SEVERING THE LINK BETWEEN THE FINANCE INDUSTRY AND TRAFFICKING-RELATED FELONIES
The Problem

More than 75% of the 600,000 migrant domestic workers living in Singapore and Hong Kong are charged illegal recruitment fees by employment agencies, an offense under local laws punishable by up to 12 years’ imprisonment. These illegal fees and resulting vulnerability to debt-based coercion are a major reason the US State Department ranked the trafficking situation in Hong Kong as among the worst in the developed world in its “2022 Trafficking in Persons Report.” Singapore has even fewer legal protections for domestic workers than Hong Kong.

Relevance to Institutional Investors

Expatriate executives at US investment firms are proportionally among the largest employers of these workers (as live-in maids or helpers) with up to 80% hiring help compared to about 15% of all households. By failing to take precautions, investment firms have put their expatriate executives at high risk of being party to a transaction that includes a trafficking-related felony when they hire help.

While the executive is not guilty of any offense, research overseen by the private equity industry’s own senior advisors confirms (i) that these illegal fees are rampant, (ii) that fee shifting means the executive is generally the ultimate financial beneficiary of the criminal act, and (iii) that these fees often result in debts that force these women to tolerate abuse from their employers and even into abusive sex work and situations of genuine criminal trafficking.

While investment firms are also not guilty of any crime, by bringing in large numbers of expat executives, they create the underlying conditions that make these felony transactions and related abuses almost inevitable. As part of the supply chain, these firms are putting many of their institutional investor clients in violation of their anti-trafficking and ESG pledges and that requires immediate remedial action.

The Solution

We propose a program in which the domestic worker is interviewed by an expert who reimburses any illegal fees and who then serves as her contact in the case of abuse. This solution is modeled on a US State Department program covering all domestic workers brought into the US by foreign diplomats. It has proven highly effective at deterring abuse at little financial cost and minimal intrusion into anyone’s personal life.
Researchers Document Criminality and Abuse

“Competition between agents means they don’t charge employers much. Instead passing the buck to maids. For 6-8 months, the poor maid does not get a salary [due to her debt payments to the agency].”
Human Rights Watch – Maid to Order: Singapore

“Although Philippine agencies are prohibited from charging a placement fee, we found 84% of domestic workers did pay an agency fee which averaged US$1,135.”
Rights Exposure – Between a Rock and a Hard Place

“Amnesty found that most Indonesian maids had to hand over the vast majority of their salary to their agency during the initial seven months of their contract. An amount that substantially exceeds the statutory limits.”
Amnesty International – Exploited For Profit, Failed by Governments

“The economic power of employers gives them a sense of entitlement to enact abuse without fear of repercussions. Abusers come from a wide range of ethnic groups, social classes and levels of education.”
International Labor Organization – Hong Kong’s Hidden Shame

“The apathy towards emotional abuse poses a challenge in holding perpetrators accountable. Because it occurs in private homes, it is deemed a private matter, ‘out of bounds’ of any external intervention.”
Humanitarian Organization for Migration Economics – Invisible Wounds

Quotes edited for length. Our editorial policy and all sources available online and at http://www.dwji.org
Expat Bankers in Singapore and Hong Kong Can't Get by Without Their House Maids Anymore

Simon Mortlock, Business Insider, October 7, 2015

Affordable live-in maids keep Western bankers in Asia and make them more productive at work...

Mortlock’s research found that cheap household help has led many expat bankers to stay in Asia longer than they expected and even helps them perform better in their jobs.

Why western bankers stay in Asia:
“One reason really stood out: their working lives have been made immeasurably easier by the wide availability and affordability of live-in maids.”

“Can’t live without her”: Many western finance executives are initially hesitant to hire a domestic worker but then find “they can’t live without her” and soon are “delighted with having one.” Mortlock quotes one management consultant as saying that “couples stay much longer than anticipated because of their helper.”

Help expats perform better in their jobs: One key finding is that “having a domestic worker helps expats better fulfill regional roles” with many saying “they started to perform better in their jobs after taking on a helper.” One Hong Kong banker explains that his helper “makes him healthier, happier and more productive at work.”

