Modern Slavery and Human Rights in Global Supply Chains: Roles and Responsibilities of Public Buyers

Policy and practice insights for Higher Education Institutions in the framework of their obligations under the UK Modern Slavery Act

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Executive Summary

- Global supply chains (GSCs) are organised through complex networks which leave workers vulnerable to exploitation and unprotected against abusive labour practices including modern slavery.

- In the past decades attention has focused on business responsibilities for the impact of commercial activities on human rights, but less attention has been paid to the role of states as economic actors and their own duties with regard to their own supply chain, including through public procurement.

- From 2016 UK commercial entities, including Higher Education Institutions (HEIs), have to report on their efforts to identify, prevent, mitigate and potentially remediate modern slavery in their supply chain under the Modern Slavery Act (MSA).

- Modern slavery is used in the UK as an umbrella term which includes: slavery, servitude, forced or compulsory labour and human trafficking.

- The risk of modern slavery is present in all supply chains, both home and abroad.

- Section 54 is a ground breaking clause which has the potential to transform the way we scrutinise human rights impacts of GSCs and how we respond to them.

- Section 54 entered into force in October 2016 and the first round of Slavery and Human Trafficking Statements is to be completed at the end of January 2017.

- The process of writing a Slavery and Human Trafficking Statement is not an easy one. Box-ticking exercises do not represent the spirit and ultimate aim of the regulation.

- Most of the most statements during the first year fall short of what is expected of institutions. There is still a steep learning curve for HEIs before they can claim to understand their supply chain and its human impact.

- UK HEIs need to develop adequate due diligence processes in order fulfil their responsibilities under the MSA and transform the way they think about procurement.

- This Policy Paper provides insights from the first year of reporting under the MSA and guidance for HEIs in the development of human rights due diligence frameworks so that they can rise to the challenge of their responsibilities in the wider effort to combat modern slavery both home and abroad.
Modern Slavery and Human Rights Violations in Global Supply Chains

The nature of global supply chains (GSCs) and the international governance and regulatory gaps in today’s economy have important consequences for the rights of workers, including the creation of enabling conditions for abuse of human rights, forced labour, human trafficking and slavery. This is true for private commercial activities and for public supply chains. However, private companies and public bodies do not share the same obligations and have, until recently, not received the same public demand to address violations in their supply chains.

Global supply chains

Global production of goods is organised in complex GSCs which involve hundreds of companies far away from the end consumer. A central characteristic of current GSCs is that they are buyer-driven. This means that the choices over materials, price and time of delivery – which strongly influence wages and working conditions during production – are being made by companies that do not hold contractual relationships with workers. This system is based on a constant search for the minimization of costs and maximisation of profit margins. Brands and large retailers strive for lower costs at every stage of the chain, reducing transaction costs, relocating production by changing suppliers and squeezing labour costs in particular. Given their strong position in the supply chain, brands and large retailers hold the highest leverage to impose production conditions on suppliers. Equally, these production systems are highly volatile, as they are very dependent on a constantly changeable consumer demand, which makes planning for production, and therefore planning for investment in materials, technologies and workforce difficult. This has led to the flexibilization of the workforce. Suppliers tend to maintain a core workforce and add overtime and/or temporary and casual staff as order volumes rise. The result is a growing trend towards the use of sub-contractors and temporary or casual labour to respond to ever changing demand requirements. This favours short-term and temporary contracts and expands the scope for labour broking, attracting migrant workers, increasing both voluntary migration and illegal smuggling of people. This leaves workers vulnerable to human rights abuses, from labour related violations - such as excessive working hours, insufficient wages, restrictions or denial of freedom of association, discrimination, occupational health and safety risks - to forced labour and human trafficking. It also adds layers to the employment relationship that can further obscure exploitation.

