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**Earthworm**



## ► Cost of recruitment in the Indonesia–Malaysia migration corridor

Employer perspectives from participating  
plantation companies

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# Glossary

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<b>Company</b>	Refers to a palm oil plantation company that employs migrant workers.
<b>Cost of recruitment</b>	Refers to any direct and indirect costs associated with the recruitment of migrant workers.
<b>Deployment</b>	Refers to activities and responsibilities of employers, labour recruiters and workers that occur after the selection of workers in the origin country and prior to their arrival in the destination country.
<b>Employer's recruitment cost</b>	Refers to any recruitment cost borne by the employer. This is calculated as all expenditures by the employer, minus any deductions made by the employer from the migrant worker (or any other party) for recruitment-related expenses.
<b>Indirect cost of recruitment</b>	Refers to any recruitment cost or fee that is not formally required under the laws and policies of Malaysia and/or the origin country, where there are no receipts provided.
<b>Intermediary</b>	Refers to any person or party involved in the recruitment of migrant workers, in Malaysia or in the country of origin, in addition to the registered recruitment agency.
<b>Migrant worker</b>	Refers to a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national. In Malaysia, laws and policies refer to migrant workers as "foreign workers". However, the internationally accepted term "migrant workers" is used in this report.
<b>Migrant worker's recruitment cost</b>	Refers to any recruitment cost borne by the migrant worker. This is calculated as all expenditures by the migrant worker for recruitment-related expenses.
<b>Oil palm</b>	Refers to the oil palm tree ( <i>Elaeis guineensis</i> ).
<b>Outsourced worker</b>	Refers to a migrant worker who is hired by an outsourcing company to work in the company's operations.
<b>Outsourcing company</b>	Refers to a company that is permitted by the Malaysian Ministry of Home Affairs to recruit workers to be placed in other companies' operations.
<b>Palm oil</b>	Refers to edible vegetable oil derived from the mesocarp (reddish pulp) of the fruit of the oil palm.
<b>Post-arrival</b>	Refers to the period of time after migrant workers arrive in Malaysia.
<b>Pre-selection</b>	Refers to the processes undertaken by workers, potential employers, recruitment agencies and any other intermediaries involved in connecting, transporting and assisting workers to get to the point of an interview or recruitment session.
<b>Recruitment agency</b>	Refers to a registered entity that is involved in the recruitment and supply of migrant workers, in Malaysia and/or in the worker's country of origin.
<b>Recruitment agent</b>	Refers to an individual from a registered recruitment agency in Malaysia and/or the country of destination who is involved in the recruitment and supply of migrant workers.
<b>Selection process</b>	Refers to the processes undertaken by the employer, recruitment agency and migrant worker that include the interview and discernment of applicants as well as the administrative arrangement upon selection of eligible workers.
<b>Sponsor</b>	Refers to the subagent or broker in the country of origin.
<b>Subcontractor</b>	Refers to an entity that is given a contract by a company to undertake activities in its business operations. For the purpose of this study, only subcontractors providing specialized plantation-related activities were included.

**Subcontracted migrant worker**

Refers to a migrant worker who is hired by a subcontractor to work in the company's operations.

**Third-party suppliers**

Refers to any supplier of goods or services to a company that does not come under the direct control of either that company (first party) nor the customer/buyer (second party) in a business transaction.

**Undocumented worker**

Refers to a migrant worker who is not in possession of a valid work pass (*pas lawatan kerja sementara* – PLKS) in Malaysia.







# Chapter 1

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## Introduction

This research study on employer-borne recruitment costs in the Indonesia–Malaysia migration corridor is one of the outcomes of the project collaboration between the Earthworm Foundation (EF) and the International Labour Organization (ILO) titled “Promoting Fair Recruitment and Employment Practices in Malaysia’s Palm Oil Supply Chain”. It was undertaken within the framework of the ILO’s Improved Migration Governance (IMG) Project: Protection the rights of migrant domestic workers and plantation workers through improved labour migration governance with funding from the US Department of State.

## ► 1.1. Background to the study

As of September 2019, there were approximately 2 million documented migrant workers in Malaysia, compared to a national labour force of 15.8 million people (Malaysia, Department of Statistics Malaysia 2019). Migrant workers in Malaysia, under immigration regulations decided by the Cabinet Committee on Foreign Workers and Illegal Immigrants, are only allowed to be employed in six sectors, namely manufacturing, construction, plantations, agriculture, services and domestic work.

Indonesians make up 35.2 per cent of the total documented migrant workers in Malaysia, the largest group from all countries. Of the six economic sectors, the plantation sector is the largest employer of migrant workers from Indonesia. A total of 201,050 Indonesians are reported by the Malaysian Ministry of Human Resources to be working in the sector, as outlined in the table 1 below.

The plantation sector in Malaysia covers commodities such as palm oil, rubber and timber. The focus of this research is limited to the palm oil industry, looking into the recruitment costs, experiences and practices of plantation companies and their workers. Besides the plantation sector, the palm oil industry also covers the manufacturing sector (palm oil mills and refineries). Documented migrant workers in those two economic sectors are significant, with a total of 273,079 documented migrant workers in plantations and 699,430 in manufacturing across all industries, as of June 2019 (ILO 2020). The majority of the workforce in palm oil plantations in Malaysia are migrant workers, with industry estimates placing the figure at 77 per cent of all employees (Azman et al. 2018).

► **Table 1. Number of migrant workers registered under the Temporary Employment Visa by sector and nationality, as of 30 June 2019**

Nationality	Manufacturing	Construction	Services	Agriculture	Plantation	Domestic work	Total	Percentage (%)
Indonesia	139 163	153 470	43 026	75 061	201 050	92 405	<b>704 175</b>	35.2
Bangladesh	207 394	216 880	93 651	19 951	30 938	115	<b>568 929</b>	28.4
Nepal	228 925	6 919	68 662	8 891	2 652	53	<b>316 102</b>	15.8
India	3 014	9 852	50 576	25 371	27 772	1148	<b>117 733</b>	5.9
Myanmar	93 543	12 605	15 265	3 443	874	65	<b>125 795</b>	6.3
Pakistan	3 569	26 629	8 614	16 892	5 960	25	<b>61 689</b>	3.1
Philippines	4 399	2 653	6 275	3 695	3 111	32 277	<b>52 410</b>	2.6
Viet Nam	13 022	1 850	2 090	618	57	540	<b>18 177</b>	0.9
China	1 163	6 322	4 906	20	7	233	<b>12 651</b>	0.6
Thailand	170	689	11 215	1 913	394	310	<b>14 691</b>	0.7
Sri Lanka	4 051	279	1 279	150	164	566	<b>6 489</b>	0.3
Cambodia	1 009	116	583	326	100	1 411	<b>3 545</b>	0.2
Lao PDR	8	–	10	3	–	20	<b>41</b>	0.0
<b>Total</b>	<b>699 430</b>	<b>438 264</b>	<b>306 152</b>	<b>156 334</b>	<b>273 079</b>	<b>129 168</b>	<b>2 002 427</b>	
Percentage (%)	34.9	21.9	15.3	7.8	13.6	6.5		

– = nil; Lao PDR = Lao People’s Democratic Republic.

Source: Data provided to ILO by Immigration Department of Malaysia and Ministry of Home Affairs in 2019.

In Malaysia, the palm oil industry has received international criticism about the treatment of workers, particularly migrant workers.<sup>1</sup> For example, The Wall Street Journal in 2015 highlighted abuses suffered by migrant workers, particularly subcontracted workers, in the palm oil industry in Malaysia (Al-Mahmood 2015). A number of the reported practices – including unpaid wages, unethical recruitment and forms of debt bondage – are indicators of human trafficking and forced labour.

The majority of research relating to ethical recruitment and the cost of migration focuses on the workers' perspective. There is little public information or understanding of the actual costs incurred by employers in Malaysia who hire migrant workers or of their perspectives on recruitment practices.<sup>2</sup> This study seeks to partially address this gap by examining employer-borne costs and the concerns of employers to ensure that these findings are incorporated into efforts to promote international frameworks on recruitment costs.

### 1.1.1. International frameworks on recruitment costs

The understanding of businesses' responsibility to respect human rights is growing. In June 2011, the United Nations Human Rights Council endorsed the United Nations Guiding Principles on Business and Human Rights, a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations. Guiding Principle 15 outlines that:

In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- (a) A policy commitment to meet their responsibility to respect human rights;
- (b) A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
- (c) Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute (OHCHR 2011, 15–16).

This established the need for companies to conduct human rights due diligence in their operations as well as the supply chains that they are connected to. As such, buyers and traders of palm oil are required to conduct human rights due diligence – as are producers of palm oil further down their supply chain – not only in relation to the human rights impacts in the production and growing processes, but also in relation to the recruitment or labour supply chain of workers and their families, as well as in relation to impacts on the local communities surrounding their operations and those of their suppliers.

There are several international frameworks on recruitment costs relevant for companies and employers. Sustainable Development Goal target 10.7 calls for the facilitation of orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies. A measurement indicator developed for this target is indicator 10.7.1: the “recruitment cost borne by employee as a proportion of monthly income earned in country of destination” (United Nations 2020). Section 4 of this report looks into the recruitment costs paid by Indonesian workers employed by the companies participating in this study.

Indeed, recruitment costs are at the centre of international attention on responsible labour migration. The Dhaka Principles for Migration with Dignity were launched in 2012, emerging from a series of multi-stakeholder roundtables by the Institute of Human Rights and Business. The Dhaka Principles outline that “no fees are [to be] charged to migrant workers” based on the “Employer Pays Principle”, a concept that has been advanced by leading companies, whereby the employer – and not the employee – pay for the fees and costs related to recruitment (IHRB 2020).

In May 2019, the ILO released a new publication combining the General Principles and Operational Guidelines for Fair Recruitment (2016) and the newly approved Definition of Recruitment Fees and

<sup>1</sup> See, for example, Sonja Vartial and Sanna Ristimäki, *The Law of the Jungle: Corporate Responsibility of Finnish Palm Oil Purchases* (Finnwatch, 2014).

<sup>2</sup> For some insight into employer perspectives on recruitment processes, see Earthworm Foundation, *EF – IOM Multistakeholder Forum on Ethical Recruitment for the Palm Oil Industry Outcome Report*, 2019. For employer perspectives on costs, see Earthworm Foundation, *Insights into Recruitment Costs and Practices Amongst Small-Medium Sized Companies in the Palm Oil Industry in Peninsular Malaysia*, 2019.



Related Costs, which outlines that “no recruitment fees or related costs should be charged to, or otherwise borne by, workers or jobseekers” (ILO 2019,13). While there are no exceptions allowing for workers to be charged recruitment fees that “cover recruiting, referral and placement services which could include advertising, disseminating information, arranging interviews, submitting documents for government clearances, confirming credentials, organizing travel and transportation, and placement into employment”; the Definition of Recruitment Fees and Related Costs does provide for governments (in line with international labour standards, national regulation and consultation with social partners) to set exceptions for related costs where these are “in the interest of the workers concerned; and ... limited to certain categories of workers and specified types of services; and ... the corresponding related costs are disclosed to the worker before the job is accepted” (ILO 2019, 28–29). Related costs include medical costs; insurance costs; costs for skills and qualifications tests; costs for training and orientation; equipment costs; costs for traveling and lodging; and administrative costs (ILO 2019).

The concepts of “employer pays” or “no fees” are often referred to as “zero cost recruitment”. Several multinational companies worldwide have adopted policy commitments to reflect adherence to this concept. However, for small- to medium-sized companies in the palm oil industry, research by EF in 2019 showed the lack of knowledge of international standards, the lack of capacity to conduct direct recruitment, and the use of recruitment intermediaries by these companies (which hinders transparency in the recruitment process) result in high recruitment costs for migrant workers (Earthworm Foundation 2019c). Indeed, small- to medium-sized and locally based companies that employ migrant workers have struggled to understand their responsibility and the responsibility of their employees in terms of recruitment fees and costs. They may lack knowledge of international standards and may even struggle to meet their national labour standards. Countries of origin and destination also may have conflicting laws and policies on who is required to pay for recruitment – and for what specific items – which further complicates the potential for employers to comply with international frameworks.

### 1.1.2. National policies on recruitment costs

To recruit migrant workers, companies in Peninsular Malaysia must adhere to the rules and regulations for the recruitment of migrant workers set by the Ministry of Human Resources and the Ministry of Home Affairs. Before submitting the application for a migrant worker, an employer must first advertise their vacancies to national workers on the Government’s “Jobs Malaysia” website. If national workers do not apply, the employer can then request for a letter from the Labour Department of Peninsular Malaysia to confirm that national workers did not apply. With the letter in hand, the company can proceed to apply for migrant worker quotas at the One Stop Centre, which also involves being interviewed by relevant government department representatives.

Recruitment fees in Malaysia and relevant updates to fees are available on the Immigration Department website (Malaysia, Immigration Department 2015). Of the six sectors in Malaysia in which migrant workers can work, the levy fee for the plantation sector is the lowest, at US\$156 (640 Malaysian ringgit). At present, the levy fee is borne by employers. However, prior to 1 January 2018, it was borne by migrant workers. Additionally, there is a visa fee that differs by nationality and is lowest for Indonesians, at US\$4 (15 ringgit).

There is also a compulsory health screening (or medical examination) required for migrant workers. In Peninsular Malaysia, this process is managed by the Foreign Workers’ Medical Examinations Surveillance System (FOMEMA). The cost for the health screening is available on the FOMEMA website, and currently stands at US\$44 (80 ringgit) for male migrant workers and US\$46 (190 ringgit) for female migrant workers (FOMEMA, n.d.). These fees are the same, regardless of nationality or employment sector.

Prior to January 2019, it was a requirement that employers insure their migrant workers under the Foreign Workmen’s Compensation Scheme (FWCS), via policies from private sector providers. Now, migrant workers come under the same social security protection as national workers – the Social Security Organization (SOCSO), under the Ministry of Human Resources.

Table 2 outlines the official immigration and medical fees required to recruit migrant workers from Indonesia into the plantation sector in Malaysia.

► **Table 2. Immigration and medical fees for employment of migrant workers from Indonesia in the Malaysian plantation sector, as of December 2019**

Costs	Levy (for plantation sector)	Visit Pass (Temporary Employment)	Processing fee	Visa fee (for Indonesians)	Security bond	FOMEMA (male/female)
<b>Ringgit</b>	640	60	125	15	250	180/190
<b>US\$</b>	156	15	31	4	61	44/46

Note: US\$1 = 4.09 ringgit.

Other than the levy, which must be borne by the employer, there are no policies preventing employers from requesting a permit from the Labour Department of Peninsular Malaysia to deduct the fees outlined above or other related costs from workers' salaries (as long as written consent is received from the migrant workers).

Registered recruitment agencies, under Malaysia's Private Employment Agencies (Amendment) Act 2017, are able to charge non-citizen employees who are employed within Malaysia no more than one month of the basic wages. Basic wages in the plantation sector are the same as the national minimum wage, which as of 1 February 2020, stands at 1,100–1,200 ringgit (or US\$269–293) per month, depending on the location in Malaysia.

### 1.1.3. Company policies and voluntary commitments

In Malaysia, EF works with member companies and clients (such as palm oil producers and brands that purchase refined palm oil) to define their values on the environment and on social issues in the form of No Deforestation, No Peat and No Exploitation of Workers and Communities (NDPE) or Responsible Sourcing policies. These are voluntary commitments by companies who then engage their suppliers in the palm oil supply chain to adopt their policies. Companies in Malaysia and Indonesia with NDPE policies operate a combined refining capacity of 53.2 million metric tonnes per year, which represents 74 per cent of the total capacity in these countries (Chain Reaction Research 2017). Hence, EF strategically works with partner companies to help implement their NDPE commitments in the palm oil supply chain, especially with third-party suppliers. EF's Respect programme focuses on the no exploitation component of NDPE policies. In Malaysia, the Respect programme focuses on children in plantations, forced and bonded labour, and ethical recruitment. Identifying the need to localize international frameworks relating to recruitment for local businesses, EF has developed a Human Rights Based Due Diligence Tool on Ethical Recruitment to guide companies to establish transparency in their recruitment processes (Earthworm Foundation 2019a). EF programmes are supported by various EF company members and clients who source from the region, as well as other partners, such as the ILO.

## ► 1.2. Study aims and objectives

This study aims to look into the recruitment costs borne by select companies that employ migrant workers on palm oil plantations in Malaysia. The objectives of the study are:

- to identify the actors, their roles and the processes involved in the recruitment of migrant workers from the employers' perspective;
- to identify the costs borne by companies recruiting migrant workers and the breakdown of costs according to the various stages of the recruitment process; and
- to identify good practices and areas for improvement in recruitment practices currently used by companies.

In undertaking the research on employer-borne recruitment costs, EF has collaborated with the ILO's IMG Project. The IMG Project, together with the ILO projects "From Protocol to Practice: A Bridge to Global Action on Forced Labour" and "Safe and Fair: Realizing women migrant workers' rights and opportunities in the ASEAN region", also collaborated with PE Research, a Malaysian research firm, to conduct survey research on the migration costs borne by Indonesian migrant workers in the domestic work and plantation sectors in Malaysia. Although EF and PE Research conducted their respective surveys independently, there was collaboration on the selection of companies and work sites. PE Research conducted its survey among Indonesian migrant workers on plantation sites; while EF conducted its survey among the employers (including recruitment staff) of three companies at the headquarters level. Data collected from both surveys were shared by the institutions for cross analysis. Section 1.3 provides more detail on the research methodology.

In keeping with the IMG Project's objectives, the study is limited to the Indonesia-Malaysia migration corridor and focuses on the recruitment of Indonesian migrant workers into plantations in Peninsular Malaysia.

