



FFACT PROJECT



# What Do Workers Pay?

Recruitment Costs Linked to Exploitation,  
Bangladesh-Malaysia Labor Migration

**Verité**  
Fair Labor. *Worldwide.*

# Acknowledgements



This report was generated by a collaboration of Verité, Sheva, Bangladeshi Ovhibashi Mohila Sramik Association (BOMSA), Welfare Association for the Rights of Bangladeshi Emigrants Development Foundation (WARBE DF), and Fifty Eight, to investigate exploitation of Bangladeshi workers in labor migration to Malaysia, for the project known as FFACT (Fostering Fee Accountability and Cost Tracking). Original research and data collection for the report was conducted in 2023 by Lily Jahan, Sheikh Rumana, Rojina Anwar, Alis Akhtar and Shohidul Islam of BOMSA Safayet Hossain, Rahima Akhtar, and Abid Afnan of WARBE DF, and Mohammad Nuruzzaman on Sheva. Worker interviews were conducted using a digital survey tool, in-person and remotely. The report was authored by Samara Khan, Rojina Anwar, Alis Akhtar, Aminul Islam Tushar, Safayet Hossain, Md. Abu Saim, Sarah Lince, and Anastasia Lynge. Jaclyn Borchardt, Julie Brown, and Arafat Kazi created graphic design.

For more information see [www.verite.org/ffact](http://www.verite.org/ffact)



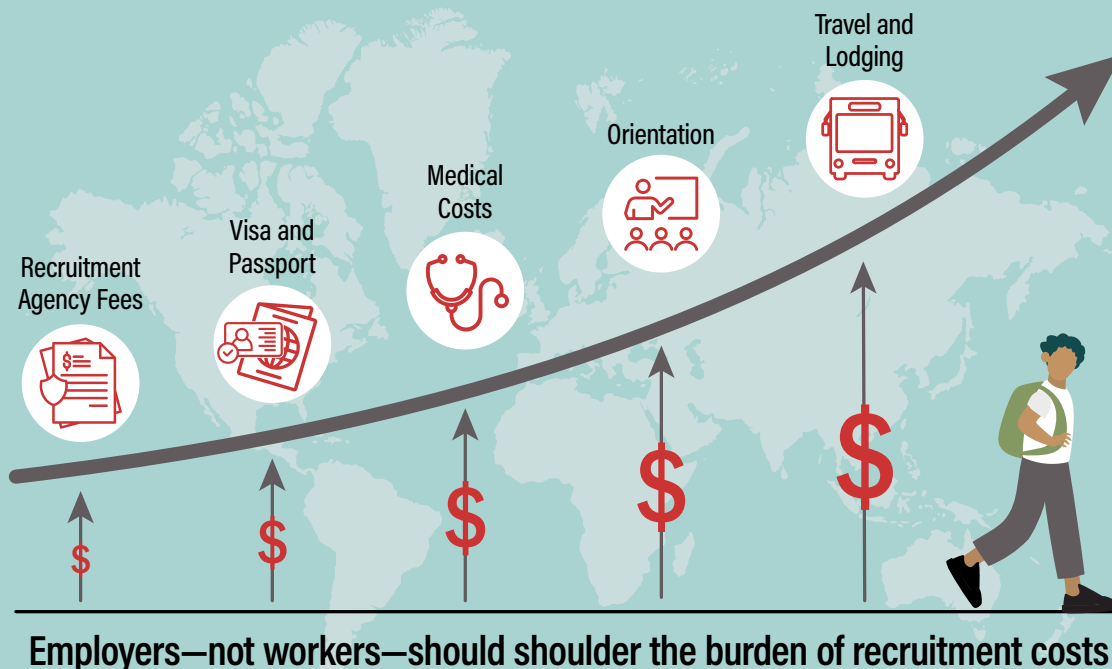
# Introduction



## Why focus on migrant workers and debt bondage risks?

Forced labor is a pervasive issue and contributes heavily to the negative human rights impacts of global trade and supply chains. A variety of new and emerging human rights due diligence (HRDD) legislation and regulations throughout the world are driving a dramatic increase in demand for labor recruitment cost information as companies are pushed to better understand, mitigate, and prevent recruitment-related forced labor. For many companies, this data is key for addressing exploitation of migrant workers in all types of supply chains because an important indicator of forced labor is debt bondage.