Link to productivity: The link to executive productivity at work helps make the case that domestic workers should be treated as if they were part of the supply chain or at least that executives should not derive a financial benefit from crimes perpetrated against them.

Emphasis added. Available on both the Business Insider and eFinancial Careers websites as well on dwji.org.
“When I was half-way through the application process, the [employment] agency said I needed to pay 25,000 PHP (US $445). Then they made me sign a piece of paper saying ‘I did not pay fees’, but it was a lie.”

Tala, 25, Filipina

“They said they only hired young helpers and first timers to Hong Kong because they wouldn’t know their rights.”

Imelda, 23, Filipina

“In order to get my visa renewed, I had to recruit other helpers to have sex with him. It was really embarrassing.”

Maria Christina, 37, Filipina

“On my Sunday off, I could not leave until 11am after their breakfast. Then I had to be home by 5pm to make their dinner. Sometimes I had no day off at all.”

Citra, 27, Indonesian

“My employer hit me. When I tried to quit, they wouldn’t let me. They kept my passport and told me I was not allowed to quit.”

Sophia, 24, Filipina

“I was not given a bedroom as in my contract. Instead I slept in a small laundry room. When they got mad at me, they would start the washing machine late at night. It made it too hot and noisy to sleep.”

Indah, 35, Indonesian

“They hired nine helpers over four years, and were very abusive so all quit or were fired. I didn’t know this before I started. It’s hard to quit because it costs so much to get another job.”

Bernila, 37, Filipina

“I was taken to Singapore from Hong Kong on their vacation, but their family there had other helpers. So they took me to work in their cousin’s factory in Malaysia. I stayed in a factory dorm. My phone plan didn’t work and I had no way of contacting anyone.”

Angela, 41, Filipina

“They never gave me enough to eat. Only the bones of the fish or chicken. Once they caught me with my own food and forced me to throw it out.”

Bulan, 38, Indonesian

*The private equity ecosystem includes the international law, banking and accounting firms needed to help buy, manage and sell businesses. Details have been changed to protect identities.*
Chao is a finance executive who grew up in Hong Kong public housing. He writes of his distaste for the expatriate lifestyle, especially the excessive reliance on domestic workers.

Chao observes that his “expat friends in Hong Kong enjoy very privileged lives.”

“They hang out in private clubs with other expats with a few maids at home – many have one maid per child.”

He expresses a common resentment that “As a native Hong Konger, I dislike this culture,” which stems in part from the fact that roughly 80% of expatriate executive families have a domestic worker vs. less than 15% of local households.

He notes that in Hong Kong, unlike in the US and Canada, “It’s really cheap to get a maid, so most people do it – even if they’re in the back office.” This cheap household help “means expat Hong Kong bankers are divorced from reality [and] people in the US and Canada are much more down to earth.”

Finally, he concludes “the approach to domestic help in Hong Kong is very different to elsewhere in the world.”

At DWJI, we agree the approach is different. In the US, intentional abuse is relatively rare, and a worker can generally quit and find another job. But here, the illegal agency fees and various immigration policies make it essentially impossible to switch jobs, and this puts many women working for expatriate executives in situations bordering on modern slavery.
SEVERING THE LINK BETWEEN THE FINANCE INDUSTRY

The State Department and the private equity industry’s own senior advisors have documented the rampant criminality that exists in domestic worker recruitment and the widespread abuse of these workers in executive-level households. Yet, many firms are indifferent or even hostile to proposals for remedial measures.

This situation raises many red flags:

- If a firm didn’t know this was happening, it raises questions of competence. What else don’t they know?
- If a firm did know and took no action, it raises questions of ethics. What other crimes do they ignore?
- If executives look the other way here, it raises questions about the integrity of ESG funds run by these same executives.
- Mirrors classic corrupt supply chain practices in which someone else commits the crime, but you get the financial benefit.
- Firms provide expats with perks like gym memberships, concierge medical insurance, tax preparation and even yoga classes. Why not a way to lawfully hire help?
- Why would any executive object to a service that helps them act lawfully? Ethical executives would demand such a service.
TO DETER ABUSE – THE 3P PROGRAM

- **Prevention**: The worker meets with the host country expert to understand her rights and to exchange contact information in case of abuse. The employer is trained on the appropriate treatment of domestic workers.

