



# GFEMS | FORCED LABOR MODEL TESTING

Issue 2\_June 2022

# EXECUTIVE SUMMARY

## SUMMARY OF RESULTS AND ACCURACY OF MODEL PREDICTIONS

The Global Fund to End Modern Slavery (GFEMS) has developed a model to predict the risk of forced labor at firms in the garment industry in south India using publicly available data, including validated reports of labor issues, such as court cases, journalistic coverage and civil society reports. To independently validate the model's results, Impactt assessed eight firms' labor practices through the lens of the International Labor Organization's (ILO) 11 forced labor indicators. Using a high – low-risk rating system, the model predictions and assessment results arrived at the same rating 75% of the time. Differences are likely explained by the limitation in site-level information, particularly data based on workers' voices and un-detected or underreported labor issues.

Impactt recommends that GFEMS engage with brands and retailers, which, in the future following further refinement, may use this model to identify and prioritize the risk of (forced) labor abuses in their supply chain. As potential end-users, they may be able to support with further testing, if required, and provide additional sources of data.

## OUR APPROACH

### PROJECT AIMS

Due to Impactt's expertise in forced labor assessments, the GFEMS commissioned Impactt to:

- Test the accuracy of a model developed by GFEMS to identify sites with a high likelihood of forced labor by comparing its predictions to the results obtained by on-site forced labor assessments
- Discover strengths and weaknesses of the model by analyzing the amount of variation when comparing the model predictions of FL with those found during each of the on-site assessments.

That GFEMS has been able to develop a model using publicly available data without the need to gain prior permission from firms for access to information is the unique value-added proposition of this model and a fundamental limitation for the validation exercise.

### METHODOLOGY

#### *Firms and sites*

The GFEMS model evaluates the risk of businesses, referred to as firms, using forced labor. For this project, Impactt distinguishes between firms and sites. Firms refer to the companies, often called vendors by brands and retailers, with a registered address with the Indian government. This address is generally the head office, which may also be a site of production, too. However, in larger businesses, firms may have multiple production sites, which may range from smaller units within the same vicinity or more autonomous locations. While these sites may share standard policies and procedures that are centrally determined at the head office or main production site, there can be substantial operational differences, such as how procedures are implemented by staff and the gender and origin of the workforce, that may lead to business practices amounting to forced labor conditions in one site and not another.

For this reason, GFEMS and Impactt agreed to include multiple sites for some firms within the limitations of time and budget for this project as: four firms with one site assessed each, two firms with two sites assessed each, and two firms with three sites assessed each. However, due to the challenges in matching brands and firms, and securing the cooperation of firms and their supplying sites, Impactt adjusted the sample to work within the project timeframe.

### **Assessment-visit methodology**

Impactt's assessment approach builds upon traditional audit activities: interviews with management staff, review of documents and records, physical inspection of working conditions, including living quarters, during a site walk around, and finally, interviews with workers. We seek to triangulate information through these activities to establish an accurate and complete picture of working conditions and business practices.

In the case of assessments conducted specifically for this project, we kept time at sites low and agreed to a smaller sample size with GFEMS for worker interviews to accommodate as many firms and sites as possible. The overall sample size for all eight firms is 10% at each site but an overall 7% (759 workers of 11,606 workforce). Where possible, Impactt also conducted worker interviews off-site, outside of working hours, most frequently during visits to accommodation. As a standard interviewing procedure, Impactt provides workers with the contact number to use if they have any concerns or issues following the interview or assessment.

Finally, as assessments took place during the Covid-19 pandemic, Impactt followed both its internal risk assessment process and that of supplier sites under assessment. A (semi-) announced approach made it easier for Impactt to follow the latter. While fortunately the most recent Covid-19 variant, Omicron, has not had as significant an impact as the Delta variant on businesses and the workforce, Impactt and many supplier sites did continue to take precautions such as masks, hand sanitizer, social distancing where possible and interviews in ventilated spaces without jeopardizing the confidentiality/anonymity of interviews.

### **Forced labor assessment**

Impactt arrives at a rating for each 11 ILO forced labor indicator of either low, medium high risk or confirmation of an indicator based on the review of the evidence (worker testimony, documentary, site inspection, and management interviews) and the following factors:

- severity of instances.
- prevalence of instances.
- evidence of management systems effective in mitigating instances.

Whilst we follow this approach to ensure consistency of approach to ratings, if Impactt finds evidence that work is performed under the menace of penalty and/or work is done involuntarily, such evidence is tantamount to forced labor being met.

Table 1 | Anonymized indicator risk ratings per firm details Impactt's ratings for each ILO indicator for each firm, which is then followed by analysis of some of the most significant findings and trends at firms' sites. The report then evaluates GFEMS' model using an aggregate low-high risk score which is based on the ILO indicator results on page 10, Table 4 | Comparison between GFEMS and Impactt aggregate risk rating.

