



**Testimony by Dan Viederman
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Hearing: Modern-Day Slavery and What We Buy
United States Congress Tom Lantos Human Rights Commission
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Mr. Co-Chairmen McGovern and Wolf, and other distinguished members of the Tom Lantos Human Rights Commission, I'm honored to be able to speak before you today to present Verité's perspective on the continued presence of modern-day slavery in corporate supply chains and what needs to be done to eliminate it.

Verité's work since the 1990s has been to illuminate human rights and labor rights violations in the global supply chains of multinationals and their supplier factories and farms. For the most part we work in confidence with client companies – they give us access to their operations, and we tell them what we find and how to solve it.

Beginning in 1998, during the conduct of so-called labor audits, we noted the correlation between the presence of foreign migrant workers on short-term contracts and serious labor rights abuses: health and safety violations, restrictions on movement, sexual abuse and harassment, wage underpayment, excessive working hours and other violations of international conventions, national labor law, and corporate Codes of Conduct.

Further investigation – from visionary funders including Humanity United – led us to quantify the cause of this correlation: high levels of debt incurred by migrants paid as fees to third party intermediaries like labor brokers. Having borrowed thousands of dollars to pay these labor brokers at high rates of interest, securing these loans with what few assets they have, workers cannot risk losing their jobs.

A story from a recent investigations in Taiwan illustrate the problem. At a Taipei shelter for vulnerable migrants, we met a college-trained Filipina named Edz. She was working cleaning toilets at a factory, despite having been promised a \$600/month job at a cell phone plant. How she got there, and why she couldn't leave, is a story of forced labor in the global economy, one repeated millions of times in numerous other countries and industry sectors.

In the Philippines traveling abroad for a job is both big business and a desirable career path, considering the lack of jobs at home. Edz has a big family and wanted to help them out. She met a recruiter who

promised her a good job in Taiwan. She borrowed close to \$3500 from a money lender to pay this labor broker. After a bunch of paperwork, a medical exam and a few bus trips, she flew to Taiwan.

When she reported for work, she found out the job paid about \$325 a month, or \$1.15 an hour (well below the legal wage in Taiwan). From that income, she had to pay \$185 monthly – over half her income – to service her debt. She was charged \$50/month to share a room in a decrepit and dangerous house. Another \$40 went to pay the fees for the Taiwanese labor broker, who took her passport. This left her with just over \$50 to cover food, transport and any other expenses per month. She didn't have enough money to send home.

Why didn't Edz leave? Why don't workers like her simply find other jobs? The answer is the heart of what makes these paid laborers modern-day slaves. Their debt acts as an instrument of control, binding workers to this facility and this employer. Leaving this job means they will have violated the terms of their visa and become illegal immigrants, subject to detention and deportation. In the vast majority of cases like hers, employers keep passports and identity documents – and frequently charge workers hundreds of dollars to retrieve them. If workers do leave – or lose their jobs because they asked for safer conditions or fewer overtime hours, or otherwise advocated for themselves beyond the patience of the employer – they will have no way to pay back the loans that they took. In many cases, the people who helped facilitate their migration have connections to organized crime, so workers have to keep paying their debt or risk the safety of their family back home. All it takes is a simple cell phone call from someone in Taiwan telling a henchman in the Philippines that Edz is not being cooperative and her family back home is harassed.

The story of Edz is a common one in multinational supply chains.

Rafiq was a farmer from Indonesia who sought work in palm plantations in Malaysia. He was offered a job paying US\$444 a month with the potential for overtime, and promised a work visa on arrival. When he got to the site, his passport was taken away, he was presented with unreachable quotas and forced to live in squalid conditions. When he and a group of workers objected to their treatment, the labor contractor had them arrested for improper work visas. He spent 10 months in a detention camp before finally being sent home, at a total loss to him of over \$2500.

