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**POLICY PAPER**

# **BUILDING BACK STRONGER?**

**Challenges and Policy Options in Addressing  
Exploitative and Forced Labour in Malaysia's  
Electronics Industry**

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**ANALYSIS**

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# 1. Executive Summary

Malaysia is poised to re-emerge as a global leader in semiconductor manufacturing and electronics exports; however, this industry relies heavily on manual labour, particularly that of migrant workers who are employed on temporary contracts. There have been mounting expectations from global consumers, investors, and other stakeholders for upholding higher standards of human and labour rights, including in Malaysia's electronics industry. Specifically, industry players are urged to assume proactive roles in tackling the persistent manifestations of labour rights violations, including instances of forced labour within their supply chains. This prompts critical questions about the readiness of electronics companies to adapt to the evolving market requirements pertaining to labour standards and to remain competitive in the global marketplace.

This policy paper focuses on migrant workers, extremely vulnerable to the vicissitudes of the industry, and on flawed immigration and employment policies as well as harmful labour practices. These arise from, among others, unfair wages and discriminatory work benefits, unsafe and substandard working and living conditions, excessive working hours, lack of unionisation, inadequate grievance mechanisms, suppressed worker voice, and unethical recruitment practices.

To address these issues, the paper proposes several recommendations, grounded in “whole-of-industry” and “whole-of-society” approaches, that are geared towards eliminating system-level root causes and firm-level everyday practices that place migrant workers at risk of being subjected to forced labour. These include the need to establish progressive policies and/or enforce strict regulations and standards governing wages and work benefits, safe and satisfactory working and living conditions, decent working time, and ethical recruitment practices. Collaborative efforts are necessary to increase the rate of unionization among migrant workers and their effective access to justice. Most importantly, mandatory due diligence should be imposed on electronics companies, compelling them to comply with global human rights standards at the supply chain level, such as the European Union's (EU) Corporate Sustainability Due Diligence Directive (CSDDD) (European Union, 2024a) as well as the EU's prohibition on products made with forced labour (European Union, 2024b). Further, it is necessary to enforce a stronger public accountability system that aims to pinpoint and disclose companies that persistently violate human rights, including those that engage in forced labour practices.

## 2. Introduction

The electronics industry in Malaysia has undergone a significant transformation since the 1970s, evolving from being a minor player in small-scale assembly operations to becoming a global leader in semiconductor manufacturing and electronics exports. This growth can be attributed primarily to Malaysia's industrialization policies and a range of incentives to attract foreign direct investment (FDI), such as subsidised infrastructure, tariff exemptions, and tax exemptions. The industry expanded substantially and became integrated into global production networks.

In the Malaysian electronics industry, there is a heavy reliance on manual labour, particularly that of migrant workers, who are employed on temporary contracts. These workers are highly vulnerable to the vicissitudes of the industry, and to flawed immigration and employment policies as well as harmful labour practices, sometimes amounting to forced labour. Local workers are also not immune to situations of forced labour, but they are generally more familiar with local labour laws and avenues of legal recourse, which provide a level of protection. By comparison, migrant workers face a greatly heightened risk of being subjected to forced labour conditions as a result of factors such as dependence on their employers for securing or maintaining their legal status, such as their work permits. They often also face language and cultural barriers, as well as vulnerabilities amplified

by social and physical isolation.

Malaysia ratified the ILO Forced Labour Convention in 1957 which defines forced labour as “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily” (ILO 1930, art. 2(1)). This definition helps assess practices that disproportionately harm migrant workers, such as debt bondage, wage theft, excessive and unpaid overtime, overcrowded housing, hazardous conditions, confiscation of identity documents, and restrictions on movement. These practices – widely reported in Malaysia's electronics supply chains - are clear indicators of forced labour.

Several regulatory amendments undertaken since 2018 have begun to address prevalent exploitative labour practices in business operations. However, piecemeal improvements in labour regulations alone are insufficient to address the scourge of forced labour. A “whole-of-industry” approach must be adopted alongside a “whole-of-society” framework for efforts to eliminate forced labour to yield positive results. This necessitates serious consideration of evolving global market requirements, including shareholders' and consumers' demands for modern-day business models that advance corporate respect towards human and labour rights.

