Executive summary

This briefing explores the risks of human trafficking with a specific focus on forced labour in global supply chains.

In this briefing:
- Terms and definitions;
- Indicators of forced labour and factors that increase workers' vulnerability to labour exploitation;
- Insight into how workers are affected;
- Spotlight on migrant workers & labour brokers;
- Challenges in current due diligence efforts;
- Recommendations on what businesses can do.

This report offers a generalised introduction into the challenging issues of human trafficking and forced labour.

What is human trafficking?

Human trafficking involves the movement of a person, either across international borders or within the boundaries of a single country, by means of threat, deception or abuse of vulnerability for the purpose of exploitation.

This abuse involves three key elements:
- **Actions**: The recruitment, transportation, harboring, and receipt of a person;
- **Means**: The threat or use of force, deception, or the abuse of vulnerability and power;
- **Purpose**: Exploitation, including forced labour or services, servitude and practices similar to slavery.

What is forced labour?

The International Labor Organization (ILO) defines forced labour as “all work or service which is exacted from any person under the menace of any penalty for which said person has not offered himself voluntarily.”

A penalty, in this case, could be physical constraint, or it could refer to other forms of abuse such as threats of deportation, passport confiscation, or wage non-payment that binds a worker to the employer. However complicated the forced labour issue is, it can be simplified into one question: *Can the worker quit when he/she wants, without penalty?*

Possible exploitation channels:
- Directly by the supplier;
- By an intermediary used by the supplier, such as labour broker;
- By third parties (unknown by the supplier and intermediary.)

In the news

- “Held as slaves, children in Peru forced to work in mines that produce much of world’s gold” (New York Daily News, 11 Feb 2014)
- “Children and chocolate: The sweet industry’s bitter side” (Confectionary News, 30 Jan 2014)
- “Hospitality, Agriculture Firms Vulnerable to Human Trafficking” (Inter Press News Service Agency, 3 Jan 2014)
- “Forced to fish: Slavery on Thailand’s trawlers” (BBC News, 23 Jan 2014)
- “600,000 forced labor victims in Middle East” (CNN, 9 April 2013)
- “Third man found in south Wales slavery inquiry” (BBC News, 23 Sep 2013)
A global phenomenon
Forced Labour Index (regional figures of persons in forced labour)

There has been a longstanding misconception that trafficking primarily relates to sexual exploitation. However, increasingly businesses recognise there are risks of other abuse.

Forced labour and human trafficking are truly global phenomena. They exist in every region in the world and in every type of economy, whether industrialized, developing or in transition.

They affect both international and domestic markets. No sector or industry can be considered immune or untainted.

Key industries revealed by global research to be vulnerable to human trafficking and forced labour include apparel and footwear manufacturing, agriculture, construction, electronics manufacturing, mining, forestry, food processing and service work.

Quick facts
- Almost 21 million people are victims of forced labour.
- This includes 11.7 million forced laborers in Asia, where the prevalence is greatest, followed by 3.7 in Africa and 1.8 in Latin America.
- 55% of forced labour victims are women and girls.
- Those who exact forced labour generate vast illegal profits.
- The vast majority of victims are exploited by businesses.
- Slave labour contributes to the production of at least 122 goods from 58 countries worldwide.
- Migrant workers and indigenous people are particularly vulnerable to forced labour.

Source: ILO
Uncovering a hidden abuse

We looked at the total number of issues raised by social audits on the Sedex platform for audits conducted between 2011 and 2013 to see what this data shows in relation to forced labour. The data shows that 0.3% lack adequate policies, management and/or reporting on forced labour or other issues that may be indicative of forced labour being present. More significantly, issues relating to a lack of legally recognised employment agreements, wages and benefits that can also indicate a risk of forced labour are 3.9% of total issues raised.

