



# Understanding Labor Risks in Palm Oil Production

## What is Forced Labor?

The ILO defines forced labor as “all work or service which is exacted from any person **under the menace of any penalty** and for **which said person has not offered himself voluntarily**”.<sup>1</sup> This means that a person is in a forced labor situation if they have entered into a job against their will, or without informed consent, and cannot leave that job without penalty or a threat of penalty of any kind. In this case, a penalty could include physical constraint or punishment, or other forms of abuse such as threats of deportation, the confiscation of passports, or the non-payment of wages that effectively binds a worker to a job or employer.

## What is Human Trafficking?

Human trafficking can lead to forced labor. It involves the movement of a person, usually across international borders though increasingly also within the boundaries of a single country, by means of threat, deception or abuse of vulnerability for the purpose of exploitation. The United Nations Palermo Protocol of 2000, which provides the internationally-accepted definition of human trafficking, states that this abuse involves three key elements: actions, means and purpose.<sup>2</sup>

<b>Actions:</b>	Include the recruitment, transportation, harboring, and receipt of a person – a woman, man, or a child.
<b>Means:</b>	Refers to the threat or use of force, deception, or the abuse of vulnerability and power.
<b>Purpose:</b>	Refers to exploitation, including forced labor, servitude, slavery, and practices similar to slavery.

When a human being is trafficked for the purposes of forced labor, the result is modern day slavery.

## The Global Scope of the Problem

According to the ILO, there are a minimum of 20.9 million people in forced labor around the world at any given time.<sup>3</sup> This includes 11.7 million forced laborers in Asia, the region with the greatest prevalence of abuse. Global research has revealed that agriculture, forestry and logging, and food processing are among the key industries vulnerable to human trafficking and forced labor. The estimated illicit profit generated by trafficked forced laborers is placed by the ILO at approximately US \$32 billion annually, while the cost of coercion to workers in lost wages, illegal deductions and/or excessive fee charges is estimated at almost US \$21 billion each year.<sup>4</sup> According to some, this makes human trafficking the third most profitable criminal enterprise in the world, following the illicit trade in drugs and arms.



Fair Labor. **Worldwide.**

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1. ILO Forced Labor Convention, 1930 (No. 29). See: ILO, Combating Forced Labor: A Handbook for Employers and Business, 2008.

2. UNGIFT, Human Trafficking and Business: Good Practices to Prevent and Combat Human Trafficking, 2010.

3. ILO, Global Estimate of Forced Labor: Results and Methodology, 2012.

4. ILO, The Cost of Coercion: Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, 2009.



## Labor Exploitation and Palm Oil

Exploitative working conditions have been attributed to palm production in recent years. These include excessive working hours, occupational safety and health hazards, child labor, forced labor, and the trafficking of migrant workers. Irregular migration to some palm oil producing countries, as well as unethical and deceptive recruitment of migrant workers have also been flagged as commonplace, exacerbating the vulnerability of labor migrants. The geographic remoteness of palm plantations further heightens workers' vulnerability. The following list presents a set of common indicators associated with forced labor and human trafficking in practice.

## Identifying Forced Labor and Human Trafficking in Practice: Common Indicators of Coercion

- Physical confinement to the work location
- Deception or false promises made by an employer or recruitment agency about employment terms or conditions
- Physical or sexual violence against the worker
- Threat of deportation or denunciation to authorities against irregular migrants
- Restrictions on freedom of movement
- Levying financial deposits or "security" fees to bind workers to employment
- Excessive recruitment fees charged to workers
- Withholding or non-payment of wages
- Retention of identity documents or other valuable personal possessions
- Levying of financial penalties
- Worker indebtedness created by the falsification of accounts or excessive interest rates charged on loans
- Deprivation of food, shelter or other necessities
- Contract substitution

## Understanding the Risk to Business: Making the Case for Action

The abuse faced by trafficked migrant workers – e.g. the deception of dishonest labor brokers, induced indebtedness or coercive practices in the workplace – present a myriad of risks to global business. These risks can take a variety of forms, and can present themselves across a variety of business "locations", including:

- Within a company's own operations;
- Across global supply chains;
- In the murky waters of extensive sub-contracting and outsourcing systems;
- At the commodity "base" of the value chain; or
- Through the deceptive actions of third party business partners or service providers, such as labor brokers, security services or cleaning companies.