Three companies agreed to participate in this study and be interviewed by EF. Interviews with the companies were conducted from December 2018 to April 2019. The anonymous results of the findings from interviews conducted are captured in this study. The final section outlines company profiles, aiming to compile and compare selected workers' survey results against interview data with their employers.

## ► 1.3. Overview of research methods

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This study used a qualitative research methodology, analyzing data gathered from direct fieldwork observations and in-depth, semi-structured interviews, which included an interview questionnaire and a review of documents such as companies' standard operating procedures on recruiting migrant workers and other relevant documents, such as their cost summary sheets.

### 1.3.1. Employers survey design

The survey used for this research was developed by EF from its experience of field visits to over 100 employers – including mills, plantations and small growers in Peninsular Malaysia and Sabah – since 2013. EF assessments have revealed unfair labour practices, including some indicators of forced labour across the industry, such as passport retention and forms of debt bondage. EF also found that employers struggle with the high investment cost involved in recruiting migrant workers (in the context of high abscondment rates), the complexity and duration of official administrative procedures, and the lack of clear guidelines to identify or mitigate risks in recruitment process, particularly risks in countries of origin.

As a result of these findings among employers, EF began a project on ethical recruitment in 2018 that included the development of survey tools for employers, recruitment agents, subcontractors and workers. The employer survey tool was used for this study, and can be found in Annex 1.

### 1.3.2. Workers survey design and database

ILO and PE Research used the ILO–World Bank Global Knowledge Partnership on Migration and Development (KNOMAD) survey methodology for the interviews with migrant workers. EF did not participate in these interviews, but used the dataset provided by the ILO and PE Research for the purpose of cross analysing the workers' findings with the findings from interviews with the employers of the respective workers.

### 1.3.3. Site selection

Participation in the research was voluntary. Provisional selection of the sites was based on their geographical location – states with the highest numbers of Indonesian workers were prioritized.

► **Table 3. Distribution of Indonesian migrant workers in the Malaysian plantation sector by state and sex, 2018**

State	Male	Female
Selangor	15 420	442
Sarawak	41 677	16 665
Sabah	47 709	13 172
Johor	16 268	1 003
Kuala Lumpur	20 297	353
Penang	215	22
Perak	8 073	254
Pahang	10 449	459
Melaka	1 559	63
Negeri Sembilan	2 518	199
Kedah	712	25
Terengganu	3 583	13
Kelantan	2 080	63
Labuan	–	–
Putrajaya	2 586	129
Perlis	–	–
<b>Total</b>	<b>173 146</b>	<b>32,862</b>
<b>Grand Total</b>		<b>206 008</b>

– = nil.

Source: Data from the Immigration Department of Malaysia provided to the ILO.

The key criteria for company selection were as follows:

- Plantation operations in one or more of the states with the highest Indonesian migrant populations in Peninsular Malaysia. These include Johor, Pahang, Perak and Selangor, as outlined in table 3 above.
- Presence of Indonesian migrant workers recruited within the last five years.
- Employers' willingness to participate in the anonymous report.

EF and PE Research identified one and seven companies, respectively, to participate in the research. Migrant workers from these eight companies were interviewed by PE Research at 28 plantation sites. The sites were located in Johor, Pahang, Perak and Selangor. Worker surveys with 340 Indonesian workers were conducted first by PE Research at the plantation sites, followed by employer interviews by EF with eight staff responsible for recruitment and/or sustainability functions at company headquarters. EF was only able to interview staff from three of the eight companies, as the other companies declined to participate in the study. The three companies that took part in this study employed 241 out of the 340 Indonesian workers interviewed by PE Research. As noted above, this report presents the findings anonymously, and therefore the three companies are referred to simply as Company 1, Company 2 and Company 3.

### 1.3.4. Limitations

This study includes the perspectives of employers from three plantation companies with large estates in Malaysia. As such, the study is indicative of recruitment practices and costs of similar sized companies. The study is not representative of the recruitment practices of small growers or smallholder estates.

All three companies did not use recruitment agents in the recruitment process in Peninsular Malaysia so that company representatives could be more involved in the recruitment process and move towards more direct hiring. However, in Sabah and Sarawak, one company (Company 3) used three to four local recruitment agents in each state. As this study focuses on Peninsular Malaysia only, this means that the perspectives of recruitment agents were not included in this study. Moreover, although two out of three companies used subcontractors and subcontracted workers at certain times (such as for replanting of palms), at the time of interviews, there were no replanting activities taking place. Therefore, EF was unable to interview any subcontractors.

In terms of recruitment cost payments declared by employers and workers, there may be some discrepancies due to the fact that employers declared costs and fees as of 2019, whereas workers were recruited during the preceding five years. Legal regulations and policies have changed in that time, resulting in workers and employers bearing different costs depending on the year of recruitment.

Moreover, costs declared by employers were on the basis of fees and charges incurred in terms of cost per worker recruited. The costs do not include the cost of maintaining national staff dedicated to the recruitment function, the employers' operational expenses for travel within Malaysia or to countries of origin, or staff time for post-arrival orientation. The costs also do not include the investment into and maintenance of needed physical infrastructure – including the cost of building and maintaining migrant workers' accommodations or the cost to set up the infrastructure to provide electricity and water.

This study is also limited to the experiences of the interviewed employers in Peninsular Malaysia. The employers have different hiring processes in Sabah and Sarawak – including using Malaysian-based recruitment agents and hiring both male and female workers. Although there are female plantation workers from Indonesia in Peninsular Malaysia, as outlined in table 3 above, none of the participating companies hired female workers to work on their estates.

Further research looked into the experiences of migrant workers and their employers in East Malaysia, and also look into the experiences of female migrant workers in the plantation sector.





## Chapter 2

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### Overview of the palm oil industry and recruitment in Malaysia

The palm oil industry has grown to become a significant industry in Malaysia. Palm oil production contributes an average of between 5 to 7 per cent to Malaysia's GDP annually. Moreover, in 2017, it accounted for 46.6 per cent of the total GDP brought in by the country's agricultural sector (Malaysia, Department of Statistics Malaysia 2018). Oil palm cultivation currently occupies around 5.85 million hectares of land in Peninsular Malaysia, Sabah and Sarawak combined. Globally, Malaysia is second only to Indonesia in palm oil production.

## ► 2.1. The palm oil supply chain

The palm oil supply chain begins upstream at the plantations where the oil palm (*Elaeis guineensis*) is planted. The plantations or estates are an important node of the palm oil supply chain in terms of labour, as it is regarded as a labour-intensive crop for cultivation. Manual labour in the plantations takes the form of harvesting, manuring, chemical spraying and transporting of the fresh fruit bunches. Despite government encouragement towards mechanization, with the hopes of reducing the industry's high dependence on manual labour, this is proving difficult due to a lack of appropriate technological development, and the industry continues to be a large employer.

In Malaysia, oil palm plantations can be categorized into three sizes – large estates, mid-sized (or small grower) estates, and smallholder plots. The large and mid-size estates make up 60 per cent of the total planted area, and smallholder plots make up about 40 per cent of the total planted area. Smallholders, as defined under the Malaysian Palm Oil Board Act 1988, are those who own less than 40.7 hectares (or less than 100 acres) of oil palm plantation (table 4). Smallholders can be either independent or organized. Independent smallholders are self-financed landowners who can sell their crops to anyone they chose, even if they may receive some support services from those they sell to or receive government extension services. Organized smallholders are bound to sell their crops to those government or private entities that support them with services such as agricultural inputs (such as, fertilizer, pesticides, and seeds), access into technical advice and credit facilities.

► **Table 4. Classification of palm oil estates by size**

Classification	Size
Large estates	More than 500 hectares
Mid-size estates/ small growers	41–500 hectares
Smallholder	Less than 40.7 hectare

As of 2018, there are 2,727,608 million hectares of planted areas in Peninsular Malaysia (Malaysia, Ministry of Primary Industry 2018). Industry bodies estimate that for every 8 hectares of planted oil palm, one worker is required in the plantation (Ismail, Ahmad, and Sharudin 2015). Based on this estimate, table 5 below shows the workforce required for oil palm plantations in Peninsular Malaysia would ideally be 340,951.

► **Table 5. Planted area in Peninsular Malaysia and estimated workforce required**

Planted area (hectares)	2 727 608
Area (hectares) covered by one worker	8
<b>Estimated workforce required</b>	<b>340 951</b>

Source: Estimated workforce required is based on EF's calculation of the number of planted areas divided by the industry estimate of workers required.



## ► 2.2. Labour migration in the plantation sector for palm oil production

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One of the most significant challenges for the Malaysian industry are labour shortages and the growing dependence on migrant workers. After independence in 1957, the Malaysian Government faced a huge challenge in redistributing economic wealth among the people. Hence, agriculture expansion was considered a major priority to bridge the gap and improve livelihoods. The New Economic Policy in 1971 was introduced to address these challenges (Niambiappan et al. 2018).

The implementation of the New Economic Policy led to massive urbanization and, in turn, to labour shortages in rural areas, especially affecting the plantation sector. These shortages were largely addressed by the arrival of migrant workers from Indonesia, the Philippines and Thailand. However, there were limited legal and policy provisions at the time for labour migration. Immigration policy began to develop in the early 1990s, resulting in formal guidelines for companies to adhere to.

The official policy stance was to permit migrant workers as an interim solution to meet the increasing demand for low-skilled labour in the country. The Government's plan was to support the nation's high growth rate while it pursued a longer-term strategy to upgrade the economy and reduce reliance on migrant workers, while also expanding the skill set of national workers.

As a result, the use of migrant workers gained wide acceptance, first in plantations, and later in other sectors employing low-skilled labour, such as construction and domestic work. National labour was insufficient in these sectors, possibly due to the negative perception of manual work, low wages and difficult conditions of work, including it being in remote locations.

Although migrant and national workers are currently equally covered by minimum wage orders, it remains that the plantation sector mainly attracts national workers in supervisory and management roles. Migrant workers are hired for manual work that is considered less desirable by national workers due to the perception that the work is difficult, dangerous and dirty ("3D") (Lai 2020).

## ► 2.3. Actors and methods in the recruitment of migrant workers for work on palm oil plantations

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Plantation companies use a combination of methods to recruit migrant workers or to engage workers for specific tasks; these include direct hiring, hiring through or with the assistance of recruitment agents in the countries of origin or in Malaysia, the use of intermediaries (that operate either as individuals or in networks), referrals from current or former workers, and, especially in Malaysia, outsourcing companies and subcontractors.

### 2.3.1. Recruitment agents

In Malaysia, recruitment agencies that recruit migrant workers (with the exception of those in domestic work) must be registered to do so with a License C under the Private Employment Agencies Act 2018. Larger companies, if they need recruitment support, use these registered recruitment agents located in Malaysia to support them in liaising with agents in migrant worker countries of origin.

Companies may choose not to use an agent in Malaysia, and only engage registered agents in countries of origin. This allows the companies to be more involved in the recruitment process and to meet the migrant workers during the selection process. This is the case for all three companies interviewed for this study, who engage directly with agents in Indonesia.

There are also management consultancy service providers in Malaysia that act as recruitment agents, supporting companies to liaise with government departments, embassies and registered agents in

countries of origin and provide airport pick up services. These providers are often registered as business entities under the Companies Act 2016. They are not registered under the Private Employment Agencies Act and do not have the License C required for the recruitment of migrant workers. Small- and medium-sized companies are more likely to use such services. None of the companies participating in the study used such services.

### **2.3.2. Intermediaries and referrals from current or former workers**

Intermediaries may be former management-level employees of the palm oil company, or other individuals in Malaysia or in the country of origin known to the company who have good networks and knowledge of the recruitment process. Current or former migrant workers may also refer workers - often from their families or home communities - to companies where they work or previously worked. Referrals would still require companies to engage a registered recruitment agency in the country of origin to handle official processes in accordance with the laws of the country of origin.

### **2.3.3. Subcontractors**

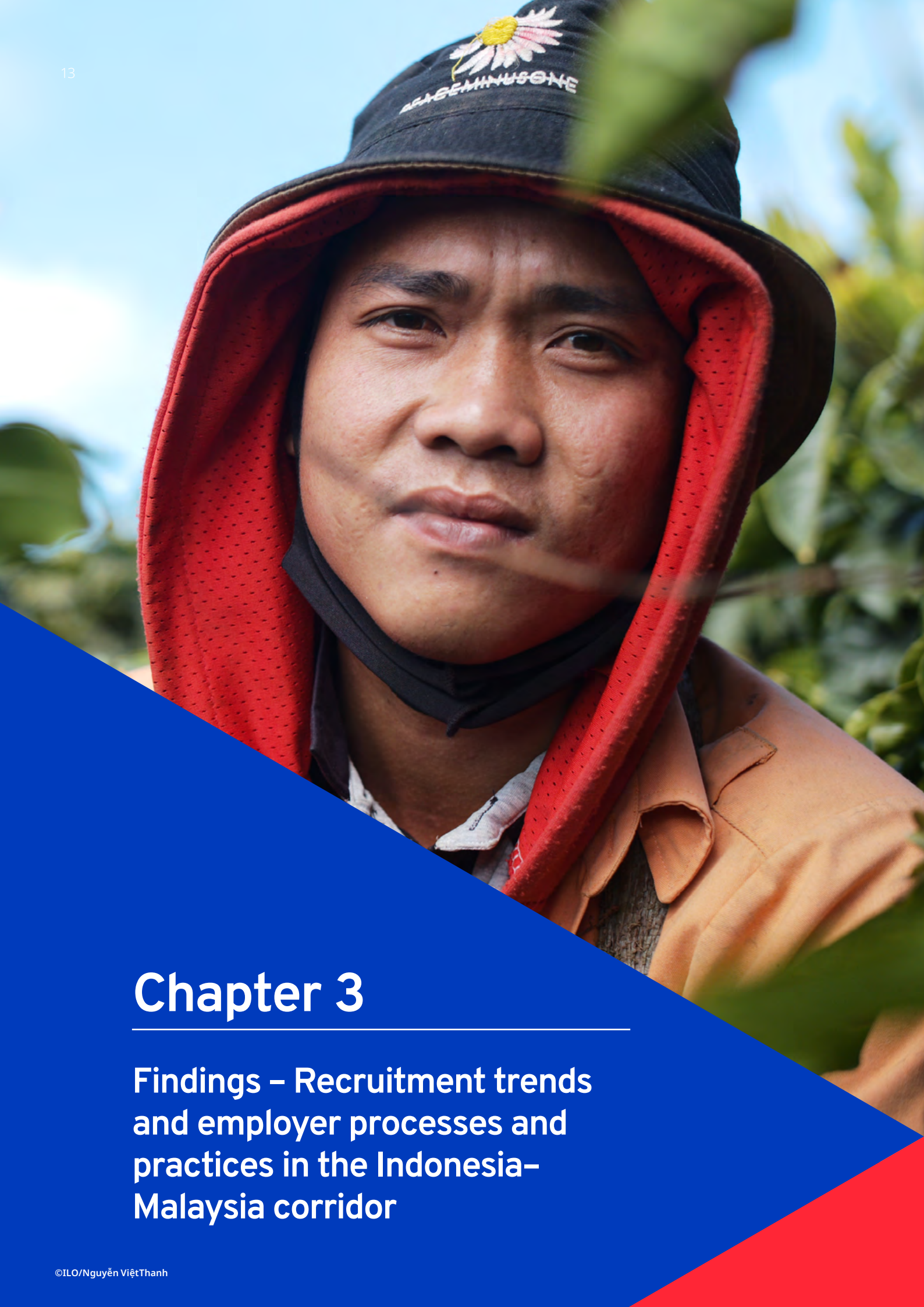
Subcontractors are companies or individuals that are engaged by plantation companies to supply labour to support plantation-related or non-plantation-related tasks.

Plantation-specific functions handled by subcontractors could involve spraying, manuring, harvesting of tall palms or replanting of palms. Companies depend on subcontractors when they do not have an adequate workforce for the tasks required due to labour shortages or the need for specialist functions, such as replanting activities. Non-plantation-specific tasks could involve road maintenance, auxiliary security services, building maintenance and other activities that are not directly related to the core business functions of the company.

Subcontractors hire their own employees, who are often migrant workers but may also be national workers. In some cases, subcontractors with long-standing relationships with palm oil plantation companies unlawfully use the plantation company's migrant worker quota from the Government to recruit workers and avoid government regulations. This is more common among small- and medium-sized companies.

### **2.3.4. Outsourcing companies**

Outsourcing companies are companies that are licensed to hire migrant workers to place them in companies requiring labour. The outsourcing of migrant workers in Malaysia is governed by the regulations of the Ministry of Home Affairs. Migrant workers employed under an outsourcing company have their employment contract with the outsourcing company, and not with the employer at the workplace. Outsourcing companies also take care of the payroll for these workers. Outsourcing companies commonly provide accommodation for workers, particularly when accommodation is not available on site. However, towards the end of 2018, the Ministry of Home Affairs announced the abolishment of outsourcing companies from 31 March 2019 to ensure better treatment of migrant workers (Zainal 2019).



## Chapter 3

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**Findings – Recruitment trends  
and employer processes and  
practices in the Indonesia–  
Malaysia corridor**



Indonesia was the primary source of migrant labour for all three participating companies. As noted above, the anonymous companies are referred to throughout as Company 1, Company 2 and Company 3. Companies 2 and 3 recruited solely from Indonesia, while Company 1 also hired from Bangladesh, India and Sri Lanka. The three companies reported recruiting and employing a combined total of 11,634 Indonesian migrant workers across Peninsular Malaysia at the time of the interviews. PE Research interviewed 241 of the three companies' Indonesian workers. Section 4 of this report includes the perspectives of these 241 workers in comparison to their employers' survey findings; while this current section covers the three participating companies' recruitment profiles – their policies, processes and recruitment partners.