Violations are rampant in many industries, especially in the lower tiers of the supply chain, where manual and unskilled labour is more common. Scholars, international organisations and non-governmental organisations have all denounced these violations. The electronics industry came under the spotlight in 2010 after several Chinese workers committed suicide due, it was alleged, to the harsh working conditions in the supply chain of market leading brands of consumer electronics. The link between the conflict in the Democratic Republic of Congo and mining for the minerals used in consumer electronics has also captured important international attention in recent years. In the garment sector the Rana Plaza disaster left a death toll of 1,130 and many more injured in Bangladesh in 2013. Worldwide media attention has also focused on the recruitment practices and abusive labour conditions of workers in the construction sector in Qatar ahead of the 2020 FIFA World Cup. Laboratory and surgical equipment is produced in Malaysia and Pakistan under minimal wage conditions, long hours and high exposure to chemicals. The food supply chain is riddled with violations, for example, the outright slavery conditions that came to light in 2015 in the shrimp industry in Thailand.
Vulnerability is the main characteristic of workers in these sectors, many of whom are migrant workers (See ILO Facts and Figures 2015 box).

Global governance and regulatory gaps

In this context, the governance and legal framework to regulate these global production systems in order to protect the rights of those involved, has lagged behind. The international legal system for the protection of workers’ rights is not particularly strong. It depends on States to assume their own international obligations by signing international conventions, including those of the International Labour Organisation (ILO) and United Nations, which tend to have weak implementation mechanisms. The regulatory system is thus inconsistent and inadequate. National legal systems also appear deficient to regulate fast, transnational and decentralised supply chains. Additionally, many of the countries where production is concentrated have little incentive to drive away investment by increasing production costs and have weak regulatory systems or lack the means or the will to implement the regulations they do have. Countries where brands are incorporated, on the other hand, have not considered until recently the human rights of those outside their jurisdiction, and therefore have not tended to regulate the behaviour of their own companies beyond their own borders.

Obligations and Responsibilities: The Role of Public Buyers

In past decades, awareness of the responsibility of companies towards the human rights of those working in their supply chains has greatly increased and demands for businesses to behave responsibly have been prominent. These expectations - which found a business response in the form of corporate social responsibility (CSR) - are only recently being matched with legal obligations. The United Nations Guiding Principles on Business and Human Rights (2011 -UNGPs) establish a tripartite framework for policy and legal regulation development, based on:

- the state duty to protect the human rights of those under their jurisdiction;
- the corporate responsibility to respect the human rights of those affected by their activities and business relationships; and
- the need for effective remedies for the victims of corporate related human rights violations.

The corporate responsibility to respect human rights is based on the need for companies to exercise due diligence over their supply chain to identify, prevent, mitigate and remediate risks of human rights violations. Legislation such as the US Dodd Frank Section 1502 (on conflict minerals), the California Transparency in the Supply Chain Act, the UK Modern Slavery Act (Section 54 Transparency in the Supply Chains) and the EU Non-Financial Reporting Directive all develop businesses’ obligations to disclose and report their efforts to
exercise due diligence in their supply chain. These expectations have been more limited towards states’ own supply chains.

States have an obligation to protect the human rights of those under their jurisdiction from third party interference, including from private companies. However, this obligation has traditionally not been considered as to have extraterritorial reach, this is, to demand states to protect those beyond their borders, which is the case of workers in GSCs. But the UNGPs have brought about an important change in this regard.

The state duty to protect extends to the so called state-business nexus, this is, when the state acts as a commercial actor. This means that the obligation to protect human rights should also include public authorities entering into commercial relationships, whether through public procurement or the contracting out of public services (Principles 5 and 6).

