Eradicating forced labour from supply chains

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Eradicating forced labour from supply chains

1. Business cases on forced labour and trafficking
2. International framework
3. State obligations to protect
4. Corporate responsibility
5. Examples of business initiatives and ILO’s engagement
6. The Brazilian example of a multi-stakeholder initiative
Business case: Brazil

2010

- Forced labour allegations against Cosan
- Cosan put on „dirty list“ by Ministry of Labour
- Wal-Mart suspended supply contract
- Shares fell by 70 percent
Business case: US

2010

- Biggest alleged trafficking case in U.S. involving 400 Thai workers
- Owner + employees of US Manpower company and Thai recruiters indicted by federal grand jury
Decent Work = Work carried out in conditions of freedom, equity, safety and human dignity.
What is forced labour?

ILO Forced Labour Convention, 1930 (No. 29)

« All work or service that is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily »
Key Elements

• “Any work or service”
  - All types of work, service and employment
  - Any industry, sector or occupation (including prostitution, begging)
  - With or without contract, legal or illegal

• “Any person”
  - Adults and children
  - Regardless of nationality, including irregular migrant workers

• “Menace of any penalty”
  - Including sanctions, threats, violence, etc.
  - Non-payment of wages
  - Loss of rights or privileges

• “Voluntarily”
  - Free consent to enter into employment
  - Free to leave job / employer
Exceptions

- Exceptions listed in Convention 29
  - Compulsory military service
  - Normal civic obligations
  - Prison labour (if conviction by a court + public authority supervision)
  - Work in emergency situations (war, calamity…)
  - Minor communal services (within the community)

- Forced labour must also be distinguished from:
  - Lack of economic alternatives: there must be a perpetrator
  - Exploitation: long hours, low pay…
  - Hazardous work
2000 Trafficking Protocol

- Palermo Protocol broadened concept of human trafficking

- Legal elements of trafficking:

<table>
<thead>
<tr>
<th><strong>Act:</strong></th>
<th>Recruitment, transportation, harbouring or receipt of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Means:</strong></td>
<td>threat of use of force, coercion, abduction, fraud, deception, abuse of power or position of vulnerability</td>
</tr>
<tr>
<td><strong>Purpose:</strong></td>
<td>exploitation, including sexual exploitation, forced labour, slavery or practices similar to slavery, servitude or removal or organs</td>
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State duty to protect citizens from forced labour

- New legislation enacted in most countries penalizing trafficking and the use of forced labour

- New legislation to hold business accountable
  
  *California Transparency in Supply Chains Act 2010*

- Increasing number of prosecutions:
  
  *6017 in 2010 according to US TIP Report*
Forced labour and the global economy

**Sectors at risk**

- Agriculture
- Construction
- Forestry & logging
- Garments & textiles
- Cleaning & security services
- Food processing
- Transport (e.g. seafarers)

**Vulnerable workers**

- Workers in informal enterprises
- Indigenous & tribal peoples
- Low caste groups
- Migrant workers, especially with irregular status

➢ 80% of all forced labour occurs in the private economy
## The ILO Global Estimate (2005)

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Forced Labour</th>
<th>Total Trafficked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrialized Economies</td>
<td>360,000</td>
<td>270,000</td>
</tr>
<tr>
<td>Transition Economies</td>
<td>210,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>9,490,000</td>
<td>1,360,000</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>1,320,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>660,000</td>
<td>130,000</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>260,000</td>
<td>230,000</td>
</tr>
<tr>
<td>World</td>
<td>12,300,000</td>
<td>2,450,000</td>
</tr>
</tbody>
</table>
Measuring the cost of coercion

- Wages lower than the market rate
- Overcharged for accommodation
- High deductions for food, tools and other items
- Unpaid excessive overtime
- Costs associated with the recruitment process

- US$ 21 billion annually
Why is the issue important for business?

- Increasing public awareness and consumer pressure
- Tougher sanctions against traffickers and conspiring employers even though enforcement is still weak
- Investors are becoming more concerned (“Equator Banks”)
- Trade related risks

→ 60% of company value is linked to brand reputation
Challenges

1. Difficult to identify forced labour in practice
2. Global supply and recruitment chains are getting more complex
3. Uncertainty about scope of liability
4. Unfair competition linked to corruption, loopholes in law and weak enforcement
5. Organised crime penetrating mainstream business → changing business environment
6. Competing priorities of employers’ organisations and company management
7. Growing mobility of workers and increasing role of labour brokers
Indicators of forced labour

- **Recruitment**
  - Recruitment fees
  - Deceptive recruitment
  - Compulsory deposit
  - Substitution contract

- **Coercion in employment**
  - Withholding or non-payment of wages
  - Retention of identity documents
  - Compulsory overtime
  - Threats of violence, harassment, intimidation
  - Restricted freedom of movement

- **Debt-induced forced labour**
  - Bonded labour or debt bondage
  - Manipulation of a debt (through loan or wage advance)
  - Unjustified deductions on wages

