



Guide to Minimising Modern Slavery Risk in Shipping Supply Chains



Introduction

When detecting modern slavery risks, one that often goes unnoticed is the risk in the maritime supply chains. Many businesses outsource this function, so they may need to learn about the labour situation in their supply chain. Inadequate visibility due to the distance from the land complicates matters even more.

Given the high volume of workers required for navigating, loading, unloading, repairing, and other daily tasks in shipping, the vast and complex supply chain is vulnerable to modern slavery risk. Suppliers may overlook workers' human rights when trying to cut costs to deal with the recession on a tight budget.

Yet, shipping is an essential component of the supply chain for transporting freight, accounting for [90% of global trade](#). Despite its importance, supply chain workers can face severe exploitation, jeopardising a company's sustainability and heightening legal risks. This guide will give you an overview of modern slavery risks in shipping, followed by practical steps to address these risks.

Overview of modern slavery risks in shipping

1. What is the regulatory landscape for modern slavery risk in shipping?

- ILO Maritime Labour Convention (MLC)
- National legislation
- Modern slavery acts
- Port state controls
- Flag state controls
- UN Convention on the Law of the Sea (UNCLOS)

2. What is modern slavery risk in shipping?

Modern slavery risks occur in shipping when seafarers are exploited and abused in the following ways:

- **Recruitment fees and debt bondage (*ILO Forced Labour Indicator 9*)**

The majority of seafarers are Filipinos, Indians, Russians, Ukrainians, Indonesians, and Chinese, with up to 40% paying recruitment fees.

Corrupt crewing agencies require seafarers to pay illegal recruitment fees in fraudulent employment contracts that include costs for visas, border-crossing, and medical care fees.

The payment of recruitment fees can result in debt bondage whereby workers are obliged to “work off” cash advances from the crewing agency. Seafarers often need to repay recruitment fees before they earn any money. What makes matters worse is the lender frequently charges exorbitant interest rates, [sometimes over 500%](#). Simultaneously, unethical or fraudulent ship operators may underpay or fail to pay wages and refuse to provide adequate food and drinking water.

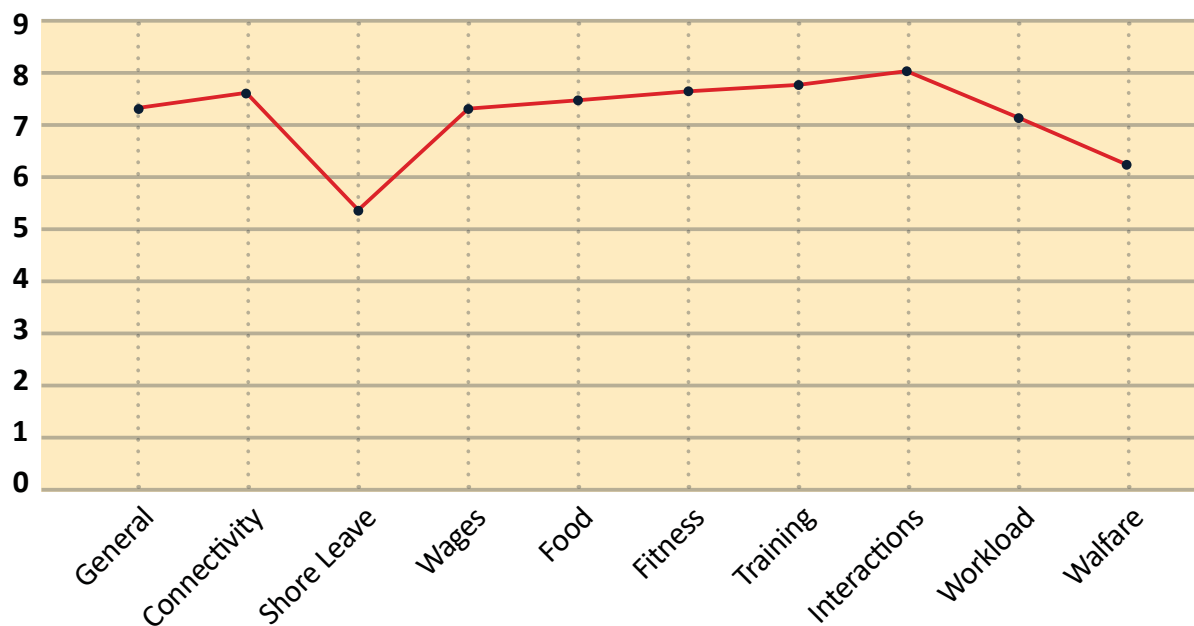
- **Enforced work beyond contract expiry (*ILO Forced Labour Indicator 1*)**