It is arguable then that we are witnessing a widening of the spectrum of responsibility towards those working in the supply chain and that public supply chains should also fall within the scope of due diligence demands. It is time for states to take ownership for their own supply chains. The role of states as economic actors, in particular through their public procurement, has come to the centre of the debate on sustainable and socially responsible buying and has become a powerful instrument to respect, protect and promote human rights in GSCs.\textsuperscript{viii}

\begin{table}[h]
\centering
\begin{tabular}{|l|}
\hline
\textbf{UN Guiding Principle 1} \\
\hline
\textit{States must protect against human rights abuse within their territory and/or jurisdiction by third parties, including business enterprises. This requires taking appropriate steps to prevent, investigate, punish and redress such abuse through effective policies, legislation, regulations and adjudication.} \\
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\end{tabular}
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\begin{table}[h]
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\hline
\textbf{UN Guiding Principle 6} \\
\hline
\textit{States should promote respect for human rights by business enterprises with which they conduct commercial transactions.} \\
\hline
\textit{Commentary} \\
\textit{States conduct a variety of commercial transactions with business enterprises, not least through their procurement activities [...]}. \\
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Whilst procurement policy has long been used to pursue social goals, it has been limited to domestic policies such as promoting local employment and manufacturing, confronting discrimination at work or supporting integration of particular vulnerable groups, including people with disabilities.\textsuperscript{x} But it is only recently that the potential for public procurement to positively influence working conditions in GSCs is being explored.\textsuperscript{x} An increased awareness and responsibility to take into account human rights and working conditions when procuring goods by public buyers has a great potential to transform not only public buying but also conditions in GSCs, by creating market demand for responsibly manufactured goods. This is particularly true considering that public procurement globally accounts for one-thousand-billion euros annually, and governments in OECD member states spend on average just above 19% of their GDP on public procurement\textsuperscript{xi} and an average of 16% in the EU.\textsuperscript{xii}
The UK Modern Slavery Act and the Slavery and Human Trafficking Statement

The UK Modern Slavery Act 2015 (MSA) received royal assent on 26 March 2015. The Act establishes a comprehensive framework to combat slavery, servitude and forced or compulsory labour and human trafficking and to guarantee the protection of victims. It also contains a ground-breaking clause which has the potential to transform the way we scrutinise and assess the human impacts of GSCs and how roles and responsibilities are distributed in the protection of human rights in the context of labour relations: this is the Transparency in Supply Chains provision (Section 54), which came into effect on 29 October 2015.

What is modern slavery?

The term modern slavery is an umbrella term used in the UK to encapsulate a series of different violations which go beyond slavery per se, but all of which have in common the fact that individuals are abused and their human rights violated in order to exploit them for the purpose of work or services. The violations contemplated in the term modern slavery are different offenses and as such are defined in separate instruments of international law, each of which impose different obligations on signatory states (see International Definitions box for definitions). These conventions are as old as the international community’s concern over the need to protect the rights of individuals, even before we had a Universal Declaration on Human Rights (1948). The more recent ones, such as the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children (2000), the OSCE Action Plan to Combat Trafficking in Human Beings (2003) and the EU Directive on Preventing and Combating Trafficking in Human Beings and Protecting Victims (2011) all take account of the new reality of how the commercialisation with human beings has become a highly profitable transnational
economic activity, which impacts people all over the world.

The definitions of each offence contained in Part I of the MSA are based on these internationally agreed definitions. Public buyers may not encounter all the offences in their supply chain, but all supply chains are exposed to the risk of exploitation of human beings and therefore, all public buyers are subject to these risks and the responsibilities to undertake efforts to identify, mitigate and prevent them.

Section 54: Transparency in Supply Chains reporting and its application to Higher Education Institutions (HEIs)

This section requires commercial entities to report annually on their efforts to identify and prevent modern slavery in their supply chain through producing a Slavery and Human Trafficking Statement. It was included in the MSA after many of the national and international organisations and experts working to combat labour and human rights abuses and transnational organised human trafficking succeeded in demonstrating how our current supply chain system leaves millions of workers, both abroad and within our borders unprotected and vulnerable to exploitation. This provision seeks to use transparency as a tool for commercial organisations to take informed business and purchasing decisions and for consumers to have the right information available when making their choices.

