depends on the number of transfers not the amount being remitted. The fee per transfer is KRW8,000 at the post office counter and KRW5,000 via the Internet with no T/T and intermediary bank charge. The upper limit per transfer is only US\$1,000. The Korea Post has provided remittance services worldwide using Shinhan Bank's SWIFT network since 2004. The fee is KRW10,000 at the bank counter and KRW5,000 by internet per transfer. There is no T/T charge but an intermediary bank charge will apply.

Figure 3.5 The process of remitting via Korea Post



Source: Authors' graph.

Remitters can also send money by mailing an international postal money order to a recipient in Japan, China, Thailand, Taiwan, Singapore, Indonesia, Philippines, Malaysia, Thailand, France, Italy, Switzerland, Spain, Denmark, Belgium, Sweden, and Brazil. It generally takes 7 to 10 days to deliver the postal money order. Korea Post requests information such as the name, address, and phone number of the remitter as well as the name, address, phone number, bank name, bank address, bank code, and account number of the recipient. KRW8,000 is the fee charged to purchase an

⁹ Eurogiro was established in 1993. It operates in direct cooperation with the Universal Postal Union to promote new solutions for postal financial organizations worldwide. It connects post offices, banks, and other payment handlers. Eurogiro's network carries payment transactions of all kinds. It is faster and more secure than international money transfer services by mail delivery.

¹⁰ Switzerland and Mongolia will withdraw from Eurogiro and Viet Nam will join in 2014.

international postal money order at the post office counter, and KRW7,000 is charged to purchase a money order on the Korea Post website. However, new money transfer services are expanding rapidly and the use of postal international money orders is on decline.

3.2.3 MTOs

Remittances can be sent through international money transfer operators (MTOs). MTOs use their own dedicated transfer network instead of a bank's transaction network. In the Republic of Korea, there are only two available international MTOs: the Western Union Company and MoneyGram.

Western Union is a financial service and communications company based in the United States. Its product portfolio includes consumer-to-consumer money transfers, bill payment services, and stored value options such as prepaid cards. Globally Western Union has 515,000 agent locations in 200 countries. In the Republic of Korea, migrants can send money at over 3,300 Western Union agent locations, including branches of IBK, Kiup Bank, Kookmin Bank, NH Bank, Busan Bank, and Daegu Bank. Western Union claims their service is a fast, reliable, and convenient way to transfer money. Money can be received within 24 hours of being sent. However, the cost is relatively high (min \$15 to max \$280), which reduces the principal being remitted. Western Union's customer service centre provides assistance in multiple languages, including Korean, English, Chinese, Tagalog, and Vietnamese.

MoneyGram International, Inc. is a US-based, global money transfer company. Globally it has 300,000 local agents across 197 countries and territories. It operates through a network of agents and financial institution customers. Remitters can use MoneyGram services at the branches of the following banks in the Republic of Korea: Woori Bank, Shinhan Bank, Kyeongnam Bank. This money transfer service has the advantages of speed, reliability, and convenience, but like Western Union, the fee charged is relatively high (\$15 to \$280).

Both of the above MTOs have some restrictions, including:

- Maximum principal send/receive amount is US\$7,000 or its local equivalent per single transaction per person per day (England, Nigeria: maximum US\$1,000 daily).
- Receivers must present the original and current government-issued photo identification for all money transfers (foreigners: valid passports only).
- Receivers must provide the correct Money Transfer Control Number, which is a mandatory requirement in the Republic of Korea.
- Only US dollars can be sent.

3.2.4 Pay Pal

PayPal is a global e-commerce business allowing payments and money transfers to be made through the Internet. Online money transfers serve as electronic alternatives to paying with traditional paper methods, such as cheques and money orders. PayPal is available at agencies of Hanna Bank in the Republic of Korea. Customers who sign up to Internet banking or smartphone banking with Hanna Bank can use PayPal.

3.2.5 Other delivery methods

Hawala (transfer with trust) in Pakistan and Bangladesh, *hundi* (collect) in India, *fei ch'ien* (flying money) or *chits/chops* (notes/seals) in China are all names for an informal and commonly used system for transferring money. This system (hereafter referred to as *hawala*) is based wholly on links of trust crossing international borders. *Hawala* is very popular in some countries because it is

relatively inexpensive (1 to 5 per cent of the transferred amount¹¹); senders do not have to provide identification; and it is often well organized in the migrants' home countries. Transfers from Country A to Country B through this mechanism involve two intermediaries, called *hawaladars*. The *hawaladar* in Country A receives funds from a remitter in the currency of Country A to be transferred to a beneficiary in Country B. The remitter in Country A receives a code for authentication purposes. The *hawaladar* then instructs their correspondent in Country B to pay an equivalent amount in local currency to the designated beneficiary, who needs to disclose the code given to the remitter in order to receive the funds. Although the remittance is immediately transferred, the liability the *hawaladar* in Country A has to his counterpart in Country B is handled through various mechanisms of compensation that often do not involve direct payment between the two *hawaladars* (OECD, 2006).

Other common informal methods of remitting money are carrying cash by hand back to one's home country or simply sending money through the mail. Short-term migrants, or those who frequently visit their home country may prefer this delivery method or have their friends make delivery (World Bank, 2011). Hand-carries also frequently occur among migrants from the poorest countries in the developing world, such as in Africa (Orozco, 2003), and between two countries that share a common border, such as in Latin American migration (Suro, et al., 2002). According to Suro (2003), it is common for Latino migrants in the United States to send money by ordinary mail, with the practice accounting for 7 per cent of Latino remittances from the United States. As the above suggests, use of informal remittance channels is often driven by costs, and Siddiqui and Abrar (2003) find the costs associated with the use of informal channels in Bangladesh are only 45 per cent of what is charged through the use of formal channels.

¹¹ Orozco (2003) estimates the cost of a *hawala/hundi* transaction to be less than 2 per cent of the value of the principal. For informal remittance channels as a whole, Sander (2003) reports the average cost of remitting at 3–5 per cent globally, although costs can be higher in specific cases. Swanson and Kubas (2005) report costs from less than 1 per cent to 5 per cent (cited from Freund & Spatafora, 2005).

Chapter 4: Stakeholders and financial services in the Republic of Korea

The study team conducted semi-structured interviews with stakeholders involved in financial transaction services, such as banks, NGOs (Foreign Support Centre, Multicultural Support Centre, etc.), and Government authorities (Foreign Workforce Division of the Ministry of Employment and Labor; officers in the Human Resources Development Service of Korea).

NGOs were asked whether they have heard of any remittance-related problems from migrant workers, whether they were aware of what services migrants utilized, and which services were most in demand among migrant workers. However, none of the NGOs interviewed had heard of any problems associated with remitting money overseas from the Republic of Korea. Most foreign workers who sought assistance from the NGOs interviewed had done so for consultation on work problems such as discrimination, delayed payment, workplace transfers, etc., and not for remittance related problems. Consequently, they were unaware of the remittance-associated challenges faced by migrant workers. The result from the interviews with Government authorities' was quite similar to that of the NGO interviews. Most officials interviewed had never heard of any remittance-related problems. They stated that they are not currently investigating any problems related to remittance transfers and have not developed plans or policies to lower the cost of remittances.

Meanwhile, Korean banks are competing to provide overseas remittance services to migrant workers. Interview questions for bank officials addressed the following topics: remittance transfer channels, remittance charges; preferential treatment for foreign workers' remittance; any remittance cost reduction plans; the possibility of translators at the bank counter; and the amount of remittance transferred per year or per month. The examination of overseas remittance from the Republic of Korea that follows in this chapter is largely drawn from interviews with officials from banks. The interview results show that most banks are making an effort to be competitive, transparent, and accessible within the remittance market.

The following are some of the initiatives taken by Korean banks to attract the business of migrant workers looking to remit money overseas:

- opening foreigner-only bank windows;
- expanding banking operations to weekends (e.g., IBK);
- enabling overseas remittances through ATMs;
- reducing or waiving remittance charges for customers who remit funds via the internet;
- greater access through telephone or mobile banking;
- introduction of local currency remittance services (e.g., Citibank Korea's World Link program);
- introducing automated overseas remittance services and wage remittance services (see Box 2.1); and
- expanding language support services (e.g., the Korea Foreign Exchange bank supports up to 17 languages, Shinhan Bank supports nine languages).

Box 4.1 Special remittance services for migrant workers
Automatic overseas remittance

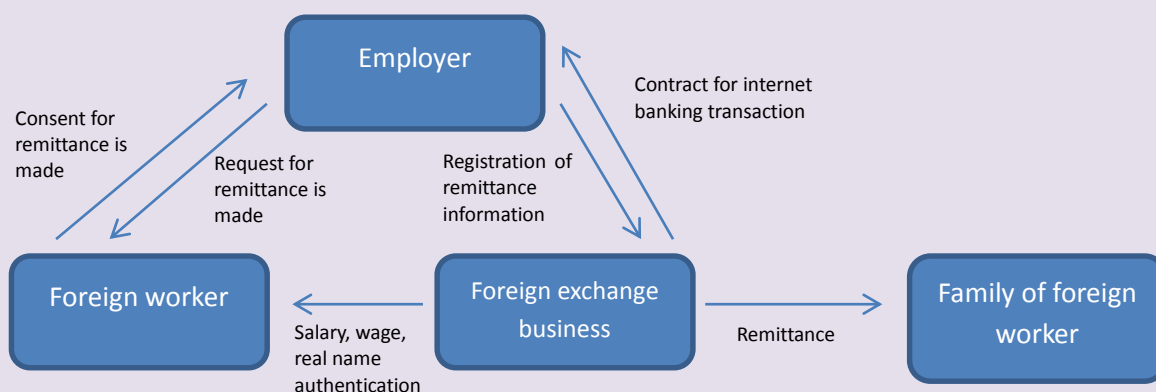
This is a specialized form of remitting wherein the amount remitted, the date, and FX rates are determined in advance. Once the pre-specified conditions are met, the remittance is transferred automatically. An SMS or email is sent to the remittance sender to notify them that the transaction has been made. One advantage is that funds can be remitted within the range of a specified exchange rate, but if the conditions are not met, the transfer will not go ahead. The designated remittance is specified in KRW and will include all of the relevant fees charged in the Republic of Korea. It does not include the receiving or intermediary bank fee.

The remitter has three options for automatically remitting funds overseas:

- i. remittance of account balance: The total account (balance) amount is remitted;
- ii. remittance of a designated amount; and
- iii. remittance of account balance over a specified amount.

Wage transfer service

Migrant workers in the Republic of Korea have the option to arrange for their employer to send a part of their wages directly to their family at home and deposit the remainder to the migrant worker’s Korean account as a one-stop service. Foreign workers can remit an unlimited amount of income, so long as it can be demonstrated that the wages have been paid by a legitimate employer. The wage transfer service process is shown in the following diagram:



4.1 Remittance options

There are many possible ways to conduct overseas transactions using the banking system. Nowadays most people use non-face-to-face banking systems, such as ATMs, internet banking, telephone banking, or mobile phone banking, rather than engaging in face-to-face interaction with a teller at a bank counter. And many banking instruments can be used for a wide array of purposes; for example, DDs alone are used for deposit, withdrawal, transfer, exchange, or remittance.

The study team interviewed officials from 16 banks, including specialized banks (KDB, IBK, NongHyup, and NFFC), commercial banks (Citibank, Hanna, KEB, Kookmin, Shinhan, and Woori bank), and local

banks¹ (Busan, Daegu, Jeju, Jeonbuk, Kwangju, and Kyungnam). A summary of the remittance options available at each bank and through Korea Post is presented in Table 4.1.

Table 4.1 Remittance options at banks in the Republic of Korea and through Korea Post

Bank	Face-to-face		Non face-to-face				
	Teller	DD	Internet	Mobile	Phone	ATM	MTO
Busan	Yes	Yes	Yes	No	No	Yes	WU
Citibank		Yes	Yes	Yes	Yes	Yes	CGT
Daegu	Yes	Yes	Yes	No	No	No	-
Hana	Yes	Yes	Yes	Yes	No	Yes	PayPal
IBK	Yes	Yes	Yes	Yes	No	Yes	WU
Jeju	Yes	Yes	Yes	No	No	No	-
Jeonbuk	Yes	Yes	Yes	No	No	No	-
KDB	Yes	Yes	Yes	No	No	No	-
KEB	Yes	Yes	Yes	Yes	Yes	Yes	GDT
Kookmin	Yes	Yes	Yes	Yes	Yes	Yes	WU
Kwangju	Yes	Yes	Yes	Yes	Yes	Yes	MG
Kyungnam	Yes	Yes	Yes	Yes	Yes	Yes	MG
NFFC	Yes	Yes	Yes	No	No	Yes	
NongHyup	Yes	Yes	Yes	Yes	Yes	Yes	WU
Shinhan	Yes	Yes	Yes	Yes	Yes	Yes	MG
Woori	Yes	Yes	Yes	Yes	Yes	Yes	-
Korea Post	Yes	-	Yes	Yes	No	Yes	-

All of the banks interviewed provide overseas remittance service and issue bank cheques such as DD at their counters. In addition, most banks, except for the smaller local banks offer internet, mobile, telephone, and ATM remittance services. Since the local banks' operating areas, in principle, are limited to the administrative area of the head office, not all local banks offer these services.

4.2 Overseas transaction charges

4.2.1 Banks

Generally an overseas transaction charge will be applied at a remitting bank and is on average US\$3-30. This charge is in addition to a host of other charges placed on money transferred overseas through banks, including the FX charge (about 1 to 1.5 per cent, and potentially charged twice during

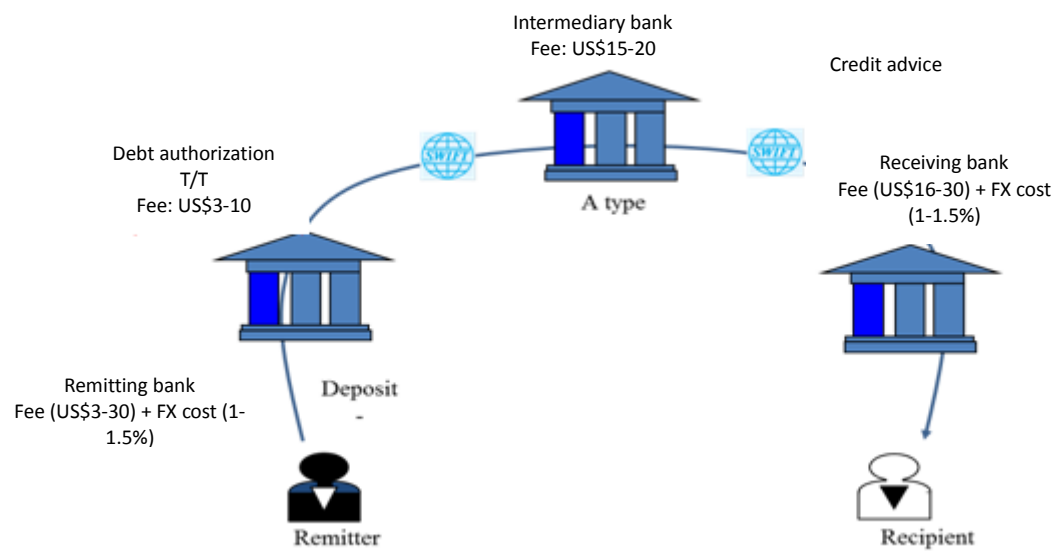
¹ Local banks are smaller than a specialized or commercial bank, which operates either nationally or internationally. It is also called a regional bank and is one that operates in one region of a country, such as a province or within a group of province. They generally provide, with some limitations, the same services as larger banks.

the transaction), the T/T charge (about US\$3-10), intermediary bank charges (about US\$15-20, if applicable), and receiving bank charges (generally US\$16-30). See Figure 3.1 for an illustration of this process. The total cost of transferring funds overseas via the banking system can be summed up in the following equation (see also Figure 4.1):

$$\text{Total transaction charge} = \text{Remitting bank fee} + \text{telegraphic transfer fee (T/T charge)} + \text{intermediary bank fee} + \text{receiving bank fee} + \text{cost of double FX}$$

Figure 4.1 Transaction process and fees associated with the international transfer of funds via the banking system

$$\text{Total transaction charge (US\$33-90)} = \text{remitting bank fee (US\$3-30)} + \text{T/T fee (US\$3-10)} + \text{intermediary bank fee (US\$15-20)} + \text{receiving bank fee (US\$15-20)}$$



Source: Authors' graph.

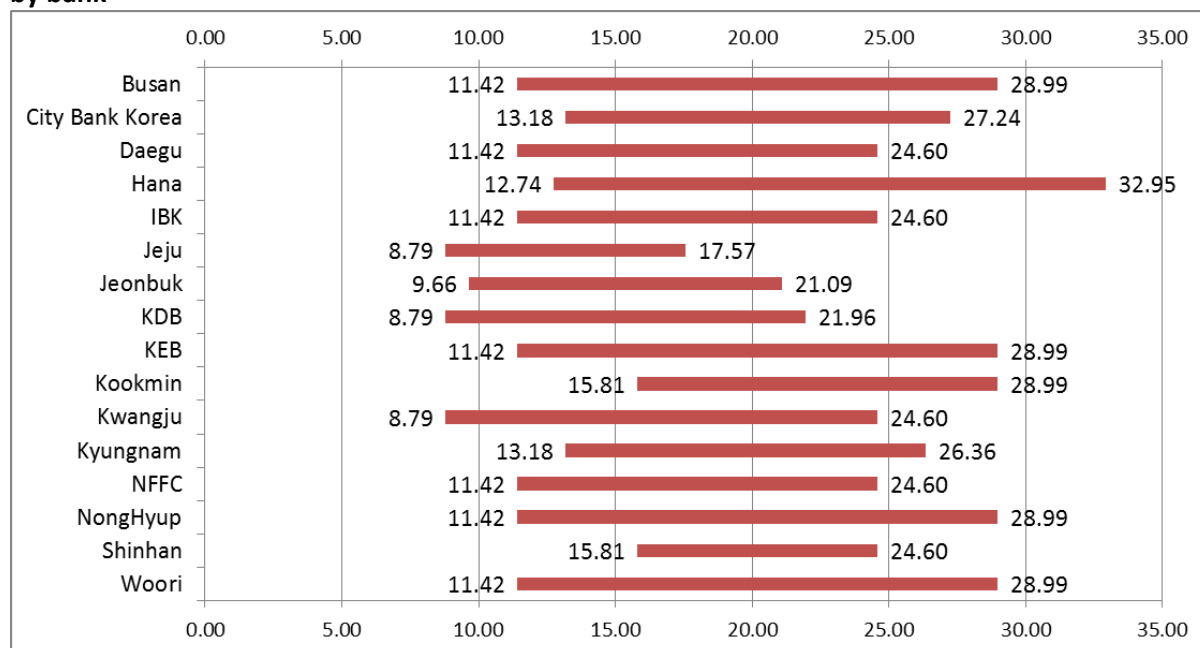
In order to affect a transfer, the remitter can use either the internet or arrange one in person at a bank counter. However, the cost of overseas transaction via the internet is cheaper. Table 4.2 and Figure 4.2 below show transaction charges for overseas transfers arranged at the counter of each bank depending on the amount being remitted. Most of the banks have a stratified system of charges, with only KDB applying a charge that is directly proportional to the total amount being transferred. The charges shown are only the remitting bank fee and the T/T charge, and do not include any fees from intermediary banks, commissions charged by the receiving bank, or costs from the spread of FX. As Table 4.2 shows, charges increase as the amount being remitted increases, but that this increase in charges is not uniform from bank to bank. Each bank has set its own criteria for stratifying the remittance amounts and set their own charges for the service, which range between KRW2,000 to KRW37,500 depending on the bank and the amount being remitted.

Table 4.2 Remitting bank fees and T/T fees by amount being remitted as charged for transfers arranged at the bank counter

Bank	Remitting bank fees (in KRW) by amount transferred (in US\$)									T/T charge (KRW)
	300	500	1 000	2 000	5 000	10 000	15 000	20 000	>20 000	
Busan	5 000	5 000	10 000	10 000	15 000	20 000	25 000	25 000	25 000	8 000
Citibank Korea	7 000	7 000	7 000	12 000	12 000	23 000	23 000	23 000	23 000	8 000
Daegu	5 000	5 000	10 000	10 000	15 000	20 000	20 000	20 000	20 000	8 000
Hana	7 000	7 000	7 000	7 000	12 000	20 000	25 000	25 000	30 000	7 500
IBK	5 000	5 000	10 000	10 000	15 000	20 000	20 000	20 000	20 000	8 000
Jeju	5 000	5 000	5 000	5 000	10 000	15 000	15 000	15 000	15 000	5 000
Jeonbuk	5 000	5 000	8 000	8 000	13 000	18 000	18 000	18 000	18 000	6 000
KDB	Amount transferred *0.05%; min 5 000, max 20 000									5 000
KEB	5 000	5 000	10 000	10 000	15 000	20 000	20 000	20 000	25 000	8 000
Kookmin	10 000	10 000	10 000	10 000	15 000	20 000	25 000	25 000	25 000	8 000
Kwangju	2 000	5 000	10 000	10 000	10 000	15 000	20 000	20 000	20 000	8 000
Kyungnam	5 000	5 000	10 000	10 000	15 000	20 000	20 000	20 000	20 000	10 000
NFFC	5 000	5 000	10 000	10 000	12 000	15 000	20 000	20 000	20 000	8 000
NongHyup	5 000	5 000	10 000	10 000	15 000	20 000	20 000	20 000	25 000	8 000
Shinhan	10 000	10 000	10 000	10 000	15 000	20 000	20 000	20 000	20 000	8 000
Woori	5 000	5 000	10 000	10 000	15 000	20 000	20 000	20 000	25 000	8 000

Source: Korean Federation of Banks.

Figure 4.2 Range of remitting bank fees (in US\$) charged for transfers arranged at bank counters, by bank



Source: Korean Federation of Banks.

The average T/T fee charged by these 16 banks is KRW7,594; the highest T/T fee is KRW10,000 at Kyungnam Bank, and the lowest is KRW5,000 at Jeju Bank. A solid majority of the interviewed banks (12 out of 16) charge KRW8,000 as a T/T fee. Remitters are generally charged much more for arranging transfers in person at a bank counter than if they use internet banking to affect the transfer. Consequently, the transfer of remittance through the use of internet banking is on the increase. Table 4.3 shows transaction charges levied by each of the 16 interviewed banks for transfers made via internet banking.

Table 4.3 Remitting bank fees and T/T fees by amount being remitted as charged for transfers made via internet banking

Bank	Remitting bank fees (in KRW) by amount transferred (in US\$)									T/T charge (KRW)
	300	500	1 000	2 000	5 000	10 000	15 000	20 000	>20 000	
Busan	5 000	5 000	10 000	10 000	15 000	20 000	25 000	25 000	25 000	3 000
Citibank	individual: exempt; corporate: 7 000									8 000
Daegu	exempt									
Hana	3 500	3 500	3 500	3 500	6 000	10 000	12 500	12 500	15 000	7 500
IBK	5 000	5 000	10 000	10 000	15 000	20 000	20 000	20 000	20 000	
Jeju	exempt									5 000
Jeonbuk	exempt									6 000
KDB	Amount transferred*0.05%* basic rate, min 5 000, max 20 000,									
KEB	3 000	3 000	3 000	3 000	3 000	5 000	5 000	5 000	5 000	5 000
Kookmin	exempt									5 000
Kwangju	2 000	5 000	10 000	10 000	10 000	15 000	20 000	20 000	20 000	8 000
Kyungnam	exempt									10 000
NFFC	exempt									8 000
NongHyup	exempt									8 000
Shinhan	5 000	5 000	5 000	5 000	7 500	10 000	10 000	10 000	10 000	8 000
Woori	exempt									8 000

Nine out of the 16 banks allow customers to remit money through their internet banking services free of charge regardless of the amount being remitted (although remitters will still have to pay the T/T charge).

This simple comparison between at the counter and internet banking charges is problematic because the tables only show transaction and T/T fees, and do not account for other fees – such as intermediary bank fees and receiving bank fees – that may be charged. Thus, the most cost effective method for transferring remittance through the banking system may depend on these other charges, as well as the FX rate. For example, if a bank has branches or business partners all over the world and both the remitter and the recipient have accounts with this bank or its partners, then they may be exempt from fees such as the T/T fee, intermediary bank fees and/or receiving bank fees. Citibank is one such example, as highlighted in section 3.2.1.1. Migrant workers from Bangladesh, China, India, Indonesia, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand, and Viet Nam are all able to open Citibank accounts in their home country.

4.2.2 Korea Post

Korea Post offers several methods of sending remittance overseas, which are summarized in Table 4.4 below. The Republic of Korea's post office uses the Eurogiro network service for transferring funds to a select number of countries, such as Japan, Mongolia, the Philippines, Sri Lanka, Switzerland, and Thailand, and they use the SWIFT network service for the entire world. The Eurogiro network is slightly less expensive for transactions done in person at the post office – KRW8,000 versus the KRW10,000 charged for a transaction via SWIFT – but both networks cost the same (KRW5,000) for transactions made via the internet. Korea Post also provides an International Exchange service that allows customer to send money without opening any kind of account at the post office. The fee is KRW8,000 at the counter, KRW7,000 via the Internet, and Korea Post will issue an international money order that can be mailed to the beneficiary overseas. An International

Money Order is the cheapest means of transferring remittances overseas because there are no intermediary fees or fees on the receiving end. However, it can take a long time for the beneficiary to receive the money order and this service is limited with regard to the number of countries it serves

Table 4.4 Charges levied the Korea Post for international monetary transfers

Remittance amount (US\$)	Eurogiro (KRW)		SWIFT (Shinhan Bank) (KRW)		International exchange (International Money Order)	
	counter	internet	counter	internet	counter	internet
Up to US\$1 000	8 000	5 000	10 000	5 000	8 000	7 000
2 000	16 000	10 000	10 000	5 000	8 000	7 000
3 000	24 000	15 000	10 000	5 000	8 000	7 000
4 000	32 000	20 000	10 000	5 000	8 000	7 000
5 000	40 000	25 000	10 000	5 000	8 000	7 000
6 000	48 000	30 000	10 000	5 000	8 000	7 000
7 000	56 000	35 000	10 000	5 000	8 000	7 000

Note: (1) Possible remittances receivers through the Eurogiro are Japan, Switzerland, Mongolia, Sri Lanka, Thailand, and Philippine (as of 2010) and for International Money Orders Japan, China, Thailand, Taiwan (China), Singapore, Indonesia, Philippines, Malaysia, Thailand, France, Italy, Switzerland, Spain, Denmark, Belgium, Sweden, Brazil. Both take 3~5 days for delivery.

(2) SWIFT transfer limit – US\$50,000 or less per year; International Money Orders – US\$1,000 or less per transfer

Source: Korea Post Notice No. 2010-47, 2010. 11.

4.2.3 MTOs and other money transfer channels (PayPal)

Table 4.5 shows the regular and preferential fees charged by the MTOs Western Union and MoneyGram, and an alternative money transfer channel - PayPal. Transfer fees may vary depending on the amount being remitted and the country to which the money is being transferred. With regard to their standard rates, MoneyGram is generally cheaper than Western Union for transferring amounts of no greater than US\$1,800, although both companies are more expensive than PayPal regardless of the amount remitted. Both offer preferential rates of transfer for money sent to certain countries, which can be seen in Table 4.5.

