

THE GLOBAL BUSINESS OF  
**FORCED  
LABOUR**

**POLICY BRIEF #2**  
KEY FINDINGS AND  
RECOMMENDATIONS FOR  
AUDITORS AND CERTIFIERS

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Citation information: Genevieve LeBaron AND Ellie Gore (2018) *The Global Business of Forced Labour: Policy Brief #2 Key Findings and recommendations for auditors and certifiers*, SPERI & University of Sheffield.

## ABOUT THE AUTHORS

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## 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](mailto:g.lebaron@sheffield.ac.uk)).

## ACKNOWLEDGEMENTS

We are grateful to the UK ESRC for research funding (Grant ES/N001192/1) and to the University of Sheffield Faculty of Social Sciences Partnership, Impact and Knowledge Exchange team for additional funding and support. We are grateful to everyone who took part in and supported this research.

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## Introduction

This policy brief presents new evidence on the effectiveness of ethical auditing and certification schemes in global agricultural supply chains. The findings are derived from the Global Business of Forced Labour project, a multidisciplinary international research study examining the business models of forced labour in global agricultural production.

The project has systematically mapped the business of forced labour – meaning work brought about by physical, psychological or economic coercion<sup>1</sup> – focusing on case studies of cocoa and tea supply chains.<sup>2</sup>

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.<sup>3</sup>

Part One sets out the project's main findings in relation to forced labour and ethical auditing and certification schemes in the tea and cocoa industries. Part Two outlines four key challenges facing ethical auditing and certification schemes and offers recommendations for addressing these.

## PART ONE: KEY FINDINGS

### ***Forced labour and ethical auditing and certification schemes***

- **Workers in both the tea and cocoa supply chains are subject to multiple types of labour exploitation and abuse, including forced labour.** These 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; non- and under-payment of wages; and requirements to complete unpaid labour as a condition of employment.
- **Ethical auditing and certification schemes are largely ineffective in rooting out forced labour in tea and cocoa supply chains.** Our research found that employers typically employ a 'business-as-usual' approach in cases where labour abuses and forced labour are widespread.
- **Tea and cocoa businesses are profiting from forced labour and abuse in two key ways:**
  1. **Employers use it to reduce their costs of doing business.**
    - In the tea industry, employers systematically under-pay wages and under-provide legally-mandated services essential to 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.<sup>4</sup> 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 without actually receiving these.

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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).

- 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.
- 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.

### ***Labour abuses and challenges of certification in tea***

There are a range of government and industry-led initiatives aimed at combating forced labour in tea supply chains. Our study included four prominent certification schemes: Fairtrade, Rainforest Alliance; Trustea; and Ethical Tea Partnership.

- **We found that these schemes are falling far short of their claims and objectives.** Whilst there was some variation between the different certification schemes, there was insufficient and inconsistent evidence that any one scheme was outperforming others according to a wide range of indicators. The data presented here offers a summary analysis across certified *and* non-certified plantations in India.
- All of the certification schemes in our study set standards around basic services, including workers' housing, sanitation, and access to potable water. Tea plantations in India are also obliged by law to provide workers and their families with medical care, education, some subsidised food, electricity, water, toilets, and other basic services. Our research found that these obligations and standards are routinely violated by employers. There is little difference between certified and non-certified plantations' under-provision of services.
- **Certified plantations are faring worse than non-certified plantations against some indicators of service provision.** Nearly one in two tea workers (49%) on certified plantations do not have access to potable water, compared to 43% of tea workers on non-certified plantations. Furthermore, 30% of tea workers on certified plantations do not have access to a toilet, compared to 20% of tea workers on non-certified plantations, and 40% of tea workers on certified plantations do not have reliable electricity, compared to 23% of tea workers on non-certified plantations.
- **In terms of labour abuse and unfair treatment, there is little difference between certified and non-certified plantations.** On certified plantations, 36% of tea workers have had unfair deductions made from their wages, compared to 45% of tea workers on non-certified plantations. However, we found that 17% of tea workers on certified plantations have had their benefits withheld (e.g. rations, firewood, provident fund), compared to 12% of tea workers on non-certified plantations.

- **Ethical auditing and certification schemes are also failing to root out practices of debt bondage in tea.** For example, over half (54%) of workers on certified plantations had gone into debt with their employer, compared to 53% on non-certified plantations. Of those workers going into debt, 69% of workers on certified plantations were charged high, potentially usurious interest rates on their loans, compared to 42% of workers going into debt on non-certified plantations.<sup>5</sup>

### **Challenges of certification in cocoa**

Our research found extensive confusion over the arrangements and practices of ethical auditing and certification schemes for cocoa in Ghana. The vast majority of cocoa workers (95%) did not know, for example, whether or not the farm they were working on was certified. Confusion over certification extends well beyond the workers themselves, with government actors, buyers, and certification bodies unable to systematically or consistently identify which farms and producers are certified, how exactly the systems for monitoring and reporting on certification standards work, and whom they apply to in the context of smallholder farming. This lack of transparency and traceability raises serious questions over the integrity of ethical auditing and certification schemes in cocoa supply chains.

