Deloitte Review

ISSUE 15 | 2014

Complimentary article reprint



Supply unchained

Fighting labor abuse in your supply chain

BY JONATHAN R. COPULSKY, DAVID LINICH, SEAN MORRIS, AND NES PARKER > PHOTOGRAPHY BY DAVID CLUGSTON

Deloitte.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www. deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2014. For information, contact Deloitte Touche Tohmatsu Limited.



Supply unchained

Fighting labor abuse in your supply chain

BY JONATHAN R. COPULSKY, DAVID LINICH, SEAN MORRIS, AND NES PARKER > PHOTOGRAPHY BY DAVID CLUGSTON

INTRODUCTION

n March 25, 1911, a horrific industrial accident occurred when a fire broke out in the Triangle Shirtwaist factory in New York City.

The doors to the crowded garment factory were locked to prevent theft and unauthorized staff breaks. The mostly immigrant low-wage female workers were trapped with no place to escape. Firefighting equipment was unable to reach the upper floors where the fire raged, and the only fire escape collapsed under the weight of those trying to flee. Within 20 minutes, 146 workers perished, many of whom had barely reached adolescence. Although the factory owners were charged with manslaughter, they were ultimately acquitted due to doubts about their knowledge of factory conditions and accusations of witness coaching by prosecutors.

The now infamous Triangle Shirtwaist fire took place amid widespread strikes and unionization efforts aimed at improving working conditions in garment factories. Many historians view the fire with its dreadful loss of life as the catalyst for a series of federal and state labor reforms, culminating in the landmark 1935 National Labor Relations Act, which afforded workers the right to form trade unions and engage in collective bargaining. The Fair Labor Standards Act of 1938 expanded worker rights by establishing minimum wage, overtime pay eligibility, recordkeeping, and child labor standards.

Many consumers in developed nations might assume that labor abuse ended with the changes that began in the aftermath of the Triangle Shirtwaist fire. However, they would be appalled to discover that they routinely use products manufactured by workers toiling under manifestly unsafe, inhumane, or unhealthy conditions as bad as or worse than those that the Triangle Shirtwaist factory workers endured. Despite well-intentioned efforts to reduce, ameliorate, or eliminate these problems, even in 2014 unacceptable working conditions are far more common

Apparel manufacturers and retailers, as well as third parties, are increasingly disclosing information about clothing origins, much like fair-trade coffee and organic fruit producers. Consumers can now scan QR codes to learn an item's provenance and watch videos of the people who made it.

than the average consumer suspects.

The April 24, 2013, collapse of the Rana Plaza factory complex in Bangladesh, which resulted in the death of more than 1,100 people, provides a vivid example. It became clear to investigators that the building had not been designed to bear the weight and vibration of the heavy machinery the manufacturers had housed in the complex. Although warnings had been issued to avoid using the building when cracks appeared the day before the accident, they apparently were ignored by factory owners anxious to keep up with clothing orders.

Rana Plaza is not an isolated incident. Labor abuse ranges from outright slavery to the use of child labor to unsafe working conditions. Examples abound:

- As consumers, products we rely on every day often have links to questionable labor practices—a shirt made from cotton picked by child laborers in Uzbekistan, a smartphone using coltan sourced from the Congo with child labor, and coffee made from beans harvested by slaves in the Ivory Coast.¹
- According to Tainted carpets: Slavery and child labor in India's hand-made carpet sector, a report published by the FXB Center for Health and Human Rights at Harvard University, as many as 45 percent of workers in this sector are victims of forced labor, and 20 percent are under 18 years old.²
- The US Department of Labor's 2012 list of goods produced by children or forced labor includes 134 different types of goods from 74 countries.³
- Despite a zero-tolerance policy on using overseas manufacturers that flout local laws, federal agencies often have limited knowledge about which

factories make the clothing used by federal workers. Hence, they have inadvertently used suppliers that show a pattern of harsh working conditions.⁴

WHY THIS MATTERS

The current situation is the not-so-surprising result of a number of intertwined factors, ranging from the increased use of offshore suppliers in an effort to reduce costs to differences in legal standards and cultural norms between developed and emerging economies. The real question is what can be done to improve the current situation.