It is not just businesses that face these risks. Migrant workers build universities and museums in Abu Dhabi, Olympic and World Cup infrastructure in Russia and Qatar, and provide services at US government facilities abroad. Any sector that employs migrants runs a serious risk of employing slaves.

Verité's on-the-ground work in global supply chains routinely uncovers situations where unethical labor brokers and corrupt government officials are instrumental in greasing the wheels to traffic migrants into situations that amount to forced labor. These agents and brokers pay bribes to an assortment of players in the foreign labor supply chain including complicit employers and government officials from labor, immigration, border control, and law enforcement authorities in source and destination countries. These kick-backs and bribes are funded by the illegal and excessive fees charged to workers. Indeed, the connection between modern-day slavery and corruption is a risk not only for workers, but also for the companies that employ them -- where corrupt payments to foreign government officials result in an

indirect or direct benefit to an employer such as cheap migrant labor, a company could find itself violating the Foreign Corrupt Practices Act.

Behind these stories are statistics. According to the ILO, around 14M people are in conditions of forced labor for economic (as opposed to sexual) exploitation; 9M of them entered forced labor after they migrated either domestically or internationally. As you can see from the examples I have given and those shared by others, the problem of recruitment related debt bondage spans the globe, is seen in multiple sectors and at all levels of the supply chain largely because it is linked to pervasive outsourcing of recruitment, which happens as much in developed economies as it does in the poorest countries. So, the problem of forced labor today indeed affects the most vulnerable people desperate for work, but does not happen only in the poorest countries or the most miserable work sites.

The good news is that these problems can be solved, but not by standard 'corporate social responsibility' practices. Forced labor is a hidden problem – employers don't want you to know about it and sometimes themselves are not fully aware of how they are connected to the illegal and brutal practices of traffickers who are connected to the provision of labor, and workers are afraid to speak up lest they lose their jobs and are forced home deeper in debt than when they arrived. For multinationals and their suppliers, the steps to resolution are clear:

- Identify where migrants are working, how they got there and what conditions they face: what recruitment agents were used in the home country and in the country of employment? How much debt are they carrying and to whom? Were government officials bribed to facilitate their migration? Do workers have access to their passports? Is there a credible mechanism by which they can alert a trustworthy, neutral group that they are being exploited?
- Set clear policies that prevent workers from paying fees to get a job and providing full access to passports so that people can leave their employer.
- Build understanding and capability among employers on how to meet those policies.
- Ensure that employers only recruit through labor brokers who can demonstrate the understanding and capability to treat workers fairly and lawfully.
- Share information throughout an industry sector so shared exposure to unethical recruiters can be acted on jointly, eliminating the market for exploitative recruitment.

This can be done. Through concerted effort and focus over four years in partnership with Verité, Apple has facilitated the reimbursement of over \$16 million to workers who paid excessive fees to work in Apple suppliers in Asia. Some of the largest retailers in the world have committed to piloting Verité's framework for ethical recruiting among their agriculture suppliers. Apparel companies have begun to conduct risk-based due diligence on their Taiwan and Philippines-based brokers. In doing so, these companies are eliminating the terrible risks faced by workers, supporting better human resources management among their suppliers, and eliminating a host of illegal and unethical middlemen – the recruiters – from their operations.

An emerging regulatory regime strengthens the pressure on companies to take action. The California Transparency in Supply Chains Act required much-needed disclosure; President Obama's Executive

Order Strengthening Protections Against Human Trafficking in Persons in Federal Contracts has mobilized investigations by companies that had until now never considered the risk of trafficking in their operations; increasing evidence linking trafficking with risk of corruption and potential violations of the Foreign Corrupt Practices Act has broadened the concern from one of 'responsibility' to one of 'legal obligation.'

The problem is severe and widespread. The solutions are at hand. We need more companies to recognize their exposure to the problem of debt-bondage among migrant workers, and to start down the path to resolving it. We are grateful that the Tom Lantos Human Rights Commission has held this hearing to bring much needed attention to the issue.

Thank you.