



# CONSTRUCTION AND THE MODERN SLAVERY ACT

TACKLING EXPLOITATION  
IN THE UK





Researched and written by Emma Crates, freelance writer and journalist.  
Follow Emma on Twitter @CratesEm

Designed by Demographik:  
[www.demographik.co.uk](http://www.demographik.co.uk)

Published by the Chartered Institute of Building (CIOB)  
Twitter: @theCIOB and @CIOBPolicy  
Facebook: [www.facebook.com/theCIOB](http://www.facebook.com/theCIOB)  
LinkedIn: search 'CIOB'  
YouTube: CIOBTV

**CIOB, 1 Arlington Square, Downshire Way, Bracknell, RG12 1WA, UK**  
**Registered Charity No. (England and Wales) 280795 and (Scotland) SC041725**

**[www.CIOB.org](http://www.CIOB.org)**  
**[policy.CIOB.org](http://policy.CIOB.org)**  
**Tel: +44 (0) 1344 630 700**  
**Email: [policy@CIOB.org.uk](mailto:policy@CIOB.org.uk)**

The views expressed by the author are not necessarily those of the CIOB nor anyone connected with the CIOB.  
Neither the author nor CIOB accept any liability arising from the use of this publication.

Any data or analysis from this report must be reported accurately and not used in a misleading context.  
If using any information from the report, then its source and date of publication must be acknowledged.

Copyright CIOB 2018

## Some definitions

### Forced labour

Most situations of slavery or human trafficking are covered by International Labour Organization's (ILO) definition of forced labour:

"...all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily."<sup>1</sup>

### Exploitation

There is no clear legal definition of exploitation but United Nations and European Conventions say that exploitation includes forced labour, servitude and slavery.

One definition is:

"Taking unfair advantage of another person in a work situation, where the element of 'unfairness' is established against a benchmark established in law."<sup>2</sup>

### Debt bondage or bonded labour

This is a specific form of forced labour, in which the element of compulsion is through debt. It is characterised by a creditor-debtor relationship in which the worker is trapped by an unsustainably high debt to their employer.

### Human trafficking

The recruitment, transportation, transfer, harbouring or receipt of persons by means of the threat or use of force or other forms of coercion...to achieve the consent of a person having control over another person for the purpose of exploitation.<sup>3</sup>

### Human rights due diligence

"An ongoing risk management process...to prevent, mitigate and account for how [an organisation] addresses its adverse human rights impacts."<sup>4</sup> – It includes four steps:

- Assessing actual and potential human rights impacts
- Integrating and acting on findings
- Tracking responses
- Communicating how the impacts are addressed

### Decent work

"...productive work under conditions of freedom, equity, security and dignity, in which rights are protected and adequate remuneration and social coverage are provided."<sup>5</sup>

Decent work:

- Is productive and secure
- Ensures respect for labour rights
- Provides an adequate income
- Offers social protection
- Includes social dialogue, union freedom, collective bargaining and participation

1 International Labour Organization (ILO) *Forced Labour Convention*, 1930 (29)

2 Joseph Rowntree Foundation, *Forced Labour's business Models and Supply Chains*, November 2013

3 The Council of Europe, *Convention on Action against Trafficking in Human Beings*, 2005 - The convention came into force in the UK on 1 April 2009

4 United Nations (UN), *Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011

5 ILO, *Report of the Director-General: Decent Work*, 1999

## Foreword by Kevin Hyland OBE

Construction is a crucial sector within the UK economy. In 2016, the value of new construction work reached its highest level on record at over £99 million and the sector created over 55,000 new jobs.<sup>6</sup> However, with this success comes a challenge: modern day slavery is hidden on construction sites across the UK today.



Globally, an estimated 16 million people were in forced labour within the private sector in 2016. Construction ranks second only to domestic work for prevalence of this abuse, at 18% and 24% respectively.<sup>7</sup> This high risk status is due to a number of causes, including

a labour pool comprised largely of lower skilled and migrant workers. Additionally, the trend towards outsourcing has led to increasingly complex supply chains. Reliance on labour agencies, without proper due diligence of those providers, creates the perfect conditions for forced labour to occur. Norway has recognised this with its recent introduction of a limit on the layers within construction supply chains for companies undertaking public contracts.<sup>8</sup>

The CIOB and other organisations are showing leadership, boldly bringing this issue to light and providing clear and actionable measures to address it. As the UK's first independent anti-slavery commissioner, mandated to spearhead our national efforts to eradicate modern slavery, I am pleased to see this timely and in-depth report. It is an important addition to the understanding of slavery within construction and does not flinch from uncomfortable truths.

Intelligent companies will not shy away from these, recognising instead that tackling slavery is not only a moral necessity but also good business sense. Already, we have anti-slavery legislation in the UK, France and the Netherlands, with Australia soon to introduce its own Act and more countries likely to follow.

Within the UK, investors are increasing their scrutiny of company action and there is growing pressure on public procurement processes to embed anti-slavery due diligence. This means government contracts could soon be lost by companies failing to act. Whilst the Modern Slavery Act's section 54 only captures larger companies, smaller businesses must pay heed or lose contracts with those higher up the chain.

The construction sector must also remember that the risk of modern slavery is not solely within its own labour force, but also within the supply chains for its raw materials and products. Addressing this dual challenge is no small task but it can – and must – be done. Businesses should be risk-mapping their operations and supply chains, and dedicating resources to identifying and remediating abuses.

I have said that this is a challenge. It is, but the construction sector has risen to complex challenges before. Health and safety is a useful analogy: after much effort within the industry, fatalities within construction dropped to the lowest number on record in 2017.<sup>9</sup> This report should act as a spur to encourage the same concerted effort on modern slavery. The UK government has made the eradication of forced labour a priority, showing global leadership. It is time for UK construction to step up and meet its challenges, becoming a first class example of how slavery can, and must, be ended.

A handwritten signature in black ink, consisting of a stylized 'K' followed by a large, sweeping flourish that loops back to the start of the signature.

**Kevin Hyland OBE**  
UK independent anti-slavery commissioner

6 Office for National Statistics, *Construction Statistics: Number 18, 2017 edition*, 2 October 2017

7 International Labour Organization and Walk Free Foundation, *Global estimates of modern slavery: forced labour and forced marriage*, 2017

8 Focus on Labour Exploitation, *Public procurement: the government's opportunity to lead on workers' rights*, 15 November 2017

9 HSE, *HSE releases annual workplace fatality figures*, 5 July 2017

## Introduction by Chris Blythe OBE

There's a view from some quarters that modern slavery is not a serious problem in UK construction. We disagree.



Construction is a high risk industry. It has similar challenges to food production, agriculture and hospitality: widespread use of agency workers; a reliance on migrant labour; a large proportion of the workforce close to minimum wage.

We do not yet fully understand the extent to which modern slavery and human trafficking are affecting our sector, but a picture is emerging that is uncomfortable to say the least.

Modern slavery should not be viewed in isolation. It is at the extreme end of a spectrum of abusive practices, from excessive working hours to payment below minimum wage, intimidation and substandard accommodation.

Our business models are normalising hardship, both for individuals and companies. And, whilst these models do not always lead directly to modern slavery, they are creating an environment in which it is easier for exploitation to thrive and criminality to infiltrate supply chains undetected.

The constant pressure on prices is forcing out ethical players. Bogus self employment is eroding the rights of British and foreign nationals. Abuse of the retentions system and late payment are everyday occurrences. Some SMEs complain that they struggle to pay wages on time. It is small wonder that the sector has such an abysmally high insolvency rate.

The response to the Modern Slavery Act has been, on the whole, lukewarm. Companies are publishing brief, or watered down, transparency in supply chain statements. There is a corporate fear of mentioning risk, along with a default to compliance, box-ticking exercises.

We have to remember that people's lives and wellbeing are at stake here. Aiming to do the legal minimum demonstrates not only a lack of humanity, but chronic corporate short-sightedness.

That this approach is being facilitated by professionals is of even more serious concern. It brings into question the notion of professionalism.

Our industry has clocked up some spectacular achievements. It has passionate and dedicated people who naturally want to do the right thing, but are sometimes disempowered by the system in which they operate.

That is why CIOB is calling for a new approach. As well as rebuilding our business models, we need to change the narrative, having more open and honest conversations about the challenges that we face. We should be talking not just amongst ourselves, but with other sectors and, crucially, the media and NGOs. There are some pockets of good and even excellent practice. We need to share them more widely.

Organisations will not defeat slavery by acting alone. We need to stand together, and to start making some difficult choices.

We would like to thank the clients, contractors and suppliers who participated in this report, generously sharing what they have learnt so far. Thank you also to the numerous charities, researchers, experts, public bodies and other organisations that helped us see the bigger picture.

Finally, we would like to pay tribute to the late Paul Broadbent, the former chief executive of the Gangmasters and Labour Abuse Authority, who was interviewed for this report. Paul was a man of compassion and integrity, determined to tackle exploitation in all its forms. He died unexpectedly in 2017, but his legacy and vision continue.

**Chris Blythe OBE**  
CIOB chief executive

# Contents

Some definitions ..... 1

Foreword by Kevin Hyland OBE..... 2

Introduction by Chris Blythe OBE..... 3

Executive Summary..... 8

The CIOB Routemap to Fair Business ..... 12

## CHAPTER 1: INTRODUCTION

Modern slavery in the UK..... 14

Labour exploitation..... 14

Who are the victims?..... 15

Source countries..... 15

British victims ..... 15

How do people become vulnerable? ..... 16

Who are the perpetrators? ..... 17

Why would traffickers target the UK?..... 17

Why big business is attractive to criminals..... 18

Damn lies and statistics..... 18

But is it modern slavery? ..... 18

Right here right now: modern slavery in the UK ..... 20

INTERVIEW: The police view – Shaun Sawyer and Jeremy Capey ..... 20

## CHAPTER 2: THE CONSTRUCTION BUSINESS MODEL AND LABOUR RIGHTS

Construction and informal working ..... 23

Modern slavery in construction: recent stories ..... 24

Major projects: from poor practice to modern slavery ..... 25

INTERVIEW: The legal view – Caroline Haughey QC..... 27

**How construction’s business model is vulnerable to exploitation**

    Low risk and low detection rate ..... 29

    Heavy reliance on migrant labour..... 29

    Outsourcing and cut price tendering ..... 30

    Retentions..... 30

    Late, discounted and non-payment ..... 30

    Time constraints ..... 31

    The price of flexibility..... 31

    Bogus self employment and umbrella companies..... 31

    Small clients and the decline of collective bargaining..... 33

    Intimidation at home and abroad, and at all skill levels ..... 33

    Blacklisting ..... 34

    Domestic clients ..... 34

<b>FUTURE RISKS</b> .....	34
Costs.....	34
Organised crime.....	35
Falling migration .....	35
Racial abuse.....	35
<b>CIOB VIEW: Creating a culture of fairness, inclusion and respect</b> .....	35
<b>The GLAA targets construction</b> .....	36
How the GLAA is changing .....	36
Working with the sector.....	36
<b>INTERVIEW: The GLAA view - Paul Broadbent</b> .....	36
<b>CIOB VIEW: Will labour licensing come to construction?</b> .....	38
Joining up the disciplines .....	38
<b>Learning from other sectors: food processing</b> .....	38
“Criminal gangs keep evolving” – a factory manager’s story.....	38
<b>INTERVIEW: Independent anti-slavery commissioner Kevin Hyland OBE</b> .....	39

### CHAPTER 3: THE MODERN SLAVERY ACT – REQUIREMENTS AND REPORTING

<b>Section 54: transparency in supply chains reporting</b> .....	41
<b>Government tightens guidance criteria</b> .....	41
<b>First cycle reporting</b> .....	41
Who is reporting? .....	42
How is construction performing?.....	42
Pan-industry issues.....	43
<b>CIOB VIEW: It’s time to become proactive</b> .....	44
<b>Campaigning ramps up</b> .....	44
<b>Will the Modern Slavery Act extend to the public sector?</b> .....	44
<b>CIOB VIEW: Public procurement and construction</b> .....	45
<b>INTERVIEW: Legislation and the Modern Slavery Helpline – Justine Currell</b> .....	46

### CHAPTER 4: CONSTRUCTION’S RESPONSE TO THE MODERN SLAVERY ACT

<b>What do construction companies think?</b> .....	48
<b>Comparatively poor reporting levels</b> .....	49
<b>Sharp practice and compliance letters</b> .....	49
<b>Training and awareness programmes</b> .....	50
<b>Risk mapping is underway, but will it translate into policy?</b> .....	51
<b>Procurement reform gets off to a slow start</b> .....	52
<b>Crackdowns on illegal immigration continue, but are they missing slavery?</b> .....	52
<b>Wage checks increase</b> .....	53
<b>Enhanced site inspections and worker engagement</b> .....	53
<b>Hotlines and training programmes launch</b> .....	54
<b>Construction backs labour market enforcement</b> .....	54
<b>Cracks in the auditing process</b> .....	55

## CHAPTER 5: CHANGING THE MODEL

<b>Modern slavery and reputation management</b> .....	57
Driven by fear .....	57
Opening Pandora’s box .....	57
When a problem is uncovered, what then? .....	58
<b>CIOB VIEW: Changing the narrative</b> .....	59
<b>Learning from other sectors: manufacturing and retail</b> .....	59
amfori: when buyers collaborate on remediation.....	59
<b>Fighting fake recruitment</b> .....	60
Construction scams .....	61
Jobsites .....	62
Fighting the fraudsters .....	62
How industry can help .....	62
<b>CIOB VIEW: Collaborate for greater impact</b> .....	62
<b>Procurement</b> .....	63
Corporate policies and cognitive dissonance .....	63
<b>CASE STUDY: Profit with purpose: Skanska and its supply chains</b> .....	64
<b>Agencies</b> .....	64
<b>Worker-centred supply chains</b> .....	65
<b>Learning from other sectors: fashion and footwear</b> .....	65
Better Buying: the supplier rates the buyer .....	65
<b>CIOB VIEW: Could the Better Buying model work in construction</b> .....	66

## CHAPTER 6: DETECTION, SUPPORT AND REMEDIATION

<b>Spotting the signs of exploitation</b> .....	67
<b>The slow road to recovery</b> .....	67
<b>Learning from other sectors: retail</b> .....	68
The Co-op Group: helping victims of slavery back to work .....	68
<b>CIOB VIEW: Contributing to society</b> .....	69
<b>CASE STUDY: Be Onsite and marginalised workers</b> .....	69





## CHAPTER 7: REGIONAL GOVERNMENT

Wales.....	70
Code of practice .....	70
What the code demands of business.....	71
CIOB VIEW: Setting new standards.....	71
Northern Ireland .....	71
The Northern Irish border.....	72
Scotland .....	73
Public procurement .....	73
The living wage and fair work.....	73

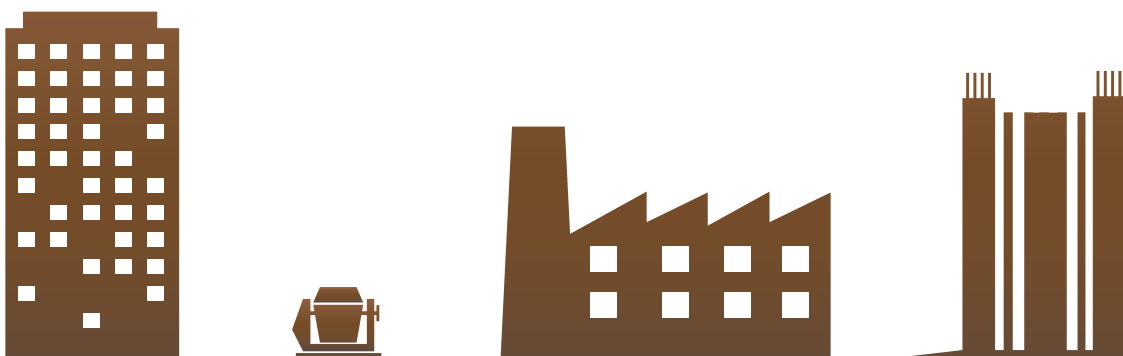
## CHAPTER 8: DRIVERS OF CHANGE

International legislation .....	74
UK multinationals and duty of care.....	74
Investors demand greater transparency .....	75
The Corporate Human Rights Benchmark.....	75
The Workforce Disclosure Initiative .....	75
CASE STUDY: Land Securities and the Workforce Disclosure Initiative.....	76
New standards .....	77
BS ISO 20400 .....	77
The Ethical Labour Sourcing standard.....	77
CASE STUDY: Sir Robert M <sup>c</sup> Alpine adopts the ELS.....	78
CASE STUDY: Mace and Sedex.....	80
Industry initiatives roundup.....	82

## CHAPTER 9: COMPANY CASE STUDIES

Great Portland Estates.....	85
Lendlease .....	86
Marshalls .....	87
Skanska .....	89
Wilson James .....	91

ACKNOWLEDGEMENTS .....	92
------------------------	----



## Executive summary

This report examines the UK construction industry's response to the Modern Slavery Act and the systemic problems that are eroding the rights of domestic and foreign workers in the sector.

Modern slavery is the most extreme example of abusive practices that thrive within fragmented supply chains and aggressive price-driven business models. Whilst the construction sector has many risk indicators of exploitation, the potential scale of the problem in the UK is only just emerging.

The report also explores evolving best practice, industry initiatives and emerging legal, social and governance drivers of change.

### Background

The International Labour Organization (ILO) estimates that more than 40 million people are in modern slavery globally, with 25 million in forced labour. It is commonly assumed that most slavery is concentrated in the developing countries. However, exploitation is increasingly being detected in the world's richest nations.

In Europe, nearly three people in every thousand are estimated to be victims of slavery. In the UK, the National Crime Agency (NCA) is significantly revising upwards its previous estimates of 13,000 modern slavery victims.

Slavery is a hidden crime that is a lucrative business model for organised criminals and casual opportunists. A total of 5,145 potential victims were submitted to the government's official register of slavery, the National Referral Mechanism (NRM) in 2017. This was a 35% increase on the previous year. Labour exploitation is the NRM's fastest growing category: 1,326 adults and 1,026 children were registered under that category last year.

Developed nations such as the UK make appealing targets for exploiters because they can generate high income levels per worker, estimated at US\$34,800 a year. Legitimate businesses are more profitable than illegal operations because of higher wage levels.

Slavery has been found in every region of the UK. In March 2018, there were more than 600 live policing operations on modern slavery, from major cities to rural areas.

Although low skilled migrant workers are thought to be most at risk of slavery or human trafficking, people of any nationality, educational background or income level can be targeted. Many identified victims of forced

labour have a legal right to work in the UK, and a high proportion are British. There is a strong link between homelessness and forced labour.

Anyone caught in modern slavery has become vulnerable at some point in his or her recruitment process. Some may have inbuilt vulnerabilities such as addictions, lack of education or inability to speak English, others may be trapped into unsustainable debt by extortionate recruitment fees. Even visas tied to a single employer increase workers' vulnerability to exploitation.

Modern slavery and human trafficking are treated as entrepreneurial activities by criminals who continually evolve their operational models to evade detection and infiltrate legitimate businesses.

In the past, lack of understanding from industry, police, health workers, enforcement agencies and wider society has led to a low detection rate of modern slavery cases, but the UK Modern Slavery Act 2015 has led to a spike in education and training initiatives across the public and private sector, and growing awareness from the general public. Calls to the Modern Slavery Helpline are predicted to rise to 6,000 in 2018.

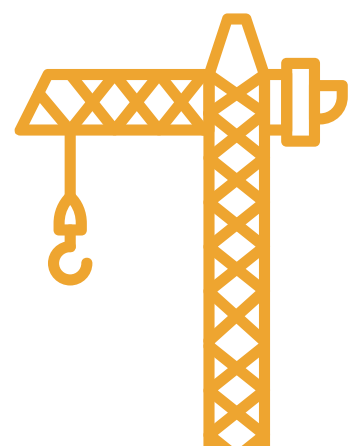
### Construction

In the European Union, construction ranks second only to the sex industry as the sector most prone to exploitation. In the UK, anti-slavery leaders have highlighted construction as a priority area.

Recent media coverage of prosecution cases has focused on traveller families, giving the impression that modern slavery is not infiltrating big business. However, there is growing evidence of rogue operators entering the formal economy around tiers four and five of industry supply chains.

Varying levels of exploitation have been found in public and private sector projects, including power plants, hospitals, prisons and major infrastructure programmes.

As yet, there is a scarcity of data on exploitation within construction, not least because workers in forced labour are often switched between sectors, locations and



industries to avoid detection. Some obvious victims do not identify themselves as such. Others are too frightened to talk to the authorities or receive government support. Organisations also have little visibility below the first and second tiers of their supply chains.

Modern slavery in construction should not be considered in isolation, but in the context of exploitative practices such as health and safety breaches, banning of unions, blacklisting, illegal wage deductions, excessive working hours, withholding of passports, bullying, intimidation and squalid accommodation. Workers may move in and out of slavery, and the level of abuse could escalate, especially if perpetrators fear detection.

A number of systemic factors put construction workers at risk of exploitation, including: business models based on outsourcing (99% of the industry is made up of SMEs); reliance on labour agencies; a high percentage of migrant workers (one in eight of the workforce was born outside of the UK); very low margins (some of the UK's top ten contractors are making less than 1% profit); a large proportion of the workforce close to minimum wage; lack of labour standards enforcement in the sector.

The tone is being set at the top of supply chains as many public and private sector clients create an environment that is pricing out legitimate players and facilitating unethical operators. The race to the bottom in labour standards is being forced by common industry practices such as lowest cost tendering, project discounting, retentions and late or non-payment. SMEs are often shouldering the financial and legal risks of larger companies and suffer a higher bankruptcy rate than other sectors.

The UK has the largest proportion of agency workers in the whole of EU. In construction, unscrupulous labour agencies are forcing many workers into spurious self employment. Workers are not receiving their full wages, their rights are being eroded and working conditions undermined.

This is creating an imbalance of power on some sites. Domestic and foreign workers complain of intimidation. Informal blacklisting is thought to be continuing, despite significant prosecutions in recent years.

### Future risks

Analysts predict sharply rising costs of material and labour. This is partly down to uncertainty following the Brexit vote and also to rising costs of essential materials. Cost inflation may result in clients forcing even harsher discounts on their supply chains, weakening the due diligence processes for sourcing materials.

Following Brexit, the UK is already experiencing falling migration levels through legitimate channels.

However, analysts predict a rise in organised criminal involvement in trafficking across Europe. As a result, the UK has risen from low to medium risk as a trafficking destination.

Depending on the outcome of Brexit negotiations, thousands of Eastern European workers in the UK may suddenly lose their legitimate right to work status, becoming more vulnerable to exploitation.

An escalating labour shortage and skills crisis could result in some contractors ignoring irregularities when procuring labour, particularly when facing financial penalties for project delays.

### Modern Slavery Act reporting

Section 54 of the Modern Slavery Act (MSA) requires all businesses with a turnover above £36 million to publish an annual transparency in supply chains (TISC) statement on the activities that they have carried out to combat modern slavery internally and in their supply chains.

Initial responses have been patchy and the government has set out no clear penalties for non compliance. Construction lags behind other industries in the quality of disclosure and many companies are late publishing statements. Reporting tends to focus on policies and risk assessment rather than actions. Many reports fail to meet basic requirements: they are not signed off by directors, approved by the board or visible on the company website's homepage.

There is evidence that many companies are watering down their TISC statements by removing mention of risk or even positive actions that have been taken. This is driven by a fear of media exposés and concerns that statements may be used as evidence in future prosecutions.

However, as companies move into their second year of TISC reporting, peer pressure is forcing an improvement in the reports of some organisations. The effects of the MSA are also rippling beyond legal compliance: some non-UK based companies, as well as SMEs below the £36 million threshold, are voluntarily producing statements.

A campaign is ongoing to extend the Modern Slavery Act to the public sector.

### Industry response to the legislation

Some construction companies are showing a degree of complacency and lack of understanding of modern slavery issues. Although a number of organisations are being proactive, other contractors are in denial that the sector has a problem.

In a recent CIPS survey, 58% of construction procurement managers were fairly or very confident that they did not have modern slavery in their supply chains. It is highly improbable that they are correct. Industry overconfidence might be down to the common misconception that immigration – or right to work checks – will also detect modern slavery.

The conflation of anti-slavery measures with immigration checks is a concern, particularly as Eastern Europeans, and other nationals that have a legitimate right to work, account for a large section of known forced labour in the UK.

The sector has made good progress with training and awareness programmes as major contractors try to reach further into their supply chains. Many are using resources and materials from the industry-backed Supply Chain Sustainability School, and some have signed up for industry toolkit Stronger Together. But construction still lags behind other sectors on awareness training.

Some companies have started to map out risk and start looking at product journeys but are at the very early stages.

As a negative consequence of the MSA, some major companies are defaulting to compliance activities. They are shifting legal responsibility onto their less well resourced suppliers and threatening instant contract termination if problems are found. A draconian zero tolerance approach could be convenient to criminals, enabling them to relocate to other businesses without detection.

Auditing is important for benchmarking and raising standards but evidence shows that it is not a reliable method for detecting slavery. Research has found systemic failings in domestic auditing, with commercial disincentives for auditors to find or report problems found on UK construction sites.

In a recent survey, 61% construction procurement managers backed tougher enforcement legislation, with 69% believing that this would help combat modern slavery.

### Drivers of change

New laws to fight trafficking and exploitation are being introduced or proposed in many countries. Prosecutions of modern slavery in the UK are on the rise. Lawyers are also considering the possibility of prosecuting UK-based companies in British courts for human rights violations carried out abroad.

Investors are increasingly calling for better environmental, social and governance criteria to be used for assessing companies. Pressure is growing for

greater transparency in reporting. Initiatives, such as ShareAction's Workforce Disclosure Initiative, will increasingly force major organisations to demonstrate that their supply chain policies are effective.

### Changing the business model

Modern slavery is complex to tackle because it is intertwined with criminality and hidden in fragmented supply chains.

Independent anti-slavery commissioner Kevin Hyland acknowledges that it will take time for industry to change and is encouraging businesses to take a strategic and incremental approach. Along with the police, enforcement agencies and NGOs, Hyland will be looking for evidence that companies are taking meaningful and sustainable steps towards continual improvement.

A range of initiatives are underway to increase effectiveness in the battle against exploitation. These include:

**Procurement:** A focus on ethical procurement practices, with companies taking a more holistic and less financially focused approach to procurement.

Industry can learn from initiatives in other sectors where suppliers are rating the performance of buyers, giving voice to disempowered companies at the end of supply chains.

**Reputation management:** There is a need for greater openness in discussing supply chain challenges. The Co-op Group and materials company Marshalls are two companies that are leading the way in disclosing risks and trying to start conversations with industry and the general public.

**Cross disciplinary collaboration:** Networks for information sharing between the police, agencies, local authorities and businesses are being established. Initiatives include the Gangmasters and Labour Abuse Authority's (GLAA) construction protocol, which paves the way for regular meetings with industry. Local and regional initiatives are also being piloted, including in West Yorkshire and the East Midlands.

**Labour standards:** GLAA is working with industry to drive up labour standards, including tackling bogus self employment, as well as fighting slavery. The Association of Labour Providers (ALP) is launching Clear View, a voluntary labour standards certification programme. Contractors should prepare

themselves for the possibility of labour licensing in the future. At the very least, they will come under increasing pressure to comply with voluntary initiatives.

**Fake recruitment:** Jobsites or social media platforms such as LinkedIn are easily infiltrated by scammers and fraudulent outfits. Qualified professionals make the most lucrative targets, and the identities of big brands are also hijacked. Fake recruitment affects both British and foreign nationals. There is a need for industry to get behind awareness-raising awareness campaigns at home and abroad and engage with initiatives such as SAFERjobs.

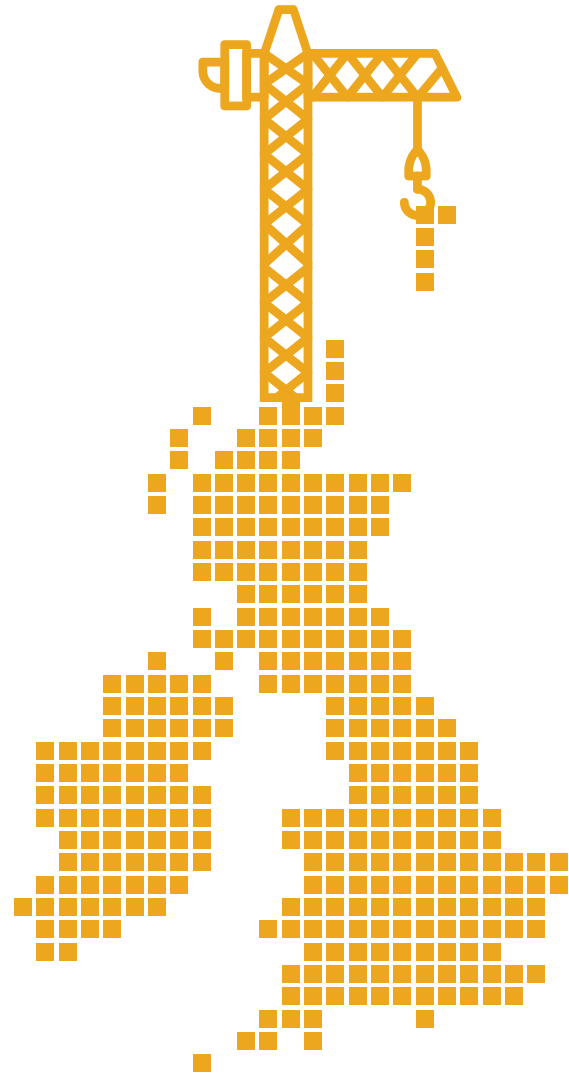
**Rehabilitation:** Survivors of slavery are often highly traumatised and malnourished, and can take months or years to recover from their ordeal. An important part of their recovery can be getting them into normal work. The Co-op Bright Future project is helping survivors into employment. Construction organisations are exploring how they can support this scheme.

Organisations should also put policies in place for considering how to support and offer remediation to modern slavery victims discovered within their supply chains.

**Supply chains support:** In order to raise standards, it is important that clients and tier one organisations actively engage with supply chains, supporting continual improvement. They should encourage an atmosphere of openness in which systemic weaknesses and sourcing problems can be discussed without fear of reprisals.

**Frameworks and platforms:** Some companies are aligning their business operations with international ethical standards and frameworks that support continual improvement. Examples include ISO 20400 and BRE's Ethical Labour Standard.

**Devolved government responses:** Regional initiatives to tackle exploitation and raise labour standards are ongoing. The Welsh government has launched an ethical code of practice for public sector supply chain procurement. Tenders will reflect a requirement to commit to ethical working practices. Northern Ireland set up a Modern Slavery and Human Trafficking Unit in 2015, providing a centralised and standard approach to any modern slavery referrals across the province; Scotland is also championing the living wage and fair procurement practices.



## Conclusion

There is little doubt that UK construction supply chains are at risk of being infiltrated by criminal activities such as modern slavery. This is in line with many other sectors, including agriculture, food processing, manufacturing and hospitality. Changing the narrative to acceptance, rather than denial of risks, will open up conversations and create opportunities for innovation.

But companies cannot tackle these systemic challenges alone. Knowledge sharing and collaboration will be essential for developing tools and best practice. And no initiative will be sustainable without the genuine commitment of senior management.

Adopting decent work principles will help to curb exploitative practices. It is hoped that labour standards will follow a similar trajectory to health and safety, which has seen a marked improvement in the industry over the past two decades. Organisations demonstrating leadership in this area will make their businesses more resilient.

# THE CIOB ROUTEMAP TO FAIR BUSINESS



## Change the narrative

- Acknowledge the inherent risks of exploitation in all supply chains
- Shift the conversation to how the risks are managed
- Engage with the general public, clients, suppliers and governments
- Publicise the effects of anti-slavery initiatives



## Lead and commit

- Lead on anti-slavery initiatives at senior board level
- Embed policy into procurement and daily operations
- Empower employees to find and fix problems
- Set standards and expectations at the outset of a project



## Train and educate

- Train all employees to spot the signs of slavery
- Appoint anti-slavery ambassadors in strategic departmental roles
- Educate the workforce of their rights and employment law
- Encourage more open conversations with suppliers



## Act with fairness

- Commit to the living wage for temporary and permanent workers
- Encourage direct employment over agency labour
- Eliminate worker recruitment fees – the employer pays the costs
- Fully understand the supply chains for materials, labour and services
- Set realistic prices



## Map out risk

- Identify the risk areas and activities most at risk of criminal infiltration
- Build a wider picture of countries, migration routes and economic trends
- Link this understanding with corporate strategy



### Investigate and find

- Protect and strengthen the audit process to include modern slavery investigations
- Seek evidence that suppliers are taking appropriate actions
- Reward proactive suppliers that are working to minimise risk



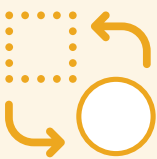
### Declare

- Create an annual modern slavery statement – whatever size of business
- Use it to reflect the corporate journey and long term goals
- Sign up to UN Sustainable Development Goals and other initiatives



### Collaborate

- Join multi-disciplinary groups of industry, NGOs, agency and law enforcement
- Exchange intelligence at a local, regional and national level
- Work with peers to stamp out fake recruitment
- Collaborate with competitors to influence common suppliers
- Work with unions



### Evolve

- Evolve new methods of detection and prevention to keep pace with criminality
- Build on activities year on year
- Question progress. Be prepared to discard what is not working



### Be proactive

- Ensure that there is a robust infrastructure for dealing with incidences
- Report problems to the GLAA, Modern Slavery Helpline and the police
- Have a remediation strategy for survivors of modern slavery
- Commit to putting right where corporate wrongdoing is discovered

## CHAPTER I: INTRODUCTION

### Modern slavery in the UK

Despite centuries of campaigns, legislation and treaties, society has never managed to conquer slavery.