## **PART TWO: KEY CHALLENGES FOR ETHICAL AUDITING AND CERTIFICATION SCHEMES**

### **1. The certification standards implementation gap**

Our research uncovered profound gaps in implementation between certification standards – in areas such as wages and debt, workers' rights, health and safety, and basic services – and the realities of labour conditions and practices in tea and cocoa supply chains. For example, all of the certifiers in our study set standards relating to minimum wage levels and pay. However, we found that tea and cocoa workers have extremely low incomes, which fall well below the standards set by ethical certification schemes and the poverty line of \$3.20 (£2.35) per day, and that they are struggling to subsist on their wages.<sup>6</sup>

- In India's tea sector, the average daily wage for a worker in Assam is 145 Rupees, approximately \$2.17 (£1.50). This figure is the same for workers on both certified and non-certified plantations. Furthermore, in practice, our research found that up to half of that amount is deducted by employers to cover goods and services that should be provided for free.
- In Ghana's cocoa sector, the average daily wage for a worker is 5.15 Cedis, approximately \$1.13 (£0.83). Furthermore, 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 through deductions from their wages.
- Our research also found that similar implementation gaps exist in relation to certification standards on housing, access to basic services, health and safety, unfair treatment, workers' rights, and forced labour.

**RECOMMENDATION:** Auditors and certifiers should identify ways to close the implementation gap and to ensure that certification standards match up to the labour conditions and practices experienced by workers at all levels of the supply chain. They can do this by: providing resources to bridge the gap between the certification standards and producers' reality; ensuring that wage standards are met (including by increasing producer's share of the financial benefits of certification); and strengthening enforcement systems. Where certifiers are unable to close these gaps, they should refrain from misleading marketing that gives consumers the impression that social standards in certified products are higher than non-certified products, when they are in fact broadly similar.

<sup>5</sup> Usurious is here defined as above the 21% interest rate stipulated by Indian law. See: Usurious Loans Act of 1918 and the Interest Act of 1978.

<sup>6</sup> \$3.20 per day is the poverty line set by the World Bank for lower middle-income countries such as Ghana and India. (<http://povertydata.worldbank.org/poverty/category/LMC>).

## 2. Manipulation and deception in audits

- Our research casts serious doubt over the effectiveness of audits to detect and address labour abuses in tea and cocoa supply chains. We found rampant manipulation, cheating, and deception on the part of employers in order to hide labour abuses, which skews the information gathered through audits and inspections and undermines their accuracy.
- In tea, workers explained that they are instructed to alter their working practices, for example, in relation to health and safety protocols, in order to meet standards during annual audits by certifiers. Once these inspections are over, employers revert to practices that fall far short of the required standards:

*As one tea worker described, "The [certifier] visits once a year and they come to ensure the sale and maintain the quality of tea. [Certifier] comes here and they address 10 issues. The issues are sanitation of the workers, the quality of the leaves, the quality of the environment of the leaves and the workers' safety measures. Everything is checked by [certifier]. The workers who spray pesticides go to the garden wearing their own dress and they change their dress in the muster room where their dress and equipment are kept. Then they go to the field and after the work is complete they have to go back to the muster room change their dress and wash themselves and then come back. [Certifier] checks all these. This has to be followed regularly but the company does this only when [certifier] comes." (Tea worker 45)*

**RECOMMENDATION:** Auditors and certifiers need to confront cheating and manipulation in audits in order to obtain a more accurate picture of labour conditions and practices in tea and cocoa supply chains. This could be achieved by integrating workers' voices and experiences more meaningfully into auditing processes, for example, by partnering with workers' organisations.

## 3. Loopholes in certification and monitoring mechanisms

- Existing certification and monitoring mechanisms contain loopholes that exclude certain parts of the supply chain. As a result, some of the most vulnerable workers remain outside the purview of ethical certification schemes and audit regimes. For example, certification schemes in cocoa tend to focus on the rights and working conditions of cocoa farmers, while hired labour at the very bottom of the supply chain - notably in the form of seasonal, temporary, or contract workers - is left out of the picture. Our study found that these workers are the most vulnerable to forced labour and abuse. This raises serious questions over the value of certification schemes for consumers seeking assurances over the social conditions in which goods are produced.

**RECOMMENDATION:** Auditors and certifiers should aim to ensure that all workers, including hired labour, are meaningfully covered by certification standards and monitoring mechanisms and that this is standardised across certification schemes.

## 4 Tackling the business demand for forced labour

- Forced labour does not occur in isolation, but is bound up with broader structural dynamics that create a business demand for labour exploitation in supply chains. This includes irresponsible sourcing practices by corporations at the top of the chain, and the unequal distribution of value between buyers, suppliers, and producers. These practices and power imbalances put pressure on suppliers to cut costs, boost revenue, and meet contracts and production windows through the exploitation and coercion of workers, while enabling companies at the top of the supply chain to maintain wide profit margins.

**RECOMMENDATION:** Ethical auditing and certification schemes should seek to address the overarching material drivers that trigger a demand for forced labour further down the supply chain. In particular, they should seek to ensure that companies sourcing goods do so at sufficient margins to allow producers to pay workers a living wage.

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