



ADDRESSING HUMAN RIGHTS ISSUES IN GLOBAL SUPPLY CHAINS

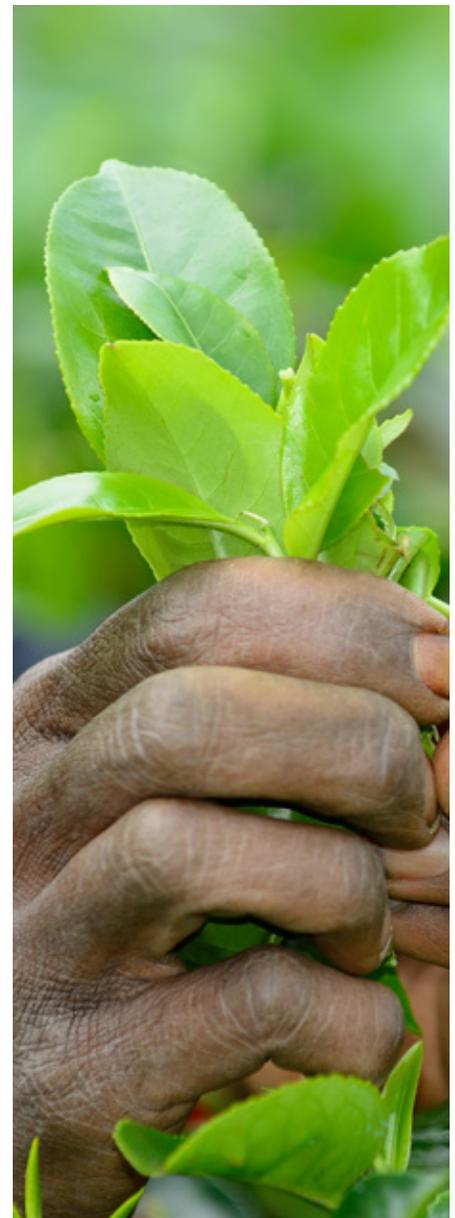


Addressing Human Rights Issues in Global Supply Chains

In our global marketplace, major corporations and manufacturers frequently utilize third-party suppliers and manufacturers located throughout the world to produce a wide range of products. Despite growing awareness regarding the problems related to forced labor, and good-faith efforts on the part of many companies to stem such abuses, the diversity and complexity of today's global supply chains can challenge even the most well-intentioned companies. Unfortunately, the failure to adequately address this challenge and implement systems to prevent the occurrence of abusive labor practices by contractors and subcontractors can lead to disastrous personal consequences for workers and inflict significant damage on a company's brand reputation among buyers and consumers.

According to the International Labour Organization (ILO), nearly 21 million people worldwide are victims of forced labor, with almost 19 million of those victims being exploited by business enterprises or private individuals in domestic settings.¹ Worker victimization takes a number of different forms, including human trafficking, debt bondage and other modern-day equivalents of slavery. But, regardless of the form, the outcomes are the same. These workers can often labor for long hours in unhealthy working conditions for little or no pay, and are left with few avenues of escape.

This UL white paper offers an introduction to the issue of labor abuses and provides guidance for companies and manufacturers seeking to preserve human rights throughout their supply chain. The paper begins by defining the types of labor abuses as well as statistics on such incidences worldwide. The white paper then reviews key international conventions and protocols applicable to labor abuses as well as information on current regulations in the U.S. intended to prevent abusive labor practices. The paper concludes with recommendations on the steps that companies can take to prevent labor abuses and to provide protection for their most vulnerable workers.