The International Labour Organization (ILO) estimates that there were more than 40 million adult victims of slavery in 2016. More than half – 25 million – were in forced labour.<sup>10</sup> In addition, 152 million children between ages 5 and 17 are believed to be in child labour around the world.<sup>11</sup>

This figure is higher than at any time in history and is not confined to developing countries. The 2016 Global Slavery Index estimated there were 1,243,400 people in modern slavery in Europe, which is 2.7% of the region's total population.<sup>12</sup>

In the UK, the Modern Slavery Act 2015 has accelerated awareness among businesses, government agencies and the police. But the scale of the problem is only just emerging.

In 2014, the National Crime Agency (NCA) estimated that there were between 10,000 and 13,000 victims of modern slavery in the UK. By summer 2017, the agency was speculating that the real figure was considerably higher.

Will Kerr, the NCA's director of vulnerabilities said: "The more that we look for modern slavery the more we find the evidence of the widespread abuse of vulnerable. The growing body of evidence.....points to the scale being far larger than anyone had previously thought."

Slavery is a complex and hidden crime that feeds off vulnerable people and a voracious demand for cheap labour. Within industry, it thrives in conditions of opportunism, greed, poor governance and ignorance.

For years many incidents of modern slavery were missed or passed over, due to systemic lack of understanding from the police, immigration officials, health and social workers and businesses. Now, the Modern Slavery Act is forcing the public and private sector to take a closer look. A total of 5,145 potential victims were submitted to the National Referral Mechanism (NRM), the government's official register of modern slavery, in 2017. This was a 35% increase on the previous year.

In March 2018, the NCA reported that there were more than 600 live policing operations targeting modern slavery in the UK.<sup>13</sup> In a recent study, one in eight NHS professionals reported having been in contact with a patient they knew or suspected was trafficked.<sup>14</sup> The UK Government recognises that the proceeds of labour exploitation have become one of the most significant money laundering threats in this country.<sup>15</sup>

Kevin Hyland, the UK's first independent anti-slavery commissioner says:

"We need modern slavery to become socially unacceptable, like we saw with drink driving and domestic violence. There isn't an overnight fix. When every part of the UK thinks that this cannot be tolerated any longer, then we will see a change in culture."<sup>16</sup>

### Labour exploitation

*"A conservative estimate is that we have in excess of 30,000 people in modern slavery in the UK. Everyone in the UK, every business is in some way complicit in modern slavery existing, because society lets it exist."*

**Paul Gerrard**, group policy and campaigns director, the Co-op Group

Labour exploitation is the fastest growing category of referrals to the NRM. In 2017, a total of 1,326 adults and 1,026 children entered the register in this category.<sup>17</sup>

10 ILO and Walk Free Foundation, *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage*, 2017

11 ILO, *Global Estimates of Child Labour, results and trends, 2012 – 2016*, 2017

12 The Global Slavery Index, [www.globallslaveryindex.org/region/europe](http://www.globallslaveryindex.org/region/europe), 2016

13 NCA, *National Referral Mechanism Annual Summary 2017*, March 2018

14 King's College London *Human Trafficking: improving the UK's health care response*, March 2017

15 Home Office & HM Treasury, *Action Plan for anti-money laundering and counter-terrorist finance*, April 2016

16 Reuters, *Britain needs 'change in culture' to stamp out modern slavery*, 20 December 2017

17 NCA, *National Referral Mechanism Statistics – End of Year Summary 2017*, March 2018



Because the NRM only records cases that have successfully come through the multi-agency reporting process, the statistics paint a partial picture of a crime that is known to be far more widespread.

Sectors requiring large numbers of temporary or low skilled workers are most at risk of modern slavery. This includes agriculture, manufacturing and hospitality and construction. Exploitation is also common in less formal sectors including illegal cannabis cultivation, car washes, nail bars and the sex trade.

### Who are the victims?

*“It is highly likely that the actual scale of modern slavery across victim and offender numbers, as well as incidence rates, has increased year-on-year. Analysis of drivers suggests this trend is likely to continue.”<sup>18</sup>*

There is a belief that modern slavery victims in the UK are low skilled, illegal immigrants, with poor educational levels and poor English skills.

This is only partly true. Many victims are EU or Commonwealth citizens with full working rights. Some are highly qualified and were even prosperous in their home countries. A high proportion are British.

One thing that victims have in common is that they were vulnerable or became vulnerable at some point in their recruitment.

Some foreign workers may have been tricked or coerced into paying extortionate recruitment fees. They may have raised expensive loans and become trapped in debt to their handlers or loan sharks in their home countries. This problem is well documented in regions such as the Gulf,<sup>19</sup> but is also believed to be widespread in the UK.<sup>20</sup> Illegal recruitment fees should be viewed as a significant risk indicator of exploitation wherever they occur in the world.

Emilie Martin, operations manager for The Salvation Army’s anti trafficking and modern slavery unit says:

“I’ve worked with people from all backgrounds, nationalities and education levels. In one case I met a successful Indian businessman who paid the equivalent of £90,000 to traffickers, believing that he was buying into a British company. He was held as a slave for 15 years, and was only discovered by chance during an unrelated raid on the property where he was working.

“I’ve also worked with engineers, architects, lawyers, economists, pastry chefs, doctors and surgeons. All were victims of trafficking and were often tricked by fraudsters or fake recruitment advertisements.”

### Source countries

In 2017, victims of modern slavery and human trafficking in the UK were identified from 116 different countries. For the first time, British citizens were the largest recorded nationality on the NRM, up from 326 in 2016 to 819 in 2017. This was largely down to an increase in minors involved in drug trafficking or sex exploitation.

Within the adult labour exploitation category, Vietnam, Romania, China and the UK were the top source countries, but several Eastern European nations – a major source of recruitment for the UK construction sector – were also high on the list.<sup>21</sup>

### British victims

In cases of British nationals trapped in forced labour, many have underlying problems such as financial debt, learning difficulties, gambling or addictions. Traffickers will often groom victims to increase their vulnerabilities.

There is a strong link between homelessness and forced labour: homeless people are particularly vulnerable as they are already cut off from society, friends and family.

“We’re raising awareness in soup kitchens and shelters. People in white vans will turn up and offer people jobs and accommodation. They disappear and are never seen again,” says The Salvation Army’s Emilie Martin.

In a disturbing parallel trend, many modern slavery survivors that do not receive adequate support could be tempted to return to their abusers to avoid homelessness. The vicious cycle can be difficult to break.

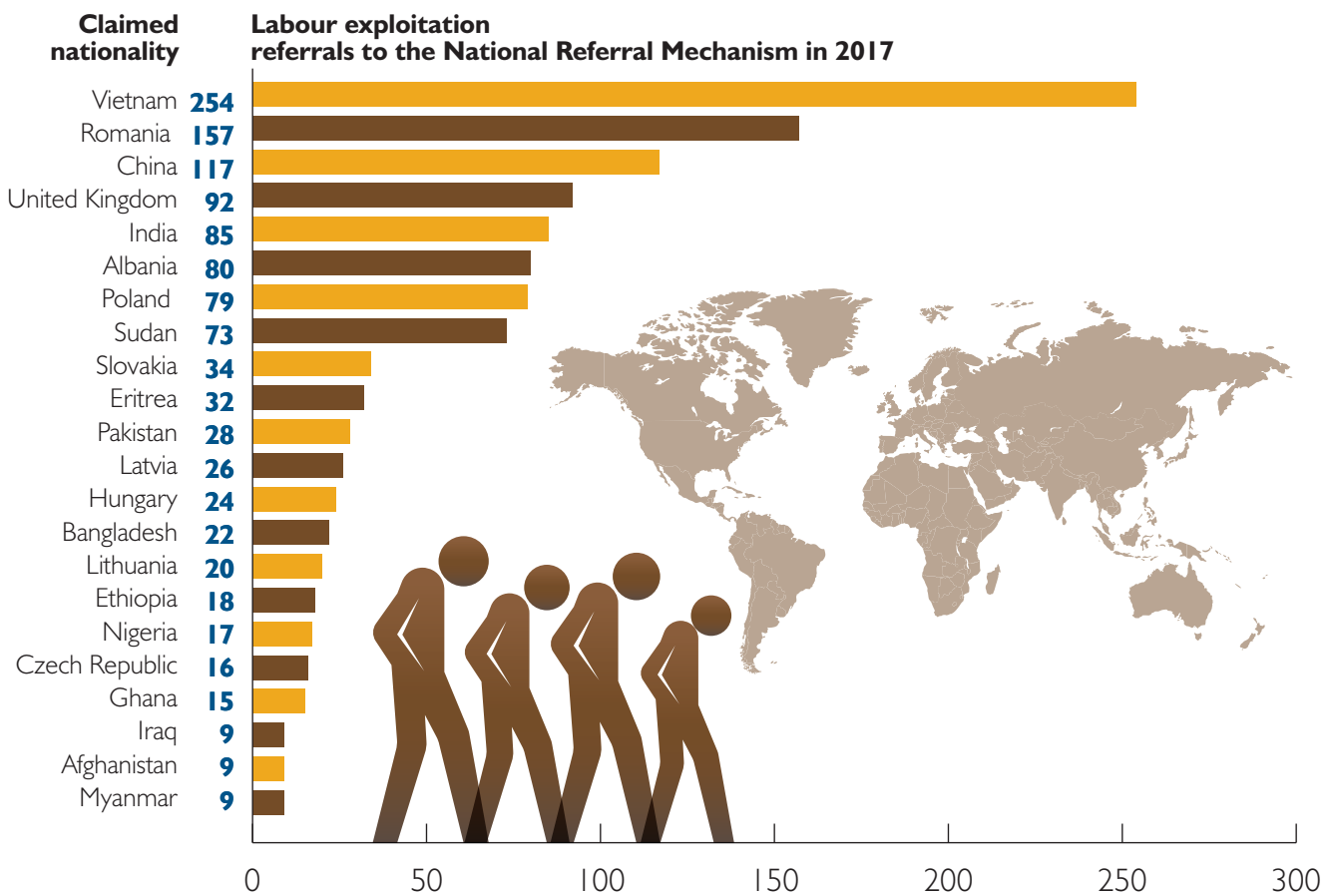
18 NCA, *National Strategic Assessment of Serious and Organised Crime*, 2017

19 CIOB, *Building a Fairer System, tackling modern slavery in construction supply chains*, July 2016

20 Joseph Rowntree Foundation, *Forced Labour in the United Kingdom*, June 2014

21 NCA, *National Referral Mechanism Annual Summary 2017*, March 2018

### The top countries for labour exploitation in the UK<sup>22</sup>



There have been incidents of loan sharks forcing heavily indebted people into criminality, particularly with drug-related crime. The England Illegal Money Lending Team is now investigating possible links between loan sharks and forced labour.

**Tony Quigley**, head of the Illegal Money Lending Team in England says:

*“Loan sharks operate across all communities; these criminals prey upon vulnerable individuals who are struggling financially... borrowers can sometimes find themselves working for the loan shark in order to pay off a debt.”<sup>23</sup>*

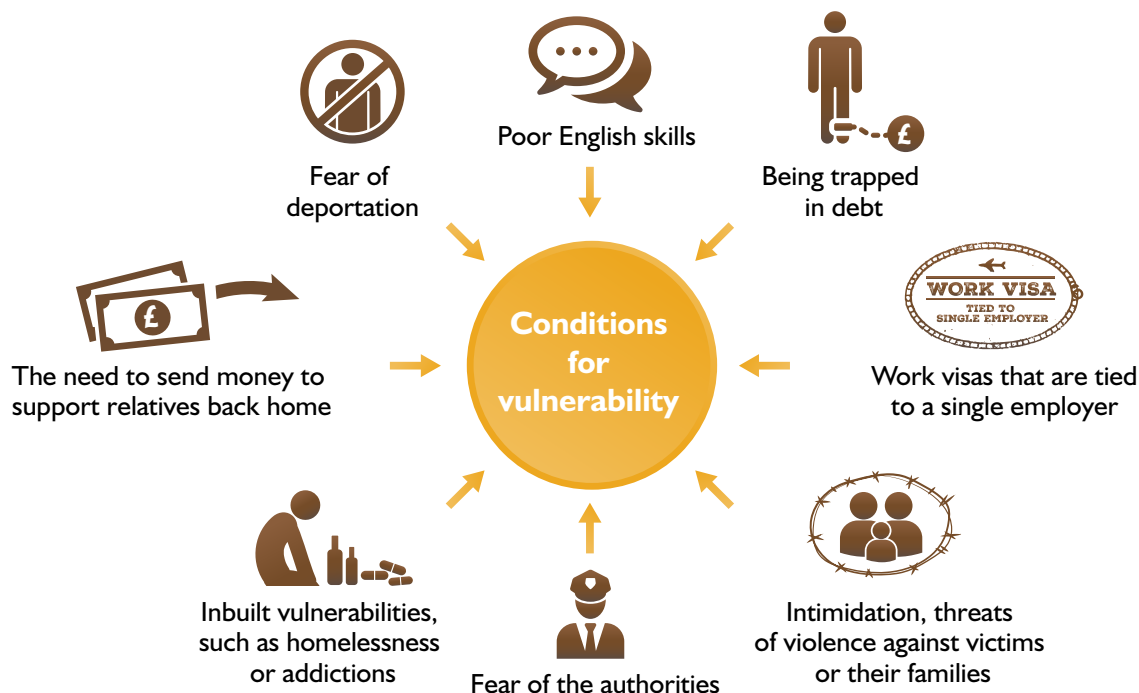
### How do people become vulnerable?

A combination of factors from personal circumstances to crime, debt and immigration status creates vulnerability in workers.

For some workers, there can even be a simple misunderstanding of rights: some newly arrived migrants consider arduous working conditions an inevitable first step on coming to the UK. Other factors include having poor English skills or a visa tied to a single employer.

<sup>22</sup> NCA, *National Referral Mechanism Statistics - End of Year Summary 2017*, March 2018

<sup>23</sup> For more information see [www.stoploansharks.co.uk](http://www.stoploansharks.co.uk) or call the 24/7 confidential hotline on 0300 555 2222



### Who are the perpetrators?

Across Europe, the majority of criminals involved in human trafficking are EU nationals. The most common nationalities for traffickers based in the UK are British and Romanian.<sup>24</sup>

Foreign nationals tend to exploit people from their home countries, or those with whom they share linguistic or ethnic ties. Links back to their homeland provide opportunities not only for recruitment, but also a means of controlling victims, who may fear repercussions on their families if they step out of line.

British traffickers have a more diverse victim base. As well as buying foreign victims from other groups, they also target vulnerable nationals, such as the homeless.

The NCA identifies the majority of modern slavery crime groups in this country as “small with limited hierarchies,” but adds “there is a realistic possibility that a smaller number of larger more structured crime groups are also involved with modern slavery and human trafficking in the UK”.

Criminality ranges from the simple to sophisticated. The Gangmasters and Labour Abuse Authority (GLAA) broadly divides activity into four tiers:

**The casual chancer** for example, an informal labour provider who carries out low level exploitation such as not paying holiday pay, or disappears without paying wages.

**The legitimate business** where the employment model relies on extended family, acquaintances and friends working for very low pay.

**The horse trader** This is the intermediary who recruits workers – commonly referred to as “horses” – from other countries. Workers are under the control of their exploiter: trapped in debt, with little or no language skills, having handed over identity documents and passports.<sup>25</sup>

**The organised criminal** The GLAA says that the largest and most sophisticated criminal gangs have forced labour as part of their business models, and are being copied by smaller gangs.

### Why would traffickers target the UK?

*“Forced Labour will only be used when it makes business sense to do so”<sup>26</sup>*

Although modern slavery is considered to be more prevalent for poorer nations, advanced economies provide lucrative incentives for traffickers. In Africa, the ILO estimates that a trafficked person may generate US\$3,900 in profits. In the Asia Pacific region, the annual profit per victim is \$5,000. But in wealthier nations, each victim could generate \$34,800 a year.<sup>27</sup>

The cost of humans as commodities has plunged in recent times. Mark Heath, head of business change

24 NCA, *National Strategic Assessment of Serious and Organised Crime*, 2017

25 See the GLAA’s *Horse Trading* video

26 Joseph Rowntree Foundation, *Forced Labour’s business Models and Supply Chains*, November 2013

27 ILO, *Costs of Coercion*, May 2009

and development at the GLAA says: “In the UK, we’ve seen workers bought and sold for as little as £250.”

Chief constable Shaun Sawyer, national policing lead for modern slavery adds: “We regularly hear stories of slaves being traded...sometimes not even for money. They could be sold for a crate of wine or whatever takes their fancy at that time...the supply, handover and changeover of slaves is so quick, criminals put very little value on individual lives.”<sup>28</sup>

### Why big business is attractive to traffickers

*“You can traffic a kilo of heroin only once. You can traffic people countless times and there are entrepreneurs up at the top that are doing this.”*<sup>29</sup>

**Paul Broadbent**, former CEO, GLAA

From news reports it would be easy to dismiss slavery as happening mostly in nail bars, car washes and illegal activities such as cannabis farming.

Former police protection officer Gary Booth is now team leader at anti-slavery charity Hope for Justice. He warns businesses against complacency.

“Over the past two years, we’ve taken more than 200 victims out of modern slavery. The vast majority were in mainstream businesses. Why? Because the organised crime gangs are always looking at what value they can earn from a trafficked person. Their commodity – the human – will earn them money this way.”

For example, a forced labourer may generate £1 an hour working in a carwash, but could get the minimum wage hourly rate of £7.50 in legitimate employment.

“We’ve seen organised crime groups target unwitting businesses – those that aren’t really aware of modern slavery, don’t fully understand it, and are therefore blind to the threat,” Booth says.

The GLAA’s Mark Heath warns that organised gangs are using human trafficking as the gateway to other types of crime such as theft of goods or plant.

A 2014 PwC report on bribery and corruption found that 76% of respondents in the construction and engineering sector had suffered serious asset theft. This was the highest proportion of any industry surveyed.<sup>30</sup> A survey by insurer Allianz Cornhill found that the equivalent of £70 million had been stolen from UK construction sites in 2015.<sup>31</sup>

### Damn lies and statistics

*“Forced labour is so insidious because it can be invisible. At first sight, it can often look like ordinary work”*

**Kevin Hyland**, independent anti-slavery commissioner<sup>32</sup>

It is difficult to gauge the extent of modern slavery in construction, as official statistics for forced labour cover all industrial sectors and some criminal activity.

Traffickers like to move their victims around. If they suspect that the authorities are showing interest in a certain building site, they will shuffle their workers onto different projects.

To evade detection, workers may also be swapped into different sectors: from an infrastructure project in Birmingham, to a factory in Yorkshire then a farm in Cornwall. They could also be traded between criminal gangs operating in different regions.

There are also many cases of victims being forced into different forms of exploitation simultaneously.

“Some of the men in our safe houses have been sexually exploited – used for “entertainment” by the traffickers at night, while labouring on building sites during the day,” says The Salvation Army’s Emilie Martin.

### But is it modern slavery?

People commonly ask whether a situation ‘is really slavery?’ The answer is not always a binary yes or no.

Modern slavery is at the extreme end of a spectrum that stretches from decent work to minimum legal compliance, then substandard, unscrupulous, unethical, non-compliant and illegal practices.<sup>33</sup>

28 See Police View interview

29 Presentation at the Association of Labour Providers Roadshow, London, March 2013

30 PwC, *Fighting Bribery and Corruption in the construction industry*, 2014

31 The Global Initiative Against Transnational Organized Crime, *Transnational Organized Crime and the Impact on the Private Sector: The Hidden Battalions*, December 2017

32 The Guardian, *A slave in Scotland – I fell into a trap – and I couldn’t get out*, 28 May 2016

33 Joseph Rowntree Foundation, *Forced Labour in the United Kingdom*, 2014

The line between legitimate work and slavery is often fluid: victims may not be technically ‘in’ slavery all the time and the extent of exploitation in each situation could vary.

“The situation is very informal and switches from industry to industry. Sometimes people suffer minor exploitation, sometimes it crosses the line to a more forced labour situation, but it can change from week to week,” says Andrew Crane, professor of business and society at the University of Bath’s School of Management.

But conditions can gradually worsen, and researchers have detected a range of employer behaviours that engineer vulnerability in the workforce.<sup>34</sup>

This includes: disciplining workers through dismissal, or threatening to do so; punishing people for refusing to work overtime or if they become ill; using intrusive surveillance and setting unrealistic production targets. Employers could also retain wages ‘for safe keeping’.

Exploitative practices are not confined to small companies. FTSE 100 company Sports Direct was recently found to be fining workers 15 minutes of pay if they clocked in a minute late, despite long queues to clear security.

Unite the union’s Luke Primarolo described the culture of fear among Sport Direct’s 3,000 agency workers: “People are scared because they are working under a system when they know they could lose their employment at any moment.”<sup>35</sup>



34 Joseph Rowntree Foundation, *Forced Labour in the United Kingdom*, 2014  
 35 The Guardian, *Mike Ashley admits Sports Direct staff were not paid minimum wage*, 7 June 2016

## Right here, right now. Slavery stories from the UK

### Maritime and oil

Fifteen Indian sailors staged a seven-month protest on their ship in Great Yarmouth, claiming that they had not been paid for months for their work in the North Sea oil fields. Despite operating in British waters, the workers were receiving less than minimum wage, some receiving as little as £2.43 an hour.<sup>36</sup>

### Consumer goods

Mohammed Rafiq was sentenced to 27 months in prison in 2016. Rafiq employed large numbers of Hungarians as a slave workforce at his Kozee Sleep bed-making factory in West Yorkshire. Workers endured 10 – 16 hour days on £10 a week, lived in squalid conditions and were subjected to regular beatings.<sup>37</sup> Ethical audits by high street retailers had failed to detect exploitation.<sup>38</sup>

### Transport

Eastern European truck drivers working for Ikea were being paid considerably less than their Western European counterparts. The drivers were earning less than £3 an hour and were forced to sleep for months in their cabs. The BBC said that mistreatment of drivers was ‘widespread’ in the supply chains of “several other big, household names.”<sup>39</sup>

### Logistics

In January 2017, brothers Erwin and Krystian Markowski were jailed for trafficking 18 Polish men into the UK to work for Sports Direct. The pair targeted vulnerable men, withheld victims’ passports and controlled their bank accounts, stealing £35,000 in wages.<sup>40</sup>



## INTERVIEW: The police view

**Shaun Sawyer** is chief constable for Devon and Cornwall Police. He became national policing lead for modern slavery, organised immigration crime and migration-related issues in 2013.

**Jeremy Capey** is detective superintendent with Devon and Cornwall Police and operational lead of the modern slavery police transformation unit – a 60-strong national team, bringing together intelligence, coordination and policy.

### How is the police’s approach to modern slavery changing?

**Shaun Sawyer (SS):** Three years ago, human trafficking wasn’t really on the radar of British policing. It was generally dealt with by immigration officials. Now it’s on a par with child sexual exploitation and increasingly part of everyday intelligence briefings, operations and local partnership working.

People now understand that somebody could be complicit in getting themselves smuggled into the UK, then be engaged in debt bondage or forced labour. So their status can quickly turn from offender to victim. The Modern Slavery Act has been cleverly crafted to try to deal with that.

36 The Observer, *Indian sailors stranded in Norfolk port by ‘modern-day slavery’*, 22 January 2017

37 Huddersfield Daily Examiner, *Slave workforce: Kozee Sleep bed factory owner Mohammed Rafiq jailed for people trafficking after forcing Hungarians to live in squalor and work 80 hour weeks for £10*, 12 February 2016

38 BBC, *Next, John Lewis and Dunelm Mill failed to spot ‘slaves’ at Kozee Sleep factory*, 8 October 2015

39 BBC, *Ikea drivers living in trucks for months*, 15 March 2017

40 The Guardian, *Tens of thousands of modern slavery victims in UK*, 10 August 2017

### How is frontline policing adapting?

**Jeremy Capey (JC):** We now have a national policing analytical team focusing on human trafficking and modern slavery. There's a modern slavery coordinator in every region, offering advice to investigators and ensuring that our approach is consistent across the UK. We're really pushing the operational end to ensure that we are more effective at identifying and rescuing victims and bringing perpetrators to justice.

We're also part of a multi-agency approach coordinated through the National Crime Agency. We're looking at developing our domestic and international response which includes strengthening our intelligence links with international partners through Europol and Interpol.

### How are you developing awareness within the ranks?

**JC:** We're developing and delivering a number of training products to build expertise, including courses on the best ways to gather evidence. We also have a programme to deliver awareness-raising events across the country and we're publishing a growing library of best practice guides.

**SS:** It's still a challenge for frontline and senior officers – as well as our local government partners who have also actively engaged in developing their capability to manage potential victims.

It's the 3am test when you're confronted with a lorry load of people. Determining who is complicit and who is exploited is extremely difficult – as well as working out where we will home and look after them during this critical assessment phase.

### Where are you finding problems?

**JC:** The more we look for it the more we find. There are 43 separate police forces in England and Wales. Every single force is dealing with live modern slavery cases, from remote rural areas to big cities.

Our labour exploitation cases cover a diverse range of employment where low paid labour exists, including construction.

### What has been your experience of labour exploitation so far?

**SS:** At the beginning of our journey, our understanding of human trafficking centred on foreign nationals forced into prostitution. Now we're realising that labour exploitation is a significant issue.

It varies widely. There are the people who are being paid less than the minimum wage, but don't want us to intervene, because it's still better than their situation back home.

In the most extreme cases, people are working ridiculous hours, getting beaten, barely eating and literally at point of death. I'm not exaggerating: we've found a number of victims that were emaciated and suffering horrendous illnesses after years of exploitation. Whilst this is the exception not the rule, it's shocking that even one such occurrence can take place within our communities.

The number of UK nationals that are perpetrators of modern slavery, and also the number of victims that are UK nationals, is of great concern.

### When would you take action against a company?

**JC:** Our priority is not to go for legitimate employers that have been duped by criminals. However, three years into this new legislation, if they have been negligent and not even bothered to understand the implications and subtleties of this act, if they don't have a modicum of self awareness, we and the GLAA may take a view of filing for prosecution.

**SS:** This goes beyond human trafficking, it's about corporate responsibility. We'll be looking more closely at employment terms and working conditions. In some high profile media cases workers have been taxed for using the toilet, having their wages docked for clocking in a minute late. That kind of intimidation is close enough for us to consider filing the case with the Crown. It's a bit like corporate manslaughter. There comes a point at which the board needs to explain its corporate and personal involvement in preventing breaches of the act, or, potentially, be considered wilfully blind.

**How do you deal with people who are clearly victims, but too frightened to cooperate with the authorities?**

**JC:** Our remit around modern slavery is not just about law enforcement. A lot of NGOs will pick up victims at this point. They'll support them over the longer term, exploring whether they are able to help with the investigation at any stage. But it's quite complex.

In the most serious cases, victims are terrified not just for themselves but of threats against their families. It's difficult for us to run victimless prosecutions, but something we're developing. We've already had some successful victimless prosecutions from which we are developing best practice.

**Is organised crime behind most of the modern slavery cases that you deal with?**

**JC:** There are cases where it's opportunistic, but the vast majority tends to be organised in some way. There are different levels of sophistication, sometimes with an international footprint. It's not uncommon for criminal gangs to work across multiple areas of criminality.

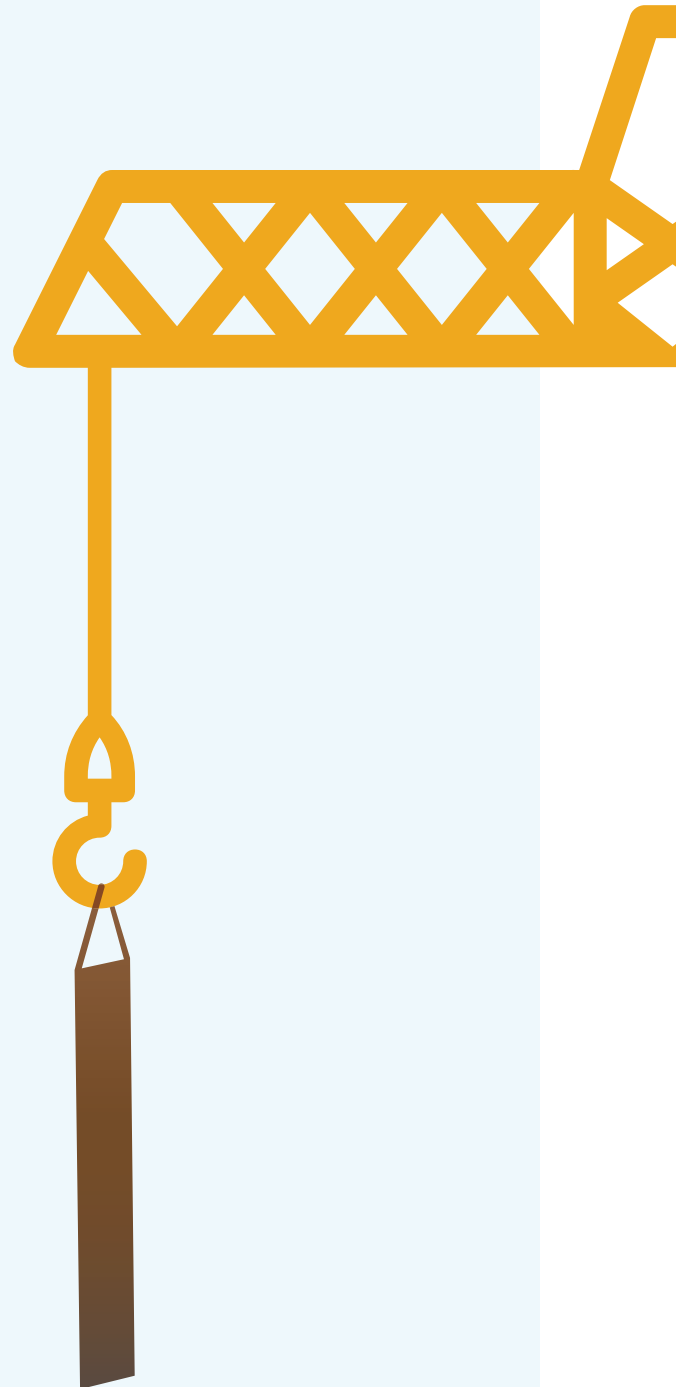
**SS:** Very regularly we'll hear stories of slaves being sold between gangs. And this is one of the tragic stories – some of them aren't even sold for money. They could be sold for a crate of wine or whatever takes their fancy at that time.

Unfortunately, the supply, handover and changeover of slaves is so quick, criminals put very little value on individual lives and treat them appallingly.

**What are your predictions for the future?**

**SS:** the numbers of prosecutions and victims will continue to rise. I also hope that there will be less criticism of police and agencies. We will be demonstrating that we are leading this area across policing, raising awareness levels and developing greater expertise in bringing perpetrators to justice.

**JC:** There is an increasing focus on safeguarding and vulnerability. Work is ongoing to strengthen the National Referral Mechanism, to ensure that all victims are protected and have the chance of investigation.





## CHAPTER 2: THE CONSTRUCTION BUSINESS MODEL AND LABOUR RIGHTS

Modern slavery generates \$150 billion globally every year, according to the ILO. More than 20% – US\$34 billion – of total proceeds come from the construction, manufacturing, mining and utilities industries. The four sectors also account for around half of the world's forced labour population.<sup>41</sup>

In the European Union, construction ranks second only to the sex industry as a sector most prone to exploitation. Construction was ranked as the sector at highest risk of labour exploitation in nine out of 21 European countries.<sup>42</sup>

### Construction and informal working

*“Forced labour is principally an issue of exploitation, supply chain management and business operations – intersecting with the vulnerabilities of individual workers”<sup>43</sup>*

#### The Joseph Rowntree Foundation

If the entire European construction sector is vulnerable to exploitation, it is hard to dispute that the UK also shares these risks: modern slavery transcends borders; the sector attracts large numbers of workers from Eastern Europe, a region already identified as a major source of trafficked labour into the UK.

Leading anti-slavery figures, including independent anti-slavery commissioner Kevin Hyland and the late GLAA CEO Paul Broadbent have singled out construction as a priority sector. London mayor Sadiq Khan recently announced initiatives to tackle human rights crimes on building sites in the nation's capital.<sup>44</sup>

But the true extent of the problem is still a matter for speculation. The sector has many risk factors, but the data that journalists, industry leaders and NGOs are asking for does not yet exist.

Recent news stories give the impression that exploitation in the sector is limited to informal jobs and traveller families. But there is growing evidence that non-legitimate businesses are targeting major supply chains, particularly around tiers four and five, where the informal and formal economies intersect.<sup>45</sup>

The GLAA's Mark Heath believes that criminals are systematically targeting legitimate labour agencies adding, “Some high street recruitment firms have accepted that they have been infiltrated in this way.”

Projects are most at risk when they are falling behind schedule, or stringent cost cutting measures are introduced. And, while much informal working complies with UK law, researchers warn that such arrangements should be regarded as risk indicators as ‘informality is a necessary condition for forced labour’.<sup>46</sup>

Informal arrangements can be temporary or long term. They could involve rogue employees ‘helping out’ bosses by recruiting temporary workers and controlling their wages. They could be foreign gangs exploiting ethnic groups from their country or region of origin. Equally they could be the people who pick up workers from the side of a road early in the morning in vans.