The MSA defines commercial organisations as suppliers of goods or services which have a total annual turnover a threshold established by the Government, currently set at £36 million or more (Section 54: Transparency in Supply Chains I box).xvi Whilst this provision was intended for private commercial organisations the definition clearly includes certain public bodies, which although regulated by the public procurement regime, the Public Contracts Regulations 2015, are also considered commercial organisations.

Among these are over one hundred Universities and Higher Education providers, which receive public funding from the Government at the same time as act as commercial entities, charging fees for the services they deliver. Whilst many companies were already expecting this provision and had in fact participated in the Government consultation,xvii Universities have not been engaged in this process. They have had to wake up to an important reality: they too are players in fighting modern slavery, human trafficking, forced labour and more generally human rights violations in supply chains.

As mentioned, public procurement has been used to promote social inclusion and the employment of disadvantaged groups, as well as for the achievement of environmental sustainability goals for a long time. The UK has had a strong tradition of such practices, and has since 2012 demanded that people who commission public services think about how they can also secure wider social, economic and environmental benefits, through the Public Services (Social Value) Act 2012.xviii However, the long standing principle of “value for money” in procurement has usually got in the way of the wider application of social considerations when purchasing. The MSA, among other developments is challenging this and could prove a key element in the promotion and protection of the human rights of those who make the products

Section 54: TRANSPARENCY IN SUPPLY CHAINS (I)

(1) A commercial organisation [...] must prepare a slavery and human trafficking statement for each financial year of the organisation.

(4) A slavery and human trafficking statement for a financial year is—

(a) a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place—

(i) in any of its supply chains, and

(ii) in any part of its own business, or

(b) a statement that the organisation has taken no such steps.
or provide the services purchased. More specifically, public buyers are now having to think about how their purchasing practices impact the human rights of those both at home and abroad. And HEIs are at the forefront of this development.

Universities in the UK have for some time been concerned with the environmental impact of their procurement. Sustainable procurement policies are common, and many institutions are making efforts to develop ethical procurement practices.

However, the new MSA legislation demands that they go one step further: HEIs should devise policies, procedures and actions to ensure that they are not contributing to the exploitation of human beings through slavery, forced labour and human trafficking.

During 2016 Universities have had to undertake their first round of reporting under the MSA and should publish, linked directly to their homepage their Slavery and Human Trafficking Statement. According to the UK Government Guidance on section 54, the report is expected to be published in the 6 months after the end of an organisation’s financial year. This means that by 31 January 2017 all universities’ statements should have been made public.

Not Just a Compliance Exercise: Due Diligence, Beyond Reporting

The Act does not contain a prescriptive set of elements which reports must contain. It merely suggests 6 information categories that could be included in the statements. These relate to: the structure and policies of the organisation, due diligence procedures, risks and responses, measuring mechanisms and staff training (see Section 54: Transparency in Supply Chains II box).

There is also the possibility, which is compliant with Section 54 to report that the organisation has taken no steps toward the identification and prevention of modern slavery in its supply chain (Section 54: Transparency in Supply Chains I box). Universities considering this option should think hard before publicly declaring to their stakeholders - students, staff, their local communities and the general public - that whilst in the business of educating people and improving their lives they are ignoring those that may be harmed by their purchasing decisions.

Section 54: TRANSPARENCY IN SUPPLY CHAINS (II)

(5) An organisation’s [...] statement may include information about—
(a) the organisation’s structure, its business and its supply chains;
(b) its policies in relation to slavery and human trafficking;
(c) its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
(d) the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
(e) its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
(f) the training about slavery and human trafficking available to its staff.