Given that supply chains are complex and multi-tiered, it is likely that this is not the full story. The low instances of non-compliances may indicate that trafficking and forced labour are largely going undetected by typical social audits. This is not unsurprising given that serious abuses may be occurring several tiers down the supply chain and out of scope of some ethical trade programmes. This highlights the need to look beyond tier 1 when assessing supply chain risk. However, there may be more reasons audits are not identifying more of these issues.

Companies need tools, protocols and policies to effectively audit trafficking and to establish mechanisms to protect workers. Audit procedures need to work alongside other assessment strategies and auditor training. Companies also need to ensure due diligence includes areas of greatest risk, including sub-contracted facilities and the companies that provide labour, both foreign and domestic.

"Since we began operating the National Human Trafficking Resource Center hotline in 2007, more than 3,000 cases of labor trafficking inside the United States have been reported. Nearly 1/3 are from 2013 alone. Every day, we learn of workers in farms, restaurants, construction sites, factories, hotels, nail salons - and more - who are forced to work against their will. And there are so many more people who are trapped that we haven’t heard from yet. Business can and should take steps to eradicate this form of modern slavery from their operations and supply chains."

Bradley Myles, CEO, Polaris Project

Forced labour and human trafficking can be difficult to detect.

Factors to consider include:

- Workers are afraid to talk openly with auditors;
- Auditors have to find objective evidence to support claims of forced labour;
- Forced labour is often not the result of a single cause that is easy to spot, but rather a series of events, abuses and exploitation committed by different actors at different stages of the recruitment, hiring and employment process;
- Abuses are often hidden, characterised by deception;
- There is no paper trail, or breakdown of worker payments;
- Abuses are often located where auditors typically have limited access, in the complex sub-contracting arrangements beyond first tier suppliers, or at the margins of the formal economy;
- Many abuses originate at the point of recruitment. Typical assessments focus largely on conditions and practices at the workplace and not how workers get their jobs.
- The management of workers by an on-site recruiter can make it more difficult to determine the nature of abuses present;
- Auditors may not be able to raise sensitive issues without jeopardising the safety of workers or themselves from reprisal;
- Auditors themselves may lack knowledge or experience to uncover human trafficking.
Forced labour risk factors

Forced labour is an extremely complex labour rights violation that can take many forms. Certain factors, independently or in various combinations, can increase the risk of forced labour through the employment cycle. Below are some exploitation indicators.

**Recruitment**
- Workers charged illegal or excessive recruitment fees
- Workers uninformed or misinformed about terms of employment
- Workers not provided with understandable, legally compliant written contracts
- Multiple labour brokers and agents from recruitment to employment
- Fraudulently charging fees for travel, health checks, or work documentation

**Employment**
- Underpayment of wages or delayed or withheld wage payments
- Excessive or illegal wage deductions
- Workers required to stay in company or broker-controlled housing
- Workers unable to enter or leave the premises freely
- Working excessive overtime beyond legal or code of conduct limits
- Identity documents and passports confiscated or withheld
- Wage deductions used as a disciplinary measure
- Physically abusive or humiliating discipline and termination practices

**Exit**
- Worker’s visa and work permit is tied to a single employer
- Monetary penalties or withholding of wages for early contract termination
- Worker forced to pay for return travel to their home countries
- Undocumented migrants threatened with notification of authorities if they leave employment
- Workers forced to pay financial deposits or “security” fees as “runaway insurance”

Examples of international community responses

The international community has adopted non-binding global and regulatory frameworks that directly address business, such as:
- UN Global Compact;
- UN Guiding Principles on Business and Human Rights;
- ILO Special Action Program to combat Forced Labour;
- UN Global Initiative to Fight Human Trafficking;
- IOM (International Organization for Migration) International Recruitment Integrity System;
- Brazil’s Second National Plan to Combat Human Trafficking;
- US California Transparency in Supply Chains Act;
- US President Obama Executive Order against Trafficking in Persons in Federal Contracts;

“As investors, we expect companies to manage and disclose how they tackle challenges within their direct operations and supply chains. Human trafficking is one of many human rights issues that companies are increasingly exposed to and can result in potential regulatory, legal and brand risk. We urge companies to take proactive measures to mitigate this risk and to demonstrate corporate accountability by aligning themselves with best practices and due diligence of actual and potential human rights impacts.”

