





There are **164 million** migrant workers globally.¹

Worker-paid recruitment fees are illegal in 59 countries.²

The ILO states that "no recruitment fees or related costs should be charged to, or otherwise borne by, recruited workers and jobseekers." 3

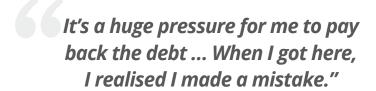


No workers should pay for a job. Yet, in Malaysia, some workers had to pay **4-5 months' wages (approx. US\$1,000)** in recruitment fees.⁴



Suppliers to one electronics company reportedly reimbursed up to **US\$30 million** to workers for fees paid for recruitment.⁵

The global electronics sector is comprised of powerful corporations—the 49 largest information communications and technology (ICT) companies have a combined market capitalization of US\$5 trillion. In 2020, following benchmarks in 2016 and 2018, KnowTheChain evaluated these companies on their efforts to address forced labor and human trafficking in their supply chains, including their efforts to tackle exploitation through the recruitment processes in their supply chains.



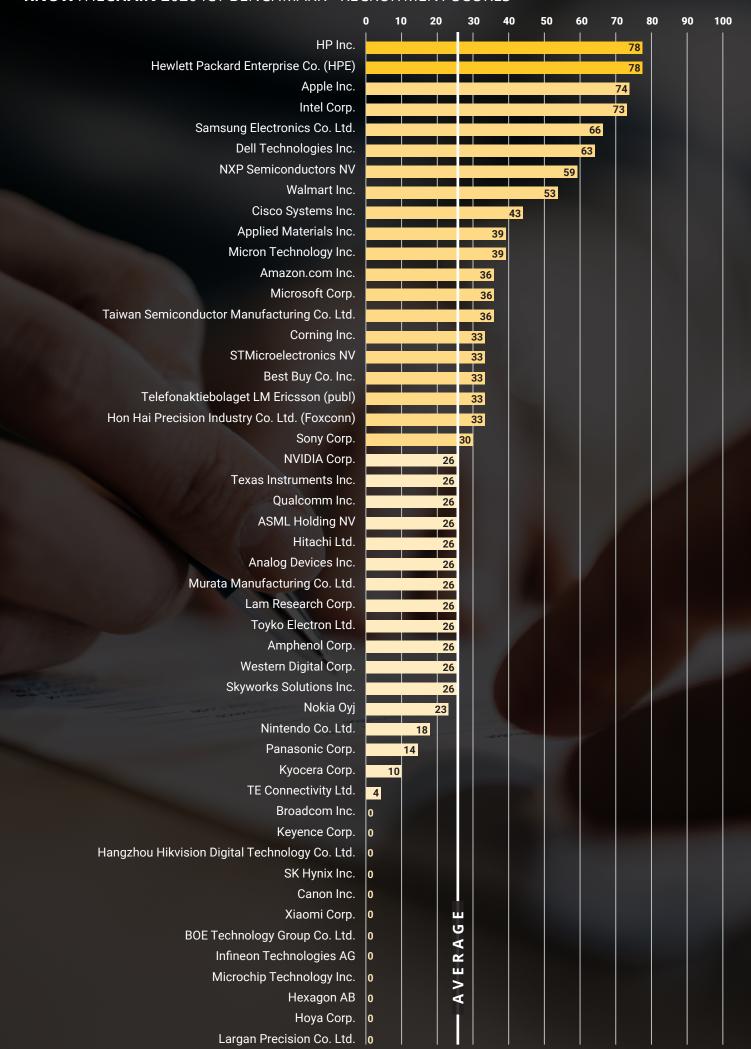
Aminul, a migrant worker in a Malaysian electronics factory, said it would take him approximately two years to pay off a loan taken to pay his recruitment fee.