In May 2012, MIT published *The socially conscious consumer? Field experimental tests of consumer support for fair labor standards*, based on a field experiment conducted with Gap Inc. in 111 Banana Republic factory outlet stores.⁵ Labels with information about fair labor standards—including brands found at outlet stores—saw positive effects on sales among female consumers shopping for high-priced items, namely an increase in such sales by as much as 14 percent. This study also noted, however, that there was no such corresponding sales increase for lower-priced items. These results are especially interesting because many will say that "ethical" purchasing isn't a luxury many people have. Yet, this study was done with factory outlet store shoppers, who are typically more price conscious.

In line with these findings, apparel manufacturers and retailers, as well as third parties, are increasingly disclosing information about clothing origins, much like fair-trade coffee and organic fruit producers.⁶ Consumers can now scan QR codes to learn an item's provenance and watch videos of the people who made it. Everlane, an online-only apparel company launched in 2011, practices what its CEO calls "radical transparency" to disrupt the retail ecosystem. The company's vision is to reduce markups along the distribution and selling channels to bring consumers closer to the people who make their goods—all at a fraction of the cost of traditional retailers.⁷ Anvil Knitwear's customers can follow its products through the supply chain via Track My T.⁸ Smartphone apps such as Free2Work and Slavery Footprint grade companies on their forced-labor risk factor and allow consumers to learn how many slaves may be working for them.

In *The effective supply chain accountability report*, the Christian Brothers Investment Services, the Interfaith Center on Corporate Responsibility, and Calvert Investments state, "Investors will be evaluating how companies are addressing the challenges facing workers in complex global supply chains, seeking evidence that companies are considering the long-term impact of these issues. Non-compliance with SB 657 (the California Supply Chain Transparency Act) may lead to certain

legal and reputational risks." According to former Ambassador-at-Large Mark Lagon, this movement is gaining ground. Lagon believes that businesses understand that they need to monitor their supply chains for labor abuse—beyond just avoiding negative press—because they understand that it is an imperative for their customers, shareholders, and talent strategies.¹⁰

Investors may not be the only ones looking for a change. Millennials are pushing their employers to take on fair labor issues, and some corporations appear to be responding to their pleas. For example, companies have started touting the B Corp logo, a third-party seal of environmental and social credentials, to lure Millennial talent. ManpowerGroup attributes cutting employee attrition by 42 percent and saving approximately \$1.7 million worth of credits in its Swedish branch to its internal and external human rights policies and practices, including anti–human-trafficking initiatives. 12

PROGRESS, NOT PERFECTION

The persistence of labor abuse indicates the complexity of the problem and its resistance to many of the solutions currently in place. There is no simple solution to address problems of labor abuse. Consequently, organizations should avoid the search for silver bullets and focus on taking incremental steps that consistently improve the status quo without losing sight of the longer-term goal of making workplaces safe, fair, and humane.

Andrew Wallis, CEO of Unseen, a charity dedicated to ending human trafficking, talks about an extreme manifestation of labor abuse, slavery, and the importance of taking the first step.

"There needs to be an acknowledgment that, yes, slavery exists in supply chains, so let's find it, eradicate it, and then share the learning," he said. "It is vital to acknowledge that while businesses have and will make mistakes, if they are genuinely trying to engage and improve their practices, then this is positive." ¹³

SOLUTIONS TO DATE

International institutions and nongovernmental organizations (NGOs) have offered guidelines to companies. In 2011, the United Nations issued its "Guiding principles on business and human rights," proposed by UN Special Representative John Ruggie. This document looks to businesses to remedy adverse human rights impacts, even if they may not have contributed directly to the violations of these rights.¹⁴ This guidance is voluntary. Other organizations that discuss how to report labor abuses and problems—although these principles are also voluntary and

nonbinding—include the United Nations, through the UN Code of Conduct for Multinational Corporations;¹⁵ the Organization for Economic Co-Operation and Development (OECD), through the Guidelines for Multinational Enterprises;¹⁶ and the International Labor Organization (ILO), through the Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy.¹⁷

As with the related situation of conflict minerals, governments are attempting to manage labor abuse through regulation.