### 3. Re-emergence of Malaysia as a Global Electronics Hub

Malaysia's export-oriented electronics industry is heavily regulated. The Ministry of Investment, Trade and Industry (MITI) is the overarching authority in governing the industry. Two sets of legislation apply to the electronics industry: the Industrial Coordination Act 1975 (ICA) and the Promotion of Investment Act 1986 (PIA). A series of industrial policies and other related policies have influenced the

industry's progress (see Table 1). Institutionally, four leading industry associations play a key role in representing industry interests, namely the Federation of Malaysian Manufacturers, the Malaysia Semiconductor Industry Association, the Electrical and Electronics Association of Malaysia, and the Malaysia Photovoltaic Industry Association.

**Table 1: Policies Governing the Electronics Sector in Malaysia**

<p><b>The four national industrial policies are:</b></p> <ul style="list-style-type: none"> <li>● <b>Industrial Master Plan 1 (IMP 1)</b> (1986 to 1995): IMP 1 focused on developing the manufacturing sector and encouraging industrial diversification.</li> <li>● <b>Industrial Master Plan 2 (IMP 2)</b> (1996 to 2005): IMP 2 was centred on increasing competitiveness and advancing up the value chain, particularly in high-tech industries.</li> <li>● <b>Industrial Master Plan 3 (IMP 3)</b> (2006 to 2020): IMP 3 aimed at transforming Malaysia into a regional hub for knowledge-based industries and promoting growth in the services sector.</li> <li>● <b>New Industrial Master Plan 2030 (NIMP 2030)</b>: Launched in 2023, NIMP 2030 will focus on driving the industries to achieve high-value-added development and on transforming Malaysia into a knowledge-based economy.</li> </ul> <p><b>Other current relevant policies include:</b></p> <ul style="list-style-type: none"> <li>● Twelfth Malaysian Plan (2021-2025) (RMKe-12)</li> <li>● Malaysia Solar Industry Roadmap 2030</li> <li>● National Policy on Industry 4.0 (Industry4WRD)</li> <li>● Electrical and Electronics (E&amp;E) Roadmap: Technology Development (2021-2030)</li> </ul>
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Source: Various online sources, 2024.

Favourable government policies since the late 1960s were pivotal in accelerating the development of the electronics industry, enticing large international corporations to relocate their operations to Malaysia and expand them there. By the 1980s, Malaysia was considered an emerging market and a global electronics hub. In the 1990s, Malaysia's electronics industry grew further, and gradually encompassed value-added activities, including design, and research and development (R&D). However, poorly coordinated technological deepening and the lack of strong human capital development policies hampered industry growth in the early 2000s. Government interventions to boost the industry have seen limited success, leaving many industry players mired in the downstream value chain due to structural barriers such as the lack of R&D to explore cutting-edge technologies and further upskill talents. From 2006 until 2020, the industry recorded an upward tick in foreign investment (totalling MYR169 billion) and the number of approved electronics projects (1,849 in all) (Ministry of Investment, Trade and Industry, 2023).

In 2023, the government reported 495 manufacturing companies in Malaysia, with the vast majority (approximately 89%) being small and medium-sized enterprises (SMEs). These companies are distributed across five regions (see Table 2).

The global semiconductor and electronics market is expected to double in size - reaching MYR 5.4 trillion - by 2030 as a result of several factors such as the rise in emerging technologies and the substantial

demand for telecommunication devices. Both of the above rely heavily on the use of semiconductors. Malaysia's electronics industry, similarly, is projected to expand after years of uncertainty, this time driven largely by highly positive market sentiments in the semiconductor sector, including the influence of the ongoing geopolitical tension between China and the United States of America (US). The industry contributed about 6.8% (MYR 95.8 billion) of the total Gross Domestic Product (GDP) in 2023 (Ministry of Investment, Trade and Industry, 2023), indicating its enormous role in the national economy.

In 2023, Malaysia launched its New Industrial Master Plan 2030 (NIMP 2030) to develop industrial clusters aimed at shifting to higher-value-added activities through collaboration among large foreign companies, local SMEs, academia, and research institutes.

**Table 2: Distribution of Companies and Presence of Large Companies (2023)**

Region	No. of Companies	Supply Chain Activities / Products	Some Companies Listed
Northern (Penang)	212	Mainly electronic components, solar photovoltaic, electronic manufacturing services (EMS), and light-emitting diodes (LEDs).	Intel, Infineon, Keysight, OSRAM, Ineri, Vitrox, Globetronics, etc.
Eastern (Terengganu)	7	Mostly electronic components.	No significant large companies, primarily local SMEs.
Central (Klang Valley)	185	Mostly electronic components, consumer electronics, and EMS.	Sony, Panasonic, Hitachi, Samsung, Renesas, Toshiba, On Semi, etc.
Southern (Johor)	82	Primarily electrical and electronics components, consumer electronics, and EMS.	Some large companies, such as Celestica, TDK, Micron, ST Micro, etc.
Sarawak	9	Mostly photovoltaics and semiconductors.	Two large companies, such as OCIM, X-Fab, etc.