"My employer has my passport, so if I want to go back home, I can't." The results show that the vast majority of companies score poorly. No company receives a full score on the theme of Recruitment and only eight of the 49 companies (16%) score above 50/100. **HP** (78/100) and **Hewlett Packard Enterprise** (78/100) are the only two companies that score above 75/100. Both companies disclose remediating recruitment fees to workers in their supply chains, mapping recruitment costs, training suppliers on responsible recruitment, and engaging with their peers to work toward responsible recruitment in the sector. HP and **Hewlett Packard Enterprise** are the only companies to require direct employment in their supply chains, thus eliminating the risks associated with the use of employment agencies.

Twelve companies score zero on the theme of Recruitment, including the Chinese company **Hikvision**, the world's largest surveillance equipment manufacturer; the electronics component manufacturer **Keyence**, the sixth-largest-listed company in Japan;⁷ the German semiconductor manufacturer **Infineon Technologies**, a supplier to companies such as Apple and Amazon; the Swedish electronics equipment company **Hexagon**; and the US semiconductor supplier **Broadcom**, the largest of the 12 companies with a market capitalization of more than US\$100 billion.

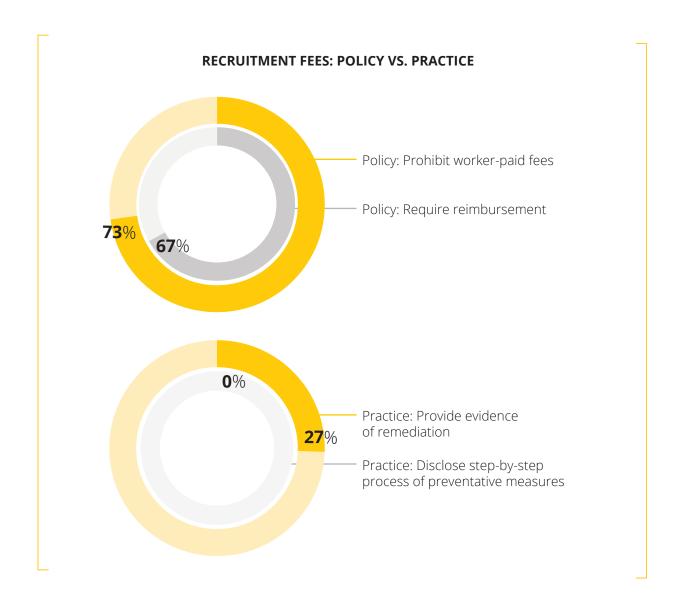


KNOWTHE**CHAIN** 2020 ICT BENCHMARK - RECRUITMENT SCORES



KnowTheChain's benchmark methodology assesses companies' efforts to address forced labor in their supply chains. It is comprised of seven themes, one of which is Recruitment.⁸ To evaluate this theme, the methodology measures a company's approach to reducing the risk of exploitation of supply chain workers by recruitment and employment agencies, eliminating workers' payment of fees during recruitment processes throughout its supply chains, and protecting the rights of workers in vulnerable conditions, including migrant workers.

Recruitment is the third-lowest-scoring theme in the benchmark, with an average score of 27/100.9 No one should have to pay for a job. Yet, this is the reality faced by many workers in global supply chains. Thirty-six of the 49 companies (73%) have a policy prohibiting worker-paid recruitment fees in their supply chains. But company disclosure reveals a disparity between policy and practice—only 13 companies disclose evidence that fees have been repaid to workers, despite the prevalence of fees in the sector. Moreover, no company sets out a comprehensive process to prevent such fees from being charged to workers in the first place.