### ► 3.1. Company policies on recruitment

All three companies interviewed had a written policy for recruiting migrant workers in accordance with Malaysian law and regulations. While all three of these policies referenced national law, only one company, Company 1, demonstrated leadership in acknowledging international standards and human rights principles in their policies and codes of conduct (table 6). The same company reported having practices aligned to a commitment to “zero” cost recruitment, but they did not have a clearly defined written commitment on workers not paying for any part of the recruitment process. The company did, however, have clear definitions on the costs of recruitment from key countries of origin, including Indonesia, based on the company's research. They also identified a maximum amount payable by migrant workers – anything above which, the workers must be reimbursed by the agent. The policy of Company 2, on the other hand, covered only basic commitments to national legislation.

The “socialization” or implementation of policies, however, were not universally shared with workers and subcontractors or applied to third-party suppliers. Only one of the three companies shared its policy with subcontractors, while two of three companies shared their policies with their direct workers. This shows a key area for needed improvement; companies should share their policies with all relevant stakeholders to raise their awareness on their commitments and expectations, and also require business partners to adopt the policy commitments to ensure that common standards and practices are upheld.

► **Table 6. Summary of findings related to company policies and practices among the three companies**

Commitments found in company policies	Company 1	Company 2	Company 3
National Laws, regulations and standards, wherever they are applied	✓	✓	✓
International laws, regulations and standards including key ILO Conventions and standards, wherever they are applied	✓	×	×
Key human rights principles, as enshrined under the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights	✓	×	×
A “zero cost commitment”, whereby migrant workers shall not bear any cost of recruitment	×	×	×
Policy that clearly defines what “cost of recruitment” means so that the company, workers and recruiters have a common understanding of what should and should not be paid by each party.	✓	×	×
Provides for a process of worker fee reimbursement if the worker had paid fees during recruitment.	✓	×	×
Policy requires subcontractors/labour recruiters/suppliers to adopt the policy on recruitment	✓	×	×
All direct workers are introduced to the policy at their induction process or worker briefing process	✓	×	✓

Commitments found in company policies	Company 1	Company 2	Company 3
All subcontracted workers are introduced to the policy at their induction process or worker briefing process	✓	×	×
Policy exists at headquarters of the company and applies to all of the company's own operations	✓	×	✓
The policy applies to third-party suppliers and other business partners, even if not involved specifically in recruitment or labour supply-related activities	✓	×	✓

Note: ✓ = Yes; × = No.

## ► 3.2. Company recruitment processes

There are rules and regulations determined by the Ministry of Human Resources and the Ministry of Home Affairs that companies must comply with to be eligible to recruit migrant workers; these are outlined in section 1.1.2 above. In addition to regulatory requirements, companies also put in place their own internal policies and practices before embarking on the recruitment process. In terms of good practices, table 7 below shows that Company 1 and Company 2 undertake due diligence processes (such as performing a background check) before selecting potential recruitment agents, and also have processes to train the staff involved in the recruitment process on recruitment procedures. Conversely, Company 3 did not provide training for staff on requirements and procedures for the hiring of migrant workers, nor did they report conducting any due diligence exercise on their potential recruitment agents.

► **Table 7. Activities companies stated they undertake before embarking on the recruitment process**

Pre-recruitment steps	Company 1	Company 2	Company 3
Undertake due diligence and/or background check before selecting potential labour/recruitment agent	✓	✓	×
Train/brief company's own recruitment staff on requirements and procedures for the hiring of migrant workers	✓	✓	×

Note: ✓ = Yes; × = No.

## ► 3.3. Company recruitment partners

All three companies interviewed used a variety of recruitment methods, including direct hiring, referral systems (from current workers recommending their family and friends), and indirect hiring through agents in countries of origin (see table 8). Company 1 and Company 2 also used subcontractors, which is elaborated in section 3.3.2.

► **Table 8. Company practices related to direct and indirect recruitment**

Type of recruitment method	Company 1	Company 2	Company 3
Direct hiring – via online, walk-in, source county hiring	✓	✓	✓
Direct hiring – via referral system from current workers	✓	✓	✓
Direct hiring – via other informal intermediaries/networks	×	×	×
Hiring through recruitment agents in origin country	✓	✓	✓

Type of recruitment method	Company 1	Company 2	Company 3
Hiring through recruitment agents in both origin country and Malaysia	✓ <sup>1</sup>	×	×
Hiring through subcontractor	✓	✓	×
Hiring through an outsourcing company	×	×	×

Note: ✓ = Yes; × = No.

<sup>1</sup> Company 1 used Malaysia-based recruitment agents in Sabah and Sarawak, but not in Peninsular Malaysia.

The companies reported wanting to be directly involved in the recruitment process; as such, none of the companies interviewed reported using informal intermediaries or networks, nor did they use outsourcing companies or recruitment agents based in Malaysia.

### 3.3.1. Use of recruitment agents

None of the companies interviewed used recruitment agencies in Peninsular Malaysia. All three companies used one to five registered agents in Indonesia to support them in their recruitment processes (table 9). Company 1, which was the largest company of the three and also hired the most workers, used the largest number of recruitment agents in Indonesia, reporting the use of five recruitment agents. The use of more agents suggests companies desire to have more options for recruiting workers from different locations or communities.

► **Table 9. Number of Indonesian workers by company, and number of recruitment agents used by location**

Company	No. of Indonesian workers recruited (as of 2019)	No. of agents in Peninsular Malaysia	No. of agents in Indonesia
Company 1	9 327	–	5
Company 2	888	–	1
Company 3	1 427	–	4

– = nil.

### 3.3.2. Company criteria to select recruitment agents

All three companies selected recruitment agents in Indonesia based on reputation, track record and having established contacts or networks to facilitate the recruitment process – this could be the ability to access potential recruits and/or contacts in relevant departments for administrative functions (table 10). Cost for the company was also a consideration. One company reported not prioritizing the use of registered entities in their selection criteria, but this does not necessarily mean that the company used unregistered agents. Interestingly, Company 2 reported that reasonableness or affordability of the service fee to the company was not a key selection criterion. Furthermore, Company 1 did not select the offer of a reasonable recruitment fee or no recruitment fee to the migrant workers as a key criterion despite their policy commitments and practice to ensure recruitment agents cap the fees requested from migrant workers, as outlined in section 3.1 above.

► **Table 10. Criteria the companies used to select recruitment agents**

Selection criteria	Company 1	Company 2	Company 3
Entity must be a registered labour agent/recruiter	✓	✓	✓
Good reputation and track record	✓	✓	✓
Transparent and accountable business practice	✓	✓	×
Offers reasonable service fee or no fee to the company	✓	×	✓

Selection criteria	Company 1	Company 2	Company 3
Offers reasonable recruitment fee or no fee to the migrant workers	x	✓	✓
Recommended by other peer companies	x	✓	✓
Recommended by migrant workers/embassy/migrant workers' association	✓	x	✓
Entity has established contacts and network both in Malaysia and the source country	✓	✓	✓
Others: financial stability of the agent company	n/a	n/a	✓

Note: ✓ = Yes; x = No; n/a – not available.

Recruitment agents in countries of origin play a key bridging role between prospective migrant worker recruits and the Malaysian employer. In addition to the selection criteria used to select recruitment agents, the companies were interviewed about the information that they shared with their agents. Recruitment agents in the country of origin are responsible for sharing relevant information with workers concerning the migration policies and regulations of the country of origin, but they also share details about the country of destination and the prospective employer, that is, the plantation company. Considering this, it is crucial for plantation companies to provide their recruitment agents in countries of origin with sufficient information about the company itself and about the specific job roles that are available. This is to ensure workers have a good understanding of what they are signing up for when they decide to migrate for employment with a specific company and also to avoid deception in recruitment.

While companies generally shared a reasonable amount of data with their recruitment agencies, only Company 2 reported providing a copy of the employment contract in the workers' language to the recruitment agency. However, all three companies reported verifying with their agencies that workers receive an employment contract in their native language. This suggests that the agency of the company in question prepares the employment contract on behalf of the employer.

Company 1 failed to provide exact locations of the worksites, and both Company 1 and Company 3 did not provide details of workplace policies and procedures, which could prevent workers from fully understanding their working conditions. Table A-1 in Annex 2 outlines the information shared by the three companies to their recruitment agencies, while the good practices in box 1 below captures the information Company 2 provided its recruitment agent.

#### ► Box 1. Good practices in providing information to recruitment agents

Company 2 demonstrated good leadership in providing to recruitment agents sufficient information regarding the company, terms of employment and the benefits, in order to ensure greater transparency in the recruitment process and to avoid deception in recruitment. The information provided by Company 2 to their recruitment agents included:

- Legal name of the company and its headquarters;
- Exact location of the company premises;
- The company's policies on recruitment or employment;
- Description of living conditions, rules relating to the accommodation and labour quarters;
- Employment contract template – terms and conditions expected for all workers on site;
- Employment contract – in native language of the worker;
- Legal rights and responsibilities of workers and employers in Malaysia;
- Occupational safety and health information and requirements;
- Details about any disciplinary actions;
- Access to a grievance mechanism;
- Freedom of association;
- Details about any medical examination required (before deployment or in Malaysia);

- Details about company policy in case of sickness, accident and death – access to medical facilities, workmen's compensation and hospitalization insurance in Malaysia;
- Details about recruitment fees or placement fees (if any);
- Information about safekeeping or retention of identity documents (passport or I-Kad), or other similar conditions of employment.

Such transparent practices should be emulated by other companies to ensure that all migrant workers have access to accurate and sufficient information prior to deployment and the start of employment. However, the safekeeping or retention of identity documents by Company 2 is an area of concern, as it is a potential indicator of forced and bonded labour, and action is needed by the Company to remedy this matter.

While information sharing from the plantation company to the agent is important, a good practice would be for companies to verify whether this information is actually shared with prospective recruits in their country of origin. Table 11 shows what types of information the interviewed companies verify or review with their recruitment agencies. The company representatives were not asked specifically how this verification takes place. Such “verification” or review could take many forms – such as having a checklist of the items that should be shared with workers, and then confirming the effectiveness of this information sharing via interviews with the agent and with migrant workers. It could also include requesting copies of the documents from the agents, requesting receipts of payments made, and company representatives being present for some activities. In general, companies demonstrated a high level of engagement with their recruitment agencies to ensure that workers received documentation relating to the terms and conditions of their employment and stay in Malaysia. Company 2 showed leadership in this area, as outlined below in table 11.

► **Table 11. Verification/review by the companies of information provided by the recruitment agent**

Type of information to be verified	Company 1	Company 2	Company 3
Recruited workers receive all of the information that the company provides to recruitment agencies (as enumerated in table A-1 in Annex 2)	✓	✓	×
Medical test clearance and biometric security clearance (ISC)	✓	✓	✓
List of full names, birth dates and identity documentation or passport	✓	✓	✓
Photo that matches identity documentation	✓	✓	✓
Provision of employment contracts that meet legal and company requirements in Malaysia	✓	✓	×
Employment contract in the native language of the worker	✓	✓	✓
Completion of pre-departure training	×	✓	✓
Fulfilment of all legal and policy requirements in the country of origin	✓	✓	✓

Note: ✓ = Yes; × = No.

### 3.3.3. Selection criteria for migrant workers

Companies reported providing agents with profiles of their ideal candidates for short-listing. The data in table 12 below show company selection criteria for migrant workers during recruitment. In general employers were less concerned about the workers' technical skills (specific to functions in palm plantations), work experience, ethnicity or language abilities.



Instead, companies emphasized workers' nationality (Company 2 and Company 3 only hire Indonesians); gender (men being preferred due to the intense, manual nature of the work); age (those under 40 were preferred so that their contracts could be renewed a few times before they reach the Malaysian Government's cap on migrant workers at 45 years); physical appearance (specifically appearing fit and strong); and educational background (whether they were literate or had completed some schooling).

It is unclear whether such selection criteria have a direct impact on the cost of recruitment for either the company or the worker, as the cost factor was not raised by the companies as the basis for selection. However, the authors do note that due to geographical proximity to Malaysia, labour migration from Indonesia is known to be less costly than other countries of origin for both the employer and the worker.

Other criteria reported specifically by Company 1 included factors such as whether the worker came from a rural area and was familiar with a rural lifestyle, and passing drug tests. Employers believed these factors would influence how easily the worker could adapt to life and work on the plantations, based on their past experiences.

► **Table 12. Company selection criteria for migrant workers during recruitment**

Selection criteria	Company 1	Company 2	Company 3
Work experience	✓	×	×
Nationality	✓	✓	✓
Ethnicity	✓	×	×
Gender	✓	✓	✓
Age group	✓	✓	×
Language ability (Malay/Bahasa Indonesia)	×	✓	×
Education background	✓	×	✓
Physical appearance	✓	×	✓
Technical skills (specific to palm production)	×	×	×
Other: Rural home town, passing drug tests	✓	n/a	n/a

Note: ✓ = Yes; × = No; n/a = not available.

### ► 3.4. Company engagement with workers' recruitment-related grievances

Grievance platforms provide workers an avenue to raise complaints about both their recruitment experience and employment conditions. These mechanisms may take various forms – formal complaint boxes, worker committees, meetings with worker representatives or trade unions, for example, or workers being encouraged to speak directly to their supervisor, manager or human resources personnel, as well as interview processes pre-departure or post-arrival.

In relation to recruitment grievances, Company 1 sends a company representative to Indonesia during the recruitment process. They have a worker declaration process (structured as an interview) before the workers' departure to Malaysia, which allows the Company to learn about their workers' recruitment experience and if any fees were paid. The Company reported that there have been "isolated" situations where migrant workers have made complaints against their recruitment agents, specifically that subagents had cheated them with misinformation. In these cases, the company reported that they followed up with their agent to investigate these cases.

Company 2 reported conducting interviews with a sample of workers on their skills, health condition and ability to work upon arrival. They conduct an induction training that provides information on the

company and an introduction to Malaysian labour regulations to each group of new workers. The company reported that at the time of interview, workers have not made any complaints about their recruitment agent.

Company 3 also reported conducting interviews with workers upon their arrival in Malaysia. The company has a grievance mechanism through which workers can make complaints. The company reported that workers have made complaints about their recruitment agents in the past.

### ► 3.5. Subcontractors and subcontracted workers

Of the three companies participating in this study, only Company 1 and Company 2 used agricultural subcontractors to supplement their workforce or for specialized tasks when required, such as for pruning, harvesting and replanting of oil palms. However, only Company 2 offered a response concerning the criteria for appointing a subcontractor; while the interviewed representatives of Company 1 were unsure of the detailed criteria used by their colleagues based in the plantations for the appointment of subcontractors. This is because the appointment of subcontractors is conducted at the plantation site level, outside the responsibilities of the human resources or sustainability staff at headquarters who were interviewed.

Company 2 reported selecting subcontractors through a tender process, and said they select subcontractors who offer specialized plantation-related services. This company demonstrated having good practices by reporting that they only select subcontractors that are registered business entities; have a good reputation and track record; have transparent and accountable business practices; and are recommended by other companies in the palm oil industry. However, Company 2 did report that they did not look at recruitment fees charged to subcontracted workers when selecting subcontractors as business partners, nor did they take recommendations from migrant workers or the associations representing them. Further details on the criteria used by Company 2 can be found in Annex 2, table A-2.

Company 1 and Company 2 outlined the types of information about their companies and their policies that are provided to their subcontractors prior to commencement of subcontracted work. Both companies provided a good level of basic information to subcontractors about the location of the site, living conditions, and occupational safety and health requirements. However, neither company shared with the subcontractor their company's expectations for subcontracted workers' employment contracts, orientation on legal rights and responsibilities, access to grievance mechanisms, freedom of association, medical examinations required, conditions on recruitment fees, security deposits or access to passports, presumably because these migrant workers would be working under the conditions stipulated by their employer (that is, the subcontractor) and not the plantation company. Further details of information shared can be found in Annex 2, table A-3.

#### ► Box 2. The need for improvement in information provision and verification

As most companies were not found to provide sufficient information regarding the company and their policies to their subcontractors, this is an area for improvement. Companies will need to improve on providing the necessary information about the company and their policies to their subcontractors, especially in regard to contracts and access to health benefits, grievance mechanisms and freedom of association. In addition, companies will need to verify the information that is being relayed to the subcontracted workers by subcontractors, and look into the working conditions of the subcontracted workers to ensure that they have been recruited and are working under acceptable conditions, and that their welfare is being protected.

Once subcontractors are appointed, there is little oversight by the companies on the processes that the subcontractors undertake to engage or recruit subcontracted workers. Company 1 and Company 2 do not verify much information relating to the subcontracted workers and rely heavily on the subcontractors

to manage these workers. While both companies do verify if the workers brought in by the subcontractors are documented, only Company 1 verifies the provision of personal protective equipment (PPE). Company 2 also verifies the age of subcontracted workers (to avoid child labour) and requests a full list of names and identity document numbers for all subcontracted workers (see Annex 2, table A-4). Neither company verified or reviewed subcontracted workers' pay slips, employment contracts, ability to access grievance mechanisms or whether freedom of association was respected. This shows a lack of due diligence to oversee subcontracted workers' conditions.

### ► 3.6. Company good practices and challenges in recruitment policies and practices

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This section outlined the policies and practices of participating companies in regard to their recruitment of migrant workers and subcontracted workers. Good practices were identified among the companies in their policies, such as commitments to international labour and human rights standards and application of policies across their operations, supply chains and partners. One company had an innovative policy that any excess fees paid by workers would be reimbursed by their recruitment agents. All three companies conducted direct recruitment in Indonesia with Indonesian recruitment agents, thus limiting intermediaries in the recruitment process.

