

# FORCED LABOUR'S BUSINESS MODELS AND SUPPLY CHAINS

This study analyses how businesses make money from forced labour. It develops a conceptual model of the business of forced labour and sets out the darker side of the labour supply chains of cannabis 'grow-ops', the construction industry and the food sector.

## Key points

- This new conceptual model is based on the types of businesses conducting forced labour and how money is made from it.
- How the UK economy functions (e.g. low business regulation and work/immigration policies) creates a pool of people who are vulnerable to forced labour.
- Forced labour in the UK is not hidden. Mapping supply chains demonstrates not only where forced labour is likely to occur, but also where informality meets the formal economy.
- Forced labour is associated with informality. The product and supply chains involved illustrate how informality becomes the gateway to forced labour.
- Sector-specific conditions within the cannabis, construction and food industries allow for the possibility of forced labour as follows:
  - illegality of the product (cannabis);
  - volatility and self-regulation of labour providers (construction); and
  - seasonality (food).
- Current approaches are limited in their effectiveness at preventing, detecting or prosecuting the crime of forced labour.

## The research

By a team from Queen's University, Belfast, Simon Fraser University (Vancouver), University of Sheffield and York University (Toronto).

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# BACKGROUND

This study analyses how businesses make money from forced labour. It considers how the structure of the UK economy, through ‘light-touch’ regulation of business and a heavy hand on immigration, creates a segment of the workforce, at or near the national minimum wage, susceptible to forced labour. The supply chains of cannabis ‘grow-ops’, the construction industry and the food sector are mapped out to demonstrate where forced labour may enter these sectors, but also where the formal economy meets informality and breeds exploitation.

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## Vulnerability to forced labour

The UK economy has a number of elements which create vulnerabilities in people which may then allow for forced labour. These include:

- ‘light-touch’ business regulation, allowing limited rights for workers;
- policies around work and immigration which, in law and practice, exclude people from working in the formal sector;
- allowing sectors of the economy (excluding those governed by the Gangmasters Licensing Authority (GLA)) to self-regulate; and
- the lack of enforcement of labour standards, which creates a sense of impunity for employers.

These vulnerabilities are most evident in jobs paying at or around the national minimum wage. When these vulnerabilities are mapped on to industry-specific conditions, the likelihood of forced labour being found in the supply chains can become acute.

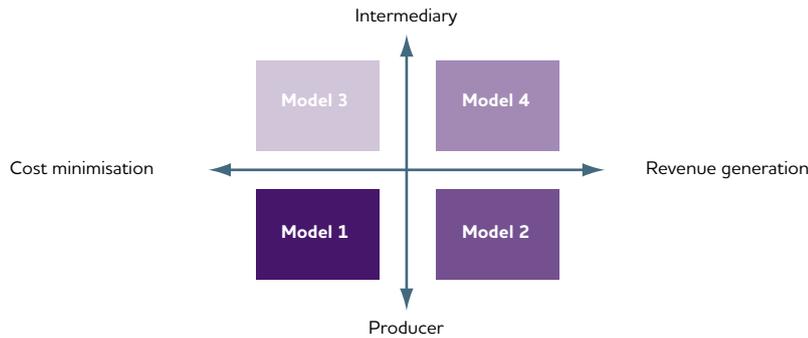
The fact that cannabis cultivation is illegal, and gardeners continue to be treated as criminals rather than victims, means that trafficking into forced labour within cannabis grow-ops continues with impunity. In the construction industry, the issue of bogus self-employment engendered by self-regulation, coupled with the volatility of the industry, creates the conditions for forced labour to emerge. Particularly when deadlines loom, construction sites may include workers in regular employment, those working informally – but also, within that element of the workforce, those in a situation of forced labour.

The seasonal nature of food means that when heavy demand for labour is required within the industry, forced labour in the labour supply chain becomes a real possibility. When retailers are forcing down prices and labour providers are already recruiting at or near the national minimum wage, the scope to offer ancillary services that generate additional revenue at employees’ expense may open the door to exploitation and forced labour.

## Business models and forced labour

Forced labour will only be used when it makes business sense to do so – that is, it has to reflect an underlying business model which determines its economic feasibility. As Figure 1 shows, businesses make money from forced labour in one of two main ways – either using it to minimise costs and/or to generate additional revenue. Costs can be reduced by minimising labour costs and/or minimising risks, whilst revenue can be generated by charging for ancillary services and/or theft of benefits. There are two broad types of businesses conducting forced labour: direct producers and intermediaries (e.g. labour agencies). Combining these types with the two main ways of making money gives rise to four main business models as shown below.