The regular fees charged by the MTOs are as follows:

- US\$0.30 + 3.4 per cent of the transfer amount for transfers of between US\$1.00 - 3,000;
- US\$0.30 + 2.9 per cent of the transfer amount for transfers of between US\$3,000.01 - 10,000;
- US\$0.30 + 2.7 per cent of the transfer amount for transfers of between US\$10,000.01 - 100,000; and
- US\$0.30 + 2.4 per cent of the transfer amount for transfers of more than US\$100,000.

For transfers from the Republic of Korea, PayPal charges only 1 per cent of the amount of being transferred (minimum US\$1). For transfers from the Republic of Korea, PayPal limits customers US\$1,000 per transfer and up to US\$10,000 per year.

4.2.4 Summary of total costs

Table 4.6 and Figure 4.4 track how remittance transfer fees increase as the amount of being remitted in a single transfer increases from US\$100 - 7,000. The aim of Table 4.6 and the associated Figure 4.4 is to directly compare the different fee structures a remitter faces through use of the average Korean bank, the two MTOs operating in the Republic of Korea, PayPal, and the informal *hawala* system. To calculate the remittance transfer fees shown in Table 4.6 the study team has made the following assumptions:

- Fee charged by remitting banks = average fee of the 16 Korean banks interviewed;
- T/T Fee = average T/T fee charged by the 16 Korean banks interviewed;
- The intermediary bank and the receiving bank both charge same \$20 ;
- The FX spread margin = 1 per cent;
- Double FX spread margin: FX occurs at remitting bank (KRW to US\$) and at receiving bank (US\$ to local currency);
- Preferential pricing arrangements for some countries by Western Union and MoneyGram were not considered; and
- *Hawala/hundi's* remittance transfer fees range between 1 - 5 per cent according to the literature review, and therefore the study team has settled for an average figure of 3 per cent
- Fees charged by Korea Post with Eurogiro network are US\$7.03(KRW8,000) at the counter and US\$4.39 via internet and fees with SWIFT network are US\$8.79(KRW10,000) at the counter and US\$6.15(KRW7,000) via internet
- Postage and in case of using Eurogiro: supposed to be US\$1 for postage and US\$3 for the receiving country's post charge(no intermediary in the case of Eurogiro)

With these assumptions in hand, the study team calculated the remittance transfer fees as follows:

- Banks, both at a bank counter & via the Internet: remitting bank fee + T/T fee + intermediary bank fee + receiving bank fee + double FX spread margin.
- Western Union & MoneyGram: regular transfer fee + double FX spread margin.
- PayPal: 1 per cent of remittance amount + double FX spread margin.
- *Hawala*: 3 per cent of remittance amount + single FX spread margin (1 per cent).
- Korea Post:
 - Eurogiro: remitting charge + intermediary bank fee + receiving bank fee + double FX spread margin.
 - SWIFT: remitting charge + receiving country's post fee + double FX spread margin + postage.

Table 4.5 Fees charged by Western Union, MoneyGram, and PayPal (not including FX costs) (US\$)

Intervals of amount (US\$)	Western Union					MoneyGram			PayPal
	A	Re	B	C	D	E	F	Re	
100	12	15	10	10	15	5	13	12	1.0
100.01–200	15	22	20	13				15	2.0
200.01–300	15	29						20	3.0
300.01–400	22	34		20					4.0
400.01–500	26	40	25	22				30	5.0
500.01–600	32	45	30	28			15		6.0
600.01–750								40	7.5
750.01–800	35	50		32					8.0
800.01–1 000								50	10.0
1 000.01–1 100	53	75		50	20			60	11.0
1 100.01–1 200			50						12.0
1 200.01–1 500								70	15.0
1 500.01–1 750	56	80	52					80	17.5
1 750.01–1 800	63	90	60	60					18.0
1 800.01–2 000								100	20.0
2 000.01–2 500	77	110	74	70		10	25		25.0
2 500.01–3 000	84	120	80	80				150	30.0
3 000.01–3 500	98	140	94	90					35.0
3 500.01–4 000	112	160	108	100					40.0
4 000.01–4 500	126	180	122	115					45.0
4 500.01–5 000	140	200	136	125	30				50.0
5 000.01–5 500	154	220	150	135		15		250	55.0
5 500.01–6 000	168	240	164	145					60.0
6 000.01–6 500	182	260	178	165					65.0
6 500.01–7 000	196	280	192	180					70.0

Notes: Re = Denotes regular fee structure

A = Preferential pricing for transfers to China, Indonesia, the Philippines, Sri Lanka, Thailand, the United States, Uzbekistan, and Viet Nam

B = Preferential pricing for transfers to Uzbekistan

C = Preferential pricing for transfers to Indonesia, Thailand, and Viet Nam

D = Preferential pricing for transfers to Bangladesh, China, India, Nepal, and Sri Lanka

E = Preferential pricing for transfers to Mongolia

F = Preferential pricing for transfers to Philippines

Paypal charges a 1 per cent fee, so the figures in the column represent the maximum for each interval.

Table 4.6 Total fees associated with use of selected RSPs for transferring remittance from the Republic of Korea (in both US\$ and as a percentage of the amount remitted) (Note: % means the ratio of fees to remittance amount)

Remittance (US\$)	Bank-teller		Bank-Internet		Western Union		Money Gram		PayPal		Hawala /hundi		KoreaPost-Eurogiro-teller		KoreaPost-Eurogiro-internet		KoreaPost-SWIFT-teller		KoreaPost-SWIFT-internet	
	Amount	fees	%	fees	%	fees	%	fees	%	fees	%	fees	%	fees	%	fees	%	fees	%	fees
100	54	53.7	29	28.6	3	14.0	17	17.0	3	3.0	4	4.0	13	13.0	10	10.4	51	50.8	46	46.4
200	56	27.8	31	15.3	6	9.5	26	13.0	6	3.0	8	4.0	15	7.5	12	6.2	53	26.4	48	24.2
300	58	19.3	33	10.9	9	8.7	35	11.7	9	3.0	12	4.0	17	5.7	14	4.8	55	18.3	50	16.8
400	60	15.0	35	8.6	12	7.0	42	10.5	12	3.0	16	4.0	19	4.8	16	4.1	57	14.2	52	13.1
500	64	12.9	37	7.3	15	8.0	50	10.0	15	3.0	20	4.0	21	4.2	18	3.7	59	11.8	54	10.9
600	66	11.1	39	6.5	18	7.0	57	9.5	18	3.0	24	4.0	23	3.8	20	3.4	61	10.1	56	9.4
750	69	9.3	42	5.6	23	7.3	60	8.0	23	3.0	30	4.0	26	3.5	23	3.1	64	8.5	59	7.9
800	70	8.8	43	5.3	24	7.0	66	8.3	24	3.0	32	4.0	27	3.4	24	3.0	65	8.1	60	7.5
1 000	75	7.5	48	4.8	30	6.0	70	7.0	30	3.0	40	4.0	31	3.1	28	2.8	69	6.9	64	6.4
1 200	79	6.6	52	4.3	36	6.2	99	8.3	36	3.0	48	4.0	45	3.8	40	3.3	73	6.1	68	5.7
1 500	85	5.6	58	3.8	45	6.0	105	7.0	45	3.0	60	4.0	51	3.4	46	3.1	79	5.3	74	5.0
1 800	91	5.0	64	3.5	54	5.9	116	6.4	54	3.0	72	4.0	57	3.2	52	2.9	85	4.7	80	4.5
2 000	98	4.9	68	3.4	60	6.0	130	6.5	60	3.0	80	4.0	61	3.1	56	2.8	89	4.4	84	4.2
2 500	108	4.3	78	3.1	75	6.0	160	6.4	75	3.0	100	4.0	81	3.2	73	2.9	99	4.0	94	3.8
3 000	118	3.9	88	2.9	90	7.0	180	6.0	90	3.0	120	4.0	91	3.0	83	2.8	109	3.6	104	3.5
3 500	128	3.7	98	2.8	105	6.3	210	6.0	105	3.0	140	4.0	108	3.1	98	2.8	119	3.4	114	3.3
4 000	138	3.5	108	2.7	120	5.8	220	5.5	120	3.0	160	4.0	118	3.0	108	2.7	129	3.2	124	3.1
4 500	148	3.3	118	2.6	135	5.3	250	5.6	135	3.0	180	4.0	138	3.1	125	2.8	139	3.1	134	3.0
5 000	163	3.3	128	2.6	150	5.0	280	5.6	150	3.0	200	4.0	148	3.0	135	2.7	149	3.0	144	2.9
5 500	173	3.1	138	2.5	165	6.5	310	5.6	165	3.0	220	4.0	169	3.1	153	2.8	159	2.9	154	2.8
6 000	183	3.0	148	2.5	180	6.2	340	5.7	180	3.0	240	4.0	179	3.0	163	2.7	169	2.8	164	2.7
6 500	193	3.0	158	2.4	195	5.8	390	6.0	195	3.0	260	4.0	200	3.1	182	2.8	179	2.8	174	2.7
7 000	203	2.9	168	2.4	210	5.6	420	6.0	210	3.0	280	4.0	210	3.0	192	2.7	189	2.7	184	2.6

Figure 4.4 Remittance transfer fees for select RSPs by amount remitted (US\$)

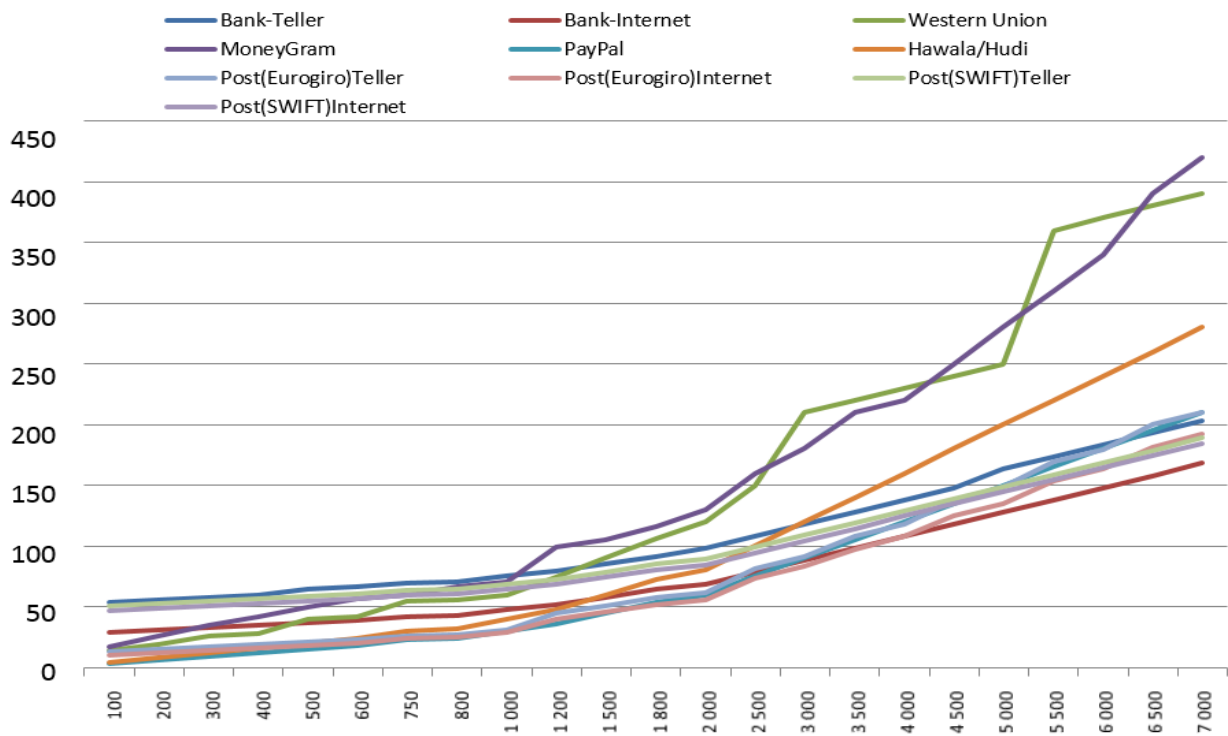
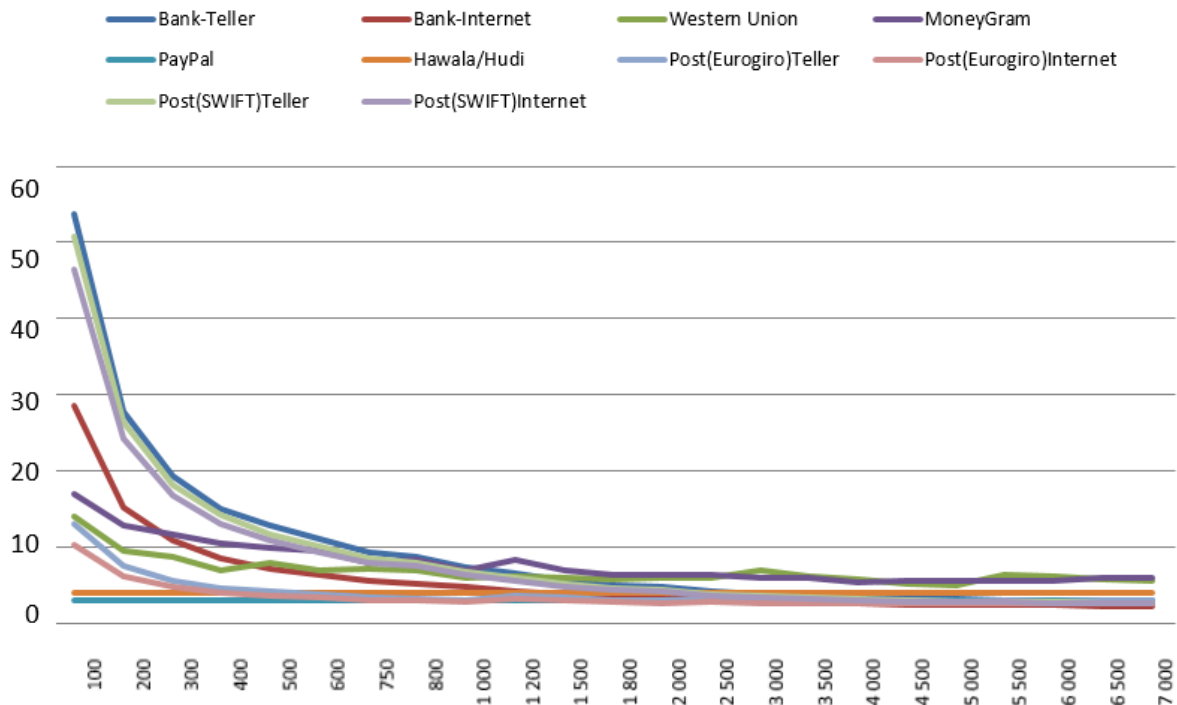


Figure 4.5 Remittance transfer fees for select RSPs as a percentage of the amount remitted (US\$, per cent)



The cells shaded in blue in Table 4.6 show which RSP charges the highest fees for the transfer of a particular remittance amount. From this we can see that the banks charge the highest remittance transfer fees for smaller remittance amounts, that is, transfers of no more than \$1,000. The extent to which banks charge more at these lower transfer amounts is illustrated clearly in Figure 4.5. But as Table 4.6 and Figure 4.4 demonstrate, the MTOs Western Union and MoneyGram become increasingly more expensive as the amount transferred increases, to the point where they charge about twice what a bank would for a transfer of US\$7,000.

On the other hand, because of their preferential pricing scheme for the Republic of Korea, PayPal charges the lowest transfer fees for remittance amounts of US\$750 or less, but Post internet banking fees using Eurogiro are lower if a remittance amount is between US\$750 - 4,000 and internet banking fees by bank are lower if a remittance amount is over US\$4,000 (purple shading in Table 4.6). However, if the *hawala* system adopts regressive fee rates as the amount being transferred increases, it may charge the lowest fees at higher amounts of remittance. Also, the actual receiving and intermediary bank charge will impact total fee rate.

4.3 Preferential treatment

Generally, banks provide preferential FX rates and transfer charges if the customer uses the following banking services:

1. **Internet banking:** Most of the 16 banks interviewed for this study do not levy a charge on transfers made through their internet banking systems (see Table 4.3). Among those who do levy a charge for internet banking overseas transfers, Busan, KDB, IBK, and Kwangju banks charge remitting bank fees that are the same as what a customer would be charged at the bank counter, while Hanna and Shinhan banks charge 50 per cent of the bank counter fee. KEB charges KRW3,000 for the transfers of US\$5,000 or less, and KRW5,000 for transfers of over US\$5,000 – both fees are a significant reduction to the bank counter fees, which start at KRW5,000 and go up from there.
2. **Mobile banking money transfer services:** the number of banks that provide mobile banking money transfer services is increasing. If banks provide an application for mobile devices for this service the remitter can access preferential FX rates and remittance charges that are the same as making an internet banking transaction. Most commercial banks provide mobile banking services, but four out of the five local banks interviewed do not.
3. **Telephone banking services:** All of the banks interviewed provide telephone banking service for domestic transfer, but do not allow their customers to make overseas transfers over the phone. Those banks that do provide such a service give the remitter a preferential FX rate charge and lower charges than they would pay when arranging a transfer at a bank counter.
4. **ATM:** Most of the banks interviewed – except for four local banks – have ATM services capable of enabling domestic and overseas money transfers. Only Kyungnam Bank among the local banks offers ATM services for overseas remittance. The banks that do provide this service give the remitter a preferential FX rate charge and lower charges than they would pay at a bank counter.
5. **Automatic Overseas Remittance Service (AORS):** Many of the 16 banks – except Daegu, Hanna, Jeju, KDB, and Kwangju banks – provide this service with preferential FX rate charges and remittance charges (see Box 4.1).
6. **Local Currency Remittance Services (LCRS):** The remitter can send money in their home country's currency so that the beneficiary will receive the remittance without an additional currency exchange process. Only five of the 16 banks provide this service: Busan, Citibank, IBK, KEB, Kookmin, and Shinhan banks.
7. **Real-Time Transfer Service (RTTS):** Some banks provide a real-time transfer service with MTOs that offer preferential charges to select countries. A few banks use corresponding banks and or their own overseas branches (e.g., Citibank) for fast transfers without intermediary or receiving bank charges.

8. **Wage Remittance Service (WRS) for migrant workers:** Banks that participate in the Employment Training Class in collaboration with the Human Resources Development Service of Korea in order to give out information on the Republic of Korea’s banking system provide this service with preferential FX rate charges and remittance charges. The following banks offer this service: Busan Bank, Citibank Korea, IBK, KEB, Kwangju, Kyungnam, NFFC, NongHyup, Shinhan, and Woori.

See Appendix I for more information on preferential services/charges offered by various banks, and Table 4.7 for a summary of services offered.

Table 4.7 Preferential treatment through services offered by banks in the Republic of Korea

Bank branch	Internet banking	Mobile banking	Phone banking	ATM	AORS	LCRS	RTTS	WRS
Busan	Yes	No	No	Yes	Yes	Yes	Yes	Yes
Citibank	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Daegu	Yes	No	No	No	No	No	No	No
Hana	Yes	Yes	No	Yes	No	No	Yes	No
IBK	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Jeju	Yes	No	No	No	No	No	No	No
Jeonbuk	No	No	No	No	Yes	No	No	No
KDB	Yes	No	No	No	No	No	No	No
KEB	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Kookmin	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Kwangju	Yes	Yes	No	No	Yes	No	No	No
Kyungnam	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
NFFC	Yes	No	No	Yes	Yes	No	No	Yes
NongHyup	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Shinhan	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Woori	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Post office	Yes	Yes	No	Yes	Yes	No	No	No

4.4 Translation

Foreign language translation services are especially important to migrant workers as it relates to financial literacy. Karunaratne (2013) states that many migrants could save several hundred dollars per year through improved financial literacy, which would also lead to more efficient remittances being sent. Many migrant workers who enter the Republic of Korea through the EPS may be unfamiliar with the formal financial sector, due to limited knowledge of the Korean language and limited previous experience with these types of financial institutions in their home countries. Therefore, improving financial literacy is a key component of attempts to lower the costs of sending remittances. If remitters become smarter consumers, who compare remittance products according to their often opaque transaction costs and quickly switch to the cheapest providers, pressure will be put on uncompetitive providers to lower rates. Yet the available evidence on the financial literacy of migrants suggests that they often lack knowledge of the components that account for the total remittance cost, the remitting methods available, or how to compare methods (Gibson, et al, 2006; 2007). This being the case, the study team asked each of the 16 banks interviewed for this study how many languages their paperwork has been translated into as well as the language options available through their websites, ATMs, and ARS and call centres.

The answers provided, summarized in Table 4.8 show that most banks, with the exception of Jeonbuk Bank, provide English translations of bank documents at the bank counter and on their websites. Some banks offer a foreign-language translation service for English, Japanese, and Chinese, but these services are largely aimed at tourists and not migrant workers. KEB, Shinhan, and Woori banks provide many materials in foreign languages with the specific aim of providing services to migrant workers. KEB’s ATMs allow for transactions to be made in 17 foreign languages and remittance transfer forms in six languages can be procured at the bank counter. Shinhan has documents for overseas remittance translated into seven foreign

languages available at the bank counter and provides eight foreign language options on their ATMs and six at their ARS/call centre. Woori Bank has their documents for overseas remittance translated into six foreign languages at the bank counter and offers nine foreign language options on their CDs/ATMs and six at their ARS/call centre.

If a migrant worker needs a translation done for banking business, they can be helped by the Korea Support Centre for Foreign Workers by calling 1644-0644. The Centre operates every day from 9:00 a.m. to 6:00 p.m., and it provides translation services for 13 countries: Mongolia (Mongolian), (Viet Nam (Vietnamese), China (Chinese), Indonesia (Bahasa), Thailand (Thai), the Philippines (English & Tagalog), Sri Lanka (Sinhala), Uzbekistan (Uzbek language & Russian), Pakistan (Urdu + Hindi), Cambodia (Khmer), Nepal (Nepali), Myanmar (Burmese), and Bangladesh (Bengali).

Table 4.8 Translation languages available among banks in the Republic of Korea and post offices

	Website	At bank counter	ATM	Call centre
Busan	English	English	NA	1588-6200 NA
Citibank Korea	English	English	Chinese, English, Japanese	1588-7000 02-3704-7100 for English
Daegu	Chinese, English, Japanese	English	NA	1588-5050 NA
Hana	English	English	English, Chinese, Japanese	1599-1111ext8 English, Chinese, Vietnamese, Mongolian
IBK	Chinese, English,	English	English	1566-2566 English, Chinese
Jeju	English	English	NA	1588-0079 NA
Jeonbuk	NA	English	NA	1588-4477 NA
KDB	English	English	English	1588-1500 NA
KEB	Chinese, English, Japanese, Vietnamese,	Bengali, Chinese, English, Nepali, Thai, Vietnamese	Bahasa, Bengali, Chinese, English, French, German, Hindi, Japanese, Mongolian, Russian, Sinhalese, Spanish, Tagalog, Thai, Urdu, Vietnamese	1544-3000ext: Chinese, English, Japanese Vietnamese
Kookmin	Chinese, English, Japanese	English	English	1588-9999 ext9 Chinese, English, Japanese
Kwangju	English	English	NA	1588-3388 NA
Kyungnam	English	English, Chinese, Khmer	Chinese, English, Japanese	1600-8585 NA
NFFC	NA	English	English	1588-1515 NA
NongHyup	English		English, Japanese, Chinese	1588-2100 English, Japanese, Chinese
Shinhan	Bahasa, Chinese, English, Japanese, Tagalog, Thai, Vietnamese	English	Chinese, English, Indonesian, Japanese, Mongolian, Russian, Thai, Vietnamese	1577-8000: English, Japanese, Chinese, Vietnamese, Mongolian, Thai
Woori	Chinese, English, Japanese, Mongolian, Tagalog, Vietnamese	Bahasa, Bengali, Chinese, English, Japanese, Mongolian, Nepali, Sinhala, Vietnamese	Chinese, English, Japanese,	1588-5000 Chinese, English, Japanese, Telebanking: Bahasa, Chinese, English, Japanese, Thai Vietnamese
Post Offices	English	English	English	1588-1900 NA

Note: NA means that only Korean-language service is available.

4.5 Trends in outflow of remittances

This section will address trends in remittance amounts being sent overseas from the Republic of Korea by migrant workers. The 2010 *Survey on living conditions of foreign workers* (Chung, et al. 2010) determined the average monthly remittance figures for migrant workers in the Republic of Korea holding an E-9 visa. Table 4.9 shows that the average E-9 visa holder remitted US\$589.10 each month (or 48 per cent of their monthly wage). A simple calculation provides an estimate of the total amount remitted by all E-9 visa holders for 2010, which comes to US\$1.47 billion.

Table 4.9 Average monthly remittance amounts for a migrant worker and total yearly remittance sent by all migrant workers from the Republic of Korea (2010)

Visa type	Number of foreign workers	Average wage/month (A) US\$	Average monthly remittance per worker (B) US\$	Average monthly rate of remittance (B/A) %	Total amount of remittance/year US\$
E-9	207 786	1 227.50	589.10	48.0	1.47 billion
H-2	282 169	1 370.50	776.40	56.67	2.63 billion

Source: Chung, et al., 2010.

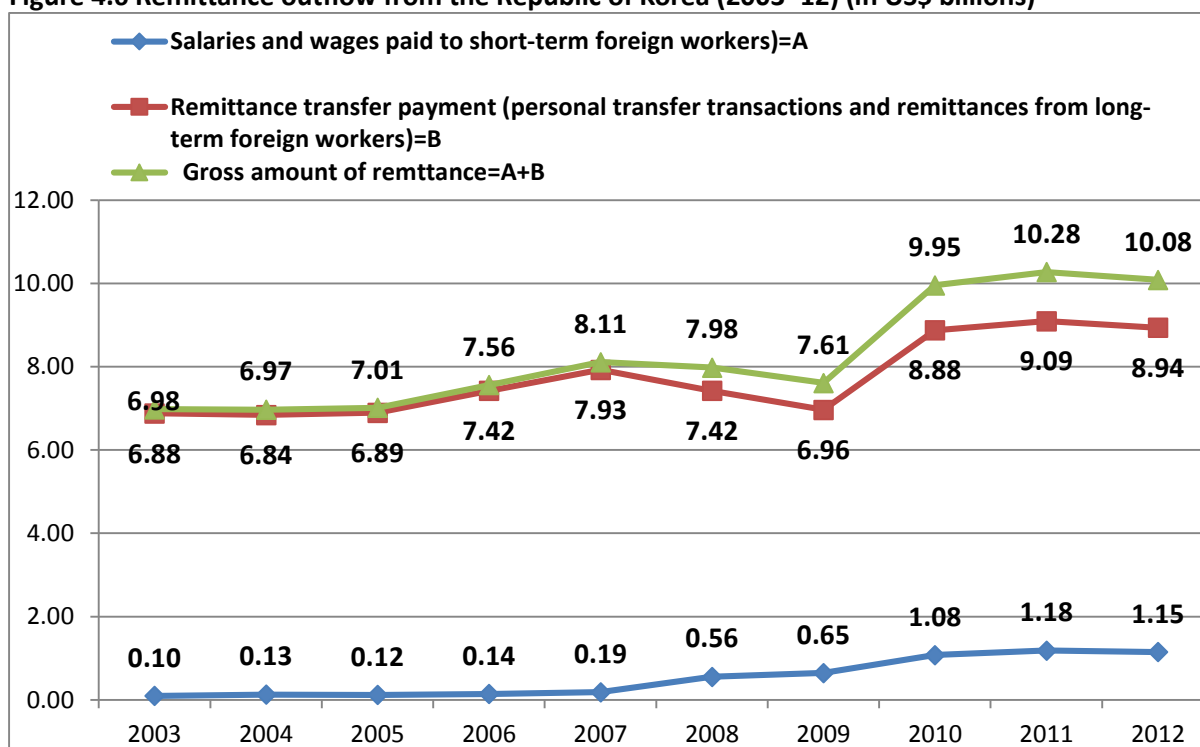
Table 4.10 below shows data collected for this study, which shows that the average E-9 visa holder remits far more of their wage than was estimated through Chung, et al. (2010). In addition, monthly salaries for E-9 visa holders have increased to US\$1,414.30 in 2013, according to the survey.