Other good practices included the companies providing detailed information to recruitment agents to support better understanding among workers of the living and working conditions, and some companies verified that this information was indeed shared with workers. The companies also actively verified documents and processes that came under the purview of the recruitment agents in Indonesia.

However, there are key challenges remaining that could hinder fair and safe recruitment by the companies. There was a lack of clear policy commitments on no fees or costs being charged to workers. Provision of information to recruitment agents and company verification of processes undertaken by these recruitment agents were not consistent. Worker selection criteria were not always based on objective factors, prioritizing nationality and gender. Where subcontractors were used, there was a lack of detailed oversight into subcontracted workers' recruitment and working conditions. The selection criteria for both subcontractors and recruitment agents did not always prioritize lower or no fees being paid by migrant workers. The payment of recruitment fees and related costs outside the scope of company oversight remains an ongoing challenge for companies.

Keeping these practices and challenges in mind, the next section of the report examines the costs involved for the participating companies to recruit migrant workers. It also compares the employer findings with data from their migrant workers, based on interviews conducted by PE Research.



## Chapter 4

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**Findings – Migration costs paid  
by employers and workers**

This chapter covers the various processes and costs of recruitment during the following stages: pre-selection, selection, deployment and arrival in a series of profiles of each of the three companies participating in this study. To understand the costs borne by companies, employers were asked about direct and indirect costs prior to the departure of the migrant workers they employ, and the subsequent costs and fees incurred after their arrival. Costs are understood as direct (or formal, meaning fees and costs that are documented with receipts) or indirect (or informal, meaning costs that are not mandated by law or policy, do not involve receipts and may involve illegal activities). Employers were asked about various items as detailed in the “Survey Tool for Employers” annexed to this report, which lists common recruitment-related fees and costs identified by EF.

In addition to direct and indirect fees and costs related to the recruitment of the migrant workers from Indonesia, employers were asked about loans, advances, deductions and post-arrival processes. In this section of the report, migrant worker survey responses from the ILO-PE Research study are also referenced to compare and compile migrant workers’ perspectives and experiences, where possible.

## ► 4.1. Cost of recruitment for employers compared with their migrant workers

Companies are subjected to certain recruitment fees and costs when hiring migrant workers. Company representatives interviewed at headquarters shared the costs that they are aware of and that are covered by their company, per worker recruited (table 13). The costs include fees incurred pre-departure, during deployment and post-arrival. When the fees paid by the companies were compared to the official costs detailed in table 2 above, the cost for security bonds was found to differ between what companies pay and the official cost. While the official cost for a security bond was US\$61 (250 ringgit), Company 2 paid US\$14 (58 ringgit) and Company 3 paid US\$15 (60 ringgit).

The costs for Company 2 and Company 3 also include a cash advance of US\$367 (1,500 ringgit) that their Indonesian agents provide to new workers before they arrive in Malaysia, and that workers are required to repay via salary deductions by the companies. The duration of repayment is agreed in advance and included in writing in the worker’s agreement. While Company 2 requires the workers to repay the cash advance in full, Company 3 provides their migrant workers with a subsidy of US\$73 (300 ringgit) towards this advance, reducing the amount to be repaid. In addition, Company 2 also deducts the visa fee of US\$49 (200 ringgit) from workers. Therefore, the total recruitment costs paid by Company 2 and Company 3 after receiving the repayments from workers are US\$865 (3,531 ringgit) and US\$849 (3,474 ringgit), respectively (table 13).

► **Table 13. Breakdown of recruitment costs reported by the companies at the pre-departure, deployment and post-arrival stages, in US\$ (ringgit)**

Items paid by companies	Company 1	Company 2	Company 3
<b>A. Pre-departure</b>			
Service fee for recruitment agent in Malaysia		–	–
Passport fee	–	Included in transportation / airfare fee	–
Endorsement visa	–	US\$86 (350)	US\$79 (325)
PLKS visa fee	US\$15 (60)	US\$15 (60)	US\$15 (60)
Visa processing fee	US\$31 (125)	US\$31 (125)	US\$31 (125)
Entry visa fee	US\$4 (15)	US\$4 (15)	US\$4 (15)
Total visa fees:	US\$49 (200)	US\$136 (550)	US\$129 (525)

Items paid by companies	Company 1	Company 2	Company 3
Levy fee	US\$156 (640)	US\$156 (640)	US\$156 (640)
Immigration Security Clearance (ISC) fee	US\$37 (150)	US\$37 (150)	US\$37 (150)
Security bond/bank guarantee	–	US\$14 (58)	US\$15 (60)
Medical check-up fee (BESTINET)	US\$86 (350)	US\$37 (150)	US\$44 (180)
Immigration payment for absconding case administration fees	–	US\$61 (250)	–
PERKESO (Insurance Scheme for Disability and Accident)	–	–	US\$38 (157)
Cash advance	–	US\$367 (1 500)	US\$367 (1 500)
<b>Total pre-departure fees:</b>	<b>US\$49 (200)</b>	<b>US\$136 (550)</b>	<b>US\$129 (525)</b>
<b>B. Deployment <sup>1</sup></b>			
Airfare cost (ticket to Malaysia)	US\$159 (650)	US\$244 (1 000) <sup>2</sup>	–
Airfare cost (return ticket)	–	US\$154 (630)	US\$196 (802) <sup>3</sup>
Ferry/land transportation	–	US\$12 (50)	–
<b>Total deployment fees</b>	<b>US\$159 (650)</b>	<b>US\$411 (1 680)</b>	<b>US\$196 (802)</b>
<b>C. Post-arrival</b>			
FOMEMA	US\$44 (180)	US\$44 (180)	US\$44 (180)
Meals (during training/induction/placement)	US\$6 (25)	–	–
Allowance during training/induction/placement (other than worker's salary)	US\$37 (150)	–	–
Kuala Lumpur International Airport escort fee/security pass	–	US\$18 (73)	US\$20 (80)
Agent service fee	US\$98 (400)	–	US\$98 (400)
<b>Total post-arrival fees</b>	<b>US\$185 (755)</b>	<b>US\$62 (253)</b>	<b>US\$161 (660)</b>
<b>Total paid by the company</b>	<b>US\$671 (2 745)</b>	<b>US\$1281 (5 231)</b>	<b>US\$1143 (4 674)</b>
<b>Deductions taken from worker's wages</b>	n/a	US\$416 (1 700)	US\$294 (1 200)
<b>Total recruitment cost paid by the Company (Less deductions)</b>	<b>US\$671 (2 745)</b>	<b>US\$865 (3 531)</b>	<b>US\$849 (3 474)</b>

– = nil; n/a = not applicable.

<sup>1</sup> Company 1 and Company 2 disclosed the amount paid for airfare and transportation costs. Company 3 did not disclose this information.

<sup>2</sup> Includes agent service fee, passport fees, documentation, flight tickets and residency card.

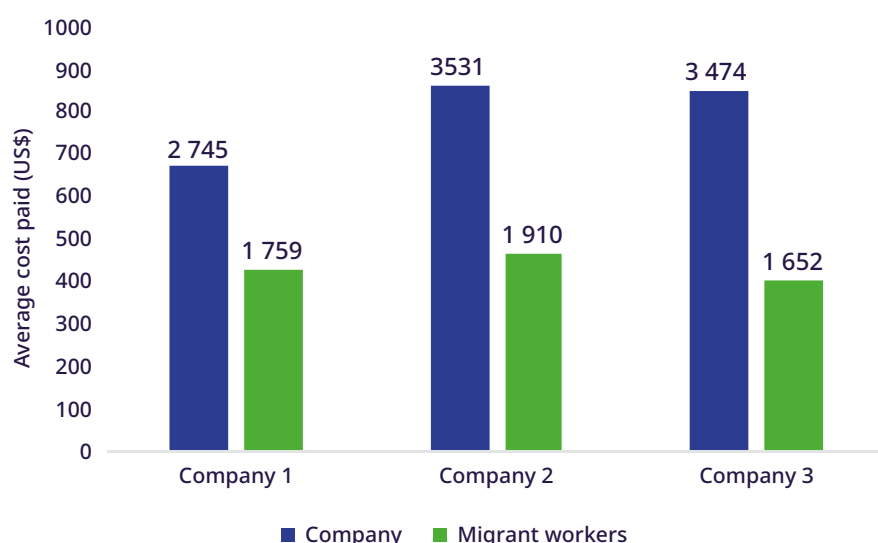
<sup>3</sup> Company 3 provided an estimate of US\$122–196 for each worker's flight to return home for the holidays or upon their completion of service after 24 months (2 years). The upper limit was selected to be represented in the table.

All three companies paid consistently more than the average recruitment fees and related costs paid by the migrant workers interviewed, as outlined in figure 1 below. Company 2 was found to pay the highest in costs and fees at US\$865 (3,531 ringgit), while their workers also paid more on average than those workers in the other two companies, paying US\$467 (1,910 ringgit).

Company 1 incurred the lowest cost, at US\$671 (2,745 ringgit), followed by Company 3, which paid \$US 849 (3,474 ringgit) per worker. However, the migrant workers of Company 1 paid US\$430 (1,759 ringgit) or on average US\$26 more than the migrant workers in Company 3, who paid on average US\$404 (1,652 ringgit).



► **Figure 1. Total recruitment costs reported as being paid by employers and by workers for Companies 1, 2 and 3 (in US\$ and ringgit)**



Note: Numbers on the bars in the figure represent the cost in ringgit.

Figure 2 shows that the majority of workers reported paying between US\$401 and US\$500 (1,640–2045 ringgit), although there are some outliers, with workers who paid less than US\$200 (819 ringgit) and more than US\$1,000 (4,090 ringgit).

► **Figure 2. Range of recruitment costs paid by workers and frequency of occurrence expressed as a proportion of total respondents, by company (%).**

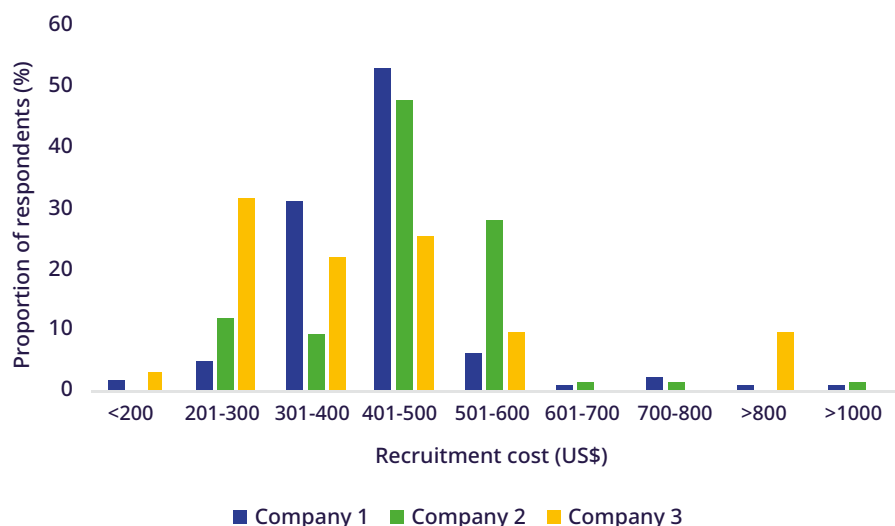
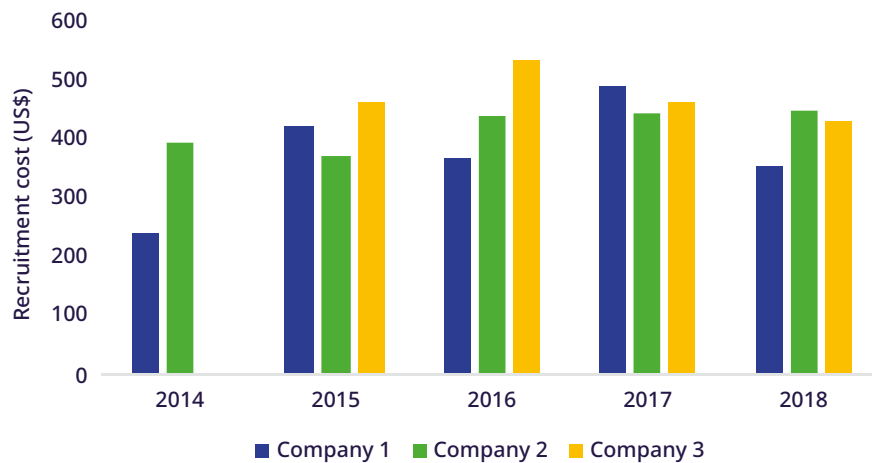


Figure 3 shows the variance of the average cost of recruitment in all three companies depending on the year of employment of the worker. The cost of recruitment paid by Indonesian workers in Company 3 was found to decrease annually from 2016 till 2018, while Company 2's workers paid on average slightly more from 2016. The cost of recruitment paid by workers at Company 1 saw a decrease between 2017 and 2018. This could be attributed to the implementation of Company 1's internal policy, effective as of 1 June 2017, that required all Indonesian recruitment agencies associated with Company 1 to reimburse any cost paid by workers that exceeded the maximum payment stipulated in a letter of agreement issued by the company (Annex 2, table A-6).

► **Figure 3. Recruitment cost paid by workers in Companies 1, 2 and 3 by year of recruitment**



► **Box3. Good practices concerning company understanding of recruitment-related costs and fees in countries of origin**

It is important for companies in countries of destination to have access to and understand the recruitment-related costs and fees in countries of origin. Companies may work with their recruitment agents or embassies to gather such information.

Company 1 made extensive efforts to map their recruitment supply chain – going to Indonesia, understanding the official fees and costs related to recruitment, as well as understanding common recruitment agent and subagent relationships and fee structures. Based on this, Company 1 designed a table of costs and fees (see the detailed breakdown in Annex 2, table A-6). They developed a company policy and tender process that meant any recruitment agent they use would need to cap fees according to the Company's research, and reimburse workers any excess fee payments.

Company 2 also provided the researchers with a list of additional costs incurred by the Company in Indonesia (Annex 2, table A-5). The costs incurred in Indonesia are included in their company procedures to cover recruitment fees and costs, and indicate their taking the initiative to have a better understanding of the administrative fees and requirements in Indonesia.

Having a breakdown of costs and fees in both the country of origin and country of destination helps companies keep records of official costs for the employer, recruitment agents and workers, which increases transparency between all parties regarding what has been paid and what items workers can be reimbursed for.

While the three companies kept records of the breakdown of the costs of recruitment, workers often could not provide a breakdown of their costs. While workers were unable to specify the exact amount paid for each item, they could share the items that were covered by the lump sum amount they paid to agents or brokers (Annex 2, table A-7). The majority of workers reported that their payments covered the following costs: passport, permits, visa, medical exam and international transportation. One worker from Company 1 mentioned that they or their family paid for some items directly, without any intermediary, and their costs included such items as passport and domestic and international transportation; while one worker from Company 3 said that they or their family paid for some items – including passport, visa and work permit – without any intermediary. Furthermore, some workers also reported bearing the cost of other items, such as language training, skill certificates, police clearance, pre-departure training, domestic transportation and migrant welfare fund contributions.

By comparing the items that employers and migrant workers respondents reported they paid for, the authors found that these respondents often reported paying for the same items, such as passport,

visa, work permit (PKLS), agent service fees, levies, medical exams both in the home country and in the country of destination, contract approvals, health/life insurance or social security, and international transportation (table 14). This indicates that recruitment agents might be charging workers for items that have already been paid for by the companies. Indeed, for every recruitment-related item that a company stated they paid for, migrant workers employed by that company also claimed they had been charged for it.

► **Table 14. Comparison of recruitment-related items reported to be paid for by the company and/or by workers <sup>1</sup>**

Items	Company 1		Company 2		Company 3	
	Company	Workers	Company	Workers	Company	Workers
Passport	×	✓	✓	✓	×	✓
Visa	✓	✓	✓	✓	✓	✓
PKLS	✓	✓	×	✓	✓	✓
Agent service fee	✓	✓	✓	✓	✓	✓
Levy	✓	✓	✓	✓	✓	✓
Language training	×	✓	×	✓	×	✓
Skills certificates/testing	×	✓	×	✓	×	✓
Medical exam in Indonesia	✓	✓	✓	✓	✓	✓
Medical exam in Malaysia	✓	✓	✓	✓	✓	✓
Police/security clearance	×	✓	×	✓	×	✓
Exit clearance from Indonesian Government	×	✓	×	✓	×	✓
Contract approval from Indonesian Government/ Embassy	×	✓	✓	✓	×	✓
Pre-departure training/briefing	×	✓	×	✓	×	✓
Health/life insurance/ social security	✓	✓	✓	✓	✓	✓
Indonesian Overseas Migrant Welfare Fund	n/a	✓	n/a	✓	n/a	✓
Domestic transportation	×	✓	×	✓	×	✓
International transportation	✓	✓	✓	✓	×	✓
Others 2	×	✓	✓	✓	×	✓

Note: ✓ = Yes; × = No; n/a = not applicable.

<sup>1</sup> Highlighted cells represent items reportedly paid for by both the company and by workers. The comparison is based on the authors' interpretation of responses from workers compared to responses from the companies and company documents.

<sup>2</sup> For information about the number of interviewed migrant workers who report to have paid recruitment-related items, refer to Annex 2, Table A-7.

<sup>3</sup> Items categorized as "others" were not specified by the companies.