Much of the responsibility for the statement has fallen on procurement practitioners within HEIs. They may be ones who know what is bought and who from, however, understanding the supply chain, and more importantly the human impact of the purchasing choices of an institution goes beyond the people in the front line of buying. Procurement departments need support and commitment from senior management to perform this task and to foster a new culture within institutions. Statement needs to be signed and approved by the persons at the highest level of management (subsection 6), therefore the it is not a one person, or one department even, task: it is a
whole institution commitment and challenge to raise up to this responsibility what HEIs are faced with.

Slavery and Human Trafficking Statements are intended to be a live document, based on a process of discovery, commitment and acknowledgement of responsibility within each institution. It is an organic document which should be a reflection of a process of due diligence which deepens every year. The statement is not the outcome, the statement is the vehicle to commence, strengthen and own a sound due diligence process which allows institutions to know the risks their activities pose on human rights, modify their practices to prevent such risks, establish procedures to react to violations, mitigate their impact and when possible remediate them. This is what universities should be doing; writing it down and putting it on their website is just the last step of a serious and sound process, not the aim in itself.

All institutions are used to developing due diligence, but invariably this is based on the risks posed to them. In order to comply with the MSA public buyers need to change their conception of what risk is and perform human rights due diligence: this is to think of the risk their activities pose to the human rights of people impacted by such activities. Once those are identified, they must be acted upon. Public buyers in general, and HEIs in particular are less used than private institutions to exercise their leverage through buying power. Such leverage goes beyond the purchasing capacity and category spend. Partnerships and collaborations to enhance and maximise this leverage are key.

Understanding the elements described is essential when facing the responsibilities Universities have been tasked with by the MSA. When undertaking a human rights due diligence process institutions need to ask themselves:

- What are the goods and services I buy? Who makes them?
- What are the characteristics of the supply chain? What are the risks for those involved?
- What measures do I have in place or need to develop?
- How do I measure their effectiveness and learn from these results?

These questions should feed into a comprehensive Modern Slavery Policy, which in turn feeds from existing sustainability and ethical policies and which would provide solid grounds for future due diligence and reporting processes.

The final box (Human Rights Due Diligence Process) contains the slide the author of this paper uses in her trainings to HEIs on the roles and responsibilities of public buyers towards human rights in their supply chain. The slide is intended to provide a framework for an initial enquiry for public buyers to think about how to design their own internal processes.

One Year Assessing Our Supply Chain: What Have We Learnt?

Interestingly, the first to produce a report was not a HEI but a purchasing consortium, a professional buying organisation in the sector: London Universities Purchasing Consortium (LUPC), whose members include most London Universities as well as several colleges, museums, galleries and cultural institutions. Even thought LUPC does not turnover the prescribed £36 million a year, doing so has provided guidance and encouragement to academic institutions. It also reinforced the idea that beyond a compliance process the MSA has brought an opportunity to reflect on institutions’ social impact.

Universities’ 2016 statements are relatively scarce in content and they rarely include reference to the full list of contents suggested in the Act and Guidance. They mostly focus on stating the
current policies, which in most of cases does not foresee supply chain human rights risks. Very few distinguish the purchasing categories and even less point at specific risks which may be found on such product categories supply chain. Whilst several statements refer to the institutions’ support for the Ethical Trading Initiative Base Code,\textsuperscript{xx} which contains a series of labour rights principles, they do yet not go into detail into their own due diligence process and how they have or plan to map their own supply chain in order to assess risks of modern slavery, forced labour and human trafficking. None of the statements admits suspecting or having found, or come even close to recognising the scale of the potential risks. Several institutions have provided their staff with external training on modern slavery in the supply chain which is a very positive first step.

In general, there is a steep learning curve for HEIs before they can claim to understand their supply chain and its human impact. During 2016 they have fallen short of providing substantive evidence of having assumed their role in the wider efforts to combat modern slavery and their responsibilities as key elements of the State in the fulfilment of its responsibility to respect, protect and promote human rights.

