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Hearing: Local and Private Sector Initiatives to Combat International Human Trafficking

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Chairman Royce and Ranking Member Engel and other distinguished members of the Committee, thank you for giving me the opportunity to testify today.

My name is Shawn MacDonald and I am Director of Programs and Research at Verité, a nongovernmental organization based in the United States that works globally to help companies and other stakeholders fully understand labor issues, overcome obstacles, and build sustainable solutions into their supply chains. The assessment, research, training, consulting, and advocacy work we do benefits companies and workers alike.

For more than fifteen years we have been documenting the mechanisms of labor trafficking in the global supply chains of many types of businesses and, more importantly, we have been crafting solutions that are scalable and adoptable by any company.

We believe that if you are a brand, investor -- or anti-slavery or human rights organization, for that matter -- your approach to promoting sustainable supply chains is not complete unless it includes a focus on the path that workers take to get a job in the global economy. Migrant workers all around the world make the products we buy and harvest the food we eat. These migrants leave home for jobs that can help them achieve a better life, or simply allow them to feed their family. Almost all of our products - clothes, shoes, computers, toys, furniture and food - involve a supply chain that employs migrant workers. Migrants provide the flexible workforce that keeps our just-in-time global economy humming.

Workers will go to great lengths to secure promising jobs, no matter where they are located. Often workers become indebted to middlemen - labor brokers and moneylenders - whose practices can be exploitative and illegal and it becomes difficult or impossible for the worker to become free of debt and intimidation. The actions of these middle men – the traps and tricks they use, the fees they charge, the ways they coerce and intimidate workers to ensure loans and fees are paid to them – these are the mechanisms of labor trafficking. Much too much of the global labor recruitment system has been turned upside down so that the poorest pay just to get a job and often keep paying. Those of us in this hearing room would never pay to secure a job. We are working to ensure that no worker has to pay fees and face other costs and indignities simply for the ability to secure a job building a hotel in Dubai, harvesting palm oil in Indonesia, feeding American troops on bases worldwide, manufacturing a laptop in Taiwan, cleaning a house in Washington, or picking berries in New England.

Yet I am glad to have the opportunity to be here today to let you know that solutions do indeed exist and that we have been working with real companies and other stakeholders to create the blueprints for how companies of all stripes can re-assert control and accountability for how workers enter their supply chain. I want to describe a couple of our initiatives that provide open-source tools for companies to avoid or extricate their companies from association with labor trafficking. These are business-focused and market-savvy approaches that complement public policy but do not rely entirely on unrealistic hopes for more or better regulatory oversight by under-resourced governments the world over.

First, I want to tell you about Verité's Fair Hiring Toolkit (www.verite.org/helpwanted), which provides multinational companies, as well as factory and farm managers in their supply chains, with dozens of policy frameworks, practical implementation guidelines, recommended forms and templates, stakeholder engagement instructions, public policy advice, incentive structures, management procedures, quality and control checklists, and the like – all designed to guarantee a non-exploitive labor recruitment and hiring system. Verité's Fair Hiring Toolkit provides the A to Z for anybody wanting to put in place a practical system to ensure that trafficking victims are not making their products or harvesting their food. I want to tell you about one company Verité worked with to do just that. Their experience shows that this set of tools works and can work for many other companies. By the way, when I mention a company we've partnered with by name, I want you to know that those efforts are already a matter of public record.

You all know Apple and its iconic products and probably some of the challenges it faces, along with its peers, in its supply chain around wages and health and safety. What you may not know is that Apple is at the leading edge not just in touchscreen interface but in re-engineering the labor recruitment dynamic so that workers are not bearing the lion's share of the cost of labor migration, recruitment and hiring. We worked with Apple to document the ways in which factories supplying components for or assembling Apple products were too often relying on illegal and unethical approaches to recruit foreign contract workers, including by charging the poor migrants to get a job...often tens of thousands of dollars. We worked with Apple to create a policy that required suppliers to have transparency and accountability for how they recruited and hired workers, with a key provision that harnessed the power of the market. Apple didn't simply request that their supplier do this, they instituted a policy that required the supplier to repay fees to workers if it was found that a supplier factory outsourced recruitment to a labor broker that charged the worker more than a month's wages to secure that job. Now the supplier factory has a very real incentive to either hire directly or to outsource recruitment only to a reputable labor broker who is not over-charging workers or otherwise indebting them. This approach is working: Apple's policy has led to brokers and factories repaying over \$13.1 million to contract workers since 2008, including \$6.4 million in 2012. We see this as the ultimate solution in that

real changes were instituted and the workers regained the money taken from them. At a structural level, it means that dollars, real dollars, are at stake in Apple's supply chain: meaning this supply chain policy doesn't just rely on lots of talk about following codes of conduct and cajoling suppliers to behave differently. It restructures the incentives and disincentives for how recruitment and hiring is done and encourages factories to outsource recruitment only to reputable brokers. Or they can choose not to work for Apple. No company is perfect, but we think other companies need to pay close attention to how Apple is aggressively taking on the challenge of human trafficking in their supply chain.