Debt bondage occurs when workers borrow money to pay for their own recruitment to a job, and face indebtedness during employment. Verité’s extensive experience tracing labor supply chains shows that the majority of migrant workers pay for recruitment costs (because employers don’t pay), and as a result, workers



face vulnerability to exploitation due to indebtedness during employment. Despite the prevalence, there are currently very limited data collection mechanisms available to calculate the real recruitment costs paid by migrant workers.

Companies, governments, as well as workers' and civil society organizations are seeking greater access to recruitment cost data to drive their actions to address debt bondage. One way to reduce risks for migrant workers is to ensure employers are paying the full cost of recruiting workers in their labor supply chain. This is known as the employer pays model (EPM), promulgated by tripartite agreement of the ILO.<sup>1</sup>

Responding to an expansion of demand for Employer Pays and Human Rights Due Diligence compliance, employers are seeking ways of calculating and reimbursing workers for recruitment costs, as a remedy to debt bondage in their labor supply chains.<sup>2</sup>

The actual cost of recruitment represents millions of dollars at stake for migrant workers. Clear evidence of how, and the amounts, workers are paying drives companies to take steps towards implementing an Employer Pays Model and other human rights due diligence, including providing workers' access to remedy such as reimbursing workers for recruitment costs. Regulatory authorities also seek recruitment cost data for monitoring trade regulations such as import bans on products or services produced with linkages to forced labor, and for investigating unlawful recruitment practices linked to forced labor and/or human trafficking.

When making these calculations, companies acting alone and without transparency cannot be relied upon to collect accurate data on how much workers are paying. Current recruitment cost calculation methods erroneously assume that seeking data from workers themselves is too arduous and inaccurate. As the supply chain compliance field is becoming more data-driven, it is crucial to establish data collection and analysis methods that are oriented around workers' real experiences and priorities. This report documents a project to field test a more efficient, precise, and worker-centered mechanism for collecting data on recruitment costs.

Just as there is increasing recognition that granular, locally oriented data is important for driving innovative solutions to climate change and other global issues, there is a similar need to place workers, those who are most effected, at the heart of generating and analyzing data to address exploitation of migrant workers. Collecting data in direct consultation with workers, and/or by workers' organizations themselves, is a key step in making this valuable data available to comprehensive human rights due diligence mechanisms.

Low-waged migrant workers underpin much of the global economy and are among the most vulnerable to serious exploitation, including debt bondage and forced labor. Unfortunately, although in contravention of international human rights standards, worker-paid recruitment costs have become normalized in the recruitment of migrant workers across many sectors and regions.

There are an estimated 169 million labor migrants globally, with over 2 million working in Malaysia. Based on 2022 estimates, the annual outflow of Bangladeshi migrants to Malaysia totaled 228,097. Over the past ten years

Verité's extensive engagement with Bangladesh-Malaysia labor supply chains reveals that Bangladeshi workers consistently pay higher recruitment costs than other migrant workers in Malaysia, and as a result face higher risks of debt bondage and other labor exploitation. Ongoing reports detailing the risks faced by Bangladeshi migrant workers have illuminated the need for a cross-sectoral, coordinated response. Reports published by the ILO, Amnesty International, The Centre for Research on Multinational Corporation (SOMO), and the National Human Rights Commission in Nepal, all identified numerous problematic issues confronting foreign workers during recruitment and when they arrive in Malaysia, including the use of worker-paid recruitment fees for costs that should be covered by employers.

## Who conducted this study?

This study of recruitment costs was generated by the Fostering Fee Accountability and Cost Tracking project (FFACT), a collaboration of workers' and civil society organizations across two labor supply chains to promote accurate, transparent recruitment cost monitoring and calculation and address exploitation of migrant workers.