Mike Lombardo, Senior Sustainability Analyst and Manager, Calvert Investments
Labour trafficking spotlight

What are the risks of broker-induced hiring traps for migrants?

Migrant workers all around the world make many of the products we buy and harvest the food we eat. These migrants leave home for jobs that can help them achieve a better life, or simply allow them to feed their family. Workers will go to great lengths to secure promising jobs, no matter where they are located. These migrant workers are often isolated and lack local knowledge. Often workers become indebted to middlemen - labour recruiters.

The increasing use of unscrupulous labour brokers brings with it troubling issues of fragmented and opaque social accountability. For workers, labour brokerage increases migration and job acquisition costs and the risk of serious exploitation, including slavery. In some cases brokerages are substantial, well-organised companies. In others they are informal in their structure and outreach. In all cases their presence in the recruitment and hiring process increases the vulnerability of migrant workers. The debt that is often necessary for migrant workers to undertake in order to pay recruitment fees, when combined with the deception that is visited upon them by some brokers about job types and salaries, can lead to a situation of debt-bondage.

Case in Point: Filipino workers in Taiwan, a breakdown of worker’s wages for a two-year contract

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan broker fees</td>
<td>10%</td>
</tr>
<tr>
<td>Sending country fees</td>
<td>15%</td>
</tr>
<tr>
<td>Board and lodgings</td>
<td>20%</td>
</tr>
<tr>
<td>“Savings”</td>
<td>17%</td>
</tr>
<tr>
<td>Interest on loans in sending country</td>
<td>10%</td>
</tr>
<tr>
<td>Balance that goes to the worker</td>
<td>28%</td>
</tr>
</tbody>
</table>

In this example, about 72% of what employers pay their foreign workers is actually going into the pockets of brokers and recruiters or other actors in the system (government, employers).

(This is based on basic wage (NTD17280 x 24 months = NTD414,720).)

Verité’s research on unscrupulous labour brokers shows us that

- The job probably won’t pay what is promised;
- Workers don’t often know about the compound interest on their debt, increasing every month;
- There are illegal wage deductions and unexpected fees;
- They were deceived or provided false promises about the terms or type of work, including job type, length of contract, salary and benefits;
- Their passports may be taken away so that they can’t complain or flee;
- Their work visas will tie them to their employer, giving them no other alternative;
- Loss of a job can render the worker homeless, and their status as ‘irregular’ may also leave them outside state healthcare and social security.

“Asia is the source of many of the world’s manufactured goods, and also home to half the world’s human trafficking – the majority of which is forced labor. In Southeast Asia, formal labor recruitment systems are weak, such that the majority of foreign workers are recruited through informal brokers. With impunity, brokers can charge arbitrarily high fees and place workers in debt bondage, make excessive or fraudulent pay deductions, or even hold workers in confinement and abuse them. Brands and retailers are in a position to make a tangible, positive impact on the lives of hundreds of thousands [by ensuring that] ... their suppliers are not breaking laws or violating supplier standards by using forced labor.

Lisa Rende Taylor, Project Issara Director, Anti-Slavery International
Worker spotlight: Dharani *

Fifteen-year-old Dharani was a 10th grade dropout from Kammalapatti, India. When Dharani was 13 years old, she was recruited to work in a spinning mill in Tirupur, 150 miles away from her home.

**BAIT:** A neighbour’s brother who was a broker promised Dharani a decent job with a good stipend (a regular expenses allowance) plus US$756 at the end of three years, with free room and board in a secure, safe environment.

**SWITCH:** Dharani worked in a spinning mill where she performed chemical washing and bleaching. She worked 12-hour shifts with frequent overtime for which she was usually not paid. Dharani’s monthly stipend was US$30.75 of which US$11.2 was deducted for food and lodging expenses. She was left with only about US$20 per month.

