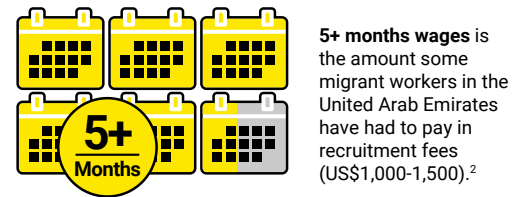


INVESTOR SNAPSHOT

Forced Labor in the Construction Sector



Construction is a rapidly growing sector globally, with China, India, and the United States forecast to be the largest markets by 2030.³ The UN estimates that by 2025, 68% of the world population will live in urban areas, up from 55% today, which will require significant construction efforts.⁴ As part of China's Belt and Road Initiative, projects worth more than US\$500 billion have been or are being built.⁵

An estimated 7% of the global workforce is employed in the construction sector,⁶ and the Gulf's construction sector alone employs around 10 million workers.⁷ Responsible investors have a role to play in ensuring this growth doesn't increase the risk of workers being forced into exploitation and abuse.

Why Should Investors Be Concerned About Forced Labor Risks?

HIGH-RISK SECTOR:

Construction is the second-highest-risk sector for forced labor (after domestic work),⁸ with an estimated 4.5 million construction workers in forced labor around the world.⁹ Exploitation in the construction sector occurs across the globe, from Angola, China and Qatar to Russia, the UK, and the USA.¹⁰

MATERIALS PRODUCED WITH FORCED LABOR:

Materials used in the construction sector, such as bricks, cement, or timber, may be produced with forced labor.¹¹

EXPLOITATIVE CONDITIONS:

Construction workers may receive no wages for long periods because contractors are not obliged to pay sub-contractors until they have received payment from the client.¹² This is further exacerbated by the complexity of construction projects: one construction project might have hundreds of subcontractors, plus labor agencies and materials suppliers, with changing workers and sub-contractors.¹³ Migrant workers are commonly employed in the sector and are especially vulnerable to exploitation through being charged extortionate recruitment fees, which leaves them in situations of debt bondage (i.e., forcing workers to stay at an employer and work to pay off the debt).¹⁴ Further, workers' ability to access remedy is often limited or fully suppressed.¹⁵

What Does Good Practice Look Like?

Companies demonstrating good practice in the sector address exploitative recruitment practices that put migrant and other workers at risk of forced labor. For example:

Laing O'Rourke takes steps to prevent migrant workers from being charged recruitment fees. The company reports that it conducts due diligence and pre-qualification of recruitment agents, includes clauses requiring ethical recruitment in contracts, has oversight of the recruitment process in labor-sending countries, and makes mechanisms available to workers to report the charging of recruitment fees.¹⁶

Some companies disclose the means by which workers can raise grievances:

Vinci (QDVC) facilitates a workers' welfare committee, where worker representatives can be elected by their peers. The committee meets bi-monthly, and workers can raise their concerns with staff and managers from various departments of the company on wages, working and living conditions, and leave.¹⁷

What is forced labor?

"Forced labour can be understood as work that is performed involuntarily and under the menace of any penalty. It refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as manipulated debt, retention of identity papers or threats of denunciation to immigration authorities." (ILO)¹⁸

*"It cost me [US\$13,000] to get here. I was told I could earn [US\$700] a month as a construction worker, but I had to pay [US\$6,500] to the training centre and another [US\$6,500] in agent fees before I arrived. My family had to sell land, borrow money, even take out a bank loan to pay for it all. For three months we got no salary at all. Then we discovered our boss had fled Singapore. There's no way to get the money from him now. I have my parents, three sisters and a brother to look after."*¹⁹

– Ali, Bangladeshi construction worker in Singapore



What Action Should Investors Take?

Investors, including those invested in listed equity, private equity, and real assets, should undertake due diligence both prior to investing in construction companies and during the investment. Investors should take steps to ensure that portfolio companies in the construction sector **undertake human rights due diligence in line with the [UN Guiding Principles on Business and Human Rights](#), and disclose their efforts**. In particular, investors may wish to probe construction companies on the following aspects:

COMMITMENT

Does the company have a public commitment to respect workers' rights? (These rights are listed in the ILO's [core labor standards](#).) Does it require its suppliers to adhere to the same standards, and include these expectations in supplier contracts?