Contractors may require seafarers to work long hours. Due to ongoing Covid-19 restrictions in some countries, such as China, seafarers may still be prohibited from going onshore due to perceived risks of spreading infection. During the pandemic (2020-2021), ship charterers even included “no crew change” clauses in shipping contracts to avoid costly crew changes caused by port restrictions. This, combined with port restrictions, essentially forced seafarers to stay on board beyond the terms of their contract and even beyond the legal limit of 11 months set by the [ILO’s Maritime Labour Convention](#). Even if they unloaded their cargo, they could not take any shore leave. During the height of the pandemic, the [GMF’s](#) Declaration Crew Change Indicator showed that 9% of seafarers were beyond their contracts’ expiry. During Covid-19, top companies had 50,000 seafarers out of contract, with 0.3% exceeding the legal maximum of 11 months. Seafarers have been unable to return home for up to 18 months in some cases.

	Percentage of seafarers onboard beyond the expiry of their contracts	
	Monthly Percentage	Percentage point change from previous month
June 2022	4.3%	-0.2
May 2022	4.5%	+0.3
April 2022	4.2%	-0.8
March 2022	5.0%	+0.8
February 2022	4.2%	+0.5
January 2022	3.7%	-1
December 2021	4.7%	-2.4
November 2021	7.1%	-0.8
October 2021	7.9%	-1.0
September 2021	8.9%	-0.1
August 2021	9.0%	+0.2
July 2021	8.8%	+1.6

- **Low manning levels result in overwork and absence of shore leave (*ILO Forced Labour Indicator 11*)**

Ship operators frequently interpret safe manning levels as the minimum required manning level, which can result in overworked seafarers. They may even be required to work more hours or days than are permitted by law or collective agreement. Due to limited time in port, as well as low wages and the cost of shore leave excursions, seafarers are often not in a position to go ashore. In the latest Q3 2022, [the seafarers' happiness score](#) is 7.3 out of 10, which has room for improvement. Low manning levels cause fatigue, which is hazardous to one's health and safety.



- **Abandonment**

According to the MLC, abandonment occurs when a shipowner:

- fails to cover the cost of the seafarer's repatriation; or
- has failed to provide the necessary maintenance and support; or
- has otherwise unilaterally severed their ties with the seafarer, including failure to pay contractual wages for at least two months.

This is a surprisingly common occurrence when unscrupulous vessel owners abandon their ships due to financial difficulties or legal disputes. The ships are often left in port or anchorage because funds for port costs, unloading fees, and wages have run out.

During the two-month period, seafarers must remain on board abandoned vessels to ensure that any wages owed to them are paid. These wages are often critical for feeding, clothing, and educating family members back home, especially when a seafarer from a less affluent region like the Philippines may be supporting up to [15-20 extended family members](#) at a time.

- **Threat of piracy**

While [reported piracy and armed robbery are at their lowest levels in decades](#), crew violence persists in many parts of the world. In 2022, 12 of the 58 incidents were [reported](#) in the Gulf of Guinea, 10 of which were classified as armed robberies and the other two as piracy. Pirates attacked and boarded a Panamax bulk carrier 260 nautical miles off the coast of Ghana in early April. This demonstrates that, despite a decrease in reported incidents, the threat of piracy and crew kidnappings in the Gulf of Guinea remains. Modern piracy can endanger seafarers' lives and livelihoods.

3. Why is there a prevalence of modern slavery risk in shipping?

- **Flags of convenience**

The shipping industry can enjoy less stringent regulations by using flags of convenience (FOC), which ramp up the modern slavery risk. FOC flies the flag of a country other than its own, and the ship flies the civil ensign of that country, known as the flag state.