Source: Adapted from Ministry of Investment, Trade and Industry (2023).

## 4. Political Economy of Industrial Labour and Persistent Reliance on the Migrant Workforce

### 4.1 Context of Industrial Labour in Malaysia

The growth of Malaysia's electronics industry cannot be assessed in isolation from Malaysia's industrial labour landscape. Notwithstanding the significant economic advancement, the country has seen since gaining independence in 1957, labour issues such as wage disparities, job insecurity, and limited enjoyment of labour rights persist.

Historically, the labour market in Malaysia has been significantly influenced by its colonial past, during which reliance on low-wage and migrant labour set a precedent for existing wage disparities and limited labour rights (Sundaram, 2004). In the post-independence period, particularly between the 1970s and early 1990s, a shift from commodity production to an industrial economy attracted more foreign investment and development projects (Solomon et al., 2015), resulting in a remarkable increase in Malaysia's growth (World Bank, n.d.). Heavy reliance on FDI also fostered an environment that prioritised competition and cost reduction, resulting in low wages, denial of work benefits, and suppressed labour rights, as employers sought to reduce business costs (Yeoh & Ooi, 2013).

On the political front, Malaysia has historically favoured business interests over labour rights. Workers' rights are

frequently restricted or impeded, and they are ineffectually represented in various policy-making spheres. Labour unions and movements continually face legal and operational constraints when engaging in collective bargaining. While political stability has been a factor that secured economic growth, it is also one of the reasons why labour reforms and worker protections were sidelined (Crouch, 2016).

Cultural attitudes and social norms also play a critical role in shaping workers' experiences. Employers are commonly perceived as the "authority figures" or "patrons" who provide the opportunity for workers to gain income, and this indirectly discourages workers from raising their work-related concerns or grievances. Occupational gender segregation – where one gender predominates in a particular occupation – is normalised, which limits women's access to specific jobs or positions of power within the workplace, and has significant implications on wage disparities and opportunities for career advancement. Additionally, Malaysia's workforce is often segmented along ethnic lines, with various ethnic groups dominating specific sectors of the economy, which also results in pay gaps and diminished opportunities for career progress.

## 4.2 Heavy Reliance on the Migrant Workforce

To support Malaysia's economic transition from commodity production to an industrial economy in the early 1970s, Malaysia began bringing in migrant workers from neighbouring countries such as Indonesia and Thailand, where wages were lower than in Malaysia. Given the wage disparity, Malaysia easily attracted migrant workers to fill labour gaps in emerging industries, such as the electronics sector.

In the early 1980s, however, disorderly and uncontrolled migration patterns prompted the government to systematically regulate the presence of migrant workers in the labour market.

Despite the formalisation of migrant workers' entry into the Malaysian labour market, the actual number of migrant workers entering the job market has been difficult to ascertain. Estimates suggest that between 100,000 and 150,000 migrant workers were working in the country by the late 1970s, and the number increased to more than one million by 1990. Based on the number of work permits issued by the Ministry of Home Affairs (MOHA), it was recorded that around 800,000 documented migrant workers were working in Malaysia in 2000 (Lee & Khor, 2018), and the number rose to around 2.1 million as of March 2024 (Sinar Harian, 2024). In 2023, there were 640,000 workers employed throughout the electronics industry in Malaysia, though it is unclear how many of them were migrant workers.

Over time, Malaysia's policy governing the hiring of migrant workers evolved in response to a complex incentive structure (i.e., the high demand for low-wage migrant workers, and government efforts to reduce the number of undocumented migrant workers), as well as external pressure (i.e., emerging trends in trade sanctions due to non-compliance with labour standards). The policy has also been heavily influenced by the increasing demands of civil society, which has time and again called for greater transparency and accountability concerning the recruitment of migrant workers, and advocated the need for comprehensive labour reform (Harun, 2023).