GOVERNANCE

Has the company established clear responsibilities and accountability for the implementation of responsible labor and recruitment practices, including in its supply chains?

DUE DILIGENCE

- How does the company trace its supply chains and **assess and address forced labor risks**, including risk related to its supply chains, subcontractors, and labor agents?
- How does the company ensure that workers get paid on time and in full and address the risk of **recruitment agencies exploiting migrant workers**?
- What steps does the company take to ensure that **workers**, including migrant workers, subcontracted workers, and supply chain workers, **understand and are able to exercise their rights**?

GRIEVANCE MECHANISMS AND REMEDY

How does the company ensure that workers—including migrant workers, subcontracted workers, and supply chains workers - have access to effective grievance mechanisms? (Effectiveness criteria are outlined in [Principle 31 of the UN Guiding Principles on Business and Human Rights](#).) What labor-related grievances have the company or its suppliers and labor agents received in the past year, and how have they dealt with them?

- What examples can the company provide of remedy provided to workers, including to migrant workers (such as repayment of recruitment fees or return of passports)?

Where an investor is not directly managing the investment, it could include the above questions in its selection and/or monitoring processes of its investment managers.

What Are Construction Companies Doing to Address Forced Labor Risks?

As recently as 2017, the construction sector launched several initiatives to tackle forced labor. These include [Building Responsibly](#), a global industry initiative to promote workers' rights and welfare. In the UK, the [Construction Protocol](#) of the Gangmasters & Labor Abuse Authority commits signatories to take steps to address worker exploitation, and the multi-stakeholder initiative [Stronger Together](#) has a Construction Programme to tackle modern slavery in the sector. A construction working group of the [Grace Farms Foundation](#), composed of human rights experts, academics, and industry association actors, seeks to address forced labor risks associated with the procurement of building materials, including by developing auditing standards for construction materials.

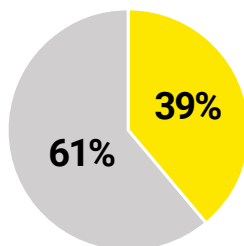
Companies are also taking action to address forced labor risks in their supply chains: 26% of construction companies reporting under the UK Modern Slavery Act have started mapping risks in their supply chains, and 26% have reviewed what their contracts require of suppliers on the risks of modern slavery.²⁰

In the last ten years, the Business & Human Rights Resource Centre (Resource Centre) has reached out to 86 construction companies about 130 human rights allegations, including forced labor allegations globally in countries such as Brazil, France, Qatar, Russia, and the USA.²¹ Of the 17 labor abuse allegations recorded in 2017 and 2018 by construction companies operating in the Gulf, more than two-thirds involved the restriction of workers' freedom of movement by passport retention and late (or non-) payment of wages.²²

In 2018, the Resource Centre surveyed construction companies operating in Qatar and the UAE, as well as companies operating in Jordan and Lebanon, on their policies and procedures relating to human rights due diligence, including migrant workers' rights. The findings show a lack of action to address forced labor, especially in light of the sector's rapid growth in the region.²³

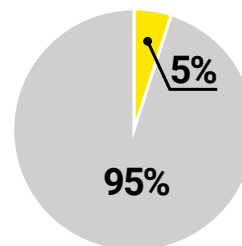


Commit to Respect Human Rights



Less than half of the companies (39%) have a public commitment to human rights. Of these, only three disclosed the measures they take to ensure that their contractors' workers are paid fully and on time, even though unfair payment practices can render workers vulnerable to forced labor.

Prohibit Worker-Paid Recruitment Fees



Only two companies (5%) have a recruitment policy that prohibits recruitment fees. Only four companies reported having an operational-level grievance mechanism in place for their workers. Only one company disclosed information on how it seeks to ensure that workers are paid on time and for all hours worked.

Resources

Business & Human Rights Resource Centre (2018), "[A human rights primer for business: understanding risks to construction workers in the Middle East.](#)"

Business & Human Rights Resource Centre, [Modern Slavery Registry](#) (includes statements from 460 construction companies).