That story leads me to another Verité's initiative, another major open-source set of resources for companies to fight labor trafficking. Last year, we launched a Framework for Ethical Cross-Border Labor Recruitment (http://www.verite.org/sites/default/files/ethical_framework_paper_20120209_PRINTED.pdf) that is targeted not just to multi-nationals and supplier factories and farms but also to the global recruitment, labor broker industry itself. Our framework was designed in partnership with a reputable recruitment firm called Manpower and builds on the legitimate recruitment industry's code and international standards from the International Labor Organization and others. It shows exactly how a recruitment firm can meet legal and ethical standards and provides a practical approach to independently validating which firms meet the standard and which do not. As we further develop and test this approach with leading companies like Wal-Mart and others who endorse its approach, we anticipate market forces taking over to drive out unethical actors and reward legitimate ones. As recruitment firms become independently verified to our standards, they are more likely to be hired by businesses, like those in Apple or Wal-Mart's supply chain, who have a tangible business prerogative to choose carefully whom they hire to find their migrant workers. And it's not just the policies of leading companies that are helping to create a market for good labor brokers, it is President Obama's Executive Order announced last September that requires federal contractors to create due diligence plans to prove workers do not pay fees or face other exploitation to obtain jobs with those contractors. It is the impetus created by California's pioneering Transparency in Supply Chains Act that is requiring thousands of companies to publically disclose what policies and practices they have to prevent trafficking. It is tougher laws in various American states that hold employers more accountable for labor trafficking. It complements new guidance on labor recruitment that is emerging from the European Union. We hope for new, transformative, social and market demand for ethical recruitment practices driven by employers, investors, workers, NGOs, labor unions, consumer groups and all other engaged stakeholders.

Finally, I want to touch on other work we are doing with companies and others to root out labor trafficking and other forms of modern day slavery more deeply in supply chains. Everyday we are exposed to more ways in which companies and products we know here in America are tied through complex outsourcing and procurement policies and extended supply chains to labor trafficking and other severe labor abuses at the commodity level. The cotton that eventually becomes our clothes, the palm oil that ends up in nearly 70% of products in our supermarkets, the metals mined for electronics. Verité produces research that helps companies understand their exposure to trafficking at all levels of their supply chains (<http://www.verite.org/commodities>). We help companies use emerging technologies and approaches to tracking and tracing commodities and product supply chains so that

new policies can be designed to gain visibility and promote accountability for suppliers not just at the top tier of the supply chain but down to the commodity level. As you know from Representative Engel's many years working with the cocoa sector to root out child and forced labor in that supply chain, this is not easy but it is possible when companies, NGOs, and governments work together to better understand root causes and fashion policies that incentivize better behavior and shun business partners who are entangled in trafficking.

Many other terrific approaches to public private partnerships are being discussed by the other witnesses and will certainly emerge in our discussion today. The private sector has created new associations like the Business Coalition Against Trafficking and End Human Trafficking Now to learn from each other and promote best practices and I encourage you to learn more about them. The US Department of Labor recently released an online toolkit to help companies prevent forced and child labor in supply chains and we are proud to see our work among those recommendations.

At Verité, we believe that strong protection against labor abuses like trafficking is essential to business success; indeed long term success for business is predicated on solving these structural issues like poorly regulated, unethical recruitment practices that are increasingly exposed as part of their supply chains and damaging their valuable reputations. Leadership and on-going attention from committees such as this one send a powerful message to the private sector. We want to see that famous American business creativity and enterprising spirit harnessed to innovate and re-imagine supply chain relationships so that nobody is ensnared in debt bondage simply in order to participate in our global economy.

Mr. Chairman, we in civil society stand ready to work with you and the entire committee to encourage scalable solutions to the scourge of human trafficking. Thank you for all the work this committee does and for the opportunity to testify today.