Electronics Supply Chains: Forced Labor Risks Related to the Recruitment Process of Migrant Workers

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor. Conditions that render workers vulnerable may include characteristics such as gender or age and factors such as workers' legal and employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers). Risks increase when multiple factors are in place. Female migrant workers, for example, experience "systematic discrimination and abuse," and are also hit hardest by the Covid-19 pandemic. 11

Migrant workers are an essential part of the workforce in electronics supply chains. Malaysia, a country where electronics are identified as being at risk of being produced using forced labor, 12 is estimated to host six million migrant workers. 13 Other electronics manufacturing locations such as Taiwan, Thailand, and Singapore also rely on migrant labor. 14

In 2019, the International Labour Organization (ILO) issued guidance, clarifying that workers should be charged neither recruitment fees nor related costs for finding work. Related costs may include the following: outlays for medical expenses, insurance, skills and qualification tests, training and orientation, travel and lodging, and administrative expenses. This is important, as where worker-paid recruitment fees are prohibited, recruiters may charge migrant workers through other means, such as by increasing costs for travel and medical examinations.

In fact, two benchmarked companies reported discovering that workers in their supply chains were paying recruitment fees and related fees ranging from 5%–200% of their monthly wages. ¹⁶ Workers in the electronics sector in Malaysia reported paying the equivalent of up to four or five months of their wages in recruitment

fees.¹⁷ Further, restriction of workers' freedom of movement through means such as the retention of personal documents, including passports, is common, as are intimidation and threats, such as denunciation to the immigration authorities.¹⁸

When excessive recruitment fees are charged, workers often end up indebted to the recruiter or employment agent. Failure to repay these fees can have severe social and personal consequences. Workers in such situations can be more easily manipulated by the employer (e.g., accepting lower wages then initially anticipated, poor working conditions, or excessive work hours). Migrant workers who lose their jobs because of Covid-19-related impacts are even more vulnerable to exploitation—their debt increases, and they may not be able to access another source of income. In countries where their legal status is linked to employment, they risk becoming undocumented.¹⁹

Further, migrant workers face significant barriers to exercising their right to freedom of association and collective bargaining,²⁰ rights which are key to eliminating forced labor. These are enabling rights for all other rights at work, as they allow workers to assert their rights and engage in meaningful negotiation and bargaining with their employers.

Risks of exploitation related to the recruitment of migrant workers persist across countries, tiers, and subsectors. The factors that render workers such as migrant workers and women workers more vulnerable to forced labor are increasing—including unemployment, informal employment, pandemics such as Covid-19, increased migration caused by conditions like income inequality and climate change, and increased competition for existing jobs due to automation of manufacturing work.²¹

RECOMMENDATIONS FOR COMPANY ACTION

Responsible Recruitment: Adopt responsible recruitment practices in supply chains by collaborating with peers to share findings on recruitment issues, such as the cost of recruitment between two countries or information on recruitment corridors, ensuring suppliers have a screening and selection process in place for recruitment agencies, supporting the development of ethical recruitment schemes, and actively participating in collaborations such as the Responsible Labor Initiative of the Responsible Business Alliance (RBA).

Recruitment Fees: Incorporate the Employer Pays Principle into policies to ensure that costs are borne by the employer, not the worker. Take steps to ensure both remediation of worker-paid fees and prevention of such fees. Identify recruitment corridors (as well as any recruitment fees and related costs charged in different recruitment corridors) and undertake detailed checks on relevant documentation

from suppliers (such as contracts with recruitment agencies or worker visas). Adapt purchasing practices to incorporate the costs to meet the Employer Pays Principle into payments to suppliers.

Rights of Workers in Vulnerable Conditions: Understand the workforce in your supply chains and the conditions that may create vulnerability to exploitative working conditions, such as for migrant workers, women workers, or student workers. Ensure workers in the supply chains, including migrant workers, understand and are able to exercise their rights. This ranges from ensuring workers have access to their passports, know their rights (including the Employer Pays Principle), have access to effective grievance mechanisms, and are able to exercise their right to freedom of association and collective bargaining (and/or are able to access alternative means of organizing and bargaining).