The UK Parliament recently considered (but failed to pass) legislative compliance in the form of the Transparency in the UK Companies Supply Chains Bill, requiring companies to disclose what measures they are taking to eradicate slavery, human trafficking, forced labor, and the worst forms of child labor. Given the strong support from the home secretary, Theresa May, debate has continued on the Modern Day Slavery Bill's progress in Parliament. Already enacted into law, SB 657, the California Supply Chain Transparency Act, requires retail sellers and manufacturers to post a disclosure on their websites concerning their efforts to combat human trafficking and forced labor in their supply chains. Further, efforts to add more teeth to SB 657 and to take similar legislation to the nation's capital are underway. The Business Transparency on Trafficking and Slavery Act, a bipartisan bill considered in the 112th Congress, would require companies to disclose to the Securities and Exchange Commission any measures taken to identify and address episodes of human trafficking, slavery, and child labor. On the companies to disclose to the Securities and Exchange Commission any measures taken to identify and address episodes of human trafficking, slavery, and child labor.

Companies should be prepared for increased disclosure requirements and regulations relating to labor conditions. However, the laws will only work if the businesses in question can actually detect the existence of labor abuse in their supply chains.

Companies have stepped up the frequency and intensity of physical inspections of factories. Unfortunately, inspections in and of themselves do not always solve this multifaceted issue. Although physical audits can certainly help, in many cases it may be hard to know when a subcontractor produces products at a nonapproved site and then surreptitiously transfers them to an approved facility.²¹ In other cases, audits are perceived as a "check the box" exercise where workers are coached to give the correct answers in a modern-day version of Potemkin villages. A 2013 article in the Indian newspaper *Economic Times* argues that "most such audits, conducted mechanically and mindlessly, have lost credibility.... If they were indeed watertight, the violations that often blow out into the open, endangering lives and livelihoods, damaging brands and reputations, wouldn't have happened."²²

After disasters in factories that had successfully passed inspections, efforts are now underway to improve the effectiveness of physical audits. Many of the measures involve finding more effective ways to engage workers. These include interviewing workers outside the factory where they are less likely to face retribution, providing greater opportunities for workers to provide feedback anonymously through mobile devices, creating a system of elected workers charged with speaking up about potential abuses and problems, and training factory managers and workers in workplace safety. Other measures include focusing on the quality of building construction as well as working conditions (for example, requiring building certificates to determine whether the construction was legal or mandating indepen-

In the Philippines, as part of The Little Red Schoolhouse project, Coca-Cola provided a grant to build a high school in Bukidnon, a province that experiences the highest incidence of child labor. Since 1997, this project has helped over 51,000 schoolchildren



dent inspections by trained fire and building safety experts), allowing more time to complete audits, and sharing information on findings among factory customers.²³

WHAT ELSE CAN BUSINESSES DO?

hile tougher regulations, more comprehensive factory audits, and redoubled public commitments are a start, considerable opportunities exist for businesses to accelerate progress through collective action aimed at gathering, sharing, and acting on data-derived insights.

These opportunities revolve around a common set of principles:

- **Transparency:** Setting aggressive goals and expectations, but focusing on measuring progress; sharing, rather than hoarding, information
- Collaboration: Engaging a broad set of value chain participants in the solution development process, including workers, competitors, and consumers
- **Technology enablement:** Using mobile technologies to gather information and data visualization technologies to communicate it.

Five specific opportunities are particularly promising:

1. Set out clear expectations for your suppliers, and measure what you expect

W. Edwards Deming, the father of total quality management, was known for his aphorism, "You can expect what you inspect." Although codes of conduct will not guarantee compliant behavior, they will set expectations and standards against which to measure outcomes.

Corporate codes of conduct have a long historical precedent. Robert Wood Johnson, a member of the family that founded health care giant Johnson & Johnson (J&J), crafted J&J's "Our credo" in 1943, just before J&J became a publicly traded company—and, as J&J's website reports, "long before anyone ever heard the term 'corporate social responsibility." ²⁴

While corporate codes of conduct are not new, what is new is an increasingly sharper focus for codes of conduct that establish *expectations with suppliers*—particularly when it comes to labor issues—and that set requirements for increased transparency and disclosures. Increasingly, these expectations include an active role for all parties in creating structures and institutions that support the local communities in which suppliers operate.