Despite the complex regulatory requirements and bureaucratic procedures, Malaysian employers prefer to hire migrant workers over local workers (Ismail, 2015). From a cost perspective, the wage gap enhances profitability by reducing production costs. Besides, migrant workers have fewer demands when it comes to work benefits and job conditions, which minimises employers' expenses. Beyond cost, migrant workers are more accepting of shift work, long work hours, and physically demanding tasks, all of which most local workers find unappealing (Wahab & Hamidi, 2022).

### **4.3 Forced Labour in Malaysia's Electronics Industry**

A common question asked by players in the Malaysian electronics industry revolves around the actual incidence of forced labour in the industry. There are two common scenarios: industry players attempt to deny the occurrence of forced labour in the industry, or they may not be sufficiently familiar with the definition of forced labour and the indicators that point to its existence.

Over the years, we have witnessed the exploitation of migrant workers come under scrutiny. A study released by the International Labour Organization (ILO) in 2019 found that migrant workers are often charged exorbitant recruitment fees, leading to them having to work in debt bondage conditions when they arrive in Malaysia (International Labour Organization, 2019). In 2022, the US Customs and Border Protection (CBP) banned eight Malaysian companies – mainly in the palm oil and manufacturing sectors – for allegedly using forced labour

(The Star, 2022). That same year, a group of migrant workers in an electronics factory initiated legal proceedings against the factory, alleging extensive violations of their legal rights, including being subjected to forced labour (Leigh Day Press Office, 2022). The workers claimed to have endured physical and psychological injuries, false imprisonment, cruel and degrading treatment, and exposure to highly hazardous working conditions, all of which are unambiguous indicators of forced labour. In the last decade, human rights-based and labour organisations have also released independent reports indicating that migrant workers continue to face unfavourable employment conditions akin to forced labour – such as excessive hours of work, retention of workers' documents, and the restricted freedom of movement – including in Malaysia's electronics industry.

## 5. Evolving Market Demands and Stringent Labour Rights Compliance

Malaysia has a comprehensive legal and policy framework aligned with international norms, which governs employment and labour standards in the business sector. It is shaped by Malaysia's commitment to several applicable international treaties.<sup>1</sup>

The Government has amended selected employment-related legislation in the past few years to strengthen workers' rights, protection, and well-being. The amendments in 2020 to the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990, for example, resulted in stringent compliance requirements and higher standards of accommodation for workers, particularly migrant workers living in housing provided by their employers.

Pursuant to Malaysia's ratification of the Protocol of 2014 to the Forced Labour Convention 1930 in 2022, the Employment Act 1955 was amended that same year. In October 2022, the Government approved the Trade Unions (Amendment) Bill 2022, allowing more than one union to be formed in a single workplace. The Government claimed that the amendment was made in

order to comply with ILO's standards on freedom of association and protection of the right to organise and unionise. However, union leaders rejected the Bill, claiming it would erode workers' unity and weaken their collective bargaining power (FMT Reporters, 2023).

Beyond compliance with domestic legislation, there have been mounting expectations from global consumers, investors, and other stakeholders for higher standards in working conditions, including in global supply chains. For instance, consumers increasingly prioritise brands that demonstrate a strong commitment to human rights, labour rights, transparency, and accountability (Cernansky, 2021), while investors more and more consider these as criteria in their investment decisions (Jestratišević et al., 2024). Standards of doing business have proliferated in response, and there is no shortage of benchmarks and guidelines for addressing labour rights violations, including forced labour in supply chains. New legislation has also emerged, two key examples being the EU's CSDDD (European Union, 2024a) as well as the EU's

<sup>1</sup> As of 2024, Malaysia has ratified seven of the 10 ILO fundamental conventions. These include the Forced Labour Convention, 1930 (No. 29); Right to Organise and Collective Bargaining Convention, 1949 (No. 98); Equal Remuneration Convention, 1951 (No. 100); Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182); Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187); Occupational Safety

and Health Convention, 1981 (No. 155). Additionally, Malaysia has ratified three core human rights treaties that legally bind it to uphold the protection of workers' rights with respect to women, children, and persons with disabilities: the Convention on the Rights of the Child (CRC, in 1995), the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW, in 1995), and the Convention on the Rights of Persons with Disabilities (CRPD, in 2010).

prohibition on products made with forced labour (European Union, 2024b), which require companies to conduct human rights and environmental due diligence on their business operations and supply chains globally.