**ABUSE:** The lack of worksite health and safety precautions left Dharani with burns on her skin due to the harsh chemicals. Unfortunately, medical expenses were not covered above US$4. Dharani was not allowed to go anywhere unattended, and was rarely allowed to leave her hostel. She was instructed not to speak to anyone, including her family, without an ‘escort’. Dharani was told the employer would terminate her work contract and withhold all of the lump-sum payment that she had accrued if she complained.

**THE RESULT:** After working at the mill for two years, the situation became unbearable and Dharani fled home. Her parents were unhappy with her decision and scolded her for not completing her three year contract, since this meant that she forfeited her entire lump-sum salary of US$757. Dire economic conditions forced Dharani to return to work under the Sumangali scheme at a different factory. Dharani’s parents have not spoken of her experience in the Sumangali scheme with other parents or villagers, as they are afraid to cause trouble. For the same reason, they have not confronted the labour broker, who is not currently recruiting in the area but is still seen in the village. Dharani’s neck and hands are permanently scarred from her experience in the mill.

*Dharani’s name has been changed to protect her identity.

Because there are millions of individuals like the little girl I was - imprisoned, enslaved, silenced, unable to tell their stories - I speak for those without a voice.

And I demand that we are heard, that we are given a seat at the table, a say in how to address this problem—as horrific, as dehumanizing today as it has ever been in history.

When our voices are heard, when the victims and survivors are made visible, amazing things can happen. We spark new conversations. We uncover new ideas. We unlock new solutions. We bring the perspective and experience only victims, only survivors can bring, to help solve this global problem. We turn a social, geopolitical, economic issue into a human one.

Rani Hong, President, Tronie Foundation and UN.GIFT Special Advisor
# Recommendations for brands

- Raise awareness internally and externally of the risks of human trafficking;
- Establish corporate policies to address forced labour, human trafficking and the vulnerabilities of migrant workers;
- Map your supply chain to identify the most vulnerable workers and places of greatest risk and to target assessment, prevention & remediation efforts;
- Assess whether current monitoring and remediation activities are adequately protecting the company from broker-induced forced labour;
- Review supply chain practices to determine whether structural conditions (such as prices paid to suppliers) encourage forced labour or debt bondage;
- Build the capabilities of suppliers to identify and address risks of forced labour;
- Hold suppliers accountable to control anti-trafficking risks in their operations;
- Engage public policy actors in support of laws, regulations and enforcement that effectively protect workers;
- Participate in industry or multi-stakeholder initiative to undertake training, awareness raising, communications, and advocacy;
- Invest in local institutions that provide support for trafficking victims.

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**Human trafficking in the UK food processing and agriculture industries is a severe issue which Sainsbury’s is determined to tackle alongside government and our suppliers. The “Stronger Together” initiative equips UK employers with the knowledge and resources to recognise the signs of labour exploitation and to tackle it. It was developed through an innovative partnership between the Association of Labour Providers (ALP), the Gangmasters Licensing Authority (GLA) and Migrant Help with sponsorship from five UK retailers: the Co-operative, Marks & Spencer, Sainsbury’s, Tesco and Waitrose.**

Louise Herring, Ethical Trade Manager, Sainsbury’s

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# Recommendations for suppliers

- Raise awareness internally and externally of the risks of human trafficking;
- Establish policies to address forced labour, human trafficking and the vulnerabilities of migrant workers;
- Map your labour supply chain, including brokers and agents in sending countries;
- Develop contract requirements for labour providers that prohibit human trafficking and forced labour;
- Ensure responsibility principles are integrated into human resource management processes;
- Screen and select both local and sending country labour providers against legal and social responsibility requirements;
- Manage and monitor the performance of labour providers against your social responsibility requirements;
- Ensure workers are reimbursed if found that they have paid illegal or excessive fees;
- Minimise the risks of forced labour by paying all recruitment and hiring expenses and ensure no fees are charged to workers;
- Invest in local institutions that provide support for trafficking victims;
- Establish effective grievance reporting mechanisms, procedures for investigating and resolving allegations, and protection for whistleblowers;
- Engage workers directly or through their unions to identify risks and evaluate the effectiveness of preventative measures.
Sedex, Verité and other organisations offer resources that help companies drive ethical improvements in supply chains. These include:

