



▶ SMEs take on forced labour and child labour, and win.

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Small and medium-sized enterprises (SMEs) can be catalysts in the fight against forced labour and child labour. Read on to find out how three SMEs took on forced labour and child labour, what impact they made, and what advice they have for other SMEs.

Summary points

- ▶ As a group, SMEs have incredible reach and influence.
- ▶ SMEs can make an impact where large enterprises struggle.
- ▶ SMEs face additional barriers compared to larger enterprises but also have significant advantages.
- ▶ Where to start? Advice from SMEs for SMEs.
- ▶ Support from employer and business membership organizations (EBMOs) can make all the difference.

As a group, SMEs have incredible reach and influence

SMEs make up 90 per cent of the private sector globally. Together with micro enterprises and the self-employed, SMEs represent around 70 per cent of global employment.ⁱ Given the reach and overall influence of SMEs, they could prove to be catalysts in forced labour eradication efforts.

SMEs can make an impact where large enterprises struggle

Child labour and forced labour have similar root causes. These include poverty, weak governance structures, lack of access to quality education, discrimination, labour market informality, and lack of company awareness and/or capacity to tackle these abuses.

Recent researchⁱⁱ shows that a significant share of child labour and human trafficking in global supply chains occurs at their lower tiers, in activities such as raw material extraction and agriculture. Forced labour also tends to take place in domestic markets.

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It is precisely here, on the ground, that SMEs, who are often strongly rooted in their communities, can and want to make an impact. Conversely, this is also where large enterprises with extensive supply chains can struggle to reach.

Success story: The Arte Group sets up a Child Labour Free Zone in India

Arte Group is a Dutch company with about a hundred employees that makes stone kitchen worktops (e.g. natural stone). Arte used to source its natural stone slabs from traders based in Italy. In 2010 the company changed tack. Niels van den Beucken, Chief Financial Officer, decided to investigate the lowest supply chain tier and, for the first time, visited the quarries in India which supply the stone.

The trip was a wake-up call. Niels was confronted with extreme poverty. Child labour and forced labour overlap in India, with children and their families trapped in bonded labour.^{iiiiiv} Niels saw whole families – children, parents, grandparents - searching for small stones to turn into jewellery to sell and make a living. At this point responsible business conduct became a major priority for Arte.

Arte cut out the middleman and started working directly with the quarries. Arte found suppliers who were transparent, agreed to site visits, and shared information on child labour, employment terms and conditions, and more. Arte also partnered with an independent company which gave expert advice on ILO guidelines and environmental sustainability standards and checked whether suppliers were meeting these.

Niels continued to visit the quarries once or twice a year. Despite improvements on worksites, he could still see child labour around the quarries.

He contacted a Dutch non-governmental organization (NGO), Arisa, for help. Together with Arisa, a subsidy from the Dutch government, and further partnerships with Indian NGOs, Arte set up a Child Labour Free Zone^v in its source communities.

It took six years to set up the area-based approach, but the company kept going. By 2020:

- ▶ 60 children had gone back to school
- ▶ All four-year-olds were enrolled in school
- ▶ Day care for migrant children was available
- ▶ Education quality had improved
- ▶ English lessons had been introduced
- ▶ Labourers working onsite at the suppliers' quarries are being trained in health and safety,
- ▶ The Child Labour Free Zone expanded from eight to 12 villages following initial success and on request of the Indian government.



Niels and the rest of Arte's employees are immensely proud of what they have achieved, and that sense of pride is tangible. It's no surprise that Arte's company motto is 'One stone can make a difference'.

To find out more about how Arte set up the Child Labour Free Zone, see this [Arte video](#).

SMEs face additional barriers compared to larger enterprises but also have significant advantages

SMEs face challenges when it comes to fighting forced and child labour. Rarely can an individual SME leverage their influence or implement their own guidelines upstream or downstream in a supply chain. Governments may also be less likely to hear the views of a SME. The lack of leverage can be particularly difficult when a SME starts operating in a new location.

In addition, SMEs may be less able to take the same level of risk compared to a larger business. A SME may simply not have the balance sheet to take on a risky venture. Insurance risks also play role.

SMEs also often have limited capacity and expertise to tackle forced labour and child labour as they tend to focus on their core business. Language used to engage the private sector on these issues may be more appropriate for larger enterprises. Responsible business standards are generally aimed at larger enterprises and there is a lack of suitable tools available for SMEs on responsible business conduct in general.

However, compared to larger enterprises, SMEs are generally more agile and react quicker. Where owners are personally committed, SMEs can make a big difference in a relatively short space of time, especially as they don't have to convince managers, directors, shareholders and/or investors.

SMEs that make a difference in their community reap the benefits on all levels. Not only are staff immensely proud to be working for their employer, impacting staff motivation and productivity, but the SME's reputation also benefits, impacting the bottom line.