- **Protection**: The expert provides alternative dispute resolution mechanisms when problems arise and may encourage compensation for the worker if appropriate.

- **Prosecution**: Allegations of criminal exploitation are referred to law enforcement. Note: DWJI believes conciliatory methods—if started early enough—would resolve the vast majority of abuse cases.

This program is mandatory and covers all domestic workers brought to the US by foreign diplomats. It has proven to be highly effective at discouraging abuse at little cost and with minimal intrusion into anyone’s personal life.

The target populations, diplomats and finance executives, share key characteristics: highly educated elites that perceive themselves to be of higher status than domestic workers and largely immune from repercussions for any abuse.

Given the similar demographics and patterns of abuse, and in light of the State Department program’s success, we are confident a similar program will work here.
OUR PROPOSAL

A modified version of the US State Department program that we call CARE.

**Contact:** Expert meets with the worker to reimburse illegal fees (if any) and to exchange contact information in the case of abuse or contract violations.

**Anti-Trafficking Education:** Training provided to the executive, especially with regard to supply chains and domestic workers.

**Resolve:** The expert provides confidential dispute resolution services for the benefit of both parties, not just the domestic worker.

**Exit:** When employment ends, the expert meets with the worker to confirm that the terms of separation are fully compliant with the law and contract.

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RESULTS

- The private equity industry lives up to its ESG representations
- Admin. is outsourced to experts - HR departments are not involved
- Low cost with minimal intrusion into anyone’s personal life
- Illegal fees are reimbursed and other abuses are discouraged
- Ensures executives and firms are not linked to any trafficking crimes
- Self-policing: directed by the industry, not outside activists
Private equity firms are **responsive to their large institutional clients** because the fees these clients pay account for most of the industry’s revenue. Firms will take action on this issue, but **only if their clients demand it**. The firms below have offices in both Hong Kong and Singapore and have a well-deserved reputation for ethical conduct.

BlackRock  Blackstone  Brookfield  Carlyle  KKR  TPG

To see our estimate of the fees your institution pays to private equity firms, [visit our website](#).

<table>
<thead>
<tr>
<th>Institution</th>
<th>Est. Annual Fees (millions of USD)*</th>
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<tbody>
<tr>
<td>Canada Pension Plan (CPP)</td>
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<td>California Public Employees (CalPERS)</td>
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<td>Ontario Teachers’ Pension Fund</td>
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<td>Yale</td>
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* Most institutions do not publish their figures, so the numbers above are estimates derived from public sources and methodologies. Amounts paid depend on the year and the definition of “fee.” In general, private equity accounts for the bulk of these fees. Talk to your fund’s management to get their estimate.
"If investment managers engage in socially injurious activity, Yale will fashion an appropriate remedy including possible disassociation from the offending firm….”
Yale

“[The firms] we invest in should adopt maximum progressive practices to eliminate human rights violations in all countries in which they operate.”
CalPERS

“It is key to our mandate to work with companies to improve the monitoring and assurance of their human rights practices, including in relation to supply chains.”
Canada Pension Plan

“Management should develop a transparent human rights due diligence framework... including codes of conduct & monitoring procedures to ensure compliance by employees.”
TIAA-CREF

“Ontario Teachers’ and our members care deeply about human rights and we are committed to investing responsibly.”
Ontario Teachers’ Pension Plan

To read your institution's policy on trafficking and its response to this campaign, see our website.
WHAT REGULATORS EXPECT

“Financial institutions can be a powerful force in assisting Homeland Security as we combat the horrible crime of human trafficking. We look to them to be among our greatest allies....”
US Homeland Security

“Financial institutions, large and small, can play a critical role in identifying and reporting transactions related to [human trafficking]....”
US Financial Crimes Enforcement (FinCEN)

“The first step in shutting down a trafficking organization might be a conscientious financial institution employee working... to help rescue individuals from this nightmare.”
US Immigration and Customs Enforcement

“Financial institutions play a critical role in identifying transactions associated with trafficking and may face criminal penalties if they willfully fail to comply with their obligations.”
US Treasury Department

Regulators focus on suspicious customer activity but overlook how finance executives themselves are frequently party to and beneficiaries of these tainted transactions.
What do you want pension and endowments to do?
Demand that private equity firms create a program that remedies the illegal fee problem, discourages abuse, and gives a recognized “seal of approval” that demonstrates they’re not linked to trafficking activities.