Constant turnover of staff, a mobile workforce and the temporary nature of projects, make construction sites an easy target both for small time opportunistic criminals and serious organised gangs.<sup>47</sup>

41 Human Rights First, *Human Trafficking by Numbers*, January 2016

42 European Union Agency for Fundamental Rights, *Severe Labour Exploitation: workers moving within or into the European Union*, 2015

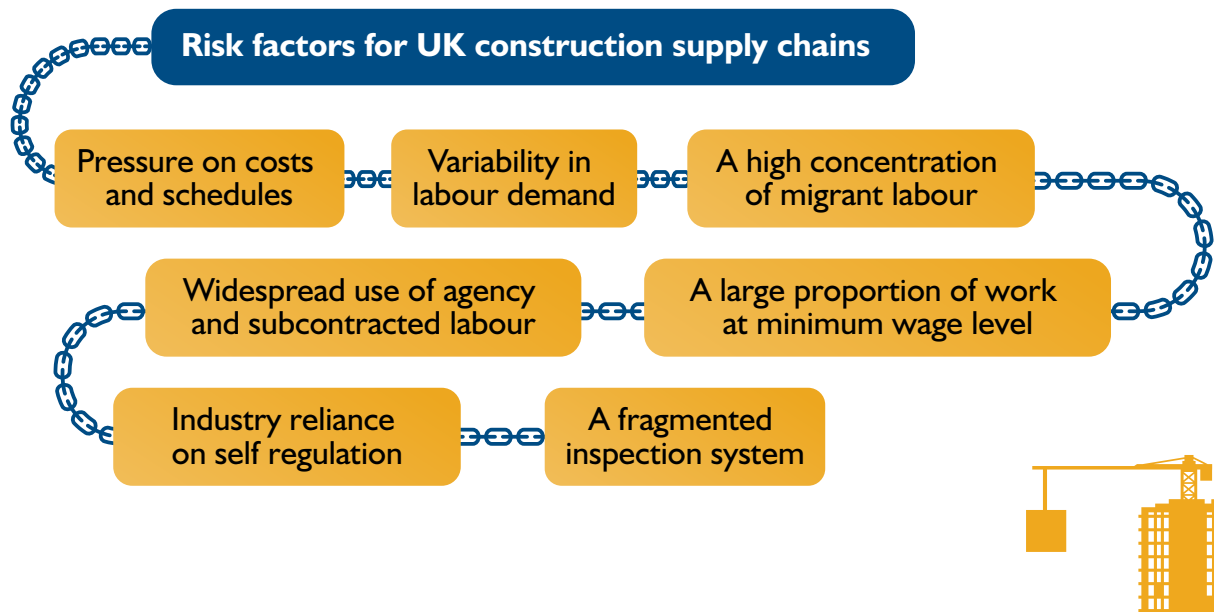
43 Joseph Rowntree Foundation, *Forced Labour in the United Kingdom*, 2014

44 Evening Standard, *Sadiq Khan backs Evening Standard's modern slavery campaign amid crackdown on building site exploitation*, 2 November 2017

45 Joseph Rowntree Foundation, *Forced Labour's business Models and Supply Chains*, November 2013

46 Joseph Rowntree Foundation, *Forced Labour's business Models and Supply Chains*, November 2013

47 CIOB, *Crime in the Construction Industry*, July 2009



## Modern slavery in construction: recent stories

### Drive laying and property repair

In May 2016, three family members of the **Connors family** were jailed at Cardiff Crown Court for modern slavery offences in their tarmacking business. One victim, Michael Hughes was targeted because he was vulnerable. Held for 21 years, Hughes was hunted down and beaten when he tried to escape. Judge Neil Bidder QC said the Connors treated their victims as “little more than objects.”<sup>48</sup>

In September 2017, 11 members of the **Rooney family**, who operated a tarmacking and property repair business, were jailed for exploiting at least 18 victims. The Lincolnshire-based traveller family targeted people that were homeless, had mental health issues, addictions or learning disabilities over a 26 year period.

Victims were frequently subjected to violent beatings and forced to work seven days a week in all weathers. They often went hungry or were given the family’s leftovers. The judge described the family, who lived a life of ostentatious luxury, as “chilling in their mercilessness.”<sup>49</sup>

### Demolition and asbestos removal

**Jozef**<sup>50</sup> was a semi-skilled plant operator and bricklayer from Slovakia. Unable to speak English, he was duped by an Eastern European crime gang with the promise of well paid work and accommodation in the UK.

On arrival, Jozef was put to work on demolition sites in the West Midlands. The traffickers withheld his passport and controlled his bank account, paying him between £15 and £20 a week. Jozef was held in unsanitary and unsafe conditions. His work included breaking up asbestos without any health and safety equipment.

After eight years, Jozef developed a chronic chest infection. When he was too ill to work, his handlers threw him out onto the streets. Becoming homeless, Jozef was discovered at a food bank by anti-slavery charity Hope for Justice in 2015. Despite long term support and rehabilitation, his long term health issues have made it impossible for him to find work.

Jozef estimates that he earned just £1,100 during his eight years in modern slavery.

48 BBC, ‘Modern slavery’ family jailed for Cardiff forced labour, 24 May 2016

49 The Guardian, 11 members of Lincolnshire family jailed in ‘chilling’ slavery case, 12 September 2017

50 Name has been changed to protect identity

## Block paving

Phil, a 37 year old former holiday rep began sleeping rough on the streets after his relationship broke down. He was approached by travellers who offered him up to £80 a day working in fields or laying block paving. In reality, Phil worked 12 hour days, living on scraps of food, enduring regular beatings. His work included laying patios and paving.

*“There was always someone sitting in the van watching you so running away wasn’t a possibility. Four of us were often locked in a tiny caravan. They would put dogs outside guarding us. There was no electricity, no running water. We were fed occasionally, with leftovers,” he told the Manchester Evening News.<sup>51</sup>*

## Infrastructure

On one of the UK’s largest infrastructure projects, one work gang was recently discovered to be in forced labour. However, the truth only emerged after a noticeable rise in health and safety incidents. The team had been living in cramped accommodation and forced to hot bunk. After a change in shift patterns, they were unable to find a place to sleep. Workers had begun making mistakes out of extreme fatigue.

## Recycling

Within the last two years, Hope for Justice has removed around **50 victims** from waste management picking lines. “Recycling is a particularly vulnerable part of the supply chain that should be included in risk assessments,” says the NGO’s team leader Gary Booth.

## Major projects: from poor practice to modern slavery

*“Criminals like the Rooney family are obvious candidates, but big business is in denial that modern slavery has infiltrated its systems too”*

**Dr Alexander Trautrim**, project lead for the *unchained supply*, University of Nottingham Rights Lab

Exposés of modern slavery in construction often focus on high profile projects overseas. The New York University Campus in Abu Dhabi and projects around the Qatar 2022 FIFA World Cup are just two examples of programmes that have attracted considerable media and NGO scrutiny in recent years.

Meanwhile in the UK, negative coverage often focuses on the supply chains of consumer-facing industries such as fashion or food. Cases that touch on construction often involve travellers, such as the Rooney family.

If this gives the impression that mainstream construction does not have a problem, it is a mistaken assumption. Unions have long been campaigning against the systemic abuse of workers on some of this country’s largest projects. Cases, affecting both British and migrant workers, range from minor exploitation to forced labour.

Phil Whitehurst is the GMB Union’s national officer for construction, and also works across several other industries. He says:

*“The big power generation sites can be like Dodge City compared to manufacturing sectors with static supply chains. People are often too scared to talk to the trade unions.”*

Whitehurst tells of one incidence that came to the GMB’s attention at the Ferrybridge Power Plant project in Yorkshire.

*“We first became aware of problems when a Spanish worker was seen in the canteen with a notice round his neck asking if somebody would buy him a meal. He was telling people he hadn’t been paid for three months.”*

51 Manchester Evening News, *Shock figures show rise in modern-day slavery in Manchester*, 12 December 2014

Such incidents reveal how the sector is failing to protect workers, even on projects with national collective payment agreements.

**A Home Office source says:**

*“We’ve had dealings with major public infrastructure and building projects. We’ve also seen problems on hospitals, power stations and prison sites. Clients engage with companies with strong reputations and brands, but they don’t fully understand that the company can’t deliver the whole project without the help of others. The further down the contracting list you go, the weaker the visibility.”*

He adds:

“We have a number of successful and ongoing investigations around firms that supply concrete specialists from India. These firms are operating nationwide. They’re often sophisticated and hidden behind complex corporate structures...They are often paying below the minimum wage, and are undercutting competitors that are doing things by the book.”

Darren Jones, the MP for Bristol North West, singled out construction in a recent Parliamentary debate. He said:

“...It is often at the depths of the sub-contractor chain that exploitation can take place...I raise this matter because I have significant construction projects in or near my constituency, including energy plants, Hinckley Point C and its supply chain, tens of thousands of new homes, expanding retail projects and major infrastructure upgrades in Bristol. I understand from trade union officials...that there are concerns about unethical working practices in my constituency that, in their view, approach modern slavery.”<sup>52</sup>

The fact that the sector is difficult for outsiders and law enforcers to navigate plays into the hands both of organised crime gangs and unscrupulous businesses.

*“Construction is important. The question is, when will there be political will to really go after the sector?” says one enforcement officer. “Tactically, agriculture is easier to investigate. Raiding a field of strawberries, no one’s going to get hurt, but raiding a partially constructed skyscraper is another matter.”*

He adds:

“We’ve been in the situation where we were going to arrest people on site as a concrete pour was about to take place. We started to think about liability issues. It’s unclear whether indemnity insurance would cover companies in these cases, if they were unsure who was working for them.

“The situation is not troubling the large companies at the moment. That’s because they know that we’re going after the smaller companies in their supply chain – those directly liable for recruitment. The only time I’ve seen main contractors getting nervous is when we do something overt, putting 100 officers on the site in hi-vis jackets – an action that the local media may get to hear about. But most of the time, they’re happy to collaborate because the effect on their business is minimal.”

52 House of Commons Hansard, *Debate on Modern Slavery Act 2015, Volume 630*, 26 October 2017



## INTERVIEW: THE LEGAL VIEW

Criminal Barrister **Caroline Haughey** prosecuted the first modern slavery case in Britain in April 2011. She has since advised on or prosecuted more than 40 defendants in modern slavery cases in England and Wales.

Haughey is a member of the government's modern slavery taskforce. Her independent review of the Modern Slavery Act 2015, commissioned by the then home secretary Theresa May, was published in July 2016.

### What kind of modern slavery cases are you dealing with at the moment?

I'm prosecuting a lot of labour exploitation – in some cases there are an excess of 250 victims. Some of these cases are trespassing into the construction industry.

### What are you discovering?

At the moment the approach is to prosecute the traffickers – the people that are clearly culpable. But, the more we're doing that, the more we're discovering industry collaboration with organised crime. It could come from the top of organisation – or from individuals lower down in the company that are collaborating with the slave market.

### How common is it that company directors knowingly encourage exploitation in this country?

It's not as rare as you might think. There are large publicly known organisations with a high turnover that are being very slack – that's the most positive spin I can put on it – in human resources recruitment.

### Can companies further up the supply chain expect prosecutions in the future?

Yes. Most companies don't want to be criminal employers, but there is a link between modern slavery and involvement in money laundering, bribery and corruption. If you have exploitation in your supply chain, you're theoretically a money launderer because you are encouraging and inciting criminal activity, facilitating someone's financial gain without doing appropriate checks either because they are turning a blind eye or alternatively knowingly complicit.

### What powers would you use?

Every power available to me. If we can't succeed through policing we could recommend a health and safety inspection or fire safety inspection. If we are not satisfied with financial activities we may refer it onto the fraud squad, or tax avoidance issues could go to HMRC.

### Could you prosecute British companies that are exploiting workers outside the UK?

Yes, even if I can't prosecute for the primary offence, I could go after them for other criminality where I can demonstrate appropriate jurisdictional interest. For example, if fraud had been committed, I'd just need to show that one element of the fraud has taken place in the UK. If I could bolt on other areas such as recruitment carried out from the UK, I'd certainly look at it.

### Are you sensing a change in public and government mood?

Absolutely. Take blacklisting. Construction workers fighting for their rights were denied employment and a voice. There was a disgust with that and public concern about ongoing poor employment practices. The public response is a closer look at what's happening at home and abroad.

If, for example, a large building firm was failing to comply with basic employment standards in the Gulf, that would have significant ramifications. I would expect an inspection of the company. Exactly what form that would take, I couldn't say, but there would be a close examination of their practices.

**How would you like to see companies changing their behaviour?**

I want to see a public statement of intent. I don't just want to see what they are saying, but what they are actually doing.

I want them to show me that they have educated all their staff from top to bottom. Not just to look for trafficking or exploitation issues within their own company, but from the suppliers that they are using. To be aware.

**Construction sites have a high turnover of people – won't that be difficult for this industry to implement?**

They can still do it. They have a health and safety obligation to know who is on site and when. Basic things like clocking in and clocking out, following where the money is going and checking ID.

**How do you feel about modern slavery statements?**

Public facing companies are more anxious to do this right. Some large organisations are showing root and branch reform – John Lewis, Marks and Spencer and H&M. But many companies are paying lip service to it.

**Could companies be prosecuted for filing false or misleading statements?**

Yes, I believe they could. All it could take is an NGO or a member of the public to draw discrepancies to the Home Office's attention and make a strong enough case that they want to make an example of.

That's the point of the Modern Slavery Act. It has raised awareness about this as a sort of criminality. It has made people think...if I can't prosecute them under this...what else can I do?

**Will the law take a more lenient view of proactive companies?**

Absolutely. The law is not prescriptive and nobody's supply chain is going to be perfect.

If you can show that you are proactively working to improve worker protection in your supply chain, you're less likely to be prosecuted, unless there is direct criminality. It's in a company's interests to report problems, because it's putting them as a prosecution witness rather than the defendant.

**How do you see the situation evolving?**

Personally, I'm noticing a large change. The police, agencies and government all have a strong desire to make this legislation work. There are an increased number of referrals. I've got prosecution work on modern slavery cases for the next twelve months and I'm not the only one. There's also a lot of engagement from other nations.

There's a huge amount of work to be done, but I'm optimistic. We'll never stamp this out, but we're going to give it a bloody good try.



## How construction’s business model is vulnerable to exploitation

“There are a lot of decent people in construction. If they really knew how some people were being treated by ruthless gangmasters, there would be a bigger outcry.”

Peter Jacobs, CIOB past president, managing director of construction logistics, Wilson James<sup>53</sup>

Construction industry’s traditional business models, from aggressive contracts to lowest cost tendering, are a significant barrier to change or innovation. Growing evidence shows that these models also have a negative impact on worker conditions:

### Low risk and low detection rate

Infiltrating construction makes good business sense for corrupt labour providers. As employment practices in the sector are less regulated than in food processing or agriculture, they present lower operational risk for criminals.

Although modern slavery is thought to be a hidden crime, its signs could be visible to co-workers who may be oblivious to what they are witnessing.

“I’m pretty sure every construction manager has had the experience of workers who don’t speak English being segregated on site and brought in and out by the same mini bus every day. Most people wouldn’t set out to exploit anyone, and therefore don’t expect others to do it. They need to remind themselves that they could be witnessing a crime and to start asking more questions,” says Dr Alexander Trautrimis, project lead for the unchained supply at the University of Nottingham’s Rights Lab.

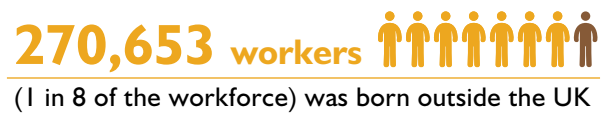
### Heavy reliance on migrant labour

Construction has an ongoing skills crisis. The Construction Industry Training Board (CITB) forecasts that the industry will need to recruit 35,740 new workers annually between 2017 and 2021.<sup>54</sup>

Migrant workers at all skill levels are filling the skills gap. It is estimated that non-UK workers account for 10% of the total construction workforce. The sector relies heavily on Eastern European workers.

Even where a migrant has full rights to work in the UK, migrant status can contribute to exploitation.<sup>55</sup> With tighter immigration controls expected after Brexit, EU workers could become more vulnerable.

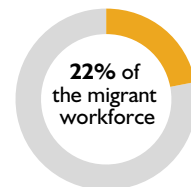
### Migrant labour in UK construction<sup>56</sup>



### The most common source countries for the migrant workforce were

**Poland** (55,500 workers) **Romania** (27,000) **India** (19,400) **Lithuania** (17,200) and **Ireland** (15,000)

### The most common role for migrant workers in construction was general labouring



### Migrants working in skilled jobs include:

**Architects** (15%), **Carpenters** and **Joiners** (13%), **Plasterers** (13%), **Bricklayers** (11%) and **Managers** (9%)

**One in four employers in construction directly employs at least one non-UK worker**

**In London, one out of two construction firms is heavily reliant on migrant labour**

53 See Wilson James case study

54 CITB & Experian, *Industry Insights, Construction Skills Network Forecasts 2017 – 2021*, 2017

55 Joseph Rowntree Foundation, *Forced Labour in the United Kingdom*, 2014

56 CITB, *Migration and Construction: The view from employers, recruiters and non-UK workers*, June 2017

## Outsourcing and cut price tendering

*“..The construction business model isn’t working ... the profit margins of the top ten contractors...[are] about 0.8%. Those that are doing well would declare about 2% margins and that’s just not sustainable for the level of risk that they take...”<sup>57</sup>*

**Suzannah Nichol MBE**, chief executive, Build UK

Major contractors rely heavily on outsourcing and using tiers of subcontractors to reduce their financial risk. In fact, 99.9% of the industry is made up of SMEs.<sup>58</sup>

This creates intense competition, leading to lowest cost tendering. Tier one contractors complain that they are lucky if they make 2% margins, but margins become even tighter with every subsequent layer of subcontracting. The model puts smaller companies under constant pressure to reduce their overheads.

“If a price is too good to be true, buyers should be asking themselves if they’re ethically doing the right thing,” says one enforcement officer. “But at the moment many major contractors are putting their heads in the sand.”

## Retentions

Retentions are commonly used in construction. Accounting on average for 5% of contract value, they are held back by clients as an assurance of project completion and a safeguard against defects. Retentions tend to be held at each level of the supply chain, and it is the lower tiers that suffer most from systemic abuse.

In a study conducted by the Building Engineering Services Association (BESA) nearly 60% of 341 engineering services businesses said that a substantial amount of their turnover was being held in retentions.<sup>59</sup>

Problems tend to start at the top of a supply chain. A study for the Department of Business, Energy and Industrial Strategy (BEIS)<sup>60</sup> found that 10% of tier two and three contractors had experienced not receiving retention payments within the previous three years.

A common reason was that the client had withheld the money from the main contractor, which had in turn declined to pay its subcontractors.

Tier one contractors were also found to be relying on retentions to help with cash flow. The survey found that 37% of major contractors were using retentions to pay labour costs, and 29% were using the money as part of their general expenditure. Clients and contractors were often withholding payment to achieve a project discount.

Although withholding retentions will not necessarily lead to modern slavery, it does contribute to worsening conditions for workers. It also sets an environment where corners are more likely to be cut. From substituting materials to skimping on health and safety or withholding holiday or sick pay, a culture is created in which exploitation is easier to hide.

“In a sector where margins are as tight as construction, there is a tendency for companies to do the bare minimum to comply with the law, rather than innovate,” says one consultant.

## Late, discounted or non-payment

*“We’ve trained a generation of young people in the industry to think beating up subcontractors is the way business should be done. It’s shameful.”<sup>61</sup>*

## Dispute resolution expert

Late payment is endemic in construction, and comparatively worse than in many other sectors.<sup>62</sup> The Asset Based Finance Association (ABFA), now part of trade association UK Finance, says that construction insolvencies accounted for 17% of all corporate bankruptcies in the UK in 2015, with late payment the most common reason.<sup>63</sup>

Payment terms of 120 days are already the norm for many SMEs, but the Federation of Master Builders (FMB) claims that clients are engineering even longer delays on spurious grounds. In the FMB’s recent survey of nearly 350 small construction businesses,<sup>64</sup> nearly a quarter had had to wait more than four months to receive payment. Companies also complained of ‘scope-creep’: being forced to do extra

<sup>57</sup> Speaking on BBC2, *Newsnight*, 15 January 2018

<sup>58</sup> Department for Business, Innovation & Skills (BIS), *UK Construction, An economic analysis of the sector*, July 2013

<sup>59</sup> Construction Manager, *60% of engineering firms say turnover is held in retentions*, 20 November 2017

<sup>60</sup> Pye Tait on behalf of BEIS, *Retentions in the construction industry*, *BEIS Research Paper 17*, October 2017

<sup>61</sup> The Telegraph, *Construction giants ‘bullying’ small businesses*, 12 October 2012

<sup>62</sup> Smallbusiness.co.uk, *Why late payment hits the construction sector hardest*, 23 August 2016

<sup>63</sup> ABFA, *Construction companies hit hardest by growing waits for payment*, 22 August 2016

<sup>64</sup> FMB, *Cowboy Clients Survey*, November 2017



work which was not in the contract and for which they were not paid.

Other abuses of the system, noted by the FMB and others, include charging suppliers a fee to tender for work, as well as pressurising them to offer retrospective discounts on completed jobs, in return for faster payment.

Payment problems reverberate inside and outside of businesses. In the FMB survey, 30% of SMEs that were still waiting for their due payment were forced to delay paying their own suppliers. And 5% – around 18 companies – said that they had been forced to delay paying wages to staff.

The industry's systemic problems came into sharp focus with the collapse of construction giant Carillion in January 2018. The contractor went into liquidation owing around £1 billion in unpaid invoices to an estimated 30,000 UK businesses. Some of its problems arose because it had bid aggressively low on many tenders, leaving it unable to cope with project delays and cost rises.<sup>65</sup>

Although the government stepped in to honour Carillion's public sector contracts, companies on Carillion's private sector projects were treated merely as creditors. Trade associations predicted a catastrophic effect on supply chains, leaving many more firms at risk of bankruptcy and thousands of jobs and pensions at risk.

### Time constraints

When projects are delayed, companies sometimes take on extra workers at the last minute to fulfil contract obligations.

“There will be a temptation to get workers in with no questions asked to avoid financial penalties,” warns the GLAA's Mark Heath. “Businesses need to question whether their contractual arrangements are creating the conditions for exploitation.”

When operating under intense schedules, companies should be alert to a variety of scams. For example, there are anecdotes of unskilled workers being sent to a project with the promise that they are “just waiting for their CSCS (Construction Skills Certification Scheme) cards to arrive”. In reality, the workers will never get the cards and quickly pass through a variety of sites to avoid detection.

### The price of flexibility

*“There are large publicly known organisations with a high turnover that are being very slack – that's the most positive spin I can put on it – in human resources recruitment.”*

#### Caroline Haughey QC

The UK has the largest proportion of agency workers in any country of the European Union. In 2007, the proportion of the UK workforce in temporary agency work was more than double the second largest market of the Netherlands.<sup>66</sup> With the emergence of the gig economy and zero hours contracts, the proportion is likely to be even higher today.

In a sector as volatile and uncertain as construction, outsourced labour provides the industry with much needed flexibility.

But Andrew Crane, professor of business and society at the University of Bath's School of Management cautions:

“Some large companies are trying to get flexibility on the cheap. They're using it to cut costs, rather than to enable them to be more agile.”

He gives the example of minimum wage.

“Firms are pricing labour into their contracts at minimum wage level without any recognition that, once you subcontract four or five times down the chain, it's impossible for those workers to receive the legal amount, because so many other parties are taking a cut.”

### Bogus self employment and umbrella companies

Bogus self employment occurs when an individual appears to be operating independently but in reality is working for a single employer.

Historically, many companies and agencies encouraged bogus self employment to avoid paying their share of national insurance contributions. Workers were enticed (sometimes forced) into self employment by the prospect of paying lower rates of tax. But they also lost employee rights and protections.

65 The Telegraph, *Carillion collapse leaves 30,000 businesses losing out on up to £1 bn*, 16 January 2018

66 Gallagher N and O'Leary D, *Recruitment 2020: How Recruitment is changing and why it matters*, April 2007

In 2013, HMRC estimated that 200,000 people in the construction sector were wrongly designated as self employed, with significant losses to the government in tax revenues.<sup>67</sup>

In April 2014, a government clampdown banned employment agencies from bogus self employment practices. The intention was to force agency workers onto full employment contracts. Instead, many agencies exploited a legal loophole, moving people into umbrella companies.

Umbrella companies were intended to be used as a legitimate tax scheme for temporary workers. But UCATT<sup>68</sup> described them as a ‘con trick’ that duped workers into a significantly reduced take home pay:









“Some UCATT members have been switched to payment via umbrella companies without their knowledge. Or they apply for a job advertised at £12 or £13 per hour, only to find they are being paid the national minimum wage, plus whatever additional

amount the umbrella company chooses to give them. In other cases, workers have been told to sign a contract agreeing to payment via an umbrella company or face losing their job.”<sup>69</sup>

Umbrella companies have become so widespread, unions claim, that many workers are unable to find alternative forms of employment. Some workers are pushed into signing zero hours contracts with exclusivity clauses forbidding them to work elsewhere. Many complain of habitual late payment, as the agency and umbrella company blame each other for delays.

Such companies often make “administrative” deductions from wages, forcing employees to shoulder extra costs, such as the employer’s share of national insurance payments. Workers are in effect taxed twice, and are less likely to receive their full holiday entitlements or pension payments. They are often kept in a state of uncertainty and confusion by complex and hard to decipher wage slips.

### How the umbrella company scam works

- 1  An employment agency recruits a worker agreeing an hourly rate
- 2  Once the worker has agreed the terms, he or she is employed by the agency’s umbrella company
- 3  The umbrella company receives the worker’s full hourly rate from the agency, but makes its own deductions before passing on the money
- 4  By law, the umbrella company should be paying the employer’s share of national insurance contributions. Instead many companies take this money out of the worker’s wages
- 5  The worker is **effectively being taxed twice** – paying both his and his company’s share of national insurance
- 6  Umbrella companies often fail to acknowledge national agreements, such as a worker’s right to free travel to work, beyond a certain distance
- 7  Workers do not receive paid holiday as fully employed workers would. Instead their holiday pay is calculated against national minimum wage rates, and rolled into monthly payments
- 8  Workers can also lose out on pensions, as the umbrella companies delay enrolling workers into government pension schemes. As workers move from job to job every few months, they risk being in pensions limbo

67 HMRC, *Onshore Employment Intermediaries: False Self-Employment*, December 2013

68 UCATT has since merged with the Unite union

69 UCATT, *The Umbrella Company Con-Trick*, May 2014

## Small clients and the decline of collective bargaining

Collective agreements between employers and trade unions are designed to protect all parties on a project, regulating terms and conditions in the workplace, and setting out duties of care for employers.

But unions say the use of collective agreements, such as the National Agreement for the Engineering Construction Industry (NAECI) negotiated by the National Joint Council for the Engineering Construction industry (NJC) is in decline as clients aim for the cheapest possible contracts.

“You can particularly see this in small scale projects like waste to energy plants,” says the GMB’s Phil Whitehurst. “They’re all being done under the radar with local planning permission.

*“The lowest bidder wins the contract at tendering stage, no matter what their past record is with regards to safety and terms and employment conditions...[It] ultimately encourages spurious employment methods such as zero hours contracts.”*

Part of the problem, Whitehurst claims, is that the UK has not fully implemented the EU Posting of Workers and Enforcement Directive.

The directive is supposed to guarantee fair competition across the EU along with respect for workers’ rights. One of its key aims is to avoid “social dumping”, preventing foreign companies from undercutting domestic businesses with labour standards and wages that are below market rates.

However, foreign companies are exploiting a legal loophole in the UK, forcing legitimate businesses out of the market and paying workers below market rates.

“Many UK-based companies can’t compete. A lot of them are either pulling out of certain markets entirely or changing their business models,” Whitehurst says.

## Intimidation at home and abroad, and at all skill levels

Exploitation is commonly thought to be confined to unskilled labour, but unions say that skilled workers are being increasingly forced into exploitative labour conditions. Problems are spreading as local companies compete to slash tender costs.

“This is affecting everyone from civils workers who set out the concrete to steel fixers, welders, pipe fitters and steel erectors. They are all highly skilled professions,” Whitehurst says.

The weak bargaining position of workers, he adds, is leading to generalised feelings of intimidation on site.

He gives the example of an incident on the Ferrybridge Multifuel 1 site in Yorkshire where three eastern European workers revealed to the GMB that they were being exploited.

“The very next day they were on a plane home with the managing director. He made excuses saying that they were going to a different job. But it was obvious that they were finished for talking to the unions.”

In another case at Ferrybridge, GMB and UNITE managed to reclaim £90,000 in underpaid wages and allowances for employees of Croatian company Đuro Đakavic TEP. Whitehurst says that after the money was reclaimed, the men were “constantly harassed and intimidated” by Đuro Đakavic’s senior management for the remainder of their time in the UK. He claims that their harassment continued after they returned to Croatia in 2015.

The company has taken workers to court for the return of the “overpaid” salaries. When one refused to repay more than 50% of his legitimate UK wages, he wrote to the British unions asking for help, saying that his salary had been slashed to minimum wage. Others that have moved on to different companies are also being ordered to repay the money. Legal battles are ongoing.

It is this kind of intimidation, Whitehurst says, that makes people think twice about coming forward with complaints.

*“The gangmasters rule by fear and are absolutely ruthless. Normally it’s a foreman or a manager who has got a good grip on migrants. They won’t get any more work in their home countries if they cross these people.”*

But he adds that British self-employed agency workers also feel vulnerable.

“People are very reticent in carrying complaints forward. They’re scared of leaving anonymity because they’ll either get chopped, blacklisted or will have to come off the job. Companies would just get rid of them.”

## Blacklisting

The construction industry has been hit by a series of blacklisting scandals. In 2016, unions collectively won around £75 million in compensation for nearly 800 workers that had been denied jobs for union activity or raising health and safety issues.<sup>70</sup>

This followed a long legal battle after a list containing the details of 3,213 workers was found in the offices of the Consulting Association in 2009.

But Unite says blacklisting is still a “contemporary problem that continues to blight lives.”

GMB’s Phil Whitehurst believes that blacklisting may be ongoing in a less formalised way.

“Blacklisting is still happening in a different form,” he says. “I know of several good people that still can’t get a job.”

## Domestic clients

At the domestic level, bargain-hungry homeowners are at risk of fuelling exploitation in construction.

In a recent survey by Plentific, nearly half of UK adults admitted to having paid tradesmen in cash in order to get a discount.<sup>71</sup> The Taylor Review estimates that cash in hand work represents an annual £6 billion spend in the UK, much of which is untaxed.<sup>72</sup>

Paying cash for kitchen fit-outs and extensions may seem like a good deal to consumers, but it short changes society: companies that fly under the radar are not only undercutting legitimate tax-paying companies, there is a high chance that they are also taking short cuts on health and safety and not complying with wage laws. In the worst cases they could be using trafficked people.

There was a recent incident in Scotland, where an Eastern European worker turned up to tile a kitchen late afternoon on Christmas Eve.

“The homeowner didn’t find it odd that the labourer was turning up at such an unusual time and working through a public holiday, but circumstances suggest that the person was being exploited, if not trafficked.

“I suspect that traffickers may view the domestic sector as a soft market for exploited labour, particularly as many householders will have low awareness of the signs of human trafficking. I would stress to the public that if something doesn’t feel right, it probably isn’t,” says John Merralls, senior operations manager at Migrant Help UK.

## Future risks:

### Costs<sup>73</sup>

Even though tender prices have been at a historic high in the past two to three years, many contractors have struggled to make a profit.

“Margins are in negative territories, particularly with some of the bigger contractors and a lot of the supply chain hasn’t made any money. That’s a real concern for the industry. It’s not creating a great environment for innovation or investment in people,” says Will Waller, director, head of futures at Arcadis.

The squeeze on margins has partly been driven by the falling value of the pound after the Brexit vote. Materials costs have risen between 5% and 6% within the last 12 months. To compound the problem, the global prices of some essential products, such as steel, are rising independently.

Labour wages have also been rising, partly due to the shortage of skilled workers. Arcadis is predicting that annual labour wage inflation is likely to remain at 3% until at least 2020.

“Some trades and skills will see higher rates. Wages for bricklayers and carpenters have seen rises of 10%,” Waller says, adding that industry is likely to face cost pressures, at least as long as uncertainty over Brexit persists.

Imports account for 30% of materials used in building and infrastructure projects and 62% of imports to the sector come from the European Union. In 2016, the UK construction sector imported approximately £15.5 billion of materials or components, with the EU accounting for roughly £10 billion of that sum.

Depending on the terms that the UK negotiates with the Europe, major structural shifts are anticipated in supply chains over the next few years, with added cost inflation.

70 BBC, *Construction workers win payouts for ‘blacklisting’*, 9 May 2016

71 Plentific, *Nearly Half of UK Adults Admit to Paying a Tradesman Cash in Hand to Get a Cheaper Deal*, 28 July 2017

72 BEIS, *Good Work, the Taylor Review of Modern Working Practices*, July 2017

73 CIOB would like to thank Arcadis for the data supplied for the Costs section

“In the case of a no deal scenario, it’s likely that there will be serious logistical problems getting materials onto site. The problem could be quite acute over the short term, adding 2% to 3% on top of other costs,” Waller estimates.

The security of planned future projects is difficult to predict. If the UK does negotiate a deal with the EU, Arcadis is anticipating that domestic demand for construction could start growing from 2019, but “the assumption is under constant review”.

Leaving the EU could potentially create a large gap in funding for public projects. The European Investment Bank ploughed £6.9 billion into UK infrastructure projects in 2016<sup>74</sup>, accounting for roughly 25% of the country’s infrastructure output. Under EU rules, the UK is expected to leave the EIB after Brexit, and, according to *The Times*, the EIB has already imposed a moratorium on new long term loans to the country. The British government’s strategy for replacing this funding is not yet clear.

### Organised crime

As border controls tighten, it is expected that organised criminal activity will expand to help migrants cross frontiers, significantly raising the risks of exploitation.

The NCA says:

*“Criminals are not constrained by geographical or jurisdictional boundaries and are inherently opportunistic. We expect that many will strive to take advantages of the opportunities that Brexit may present.”*<sup>75</sup>

According to Verisk Maplecroft’s Modern Slavery Index 2017, risk of trafficking has risen in 20 EU countries. Greece, Italy, Cyprus and Bulgaria are particularly vulnerable as they are often entry points for migrants into Europe, whilst the slavery situation in Romania, a significant labour source nation for the UK, was identified as “deteriorating worse than any country globally”.