These developments affect all businesses, regardless of their size and place of operations. Doubts have been raised about whether companies in the Malaysian electronics industry can adapt to remain competitive and appeal to global markets if

market expectations and demands continue to evolve apace. The reality is that forced labour will persist – irrespective of the improved labour legislation in Malaysia – if enforcement stays woefully weak and regulatory oversight remains inadequate. Given these obstacles, the Government must devise effective measures to improve enforcement and monitoring of workplace standards and offer sufficient protection to vulnerable migrant workers.

## 6. Addressing Complex Puzzles and Challenges Perpetuating Exploitative and Forced Labour

An analysis of the critical and challenging issues that contribute to, and perpetuate, forced labour in Malaysia's electronics sector is a necessary first step to formulating policy recommendations aimed at overcoming grave violations of workers' human rights and labour rights. Key concerns - for migrant workers in particular - include unfair wages and discriminatory work benefits, unsafe and substandard working and living conditions, excessive hours of work, lack of unionisation, inadequate grievance

mechanisms and suppressed worker voice, and unethical recruitment practices. Particularly if migrant workers incur high debts through the recruitment process, it puts them at risk of forced labour. These issues are inherent and systemic, and persist despite existing regulations and standards. They cannot be considered in isolation, as they are deeply entrenched in global production models, whereby companies are compelled to minimise production costs - often at the expense of workers' rights - to remain competitive.

### 6.1 Unfair Wages and Discriminatory Work Benefits

Despite the evident growth in Malaysia's electronics industry, wages have been severely stagnant for decades, and generally remain low. A study conducted in 2024 by the Khazanah Research Institute, a local research firm, found that annual salaries only increased about MYR56 per year for the past 30 years (Malaysia Kini, 2024). The basic salary of migrant workers in this sector tends to be the minimum wage rate of MYR 1,500 (approximately USD 350) per month. However, they often receive fewer or no work benefits compared to local workers, such as those pertaining to salary increments, annual bonuses, insurance coverage, and health benefits. Informants reported having no increment of their basic salary even after having worked for more than five years

(*Informants Group C*). Other informants raised several additional wage-related issues such as non-payment for overtime work, or payment at a lower than the appropriate premium rate. All these difficulties, including discriminatory treatment and extreme wage stagnation, are common phenomena facing the migrant workforce and are not confined to the electronics sector.

As a result of low wages and reduced work benefits, many workers are compelled to work excessive hours, including during public holidays, to augment their salary. This creates uncondusive work conditions and poses higher risks of occupational accidents, injuries due to work fatigue, and long-term adverse health implications,

which collectively serve as indicators of forced labour. Hence, increasing wages commensurate with the time and energy expended by workers is a significant step

towards eradicating the employment conditions that perpetuate forced labour conditions.

## 6.2 Unsafe and Substandard Working and Living Conditions

Unsafe and inferior working and living conditions endured by migrant workers in the electronics industry persist despite repeated exposés and pressure by civil society organisations and the international community.

In the electronics sector, dangerous working conditions often stem from exposure to hazardous materials, chemicals and toxic substances, especially during the production process. This situation becomes even more critical when workers lack proper job and occupational safety training, coupled with the inadequacy of protective equipment. Workers are exposed to a range of serious health conditions such as respiratory problems, skin conditions, and long-term damage to organs. Informants (*Informants Groups A and D*) revealed that respiratory problems have multiplied among young female factory workers in the past few years. Most of these young workers had been excluded from job and occupational safety training, rendering them incapable of executing their tasks in a safe manner. Additionally, some workers are commonly expected to purchase their own personal protective equipment (PPE); management's enforcement of PPE use is

minimal or non-existent. Another group of informants (*Informants Group B*) highlighted that their factory still uses old machines that are poorly maintained and rarely inspected. Incidents of malfunction involving faulty machinery and defective wiring often occur, causing occupational injuries to workers, and sometimes lead to death due to electric shock.

Living conditions are no better, as the employers often place these migrant workers in overcrowded and unsanitary accommodation, mostly in shophouse buildings and low-cost apartments. The degree of personal privacy is low, while the risk of spreading infectious diseases is high. Employer-provided dormitories are commonly poorly maintained, and lack basic ventilation and proper sanitation facilities.

Perilous and detrimental working and living conditions thus contribute to, or even directly cause, psychological and emotional strain, which can lead to depression and other mental health issues among workers. Efforts to remove the risks and adverse consequences arising from such conditions are essential to creating a conducive context for decent work.