Table 4.10 Average monthly remittance amounts for a migrant worker and total yearly remittance sent by all migrant workers from the Republic of Korea (2013)

Visa type	Number of foreign workers	Average wage/month US\$	Average monthly remittance per worker US\$	Average monthly rate of remittance %	Total amount of remittance per year US\$
E-9	230 237	1 414.30	917.90	64.9	2.54 billion

Though the data between the two surveys was collected from different samples and a direct comparison may not be accurate, it can be said that both the total remittance amount (US\$2.54 billion) as well as the total wage (US\$3.91 billion) have increased sharply since 2010.

Figure 4.6 Remittance outflow from the Republic of Korea (2003–12) (in US\$ billions)



Source: Bank of Korea.

According to the International Monetary Fund (IMF) in the Balance of Payments Manual, 6th edition (IMF, 2010) migrant remittances are defined as the gross amount of workers’ remittances, compensation of employees (A in Figure 4.6), and migrants’ transfers (B in Figure 4.6). Workers’ remittances are current private transfers from migrant workers who are considered residents of the host country to recipients in the workers’ country of origin. According to the IMF definition, if the migrants live in the host country for one year or longer, they are considered residents, regardless of their immigration status. If the migrants have lived in the host country for less than one year, their entire income in the host country is classified as ‘compensation of employees’¹ (International Monetary Fund, IMF, 2010). Figure 4.6 shows the trend of remitted amounts from the Republic of Korea between 2003-12 according to this definition. As of 2012, the foreign workers in the Republic of Korea remitted US\$10.08 billion toward private overseas remittances, which include salaries and wages paid to foreign workers who work for less than one year (US\$1.15 billion),² and personal transactions and remittance from long-term foreign workers (US\$8.94 billion). The trend shows that: the amounts of remittance has increased since the most recent financial crises of 2007 - 2009; during the crises the amount of remittances decreased from US\$7.89 billion to US\$7.61 billion; after that, the amount of remittance again increased up to US\$10.28 billion before decreasing again to US\$10.08 billion.

¹ It refers basically the total gross (pre-tax) wages paid by employers to employees for work done in an accounting period, such as a year. Compensation of employees comprises wages and salaries in cash, wages and salaries in kind, and employers’ social contributions. Also included are all forms of bonuses and allowances.

² In many cases, it is assumed that the entities employing workers are resident in the economy where the work is performed. However, nonresident employers, which include embassies, other diplomatic missions, and international organizations, may have a substantial impact on remittances data. When resident workers work for non-resident employers, their wages and other benefits are recorded as “compensation of employees.” In this circumstance, their gross income from employment will count as remittances, but these employees of nonresident employers have not migrated or traveled beyond the geographic border of their home country (IMF, 2009).

4.6 Financial products

4.6.1 Credit cards, debit cards, and cheque card

Credit cards are issued by banks or credit card companies after evaluating the eligibility of an applicant for a card of a particular rating and credit limit. The decision by a bank or credit card company to issue a card depends on the applicant's repayment ability and creditworthiness, which is determined on the basis of documents submitted by the applicant.³

A few banks⁴ issue foreigner-only credit cards. However, under the Foreign Exchange Transactions Act, the issuance of a credit card that can be used by a foreigner both in the Republic of Korea and abroad may be restricted. Thus, to obtain a credit card that can be used abroad, foreign workers must first designate a primary foreign exchange transaction bank. In addition, overseas cash withdrawal service is limited to an amount up to the balance of their savings account. Foreign workers can receive cash advances through their credit card, and they can repay the debts accrued on their card in one lump sum or in monthly installments⁵. Payment is automatically withdrawn on the due date from a bank account designated in advance by the cardholder.

With a debit card and a cheque card payment is made at the time of purchase. The payment is automatically transferred from the customer's account to the merchant's account. Cheque cards are issued by banks and credit card companies, whereas debit cards are only issued by banks. As with a credit card application, foreign workers need to submit a valid form of identification (see Table 4.11).

Table 4.11 Comparison of credit cards, debit cards, and cheque cards

Classification	Credit card	Debit card	Cheque card
Spending limit	Credit limit	Account balance	Account balance
Identity verification	Signature	PIN	Signature
Payment due date	Before end of grace period	At time of purchase	At time of purchase
Hours of service	00.00-24.00	08.00-23.30	00.00-24.00
Installment payment	Yes	No	Yes
Cash advance	Yes	No	No
Cash withdrawal	Yes*	Yes	Yes
Add-on services	Yes	No	Yes

*Note: Available only when the cardholder has an account with the bank that issued the credit card and that account has been designated as the settlement account for the card.

A bank or a credit card company determines the spending limit of a credit card by evaluating the cardholder's occupation, income, and bank transaction records using a credit scoring system. For a debit card or cheque card, the per-day or per-transaction spending limit is limited to the balance on the account. The limit can be adjusted upon your request. When using a Korean-issued credit card in another country, the cardholder must pay overseas usage fees as set by global credit card issuers (i.e., Visa, Master Card, JCB, CUP, etc.). Fees may vary by bank. Table 4.12 is an example of a bank's fee table.

³ A certificate of incumbency, a contract of employment, a receipt for income tax withholding, an income tax payment certificate, etc.

⁴ Shinhan Bank, Woori Bank, and Korea Exchange Bank.

⁵ A card holder can choose the payment period of a credit card bill exceeding KRW50,000 from two to 36 months in order to pay in installments.(Interest is charged based on the card holder's creditworthiness and the installment period).

Table 4.12 Sample bank service fee table (in KRW)

Classification	Type of service		During business hours	After business hours
At the counter	Withdrawal			N/A
	Transfer	Same bank	Less than 1 million	1 000
			1 million or more	2 000
		Another bank	Less than 1 million	1 500
1 million or more			3 000	
ATM	Withdrawal from same bank's ATM		-	500
	Withdrawal from another bank's ATM		1 000	1 200
	Transfer to an account at the same bank		500	600
	Transfer to an account at another bank	Less than 1 million	1 200	1 500
		1 million or more	1 500	1 800

4.6.2 Loans

(a) Secured loans

Secured loans are loans in which a borrower pledges his or her savings, bonds, or real estate to a financial institution as collateral. Loan limits and interest rates vary depending on the value of the collateral and borrower's creditworthiness and repayment ability. An applicant can request a deposit-secured loan by submitting a valid form of identification and the bankbook of their savings account, and declaring the amount of savings that will be pledged as collateral.

(b) Credit loans

Credit loans are extended without collateral by a financial institution based on a borrower's creditworthiness. Therefore, the criteria for such loans are more stringent and interest rates are higher compared with secured loans. Only a limited number of financial institutions⁶ offer credit loans to foreign nationals. Normally, foreigners eligible for credit loans are those who have been living in the Republic of Korea for at least three months and are expected to continue to reside in the Republic of Korea for a considerable length of time. Those who meet the relevant criteria, including occupation, position, income, and credit rating, are eligible for the loan.

4.6.3 Insurance

There are four major insurance policy types available for foreign workers: Departure insurance, Return cost insurance, Casualty insurance, and Departure guarantee insurance. Among these insurance policies, Departure insurance fees should be paid monthly, while the other three insurance fees should be paid up front. The details of each of these insurance policy types can be found in Table 4.13 below.

There are also four other insurance policy types targeted at all workers, including migrant workers. These policy types are employment insurance, accident insurance, National Health Insurance, and the National Pension Scheme. Accident insurance and National Health Insurance are compulsory, but employment insurance will only be acquired with the consent of the worker. With regard to the applicability of the National Pension scheme, there are three divisions among migrant workers depending on their country of origin: "compulsory" (three countries: China, the Philippines, Uzbekistan); "selectable but not compulsory" (five countries: Indonesia, Kyrgyzstan, Mongolia, Sri Lanka, Thailand); and "not applicable" (seven

⁶ Shinhan Bank, Woori Bank, Korea Exchange Bank, Hana Bank, and National Federation of Fisheries Cooperatives (Suhyup).

countries: Bangladesh, Cambodia, Myanmar, Nepal, Pakistan, Timor-Leste, and Viet Nam). The details are summarized in Table 4.13.

Table 4.13 Insurance available to migrant workers in the Republic of Korea

Type of insurance	Features	Insurance company
Departure insurance	<ul style="list-style-type: none"> • Compulsory • Purpose: Severance payments for returning foreign workers • Target: Employer who hire one full-time employee or more • Employers who hire foreign workers should take out the insurance policy within 15 days from the effective date of employment contract • Insurance Fee: 8.3% of the normal wage of the foreign worker per month • No insurance fine: less than KRW5 million 	Samsung Fire & Marine Insurance
Departure guarantee insurance	<ul style="list-style-type: none"> • Compulsory • Purpose: For securing unpaid wages from an employer • Target: Employers of workplaces to which Wage Claim Guarantee Act does not apply or that have fewer than 300 regular workers • Report due: Employers who hire foreign workers should take out the insurance policy within 15 days from the effective date of employment contract • Insurance Fee: KRW16 000 per foreign worker per year • No insurance Fine: less than KRW5 million 	Seoul Guarantee Insurance Company
Return cost insurance	<ul style="list-style-type: none"> • Compulsory: Yes • Purpose: For securing the necessary expenses for a migrant worker to return to their country of origin • Target: Foreign workers, overseas Koreans • Report due: Within 80 days from the effective date of the employment contract • Insurance fee: <ul style="list-style-type: none"> • KRW400 000 per year for workers from China, Indonesia, the Philippines, Thailand, Viet Nam; • KRW600 000 for workers from Sri Lanka; • KRW500 000 for workers from all other EPS-MOU countries • No insurance fine: less than KRW1 million 	Samsung Fire & Marine Insurance
Casualty insurance	<ul style="list-style-type: none"> • Compulsory: Yes • Purpose: For securing the worker in the event of injuries, illness, or an accident at the workplace • Target: Foreign workers, Overseas Koreans • Report due: Within 15 days from the effective date of the employment contract • Insurance fee: Varies depending on age and sex of the worker • No insurance fine: less than KRW5 million 	Samsung Fire & Marine Insurance
Employment insurance	<ul style="list-style-type: none"> • Compulsory: No • Purpose: For securing unemployment benefits as an integrated social insurance • Target: Employers, but they require the consent of foreign workers • Insurance fee: <ul style="list-style-type: none"> • Worker's share: 0.45% of the employee's monthly wage 	Korea Workers' Compensation and Welfare Service

	<ul style="list-style-type: none"> Employer's share= 0.7% of the employee's monthly wage 	
Accident insurance	<ul style="list-style-type: none"> No insurance fine: less than KRW5 million Compulsory: Yes Purpose: for securing injured workers and their families Target: Employers of workplaces that hire one or more employees Report due: Within 14 days from the hiring date Insurance fee : Total wages of all workers x insurance rate pre-decided by the Government No-insurance fine: more than KRW3 million 	Korea Workers' Compensation and Welfare Service
National Health Insurance	<ul style="list-style-type: none"> Compulsory: Yes Purpose: For securing medical expenses Target: Employer and employee Report due: Within 14 days from the hiring date Insurance fee: 5.99% of the employee' monthly wage (both the employer and the employee pay 2.995% of employee's monthly wage) No- payment charge: unpaid amount(principal) + interest 	National Health Insurance Service
National pension Scheme	<ul style="list-style-type: none"> Not compulsory Purpose: For financing the national life and promoting the stability and wealth as social security system. Target: Employer and employee <ul style="list-style-type: none"> Compulsory (worker from three countries): China, the Philippines, Uzbekistan Selectable but not compulsory (workers from five countries) : Indonesia, Kyrgyzstan, Mongolia, Sri Lanka, Thailand Not applicable (workers from seven countries): Bangladesh, Cambodia, Myanmar, Nepal, Pakistan, Timor-Leste, Viet Nam Report due: By the 15th of the month following the hiring date Pension fee:9% of the employee' monthly wage(both the employer and the employee pay 4.5% of the employee's monthly wage) No-payment charge: unpaid amount(principal) + interest 	National Pension Service

4.7 Establishing a framework for remittance information services

This section addresses the need for establishing and managing a remittance services support system that can provide information on remittance to foreign workers living in the Republic of Korea.

4.7.1 Potential remittance information providers

First, financial institutions can be considered as potential executing organizations for a system of remittance information dissemination. They are the main agents that provide remittance services, so the fact that financial institutions can offer remittance-related information in a reasonably clear manner and the fact that they can provide transfer services by themselves can be considered as strong points. However, considering that commission fees and the provided services vary from financial institution to financial institution, it is difficult to view any particular financial institution as being a comprehensive focal point for remittance support services and information dissemination. The Korea Federation of Banks or the Bank of Korea, the central bank of the Republic of Korea, could be considered as potential candidates to take on this role because both are financial institutions that are in a position to provide a wealth of information on the remittance.

The second candidates for consideration are insurance institutions, because there is an employment insurance system devoted only to those foreign workers in the Republic of Korea as part of the EPS. Those insurers which provide insurance services for EPS workers could potential also serve as providers of information and expertise on remittance. However, these insurers face limitations. The first is that remittance is not within the purview of the insurance industry, which means that they likely lack the expertise to disseminate advice on remittance. Another problematic aspect is that if an insurer's contract with the Government is terminated, then a new insurance provider is designated through an open tender process, which makes it impossible to guarantee continuous services.

A third option is the Human Resources Development Service of Korea (HRD Korea), a public company that takes charge of administration duties related to the introduction and management of foreign workers. HRD Korea already offers support services for migrant workers, such as providing training programs; supporting migrant workers during their introduction, stay, and return; and operating a call centre aimed at protecting the rights of foreign workers. Given their extensive experience providing a variety of services to migrant workers, HRD Korea is well positioned to offer training program on remittances for foreign workers, providing remittance information and assistance as part of its existing system. This makes the HRD Korea the most prominent candidate for serving as the executing organization for a remittance information/support system.

4.7.2 Establishment and management of a Remittance Support Centre

(a) Main agent for remittance support services

HRD Korea already operates a call centre and the Foreign Worker Support Centre to protect the rights of foreign workers. This being the case, it is realistic for HRD Korea to add additional tasks, such as providing remittance support services, training migrant workers about remittance, and supplying remittance information, to its existing service structure.

(b) Classes on remittance

Migrant workers in the Republic of Korea under the EPS are required to obtain vocational training. Training materials or schemes are developed and distributed by HRD Korea, which has been developing courses, timetables, curriculums, and training materials in order to maintain consistency and increase efficiency in the training of foreign workers. Training materials and courses can be updated to include information about how best to remit funds and also on ways for workers to utilize these remittances when they return to their home countries.

(c) Establishment and management of a website for remittance support services

It is necessary to create a web presence in order to provide financial support services and information on remittance in a continuous manner. The government of the Republic of Korea should assess whether it is worthwhile to create a wholly independent website dedicated to remittance information and support services. An alternative would be to include such information and support into existing web-based services available to migrant workers.

d) Language translation and counseling services for migrants

As mentioned previously the Government of the Republic of Korea operates a call centre for foreign employees as well as the Korea Support Centre for Foreign Workers. Fifty counselors work in the centre, and there are counselors who can speak in the languages of the 15 EPS-MOU countries. Ideally, these counselors should be aware of information on remittance so that such information can be delivered to migrant workers during telephone counseling. It is, however, difficult for a call centre to provide detailed

information during the course of phone calls. Thus, basic information could be delivered from the call centre, and specialized consultation services related to remittance would be better provided by the Korea Support Centre for Foreign Workers.

The Support Centre offers assistance in solving problems that migrant workers may face due to cultural and language differences. The Centre provides consultation on training in the Korean language, laws and safety, Korean culture, and some information on remittance. The Korea Support Centre for Foreign Workers is operated through seven base centres and twenty-six regional centres under financial and administrative support from the Government. Through the base centres, services including consultation (in person or by phone), cultural events, training projects (e.g., in the Korean language), and other specialized projects (free clinics, free haircuts, etc.) are provided. It operates a book café and a website in various languages in order to provide information for foreign employees and employers. As noted above, remittance support services are provided to a small degree through the support centre, but comprehensive remittance information services are not available.

Therefore, HRD Korea should build a framework for information dissemination and support services related to remittance by foreign workers that is multifaceted and widely available to migrant workers. This can be accomplished by including remittance information as part of vocational training, by offering consultation services related to remittance through the Korea Support Centre for Foreign Workers, and incorporating comprehensive remittance information into the existing HRD Korea and Support Centre websites.

Chapter 5: Survey results

5.1 Sampling

A survey was conducted to analyze the remittance behaviour of foreign workers who have entered the Republic of Korea with an E-9 visa via the EPS. The survey sample was allocated based on the nationality and residences of foreign workers in the Republic of Korea. Migrant workers from 13 of the 15 EPS-MOU countries were surveyed, with only migrants from East Timor and Kyrgyzstan not included as the numbers of migrant workers from these countries are small and the population is widely dispersed. The surveyors intended to interview 500 foreigner workers and at least 30 foreign workers from each EPS country, regardless of the number of migrants from those countries and then distributed the survey proportionally according to administrative districts, which included Seoul city, Busan city, Incheon city, Kwangju city, Gyeonggi-do(province), Gangwon-do, Chungcheongnam-do, Chungcheongbuk-do, Gyeongsangnam-do, Gyeongsangbuk-do, Jeollanam-do, Jeollabuk-do.

The survey questionnaires were translated into the languages of the 13 EPS countries under consideration. The survey was conducted between June and July of 2013 by the Korea Support Centre for Foreign Workers. The Survey was conducted by consultants in the regional centres, who interviewed the foreign workers when they visited these centres.

The sample size was 468 individuals after excluding inconsistent samples. Table 5.1 summarizes the basic demographic features of the survey sample group. Some notable demographic features from Table 5.1:

- 88.5 per cent (n=414) of the sample group was male.
- One third of the sample was under the age of 30, and nearly half (45.9 per cent) were between the ages of 30–39.
- More than 86 per cent of the sample had at least 10 years of education.
- 88.2 per cent of the sample was working in manufacturing.
- At least 30 workers from each country were surveyed with the exceptions of Thailand (n=24) and China (n=19).
- Over 90 per cent of the sample had been in the Republic of Korea for at least a year, with 24.6 per cent having been in country for one to two years and another 39.7 per cent for more than three years.

Table 5.1 Demographic profile of the survey sample

All		# of respondents	%	
		468	100.0	
Sex	Male	414	88.5	
	Female	38	8.1	
	No response	16	3.4	
Age	Below 29	156	33.3	
	30-39	215	45.9	
	Above 40	38	8.1	
	No response	59	12.6	
Highest education level achieved	Below elementary school	5	1.1	
	Middle school	56	12.0	
	High school	201	42.9	
	University	203	43.4	
	No response	3	0.6	
Nationality	Bangladesh	38	8.1	
	Cambodia	39	8.3	
	China/Chinese-Korean	19	4.1	
	Indonesia	39	8.3	
	Myanmar	40	8.5	
	Mongolia	36	7.7	
	Nepal	50	10.7	
	Pakistan	33	7.1	
	Philippines	35	7.5	
	Sri Lanka	39	8.3	
	Thailand	24	5.1	
	Uzbekistan	31	6.6	
	Viet Nam	45	9.6	
	Residential area in the Republic of Korea	Busan	24	5.1
Chungcheongbuk - do		20	4.3	
Chungcheongnam-do		67	14.3	
Gangwon-do		8	1.7	
Gwangju		8	1.7	
Gyeonggi-do		89	19.0	
Gyeongsangbuk-do		10	2.1	
Gyeongsangnam-do		66	14.1	
Incheon		14	3.0	
Jeollabuk-do		5	1.1	
Jeollanam-do		68	14.5	
Seoul		89	19.0	
Length of stay in the Republic of Korea		Less than 1 year	45	9.6
		1-2 years	115	24.6
	2-3 years	90	19.2	
	Over 3 years	186	39.7	
	No response	32	6.8	
Occupation	Manufacturing	413	88.2	
	Construction	11	2.4	
	Agriculture and stockbreeding	5	1.1	
	Fishery	6	1.3	
	Food service	1	0.2	
	Other service	1	0.2	
	Clerks	3	0.6	
	Others	4	0.9	
	Not work	19	4.1	
	No response	5	1.1	

5.2 General status of migrant workers' remittances

5.2.1 Bank accounts and credit/debit/cheque cards

All foreign workers who enter the Republic of Korea via the EPS are required to open a bank account. The survey data shows that 468 foreign workers (except 'No response') opened 714 bank accounts, which means every foreign worker has more than one bank account. Foreign workers are much more likely to open a bank account at a commercial bank rather than at a local bank. For instance, just three commercial banks – Korea Exchange Bank (KEB), IBK, and Woori Bank – account for 89 per cent of accounts opened by the sample group. The share of bank accounts opened at Korean branches of a worker's home country bank is only 1.5 per cent (see Table 5.2).

Table 5.2 Distribution of bank accounts held by workers in sample group- multiple responses possible (n=468, person, %)

Total	714	
	#	%
Kookmin	78	16.7
KEB	152	32.5
Shinhan	53	11.3
NH	98	20.9
Post office	4	0.9
IBK	143	30.6
Woori	121	25.9
Citibank	4	0.9
Daegu	3	0.6
Kyungnam	28	6.0
Busan	3	0.6
Jeonbuk	1	0.2
Branches of home country banks	7	1.5
others	9	1.9
No response	10	2.1

Note: The banks selected by these respondents include Indian Overseas Bank (India), Metro Bank (The Philippines), Industrial & Commercial Bank of China, and the Bank of China.

Table 5.3 shows the number of surveyed workers who hold cards issued by financial institutions as compared with their length of stay in the Republic of Korea. A strong majority (87.0 per cent; n=407) hold a card from a financial institution. As the table shows, the card holding rate of foreign workers generally increases as the length of the worker's stay in country increases, which suggests a correlation. It should be noted that most cardholders (83.3 per cent) hold a debit card, not a credit card (only 13.5 per cent of cardholders have one of those).

Table 5.3 Number of financial card holders by length of stay in the Republic of Korea

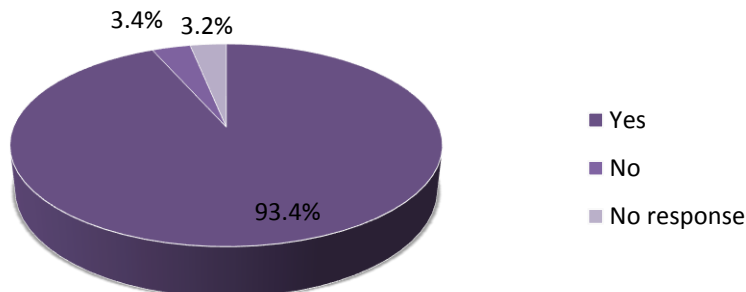
Length of stay	n	Yes		No		No response	
		#	%	#	%	#	%
1 year or less	45	35	77.8	8	17.8	2	4.4
1–2 years	115	98	85.2	11	9.6	6	5.2
2–3 years	90	73	81.1	14	15.6	3	3.3
Over 3 years	186	173	93.0	12	6.5	1	0.5
No response	32	28	87.5	2	6.3	2	6.3
Total	468	407	87.0	47	10.0	14	3.0

5.2.2 Remittance

The survey results show that most respondents (93.4 per cent) send some of their wages to their home countries (see Figure 5.1). Only 16 (3.4 per cent) respondents stated that they do not send any money home, but they all plan to take their saved money with them when they leave for their home countries. Of these 16 respondents, six were from Mongolia, three from Viet Nam, and two each from Indonesia and Myanmar.

The number of sample group workers who do remit funds to their home country – n=437 – will be important to remember moving forward, as a large number of the tables and data sets in this chapter refer only to those members of the sample group who remit money.

Figure 5.1 Portion of sample group who remit money to their home country



Before addressing the amounts remitted by the survey sample group, this report will address the distribution of wages among the sample group. Wages for unskilled foreign workers in the Republic of Korea are dependent on the minimum wage that is set by the Minimum Wage Council, which consists of the representatives of the labor force, employers, and the Government. The minimum wage has increased from KRW2,510 per hour in 2000 to KRW4,860 per hour in 2013, an increase of 93.6 per cent. This near doubling of the minimum wage since 2000 has led to an increase in the incomes of foreign workers. As of 2013, the foreign workers can earn about KRW842,000 per month working 40 work hours per week at the minimum wage. According to the survey, however, the average total monthly wage across the sample group (n=436) was KRW1,605,000, which consists of an average basic wage (KRW1,203,000) and an average allowance (KRW381,000) (See Table 5.4). That is, actual earnings are much higher than the KRW842,000 monthly minimum because many foreign workers work overtime and are paid additional allowances based on their experience level. It is taken for granted that the experience level of the worker is related to the length of their stay in the Republic of Korea, and this certainly can be seen in Table 5.6 as average monthly wages are increasingly larger the longer the workers stay in country.

Table 5.4 Average monthly wages of unskilled foreign workers in the Republic of Korea

	Average total wage (A+B)*		Average basic wage (A)		Average allowance (B)	
	Thousand KRW	US\$	Thousand KRW	US\$	Thousand KRW	US\$
Average	1 604.60	1 413.99	1 202.50	1 059.66	380.50	335.30
Sample size		439		333		333

Note: The sample size is larger in the “Average total wage” column because 106 respondents did not provide a breakdown of their basic wage and allowance. Even so, these 106 individuals have been included to calculate the “Average total wage” figures. This explains why the figures in the “Average basic wage” and “Average allowance” columns do not add up to the “Average total wage” numbers.

With the average wage figures in place, it is now possible to speak about remittances. Figure 5.2 shows the averages amount of remittance per month in the context of the number of years a worker has been in the Republic of Korea. The average monthly remittance is US\$915.5 per month, which accounts for 64.9 per cent of average total wage amongst those who answered this question (n=406), which is US\$1,409.8¹. Figure 5.2 shows that absolute remittance amount sent home increases as the years of stay increase, though it decreases as a percentage of the average monthly wage. Respondents who are married send money more than those who are single, and foreign workers who are responsible for their family back home remit more than the one who have less responsibility (shown by blue shading in Table 5.5).

Table 5.5 Average monthly remittance by length of stay, marital status, and family responsibility (person, US\$)

	n=406*	Average monthly wage	Average monthly remittance	B/A	
		(A) US\$	(B) US\$	%	
Average		1 409.8	915.2	64.9	
Length of stay	1 year or less	43	1 185.1	818.1	69.0
	1–2 years	101	1 388.5	947.3	68.2
	2–3 years	77	1 449.0	973.9	67.2
	Over 3 years	161	1 471.9	900.6	61.2
	No response	24	1 351.8	794.4	58.8
Marital status	Married	190	1 414.9	926.8	65.5
	Unmarried	208	1 403.9	893.8	63.7
	Divorced/Widow(er)	6	1 435.0	922.5	64.3
	No response	2	1 493.6	1 186.1	79.4
Degree of family responsibility	Totally	203	1 422.5	946.5	66.5
	Considerably	111	1 368.4	848.5	62.0
	Partially	70	1 465.7	952.5	65.0
	Little	17	1 341.9	684.8	51.0
	No response	5	1 391.7	1 054.3	75.8

Note: The number (406=437-31) comes from no responses (31) on the question about the wage and remittance.