BENCHMARK FINDINGS ON RECRUITMENT FEES

Thirty-six of the 49 companies (73%) disclose a policy that prohibits worker-paid recruitment fees in their supply chains, and 31 of these policies include the Employer Pays Principle, which specifies that the employer, not the worker, must be responsible for the payment of recruitment-related fees. Many companies use the code of conduct of the RBA, the latest versions of which incorporate the Employer Pays Principle. Some companies provide additional guidance to their suppliers. **Samsung**, for

example, discloses a set of guidelines that lists the recruitment-related fees that are payable by the supplier. It also states that its suppliers should pay such fees after a worker's employment offer has been accepted in writing, including charges for any recruitment agency fees, transportation, medical tests, visas, and training orientations.

The majority of the companies disclose a policy prohibiting recruitment fees, showing a trend toward this requirement

Employer Pays Principle:

"No worker should pay for a job—the costs of recruitment should be borne not by the worker but by the employer."

becoming a norm in the sector (36 out of 49). It is encouraging that of the 40 companies benchmarked in 2018, 30 (75%) now have a no-fee policy in place. This represents an increase of six companies (15%) that have published such a policy since 2018.

Thirty-three of the 49 companies (67%) specify some steps they have taken (beyond merely prohibiting worker-paid recruitment fees) to ensure that fees are reimbursed to workers where they have been paid. In some cases, this is simply a policy that requires fees be repaid to workers. Some companies provide further information. Amazon, for instance, states that during investigations, it records where workers have migrated from and the amounts they have paid in fees. Similarly, Walmart discloses that it reviews audit information for indicators that migrant workers might have been charged fees. These examples give

some indication of the processes that companies are using to identify fees.

However, only 13 out of 49 (27%) companies demonstrate that their policies regarding recruitment fees are being implemented in practice by disclosing evidence that fees have been reimbursed to workers. Among these 13 are ten companies that were benchmarked in 2018-five of which (Cisco, Ericsson, HP, Microsoft, and **NXP**) disclose that fees have been repaid to workers in their supply chains since 2018 (12.5% increase). Apple discloses the cumulative amount that has been reimbursed to workers since 2008, as well as the process by which it calculates reimbursement amounts. The amounts are determined by the fees identified through worker interviews and additional verification with labor agencies or suppliers. The company also outlines the repayment process with its suppliers:

the supplier is notified of the violation; the supplier signs the probation and repayment terms; the supplier submits a repayment plan to Apple for approval; the supplier makes the repayment to the worker; and a third-party auditor verifies the payment at the supplier site. Intel discloses that money has been reimbursed to workers in the lower tiers of its supply chains, including in the second and third tiers. It reports that it is currently working with ten suppliers on fee repayments in the third tier of its supply chains. Intel and Cisco are the only companies disclosing what the amount of fees means for workers by providing an indication of how the fees compare to monthly wages.

Where companies disclose information about remediation, details are often limited and do not provide a full picture of the conditions in a company's supply chains. Good practice includes disclosing reimbursement for recruitment fees and related fees such as health checks or travel costs, as well as disclosing details such as the number of workers reimbursed, the countries where this occurred, the timeframe, and the amounts paid back over time. Companies that disclose such details can demonstrate the scope of their work on recruitment fees and show that remediation is not taking place in isolated incidents.

Notable examples include:

- Apple discloses that its suppliers have reimbursed fees of approximately US\$30.9 million to 36,137 workers since 2008. This includes US\$616,000 to 287 workers in 2018. Apple also discloses that it has required fees be returned to an employee who had been made to pay for their onboarding medical examinations at a supplier facility.
- Cisco discloses that it oversaw the reimbursement of an estimated

- US\$400,000 in health check and recruitment fees by suppliers to 2,150 workers. It notes that "to make lasting improvements, Cisco will monitor and coach suppliers across multiple years if needed."
- Intel reports that its suppliers have repaid US\$14 million in fees to more than 12,600 workers since 2014. It also discloses fee repayments at eight second-tier suppliers in Japan and Korea.

