



► Global Policy Brief

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Why and how businesses want to eradicate forced labour

If we work together and harness the potential of SMEs we can eradicate forced labour by 2030.

For centuries human rights activists and others have fought against slavery and made huge progress. However, modern forms of slavery, such as forced labour, human trafficking and child marriage still thrive. On any given day in 2016, 40 million people were victims of modern slavery. Of these, an estimated **25 million** people were subjected to **forced labour**. Some 4.3 million were children.ⁱⁱⁱ

Since then, the COVID-19 crisis has reshaped our lives and forced labour is on the rise.ⁱⁱⁱ The pandemic has worsened the already perfect storm of poverty and exploitation. It is increasing the pool of workers vulnerable to forced labour and worsening work situations that are already exploitative.

I have often likened forced labour to a virus in the world of work – a virus that has demonstrated its capacity to mutate to come back in sometimes ever more virulent forms and we have to adapt our action to this dynamic situation in respect of forced labour.” – Guy Ryder, ILO Director-General

We, the ILO Global Business Network on Forced Labour (GBNFL), are calling for action urgently. Working together, we *can* achieve Sustainable Development Target (SDG) 8.7 and eradicate forced labour by 2030. Our key messages are that:

- Forced labour is morally unacceptable. No child, woman or man should suffer this serious human rights violation
- Forced labour damages companies and productivity. Its destructive ripple effects hurt economies and societies
- Governments and businesses both have a role to play in ending forced labour. The ILO GBNFL and its Members and Partners stand ready to work together with governments to make this happen.
- By harnessing the huge untapped potential of small and medium-sized enterprises (SMEs) we can turn the tide on forced labour. ILO GBNFL's eight success factors empower SMEs to fully play their role.

Forced labour is morally unacceptable. No child, woman or man should suffer this serious human rights abuse.

Businesses do not wish to be associated with forced labour. No individual wishes to lose her or his freedom and be trapped in abuse and exploitation or see this happen to others.

“Devli was born into bonded labour in a stone quarry in India. Sitting in my car immediately after her rescue, the eight-year-old asked: ‘Why did you not come earlier?’ Her angry question still shakes me – and has the power to shake the world. What are we waiting for?”

Kailash Satyarthi, Nobel Peace Prize acceptance speech, 2014

Forced labour damages companies and productivity.

Long-term business success cannot be achieved without respect for people and the planet. Successful businesses, from micro-enterprises to multinationals, rely on stable economies and healthy, skilled and educated workers.

A company’s approach to workplace practices and working conditions is closely linked to its productivity.^{iv} Responsible businesses are more competitive and have better market access. Human rights are therefore highly significant for companies, and most SMEs believe this significance will increase.^v

Companies that conduct business responsibly have:

- ▶ A stronger brand image and a better reputation in the communities where they operate
- ▶ Better access to credit and investor support, particularly given that financial institutions increasingly include environmental and social considerations in their lending criteria
- ▶ Better staff relations and retention, also attracting and recruiting a more qualified workforce
- ▶ Stronger customer loyalty, including from business-to-business customers.

On the other hand, allegations of forced labour can significantly threaten investor relations, damage community standing, and jeopardize business access to public funds and credits. It can lead to costly lawsuits where national law is broken and damage company reputations beyond repair. In the case of SMEs, who may be less shock-resistant than larger enterprises, forced labour can result in the business going under.

The destructive ripple effects of forced labour damage economies and societies.

Forced labour holds back overall economic growth and development by lowering productivity. At a macro-economic level, low productivity hampers firm growth, job creation and industrialization. It contributes to the growth of the informal economy where business respect for human rights is lowest.^{vi} To sum up, forced labour contributes to a downwards spiral of low productivity and low respect for human rights – a race to the bottom.

It is therefore no surprise that provisions prohibiting the use of forced labour are increasingly included in trade agreements, together with transparency and disclosure regulations. As a result, the trade risks of forced labour are not to be underestimated.

Forced labour is often associated with other crimes, causing further damage to economies and societies. For example, forced labour in the fisheries sector is frequently linked to other forms of transnational organized crime including illegal fishing, document fraud, corruption and tax evasion.^{vii}

Even those businesses respecting human rights can be negatively affected by forced labour. The reputation of whole industry sectors and countries can be tainted by allegations of forced labour, damaging their ability to do business, grow and thrive, and thereby benefit society more widely.

Governments and businesses both have a role to play in ending forced labour by 2030.