*Aggregate risk score*

While Impactt prefers the above approach of assessing each indicator individually to arrive at an overall or aggregate risk rating of forced labor when required, Impactt takes a weighted approach as set out by a decision-making matrix. This requires Impactt to categorically decide whether individual indicators are or are not present prior to using the matrix<sup>1</sup>.

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<sup>1</sup> Our matrix does not consider the ‘abuse of vulnerability’ indicator - this is determined by Impactt’s fieldwork to be an over-arching indicator which is always present when other indicators are present – and absent when vice versa

**RESULTS**

Anonymized	1. Abuse of vulnerability	2. Intimidation and threats	3. Deception	4. Retention of identity documents	5. Restriction of movement	6. Excessive overtime	7. Abusive living and working conditions	8. Isolation	9. Withholding of wages	10. Physical and sexual violence	11. Debt bondage
Firm 1	High	Low	High	Unable to verify	High	High	High	High	Low	Low	High
Firm 2	High	Low	Low	Low	Low	High	High	Low	Low	Low	Low
Firm 3	High	Low	High	Low	High	High	High	High	High	High	High
Firm 4	High	High	High	High	High	High	High	High	High	High	Low
Firm 5	Low	Low	High	Low	Low	High	High	Low	High	High	Low
Firm 6	High	Low	High	Low	High	High	High	High	High	High	Low
Firm 7	High	High	High	Low	High	High	High	High	High	Low	Low
Firm 8	High	High	Low	Low	Low	High	High	Low	High	Low	Low

Table 1 | Anonymized indicator risk ratings per firm





Colour	Indicator forced labor status
	Low risk
	Medium risk
	High risk
	Indicator confirmed to be present

Table 2 | Indicator status color legend

Firm I – Impactt could not verify if a skills training centre retained identification documents in Odisha. When Impactt asked workers to show their identity documents (Aadhaar card, school certificate, training certificate etc.), only a limited few managed to show actual copies. 90% of the workers reported they kept it in their home (as only photocopies are needed to apply to the site), while 10% said they stored it in their lockers. However, one migrant worker reported that she was told that the originals would be posted back to her parents, but the training centre later stated they could no longer do so and told the workers that they could only get their documents back when they returned from the site. Impactt cannot verify if the centre retained documents based on one worker's testimony.

## KEY CHARACTERISTICS AND TRENDS

### ***Excessive overtime***

Across our assessments of firms and their supplying sites in the Tamil Nadu garment sector, we firstly find that excessive overtime is ubiquitous, reflecting the global garment industry as labor. And this persistent reliance on exploiting the labor and hours of workers, when considered alongside other indicators, builds the picture of forced labor in Tamil Nadu.

Due to quarterly overtime caps, six of eight firms regularly scheduled workers for 10 hour shifts, which constitutes a minimum 60 hour working week. Firms used additional overtime hours to fulfil production needs:

- Workers at three firms reported working double shifts, two to six times a month.
- Workers at three firms reported regular rest day work.
- Workers at three firms shared that overtime was compulsory.

Impactt suspects excessive working hours at the two other firms, but this indicator could not be confirmed due to transparency concerns. Based on Impactt's experience, hours at these two firms at high risk of being excessive.

### ***Restriction of movement***

Firms that provide accommodation tend to impose curfews on male and female workers, with additional restrictions often placed on women. This often includes a stipulation that women can only leave the factory grounds accompanied by a warden or family members.

Restrictions are often justified by site and accommodation and site management as safety precautions:

- Travel to and from the accommodation is considered dangerous or precarious.
- Sites are relatively inaccessible.
- Migrant workers are unfamiliar with the local area and without friends or contacts.
- (Young) female residents are considered vulnerable.

In practice, migrant workers have no other option for accommodation as there is very little, if any, affordable housing available for rent to single, unmarried women and men. In the cases where workers migrate from other states, in particular those from the north (Bihar and Odisha), and as well from within Tamil Nadu, many families harbor concerns for their daughters' safety who will be completely unfamiliar with the area around the factory, may be travelling to a city for the first time, generally have no local support network and do not speak Tamil.

In response to restrictions being raised as a matter of concern, management frequently explain that restrictions are placed at the behest of families who will not permit their daughters to travel for work unless management guarantees the safety of workers and housing for them. As a result, restrictions of movement (as well as excessive overtime and abusive living conditions) combine powerfully with workers' vulnerability as a convincing argument that workers' vulnerability has been abused. Without any other option for work or place to stay, workers' have no real choice but to "accept" conditions as they are and little room to argue differently.

### **Deception**

Cases of deception most frequently arise around terms of pay and leave. For example, workers are promised double-overtime premiums or paid casual leave. Unsurprisingly, the risk of deception increases when sites use intermediaries in recruitment, specifically training centers<sup>2</sup>. Training Centers locally source labor and provide training to workers before connecting them with job opportunities, which can be in other areas of the country. Impactt has found that it is a common practice for firms in Tamil Nadu to find labor from training centers in the north of the country.