Even where companies disclose details, however, it is often difficult to understand the scale of reimbursement across sourcing countries. The amount of recruitment-related fees repaid to workers, as reported by companies in the benchmark, ranges from US\$180 to US\$1,200. It is not always clear in which countries these repayments occurred and, as companies do not report on whether remedy is satisfactory to the victims, it is typically unclear whether the reimbursement amount is adequate. Equally, it is difficult to ascertain whether



the number of workers remediated covers all, or at least the majority, of workers who have paid recruitment fees. Only a very few companies report on the number of workers in their supply chains, much less on the number or percentage of migrant workers. The few companies that report on such numbers estimated that migrant workers make up between 0.1%-5% of their supply chain workforce; and that the percentage of workers to whom recruitment fees were reimbursed varied between 1%-2.5%. Further. there was no evidence that companies support their suppliers in repaying such recruitment fees. On the other hand, it is encouraging that companies in the sector for the first time report on payback of recruitment fees in the lower tiers of their supply chains, as well as on payback of recruitment-related fees, such as health checks.

While some companies disclose reimbursing fees, no company shows a step-by-step process that evidences that its policies are implemented, i.e., that recruitment fees are paid by suppliers rather than their workers. This is despite the fact that some companies have had no-fee policies for several years (and some have been remediating such fees to workers for several years), and it is concerning that these policies appear to be ineffective in preventing fees from being charged in the first place. Such a process could include demonstrating an understanding of the recruitment channels that supply chain workers use to get to sourcing countries, identifying labor agency practices and the amounts of fees charged in different corridors, and undertaking detailed checks on relevant documentation from suppliers (such as contracts with recruitment agents or worker visas). Some initial steps companies have taken include:

 HP reports that it works to build its suppliers' capabilities

- through partnering with external organizations "that can provide guidance on the ethical management of recruiting foreign migrant workers" and states that this can involve the external organization conducting their own worker interviews, reviewing documentation, and researching migration costs.
- Hewlett Packard Enterprise notes that in collaboration with the Verité, a labor research and consultancy organization, it mapped the legal regulations and financial costs of recruitment along a number of common recruitment corridors.
- Applied Materials discloses a
 project focused on assessing forced
 labor risks in the supply chains
 of three Asia-based suppliers. It
 reports that the project evaluates
 its suppliers' processes for hiring
 migrant workers, maps the journeys
 of the workers and the associated
 recruiting processes, and develops
 corrective action plans to address
 the gaps identified.

No company reported on training procurement teams and adapting purchasing practices to ensure the recruitment costs of the Employer Pays Principle (costs that were previously assumed to be non-existent or absorbed by workers) are integrated into sourcing costs.

While 33 of the 49 companies report that they require fees be reimbursed, only 13 disclose that fees have been repaid to workers in practice (27%). Therefore, while policies prohibiting fees appear to have become commonplace, a disparity still exists between the policies companies have established and disclosure on how those policies work effectively in practice.

OOD PRACTICE

BENCHMARK FINDINGS ON RECRUITMENT APPROACH

HP and **Hewlett Packard Enterprise** are the only companies to require direct employment in their supply chains. In doing so, they are eliminating the risks associated with the use of employment agencies. Only 10% of the companies (5 out of 49) disclose some steps toward requiring direct employment through encouraging its use, raising awareness of its benefits, or requiring direct employment in high-risk situations. Apple, for example, requires that employment agencies are not used in the employment of student workers. Dell discloses that it set up a workshop for suppliers to which it invited a supplier "skilled in managing risks associated with labor agents" to present to other suppliers. The workshop emphasized that hiring workers directly reduces the risks of recruitment fees being charged to workers.

Only one company, Hewlett Packard Enterprise, requires recruitment agencies used by its suppliers to adhere to all four ILO core labor standards.