**Figure 1: Business models of forced labour**



## Labour and product supply chains

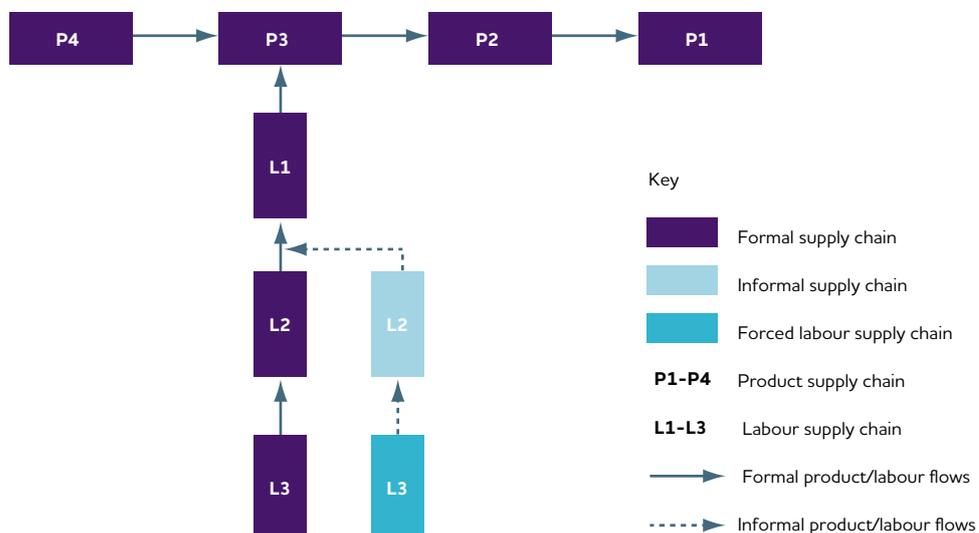
The business of forced labour must be understood within both the product supply chain and the labour supply chain (see Figure 2). Mapping these supply chains reveals the relationships between relevant economic actors and helps identify where and how the formal business sector intersects with the informal sector, which is where forced labour occurs.

Forced labour in the UK is almost always associated with some degree of informality. However, because different industries are characterised by significantly different product and labour supply chain arrangements, this informality will take different forms. It might emerge in subcontracted product supply chains, in labour supply chains involving different types of intermediaries, or a combination of the two. Figure 2 demonstrates how the grey economy finds its way into the labour supply chain, comprising several tiers of labour market intermediaries such as labour providers or agencies. Where this happens, there is a greater possibility for more extreme exploitation in the form of forced labour, which in turn ends up, ultimately, in the formal production process.

## Combating forced labour

As awareness of forced labour has grown in recent years, businesses, non-governmental organisations and governments have developed systems intended to combat it. Interviewees highlighted the limited effectiveness of these systems in preventing, detecting and prosecuting forced labour.

**Figure 2: Simple labour and product supply chains with forced labour by intermediary**



No initiative so far has addressed in any fundamental way the underlying business models of forced labour. An understanding of how forced labour makes its way into product and labour supply chains is required to better disrupt the business of forced labour.

## Recommendations

A Multi-Stakeholder Action Plan (MSAP) should be developed to:

- Put in place a UK-wide Advisory Panel to better coordinate activities.
- Disrupt the business of forced labour, by regulators, law enforcement, business and civil society organisations carefully targeting interventions in the formal and informal economy.
- Ensure that Government takes a lead in ensuring that forced labour is regulated out of the UK market.
- Price extreme exploitation out of the market by increasing the cost of recruiting vulnerable people into forced labour.
- Ensure the cost of workforce flexibility is met by the producers (such as farmers, factory owners, and construction companies) who ultimately make use of flexible labour.
- Hold intermediaries accountable for the introduction of sub-contracted labour into supply chains.
- Regulate all labour providers involved in the supply of labour at or near the national minimum wage, through licensing.
- Establish regulatory oversight over audit firms.
- Require social audit firms to share data on incidences of suspected exploitation or criminality.
- Ensure recognition by law enforcers and prosecutors that, in cases of cannabis grow-ops, gardeners may be in situations of forced labour.

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## About the project

This study drew on primary and secondary data from January to May 2013. The first phase, secondary data collection, involved an extensive desk-based literature review of forced labour in the UK, with particular focus on the food and construction industries as well as cannabis cultivation. The second phase was empirical, with primary data collection gathered through 32 interviews of experts in forced labour, including academics, barristers, CEOs, employer representatives, law enforcement agents, NGO representatives, social auditors, researchers and trade unionists. The team consisted of Jean Allain (Queen's University, Belfast), Andrew Crane (York University, Toronto), Genevieve LeBaron (University of Sheffield), and Laya Behbahani (Simon Fraser University, Vancouver).

## FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

The full report, **Forced labour's business models and supply chains** by Jean Allain, Andrew Crane, Genevieve LeBaron and Laya Behbahani, is available as a free download at [www.jrf.org.uk](http://www.jrf.org.uk)

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