The Cost of a Job
Systemic Forced Labor in Asia and What Companies Can Do to Eliminate It
Introduction

Migrant workers in Asia continue to face human trafficking and forced labor. Foreign migrant workers are a particularly vulnerable population, falling victim to unscrupulous labor agents, debt, and abusive labor conditions in pursuit of better opportunities abroad. This is not a matter of isolated weaknesses in enforcement of law or fair treatment of workers; rather an insidious system displaces the cost of employment onto workers by charging them to get a job.

In Southeast Asia, Verité repeatedly finds that labor brokers and employers exploit foreign workers’ vulnerability for their own profit, inflating the costs of migration, confiscating passports, limiting workers’ freedom of movement, and even threatening workers and their families with bodily harm. The problem is exacerbated by many factors, including migrant workers’ lack of social connections; lack of familiarity with the host country’s language, culture, and laws; lack of access to recourse; and too often, weaknesses in local legal frameworks and government policy.

Despite recent attention to the issue, particularly in Malaysia, Verité continues to witness the problem in virtually every sector where migrant workers are employed, including manufacturing, agriculture, fishing & aquaculture, construction, and the service sector.

A Groundbreaking Study

In September 2014, Verité released its groundbreaking study, *Forced Labor in the Production of Electronic Goods in Malaysia: A Comprehensive Study of Scope and Characteristics*. While our report has prompted action, much remains to be done in the Southeast Asia region. Our two-year study of labor conditions in electronics manufacturing in Malaysia found that one in three foreign workers surveyed in Malaysian electronics was in a condition of forced labor. Because many of the most recognizable companies source components of their products from Malaysia, this means that virtually every device on the market today may have come in contact with modern-day slavery.

Verité interviewed more than 500 workers across all major producing regions, electronics products, and foreign worker nationalities. The report identifies the top factors responsible for making this sector prone to human rights abuses. These factors include the widespread reliance on third-party agents for the recruitment, management and employment of foreign workers, which limit their protections and blur accountability for labor conditions. Other top factors identified by the research as contributors to forced labor include unlawful passport retention, high and hidden recruitment fees resulting in widespread indebtedness that can trap workers in their jobs, deceptive recruitment practices, highly constrained freedom of movement, poor living conditions, fines and other penalties that prevent workers from being able to resign, and inadequate legal protections.
Companies buying products and raw materials from the Southeast Asia region are a critical stakeholder. When companies take the right steps, the situation can change.

This is a multifaceted problem involving numerous actors. However, the companies buying products and raw materials from the Southeast Asia region are a critical stakeholder. When companies take the right steps, the situation can change.

“As after work, the employer locks us in the hostel. Every week he just chooses a few of us to go out to the market for a few hours, then back to the hostel. The guard supervises us closely. We can’t go out, if we don’t listen to him, he will beat us.”

— Vietnamese worker in Malaysia, 2014

As businesses have grown increasingly aware of this problem, and as new laws have increasingly forced disclosure and reporting, some have taken steps to diminish the risk of forced labor to foreign workers. Some multinationals have implemented programs to mitigate risks in their Southeast Asian supply chains. Apple, HP, Patagonia, and the multi-company Electronics Industry Citizenship Coalition (EICC) have established new policies and implemented changes that have reduced risks for workers. Vitally, all these companies have established requirements that workers in their supply chains may not be charged recruitment fees.2 3

The actions of these companies demonstrate that the problem can be addressed. But for most of the region, the problem looks much the same as when Verité first began researching these issues in 2004.4

- Risks to workers are pervasive and are found everywhere in East and Southeast Asia where workers migrate across borders for jobs.
- The problem is not confined to a single sector or group of suppliers.
- At least tens of thousands of foreign workers remain trapped.5
- Verité encounters the problem regularly in the region in its work with companies.
- Many are actually employed at the top levels of the supply chain, directly involved in final production of goods bound for sale in Western countries.
- Goods made with forced labor in Asia are not just sold in the West, but globally and in Japan and South Korea.
- Still more distressing is the situation faced by workers further from view, at levels of the supply chain that are rarely monitored, such as on fishing vessels or at illegal mines.
Wherever suppliers and labor brokers operate with impunity, and wherever buyers are not paying attention, it is likely migrant workers are trapped in forced labor. Verité has amassed data over a decade of working on this issue to quantify the costs to workers based on workers’ country of origin and destination.