Coca-Cola's Supplier Guiding Principles and Workplace Rights Policy clearly prohibits use of child labor. In fact, Coca-Cola has gone beyond preventing child labor in its supply chain to now supporting capacity-building efforts in its source communities. It is collaborating with the ILO's International Programme on the Elimination of Child Labour to reduce child labor in sugarcane farms.²⁵ In the Philippines, as part of The Little Red Schoolhouse project, Coca-Cola provided a grant to build a high school in Bukidnon, a province that experiences the highest incidence of child labor. Since 1997, this project has helped over 51,000 school-children.²⁶ In another example, each year Coca-Cola sponsors high-profile soccer events where several thousands of hand-stitched soccer balls are used. In support of these events, the company uses a comprehensive supplier audit system to reduce the risk of suppliers employing child labor to manufacture the soccer balls.²⁷

Based on a 2008 local government survey, it is estimated that 89 percent of Ivory Coast children are involved in growing cocoa. Nestlé purchases almost 10 percent of the world's cocoa production, and more than one-third is sourced from the Ivory Coast.²⁸ In February 2012, Nestlé became the first food company to join the Fair Labor Association (FLA). As part of the FLA, Nestlé assessed its supply chain to understand labor conditions and compliance risks.²⁹ An independent study by the FLA identified numerous violations of the Nestlé labor code within the supply chain, especially with regard to child labor. FLA provided Nestlé with 11 recommendations to address these issues. In response, Nestlé developed a four-year action plan out-

Based on a 2008 local government survey, it is estimated that 89 percent of Ivory Coast children are involved in growing cocoa. Nestlé purchases almost 10 percent of the world's cocoa production, and more than one-third is sourced from the Ivory Coast. In February 2012, Nestlé became the first food company to join the Fair Labor Association (FLA).



lining a set of activities to improve working conditions by 2016. In January 2013, Nestlé provided an update on the steps the firm has taken, which include training 11,600 farmers, increasing the procurement of beans sourced through Nestlé Cocoa Plan from 5,000 tons in 2010 to 30,000 tons in 2012, and conducting eight child labor trainings for staff and tier 1 suppliers.³⁰

Like Coca-Cola, Nestlé is also collaborating with local communities to improve working conditions. The firm has partnered with the International Cocoa Initiative, a foundation that works with the cocoa industry, civil society, and trade unions, to set up new mechanisms to monitor and prevent child labor. The scheme will be piloted in two cooperatives of cocoa farms in 2013 and is expected to scale up to include 30 more cooperatives by 2016, involving around 600 communities.³¹

2. Tap into the experience and knowledge of workers on the ground using ubiquitous mobile technology

In a world where more people have access to mobile phones than working toilets, the potential to use mobile phones to gather data directly from workers based on actual labor experiences is ripe with opportunity.³²

Ushahidi (which means "testimony" in Swahili) pioneered the concept of crowdsourcing data for social purposes in 2008 when it launched a website to map reports of violence in Kenya after the post-election fallout. Although the platform now uses multiple channels, including Twitter and other online resources, most of the information initially gathered by Ushahidi relied on SMS feeds.³³

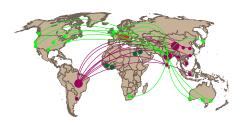
Since then, solutions specifically designed to monitor working conditions have emerged. Although barely beyond the prototype phase, these tools demonstrate what can be done by linking crowdsourcing with mobile technology to help address the challenges of safe and humane working conditions.

Engaging the local community is a key tenet of most of these efforts. According to Free the Slaves, a nonprofit organization dedicated to ending slavery worldwide, going directly to laborer communities is one of the most important elements of any audit activity. Several collaborative practices can connect corporations with local communities. First, data gathering and analysis can be undertaken in tandem with educational and outreach programs. Both initiatives must be intentional, and they require a commitment to understanding the extent of unfair labor issues and a willingness to train staff on the issue. Direct outreach efforts, with the help of organizations like Free the Slaves, can build bonds between people while preemptively combating misinformation. Finally, social audits that are inclusive of the community can give a voice to those most directly impacted by a company's policies.