¹ This wage is lower than the wage that shows in Table 5.5. This difference comes from the difference of sample numbers between Table 5.5 and Table 5.6.

Figure 5.2 Average monthly remittances by length of stay (in total US\$ and as a share of monthly wage)

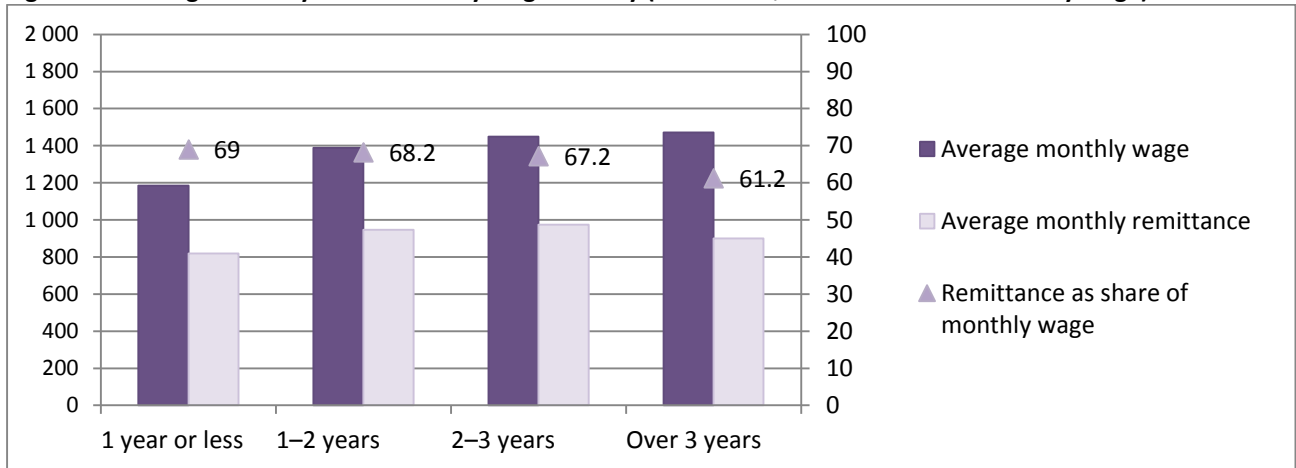


Figure 5.3 Average monthly remittance by marital status (in total US\$ and as a share of monthly wage)

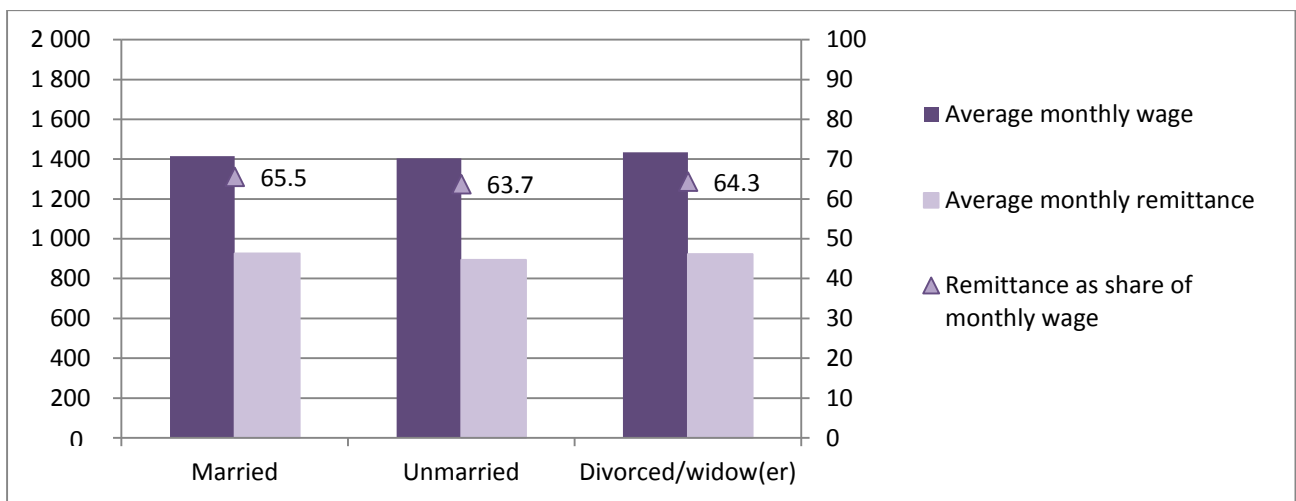
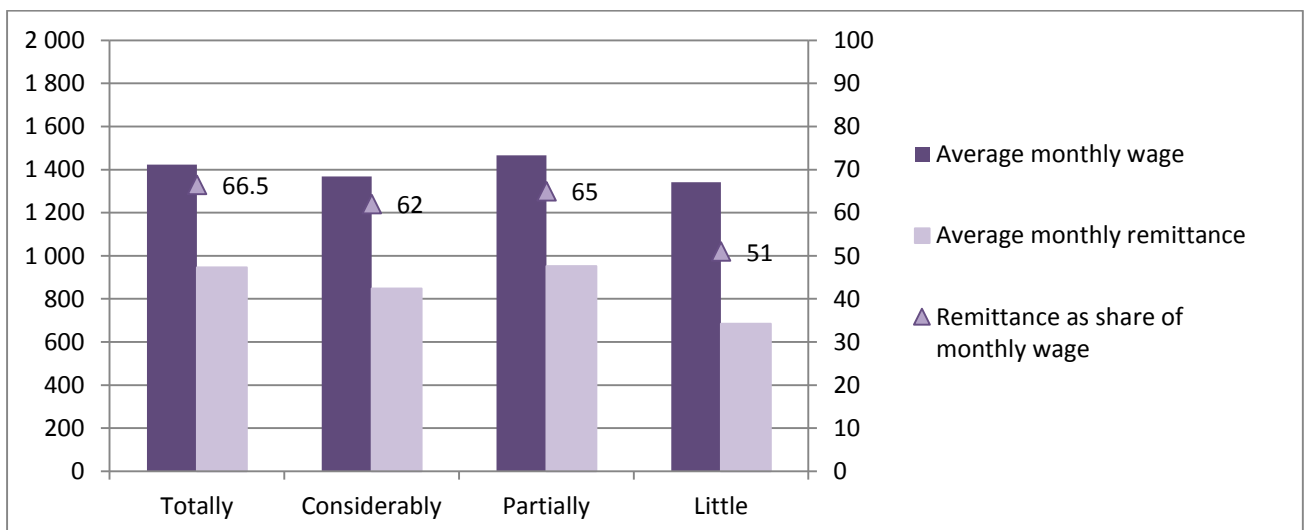
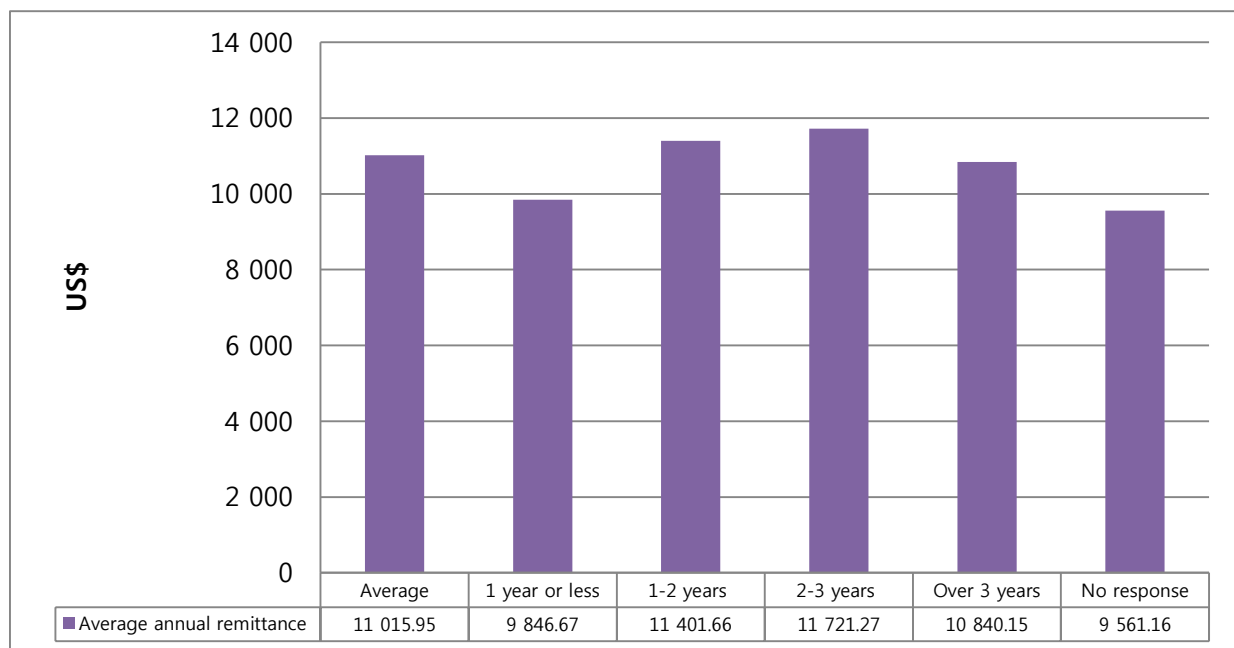


Figure 5.4 Average monthly remittance by degree of family responsibility (in total US\$ and as a share of monthly wage)



The survey also asked the sample group to reveal the amount they remitted per year. These annual totals were asked for because remittance can shift from month to month depending on the circumstances of the worker and their family back home. The survey results reveal that the average annual remittance across the sample group is KRW12.5 million (US\$11,015.95), which is not much different from the KRW12.4 million calculated using the monthly estimates provided. Among the sample group, annual remittances amounted to 64.9 per cent of their total wages for the year. Of note is that average annual remittance initially increases with each year spent in the Republic of Korea (see Figure 5.6), but it drops off again among migrant workers who have resided in country for more than three years. This possibly suggests that these longer-term migrant workers have begun to build more of a life for themselves in the Republic of Korea and consequently are spending more locally, or perhaps that their earlier remittances have addressed much of their families' needs back in their home countries, leaving them free to spend more on themselves.

Figure 5.5 Average annual remittance by length of stay in the Republic of Korea (US\$)



5.3 Remittance channels

This section will examine the remittance channels that are used by EPS migrant workers in the Republic of Korea. Figure 5.6 below shows the use of particular remittance channels among all of the individuals in the sample group who remit money home. As can be seen at a glance, banks are the preferred method of remitting money, with nearly three-quarters of the sample group making use of them to remit their money. MTOs and post offices represent a tiny share compared to the banks, and are even dwarfed by informal methods of remitting funds, which are utilized by nearly a quarter of the sample group (friends or relatives, *hundi/hawala*, other informal channels = 24.3 per cent).

Figure 5.6 Preferred remittance channel (multiple response possible) (as total and as a share of total respondents)

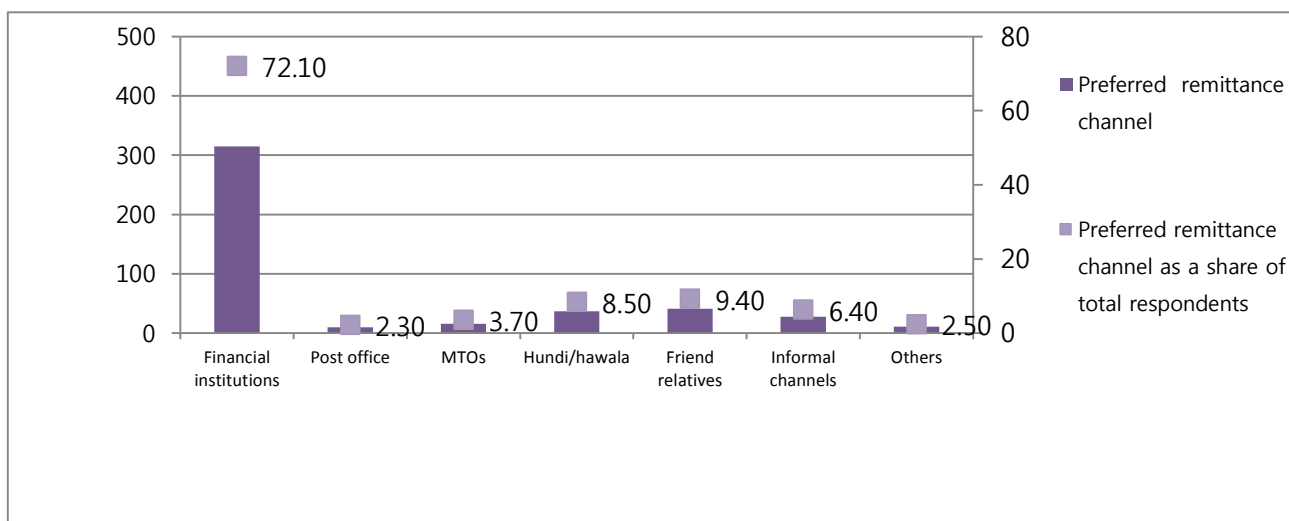


Figure 5.7 breaks down the use of particular remittance channels by the worker’s country of origin (multiple choices). As this table shows, more than 95 per cent of migrant workers from Bangladesh, Indonesia, Pakistan, Sri Lanka, and Thailand use banks as a remittance channel. In contrast, workers from Uzbekistan, Myanmar, and Nepal are much less inclined to use banks as a remittance channel (23.3 per cent, 28.6 per cent, and 53.1 per cent, respectively). Compared to workers from other countries, workers from the Philippines and Uzbekistan are much more likely to make use of MTOs. *Hawala/hundi* is commonly used by workers from Nepal (55.1 per cent) and Myanmar (25.7 per cent); and use of other informal channels is common among sample group workers from Mongolia, Uzbekistan, and Viet Nam. One interesting result is that Bangladeshi workers are commonly known to utilize *hundi* as a remittance channel, but all of the Bangladeshi workers surveyed stated that they remit via banks. We cannot explain why this result was the case, and suggests that either a larger sample of Bangladeshi migrant workers is needed or perhaps an investigation into a potential decline in the use of *hundi* among Bangladeshis. As noted above, the majority of workers surveyed use banks to remit money back home.

Figure 5.7 Preferred remittance channel by country of origin (multiple responses possible, number of respondent and responses, %)

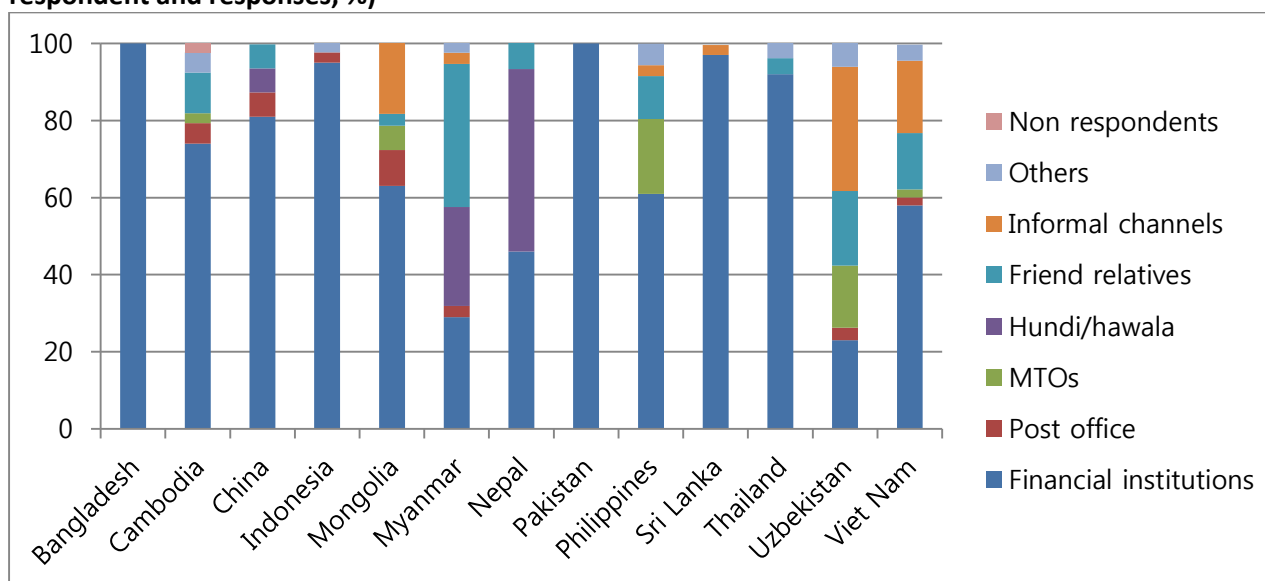


Figure 5.8 breaks down precisely how the respondents use banks in order to transfer remittances. Just over half of the bank users surveyed (163 out of 315) send money by arranging a transfer at a bank counter. The second most popular option is to use an ATM (26.7 per cent), with internet banking (6.0 per cent) and mobile banking (5.4 per cent) coming in a rather distant third and fourth.

Figure 5.8 Preferred remittance transfer methods used by sample group members who remit through banks

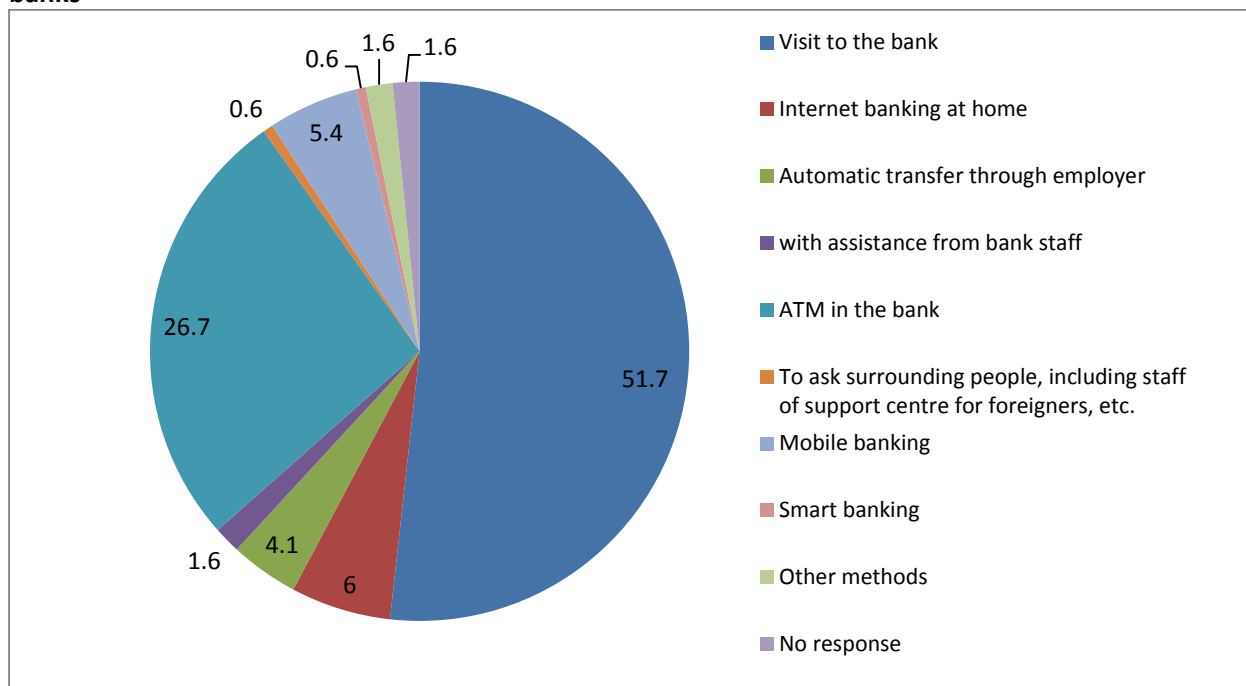
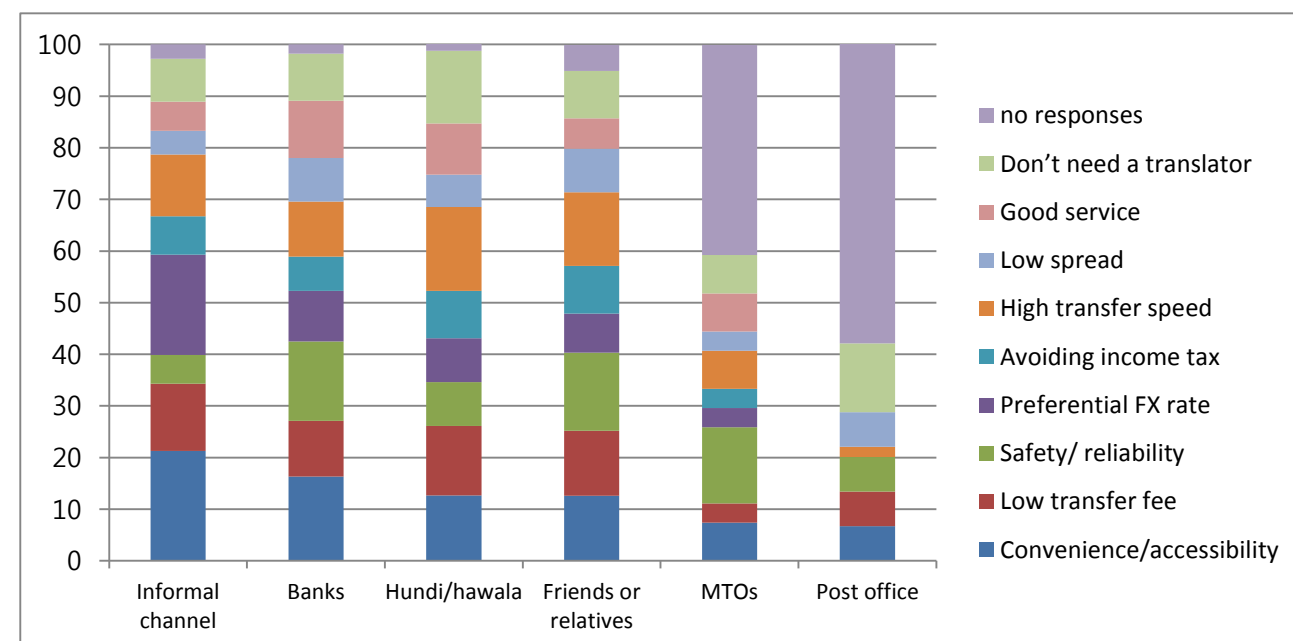


Figure 5.9 (see corresponding table in also Annex VI) show the reasons why respondents have chosen a particular remittance channel. In the case of banks, users agree that they are convenient and accessible, safe and reliable and provide a good service. Hundi/hawala users state that their preferred method offers low transfer fees, is convenient and accessible cent and provides preferential FX rate. People choosing other informal channels did so because they do not need a translator, the transfer fees are lower and because this is a convenient and accessible method.

Figure 5.9 Reasons given for using a particular remittance channel (multiple responses possible) (as a share of total responses)



5.4 Frequency and utilization of remittance

Figure 5.10 shows the frequency of sending remittances². Just over half of respondents (52.9 per cent) said that they remit money home every month. This is followed by “every few months” (24.3 per cent) and “when necessary or optional” (19.0 per cent). This pattern remains largely true regardless of the remittance channel the worker uses to send money home, shown in Figure 5.11 (see corresponding Table in Annex VI).

Figure 5.10 Frequency of remittance among sample group of workers remitting money to their home country (n=437)

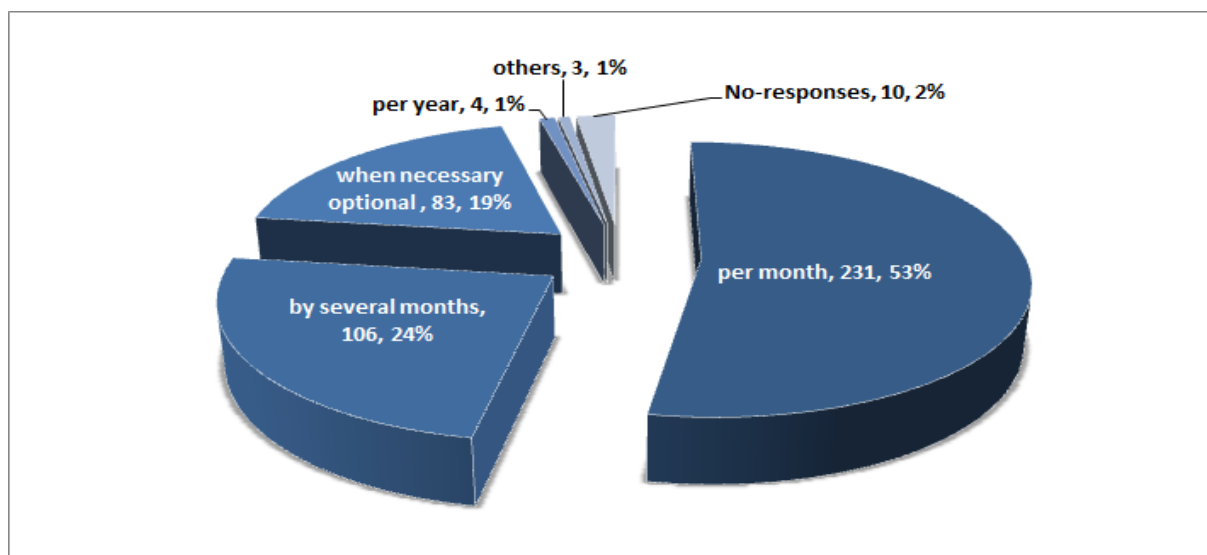


Figure 5.11 Frequency of remittance by remittance channel used (%)

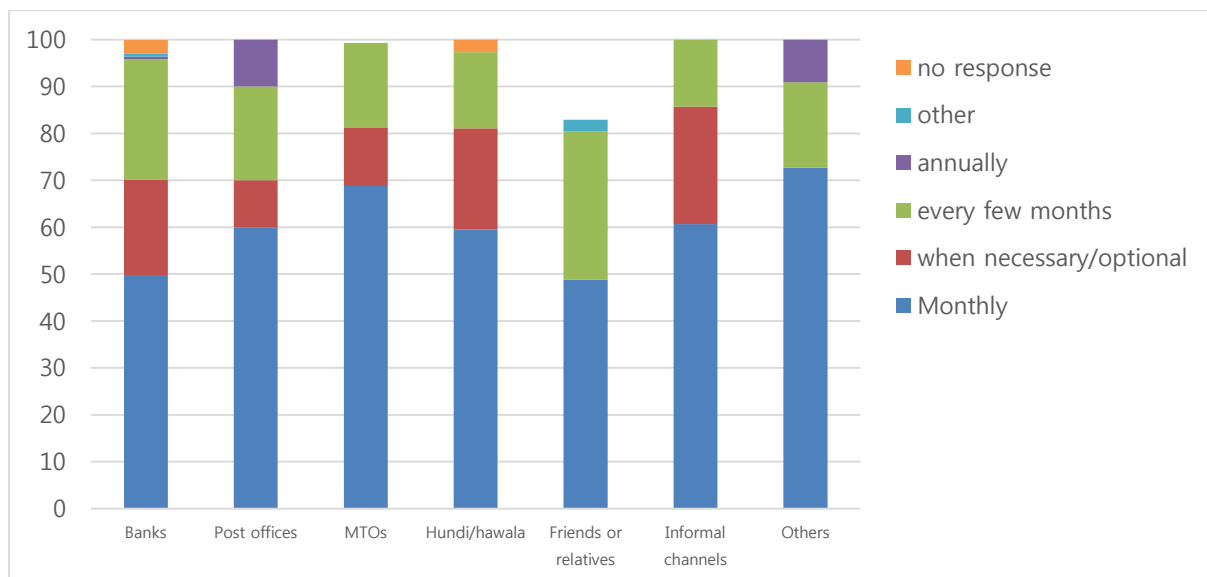
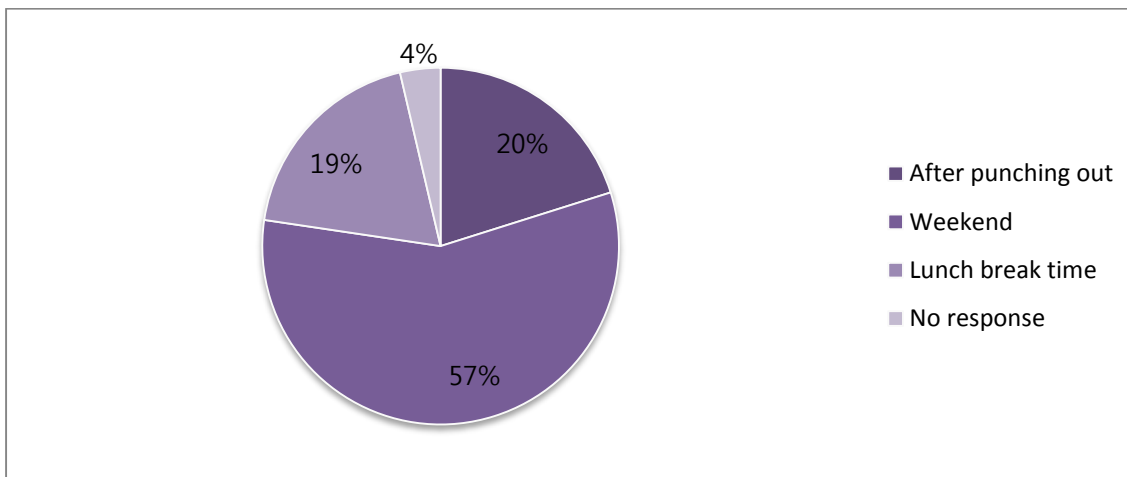


Figure 5.12 (corresponding table given in Annex VI) shows the preferred time of day for migrant workers in the sample group to remit money. More than half (57.2 per cent) send money on the weekend. Roughly equal preference was given for handling the transfer after work (20.1 per cent) or during lunch (19 per cent). These preferences do not change much regardless of the remittance channel used or the region in which the worker is employed. The one exception is in Seoul, where people greatly prefer to handle the remittance transfer during lunch (32.5 per cent) rather than after work (8 per cent). In the case of the Kwangju area, the sample size was too small to make meaningful judgments.

