

# Repaying recruitment fees: A study of *impact* across four Unilever suppliers

## Background and objectives

In line with its commitment that no worker should pay for a job, Unilever has been working with suppliers to encourage and support the repayment of recruitment fees to migrant workers. This study examines the impact of these repayments on both workers, their families, and suppliers across four Unilever supplier sites, three in Malaysia and one in Thailand. The primary objectives were to:

1. **Fairness of repayment:** Determine if workers have been repaid fairly and in line with Unilever requirements.
2. **Supplier impact:** Assess the impact of recruitment fee repayment on Unilever's suppliers.
3. **Worker/family impact:** Evaluate the effect of repaying these fees on workers and their families.

The findings and recommendations have been developed through interviews with management and HR teams of the four suppliers and by engaging 75 workers and 18 of their family members. This document summarises key lessons learnt alongside a selection of anonymised findings.

## Key lessons and findings

Overall, the key root cause of fee repayment is that workers are asked to pay fees and costs to secure a job. The following section outlines key lessons and findings for practitioners from the research.

### Summary of key lessons

#### Fairness of repayment

1. Worker engagement is vital to determining appropriate forms of remedy, including fee repayment.
2. Repaying fees in a manner consistent with Unilever's guidelines for repayment is challenging for suppliers.
3. It is important to consider other forms of remediation beyond fee repayment.

#### Supplier impact

4. Recruiting fairly and remediating fees paid by workers has cost implications for employers.
5. Repaying recruitment fees has increased awareness and strengthened policies and procedures.
6. Customers play a key role in promoting fair recruitment in supply chains.
7. Repayment of fees may lead to greater attrition of workers.
8. Repaying fees has had anecdotal benefits but evaluating the business case for repaying fees requires sufficient data and time.

#### Worker / family impact

9. Repaying recruitment fees is widely appreciated by recipients.
10. There is a greater impact on worker wellbeing when fees are repaid in full as soon as possible after recruitment.
11. Repaid fees improve financial security of workers and their families but may not result in drastic change to their lives.

## Fairness of repayment

The below summarises the key lessons and findings in determining whether workers were repaid fairly and in line with Unilever requirements.

1. Worker engagement is vital to determining appropriate forms of remedy, including fee repayment.



All interviewed workers were repaid fees that had been agreed to as part of each suppliers' repayment programme. However, the research highlighted that most workers felt the repaid amounts did not accurately reflect the actual amounts they had initially paid. And part of this sentiment stemmed from the feeling that there had been inadequate consultation with workers.

Where there was greater consultation with workers on fees paid, workers generally expressed greater satisfaction in the outcome, and the repayment amount was typically higher.

2. Repaying fees in a manner consistent with Unilever's guidelines for repayment is challenging for suppliers.



Each supplier adopted a slightly different approach to repaying fees, and before doing so sought some form of agreement with workers that were being repaid on the amounts that would be distributed.

Nonetheless, despite Unilever providing guidelines on fair repayment, there was limited evidence of such guidance being strictly followed. This was largely due to capacity constraints at the supplier level, insufficient communication and engagement with workers in determining fees to be repaid, and opportunities to increase scrutiny of remedial measures when corrective actions were agreed. The result was fees being repaid that were lower than they would have been had the guidance been followed closely.

3. It is important to consider other forms of remediation beyond fee repayment.



Repayment of fees to migrant workers that have paid recruitment fees is an important and obvious form of remedy. However, in situations where workers are not – or no longer – in debt, or where workers would prefer investment in other initiatives to improve their working and living conditions, companies should not see repayment of fees as their only option to provide effective remedy.

However, to do this, effective and meaningful engagement with migrant workers is important.

## Supplier impact

The below summarises the key lessons and findings in assessing the impact that recruitment fee repayment had on Unilever's suppliers.

4. Recruiting fairly and remediating fees has cost implications for employers.



None of the suppliers previously had arrangements with agencies where the employer paid for the costs of recruitment. Given this is a key reason that workers end up paying recruitment fees, it is an important issue for suppliers to address. Importantly, the shift in cost burden to the employer may also result in higher costs for customers if suppliers cannot absorb the increases themselves.

5. Repaying recruitment fees has increased awareness and strengthened policies and procedures.



Following the identified issue of worker's paying recruitment fees, suppliers have also updated policies and procedures related to fair recruitment, revised contracts with recruitment agencies, and implemented new steps to identify and prevent fee charging in the recruitment process. While these changes demonstrate a positive shift in supplier practices, it is too early to determine their long-term effectiveness in preventing recurring issues.

6. Customers play a key role in promoting fair recruitment in supply chains.



As Unilever is often the only customer with fair recruitment requirements, suppliers have faced limited scrutiny of their recruitment practices from customers. Unilever's audits and resulting corrective action plans have therefore had the effect of increasing supplier awareness of the issue, but importantly also improving practices to prevent and remediate fee payment.

Nonetheless, there remain capacity and understanding constraints related to recruiting migrant workers responsibly and effectively repaying fees to workers, highlighting the need for continuous engagement on the issue.

7. Repayment of fees may lead to greater attrition of workers.



Some suppliers experienced increased worker turnover following the beginning of the fee repayment process and after final fees were paid. This not only highlights the potential for fee payment and recruitment-related debt to tie workers to their jobs, but also the need for careful business planning and supplementing repayment with wider worker welfare initiatives.

8. Repaying fees has had anecdotal benefits but evaluating the business case for repaying fees requires sufficient data and time.



Some supplier managers noted that the repayment of fees to migrant workers had improved trust with those workers and highlighted that they hope for long-term benefits in terms of worker loyalty and productivity, and attractiveness to socially conscious customers.

However, none of the suppliers reported tangible positive impacts on their business as a result of repaying recruitment fees, in part because too little time had elapsed between the repayment and the research, and also because there was insufficient data being collected to track the financial, productivity and other business impacts of repaying fees to migrant workers.

## Worker / family impact

The below summarises the key lessons and findings in evaluating the impact on workers and their families from repaying recruitment fees.

9. Repaying recruitment fees is widely appreciated by recipients.



The repayment of fees to migrant workers was universally appreciated by workers engaged in the research, and despite some misgivings about the amounts that were repaid, it was regarded positively by all migrant workers.

10. There is a greater impact on worker wellbeing when fees are repaid in full as soon as possible after recruitment.



Though no cases of debt bondage were identified among interviewed workers during the research, there were indications that workers may have been in situations of debt bondage when initially recruited, as many had to borrow money at high interest rates to pay recruitment fees. This not only underlines the need to ensure that workers don't pay fees in the first place, but also the importance of trying to repay fees soon after recruitment where fees have been paid.

Many workers had wished the repayment came earlier in their employment when it would have had a greater impact in paying off burdensome debts. The study also found that lump sum payments were generally preferred by workers over instalments, as they allowed for more substantial uses of the funds.

11. Repaid fees improve financial security of workers and their families but may not result in drastic change to their lives.



The research findings reinforce the importance of regular remitted incomes for migrant workers' families. Almost all migrant workers send money home to support ongoing living expenses, which was seen as particularly important for poor rural family members that relied on remittances.

Family members interviewed generally reported allocating additional funds from repayments to immediate living expenses, such as medical fees, education costs, or paying off debts. While this extra money provided some degree of additional flexibility and helped relieve financial stress, most families did not report drastic changes in their lives due to the repayments.