

THE GLOBAL BUSINESS OF
**FORCED
LABOUR**

POLICY BRIEF #3
KEY FINDINGS AND
RECOMMENDATIONS FOR
BRANDS AND RETAIL COMPANIES

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and Dr Ellie Gore



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ABOUT THE AUTHORS

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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 on the business of forced labour in tea and cocoa 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 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 project's main findings in relation to forced labour in cocoa and tea supply chains. Part Two outlines key challenges for industry in combating and preventing forced labour in their supply chains and Part Three offers recommendations for addressing those key challenges.

PART ONE: KEY FINDINGS

The Global Business of Forced Labour

- **Our research found widespread patterns of labour abuse, including forced labour, in tea and cocoa supply chains feeding UK markets.** These include: 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.
- There are two primary business models that enable employers to profit from forced labour and abuse:
 - 1. Cost reduction, where employers use forced labour to reduce the costs of doing business.**
 - In the tea sector, employers seek to profit by under-paying wages and under-providing legally-mandated services for workers, such as electricity, healthcare, and housing.
 - In cocoa, employers seek to profit by under-paying wages and transferring the costs of inputs like pesticides and safety equipment onto workers.
 - 2. Revenue generation, where employers use forced labour to boost revenue.**
 - In the tea industry, employers seek to generate revenue by lending money or providing services to workers and charging high interest on debts, creating situations of debt bondage. Situations of debt bondage are closely linked to the under-provision of services; most tea workers borrowed money to buy food or medical care.

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/>

- 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. Failure to perform this involuntary labour results in deductions from the worker's wages, fines, threats, or even dismissal.

Low wages and unfair treatment

Companies are buying and selling goods produced by vulnerable tea and cocoa workers in Ghana and India. Our research indicates that the workers in these supply chains are routinely subjected to abuse and are living far below the poverty line:

- The poverty line for lower middle-income countries like Ghana and India is \$3.20 (£2.35) per day. Our research found that the average daily wage for a tea worker in Assam in India is 145 Rupees, approximately \$2.17 (£1.50). In practice, up to half of that amount is deducted by employers to cover goods and services that should be provided for free.
- In the cocoa sector, the average daily wage for a worker in Ghana is 5.15 cedis, approximately \$1.13 (£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 through deductions from their wage.
- **Practices of underpayment of workers' wages are endemic in both cocoa and tea supply chains.** Types of underpayment include:
 - The imposition of penalties for failing to meet daily quotas;
 - Not being paid for all work performed;
 - Deductions for services, which were not provided (e.g. electricity);
 - Deductions for services or benefits that are legally required to be provided free of charge;
 - Deductions for the cost of inputs such as pesticides and safety equipment;
 - The imposition of penalties for failing to carry out additional labour for free;
 - The non-payment of wages altogether.
- Patterns of low wages and systematic underpayment mean that many workers have little or no savings and struggle to subsist on their wages; 59% of tea workers and 55% of cocoa workers have no savings at all. As well as living in severe poverty, underpayment increases their vulnerability to forms of labour abuse such as debt bondage, as workers are forced to take on high interest debts to cover basic needs and services like food and healthcare.
- There are minimum wage levels that apply to both tea and cocoa workers in India and Ghana. In practice, however, producers - tea plantation owners and cocoa farmers - claim they do not receive enough payment for their products to comply with labour laws and pay the minimum wage.