Case Study – Nepalese Security Guards in Malaysia

When young, male Nepalese security guards were interviewed by Verité in 2014, they confided that their conditions in Malaysia were much less desirable than they had expected when they were recruited in Nepal. They had paid roughly USD 2,500 – 3,000 to recruitment agents and subagents in Nepal to obtain their jobs, thinking they would be able to pay off the debt relatively quickly, but the men found that over nine months had passed and they had not yet paid off their recruitment fee-related debt. They worked much more overtime than was legally allowed, working at least twelve hours per day for seven days per week, but were still working and earning less than they had been led to believe when they were hired.

When asked how much they earned per month, the Nepali security guards were unsure, as they could not read their pay slips or their employment contract. Workers employed by one security guard provider had not even signed a contract at all. In fact, they were being consistently underpaid for their overtime work, denied legally-mandated benefits including home leave, and charged deductions for services that were ultimately not provided, such as steep dormitory maintenance fees for a dormitory that was reportedly in chronic disrepair. The workers felt that they could not leave their jobs because they had been warned that terminating their contracts would result in being required to pay a hefty monetary penalty, as well as the cost of their return plane ticket.

Workers are caught in a complex web of vulnerability – numerous recruitment actors, employers, intermediaries, and other factors combine to trap workers – but the solutions are straightforward. Buyers and employers have a pivotal role to play in the fight against human trafficking, particularly in global industries and markets. They are well-placed at a number of levels to provide effective and sustainable action:

• within their own operations;
• in the communities where they do business;
• alongside their suppliers and business partners; and
• in global policy. In recent years, many observers have noted that business engagement is an essential aspect of global anti-trafficking campaigns.
The Problem
Jobs that are For Sale

Verité has extensively documented the fees migrant workers pay in order to obtain jobs in destination countries in Southeast Asia, like Taiwan, Malaysia, and Thailand. These fees are generally well beyond company-imposed limits and illegal. In general, wherever workers pay to get their jobs, there is a risk of forced labor. Workers pay these fees with loans taken at a high rate of interest, and then face abusive working conditions: the result is forced labor. It is typical for it to take 1-3 years of employment to pay off the recruitment fees, and during that period workers are essentially working for free.

Verité has calculated the going rate for jobs by country and position. The numbers below represent the total amounts workers pay for many fee items, and include payments in the country or origin and destination.

In Malaysia, for example, where the minimum base wage was approximately USD 250 (MYR 900) in 2015, a Vietnamese worker who paid recruiters USD 6,000 in Vietnam would have to work in Malaysia for 24 months to earn back that amount of money in regular wages, which is the majority of a contract term of employment. Costs may be associated with a sub-agent, sending country agent, receiving country agent, or the actual employer – but the costs of obtaining the job are fully passed on to the worker.

Workers become further indebted to their recruiters or employers because they are compelled to take on loans that carry high interest rates. In Verité’s experience, these loans carry interest rates of up to 60 percent per annum. Failure to repay can have severe personal and social consequences, particularly if the money is owed to those with connections to criminal elements, or if family assets have been leveraged as collateral. The existence of the debt—and the worker’s urgent need to repay it—means that the worker can more easily
be manipulated by the employer to accept lower wages than were promised, poor working conditions, excessive work hours, or similar abusive practices. Debt-burdened migrant workers are also much more vulnerable to threats of deportation—and consequent loss of their earning potential—than workers with no debt obligations.

The need to work also prevents workers from complaining or seeking recourse. The only option is to tolerate abuse in order to repay the fees.

In some cases, the employer or broker becomes involved, and takes responsibility for workers’ finances away from workers under the pretense of managing the payment of workers’ expenses and loans. Verité has encountered foreign workers employed in Taiwan who did not have access to their own bank accounts and were forced by their employer to live off a minimal allowance of approximately USD 200 per month, despite the fact that the workers supposedly earned a monthly salary of over USD 600, and despite the fact that these workers usually worked over 70 hours with (perhaps) one day off in a month.

**Deception and False Advertising**

Workers are willing to buy their jobs because they are presented with an opportunity for economic improvement. They have also been led to believe that they will be able to earn enough to pay fees back with the new job. In this way recruitment actors continue to take advantage of migrant workers, bypassing, circumventing, or otherwise ignoring existing laws (or exploiting gaps in legal frameworks).