The three goals of the FFACT project are:

1. **Build Awareness.** Increase civil society awareness of methods for monitoring debt bondage risks faced by migrant workers. Promote CSO capacities to provide data for Human Rights Due Diligence initiatives in supply chains. Increase worker awareness and understanding of vulnerabilities to recruitment fees and debt bondage-related labor exploitation.
2. **Promote Worker-Centric Data.** Strengthen data collection and analysis capacities of local civil society organizations through accessible and transparent recruitment fee tracking methods and tools.
3. **Advance Evidence-Based Interventions.** Improve evidence-based interventions for the elimination or remedy of debt bondage exploitation through cross-stakeholder dialogue.

Beginning in 2022, the FFACT project has engaged more than 20 civil society and workers organizations in two corridors where migrant workers are exposed to high risks of debt bondage: India to Gulf Cooperation Council (GCC) countries and Bangladesh to Malaysia. Data was collected and analyzed in 2023 using a digital survey tool through in-person and remote (mobile phone call) worker interviews. To enhance accuracy of data reported by workers, Verité has partnered with workers' and civil society organizations embedded in migrant-worker communities. Partner CSOs and CBOs conducted interviews with careful attention to privacy and confidentiality. Through a digital survey conducted by the FFACT partner organizations, more than 600 Indian and Bangladeshi workers disclosed sensitive and personal information about recruitment costs they paid, loans required to pay recruitment costs, and their risk of exposure to debt bondage during employment in GCC countries and

Malaysia. Worker interviews were precipitated by awareness-raising in sending communities and mobilization of key community leaders and trusted individuals, such as local health care workers.

To investigate Bangladesh-Malaysia labor migration costs, Verité partnered with one Information Technology and Communications (ITC) platform, three local civil society organizations (CSOs), and four community-based organizations (CBOs) in Bangladesh.

These organizations collaborated to conduct recruitment cost data collection and analysis for the India-GCC corridors, building on successful interventions to promote community-based resilience to exploitation of migrant workers.

## Fifty Eight

**Fifty Eight**, based in the United Kingdom, maintains the digital survey platform via the Just Good Work app to promote safe migration awareness for migrant workers.



**Sheva Consultants Ltd.**

**Sheva**, is a labor ethics consultation service based in Bangladesh. Sheva works in partnerships with NGOs, rights-based organizations, and nonprofits to conduct labor ethics research from a human rights approach. Sheva also provides corporate consultation for supply chain management, corporate accountability, and sustainable development.



**Bangladeshi Ovhibashi Mohila Sramik Association (BOMSA)**, an NGO founded and operated by returned women migrant workers, is based in Bangladesh. BOMSA is operational in eleven districts of Bangladesh and working to ensure the protection of internal and external women migrant's rights since 1998 through advocacy, activism, and social services. BOMSA engages at community level with migrant workers who battle against the odds in foreign lands by offering both pre and post departure support and training.

**Savar Ovibashi Mohila Sramik Association (BOMSA Partner CBO)**

**Ovibashi Nari Karmi Unnayan Shangstha (BOMSA Partner CBO)**



**Welfare Association for the Rights of Bangladeshi Emigrants Development Foundation (WARBE-DF)** is a non-profit community based migration and development organization working in Bangladesh since 1997. WARBE DF leads efforts in Bangladesh as a migrant workers' association to deal with the issues of migrants' rights. WARBE DF was founded by returnee migrant workers, committed to carrying out programs for the improvement and betterment of the migrant community.

**PEACE Foundation (WARBE-DF partner CBO)**

**OPKSCS (WARBE partner CBO)**



**Verité** is a non-profit organization aimed at addressing labor exploitation in global supply chains. Verité provides knowledge and tools to governments, companies, and civil society to promote safe and fair labor conditions.