### 6.3 Excessive Working Time

The requirement to work excessive hours, or beyond the hours permitted by national standards, is commonplace and is a pervasive problem for migrant workers in electronics factories in Malaysia. To keep up with extremely high production targets, migrant workers are often subjected to inordinate hours of work and gruelling shifts of up to 12 hours per day, or even substantially longer. Failure to comply with the employers' demands can result in disciplinary sanctions or termination of employment, according to informants (*Informants Group D*). Additionally, workers are often subjected to work during public holidays, sometimes for periods exceeding 14 consecutive days.

Working unreasonably long hours and days with insufficient breaks results in serious health implications to workers, including strain and other injuries, exhaustion, and mental health deterioration. Workers barely have space to socialise, and are deprived of sufficient personal and rest time.

When asked about their actual working hours, the informants (*Informants Group A*)

stressed that migrant workers commonly expect to work overtime, including during public holidays, and do so willingly to earn more. Migrant workers' salaries are meagre; thus, it is normal that they expect to work supplementary hours. However, informants highlighted that it is also essential that workers enjoy "a work-life balance" - having personal time for themselves, time to socialise with the broader diaspora community and, most importantly, time for proper rest. Decent working time in electronics factories is possible, but requires a strong commitment from employers at the firm level, who must be willing to offer flexible work shifts and implement procedures to avoid long and consecutive hours on the production floor. The prohibition against unhealthy working hours, particularly excessive overtime, must be effectively enforced with a robust monitoring system at production lines. To further incentivise workers to prioritise decent working time, employers can create a range of programmes to enhance workers' well-being, including introducing mental health support and physical wellness initiatives

### 6.4 Migrant Workers Rarely Unionised

Freedom of association is a fundamental right guaranteed under Malaysia's Federal Constitution. The effective enjoyment of this right, however, is fraught with challenges, and shaped significantly by the long history of the labour union movement, and the broader socio-economic and

political landscape of the country (Sundaram & Todd, 1994). Globally, it is recognised that unions can serve as a tool to address the bane of forced labour by empowering workers, giving them a collective voice, and helping them to expose and address exploitation.

In Malaysia, less than 1.5% of migrant workers are unionised, in comparison with 5.6% of the total workforce (Department of Trade Union Affairs, Malaysia, 2022). Several reasons contribute to this phenomenon, such as employers' practices that directly or indirectly forbid migrant workers from joining unions. Employers threaten the workers with deportation, withholding of wages, and other forms of coercion. Besides, the social isolation faced by migrant workers, who live in segregated communities or company-provided accommodation with limited freedom of movement, further restricts the possibility of joining unions of their choosing (Verité, 2014). This is compounded by cultural differences and language barriers, which can make it difficult for unions to communicate with migrant workers and for workers to understand union activities (Ford, 2006).

Even when migrant workers are unionised, their participation in unions is constrained, for fear of retaliation by employers, above all when they vote in favour of the union's standpoint. Informants (*Informants Group C*) who are actively involved in factory unions highlighted that there is a lack of confidentiality and thus protection for workers in the voting process. When workers' collectives want to put forward their demands, employers are often reluctant to engage in dialogue, and employ delay tactics to slow down the negotiation process. Other informants (*Informants Group D*) raised the point that they can't join existing unions even if they wish to, because they were hired not directly by the factory but by an outsourced recruitment agency. This renders them ineligible to become union members, leaving them no legitimate avenue to negotiate their work demands.

## 6.5 Suppressed Worker Voice and Ineffective Grievance Mechanisms

Increased worker voice and workers' access to effective grievance mechanisms can significantly eliminate forced labour in a wide range of ways. For example, when workers have a voice in the workplace, they are more likely to report abuse, mistreatment, or coercion. However, for worker voice and grievance mechanisms to effectively address or prevent forced labour, the employer must be strongly committed to putting in place processes that are properly designed, easily accessible, and that receive ongoing

support. Many electronics factories in Malaysia have begun to introduce and implement various forms of grievance mechanisms whereby workers can have their voices heard by articulating demands, lodging complaints, and seeking better conditions of work. These mechanisms take many forms, including anonymous suggestion boxes, grievance logbooks, and hotlines. A joint committee platform – i.e., an employer-employee consultative committee – is another option, enabling representatives of both the management

body and the workers to regularly engage in dialogue. However, the informants expressed misgivings about the success of worker voice, as the grievance and remedy processes are far from perfect. In reality, migrant workers continue to face considerable stumbling blocks before they can really influence decision-making and achieve fair labour relations.

