

# The Chartered Institute of Building

submission to the

## All Party Parliamentary Group on Sport, Modern Slavery and Human Rights

on the inquiry into

## the impact of mega-sporting events on human rights

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# APPG on Sport, Modern Slavery and Human Rights

## Introduction

The Chartered Institute of Building (CIOB) is at the heart of a management career in construction. We are the world's largest and most influential professional body for construction management and leadership. We have a Royal Charter to promote the science and practice of building and construction for the benefit of society, which we have been doing since 1834.

Our members work worldwide in the development, conservation and improvement of the built environment. We accredit university degrees, educational courses and training. Our professional and vocational qualifications are a mark of the highest levels of competence and professionalism, providing assurance to clients and authorities who procure built assets.

We welcome the opportunity to respond to this inquiry and are happy to be involved in the debate as it develops.

## General comments

The CIOB has published three reports on modern slavery. *The Dark Side of Construction*<sup>1</sup> raised awareness of modern slavery with its global membership; *Building a Fairer System*<sup>2</sup> looked at problems in international supply chains. The most recent, *Construction and the Modern Slavery Act*<sup>3</sup> examined the UK industry's response to the new legislation. The CIOB also launched a Modern Slavery Toolkit training initiative with Stronger Together in 2017.

Although British companies operate under tighter legislation in the UK than in some other jurisdictions, obvious weaknesses are apparent in domestic procurement models. Lessons learned at home are relevant to the global industry, in particular to British companies operating around mega-sporting events at home and abroad.

## Weaknesses in the system: lessons from UK construction

Modern slavery and other human rights abuses infiltrating construction supply chains are in part facilitated by common commercial practices in the sector:

- **Aggressive lowest-cost procurement models** that price out ethical players and ethically produced materials.
- **Fragmented supply chains**, whereby subcontractors are forced to shoulder the financial risk of major players. In many cases:

<sup>1</sup> CIOB, [Modern Slavery: The Dark Side of Construction](#), June 2015

<sup>2</sup> CIOB, [Building a Fairer System: Tackling Modern Slavery in Construction Supply Chains](#), June 2016

<sup>3</sup> CIOB, [Construction and the Modern Slavery Act: Tackling Exploitation in the UK](#), May 2018

- Clients are too slow to pay;
  - Suppliers are forced to offer discounts in order to be paid;
  - Retentions money (often 5% of contract value) is held at various levels of the supply chain for bogus reasons;
  - This can lead to financial hardship in the supply chain - some smaller companies have even admitted to delaying paying wages due to cashflow problems
- **A heavy reliance on migrant labour**
    - 1 in 8 of the workforce was born outside the UK;
    - The most common source countries for migrant labour in UK construction were Poland, Romania, India and Lithuania – all high risk regions for modern slavery recruitment.
  - **Widespread use of agency and temporary labour**
    - This enables bogus self-employment and other unscrupulous practices that reduce wages and erode worker protections.

These conditions create an atmosphere of insecurity for individuals and smaller businesses, encouraging an environment where corners can be cut, and unethical or criminal practices can creep in. Problems manifest themselves in a variety of ways:

- **Major contractors have very little visibility below tiers one or two** of their complex and fragmented supply chains – yet research has shown that modern slavery and human rights abuses are more likely to infiltrate at and below tiers four and five, where the formal and informal economies intersect.
- **Even if minimum wages or living wages are agreed at the top of supply chains**, workers could in reality receive considerably less than appears as money is deducted by agencies at each layer of subcontracting.
- **Lack of government enforcement of labour standards:** Although industry self-regulates its labour provision, research has found major weaknesses in commercial auditing models. In the UK, the practice is susceptible to soft forms of corruption: auditors are unlikely to report problems beyond the immediate client, allowing criminals to move operations elsewhere.
- **Temporary labour provision in construction is less regulated** than in agriculture, food processing and horticulture sectors, making the sector an attractive target for criminals.
- **There is an imbalance of power on many construction sites:** due to the precarious nature of their employment status, both British and foreign workers are fearful of speaking up about their rights for fear of reprisals, including blacklisting in the UK and abroad.

- **Within some companies, human rights and ethical procurement policies may conflict with commercial objectives.** Lack of leadership and clarity from the top of the organisation can lead teams to revert to usual cost-saving commercial models.