### 4.1.1. Renewal fees

Companies also face further costs during the employment of their migrant workers. Fees for any renewals of permits, visas or documentation are solely covered by the employers. Table 15 shows the breakdown of specific costs for the renewal of items for each worker in Company 2 and Company 3.

► **Table 15. Breakdown of renewal fees reported to be paid by Company 2 and Company 3 during workers' employment, in US\$ (ringgit)**

Item	Amount paid by Company 2	Amount paid by Company 3
Visa (annual)	US\$4 (15)	US\$4 (15)
Working Pass (annual)	US\$15 (60)	US\$15 (60)
Processing fee	US\$31 (125)	US\$31 (125)
Levy (annual)	US\$156 (640)	US\$156 (640)
Bank guarantee	US\$14 (58)	US\$15 (60)
FOMEMA (medical check-up)	US\$44 (180)	US\$44 (180)
PERKESO	–	US\$38 (157)
Insurance renewal (FWCS)	US\$17 (69)	–
<b>Total renewal fees</b>	<b>US\$280 (1 147)</b>	<b>US\$303 (1 237)</b>

– = nil.

Note: US\$1 = 4.09 ringgit.

## 4.1.2. Informal payments

Besides payments for clearly stated and documented items, informal or illicit payments can also be part of the recruitment process. These payments are for items not mandated by law or policy and may involve irregular activities, such as payments to expedite the processing of documents or to forge documents. Although none of the companies interviewed reported making any informal payments in Malaysia or overseas, some of the workers interviewed reported making informal payments.

The majority of workers from Companies 1, 2 and 3 (82 per cent, 69 per cent and 61 per cent, respectively) reported that they did not make any informal payments. Only 5 per cent from Company 1 and 11 per cent from Company 2 reported making informal payments for items such as expedited passport processes, forgery of official documents and others (table 16). In addition, up to 22 per cent of workers from Company 3 reported making informal payments for expedited passport or visa/work permit processes, irregular border crossings, forgery of official documents and/or others.

► **Table 16. Items that workers reported paying for through informal payments in order to work in Malaysia**

Informal payments made?	Company 1 (n = 133)	Company 2 (n = 76)	Company 3 (n = 32)
Yes	7 (5%)	8 (11%)	7 (22%)
No	109 (82%)	57 (75%)	23 (72%)
Don't know/Not sure	17 (13%)	11 (14%)	2 (6%)
Item paid through informal payments <sup>1</sup>	Company 1 (n = 7)	Company 2 (n = 8)	Company 3 (n = 7)
Expedite passport process	4	6	5
Expedite visa/work permit	–	–	3
Irregular border crossings	–	–	1
Forged official documents – birth certificate, passport, work permit, etc.	2	4	2
Others	1	5	2

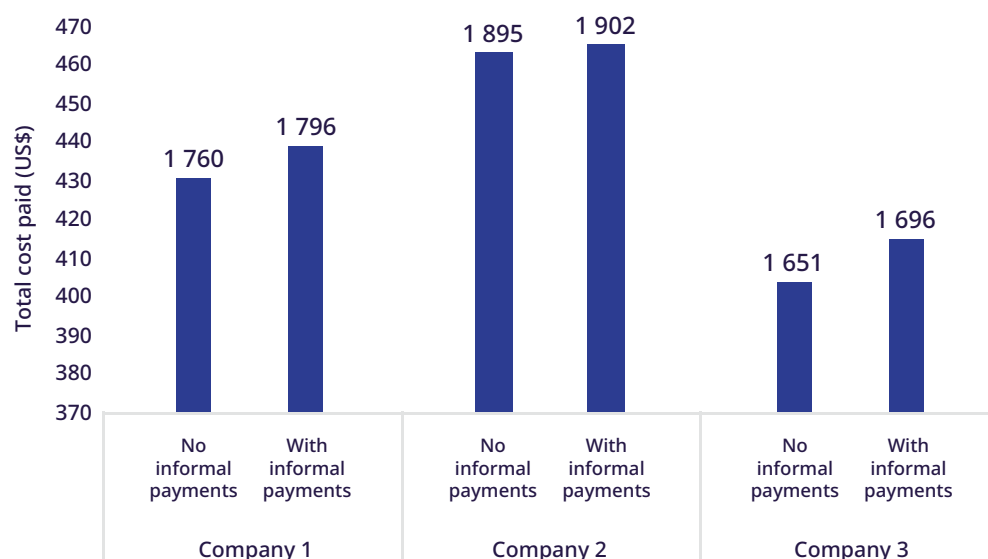
– = nil.

<sup>1</sup> Respondents in this section of the table are those workers who answered “Yes” above. More than one response possible.



Figure 4 below demonstrates that across all three companies, migrant workers who made informal payments had a slightly higher average total cost of recruitment than those who only made formal payments. Informal payments made by migrant workers from Company 1 ranged from US\$21–141 (87–578 ringgit); while workers from Company 2 and Company 3 were unable to provide the specific amounts they paid in informal payments.

► **Figure 4. Comparison of average total cost of recruitment paid by workers who made informal payments and workers with no informal payments, by company (US\$ and ringgit)**



Note: Numbers on the bars in the figure represent the cost in ringgit.

## ► 4.2. Loans and advances

The ILO–PE Research study looked into loans taken out in Indonesia by workers. Loans can be taken out by workers to pay for recruitment fees or associated costs. The loans can come from a variety of sources and the ILO–PE Research study did not look specifically into employer-provided loans or advances. For this reason, the amounts reported by Indonesian migrant workers and their employers contain some contradictions.

Out of the three companies interviewed, Company 1 did not provide any loans or cash advances to their workers at the pre-departure stage. Since no loans were provided, there was no interest charged or repayment period given to the workers. On the other hand, both Company 2 and Company 3 provided loans or cash advances of up to US\$367 (1,500 ringgit) to their agents to provide to each worker at the pre-departure stage. Company 3 subsidizes US\$73 (300 ringgit) of the cash advance, resulting in the workers needing to repay US\$294 (1,200 ringgit). Both companies did not report charging an interest rate for these loans or cash advances and have a written agreement containing details on the loan and repayment that is signed by both the employer and the worker. The repayment period given to the workers by Company 2 is up to 10 months; while Company 3 gives their migrant workers up to 12 months.

The minimum and maximum loans taken by Indonesian workers in the respective companies are reported in table 17 below, and are not limited to loans taken from their employers. The majority of Company 1 workers, 108 of 133 workers (86 per cent), reported taking loans prior to arriving in Malaysia. The loans taken by migrant workers in Company 1 ranged from US\$28 (115 ringgit) to US\$1,132 (4,630 ringgit). From Company 2, 51 of the 76 workers interviewed (67 per cent) took out loans prior to arriving in Malaysia. The lowest loan taken was US\$71 (290 ringgit) and the highest was reported at US\$1,061 (4,339 ringgit). A total of 78 per cent of workers from Company 3 (25 of 32 respondents) reported taking loans prior to arriving in Malaysia. The loans taken ranged between US\$141 (577 ringgit) and US\$849 (3,472 ringgit).

► **Table 17. Minimum, maximum and mean loans reported by workers who secured loans, in US\$ (ringgit)**

Informal payments made?	Company 1 (n = 133)	Company 2 (n = 76)	Company 3 (n = 32)
<b>Minimum</b>	US\$28 (115)	US\$71 (290)	US\$141 (577)
<b>Maximum</b>	US\$1 132 (4 630)	US\$1 061 (4 339)	US\$849 (3 472)
<b>Average</b>	US\$419 (1 714)	US\$415 (1 697)	US\$365 (1 493)

Note: US\$1 = 4.09 ringgit

### 4.2.1. Sources of loans

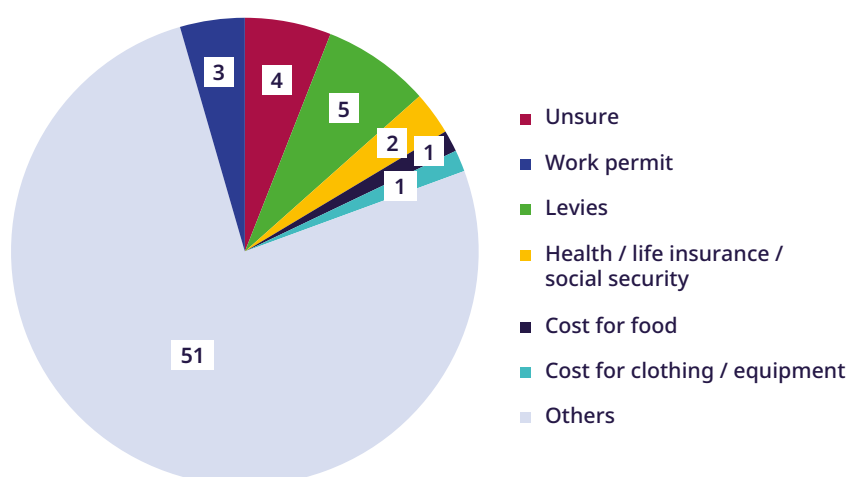
Migrant workers often resort to loans to pay for the recruitment fees and related costs. Loans can be taken from a variety of sources, such as family, friends, banks and other parties. The majority of migrant worker respondents who took out loans – 73 per cent (80 of 109 responses) from Company 1, 73 per cent (38 of 51 responses) from Company 2 and 72 per cent (18 of 25 responses) from Company 3 – secured these loans from family members. Loans from friends represented the second-largest source, with 20 respondents from Company 1, 8 respondents from Company 2 and 4 respondents from Company 3 mentioning they took loans from friends. Only a small number of respondents indicated taking loans from either banks, agents, brokers, recruiters, or “others” – nine workers from Company 1, four from Company 2 and one from Company 3 (detailed breakdowns can be found in Annex 2, figures A-1 – A-3).

## ► 4.3. Deductions

During the interviews conducted by EF for this study, companies were not asked about non-recruitment-related deductions, such as for statutory purposes, housing expenses or union fees. Concerning deductions from migrant workers’ salaries, the focus was solely on recruitment-related costs. However, in the responses by the workers, deductions for non-recruitment-related costs were also mentioned. The results presented below draw a distinction between “respondents” and “responses”. “Respondents” refers to the migrant workers themselves, whereas “responses” refers to the various deduction items reported by the migrant workers. Because migrant workers may be subject to deductions for multiple items, the number of responses may be higher than the number of respondents.

Company 1 reported that they do not make any salary deductions from workers to cover any costs paid by the company that are associated with the recruitment process, both during pre-departure and upon arrival in Malaysia. However, salary deductions were reported by 61 of the 133 Company 1 respondents interviewed (49 per cent). Most of these deductions were for non-recruitment-related costs, including food, clothing, equipment, health insurance, life insurance, social security or others. However, some respondents reported deductions being made for recruitment-related costs, such as work permits (four responses) and levies (five responses). The majority of the responses (51 of 67) stated that deductions were for items other than those listed (figure 5). Three respondents reported being unsure of the nature of their salary deductions.

► **Figure 5. Cost items that were deducted from workers' wages in Company 1**



Note: Deductions were reported by 61 respondents (out of 133). Numbers in the figure represent the number of responses citing a particular item. More than one response possible.

Of the 61 Company 1 respondents who experienced salary deductions, only 57 were able to identify the minimum and maximum deductions that they were subjected to (table 18). Salary deductions per month were found to vary between US\$1 and US\$293 (4–1,200 ringgit) per worker. Four respondents did not know the exact amount that was deducted from their salaries.

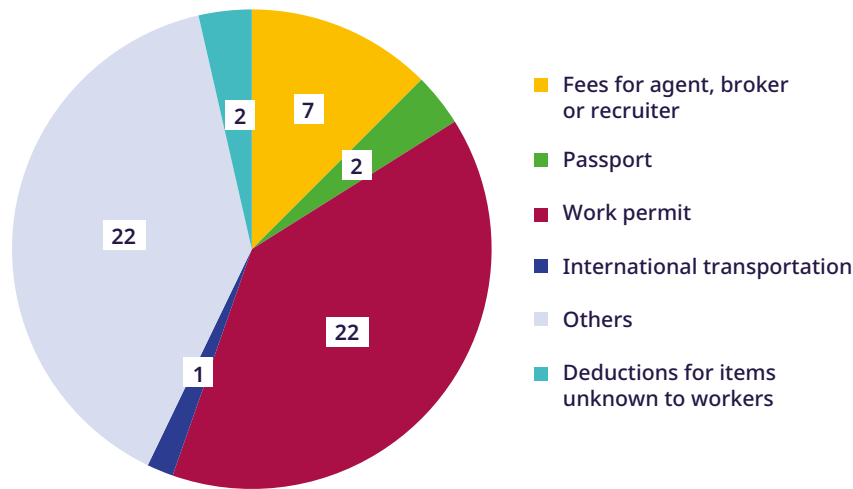
► **Table 18. Minimum and maximum monthly and total salary deductions reported by those workers who experienced deductions and could identify the amounts, by company, in US\$ (ringgit)**

Salary deduction		Company 1 (n = 61)	Company 2 (n = 45)	Company 3 (n = 20)
<b>Monthly salary deduction</b>	Minimum	US\$1 (4)	US\$0.50 (2)	US\$12 (50)
	Maximum	US\$293 (1 200)	US\$98 (400)	US\$71 (290)
<b>Total salary deduction</b>	Minimum	US\$23 (96)	US\$10 (42)	US\$122 (500)
	Maximum	US\$4 401 (18 000)	US\$880 (3 600)	US\$880 (3 600)

Note: US\$1 = 4.09 ringgit.

Company 2 provided migrant workers with an instalment plan to pay off loans obtained from the company, with payments typically then deducted from the workers' salaries. The company has a salary deduction permit and is allowed to deduct US\$37 (151 ringgit) per month from a worker's salary, with the average deduction period being ten months. Salary deductions were confirmed by 49 of 76 respondents (64 per cent) who were interviewed from Company 2, and were either for passports; work permits; international transportation; fees for agent, broker or recruiter; or others (figure 6). Two respondents reported deductions for items that were unknown to them.

► **Figure 6. Cost items that were deducted from workers' wages in Company 2**



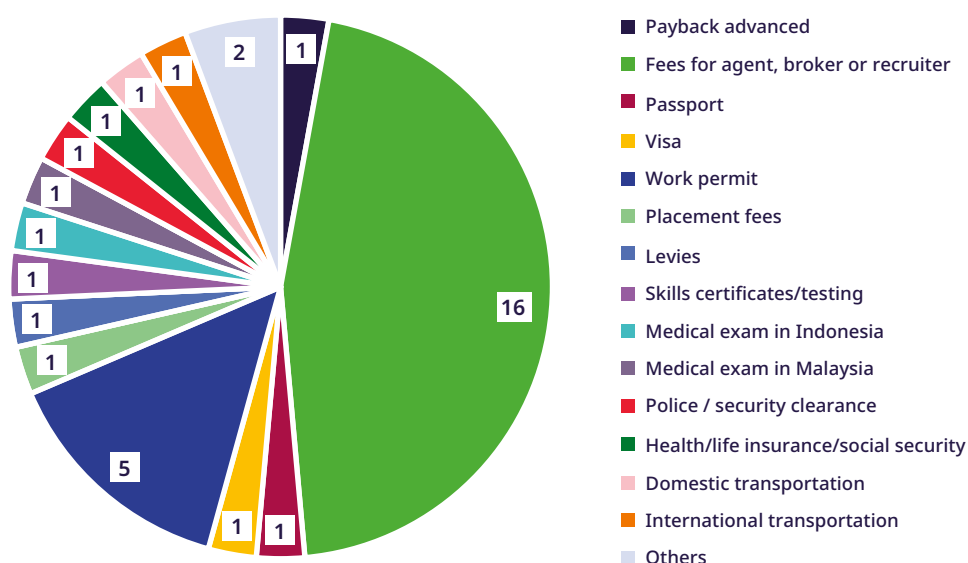
Note: Deductions were reported by 49 respondents (out of 76). Numbers in the figure represent the number of responses citing a particular item. More than one response possible.

Only 45 Company 2 respondents knew the exact amount being deducted from their salary each month, which was found to vary between US\$0.50 and US\$98 (2–500 ringgit) per worker (table 20). The total salary deductions throughout the repayment period ranged from US\$10 to US\$880 (42–3,600 ringgit) as reported in table 20. Four respondents did not know the exact amounts of their monthly and total salary deductions, and one respondent from Company 2 experienced a one-time deduction from his salary.

As with Company 2, Company 3 also provides migrant workers with an instalment plan to pay off the employer loans incurred, which is achieved through deductions from the workers' salaries. The company deducts US\$24 (98 ringgit) per month from the workers' salary over an average of 12 months. The company reported that they had obtained a salary deduction permit from the Labour Department and they secure the consent of their workers prior to making any deductions. Among Company 3 respondents, 63 per cent (or 20 out of 32) reported salary deductions, with the maximum reported monthly deduction being US\$71 (290 ringgit) (table 20), well above the deduction amount of US\$24 (98 ringgit) reported by the company. The total salary deductions per worker ranged from US\$122 to US\$880 (500–3,600 ringgit).

There were 33 responses identifying the deduction items, including: payback of money advanced; passport; visa; work permit; placement fees; skills certificates/testing; medical exams; police/security clearance; domestic transportation; levies; fees for agent, broker or recruiter; health insurance; life insurance; and social security. Two respondents stated deductions were for "other" items, as shown in figure 7.



► **Figure 7. Cost items that were deducted from workers' wages in Company 3**

Note: Deductions were reported by 20 respondents (out of 32). Numbers in the figure represent the number of responses citing a particular item. More than one response possible.

