



# LABOR BROKERS IN MALAYSIA

Due to the scarcity of local workers in Malaysia and the complexities for obtaining working permits and visas for migrant workers, it's quite common for companies to use the services of placement agencies in Malaysia to hire workers from countries such as Indonesia, India or the Philippines. These agencies manage all the aspects of the recruitment process, from identifying suitable candidates to all the immigration formalities.

In 2010, NXP decided to expand its social auditing program to include the recruitment practices of placement agencies. It was soon detected that labor brokers in Malaysia, all of which had the corresponding permits in order, would routinely retain migrant workers' passports. If the worker needed the passport for things such as sending money back home, the labor broker would accompany the worker and keep custody of the document at all times. While document retention is not in itself an indication of forced labor and it is a widespread practice in several jurisdictions, including Malaysia and some countries in the Middle East, it significantly increases migrant workers' vulnerability to labor abuses. Unscrupulous labor brokers use this practice to prevent workers from leaving their jobs or from returning to their home countries. These practices can for instance be used to make sure that excessive recruitment fees are paid back in full to the labor brokers. In the specific case of Malaysia, labor brokers can bring migrant workers into submission for just about anything they want by withholding passports or threatening to take workers to the immigration authorities, to cancel work permits, which usually entails immediate deportation.

Upon learning about the common practice of withholding migrant workers' passports, NXP immediately summoned all its labor brokers to assess the situation and take action. Labor brokers stated that they were legally responsible for the workers they bring into the country and that passport retention was a common practice in Malaysia. Team members under working visas can stay in the country as long as they remain employed; however, changing employment is complicated. As a result, workers may disappear, take another job in the informal sector and remain in the country illegally. In these cases, the labor brokers are subject to fines and other sanctions, including the reduction of their migrant worker quota. NXP considered the practice of withholding passports to be unacceptable and decided to

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supplement its company policies to ensure that team members have direct access to passports. NXP strictly implemented a no-recruitment-fee policy and committed to pay any fines imposed in cases in which team members leave the company and stay illegally in the country. After several additional consultations with the labor brokers, most of them accepted the proposed changes.

As an immediate first step, NXP required all labor brokers to deposit all passports with NXP and granted workers unrestricted access. In the meantime, we added individual safe boxes to each team member locker and installed security cameras in the area. With the safe boxes and cameras in place, NXP handed over the passports to workers and established a strict policy prohibiting document retention by NXP itself, labor brokers or contractors, even if for safe-keeping purposes.

Once NXP implemented these policy changes in our own facilities, we extended them to all our suppliers globally. This process was challenging, as most suppliers could not provide workers with an individual space where they could safely keep and control their passports. When this was not possible, suppliers could hold migrant workers' passports for safekeeping purposes only. In addition, workers must be granted access to the documents 24/7 within eight hours of the request, no questions asked. This policy also applies to suppliers' labor brokers. This was a transitional step. Since 2015, brokers are not allowed to retain passports, even for safekeeping.

NXP formalized all these changes by supplementing the Supplier Code of Conduct provisions on document retention and migrant workers.

One labor broker rejected the new policies and NXP terminated the relation as a result. After the implementation of the new policies, only two workers abandoned their job to remain illegally in the country. NXP continues to audit the issue of passport retention in all its facilities. No new incidents have been detected since the adoption of the new policies.

NXP received positive feedback from multiple team members stating that the new policy substantially facilitated sending money to their home countries and making travel arrangements in cases of family emergencies.

This issue of document retention is not particular to NXP only. Many other companies from different sectors face the same predicament. Some of them have approached NXP for advice and have decided to take similar steps. Document retention continues to be a substantial problem in Malaysia; however actions by companies like NXP represent a significant positive step.