

THE GLOBAL BUSINESS OF
**FORCED
LABOUR**

POLICY BRIEF #1
KEY FINDINGS AND
RECOMMENDATIONS FOR UK
POLICYMAKERS

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ABOUT SPERI

The Sheffield Political Economy Research Institute (SPERI) at the University of Sheffield brings together leading international researchers, policy-makers, journalists and opinion formers to develop new ways of thinking about the economic and political challenges. SPERI's goal is to shape and lead the debate on how to build a just and sustainable global political economy.

GET IN TOUCH

We welcome opportunities to discuss our research with businesses, certification organisations, and government, and to contribute towards stronger systems and solutions to combat forced labour. For more information, contact: Professor Genevieve LeBaron (g.lebaron@sheffield.ac.uk).

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Introduction

This policy brief presents new evidence and recommendations from the Global Business of Forced Labour project, a first-of-its kind international research study investigating the business models of forced labour in global agricultural supply chains.

The project has systematically mapped the business of forced labour – meaning work brought about by physical, psychological or economic coercion¹ – focusing on case studies of cocoa and tea supply chains.²

Through extensive primary research with the cocoa industry in Ghana and the tea industry in India and with domestic and international business actors, the project generated an original dataset that sheds light on the drivers and patterns of forced labour in agricultural supply chains feeding UK markets. This dataset includes in-depth interviews with over 120 tea and cocoa workers, a survey of over 1000 tea and cocoa workers, and over 100 interviews with business and government actors including: tea and cocoa plantation managers, buyers, large multinational beverage and confectionery companies, corporate social responsibility experts, international organisations, government representatives, and other key actors. Research methods and project findings are detailed in the main project report.³

Part One sets out the key findings from the project; Part Two sets out recommendations on how to strengthen initiatives to address and prevent forced labour in supply chains.

PART ONE: KEY FINDINGS

The Business of Forced Labour

- **Our research reveals a coherent pattern of labour exploitation including forced labour at the base of global tea and cocoa supply chains.** The forms of exploitation experienced by workers include: physical violence; sexual violence; verbal abuse; threats of violence; threats of dismissal; debt bondage; the under-provision of legally-mandated goods and services (including housing, sanitation, water, food and medical care); the non- and under-payment of wages; and requirements to complete unpaid labour as a condition of employment.
- **Tea and cocoa businesses profit from forced labour and exploitation in two main ways:**
 1. **Employers use forced labour to reduce their costs of doing business.**
 - Our research uncovers that employers systematically under-pay wages and under-provide legally-mandated essential services for workers. Due to the remote location of many tea plantations, workers' low wages, and the history of forced labour in the tea industry, employers are legally required to provide basic services for permanent workers and their families.⁴ However, our study found that 47% of tea workers do not have access to potable water and 26% do not have access to a toilet. Workers also reported being charged by employers for services like electricity but not receiving these.
 - In the cocoa industry, employers seek to cut costs through a complex system of financial calculations, including fines (e.g. for failing to carry out mandatory unpaid labour), fees (e.g. for obtaining a job on a cocoa farm), and deductions (e.g. for costs of inputs like pesticides and safety equipment) to systematically under-pay workers and create situations of debt bondage.

1 For a longer discussion of the definition of forced labour used in this study, see: Genevieve LeBaron (2018) *The Global Business of Forced Labour: Report of Findings*. SPERI & The University of Sheffield. Available online: <http://globalbusinessofforcedlabour.ac.uk/report/>

2 The project was funded by the UK Economic and Social Research Council and is based at the University of Sheffield.

3 Genevieve LeBaron (2018) *The Global Business of Forced Labour: Report of Findings*. SPERI & The University of Sheffield. Available online: <http://globalbusinessofforcedlabour.ac.uk/report/>

4 See: India's Plantation Labour Act (1951) and Minimum Wage Act (1948).

- These widespread forms of exploitation are also sometimes accompanied by physical violence, threats, verbal abuse, and/or sexual violence.