Success story: FSI Worldwide sets up a fair recruitment system

FSI Worldwide directly employs around 50 people and was set up in 2006 in Nepal to recruit former Gurkha soldiers. At the time, the Gurkha community in Nepal was being recruited for security work in Iraq and Afghanistan, risking exploitation and forced labour, especially through debt bondage.^{vi}

The small team behind FSI wanted to change the situation for the better by setting up a fair recruitment agency. Fair recruitment implies, among other things, not charging workers any fees or associated costs during the recruitment process (all fees are paid by the employer) and carrying out extensive due diligence on clients.

FSI quickly realised that the problem they were trying to address was much more complicated than they had thought. Corruption and exploitation were major challenges. This made them think about how they could embed responsible business conduct in the businesses they were working with.

'SMEs individually don't have the influence to move the needle. It's difficult to get leverage in a new location, especially if you come up against corrupt officials or local businesses resisting changes to their practices, for example paying for recruitment. We need a level-playing field. If you're an ethical recruiter competing in an industry with lots of unethical recruiters, that is really difficult.'

Dr James Sinclair, Head of Consulting at FSI Worldwide

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The result was an innovative approach: the business brought together the role of a NGO/advocacy organization and that of a practical business. This was difficult to juggle, but helpful in that the experience as a business on the ground fed into its advocacy aimed at government and larger businesses. As a result, FSI successfully created a market for fair recruitment and then sold into it.

FSI has since implemented permanent village-level fair recruitment systems in several locations, including Nepal, India and Kenya, through which the business has fairly recruited approximately ten thousand people. FSI has also set up a consulting arm which advises governments and other businesses on fair recruitment and a separate UK company, which provides security and project management services.

To better understand debt bondage and the benefits of fair recruitment, see this [FSI video](#). See [here](#) for testimonials from workers recruited by FSI.



Where to start? Advice from SMEs for SMEs

SMEs could be game changers when it comes to forced labour and child labour eradication. What do SMEs wanting to make a difference need to bear in mind? Here is what SMEs leading the way say.

- ▶ **Understand the impact of your business**

Really understand how your business impacts, and can impact, both the communities where it is located and where it is sourcing goods and services from. Visit your suppliers. If you are a recruitment company, understand the wider impact of the business on the communities of origin of migrant workers as well as the communities abroad where they are working.

- ▶ **Collaborate, collaborate, collaborate**

Working with partners will help you to understand what the challenges are and how to face them. Partners can be NGOs, EBMOs, worker representative organizations, business networks, other businesses, government departments and agencies at national, sub-national and local level, and more. NGOs and employers' organizations can often provide training, as well as legal, auditing, financial and other support. The online [Modern Slavery Map](#) can help you find the right NGO to partner with. If you have limited capacity, join an employers' organization, and take advantage of their knowledge, support, and networks. Partnering with local government can help to reach remote areas.

- ▶ **Make responsible business conduct core to your business**

Invest in good people, policies, and procedures to make sure the business has a positive impact. When working with other businesses, such as suppliers, insist they respect international labour standards and make sure to inspect and support change and continual improvement.

- ▶ **Listen to everyone's perspective**

Forced labour and child labour are systemic issues. All involved have a role to play. This means considering the perspective of workers, suppliers, migrant workers, children, parents, teachers, and more.

- ▶ **Let your voice be heard**

The role of government is to create the right business environment for forced labour and child

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labour eradication. This is especially important in the case of SMEs, who need clear and effective rules and a broader enabling business environment. It is up to the government to create a level playing field for businesses operating responsibly, for example by prioritizing SMEs with an ethical track record in their procurement. To make sure governments get it right, they need to hear from SMEs.

► **Widen your influence**

Have a positive impact beyond the sphere of influence of your own business. Inspire other SMEs through discussion, worksite visits, and sharing your success story. This will help to broaden your positive impact and contribute to creating a level playing field.

► **Keep going and don't give up!**

SMEs can often move fast if they want to but addressing forced labour and child labour requires a long-term approach that involves working with others and changing mindsets. It's one step at a time, and not all steps are forwards, but that doesn't mean you won't get there.

Success story: Wimrob Bees creates livelihoods for 15,000 smallholders in Uganda

Robert Okadia grew up in Northern Uganda and was forced to flee because of the activities of the Lord's Resistance Army, an extremist and terrorist organization. Living in a refugee camp, Robert saw first-hand how a lack of education, skills, and opportunities held back his community.

As an adult, Robert dreamt of having a positive impact on his community by creating decent work and livelihoods. He wanted to convince young people that there were opportunities at home and that it was not worth undertaking a risky journey to find work abroad, a journey that risked ending in exploitation and forced labour.