The new requirement under the MSA should be greeted as an opportunity to review existing policies and enhance social and ethical commitments. Public buyers cannot elude their new legal responsibilities towards their own supply chains, and their obligations to identify and prevent human rights risks associated with their purchasing decisions are only likely to increase in the future.\textsuperscript{xx} Whilst reporting is not the panacea, and transparency on its own cannot bring meaningful change to current abuses in GSCs, Section 54 of the MSA has proved a catalyst for a wider process of understanding the human rights risks attached to institution’s commercial relations. Further reporting practice will allow universities to develop and their own due diligence processes and learn the right questions to asks to their suppliers and provide the right answers to their stakeholders.

The first year of implementation of the MSA has made us aware, ready and committed to assume the important role of ensuring that no human suffering is involved in producing the goods we buy; human suffering is not, and should never be, a part of the value for money equation. Sooner rather than later we will not need the term ‘responsible procurement’ to refer to public buying practices that are respectful to human rights ... we will simply call it ‘public procurement’.

SLAVERY AND HUMAN TRAFFICKING STATEMENTS REPOSITORIES

Whilst there is no official repository of the statements several organisations are collecting them:
- TISC Report: https://tiscreport.org/
Human Rights Due Diligence Process for HEIs

A framework for initial enquiry


©2016 Due diligence process slide.

Training Course designed and delivered by Dr. Olga Martin-Ortega for the Higher Education Purchasing Academy (HEPA) during 2016.
Conclusions and Recommendations

- Millions of people live and work under conditions of exploitation, which are directly related to the way GSCs are organise and how goods and services are purchased.

- Modern slavery happens both home and abroad.

- Public buyers are key actors in the transformation of GSCs and in bringing positive change to minimise and address the impact of modern slavery.

- The UK MSA Transparency in Supply Chains section has proved a catalyst for a wider process of understanding the human rights risks and responsibilities of commercial organisations, including HEIs.

- Universities need to take these new responsibilities seriously, devoting the necessary resources and human capital to them.

- Public procurement teams alone cannot undertake these responsibilities. It is an institution-wide process which demands commitment from the highest management level.

- Composing and publishing the Slavery and Human Trafficking Statement is only one part of the process. It is not the aim.

- The aim is to develop internal human rights due diligence processes which allow Universities to understand their own supply chain, the human rights risks associated to them and how to better address them, as well as assess the effectiveness of such measures.

- Through due diligence process HEIs should establish systematic ways to access and assess information on their supply chain and avenues for dialogue and engagement with suppliers.

- Preventing, mitigating and remediating human rights risks in their supply chain does not necessarily imply terminating relationship with suppliers.

- Universities have more leverage than usually considered, through engagement and collaboration with suppliers, civil society organisations and stakeholders, including staff, students and local community, this leverage can be articulated to have a real impact.

- The Slavery and Human Trafficking Statement is a live document, which should serve a vehicle to change policies, commitments and behaviours to guarantee that purchasing choices do not contribute to the violation of the rights of those who produce the goods or deliver the services we buy.
About the author

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Participants to the Electronics Watch Affiliates Meeting and Greenwich Symposium on Responsible Public Procurement, December 2016.

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International Legal Discourse, 10:1, 2016, pp. 43-75 and Metheven O’Brien et. al., supra note vii.

NOTES


iii Ibid.

iv van Heerden, A. Identifying, managing, mitigating and preventing forced labour and modern slavery, Ethical Trading Initiative, 2015.


ix Martin-Ortega, Outhwaite and Rook, supra note i; Outhwaite, O. and Martin-Ortega, O. ‘Human Rights in Global Supply Chains: Corporate Social Responsibility and Public Procurement in the European Union’, Human Rights & International Law at Last?


xiv See McCruden, C., supra note vii.


xvii At the time of writing the private member’s Bill to amend the MSA to widen its application to public buyers is being considered in the House of Lords, see http://services.parliament.uk/bills/2016-17/modernslaverytransparencyinsupplychains.html.