“Responsible business conduct is everything to SMEs, even if they see it, wrongly, as financially constraining. Access to market is linked to image and unlike large enterprises SMEs can’t invest large sums in managing their brand. Their image is based on day-to-day behaviour, so behaving responsibly is key to surviving and thriving.”

Douglas Opio, Executive Director, Federation of Uganda Employers

Businesses, governments, workers’ organizations, civil society and other stakeholders all have a different, important and complementary role to play. This idea of shared responsibility is also outlined in the UN Guiding Principles on Business and Human Rights.^{viii}

Companies must do business responsibly and work together with their suppliers and peers to encourage them to do so too. They must send out a clear message that forced labour will not be tolerated.

However, interventions at enterprise level alone do not lead to sustainable development by themselves.^{ix} The role of government is to create the right business environment for forced labour eradication. This is especially important in the case of SMEs, for whom it is very hard to implement the right rules and values if the broader operating environment is not enabling.

To play their role, SMEs need:

- National laws and regulations to be aligned with international standards
- Applicable laws to be implemented and enforced
- Obstacles to enforcement, such as corruption, removed
- Drivers to push for an end to forced labour to be available, for instance the inclusion of social and labour clauses in trade and investment agreements
- The root causes of forced labour to be addressed.^x

Together the Government of Viet Nam and the business community are improving legislation to prevent forced labour

The government of Viet Nam, with advice from ILO and others, is revising a key law regulating the recruitment of Vietnamese migrant workers. The Viet Nam Chamber of Commerce and Industry led in organizing the dialogue.

The new law represents an important step towards fair recruitment, which is critical to eradicating forced labour. Deceptive and exploitative recruitment practices lead to the exploitation and abuse of migrant workers.

As it regulates recruitment, the new law effectively covers all Vietnamese businesses as well as foreign entities employing Vietnamese migrant workers. Key improvements in the law are set out below.

- The revised law includes a definition of ‘forced labour’.
- Migrant workers will no longer be made to pay brokerage fees.
- They will also be able to unilaterally annul employment contracts where there is threat, sexual harassment, maltreatment or forced labour.
- Legal aid will be available in cases of abuse, violence or discrimination whilst working abroad.
- Vietnamese migrant workers pay a deposit to their recruitment agency before departure. The law sets out a process allowing workers to appeal to the Ministry of Labour, Invalids and Social Affairs (MOLISA) if their deposit is not returned.
- Enterprises in host countries must arrange medical and unemployment insurance for Vietnamese migrant workers.

It is time to harness the huge untapped potential SMEs represent in the fight against forced labour.

The UN Guiding Principles on Business and Human Rights^{xi} set out that the responsibility to respect human rights applies to all businesses regardless of size, sector, geography or ownership. Yet SMEs are often overlooked by initiatives aiming to eradicate forced labour and, more widely, drive responsible business conduct.^{xii}

This is at odds with the fact that SMEs make up 90 per cent of the private sector globally. Together with micro enterprises and the self-employed, SME's represent around 70 per cent of global employment.^{xiii} Given the reach and overall influence of SMEs, they could prove to be catalysts in forced labour eradication efforts.

Involving SMEs requires a different approach. They tend not to engage with private governance initiatives implemented by large enterprises, nor with the development of responsible business conduct standards and global governance instruments. Reasons for this include that, compared to larger businesses, SMEs have^{xivxv}:

- Low awareness of relevant standards
- Disproportionately higher regulatory burdens
- Human resources limitations
- Financial resource constraints
- Limited access to networks and services
- Overall poorer working conditions.

ILO GBNFL research has identified the success factors below in bringing SMEs to the table.^{xvixvii}

How to involve SMEs in forced labour eradication

1. Put SMEs in the spotlight

Openly recognize their contribution to the economy and society. Allow SMEs to articulate their core values and purpose and acknowledge these.

2. Understand SMEs

Obtain a clear picture of what they are already doing in terms of responsible business conduct and tackling forced labour. Understand what drivers can help SMEs up their game. This includes understanding the relationships that are key for SMEs (with workers, the community, family) and working with those rather than assuming a narrow 'financial transaction' approach to business.

3. Give SMEs a voice

Ensure the voice of SMEs is represented in all relevant discussions on forced labour eradication efforts. Employer and Business Membership Organizations (EBMOs) are often well-placed to represent SMEs.