So, in 2014, Robert set up Wimrob Bees Company Ltd. In just six years this SME has created a network of 15,000 small holder farmers in rural Uganda, mostly women and young people. All are trained and supported by Wimrob Bees to become professional beekeepers.

Wimrob Bees buys the network's honey and beeswax products and sells these on, supplying over 40 supermarkets, 20 hotels, more than 50 health centres and grocery stores, and more than 800 individuals.

Initially, Wimrob Bees lends 10 beehives to each farmer. The farmers make around USD 400 every three months in honey and pay back the beehives in honey in the space of a year. A yearly income of USD 1,600 is significant given the GDP per capita in Uganda is estimated at USD 822.^{vii}

Wimrob Bees has a strong focus on tackling forced labour in its operations, supply chain, and more widely.

- The company's labour statement specifically mentions fighting forced labour.
- The company website raises awareness of forced labour.
- A senior staff member is formally responsible for keeping in touch with the company's different teams and identifying any cases of forced labour or other labour standard infringements. Where these are identified, cases are raised with the local community and addressed.
- Workers are given the time, training, resources, and information to deal with any labour related issues that arise. Wimrob Bees also provides training on labour standards across its value chain.

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- ▶ Wimrob Bees conducts extensive supplier due diligence and has developed a peer assessment tool. Working with partners, including the Federation of Uganda Employers and the government, has helped to keep down costs and maximize impact.

Wimrob Bees currently has 15 full-time and 30 part-time employees. It plans to expand its network to 20,000 beekeepers by 2026. The company's ambitious business plan also focuses on increasing productivity. Wimrob Bees plans to drive annual honey production from 35,000 kilograms to 300,000 metric tons (300,000,000 kilograms) and annual beeswax production from 7,000 kilograms to 50,000 metric tons (50,000,000 kilograms).

'We also plan to create more awareness among Ugandan SMEs on labour best practices, and benchmark these. We want to inspire other SMEs to act through discussions, worksite visits, and sharing our success story'.

Robert Okadia, Founder and Managing Director, Wimrob Bees Company Ltd.

Support from EBMOs can make all the difference

Smaller businesses often have little spare capacity and expertise to deal with issues such as forced labour and child labour. They need to focus on their core business activities. Joining a relevant employer and business membership organization (EBMO) can help.

Generally, good EBMOs:

- ▶ **Share information.** Lack of information means businesses may not act as they simply aren't aware. SMEs also may not understand the cost to their business of (unintentionally) being found to be somehow associated with forced labour and child labour.
- ▶ **Train their members on forced labour, child labour and responsible business conduct more generally.** A trained SME knows what to do.
- ▶ **Provide legal advisory services.** SMEs may not necessarily know what they are required to do according to the law. Some legal terms are very technical, and SMEs may not know what they mean. For example, the term 'due diligence' can be confusing. EBMOs can help SMEs understand what they need to do in their own language.
- ▶ **Recognize good practices.** EBMOs celebrate the success stories of their members, thereby motivating and inspiring others to act.
- ▶ **Represent their members to the government.** Governments need to hear the voice of SMEs to make sure the business environment helps them to flourish and maximize their positive impact. Talking to the government with a unified voice generally has more impact than one business going it alone. EBMOs can make sure that SMEs have a seat at the table.

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The IOE-ILO GBNFL Digital Conference: SME Action on Forced Labour

In March 2022, we, the ILO's Global Business Network on Forced Labour (ILO GBNFL) and our member the International Organisation of Employers (IOE) jointly organized an event where three inspiring SMEs, and the experts supporting them, shared their stories with almost 300 people. This paper is based on that event, a recording of which can be accessed [here](#).



A powerful
and balanced
voice for business

To join us, and for
further information

fl-businessnetwork@ilo.org or visit flbusiness.network

ⁱ 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/>

ⁱⁱ Alliance 8.7 2019. Ending child labour, forced labour and human trafficking in global supply chains

<https://www.alliance87.org/news/child-labour-and-human-trafficking-remain-important-concerns-in-global-supply-chains/>

ⁱⁱⁱ Bonded labour is also known as debt bondage, which exists when labourers (sometimes with their families) are forced to work for an employer to pay off their own debts or those they have inherited.

^{iv} To find out more about forced labour of children, read ILO GBNFL's [Introduction to forced labour of children for businesses](#).

^v See [here](#) for more information on Child Labour Free Zones.

^{vi} In the case of migrant workers in forced labour through debt bondage, the debt is usually incurred during recruitment, with recruitment agencies charging hefty fees which the worker cannot afford and must repay from her/his wages. The recruiter may deceive the workers about the nature and/or conditions of the work. The recruiter may also manipulate the debt, including by applying high interest rates.

^{vii} Data from the World Bank. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=UG> (accessed on 22.03.2022)