Certain informants (*Informants Group D*) highlighted that migrant workers often fear reprisals, and the risk of termination of employment and subsequent repatriation hinders them from raising their voices to communicate their views – even when grievance mechanisms exist. Other informants (*Informants Group A*) pointed

out that many companies established grievance mechanisms at the firm level to conform to existing social standards and to pass muster during compliance audits. As such, workers perceive these mechanisms as a “dummy tool” that is ultimately toothless and ineffective, as the most critical employment issues, such as unpaid wages, exploitative work, and excessive disciplinary measures, are not usually reported via these grievance mechanisms. More often than not, workers kept these problems to themselves.

## 6.6 Complex and Unethical Recruitment Practices

“We cannot control what happens in the countries of origin.” This is the generic response from employers when asked about their role in addressing unethical recruitment practices. As a result, recruitment agencies, often in collusion with unauthorised intermediaries, continue to impose excessive costs on migrant workers to be hired and deployed in Malaysia’s electronics factories. It must be acknowledged that the recruitment industry involves a complex range of administrative procedures and several actors located in far-flung places, from remote villages to capital cities. Each of the actors profits from the recruitment process, although the profit margins vary significantly. Collusion and complicity involving authorities in origin countries are

also prevalent, leaving aspiring migrant workers highly vulnerable to manipulative behaviour and unethical recruitment conduct. Many Malaysian employers are fully aware of this reality, but they expend very little effort to address the gamut of vulnerabilities migrant workers have to contend with. Consequently, migrant workers continue to be recruited unethically, and are driven to work in conditions of debt bondage when they arrive in Malaysia in order to repay loans and mortgages with high, even usurious, interest rates.

In the face of these known challenges, employers in Malaysia’s electronics factories have critical roles to play within their spheres of influence. The point of

departure is for employers to establish a clear human rights and labour rights policy commitment that defines what is acceptable (and what is not) in their respective recruitment and hiring policy. Employers should “walk the talk” and require their appointed recruitment agencies in Malaysia and in origin countries to have the same policy commitment across the recruitment process. Employers can also launch a

range of initiatives to ensure that the stated policy commitment is effectively implemented, including conducting due diligence on their recruitment agencies regularly and deploying pre-departure and post-arrival surveys for migrant workers. These initiatives can be implemented internally without needing further regulatory requirements and intervention from the state.

## 7. Future Outlook and Policy Options

The past few decades have seen the re-emergence of Malaysia as a global electronics hub, heralding promising growth in years to come. The prospect of expansion is buttressed by the rise in emerging technologies, and further amplified by Malaysia's industrial policies and corporate incentives (e.g., tax exemptions and monetary grants) geared towards attracting more foreign investment in the sector. In conjunction with this positive economic trend, global consumers, investors, and other stakeholders have demonstrated rising expectations that working conditions meet higher standards in terms of human rights and labour rights, including in Malaysia's electronics industry. Standards of doing business have surged exponentially, adding pressure on companies to address their human rights impacts and labour rights violations, including forced labour. These expectations and demands have driven the advent of new legislation such as the EU's CSDDD as well as its prohibition on products made with forced labour, which requires companies to, among others, assume proactive roles in addressing the persistent manifestations of labour exploitation, including forced labour, within their supply chains. To adapt and remain competitive in the global market, both companies and the Government must address the underlying factors and circumstances that perpetuate forced labour.

This policy paper proposes the following policy recommendations, based on our

analysis of the underlying causes of forced labour practices:

- (i) Establish a progressive wage policy that is designed to eliminate risks of unfair wages and discriminatory work benefits. Such a policy has to ensure fair and living wages, an adequate wage increment system, and equal work benefits for all workers, including migrant workers.
- (ii) Enforce strict regulations and standards to ensure safe and satisfactory working and living conditions for all workers. Mandate enforcement officials to undertake periodic inspections of factories and workers' accommodations, and strengthen enforcement capacity. The Malaysian government must establish robust penalties for companies that fail to comply with safety regulations and standards.
- (iii) Enforce strict regulations and standards to limit overtime working hours in electronics factories. Any overtime work has to be voluntary and properly compensated. Additionally, there should be clear regulatory standards that require electronics companies to put into place policies to ensure