In one instance, Impactt found that workers had been told by a training center that they needed to work for a minimum of six months before being able to leave or that they would be hired and paid as a tailor (skilled worker), but in reality, workers were free to resign at any time and they were not all hired as tailors (because they had not met the skill requirement). The site did clarify the notice period and honored the rates of pay promised by the centre even in the case where workers did not meet the skill grade.

In other situations, workers were promised that they would be able to leave accommodation regularly, every two weeks, or without any restrictions at all. When deception about the terms on which workers can leave the site premises and hours are excessive, we see this as a pernicious and strong indicator of forced labor.

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<sup>2</sup> In field work undertaken by Impactt, we found that training centres frequently de-fraud workers of the monthly stipends to which they are entitled under the government training scheme.



Anonymized	Migrant/local	Recruitment intermediary	Accommodation
Firm 1	Migrant	Training centre	Yes
Firm 2	Tamil	No	No
Firm 3	Migrant	Agents	Yes
Firm 4	Migrant	No	Yes
Firm 5	Migrant	Drivers	No
Firm 6	Migrant	No	Yes
Firm 7	Migrant	Training centre	Yes
Firm 8	Tamil	No	No

Table 3 | Additional factors to consider when predicting the likelihood of a firm using forced labor

### Other factors to consider

#### *Migrant status*

Like other sectors and regions globally, migrant workers are particularly vulnerable to exploitation. Related to the indicators mentioned above, migrant workers who travel solely for work are highly motivated to work, often from very marginalised and poor backgrounds, and are more likely to "accept" poor working conditions. Further, their social and physical isolation makes them more vulnerable as do language and cultural barriers. In Impactt's experience, most migrant workers originate from Odisha and additionally from Bihar and Kolkata and cannot communicate well in Tamil, and sites have few supervisors and wardens able to communicate in Hindi, Bengali or Odissa.

*Local economic development*

Workers may have varying degrees of labor power depending on the opportunities available to them in the surrounding areas. Where they do have options, workers are less likely to accept or stay in situations on unfavorable terms.

**VALIDATION OF GFEMS MODEL**

Anonymized	GFEMS risk rating	Impactt risk rating
Firm A	High	High
Firm B	Low	Low
Firm C	High	High
Firm D	Low	High
Firm E	Low	Low
Firm F	High	High
Firm G	High	High
Firm H	High	Low

Table 4 | Comparison between GFEMS and Impactt aggregate risk rating

The GFEMS model has tested 200 firms. Based on the review of rating for eight firms, a limited sample, Impactt finds the model was accurate in predicting forced labour in 75% of cases. The 25 per cent discrepancy stems from assessments of Firm D and H. Whilst Firm D was found to be low risk in the GFEMS model, Impactt found this to be high risk and vice versa for Firm H.

**Firm D**

On the basis that, at the time of the assessment, female hostel workers were restricted in their movement, Impactt found a high risk that forced labor was present at this site. This conclusion is further strengthened when the firm relied on excessive overtime and workers were isolated and lived and worked under abusive conditions.

**Firm H**

On the basis that, at the time of the assessment, Impactt did not find evidence that confirmed that the indicator debt bondage or recruitment fees, restriction of movement or retention of identity documents were present and did not find high risk for forced labor practice. Whilst Impactt has made findings of non-compliant labor practice, the site does not provide on-site accommodation, which is strongly correlated with forced labor practice or a migrant workforce, frequently correlated with abuse of vulnerability and isolation. Finally, the site's recruitment procedures are managed within the company, reducing the risk of workers' exploitation during this stage of employment.

**MODEL LIMITATIONS**

Were they available to GFEMS, the following business practices that often come under scrutiny in an assessment would be valuable data points that could be objectively assessed:

- Curfews

- Accountability mechanisms - presence
- Accommodation – on-site or off-site, gendered
- Accommodation standards
- Communication barriers (linguistic composition of the workforce)
- Recruitment intermediaries (training centres, labor agents)

These further points could only be included following an assessment (audit or external accreditation):

- Accountability mechanism - effectiveness such as grievance mechanisms
- Workplace culture (enabling environment for abuse)
- Conduct of wardens and supervisors

## CONCLUSION AND NEXT STEPS

GFEMS has developed a model to compliment physical assessments, and brands and retailers welcome tools that can support them better identify risk and prioritise suppliers in their due diligence approaches. With a 75 per cent accuracy rating, the model could be a useful tool to understand forced labour risk. Efforts to refine the model should continue, and it will undoubtedly benefit from end-users input. Potential areas for further brand and retailer input are:

- Availability of audit and assessment data
- Remediation data (evidence that can be used to update ratings once firms have acted)
- Risk rating standards

However, until this is available, the model's most significant limitation will always be the absence of worker voice, which reflects the ecosystem more broadly. Workers' experiences are central to evaluating the impact of business and labor practices, and were it available, including information from independent grievance mechanisms and hotlines, could be used to supplement this.

**RECOMMENDATIONS**

Impactt recommends that GFEMS connect further with brands and retailers to explore the potential application of this model and areas where brands and retailers could support with accurate and timely data. In addition, GFEMS may consider contacting independent worker voice platforms to enrich the model.