Good World Solutions builds transparency across global supply chains by implementing affordable, scalable Web and mobile technologies. Its solutions

"We've created a social network for the extended supply chain. It is a Web-based platform organizations deploy to visualize their internal data. It also allows them to invite vendors to contribute information on the second, third, and fourth tiers. Think of it as LinkedIn for supply chains."

—Leonardo Bonanni, CEO, Sourcemap



monitor working conditions, track social impact, promote fair wages, and communicate directly with workers at the base of the pyramid.35 Good World Solutions' primary service offering is Labor Link, a mobile platform to connect directly with workers and farmers. Participants call a local number for free and answer recorded questions using their telephone keypad. Labor Link's goal is to "positively impact" more than 1 million workers by 2020 (up from its current base of around 50,000 workers and farmers in nine countries).

Kohl Gill, who worked briefly for the US government on international labor rights and corporate social responsibility, launched a similar concept, LaborVoices, in 2010 with pilot activities in India. Its premise is simple: "Two global problems, one elegant solution. Transparent supply chains for corporate

brands. A voice for global workers."36 Unlike Labor Link, Labor Voices is a for-profit enterprise that helps companies obtain strong safety standards and decent working conditions by empowering workers through real-time intelligence.

To reach out to workers who may worry about repercussions for disclosing labor conditions, Labor Voices works with local trade unions and nonprofits to publicize its mission. Gill believes that workers need to be convinced that Labor Voices is not just a tool for management. LaborVoices monitors companies in India and the United States, and expects to add Bangladesh and China this year. To date, Gill says, the company has only "a few" paying clients. Nonetheless, the company is expected to record revenue of more than \$500,000 this year, up from less than \$100,000 in 2012.³⁷

3. Draw a picture of your supply chain that you can share with others

In 1914, Louis Brandeis, who later became a US Supreme Court justice, published a collection of essays called Other People's Money and How the Bankers Use It. The opening of the book's fifth chapter, "What publicity can do," contains two sentences that are frequently cited to support greater disclosure and transparency: "Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said

to be the best of disinfectants; electric light the most efficient policeman."38

Visualization has increasingly become the platform of choice for corporate disclosures and transparency, allowing consumers, NGOs, and governments to hold corporations accountable for their decisions, including their selection of supply chain partners.

By making their supply chains visible to the public, companies invite others to share information on the suppliers that they use, as well as allow others to learn and benefit from information collected from a network of suppliers. According to Unseen CEO Wallis, as supply chains become further extended and increasingly complex, the greater the opportunity for criminality to enter it.³⁹ Data visualizations and engaging the local community for information are becoming important tools in the fight to end unfair labor conditions.

Nike's corporate website includes an interactive map of current Nike Inc. contract factories. 40 Users can highlight a country to view all local factories, and click on a particular factory to see the number of employees, the number of line workers, the gender breakdown of workers, the brands and product types produced, and the factory's address. Online apparel company Everlane recently introduced a similar mapping of its factories on its website. 41

Sourcemap ("where things come from") is an example of a tool that supports collaborative supply chain visualization.⁴² As a graduate student at MIT



Media Lab, Sourcemap founder and CEO Leonardo Bonanni became intrigued with the idea of crowdsourcing data from suppliers around the globe and presenting it visually. For companies to develop greater visibility into their supply chains, it helps to actually see those extended supply networks in the form of a map that presents data in real time. "We've created a social network for the extended supply chain," says Bonanni. "It is a Web-based platform organizations deploy to visualize their internal data. It also allows them to invite vendors to contribute information on the second, third, and fourth tiers. Think of it as LinkedIn for supply chains." Although Sourcemap is designed to keep a company's supply chain information confidential, that information could easily be made publicly available, with the ability to accommodate multiple information providers (including employees) and multiple data sources (including feeds from tablets and mobile phones).44

4. Partner broadly, even with your competitors

Due to the innately hidden nature of unfair labor conditions, challenges will surely arise in detecting labor abuses, determining root causes, and remedying policies and practices.