This cohort of organizations in Bangladesh were selected to participate in the FFACT project because these organizations:

- have an extensive networks and experience with migrant sending-communities at district and sub-district levels of Bangladesh.
- are actively engaged with national level policy makers in advisory roles, as monitoring partners, and training associates.
- are involved in remediation, repatriation, counselling, and activism relating to upholding Bangladesh migrant workers' rights and welfare.
- are headed by leaders who were migrant workers themselves.

## What did the study discover?

Results of 357 interviews with Bangladeshi workers who migrated to low-wage jobs in Malaysia revealed that at least **96% of migrant workers interviewed reported facing risk of exploitation resulting from recruitment debt during their employment.** Recruitment debt combined with restrictive conditions and guest worker policies in a host country like Malaysia make it extremely difficult for this population of Bangladeshi workers to leave an exploitive employment situation, or to seek remedy from local authorities.

The results of the worker interviews highlighted a need to promote the employer pays model of recruitment and strengthen mechanisms to end the ubiquitous worker-pays model. Workers report high rates of recruitment fees, including to labor brokers and other intermediaries. Additionally, workers face high costs related to expenses beyond recruitment fees. The majority of the interview sample paid for travel to or from the host country, requiring additional costs. **On average, workers pay at least ₳544,000 BDT (\$5,000 USD) in recruitment fees and related costs for a job in Malaysia.**

Several factors in the labor supply chains between Bangladesh and Malaysia contribute to normalizing the practice of exposing workers to debt-driven exploitation risks. First, complexity and lack of transparency of the labor supply chain depends on a high number of intermediaries between workers and employers. **78% of workers interviewed paid fees to a sub-agent or informal recruiter in their home village.** That means that the remaining 22% who were recruited through formal recruitment agencies *still* paid recruitment fees and/or related out-of-pocket costs, revealing that formalizing a recruitment system does not eliminate risks of debt bondage for workers. What is needed is greater transparency and monitoring of intermediaries. Paying an intermediary tended to inflate fees and increase the risk of deception during recruitment. Second, 98% of workers reported having at least one loan to pay recruitment costs. At least three quarters of worker interviewed had to contend with repayment of more than one loan for recruitment costs during employment in Malaysia. Third, there is a considerable risk of hidden costs for workers that could be overlooked when calculating reimbursement from employers or other remedy. **100% of the sample paid directly, out-of-pocket, for related costs such as travel, medical exams, document processing.** According to international labor standards, the employer should pay all of these types of related costs.



# Research Methods



This research was designed to be implemented by novice researchers. Most of the FFACT project interviewers in Bangladesh had little or no prior experience conducting worker interviews or field research with a survey tool. After training and practice, the interviewers conducted 357 worker surveys using an online digital tool. The project implementers found that centering the perspective of workers while using digital data collection tools promoted more detailed and accurate collection of recruitment cost data. The CSOs and CBOs participating in the project can now leverage new recruitment cost data collection and analysis skills to play a key role in promoting greater transparency and accuracy in tracking recruitment costs paid by workers and promoting remedy or elimination of debt-related exploitation.

At the research methods training conducted by Verité and Sheva, the participating organizations in Bangladesh developed their plans for conducting field research, using the online tool for data collection for both in-person (face-to-face) and remote (mobile phone supported) interviews. Sheva took on the role of guiding and coaching the field teams throughout the data collection process. Each participating organization reviewed ethical considerations, and practiced data collection strategies for highly sensitive topics such as recruitment costs and loans. It was decided that the cohort would collect a minimum of 240 worker interviews using a snowball sampling method due to the highly specific nature of the sample.

## About the sample

380 surveys were submitted through the online platform. 357 of these were complete and contained data about how much workers had paid for recruitment fees and related costs. The sample represents a relatively balanced group of experienced and inexperienced pool of migrants: 27% had returned and had migrated at least one time between 2018-2023, 38% were currently employed in the job in Malaysia and this was their first migration experience. The majority of the sample were not experienced migrants, and indicated they were migrating for the first time. Only 27% had previously migrated for a foreign job.