Chartered Institute of Building (2018), "[Construction and the Modern Slavery Act: tackling exploitation in the UK.](#)"

Emma Crates (2016), "[Building a fairer system: tackling modern slavery in construction supply chains.](#)"

International Labour Organization (2016), "[Migrant Work & Employment in the Construction Sector.](#)"

Lexis Nexis (2016), "[Hidden in plain site. Modern slavery in the construction industry.](#)"

1. Reuters (9 April 2018), "[Migrant workers prey to modern slavery in UK construction industry – charities.](#)" Accessed 1 May 2019.
2. The New York Times (26 August 2017), "[Late Wages for Migrant Workers at a Trump Golf Course in Dubai.](#)" Accessed 4 September 2019.
3. ILO (2016), "[Migrant work and employment in the construction sector.](#)" p. IX. Global Construction Perspectives and Oxford Economics (2015), "[Global Construction 2030: a global forecast for the construction industry to 2030.](#)" p. 3.
4. United Nations Department of Economic and Social Affairs (16 May 2018), "[68% of the world population projected to live in urban areas by 2050, says UN.](#)" Accessed 24 September 2019.
5. Bloomberg News (14 August 2019), "[China's Belt and Road Is Getting a Reboot. Here's Why.](#)" Accessed 24 September 2019.
6. Lexis Nexis (2016), "[Hidden in plain site. Modern slavery in the construction industry.](#)" p. 3.
7. NYU Stern Center for Business and Human Rights (2017), "[Gulf Construction Tracker: 2017 trends in contract awards.](#)" p. 1.
8. ILO (2017), "[Global estimates of modern slavery: forced labor and forced marriage.](#)" p. 9.
9. ILO (2017), pp. 25-26. The ILO notes that 18% of all forced labor cases are documented in the construction sector. However, it is worth noting that information on the industry was available for only 65% of cases. For the purpose of this briefing, it is assumed that the remaining 35% of cases have a similar sector distribution.
10. Lexis Nexis (2016), pp. 14-26.
11. US Department of State (June 2019), "[Trafficking in Persons Report.](#)" pp. 7, 37, 130, 191, 344. Bureau of International Labor Affairs, "[List of Goods Produced by Child Labor or Forced Labor.](#)" Accessed 4 September 2019. Grace Farms Foundation, "[Architecture + Construction Working Group.](#)" Accessed 11 September 2019. The working group is focusing on raising awareness of and developing standards on forced labor risks associated with raw materials procured for construction. Lexis Nexis (2016), pp. 13, 27-30. Additional materials at risk include glass, rubber, granite, gravel, and iron.
12. Business & Human Rights Resource Centre (2018), "[A human rights primer for business: understanding risks to construction workers in the Middle East.](#)" p. 5. Unfair payment practices, such as the use of "pay when paid" clauses in construction contracts, result in workers getting paid last.
13. Emma Crates (2016), "[Building a fairer system: tackling modern slavery in construction supply chains.](#)" p. 9.
14. Emma Crates (2016), p. 9.
15. Business & Human Rights Resource Centre (2018), "[From unacceptable risks to shared prosperity: building human rights into Jordan & Lebanon's construction sector.](#)" p. 3.
16. Business & Human Rights Resource Centre (2018), "[On shaky ground: migrant workers' rights in Qatar & UAE construction.](#)" p. 14.
17. Business & Human Rights Resource Centre (2018), "[On shaky ground: migrant workers' rights in Qatar & UAE construction.](#)" p. 15.
18. ILO, "[What is forced labour, modern slavery and human trafficking.](#)" Accessed 13 August 2019.
19. The Guardian (30 July 2017), "[Traffickers take all that makes you human: faces of modern slavery – in pictures.](#)" Accessed 28 June 2019.
20. Chartered Institute of Building (2018), "[Construction and the Modern Slavery Act: tackling exploitation in the UK.](#)" pp. 48-49. Based on a survey of 77 construction procurement managers globally, conducted by the Chartered Institute of Procurement and Supply.
21. Business & Human Rights Resource Centre, "[Company Response Rates.](#)" Accessed 8 August 2019.
22. Recorded by the Business & Human Rights Resource Centre between 2017 and 2018.
23. Business & Human Rights Resource Centre (2018), "[From unacceptable risks to shared prosperity: building human rights into Jordan & Lebanon's construction sector.](#)" Business & Human Rights Resource Centre (2018), "[On shaky ground: migrant workers' rights in Qatar & UAE construction.](#)" Note: both reports are partially based on publicly available corporate disclosure and partially on company responses to a survey. Fourteen out of the 49 companies operate in Qatar & UAE, and two out of the 38 companies operate in Jordan & Lebanon.

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