Working with peers can evoke big changes. In the wake of the Rana Plaza factory fire in Bangladesh, over 100 companies signed the Bangladesh Safety Accord in an effort to make garment factories safer. This effort shows impressive collaboration among companies, civil society, and the Bangladeshi government. Signatory companies have committed not to vacate Bangladesh, and they could face legal action if they do. As such, there is a large incentive to stay on course and participate in the improvement of the local situation.⁴⁵

In this same spirit of collaboration, the Global Business Coalition Against Human Trafficking (gBCAT) recognizes the role of the business community in advancing the progress toward ending trafficking in persons and forced labor. This global coalition of corporations develops and shares leading practices that address vulnerabilities businesses may face within their operations specific to human trafficking. He Better Work, another partnership, aims to improve both compliance with labor standards and competitiveness in global supply chains. It leverages its two founding members, the ILO and the International Financial Corporation, to pursue these goals. He

In Brazil, the Ministry of Labor publishes a list of employers that have hired exploited labor. As a result, 130 Brazilian companies, collectively responsible for more than 20 percent of Brazil's gross national product, have signed the National Pact for the Eradication of Slave Labor, committing them to cutting commercial ties with companies on the slave labor list.⁴⁸

Nike's corporate responsibility report includes a section on "Lessons we have learned," which addresses the importance of collaboration. Nike's lessons learned included its recognition that, despite its size, it still did not have the scale or influence required to drive meaningful impact without actively collaborating with others, including NGOs, activists, and long-time competitors. Nike goes on to say that it has realized that "transparency and collaboration are competitive advantages ... [and that as a result] today we operate with a great deal more insight into what consumers expect of us and what will be required for us to thrive in a world of increasingly constrained resources."

Nike's website also states that, after trying a wide variety of tactics, its approach now emphasizes shared responsibility: "We've run the course—from establishing Codes of Conduct that cover worker protections as well as environmental impacts—to pulling together an internal team to enforce it, to working with external bodies to monitor factories, and engaging with stakeholders.... Our focus now is on getting to the root of the problems, evaluating our supplier and manufacturing relationships, and finding new ways to define and share responsibility." 50

5. Harness the creativity of the crowd

Competitions have been used to surface innovative ideas for at least 300 years, when the British Parliament passed the Longitude Act in 1714 in response to the problem of determining longitude at sea and reducing the number of fatal marine accidents. More recently, competitions have come back into focus when the X Prize Foundation offered the Ansari prize, valued at \$10 million, for the first privately built spacecraft to reach orbit twice in two weeks. Twenty-six teams spent over \$100 million on their projects and provided a nice stimulus for the private spacecraft industry.⁵¹

Although the notion of applying competitions to solve complex social problems may sound far-fetched, properly designed competitions that focus on discrete elements of a large problem can yield beneficial results.⁵²

Innovation competitions typically yield the best results when they are established to address specific problems with a wide range of potential solutions that have not been resolved via current expertise in the field. Competitions tend to benefit from three types of diversity:

- **Diversity in motivation**—By carefully designing the competition structure and prizes, organizers should be able to attract participants whose motivation aligns best with the competition's goals.
- **Diversity in organizations**—In competitions, groups can design custom organizations that best fit the problem at hand. These include collaborations

between rivals that are incentivized to work together and pool resources to solve a common problem.

• **Diversity in participants**—Some challenges attract solvers from different fields who bring a wide range of expertise to the table. For challenges that do not require a narrow set of solvers, a diversity of participants will result in an exchange of ideas that can generate innovative solutions.