## ► 4.4. Reimbursements

Company 1 requires that all their Indonesian recruitment agencies reimburse any costs paid by workers during pre-departure or arrival in Malaysia that exceeded US\$435 (1,779 ringgit) (Annex 2, table A-6). The Letter of Agreement issued by Company 1 with regards to maximum payments by migrant workers addresses several fees and costs – including payment for official documents, transport fees, and medical fees – and covers two recruitment actors in the country of destination – the recruitment agency and the sponsor – which is based on the company's research into common fees in Indonesia. The sponsor appears to play the role of the subagent to the registered recruitment agency that Company 1 has a direct business relationship with. The document viewed was signed by all five registered agencies and Company 1 representatives. While this Letter of Agreement is not mandated by the Indonesian or Malaysian government, Company 1 has implemented this practice since 1 June 2017 in order to fulfill their sustainability and human rights commitments, as outlined in box 3 above.

Despite the agreement around reimbursement between Company 1 and their recruitment agents, at least 32 workers paid more than the maximum agreed upon amount of US\$435 (1,779 ringgit) and only seven reported receiving information on reimbursements – and one of them was told they could not be reimbursed. Six of the workers were reimbursed at the time of interview: one worker reported reimbursements for their visa; two workers reported reimbursements for "other" costs; and three workers were not sure about the items that they were reimbursed for (table 19).

► **Table 19. Cost items that certain Company 1 workers were told they would be reimbursed for**

Items	Company 1 (n = 7)
Visa	1
Others	2
Non-reimbursable items	1
Don't know/not sure	3

Note: More than one response possible.

Workers interviewed from Company 2 and Company 3 did not mention any reimbursements from the company or their recruitment agents. This demonstrates the importance of not only having policies that require reimbursement if the worker has paid fees during recruitment, but also clear procedures to ensure that the agents adopt these policies and that workers are aware of their rights under their company's policies.

## ► 4.5. Recruitment costs and employer practices

This study has enabled comparisons between employer recruitment processes and practices, as well as comparisons between employer-borne and worker-borne recruitment costs and fees. It is not possible to make direct correlations between the three companies' practices and workers' experiences – however, the study has been able to capture some good practices, key areas for improvement and ongoing challenges in recruitment that impact both recruitment costs and the experiences of employers and workers.

Among the companies interviewed, Company 1 paid the least in recruitment costs and fees, followed by Company 3 and then Company 2. However, among migrant worker respondents – workers from Company 3 paid the least on average, followed by workers from Company 1 and then workers from Company 2.

Company 1 did not provide any loans to workers, whereas Company 2 and Company 3 provided cash advances that were subsequently deducted from workers' salaries. Company 3 also provided workers a subsidy that covered a portion of the loan, and this may have helped reduce their workers' recruitment costs.

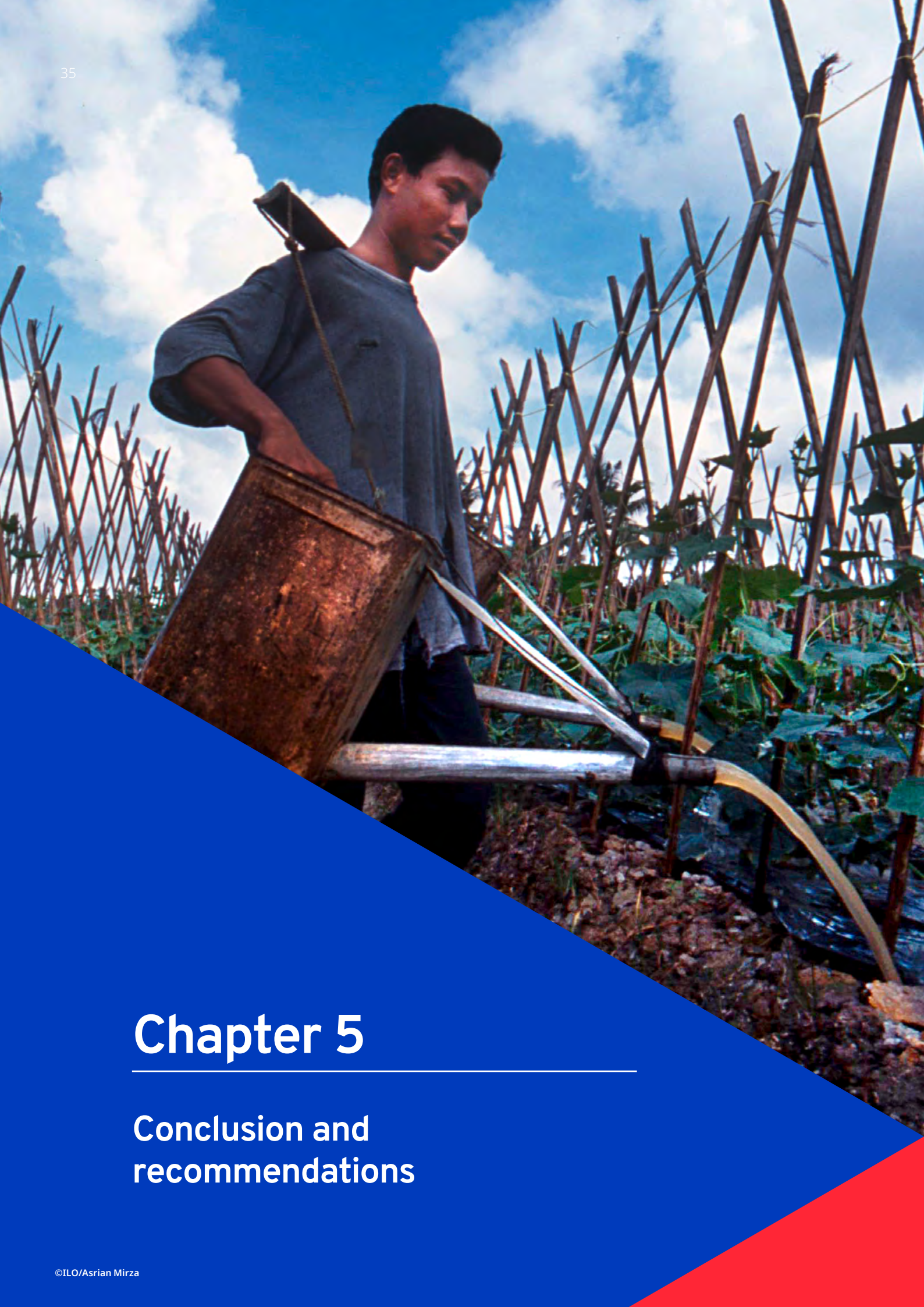
Company 1 had an innovative written agreement with their agents that outlined the maximum costs and fees that could be charged to workers. Company 1 was the only company to have a process in place for reimbursement by recruitment agents if workers paid more than the agreed amount. However, at the time of interview, only a minority of workers had heard of the reimbursement process or had been reimbursed. Company 1 also had in place an interview process with workers prior to their departure, as well as grievance mechanisms for migrant workers to raise recruitment-related concerns to the company. Company 2 and Company 3 also had interview processes with newly recruited workers and provided access to company grievance mechanisms. Company 2 claimed to have never received any grievances related to recruitment; while Company 3 had received and acted on recruitment-related grievances.

Company 1, as outlined in Section 3, had the most comprehensive company policies and scope of application aligned to international standards on labour, responsible recruitment and the respect for human rights. Company 2 and Company 3 only had very basic policy commitments that made no reference to international standards. Company 2's policy scope was limited to its own operations, while Company 3's policy had a wider application.

Company 1 recruited the largest number of Indonesian workers among all three participating companies, and also used the largest number of recruitment agents in Indonesia. The company had due diligence processes in place for their recruitment agents, and they also reported providing recruitment agents with a reasonable amount of information to pass on to potential workers, and then verified that this was indeed done.

Company 2 and their workers paid the highest average recruitment fees and related costs. However, in terms of transparency, Company 2 provided the most information about the conditions of employment to their recruitment agents, and also had the most comprehensive review or verification process to ensure that this information is shared with their workers. Company 2 used only one recruitment agent in Indonesia, and claimed they had due diligence processes in place for the agent's selection.

Company 3 used four recruitment agents in Indonesia, but did not have in place due diligence processes in addition to their recruitment agent selection criteria. Company 3 provided similar amounts of information to recruitment agents and conducted verification, like Company 1.



# Chapter 5

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## Conclusion and recommendations



## ► 5.1. Lessons learned from the participating companies

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### Company policies

Good practices were identified in terms of policy commitments and standard operating procedures relating to sustainability and recruitment – such as committing to national laws and policies and to international labour and human rights standards; disseminating company policies with staff and workers; and the application of policies to third-party suppliers and business partners, including recruitment agents and subcontractors.

However, challenges remain, as not all company policies were consistently shared with workers or third-party companies, and none of the companies had a formal written commitment to zero cost recruitment or the Employer Pays Principle, although one company's policy aimed to ensure that excess recruitment costs were borne by the recruitment agents.

Some companies had good practices related to maintaining detailed breakdowns of recruitment fees and costs in Indonesia in the form of cost sheets, which break down costs for the employer, recruitment agent and workers, thereby increasing transparency between all parties regarding what has been paid and what will be reimbursed.

### Use of recruitment agents

There were also good practices identified in the recruitment process, such as all three companies conducting direct recruitment in Indonesia using registered Indonesian recruitment agents without another intermediary agency or the use of outsourcing companies in Malaysia. In addition, the companies conducted interview processes where newly recruited workers could raise recruitment related concerns. Some companies provided staff training on responsible recruitment and also conducted due diligence on recruitment agencies.

Moreover, there were good practices in relation to the selection criteria for recruitment agents, such as seeking recommendations from the embassy, from migrant workers or their associations, as well as from peer companies. One company even checked the financial stability of the recruitment agency as a criterion. However, an ongoing challenge is that companies do not consistently prioritize agents who offer reasonable recruitment fees or no fees to the migrant workers.

Companies provided extensive information about the company, working conditions, housing arrangements and the job specifications to their Indonesia-based recruitment agents. However, not all companies consistently verified whether potential and recruited workers were provided with all the relevant information, nor did all companies verify documentation and processes under the responsibility of the recruitment agent, including the provision of pre-departure orientation.

Companies prioritized gender and nationality in their selection of migrant workers, some highlighting their preference for workers familiar with rural life and those who appeared fit and strong. The preference for Indonesian workers may be due to their geographical and cultural proximity to Malaysia. The lack of female workers hired by companies in Peninsular Malaysia is a potential risk of discrimination in the selection processes for migrant workers.

### Subcontracting

Two companies used subcontracted workers for specialized tasks. Subcontractors were normally appointed at the work site or estate level, based on criteria developed at that level. Although basic information is provided to subcontractors to share with their workers (on living conditions and occupational safety and health requirements), the companies did not verify critical elements of these workers' conditions, such as the provision of employment contracts, access to passports, access to grievance mechanisms, freedom of association or recruitment fees paid. Although two of the three companies employ subcontractors, the perspectives of subcontractors and outsourcing agents are not included due to no subcontracted workers being employed during the survey period.

### Costs and fees

Through a comparison of data collected by EF from employers, and data collected by PE research from migrant workers, it was found that both groups of respondents reported paying for the same recruitment items, such as passports, visas, levies and work permits. This indicates potential unethical practices by the intermediaries profiting from payments being paid twice – once by the worker and once by the employer – which not only increases the actual cost of recruitment but hinders efforts to understand and estimate costs accurately. Hence, the perspective of recruitment agents in the country of origin, which is not included in this study, needs to be explored further. Companies need to also contact recruitment agents in order to clarify why items they are paying for are apparently being charged to workers as well.

## ► 5.2. Recommendations for employers

**Policy commitments:** Companies are recommended to adopt policies that align with international standards, and that can be applied widely to cover their suppliers, recruitment agents and subcontractors. Companies should consider adopting the Employer Pays Principle and align their practices with the ILO's General Principles and Operational Guidelines for Fair Recruitment and Definition of Recruitment Fees and Related Costs. Policies should be adopted by suppliers and third parties, and disseminated through trainings to all relevant stakeholders, including all workers and their organizations.

**Payment or reimbursement of recruitment fees and related costs:** Companies are recommended to commit to the Employer Pays Principle and to seek to ensure workers do not arrive in Malaysia indebted. Companies should consider covering all recruitment fees and related costs, and reimbursing workers who have made payments in their countries of origin. Companies should consider reimbursing all workers in their operations, and not only those who arrive after the adoption of the new policy commitments. Companies should maintain accurate records on recruitment fees and related costs paid – including costs paid by migrant workers – to avoid any double charging of items. To identify any fees or costs paid in the country of origin by workers or any form of grievance incurred during the recruitment process, companies are recommended to conduct detailed post-arrival interviews with their workers. It is advisable to interview a wide sample from every batch, if not every worker, to ensure a mixture of male and female workers, different home towns in the country of origin and various departure points as well as to ensure coverage of workers recruited by a variety of recruitment agents. The findings from such interviews could also help employers identify recruitment agents or towns in the country of origin where fewer fees are incurred.

**Human rights-based due diligence:** It is strongly recommended that employers continue playing a leading role in implementing fair and ethical recruitment practices and undertake regular human rights-based due diligence, evaluation, as well as monitoring of recruitment processes and costs and the actors involved - including any intermediaries - to identify, mitigate, prevent and remedy any risks identified.

**Recruitment agent selection:** Companies should consider using recruitment agents that do not charge migrant workers any recruitment fees or related costs, in addition to other selection criteria. Companies should consider worker feedback and approval ratings of recruitment agents in their selection processes.

**Migrant worker selection:** Companies should select migrant workers based on objective factors to avoid any risk of discrimination.

**Information sharing:** Companies recruiting migrant workers should work closely with recruitment agents or other parties in the country of origin to ensure that potential recruits receive detailed and adequate information about the recruitment process and their working and living conditions prior to signing their employment contract in their country of origin. Companies should also consider taking a leadership role in sharing good recruitment practices and raising awareness with their suppliers and other business partners to promote wider industry transformation.

**Upholding the rights of subcontracted workers:** Companies using subcontracting services should ensure that subcontracted workers have full access to their labour rights, as well as safety and health provisions and experience fair and safe recruitment processes.

**Access to remedy and grievance mechanisms:** Companies should ensure all workers, including subcontracted workers, have access to company grievance mechanisms as well as other remedies and services outside of company. Companies should ensure that grievance mechanisms are easily accessible



and available in languages that migrant workers understand. Companies should develop clear guidelines how to handle recruitment-related grievances concerning their recruitment agents, particularly how to identify overcharging or double charging of recruitment fees and costs.

### ► 5.3. Recommendations for governments

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**Transparency of information relating to recruitment agents:** It is recommended that governments, both in countries of origin and destination, take an active role in providing publicly available lists of registered, responsible recruitment agents, as well as a blacklist or watch lists of recruitment agents that have cases against them. Ideally these mechanisms should allow for workers and employers to review, rate and provide feedback on their experiences with recruitment agents, and for agents to review employers.

**Clarity in legislation and policies on recruitment fees and related costs:** Governments are recommended to ensure that the principle of workers not paying for recruitment fees is embedded into laws, policies and bilateral agreements. Governments should ensure that these regulations are widely disseminated and awareness is raised among the public, enforcement agencies, recruitment agencies, workers and employers.

**Transparency in recruitment fees and related costs:** Governments are recommended to publish, in an easily accessible manner, details of all recruitment fees and related costs in the countries of origin and destination on a common multi-lingual platform that can be accessed by the public, migrant workers, recruitment agents and employers. Official fees and costs should be thoroughly examined, and governments are recommended to simplify and minimize any burdensome administrative procedures that give rise to excessive fees for workers and employers.

**Improved enforcement of recruitment- and labour-related violations:** Governments should actively enforce recruitment-related laws and policies, including official recruitment fee regulations. They should ensure that migrant workers facing recruitment violations and employers who have been misled by recruitment agents have access to remedy. Private employment agencies and subcontractors in Malaysia should also be actively monitored for their compliance with labour laws, ensuring clear avenues for workers to raise any grievances that arise concerning them.

### ► 5.4. Recommendations for further research

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As a next step it is recommended that further research is done on:

1. Recruitment practices and fees imposed by recruitment agents in the country of origin and the destination country.
2. The recruitment practices of subcontractors, and the recruitment and employment experiences of subcontracted workers in plantations.
3. The recruitment costs and practices of companies and the experiences of migrant plantation workers – including female migrant workers – in East Malaysia, particularly Sabah and Sarawak.

The inclusion of these perspectives can further improve the general understanding on recruitment fees and costs.

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# Annex 1. Survey tool for employers

## ► Introduction

This survey tool is designed to determine company practices in relation to:

- The mode of recruitment of foreign workers from Indonesia into the Malaysian palm oil industry.
- The activities/processes and costs involved during the various phases of recruitment.

It is divided into four sections, as follows:

- Section 1: Company recruitment information
- Section 2: Mode of recruitment
- Section 3: Pre-departure of foreign workers from their country of origin (pre-selection, selection process and deployment)
- Section 4: Post-arrival (in Malaysia)

## ► Section 1. Company recruitment information

### 1.1. Company Information

1	Name of company	[Company's name] [Text]	
		Designation of the officer	

2	Please specify the state(s) in which your business is operating palm oil plantations (own-operations):	[By state]	[Multi-select]
		Johor	
		Kedah	
		Kelantan	
		Malacca	
		Negeri Sembilan	
		Pahang	
		Penang	
		Perak	
		Perlis	
		Sabah	
		Sarawak	

		Selangor	
		Terengganu	
		WP Kuala Lumpur	
		WP Putrajaya	

3	How does your company source foreign workers?	[Sourcing of foreign workers – in year]	[Multi-select]
		Direct hiring (walk-ins, online, source country hiring)	
		Direct hiring (via a referral system from your current workers)	
		Direct hiring (via other informal intermediaries/ networks)	
		Hiring through recruitment agents in origin country	
		Hiring through recruitment agents in Malaysia	
		Hiring through recruitment agents in both origin country and Malaysia	
		Hiring through a labour or agricultural contractor/third-party supplier	
		Hiring through an outsourcing company	
		Other – please specify	
Remarks			

4	If your company uses recruiters, please share how many:	Total number of recruitment agents/third parties involved [Numeric – Integer]
		[Number of agents in Malaysia] [Numeric – Integer]
		[Number of agents in workers' countries of origin] [Numeric – Integer]
Remarks – Details of agents by country of origin		



## 1.2. Information on direct foreign workers

(Foreign workers who are directly employed by/under your company – with or without the support of recruitment-related business partners).