The sectoral disaggregation of migrant workers reflects the overall migrant worker population in Malaysia. 52% of the sample had jobs in the manufacturing sector (electronics and garments), 12% had jobs in the construction sector, 17% had jobs in palm oil production, and the remaining 12% were employed in other service sector jobs.

The sample mirrored the target worker population in age (average age group was 25-45), and other characteristics such as sector of job, but not in gender. The sample was heavily weighted by male respondents, whereas manufacturing and palm oil production jobs are conducted by male and female Bangladeshi workers in Malaysia. 99% of the sample self-identified as male, while only 1% self-identified as female. The gender imbalance of the sample can be explained by the fact that only male workers from Bangladesh presently have legal approval to seek employment as migrant labor in Malaysia.

## Data collection and analysis

The cohort of participating CSOs and CBOS conducted interviews and data collection between August to October 2023. Sheva closely supervised the fieldwork and data collection methods, provided consultation and guidance, including problem solving such as building rapport with workers interviewed, and overcoming technical and translation challenges. Participants connected with returned migrant workers from Malaysia, workers in the process of being employed in Malaysia, and workers who were already in Malaysia, using their community networks. Initially it was difficult to gain workers' trust regarding disclosing personal information on costs and debts, especially since workers had been warned by labor brokers or recruitment agents about discussing recruitment costs. However, FFACT's field pilot team members were well experienced in earning workers' trust through open discussions, reassuring anonymity, and visiting workers in person. In the early phases it took more than one hour to complete an interview, but as the field team became accustomed to data collection, interviews were completed within 30 to 45 minutes. Interviewers strengthened trust with interviewees/workers by providing safe migration guidance and other relevant support to migrants and their families.

After data collection was complete, the cohort attended a workshop with Verité and Sheva to conduct data analysis and plan for dissemination of results. Participants developed their respective stakeholder mapping tools and identified key stakeholders within their networks to share the findings of FFACT field test. BOMSA, WARBE-DF, and their partner CBOs identified four primary stakeholders:

1. Bureau of Manpower, Employment and Training (BMET) — BOMSA and WARBE-DF
2. Ministry of Expatriates' Welfare and Overseas Employment (MEWOE) — BOMSA
3. Bangladesh Parliamentarians' Caucus on Migration and Development — BOMSA
4. Migrant Workers' Communities — BOMSA and WARBE-DF