Risk may be direct or indirect, and may take forms that a company or brand may or may not be aware of. To make sense of this complexity, the chart below indicates the different types of risk that pose a threat to business. Taken together, they present a clear case for taking effective action against forced labor.



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## Case Study

### Eric from the Philippines: Trafficked to Palm Plantations in Sabah

Eric was a 23-year-old farmworker from the Philippines who decided to pursue employment as an Overseas Foreign Worker in Malaysia. Eric’s recruiter offered him a plantation job that paid US\$444 per month, including meals and accommodation, with potential for overtime. He was told that his work visa would be given to him at the job site. Upon arrival, Eric’s passport was taken. He was housed with 9-12 workers per bedroom and charged US\$10 a week for food, which amounted to almost two days of work. Workers had a quota of 150 fruit bunches a day. If workers didn’t meet the quota, they had to continue working, miss their ride and walk 1.5 hours home through dense and dark thickets. Food and water were inadequate. Eric had to buy canned food on credit and boil rain water for drinking and cooking. Eric never received his work visa. He was not paid at all at the first plantation and left after two weeks for another plantation with even poorer living conditions. When work conditions did not improve at the second plantation, a group of workers objected. In response, the labor contractor had the workers arrested for improper work visas. Eric was taken to a detention center for deportees, where he spent almost ten months. Eric’s total loss was US\$2859, and he received no pay during his stay. He was unable to pay off the loan he took to pay the recruiter’s fee.

## Forms of Business Risk Associated with Forced Labor & Human Trafficking

<p><b>Legal Risk</b></p>	<p>Forced labor and human trafficking are considered crimes in most countries around the world. Companies found involved or complicit in such activity could face prosecution resulting in criminal or civil sanctions including fines, compensation to victims and imprisonment. Forced labor and human trafficking are also considered violations of international human rights law.</p>
<p><b>Threats to Brand Value &amp; Company Reputation</b></p>	<p>Allegations of forced labor and human trafficking can present serious threats to brand value and company reputation, particularly for those companies operating in consumer goods industries. Brand “contamination” can be difficult to reverse, and allegations such as these can threaten both existing and future business partnerships, resulting in a loss of contracts and/or future business opportunities.</p>
<p><b>Trade-Related Risk</b></p>	<p>In some countries, trade regulations strictly prohibit the import of goods that have been produced by trafficked or forced labor. In these jurisdictions, allegations of abuse can result in imported goods being seized by public authorities, inspected, and released only when shown to be untainted.</p>
<p><b>Threats to Investment &amp; Finance</b></p>	<p>Allegations of human rights abuse, forced labor and human trafficking can significantly threaten investor relations and risk divestment from both ethical and mainstream investors. They can also jeopardize access to public funds such as export credits, as public authorities increasingly link the financial support they provide to business with proven ethical performance.</p>



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## Further Resources

ILO, Combating Forced Labor: A Handbook for Employers and Business, 2008.

UNGIFT, Human Trafficking and Business: Good Practices to Prevent and Combat Human Trafficking, 2010.

Verité, A Fair Hiring Framework for Responsible Business, 2011.

Verité, Fair Hiring Toolkit, 2011. ([www.verite.org/helpwanted/toolkit](http://www.verite.org/helpwanted/toolkit))

**VERITÉ** is an international not-for-profit consulting, training, and research NGO that has been a leader in supply chain social responsibility and sustainability since 1995. Verité is a member of the Alliance to End Slavery and Trafficking in the United States, and has presented its solutions to forced labor at the Clinton Global Initiative. For its work, Verité was winner of the Skoll Award for Social Entrepreneurship in 2007 and the Schwab Social Entrepreneur of the Year Award for 2010.

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