A Verité study from 2012 found that in Nepal, where the government has required that Nepali migrant workers sign a detailed contract of employment before traveling to another country for work, labor brokers have bypassed this safeguard by obtaining forged contracts of employment.
on the black market and obtaining approval for the forged contracts from corrupt bureaucrats. As a result, Nepali migrant workers have arrived in Malaysia for work only to find that their place of work, their position, their salary, or all of these elements are markedly different from what they were initially promised in the contract they actually signed. This method of abuse is not isolated to Nepal, and while the circumstances may be different, Verité has found that contract substitution and other forms of deceptive recruitment occur in other Southeast Asian sending countries as well.

Foreign migrant workers are particularly susceptible to deception about the jobs in informal or under-regulated sectors, such as the fishing sector in Thailand. Foreign migrant workers traveling to Thailand often do not wish to work in the fishing sector because they have heard of the many abuses that occur on the boats. Verité’s interviews with foreign workers in Thailand indicate that in some cases, labor brokers deceived workers and sent them to the docks without the workers’ knowledge or permission, where workers were coerced to work on fishing boats in order to pay back their recruitment-related debt. On the job, foreign migrant workers are at risk of continued deception, as recruiters, crew leaders, or boat captains remain in charge of many aspects of employment. In many situations in countries like Taiwan or Malaysia, foreign workers rely on a labor broker to manage their housing, provide transportation, renew their work permits, access bank accounts, or even make a phone call. Any of these services may be denied, or provided at an inflated cost which workers have no choice but to pay.

In Thailand, for example, the New York Times found that workers employed on fishing boats were charged for food and other basic necessities. Verité has confirmed through its own field work that these abuses do occur. Charging unwarranted or illegal fees and deductions exacerbates workers’ preexisting vulnerability to forced labor and debt bondage, as it further erodes workers’ ability to repay recruitment fees and loans.

Labor brokers’ and employers’ ability to exploit foreign migrant workers depends in part on workers’ inability to access information and recourse channels. For this reason, Verité has found that workers who raise complaints with labor brokers’ employers, workers who request better living or working conditions, and those who merely ask for clarification regarding their wages and deductions are threatened with deportation. They may even be verbally or physically abused.

“I must do OT because I need more money to pay off my debt in Nepal.”
– Nepalese worker in Malaysia, 2014
Entrapment

After workers have been deceived and mortgaged limited possessions or taken out a loan at excessive interest, they face continued abuse on the job to keep them trapped.

It is common for foreign migrants in Southeast Asia to have their identification documents withheld by brokers or employers. The retention – or confiscation – results in restrictions on workers’ freedom of movement. It is used as a means to bind workers to a particular job or employer, forcing them to do work that they may not have consented to for fear of losing their documents permanently. Workers who flee exploitative work arrangements without their documents become undocumented, without access to protection or services, and thus become even more vulnerable.

In 2014, Verité found that passport retention was widespread in the Malaysian electronics sector and contributed to workers’ risk of becoming trapped in forced labor. Out of a large sample of over 500 foreign electronics workers interviewed, 94% reported that their passports were withheld by the facility or their labor broker, 71% reported that it was impossible or at least difficult to retrieve their passports, and 62% expressed that their movements were restricted as they could not move around safely without their passports or other personal documents. Workers also reported the fear of losing their passport as a reason they could not leave their job before the contract was finished. Because workers’ movement was highly restricted when their passports were withheld, Verité researchers found that passport retention was a strong indicator of forced labor on its own.

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— Foreign worker in Malaysia, 2014
The Solution

Despite the pervasive nature of this problem in the Southeast Asia region, Verité has worked with companies that have made progress in tackling the issue. Individual companies can protect workers in facilities that they operate or with which they contract. But the problem as a whole requires companies to take the lead in driving change beyond their areas of direct influence.

In Verité’s experience companies that stake out bold positions and demonstrate commitment to address serious problems often receive positive responses from stakeholders. An emerging regulatory and reporting regime will increase expectations on companies that they disclose actions taken to address forced labor. Incentives exist for companies and employers to establish themselves as leaders in the fight against forced labor. A good example is President Obama’s 2014 Executive Order - *Strengthening Protections Against Trafficking In Persons In Federal Contracts*, which prohibits human trafficking activities not just by federal prime contractors, but also by their employees, subcontractors, and subcontractor employees. As also noted by the United Nations Global Initiative to Fight Human Trafficking (UNGIFT), employers and businesses have positive reasons for addressing human trafficking. These including improving brand value, better investor relations, better stakeholder and community engagement, and assumption of a leadership role. As Verité has recently noted, companies that target these problem also avoid significant legal risk, such as under the *Foreign Corrupt Practices Act*. 