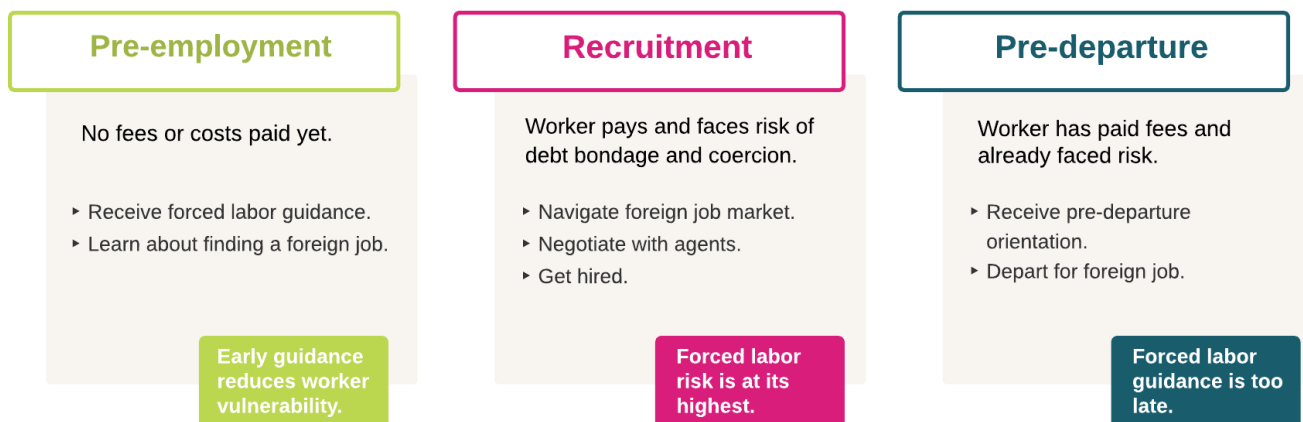
## Key messages

### For policy makers

- Ensure and normalize ethical, safe, legal, and regular migration for all workers.
- Take action to implement the employer pays model and ensure zero migration cost (departure and return) for workers.
- Take action to reduce migrant workers' recruitment cost, including the airfare.
- Distribute accurate guidance about safe migration at local and grassroots levels.
- Establish monitoring mechanisms for migrant workers in destination countries such as Malaysia.
- Strengthen the resources and capacities of Bangladeshi embassy staff to handle cases of exploitation or distress of migrant workers.

### For workers

- Get accurate and verified information about foreign employment before recruitment to a foreign job. Receive training on how to check visa documents, medical and all other required paperwork.
- Collect all information about employer, company, working conditions (e.g., wages, hours, leaves, benefits), and other facilities before agreeing to or signing the contract.
- If you need financing for migration related expenses, get financial guidance about terms and conditions of all types of available loans available.
- Learn how to connect and communicate directly with a registered recruiting agency for all employment related queries and processes.



# Results

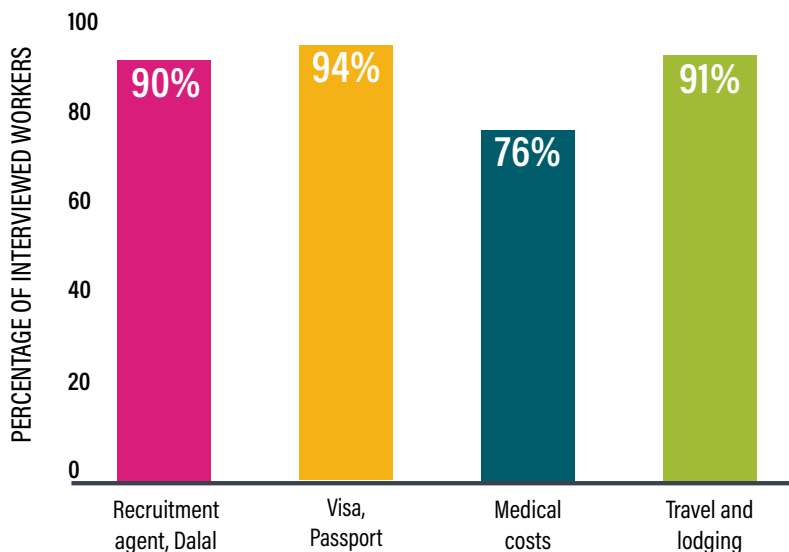


## Fees and costs

Findings of the FFACT digital recruitment costs survey were consistent with Verité workplace assessment interviews of Bangladeshi workers at Malaysian manufacturing facilities conducted between 2018 and 2023, and with Verité’s 2014 electronics sector forced labor study.<sup>3</sup>

While 96% of workers interviewed reported paying recruitment fees to at least one labor broker, the study revealed that workers are paying high rates out of pocket for related costs such as document attainment, medical exams, and travel to or from the host country. For recruitment fees, Bangladeshi workers are paying on average ₳378,600 BDT (approximately \$3,450 USD) (within a range of \$300 USD). For related costs, workers are paying on average ₳165,000 (approximately \$1,500 USD) (within a range of \$300USD).

WHAT RECRUITMENT COSTS ARE WORKERS PAYING FOR?



