

# Report on Supply Chain Compliance Volume 3, Number 11. May 28, 2020

## Addressing the risk of modern slavery during the pandemic

---

By Sascha Matuszak

As the world enters the third month of the COVID-19 pandemic,<sup>[1]</sup> nations are experiencing the secondary effects of the crisis and beginning to plan for future scenarios. Economies are forced into recession, the unemployment rate rises,<sup>[2]</sup> supply chains are affected and companies take whatever measures are necessary to stay afloat.

In this type of environment, temporary measures have a chance of becoming systemic, potentially creating forced labor conditions for millions of displaced workers.

For example, countries like India, Bangladesh and Cambodia rely heavily on the garment industry for jobs and income. With retail consumption down all over the developed world,<sup>[3]</sup> orders are not coming in. Buyers are cancelling existing or finished orders, leaving stock lying around with no market. Additionally, workers often live on-site in dormitories, but room and board is predicated on the factory having work to do. Under these conditions, the access to room and board can force employees into having to work overtime for little or no pay, result in debt or lead to workers being unable to leave the factory. Likewise, with everyone concerned about spreading the virus, any worker who leaves the factory may not be allowed to return with the threat of back pay or other benefits being withheld. This can easily lead to a loss of agency and freedom of movement, which is, by definition, a major indicator of forced labor. People are willing to accept these kinds of circumstances during the pandemic, but if it becomes systemic, it could present a serious problem.

“The whole process is creating enough competition among desperate people that they are willing to negotiate downward and not upward,” said Matt Friedman, chief executive officer of the Mekong Club. “The biggest concern that I have during this time is the potential for increased debt. If the debt belongs to the factory, they can do all sorts of things to leverage it to hold a person in place.”

### First steps

A lot of the dangers imposed by the pandemic’s impact can be addressed and mitigated by companies—particularly tier-one brands—that take the right steps to communicate with their suppliers and vendors. Friedman recommends starting with the following steps:

- Decide what your company can or cannot do under these circumstances, conduct an honest assessment, put together a crisis response plan and communicate it to your supply chain. People must have a reasonable expectation that work will go back to normal at some point.
  - There may be acceptance of policies that would normally not be accepted. This might include temporarily preventing employees from leaving the work site to avoid getting infected. If the company contacts tier-one suppliers and discovers that some of these policies are in place, there must be a time frame and a clear end point.
  - Use the technology available to collect vital information. Conduct audits via phone or video, tap into worker hotlines and use apps for workers that allow you to collect information.
-

- Training must be provided so that everyone can understand how to protect people from the effects of the pandemic, what their rights are and how to ensure that those rights are respected.

Another thing to consider is setting up a multistakeholder platform that brings everyone together to share notes. Factories, especially those deeper in the supply chain command (e.g., raw materials suppliers) are doing this by themselves, and they are not sure what to do. By bringing people together, companies can crowdsource solutions and work to bring different suppliers up to par with each other and with the company policy.

## Governmental action

Sarah Carpenter, manager of business and human rights at Assent Compliance, is optimistic. She points to the fact that governments have responded to the challenge of protecting supply chain workers and the vulnerable during the pandemic by setting clear expectations on how businesses should respond. Australia loosened companies' disclosure requirements under the Australian Modern Slavery Act<sup>[4]</sup> but also reiterated that companies must practice due diligence and prove that they are following the letter of the law. Several other governments have also taken steps to include responsible business practices into COVID-19 relief packages:

- **European Union:** European Commission committed<sup>[5]</sup> to introducing a legislative initiative in 2021 on mandatory human rights due diligence for companies. This will form part of the EU's COVID-19 recovery package.
- **Canada:** Recipients of Canada's Large Employer Emergency Financing Facility will be "required to commit to publish annual climate-related disclosure reports consistent with the Financial Stability Board's Task Force on Climate-related Financial Disclosures, including how their future operations will support environmental sustainability and national climate goals."<sup>[6]</sup>
- **France:** According to the French Minister of the Economy and Finance Bruno Le Maire, a EUR 7 billion support package<sup>[7]</sup> for the Air France business will be conditional on limiting competition with rail services.
- **Denmark:** The country has become one of the first to ban companies<sup>[8]</sup> that are registered in tax havens from accessing financial aid during the coronavirus pandemic.

"These actions are an indication that responsible business conduct is playing a role in government COVID-19 support and recovery packages," Carpenter said. "While these are still emerging, I would not be at all surprised if some of the requirements are linked to companies' modern slavery programs."

## Takeaways

- There is a risk that modern slavery may take root in supply chains during the COVID-19 pandemic.
- Government action indicates that companies are not off the hook regarding responsible business conduct and supply chain due diligence.

<sup>1</sup> "WHO Director-General's opening remarks at the media briefing on COVID-19 - 11 March 2020," World Health Organization, March 11, 2020, <https://bit.ly/3e7lq8M>.

<sup>2</sup> Jonathan Masters, "Coronavirus: How Are Countries Responding to the Economic Crisis?" Council on Foreign Relations, last updated May 4, 2020, <https://on.cfr.org/2Xo69tM>.

- 3 Huileng Tan, “Coronavirus triggers collapse in garment industry demand, putting jobs in Asia at risk,” CNBC, March 30, 2020, <https://cnb.cx/3e5dEMB>.
- 4 “Modern Slavery,” Department of Home Affairs, Australian Government, last updated April 29, 2020, <https://bit.ly/3dYgpzk>.
- 5 European Parliament Working Group on Responsible Business Conduct, “European Commission promises mandatory due diligence legislation in 2021,” webinar, April 30, 2020, <https://bit.ly/2XcUNZr>.
- 6 Prime Minister Justin Trudeau, “Prime Minister announces additional support for businesses to help save Canadian jobs,” news release, May 11, 2020, <https://bit.ly/3bIBaO4>.
- 7 “Trains prioritised over planes in Air France rescue deal,” *Railway Gazette International*, April 30, 2020, <https://bit.ly/3galipE>.
- 8 Nikolaj Skydsgaard, “Denmark blocks firms registered in tax-havens from state aid,” *Reuters*, April 20, 2020, <https://reut.rs/36fEvms>.

This publication is only available to subscribers. To view all documents, please log in or purchase access.

[Purchase Login](#)