² Note that n= 437, which is the number of respondents who remit money home (Figure 5.1).

Figure 5.12 Preferred time of day to send remittances (%)



When asked about who was the primary recipient of the remittances they send, a solid majority among the 437 remitters of the sample group (63.6 per cent) said that their parents were the principal recipients of the funds. Just over a quarter cited their spouse as the primary beneficiary (see Figure 5.13)

Figure 5.13 Primary remittance beneficiaries

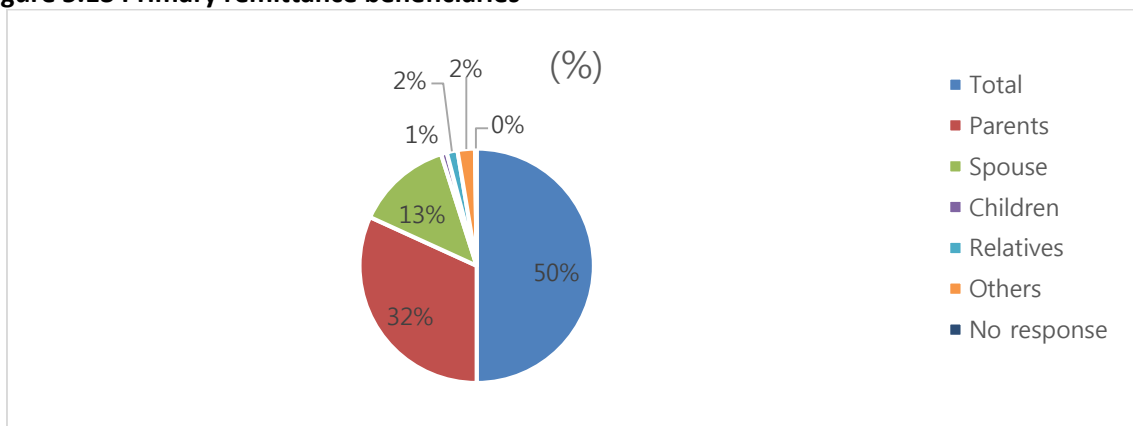
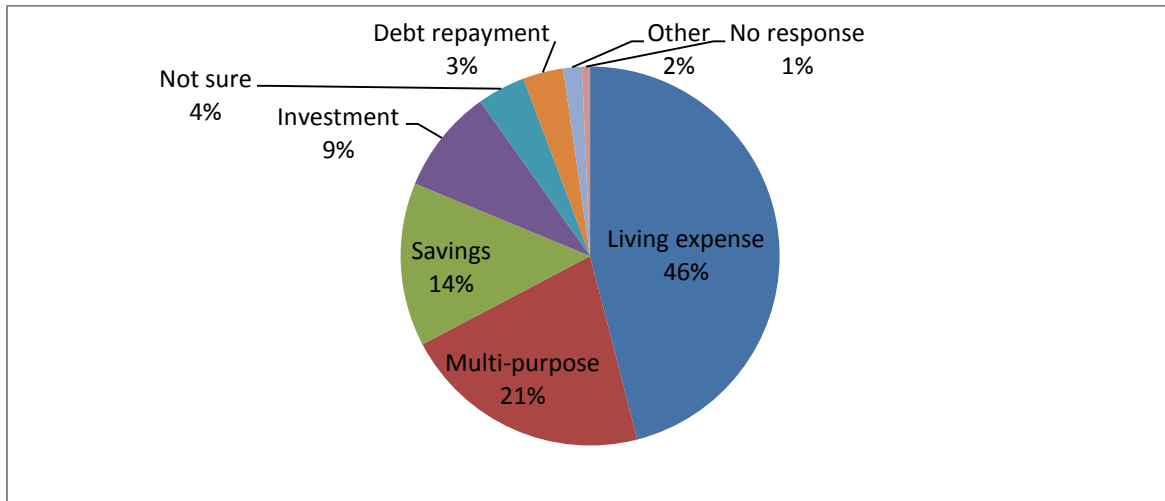


Figure 5.14 shows how migrant workers' remittances are used by the remittance beneficiary. The most common answer was that the remittances are used to pay for the "living expenses" of the beneficiaries back home (46.0 per cent). The second most common answer was "multi-purpose (savings, living expenses, investment, pay debt, etc.)" (21.3 per cent). Nearly a quarter of respondents said that their remittance was primarily put towards savings (14 per cent) or investment (9 per cent).

Figure 5.14 Primary uses of remittance funds by beneficiaries



5.5 Awareness of remittance service information

Understanding remittance transfer fees and the rates of foreign currency exchange are very important in sending money abroad. Figure 5.15 shows the information sources from which foreign workers obtain information on transfer fees and FX rates. The internet is the most common means utilized by members of the sample group to get ahold of information on fees and FX rates, with 39.4 per cent of remitting workers citing this as their primary information source. The use of the internet to secure information also appears to be tied to the education level of the respondents. Banks tended to be the primary source of information among those workers without any secondary education (Figure 5.16), but the internet was the number one choice among workers with at least some secondary schooling. For this group, banks were the number two information source among respondents, with friends coming in a distant third. The overall pattern tends to hold true among the sample group regardless of nationality, with the notable exception of respondents from Myanmar, who are overwhelmingly more likely to secure fee and FX rate information from family and friends than any other sources. Only two respondents said that they had no information about fees and FX rates, which suggests that migrant workers are actively seeking out this information as part of their remitting process.

Figure 5.15 Information source for remittance transfer fees and FX rates-multiple responses possible (number of respondent, %)

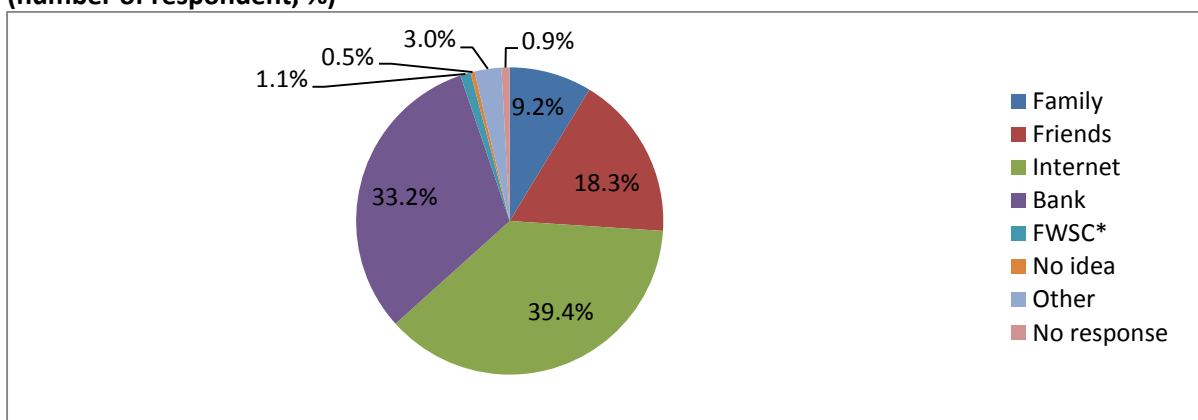


Figure 5.16 Information source for remittance transfer fees by years of education (%)

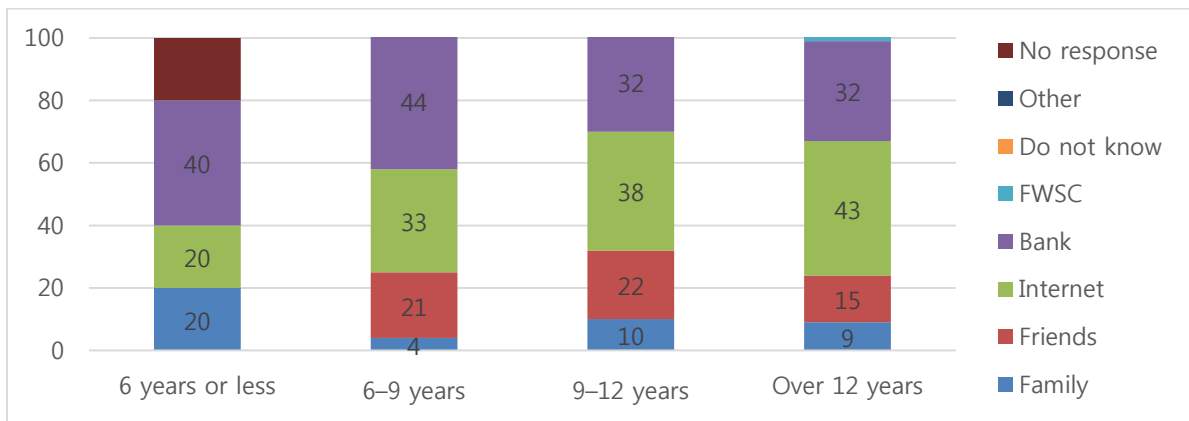
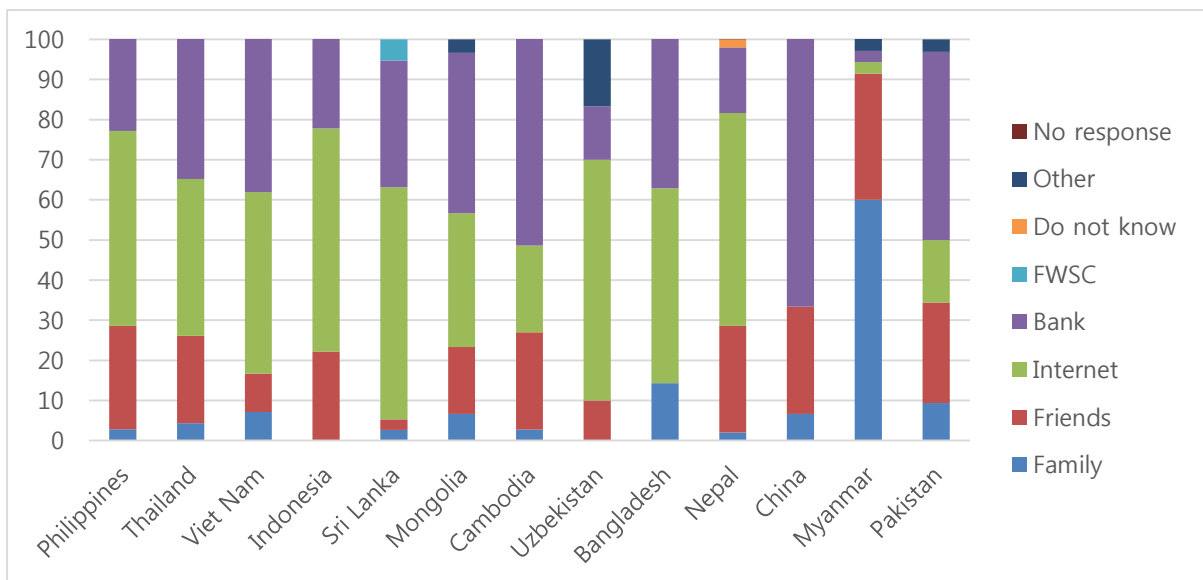


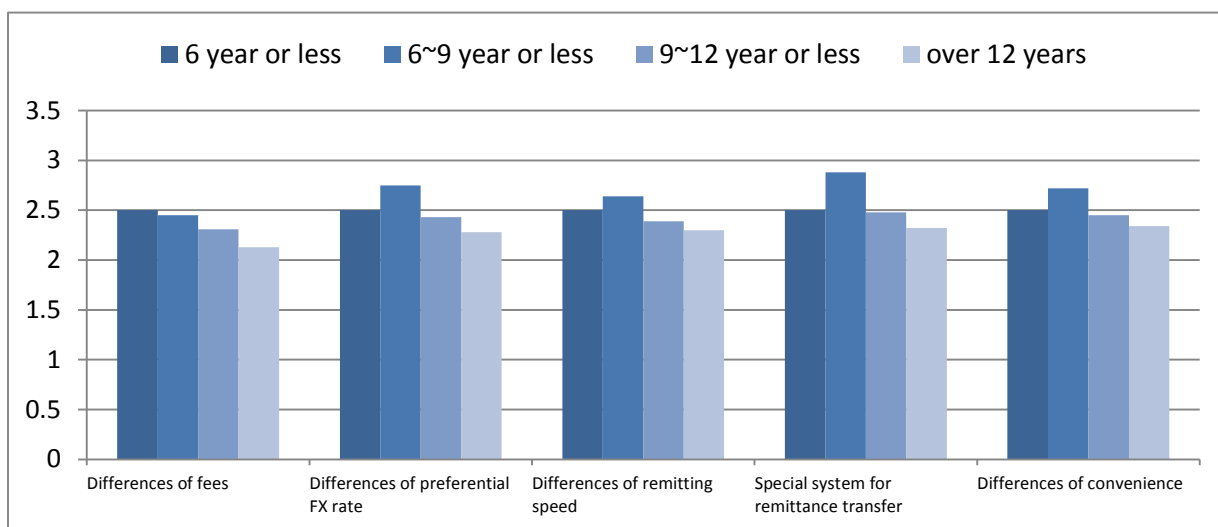
Figure 5.17 information source for remittance transfer fees by nationality (multiple responses possible, %)



The remittance transfer fees and the rates of foreign exchange differ from bank to bank as shown chapter III.

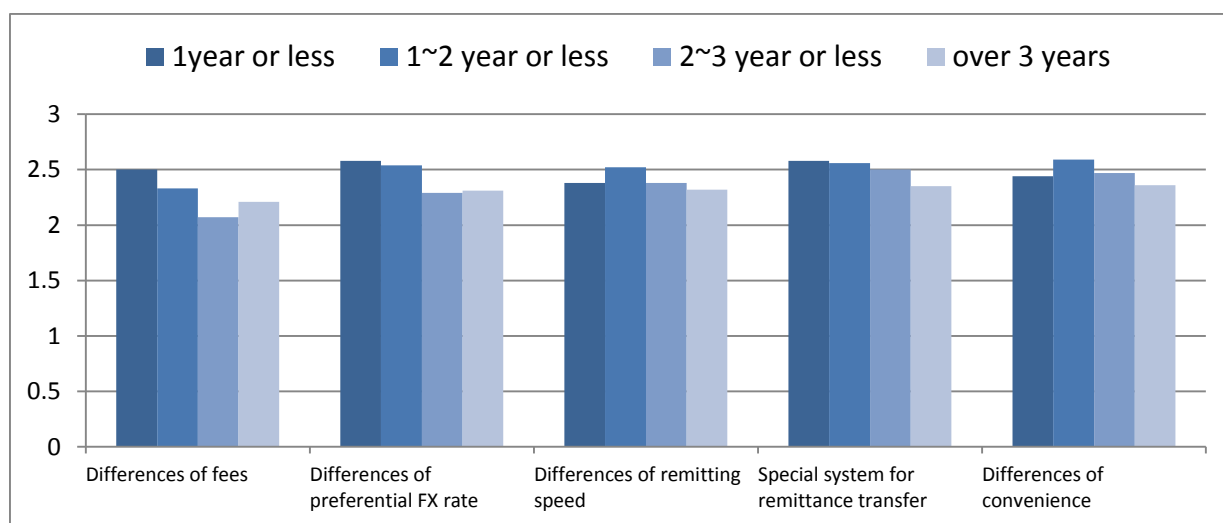
Figure 5.18 and Figure 5.19 show the awareness level of migrant workers of differences in remittance transfer fee, preferential FX rate; remittance transfer speed and convenience and special remittance services offered by RSP, stratified by the number of years of education and number of years in the Republic of Korea. The score is evaluated with the 4-point scale: if foreign workers 'know very well', the score is 1: If 'somewhat familiar' the score is 2; if ' know a little ', the score is 3; if "do not know at all ' the score is 4. From this graph we can see that the awareness level of those respondents with over 9 years of education is marginally higher than those with less than 9 years of education. This is to be expected as those with higher levels of schooling are likely to have higher financial literacy also. Similarly, we can see that respondents who have been in the Republic of Korea for over 2 years have higher awareness levels than those who arrived less than 1 year ago and those who have been in the Republic of Korea for up to two years. This suggests that migrant workers become more familiar with remittance facilities the longer they stay in the Republic of Korea. This is likely due to increased exposure to a variety RSPs and also learning from other migrant workers as to who are the most cost effective, reliable and cheap RSPs.

Figure 5.18 Awareness level of remittance related information by years of education



Note: The numbers in vertical liner mean that the lower point the higher awareness (the lowest point=4, the highest point=1). Special system for remittance transfer' relates to services such as real-time transfer, wage remittance system, local currency transfer service.

Figure 5.19 Awareness level of remittance related information by number of years in the Republic of Korea



Note: The numbers in vertical line mean 4-point scale that the lower point, the higher awareness ((the lowest point=4, the highest point=1).

5.6 Migrant worker opinions on remittance channels

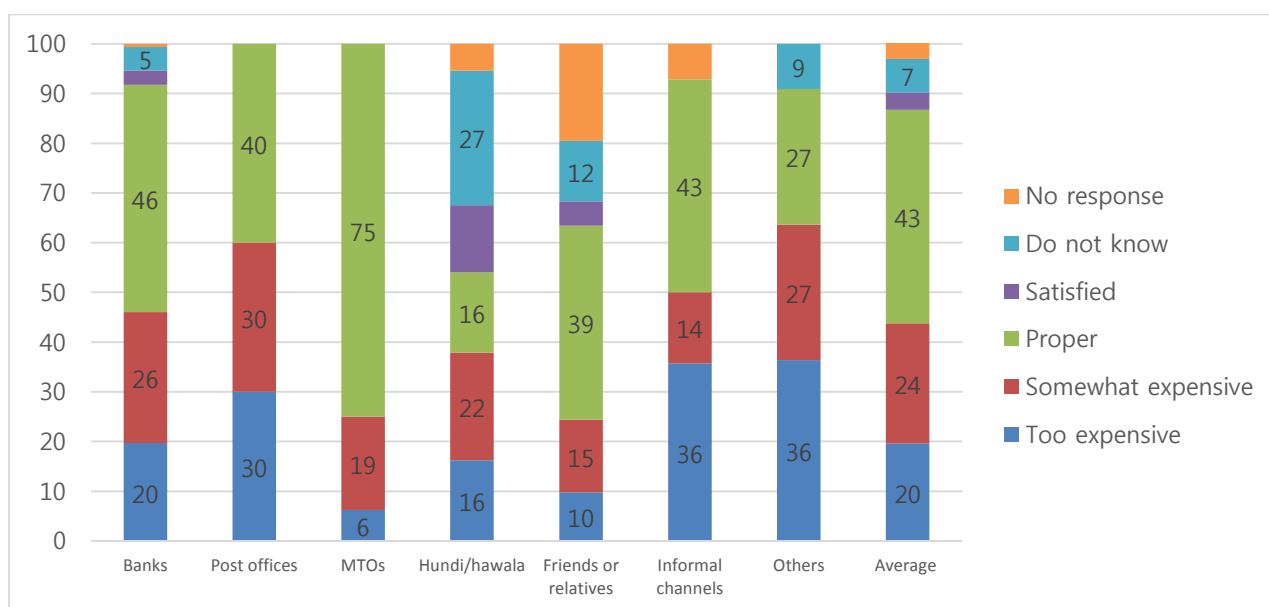
5.6.1 Opinions regarding remittance transfer costs

Figure 5.20 (corresponding table in Annex VI) summarizes the sample group's opinions about the costs related to the transfer of remittance among various RSPs. Among all of the remitting workers in the sample group (n=459), 43.8 per cent felt that the costs associated with remittance were expensive.

Points of interest from Figure 5.20:

- 75 per cent of MTO users found the costs involved to be “proper”, as opposed to just 45.7 per cent of bank users. This might be explained by the data in Table 4.6, which shows that MTOs charge much less than banks for transfers of no more than US\$1,000.
- 60 per cent of post office users felt that the costs incurred were on the expensive side (however, it should be noted that this only accounts for the opinions of 10 respondents).
- *Hundi/hawala* users were the most likely to feel that they were getting a bargain on their remittance transfers (13.5 per cent selected satisfied), but they were also the most likely to not know whether the costs associated were a good or a bad deal.
- Respondents who utilized friends or relatives to transfer remittance were the least likely to claim that the charges were on the expensive side (24.4 per cent), but they were also the most likely to not give a response to the question (19.5 per cent), which may reflect a reticence to speak ill of people close to them.

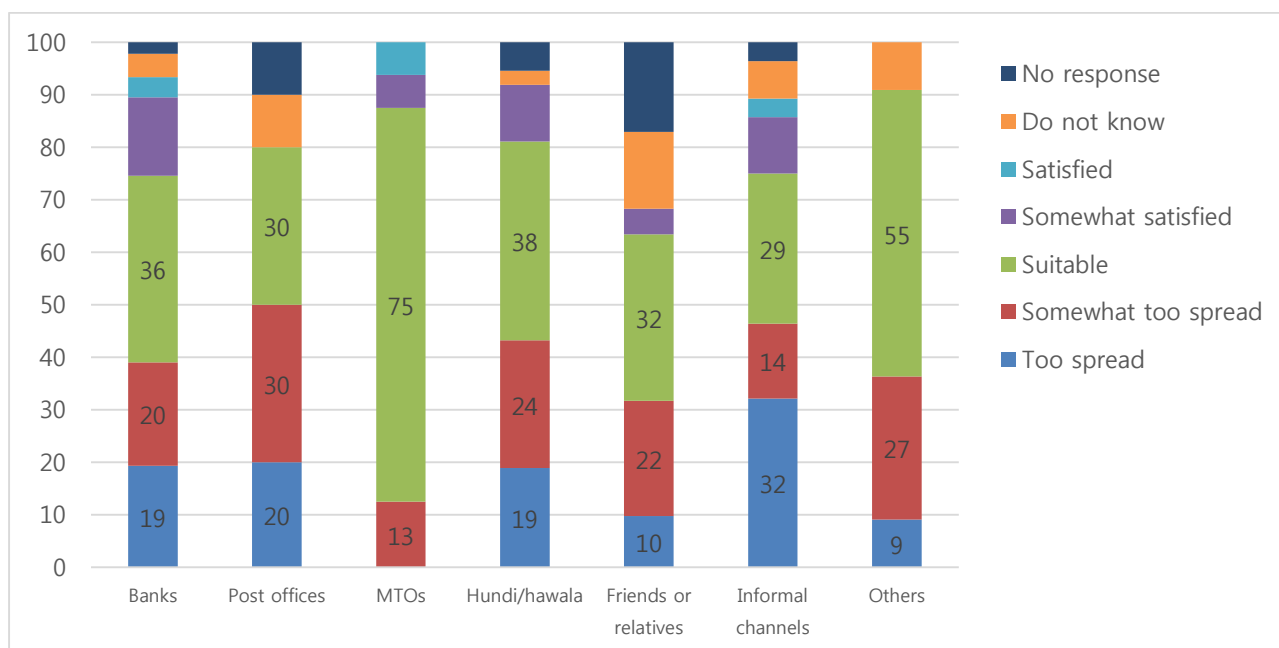
Figure 5.20 Opinion on the transfer costs associated with various remittance channels (number of responses, %)



The sample group was also asked to give their opinion regarding costs related to the FX spread they face when remitting money. Figure 5.21 (corresponding table in Annex VI) shows the findings from that question. Among the 459 respondents 38.3 per cent felt like they lost too much money through foreign exchange (20 per cent felt particularly strongly about this). But that is considerably smaller than the 54.9 per cent of respondents who felt that the FX spread they received was at least appropriate, if not favorable. The results in Figure 5.21 largely mirror those of Figure 5.20. For example, in both Figures, 75 per cent of MTO users believed the associated costs were fair. Likewise, post offices had the greatest proportion of people dissatisfied with the costs. This suggests the possibility that a number of respondents were thinking of their overall experience with regard to costs when answering this question, or that the exchange rate spread is of particular importance in determining attitudes towards remittance costs.

However, it is notable that *hundi/hawala* users were the most likely to be satisfied with the overall costs related to remittance transfer (see Figure 5.01) but not one *hundi* user expressed satisfaction with FX rate. In addition, *hundi/hawala* users were the most likely to not be sure whether they were receiving a good deal on the total cost of remittance (10 out of 37 respondents; see Figure 5.20), but only one *hundi/hawala* user was uncertain about how they viewed the FX rate spread. This suggests the central role that the exchange rate must play in transfer costs within the *hundi/hawala* system in the absence of costs like bank fees.