RECRUITMENT COSTS PAID BY WORKERS, 2018 – 2023

*\*according to ILO list of recruitment fees and related costs*



**\$ 5,000**  
**₳ 544,000**  
 Average estimated cost workers paid for a job in Malaysia

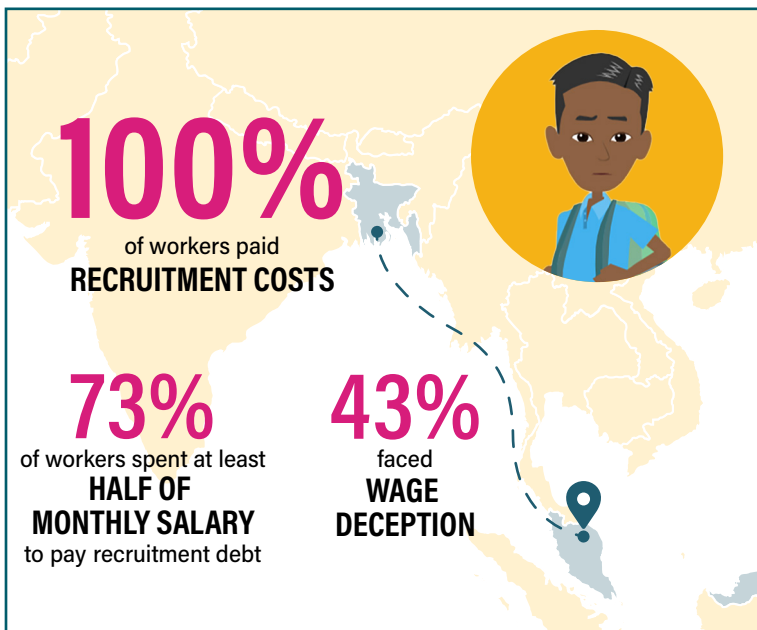


## Debt

96% of the sample reported having to take at least one loan to pay recruitment fees and/or related costs. 82% had 2 or more loans. 73% of workers interviewed spent at least 50-100% of their monthly salary to repay recruitment debt(s), while 43% reported experiencing wage deception (received less wages than promised). 63% of the sample responding to the question about frequency of worry reported that they worry about recruitment debt every day.

## Silence and non-transparency

53% of the sample reported being warned not to disclose or talk about paying recruitment fees. 84% of those responding to this question reported being warned by a **labor broker/agent or company** not to disclose information about recruitment fees or related costs paid by the worker. Further lack of transparency is exacerbated as many workers interviewed were not able to name all of the intermediaries involved in their recruitment. In other words, labor intermediaries or employers are actively suppressing worker-paid recruitment cost information.



# Discussion and Recommendations



100% of the fees and related costs Bangladeshi workers in the sample paid for are listed in the ILO Fair Recruitment Guidance as to be paid by the employer under an Employer Pays Recruitment Model.

The clear prevalence revealed by the survey results show that thus far, legal frameworks limiting recruitment fee amounts do not seem to have an impact on reducing or eliminating worker-paid recruitment costs because root causes of risk factors have not been addressed.

## Top 5 Forced Labor Risk Factors for Workers Identified by the Study



### A complex and non-transparent labor supply chain.

The supply of labor from Bangladesh to Malaysia involves an inordinately high number of intermediaries between the worker and the employer. Over 70% of workers were recruited to their job via a sub-agent (“dalal”) connected to formal recruitment businesses hired by the employing company.

### Recommendation 1

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*Employers adhere to an employer-pays recruitment model as directed by the ILO. Employers and the brands that purchase from them can and should actively monitor and engage in oversight of the entire recruitment process from sending to host country.*

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## Regulatory systems in the sending country monitor workers more heavily than service providers or recruiters.

The structure of current regulations require workers to obtain official documentation at each step of recruitment. High scrutiny of workers during recruitment process invites practices of graft or corruption payments from the worker to process paperwork.

### Recommendation 2

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*Implement neutral and rigorous monitoring of intermediaries providing recruitment services, rather than workers, to reduce graft payments. Place the onus on labor intermediaries, not workers.*

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## Bound to job due to exceptionally high debt.

This study found a high incidence of facing recruitment debt during employment in the host country and found that workers from Bangladesh are paying exceptionally higher fees than other nationalities of migrant workers. 82% of the sample had 2 or more loans to cover recruitment costs averaging about ₳544,000 BDT (\$5,000 USD) for a three-year contract.