**Associate Auditors Group (AAG):** a group of auditing companies, Sedex members, NGOs and other ethical auditing experts that work together to drive convergence in ethical trade/social auditing, based on, and helping to shape, best practice. For its members, Sedex has developed a specific Service Providers audit methodology and the Associate Auditor Group is currently working on a similar project for Labour Providers.

**ETI’s Tamil Nadu Program:** a multi-stakeholder initiative working to improve the working conditions of young women workers in the textile and garment sector of Tamil Nadu, India.

**Verité Fair Hiring Tool Kit:** tools to clarify and publicize the ways in which current labour recruitment practices can lead to the human trafficking and forced labour of migrant workers; and to provide concrete approaches by which the private sector, civil society, and governmental institutions can address this key point of leverage to reduce the risk of a worker ending up a victim of modern-day slavery.

**Sedex Supplier Workbook:** an in-depth guide offering practical guidance, case studies and good practice to help suppliers around the world drive ethical improvements in their businesses.

**SMETA (Sedex Members Ethical Trade Audit):** an audit methodology that engages supply chain monitors, buyers and suppliers in one common audit approach, thereby reducing duplication and increasing convergence.

**Stronger Together:** a multi-stakeholder initiative bringing together leading organisations and industry bodies within UK food production, retail and horticulture to tackle the scourge of modern day slavery, human trafficking, forced labour and other hidden migrant worker exploitation.
About this briefing:

This briefing is the latest in a series of films, publications, resources, webinars and in-person events by Sedex Global and partners. These focus on a range of topics including; key emerging trends for sustainable supply chains by region and emerging CSR topics, risk and performance management in global supply chains, highlighting companies’ achievements of good practice and best practice, impact, collaboration and convergence in responsible business.

See http://www.sedexglobal.com/resources/publications/

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Disclaimer:
Data covers 1st December 2011 to 1st December 2013. All data correct as of the 22nd January 2014.

About the partner author organisations:

Sedex Global (sedexglobal.com)
Our mission is to drive collaboration, increase transparency and build the capacity that's needed to raise standards across all tiers of the supply chain. We offer the world’s largest collaborative platform for managing and sharing ethical supply chain data, along with leading-edge services which multi-national companies use to understand, monitor and manage supply chain risks and improve standards.

Sedex works to drive engagement up and down the supply chain, encouraging follow up corrective actions on audits and facilitating dialogue to address challenges 'on the ground'. We collaborate with a range of stakeholders to share insights and promote best practice on responsible supply chain issues.

Sedex offers a range of services to enable effective responsible supply chain management. See: http://www.sedexglobal.com/member-services/

Verité (verite.org)
Verité is an international not-for-profit consulting, training, and research organization that has been a leader in supply chain social responsibility and sustainability since 1995. Verité's holistic approach is based on an extensive, applied understanding of common obstacles and effective strategies for managing supply chain risks. Verité services help companies and other stakeholders fully understand labor issues, overcome obstacles, and build sustainable solutions into their supply chains, benefiting companies and workers alike.

sedexglobal.com

Europe
Sedex Information Exchange, 5th Floor, 24 Southwark Bridge Road, London SE1 9HF | +44 (0)20 7902 2320

North America
Sedex Information Exchange, 26th Floor 405 Lexington Avenue, New York City, New York 10174 | +1 888 487 6146

China
Sedex Information Exchange, Apollo Building 1440 Yan An Road (Central), Shanghai 200041 | +86 (0)21 6103 1622

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