Isn’t this the government’s responsibility?
We believe “employer pays” laws should be better enforced but that international firms should not use government failure as an excuse for inaction on their own “trafficking footprint.”

Isn’t this abuse mainly “on the bad side of town”?
No. On the contrary, this rampant abuse happens almost exclusively in upper-income households simply because lower-income households are not allowed to hire these workers. Debt from illegal fees and other factors give expatriate employers an extraordinary level of power over these women, which they are not accustomed to and which is frequently abused.

How have investment firms reacted to demands for reform?
Most firms have been indifferent or even hostile. However, some firms have been supportive, including Macquarie and Goldman. In particular, KKR has taken decisive action at very senior levels regarding abuse cases, even when it involved a supplier and not its own staff.

Why must the program be mandatory?
Prior attempts focused on education and voluntary measures. The problem is that the executives who voluntarily participate in these programs were not the abusers in the first place, so these programs have allowed abusers to continue with impunity. Firms must require that their executives participate, and the worker must have a contact person if abused.

Why not accredit certain ethical employment agencies?
Agencies readily concede there is a fundamental conflict between seeking employers as customers and defending domestic servants from abuse by these same customers. The solution must be independent of existing agencies and must cover even workers hired without agencies. The worst employers don’t use agencies at all, specifically to isolate the worker to and limit her recourse when they abuse her.

Do these illegal fees constitute human trafficking?
The fees alone do not constitute trafficking, but the resulting debt puts the worker in a vulnerable situation in which she can be easily coerced by an abusive employer. These debts can be a contributing factor in pressuring these women into dangerous sex work and other situations of actionable criminal trafficking.
ABOUT MFA

Conceived in 1990 in Hong Kong, Migrant Forum in Asia (“MFA”) was one of the first organizations in Asia focused on supporting and empowering domestic workers. MFA is guided by a vision of an alternative world system based on respect for human rights and dignity, social justice, and gender equity, particularly for migrant workers. MFA was formally established in 1994 and has since been a passionate advocate for domestic workers in Hong Kong and Singapore and for all migrant workers throughout the region.

The rights of women migrant workers and the gender dimensions of migration are core areas of work for MFA. It was the high point in a process of consultations, meetings, communication and networking among a group of women human rights activists who were engaged in voluntarily serving migrant domestic workers particularly in Malaysia and Hong Kong that the MFA network was established in the 1990s.

In the years since, MFA has worked with the International Labor Organization and others to advocate for the ratification of the ILO’s “Decent Work for Domestic Workers” convention and for the implementation of standard employment contracts for domestic workers throughout the region.

MFA believes the recruitment process plays a key role in creating the vulnerabilities that migrant workers face. To educate interested parties and to facilitate reform campaigns, MFA created the global platform RecruitmentReform.org.

MFA has long fought against illegal recruitment fees and is now among the conveners of the US-based Domestic Workers Justice Initiative campaign which seeks to require that international finance executives hire and employ migrant domestic workers in a lawful manner.

For more information please see our website mfasia.org.
OUR CAMPAIGN

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Ellene Sana
Expert Advisor

- Q3/2023 - **Research**: Focus groups with teachers, nurses, students & faculty
- Q4/2023 - **Development**: Website, pamphlet, letters, legal review, etc.
- Q1/2024 - **Soft launch**: Outreach limited to boards and investment staff
- Q2/2024 - **Full Launch**: Contact union membership, university alumni, etc.
- Q1/2025 - **Resolution**: Meet with industry leaders to discuss reforms