5	Please specify the total number of your foreign workers (directly employed by/under your company), followed by their nationality and gender	[Total number of directly recruited foreign workers] [Numeric – Integer]			
		[by nationality]	[Male]	[Female]	[Total]
		Bangladesh			
		India			
		Indonesia			
		Myanmar			
		Nepal			
		Pakistan			
		Philippines			
		Viet Nam			
Other, please specify the nationality					
Remarks					

## 1.3. Information on contractors and subcontracted workers

(Workers who were hired through labour contractors, outsourcing companies or via other third-party suppliers.)

6	Does your company use the services of any labour or agricultural contractors who are given a contract to undertake plantation activities in your business operations?	[Use of contractor]	[Single-select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks			

7	If your answer to question (6) above is "Yes", please answer the following:	Number of contractors given contract [Numeric – Integer]			
		[Type of plantation activities they undertake] [Text]			
		[Selection criteria used to select contractors] [Text]			
Remarks					

8	Please specify total number of your subcontracted foreign workers, followed by nationality and gender Note: If your company has more than one contractor, please do the same in a separate table.	[Total number of subcontracted foreign workers by nationality and gender] [Numeric – Integer]			
		[by nationality]	[Male]	[Female]	[Total]
		Bangladesh			
		India			
		Indonesia			
		Myanmar			
		Nepal			
		Pakistan			
		Philippines			
		Viet Nam			
		Other, please specify the nationality			
Remarks					

## 1.4. Company policies

9	Does your company have a dedicated written policy/code of conduct/ procedure on the recruitment or hiring of foreign workers?	[Policy or procedure on recruitment and/ or hiring of foreign workers]	[Single-select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – [Document review]			

10	If your answer in question (9) above is “Yes”, does your policy/code of conduct/ procedure cover or make reference to:	[Policy coverage and inclusiveness]	[Multi-select]
		National laws, regulations and standards.	
		International labour standards, including key ILO Conventions and standards.	
		Key human rights principles, as enshrined under the Universal Declaration of Human Rights or UN Guiding Principles on Business and Human Rights.	
		A “zero cost commitment” where foreign workers shall not bear any cost of recruitment.	
		Our policy clearly defines what “cost of recruitment” means so that our company, workers and recruiters have a common understanding of what should and should not be paid by each party.	
		Our policy provides for a process of worker fee reimbursement if fees were paid.	
		Our policy requires contractors/labour recruiters/suppliers to adopt our policy on the recruitment of foreign workers.	
		All our <b>direct workers</b> are introduced to our policy at their induction process or other worker briefing process.	
		All our <b>subcontracted workers</b> are introduced to our policy at their induction process or other worker briefing process.	
		Our policy exists at the headquarters of our company and applies to all our own operations ( <i>that is, individual sites must comply to this policy and do not have their own policies on this topic</i> ).	
		Our policy applies to our third-party suppliers and other business partners, even if not involved specifically in recruitment or labour supply-related activities.	
Remarks			

## 1.5. Recruitment partners' policies

11	Do your recruitment agents have a dedicated written policy/code of ethical conduct/procedure on the recruitment or hiring of foreign workers?	[Recruitment agent's policy or procedure on recruitment and/or hiring of foreign workers]	[Single-select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, how many have such policies? [Document request]			

12	Does your contractor have a dedicated written policy/code of ethical conduct/procedure on the recruitment or hiring of foreign workers?	[Contractor's policy or procedure on recruitment and/or hiring of foreign workers]	[Single-select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks			

## ► Section 2. Mode of recruitment

### 2.1. Direct workers – Foreign workers directly employed under your company

1	What criteria does your company use to select your potential foreign workers?	[Selection criteria for potential foreign workers]	[Multi-select]
		Work experience	
		Nationality	
		Ethnicity	
		Gender (whether male or female)	
		Age group	
		Language ability	
		Education background	
		Physical appearance	
		Technical Skills	

		Other, please specify: 1. 2. 3.	
<b>Remarks</b>			

2	What criteria does your company use to select your labour/recruitment agent?	[Selection criteria for labour/recruitment agent]	[Multi-select]
		Entity must be a registered labour agent/recruiter (e.g. in the country of origin list of registered agents)	
		Entity must have good reputation and track record	
		Entity must have a transparent and accountable business practice	
		Entity charges reasonable service fee to the company	
		Entity charges no fees to the company	
		Entity charges reasonable recruitment fee to the foreign workers	
		Entity charges no fees to the foreign workers	
		Entity was recommended by other peer-companies	
		Entity was recommended by foreign workers or workers associations	
		Entity has an established contact and network both in Malaysia and source country	
		Other, please specify: 1. 2. 3.	
<b>Remarks</b>			
Please explain what "reasonable fee" means.			



3	Please select which activities your company undertake before embarking on the recruitment process?	[Activities during pre-recruitment process]	[Multi-select]	[Cost related to each of these activities] [Numeric – Integer] (in ringgit)
		Undertake due diligence and/or background check before selecting your potential labour/ recruitment agent		
		Train/brief your own recruitment staff on the set requirements and procedures for the hiring of foreign workers		
		Advertise vacancy for national workers at “Jobs Malaysia”		
		Apply for foreign workers’ quotas at the One Stop Centre		
		Invited for interview session(s) with relevant government agencies (Ministry of Home Affairs, etc.)		
		Other, please specify:		
Remarks				

4	What information is provided to the agent about the company and its policies?	[Information provided to recruitment agent]	[Multi-select]
		The legal name of this company and its headquarters	
		The exact location of the company premises	
		The company’s policies on recruitment/employment	
		Description of the job and working conditions, skills required	
		Description of living conditions, rules relating to the accommodation and location of labour quarters	
		Employment contract template – Terms and conditions expected for all workers on site (hours, wages, annual leave, sick leave and other benefits, termination clause)	
		Employment contract – in native language of the worker	
		Legal rights and responsibilities of workers and employers in Malaysia	
		Occupational safety and health information and requirements	
		Details about any disciplinary actions	
		Access to a grievance mechanism	
		Freedom of association	
		Details about any medical examinations required	
		Details about Company policy in case of sickness/accident/ death: access to medical facilities, workmen’s compensation and hospitalization insurance in Malaysia	
		Details about recruitment/placement fees (if any)	
Information about safekeeping or retention of identity documents (passport or I-Kad)			
Other, please specify the item:			

5	What information does your company verify from the recruitment agent/third party prior to departure of your new recruits?	[Verification of Information Provided to Foreign Workers]	[Multi-select]
		Recruits receive all of the above selected information (from Question 5)	
		Medical and security clearance	
		List of full names, birth dates and identity documentation (passport)	
		Photo that matches identity documentation	
		Provision of employment contracts that meet legal and company requirements	
		Employment contract in the native language of the worker	
		Completion of pre-departure training	
		Fulfilment of all legal and policy requirements in the country of origin	
		Other please specify the item:	
Remarks			

## 2.2. Contractors and subcontracted workers

6	What criteria does your company used to select your labour contractor/ outsourcing agent?	[Selection criteria for subcontractor company]	[Multi-select]
		Entity must be a registered business entity or outsourcing agency	
		Entity must have good reputation and track record	
		Entity must have a transparent and accountable business practice	
		Entity charges reasonable service fee to the company	
		Entity charges no fees to the company	
		Entity charges reasonable recruitment fee to the subcontracted foreign workers	
		Entity charges no recruitment fee to the subcontracted foreign workers	
		Entity was recommended by other companies in your industry	
		Entity was recommended by foreign workers or workers' associations	
		Entity has an established contact and network both in Malaysia and source country	
		Entity offers a specialized plantation-related service	
		Other, please specify: 1. 2. 3.	
Remarks			
Please explain what "reasonable fee" means.			

7	What information is provided to the contractor about the company and its policies prior to commencement of work/ subcontract activities?	[Information provided to contractor]	[Multi-select]
		The legal name of this company and its headquarters	
		The exact location of the company premises	
		The company's policies on recruitment/employment	
		Description of the job and working conditions, skills required	
		Description of living conditions, rules relating to the accommodation and location of labour quarters (if subcontracted workers live on site)	
		Employment contract – Terms and conditions expected for all workers on site (hours, wages, annual leave, sick leave and other benefits, termination clause)	
		Employment contract – in native language of the worker	
		Legal rights and responsibilities of workers and employers in Malaysia	
		Occupational safety and health information and requirements	
		Details about any disciplinary actions	
		Access to a grievance mechanism	
		Right to freedom of association	
		Details about any medical examinations required	
		Details about company policy for subcontracted workers in case of sickness/accident/death: access to medical facilities, workmen's compensation and hospitalization insurance in Malaysia	
		Details about recruitment/placement fees (if any)	
		Information about safekeeping or retention of identity documents (passport or I-Kad)	
		Other, please specify the item:	

8	What information does your company verify from the contractor relating to subcontracted workers?	[Verification of information provided to subcontracted workers]	[Multi-select]
		All of the above selected information (from Question 9)	
		Payslips showing details of payments made by contractor to workers	
		Provision of personal protective equipment (PPE) and enforcement of occupational safety and health	
		Provision of employment contracts that meet legal and company requirements	
		Employment contract in the native language of the worker	
		List of full names and identity documentation	
		Access to passports and I-Kad	
		Access to a grievance mechanism	
		Right to freedom of association	
		Hiring of documented workers (work permit verification)	
		No child labour (date of birth verification)	
		Other please specify the item:	
Remarks			

9	Has your company ever faced a situation where subcontracted workers made complaints about the contractor?	[Subcontracted workers' grievances]	[Single-select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, what are the common complaints? How does your company handle this situation?			

10	Does your company provide any induction training to subcontracted workers?	[Training for subcontracted workers]	[Single-select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, what type of training/induction? Where does it take place?			

## ► Section 3. Pre-departure of foreign workers from their country of origin

### 3.1. Pre-departure costs

1	In total, how much does your company spend on average in order to recruit each foreign worker, based on their nationality?  <i><b>Note:</b> Including costs involved upon arrival in Malaysia</i>	[Total cost of recruitment by nationality foreign worker] [Numeric – Integer] (in ringgit)			
		Bangladesh	Indonesia	Nepal	Other nationality
Remarks					

2	Please specify the cost your company spent in order to recruit one foreign worker, based on items indicated and their respective nationality	[Cost of recruitment per worker – Pre-departure] [Direct costs] [Numeric – Integer] (in ringgit)				
		Items	Bangladesh	Indonesia	Nepal	Other nationality
		<b>(1) Pre-selection stage costs</b>				
		Service fee for individual (including friend/relative/informal broker) involved in arranging for selection/interview session with labour recruiter				
		Service fee for NGO/community-based organization involved in arranging for selection/interview session with labour recruiter				
		Lodging/hotel				
		Meals				
		Transportation cost				
		Documentation preparation cost				



		Translation cost/ fee				
		Training fee or pre-departure awareness training fee				
		Other, please specify the item:				
		<b>(2) Selection stage costs</b>				
		Service fee for labour agent in Malaysia (if any)				
		Service fee for labour agent in source country				
		Passport fee				
		Visa fee				
		Levy fee				
		Work permit/Work pass fee				
		Identity/personal document fee (such as, identity card) – other than passports				
		Immigration Security Clearance (ISC) fee				
		Security bond/ bank guarantee				
		Medical check-up fee				
		Insurance – Foreign Worker Compensation Scheme (FWCS) fee				
		Insurance – Health Insurance Protection Scheme Foreign Workers (SPIKPA) fee				
		Training cost (any kind of pre- departure training including skills, language and cultural training)				

	Lodging/ hotel (during recruitment stage)				
	Meals (during recruitment stage)				
	Translation cost/ fee (during recruitment stage)				
	Documentation preparation cost (during recruitment stage)				
	Other, please specify the item:				
	<b>(3) Deployment stage costs</b>				
	Airfare cost (ticket to Malaysia)				
	Airfare cost (return)				
	Ferry/land transportation cost				
	Airport tax or any form of departure tax				
	Miscellaneous official government fees (by Malaysian Government)				
	Miscellaneous official government fees (by government of home country)				
	Other, please specify the item:				
<b>Remarks</b>					

3	Please specify the cost your company spent in order to recruit one foreign worker, based on items indicated and their respective nationality  Note: costs without receipts	[Cost of recruitment per worker – Pre-departure] [Indirect costs] [Numeric – Integer] (in ringgit)				
		Items	Bangladesh	Indonesia	Nepal	Other nationality
		Expedite issuance of passport				
		Expedite issuance of visa and work permit				
		Expedite exit clearance process at home country				
		Expedite issuance of birth certificate and identity document				
		Other informal payments/gifts to agent, broker or any middle person at home country				
		Fees to facilitate border crossing (regular or irregular crossing)				
		Other, please specify the item:				
Remarks						

4	Does your company provide loans or cash advances for your worker at pre-departure stage (that is, during recruitment)	[Provision of loan or cash advance]		[Single-select]
		Yes		
		No		
		Unsure/decline to respond		
Remarks				

5	If your answer in question (4) above is "Yes", what amount does your company provide as a loan?	[Provision of loan or cash advance] [Single-select]		
Remarks				

6	If your answer in question (4) above is "Yes", what is the interest rate – if any?	[Loan or cash advance – Interest rate in %] [Numeric – Decimal]
<b>Remarks</b>		

7	If your answer in Question (4) above is "Yes", what is the time period for workers to repay their loan or cash advance?	[Loan or cash advance – Interest rate in %] [Numeric – Decimal]	[Single-Select]
		Within 6 months	
		Within 1 year	
		Within 2 years	
		Within 5 years	
		Within 10 years	
		More than 10 years	
<b>Remarks</b>			

8	If your answer in question (4) above is "Yes", list any other terms of repayment?	[Other terms of repayment of loan/cash advance] [Text]
		Item 1
		Item 2
		Item 3
		Item 4
		Item 5
		Note: Please add more rows if more than 5 items

9	Does your company provide a written agreement on the loan repayment?	[Provision of written agreement for the loan or cash advance]	[Single-select]
		Yes	
		No	
		Unsure/decline to respond	
<b>Remarks</b>			

## ► Section 4. Post-arrival (in Malaysia)

### 4.1. Post-arrival costs

1	<p>Please specify the cost to your company for each worker upon arrival, based on items indicated and their respective nationality.</p> <p>Note: This question applies to the most recent recruitment of workers.</p>	[Cost of recruitment per worker – On arrival] [Direct costs] [Numeric – Integer] (in ringgit)				
		Items	Bangladesh	Indonesia	Nepal	Other nationality
		Training cost (any kind of training including language and cultural training after arrival)				
		Induction or company's briefing (if different to training)				
		Medical check-up fee				
		Lodging/hotel (during training/ induction/ placement)				
		Meals (during training/induction/ placement)				
		Allowance during training/induction/ placement (other than workers' salary)				
		Airport tax or any form of arrival tax				
		Translation or interpreter cost				
		Transportation cost				
		Documentation preparation cost				
		Miscellaneous official government fees (by Malaysian Government)				
		Other, please specify the item:				

2	<p>Please specify the cost your company spent for each worker, based on items indicated and their respective nationality</p> <p>Note: This question applies to the most recent recruitment of workers.</p> <p>Note: Costs without receipts.</p>	<p>[Cost of recruitment per worker – Post-arrival] [Indirect costs] [Numeric – Integer] (in ringgit)</p>				
		Items	Bangladesh	Indonesia	Nepal	Other nationality
		Expedite issuance of immigration card (I-Kad)				
		Expedite issuance of work permit/ work pass				
		Expedite issuance of insurance				
		Expedite issuance of medical report/ result				
		Expedite/facilitate entry process in Malaysia				
		Other informal payments/gifts to agent, broker or any middle person in Malaysia				
		Other, please specify the item:				

3	<p>Did your company reimburse any cost paid by workers during pre-departure and/or arrival?</p>	<p>[Reimbursement of fees to foreign worker] [Single-select]</p>				
		[Response]	Bangladesh	Indonesia	Nepal	Other nationality
		Yes				
		No				
		Unsure/decline to respond				

4	<p>Did your recruitment agent reimburse any cost paid by workers during pre-departure and/or arrival?</p>	<p>[Reimbursement of fees to foreign worker] [Single-select]</p>				
		[Response]	Bangladesh	Indonesia	Nepal	Other nationality
		Yes				
		No				
		Unsure/decline to respond				

Remarks						
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5	If your answer in question (3) above is "Yes", please indicate the items you typically reimburse followed by the average value of these reimbursements.	[Items for reimbursement and value (in ringgit) per worker] [Text and Numeric]				
		Items	Bangladesh	Indonesia	Nepal	Other nationality
		Item 1				
		Item 2				
		Item 3				
		Item 4				
		Item 5				
		Note: Please add more rows if more than 5 items				
Remarks						

6	Did your company make any salary deduction from workers to cover any cost(s) paid by your company during pre-departure or arrival?	[Deduction of salary to each foreign worker] [Single-select]				
		Response	Bangladesh	Indonesia	Nepal	Other nationality
		Yes				
		No				
		Unsure/decline to respond				
Remarks						

7	If your answer in question (5) above is "Yes", please indicate the items you typically deduct followed by the average value of these deductions.	[Items for deduction and value (in ringgit) per worker] [Text and Numeric]				
		Items	Bangladesh	Indonesia	Nepal	Other nationality
		Item 1				
		Item 2				
		Item 3				
		Item 4				
		Item 5				
		Note: Please add more rows if more than 5 items				
Remarks						

8	If your answer in question (5) above is "Yes", please indicate whether your company has a salary deduction permit for this deduction from the Labour Department.	[Permit from Labour Department]	[Single-Select]
		Yes	
		No	
		Unsure/decline to respond	

Remarks

9	If your answer in question (5) above is "Yes", please specify the total cost (in ringgit) of salary deduction per foreign worker	[Total cost of salary deduction to each foreign worker]	[In ringgit] [Numeric - Integer]
		Bangladesh	
		Indonesia	
		Nepal	
		Other nationality	

Remarks

10	If your answer in question (5) above is "Yes", please indicate the total average number of months required for salary deduction per foreign worker to be completed.	[Total months required for salary deduction for each foreign worker]	[In months] [Numeric - Integer]
		Bangladesh	
		Indonesia	
		Nepal	
		Other nationality	

Remarks

11	Please specify the cost for your company for each worker during their employment, based on the items indicated and their respective nationality	[Migration-related costs during employment period per worker] [Numeric – Integer] (in ringgit)				
		Items	Bangladesh	Indonesia	Nepal	Other nationality
		Renewal of passport (annual)				
		Renewal of visa and working pass (annual)				
		Levy fee (annual)				
		Medical check-up (annual)				
		Renewal of insurance (annual)				
		Transportation cost for renewal of passport, visa and working pass (annual)				
		Training cost (include language, cultural and employment training) (no specific year)				
		Airfare cost (to home country) – upon completion of employment contract (one-off)				
		Miscellaneous official government fees (by Malaysian Government) (no specific year), please specify:				
		Other, please specify the item:				

## 4.2. Post-arrival processes in Malaysia

1	Does your company interview workers upon arrival about their recruitment experience and any fees paid?	[Arrival interview for foreign workers]	[Single-Select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, are all workers or only a sample interviewed? What questions are covered?			