### Recommendation 3

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*Promote greater transparency in the labor supply chain; encourage workers to report recruitment costs for reimbursement or elimination of fees and costs.*

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## High risk of workers paying hidden costs that should be paid by the employer.

Interventions focusing on elimination of recruitment fees (service fees paid to a dalal and/or recruitment agent) do not capture how much workers are paying directly out-of-pocket for related costs. For example, at least 77% of the sample paid for international travel to or from the host country, 76% paid for a required medical screen, and 94% paid for “administrative costs” such as passport or visa fee, or other documentation.

### Recommendation 4

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*Promote accurate and thorough calculation of recruitment costs.*

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## Focus on formalization vs. investing in monitoring of service providers.

While there have been numerous interventions aimed at eliminating the informal role that brokers (dalals) play in facilitating recruitment of workers for foreign employers, over 78% of the workers in this study reported recruitment through a dalal. It is worth noting that the remaining 22% still paid recruitment costs, even though they got the job through a formal recruitment process. As long as the role the dalal plays is outlawed or prohibited by licensing regulations, it will remain difficult to monitor their activities to understand when and how much they are charging workers, regardless of whether the employer has paid a recruitment agency.

### Recommendation 5

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*Integrate the role of Dalals into the recruitment process such that their business practices can be efficiently monitored and controlled to eliminate exploitation of migrant workers.*

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# Concluding Remarks



Ultimately, the reason dalals and other labor and recruitment intermediaries charge fees to workers is because employers are not paying a sufficient amount to cover “first mile” recruitment costs – pooling, selecting, and screening potential applicants for eligibility to apply for the job openings. Verité and other experts have observed that many employers do not cover the operational costs of interviewing and screening applicants once informal actors have selected a pool.

There is an additional business case for implementing an employer-pays system. Some studies have shown workers who do not have to contend with recruitment debt are more satisfied with the foreign job, improving retention rates. It is also much more costly to pay fines and face loss of productivity when goods are prohibited for import because of policies prohibiting use of forced labor. For example, in 2020 a shipment from a Malaysia latex glove manufacturer was prevented from entering the United States market by US Customs and Border Patrol because the product had been made by workers in forced labor – including debt bondage. The Malaysian manufacturer eventually had to pay the equivalent of millions in USD to reimburse workers who had faced recruitment costs and related debt bondage under their employment.<sup>4</sup>

It is clear that the amounts workers are paying for recruitment fees and costs are artificially inflated. Employers will end up facing much higher overall costs if they rely on reimbursing workers for recruitment costs. Comparing what workers pay against what employers pay for recruitment shows that employers will pay more for an employer-pays model, but if recruitment costs are paid up-front, it is less costly and more efficient that reimbursing workers after fees have been paid and recruitment cost loans have been taken.

# Endnotes

1 ILO (2019). General principles and operational guidelines for fair recruitment and definition of recruitment fees and related costs. International Labour Office, Geneva - Fundamental Principles and Rights at Work Branch, Labour Migration Branch – Geneva: ILO, 2019. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---pro-trav/---migrant/documents/publication/wcms\\_536755.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---pro-trav/---migrant/documents/publication/wcms_536755.pdf)

2 Bengsten, Peter (2021). Debt Bondage Payouts Flow to Workers in Malaysia’s Glove Industry. The Diplomat. September 14, 2021. <https://thediplomat.com/2021/09/debt-bondage-payouts-flow-to-workers-in-malaysia-glove-industry/>

3 Verité (2014). Forced Labor in the Production of Electronic Goods in Malaysia: A Comprehensive Study of Scope and Characteristics. <https://verite.org/wp-content/uploads/2016/11/VeriteForcedLaborMalaysianElectronics2014.pdf>

4 U.S. Customs and Border Control (2021). CBP Modifies Forced Labor Finding on Top Glove Corporation Bhd. <https://www.cbp.gov/newsroom/national-media-release/cbp-modifies-forced-labor-finding-top-glove-corporation-bhd>