The Scope of Human Rights Labor Issues

The abuse of basic human rights in the workplace is an issue of global concern, affecting millions of men, women and children in every region of the world. The United Nation's ILO estimates that an average of three out of every 1,000 laborers worldwide work as forced laborers or are victims of human trafficking activities. Forced laborers in businesses and in other commercial activities account for nearly 90% (18.7 million) of the 20.9 million estimated victims.²

Although human rights labor issues can be found in every country, the highest concentration of forced labor can be found in countries in central and southeastern Europe and in Africa. There, four or more of every 1,000 laborers are categorized as forced laborers. Concentrations are slightly lower in the Middle East (3.4 out of every 1,000 laborers), Asia and the Pacific (3.3 out of 1,000) and Latin America and the Caribbean (3.1 out of 1,000). In developed economies such as the U.S. and the European Union, approximately 1.5 of every 1,000 laborers are classified as forced laborers.³

Human rights labor issues may be most egregious when it involves the exploitation or abuse of children. It is estimated that 168 million children worldwide – almost 11% of the world's children – are engaged in child labor. Countries in the Asia-Pacific region have the largest number of child laborers, nearly 78 million, while Sub-Saharan Africa has the highest incidence of child

labor, with more than one out of every five working children categorized as a child laborer. Nearly 73 million (44%) of all child laborers worldwide are between five and 11 years of age.⁴

Contrary to popular belief, forced labor conditions are primarily experienced not by migrant workers but by local residents. In the private economy, over 66% of forced laborers are originally from the same area where they work, with an additional 15% coming from another location within the same country (internal migration). Only 18.5% of forced laborers originate from a country other than the one where they work (cross-border migration).⁵

Products and goods produced through the use of forced labor run the gamut from agriculture products, such as cotton, sugarcane, coffee, rice, cattle and fish, to manufactured products, like garments, footwear, carpets and bricks. Forced labor has also been used in the mining of precious materials, such as gold and diamonds. The U.S. Department of Labor's Bureau of International Labor Affairs (ILAB) maintains a publicly accessible, country-by-country list of various types of products produced with forced labor, as required under the Trafficking Victims Protection Reauthorization Act (TVPRA) of 2005.⁶

Examples of Human Rights Abuses

The abuse of human rights in connection with workers and the work environment manifests itself in a number of ways. Here are some key examples of human rights abuses in the workplace:

- **Forced labor** – The ILO defines forced labor as “all work or service which is extracted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.”⁷ Threats can include abuse or coercion, and be either physical or psychological in nature.
- **Debt bondage** – Also known as bonded labor, debt bondage occurs when a person is forced to work as payment in kind for a financial debt or obligation. In many instances of debt bondage, the person has incurred a debt to secure a job or to pay for employer-supplied services such as housing or food. In other cases, the debt may have been “inherited” by a person through the actions of family members.
- **Fraud in contract labor** – Guest workers and other persons may be pressured to sign a work contract without full knowledge of its terms or the ability or resources to consult with competent counsel. When actual compensation or hours of promised work do not meet those specified in the contract, workers are often legally restricted from offering their services to another employer.
- **Child labor** – This form of human rights abuse includes forced labor involving children between the ages of five and 17. Children are often forced to work in unsafe or hazardous work conditions and are particularly vulnerable to workplace abuses and assaults.

Children who are forced to work also miss out on age-appropriate educational opportunities, jeopardizing their economic security later in life.

- **Human trafficking** – According to the U.S. Department of State, human trafficking activities include “recruiting, harboring, transporting, providing or obtaining a person for compelled labor ... through the use of force, fraud or coercion.”⁸ Human trafficking activities often facilitate forced labor and other human rights abuses.

There are other examples of work-related human rights abuses that take place outside of the traditional work environment. For example, involuntary domestic servitude exploits workers in private residences, shielding abuses from public view. Sex trafficking may initially involve the consent of the worker, but can eventually result in forced labor or debt bondage. And “child soldiering” involves the illegal recruiting of children to serve as armed combatants, either in government-sponsored military forces or rebel groups.

International Founding Principles and Conventions Regarding Forced Labor and Human Trafficking

The ILO has been a key driver in addressing issues surrounding forced labor and human trafficking. Originally founded in 1919 following the end of World War I, the ILO has operated as a specialized agency under the auspices of the United Nations (UN) since that body’s

creation in 1946. Today, the ILO counts 185 countries as members, and includes representatives from governments, employers and labor organizations.