4. Communicate using simple, relevant language in bite-size chunks

Use language that makes sense to SMEs and avoid information overload. Terms like 'values', 'reputation', 'integrity', 'trust' and 'responsibility' may be more meaningful than ones such as 'corporate'. Technical concepts such as 'forced labour', 'unfair recruitment', and 'human trafficking' need to be explained using language that makes sense to the SME in its context. Practical, local examples can help here.

5. Collaborate and communicate

Businesses should work on collective rather than individual business responsibility. This means working together and committing to a partnership approach to responsible business conduct where all parties have a representative voice. Responsible business conduct should not be formulaic. Continuous dialogue rather than standards imposition and auditing should be the goal.

6. Scale-up

Involving EBMOs, even delegating responsibility for the delivery of relevant initiatives to them, can quickly scale up forced labour eradication efforts aimed at SMEs. In the medium-term, an enabling business environment is required for scaling up. Promoting formalization of SMEs in the informal economy allows longer term scaling up. At this point forced labour prevention and eradication should simply be business as usual.

To join us and for further information

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ⁱ ILO, IOM and the Walk Free Foundation 2017. Global estimates of modern slavery: Forced labour and forced marriage. https://www.ilo.org/global/publications/books/WCMS_575479/lang--en/index.htm

ⁱⁱ ILO GBNFL 2020. Forced labour: Global facts and figures <https://flbusiness.network/factsheet/>

ⁱⁱⁱ ILO 2020. Issue paper on COVID-19 and fundamental principles and rights at work https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_757247.pdf

^{iv} See for example ILO 2013. Can better working conditions improve the performance of SMEs? An international literature review https://www.ilo.org/empent/Publications/WCMS_227760/lang--en/index.htm.

^v ILO 2016. SMEs and Human Rights: What is the current state of play, what are the opportunities and challenges, what kind of support is needed? https://www.ilo.org/global/topics/employment-promotion/small-enterprises/WCMS_535220/lang--en/index.htm.

^{vi} ILO 2016. SMEs and Human Rights: What is the current state of play, what are the opportunities and challenges, what kind of support is needed? https://www.ilo.org/global/topics/employment-promotion/small-enterprises/WCMS_535220/lang--en/index.htm.

^{vii} ILO web page accessed on 8.10.2020. Forced labour and human trafficking in fisheries

<https://www.ilo.org/global/topics/forced-labour/policy-areas/fisheries/lang--en/index.htm>

^{viii} OHCHR 2011. Guiding principles on business and human rights: Implementing the United Nations 'protect, respect, and remedy' framework https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

^{ix} ILO 2019. An enabling environment for sustainable enterprises

https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/@ifp_seed/documents/publication/wcms_175476.pdf

^x ILO 2019. Eliminating Forced Labour: Handbook for Parliamentarians No. 30 https://www.ilo.org/global/topics/forced-labour/publications/WCMS_723507/lang--en/index.htm

^{xi} OHCHR 2011. Guiding principles on business and human rights: Implementing the United Nations 'protect, respect, and remedy' framework https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

^{xii} ILO GBNFL 2019. Putting small- and medium-sized enterprises first: Why SMEs are crucial in the responsible business conduct conversation. <https://flbusiness.network/putting-small-and-medium-sized-enterprises-first-why-smes-are-crucial-in-the-responsible-business-conduct-conversation/>

^{xiii} ILO GBNFL 2019. Putting small- and medium-sized enterprises first: Why SMEs are crucial in the responsible business conduct conversation. <https://flbusiness.network/putting-small-and-medium-sized-enterprises-first-why-smes-are-crucial-in-the-responsible-business-conduct-conversation/>

^{xiv} ILO GBNFL 2019 (unpublished). Capacity building of SMEs on human trafficking, forced labour and fair recruitment: What works and why?

^{xv} ILO GBNFL 2019. Putting small- and medium-sized enterprises first: Why SMEs are crucial in the responsible business conduct conversation. <https://flbusiness.network/putting-small-and-medium-sized-enterprises-first-why-smes-are-crucial-in-the-responsible-business-conduct-conversation/>

^{xvi} ILO GBNFL 2019 (unpublished). Capacity building of SMEs on human trafficking, forced labour and fair recruitment: What works and why?

^{xvii} ILO GBNFL 2019. Putting small- and medium-sized enterprises first: Why SMEs are crucial in the responsible business conduct conversation. <https://flbusiness.network/putting-small-and-medium-sized-enterprises-first-why-smes-are-crucial-in-the-responsible-business-conduct-conversation/>