Eleven of the 49 companies (22%) require either recruitment or employment agencies to adhere to their supplier code

of conduct or require both agencies to comply with its forced labor policies. Corning discloses that it requires labor agencies to conduct due diligence with employment and recruitment agencies, and that sub-agencies are also required to ensure compliance with its supplier code of conduct, which addresses forced labor.

Five companies (10%) disclose that they are taking steps to trace or map recruitment risks in their supply chains. Intel, for example, discloses that it has a process for mapping migrant worker journeys and recruitment channels in its supply chains. It reports that it asked 17 suppliers who employ migrant workers to carry out in-depth analyses of their processes for risk management. The suppliers were asked to cascade their policies to recruitment agents, map the journeys of migrant workers from home countries to factories, and assess the risks associated with those journeys. Some companies are members of the Leadership Group for Responsible Recruitment and, as such, are required to map their supply chains for recruitment risks. However, no company discloses the outcomes or findings of their processes, or details on recruiters used by their suppliers.

SOOD PRACTICE

BENCHMARK FINDINGS ON MONITORING AND RESPONSIBLE RECRUITMENT

Companies do not generally disclose information on monitoring recruitment agencies in their supply chains. Thirteen out of 49 companies take some steps toward this, such as requiring suppliers to conduct due diligence on the recruitment agencies that they use. Still, they fail to provide evidence of implementation. Only one company, **Intel**, discloses undertaking audits. It reports that audits have been conducted on five agencies in its supply chains.

Ten of the 49 companies (20%) disclose information on how they support responsible recruitment in their supply chains. This included for example, taking an active role in initiatives that address recruitment, mapping the journeys of migrant workers, collaborating with industry peers on recruitment issues, and training suppliers on ethical recruitment.

Intel reports that, in May 2018, it worked with peer companies and the consultancy Elevate to provide training to over 150 suppliers and their recruiting agents in Malaysia, Singapore, and Thailand.

Walmart states that it is working on an ethical recruitment project with the International Organization for Migration to understand the scale of migrant labor in its supply chains in Thailand and Malaysia. It states this project will "help provide suppliers with tools to promote ethical recruitment, decrease risks of worker exploitation, and develop a baseline on labor migration patterns and migrant worker recruitment."

Walmart's statement of principles on recruitment says, "When utilizing labor agents, use agents that adhere to the Employer Pays Principle," with the purpose of increasing demand for agents that use responsible recruitment.

Despite an increased focus in the sector developing responsible recruitment policies on and remediating recruitment fees, companies appear to be less involved in both preventative measures and working toward responsible recruitment in their supply chains more broadly. This is arguably necessary in order to effect industry-wide change. Since 2018, only two additional companies have disclosed details on supporting responsible recruitment in their supply chains.

No company disclosed the use of ethical recruitment agencies in practice.

BENCHMARK FINDINGS ON RIGHTS OF WORKERS IN VULNERABLE CONDITIONS

The majority of the companies (76%) disclose a supply chain policy that prohibits the retention of workers' passports, as the practice allows employers to control workers' freedom of movement and prevents them from leaving the job. The latest versions of the RBA code, used by many companies in the benchmark, prohibit passport retention and restrictions on workers' freedom of movement. Among companies benchmarked in both 2018 and 2020, an additional five companies have established this policy since 2018 (increase of 12.5%). Ten out of 49 companies disclose information on how this policy is implemented in practice, for example, by reporting instances whereby personal documentation has been returned to workers and processes have been put in place by suppliers to prevent retention from occurring again. TSMC, for example, discloses that 100% of the suppliers that it discovered had violated the passport retention policy have now eradicated the practice. NXP discloses audit data on the retention of passports, showing that non-compliances related to passport retention have decreased from 26% in 2017 to 9% in 2018.