In the 2017 Index, both the UK and Germany scored negatively on the previous year, slipping from *low risk* to *medium risk* countries.<sup>76</sup>

### Falling migration

Since the Brexit vote, net migration to the UK has been falling, particularly from EU8 countries. Recruiters have noticed a decreasing number of applications from EU workers for low skilled positions.

Construction is already facing a skills crisis, but the Recruitment and Employment Confederation fears that unscrupulous employers in general, “may resort to undocumented workers to keep their businesses afloat, which could also lead to cases of exploitation and modern slavery.”<sup>77</sup>

### Racial abuse

Unsavoury trends have been emerging since the Brexit vote. In a recent cross-industry workshop on fairness, inclusion and respect, more than two thirds of participants had noticed an increase of incidents of racial abuse on construction sites.

#### CIOB VIEW: Creating a culture of fairness, inclusion and respect

Steeply rising costs for materials and labour and political uncertainty over funding continue to squeeze the industry. Spending cuts could force down tender prices to unsustainable levels, pricing legitimate lower tier companies out of supply chains.

It is an environment that discourages investment in skills and people. It could also increase the potential for exploitation as employers try to reduce their rising wage bills.

Construction is heavily reliant on foreign workers. Its current skills crisis could be exacerbated by falling numbers of legitimate migrants, making the sector lucrative target for organised gangs.

As the value of the pound remains low against other currencies, British companies are already looking for cheaper deals with their suppliers. Due diligence will be essential to ensure that they are not increasing greater human rights risks in their supply chains. Post Brexit, serious supply chain disruption may force buyers to seek out products from regions with higher human rights risks.

Political instability is breeding an environment of fear. Employers must work harder than ever to uphold a culture of fairness, inclusion and respect for all nationalities in the workplace.

74 The Times *European Investment Bank cuts off cash for British building projects due to Brexit*, 22 August 2017

75 NCA, *National Strategic Assessment of Serious and Organised Crime*, 2017

76 Verisk Maplecroft, *Modern Slavery Index 2017*, August 2017

77 REC, *Ready, willing and able? Can the UK labour force meet demand after Brexit?*, September 2017

## The GLAA targets construction

The agency formerly known as the Gangmasters Licensing Authority (GLA) became the Gangmasters and Labour Abuse Authority (GLAA) on 30 April 2017. With its new name, the agency has a broader remit: to tackle exploitative practices across all of British industry.

Identifying construction as a high risk sector, the GLAA is working with employers, agencies, trade and professional bodies to raise employment standards.

### How the GLAA is changing

The GLA was established in 2005 to regulate the employment of temporary workers in the agricultural, horticultural, shellfish and food processing industries. It issues around 1,000 labour licences to those sectors annually.

Now, as the GLAA, the organisation has the remit to carry out investigations in any sector. It can

search and seize property, issuing labour market enforcement undertakings and orders to businesses that are not protecting workers. There is a maximum two-year prison sentence for serious or repeat offenders.

The GLAA runs a confidential hotline for reporting suspected abuse and a separate advice line to help businesses combat modern slavery.

### Working with the sector

As yet, there are no plans to extend the GLAA's licensing regime into construction. However, the agency wants to work collaboratively with the sector and launched a protocol for construction in October 2017. This establishes, amongst other things, a voluntary information sharing agreement.

A number of organisations including Sir Robert M<sup>c</sup>Alpine, Morgan Sindall, Marshalls, Willmott Dixon, CIOB, BRE and IEMA have signed up to the protocol.



## INTERVIEW: Paul Broadbent

Former GLAA chief executive **Paul Broadbent** had a 30 year career in policing before joining the agency in 2013. A passionate and innovative leader, Broadbent was determined to tackle all forms of labour exploitation. He died unexpectedly in December 2017. This interview is a tribute to his work and vision.

### How do human trafficking and modern slavery compare to other crimes?

For criminals, it's low risk and high yield. I know of some gangs have switched from dealing in guns and drugs to dealing in people. Not only are the risks of arrest or prosecution lower, they can also make more money out of people.

### Why were the risks of prosecution so low in the past?

It's about perception and understanding, but this is changing now. As a police officer, if I caught someone in possession of guns or drugs, they'd almost definitely go to prison. But finding someone with a number of people in a van who were too scared to say anything, the chances of arrest and prosecution for trafficking were much lower.

### How easy is it for organised crime to infiltrate legitimate supply chains?

Criminals are entrepreneurs by their very nature. Even if companies have good systems, processes and people in place, some exploitation will still get through.

The analogy I'd use is the horsemeat crisis – the food industry's supply chain was long and complex enough for beef to be substituted. Trafficked people could be switched into labour supply chains of legitimate businesses in similar ways.

### What evidence have you found of exploitation and modern slavery in construction?

Here's a typical scenario: an organised criminal gang buys a street of terraced derelict houses and traffics a number of people in from Eastern Europe.

They gradually move along the street as properties are renovated. They won't be paid anything like the minimum wage and are living in squalid conditions, under fear of violence. They'll be facing threats like "we know where your family lives back home".

We're also aware of problems on major sites – but we're still building our intelligence picture.

### **What are you expecting from employers and labour agencies?**

The first question companies should be asking themselves, is not, *is labour exploitation happening in my supply chain?* But *where is it and what systems have we got in place to identify it?*

Companies need to go beyond box-ticking exercises. In our experience, worker interviews can be key to finding out what is happening on site.

### **Why are you targeting bogus self employment?**

This is a huge problem nationally. The exchequer is being defrauded and the employees have given away their employment rights. We look at anything from failing to pay wages, paying below minimum wage, withholding holiday pay and unlawful deductions for clothing or safety equipment.

### **How much difference has licensing made to agriculture and horticulture?**

Licensing makes it mandatory to treat workers with common decency. In the past four years, we've noticed that compliance among licence holders has gone up considerably. In fact, intelligence suggests that our success has pushed disreputable agencies into other less regulated areas, such as construction.

### **Will labour licensing be extended to construction?**

There are no current plans for that, but I could see a time when that conversation could take place. Our tried and tested codes of practice could work equally well in construction. It could happen either on a mandatory basis or by the industry voluntarily adopting standards.

### **What should managers do if they suspect a problem on site?**

If life is at risk dial 999. But if something doesn't look quite right, call us first and we can discretely and subtly work with you to establish whether there is a problem.

Protecting victims is our first priority, but we act with complete discretion. Having worked with retail for the past 11 years, we understand the sensitivities around brand reputation.

### **What happens when people take matters into their own hands?**

There's a danger that the criminals will be alerted and disappear. People have called us to say "we've sacked the individual who was causing the problem, can you help us with the rest of the investigation?" While we can help, valuable evidence is lost, and the likelihood of bringing perpetrators to justice is severely diminished.

### **What if companies fear prosecution after reporting problems?**

Ethical companies have nothing to fear. We're not trying to catch companies out. We want to help them raise their own standards internally. We want to create a more hostile environment for exploiters, and yet a safe environment for legitimate business to flourish. There's a balance there.

### **What are your predictions for coming years?**

I'm expecting a rise in the number of reported incidents in the next two years, and a marked rise in the number of prosecutions. From 2020 onwards, society should expect a fall from number of victims coming forward because, by that time, some of our systems and initiatives will have really started to kick in. But at the minute, we're still discovering what the true scale is – so it's going to go up.

---

**Contact the GLAA on  
0345 602 5020 for general enquiries  
Or call 0800 432 0804  
to report problems**

**[www.gla.gov.uk](http://www.gla.gov.uk)**

---

### CIOB VIEW: Will labour licensing come to construction?

Given the success of licensing in agriculture, businesses should not rule out a time when licensing is introduced, either on a mandatory or voluntary basis. The Parliamentary Joint Committee on Human Rights has advised that GLAA's licensing powers should be extended both to garment manufacture and construction.<sup>78</sup> The Association of Labour Providers has also launched labour recruitment certification scheme Clearview. Clients, contractors and labour agencies should prepare themselves for greater scrutiny.

### Joining up the disciplines

Information is an important weapon against slavery and human trafficking, which thrive in secret. So it is vitally important that businesses, the police, NGOs and agencies connect and share information regionally as well as nationally.

The GLAA's construction protocol creates a safe platform for interaction with industry. Other recently established initiatives include the West Yorkshire Anti-Trafficking and Modern Slavery Network set up by Hope for Justice and West Yorkshire Police and an initiative in the East Midlands, led by Derby University.<sup>79</sup>



## LEARNING FROM OTHER SECTORS : FOOD PROCESSING

### “Criminal gangs keep evolving” – an operations manager’s story

*Construction can learn a lot from the agriculture and food processing industries. As well as employing a large numbers of low skilled migrant labourers, the sectors have been regulated by the GLA (now GLAA) for more than a decade. Despite the extra scrutiny, keeping modern slavery out of supply chains is still a struggle. An operations manager in an East of England food factory tells his story.*

“In the early noughties our company wasn’t really aware of slavery. We viewed potential victims as criminals – illegal workers or benefits cheats – not realising that they could also be exploited.

I was doing everything that I was supposed to be doing: checking and verifying documents with the Home Office, getting involved with Ethical Trading Initiative audits.

Then I saw a news story about 58 Chinese nationals dying in the back of a lorry at Dover. This was a wake up call, as Chinese people were employed in my factory. I started visiting all the nationalities working for me and was appalled at what I found. One was being paid roughly 17p an hour, and working up to 67 hours a week. Others had been abandoned by their exploiters and left destitute. Another woman hadn’t been able to pay her traffickers, so the camp enforcer raped her to settle the payment.

I’ve been tackling this criminal activity ever since. As well as finding modern slavery, I’ve found many examples of British nationals in conditions of exploitation.

The challenge is that criminal gangs evolve and adapt very quickly.

For example, a gang approached me with the offer of labour in 2003. On checking the documents, I immediately spotted that workers were living at the same address and sharing telephone numbers, so it was easy to report them.

But things have moved on. Audits routinely check for shared accommodation, so the criminals have changed their model. They may only put one or two workers on each worksite to keep people guessing.

Similarly, we used to pay people in cash. Then we realised that traffickers were visiting workers on a Friday night and just leaving them with £10 for the week.

We insisted that everyone had their own bank account. Having gained proof of this, it later emerged that the accounts were being controlled by traffickers.

In reaction, we demanded to see workers’ bank cards. Initially, all the workers brought their bank cards to work. This didn’t last long. A few weeks later, no worker had a card on them. The traffickers had cancelled the original cards, issuing themselves with new ones.

78 Parliamentary Joint Committee on Human Rights, *Human Rights and Business 2017, Promoting responsibility and ensuring accountability :sixth report of section 2016-17*, 29 March 2017

79 See industry initiatives section



Exploiters keep evolving to outwit our checks. They're doing it faster than we can keep up. That's why you can't rely on audits. They have their part to play in raising standards, but they're not enough on their own. In the 15 years I've been fighting modern slavery I've never caught an exploiter through a straight audit.

You need to do a whole range of things – including regular worker interviews, training and awareness campaigns. You've also got to create a culture where people feel it's safe to talk to you. But it's important not to be too heavy handed. Asking someone point blank "did you pay anyone to get this job?" they're going to clam up and look away. You need to be more subtle and build trust over time.

I try to encourage a culture where all workers all look out for each other, because they're the ones that are best placed to spot problems. If it's left for managers to uncover exploitation, the situation will have been going on far too long, with untold physical and psychological consequences for the victims.

Often things arise from casual conversations. For example, one of the women on my shop floor said to me: "Oh, the Brazilians are always up for overtime".

This was a total surprise, as I didn't think I had any Brazilians working for me. I had personally checked all the papers of my workers on the site, and they had also been approved by the Home Office.

But it turned out that a highly sophisticated forgery ring had set up in the local town, trafficking in vulnerable people from Brazil.

It was a help when the GLA started regulating my sector, because a large number of less reputable agencies disappeared overnight.

My advice to anyone who thinks that they have a problem is to report it discretely to the professionals like the GLAA. Trying to take matters in your own hands could have terrible consequences for the most vulnerable people. The worst possible scenario is that the worker will just disappear, and no one can help them then."



## INTERVIEW: Independent anti-slavery commissioner Kevin Hyland OBE

**Kevin Hyland** spent 30 years as a police officer, including four years leading London Metropolitan Police's human trafficking unit, before being appointed the UK's first independent anti-slavery commissioner in November 2014.

### What has been your experience as the UK's first IASC?

It's been a positive experience – I've seen areas of best practice being developed and individuals taking on the responsibility of tackling this crime head on. It has at times been challenging, pushing for agencies to respond to modern slavery with the severity it requires. One thing we can all agree on is that modern slavery is wrong, and it requires coordination, determination and professionalism for it to be stopped.

### Has the scale of modern slavery in this country surprised you?

It hasn't come as a shock, but it is most definitely a great shame. It is a shame on us all. With a policing background of 30 years I agree with the NCA that cases of modern slavery in the UK are much higher than previously estimated.

### What do you think of industry's response to the Modern Slavery Act?

To date, the response has been patchy. We have seen some companies taking the lead, publishing substantive modern slavery statements and taking concrete steps to understand the risks within their businesses with clear plans on how to address them. However, many companies have failed to step up, with a significant proportion of those required to publish statements under the Modern Slavery Act failing to do so in the manner required by the legislation.

### You wrote to 1,000 companies about transparency in supply chains reporting. What did you say?

We worked with the UN Global Compact to identify 1,000 companies with whom we thought engagement would be beneficial to driving up

standards. We drew attention to the requirements of Section 54 of the Modern Slavery Act and made the case for taking this issue seriously at the highest corporate levels.

We felt it was important to remind companies that scrutiny over their practices relating to modern slavery is only likely to intensify as more jurisdictions introduce legislation. We also called on them to work in partnership with peers, as slavery and trafficking affect all companies.

### **What are the most common mistakes that companies are making regarding the Modern Slavery Act?**

A significant proportion of companies are failing to take any substantive steps on modern slavery and this is something I want to see changing fast. This is not a mistake, but a wilful avoidance of their legal and moral responsibilities.

Where companies are taking action, some are failing to embed it across all functions and we really need to see this shift. Many companies are undertaking one-off audits but they must realise this will be an ongoing issue needing continuous diligence checks: just because your workforce and supply chain are free from forced labour today, it doesn't mean it will be six months from now.

However, there are some leading lights. I am pleased to see companies doing extensive risk-mapping of their operations and supply chains to identify potential problem areas, creating real action plans to engage with suppliers and putting in place meaningful remediation programmes.

### **What is your view of the response of the construction sector?**

With 16 million victims of modern slavery worldwide in the private sector, and the construction industry a high-risk area, tackling the crime in this sector is a priority for me.

I have been pleased to see efforts in the construction sector to raise awareness and understanding, such as the CIOB's own slavery project including its reports and joint toolkit with Stronger Together. These are glimmers of a more robust response to the issue, but there remains a long way to go until best practice is commonplace.

### **What will happen in the future to companies that do not comply with the legislation – or wilfully mislead in their modern slavery statements?**

Companies that are non-compliant with Section 54 are at risk, according to the legislation, of civil proceedings. It may be that if non-compliance continues at current levels, we will start to see this action taken. I would like to see the government step up its scrutiny on these statements and part of this would include producing an annual list of all the companies which should be reporting under the legislation. I am supportive of civil society organisations which produce well-researched rankings, helping to apply pressure to low performing businesses.

### **Do you believe that guidance, codes of practice and transparency reporting will be enough to combat slavery?**

The Modern Slavery Act is still relatively new. As such, we are just starting to see a shift in culture, with companies only now looking into this issue properly. It may be that in time we would need further legislation, however in the meantime scrutiny and pressure should be applied and we must continue to monitor the situation.

### **How do the UK efforts fit into the global picture of anti-slavery initiatives?**

Modern slavery is now firmly on the international development agenda, with UN Sustainable Development Goal 8.7 aiming to eradicate modern slavery, forced labour and human trafficking by 2030. The UK is a global lead on this issue, driving change across many sectors, influencing other countries as they draft legislation, and building capacity of the international law enforcement response.

As complex migration flows increase and technology advances, we must remain on the forefront of the fight against this crime. It is my hope that combating modern slavery will remain a priority for the UK's ministers, business leaders and statutory agencies.

[www.antislaverycommissioner.co.uk](http://www.antislaverycommissioner.co.uk)

## CHAPTER 3: THE MODERN SLAVERY ACT – REQUIREMENTS AND REPORTING

*“A significant proportion of companies are failing to take any substantive steps on modern slavery and this is something I want to see changing fast. This is not a mistake, but a wilful avoidance of their legal and moral responsibilities”*

Independent anti-slavery commissioner **Kevin Hyland**

**The Modern Slavery Act came into effect in July 2015.**

**The act:**

- Consolidates existing slavery and trafficking offences from other legislation
- Creates mechanisms for seizing traffickers’ assets
- Creates a role for an independent anti-slavery commissioner
- Requires companies of a certain size to publish a modern slavery statement (Section 54)

### Transparency in supply chains reporting

Section 54 of the Modern Slavery Act requires businesses with a turnover of at least £36 million to publish a statement on the steps that they are taking to combat modern slavery both internally and in their supply chains. This includes subsidiary organisations and franchises based in the UK, even if the parent company is headquartered abroad.<sup>80</sup>

The government’s intention is to encourage transparency, creating a “race to the top” of best practice. Companies are expected to build on their statements annually, showing improvements over time.

All eligible companies must write a TISC or modern slavery statement regardless of whether they have taken any actions to combat slavery that year. The statement must:

- Be signed off by a director
- Be approved by the board
- Appear clearly on the company homepage

### Government tightens the reporting criteria

The Home Office published moderately stronger worded guidance in October 2017.<sup>81</sup>

- It shifted from saying companies “may” to “should aim to” include elements such as anti-slavery policies, due diligence processes, at-risk business areas, and performance indicators in their reports
- Firmer guidance on deadlines was given, advising organisations to publish statements within six months of financial year end
- It said that statements from previous years must be available online, allowing progress to be tracked
- It encouraged organisations below the £36 million threshold also to produce TISC statements

### First cycle reporting

Although it is too early to draw definitive conclusions, the UK Modern Slavery Act is having an impact on some businesses.

Roughly a year after the act was passed, a survey of more than 70 major brands found that CEO engagement with modern slavery had doubled.<sup>82</sup> Furthermore, 77% of companies that participated in the survey thought there was a likelihood of modern slavery occurring in their supply chains.

There is currently no requirement to submit TISC statements to a central register. However, two such facilities are operating:

The Business and Human Rights Resource Centre is running the **Modern Slavery Registry**. As of March 2018, the registry was holding more than 4,700 statements published by companies in 27 sectors, headquartered in at least 35 countries.

<sup>80</sup> See Home Office guidance *Transparency in Supply Chains: a practical guide*, updated October 2017

<sup>81</sup> Ergon, *New Home Office guidance on Modern Slavery statements: What’s Changed?*, 17 October 2017

<sup>82</sup> Ethical Trading Initiative and Hult International Business School, *Corporate Leadership on Modern Slavery, How have companies responded to the UK Modern Slavery Act one year on?*, November 2016

**TISCreport**, created by social enterprise Semantrica, claims to be the world’s largest open data register for global supply chain reporting on modern slavery. As of March 2018 it had collected nearly 7,000 statements. Because many companies are producing umbrella statements that cover their subsidiaries, TISCreport calculates that this figure covers more than 9,500 UK-based organisations and more than 100,000 organisations worldwide.

### Who is reporting?

Based on data from Companies House, TISCreport calculates that there are nearly 19,000 active organisations in the UK with a turnover of more than £36 million.<sup>83</sup>

In early 2018, the social enterprise estimated that nearly 8,000 companies that needed to publish a statement were overdue. This was based on the fact that the each organisation had gone through an entire financial year following the passing of the Modern Slavery Act with no visible publication of statement on their websites.

Reporting requirements are being interpreted in different ways. For example, many international companies are only addressing their UK operations.

However, a significant number of companies outside the UK are voluntarily producing statements. This is either to comply with, or in anticipation of, legislation in their own jurisdictions or because they want to trade internationally. Many small organisations are also choosing to write a report even if their turnover is below £36 million.



### How is construction performing?

In September 2017, TISCreport ranked construction as a mid performer on reporting compared to other industries, with roughly 30% of eligible companies in the sector publishing statements. This is on par with mining and quarrying, manufacturing and accommodation providers. But tightly regulated utility sectors such as water and power are leading the way: around 45% had produced compliance documents.<sup>84</sup>

Ergon Associates analysed statements by 49 construction and building materials companies from the Modern Slavery Registry in February 2017. Compared to other industries, Ergon said that construction companies were “lagging behind in terms of their disclosures.”<sup>85</sup>

The consultancy found that the reporting tended to focus on business structures and policies relating to modern slavery. Other areas such as risk assessments, monitoring, training and remedial action were hardly covered.

In one of the worst cases, Ergon discovered five separate companies had “almost identical phrasing to explain their due diligence in relation to modern slavery – in statements that otherwise provide very little substance.”

This suggests that companies are using standard templates or outsourcing the drafting of their statements to third parties.

Many multinationals are limiting the scope of their reporting to the UK, missing the opportunity to assess greater risk areas elsewhere in the world.

“Where construction companies do disclose risks, these relate primarily to recruitment, migrant and agency workers, non-payment of wages and other human resources functions more generally...The inherent risks involved in subcontracting are only mentioned by one company,” said Ergon Director Steve Gibbons.<sup>86</sup>

Stone supplier Marshalls is one example of best practice. Its 17-page statement sets out the company’s journey: explaining how Marshalls is identifying its high risk supply chains and compiling profiles for all its sourcing regions. Marshalls explains how this knowledge has informed staff education, procurement policies and its work with suppliers.<sup>87</sup>

83 In the first quarter of 2018

84 TISCreport briefing at House of Commons, *Modern Slavery Act Compliance*, September 2017

85 Gibbons S., *What are construction and building companies reporting under the Modern Slavery Act?*, February 2017

86 Gibbons S., *What are construction and building companies reporting under the Modern Slavery Act?*, February 2017

87 Marshalls, *Modern Slavery and Anti Human Trafficking Policy and Disclosure Statement*, May 2017

## Pan-industry issues

*“I’ve seen too many slavery statements from companies that say, essentially, there isn’t slavery in their supply chains. From a business point of view, this is either a highly unusual business or a foolish one that isn’t taking slavery seriously.”*

**Paul Gerrard**, group policy and campaigns director, The Co-op Group

In general, the best TISC statements have been produced by multinationals that are sensitive to consumer and investor scrutiny. But evidence of best practice is still sparse.

BHRRRC has praised Marks & Spencer, Sainsbury’s and Unilever as among “just a handful” of FTSE 100 companies that are “taking meaningful action”. By contrast, 43 out of the top 100 listed companies have “failed to meet even the minimum requirements of the act.”<sup>88</sup>

BHRRRC executive director Phil Bloomer stated his disappointment that so many companies are still taking a tick-box approach, adding:

“Those that are leading the way prove there has been enough time to act decisively to eliminate slavery from their operations and supply chains.”

Anecdotal evidence suggests that many companies are treating the drafting of modern slavery statements as a discrete task, isolated from business operations, rather than a reflection of meaningful activities carried out throughout the year. In the worst cases, some statements are less than 500 words long.

In an analysis of 150 statements across different sectors published in March 2017, Ergon found only 11% had disclosed specific cases where steps had been taken to identify modern slavery risks.<sup>89</sup>

NGOs have criticised statements for lacking detail and being limited to broad descriptions of processes and activities. Many simply do not comply with the law. Ergon found that 21% of statements were not clearly signed off by a director or equivalent and a quarter were not directly available from the company’s homepage. A lot of companies have no stated policy on what they should do if they find a victim of slavery or forced labour.<sup>90</sup> Some state boldly that there is no modern slavery in their supply chain, an assertion that can be hardly credible for any organisation with a substantial turnover.

Although government has yet to introduce penalties for non-compliance, independent anti-slavery commissioner Kevin Hyland wrote to more than 1,000 companies in the summer of 2017, to encourage improvements in reporting.<sup>91</sup> He has also warned that negligent companies could face civil actions in the future.

TISCreport has been contacting all companies that have not filed easily traceable statements, receiving varying responses. CEO Jaya Chakrabarti MBE says:

“We’ve seen statements that haven’t been signed by a board director, statements hidden in privacy policies and CSR statements and not linked to the homepage as they should be. Some organisations have kept their statements deliberately incognito. Many are afraid to use the term slavery or mention the act. In some of the worst cases we have been sent a single paragraph buried in an annual report.”

She states examples of some companies writing a statement to cover a two year period, even though they should be writing a new statement every year. Other organisations have published undated statements which appear to stand for eternity.

TISCreport digitally tracks changes to published statements and has collected more than 30,000 document iterations, which it believes account for 99% of all TISC statements in existence. In a worrying trend, the social enterprise has found that a number of published reports have been amended to remove mention of activities perceived as risky.

Removing mention of risk is against the spirit of the act, as Justine Currell, the former senior civil servant who led the drafting of the UK’s modern slavery legislation, explains:

“If you took ten steps, but only four had positive outcomes, you should still mention all ten steps. If you only mention the positive effects, you haven’t fulfilled the requirements of the act.”<sup>92</sup>

Ergon warns about the effects of complacency over the long term:

“Superficial and broad descriptions of processes and actions remain the norm for the bulk of reporters. In this respect, as modern slavery reporting becomes more routine, there is a danger that the default position could be anodyne statements that deal only in generalities. This would run counter to the intention of the act and is unlikely to meet the expectations of regulators, civil society or increasingly, investors.”<sup>93</sup>

88 BHRRRC, *FTSE 100 failing to lead on eliminating modern slavery from supply chains?*, 17 October 2017

89 Ergon, *Modern slavery statements: One Year On*, April 2017

90 Ergon, *Modern slavery statements: One Year On*, April 2017

91 Independent Anti-Slavery Commissioner, *Annual Report 2016 – 2017*, October 2017

92 See Justine Currell interview

93 Ergon, *Modern slavery statements: One Year On*, April 2017

### **CIOB VIEW: It's time to be proactive**

Most companies are in the first cycle of TISC reporting and it is taking some time for industry to find its feet. NGOs are noticing marginal improvements in quality as the year progresses, but a large proportion of statements still lack substance.

Moving into the second and third reporting cycles, statements that follow best practice will be building an annual narrative of how organisations are mapping risk, introducing remedial measures and measuring progress.

Those companies that are doing the bare minimum, or failing to meet legal obligations, can expect increased scrutiny. NGOs are ranking and tiering the performance of organisations, and the poor reporting of some construction companies is already on their radar.

Hoping that a statement can simply be buried on a webpage is futile. TISCreport is automatically collecting and compiling statements from across the globe. Its data systems will detect when reports are removed and how much of the language is being repeated year on year.

Retrospectively revising TISC statements is also risky. TISCreport plans to make all iterations available to researchers in the near future.

As well as the dangers of underreporting, overstatements – such as the assertion that the organisation has no modern slavery issues – are equally likely to set alarm bells ringing for enforcers and activists.

As yet, companies that have not published a statement have not been called out publicly. TISCreport is remaining neutral and will not be naming and shaming companies.

But some clients are analysing reporting data as part of their risk assessment for supply chains. In addition, the authorities are increasingly likely to view the failure to publish statements as an indicator of poor governance and a red flag for triggering investigations.

### **Campaigning ramps up**

The Modern Slavery Act has been criticised for its lack of punitive measures and the fact that there is no obvious government plan to monitor company performance. However, the act has many supporters and crossbench peer, Baroness Young of Hornsey is launching a campaign to encourage more in-depth business engagement.

“It’s in the interests of businesses to try to make this work,” she says. “The act is a useful mechanism. I don’t want to give up on it until we have exhausted every possibility.”

For many commentators the next few months are critical. Some business groups are already lobbying for the £36 million reporting threshold to be lowered.

Other laws, such as the Bribery or Data Protection Acts, carry substantial fines for bad business practice. If industry fails to respond to the spirit of the act, arguments for tougher legislation will only strengthen.

### **Will the Modern Slavery Act extend to the public sector?**

There were calls for the MSA to be extended to the public sector even before it passed into legislation. To many, it seemed obvious that local and national government departments should conform to the same reporting rules as businesses.

A number of publicly funded organisations, including Transport for London, London Universities Purchasing Consortium and some local authorities are already writing their own modern slavery statements on a voluntary basis.

Baroness Young wants to enforce wholesale adoption of MSA reporting across all local and national government departments, from the health service to the armed forces.

Her original private members bill had to be dropped last year after the snap election was announced. But she has since introduced a second *Modern Slavery (Transparency in Supply Chains)* bill, which had its first reading in the House of Lords on 12 July 2017. The second reading is expected in 2018.

The bill has attracted broad industry and party support. As well as the Parliamentary Joint Committee on Human Rights<sup>94</sup> other supporters include the British Retail Consortium, the Ethical Trading Initiative, Anti-Slavery International, BRE and CIOB.

Baroness Young says;

*“Public bodies have an enormous amount of leverage through their contracts and this is an opportunity to drive meaningful change at a local and national level.*

*“Whilst local authorities already have their own guidelines and regulations, accessing the information is a long and complex process. I’d like voters to be able to go to their local authority’s homepage and see a comprehensive and condensed statement, in the same way they can now do for a fashion retailer.”*

**CIOB VIEW: Public procurement and construction**

Construction accounts for a significant proportion of government spend. In 2017, twelve of the 20 top public sector suppliers were construction companies. Their accumulated contract awards and frameworks totalled more than £18 billion.<sup>95</sup>

Extending MSA legislation across public procurement could act as a major catalyst for improved supply chain reporting and reform.

The legislation would incentivise tier one contractors to access the hardest to reach parts of their highly fragmented supply chains. Major construction companies could also play an important role in supporting public sector bodies as they review their procurement processes.



94 Parliamentary Joint Committee on Human Rights, *Human Rights and Business 2017, Promoting responsibility and ensuring accountability: sixth report of session 2016-17*, 29 March 2017  
 95 Sourced from Tussell: [www.tussell.com](http://www.tussell.com), December 2017



## Legislation and the Modern Slavery Helpline

### INTERVIEW: Justine Currell, executive director, Unseen

**Justine Currell** worked for the civil service for 28 years. In her last government role as modern slavery senior policy adviser to the Home Office, she led on the drafting of the Modern Slavery Act.

Currell joined NGO Unseen in May 2016 to lead the development of the enhanced Modern Slavery Helpline and Resource Centre.<sup>96</sup> She advises businesses, law enforcers and governments around the world on modern slavery, safeguarding and transparency in supply chains. She is also the deputy police and crime commissioner for Bedfordshire.

#### Are you seeing evidence that the Modern Slavery Act is changing behaviours?

Yes, because it is requiring businesses to talk about modern slavery and their role in tackling forced labour. In fact, we're getting many calls from businesses. They're asking for more information about the act and how they can be leaders in their sectors. It's demonstrating a really positive approach.

#### What were your intentions for section 54 – the requirement for companies to produce a transparency in supply chains statement?

We've kept it simple. We've asked organisations to list all the steps that they've taken to address modern slavery in their supply chains in that financial year. But this requires companies to list everything that they've done. For example, if they took 10 steps, and six had positive results, and four had negative results, they should be reporting on all ten actions not just on the six that turned out well.

Crucially, the statement must be signed off by a director and approved by the board. I was really keen to include this requirement when drafting the legislation. It means that the board has to set the tone and direction. Directors can no longer turn a blind eye to poor practice – the whole organisation has to understand its obligations in tackling modern slavery.

#### How is TISC reporting developing?

As companies get into their second year of reporting, we're noticing a marked increase in the quality of statements in many cases. I think this could be down to peer pressure, as companies become aware of what their competitors are doing. This is what I was hoping for – a race to the top – but it's still early days.

#### What most frustrates you about industry's response to the Modern Slavery Act?

I attend a lot of business events with other NGOs, and there are always one or two people in the room who say everything needs to be done 'right now'. That was never the intention.

When we developed section 54, we wanted to see organisations growing and performing better over time, year on year recognising that not all businesses are at the same point or level. Initially it's about getting the board involved and starting conversations with businesses that have probably never had those types of discussions before.

#### So what's your advice to companies?

Rather than thinking "how do we comply with section 54?" Companies need to recognise that the risks are everywhere. They need to see this as a kind of long game – to have at least a three to five year strategy. It's an ongoing issue and needs an ongoing response.

<sup>96</sup> For more information see [www.modernslaveryhelpline.org](http://www.modernslaveryhelpline.org)



Some companies need to think about creating more meaningful and productive statements. I've seen a few sweeping announcements such as 'we don't condone modern slavery' and 'we seek to have no more slaves in our supply chain'. This is just nonsense that doesn't really hit the mark.

### **What do you think of the calls for the Modern Slavery Act to be amended?**

When we were developing the legislation, I didn't want to make it too prescriptive, because I was worried that this would become simply a tick-box compliance exercise.

In my experience, the moment you put in a specific requirement into any legislation, people do as little as possible. I had lots of legal counsels saying to me: 'what's the minimum we need to do?'

So I'm nervous that people are calling for changes to section 54 before we've had a chance to gauge its impact. We shouldn't be judging it too quickly, or tinkering with it too soon, because it will take a while to bed in. What we need to remember is that this is a far reaching provision that covers all business sectors so one size does not fit all.

### **Are there any legislative changes that you would like to see?**

Legislation is a blunt instrument, it provides the framework for more action. I would be the first to say that the legislation didn't do enough for victim's services and protections. The government is now looking at this, but there are many complex issues around identifying and supporting victims and ensuring that they get access to the right services, which cannot be included in legislation.