2. Employers use forced labour to generate revenue.

- In the tea industry, employers seek to generate revenue by lending money or providing services to workers and charging high interest on debts, thus engendering situations of debt bondage. Situations of debt bondage are closely linked to the under-provision of services; most tea workers reported borrowing money to pay for food or medical care (which employers are legally required to provide).
- In the cocoa industry, employers seek to profit by forcing workers to carry out additional labour beyond the agreed terms and conditions of the work, such as working for free on the employer's other farmlands for periods as long as three months. Failure to perform this involuntary labour results in deductions from the worker's wages, fines, threats, or even dismissal.
- These widespread forms of exploitation are also sometimes accompanied by physical violence, threats, verbal abuse, and/or sexual violence.
- **Workers face severe constraints on their ability to exit exploitative tea plantations and cocoa farms.**
 - Many tea workers are descendants of families forcibly moved to tea plantations under British colonialism. They have little to no savings and lack the financial resources required to leave the often-remote plantations. Tea workers reported being denied basic services, unfair wage deductions, physical and verbal abuse, and threats of dismissal as punishment for involvement in protests or for complaining about unfair conditions.
 - Cocoa workers have little to no savings and lack the resources they would need to leave the often-remote cocoa communities. They face credible threats of starvation and destitution, and often have no alternative means of securing a living. Cocoa workers reported threats, violence, and verbal abuse in response to their efforts to address or exit exploitation.
- **Although UK-based chocolate and tea companies are highly profitable, the tea and cocoa workers at the base of their supply chains are living far below the poverty line and are routinely subjected to abuse.**
 - According to the World Bank, the poverty line for lower middle-income countries such as Ghana and India is \$3.20 (£2.35) per day. By comparison, a living wage in India is around 625 Rupees per day (£6.80) and a living wage in Ghana is around 47 cedis a day (£7.60).⁵
 - Tea workers' wages in India are as low as 25% of the poverty line amount. For instance, in Assam, they are making only an average daily wage of 145 Rupees (approximately £1.50), and in practice up to half of that amount is deducted by employers towards goods and services, most of which should be provided for free.
 - Cocoa workers' wages are around 30% of the poverty line amount. The average daily wage for cocoa workers in Ghana within our study is 5.15 cedis, approximately £0.83. Moreover, many cocoa workers stated that they effectively make no money from cocoa farming over the course of a year, as their earnings are spent paying off debts and/or deducted from their wages.
 - Producers – tea plantation owners and cocoa farmers – claim they do not receive enough payment for their products to obey labour laws and pay the minimum wage.

⁵ The poverty line calculations come from the World Bank (<http://povertydata.worldbank.org/poverty/category/LMC>). Living wage calculations come from Asia Floor Wage Alliance (<http://labourbehindthelabel.org/campaigns/living-wage/>) and ISEAL Alliance (https://www.isealalliance.org/sites/default/files/resource/2017-12/LivingWageReport_Ghana.pdf). While the living wage calculations are based on different sectors (garments and bananas), they are the closest reliable calculations.

- **Forced labour cannot be easily isolated from broader challenges within tea and cocoa supply chains.**

- The business demand for forced labour and unfair treatment is rooted in unequal value distribution within supply chains, wherein corporations at the top of supply chains are amassing large profits, while the margins for the producers of their raw materials are razor thin. In the face of lacking enforcement of labour laws, businesses along the supply chain are employing labour abuse as a strategy to balance rising costs of doing business and falling prices of the commodities.
- Forced labour intersects with broader issues of gender and migration. Within both tea and cocoa supply chains, women and girls, temporary workers, and migrant workers are especially vulnerable to forced labour. In tea, women and girls are also vulnerable to trafficking from plantations into domestic and sex work in large cities.

The Problems with Prevailing Solutions

- **Tea and cocoa supply chains are already covered by several prevailing government and industry initiatives to address and prevent forced labour in global supply chains. Our research however finds that all of these solutions are falling short of their goals.**

- **Our research suggests that ethical certification schemes are largely ineffective in combatting labour exploitation and forced labour in tea and cocoa supply chains.**

- Our study included tea plantations certified by Fairtrade, Rainforest Alliance, Ethical Tea Partnership, and Trustea. These schemes set standards around basic services, fair treatment, wages and debt, health and safety, and workers' rights. However, we found that these standards are routinely violated by employers.
- Overall, we found that certification had little to no impact on labour standards within the tea industry. Some of the worst cases of exploitation documented within our research occurred on certified plantations.
- Workers told us that they are instructed to alter their working practices (e.g. in relation to safety equipment) to meet standards during annual audits by certifiers, but are then asked to revert to breaking standards the following day.
- Most workers in our study did not know whether or not they worked on certified worksites. In cocoa, we also found extensive confusion amongst producers about how certification operates and whether or not they were certified. One producer reported that the labour standards for his farm's certified and non-certified bags of cocoa are the same.
- Ethical certification schemes tend to contain loopholes that create exceptions related to the most vulnerable workers within each industry. For example, in cocoa, certifiers do not include hired labour in their assessment standards, that is, workers employed by farm owners to work on a seasonal, contract, or daily basis. As one certifier explained, hired labour in cocoa is "an area where I would say no standard can really reach as of now."
- When interviewed about these gaps and challenges, certifiers repeatedly claimed that their standards do not provide a guarantee that they are being met. According to one certifier, "there is no guarantee. We don't use the word guarantee." In this light, the way ethical certification schemes are portrayed to consumers needs to be revisited.