Almost three quarters of the world fleet is flagged in a country, not of beneficial ownership (UNCTAD). FOC provides minimal regulation, preferential registration fees or tax benefits, and the ability to hire labour anywhere in the world. As such, ship owners may leverage FOC to exploit migrant workers.

A ship can be registered in Liberia, owned by a Greek company, chartered by a Chinese company, and carry Australian cargo. It is challenging to track down each of these parties and determine who is to blame for any transgressions. Furthermore, the ship might be crewed by Filipinos, and travel between Singapore and Nairobi, most of the time in international waters.

These seafarers may lack access to information about their rights. They face significant challenges in determining how to report issues. They also work in isolated conditions, away from friends and family, making it difficult to receive support and to disembark if their situation demands it.

- **Worker shortage and high workload**

Reduced recruitment and retention, the Covid-19-exacerbated crew change crisis, shorter shore leave, and low wages can result in widespread physical and mental exhaustion, overwork, and low morale. Sailors' workload is also excessive. They must manage not only cargo but also paperwork.

- **Discrimination, diversity, harassment**

Gender inequality aggravates the shortage. Approximately [2% of seafarers](#) are female, a statistic that has not changed in the last 40 years. Historically, shipping has been a highly hierarchical environment, with significant segregation based on rank, gender, and nationality, during training and onboarding. According to [reports](#), sexual harassment and assault on board ships are common and frequently go unreported or unpunished. There is a deficiency of career progression from ship-to-shore jobs and female representation in senior positions. The shortage of a female workforce ends up worsening the worker shortage.

4. Where are modern slavery risks in shipping?

The modern slavery risk in shipping exists all over the world. The Australian Maritime Safety Authority (AMSA) has recently prohibited bulk some carriers flagged in [Panama](#), [Liberia](#), [Hong Kong](#), and [Singapore](#). However, many cases remain unidentified, and FOC makes it difficult to determine where the ship originated.

AMSA banned these ships for underpaying or failing to pay their seafarers. These ships also violated other MLC involving working conditions, accommodation, food, medical care and other rights.

5. Why should brands care about modern slavery risk in shipping?

Increasing modern slavery legal requirements mean that brands must look beyond tier 1 in their supply chains, so they should investigate ship owners and ship operators. Moreover, addressing modern slavery risks in shipping is about more than just legal compliance; it is also about supply chain sustainability, which is critical to helping a business to thrive in terms of productivity, sales, and market value.

When a company addresses modern slavery risks in shipping, such as long working hours and food deprivation, it increases worker satisfaction, retention, loyalty, and productivity throughout the supply chain. Employee happiness also leads to improved onboard safety and fewer accidents.

Consumers will see a company's corporate social responsibility when it takes steps to end shipping modern slavery risks. As a result, customer loyalty and sales may improve.

Following the [“S” indicators in ESG](#) and addressing modern slavery risks in shipping supply chains can reassure investors that shipping modern slavery will not jeopardise a company's reputation and lower its market value.

With increasing expectations from stakeholders on supply chain sustainability, addressing modern slavery risk in the shipping supply chains would be a significant first step.

Step-by-step guide for a slave-free shipping supply chain

1. Identify modern slavery risks in shipping.

The first step is to map your organisation's structure and conduct a [risk assessment](#) to determine how much work you need to do on shipping supply chains. There are four significant issues to consider when evaluating:

- Are your shipping suppliers and vendors upholding their supplier code of conduct or modern slavery-related commitments?
- Do effective grievance and whistleblowing mechanisms exist for seafarers?
- Is your organisation supplementing information provided by shipping suppliers with on-site audits and meetings with seafarers?
- Are your shipping suppliers and employees in your organisation aware of and trained to recognise the signs of modern slavery risk?

To comprehend these four issues, it is necessary to understand who and what [managerial positions](#) within an organisation can play an essential role in reducing modern slavery risks within shipping supply chains. You can conduct due diligence on managers, agents, officers, and the counterparty ship owners.

Moreover, after you've determined which carriers you'll be using, you can ask your shipping company or suppliers the following questions:

- Do you have a modern slavery statement?
- Do your ships have MLC or Collective Bargaining Agreement (CBA) coverage?