Almost 70% of the companies (33 out of 49) disclose a policy that requires workers be provided with information on the terms and conditions of their job, as well as their rights. It is important for workers to know and be able to exercise their rights, especially where workers are migrating to a country where they will be less familiar with legal protections and social norms regarding equal treatment and non-discrimination. The most recent versions of the RBA code require that workers be provided with a written employment agreement in their native language before departing from their country of origin. However, only six companies disclose how this policy has been implemented in practice. Apple reports that its suppliers and labor agents are given tools that help potential workers learn about their labor rights and the terms of employment during the hiring process.

Apple reports on working directly with labor agencies in sending countries to train them on how to effectively deliver pre-departure orientation training to migrant workers.

Suppliers and labor agents then provide pre-departure training to new employees on contract terms and conditions, working and living in the host country, and labor rights and protections during the journey.

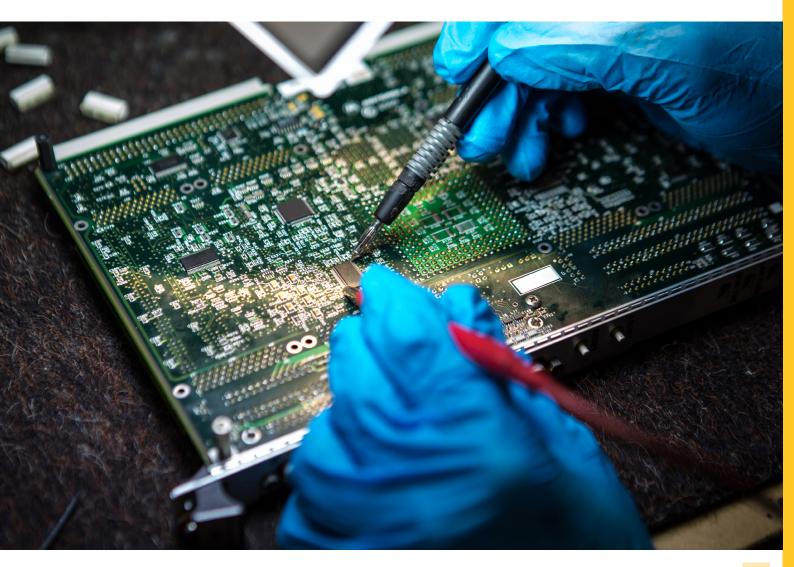
Only two companies go further than describing policies in place for protecting the rights of workers in vulnerable conditions by reporting on the outcomes of steps taken to ensure the respect of workers' fundamental rights. Such outcomes should show a positive change in conditions for workers in vulnerable conditions, such as migrant, student, or women workers, beyond remediating existing violations of their rights.

HP, for example, reports that it worked with a supplier to improve working hours and give longer lead times. As part of these efforts, the supplier delivered training to 450 migrant workers on their rights and transitioned temporary workers to direct hires to avoid discrimination and unfair treatment.



The Institute for Business and Human Rights notes that "the recruitment agenda does not adequately focus on the migrant workers' experience; responsible recruitment and implementation of the Employer Pays Principle is mainly not a bottom-up movement ... Reducing or eliminating recruitment costs to migrant workers does not necessarily reduce other risks, [therefore] broader worker protection, including access to complaint mechanisms, is fundamental to respecting migrant workers' rights." This observation is also reflected in the findings of this benchmark, given that companies disclose taking limited action to support migrant workers and rarely report on positive outcomes for such workers, beyond reimbursing recruitment-related fees.

While some improvements can be seen in this sector on the theme of Recruitment, with recruitment fee policies and policies regarding practices like passport retention becoming more commonplace, ICT companies still have a long way to go in implementing such policies and addressing the forced labor risks in their supply chains that result from exploitative recruitment practices and discrimination of workers in vulnerable conditions. At 27/100, the average score remains low, and disclosure on how policies work in practice is still limited.



