

# Chapter 5

## Corporate Supply Chains and the Challenge of Labor Standards: The Indian Perspective

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### ABSTRACT

*The global manufacturing network facilitates the complex and opaque supply chains, comprising multiple levels of subcontracting which provide an easy scope for modern slavery through unfair labor practices. Global supply chains accommodate around 20% of total workforce. But, it is estimated, at any given moment that approximately three out of every thousand people on the planet are suffering in some form of forced labor, which is more prevalent in the Asia-Pacific region, which accounts for around 56% of the global total. Further, about 90% of the forced labor are exploited in the private economy. However, most of the successful corporates along with the governments understand the need to combat this global menace through strong legislation. The chapter attempts to analyze the major legal provisions of the prevailing labor standards framework in India, along with the pertinent case laws.*

### INTRODUCTION

The International Labour Organization (ILO) reports that an estimated 21 million people around the world are victims of forced labor, in 2014, generating \$150 billion in illegal profits in the private economy per year. *There needs to be an acknowledgment that, yes, slavery exists in supply chains, so let's*

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*find it, eradicate it, and then share the learning*, said Wallis Andrew (2013), CEO of Unseen of United Kingdom, a charity dedicated to ending human trafficking. In the globalized manufacturing network, goods are often produced far from where they are marketed, consecutively altering partners along the complex and opaque supply chains. This outsourcing of production and procurement often gives rise to an environment in which very little is known about the conditions under which people work. Sometimes, companies may unknowingly be linked to forced labor, trafficking or other severe labor practices, without knowledge, through their direct and indirect supply chain partners. Global supply chains (GSCs) corresponding to multinational corporations (MNCs) account for about 80 percent of world trade and more than 450 million people work in supply chain-related jobs, according to ILO (2015). GSC-related jobs represent 20.6 per cent of total employment in 2015, up from 16.4 per cent in 1995. While these jobs can facilitate economic and social development, they can also lead to exploitation of workforce through forced labour, underpayment, unstable work, and unsafe working conditions, etc. The ILO (2015) report finds that GSCs are associated with economic benefits for firms in terms of higher productivity, but not necessarily for workers in terms of wages. Furthermore, work is often subcontracted to smaller sweatshops which lie beneath the radar of lead firms operating in developed economies. It is estimated that at any given moment, approximately three out of every thousand people on the planet are suffering in some form of forced labour, which is more prevalent in the developing world, while not isolated to any specific part of the globe. The Asia-Pacific region accounts for the largest share of forced labour in the world at 56 percent of the global total, followed by Africa at 18 percent, and Latin America with 9 percent. About 90 percent of the forced labour are exploited in the private economy by individuals or enterprises and of these, 22 percent are victims of forced sexual exploitation and 68 percent are victims of forced labour exploitation in economic activities, such as agriculture, construction, domestic work or manufacturing, and around 26 percent are below 18 years (ILO, 2012). The count of the victims of modern slavery for every 1,000 people in the world rises to 5.4 during 2016 (ILO, 2016). The estimates further suggest that far more females than males are affected by modern slavery -71 percent versus 29 percent (Figure-1). But, the successful prosecution of either individuals or organizations who bring such misery to millions, remains inadequate, which needs to be improved through stringent legislations.

## **THE MODERN SLAVERY**

In the contemporary global labour market, there is an incessant supply of workforce to produce goods at a lower cost in foreign jurisdictions, than the domestic markets. Apparently, this is an optimistic development for overseas workforce communities and for the corporations downstream in the supply chain, along with the consumers who buy their products. But, the global supply chains, comprising multiple levels of subcontracting, provide an easy scope for *modern slavery* affecting people of all ages, genders, and ethnicities, and transcending industries and regions. Slavery was abolished by most countries 150 years ago, but bonded and forced labour, trafficking and exploitation persist even today! This is a significant concern in terms of moral implications rather than an isolated problem. Most of the successful corporates understand the need to pursue long term sustainable business strategies to be a global corporate citizen by working to combat this global menace of modern slavery. The ILO (2005) estimated that illegal profits from forced labour amounted to more than \$44bn. A joint report by the American Bar Association, the School of Politics and Global Studies, and the McCain Institute of Arizona State University, indicates that around 54 percent of the Fortune 100 companies have policies targeting human trafficking and 68

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