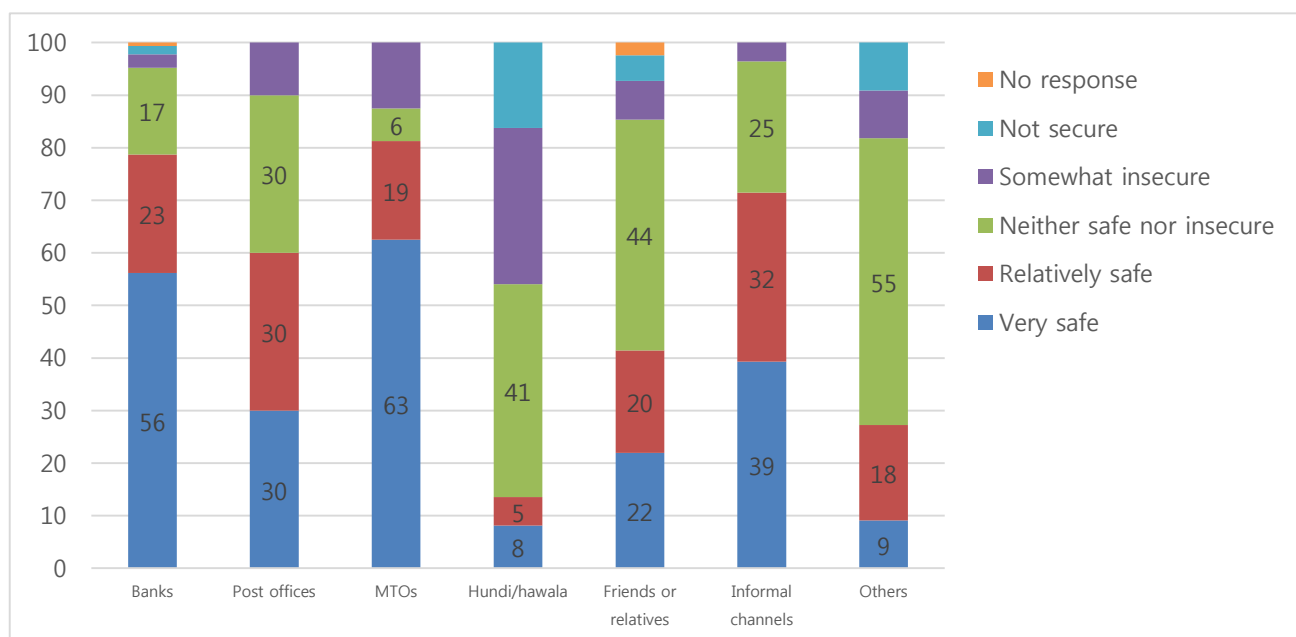
Figure 5.21 Opinions on the foreign exchange rate spread by remittance channel (%)



5.6.2 Opinions regarding safety and reliability

Figure 5.22 (corresponding table in Annex VI) shows the opinions among remitters in the sample group of the safety and reliability of transferring remittance through various channels. Over two-thirds of respondents (68.0 per cent) felt that the remittance channel they utilized was at least “relatively safe”. This was particularly true of regular remittance channels like banks, post offices, and particularly MTOs. Respondents who remitted via *hundi/hawala* or friends/relatives were less likely to view their transfers as being safe. Only 41.5 per cent of respondents who remitted through friends or relatives believed their transfer to be at least “relatively safe”. Figures were much lower among those who used *hundi/hawala*, with just 13.5 per cent seeing the transaction as safe. Nearly half of the *hundi/hawala* users surveyed (45.9 per cent) felt like their transfers were either “somewhat insecure” or “Not secure”, which is an interesting finding given how important trust is in the operation of the *hundi/hawala* system. By way of contrast, the regular channel that prompted the greatest fears of insecurity – MTOs – had only 12.5 per cent of users express security concerns, a proportion that is 3.5 times smaller than the 45.9 per cent of *hundi/hawala* users who expressed security concerns.

Figure 5.22 Opinions on safety and reliability by RSP (%)



5.6.3 Opinions regarding speed and accessibility

Figure 5.23 (corresponding figure in Annex VI) records the opinions of the sample group with regard to the speed with which their remittance transfers reach their intended beneficiaries. Among the entire remitting portion of the sample group (n=459), 36.8 per cent stated that their transfers were “fast” or “very fast”. Among the users of formal channels, this was particularly true of MTOs, which had 87.6 per cent of users reporting that their transactions went through “fast” or “very fast”. Banks did not fare quite as well, with over one quarter of users stating that the transfer times were slower than they would like.

But, in general, formal remittance channels fared better with regard to speed than *hundi/hawala* or using friends/relatives. The use of friends or relatives to remit money appears to be considered the slowest form of remitting, with 36.5 per cent of respondents who remit through this channel saying that it was too slow/slow. Of particular interest is the perception of the speed at which transfers are made through *hundi/hawala*. Though typically thought of as a very fast method of transferring money over great distances, only 18.9 per cent of *hundi/hawala* users viewed their transfers as being “fast” or “very fast” – a far lower proportion than what is seen among users of formal remittance channels. Conversely, however, more bank and post office users were likely to believe that their transfers went through too slowly, which might suggest that *hundi/hawala* users would find some of the formal remittance channels to be very slow if they were to start using them.

Figure 5.23 Opinion on transfer speed by remittance channel (%)

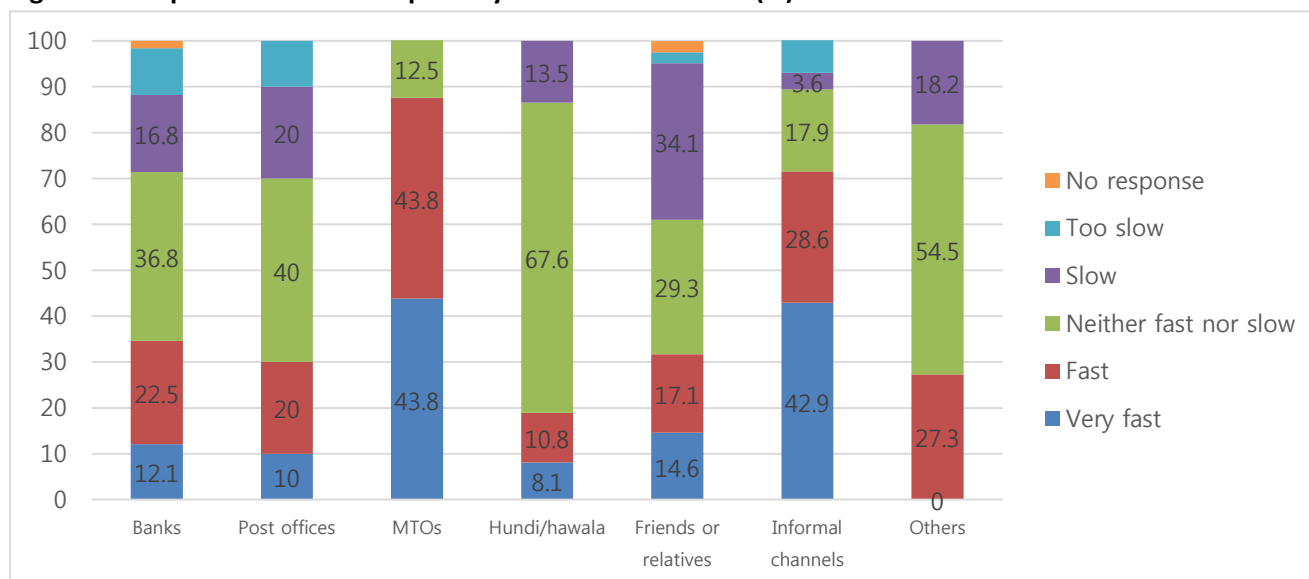
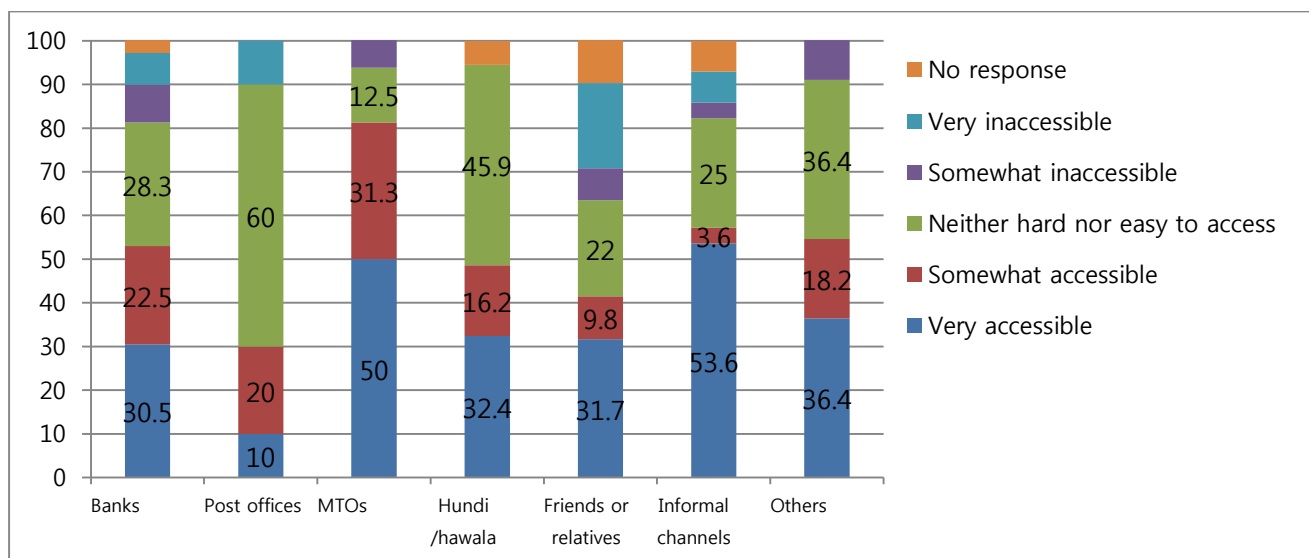


Figure 5.24 (corresponding figure in Annex VI) below shows the views of remitting workers in the sample group with regard to the accessibility of various remittance channels. Among all remitters surveyed (n=437), just over half (52.4 percent) stated that the remittance transfer they use is “accessible” or “very accessible”. Only 14.6 per cent of remitters expressed any dissatisfaction with accessibility, which suggests that most migrant workers utilize remittance channels that are near their workplace or home. What little dissatisfaction there was tended to be among respondents who remit through banks or friends and relatives (of the 64 respondents who expressed dissatisfaction. It is unclear from the data as to why 50 of the 315 bank users patronize banks that are inconvenient for them to access.

Figure 5.24 Opinion of the accessibility by RSP (%)



5.6.4 Causes of dissatisfaction

Migrant workers were asked to list, in order, the two things about their remittance transfer channels with which they were most dissatisfied. Figure 5.25 (corresponding table in Annex VI) gives a breakdown of the respondents’ top choice (n=437). The most commonly cited top source of dissatisfaction with regard to remittance transfer was the “remittance transfer fee was too expensive” (26.6 per cent), followed by the “FX spread is too large” (20.3 per cent). Figure 5.26 (corresponding table in Annex VI) takes into account the

respondents' first and second choices with regard to dissatisfaction and the results are largely similar, with high transfer fees (23.8 per cent) and large FX spreads (23.0 per cent) once again being the top targets.

Despite the two tables being largely similar with regard to the top two choices, there are some notable features of difference. Accessibility was generally not the primary source of dissatisfaction among the survey group, with roughly 12-16 per cent of remitters citing it as their number one cause of dissatisfaction. But accessibility problems are clearly a major issue among many migrants, as the percentage of respondents citing it as a source of dissatisfaction nearly doubled when their top two problem areas are taken into consideration.

Figure 5.25 Factors that cause user dissatisfaction, by RSP (%)

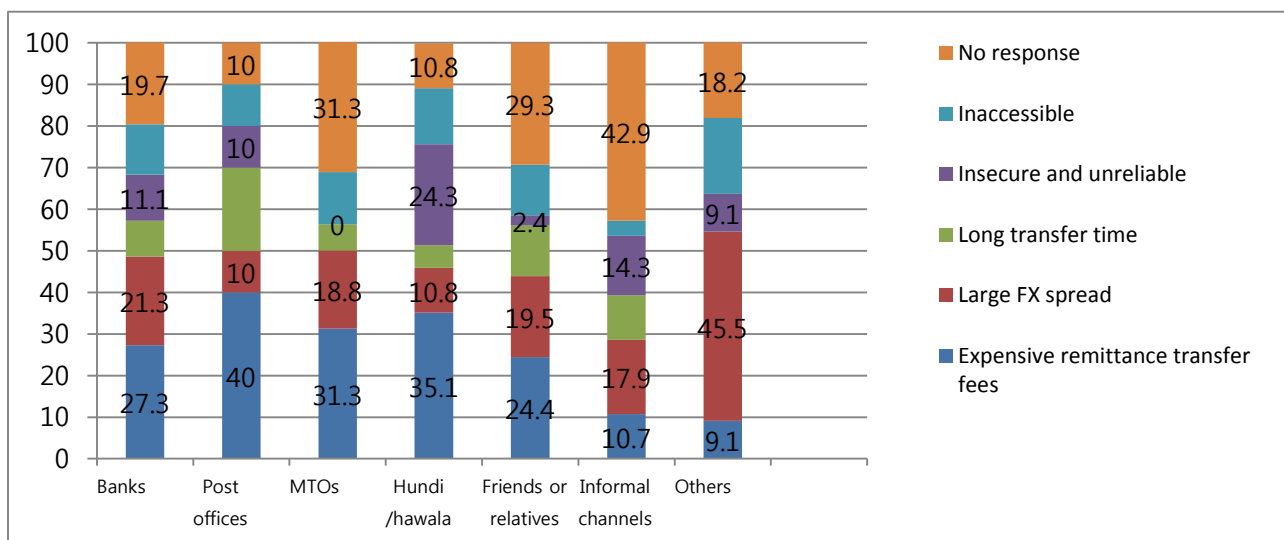
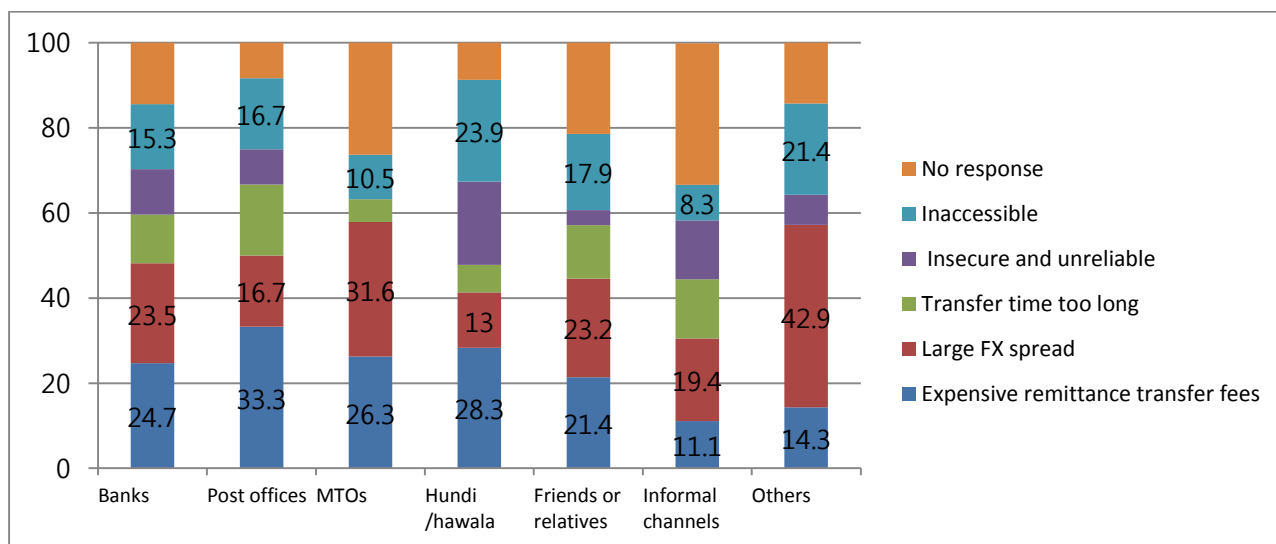


Figure 5.26 Top two factors that cause user dissatisfaction, by RSP (multiple response %)

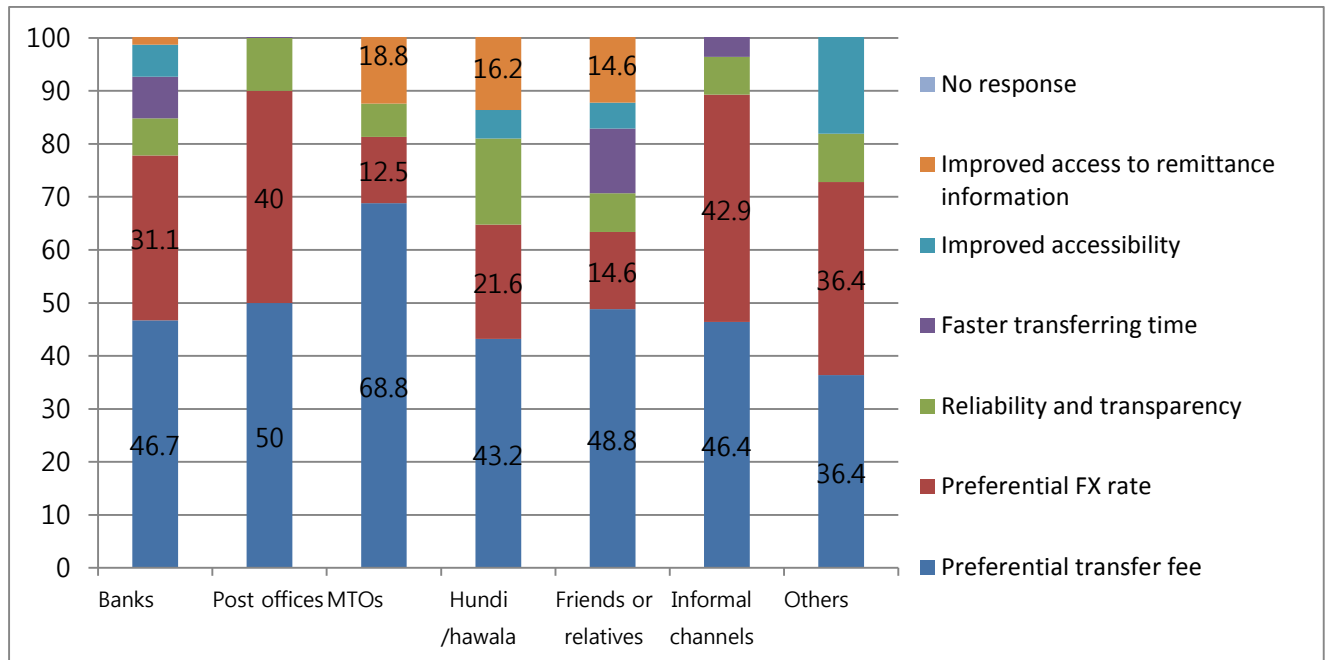


5.6.5 Recommendations for improving remittance transfer

The migrant workers surveyed were asked to provide their number one recommendation for improving the remittance system. Figure 5.27 (corresponding table in Annex VI) gives the breakdown of the recommendations from those respondents who remit money back home (n=437). The respondents choose "remittance transfer fee should be lowered" (46.9 per cent) as the number one change they would

recommend to improve the remittance system, followed by the institution of a preferential exchange rate for remittance (29.1 per cent). While most respondents were clearly thinking with their pocketbooks, there also were a considerable number of workers who stated that the most needed improvements were increased access to remittance information (11.2 per cent) and improvements in the reliability and transparency of remittance transfer agencies (7.6 per cent).

Figure 5.27 Recommendations for improving remittance services, by RSP (%)



Chapter 6: Conclusion

This study has concerned itself with migrant workers' remittance from the Republic of Korea from two angles: (1) through the stakeholder viewpoint to examine how Korean money transfer agencies provide remittance services, and (2) how migrant workers actually remit their earnings and how they view existing remittance channels in the Republic of Korea.

Under the Foreign Exchange Transactions Act, banks, post offices, and MTOs are allowed to offer outbound remittance services in the Republic of Korea. But a considerable portion of migrant workers do not make use of these formal RSPs, instead turning to informal means of remitting money including carrying it abroad by hand, mailing it overseas, or through the use of *hundi/hawala* networks. The most popular RSP among migrant workers surveyed for this study is banks.

Interviews with officials from 16 Korean banks, including specialized banks, commercial banks, and local banks, results show that most banks are making a constant effort to be competitive, transparent, accessible, and secure in the remittance market. Korean banks provide not only face-to-face banking through tellers and representatives at the bank counter, but also non-face-to-face banking systems such as CD/ATMs, Internet banking, telephone banking, and mobile banking for services as varied as deposits, withdrawals, transfers, exchanges and remittance. Korean banks do not appear to show signs of remittance-discrimination between domestic and foreign workers, and the international transfer fees and T/T fees charged by banks are transparent. Indeed, formal Korean RSPs try to disclose information on transaction fees, provide preferential treatment and service, and develop cost effective systems. Some examples of bank initiatives to improve migrant worker access to remittance services include the opening of foreigners-only bank windows; expanding banking operations to weekends; expanding language support services; adding overseas remittance functions to ATMs; discounting or waiving certain transfer charges when customers use Internet banking services; and the introduction of local currency remittance services, automatic overseas remittance services, and wage remittance services. This willingness among banks to compete for the patronage of migrant workers and offer services aimed at their benefit might go a long way towards explaining why Korean NGOs dealing with migrant worker issues reported having never heard any complaints regarding remittance issues. In general it can be said that with regard to remittance services for migrant workers the Korean banking system does not seem to have severe problems.

However, it should be noted from the survey results that migrant workers cited high remittance transfer fees and unfavourable exchange rates as the two factors producing the most dissatisfaction with regard to the sending of remittances. This finding is reinforced by the recommendations given by workers for how best to improve remittance transfer from the Republic of Korea, with nearly half of respondents recommending a reduction in transfer fees and nearly a third recommending a preferential exchange rate for remittance. However, it may be beyond the power of any direct intervention to address these concerns and recommendations of the migrant workers surveyed. For one thing, Korean banks have little to no control over fees charged by intermediary or receiving banks. The setting the remitting bank fees and commission for foreign exchange is also beyond the scope of the control of the Government of the Republic of Korea.

But even despite concerns about high fees, 72.1 per cent of survey respondents use a bank to transfer remittance to their home countries. Just over half of bank users in the sample group (51.7 per cent) visit a bank counter to send money, the second and third most popular remitting options among bank users being ATMs and the Internet.

With regard to accessing information on remittance transfer fees and FX rates, 39.4 per cent of the foreign workers surveyed get their information from the Internet, followed closely visiting their bank (33.2 per cent) and then friends or relatives (18.3 per cent). Only two respondents stated that they had no information source for fees and exchange rates, which suggests that migrant workers who remit money home generally seek out this information. The survey suggests that education level and the length of time a worker has

been in country have a bearing on the degree to which migrant workers are aware of the differences in charges that one would encounter by using different remittance channels. Workers with fewer years of schooling and who have spent less time in the Republic of Korea tend to be less aware of the different fees and charges levied by different remittance service providers. But despite the advantages held by more educated workers or those who have been in country longer, the survey results suggest that in general migrant workers in the Republic of Korea are not well informed about transfer fees and FX spreads. That is, even though formal RSPs provide full information about the transaction process and fees clearly and have introduced relatively cheaper money transfer systems, many migrant workers cannot adequately differentiate which remittance transfer options provide better service and which provide lower fees. This is likely due in part to problems related to financial literacy among migrant workers. But it may also be a language-barrier issue that has not been adequately addressed by RSPs. The websites and ATMs of most RSPs provide only Korean and English, and staff in a number of RSPs are not able to speak in the native languages of many migrant workers. As a result, only those few foreign workers who thoroughly understand Korean or English can fully distinguish among the different services and enjoy the benefits that the banks offer. RSPs should be encouraged to provide services in a greater number of languages, but it would not be practicable to require them to do so.

This being the case, the research team recommends four things to address the problems mentioned above:

(1) Korean-language education programmes need to be intensified to solve the financial literacy problem. Though foreign workers notice that some RSPs provide preferential treatment with regard to transfer fees and FX spreads, they cannot enjoy the full benefit of these financial services unless they have a sufficient understanding of Korean (or English). Considering that language skill level also has an impact on worker wages – the ultimate source of remittance – migrant workers should be proficient in the Korean language. Therefore, EPS vocational training classes for the Korean language that workers must take after arrival in the Republic of Korea should be extended or the level of test for Korean language taken before departing the origin of country should be tightened.

(2) A special programme dealing with the Korean banking system, including remittance transfer processes and fees should be introduced to the EPS vocational training course. At present, EPS migrant workers are required to take 16 hours of vocational training classes on subjects including the Korean language, corporate culture, relevant laws and regulations, counseling procedures, occupational safety and health, and basic functions necessary for employment. There is no module on the Republic of Korea's banking and financial system in the course. The authors recommend that a module on the banking system should be developed and included in the vocational training class curriculum. As 16 hours is very little time for participant's to digest all of this important information, HRD Korea should consider extending the number of hours of training provided.

From a bank's point of view foreign workers are their future customers. It should be in their interest to provide all remittance-related information to foreign workers to attract them to their services

(3) Manuals about Korean RSPs should be published in the languages of the 15 EPS-MOU countries and distributed to EPS migrant workers and other foreign nationals living and working in the Republic of Korea as well. Manuals should include information about remittance service providers, remittances channels, their cost, and their remittance speed.

(4) It is necessary to build a website in order to provide financial advice and information on remittances in a continuous manner and to design of a template for monitoring remittance services. For instance, SendMoneyAsia and SendMoneyPacific³ are Australian Government-funded websites that remitters can

³ <http://www.sendmoneyasia.org/> and <http://www.sendmoneypacific.org/> [accessed 25 June 2014].

use to compare remittance charges. Remitters can look at the fees and foreign exchange rates charged by various RSPs, and it is free to use both websites. The Republic of Korea should build a similar website for foreign workers to enable them to choose the best RSP for their needs among the wide array of options in the Korean financial system.

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Appendix I – Services and features of selected Korean banks

Busan Bank	
Service	Features
Internet banking	<ul style="list-style-type: none"> • Preferential FX rates of 30 per cent off • Preferential T/T fee: KRW3 000 per transfer • Limit: US\$10,000 per transfer & US\$30,000 per year
Mobile banking	<ul style="list-style-type: none"> • Not available
Phone banking	<ul style="list-style-type: none"> • Not available
CD/ATM	<ul style="list-style-type: none"> • Same remitting bank fees as Internet banking
Automatic remittance service	<ul style="list-style-type: none"> • Preferential FX rates of 50 per cent off • Preferential remitting bank fee: KRW5 000 per transfer • No preferential rates on T/T
Local currency service	<ul style="list-style-type: none"> • Limit: less than or equal to US\$1million per day • Targeted countries & currencies: Bangladeshi Taka (BDT), Brazilian Real (BRL), Indian Rupee (INR), Laotian Kip (LAK), Cambodian Riel (KHR), Sri Lankan Rupee (LKR), Mongolian Tugrik (MNT), Nepalese Rupee (NPR), Mexican Peso (MXN), Philippine Peso (PHP), Russian Ruble (RUB), Taiwanese Dollar (TWD), Pakistani Rupee (PKR), the Vietnamese Dong (VND), Malaysian Ringgit (MYR) • Delivery time: Two days or less
Real time transfer service	<p>Western Union</p> <ul style="list-style-type: none"> • US\$ only, US\$7,000 max per transfer & per day • Targeted countries: Philippines, Viet Nam, US, Indonesia, Thailand, Sri Lanka, Uzbekistan, China
Wage remittance for foreign workers	<ul style="list-style-type: none"> • BS 'Baromoa' Remittance Service: preferential remitting bank fee for KRW5,000 per transaction
Services from partners/ branches	<ul style="list-style-type: none"> • No fee from intermediary bank • Bank of China, Industrial & Commercial Bank, <ul style="list-style-type: none"> - Speedy transfer within 24 hours in China - Possible currency : US\$, JPY, EUR - No limit • China Construction Bank: <ul style="list-style-type: none"> - US\$50,000 max per transfer - China Construction Bank account holder only • SACOMBANK in Viet Nam <ul style="list-style-type: none"> - Disbursements are possible at counter or home using SACOM Bank branches - Remitting bank fee: KRW5,000 per transaction - Membership holder only
Weekend service	<ul style="list-style-type: none"> • Opening an agent at Shinpyung-dong for foreign workers on Sunday from 10.00- 18.00: the remitting bank fee is KRW5,000 per transaction • 'Multi-cultural Family Remittance': Remitting bank fee waived at counter or on Internet if the remitter is a member of a multi-cultural family.