### **Tell us about the Modern Slavery Helpline**

The helpline is confidential and it's developing fast. Our call handlers are specialists from a very diverse set of backgrounds such as social services, the police and the NHS. As well as understanding modern slavery from all perspectives, they understand the operational side of support and rehabilitation.

That helps us on the training and education front as well: one of our other activities is training up businesses and public sector agencies. We're encouraging all organisations to use the helpline as the single point of contact for all modern slavery issues in the UK. This not only improves the response to modern slavery issues – it also allows data and information to be collated and shared with other relevant organisations and agencies.

### **How many calls has the helpline been getting?**

We had around 3,500 calls in 2017, and predict that this could rise to 6,000 calls this year. There's often a spike of activity after publicity campaigns. We have a growing number of enquiries from companies asking for advice and information.

We're working really closely with the NCA, the NHS, the Police, Border Force and NGOs to promote the helpline. Once people realise that it's independent and confidential, they're more inclined to pick up the phone. We work on a consent basis, so we listen to and support what the caller wants.

### **Are you getting any calls relating to the construction sector?**

Yes, we're getting some calls. Possibly not as many as we would like, but this is about raising awareness. The sector has many small businesses, and it's probably not on their radar yet.

### **Has anything surprised you about the calls you get?**

We get a lot of calls from people that are in direct contact with victims, as well as from victims themselves. We weren't expecting that so early in the helpline's development so that's very positive news.

---

**Call the Modern Slavery Helpline on : 08000 121 700 to get help, report a suspicion or seek advice**

**[www.modernslaveryhelpline.org](http://www.modernslaveryhelpline.org)**

---

## CHAPTER 4: CONSTRUCTION’S RESPONSE TO THE MSA

Whether the Modern Slavery Act will permanently shift business behaviours is still up for debate, but there is no denying that it has started a national conversation.

The Chartered Institute of Procurement and Supply (CIPS) published a pan-industry survey of procurement managers in August 2017. In it, 10% of respondents admitted to finding evidence of modern slavery in their businesses or suppliers. Prior to the legislation being passed, the figure was 2.7%.

However, a worrying 37% of procurement managers admitted they had not read government guidance on modern slavery.<sup>97</sup>

### What do construction companies think?

A sample of the 77 construction procurement managers that answered the CIPS survey provides a unique view of the impact of the Modern Slavery Act on the sector.<sup>98</sup>

To the question, *How certain are you, if at all, that there is no modern slavery occurring within your supply chain?* 10% said that they were very confident and 48% were fairly confident that they did not have this problem.

This answer suggests that 58% of respondents have confidence in their systems and processes for spotting

slavery. Superficially, this might look like a good result. In reality it is more likely to be an indicator of overconfidence, or lack of understanding. There is a common misconception that immigration checks – often referred to as right to work – will also detect modern slavery. However, the two activities should not be conflated, as discussed later in this section.

Complacency is an issue. Whilst some companies are demonstrating leadership in tackling risk areas, others are resistant to the idea that UK construction might have a problem. At least one major contractor has privately expressed the view that the new legislation is an unfair imposition on the industry.

In an irony that flips surveys of these kinds on their head, NGOs and academics are likely to give warmer encouragement to the 24% who were ‘not very’, or ‘not at all’ certain that there was no modern slavery in their supply chains.

“If you think you have a system in place that guarantees you haven’t got modern slavery, you’re in cloud cuckoo land,” says the University of Bath’s Andrew Crane.

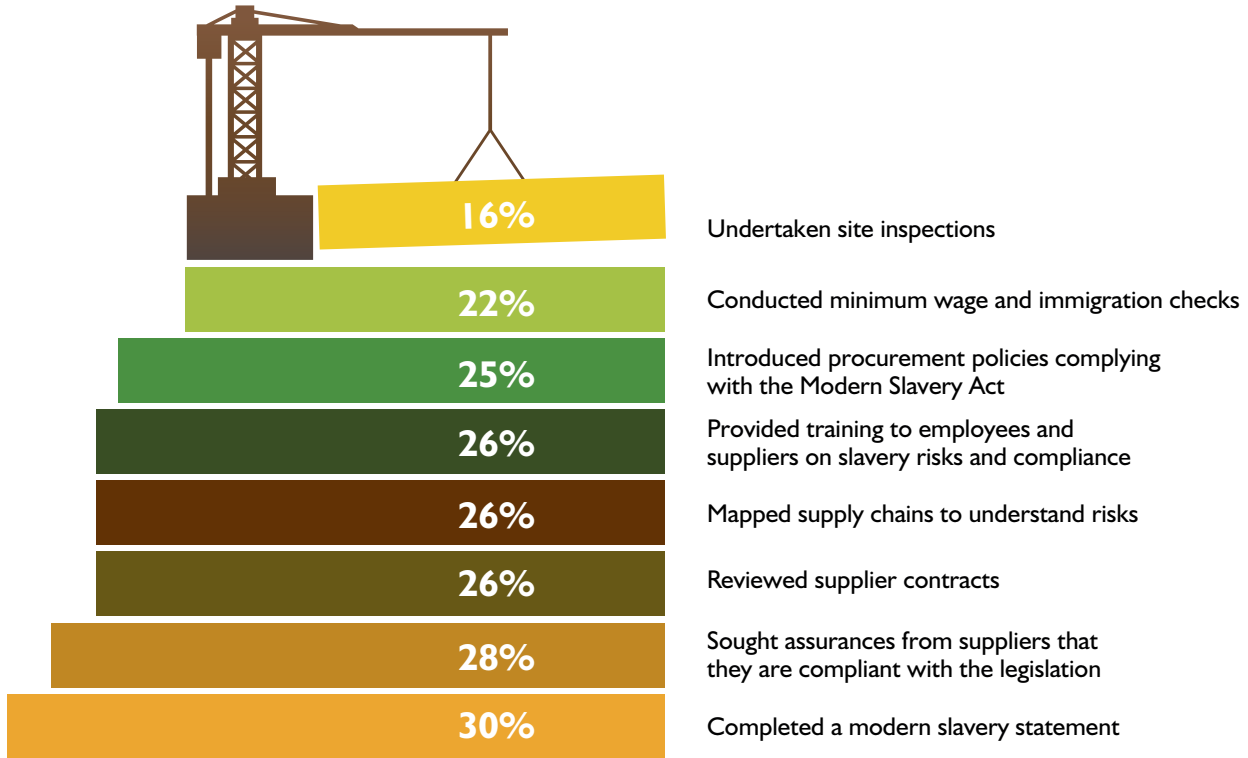


<sup>97</sup> CIPS, *One in three businesses are flouting Modern Slavery legislation – and getting away with it*, 6 September 2017

<sup>98</sup> CIOB would like to thank CIPS for generously sharing this sample of the anonymised data

### How companies have responded to the Modern Slavery Act

This chart shows the major activities that construction companies have been carrying out in response to the Modern Slavery Act, according to the CIPS survey. In the following section, we will examine them in more detail:



### Comparatively poor reporting levels

*30% have completed a modern slavery statement*

Although this was the most popular activity, it represents less than third of the industry and indicates that many companies are publishing statements late, or not at all.

Construction’s record is poor when compared to all industries, where two thirds of companies had created MSA statements. Many TISC statements do not meet basic compliance criteria, as discussed in the previous chapter.

### Sharp practice and compliance letters

*28% have sought assurances from suppliers that they are compliant with the Modern Slavery Act and 26% have reviewed supplier contracts*

“MSA legislation presents a positive opportunity for major contractors to work with supply chains to reduce risk both for labour and product procurement,” says Jacqueline Glass, professor of architecture and sustainable construction at Loughborough University, “after all, they are heavily reliant on their suppliers to deliver these initiatives.”

But growing evidence suggests that many large organisations are pushing risk onto their less well resourced suppliers. Some organisations have been writing a “zero tolerance” approach to modern slavery into their contracts. This goes against good practice: as well as forcing companies to cover up the problems, it could act as an enabler for criminals to move on to other companies undetected.

“Unless a company has obviously been acting illegally, or with criminal negligence, treating an incident of modern slavery purely as a breach of contract, and the reason to terminate a business relationship, is more likely to push the problem underground,” says Helen Carter, senior consultant at Action Sustainability and the Supply Chain Sustainability School.

She adds that collaboration is essential.

“We need to get out of that mindset that modern slavery is a compliance issue. Organisations won’t know what’s happening below tier one unless they ask the right questions. Suppliers need to be comfortable enough to ask for help.”

This view is echoed by some major contractors:

“We want to engage with our supply chains in a positive way. Rather than ending up having to deal

with something once it has gone wrong, we want to be more engaging and collaborative to avoid getting to that stage in the first place,” says Alice Hands, sustainable procurement manager at Sir Robert M<sup>c</sup>Alpine.<sup>99</sup>

Skanska has also said that it will reengage with suppliers that show a willingness to improve.

“Recently one supplier came back to us and acknowledged that they needed to make changes. We supported them, and had some initial discussions about how they would do this. Now we’re working with them again, they’re the subject of regular audits to ensure that they are doing what they promised,” says Harvey Francis, group HR director and executive vice president at Skanska UK.<sup>100</sup>

While these behaviours are encouraging, evidence suggests that other companies are taking a more confrontational approach, particularly in the area of materials procurement.

The dilemma of Marshalls illustrates the problem. The hard landscaping products supplier has received international recognition for its initiatives to tackle the risks of forced and child labour in its international supply chains. It has spent more than a decade re-engineering its business model around ethical practice, whilst addressing the social, cultural and economic causes of slavery in high risk regions.<sup>101</sup> Yet the company’s group marketing and sustainability director Chris Harrop complains that he frequently feels compromised by requests to sign the compliance letters that land on his desk.

*“We’ve been receiving up to three questionnaires a week, with threats that we will be delisted if we can’t guarantee that our supply chains are slavery free. As a responsible business, we are unable to sign, because apart from the self employed, no one can make those kinds of promises. It feels like a totally redundant exercise.”<sup>102</sup>*

Loughborough University’s professor Jacqueline Glass agrees:

“This approach by major contractors and clients is a worrying trend that is wrong on so many levels. It’s sharp practice, manipulative and bullying behaviour, and completely against the spirit of the Modern Slavery Act. No one can, or should be impelled, to suggest that their supply chains are ‘slavery-free’ – the point of the act is to demonstrate responsibility towards the eradication of slavery.”

## Training and awareness programmes

*26% of companies have provided training to employees and suppliers on slavery risks and compliance*

There is evidence that training is already raising skills and competencies in fighting modern slavery. A growing number of contractors and clients are signing up for Stronger Together training, which has a proven track record in the retail sector. Many construction businesses are using training materials and videos developed by the Supply Chain Sustainability School, which partners with more than 65 construction industry clients and contractors, and has 25,000 registered members.

Professor Jacqueline Glass says:

“The school is a good example of how major contractors, clients and major stakeholders are coming together to influence and educate their supply chains. The advantage is that suppliers will get a consistent message, whichever supply chain they are working in. However, many contractors are not connected to the school – so it’s more difficult to find out what they are doing.”

CIPS data suggests that construction lags behind other sectors on training. Just over 25% of construction companies had provided training to employees and suppliers on the risks of slavery, compared to a general industry average of 41%. And roughly a third of respondents said that they would not know what to do if modern slavery was found in their businesses or supply chains. This was significantly higher than the 16% average across all industries.

When the managers were asked if they were confident in their own or their staff’s knowledge to tackle modern slavery in their supply chains, 50% did not think the business had adequate skills. Once again, this was worryingly more than the already high cross-industry average of 38%.

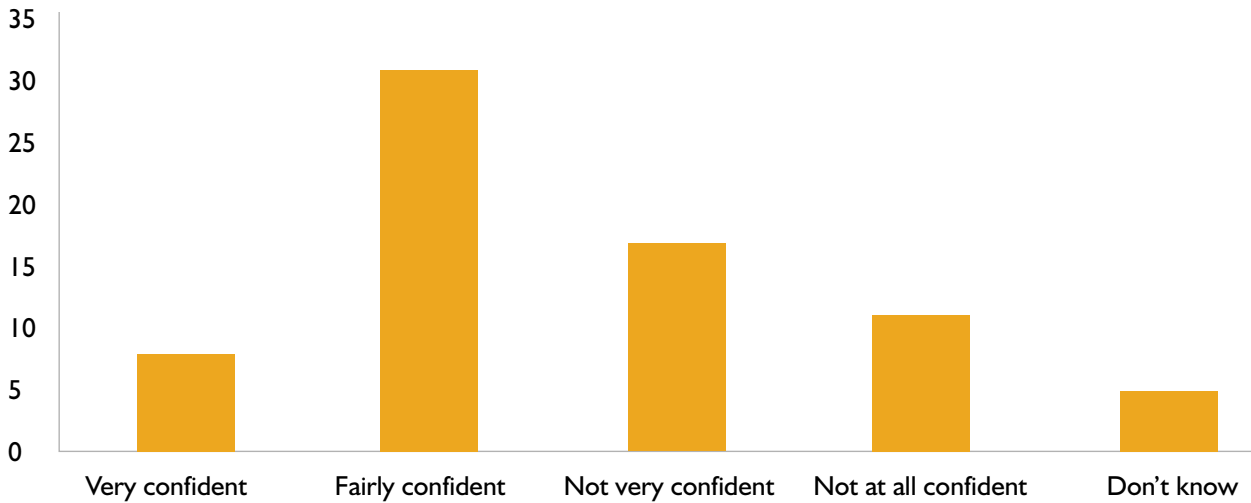
99 See Sir Robert M<sup>c</sup>Alpine case study

100 See Skanska case study

101 See Marshalls case study in CIOB, *Building a Fairer System, Tackling Modern Slavery in Construction Supply Chains*, July 2016

102 See Marshalls case study in this report

## Are you confident that you or your staff have sufficient knowledge and training to tackle slavery in your supply chain?



### Risk mapping is underway, but will it translate into policy?

26% have started mapping their supply chains

*“Risk assessment has become a bit of a buzzword. People assume it’s all they need to do, rather than take action.”*

**Helen Carter**, senior consultant, Action Sustainability and the Supply Chain Sustainability School

Mapping out risk in supply chains is one of the first activities recommended by supply chain specialists. This would be a complex undertaking in any sector: CIPS reported in 2016 that 72% of businesses had no visibility beyond tier one suppliers.

But construction has the added challenge that its supplier base can change dramatically from project to project, transforming again within joint ventures. Nevertheless, a number of clients and contractors are beginning to explore risk mapping.

From a supplier perspective, Marshalls took an early lead by launching its Ethical Risk Index in summer 2017. Risk ratings for all its stone products (a combined score of country information, independent audits and scoring systems) appear next to products on the Marshalls website. They are designed to help buyers make more informed choices.<sup>103</sup>

The Supply Chain Sustainability School’s special interest slavery group recently analysed the journey of four commonly used products: plastic bags, a hi-vis vest, a cleaning product and steel reinforced bar (rebar).

Just taking the example of the hi-vis vest shows the complex origins of one supposedly simple item. Although many of the elements were manufactured in factories across China, and the final product created in Morocco, the elements went on long and carbon-hungry journeys. For example: The fabric was sent from India to the UK, then to Germany for dyeing and finishing, before ending up in Morocco. The reflective tape was sent from the USA to Germany for cutting, then sent to the UK before being dispatched to North Africa to be added to the final product.

The school has merely provided the information about these products, it is now up to the members as to how they respond and adapt their policies.

“Many companies are doing their own risk mapping,” observes Helen Carter. “But we’re noticing that there is a big gap between those that map risk and those who actually use this information to drive policies into the supply chain.”

Extending this activity to the thousands of materials and products and millions of components within them is an overwhelming undertaking for any company to carry out alone. It poses the question, if companies came together to collaborate, could they also use their

103 See also Marshalls case study

combined power to accelerate improvements across the industry?

Opinion is divided amongst the contractors. Some prefer to engage only with their supply chains. Others are open to working with peers.

Mace is using information sharing platform Sedex to better understand its supply chains. It is already collaborating with client Heathrow around the platform and is keen that more clients and contractors sign up. One advantage, says the company's head of sustainability for construction Ross Wood, is that this would reduce the burden on suppliers as they would only have to submit information once.

Wood is hoping to be able to trace every component on a Mace project back to its origins.

“We want to get to the point where we can break every item down to its raw materials. For example, once we know how a cladding supplier sources its glass and rubber, we can link then link through to those production plants. We’re hoping that Sedex will help us engage faster with the lower tiers,” he says.

He believes that major contractors could use the platforms like Sedex to address issues with common suppliers.

“I’d like to think that as an industry we could come together to solve some of our systemic problems. I don’t see this as a business differentiator.”<sup>104</sup>

### Procurement reform gets off to a slow start

*25% have introduced procurement policies complying with the MSA*

According to the CIPS survey, only a quarter of construction companies have introduced procurement policies complying with the Modern Slavery Act.

As procurement teams are in a powerful position to collaborate with suppliers and implement change, the lack of reported action in this area is concerning.

Carter warns companies against trying to deal with modern slavery in isolation, adding: “Initiatives that conflict with standard internal practice will quickly fail.”

Examples of best practice include embedding sustainability frameworks and ethical labour standards into business models: Sir Robert M<sup>c</sup>Alpine is the first contractor to pilot BRE’s Ethical Labour

Standard<sup>105</sup>; Balfour Beatty was the first contractor to have completed assessment against sustainable procurement standard ISO 204000, and Lendlease is currently aligning its procurement strategy with the same standard.<sup>106</sup>

Andy Fulterer, director of Lendlease’s European systems and policy team is one of many calling for more standards to increase the traceability of products, such as FSC for timber, or BES 6001 for brick and rebar.

“We’re happy to put our weight behind an industry standard if it’s creating the right momentum and reducing effort for all of our suppliers. People have limited resources, if we can agree on a standard, it could make everyone’s life easier,” he adds.

Many contractors have beefed up modern slavery and business ethics sections of their prequalification questionnaires. Carter believes that the questions will gradually become more sophisticated as modern slavery issues become better understood.

“Over the past ten years, industry’s response to sustainability has matured considerably, powered in part by programmes such as the London 2012 Games. We anticipate that business ethics will follow a similar trajectory, as companies build on their knowledge, asking more intelligent questions and creating sophisticated mechanisms,” she says.

### Crackdowns on illegal immigration continue, but are they missing slavery?

*22% have conducted minimum wage and immigration checks*

*“Companies often check the wrong thing in their audits – such as right to work. This may not be the right thing to do if they’re looking for slavery”*

#### Construction compliance director

The government is placing two somewhat conflicting responsibilities on industry: checking for signs of exploitation and enforcing immigration policy. Sometimes the two activities are being conflated into one, with priority given to immigration checking.

“There’s a definite tension between those two goals, as one [clamping down on illegal immigration] can create conditions for the other. It’s a challenge, although not impossible, for companies to tackle both

104 See Mace case study

105 See Sir Robert M<sup>c</sup>Alpine case study

106 See Lendlease case study

things at the same time,” says the University of Bath’s Andrew Crane.

As he points out, right to work checks will not often yield the right data to detect slavery.

Many people trapped in unfair working conditions, from modern slavery to minor exploitation, have a legitimate right to work in the UK. Some are British, others from Commonwealth or the 27 other European Union member countries.

The government’s focus on immigration is expected to intensify as Britain prepares to exit the EU. New restrictions on movement could put migrant workers at higher risk of exploitation. As Crane points out, exploiters are already using immigration laws to engineer vulnerability in workers, whether through misinforming them of their rights, or deliberately waiting for a visa to expire.<sup>107</sup>

Carter adds that while many companies are tightening their checks on labour agencies, there is a more hidden risk of criminals infiltrating construction sites through subcontractors. Organised gangs, she suggests, could be taking advantage of a sudden demand for labour as projects battle to stay on schedule.

On many sites, responsibility for labour checks often falls to subcontractors that are less well resourced and less likely to have expertise in spotting fake documents.

Anecdotal evidence suggests that, despite strong checking regimes, fraudulent identity documents are still being found on some major construction projects. There are still cases of subcontracted workers being paid cash in hand.

In a survey by the Considerate Constructors Scheme, more than a third of respondents believed illegal workers had been present at an existing or previous employer, 81% believed that it had been on the rise for the past 15 years, while 93% thought the crime could be better tackled.<sup>108</sup>

“A foreign national in the black economy can buy a fake passport for £500, then use it to apply for other documents. Once they have a reference from an established company, they become increasingly difficult to detect,” says a government insider. “At the same time, building company administrators are expected to become expert in hundreds of national identity documents. It’s a huge challenge for industry.”

Crane warns that while fraudulent documents are not necessarily evidence of exploitation, they are often overlooked as a potential indicator of risk.

“There is a danger that people could be prosecuted simply for having or issuing fake documents, with no investigation into the conditions in which they were procured or used.”

## Wage checks increase

*22% have conducted minimum wage checks*

Checking that right wages are being paid across all layers of subcontracting would be a major challenge for any business. However, it is likely that the industry will need to develop stronger capabilities in this area. Increasing numbers of clients are demanding that the living wage is paid. Major organisations are demanding more transparency from their suppliers.

The UK’s largest commercial property company Land Securities has committed to ensuring that employees in all its environments, including on construction sites, will be paid wages set by the Living Wage Foundation by 2020. More significantly, the client will be asking contractors to demonstrate that this is taking place.

“We’ve added clauses to our contracts to make this requirement clear, asking them to confirm by sending a letter that they’re paying wages as set by the Living Wage Foundation. But now is the time to provide evidence to prove that it’s happening on the ground,” says Edward Dixon, sustainability insights director at Land Securities.

## Enhanced site inspections and worker engagement

*16% have undertaken site inspections*

This low figure suggests that much of the industry has yet to develop a strategy for site inspections that encompass human rights. However, in one example of best practice, Great Portland Estates (GPE) piloted worker engagement interviews on six central London sites in 2017.<sup>109</sup>

GPE now plans to roll out worker engagement interviews across all construction and refurbishment projects and expects the questions and techniques to evolve over time.

Some companies are complementing their standard auditing processes with informal engagement and

107 Crane A, LeBaron, G, Allain J and Behbahani L., *Governance gaps in eradicating forced labour: from global to domestic supply chains*, September 2017

108 CCS, *The Scheme launches campaign to tackle illegal working in construction*, March 2017

109 See GPE case study

conversation. As part of Skanska policy, every member of its of the 20-strong senior management team conducts a formal site visit every month, and it's not unusual for major projects to receive leadership visits on a weekly or bi-weekly basis.

“It was originally an executive health and safety visit. We're now having broader conversations, asking workers how they are being treated by Skanska and their employers,” says Harvey Francis, group HR director and executive vice president at Skanska UK.<sup>110</sup>

### Hotlines and remediation programmes are in development

All companies interviewed by CIOB have launched or taken part in modern slavery awareness campaigns. Some companies have introduced whistle blowing hotlines. But anecdotal evidence suggests that many organisations have yet to implement procedures to deal practically with reported incidents.

In one example of best practice, Marshalls has signed a long term agreement with Hope for Justice. The NGO is not only delivering training to internal departments, clients, installers, and labour agency providers, it is also helping Marshalls develop a remediation strategy for addressing any reported human rights issues across its sites.

“We're taking a flexible approach, on a case by case basis. Working with Hope for Justice enables us to have options rather than a standard process,” says business and human rights lead Elaine Mitchel-Hill.

### Construction backs labour market enforcement

*61% of construction procurement professionals back tougher labour enforcement legislation*

Should major companies be held liable for labour abuses committed by their suppliers, such as minimum wage violations?

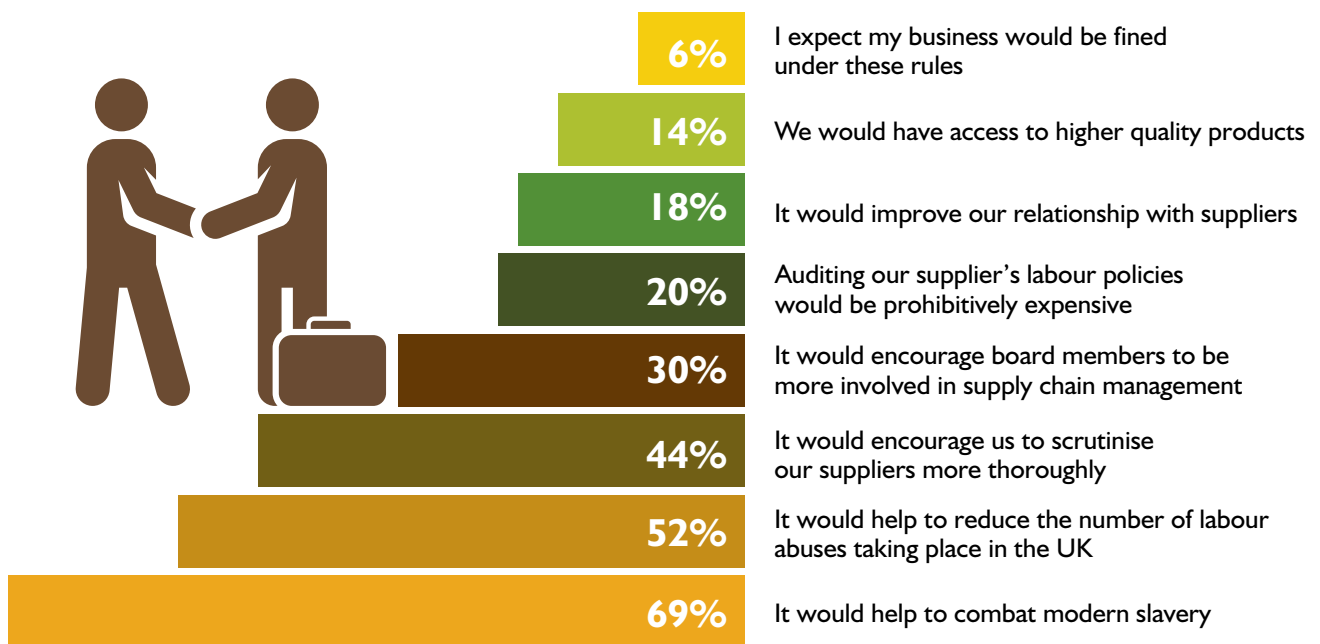
Industry is often resistant to extra legislation, but 61% of construction procurement professionals in the CIPS survey backed tougher laws, with 69% believing that it would help to combat modern slavery. Just over half of respondents thought that that new legislation would reduce the amount of labour abuses taking place in the UK generally.

Other popular reasons cited were that legislation would force companies to scrutinise suppliers more thoroughly, and encourage board members to take a bigger interest in supply chain management.

However, 20% feared that this could make audits prohibitively expensive.

### What effect would labour market enforcement have on your business?

Top answers from construction procurement professionals:



110 See Skanska case study



## Cracks in the auditing process

*“Many companies are undertaking one-off audits but they must realise this will be an ongoing issue needing continuous diligence checks: just because your workforce and supply chain are free from forced labour today, it doesn’t mean it will be six months from now.”*

*Independent anti-slavery commissioner,  
Kevin Hyland*

One of industry’s responses to the Modern Slavery Act has been an increase in auditing for labour as well as materials. Auditing is important for benchmarking, building knowledge and raising standards. But its effectiveness in detecting modern slavery depends on the quality of approach, along with the intention and commitment of the client.

This is especially important in construction where the fluctuating workforce can cycle through projects at such speed that even regular audits are unlikely to connect with the same workers twice.

Getting reliable data out of audits can be a challenge anywhere. A study of 44,383 social audits across 47 countries found that recording violations “might be influenced by financial conflicts of interest and the competence of auditors.”<sup>111</sup>

It is often acknowledged that bribery and extortion can disrupt audits in developing countries. But softer forms of corruption are also distorting reporting in the UK’s construction and food processing sectors, according to a recent research paper.<sup>112</sup> The researchers suggested that this “appeared to contribute most to the persistence of forced labour in the UK.”

Identifying that forced labour was most prevalent at and below tiers 4 and 5 of subcontracting supply chains, the report blamed audit protocols for limiting detection and reporting of exploitation. It also cited modern slavery incidents discovered in workplaces that had recently passed audits. Auditors were:

*“...implicitly or even explicitly encouraged to not detect incidents of forced labour. As one social auditor described it, many auditors are ‘not trying to find things out, they are trying to prove that something is not there’.”*

The commercial model is partly to blame. Many auditors are so financially reliant on their clients, they are not incentivised to report criminal activity to the authorities. Taking the hypothetical scenario that a problem had been uncovered, one social auditor told researchers:

*“We would have to work with the commissioning company on that to decide how they wanted to play it because...unless you have real evidence that the law is being broken, you really cannot start going to the authorities, not if you want to stay in business, anyway.”<sup>113</sup>*

Audits that are booked in advance present another problem. One social auditor said that it had been a “standing joke” that you could go to a local theme park on a weekday and see:

*“..Loads of illegal workers who had been given the day off by their employers, and all the difficult ones who were likely to say things to the auditors.”*

111 Toffel, M, Short J and Ouellet, M., *Codes in context: How states, markets and civil society shape adherence to global labor standards*, 2015

112 Crane A, LeBaron, G, Allain J and Behbahani L., *Governance gaps in eradicating forced labour: from global to domestic supply chains*, September 2017

113 Crane A, LeBaron, G, Allain J and Behbahani L., *Governance gaps in eradicating forced labour: from global to domestic supply chains*, September 2017

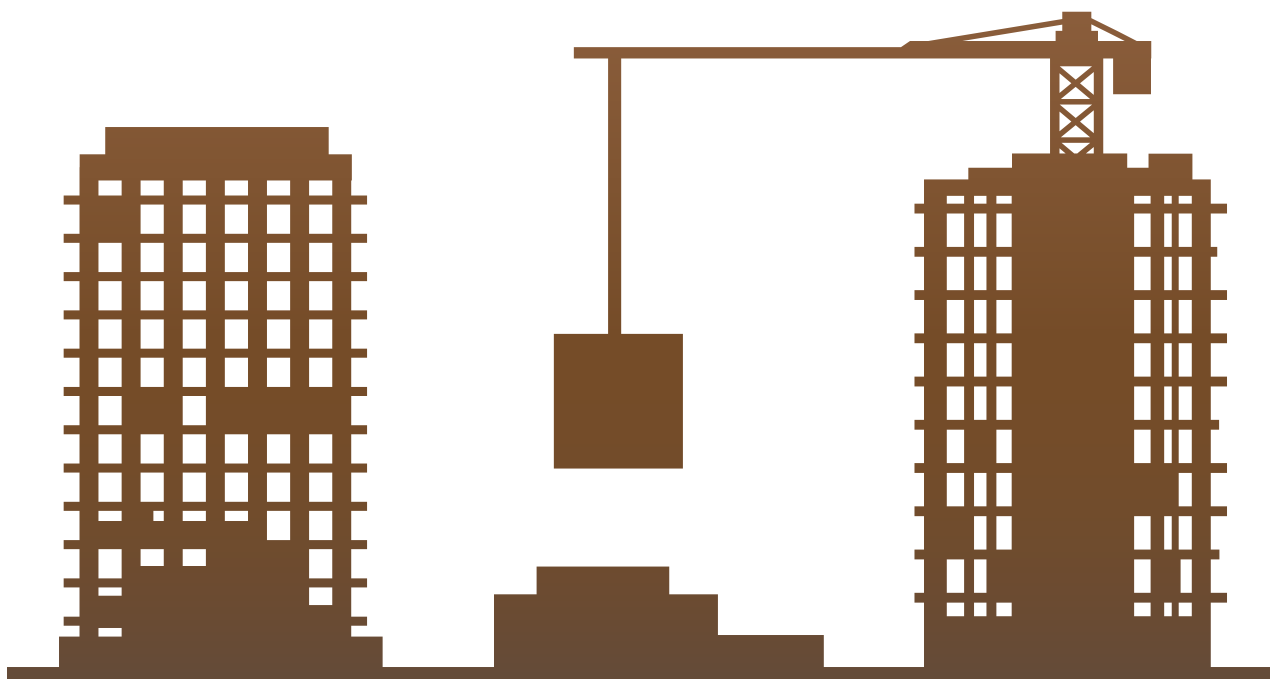
Lead author Andrew Crane says:

*“All our evidence suggests that companies, however well meaning, cannot realistically identify the nature of exploitation that’s happening five levels down a supply chain, through another five levels of subcontracting. When planning audits, companies face a dilemma. Do they want to demonstrate that they are ‘clean’ or do they want to solve the problem of modern slavery?”*

But Crane says that some consultancies and social auditors are beginning to recognise the limits of traditional audits, and are taking action to address them.

*“Those following best practice are identifying areas of high risk, interviewing workers in their own language, sometimes tracing them back to their countries of origin.*

*“Some are trying to understand the stories of workers, rather than simply relying on box-ticking exercises. This is important because it’s a question of building understanding rather than meeting compliance.”*



## CHAPTER 5: CHANGING THE MODEL

All industries face complex challenges in cleaning up their supply chains. This is acknowledged by legislators and law enforcers. But whilst companies are not expected to achieve radical change overnight, independent anti-slavery commissioner Kevin Hyland is looking for evidence that they are taking meaningful steps towards continual improvement.

The following chapters explore potential pathways towards sustainable change.

### Modern slavery and reputation management

Reputational risk is the most compelling incentive for companies to take action on human rights abuses. In a 2016 survey of major brands, 97% of senior managers said that protecting corporate reputation was the biggest driver for supply chain improvements. The survey also found that CEO engagement with modern slavery had doubled since the introduction of the Modern Slavery Act.<sup>114</sup>

Anxiety crosses all industries. The survey found that:

“Companies are extremely cautious about how much they should share publicly about the risk of modern slavery...They worry that campaigning NGOs and the media will exploit this to name and shame the company...”<sup>115</sup>

Apart from the house building sector, construction has less direct interaction with the general public than many consumer brands. Nevertheless, 70% of construction procurement managers believe that reputational damage would be the most significant effect on their business if modern slavery was found in their supply chains.<sup>116</sup>

#### Driven by fear

Fear of risk to reputation can have negative as well as positive consequences. On the plus side, it can encourage organisations to become proactive. Conversely, directors may try to cover up evidence, become defensive or avoid looking for problems at all.

