
From Relational Contracts to Market Mechanisms: Entropy Hedging and the Limits of Platform Substitution in High-Risk Migration Systems

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Abstract

In global south job markets, international migration functions within an intricate framework made up of both established formal and unwritten social connections that are closely intertwined with relational agreements governing informal networks. Local sub-agents play a central role in this system by anchoring belief, managing uncertainty, and securing commitment through mechanisms such as upfront payments or holding passports, which are coercive. This arrangement provides a durable equilibrium by reducing perceived entropy in high-risk migration decisions, despite being opaque and exploitative.

This research introduces a novel approach – where we built a platform from scratch - www.overseas.ai that is designed to substitute for the functions of local sub-agents by providing verified job information, cost transparency, and voluntary participation, without coercive commitment mechanisms. This transition attempts to hedge existing uncertainty through transparency, where workers are free to choose their preferred channel of migration.

We conducted a randomised controlled trial experiment in Eastern India to investigate the underlying causal mechanism that arises with the introduction of such a substitute platform. Our research indicates that although the platform lowers migration expenses and expands workers' agency, it also causes belief volatility and an increase in the turnover rates, all of which lead to the deprioritization of the platform by the RAs.

Yet, despite these shortcomings, the platform began to generate a second-order effect: volume-based credibility. As more workers registered, driven by spillover, transparent job access, and low entry barriers, the scale of the candidate pool began to attract renewed RA attention. This has created a paradoxical shift: the very system that RAs initially deprioritised - began to offer them what the relational network could not - scalable, data-driven, and cost-efficient access to pre-vetted workers. These tensions and counterbalancing forces - between autonomy/coordination, volatility/volume - set in motion the emergence of a new equilibrium.

Keywords: Labor, Migration, Platform, Equilibrium

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