2	Has your company ever faced a situation where foreign workers made complaints about the recruitment agent – in Malaysia or the country of origin?	[Foreign workers' grievances]	[Single-Select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, what are the common complaints? How does your company handle this situation?			

3	Does your company retain or safe keep your foreign workers identity documents (I-Kad or passport)?	[Foreign workers' identity documents]	[Single-Select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, for what purpose? What is the process for foreign workers to access their identity documents?			

4	Does your company allow or request any other third party to retain or safe keep your foreign workers identity documents (I-Kad or passport)?	[Foreign workers' identity documents]	[Single-Select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, for what purpose? What is the process for foreign workers to access their identity documents?			

5	Do you provide workers a new employment contract to sign upon arrival in Malaysia?	[Foreign workers' identity documents]	[Single-Select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks – If yes, what language is it in?			

6	Do you ensure workers' have their own copy of their employment contract in Malaysia?	[Foreign workers' identity documents]	[Single-Select]
		Yes	
		No	
		Unsure/decline to respond	
Remarks			

# Annex 2. Additional tables and figures

## ► Introduction

Companies should be able to provide necessary information to recruitment agencies engaged to ensure that hired workers are informed about the company, job description and other terms and conditions of employment. Table A-1 demonstrates the types of information that each company provides to the recruitment agencies.

► **Table 12. Company selection criteria for migrant workers during recruitment**

Company	Company 1	Company 2	Company 3
Legal name of the company and its headquarters	✓	✓	✓
Exact location of the company premises	×	✓	✓
The company's policies on recruitment or employment	✓	✓	✓
Description of living conditions, rules relating to the accommodation and labour quarters	✓	✓	✓
Employment contract template <sup>1</sup> – terms and conditions expected for all workers on site	✓	✓	✓
Employment contract – in native language of the worker	×	✓	×
Legal rights and responsibilities of workers and employers in Malaysia	✓	✓	✓
Occupational safety and health information and requirements	✓	✓	✓
Details about any disciplinary actions	×	✓	✓
Access to a grievance mechanism	✓	✓	✓
Freedom of association	✓	✓	✓
Details about any medical examination required (before deployment or in Malaysia)	×	✓	✓
Details about company policy in case of sickness, accident and death: access to medical facilities, workmen's compensation and hospitalization insurance in Malaysia	✓	✓	×
Details about recruitment fees or placement fees (if any)	✓	✓	×

Note: ✓ = Yes; × = No.

<sup>1</sup> The template could refer to a standard contract by the Indonesian or Malaysian government, or a company template.

The criteria used by companies when selecting subcontractors are outlined in table A-2. Only one company was able to respond on the criteria for appointing subcontractors because the appointment of subcontractors is outside the responsibilities of the human resources or sustainability staff who were interviewed.



► **Table A-2. Criteria used by Company 2 to select subcontractors**

Criteria used to select subcontractors	Company 2
Entity must be a registered business entity	✓
Must have good reputation and track record	✓
Transparent and accountable business practice	✓
Charges reasonable service fee or no fee to the company	✓
Charges reasonable recruitment fee or no fee to the subcontracted migrant workers	×
Recommended by other companies in the palm oil industry	✓
Recommended by migrant workers or workers associations	×
Has established contacts and network both in Malaysia and source country	×
Offers a specialized plantation-related service	✓

Note: ✓ = Yes; × = No.

Table A-3 demonstrates the types of information about the plantation companies and policies that are provided by Company 1 and Company 2 to their subcontractors prior to commencement of work.

► **Table A-3. Information provided by companies to the subcontractor about the company and its policies prior to commencement of their services**

Type of information provided to subcontractors by the company	Company 1	Company 2
Legal name of the company and its headquarters	✓	✓
Exact location of the company premises	✓	✓
The company's policies on recruitment/employment	✓	×
Description of living conditions – rules relating to accommodation and labour quarters	✓	✓
Employment contract template – terms and conditions expected for all workers on site	×	×
Employment contract – in native language of the worker	×	×
Legal rights and responsibilities of workers and employers in Malaysia	×	×
Occupational safety and health information and requirements	✓	✓
Details about any disciplinary actions	✓	×
Access to a grievance mechanism	×	×
Right to freedom of association	×	×
Details about any medical examination required	×	×
Details about company policy for subcontracted workers in case of sickness/accident/death: access to medical facilities, workmen's compensation and hospitalization insurance in Malaysia	×	✓
Details about recruitment/placement fee (if any)	×	×
Information about safekeeping or retention of identity documents (passport or I-Kad), or any security deposit/bond for the company or other similar conditions of employment/subcontracting of workers.	×	×

Note: ✓ = Yes; × = No.

Verification by companies of the types of information that subcontractors share with their subcontracted workers is important in order to ensure that necessary information regarding working terms and

conditions and company policies are being conveyed. The extent of verification by the companies are shown in table A-4.

► **Table A-4. Company review/verification of information that the subcontract shared with sub-contracted workers**

Information	Company 1	Company 2
All of the information found in table 15 above	×	×
Payslips showing details of payments made by subcontractor to workers	×	×
Provision of personal PPE and enforcement of occupational safety and health policies	✓	×
Provision of employment contracts that meet legal and company requirements	×	×
Employment contract template – terms and conditions expected for all workers on site	×	×
Employment contract – in native language of worker	×	×
List of full names and identity documentation	×	✓
Access to passports and i-Kad	×	×
Access to a grievance mechanism	×	×
Right to freedom of association	×	×
Hiring of documented workers (work permit verification)	✓	✓
No child labour (date of birth verification)	×	✓

Note: ✓ = Yes; × = No.

Company 2 provided additional information on other costs incurred by the company in table A-5.

► **Table A-5. List of other costs incurred by Company 2**

Items	Entity paid in Indonesia	Amount paid per worker in rupiah	Amount paid per worker in US\$(ringgit)
Medical check-up	Medical centre/clinic laboratory/hospital	750 000	53 (217)
Identification card (KTP), Birth Act and Kartu Keluarga (KK)	National Civil Registration	500 000	35 (143)
Verification of family permit and marriage certificate (for those who are married)	Village Office	250 000	18 (74)
Identification number, placement agreement and passport application	Labour Department	100 000	7 (29)
Necessary digital document uploads, worker's insurance payment and application for pre-departure briefing (PAP) scheduling	Agency	400 000	28 (115)
Pre-departure briefing (PAP) scheduling, Migrant Worker Card (E-KTKLN) and confirmation of work agreement	Labour Department	250 000	18 (74)
Total		2 250 000	159 (652)

Beginning 1 June 2017, Company 1 issued a Letter of Agreement that stipulated the maximum amount that can be charged by agents or sponsors for each item outlined in table A-6, which was signed by all five registered agencies and Company 1 representatives.

► **Table A-6. Maximum amount of agreed upon for payments as specified in Company 1 Letter of Agreement, effective 1 June 2017**

Items	Maximum amount of agreed upon payments (rupiah)	Maximum amount of agreed upon payments in US\$(ringgit) <sup>1</sup>
<b>Payments from workers to sponsor (or subagent)</b>		
Identification card (KTP), Birth Act and Kartu Keluarga (KK)	500 000	35 (143)
Medical fees in Indonesia	750 000	53 (217)
Passport fees	500 000	35 (143)
Local transportation (interview and documentation)	1 000 000	71 (290)
Sponsor fees	2 000 000	141 (577)
<b>Total</b>	<b>4 750 000</b>	<b>336 (1374)</b>
<b>Payments from workers to agent</b>		
Worker's insurance	400 000	28 (115)
Additional cost for visa, Bestinet and ISC	600 000	42 (172)
Local transportation to the airport, any airport arrangements made, food and drinks	300 000	21 (86)
Uniform	100 000	7 (29)
<b>Total</b>	<b>1 400 000</b>	<b>99 (405)</b>
<b>Total to sponsor and agent</b>	<b>6 150 000</b>	<b>435 (1767)</b>

<sup>1</sup> US\$1 = 14,140 rupiah

Source: Internal document from Company 1, dated 1 June 2017.

Workers shared the items that were covered by the lump sum amount paid to agents or brokers, despite not being able to provide a breakdown of the costs of the individual items in table A-7.

► **Table A-7. Share of workers who paid an agent or broker for selected items**

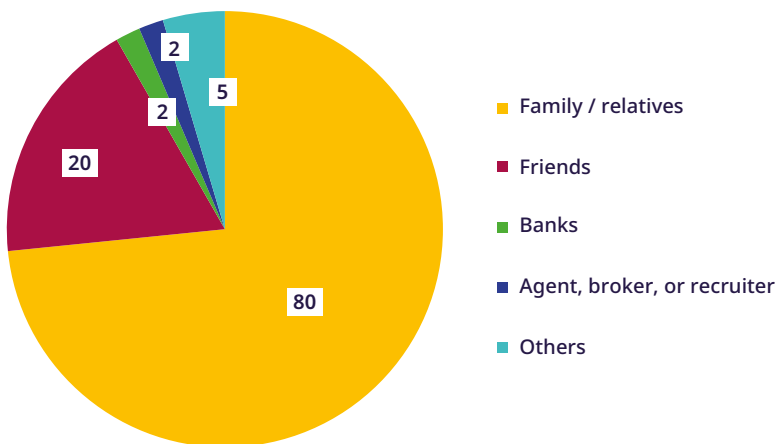
Items Paid to Agent/Broker	Company 1 (n = 132) <sup>1</sup>	Company 2 (n = 76)	Company 3 (n = 31) <sup>1</sup>
Passport	132 (100%)	76 (100%)	31 (100%)
Visa	130 (98%)	76 (100%)	31 (100%)
Work permit	126 (95%)	75 (99%)	30 (97%)
Placement fees	65 (49%)	39 (51%)	14 (45%)
Levy	73 (55%)	24 (32%)	10 (32%)
Language training	21 (16%)	9 (12%)	7 (23%)
Skills certificates/testing	40 (30%)	22 (29%)	6 (19%)
Medical exam in Indonesia	127 (96%)	76 (100%)	30 (97%)
Medical exam in Malaysia	121 (92%)	59 (78%)	27 (87%)
Police/security clearance	28 (21%)	29 (38%)	11 (35%)

Exit clearance from your government	58 (44%)	30 (39%)	11 (35%)
Contract approval from your government	52 (39%)	27 (36%)	10 (32%)
Pre-departure training/briefing	50 (38%)	32 (42%)	9 (29%)
Health/life insurance/social security	84 (64%)	54 (71%)	24 (77%)
Overseas migrant welfare fund	14 (11%)	9 (12%)	0 (0%)
Domestic transportation	113 (86%)	54 (71%)	22 (71%)
International transportation	127 (96%)	72 (95%)	30 (97%)
Others (non-specified)	25 (19%)	5 (7%)	2 (6%)

1 Both Company 1 and Company 3 each reported one worker who paid for some items directly, instead of liaising with an agent or a broker.

Figure A-1 demonstrates the number of respondents from Company 1 who took loans and the source of those loans.

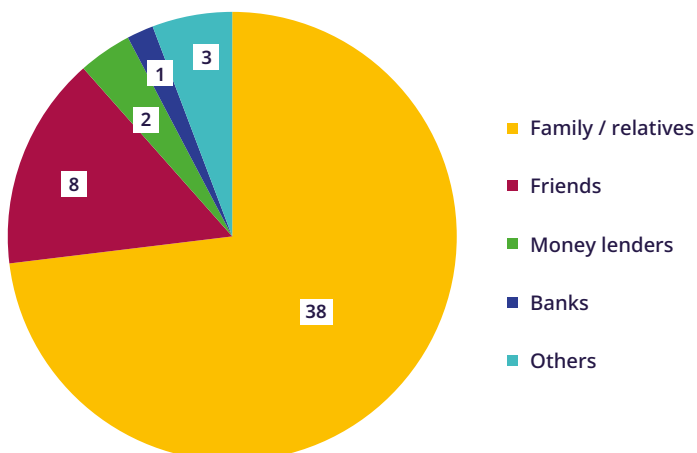
► **Figure A-1. Sources of loans among Company 1 respondents who secured loans**



Note: A total of 108 Company 1 workers reported securing a loan. Numbers in the figure represent the number of responses citing a particular item. More than one response possible.

Figure A-2 demonstrates the number of respondents from Company 2 who took loans and the source of those loans.

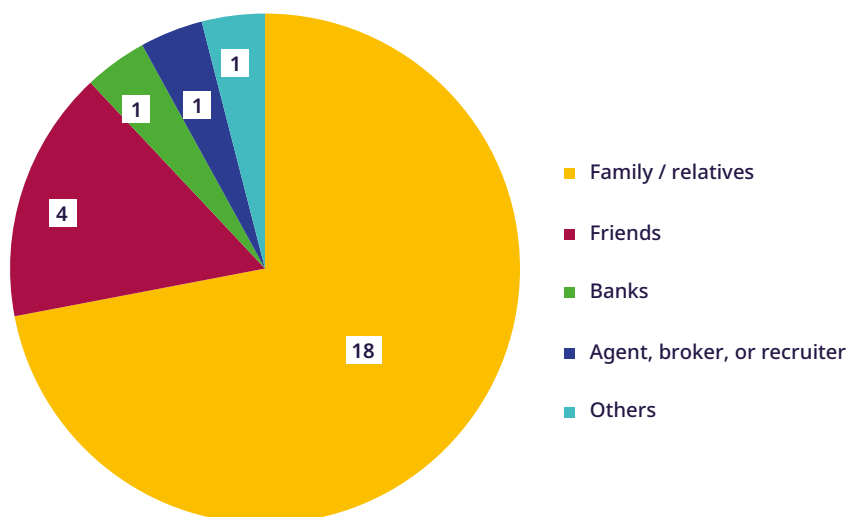
► **Figure A-2. Sources of loans among Company 2 respondents who secured loans**



Note: A total of 51 Company 2 workers reported securing a loan. Numbers in the figure represent the number of responses citing a particular item. More than one response possible.

Figure A-3 demonstrates the number of respondents from Company 3 who took loans and the source of those loans.

► **Figure A-3. Sources of loans among Company 3 respondents who secured loans**



Note: A total of 25 Company 3 workers reported securing a loan. Numbers in the figure represent the number of responses citing a particular item. More than one response possible.

## Cost of recruitment in the Indonesia–Malaysia migration corridor

The majority of research relating to fair and ethical recruitment and the costs of migration focuses on the perspectives of migrant workers. There is little public information or understanding of the actual costs incurred by employers. To help address this gap, as well as to enhance the knowledge base and efforts to promote international frameworks on recruitment costs, this study looks into the Indonesia–Malaysia migration corridor and the recruitment of Indonesian migrant workers into plantations in Peninsular Malaysia. In particular, it provides insights into the recruitment costs borne by select companies that employ migrant workers in Malaysian palm oil plantations.

It examines the participating companies' roles and the processes involved in the recruitment of migrant workers from the perspective of employers; identifies the costs borne by these companies according to various stages of the recruitment process; as well as identifies good practices and areas for improvement.

Three companies agreed to participate and be interviewed, and the anonymous responses from the interviews are captured in the findings. In addition, the final section reviews data collected from the companies against the results of another ILO study on migrant worker-borne migration costs.

The study was produced through a collaboration between Earthworm Foundation and the ILO "Improved Migration Governance Project: Protection the rights of migrant domestic workers and plantation workers through improved labour migration governance" with funding from the US Department of State.

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