Corporate nervousness can be seen in the numerous legal departments watering down MSA statements.<sup>117</sup>

As well as removing any negative findings on risk, anecdotal evidence suggests that organisations are avoiding mention of positive steps that they have taken, for fear that the information could be used against them at a later date.

“There is a general reluctance to announce any initiative until successful remediation has taken place,” says one corporate insider.

Dr Alexander Trautrim of the University of Nottingham’s Rights Lab is calling for a culture change.

“Companies need to feel more comfortable about being open. They should be proud when they detect problems. It shows that their auditing and compliance regime is working.”

#### Opening Pandora’s box

Few leaders are as forthcoming as businessman and philanthropist Andrew Forrest. Forrest is the former CEO and current non executive chairman of Fortescue Metals Group in Australia. He is also co-founder of the global anti-slavery organisation, the Walk Free Foundation.

Instead of waiting for systematic audit of his 3,500 suppliers, Forrest demanded they sign an affidavit, forcing them to disclose whether they had modern slavery in their supply chains.

Suppliers were told that if they came forward, Fortescue would work with them to resolve the problem without penalty. But if they hid their problems they would be cut from his supply chain, and publicly “barbecued”.

The process flushed out 12 suppliers and Forrest discussed his supply chain challenges in public, explaining the appalling conditions he had witnessed as he visited mining companies around the world.

114 Ethical Trading Initiative and Hult International Business School, *Corporate Leadership on Modern Slavery, How have companies responded to the UK Modern Slavery Act one year on?*, November 2016

115 Ethical Trading Initiative and Hult International Business School, *Corporate Leadership on Modern Slavery, How have companies responded to the UK Modern Slavery Act one year on?*, November 2016

116 Based on sample of construction procurement managers in the CIPS survey, carried out Summer 2017

117 See Modern Slavery Act reporting section

“[They had] a life expectancy of five years and food which just kept them alive...18 to a room which you wouldn’t call your larder...and not able to leave... That company was supplying goods to us and other companies all over Australia....We all had slavery in our supply chains,” he said.<sup>118</sup>

This is an inspired move in a country that is still drafting its modern slavery legislation. In bringing his supply chain into public view, Forrest has helped to jumpstart a discussion with businesses and citizens.

In Britain, corporations have shown more reticence in talking about systemic slavery problems. But Paul Gerrard, policy and campaigns director at the Co-op Group, is calling for more open discussions.

In a recent Co-op survey with the general public, 35% of respondents said that they didn’t believe that slavery was happening where they lived, and 68% said that they would not know what signs to look out for. Nearly a fifth claimed not to have heard of modern slavery at all.<sup>119</sup>

“I’ve been speaking at events up and down the country, and even the professional people are constantly amazed that slavery exists. Companies have a role to play here. We need to help people understand that criminals are trying to put slaves into supply chains of all the goods and services that they buy. Businesses need to talk about how they are managing that risk,” he adds.

The Co-op has an extensive ethical food trade monitoring programme that covers 1,773 sites with more than half a million workers. In recent years, it has expanded its reach to include tier 2 suppliers in 70 countries and is carrying out targeted activities on highest risk supply chains.<sup>120</sup> The Co-op reported that it had identified a risk of child labour in its supply chains on six occasions in 2016.

“By identifying risk we can do something about it, and we can work with other partners to address the problem. Any business that thinks it can solve the problem on its own is foolish,” Gerrard says.

UK construction has so far escaped many of the materials-sourcing scandals that have hit other sectors. This might be because enforcement agencies are only just beginning to explore the sector’s complex labour supply chain relationships. It might also be that NGOs are more focused on tracking the journeys of consumer goods.

But buyers should beware that building-related materials are already coming under scrutiny in other sectors.

### When a problem is uncovered, what then?

In 2017, high street retailers Habitat and John Lewis withdrew a range of granite worktops sourced from Andhra Pradesh in southern India<sup>121</sup> after a Dutch NGO published a report on human rights violations including debt bondage, child labour and unsafe working conditions in the region’s quarries.<sup>122</sup>

John Lewis told the *Observer* newspaper that “in light of this report and pending further investigation, we have made the decision to remove [the granite] from sale...and are currently investigating all granite sources worldwide.”

At present, it is unclear whether these popular brands have permanently disengaged from stone suppliers in the region. Cutting ties may seem like a logical corporate reaction, but Trautrim warns that organisations should focus on due diligence and remediation first, as disengagement from suppliers risks leaving victims in an even more precarious situation.

“An organisation’s first priority should be to offer remediation, working with suppliers to improve. Companies should only walk away if suppliers are unwilling to improve conditions,” Trautrim says, adding:

“Brands withdrawing from vulnerable regions can cause major economic damage. It can result in governments viewing anti-slavery initiatives in their countries very negatively. This can act as a further block to progress.”

Gerrard comments that media needs to take more responsibility on how it reports stories, as responsible and negligent companies are being tarred with the same brush.

“There are many UK companies that are working desperately hard to do the right thing. But they are being named and shamed in the same way as businesses that don’t take the problem seriously.

“More responsible journalism is required. We need to encourage proactive organisations to be more open about the challenges that they face.”

118 The Guardian, *We had slavery in our supply chains says Andrew Forrest*, 6 April 2017

119 The Co-op, *Modern Slavery is happening right now. yet 1 in 5 Brits unaware it exists*, 18 October 2017

120 The Co-op, *Co-op Modern Slavery and Human Trafficking Statement 2016*, April 2017

121 The Guardian, *John Lewis and Habitat withdraw granite worktops over slavery concerns*, 3 September 2017

122 India Committee of the Netherlands, Stop Child Labour and Kerk in Actie, *The Dark Sites of Granite*, August 2017

**CIOB VIEW: Changing the narrative**

We need to work together, as an industry and as a nation, to change the narrative around modern slavery.

Exploitation thrives best in the shadows. A culture of corporate silence and swiftly terminated contracts enables criminals to target other unwitting businesses. And PR paralysis is unlikely to protect business image over the longer term.

If it can be acknowledged that modern slavery, or exploitative labour practices, have infiltrated most supply chains, companies should be more open about their incidents and risks. However, priority must be given to supporting prosecution cases and protecting victims before all information is made public.

Clients should also rethink how they frame their tender process. At present, companies being open about the risks of modern slavery in their supply chains could score more poorly than those denying that they have a problem. More acute questions, such as asking what systems companies have in place to detect modern slavery, how they are dealing with incidents, and how they are identifying their areas of risk, are likely to encourage a less defensive conversation.

And it is a conversation that we desperately need to have with the media, to the general public, NGOs and clients.

There is, of course, a bleaker alternative: companies lie low and wait for disaster, in the form of court case, site shut down, media exposé or damning NGO report to hit them first.




## LEARNING FROM OTHER SECTORS: RETAIL AND MANUFACTURING

### amfori: when buyers collaborate on remediation<sup>123</sup>

Imagine a situation where human rights abuses are found in a factory in South Asia. Within 24 hours, alerts are sent out to all the factory's major clients. Within 72 hours, representatives from all parties are on a conference call, collaborating and agreeing on the best forms of remediation. No client disengages with the supplier. Instead, the factory is given support and training. Progress is monitored collectively by customers over the following months.

This is standard policy for amfori, formerly the Foreign Trade Association. Based in Brussels, amfori has more than 2,000 members, including many European-based retailers, brands, importers and agents. Its members' supply chains encompass more than 50,000 factories and farms in 107 countries.

amfori BSCI (the organisation's social performance service) has been issuing zero tolerance alerts since 2015. This is when an auditor reports flagrant violations in one of four high-risk areas, ranging from child labour, to forced labour, imminent health and safety concerns, or unethical behaviour. Unlike other sectors, where the term *zero tolerance* is seen as a reason to terminate a contract, the phrase is a call to action.

"At most I've seen over 30 members linked to one factory, but the average tends to be five or six companies," says Andrew Martin, who heads up monitoring and continuous improvement at amfori.

Even though the buyers are often competitors, collaboration between them is strongly encouraged.

"Sometimes a member has more leverage than others with their suppliers. For example, if they have a local office in the region, they could go and visit the factory on behalf of all clients," Martin says.

He gives a recent example of workers being issued a limited number of cards to access toilet facilities. If they used the toilet without using a card, money was deducted from wages.

123 For more information see [www.amfori.org](http://www.amfori.org)

*“This was indicating a slide towards forced labour, because the factory was starting to control the movement [through] restrictions.” Martin says. “Through engagement, the producer now understands the violations and has systems in place to stop this happening.”*

Since the initiative was launched in 2015, the number of zero tolerance cases has been steadily increasing, year on year.

“We had 20 cases in the first year, 53 in 2016 and 81 in 2017. We see this as positive as we’re finding real issues. The crucial part is that we’re supporting the auditors, who can have a very difficult time. We need to give them the courage and freedom to use their judgement wisely and speak up if they find something wrong,” Martin says.

The association’s oversight of the auditing process is critical to the success of the zero tolerance approach: all members must use auditing companies approved by amfori; auditors must be trained and qualified by the association; auditors must also share all their data, uploading reports directly onto amfori’s database.

Significantly, members are unable to de-link from their supplier on the amfori IT platform for a fixed time period while a zero tolerance alert is ongoing. This is to ensure that an effective remediation process is collectively established.

“We measure members’ individual engagement with the zero-tolerance protocol through four specific KPIs, including engagement in the process, and improvements at the supplier,” Martin says.

In order to reinforce the integrity of its overall programme, amfori sends out warning letters to between 40 and 60 poorly performing members annually as part of its formal member engagement review.

Punitive action is also taken against auditing companies that consistently fail to deliver to the required standards. Actions, following extensive investigations, range from warnings to sanctions or potential terminations.

To further strengthen its processes, amfori is launching a comprehensive audit integrity programme for auditing firms. It has recently appointed KPMG to manage the quality and consistency of member audits globally, using

data analytics. The association is also using the data from 20,000 annual member audits to develop training and educational tools for supply chains.

“We’re working on our educational and audit data to see if there are connections between capacity building and improvements in audit results,” Martin says.

But he emphasises that choosing when and how to be transparent is essential for building trust.

For example, members use the amfori database to map their supply chains, but only discover which of their peers shares the same farm or factory outlet if a specific disclosure protocol is followed. Similarly, suppliers are allowed to undergo remediation in private: only direct clients, linked through amfori’s database, are made aware of the problem.

“We give suppliers time to get their house in order. There is often a time lag of a few months before we publish remediation case studies,” Martin says.

## Fighting fake recruitment

*“...modern slavery and human trafficking offenders are most likely to recruit victims of trafficking online; the prevalence of these methods is highly likely to increase in the coming three years.”<sup>124</sup>*

### National Crime Agency

Dishonest recruitment is the most obvious entry point to labour exploitation. Networks of unscrupulous agents span countries and continents, promising good wages and a better life. They trap the vulnerable into unsustainable debt through inflated and illegal fees.

Migrant workers are often initially recruited by people from their own communities before being passed on to larger agents. At grassroots level, recruiters can hold positions of trust in towns and villages and are known to friends and family.

But online recruitment fraud is growing fast, both in the UK and abroad. The worker never meets the perpetrators and is lured by appealing job adverts. He or she could pay substantial sums for real or imagined costs, before discovering that a job does not exist.

In the year 2015 – 16, more than 1,200 employment scams were reported to SAFERjobs, a UK initiative to fight fake recruitment. This was a 300% increase on the previous year. The number of reports dropped

124 NCA, *National Strategic Assessment of Serious and Organised Crime*, 2017

to 792 in 2017,<sup>125</sup> possibly as a result of awareness raising campaigns. Nevertheless, this figure should be seen as a fraction of online recruitment crime. Many people are too embarrassed to admit to being scammed, or are unaware that they can ask for help or redress.

Although the bulk of reported crime relates to financial fraud, the links to modern slavery should not be discounted: many victims are vulnerable, particularly if they have travelled to their 'job' from overseas and are in debt. In addition, anyone who is tricked directly into modern slavery through a bogus job advert may never be in a position to report it.

A Government insider says:

*“We see quite a few situations where people are tricked by agencies. They buy visas at hugely inflated rates, believing that they need help entering the UK when in fact they could go through legitimate routes at a fraction of the price.”*

He adds that people can believe that they are buying genuine work visas, but receive study visas instead, with no right to full-time work.

*“They’ve spent a lot of money to get to this country and land here in a very vulnerable situation. With limited work choices they’re in danger of falling into the black economy.”*

In Scotland’s first successful human trafficking case, Shamsul Arefin was jailed in 2015 for exploitation of several Bangladeshi men in a remote Scottish hotel. One victim, Abdul Azad, had answered Arefin’s bogus advert to work as a chef in a tandoori restaurant in London. Instead, on arrival at Heathrow, he was told to board a bus to Glasgow.

He was one of several chefs tricked into forced labour at the hotel. Arefin withheld the men’s passports, threatening to report them as illegal if they complained.<sup>126</sup> Many had taken out loans to pay Arefin a substantial 'deposit' to secure their jobs. They became trapped in escalating debt to moneylenders back home. One was even threatened with the removal of his kidney if he did not pay the money.<sup>127</sup>

## Construction scams

Fraudsters typically infiltrate booming and busy industries, disguising fake adverts among genuine ones. Qualified professionals are attractive targets, as fraudsters are able to charge higher fees for their bogus services.

DI Chris Felton of the National Fraud Intelligence Bureau (NFIB) says:

*“The construction industry has figured in several recruitment scams, not just for physical labourers, but also engineers and architects. The UK is seen as an attractive place to work, particularly with the large building firms that have good global reputations.”*

For low skilled jobs, the scams tend to focus around visas or vetting processes. For higher paid roles, fraudsters can make extra money around qualifications and certificates. They might generate income from bogus or overpriced activities, such as “convert” foreign qualifications, signing targets up to a “register”. They may also stipulate that victims take expensive medicals or online health and safety tests which may in reality be low-cost or free.

*“We’ve seen a lot of activity around advanced fee fraud, where people are paying in advance for CSCS cards, health and safety certificates or constructor type affiliate badges and police checks. There may be other charges such as working on CVs, buying equipment or taking out insurance. If you come from an environment where there is a lot of bureaucracy, these requests can sound reasonable.”* Felton says.

Professional networking sites such as LinkedIn are a popular method for luring victims under the guise of headhunting. There have been several cases of British citizens being scammed.

*“UK nationals have been turning up destitute in embassies in Indonesia, Burma and Malaysia, having expected to start well paid jobs,”* Felton adds.

125 Metropolitan Police, *SAFER jobs helps tackle employment fraud*, September 2017

126 The Guardian, *A slave in Scotland – I fell into a trap – and I couldn’t get out*, 28 May 2016

127 BBC, *Hotel worker Shamsul Arefin jailed for trafficking workers*, 24 July 2015

## Jobsites

Scammers often pose as genuine recruitment companies or labour agencies.

Keith Rosser, chair of SAFERjobs, says:

*“We hear of individuals, often from Eastern Europe that have gone through what they thought was a legitimate recruitment company, only to find themselves in a situation where their living and accommodation costs are higher than their wages. So they become stuck, and already owe money to their employer. It’s a common form of entrapment into modern slavery.”*

Setting up a fake recruitment company is relatively easy, simply requiring a website and a registration with Companies House. Scammers may even use accomplices in other countries to promote the website as a genuine business. They often use mainstream jobsites to post their advertisements online.

Fraudsters sometimes masquerade as big name companies, but with different contact details. They often use the location of a genuine site or project to lure people in.

Rosser warns:

“Fraudulent outfits find it relatively easy to pass due diligence checks on recruitment sites. Once their advert has been posted, it could appear a further twenty times across the internet in a matter of hours, as aggregator websites automatically sweep up and duplicate the information.”

## Fighting the fraudsters

SAFERjobs is a joint industry, government and law enforcement organisation to help combat recruitment fraud. A registered charity, it has partnered with more than 100 recruitment companies, and offers a free telephone advisory service to help jobseekers and businesses identify recruitment scams.

Businesses that partner with SAFERjobs are required to carry out enhanced checks on companies that use their services.

## How industry can help<sup>128</sup>

- By only using job boards or recruitment agencies that partner with SAFERjobs
- By promoting SAFERjobs on company careers pages
- By clearly stating the company recruitment policy. If an organisation does not use job boards or agencies, this should be explicitly stated on its website
- By reporting known incidences of company names being used in fake recruitment scams to SAFERjobs or Action Fraud. This is essential in helping the partnership build up a detailed intelligence picture of online activity
- By putting victims of scams directly in touch with SAFERjobs

If the legitimacy of any company is suspected, internet tools can help. For example, putting the domain name into [www.whois.com/whois](http://www.whois.com/whois), will reveal how recently the website was registered.

## CIOB VIEW: Collaborate and communicate for greater impact

Bogus recruitment is a low risk way of trapping workers of any nationality into debt and exploitation.

There is a need to raise this issue more widely in the UK, but the construction industry could also support initiatives to educate and recruit workers more safely abroad. This would not only help to protect vulnerable people from exploitation, it could facilitate safe points of recruitment and protect the reputation of British companies overseas. CIOB is aware of two initiatives already underway:

- The Salvation Army is running a pilot project in Warsaw where it is advising local people on the legitimacy of job adverts. Anne Read, director of anti trafficking and modern slavery says: “The advantage of this project is that it is low cost to run, and will be easy to replicate in other countries”
- Hard landscaping products supplier Marshalls is running an education project in rural Vietnam, warning local communities about unscrupulous recruiters

128 For more information see [www.safer-jobs.com](http://www.safer-jobs.com)



## Procurement

*“Procurement managers are under so much pressure to save money, they’ll do anything to save their jobs.”*

Construction supplier

### Corporate policies and cognitive dissonance

Ethical policies established in the boardroom do not always translate easily into operations: Chris McCann, founder of consultancy Resilient.World believes that business leaders can suffer cognitive dissonance on policies such as sustainability or modern slavery:

*“People are concerned about the planet and human rights. But they also have a business to run. On the one side they’re very concerned, on the other they find it very difficult to see a way of doing things differently.”*

He warns that mixed messages can lead to commercial drivers being prioritised, and sustainability goals diluted or discarded:

*“Sustainability programmes that are not integrated into the business model, and don’t have the buy-in of shareholders, often last no longer than 18 months.”*

Dr Alexander Trautrim of the University of Nottingham’s Rights Lab points out that construction faces additional challenges in changing culture.

*“In manufacturing, the head office can share a site with production, so it’s easier to monitor how the culture is working,” he observes, “whereas construction projects are usually removed from company headquarters.”*

As Trautrim argues, the majority of managers in construction do not want to behave unethically or criminally. But clashing directives can create internal tensions for individuals or teams.

This includes:

- **Sending out ambivalent messages**, telling buying teams that the company is dedicated to sustainability, but demanding that budgets are slashed
- **Setting buyers unrealistic targets** with unachievable goals so that they continue to push for unsustainable prices
- **Encouraging an atmosphere of aggressive internal competition** where employees are worried about losing their jobs
- **Setting up humiliating performance evaluations** that incentivise employees to cut corners
- **Rewarding workers solely for financial performance** and not evaluating their wider and behaviours and decision making process. There is little academic evidence that bonuses improve management performance

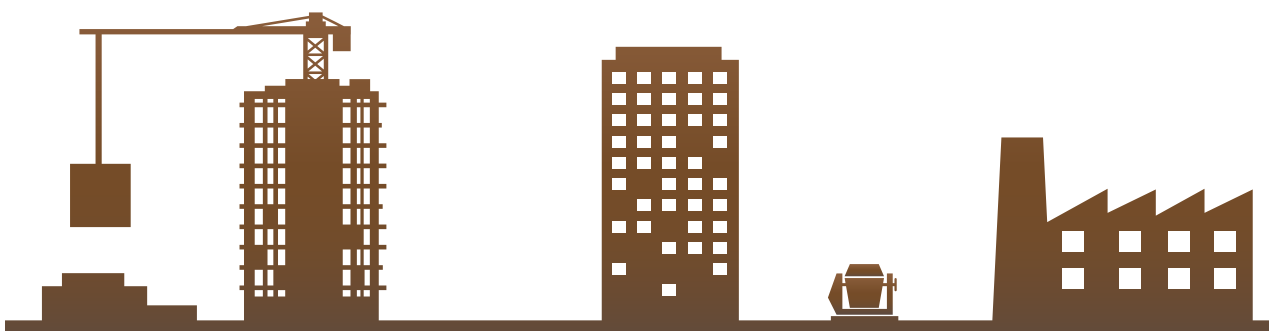
Trautrim continues:

*“It’s important to create a culture where people are not afraid to raise difficult issues. Companies need to look at who they are rewarding and promoting. Is it the person who came up with some great cost savings, or is it the person who decided not to use a certain supplier because they were uncomfortable with the look of its operations?”*

He stresses the importance of transparency, even with difficult subjects.

*“By discussing – rather than hiding – cases of labour exploitation in your supply chain, your own organisation gets the message that you really care and you’re doing something about it.”*

*“Construction should be rightly proud of its strong health and safety culture. Within time, unethical business practice should become as unacceptable as health and safety violations are today.”*





## CASE STUDY

### Profit with purpose: Skanska and its supply chains

Skanska UK spends almost 80% of its revenues with its supply chain, and 65% goes to SME businesses.

The company sets clear objectives for its 120-strong buying team: business ethics are embedded in the supplier code. The sustainability agenda is included in individual performance evaluations and supply chain tender analysis. Skanska is also using the Supply Chain Sustainability School’s fairness, inclusion and respect programme to further develop company and supply chain culture.

Dale Turner, director of procurement and supply chain, says the contractor is striving to create longer and more sustainable relationships. This includes engaging suppliers over a longer time frame, typically with a three to five year outlook.

“One to two years has been the industry norm,” says Turner. “But we’re thinking more along the lines of the automotive sector.”

Skanska is also reviewing its supplier selection processes to ensure a fair and consistent approach. Most significantly, the procurement team is rebalancing its selection scorecard to add behavioural and collaboration skills to the usual commercial considerations when appointing supply chain partners.

This approach was recently piloted on the A14 Cambridge to Huntingdon road improvement scheme where collaborative skills and behaviours (gathered through prequalification processes and audits) accounted for 20% of the overall score. In contrast to traditional procurement models, commercial aspects typically accounted for only 30% of supplier selection process.

“Behaviours and culture are critical to the project’s success. We needed to ensure that the partners we select are aligned and can work as one team,” Turner says.

The company has used this approach across three recent civils projects and is planning to roll it out in the wider Skanska business.

“It has been at times challenging to push this in the current market, where margins are so tight. But it’s not all about price – we believe that collaboration will achieve more in efficiency in the long run than trying to negotiate unsustainably low prices on key products and services,” Turner adds.

## Agencies

*“In the old days, agreements were made with the shake of a hand. But you can’t take things at face value anymore,”*

**Mark Heath, GLAA**

Mark Heath, head of business change and development at the GLAA, advises contractors to ask more questions of labour agencies, even at times when there is an acute shortage of labour.

“Don’t accept that this has been sorted by someone else. It’s your responsibility: your company is controlling the contract and paying the bill,” he adds.

Questions should include:

- What measures is the agency putting in place to ensure that workers are properly treated?
- How are they verifying the identity of workers and their country of origin?
- Are they checking their databases to detect duplicated bank accounts, addresses or mobile phone numbers?
- Is the agency paying its workers individually?
- Are they operating to different standards in different industries? If so, are workers less protected in the less regulated sectors that they are serving?

Companies should also talk directly to workers, asking:

- Are they doing the work they signed up to do? Are they working the hours they expected, and are they in the sector that they wanted to work in?
- Is their treatment what they expected?

### Worker-centred supply chains

Ethical trade consultancy Impactt has been working for 20 years to bring dignity to workers within international supply chains.

Impactt director Dionne Harrison says that companies need to use social psychology to better understand how workers become trapped and dehumanised in the workplace. Four major factors have been identified that can influence behaviour.<sup>129</sup>

**Disempowerment** Workers feel unvalued, see no opportunities for learning new skills or gaining promotion, yet feel unable to voice their concerns

**Dehumanisation** Supervisors and managers see workers merely as production units. Different ethnic groups are treated with unconscious prejudice or bias. As workers become “other” in the eyes of managers, it is easier to overlook the impact of practices and decisions on each individual

**Isolation** Far from home and family, migrant workers are vulnerable to social exclusion and isolation, which can cause considerable distress

**Cognitive load** When someone is overwhelmed with stress and a heavy workload, it reduces their capacity to feel empathy for people around them. This condition may cause supervisors to mistreat workers

A cocktail of conditions such as language problems, long hours, late payment and culture shock can contribute to workers becoming disengaged, demotivated and increasingly vulnerable. As well as negatively impacting their mental health, it can affect morale, productivity and safety in the workplace.

Harrison recommends more interaction between workers and supervisors to understand each other’s perspectives. She emphasises the importance of proper inductions to help workers settle in quickly, ensuring that they understand their rights and how to ask for support.

Impactt is supporting an AIM-PROGRESS/Sedex pilot project on worker voice in the food manufacturing sector, exploring the most effective ways of reaching workers. A variety of methods are being tested, including surveys, hotlines, face to face interviews and text messages.

“Conversations and audits need to be conducted carefully. There’s an imbalance of power. People need to be mindful that their reactions, although unintentional, could reinforce a culture of fear,” Harrison says.



## LEARNING FROM OTHER SECTORS: FASHION AND FOOTWEAR

### Better Buying<sup>130</sup>: the supplier rates the buyer

The challenge of conflicting business objectives is not unique to construction. Similar tensions and contradictions can be found in the apparel sector according to Doug Cahn, founder of sustainable supply chain specialist The Cahn Group.

Cahn spent 15 years working for a global sporting clothing and footwear brand. He says:

“We had great codes of conduct, monitoring systems and protocols. But purchasing practices of global brands do not always create the enabling environment for decent working conditions. In fact, there are many cases where CSR professionals are undermined by the sourcing person from the same company.”

129 As discussed at Impactt’s *Worker First Supply Chains* conference, September 2017

130 For more information, see [www.betterbuying.org](http://www.betterbuying.org)

He gives an example.

*“A CSR professional tells a factory that it has a serious overtime problem: if it doesn’t reduce the working week to 60 hours, there will be consequences. Hours later, the sourcing department informs the factory that a shipment is urgently required and that it must do whatever it takes to meet the deadline.”*

Many clients already engage with suppliers to monitor their own performance, but Cahn argues that this is not enough to protect workers.

“Summits and surveys are important for developing positive relationships, but are insufficient because suppliers can be identified,” he adds.

As co-founder of Better Buying, an initiative to address the imbalance of power within supply chains, Cahn is inviting suppliers to anonymously rate the performance of some of the world’s biggest brands.

The pilot was launched in 2017, and the 21 online questions in its online survey cover seven procurement categories, from how promptly the buyer settles its bills, to how far in advance it places an order, or how often the specifications are changed.

“Through our research we found quite a distinction between good and bad practice, even within the same company. A brand might be good at paying its bills on time, but poor at forecasting,” Cahn says.

Suppliers will participate in twice yearly surveys. In the first round, brands receive their scores privately. After the second survey, an aggregated score across the seven categories will be converted to a 5 star rating, and made available to the general public.

To protect supplier anonymity, at least five responses must be collected for each buyer.

“This is a data driven survey. Brands and retailers will have the opportunity to have a better insight on where they need to improve. It’s about creating a race to the top,” Cahn says.

Better Buying will be publishing the results of the initial rating cycles for the world’s top fashion and footwear and retail brands by the end of 2018. Progress is being keenly watched by other industries, including electronics and food.

“Supplier conditions are getting worse. Payment is stretching beyond 120 days. Suppliers are effectively bankrolling some of the largest brands on earth and are enormously frustrated that they can’t have open dialogue about the issues.

“On the other side, the brands and retailers don’t really know if their policies are having the intended effect. Better Buying should give them a clearer understanding,” Cahn says.

### **CIOB VIEW: Could the Better Buying model work in construction?**

Construction is less brand-driven than fashion or footwear, and has comparably larger and more diverse supply chains. So could the Better Buying model work in this industry?

Possibly. Scrutiny from high profile clients or investors could replace consumer and NGO pressure. Greater transparency on supply chain performance could help the investment community develop more detailed risk assessments.

Public sector accounts for roughly half of construction procurement in the UK. The pipeline of infrastructure and construction spend is running at roughly £500 billion.

If the scheme was adopted by regional governments, local authorities or major infrastructure projects, it could force a step change in buyer behaviour in the same way that the London 2012 Games drove the sustainability agenda, or Crossrail promoted innovation.

By flipping the power relationships within procurement, Better Buying, or something like it, would give procurement teams a far better understanding of how their behaviour impacts companies lower down the chain. It would give voice to suppliers that feel disempowered.

## CHAPTER 6: DETECTION, SUPPORT AND REMEDIATION

*“Every victim we’ve dealt with has an existing vulnerability. They can’t speak English, or have low educational or social skills. There may be mental health issues, learning difficulties or some form of dependency on drugs or alcohol.”*

**Gary Booth**, team leader, *Hope for Justice*

### Spotting the signs of exploitation

People trapped in slavery are not always easy to spot. They could be working in plain sight, hidden inside work teams that appear to be compliant. But there are some warning signs that co-workers and members of the public should look out for.

Workers could be:

- Wearing damaged uniforms or equipment, for example battered steel-capped boots, or cracked hard hats
- Not wearing all the necessary personal protective equipment
- Working in menial labouring jobs, such as moving rubble
- Showing signs of old physical injuries, for example broken bones that have been incorrectly set, due to lack of proper medical treatment
- Continuing to work with painful injuries such as ripped tendons
- Showing unusually high signs of fatigue. This could be a sign that they are being forced to work extra shifts elsewhere, or are hot bunking in cramped accommodation
- Looking malnourished – long term victims of slavery could be losing their teeth at an unusually young age – a sign that they are not receiving the right nutrients
- Wearing inadequate clothing. For example, a lot of victims can’t afford to buy proper socks that would protect their ankles

Emilie Martin, operations manager for The Salvation Army’s anti trafficking and modern slavery unit, says that many people in exploitative situations may not have access to showers. They may only be able to clean themselves with a wet cloth and a bucket of water.

“Look out for people that are scruffier than normal. It’s easy to get dirty and dusty on a building site, but the following morning, most workers will have had a shower and will look clean again.

“If co-workers don’t make eye contact, refuse to communicate or engage with anyone else – even with their own language speakers – they could be being intimidated. It’s easy to write them off as antisocial or just introverted – but sometimes you need to look deeper.”

Incidents, such as violent fights between workers, may indicate deeper problems. They may be jokingly explained as two countrymen sorting out their differences, but could be punishment beatings, with the handler bringing the victim back into line.

### The slow road to recovery

The Salvation Army has been working for the government to deliver specialist support to adult victims of modern slavery since July 2011.<sup>131</sup>

As well as providing access to immigration and legal advice, counselling, and advocacy services, The Salvation Army, along with 13 subcontracted NGO partners, manages a network of safe houses where the survivors of modern slavery start to rebuild their lives. Outreach support is also available for those that have safe alternative accommodation.

Survivors respond to the trauma in a variety of ways. Some choose not to go into the National Referral Mechanism or receive official help. Others can be reluctant to talk. They may be under the belief that if they escape, disappear or talk to the authorities, their families will be attacked and killed. Some are too ashamed to admit the truth to relatives. Others move abroad, joining their families in new locations. Many will have developed addictions to drugs or alcohol: traffickers often encourage substance abuse as a means of keeping control.

In severe cases, some survivors may even suffer from Stockholm syndrome and want to return to their abusers.

John Merralls, senior operations manager with Migrant Help UK says:

131 Under the Salvation Army’s Adult Victims of Modern Slavery Care and Coordination Services contract

“Resilience levels tend to vary, depending on the length of time that the person has been subjected to abuse, and whether they were alone or in a group. We tend to find that groups of exploited workers that support each other show greater resilience than those that were isolated. The difference is noticeable.”



## LEARNING FROM OTHER SECTORS: RETAIL

### Bright Future: helping victims of slavery back to work

*“Employment is the surest way to prevent re-trafficking.”*

**Paul Gerrard**, policy and campaigns director, the Co-op Group

It can take considerable time for modern slavery survivors to recover physically and emotionally from their trauma. They may be suffering from post traumatic stress disorder, or have to overcome addictions. They may be injured, weak or suffering from ill health. They may have endured years of very poor diet and hard physical labour.

Finding work is an important part of recovery, but survivors are in a vicious cycle. Once they leave the care of charities, many are still emotionally vulnerable. Without employment, safe accommodation and a good level of English they are at high risk of becoming homeless and re-trafficked.

“What’s shocking is that many victims of modern slavery are left in limbo. People want to work. They want to rebuild their lives,” says the Co-op Group’s senior public affairs manager Alison Scowen.

In early 2017, the Co-op launched Bright Future, a pilot project to help survivors of slavery back into work.<sup>132</sup>

The retailer partnered with City Hearts, a charity supporting victims of trafficking, to identify those that were physically and psychologically ready to work.

Over the 12 months, 30 people were taken on to work in Co-op food stores and distribution centres. They ranged in age from 20s to 50s.

Under Bright Future, candidates are assessed for their eligibility for work using a range of criteria.

- They must be eligible to work in the UK
- They must be fit and psychologically ready to go back to the workplace
- They must have adequate level of English to communicate with colleagues

“We have to make a profit and we’re as commercial as anyone else. But we want to do it with a responsible business approach. It’s a different way of doing business,” Scowen says.

Candidates undertake a four week paid placement, after which they undergo a non-competitive job interview. If they pass the interview, they continue to work under probation for a further nine weeks before being offered a permanent role.