Following its mission to promote social justice and human and labor rights, the ILO has been at the forefront in the formation of principles and conventions to address the use of forced labor. The ILO’s Forced Labour Convention of 1930 (No. 29) requires member countries to “suppress the use of forced or compulsory labour in all its forms.”⁹ The scope of the ILO’s 1930 Convention was later expanded through its Abolition of Forced Labor Convention of 1957 (No. 105), which bans the use of forced labor in connection with political or economic

activities, as a means of discipline or punishment, or as a form of racial, social or religious discrimination.¹⁰ The ILO further addresses the use of forced labor and human trafficking practices in business in its 1998 Declaration of Fundamental Principles and Rights at Work.¹¹

The greater UN has also played a leading role in addressing the problems of forced labor and human trafficking. The UN’s Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (also known as the UN Trafficking Protocol) was passed by the UN General Assembly in 2000, with currently more than 150 UN member countries (including the U.S.)





as signatories. Part of the UN's Convention Against Transnational Organized Crime, the Protocol makes human trafficking an international criminal offense.¹²

More recently, the UN's Office of the High Commissioner for Human Rights has issued its report, *Guiding Principles on Business and Human Rights*. Published in 2011, the *Guiding Principles* provides a standard that identifies the adverse impacts on human rights stemming from forced labor and human trafficking in business activities, and details a set of corporate principles to protect human rights.¹³ The principles identified in this document are consistent with the UN's Global Compact Principle 1, which calls on businesses "to support and respect the protection of internationally proclaimed human rights."¹⁴

Current and Pending Regulation and Legislation in the U.S.

In addition to compliance with international conventions and protocols, companies must also adhere to the requirements in U.S. federal and state regulations addressing forced labor and human trafficking. At the federal level, President Barack Obama issued an Executive Order in September 2012 intended to strengthen protections against human trafficking in connection with federal contracts. The Order prohibits federal contractors, contractor employees, subcontractors and subcontractor employees from engaging in specific activities related to human trafficking, including:

- Using misleading or fraudulent recruiting practices

- Charging workers employment fees
- Denying access by a worker to their personal identity documents, such as a driver's license or passport
- Refusing to provide return transportation for workers who have been posted to other countries to perform work under federal contract

In cases where the value of contracted products or services provided outside of the U.S. exceeds \$500,000, a federal contractor must also develop and maintain a formal compliance plan intended to prevent forced labor and human trafficking. A contractor must also certify prior to receiving a contract award, and thereafter annually during the term of the contract, that it has a compliance plan in place, that it has not knowingly engaged in activities prohibited under the Order, and that it has taken appropriate actions in cases where prohibited activities have occurred.¹⁵

Separately, a current U.S. immigration reform proposal offers expanded restrictions against human trafficking and forced labor activities. U.S. Senate Bill S.744 would require employers recruiting workers abroad to register with the U.S. Department of Labor and post a bond. In addition, employers would be required to disclose to a worker the terms of the work contract and any applicable visa conditions, and would be prohibited from charging a worker recruitment fees.¹⁶ (Note that U.S. immigration reform efforts are the subject of ongoing Congressional review and discussion, and any final restrictions related to human trafficking and forced labor activities may differ from those proposed in S.744.)

At the U.S. state level, California's Transparency in Supply Chains Act of 2010 requires large manufacturers and retailers doing business in the state to disclose their efforts to eliminate human trafficking and slavery from their supply chains. At a minimum, companies must disclose whether they:

- Verify their supply chains to identify and address risks of human trafficking and slavery
- Conduct audits of suppliers to evaluate compliance with company policies applicable to trafficking and slavery in supply chains
- Certify that materials used in products comply with laws regarding trafficking and slavery in the country or countries in which it conducts business
- Maintain internal standards and procedures to address employees and contractors who fail to meet company policies regarding trafficking and slavery
- Provide training to employees and management on strategies to mitigate the risk of trafficking and slavery in supply chains¹⁷

The requirements under the California law apply only to those companies with annual worldwide gross revenues in excess of \$100 million (USD) that are conducting business in the state. However, because California is the leading state economy in the U.S. and the 12th largest economy in the world, the law effectively sets a compliance threshold for major companies worldwide.