PART TWO: KEY CHALLENGES FOR INDUSTRY

The failure of current solutions

Tea and cocoa supply chains are already covered by a number of government and industry-led initiatives aimed at combating and preventing forced labour. **Our research indicates that these initiatives are failing to deliver on their claims and objectives, across a wide range of indicators.**

Ethical auditing and certification

- Companies have embraced Corporate Social Responsibility (CSR) initiatives based on ethical auditing and certification as a key tool for addressing social and environmental issues in supply chains. While this commitment has been accompanied by significant financial investment, our research finds that prevailing initiatives are falling far short.
- Our research included a number of prominent ethical auditing and certification schemes, such as Rainforest Alliance, Fairtrade, Ethical Tea Partnership and Trustea. **While these schemes set standards around basic services, fair treatment, wages and debt, health and safety, and workers' rights, we found that they are routinely violated by employers.**
 - In the tea industry, for example, we found little difference in labour standards, including wage levels, between certified and non-certified plantations, with certified plantations faring worse than non-certified plantations against some indicators of labour abuse and unfair treatment. For example, 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, and 30% of tea workers on certified plantations do not have access to a toilet, compared to 20% 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, compared to 53% on non-certified plantations. Many of these workers were charged extremely high interest rates, which often lead to situations of debt bondage.
- Ethical auditing and certification schemes also contain loopholes that create exceptions around the most vulnerable workers within each industry. In cocoa, for example, certifiers do not include hired labour in their standards, that is, workers employed by farm owners to work on a seasonal, contract, or daily basis. Our research found that these workers are the most vulnerable to labour abuse and forced labour.

Addressing the root causes of forced labour in supply chains

- Forced labour does not occur in isolation, but is connected to broader structural issues in supply chains, namely:
 - **Unequal value distribution.** Companies at the top of the supply chain have maintained wide profit margins on commodities such as tea and cocoa, despite rising production costs and falling prices. This puts pressure on producers and creates a context in which forced labour offers a viable strategy for reducing business costs and boosting revenue, as in the cases of tea and cocoa.
 - **Irresponsible sourcing practices.** Sourcing practices based on short-term and informal contracts are another factor that can lead to labour abuse and forced labour further down the supply chain.
 - **Poor working conditions and lack of workers' rights.** Workers at the bottom of the supply chain face far-reaching constraints and intrusions on their rights. For instance, 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. This denial of rights and freedom of association - combined with low wages and high poverty levels - creates a context that is ripe for exploitation.

PART THREE: RECOMMENDATIONS

Alter the business model

Companies should acknowledge the role that business models and sourcing practices can play in creating a business demand for forced labour at the base of supply chains. Practices such as buying at the lowest cost and unfair or inadequate payment arrangements exert a powerful downward pressure on suppliers, who then rely on the exploitation and coercion of workers in order to fulfill contracts and produce high-volume goods at a low cost. Companies have the ability to change this by redistributing value across the supply chain, reducing pressure on suppliers and reducing the business demand for labour abuse and forced labour. They could:

- Seek to promote living wages for workers and adopt fairer payment and procurement arrangements;
- Seek to uphold, promote, and expand the rights of workers in their supply chains. This could be achieved by recognising and working with trade unions and other worker-led organisations, and by integrating worker-driven social responsibility programmes into existing protection and monitoring systems.

Ethical auditing

- Companies should move beyond ethical auditing regimes and identify new enforcement-driven strategies for tackling and preventing forced labour in supply chains. This means engaging with workers, worker organisations, and NGOs on the ground to fully understand conditions.

Transparency and awareness

- Companies in the UK should comply in full with the Modern Slavery Act by reporting on where abuses are found and specifying which part of their supply chain their efforts to tackle abuses are targeted;
- They should publically state how business plans have taken into account and responded to forced labour considerations and how they are engaging with subcontractors, supply chain intermediaries and workers to address forced labour;
- Businesses should provide training to employees about forced labour, particularly to employees working in procurement and supply chain management.

Investors

- Investors in companies have a key role in tackling forced labour. Asset managers should:
 - Ensure they are aware of forced labour by understanding the legislative framework and by engaging with NGOs and researchers who have highlighted the prevalence of forced labour;
 - Review their investment portfolio to assess how much of their portfolio is invested in companies and industries where forced labour is known to thrive;
 - Assess investee companies' compliance with forced labour legislation and consider divesting if there is non-compliance or neglect shown towards risks of forced labour.

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