Scowen says that the Co-op is continuing to refine Bright Future, in order to give candidates the best chance of success, but many challenges need to be addressed.

For example, candidates are advised not to share their story. Only direct line managers are aware of the worker’s background. Managers must be alert for signs of trauma and protect the employee from a tendency to overwork. Each survivor will need long term support from NGOs, even after being offered a permanent contract.

But Scowen says that the scheme has brought many benefits.

“It has really inspired our staff. People are asking us to do more. It makes them feel good about working for the Co-op.”

Gerrard says:

“This isn’t charity, but philanthropy. We’re giving people a chance to help themselves, to get back on their feet and to take control. Those who have gone through the pilot have proved to be brilliant members of staff. One of them recently won colleague of the month in one of our larger stores.”

The Co-op is now working with businesses and charities to expand Bright Future into different sectors. CIOB and other construction partners, including the Supply Chain Sustainability School, are backing the initiative.

Gerrard says:

“The best way to ensure that slavery survivors won’t be re-trafficked is to get them into work. Employers need to be brave. People have got skills and have a lot to give.”

132 Bright Future evolved from a previous initiative started by David Camp of Stronger Together, working in partnership with City Hearts



## CASE STUDY

### Be Onsite and marginalised workers

Be Onsite is a not for profit organisation run by Lendlease. Since it was established in 2008, Be Onsite has placed nearly 600 people from the most marginalised parts of society into work. The organisation is now exploring how it could work with survivors of modern slavery.

Be Onsite's model is to place scheme participants with Lendlease subcontractors. However, the not for profit organisation remains the direct employer, paying workers directly and ensuring that they receive all benefits including sickness and holiday pay.

Be Onsite provides pastoral care and helps with practical challenges, such as navigating bureaucracy. Workers are paid weekly rather than monthly. This helps them manage rent, food and travel costs as they come off benefits.

Head of Be Onsite, Jessica Mellor-Clark says:

“This is about breaking down every single barrier and making it as simple as possible to get people into work. By employing directly, we can look after employees in the way that we would all like to be looked after ourselves. That means paying the London living wage as well as sick and holiday pay. These are the kind of things that people in permanent jobs take for granted – but agency workers often miss out on. We also take on the employment risk for the subcontractor.”

She says that the scheme is open ended. People usually leave it because they have found direct employment with the contractor, having proved their worth.

“That usually happens between six and 12 months,” she adds.

Mellor-Clark is now exploring how the Be Onsite model could be adapted for modern slavery survivors. But past experience has shown that this process should not be rushed:

“At Be Onsite, every case is challenging in different ways. People have their own traumas, hopes and fears. Supporting modern slavery survivors is at the more difficult end of the spectrum. I would suggest that companies take this one step at a time, working with one person for six months to understand the complexities. We need to walk before we run.”

## CIOB VIEW: Contributing to society

We can learn much from the Co-op's pioneering work, as well as the experiences of Be Onsite. Offering opportunities to victims should be an important part of construction's contribution to society. As well as helping companies do the right thing, it could also increase understanding of modern slavery within the wider workforce.

NGOs have identified a lack of occupational initiatives that support male survivors of exploitation, and construction organisations are well placed to offer training and meaningful work.

It will not be an easy process: careful management will be essential for creating the right safeguards. However, with persistence, sustainable models can evolve.

Organisations could support Bright Future in other ways, for example helping NGOs to renovate accommodation for safe houses; providing advice, training or support services. CIOB will be forming a working group to explore how construction can contribute to Bright Future and would like to hear from any interested parties.

## CHAPTER 7: REGIONAL GOVERNMENT APPROACHES

Different countries within the United Kingdom are developing their own initiatives to fight modern slavery and human trafficking. This chapter examines the local challenges and responses.

### Wales

The Welsh government created the role of anti-slavery co-ordinator in March 2011, four years before the Modern Slavery Act came into being.

Stephen Chapman, who has held the post since November 2012, acknowledges that there was some initial scepticism about the prevalence of slavery in Wales. Human trafficking, when it occurred, was thought to centre on the sex trade. Now it is accepted that the risk is widespread.

“We’ve found slavery hiding in towns, cities and rural areas,” Chapman says. “And all four of the police forces in Wales are investigating live cases at the moment. We’re expecting to find exploitation across all sectors and in particular forced labour, as our knowledge and intelligence builds.”

He adds that two cases were a “wake-up call” for Wales. The first was Darrell Simester, a vulnerable man who disappeared on holiday in Porthcawl. Simester was held for 13 years by travellers, before being discovered on a remote farm near Cardiff in 2013.

Subsequently, police rescued Michael John Hughes in 2014. Hughes had travelled from Aberdeen to Wales looking for work, but was held in forced labour for 26 years by the Connors family.

The Wales Anti-Slavery Leadership Group (a multi agency group) has launched specialised training programmes to identify victims of slavery and help law enforcement agencies and the Crown Prosecution Service investigate cases and bring perpetrators to justice.

“...This is an extremely complex area. Many of the law enforcement officers are experienced in dealing with homicide or kidnap, but are new to these crimes,” Chapman says. “We want to make sure that we can build cases that are as strong as possible.”

In addition, at least 18,000 people have received anti-slavery awareness training in Wales over the past three years. The training modules are stored on the cloud and regularly updated to reflect changing policy and legislation.

### Code of Practice

The Welsh government annually spends £6 billion on public procurement. It launched its **Code of Practice for Ethical Employment in Supply Chains** in 2017.

The twelve commitments in the code range from criminal practices (such as modern slavery) to the unlawful (tax evasion) to the ethical (a commitment to paying the living wage).

Although the code is voluntary, it is expected to affect millions of workers in public sector supply chains. It also goes further than MSA legislation: any organisation receiving public funding in Wales (directly or through grants or contracts) will be expected to produce a modern slavery statement, regardless of size or turnover.

The Welsh Government says the code will influence procurement on major building and infrastructure projects. Aspects of the code will be incorporated into tender documents as well as construction and operational contracts.

Dr Sue Hurrell, special projects manager at the Welsh Government, says the code is meant to be flexible, incorporating guidance, tools and techniques to help industry adjust.

“We see the code as being a deterrent for illegal and unethical practices. It will make companies think about who they are tendering with for public sector work. It should also shine a light on organisations showing good leadership.”

The code is also being promoted internationally.

“We are engaging with other countries, telling foreign suppliers what to expect if they want to trade with us,” Chapman says.



### What the code demands of business<sup>133</sup>

- Any business working with Welsh government is expected to produce an annual statement on what actions they have taken to combat slavery and human trafficking, either within their organisation or their supply chains. This will apply to all sizes of business: unlike other parts of the UK, there is no turnover threshold of £36 million
- Anyone involved in the procurement, recruitment or deployment of workers should receive training on modern slavery and ethical employment practices. Training records should be kept
- Bidders will be asked to explain the impact that low costs may have on their workers each time an abnormally low quote or tender is received

The code also encourages companies to be more accountable for their supply chains.

- Businesses should ensure that undue cost and time pressures are not applied to any suppliers if this is likely to result in unethical treatment of workers
- They should ensure that suppliers are paid on time, within 30 days of receipt of valid invoice
- Suppliers will also be expected to sign up to the ethical code of practice, to encourage ethical employment practices to spread throughout the supply chain
- Risk assessments should be carried out to identify suppliers at highest risk of modern slavery or illegal/unethical employment practices, working with the supply chain to rectify problems and monitor progress

Even more pertinently for construction, the code covers blacklisting and bogus self employment. Companies are expected to:

- Ensure that false self employment or umbrella schemes and zero hours contracts are not used unfairly, in particular for tax avoidance or to unduly disadvantage workers in terms of employment rights, or to avoid health and safety responsibilities
- Ensure that workers are free to join a trade union and to raise worker concerns without risk of discrimination. They must also ensure that blacklisting is prohibited throughout their supply chains

### CIOB VIEW: Setting new standards

The Welsh government's code of practice sets the standard for fair employment and raises the bar on working conditions, driving the agenda into less accessible parts of its supply chains.

The use of open data will help accelerate this change. The code of practice encourages all companies to file their statements with TISCReport. The social enterprise has created a digital dashboard for the Welsh government, giving it quick visibility of the status of all statements in its supply chains. The information will be publicly available on the website, helping any organisation assess potential or existing suppliers.

Over the medium term, businesses should expect these or similar requirements to be replicated in other parts of the UK. Scotland, Northern Ireland and English local authorities are believed to be watching the initiative with interest.

CIOB has added the Welsh government's code of practice to its code of conduct for Welsh based members and is promoting the code nationally and internationally as an example of best practice.

### Northern Ireland<sup>134</sup>

Awareness of modern slavery in Northern Ireland is growing. In a recent survey of 1,200 people, 54% thought that human trafficking and modern slavery was either very or fairly widespread. However, 77% of respondents could not recognise signs of trafficking.<sup>135</sup>

The Police Service of Northern Ireland (PSNI) set up a dedicated unit to tackle modern slavery in 2015. In its first two years, the Modern Slavery Human Trafficking Unit (MSHTU) has helped more than 100 people out of exploitation. The team has developed a screening process to assess and safeguard every potential victim that is discovered in the province.

Before 2015, sexual exploitation was the most common type of slavery that the PSNI dealt with. But now that the MSHTU is regularly engaging with car washes, food processing plants and construction sites, awareness and understanding of labour exploitation has increased significantly.

133 Guidance documents and further information can be accessed from the Welsh Government website : <http://gov.wales/topics/improvingervices/better/vfm/code-of-practice>

134 Northern Ireland's modern slavery legislation is called The Human Trafficking and Exploitation Act 2015. It is very similar to the Modern Slavery Act.

135 Soroptimist International Northern Ireland, Outcome Report, *Human Trafficking Survey Questionnaire*, October 2017

PSNI's detective chief inspector Mark Bell is head of the MSHTU and cautions that official statistics do not accurately reflect the scale of exploitation in the province: in 2016, MSHTU screened and interviewed 308 potential victims. The majority were labour exploitation cases, and roughly half were hidden in legitimate businesses. However, only 34 cases were recorded with the National Referral Mechanism. This is because many obvious victims of trafficking are reluctant to accept state protection.

*“It’s frustrating for us that people decide to remain in situations that are clearly exploitative. And the more we look at these kind of cases, the more we find,” Bell comments.*

Tackling modern slavery is a priority for Northern Ireland, as underlined by the recent publicity campaign launched by the Department for Justice (DoJ) in partnership with private and public sector organisations in October 2017.

The DoJ has set up a modern slavery human trafficking subgroup, a multistakeholder collaboration whose aim is to identify the barriers to improvement in the fight against modern slavery investigations.

One initiative has been Operation Outrun, a prevention programme to identify potential trafficking victims as they enter Northern Ireland. Flights from higher risk locations were targeted and newcomers selected for interview.

“We’ve been meeting people coming into the construction industry in this way. It has been a good opportunity to talk to them, and check that their story adds up. We use the opportunity to explain to them what modern slavery is and to give them contact points should they find themselves in a difficult situation,” Bell says.

He admits that the extent of a problem of modern slavery within construction is currently unknown, but his unit would welcome the opportunity to meet with construction companies at a regular forum.

“It would be a good opportunity to raise awareness and share information. Strong partnerships are the key ingredient to any response,” he adds.

## The Northern Irish border

As the only UK region sharing a land border with the EU, Northern Ireland faces particular challenges in dealing with crimes such as people trafficking and modern slavery.

The 499 km border, which winds through towns, villages, local communities, farms and even houses<sup>136</sup> is currently open, pending Brexit negotiations. Its 300 crossing points allow trade to flourish supporting an estimated 200,000 jobs in both countries and many people cross the border on a daily basis for work and trade.

The open border is important for maintaining peace and stability in Northern Ireland, and the government is keen to keep it “seamless and frictionless”<sup>137</sup> after Britain leaves the EU.

Depending on the outcome of negotiations, Bell believes the land border may continue to be a weak point for exploitation by criminal gangs, despite extensive cross-border collaboration between agencies in both countries.

He adds that the most common forms of trafficking detected by PSNI have been through flights to Dublin and then via road to Northern Ireland. Although there have been no detected instances of victims being held inside trucks, “a hard border at Brexit may show that happening.”

*“A cross-border joint agency approach is essential for tackling organised crime. Any reduction in the close relationship that we have with the Guards and EU law enforcement agencies would increase difficulties for PSNI investigators. But whatever the future holds, tackling modern slavery is a priority for the PSNI and we are strongly committed to bringing perpetrators to justice.”*

136 The Irish Times, *Brexit: There Will be a hard border. The only question is where?*, 22 March 2017

137 Northern Ireland Office and Department for Exiting the EU, *Northern Ireland and Ireland - position paper*, 16 August 2017

## Scotland

The Human Trafficking and Exploitation (Scotland) Act, was passed by the Scottish parliament in 2015.

As required by the act, Scottish ministers published their first trafficking and exploitation strategy on 30 May 2017 and have committed to conducting a review every three years.

The number of trafficking and exploitation victims discovered in Scotland is on the increase. Labour exploitation is the fastest growing category: 213 people in Scotland were referred to the NRM in 2017, of which 123 were male and 126 were in some form of labour exploitation.

Year	No of victims <sup>138</sup>	% labour exploitation
2013	99	40 (40 victims)
2014	111	37 (41 victims)
2015	145	35 (51 victims)
2016	150	51 (76 victims)
2017	213	58 (126 victims)

The Trafficking Awareness Raising Alliance (TARA) says that trafficking and exploitation<sup>139</sup> has been located “across the length and breadth of Scotland”. Exploitation has been found in rural areas such as Fort William, Annan and the Orkney Islands as well as major towns and cities.

Surveys suggest that more work needs to be done to raise awareness in the general public: in a recent survey 54% of Scottish people did not believe that human trafficking was a problem in their area, even though it had been identified in 27 of Scotland’s 32 local authorities.<sup>140</sup>

## Public procurement

The Procurement Reform (Scotland) Act 2014, requires Scottish public bodies to consider how procurement can be used to improve social, economic and environmental well-being, with a particular focus on reducing inequality.

Under the regulations<sup>141</sup>:

- Companies that have breached environmental, social and labour law can be excluded from bidding for government contracts. Child labour and other trafficking offences are mandatory exclusion grounds
- Bids can be rejected where it can be demonstrated that they do not comply with applicable obligations in social, environment and labour law
- Bids that are established to be abnormally low, because they do not comply with environmental, social and labour law, must also be rejected
- All public bodies in Scotland that spend more than £5 million annually must publish an annual procurement strategy, including their general policy on fairly and ethically traded goods and services

## The living wage<sup>142</sup> and fair work

The Scottish government was the first in the UK to become an accredited living wage employer and has pledged to work with the Poverty Alliance to build a ‘living wage nation’ over the next three years. Currently there are more than 1,100 living wage accredited employers across Scotland.

The Scottish Business Pledge, a shared mission between government and business to boost productivity, competitiveness and fair work, includes a commitment not to employ people on exploitative zero hours contracts (or comparable very low core hours). Employers must ensure that contracts are fair and appropriate.

138 Adults and children combined

139 Scotland uses the terms trafficking and exploitation in preference to modern slavery

140 Reuters, *Scotland details human trafficking hotspots in bid to end abuse*, 31 August 2017

141 For full details of procurement policy see The Scottish government website: [www.gov.scot/Topics/Government/Procurement/policy/ProcurementReform](http://www.gov.scot/Topics/Government/Procurement/policy/ProcurementReform)

142 See [scottishlivingwage.org](http://scottishlivingwage.org)

## CHAPTER 8: DRIVERS OF CHANGE

Companies often ask whether there is a clear business case for incorporating anti-slavery initiatives into their operations. This chapter examines the push of legislation and the financial incentives for better governance, along with some platforms, standards and frameworks for improvement.

### International legislation

The UK Modern Slavery Act should be seen as part of a wider mosaic of anti-slavery and human rights legislation being passed or drafted around the world.

**The 2010 California Transparency in Supply Chains Act**, which came into effect in 2012, mandates large companies to publicly disclose the steps that they have taken to address human trafficking and forced labour in their supply chains.

The **EU Non Financial Reporting Directive** is now in force. It requires large organisations to report on their due diligence processes, disclosing what actions they are taking to manage risk on non-financial issues including the environment, human rights, employee welfare, corruption and bribery.

France passed the **Duty of Vigilance Law** in 2017 which requires companies with more than 5,000 employees in the country, or 10,000 worldwide, to publish the steps they are taking to root out human rights and environmental violations from their supply chains.

The Netherlands has proposed a law requiring companies to conduct **due diligence on child labour in supply chains**, and anti-slavery legislation is also being drafted by the Australian Parliament.

There are campaigns for targeted legislation to be introduced to many other countries including New Zealand, Switzerland and the United States.

**The UN's Sustainable Development Goal 8.7** is to eradicate forced labour and modern slavery by 2030, and ending all child labour by 2025.

### UK multinationals and duty of care

At the time of writing, no civil claim has been brought against a British company for failing to prevent modern slavery in its international supply chains.

This could change as lawyers explore how strategic litigation could be used to hold parent companies accountable for the actions of their subsidiaries.

For many years, multinationals have been able to absolve themselves of responsibility for wrongdoing in their international operations using two main arguments:

- The corporate veil – the rule of English law that one company and board of directors cannot be held responsible for the wrongdoing of another company or individual
- That the laws of the UK should not apply to wrongdoing overseas

James Sinclair, international lawyer and researcher in modern slavery at Kings College London believes that this has led to a culture of corporate complacency.

“Many multinationals have been pushing liability onto their subsidiaries, secure in the knowledge that legal systems in developing countries won't support complex court cases,” he says.

Pressure is now growing for cases to be heard where parent companies are headquartered. One landmark ruling indicates a shift in the legal landscape.

In 2016, 1,800 Zambian farmers were given the right to sue Vedanta Resources in the English courts over environmental abuses committed in Zambia by its mining subsidiary KCM.

Vedanta, which is headquartered in London, argued that the case should be heard in Zambia. But English high court judge Sir Peter Coulson dismissed this argument on the grounds that the Zambian legal system was insufficiently resourced for such a large and complex trial.<sup>143</sup>

It is still uncertain whether the trial will be heard in London. Vedanta lost its appeal against the ruling in October 2017, but may take its argument to the Supreme Court. However, lawyers, academics and NGOs are watching developments closely.

Other trials have already challenged the concept of corporate veil. One landmark ruling was *Chandler v Cape* 2012 where Cape plc was successfully sued for negligence in an asbestosis case. It was proved that the company knew about the potential harm caused by

143 The Guardian, *Zambian villagers win right to have pollution case heard in Britain*, 27 May 2016

asbestos in the 1950s and should have been sufficiently close to its subsidiary, Cape Products, to exert better control over worker health and safety. Judge Lady Justice Arden ruled that the parent company had failed in its duty of care to Mr Chandler.

Sinclair believes that the tests applied in Chandler and Cape (and possibly Vedanta) could be utilised in labour exploitation cases.

Given the endemic nature of bonded and forced labour in international supply chains, it can be difficult for companies to know where to start remedial action. Sinclair argues that companies can protect themselves by taking meaningful steps, even if full and immediate compliance cannot be realistically expected. This should result in a much lower risk of litigation, even when failings are found.

“Companies taking meaningful and reasonable actions to address labour exploitation are unlikely to be pursued. But those with systematic modern slavery practices at the heart of their business models – or using their modern slavery report as an elaborate PR exercise – could find themselves in difficulty,” he adds.

## Investors demand greater transparency

*“Workforces are an essential and core component of any organisation, yet too often .....they are a missing piece in the corporate reporting jigsaw.”<sup>144</sup>*

**Joanne Segars**, Chief Executive, National Association of Pension Funds (NAPF)

Sustainable investing used to be a niche activity. Today, environmental social and governance (ESG) factors are becoming increasingly important to mainstream investors.

As major financial players such as Bloomberg, Morgan Stanley and Goldman Sachs expand their ESG products,<sup>145</sup> the *Financial Times* reports that interest in impact investing, which aims to balance profits with social good, has exploded in recent years. The UK market alone is estimated to be worth more than £1.5 billion.

Investors are looking for longer time horizons and acknowledging that short term investment approaches can lead to negative social outcomes.<sup>146</sup> This is reflected in a 2015 survey by the NAPF where investment managers thought that a company’s human rights record, and the pay and conditions of its employees, were more important than executive pay.<sup>147</sup>

One of the barriers to investment engagement with ESG criteria has been the poor quality of the data. Now, initiatives are emerging that will create a consistent framework for benchmarking human rights performance. Examples include:

**The Corporate Human Rights Benchmark (CHRB)**<sup>148</sup> released its first results in March 2017 in which it ranked the human rights performance of 98 of the world’s largest publicly traded companies from three sectors: agriculture, apparel, and the extractive industries. There are already plans to expand CHRB into other areas. Construction organisations in oil and gas supply chains may already be feeling the effects of the CHRB.

**The Workforce Disclosure Initiative (WDI)**<sup>149</sup> Campaign group ShareAction launched the Workforce Disclosure Initiative in 2017. Developed in consultation with investors, companies, trade unions and NGOs, the project was backed by a coalition of 79 institutional investors in its pilot year, representing US\$7.9 trillion assets under management.

Several of the 75 publicly listed organisations approached to take part in the WDI pilot survey work in the built environment sector. Companies that submitted information included Land Securities, British Land, Vinci, Saint Gobain and CRH.

Although the WDI has no specific questions on modern slavery, several areas deal with related risk factors including recruitment, working hours, supply chain transparency and health and safety.

As the initiative evolves annually, the range of participating organisations is expected to increase, in line with the volume of investors engaging with companies on workforce issues. ShareAction will be encouraging respondents to extend reporting beyond their critical supplier list.

144 NAPF, *Where is the Workforce in Corporate Reporting?*, June 2015

145 NYU Stern & Center for Business and Human Rights, *Putting the “S” in ESG: Measuring Human Rights Performance for Investors*, March 2017

146 NYU Stern & Center for Business and Human Rights, *Putting the “S” in ESG: Measuring Human Rights Performance for Investors*, March 2017

147 NAPF, *Where is the Workforce in Corporate Reporting?*, June 2015

148 See [www.corporatebenchmark.org](http://www.corporatebenchmark.org)

149 WDI is funded by the UK Government’s Department for International Development (DfID). See [www.shareaction.org/wdi](http://www.shareaction.org/wdi)



## CASE STUDY

### Land Securities and the Workforce Disclosure Initiative

Landsec is the UK's largest commercial property company, owning, operating and managing £14.4 billion or 23.2 million sq ft of real estate. The company participated in the WDI pilot in 2017.

Part of Landsec's commitment to the WDI involves disclosing data not only on its directly employed workforce, but also employees in its supply chains.

Edward Dixon, sustainability insights director at Land Securities, says:

"This is pushing us to look at areas that we haven't looked at before and is highlighting gaps in our knowledge. For us, the most noticeable data gaps are with our one-off contractual relationships and construction projects."

Landsec's challenges are similar to many other property companies: the company has 3,500 direct suppliers and but works regularly with only a small pool of trusted delivery partners.

"Our delivery partners are doing good work on improving labour standards. But much of it is process based. We now need evidence that the processes are working," Dixon says.

He gives the example of the living wage. Landsec has committed to ensuring that employees within all its environments, including construction sites, will be paid wages set by the Living Wage Foundation by 2020.

*"We've added clauses to our contracts to make this requirement clear, asking them to confirm by sending a letter that they're paying wages as set by the Living Wage Foundation. But now is the time to provide evidence to prove that it's happening on the ground,"* Dixon says.

He adds that investors are demanding increasing levels of transparency, as ESG criteria rises in importance in investment portfolios.

"We welcome higher levels of interest from the investor community. There is no doubt that investor pressure is impacting corporate governance in a positive way. The ESG agenda from investors challenges companies to do more and we're responding to that challenge" he says, adding:

"Every tier of the industry needs to come together to fix the systemic problems we're facing. Clients need to show leadership by setting the tone and asking the right questions. It's important to demonstrate to our partners and our communities that we are thinking for the long term, and to our investors that we're creating value in a responsible way."



## New standards and social platforms

New types of standards are emerging that are challenging old ways of thinking. Instead of passing or failing audits, organisations are being evaluated against frameworks that encourage continual improvement. Here are two examples:

### BS ISO 20400

The International Standard for Sustainable Procurement BS ISO 20400 was published in May 2017. Replacing British standard BS 8903, it incorporates recent developments on sustainability such as the UN Guiding Principles on Human Rights and Business and ISO 26000.

ISO 20400 is described as a ‘guidance’, rather than a ‘requirements’ standard. Instead of being issued with certificates, organisations are encouraged to work with independent experts to improve their operations.

Action Sustainability is one organisation that has been developing ISO 204000 guidance to help companies incorporate their anti-slavery initiatives into the framework.

Helen Carter, senior consultant at Action Sustainability and the Supply Chain Sustainability School, says the guidance will help a company evaluate its governance, training capability and grievance mechanisms, as well as setting KPIs that are meaningful to the business.

She adds:

*“This standard moves away from tick-box exercises. It helps businesses define and set their own priorities and should enhance supplier relationship management.”*

Balfour Beatty was the first contractor to complete assessment against ISO 204000, using Action Sustainability as the independent assessor.

“The removal of a ‘pass or fail’ status allowed us to have honest and frank discussions with the assessors, which in turn resulted in a much clearer picture of where we stand and what we need to do to move forward,” says the company’s head of sustainable procurement Aaron Reid.<sup>150</sup>

### BRE’s Ethical Labour Sourcing standard

BRE launched its Ethical Labour Standard BES 6002 in February 2017. The standard provides a framework for continual improvement in sourcing labour and materials within a supply chain. Organisations that undergo the standard are verified annually by BRE assessors.

Assessment covers 12 areas: organisational and management structure, HR, procurement, bribery and corruption, forums, management policies, immigration, supply chain management, learning and development, reporting, assurance and compliance.

Marshalls was the first company to be verified by the ELS, and Sir Robert McAlpine was the first contractor. Construction labour supplier VGC also achieved verification in early 2018.



<sup>150</sup> Construction Manager, *When is an audit not an audit?*, 22 May 2017



## CASE STUDY

### Sir Robert M<sup>c</sup>Alpine adopts the ELS

Building and civil engineering contractor Sir Robert M<sup>c</sup>Alpine was founded in 1869 and is still family-owned. The company has an annual turnover of around £1.2 billion and directly employs 2,000 people. Sir Robert M<sup>c</sup>Alpine was the first main contractor to be verified under the BRE's Ethical Labour Sourcing standard in 2017.

“Our first response to the Modern Slavery Act was to ensure legal compliance. Once we'd established how this would affect our business and our supply chain, we quickly saw the need to become proactive.” says Anna Baker, head of sustainability at Sir Robert M<sup>c</sup>Alpine.

The company had been helping to develop the Ethical Labour Sourcing standard as part of a BRE stakeholder group. Alice Hands, sustainable procurement manager at Sir Robert M<sup>c</sup>Alpine says:

“We like the fact that the ELS is structured to encourage buy-in from all departments. It provides a pathway for setting clear objectives.”

Hands initially led the ELS project. Her first challenge was to ensure that the right disciplines across the business were included and working strategically.

For example, HR led the review on internal staff practices while the procurement team assessed major risk areas in the supply chain. Hands says that the procurement initiative opened up dialogue with suppliers of all sizes.

“We fully acknowledge that we can learn from suppliers, particularly as some have far larger reach than us. It has been a two way interaction,” she adds.

### Working towards continual improvement

One important aspect of the ELS is that it is not about passing or failing. Companies are monitored on an agreed set of objectives and work towards continual improvement.

“We're on a journey. We acknowledge that any contractor could be infiltrated by criminality. This is about making our processes and those of our supply chain more resilient to that threat,” Hands says.

But she stresses that openness was an important part of the verification process.

“Internally, some of our stakeholders were asking why we hadn't scored higher in certain areas. But we need to get away from that mentality. Ethical practice is about tying our processes and approach to the values of the organisation, and discovering where we need to do the most work, in order to make the biggest difference, both for our employees and our extended supply chain.”

### ELS – phase one

In the first phase, Sir Robert M<sup>c</sup>Alpine has been engaging in particular with four issue areas within the ELS, but Hands expects activities to expand quickly to all of the standard's 12 business sections.

Initial activities include:

- Making the company's cross disciplinary modern slavery working group a permanent fixture, bringing in people from all aspects of the business
- Reviewing and updating procurement strategy
- Developing the company's existing anti bribery and corruption programme, identifying job roles that may need further support and training



- Providing training to everyone in the company about the realities of modern slavery and how to spot the warning signs
- Raising the public profile of important policies through the supply chain and beyond. “We’re making sure that whistleblowing and procurement policies are communicated at a consistent and more visible level,” Baker adds.

## Procurement

The company is involved in several collaborative initiatives and has participated in the Supply Chain Sustainability School’s special interest group on supply chain mapping. Initially, the company is engaging with subcontractors thought to be working in higher risk areas.

“We’re not necessarily saying that our subcontractors have this problem, Baker says, “But we know from the GLAA that some areas – particularly those that use temporary low skilled labour – are at greater risk of infiltration from criminal gangs.”

But Hands sounds a note of caution. “We want to engage with our supply chains in a positive way. Rather than ending up having to deal with something once it has gone wrong, we want to be more engaging and collaborative to avoid getting to that stage in the first place.”

## Whistleblowing and communications campaigns

Sir Robert McAlpine has set up an independent whistleblowing helpline, administered by a third party. It has rolled out an e-learning module as well as a communications campaign that encourages anyone within the company to report problems. This approach has already brought benefits, with potential issues being raised by people across the company.

“As a business we talk to people regularly on site. While that is one good avenue, it doesn’t work in all scenarios. For example, if there are language issues, or if a supervisor is breaching ethical codes. We also want to give people confidence to report anything that doesn’t feel quite right to them. Something not feeling right is often the best indicator,” Hands says.

The company has appointed a whistleblowing officer that will co-ordinate activities if a problem is found.

“The enquiries that we have had so far have been fairly straightforward. Our next big challenge is how we deal with complex enquiries that may come through,” Baker adds.

## Looking ahead

“We’re using the ELS to evaluate where we are on our ethical labour journey. The framework allows us to take a flexible approach as we evaluate each stage. So we’re keeping an open mind on how this will develop,” Hands says.

Baker cautions that the construction industry’s response to the Modern Slavery Act runs the risk of creating mountains of site audits that are not properly analysed or shared.

“We want to share what we’re learning - both good and bad – with other parties. We’re hoping that initiatives such as the Supply Chain Sustainability School and the GLAA construction protocol will enable wider industry sharing. We can learn a lot from each other within our own sector, as well as others, such as retail, that have been working longer in this area.”

She adds:

“The more we explore the issues beyond legal compliance, the more we realise that this is not a case of asking ‘if’ but ‘when’ we find modern slavery in our supply chains. We believe that how we deal with the situation when we encounter it will provide a true reflection of who we are as a business and what we stand for. And, as an industry, it will give us an opportunity to show how collaborative we can be.”

The following case study examines how major contractor Mace is working with collaborative platform Sedex to better understand its supply chains.



## Case study

### Mace and Sedex

Global built environment consultancy and contractor Mace turned over £1.97 billion in 2016. The company's construction business focuses on the UK, Ireland and mainland Europe; whilst consultancy activities are delivered from five global hubs. Mace directly employs 5,900 people in the UK.

Mace is one of the first UK contractors to adopt the Supplier Ethical Data Exchange (Sedex), described as "the world's largest collaborative platform for responsible sourcing data". Sedex was established in 2001 and now has 43,000 members in more than 150 countries.

Mace signed up to Sedex in 2015. Head of sustainability for construction Ross Wood says that part of the platform's appeal is that its systems were well established.

"It's also cost and time efficient," he adds. "Suppliers pay an annual membership of £60, and they only have to submit their information once. They can then choose to share their data with as many clients as they like, so it should reduce bureaucracy."

There are three different levels of Sedex membership. Clients become A members, using the platform to engage with their supply chains. B membership is for suppliers. Suppliers post compliance information policies and audits and link to buyers with whom they want to share the information.

As a buyer and supplier, Mace has taken AB membership, which enables it to share information in both directions: upwards to clients and downwards to suppliers.

Mace is still in the early days of engagement with Sedex. So far more than 120 suppliers have linked to Mace on the platform. Wood says that the majority are tier one and based in the UK.

*"We're at the stage where we're starting to dive deeper into our supply chains. Some tier one suppliers are helping to get lower tier members to sign up. Our aim is to encourage more engagement from international suppliers as well," he adds.*

The company initially focused on cladding and MEP suppliers. Mace targeted these trades because they represented big packages of work and a large proportion of spend. They also featured products with multiple components that were more difficult to trace.

"By contrast, our policies and standards give us a much better handle on the provenance of elements such as timber, concrete and steel," Wood says.

Newcomers to the platform fill out a self assessment questionnaire, answering questions in four categories: labour standards, health and safety, business ethics and environmental management. They can also post information, such as policy documents or the results of ethical audits.

The new members are then given a score for each for each category which is combined with a general risk score for the country in which they operate.

Mace has been using Sedex-generated reports to map risks globally. A recent example is a report on forced labour indicators. On the basis of these reports, Mace has been issuing briefing sheets to its procurement teams.

*“Our aim is to help them ask more informed questions. If we know, for example that there is a risk of poor business ethics in a company or region, we dive in to understand the systems and procedures a supplier might be using to mitigate risk.”*

However, Wood stresses that Mace’s goal is to work positively with suppliers.

“We’re looking at how we can support them to fix any problems. Our aims are to upskill the rest of the industry, to understand where the problem lies and eradicate it,” he says.

Although membership of Sedex is not a compulsory part of Mace’s prequalification process, it has been written into tenders.

“Once companies work for us, they are contractually obliged to join Sedex, maintain the membership and link with us on the platform,” Wood says.

He is hoping that the use of Sedex will ultimately enable every component on a Mace project to be traced back to its origins.