The case is clear that companies are already incentivized to act. So what are the specific actions companies should pursue? Over the past few years an emerging set of best practices has emerged that companies and employers should adopt in order to eliminate the high risk of forced labor in their supply chains.

Multiple organizations have published ethical recruitment and hiring frameworks or codes of conduct. In 2012, Verité launched the Ethical Framework for Cross Border Labor Recruitment with the ManpowerGroup, establishing an operational benchmark innovative mechanism for changing the way the recruitment industry responds to forced labor and human trafficking. The Framework establishes Standards of Ethical Practice, identifies benchmarks to help measure compliance to the standards, and outlines the basic requirements of independent systems of
verification and certification so that recruiters themselves, as well as employers and other stakeholders, can confidently know whether recruitment practices are observing and upholding ethical standards.¹⁴

**Prohibit recruitment fees across the supply chain:** Verité’s work demonstrates a clear link between recruitment fees and forced labor. One of the single most important steps a company can take is to enact a no-fees policy to ensure that workers do not need to pay recruitment fees to secure a job. The policy should be a requirement in the company Code of Conduct, included in monitoring criteria, and an important consideration in the continuation of the business relationship with an employer. In November 2014, for example, HP announced that it would no longer allow labor brokers to charge workers recruitment fees,¹⁵ a move which was followed in 2015 by the EICC.¹⁶

Companies that enact a no-fees policy and continue to work with labor brokers to hire foreign workers must update their service agreements and monitoring systems to ensure that the brokers follow the no-fees policy. Requirements for hiring, deploying, and employing workers should also always prohibit any illegal or unwarranted charges and deductions under an express obligation that the employer covers all recruitment costs. This should include monthly broker or service fees, deposits that are not legally required, and the costs of government-required levies. Given the almost complete absence of demonstrated compliance with no-fees practice in the recruitment industry, robust assessments of recruiter capability and commitment to implement such policies must be undertaken by companies.

**Reimburse workers for illegal or excessive fees:** Companies should require that workers be reimbursed for any recruitment fees that are illegal or in violation of the company no-fees policy. This practice returns money due directly to vulnerable workers, allowing them to escape from loans and recover family collateral.

Verité has worked with companies that have effectively accomplished this. In 2014, for example, Apple successfully oversaw the reimbursement of USD 3.96 million to foreign workers in its supplier factories who had been charged excessive recruitment fees.¹⁷ Apple has returned almost USD 21 million since the advent of its work to address this problem – an unprecedented and highly important effort. In multiple cases, the labor brokers who were implicated in charging excessive recruitment fees were held directly responsible for repaying the excessive charges to workers.
The apparel company Patagonia also worked with Verité to develop new Migrant Worker Standards, which not only prohibit recruitment fees, but also mandate reimbursement starting in June 2015.¹⁸

**Work only with ethical recruitment partners:** Companies and suppliers should only work with labor supply partners that are committed to and capable of delivering ethical recruitment. Employers should not work with new labor brokers until the broker is carefully vetted through a process that includes a review of its policies, protocols and systems for ensuring ethical treatment of the workers under its auspices, from their departure from home through their arrival on-site. Suppliers should contractually-require labor brokers in both the sending and receiving countries to obey all legal and company requirements regarding fees and the treatment of workers. Suppliers must ensure that the contract contains grounds for terminating a business relationship due to a broker’s unethical conduct under a system of strong supervision and accountability.

Companies should also continue diligent monitoring of workers’ onsite working and living conditions, in order to verify that the company’s new or existing policies are understood and are followed in practice. In this regard, workplaces must be equipped with effective grievance mechanisms so that workers can alert management to exploitation or unsafe practices perpetuated by labor brokers, supervisors, or other actors. Onsite grievance mechanisms should be complemented by an anonymous reporting mechanism, allowing workers and whistleblowers to notify a company of abusive conditions.