Citibank Korea

Service	Features
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Internet banking	<p>24 hour-service with no bank fee for remitting</p> <p>Preferential FX rates of 50 per cent off</p> <p>T/T fee discount: KRW5,000 for Citigold customer (regular fee: KRW8,000)</p> <p>Targeted countries: China (CNY), Cambodia (KHR), Kazakhstan (KZT), Russia (RUB), Thailand (THB)</p>
Mobile banking	Same as internet banking
Phone banking	Same as internet banking (Smart Phone & Citibank phone)
CD/ATM	<p>Overseas remittance is possible by “Global ATMs”</p> <p>No fees from remitting bank, T/T, intermediary bank, recipient bank if both a remitter and a recipient have a Citibank account.</p>
Automatic remittance service	<p>Preferential remittance fee: 50per cent off normal transfer fees with automatic transfer at bank counter; Free with Internet banking</p> <p>Preferential FX rates of 50 per cent off regardless of the amount</p> <p>Limit: US\$100 min.; US\$50,000 max., per transaction.</p> <p>Targeted currencies & countries: U.S. dollar (US\$), euro (EUR), Japanese yen (JPY), British pound (GBP), Canadian dollar (CAD), Australian dollar (AUD), New Zealand dollar (NZD), Singapore dollar (SGD), Swiss franc (CHF), Hong Kong dollar (HKD), Swedish krona (SEK), Danish krone (DKK), Norwegian krone (NOK)</p>
Local currency service	<p>“World Link” Service</p> <p>Eligible account: KRW checking account, Foreign Currency Deposit (US\$) checking account.</p> <p>No remitting bank fees via Internet</p> <p>Limit: US\$100 min to US\$100,000 max per transaction (To China: US\$100 min to US\$50,000 max per transaction.)</p> <p>Targeted currencies & countries: Arab Emirates Dirham (AED), Bangladesh Taka (BDT), Bulgarian Lev (BGN), Bahraini Dinar (BHD), Brunei Dollar (BND), Belize Dollar, (BZD), Costa Rica Colon (CRC), Czech Koruna (CZK), Estonia Crohn (EEK), Egyptian Pound (EGP), the Fiji Dollar (FJD), Guatemala Quetzal (GTQ), Croatian Kuna (HRK), Hungarian Forint (HUF), Indonesian Rupiah (IDR), Israeli Shekel (ILS), India Rupee (INR), Jordanian Dinar (JOD), the Kenyan Shilling (KES), Cambodia Riel (KHR), Kuwaiti Dinar (KWD), Kazakhstan Tenge (KZT), Lebanese pound (LBP), the Sri Lanka Rupee (LKR), LIT Lithuania (LTL), R. of Latvia Lat (LVL), Mexican Nuevo Peso (MXN), Peruvian Nuevo Sol (PEN), Philippine Peso (PHP), Pakistani Rupee (PKR), Polish Zloty (PLN), Qatari Riyal (QAR), Russian Ruble (RUB), Saudi Riyal (SAR), Solomon Islands Dollar (SBD), Thai Baht (THB), Turkish Lira (TRY), Trinidad and Tobago Dollars (TTD), Taiwan Dollar (TWD), Tanzania Shilling (TZS), Uruguayan New Peso (UYU), Vietnamese Dong (VND), Vanuatu Vatu (VUV), South African Rand (ZAR).</p>
Real time transfer service	<p>“Citibank Global Transfer Service(GCT)”</p> <p>Transfer online, mobile, ATM, or at a Citibank Korea Branch</p> <p>No SWIFT code</p> <p>Services available to following countries: Australia, Guam, Hong Kong, Indonesia, Philippines, Singapore, China, Viet Nam, Malaysia, Japan, Thailand, UAE, Egypt, Belgium, Greece, Spain, Poland, Great Britain</p> <p>Accessibility: 20 countries and more than 2,000 branches in the world</p> <p>Transfer limit: US\$100 min. to US\$50,000 max</p> <p>Available remittance account: City Won, Chequing accounts, MMDA (Money Market deposit Account), etc.</p> <p>Available receiving account: Chequing and Saving Accounts (Corporate Account impossible) of Citibank</p> <p>Exchange rates: Reuters Interbank Rate (not official exchange rate) is</p>

	applied
Wage remittance for foreign workers	Yes, using "Automatic Remittance Service"
Services from partners/ branches	More than 200 Citibank branches in the world
Weekend service	Not available
Remark	<p>Preferential treatment for Citibank member</p> <p>"Remittance to overseas account" member</p> <ul style="list-style-type: none"> - Remitting bank fee : 100 per cent waived - Telex fee : KRW8 000 per transaction - provide exchange rate discount up to 50 per cent <p>"Global transfer account" Member</p> <ul style="list-style-type: none"> - General customer: KRW5,000 - Citibank customer: KRW4,000 - Citigold customer : KRW3,000 - Citigold select customer: 100 per cent waived

Hanna Bank	
Services	Features
Internet banking	Preferential FX rates of 50 per cent off Limit: max US\$1,000 per transfer; up to US\$10,000 per year
Mobile banking	Preferential FX rates of 50 per cent off
Phone banking	Not available
CD/ATM	Same remitting bank charge as Internet banking
Automatic remittance service	Preferential remitting bank fees of 50 per cent off Targeted currency and country: U.S. dollar (US\$), euro (EUR), Japanese yen (JPY), British pound (GBP), Canadian dollar (CAD), Australian dollar (AUD), New Zealand dollar (NZD), Swiss franc (CHF) Limit: min. Of US\$500 to max of US\$5,000
Local currency service	Not Available
Real time transfer service	"Hanna Global Pay-Partnership with PayPal(since April 2013) - 1 per cent charge from the amount of remittance
Wage remittance for foreign workers	Not available
Services from partners/ branches	"Hanna Global Pay-Partnership with PayPal (since April 2013)
Weekend service	Accessible Area: Guro-dong (Seoul), Sinlim-dong (Seoul), Wongok-dong (Ansan-city), Daelim Station (Seoul)

Industrial Bank of Korea	
Services	Features
Internet banking	<p>Up to US\$1,000: KRW6,000 worth of free international phone card & KRW10,000 gift certificate for Photo Print at Imory:</p> <p>Over and equivalent to US\$1,000: KRW10,000 worth of free international phone card & 10,000 gift certificate for photo print at Imory:</p> <p>Preferential FX rates of 30 per cent off</p> <p>Targeted currency & country: United States Dollar (US\$), Euro (EUR), Japanese Yen (JPY), Thai Baht (THB), British Pound (GBP), Canadian Dollar (CAD), Australian Dollar (AUD), Hong Kong Dollar (HKD), Danish krone (DKK) Swedish Krona (SEK), Singapore Dollar (SGD), New Zealand Dollar (NZD), Norwegian Krone (NOK), Swiss franc (CHF)</p>
Mobile banking	Preferential FX rates of 50 per cent off Preferential remitting bank fees of 30 per cent off

	Limit: \$US50,000 per year
Phone banking	Not available
CD/ATM	Preferential FX rates of 30 per cent off Preferential remitting bank fees of 30 per cent off
Automatic remittance service	“IBK ANYTIME” Remittance Service <ul style="list-style-type: none"> • Preferential FX rates of 50 per cent • Preferential remitting bank fees of 30 per cent • Limit: US\$20,000 per year (remittance based on foreign workers’ wage or under official wage)
Local currency service	Not available
Real time transfer service	Not available
Wage remittance for foreign workers	With “IBK ANYTIME” Remittance Service
Services from partners/ branches	Hao-Yuan Remittance Service <ul style="list-style-type: none"> - sending by US\$ but receiving by Yuan (CNY) - Services are available to all Chinese banks and ATM - Limit: US\$50,000 per transfer and a year - Receiving bank fee: Industrial and Commercial Bank of China (10 CNY), others (20 CNY), Banks in Shanghai(Free) - Preferential FX rates of 50 per cent - Preferential remitting bank fees of 30 per cent off
Weekend service	Not available

Jeonbuk Bank

Services	Features
Internet banking	Free for remitting \$US500 or less Preferential T/T fee: KRW3,000 Preferential FX rate 30 per cent off
Mobile banking	Not available
Phone banking	Not available
CD/ATM	Not available
Automatic remittance service	Preferential FX rates of 40 per cent off Preferential remitting bank fees 50 per cent off Limit (Foreigner): US\$10,000 per day; US\$50,000 per year Eligible currency: US\$, JPY, EUR, AUD, NZD, CAD, GBP, CHF
Local currency service	Not available
Real time transfer service	Not available
Wage remittance for foreign workers	Not available
Services from partners/ branches	Not available
Weekend service	Not available

Korea Exchange Bank

Services	Features
Internet banking	Preferential remitting bank fee <ul style="list-style-type: none"> - up to US\$5 000: KRW3,000 - over US\$5 000: KRW5,000
Mobile banking	Same as internet banking

Phone banking	Same as internet banking
CD/ATM	Preferential FX rates 30 per cent off & Remitting bank fees of 30 per cent
Automatic remittance service	<p>'Easy-One' remittance service</p> <ul style="list-style-type: none"> - Available system: Internet banking, telebanking, ATM - Preferential remittance charge of 30 per cent off - Need an 'Easy-One' account - Limit: US\$10,000 per day,
Local currency service	Shinbungae (New Lightning) overseas money transfer service
Real time transfer service	<p>Global Direct Transfer Service (not using with SWFT but its network)</p> <ul style="list-style-type: none"> - Charges: from KRW15,000 to KRW40,000 depending on the amount of remittance - Accessible country (city): Japan (Tokyo-Shinjuku, Osaka), China (Beijing-Wangjing, Shanghai, Tianjin, Dalian), Hong Kong (Kowloon), Singapore, Manila, Viet Nam (Hanoi), Indonesia, France (Paris), England (London), Netherland (Amsterdam), Germany, Bahrain, Canada, USA • "Shinbungae (New Lightning) overseas money transfer" service <ul style="list-style-type: none"> - Express money transfer in 30 minutes using KEB's overseas branches (or subsidiaries) - Targeted Country: Japan, Hong Kong, Philippines, Australia, China, Singapore, Viet Nam, and Indonesia - Possible Wire Transfer Currency: US\$ or Local currency - Limit: US\$20,000 equivalent per transfer * Indonesia US\$10,000 per transfer <p>Lightning fee: US\$10 per transaction (foreign exchange and remittance fees separate)</p>
Wage remittance for foreign workers	<p>'Korean Dream' foreign workers overseas remittance</p> <p>Preferential FX rates 30 per cent off</p> <p>Preferential remitting bank fees :</p> <ul style="list-style-type: none"> - Equivalent of US\$500 US\$ or less: KRW3,500 - US\$500.01 to US\$2,000: KRW7,000 - US\$2,000.01 to US\$5,000: KRW10,500 - US\$5,000.01 to US\$20 000: KRW14,000 - Over US\$20,000: KRW17,500
Services from partners/ branches	No preferential treatment
Weekend service	Accessible Area: Dalim-dong (Seoul), Dahwa-substation (Seoul), Taje-ro (Seoul) Wongok-dong (Ansan-city), Uychungbu-city, Yungin-city, Kimpo-city

Korea Development Bank	
Services	Features
Internet banking	No preferential treatment
Mobile banking	Not available
Phone banking	Not available
CD/ATM	Not available
Automatic remittance service	Not available
Local currency service	Not available

Real time transfer service	Not available
Wage remittance for foreign workers	Not available
Services from partners/ branches	Not available
Weekend service	Not available
Remark	<p>Preferential FX rates for Personal remittance: 20 per cent – 50 per cent off at a counter only</p> <p>Countries to which transfers cannot be made: Islamic Republic of Iran, Myanmar, Sudan, North Korea, Cuba, Iraq, Angola, Afghanistan, Libya, Zimbabwe, the Democratic Republic of the Congo, Lebanon, Rwanda, Somalia, Côte d'Ivoire, Liberia, Sierra Leone.</p>

Kookmin Bank

Services	Features
Internet banking	Limit: US\$1,000 per transaction, US\$10,000 per year Time: 03.00 – 23.00 Preferential FX rates of 30 per cent off Preferential remitting bank fee: Free Transferable currency: US\$, JPY, GBP, CAD, CHF, HKD, SEK, AUD, DKK, NOK, SAR, KWD, BHD, AED, SGD, NZD, THB, EUR
Mobile banking	Free for remitting bank fee
Phone banking	Not Available
CD/ATM	Limit: less than or equivalent to US\$1,000 Time: 03.00 – 23.00 every day KRW3,000 discount for T/T Preferential FX rates of 30 per cent off
Automatic remittance service	KR WISE remittance, 'Machum' (customized) remittance, 'Gongdong' (association) remittance
Local currency service	No fee from receiving bank Targeted currency & country: Taiwan (TWD), Russia (RUB), Bangladesh (BDT), Viet Nam (VND), Sri Lanka (LKR), Indonesia (IDR), India (INR), Cambodia (KHR), Pakistan (PKR), Philippines (PHP) Banking Hours: 09.00 – 16.00 Limit: US\$100,000 per transfer
Real time transfer service	Western Union <ul style="list-style-type: none"> Targeted countries: Philippines, Viet Nam, United States, China, Indonesia, Uzbekistan, Thailand, Sri Lanka
Wage remittance for foreign workers	Not available
Services from partners/ branches	Not available
Weekend service	Not available

Kwangju Bank

Services	Features
Internet banking	Limit: US\$1,000 Free remitting bank fee Preferential FX rate: 0.4 per cent between the hours of 9.00 – 24.00
Mobile banking	Not available
Phone banking	Not available
CD/ATM	Preferential FX rate: 0.4 per cent between the hours of 9.00 – 24.00

Automatic remittance service	Not available
Local currency service	Not available
Real time transfer service	Not available
Wage remittance for foreign workers	Free for remitting bank fee
Services from partners/ branches	Not available
Weekend service	Not available

Kyungnam Bank

Services	Features
Internet banking	Preferential FX rates of 30 per cent off Free remitting bank fee
Mobile banking	Preferential FX rates of 30 per cent off Free remitting bank fee
Phone banking	Not available
CD/ATM	Preferential FX rates of 30 per cent off Free remitting bank fee
Automatic remittance service	“Direct Oversea Remittance” account holder- <ul style="list-style-type: none"> • Preferential FX rates of 30 per cent off • preferential remittance fee of 50 per cent
Local currency service	Not available
Real time transfer service	MoneyGram <ul style="list-style-type: none"> • limit: US\$10,000 per transfer and per day • Targeted country: Uzbekistan, Indonesia, Viet Nam, Thailand, China, India, Sri Lanka, Bangladesh, Nepal, Mongolia, Philippines
Wage remittance for foreign workers	Not available
Services from partners/ branches	Agricultural Bank of China and Bank of China (BOC)
Weekend service	Kimhae city, Changwon city, Hokyedogn (Ulsan city) Free for remitting bank and preferential FX rates of 30 per cent off automatically
Remark	“Hi-KOREA” account Preferential remitting bank fees and FX rates up to 50 per cent Preferential cash withdrawals and electronic banking transfer fee waiver for CD / ATM Preferential rates of 30 per cent, regardless of the amount The Bank hired 11 multicultural employees (5 Chinese, 5 Vietnamese, and 1 Uzbekistan, as of 30 May 2013) as consultants in order to create a cooperative relationship with various international communities, to introduce financial products and remittance, and to serve as interpreters by rotating from place to place.

Nonghyup Bank

Services	Features
Internet banking	Preferential FX rate of 50 per cent off Free remitting bank fee T/T charge discount to KRW5,000
Mobile banking	Not available

Phone banking	Not available												
CD/ATM	<p>Preferential CD/ATM currency transfer charge</p> <table border="1"> <thead> <tr> <th>Stratified remittance amount</th> <th>Fees</th> </tr> </thead> <tbody> <tr> <td>US\$500 or less</td> <td>KRW3 000</td> </tr> <tr> <td>US\$500.01 – 2,000</td> <td>KRW5 000</td> </tr> <tr> <td>US\$2 000.01 – 5 000</td> <td>KRW7 500</td> </tr> <tr> <td>US\$50 000.01 – 20 000</td> <td>KRW10 000</td> </tr> <tr> <td>Over US\$20 000</td> <td>KRW12 500</td> </tr> </tbody> </table> <p>Preferential FX rates of 50 per cent off Preferential T/T fee: KRW5 000 Transferable currency: US\$ (U.S. Dollar), JPY (Japanese Yen), EUR (Euro), GBP (British pound), CAD (Canadian Dollars) AUD (Australian Dollar), NZD (New Zealand Dollar), SGD (Singapore Dollar), HKD (Hong Kong Dollar) CHF (Swiss francs), SEK (Swedish Krona), NOK (Norwegian Krone), DKK (Danish Krone), THB (Thai baht)</p>	Stratified remittance amount	Fees	US\$500 or less	KRW3 000	US\$500.01 – 2,000	KRW5 000	US\$2 000.01 – 5 000	KRW7 500	US\$50 000.01 – 20 000	KRW10 000	Over US\$20 000	KRW12 500
Stratified remittance amount	Fees												
US\$500 or less	KRW3 000												
US\$500.01 – 2,000	KRW5 000												
US\$2 000.01 – 5 000	KRW7 500												
US\$50 000.01 – 20 000	KRW10 000												
Over US\$20 000	KRW12 500												
Automatic remittance service	<p>Preferential remitting bank fee</p> <table border="1"> <thead> <tr> <th>Stratified remittance amount</th> <th>Fees</th> </tr> </thead> <tbody> <tr> <td>US\$ 2 000 or less</td> <td>KRW3 000</td> </tr> <tr> <td>US\$2 000.01 – 5 000</td> <td>KRW4 500</td> </tr> <tr> <td>US\$5 000.01 – 20 000</td> <td>KRW6 000</td> </tr> <tr> <td>Over US\$20 000</td> <td>KRW7 500</td> </tr> </tbody> </table> <p>Preferential T/T fee: KRW5 000 Preferential FX rates of 50 per cent off</p>	Stratified remittance amount	Fees	US\$ 2 000 or less	KRW3 000	US\$2 000.01 – 5 000	KRW4 500	US\$5 000.01 – 20 000	KRW6 000	Over US\$20 000	KRW7 500		
Stratified remittance amount	Fees												
US\$ 2 000 or less	KRW3 000												
US\$2 000.01 – 5 000	KRW4 500												
US\$5 000.01 – 20 000	KRW6 000												
Over US\$20 000	KRW7 500												
Local currency service	Not available												
Real time transfer service	<p>Western Union</p> <p>Targeted countries: Philippines, Viet Nam, the United States, China, Indonesia, Uzbekistan, Thailand, Sri Lanka</p>												
Wage remittance for foreign workers	Free remittance charge												
Services from Partners/ branches	Not available												
Weekend service	Not available												

Shinhan Bank	
Services	Features
Internet banking	<p>Preferential remitting bank fees of 50 per cent off</p> <p>Preferential FX rates of 50 per cent off</p>
Mobile banking	<p>Preferential remitting bank fees of 50 per cent off</p> <p>Preferential FX rates of 50 per cent off</p>
Phone banking	<p>Preferential remitting bank fees of 50 per cent off</p> <p>Preferential FX rates of 50 per cent off</p> <p>Only in the cases that remittance at the Shinhan Bank counter, or via internet banking transfer has been processed in the past</p>
CD/ATM	<p>“3.6.9 Preferential Remittance Service”: preferential rate depending on the cumulative number of transfer per year</p> <ul style="list-style-type: none"> - 1–2 times: 50 per cent off preferential rates - 3–5 times: 60 per cent off preferential rates - 6–8 times: 65 per cent off preferential rates - More than 9 times: 70 per cent off preferential rates
Automatic remittance service	<p>Preferential remitting bank fees of 30 per cent</p> <p>Preferential FX rates of 30 per cent</p>

Local currency service	Transferable currency(14): Indonesian Rupiah (IDR) To Philippine Peso (PHP) Bahraini Dinar (BHD) Viet Nam Dong (VND) To Mexican Peso (MXN) Malaysian Ringgit (MYR) Russian rubles (RUB) To Sri Lanka Rupee (LKR) Taiwan Dollar (TWD) Indian Rupee (INR) Slovak Koruna (SKK) Hungarian Forint (HUF) To Pakistani Rupee (PKR) South African Rand (ZAR)
Real time transfer service	MoneyGram - Targeted country: China, Bangladesh, India, Nepal, Sri Lanka, Mongolia, the Philippines - Limit : US\$7,000
Wage remittance for foreign workers	Not available
Services from Partners/ branches	Branches: USA, UK, Germany, Japan, China, Hong Kong, Singapore, Viet Nam, India, Cambodia, Kazakhstan, Uzbekistan, Mexico, Myanmar, Canada
Weekend service	
Remark	Preferential FX rates of up to 30 per cent off for Shinhan Bank account holders

Woori Bank	
Services	Features
Internet banking	Up to 50 per cent preferential FX rates regardless of the amount Major currencies (US\$, JPY, EUR): 50 per cent off Other currencies: 3 per cent Free for remitting bank charge
Mobile banking	Up to 50 per cent preferential FX rates regardless of the amount Free for remitting bank charge
Phone banking	Not available
CD/ATM	Up to 30 per cent preferential FX rates regardless of the amount - major currencies (US\$, JPY, EUR): 30 per cent off - Other currencies: 20 per cent off Preferential remitting bank fees of 30 per cent off
Automatic remittance service	Up to 30 per cent preferential FX rates regardless of the amount • major currencies (US\$, JPY, EUR): 30 per cent off • Other currencies: 20 per cent off Preferential remitting bank fees of 30 per cent off
Local currency service	Not available
Real time transfer service	Not available
Wage remittance for foreign workers	Not available
Services from partners/ branches	Branches in the world: Bahrain, Bangladesh, China, Hong Kong (China), India, Indonesia, Japan, North Korea, Russia, Singapore, United Kingdom. United States, Viet Nam
Weekend service	Not available
Remark	“Woori One remittance Club Member” benefits: • For every fourth remittance transaction, remittance charges shall automatically be exempted.(ATM Remittance and Woori ONE remittance account service included) • Validity of each remittance transaction: 2 years • 20 per cent discount on F/X rates for overseas remittance transactions

Appendix II -List of vocational training institutions and participating banks

Institutions	Type of Business	Origin country	Participating bank
Korea Labor Foundation	Manufacturing	Mongolia, Thailand, Viet Nam	Korean Exchange Bank & Shinhan Bank
	Acquisition and sale of renewable materials	Mongolia, Thailand, Viet Nam	
	Frozen warehousing	Mongolia, Thailand, Viet Nam	
K-BIZ Korea Federation of small and Medium Business	Manufacturing	All MOU countries except Mongolia, Thailand, Viet Nam	Woori Bank & IBK Bank
	Acquisition and sale of renewable materials	All MOU countries except Mongolia, Thailand, Viet Nam	
	Frozen Warehousing	All MOU countries except Mongolia, Thailand, Viet Nam	
NongHyup	Agriculture and livestock	All MOU countries	NongHyup
SuHyup	Inshore fishing, fishing and fishing-related services form	All MOU countries	SuHyup
Construction Association of Korea	Construction	All MOU countries	Korean Exchange Bank

Appendix III - Subjects and contents of classes for EPS migrant workers

Class subjects	Contents	Class hours
Total hours		16 Hours
Korean language	Field based and 'at work-based' Korean language level test	2 hours
Corporate culture	Employment based and field-based Korean level test	2 hours
Relevant laws and regulations	Act on the Employment of Foreign Workers, Labor Standards Act, Immigration Control Act	4 hours
And Counseling procedures	Sexual harassment prevention training	2 hours
Occupational safety and health and basic functions	Occupation safety and health <ul style="list-style-type: none"> • safety signs, safety general, work safety (by industry) • includes measures to prevent the influx foreign rogue cattle plague Basic functions: basic functions by sectors	6 hours

Appendix IV – Survey questionnaire

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2013 Survey on remittance channels for foreign workers

We have been commissioned by the ILO to conduct a survey on remittance corridors of foreign workers residing in Korea. This survey is designed to find out remittance system in Korea and the way to increase their cost efficiency. Your honest responses to the survey questions below will be invaluable to us in serving the purpose of this survey.

The questionnaire must be filled by the respondent alone, so please do not exchange your views with others. Your responses are completely confidential under law, and will not be used for any purpose other than for policy-making and academic research. Thank you in advance for your kind cooperation, and please remember that your responses will serve as good basis for policy development of the government of the Republic of Korea.

February 2013

* Please contact the person below if you have any question as to this survey.

The result of this survey will be kept confidential under the Section 33 of the Statistics Act, and all information and personal data shall remain anonymous and be used only for statistical purpose.

※ Information below is only for reference and shall not be disclosed to the public.

Respondent information	<input type="checkbox"/> Name			
	<input type="checkbox"/> Telephone		<input type="checkbox"/> Email	

I. Personal background

Q1-1. What is your nationality?

- | | | | |
|--------------------|------------------|-----------------|------------------------|
| __ (1) Philippines | __ (2) Thailand | __ (3) Viet Nam | __ (4) Indonesia |
| __ (5) Sri Lanka | __ (6) Mongolia | __ (7) Cambodia | __ (8) Uzbekistan |
| __ (9) Bangladesh | __ (10) Nepal | __ (11) China/ | __ (12) Chinese-Korean |
| __ (13) Myanmar | __ (14) Pakistan | __ (15) others | |

Q1-2. What is your sex?

- __ (1) Male __ (2) Female

Q1-3. What year were your born?

19

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QI-4. What is your current marital status?

- (1) Married (including cohabitation-living together without getting married)
- (2) Single (go to question Q5)
- (3) Divorced (go to question Q5)
- (4) Widowed (go to question Q5)

Q I-4-1 (If you have children) Do you have children? If yes, how many do you have?

(Number of children=_____)

Q I-4-2. How many of family are currently residing in the Republic of Korea?

(Number of children=_____)

Q I-5. What is the total number of your family members currently residing in KOREA (including your parents, siblings, and their spouses)?

(Number of family=_____)

Q I-5-1. What is the total number of your family members currently residing in your country (including your parents, siblings, and their spouses)?

(Number of family=_____)

Q I-7. How many years of formal schooling have you received, including years of a primary school? The number of years of formal schooling here refers to the number of years you actually attended schools (_____years)

QI-8 Have you ever have job in your country

- (1) Yes
- (2) No (Go to the Q1-9)

Q I-8-1. What was your occupation? Please check **one that you have recently**.

- (1) Factory worker
- (2) Construction worker
- (3) Technical worker (Technician, skilled worker)
- (4) Farmer, livestock raiser
- (5) Fishery worker
- (6) Waiter/Waitress
- (7) Patient care/giver
- (8) Household cares (Housemaid keeper, babysitter, etc.)
- (9) Other service worker (Tour guide, etc.)
- (10) Do not work now
- (11) None of the above (Explain_____)

Q I-9. How fluent is your Korean? Please rate each section.