*“We want to get to the point where we can break every item down to its raw materials. For example, once we know how a cladding supplier sources its glass and rubber, we can link then link through to those production plants. We’re hoping that Sedex will help us engage faster with the lower tiers.”*

But one major challenge will be checking the quality and validity of the information on the platform.

“Sedex is not a certification system. So it’s incumbent on us to do the due diligence, such as checking that ISO 14001 certificates have not expired. The further we go down the supply chain, the more due diligence will have to be done,” Wood says.

So far Mace has focussed on using Sedex for materials procurement. It is still assessing how best to deal with other aspects, such as temporary labour.

“Our long term plan is to get our entire supply chain signed up to Sedex, but that’s going to take a few years. In the meantime, we’re also looking at other options around labour, such as how we do frontline checks on site. We’re looking for a solution that is appropriate, sensible and easy for our supply chain to adopt, without unnecessary paperwork,” Wood explains.

Ultimately, he believes that engagement with major clients will accelerate the take up of Sedex in construction. One of its clients, Heathrow Airport has signed up to Sedex.

Heathrow procurement process and performance manager Rob Wilton says that the operator is now asking its major suppliers to register on the platform.

“As a key supplier and partner, Mace has been collaborating with us in driving the roll-out program,” Wilton says.

Wood would like to see more major contractors engaging with the platform as AB members.

*“There is so much crossover between our supply chains and those of our peers. It can only be for mutual benefit if more people join the platform.”*

*“I’d like to think that as an industry we could come together to solve some of our systemic problems. I don’t see this as a business differentiator.”*

## Industry initiatives roundup

Here follows non-exhaustive list of anti-slavery initiatives and organisations that are positively influencing UK construction as well as other sectors and regions. We regret that we are unable to include all players, but are keen to hear from any organisation doing relevant work for future reports.

### APRES and the Eight Pathways to best practice

The Action Programme for Responsible and Ethical Sourcing (APRES) – a learning network created by Loughborough University – launched a white paper in September 2017 on the responsible ethical sourcing of materials products and people.

The APRES eight pathways model helps organisations examine their operations from a responsible and ethical sourcing perspective. Areas covered include policies and management systems, compliance, auditing and reporting, procurement, HR, financial management, recruitment and external relations.

APRES says the model is relevant to clients, contractors, subcontractors, suppliers, designers, specifiers and buyers as well as auditors.

- APRES is now managed by Constructing Excellence (CE), the platform which promotes best practice and industry change. CE merged with BRE in 2016.

<http://apres.bre.co.uk>

### BRE

BRE has launched the Ethical Labour Standard BES 6002. Two companies that have successfully gone through the ELS are Marshalls and Sir Robert McAlpine. Labour provider VGC also achieved verification in early 2018.

An updated version of the ELS standard was launched in April. It can now be accessed online and has a free self assessment module.

[www.elsonline.co.uk](http://www.elsonline.co.uk)

Every year, BRE runs Modern Slavery and Ethical Leadership in Construction Symposium.

[www.msa4construction.com](http://www.msa4construction.com)

### Building Responsibly

Building Responsibly is a group of international engineering and construction companies collaborating to improve the rights and welfare of workers. Activities include: agreeing on common standards; developing

tools; engaging with workers, clients, governments, and civil society; sharing best practice and, driving innovation and continuous improvement across the sector. Focus areas include recruitment, subcontractor management, living and working conditions.

The group is administered by non-profit organisation BSR (Business for Social Responsibility) and funded by corporate membership fees with additional support from Humanity United. Founding members are Amec Foster Wheeler (now Wood Group), Bechtel, CH2M (now Jacobs), Fluor, Multiplex Middle East, and Vinci.

Membership is open engineering and construction companies “committed to upholding and promoting the rights and welfare of workers.”

[www.bsr.org/en/collaboration/groups/building-responsibly](http://www.bsr.org/en/collaboration/groups/building-responsibly)

### The Chartered Institute of Building

CIOB has updated and strengthened rules of conduct and disciplinary procedures following detailed consultation with chartered organisations and nearly 3,000 individual members. The new code of conduct came into force in January 2018.

During the consultation, 99% of individuals, 100% of companies and 97% of consultancies agreed or agreed strongly that integrity, honesty and trustworthiness should be the guiding principles of an organisation and the conduct of its employees.

CIOB has added the crimes of terrorism and trafficking, slavery and immigration to its disciplinary regulations. Members overwhelmingly backed the strengthening of regulations.

At the beginning of 2017, the CIOB Academy launched the sector’s first massive open online course (MOOC) dedicated to ethics and compliance. The five week interactive course is free and open to anyone working in the built environment sector anywhere in the world.

Devised in collaboration with ethical experts, the MOOC is designed to empower people to make better decisions at work: improving relationships, identifying conflicts of interest and taking steps to minimise risk.

CIOB also supports the Stronger Together Toolkit. The organisation is preparing to sign up to the UN Global Compact.

[www.ciobacademy.org](http://www.ciobacademy.org)

[www.ciob.org/about/governance/royal-charter](http://www.ciob.org/about/governance/royal-charter)

## The Chartered Institute of Procurement and Supply

CIPS has developed and collected a wide range of educational materials and guidance on modern slavery which is free to access free from its website.

[www.cips.org/en-gb/knowledge/procurement-topics-and-skills/sustainability/modern-slavery/](http://www.cips.org/en-gb/knowledge/procurement-topics-and-skills/sustainability/modern-slavery/)

## Clearview

Developed by the Association of Labour Providers and managed by NSF International, Clearview is a global social compliance certification scheme for labour recruitment. ALP says the scheme, launched in March 2018, will help labour providers, recruiters and brands assure and continuously improve working conditions in domestic and global supply chains. Based on UN guiding principles on business and human rights and other international standards, Clearview is designed to go ‘beyond audit and compliance.’ The scheme applies to workers in any country in a wide variety of sectors, including construction.

[www.clearviewassurance.com](http://www.clearviewassurance.com)

## Construction Coalition launches charter

British-based built environment institutions have formed a coalition to raise awareness of and eradicate modern slavery from the sector’s supply chains.

Established and led by Dr Shamir Ghumra, head of responsible sourcing at BRE, the coalition is supported by CIOB, Build UK, Constructing Excellence, Royal Institution of Chartered Surveyors, Royal Institute of British Architects, Chartered Institute of Procurement & Supply and the Supply Chain Sustainability School, as well as a number of business and civil society organisations including the Ethical Trading Initiative, the Business & Human Rights Resource Centre and the Institute for Human Rights and Business.

Coalition members have signed up to a charter for combating modern slavery. Commitments include developing tools and training materials on business and human rights; supporting best practice through partnerships and research; using influence to support the abolition of illegal and unethical practices whenever they are found.

[www.msa4construction.com](http://www.msa4construction.com)

## East Midlands - collaborative project

In 2017, the University of Derby launched a joint collaboration with the Derbyshire Constabulary to improve information flow on human trafficking between business and the police in the region.

The *Combating Modern Slavery, East Midlands Police and the Business Community in Collaboration project*, led by researcher Laura Pajón and Professor David Walsh, has established multi-disciplinary teams of business leaders, academics, statutory agencies and police officers to develop best practice around priority areas such as business support, information sharing, communications and training.

The initiative is expanding to new regions. Business of all sizes are invited to join the regular seminars. For more information contact:

[L.PajonMoreno@derby.ac.uk](mailto:L.PajonMoreno@derby.ac.uk)

## GLAA Construction Protocol

This framework, launched in Autumn 2017, has been developed to encourage interaction between construction companies and the Gangmasters and Labour Abuse Authority. From 2018, the GLAA will be running quarterly meetings to which construction companies will be invited.

This is an open invitation to any business in the sector. Discussions will be treated in confidence.

For more information contact Samantha Ireland, head of business change at the GLAA.

[samantha.ireland@glaa.gsi.gov.uk](mailto:samantha.ireland@glaa.gsi.gov.uk)

[www.gla.gov.uk/i-am-a/i-use-workers/construction-protocol](http://www.gla.gov.uk/i-am-a/i-use-workers/construction-protocol)

## Leadership Group for Responsible Recruitment

Recruitment fees paid by workers often leave them in situations of debt bondage. Members of the Leadership Group for Responsible Recruitment, launched by the Institute for Human Rights and Business (IHRB) in 2016, have signed up to the *Employer Pays Principle*: No worker should pay for a job. The costs of recruitment should be borne not by the worker but by the employer.

Members include Coca Cola, Walmart, Tesco, M&S, GE, Mars, Hewlett Packard, HPE, IKEA, Unilever and construction firm Vinci.

The group's aim is to eradicate worker fees from supply chains within a decade. It is advocating that the *Employer Pays Principle* is embedded in codes of practice, and adopted by industry groups, governments and trade bodies around the world.

[www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment](http://www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment)

### The Local Government Association

Representing over 370 councils and all fire and rescue authorities in England and Wales, the LGA has produced guidance, in collaboration with the independent anti-slavery commissioner. As well as helping councils identify and safeguard victims, the guidance, published in November 2017 also addresses local authorities' procurement and supply chains.

[www.local.gov.uk/modern-slavery-council-guide](http://www.local.gov.uk/modern-slavery-council-guide)

### APPG on Mega Sporting Events

Baroness Young of Hornsey has set up an all party parliamentary group on mega sporting events, modern slavery and human rights. The group will look at activities around a range of high profile events including the Olympic and Commonwealth Games, Champions League, Formula One and the FIFA World Cup. Construction related companies will be invited to present evidence on the building of stadia and supporting infrastructure and to collaborate on policy areas and procurement criteria that tackle labour abuses within such programmes.

Baroness Young says: "Sport is a great medium for bringing human rights issues to the attention of the general public. Fans are acutely aware of the build progress around stadia projects, but how many are asking whether the people working on those projects have been coerced or trafficked? By raising the profile of these issues, I'm hoping to bring more pressure on business and government to ensure robust measures are put in place to deal with this."

### Stronger Together

The multi-stakeholder initiative first launched in 2013 for the consumer goods sector has a new CIOB-backed construction programme. Project sponsors include Multiplex, Saint-Gobain, Westfield and Willmott Dixon. Stronger Together is running regular interactive workshops across the UK that are open to any interested parties.

The Stronger Together website offers a range of free downloadable materials and resources. This includes a short awareness raising film that can be used in induction and training. The organisation will also

soon be launching an online progress reporting tool, enabling companies to monitor the progress of their anti-slavery initiatives, checking them against industry standards.

[www.stronger2together.org/construction](http://www.stronger2together.org/construction)

### The Supply Chain Sustainability School

Supply Chain Sustainability School has 25,000 registered members and partners with more than 65 major contractors and clients. Its aims are to improve the performance and sustainability of built environment supply chains. Run by Action Sustainability, the school has produced a range of free educational and training materials on modern slavery, and also holds regular events on fairness, inclusion and respect. Membership is free and relevant to anyone working in the built environment sector in England, Scotland and Wales.

[www.supplychainschool.co.uk](http://www.supplychainschool.co.uk)

### West Yorkshire Anti – Trafficking and Modern Slavery Network

WYATMSN was set up in 2014 by anti-human trafficking charity Hope for Justice in conjunction with West Yorkshire's police and crime commissioner Mark Burns-Williamson. The network creates a strategic meeting point for public and private organisations to tackle modern slavery in the region.

The network originally worked with local authorities, the police and NGOs. Since 2016, following a major engagement event with local employers, banks and recruitment agencies, it has been sharing information on recent prosecutions as well as local and national trends in worker exploitation.

Modern slavery issues can be different even in locations within the same county. So the WYATMSN has now established smaller forums in local authority districts within West Yorkshire, and is hoping for closer interaction with businesses, as well as building a more detailed analysis of challenges to agencies and law enforcement across the region.

The West Yorkshire PCC's safeguarding adviser Stuart Piper says:

"This is the perfect opportunity for the police, other agencies and NGOs to partner with businesses and to share information. We need to tap down to a local level and work together if we are to effectively tackle the problems of modern slavery."

<http://hopeforjustice.org/wyatmsn>

## CHAPTER 9: COMPANY CASE STUDIES

Responding to the Modern Slavery Act has set many organisations on a journey. In this chapter, companies in the construction sector tell their stories and look to the future

### Great Portland Estates

*Great Portland Estates is a FTSE 250 property investment and development company that owns over £3 billion of real estate in central London.*

#### Worker interviews

In response to the Modern Slavery Act, one of GPE's first activities was to investigate labour on its sites through worker engagement surveys.

"We started with site labour because we could get on with that task quickly. But we didn't just want to audit on modern slavery, we wanted to develop a better understanding of how the workforce was being treated down the supply chain," says GPE head of sustainability Janine Cole.

GPE collaborated with supply chain specialist Achilles, providing one of the original pilot schemes for Achilles to test and develop its worker engagement survey. The client has since adopted the approach on six sites in central London, working with five main contractors.

#### Implementation

Achilles conducted five minute tablet surveys, stopping workers randomly on their way back from breaks.

"We didn't want to take people off into a side room, where they might have felt intimidated, so we decided to make it as informal as possible," Cole says.

The surveys covered conditions on site, welfare facilities and employment conditions. Questions included:

- Whether the workers had to pay for their own PPE equipment
- Whether site inductions were conducted in their native language
- Whether they were being paid the London living wage
- Whether any of their documents had been withheld
- Whether they had had to pay a bond to secure the work
- Who their employer was

#### The findings

"On analysing the first responses, we had as many questions as answers. So we've been fine tuning the questions ever since," Cole says.

One overriding theme was the high level of self employment across all sites.

"Although the high rate of self employment is well known in construction, the surveys highlighted the difficulties this creates, particularly in training and development. Self employed individuals are more difficult to track. It's more of a challenge pushing our site policies down the supply chain, even just from a health and safety point of view," Cole says.

Although no serious problems were found, the surveys revealed that awareness of modern slavery was still poor amongst the workforce. GPE also found some instances where it was not possible to prove that workers were receiving the London living wage.

Some welfare issues emerged on all sites.

"The worker engagement surveys have provided a different feedback loop. We believe they have given a mouthpiece to workers that may have been reluctant to raise concerns previously," Cole says.

#### Actions

**Rollout:** Over the next few months, GPE will continue to roll out worker engagement surveys on all construction and refurbishment projects valued at £5 million or higher.

Contractors and subcontractors are informed that surveys are taking place, but are not told when they will be conducted. Questions will continue to be refined as intelligence builds.

"By carrying out regular engagement and querying our findings we hope to drive improvement. This was a learning process for all parties and we will continue to develop our approach as our understanding of the issues deepens," Cole says.

**Translation:** GPE is planning to conduct surveys in workers' native language, to ensure that all answers are independent and not reliant on translation from others.

**Awareness-raising campaign:** In the coming months GPE plans to launch a poster awareness-raising campaign on modern slavery. "We want to reach out to

the whole workforce - and supervisors in particular – about spotting the warning signs,” Cole says.

**London living wage:** In cases where it is unclear that workers are receiving the London living wage, GPE has taken up the issue with principal contractors to ensure that this is reviewed throughout their supply chains.

**Welfare facilities:** Responding to feedback from the surveys, GPE is working with all of its principal contractors to improve the general standard of welfare facilities across sites, including access to drinking water, improving canteen facilities and maintenance of toilets.

### Procurement policies

In October 2017, GPE updated its sustainable development brief for its professional teams. This increases requirements for assessing human rights risks when sourcing materials. The client is also working with BRE to review whether its Ethical Labour Standard and The APRES Eight Pathways<sup>151</sup> model are appropriate for the business.

Cole says that the company prefers to collaborate and work with contractors rather than to unilaterally enforce systems upon them.

“Our partners are approaching the modern slavery challenge in a variety of ways. Some are using the Sedex platform, others are favouring the ELS, and that’s fine too. We will work with them to find the right solution.” Cole says.

### Looking forward

GPE is exploring the possibility of wider data sharing of risk management data across the sector.

“If we knew that one of our suppliers had already been checked and assessed by other responsible contractors and clients, it would give us some comfort, even though it wouldn’t guarantee that the risk had been entirely mitigated,” Cole says.

She suggests that building ratings systems such as BREEAM, LEED and SKA could include a greater focus on human rights and modern slavery criteria to accelerate uptake of better standards and practices in the industry.

*“As most major clients and developers are familiar with these kind of ratings tools, this may well help to ramp up uptake across supply chains.” Cole says.*

## Lendlease

Development, construction and finance company Lendlease is headquartered in Sydney, Australia and operates in Asia, Europe and the Americas. With 12,000 employees worldwide, Lendlease directly employs 1,900 people in the UK.

### PQQs and audits

Head of strategic procurement Andy Fulterer joined a cross-departmental group to review company procedures in the light of the Modern Slavery Act.

One area of focus was auditing. The company had been using Achilles BuildingConfidence for the past decade for health, safety and quality audits of its supply chains.

“Over the past decade, we’ve been gradually adding in questions on environmental and sustainability issues, ethical sourcing and child labour. So it was a logical progression to develop sections on modern slavery,” Fulterer says.

More than 20 major contractors work with Achilles, often sharing suppliers. To reduce the administrative burden on the supply chains, the companies decided to take a standardised approach to adding modern slavery questions to their prequalification questionnaires.

After passing PQQ stage, Achilles auditors visit the suppliers to check that the paperwork matches stated policies and practices.

Audits are booked in advance. “The idea is not to catch suppliers out, but to upskill them,” Fulterer explains. “We acknowledge that smaller companies in particular may need more help on tackling modern slavery.”

### Direct and non directly employed labour

Lendlease collaborated with a major client on a labour audit of a central London site. Although no major problems were found, Lendlease has since embedded a five minute awareness video on modern slavery into its induction process. This was partly to reach the large numbers of non-directly employed labour that were on its sites.

As part of Lendlease policy, staff must undertake an online ethical training course once a year, in which they watch a video and answer questions. The course is updated annually to reflect changes in legislation.

151 See the BRE and APRES sections in this report’s Industry Initiatives roundup



## Site security

Before starting on site, workers have to enrol online, submitting details of their right to work permits, Construction Skills Certification Scheme cards for advance checking. Documentation is physically checked when they turn up for work.

The company uses MSite for security, and electronic system which checks the validity of CSCS cards against the official CSCS database, run by CITB. It uses biometric access to identify workers through finger prints or hand geometry.

“MSite has been mandatory across all Lendlease sites over the past two years. We have also centralised our system, so workers can be managed across all our sites,” Fulterer says.

## Procurement strategy

The company is currently aligning its procurement processes to the recently launched BSI ISO 20400 standard.

“Action Sustainability is helping us identify any gaps in procurement process, from specification to site,” Fulterer explains. “Our plan is to have our procurement aligned with ISO 20400 in the first half of 2018. We are expecting an action plan to come out of that.”

He adds that he would like to see more standards that make products more traceable, such as FSC for timber, or BES 6001 for brick and rebar.

“We’re happy to put our weight behind an industry standard if it’s creating the right momentum and reducing effort for all of our suppliers. People have limited resources, if we can agree on a standard, it could make everyone’s life easier.”

## Actions and collaborations

Lendlease is one of more than 65 partners of the Supply Chain Sustainability School, helping to develop its initiatives and training materials for construction supply chains.

Fulterer stresses how collaboration with the school is helping to save time and resources, particularly in risk mapping.

“We quickly found a fairly common supply chain between most main contractors. Even if the product is not coming from exactly the same supplier, it is often from the same region. So it makes sense for companies to work together.”

## Marshalls

*Marshalls has been manufacturing and supplying hard landscaping products since the 1880s. In the UK, it directly employs more than 2,500 people and has 52 operational sites.*

*Last year CIOB reported on the company’s exemplary work in India and other high risk sourcing countries, where it has been addressing the social, economic and cultural causes of slavery.<sup>152</sup> This case study focuses on UK operations.*

“As members of the Ethical Trading Initiative, we had done more work on slavery internationally than domestically,” says group marketing and sustainability director Chris Harrop, “However, the Modern Slavery Act prompted us to look at the UK. It was a case of challenging assumptions right through the organisation.”

Elaine Mitchel-Hill, business and human rights lead at the company adds: “From a human rights perspective, we wanted to seek out where we might be unintentionally doing harm, and to put that right. Wherever we work in the world, modern slavery victims are at the centre of our strategy.”

## Working with Hope for Justice

Marshalls entered a long term partnership agreement with anti-slavery NGO Hope for Justice in January 2017.

The organisation was chosen because its expertise encompasses prevention, training, education, investigations and remediation.

“We know our limitations as a business. We wanted to have a plan in case we did discover an incident,” Mitchel-Hill says.

If a problem is suspected in UK operations, but there is no immediate threat to life, Marshalls policy is to contact law enforcement, the GLAA and Hope for Justice simultaneously, allowing all three parties to liaise on the approach that will best protect victims and support evidence gathering.

152 CIOB, *Building a Fairer System: Tackling Modern Slavery in Construction Supply Chains*, July 2016

As part of its remediation policy, Marshalls may offer employment to modern slavery survivors that are eligible to work.

“We’re taking a flexible approach, on a case by case basis. Working with Hope for Justice enables us to have options rather than a standard process,” Mitchel-Hill says.

## Training

Marshalls’ 2,500-strong workforce in the UK receives online training on modern slavery every year.

Hope for Justice is providing more detailed training for employees in pivotal roles, including board directors, health and safety experts, specialists from the procurement, human resources and supply chain teams and operational staff.

“We’re giving extra help to anyone who is more likely to come into contact with modern slavery risk indicators in their day jobs,” Mitchel-Hill says.

## Anti-slavery ambassadors

Marshalls is appointing modern slavery ambassadors in strategic parts of the business. Ambassadors receive in-depth training tailored to their business functions. The first three ambassadors to be appointed work in the registered installer management, commercial projects and procurement departments.

**Dave Jessop** is responsible for Marshalls’ UK-wide register of certified patio and driveway installers, liaising with clients in the housing sector. Since becoming a modern slavery ambassador, he has conducted awareness training in roadshows in 14 strategic locations, reaching 230 businesses and 507 individuals. He has also communicated with the register’s 1,200 members on how to spot the signs of modern slavery, how to report and stay safe.

Results have been positive so far: installers have started reporting information that is leading to police and agency investigations.

Jessop says: “Installers are fully supportive of the fight to tackle slavery. They are motivated by an economic argument, that if someone can undercut them and take away their work using forced labour, this has a direct impact on their business.”

Anti-slavery ambassador **Karen Preiss**, who works in procurement, identified temporary labour as a priority area of activity.

Marshalls decided to take a strategic approach on temporary labour. It commissioned Hope for Justice to run a training programme with human resources specialist De Poel, which manages 65 agencies supplying temporary labour to Marshalls.

The programme was devised to increase the agencies’ awareness of systematic exploitative and business-like nature of trafficking.

Mitchel-Hill says:

*“Armed with new understanding, a lot of temporary labour providers said that they would look at applicants in a different way, and were running back to their offices to review recent incidents.”*

The most recent anti-slavery ambassador to be appointed is **Mike Plaster** who works in the commercial projects team. Marshalls is planning to appoint two more ambassadors in 2018.

## Consumer transparency – the Ethical Risk Index

Marshalls launched its Ethical Risk Index in the summer of 2017, which demonstrates how its stone products are sourced in various regions of the world.

The ERI is based on a combination of elements: information on risk factors in the source countries as well as data from independent audits. The rating takes into account 10 different measures including supply chain awareness, environmental practices and health and safety.

The ratings now appear alongside each of Marshalls products on its website.

“The ERI is to give customers a better insight, so that they can make more informed decisions about the stone they are purchasing,” Harrop says.

## Further initiatives:

### Supply chain engagement.

Marshalls is using software platform Vinci Platforms to get closer to its supply chains. All suppliers have had online slavery training via the platform, and have read and agreed to the company's anti-slavery statement.

"We're encouraging suppliers to engage with us on any particularly challenging areas that they would like to work on. Using an IT based system gives us more traceability," says Mitchel-Hill.

### Code of conduct launch

M-Way – Marshalls' new supplier code of conduct and ethical sustainable procurement policy – not only sets out its standards and expectations for the supply chain, but also asks the suppliers to give feedback. "We want suppliers to tell us if we are not behaving to our own standards," says Harrop. "It's a two way conversation."

### Living wage

Accredited by the Living Wage Foundation, Marshalls has committed to ensuring that the living wage is applied throughout its business operations in the UK. This includes any temporary labour.

### West Yorkshire Anti-Trafficking and Modern Slavery Network

Marshalls was the first business to join the West Yorkshire Anti-Trafficking Network. The company is already using information shared with the network to send out alerts of modern slavery risks to its registered installers.

### ELS

Marshalls was the first organisation to be BRE Ethical Labour Standard BES 6002-accredited in February 2017.

### Education abroad

Marshalls is running an education project in Vietnamese quarries to assist the independent anti-slavery commissioner's drive to make communities more aware of modern slavery risks.

### Frustrations

"When I talk to other company directors, their main fear is that the media will take news of slavery found in their supply chain as guilt of the company, rather than celebrate the fact that they have found problems that they are trying to fix." Harrop says. "This is probably the biggest barrier to change in the industry.

He adds that, as a supplier, his company has been inundated with client questionnaires of dubious value.

"At times we've been receiving up to three questionnaires a week, with threats that we will be delisted if we can't guarantee that our supply chains are slavery free. As a responsible business, we are unable to sign, because apart from the self employed, no one can make those kinds of promises. It feels like a totally redundant exercise."

## Skanska

*Swedish construction group Skanska was founded in 1887 and operates in Europe and North America. Its UK operation, established in 2000, directly employs around 6,000 people. Skanska UK's revenue was £1.68 billion in 2016, accounting for 10% of the company's global business.*

Skanska directly employs a proportionately high number of workers in its specialist operations, which include piling, highway maintenance, civils, utilities and M&E. The company has been using a preferred supplier list for standard recruitment since 2010.

In the past few months the company centralised and slimmed down its list of temporary worker agencies. It now partners with an agency aggregator to gain more control and understanding of the agency spend.

"Previously, the regions and divisions were dealing directly with the agencies. Now we have full visibility of the metrics and make up of our workforce right across the business," says Harvey Francis, group HR director and executive vice president at Skanska UK.

He adds that the slimmed down agency list is still "probably a little larger than we would like it to be", but reflects the skills requirements of Skanska's diverse operations. Nevertheless the company now works with fewer than ten labour-only agencies.

"This is a significant reduction, but it helps us manage our relationships better," Francis adds.

Every year, a third party provider carries out a two-day audit of Skanska's labour suppliers. The vetting process is combined with detailed labour checks on site.

As a result, Francis believes that Skanska's greater risk of labour abuse lies within subcontractors in the supply chain.

## Supply chain engagement

Skanska spends nearly 80% of its revenues with its supply chain, of which 70% is with SMEs. Francis says that much work is done to engage the supply chain on company values during tender processes. Sustainability KPIs are also built into performance evaluations of Skanska's own procurement team.

"We build long term relationships and make it clear that we won't have anyone working with us who is not prepared to work ethically and transparently. Suppliers must demonstrate that they have policies in place to stop labour abuses occurring within their areas of responsibility, he says, adding:

"We regularly carry out supply chain audits to check specific labour welfare issues, such as whether payroll is running correctly, and whether workers are receiving their due holiday pay."

Skanska is rebalancing its selection criteria to place more emphasis on the behaviours and collaborative skills of teams. On some projects, commercial criteria accounts for only 30% of the overall score.<sup>153</sup>

In an industry such as construction which has cash flow issues and small margins, Francis believes that clients must be prepared to pay a fair price, whilst contractors have a responsibility to price work realistically.

"Price is important," he says, "But it can never be an excuse for poor, unsafe or unethical practice. That's a very short term mindset."

## Code of conduct

Skanska revised its code of conduct for company employees in 2016, expanding sections on human rights and modern slavery. Every Skanska employee receives training on the code within four weeks of starting work. Their training is refreshed every two years.

The company has also published a separate code of practice for suppliers.

"We expect this to be applied back to back along our supply chain, in the same way as our commercial conditions," Francis says.

Suppliers found flouting the law or breaching ethical guidelines can be removed from preferred supplier status. In less extreme cases, the company is prepared to reengage with suppliers if they can demonstrate that they are making permanent improvements to their operations.

"Recently one supplier came back to us and acknowledged that they needed to make changes. We supported them, and had some initial discussions about how they would do this. Now we're working with them again, they're the subject of regular audits to ensure that they are doing what they promised," Francis says.

## Worker engagement

Like many major contractors, Skanska is running a modern slavery awareness campaign across its projects. It has also set up a whistleblowing hotline, run by a third party, which sends regular reports to Skanska's ethics committee.

However, if a serious problem is discovered, company policy states that Francis or another senior director must be immediately informed.

"Any serious breaches are immediately referred to the ethics committee. We deal with every case thoroughly," Francis says.

He adds that every member of Skanska's 20-strong senior management team conducts a formal site visit every month, and that it's not unusual for major projects to receive leadership visits on a weekly or bi-weekly basis.

"It was originally an executive health and safety visit. We are now having broader conversations, asking workers how they are being treated by Skanska and their employers."

These interactions are kept as informal as possible.

*"This gives us a very good sense of how things are being managed. There is no substitute for face to face contact. In most cases, people are not reluctant to give their opinions.*

*We can't reach everyone, but this should be seen in the context of all our other initiatives such as the hotline, the procurement processes and training and awareness campaigns. We're doing as much as we can, although it's never going to be enough."*

153 See "Profit with purpose" Skanska case study in the *Changing the Model* section

## Acting on values

Skanska Group has demonstrated that it is prepared to walk away from jobs, clients or regions that may compromise its social or environmental standards.

“These things are non-negotiable, and come out of our company values. If you want to be a responsible business that is going to be operating in ten or 20 years’ time, you have to be prepared to lead on ethical standards, whether or not clients are driving you to do it,” Francis says.

## Wilson James

*Specialising in construction logistics, site security and business services, Wilson James turned over £130 million in 2016 and is growing at the rate of roughly 10% a year. Wilson James directly employs 3,000 people in the UK. Major clients include Heathrow Airport, Stanhope and Lendlease.*

## Responding to the Modern Slavery Act

“As a supplier, we’ve noticed a lot of major contractors changing terminology in their contracts to tighten up pre-employment vetting requirements,” says Peter Jacobs, past president of the CIOB and managing director of Wilson James’ construction logistics division.

But he adds; “I think there’s still some confusion for people outside the industry as to where the risks are in construction, who needs to take ownership of those risks, and how people are employed in this sector.”

## Labour

Because it is active in security and aviation industries, Wilson James has a larger than average vetting team compared to other construction suppliers.

The company recently carried out a rationalisation exercise, cutting two thirds of its labour agencies.

“We retained those companies with the best processes and competencies,” Jacobs adds.

## The vetting challenge

Jacobs acknowledges that tackling fraudulent documents is a major industry challenge.

“Resources are stretched. Everyone is busier than they were five years ago. Companies are being asked to check more and more documents. The problem is that the responsibility is being driven right down the supply chain. Often it’s the people with the lowest level of experience or resources that are being forced to make decisions.”

He adds that the fast turnaround of workers on site presents additional challenges:

“Vetting has become a cottage industry. When I was working for a contractor on major projects such as the 2012 Games, we had a full time vetting team, but they were finding it difficult to get to the facts. By the time they had worked their way through subcontractors to labour suppliers, workers had moved on.”

Jacobs is recommending that responsibility for checking documents is pushed back up the supply chain to clients and main contractors.

“This will really make a difference. It will shift the culture,” he says.

He would also like to see a streamlining of social auditing processes. “Social auditing is a step in the right direction, but we’re finding some systems clunky and not that intuitive. People are under a lot of pressure. If systems aren’t user-friendly, it’s going to be hard to make them comply.”

But he believes that the industry is on the beginning of its human rights journey.

“I would compare where the industry is today with where it was on health and safety around 15 years ago. It was at that point that CDM legislation was introduced, and companies started engaging in behavioural safety training. This is where we started to really make a difference.

“We’ve got to get our heads around modern slavery because this is important. It’s not just a government drive on laws and regulations. It’s about looking after the welfare of our people on site. There are a lot of decent people in construction. If they really knew how some people were being treated by ruthless gangmasters, there would be a bigger outcry.”

## ACKNOWLEDGEMENTS

Many organisations and individuals generously contributed their time and expertise for this report. Here follows a non-exhaustive list of acknowledgements

### **CIOB apologises for any omissions, but would like to thank:**

Action Sustainability	Heathrow Airport
amfori	Mace Group
Arcadis	Marshalls Group
Baroness Young of Hornsey	Migrant Help UK
University of Bath School of Management	The Modern Slavery Helpline and Resource Centre
Be Onsite	The National Fraud Intelligence Bureau
BRE Group	The National Police Chief's Council
Building Responsibly	Police Service of Northern Ireland
The Cahn Group	Resilient.World
The Chartered Institute of Procurement and Supply	SAFERjobs
The Co-op Group	The Salvation Army
University of Derby	University of Nottingham Rights Lab
The England Illegal Money Lending Team	The University of Salford
Ergon Associates	The Scottish Government
The Gangmasters and Labour Abuse Authority	Sedex
GMB Union	James Sinclair
Great Portland Estates	Shayne Tyler
Caroline Haughey QC	Sir Robert M <sup>c</sup> Alpine
Hope for Justice	Skanska
Human Trafficking Foundation	Stronger Together
Kevin Hyland OBE	The Supply Chain Sustainability School
The Institute for Human Rights and Business	TISCreport
Impactt UK	The Welsh Government
Land Securities	West Yorkshire Anti-Trafficking and Modern Slavery Network
Lendlease	Wilson James
Loughborough University	





The Chartered Institute of Building,  
1 Arlington Square,  
Downshire Way,  
Bracknell,  
RG12 1WA, UK  
Tel: +44 (0) 1344 630700

Registered Charity No. (England and Wales) 280795  
and (Scotland) SC04172



Copyright CIOB 2018