- **While several tea and cocoa MNCs have published statements under the UK Modern Slavery Act (2015), companies are not required to report on the indicators that matter most in terms of the risks of forced labour within these industries.**

- The key indicators would be:
 - The actual payments made to workers – since minimum wages are routinely not paid to workers in practice – and the gap between such payments and the living wage benchmark;

- Levels of debt amongst workers and interest rates charged by employers;
 - The amounts received for tea and cocoa by producers within their supply chains, and whether workers' labour and living conditions are factored into company sourcing and purchasing practices;
 - The effectiveness of the measures they have taken to address the business of forced labour within their supply chains.
- Instead, companies are primarily reporting on philanthropic initiatives, partnerships with NGOs, auditing and certification efforts, and policies for suppliers.

PART TWO: RECOMMENDATIONS

To address these urgent problems, improve conditions for workers around the world and decrease the flow of tea and cocoa goods made using forced labour to the UK market, there are a range of policy changes and actions that UK policymakers can take.

Shifting the policy framework

- UK policymakers must recognise that forced labour is intrinsically linked to core dynamics of the global economy. Policy initiatives to tackle modern slavery and forced labour must address the material and financial drivers that structure practices of forced labour at the base of global business supply chains. As such, forced labour should not solely be seen by policymakers through the prism of crime and illegal activity.
- Government should engage with business, NGOs, labour organisations and academics to understand and address business practices that create a demand for forced labour. Practices such as the use of irresponsible purchasing practices and unfair or inadequate payment arrangements exert downward pressure on suppliers that encourages the exploitation of workers, particularly where labour is a high cost.
- Government efforts to tackle forced labour should target the root causes of workers' vulnerability. These vary by sector and can be uncovered through sector-based research studies. In tea and cocoa, for instance, this could be accomplished by paying workers a living wage, promoting gender equality, and promoting labour protections and decent work.
- Government should recognise the lacking effectiveness of prevailing industry-led private governance or "Corporate Social Responsibility" (CSR) initiatives in tackling labour exploitation. Not only are these clearly failing to meet their established goals in the cocoa and tea industries, but they are also obscuring problems related to labour exploitation, which is counter-productive.
- Government should collaborate with industry actors to create sector-wide forums for UK-based companies who manufacture and sell chocolate and tea. Industry-wide collaboration is needed to address these problems. The UK Government, including the UK Independent Anti-Slavery Commissioner, is uniquely suited to drive awareness and change amongst UK-based companies and certification bodies.

Specific policy recommendations for the UK Government

- Offices of the UK Government responsible for international development should address these dynamics by announcing commitments to ending poverty and improving living conditions for tea and cocoa workers, and working with development partners to achieve this.
- The UK Government could strengthen the Modern Slavery Act by:

- Taking further steps to strengthen this Act, requiring companies to move beyond reporting on actions they are currently taking (e.g. certification) to prevent and address slavery, towards reporting on the *effectiveness* of these approaches.
- Publishing a list of companies that must provide Modern Slavery statements.
- Requiring companies to report on where abuses are found and specify which part of their supply chain their efforts to tackle abuses are targeted.
- Introducing financial penalties for non-compliance.
- Creating a public database of all Modern Slavery statements made by companies.
- Establishing an independent review of Modern Slavery statements made by companies.
- Applying the Transparency in Supply Chains Clause to all public procurement.
- Introducing joint and shared liability to cover supply chains. This would make companies legally responsible for the conditions of people employed by sub-contractors, labour agencies, and other intermediaries in their supply chains.
- The terms of reference of the 'Tackling Modern Slavery and People Trafficking' Cabinet Sub-Committee should be altered to recognise that forced labour constitutes an integral part of global supply chains. Membership of the sub-committee should be expanded to include ministers from economic departments, namely HM Treasury, the Department of International Trade, and the Department of Business, Energy and Industrial Strategy.
- The Department for International Development should review its Economic Development Strategy and Modern Slavery Conceptual Framework to ensure they recognise the integral nature of forced labour within supply chains.
- Targeted funds like the Home Office's Modern Slavery Innovation Fund and the international aid budget more broadly should be oriented towards funding schemes and NGOs that tackle the conditions that create a supply of highly exploitable workers.
- The Home Office's Business Against Slavery Forum should provide an annual public report on its efforts to help businesses identify, tackle, and prevent slavery and forced labour in supply chains.
- The U.S. Department of Labor maintains a list of goods (and their source countries) which it 'has reason to believe are produced by child labor or forced labor in violation of international standards produces'. The UK Government could produce its own list to raise awareness amongst companies and the public about the prevalence of forced labour.

On the global stage

- The UK government can play an important role with international partners to develop stronger state-led regulatory initiatives that address the root causes of forced labour in global agricultural production. The government should:
 - Work to ensure that forced labour is a key area of focus for the G7 Employment Task Force (established in 2018);
 - Use the Alliance 8.7 platform to advocate for coordinated policy solutions that tackle forced labour and addresses the conditions that make people susceptible to it. This should include policies such as: access to universal education and healthcare, trade justice, global minimum living wages, women's economic empowerment, stronger labour right and enforcement, freedom of association, and tax transparency.

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