- decent working time, and mental health and wellness programmes at the firm level.
- (iv) Introduce incentive schemes to galvanise electronics companies to exceed the minimum legal requirements and standards governing decent working time. Such incentives may include tax breaks, financial benefits, and forms of government recognition (e.g., certification for ethical labour practices).
  - (v) Collaborate with electronics companies, unions, civil society organisations, and foreign embassies to raise awareness of the rights to freedom of association and collective bargaining, and to increase the degree of unionisation among migrant workers. Ensure that migrant workers, including those employed through outsourcing agencies, are legally protected when participating in union activities. Legal safeguards must be established to protect against retaliatory behaviour by employers, such as threats of dismissal, wage reduction, or other forms of unfair treatment or discrimination.
  - (vi) Establish internal grievance mechanisms that empower and motivate workers to raise their voices, including to report abuse, mistreatment or coercion. Such mechanisms must function in languages that can be effectively used by the workers. A stronger protection framework has to be established to ensure that workers can confidently, safely and freely utilise grievance mechanisms, without fear of retribution.
  - (vii) Ensure that workers can seek justice and have access to effective remedies if complaints are not addressed through internal grievance mechanisms.
  - (viii) Encourage the establishment of third-party and independent grievance mechanisms where workers can lodge complaints without fear of employer interference. These grievance platforms could be initiated and operated by civil society organisations, unions, or other impartial actors.
  - (ix) Support the creation of migrant worker advocacy groups that can provide advice and representation for workers seeking to address their grievances. These groups can act as intermediaries between workers and employers.
  - (x) Establish clear regulations and standards governing ethical recruitment of migrant workers. These include regulations that

- promote and uphold the Employer Pays Principle, i.e., employers bear all recruitment costs. Hold employers accountable for ethical recruitment by requiring regular due diligence on the recruitment agencies they appoint. Additionally, employers should work collaboratively with civil society organisations, unions and migrant worker advocacy groups in both Malaysia and the origin countries, to verify that the recruitment process is being conducted ethically.
- (xi) Strengthen bilateral agreements between Malaysia and origin countries to streamline and harmonise standards and efforts to address unethical or irresponsible recruitment practices.
  - (xii) Enact regulations that require electronics companies to perform mandatory due diligence to continually identify, prevent, mitigate, and remedy negative human rights impacts, including forced labour, in order to further foster responsible and ethical business practices. The regulations should align with authoritative and internationally recognised standards such as the EU's CSDDD as well as the EU's prohibition on products made with forced labour.
  - (xiii) Establish a stronger public accountability system that is geared towards pinpointing companies that violate human rights, including those associated with forced labour practices, and "naming and shaming" them. This system should encourage - and even incentivise - the active participation of civil society organisations, unions, migrant worker advocacy groups, and the media in order to maximise the impact of public accountability initiatives.

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## 9. Appendix: Focus Group Discussions (FGDs)

Informants	Description of Informants	Date, Location and Method of FGDs
Informants Group A	Four Indonesian migrant leaders (three male, one female), aged between 35 and 44 years. They represent hundreds of Indonesian migrant workers in various economic sectors in Peninsular Malaysia, including the electronics industry. Their role includes organising awareness-raising and capacity-building activities on labour standards, and case management.	Date: 2 December 2024  Location: Kuala Lumpur  Method: FGD (in person)
Informants Group B	Six Myanmar migrant workers (two male, four female), aged between 21 and 45 years. All informants work in one SME's electronics factory in Kuala Lumpur. Informants described that the factory produces products for an international electronics brand. Four informants possess valid passports and work passes, while the remaining two have work passes that expired three years ago.	Date: 21 December 2024  Location: Kuala Lumpur  Method: FGD (in person)
Informants Group C	Four Indonesian migrant workers (all female), aged between 21 and 29 years. All informants work in one MNC's electronics factory in Shah Alam, Selangor. They possess valid passports and work passes, and are members of the factory's in-house union. They have been working for the same company in Malaysia for between three and seven years, and they hope to work up to a maximum of 10 years, subject to permission from the authorities.	Date: 22 December 2024  Location: Shah Alam, Selangor  Method: FGD (in person)
Informants Group D	Five Indonesian workers (one male, four female), aged between 19 and 32. All informants work in one small electronics factory located in a remote area in Klang, Selangor. All informants are not directly hired by the factory, but by an outsourced agency owned by a Malaysian. Their salary and human resource matters are handled by the outsourced agency.	Date: 25 December 2024  Location: Klang, Selangor  Method: FGD (in person)
<b>Summary of Informants</b>	<b>Total number of informants: 19</b> By nationality: 13 Indonesian and 6 Myanmar nationals By gender: 6 male and 13 female informants	

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