Section	Very good	Good	Neither good nor poor	Poor	Very poor
1) Speaking	<input type="checkbox"/> ①	<input type="checkbox"/> ②	<input type="checkbox"/> ③	<input type="checkbox"/> ④	<input type="checkbox"/> ⑤
2) Listening	<input type="checkbox"/> ①	<input type="checkbox"/> ②	<input type="checkbox"/> ③	<input type="checkbox"/> ④	<input type="checkbox"/> ⑤
3) Reading	<input type="checkbox"/> ①	<input type="checkbox"/> ②	<input type="checkbox"/> ③	<input type="checkbox"/> ④	<input type="checkbox"/> ⑤
4) Writing	<input type="checkbox"/> ①	<input type="checkbox"/> ②	<input type="checkbox"/> ③	<input type="checkbox"/> ④	<input type="checkbox"/> ⑤

II. Entry/current job status

Q II-1. When did you first come to the Republic of Korea?

_____ year _____ month

Q II-1-1. When were you employed by the company that you are currently working for?

_____ year _____ month

QII-2 What is your current visa statue?

(1) H-2 (2) E-9 (3) others

QII-3 Are your current visa status regal?

(1) Yes (2) No

Q II-4. What is your current occupation? Please check **one**.

- (1) Factory worker
- (2) Construction worker
- (3) Technical worker (Technician, skilled worker)
- (4) Farmer, livestock raiser
- (5) Fishery worker
- (6) Waiter/Waitress
- (7) Patient care/giver
- (8) Household cares (Housemaid keeper, babysitter, etc.)
- (9) Other service worker (Tour guide, etc.)
- (10) Do not work now
- (11) None of the above (Explain _____)

III. Remittance

Q III-1. Please, check all your transactions and financial institutions opened currently for saving in the Republic of Korea ?

- (1) Kukmin Bank (2) Foreign Exchange Banks(Oihwan Bank)
- (3) Shinhan Bank (4) NH (Nong-Hyup Bank)
- (5) Uri bank (6) Industrial Bank of Korea(KI-Up Bank)
- (7) Citibank Korea (8) SC First Bank
- (9) HSBC bank (10) Daegu Bank
- (11) Jeju Bank (12) Kwangju Bank
- (13) Kyungnam Bank (14) Chonbuk Bank
- (15) Busan Bank (16) Post Office
- (17) the home country of the bank in Korea (18) the others

Q III-2. What is your average wage per month? If you don't know about payment in detail, then fill in with your total payment. (Unit: KRW)

Basic payment	Other pay (including allowance, incentives, overtime payment, etc.)	Total payment
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Q III-3. Do you save part of your salary?

(1) Yes (2) No (go to question 3)

Q III-3-1. How much money do you save a month on average? Please state the exact amount in KRW (KRW _____)

QIII-4. How much money do you spend for living expenses a months on average? Please state the amount, and do not include housing expenses, savings and remittances (KRW _____)

Q III-5. Do you remit some of your salary to your family?

__1 Yes __2. No (☞ finish here)

Q III-5-1. Who do you send money to?

__(1) parents __(2) spouse __(3) children ___(4) relatives __(5) others

Q III-5-2. How much do you remit a month on average? Please provide an accurate amount of money in KRW. (Average per month is KRW _____)

Q III-5-3. How much do you remit a year? Please provide an accurate amount of money in KRW. (Annual total is KRW _____)

Q III-5-4. How often do you remit (Remittance of times)?

- __ (1) On a monthly basis
- __ (2) When my beneficiary asks
- __ (3) Once a month
- __ (4) Once a year
- __ (5) Plan to remit at a time when I leave for my country
- __ (6) None of the above (Explain _____)

Q III-5-5. How is remittance being used in your home country (Remittance purposes and main applications)? Check all applicable.

- __ (1) Most are savings in my home country
- __ (2) Most are being used for the cost of living
- __ (3) Being used for the purchase of real estate investment
- __ (4) Being used for education
- __ (5) I don't know
- __ (6) None of the above (explain _____)

Q III-6. How do you remit (Select money transfer agencies of remittance)? Select all you are being used.

- __ (1) By the bank
- __ (2) By the post office
- __ (3) By MTO(Western Union/Money Gram) (☞ Go to Question 10-2)
- __ (4) By Hundi or Hawala (☞ Go to Question 11)
- __ (5) By friends or relatives (☞ Go to Question 11)
- __ (6) None of the above (explain _____)

Q III-6-1. Why do you use these money transfer agencies? Please check all applicable.

Reasons	Bank	Post office	MTO	Hawala /hundi**	Friends /relatives	Informal channel***	Others
Convenience and accessibility							
Less cost(low fees)							
Safety and reliability							
Transparency							

Tax evasion

Speed

**Less exchange
spread***

Good service

**Don't need a
translator**

Note: difference amount between the prices of buying Dollar in Korea and selling it in your country.

Hawala (Arabic: حوالة **meaning transfer**), (also known as *hundi*) is an informal value transfer system based on the performance and honor of a huge network of money brokers, which are primarily located in the Middle East, North Africa, the Horn of Africa, and the Indian subcontinent. It is basically a parallel or alternative remittance system that exists or operates outside of, or parallel to traditional banking or financial channels.

When you deposit money into account in the Republic of Korea, moneychanger in your country will be notified, then money changers will pay by the local currency calculated based on the exchange rate on the amount to the beneficiary that you appointed).

Q III-6-2. How do you access information about remittance prices and fees?

- (1) family
- (2) friends
- (3) internet
- (4) banks
- (5) foreign worker support centre
- (6) NGO/trade union
- (7) employer
- (8) I do not have any information about remittance prices
- (9) other

Q III-6-3. How do you feel about the remittance fee?

- (1) Too expensive
- (2) Somewhat expensive
- (3) Proper
- (4) Satisfied
- (5) Very satisfied
- (6) Do not know

Q III-6-4. What do you think about the spread of foreign exchange rates when your remit?

- (1) Too much
- (2) Somewhat much
- (3) Suitable
- (4) Very suitable
- (5) Do not know

Q III-6-5. Do you think the way of remittance is safe?

- (1) Very safe
- (2) Relatively safe
- (3) Neither safe nor unsafe
- (4) Somewhat not safe
- (5) Not safe at all

Q III-6-6. How long does it take for remittances to get to your home country from here?

- (1) A lot of times(too slow)
- (2) some (some slow)
- (3) neither slow nor fast
- (4) Relatively fast

___ (5) Very fast

Q III-6-7. Is it easy to access the money transfer agencies?

___ (1) very close: readily available at any time when I need

___ (2) Close

___ (3) Neither close nor far away

___ (4) Some distance away (somewhat inconvenient)

___ (5) Too far away (very inconvenient)

QIII-6-8 What is your preferred time of day for transferring remittance?

--(1)After punching out ___(2)Weekend ___(3) Lunch break time

Q III-6-9. What are the most dissatisfaction factors of your current money transfer agencies?

Please choose two of the most important factors in order.

1st _____, 2nd _____

(1) Transfer fee (too expensive)

(2) Spread (too high)

(3) Speed (too slow)

(4) Transparency/reliability (high risk)

(5) Service (too bad)

(6) Accessibility (too far away)

(7) None of the above

Q III-6-10. Do you know the following remittance related information of the money transfer agencies that you are using (bank, post office, Western Union, Money Gram)?

	Know well	Somewhat familiar with	Know a little	Do not know
Remittance fees (costs)				
Exchange rate				
Remitting time (speedy)				
Special remittance system (1)				
Convenience (2)				

Note: (1)Special system for remittance transfer: real-time transfer, wage remittance system, local currency transfer service, etc.

(2) convenience: internet, mobile or phone banking, language translation service, and weekend service and so on.

Q III-7. What kind of card do you have?

(1) I don't have

(2) Credit card(s)

(3) Debit card(s)

Q III-8. Have you borrowed money/do you have a loan?

___ (1) A financial institution such as a bank

___ (2) Friend(s) in the Republic of Korea

___ (3) Relative(s) in the Republic of Korea

___ (4) The company that you are employed

___ (5) None of the above (Explain _____)

___ (6) No (Go to Question 20)

Q III-8-1. How much do you owe? (KRW _____)

Q III-9. Do you have any plan as you return to your home in the future? Check all applicable options.

- (1) Plan to return to the ex-work place
- (2) Plan to find other jobs
- (3) Plan to try my own business
- (4) I want to be employed the Korean company abroad in my country
- (5) Plan to get a job in other countries
- (6) Plan to be re-employed in Korea
- (7) Yet never thought specifically

QIII-10. What factors in the remittances system should be changed? Please pick one that you think is the most important.

- (1) Transfer fee should be lowered
- (2) The exchange rate should be applied to preferential treatment
- (3) The reliability and transparency of remittance agencies should be increased
- (4) The time it takes to make the transfer should be shortened
- (5) The remittance information should be open to the public
- (6) None of the above

Thank you once again for your help. Your response will be a big help to our research. We hope your life in the Republic of Korea would be valuable and pleasant.

Appendix V – Survey data sets

Table V.1 Preferred remittance channel by country of origin (multiple responses possible, number of respondent and responses, per cent)

Country	N1	N2	Financial institutions		Post office		MTOs		Hundi /hawala		Friend relatives		Informal channels		Others		No response	
			#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Bangladesh	35	35	35	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Cambodia	37	38	28	75.7	2	5.4	1	2.7	0	0.0	4	10.8	0	0.0	2	5.4	1	2.7
China	15	16	13	86.7	1	6.7	0	0.0	1	6.7	1	6.7	0	0.0	0	0.0	0	0.0
India	36	37	35	97.2	1	2.8	0	0.0	0	0.0	0	0.0	0	0.0	1	2.8	0	0.0
Mongolia	30	32	20	66.7	3	10.0	2	6.7	0	0.0	1	3.3	6	20.0	0	0.0	0	0.0
Myanmar	35	35	10	28.6	1	2.9	0	0.0	9	25.7	13	37.1	1	2.9	1	2.9	0	0.0
Nepal	49	57	26	53.1	0	0.0	0	0.0	27	55.1	4	8.2	0	0.0	0	0.0	0	0.0
Pakistan	32	32	32	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Philippines	35	36	22	62.9	0	0.0	7	20.0	0	0.0	4	11.4	1	2.9	2	5.7	0	0.0
Sri Lanka	38	38	37	97.4	0	0.0	0	0.0	0	0.0	0	0.0	1	2.6	0	0.0	0	0.0
Thailand	23	24	22	95.7	0	0.0	0	0.0	0	0.0	1	4.3	0	0.0	1	4.3	0	0.0
Uzbekistan	30	31	7	23.3	1	3.3	5	16.7	0	0.0	6	20.0	10	33.3	2	6.7	0	0.0
Viet Nam	42	48	28	66.7	1	2.4	1	2.4	0	0.0	7	16.7	9	21.4	2	4.8	0	0.0
Total	437	459	315	72.1	10	2.3	16	3.7	37	8.5	41	9.4	28	6.4	11	2.5	1	0.2

N1 = respondents, N2 = responses

Table V.2 Reasons given for using particular remittance channels--multiple responses possible (number of respondent, %)

Remittance channel	N1	N2	Convenient accessible		Low transfer fee		Safety/reliability		Preferential FX rate		Avoiding income tax		High transfer speed		Low spread		Good services		Don't need a translator		No responses	
			#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	1434	233	74.0	155	49.2	221	70.2	140	44.4	95	30.2	154	48.9	120	38.1	159	50.5	131	41.6	26	8.3
Post office	10	15	1	10.0	1	10.0	1	10.0	0	0.0	0	0.0	3	30.0	1	10.0	0	0.0	2	20.0	6	60.0
MTOs	16	27	2	12.5	1	6.3	4	25.0	1	6.3	1	6.3	2	12.5	1	6.3	2	12.5	2	12.5	11	68.8
Hundi /hawala	37	108	23	62.2	14	37.8	6	16.2	21	56.8	8	21.6	13	35.1	5	13.5	6	16.2	9	24.3	3	8.1
Friends or Relatives	41	119	15	36.6	15	36.6	18	43.9	9	22.0	11	26.8	17	41.5	10	24.4	7	17.1	11	26.8	6	14.6
Informal channel	28	142	18	64.3	19	67.9	12	42.9	12	42.9	13	46.4	23	82.1	9	32.1	14	50.0	20	71.4	2	7.1
others	11	29	3	27.2	4	36.3	2	18.1	2	18.1	2	18.1	4	36.3	2	18.1	2	18.1	3	27.2	5	45.4
No response	1	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	459	1875	295	64.2	209	45.5	264	57.5	185	40.3	130	28.3	216	47.1	148	32.2	190	41.4	178	38.8	60	13.1

Note: The percentage in this graph is calculated using the number of multiple choice responses divided by the number of respondents for each channel given in Table 5.8 . Note that this is a multiple response question.

N1= respondents; N2 = responses

% as a share of respondents

Table V.3 Frequency of remittance by remittance channel used (number of respondent, %)

Remittance channel	n	Monthly		As necessary/ optional		Every few months		Annually		Other		No response	
		#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	157	49.8	64	20.3	81	25.7	2	0.6	2	0.6	9	2.9
Post Offices	10	6	60.0	1	10.0	2	20.0	1	10.0	0	0.0	0	0.0
MTOs	16	11	68.8	2	12.5	3	18.8	0	0.0	0	0.0	0	0.0
Hundi /hawala	37	22	59.5	8	21.6	6	16.2	0	0.0	0	0.0	1	2.7
Friends or relatives	41	20	48.8	7	17.1	13	31.7	0	0.0	1	2.4	0	0.0
Informal channels	28	17	60.7	7	25.0	4	14.3	0	0.0	0	0.0	0	0.0
Others	11	8	72.7	0	0.0	2	18.2	1	9.1	0	0.0	0	0.0
No response	1	0	0.0	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0
Total	459	241	52.5	89	19.4	112	24.4	4	0.9	3	0.7	10	2.2

Note: The number, n (459) in this table is larger than sample size (437) because one can use more than one remittance channel. % shows the percentage relative to the left-most figure in each row.

Table V.4 Preferred time of day for transferring remittance (number of respondent, %)

n	After punching out		Weekend		Lunch break time		No response	
	#	%	#	%	#	%	#	%
437	88	20.1	250	57.2	83	19.00	16	3.6

Table V.5 Information source for remittance transfer fees and FX rates-multiple responses possible (number of respondent,

	n	Family		Friends		Internet		Bank		FWSC		Do not know		Other		No response		
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
Education	<6	5	1	20.0	0	0	1	20	2	40.0	0	0.0	0	0.0	0	0.0	1	20.0
	6-9	52	2	3.8	11	21.2	17	33	23	44.2	0	0.0	0	0.0	1	1.9	0	0.0
	9-12	186	19	10.2	40	21.5	70	38	59	31.7	0	0.0	1	0.5	9	4.8	2	1.1
	>12	192	18	9.4	29	15.1	83	43	61	31.8	5	2.6	1	0.5	2	1.0	1	0.5
	No response	2	0	0.0	0	0.0	1	50	0	0.0	0	0.0	0	0.0	1	50.0	0	0.0
	Total	437	40	9.1	80	18.3	172	39.9	145	33.1	5	1.1	2	0.4	13	2.9	4	0.9
Nationality	Bang	35	5	14.3	0	0.0	17	49	15	42.9	0	0.0	0	0.0	1	2.9	0	0.0
	Cam	37	1	2.7	9	24.3	8	22	21	56.8	0	0.0	0	0.0	0	0.0	1	2.7
	Chi	15	1	6.7	4	26.7	0	0	11	73.3	0	0.0	0	0.0	0	0.0	1	6.7
	Ind	36	0	0.0	8	22.2	20	56	10	27.8	1	2.8	0	0.0	0	0.0	0	0.0
	Mon	30	2	6.7	5	16.7	10	33	12	40.0	0	0.0	0	0.0	1	3.3	0	0.0
	Myn	35	21	60.0	11	31.4	1	3	1	2.9	0	0.0	0	0.0	2	5.7	1	2.9
	Nep	49	1	2.0	13	26.5	26	53	8	16.3	0	0.0	1	2.0	0	0.0	1	2.0
	Pak	32	3	9.4	8	25.0	5	16	15	46.9	0	0.0	0	0.0	1	3.1	0	0.0
	Phil	35	1	2.9	9	25.7	17	49	9	25.7	0	0.0	0	0.0	1	2.9	0	0.0
	Sri	38	1	2.6	1	2.6	22	58	12	31.6	2	5.3	0	0.0	0	0.0	0	0.0
	Thai	23	1	4.3	5	21.7	9	39	9	39.1	1	4.3	1	4.3	0	0.0	0	0.0
	Uzb	30	0	0.0	3	10.0	18	60	4	13.3	0	0.0	0	0.0	5	16.7	0	0.0
	Viet	42	3	7.1	4	9.5	19	45	18	42.9	1	2.4	0	0.0	2	4.8	0	0.0
	Total	437	40	9.2	80	18.3	172	39	145	33.2	5	1.1	2	0.5	13	3.0	4	0.9

Table V.6 Opinion on the transfer costs, by RSP (%)

	n	Too expensive		Somewhat expensive		Proper		Satisfied		Do not know		No response	
		#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	62	19.7	83	26.3	144	45.7	9	2.9	15	4.8	2	0.6
Post offices	10	3	30.0	3	30.0	4	40.0	0	0.0	0	0.0	0	0.0
MTOs	16	1	6.3	3	18.8	12	75.0	0	0.0	0	0.0	0	0.0
Hundi /hawala	37	6	16.2	8	21.6	6	16.2	5	13.5	10	27.0	2	5.4
Friends or relatives	41	4	9.8	6	14.6	16	39.0	2	4.9	5	12.2	8	19.5
Informal channels	28	10	35.7	4	14.3	12	42.9	0	0.0	0	0.0	2	7.1
Others	11	4	36.4	3	27.3	3	27.3	0	0.0	1	9.1	0	0.0
No response	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	459	90	19.6	111	24.2	197	42.9	16	3.5	31	6.8	15	3.3

Note: the number, n(459) in this table is larger than sample size(437) because one can use more than one remittance channel.

Table V.7 Opinions on costs associated with FX spread among remittance channels (number of response, %)

	n	Too spread		Somewhat too spread		Suitable		Somewhat satisfied		Satisfied		Do not know		No response	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	61	19.4	62	19.7	112	35.6	47	14.9	12	3.8	14	4.4	7	2.2
Post offices	10	2	20.0	3	30.0	3	30.0	0	0.0	0	0.0	1	10.0	1	10.0
MTOs	16	0	0.0	2	12.5	12	75.0	1	6.3	1	6.3	0	0.0	0	0.0
Hundi / hawala	37	7	18.9	9	24.3	14	37.8	4	10.8	0	0.0	1	2.7	2	5.4
Friend or relative	41	4	9.8	9	22.0	13	31.7	2	4.9	0	0.0	6	14.6	7	17.1
Informal channels	28	9	32.1	4	14.3	8	28.6	3	10.7	1	3.6	2	7.1	1	3.6
Others	11	1	9.1	3	27.3	6	54.5	0	0.0	0	0.0	1	9.1	0	0.0
No response	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	459	84	18.3	92	20.0	168	36.6	57	12.4	14	3.1	25	5.4	19	4.1

Note: The number n (459) in this table is larger than sample size (437) because one can use more than one remittance channel.

Table V8.19 Opinions on safety/reliability of remittance transfer channels (number of response, %)

	n	Very safe		Relatively safe		Neither safe nor insecure		Somewhat insecure		Insecure		No response	
		#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	177	56.2	71	22.5	52	16.5	8	2.5	5	1.6	2	0.6
Post offices	10	3	30.0	3	30.0	3	30.0	1	10.0	0	0.0	0	0.0
MTOs	16	10	62.5	3	18.8	1	6.3	2	12.5	0	0.0	0	0.0
Hundi / hawala	37	3	8.1	2	5.4	15	40.5	11	29.7	6	16.2	0	0.0
Friends or relatives	41	9	22.0	8	19.5	18	43.9	3	7.3	2	4.9	1	2.4
Informal channels	28	11	39.3	9	32.1	7	25.0	1	3.6	0	0.0	0	0.0
Others	11	1	9.1	2	18.2	6	54.5	1	9.1	1	9.1	0	0.0
No response	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	459	214	46.6	98	21.4	102	22.2	27	5.9	14	3.1	4	0.9

Note: The number, n(459) in this table is larger than sample size(437) because one can use more than one remittance channel.

Table V.9 Opinion regarding transfer speed among various remittance channels (number of response, %)

	n	Very fast		Fast		Neither fast nor slow		Slow		Too slow		No response	
		#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	38	12.1	71	22.5	116	36.8	53	16.8	32	10.2	5	1.6
Post offices	10	1	10.0	2	20.0	4	40	2	20.0	1	10.0	0	0.0
MTOs	16	7	43.8	7	43.8	2	12.5	0	0.0	0	0.0	0	0.0
Hundi /hawala	37	3	8.1	4	10.8	25	67.6	5	13.5	0	0.0	0	0.0
Friends or relatives	41	6	14.6	7	17.1	12	29.3	14	34.1	1	2.4	1	2.4
Informal channels	28	12	42.9	8	28.6	5	17.9	1	3.6	2	7.1	0	0.0
Others	11	0	0.0	3	27.3	6	54.5	2	18.2	0	0.0	0	0.0
No response	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	459	67	14.6	102	22.2	170	37	77	16.8	36	7.8	7	1.5

Note: The number n(459) in this table is larger than sample size(437) because one can use more than one remittance channel.

Table V.10 Opinion regarding accessibility of channels used for remittance transfer (number of response, %)

	n	Very accessible		Somewhat accessible		Neither hard nor easy to access		Somewhat in accessible		Very inaccessible		No response	
		#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	96	30.5	71	22.5	89	28.3	27	8.6	23	7.3	9	2.9
Post offices	10	1	10.0	2	20.0	6	60.0	0	0.0	1	10.0	0	0.0
MTOs	16	8	50.0	5	31.3	2	12.5	1	6.3	0	0.0	0	0.0
Hundi /hawala	37	12	32.4	6	16.2	17	45.9	0	0.0	0	0.0	2	5.4
Friends or relatives	41	13	31.7	4	9.8	9	22.0	3	7.3	8	19.5	4	9.8
Informal channels	28	15	53.6	1	3.6	7	25.0	1	3.6	2	7.1	2	7.1
Others	11	4	36.4	2	18.2	4	36.4	1	9.1	0	0.0	0	0.0
No response	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	459	149	32.5	91	19.8	134	29.2	33	7.2	34	7.4	18	3.91

Note: The number n(459) in this table is larger than sample size(437) because one can use more than one remittance channel.

Table V.11 Factors that cause user dissatisfaction, by RSP (%)

	n	Expensive Remittance transfer fees		Large FX spread		Slow transfer time		Insecure and unreliable		Inaccessible		No response	
		#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	86	27.3	67	21.3	27	8.6	35	11.1	38	12.1	62	19.7
Post offices	10	4	40.0	1	10	2	20.0	1	10.0	1	10.0	1	10.0
MTOs	16	5	31.3	3	18.8	1	6.3	0	0.0	2	12.5	5	31.3
Hundi /hawala	37	13	35.1	4	10.8	2	5.4	9	24.3	5	13.5	4	10.8
Friends or relatives	41	10	24.4	8	19.5	5	12.2	1	2.4	5	12.2	12	29.3
Informal channels	28	3	10.7	5	17.9	3	10.7	4	14.3	1	3.6	12	42.9
Others	11	1	9.1	5	45.5	0	0.0	1	9.1	2	18.2	2	18.2
No response	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	459	122	26.6	93	20.3	40	8.7	51	11.1	54	11.8	99	21.6

Note: The number, n (459) in this table is larger than sample size(437) because one can use more than one remittance channel.

Table V.12. Top two factors that cause user dissatisfaction, by RSP (multiple response %)

	n	Expensive remittance transfer fees		Large FX spread		Transfer time too long		Insecure and unreliable		Inaccessible		No response	
		#	%	#	%	#	%	#	%	#	%	#	%
Banks	430	106	24.7	101	23.5	49	11.4	46	10.7	66	15.3	62	14.4
Post offices	12	4	33.3	2	16.7	2	16.7	1	8.3	2	16.7	1	8.3
MTOs	19	5	26.3	6	31.6	1	5.3	0	0.0	2	10.5	5	26.3
Hundi /hawala	46	13	28.3	6	13.0	3	6.5	9	19.6	11	23.9	4	8.7
Friends or relatives	56	12	21.4	13	23.2	7	12.5	2	3.6	10	17.9	12	21.4
Informal channels	36	4	11.1	7	19.4	5	13.9	5	13.9	3	8.3	12	33.3
Others	14	2	14.3	6	42.9	0	0.0	1	7.1	3	21.4	2	14.3
No response	1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total	614	146	23.8	141	23	67	10.9	64	10.4	97	15.8	96	16.1

Note: The number of response, n(614), in this table is larger than sample size(respondents=437) because one can choose two factors associated with remittance transfer that provoked the most dissatisfaction among respondents.

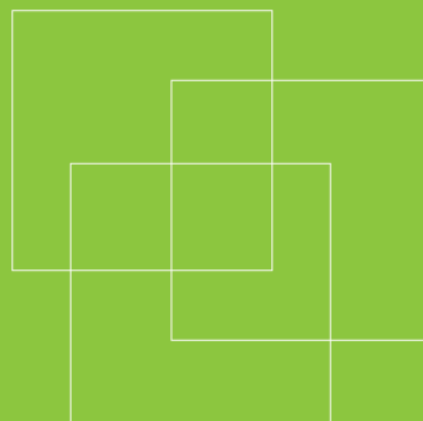
Table V.13 Figure 5.28 Recommendations for improving remittance services, by RSP (%) (Number of responses, %)

	n	Preferential transfer fee		Preferential FX rate		Reliability and transparency		Faster transfer time		Improved accessibility		Improved access to remittance information		No response	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%
Banks	315	147	46.7	98	31.1	22	7.0	25	7.9	19	6	29	9.2	12	3.8
Post office	10	5	50.0	4	40	1	10.0	1	10	0	0	0	0.0	0	0.0
MTOs	16	11	68.8	2	12.5	1	6.3	0	0.0	0	0	3	18.8	0	0.0
Hundi /hawala	37	16	43.2	8	21.6	6	16.2	0	0.0	2	5.4	6	16.2	1	2.7
Friends or relatives	41	20	48.8	6	14.6	3	7.3	5	12.2	2	4.9	6	14.6	2	4.9
Informal channels	28	13	46.4	12	42.9	2	7.1	2	7.1	0	0	6	21.4	0	0.0
Others	11	4	36.4	4	36.4	1	9.1	0	0	3	27.3	0	0.0	0	0.0
No response	1	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	511	217	35.3	13	21.8	36	5.9	33	6.9	25	5.7	49	11.2	15	3.4

Note: The number of response n (511), in this table is larger than sample size(respondents=437) because one can choose two factors associated with remittance transfer that provoked the most dissatisfaction among respondents.

Remittance services in the Republic of Korea

This study focuses on remittance channels and services in the Republic of Korea and their associated cost, accessibility, reliability, speed, and transparency. The study team conducted a survey of 500 migrant workers from 13 countries and interviews with key stakeholders in order to examine the use and characteristics of RSPs in the Republic of Korea and remittance sending behaviours. The purpose of collecting such information is to improve migrant workers' ability to send home remittances in a safe, cost-conscious, and transparent manner.



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