#### **UK construction's response to modern slavery legislation**

- **There is a general denial from some major organisations** that the problem exists in UK construction supply chains. Companies are embarking on training, but do not always have clear policies and protocols for dealing with forced labour situations. Many are paying lip service to the activities as they are not expecting to find problems, despite clear indicators of risk.
- **Misunderstanding of the nature of modern slavery (in the UK):** Contractors wrongly assume that immigration and right to work checks will also uncover modern slavery – this is not the case, as many people in modern slavery have a legitimate right to work, and many are British. There is also a false assumption that modern slavery is mostly found in traveler communities and has not reached big business. This is highly unlikely given the risks in commercial procurement models.
- **Poor quality of Modern Slavery Act (MSA) reporting:** Companies are mapping risk but doing little to translate that into operations. Some are watering down their statements to remove all mention of risk. Many restrict reporting to the UK, ignoring greater risks within international supply chains with many companies failing to report at all.
- **Passing on risk:** Major companies are showing a strong inclination to pass risk down the supply chain – issuing legalistic zero tolerance letters to subcontractors, threatening to delist them or throw them off projects if human rights abuses are found. This is a disincentive for poorly resourced companies to ask for help and more likely to lead to problems being covered up. An unintended consequence is that it will enable criminals to continue with minimal risk of disruption

#### **Future risks post Brexit**

- Sharp rising costs of materials with falling value of the pound, which could force more corners to be cut.
- Cost inflation may result in clients forcing even harsher discounts on supply chains.
- There is the potential for severely disrupted materials supply chains post Brexit – 62% of imported materials to the UK construction sector

come from the European Union. This may disrupt ongoing due diligence activities.

- Falling migration levels in a sector heavily reliant on foreign labour: the escalating labour and skills shortage could result in some contractors ignoring irregularities when procuring labour, particularly when projects are delayed.
- Rise in organised criminal involvement in trafficking across Europe. The UK has already risen from low to medium risk as a trafficking destination, according to the Verisk Maplecroft Modern Slavery Index 2017.<sup>4</sup>

**What might some of the solutions be? In particular, what is the role for stronger regulation and other forms of accountability?**

Modern slavery and other human rights abuses arise are intertwined with business models and enabled by poor labour standards.

To fight the problem, a cross industry, multi-disciplinary approach is necessary, working at all levels of supply chains. Stronger legislation could help to drive organisations towards transparency, but more needs to be done to reassure businesses that it is safe to publicly talk about human rights risk in their supply chains.

**At Government level:**

- **Reporting requirements for the MSA should be extended to the public sector:** Around 50% of construction output is accounted for by public sector procurement, this would encourage clients and tier one contractors to look deeper into their supply chains.
- **Lists of companies that are not compliant** with the legislation should be made publicly available.
- Government could introduce tougher **labour enforcement standards, and licensing for temporary labour providers**, (following the Gangmasters and Labour Abuse Authority (GLAA) model with the agriculture, fisheries, food processing and horticulture sectors).
- Introduce a **general clampdown on unscrupulous labour practices**, such as umbrella companies and bogus self-employment.
- Introduce legislation that make negligent **clients and tier one contractors** more accountable for supply chain failures.

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<sup>4</sup> Verisk Maplecroft, [Modern Slavery Index 2017](#), August 2017

- Public sector procurement should encourage more contractors to take on **directly-employed labour**.
- **Auditors should be required to report human rights violations to the authorities and anti-slavery experts**, and not just their immediate clients.

#### **Clients:**

- Clients need to **develop greater awareness of human rights issues** in supply chains, particularly inexperienced clients that tend to outsource all construction decisions.
- Clients need to **set standards on human rights and procurement** in the very early planning stages of a project, before procurement decisions are made, and ensure these are put into tender documents.
- Clients and customers should run their own **independent checks and investigations** of supply chains.