- **Forced labour in prisons**
  - Involuntary work performed by prisoners for the benefit of a private undertaking
Risks in employment relations

• Hiring and recruitment practices
• Wage payments & calculations
• Hours of work & overtime
• Training opportunities & conditions
• Disciplinary practices & sanctions
• Living arrangements & dormitories
• Termination of employment

Risks in business relations

• Suppliers
• Contractors: recruitment agencies
• Other service providers (e.g. janitors, security guards, drivers)
Recruitment / Labour brokering

• ILO standards on recruitment: Convention 181

• Multi-stakeholder initiatives to promote ethical recruitment: CIETT, Verité, private companies

• ILO tools and guidance on private recruitment agencies
Brazil: A good example of how the private sector can address forced labour risks
Special Mobile Inspection Group

- Created in 1995
- Mobile inspection teams: labour inspectors, labour prosecutors and Federal Police officers
- Objective: investigate complaints of slave labour in situ, release workers and prosecute the owners of estates
- More than 39,000 freed workers since 1995
The “Dirty List”

- Established by MTE Decree No. 540/2004
- Register of names of employers (persons or legal entities) caught by mobile inspection exploiting workers in conditions analogous to slavery
- Displayed on the public website of the MTE
Dirty List: How does it work?

- Employer monitored for two years
- After 2 years, removed from the list provided
  - has not repeated offence
  - all fines paid
  - all labour and social security compensations paid
- No penalties provided in the Decree….but
Dirty List: Side Impact

- Initiatives taken by public and private financial institutions
  - Bank of Brazil, Bank of Amazônia, Northeast Bank and Brazilian Development Bank
  - Refuse credit and other banking benefits

- National Congress is currently considering amendments for new penalties, including expropriate land
Studies on Slave Labour - Production Chain

- Request of the Government
- NGO Repórter Brasil with ILO support
- Aim: Identify the production chains involving estates on the ‘dirty list’
- 2004, First study: Mapping of 100 estates from Dirty list and 200 enterprises
- 2007, Second study: Mapping of 170 estates from Dirty list and 300 enterprises
Mapping supply chains
Bovine Cattle (2)
National Pact

- Signed on 19 May 2005
- Multi-stakeholder initiative: Ethos Institute, Instituto Observatorio Social, ILO and NGO Repórter Brasil
- Voluntary commitment
- About 200 enterprises, representing 20% of Brazil's gross domestic product
- Pact structured around a series of commitments
- Virtual platform: [www.pactonationcal.com.br](http://www.pactonationcal.com.br)
National Pact: Main commitments

- Commercial restrictions on enterprises and individuals identified as using slave labour
- Formalizing employment relations
  - Fulfilment of all labour and social security obligations
  - Preventive actions on safety and health
- Prevention
  - Provide information to workers vulnerable to slave labour
  - Publicity campaigns to prevent slavery
- Rehabilitation of freed workers
  - Support social reintegration for workers
  - Training and professional qualification
Rehabilitation Activities

• Rehabilitation of freed workers
  – Support social reintegration for workers
  – Training and professional qualification

• Example: Steel industry in Brazil / Citizens’ Charcoal Institute (ICC)
  ➢ 2007: 111 freed workers with formal jobs and decent working conditions

• Prevention
  – Provide information to vulnerable workers
  – Awareness-raising campaigns to prevent forced labour
Monitoring the National Pact

- Management Committee to Monitor the National Pact
- Power to temporarily suspend or even permanently exclude signatories should they adopt measures that are contrary to the commitments agreed upon in the Pact
- Offer free training to signatories and suppliers
Towards a Business Alliance against Forced labour

- ILO initiated business alliance in 2005 in partnership with IOE
- IOE position paper 2010 “Forced Labour: Why it is an issue for Employers”
- Partnership with UN.GIFT
- Workshops and training tools available for business
Handbook for employers and business

- Employers’ FAQ
- Guiding principles
- Assessing compliance
- Tips for taking action
- Good practice case studies

Conceived with the IOE

Available in English, Spanish, Arabic, Chinese, Georgian, Armenian, Azeri and shortly in French
How to take action?

- Have a **clear and transparent company policy**
- **Train staff** (auditors, HR, buyers, compliance officers) for identification and remediation
- **Inform shareholders** and potential investors
- Promote **codes of conduct** by sector and take appropriate **remedial measures**;
- **Treat migrant workers fairly** and carefully monitor recruitment agencies
- Ensure that all workers have **written contracts**, in language that they can easily **understand**, specifying their rights (wages, overtime, identity documents, …)
- Encourage **dissemination of good practices**
- Contribute to **rehabilitation programmes** for victims (vocational training, …)
- Promote **cooperation** with governments, workers, law enforcement agencies and labour inspectorates
- Find innovative means to **reward good practice**, in conjunction with the **media**
Visit our website:

www.ilo.org/forcedlabour

And

www.ilo.org/business