- Are there any known modern slavery risks in your ships?
- Does your Seafarers' Code of Conduct correspond to MLC++?
- Do you have self-assessment data? Do you conduct ship audits? If not, you can use this [questionnaire](#).
- What is the state of security on board ships?
- How are seafarers supported and heard?
- How many seafarers are on your ship? Do you have enough seafarers to support daily operations so they will not overwork?
- What is the retention rate % of your seafarers from contract to contract? A retention rate above 80% indicates a good employment regime.
- Does your shipping company adhere to the list of statements below?
 - The terms of seafarers contracts have not been changed without a signed agreement.
 - Legal and industrial limits on working hours are observed.
 - All deductions from seafarers' wages are included in the contract within legal or industrial regulations.
 - Withholding of wages is not tolerated.
 - There are no restrictions on freedom of movement.
 - Recruitment and brokerage fees paid by seafarers are within legal limits.
 - Seafarers retain copies of their identification documents or have unrestricted access to their documents.
 - There is no overcharging seafarers for food or any other method that leads to worker dependence and denial of choice.

2. Manage identified modern slavery risks in shipping.

After identifying and assessing modern slavery risks in maritime supply chains, you may wonder how to address the identified risks. You may conduct additional due diligence on the shipping entity's operations and supply chains to review and adapt contract terms and supplier codes of conduct. Then, carry out remedial steps where you identify modern slavery.

3. Prevent modern slavery risk in shipping.

Now that you know how decision-makers and employees in your company contribute to modern slavery risks prevention in shipping, and you also have tackled the identified risks, to ensure a slave-free shipping supply chain, you can take the following further steps to prevent future modern slavery risks:

- **Check that your shipping company takes adequate precautions.**

- Confirm that policies are in place to improve ongoing open communication between the ship and the shore.
- Ensure that seafarers have someone to speak with in their native language.
- Assure the presence of short-term roles that allow seafarers to move from sea to shore to sea, as are programmes that will enable seafarers to make the longer-term transition from sea to shore to promote changes based on their experience at sea.
- Guarantee there is enough crew rotation and crew levels.

- **Enhance gender equality on ships.**

- Ensure that senior officers offer full support for inclusive gender awareness and diversity training.
- Promote more female leadership, both on land and at sea.
- Encourage and educate male seafarers to support their female colleagues.
- When developing diversity and inclusion strategies, include seafarers to allow for co-ownership.

- **Track shipping suppliers to identify potential modern slavery risks.**

- Conduct self-assessments and site visits regularly for higher-risk third-party shipping suppliers and contractors to detect modern slavery risk and propose improvements to strengthen their governance systems.
- See if the vessel has been barred from entering ports due to MLC violations.
- Have conversations pre, during and post-shipping contracts.
- Conduct audits in compliance with modern slavery legislation.
- Monitor and evaluates crewing strategy regularly for its impact on crew wellbeing, including seafarer retention. Keep an anonymous channel open to report potential non-compliance. In partnership with Diginex, we created an innovative tool for workers' voices called [Apprise Audit](#). This system will allow companies and front-line responders to interview workers anonymously and remotely in their native language to ensure supply chains are slave-free.

- **Through risk assessments and internal audits, implement processes and KPIs to track the effectiveness of steps to eliminate modern slavery risk in shipping to ensure your supply chain slave-free.**

To learn more about how to establish KPIs to enhance accountability and address modern slavery, access our tool [here](#).

- **Educate your employees about shipping modern slavery risks and their ramifications.**

As part of the induction training, you can provide modern slavery awareness training to all your employees and new hires. This can help to avoid modern slavery risks in the maritime supply chain.

- **Stay current on the shipping industry trends.**

[Our online search tools](#) assist businesses in delving deeper into industry-specific topics by searching archived news articles, blogs, and websites from credible sources. Learning about the issues can help you to understand the complexities of managing modern slavery risk in shipping.

- **Formulating internal modern slavery policies will entail gathering current policies, identifying gaps, adapting existing policies, and developing new procedures.**

For example, you can ensure that all new supplier agreements include contractual clauses prohibiting slavery.

- **Hire a compliance officer responsible for the above steps if needed.**

Conclusion

Identifying and addressing modern slavery risks is a significant barrier to sustainable supply chains. However, with the above three steps of proper inspection, training, tools and policy, you can protect people suffering from slavery in the shipping supply chain.

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