#### **Contractors:**

- Contractors of **all sizes** should be encouraged to produce a Modern Slavery statement.
- **Anti-slavery champions** should be appointed at strategic roles within each business.
- **Human rights policies** set at board level need to be embedded into operations.
- All staff should be **trained** to spot the signs of slavery, and **clear protocols for reporting problems** should be set within companies
- Tier one contractors should commit to acting on and remediating problems found in their supply chains, working with companies to improve standards and focusing on protecting and supporting victims.
- The **audit process needs to be strengthened** and deepened to include modern slavery investigations. Audits should not be fixed, but should evolve to keep pace with criminality.
- Contractors should **join efforts to stamp out worker recruitment fees from all international supply chains** – such as joining the Institute for Human Rights and Business’ (IHRB) Leadership Group for Responsible Recruitment.<sup>5</sup>

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<sup>5</sup> For more information see [www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment](http://www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment)

- Contractors should collaborate with competitors to positively influence shared suppliers on human rights issues. – see **Supply chain remediation** section.
- Contractors need to share data and information regionally and nationally with agencies and other business sectors, such as through the **GLAA’s Construction Forum**, and regional initiatives such as the **West Yorkshire Anti-Trafficking and Modern Slavery Network**.

### **Clients and major contractors:**

- Clients and major contractors have a responsibility to ensure that they are paying a realistic price for goods, services and labour, and that this fair price is being passed down the supply chain
- There should be a specification in all procurement models to include measures that fight modern slavery. Essentially, contractors and subcontractors will only win tenders if they have shown a commitment to upholding these principles and looking for problems.

<h3><b>Examples of best practice from construction and other industries</b></h3>
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### **Fighting online recruitment scams:**

High profile and prestigious projects mega sporting events present a particular risk in the form of attracting bogus recruiters and internet scams. Posing as legitimate projects and employers, fake adverts and scammers can leave workers vulnerable and destitute, especially if they have crossed international borders and paid fees for their non-existent “jobs”.

Professionals are often targeted, and British workers are also falling victims to foreign scams overseas. Whilst the fraud is often financial, it can leave victims vulnerable to other abuses; some may be destitute in a foreign country and more inclined to join the black economy, others may become trapped in modern slavery.

Companies can help by reporting any scams using their names to SAFERjobs, a not for profit organisation that fights fake recruitment. They should only use recruitment organisations that have signed up to the SAFERjobs protocol and carry out enhanced checks.<sup>6</sup>

### **Investor-led pressure:**

Share Action’s Workforce Disclosure Initiative, launched as a pilot in 2017, is encouraging major blue chip clients (including property companies Land Securities and British Land) to ask closer questions of supply chains and find

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<sup>6</sup> For more information see [www.safer-jobs.com](http://www.safer-jobs.com)

evidence that ethical policies are working. This could drive transparency for major brands over the longer term.

### **Public sector leadership:**

The Welsh Government has issued a **Code of Practice for Ethical Employment in Supply Chains** that is expected to influence all companies working within Wales' £6 billion public sector. The Code encourages organisations of all sizes to file a modern slavery statement, and states that clients should ensure that a fair price is paid for goods, services and labour. Wales says the effects of the Code are already being felt abroad, with international suppliers responding to the requirements.<sup>7</sup>

### **Supply chain remediation (in the retail, manufacturing sectors):**

Amfori (previously the Foreign Trade Association) has a protocol whereby its members that share suppliers must collaborate on long term remediation and improvement strategies when problems are found in supplier factories or farms across Europe and Asia.

### **Education programmes:**

The Salvation Army is running a pilot programme in Poland, helping locals check the veracity of job advertisements and recruiters, and protecting them from international scams. Hard landscaping product supplier Marshalls is also launching an initiative in Vietnam to warn vulnerable communities of bogus recruitment. Industry could get more involved with supporting these types of initiatives.

### **Supply chain empowerment (fashion and retail):**

Better Buying<sup>8</sup>, an initiative launched by the Cahn Foundation in the USA, is asking suppliers across Asia to anonymously rate the procurement activities of major sports and fashion clients. Going forward, major brands will be given a regular public rating on their performance.

If this principle was extended to the construction sector, Tier One suppliers could be rated on how fairly they treat their supply chains – influencing procurement decisions of clients.

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<sup>7</sup> Guidance documents and further information can be accessed from the Welsh Government website : <http://gov.wales/topics/improvingservices/better/vfm/code-of-practice>

<sup>8</sup> For more information see [www.betterbuying.org](http://www.betterbuying.org)