**Improve existing interventions:** Many companies continue to rely on more “traditional” (and inadequate) social responsibility approaches to address forced labor. For example, social audits are a key element in many corporate due diligence programs. Labor recruitment streams, however, are not covered in the vast majority of social audits, and auditors themselves are often not competent to uncover the problems faced by migrant workers. This means that forced labor due to debt-bondage generally goes undetected during the audit process. Most assessments concentrate only on conditions in the workplace, without fully investigating how workers obtain their jobs. A third party labor broker or intermediary may play an important part in recruiting and/or employing workers in the country of origin; and it is generally here that deception and coercion occur. Social audits typically have little visibility at this stage of the employment cycle. To remedy this, companies need to adopt best practice forced labor assessment approaches, strengthen their audit procedures, improve auditor capability, and
ensure that a spotlight is shone on the areas of greatest risk, including sub-contracted facilities and the companies that provide labor to all levels of the supply chain.

**Return workers’ passports:** In order to guarantee workers’ freedom of movement, companies should ensure that the workers themselves maintain possession of their own passports and other identity documents. According to the standards implemented by Patagonia and HP, for example, document retention is prohibited, and suppliers are required to provide workers with durable, individual storage so that workers can safely store their passports and not feel constrained to relinquish them to the labor broker or employer. In Verité’s experience, prohibiting passport retention altogether is the best course of action to ensure that workers’ documents are not held against their will.

A common response to returning passports heard from suppliers and brokers is that if this is done, workers will “run away.” Verité’s experience is that the opposite is true. When companies return passports and importantly, eliminate recruitment fees and other abusive practices, workers remain at the workplace.

This safeguarding of workers’ freedom of movement must extend well beyond reforming document retention practices. Companies should prohibit curfews and similar restrictions on workers’ movements outside of work. At the workplace, workers should not be required to show up early or work overtime, nor should workers be asked to submit “run-away” deposits before going on home leave. Where workers are subject to harassment and discrimination outside the workplace, like in Malaysia, employers should take care to ensure that they have access to remedy should they be inappropriately targeted by police or quasi-state militia.
Who is Verité?

Verité, headquartered in Amherst, MA, is a global, independent, non-profit organization which provides consulting, training, research, and assessment services with a mission to ensure that people worldwide work under safe, fair, and legal working conditions. Since its inception in 1995, Verité has partnered with hundreds of multinational companies, suppliers and international institutions across multiple industry sectors to improve working conditions and overall social and environmental performance within global supply chains.

Our work to align business and social impact has earned us recognition in the social entrepreneurship space, including an award as the Social Entrepreneur of the Year in the US for 2011 by the World Economic Forum-affiliated Schwab Foundation. Verité’s programs have been conducted in over 60 countries across Asia, Europe and North and South America and across multiple sectors, including electronics, apparel, footwear, agriculture, food, hard goods and toys.

Verité gathers information globally about labor practices, and makes this analysis available to investors, as well as to companies, suppliers, governments, NGOs and trade unions. Our focus is on human rights and labor rights in the production of consumer goods and sourcing of raw materials. We conduct assessments that truly illuminate working conditions for companies, suppliers, and other stakeholders in global supply chains, and support this through trainings that effectively build the skills of managers, workers, and auditors.

As an NGO, Verité’s is recognized for its independence and unique credibility, as well as the usefulness of its information to businesses. Information is sourced from workers, NGOs and trade unions, and interpreted to help businesses reduce social risk in their supply chains.

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References

1. The ILO’s *Forced Labour Convention* (No. 29) of 1930 defines forced labor as, “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.” *The Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery*, adopted in 1956, defines debt bondage as “the status or condition arising from a pledge by a debtor of his personal services or of those of a person under his control as security for a debt, if the value of those services as reasonably assessed is not applied towards the liquidation of the debt of the length and nature of those services are not respectively limited and defined.”


5. While precise figures remain unavailable, Verité’s own 2014 study found that a third of workers, numbering in the tens of thousands at minimum, in the electronics sector in Malaysia were trapped. See: http://www.verite.org/research/electronicsmalaysia

6. Recruitment fees encompass many different costs, with payments to brokers often referred to as placement fees or service fees payable to a sub-agent, originating country agent, and destination country agent. There are also costs associated with government levies, visas, medical exams, and transportation, all of which are invariably passed on to workers.


13. See *Corruption and Labor Trafficking in Global Supply Chains*, available at:


19. For example, worker surveillance in Malaysia is perpetuated by the Ikatan Relawan Rakyat (RELA). For further elaboration, see pp. 49-50 in the following: http://www.verite.org/sites/default/files/images/VeriteForcedLaborMalaysianElectronics_2014_0.pdf