Impact of Supply Chain Forced Labor Practices

The scope and magnitude of human rights abuses in the global workplace, combined with the complex nature of international supply chains, means that many companies who rely on third-party suppliers and manufacturers may unintentionally aid and abet forced labor and human trafficking practices. However, failure to detect and address human rights abuses in supply chain activities can have significant negative consequences, including some or all of the following:

- Enforcement action by government authorities – At a minimum, a company whose suppliers utilize forced labor are violating applicable laws and regulations against such practices, exposing the company and its executives to sanctions, financial penalties and even imprisonment.
- Exposure to law suits and other legal action – Even in the absence of action by government authorities, forced labor conditions among suppliers can result in legal actions brought by workers. Such actions can be based on claims for unpaid compensation, or for more egregious consequences related to adverse work conditions, including injuries, illnesses and death.
- Damage to brand reputation – Media coverage of human rights abuses by supply chain suppliers and producers can adversely affect

a company’s standing with current and potential customers, damage hard-earned brand reputation and impact sales.

- Interruption in supply chain activities – The abuse of human rights of workers can result in the suspension or shutdown of production activities by local authorities, or lead to labor actions such as strikes, work slowdowns and job site protests.
- Conflicts with company mission and values – Many companies actively promote their commitment to core values, including preserving and protecting the human rights of workers. The discovery of forced labor practices anywhere in a company’s supply chain can undermine stakeholders’ trust in a company’s commitment to those values.

Recommended Actions to Prevent Supply Chain Labor Abuses

Claims of ignorance regarding human rights abuses in the work environment are almost always an insufficient defense with legal authorities and regulators, and in the court of public opinion. Indeed, the most effective approach that companies can take to address labor abuses among workers is to prevent such abuses from occurring in the first place. At a minimum, a company’s good faith efforts to deter such abuses should incorporate the following elements:





1. A corporate statement of human rights and labor principles – An effective statement of labor principles communicates a company’s commitment to protecting the human rights of workers throughout a company’s entire supply chain.
2. Risk assessments of suppliers’ and contractors’ recruiting and labor practices – It is important that each supply chain partner be subject to a thorough assessment of their recruiting, hiring and labor practices to identify potential issues regarding the use of forced labor in any form. Ideally, such risk assessments are a pre-condition of any contractual relationship with the company.
3. Independent auditing of actual labor practices in the field – Ongoing supply chain partner compliance with a company’s labor principles should be regularly verified through audits conducted by independent, qualified third parties.
4. Clear consequences for noncompliance – A company must provide clearly stated consequences for employees, suppliers and subcontractors whose practices are found to be in violation of the company’s principles regarding the human rights of workers.
5. Ongoing training and education of employees and supply chain partners – A company’s statement of labor principles must be communicated to employees and supply chain partners alike. Communications should be reinforced through training programs designed to facilitate understanding of how such principles are applied in practice.
6. Firm, visible commitment from company leadership – Finally, an effective company human rights strategy requires an active, visible and unwavering commitment from company leadership. This commitment is essential if a company is to develop a culture that actively supports and promotes human rights in every aspect of its business.



Summary and Conclusion

Forced labor and human trafficking in business enterprises occurs in every region of the world, and the complexity of today's global supply chains can result in otherwise well-intentioned companies unknowingly supporting and participating in these and other labor abuses. International labor protocols and government regulations now hold companies accountable for labor abuses committed throughout their entire supply chain, but there are other equally damaging consequences for companies who fail to prevent such abuses. However, there are effective safeguards that companies can adopt to screen for human rights abuses, and to mitigate the impact of abuses that occur.

UL's Responsible Sourcing group is a leading global provider of responsible sourcing auditing and advisory services, which include supply chain monitoring, research and program development, and training. UL is an accredited monitor for Worldwide Responsible Accredited Production (WRAP), International Council of Toy Industries (ICTI CARE Process), Social Accountability International (SA8000), Responsible Jewellery Council (RJC), and the Fair Labor Association (FLA). We are active in a broad range of monitoring initiatives like Business Social Compliance Initiative (BSCI), Electronics Industry Citizenship Coalition (EICC), and the Initiative Clause Social (ICS).

For additional information on UL's social monitoring and advisory services, contact Monica Puksta, senior manager, Research & Program Development, UL Verification Services, at Monica.Puksta@ul.com



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