ENDNOTES

- 1 International Labour Organization (ILO) (2018), "ILO Global Estimates on International Migrant Workers," p. ix.
- 2 ILO assessed the recruitment policies of 90 countries, 59 of which—from across all regions—have a policy (or policies) prohibiting worker-paid recruitment fees. Other countries set a cap on worker-paid recruitment fees. ILO (2018), "Findings from the global comparative study on the definition of recruitment fees and related costs," pp. 5, 13, and 14.
- 3 ILO (2019), "General principles and operational guidelines for fair recruitment and Definition of recruitment fees and related costs," p. 20.
- 4 Danwatch (28 June 2019), "The labour supply chain: how foreign workers end up indebted in Malaysia."
- 5 As publicly reported by companies in the benchmark.
- 6 The Guardian (8 November 2018), "Samsung should try imagining a world where big firms respect workers."
- 7 Financial Times (19 February 2019), "Keyence's R&D investment doesn't add up."
- 8 The themes are based on the UN Guiding Principles for Business and Human Rights, and broadly cover the principles' three areas of commitment, due diligence, and remedy. Companies in the benchmark are assessed on relevant public disclosure on their websites.
- 9 See Recruitment chapter of KnowTheChain (June 2020), "2020 KTC ICT Benchmark Report."
- 10 Institute for Human Rights and Business (2019), "Breakout Groups Summary: Global Forum for Responsible Recruitment Bangkok, July 2019," p. 3.
- 11 BBC (8 March 2020), "Coronavirus: five ways virus upheaval is hitting women in Asia."
- 12 US Department of Labor (2018), "U.S. Department of Labor's 2018 List of Goods Produced by Child Labor or Forced Labor," p. 8.
- 13 Malaysia is estimated to host between two and four million undocumented migrant workers, as well as 2.2 million registered migrants. Danwatch (28 June 2019), "The labour supply chain: how foreign workers end up indebted in Malaysia." It is estimated that migrant workers could comprise up to a third of the country's
- workforce. VOA (11 October 2019), "US ban on Malaysian glove maker highlights 'systemic' labor abuse."

 14 The Responsible Business Alliance discloses the countries where its members have undertaken supplier audits; these include Malaysia, Taiwan, Thailand, and Singapore. Responsible Business Alliance, "2018 Annual Report," p. 35. There are an estimated five million migrant workers in Thailand. Reuters (11 December 2019), "Thai electronics firm compensates exploited workers in rare award." Taiwan hosts around 700,000 migrant workers. Equal Times (20 March 2020), "Will Taiwan reform its system of labour brokerage to better protect migrant workers?" As of June 2019, Singapore has more than 1.3 million foreign workers. Government of Singapore: Ministry of Manpower, "Foreign workforce numbers." Accessed 15 April 2020.
- 15 ILO (2019), "General principles and operational guidelines for fair recruitment and Definition of recruitment fees and related costs," pp. 13 and 29.
- 16 KnowTheChain, "2020 KTC ICT Benchmark Data Set." Accessed 30 April 2020.
- 17 Danwatch (28 June 2019), "The labour supply chain: how foreign workers end up indebted in Malaysia."
- 18 Danwatch (28 June 2019), "Forced labour behind European electronics."
- 19 Al Jazeera (30 March 2020), "Coronavirus lockdown leaves migrant workers stranded in Thailand." International Organization for Migration (26 March 2020), "COVID-19 places workers in highly vulnerable situations."
- 20 Institute for Human Rights and Business (2019), "Migrant Workers & Unions."
- 21 United Nations University (September 2019), "Unlocking potential: a blueprint for mobilizing finance against slavery and human trafficking," p. 29.
- 22 See Traceability & Risk Assessment chapter in KnowTheChain (June 2020), "2020 KTC ICT Benchmark Report."
- 23 See Purchasing Practices chapter in KnowTheChain (June 2020), "2020 KTC ICT Benchmark Report."
- 24 The company does not require employment agencies to meet such standards since it requires workers to be employed directly by suppliers.
- 25 Institute for Human Rights and Business (2019), "Breakout Groups Summary: Global Forum for Responsible Recruitment Bangkok, July 2019," p. 3.