As result, the range of ideas is broader than when only traditional experts are involved. The resources spent by all participants on developing solutions often exceed the amount of the prize. Competitions maximize variance and allow efficient resource allocation by rewarding only the best ideas after they have been developed. For problems where traditional solutions have already been considered, the diverse range of ideas produced by the competition can bring in new perspectives.⁵³

Partly in response to successful business innovation competitions, new competitions to drive social innovation have also proliferated, with sponsors ranging from government agencies to leading foundations. USAID, for example, recently ran the "Challenge Slavery" competition to identify new and innovative ways to end modern slavery. Aimed at university students, the competition's first prize went to Abolishop, a prototype browser extension that informs consumers of the impact of their purchases while shopping online.⁵⁴ "Reimagine: Opportunity" was the first of three innovation challenges presented by the Partnership for Freedom, which includes sponsors such as Humanity United and the White House. This challenge was a competition to improve the support infrastructure for survivors of modernday slavery.⁵⁵

MOVING FORWARD

No company wants to be in the uncomfortable position of standing still while the veil is lifted on labor abuse within their supply chains. While the perfect solution may not exist, one can increasingly find examples of steps that can be taken to improve the status quo and set the stage for additional progress. To solve the problem of labor abuse in their supply chains, companies will have to commit to incremental progress. This approach shifts the paradigm from looking for a single response to looking for a holistic approach that can drive scalable and effective change against human rights violations while protecting a corporation's brand.

New approaches that help mitigate unsavory labor practices will continue to emerge as major game changers. Organizations that can harness these innovative solutions will be able to engage in a more responsive, detailed, and insightful conversation with empowered consumers. They will also be less likely to face supply chain disruptions, and they will be emboldened to manage clean supply chains, armed with the information they obtain through engaging suppliers, workers, and consumers.

The Triangle Shirtwaist factory fire occurred more than 100 years ago; the Rana Plaza factory complex collapse occurred little more than a year ago. While such workplace tragedies may never be entirely eliminated, considerable opportunities exist for businesses to accelerate progress through collective action aimed at gathering, sharing, and acting on data-derived insights. It will take businesses, governments, NGOs, private investors, civil society groups, and consumers working together to eradicate practices that continue to challenge best intentions to promote fair and equitable treatment of labor. DR

Jonathan R. Copulsky is a principal in Deloitte Consulting LLP, sponsor for Deloitte Consulting LLP's Pro Bono Programs, and national managing director, Brand and Eminence, Deloitte LLP.

David Linich is a principal in Deloitte Consulting LLP's Strategy and Operations practice and leads the US Operations and Supply Chain Sustainability services.

Sean Morris is a principal in Deloitte Consulting LLP's Human Capital practice, leads the Federal Human Capital business, and is the global solution leader for the Immigration and Border Management practice.

Nes Parker is a manager in Deloitte Consulting LLP's Strategy and Operations practice.

Acknowledgements

We want to thank the individuals whose interviews informed our research, including **Leonardo Bonanni** of Sourcemap, **Joanne Bauer** of the School of International and Public Affairs at Columbia University, **Jennifer McLenighan, Steve Polski, Jody Longshore** of Cargill, **Andrew Wallis** of Unseen, **Luke Blocher** of the National Underground Railroad Freedom Center, **Paul Broadbent** of the Gangmasters Licensing Authority, **Devin Chesney** of FairWear, **Lucas Diez** of the Global Business Coalition Against Human Trafficking, **Chris Miller** of Free the Slaves, and Ambassador **Mark Lagon** of Georgetown University.

Several Deloitte colleagues provided invaluable feedback at all phases of our research, including William Eggers, Jerry O'Dwyer, Kelly Marchese, Kyle Tanger, Lily Russell, and James Taylor.

Lastly, we would like to thank our research team, namely, Aysha Malik, Caitlin Ryan, Maura Welch, Danielle Melfi, Stephanie Anglim, Allison Peck, Will Cousino, Brittany Mays, Lev Joffe, Amit Gupta, William Bell, Vivek Sedov, and Jared Sheehan.

Endnotes

- 1. Slavery Footprint, "Your story," http://slaveryfootprint.org/survey/#where_do_you_live, accessed July 10, 2013.
- Megha Bahree, "Your beautiful Indian rug was probably made by child labor," Forbes, February 5, 2014, https://www.forbes.com/sites/meghabahree/2014/02/05/your-beautiful-indian-rug-was-probably-made-by-child-labor/, accessed April 12, 2014; Kara Siddharth, "Tainted carpets: Slavery and child labor in India's hand-made carpet sector," FXB Center for Health and Human Rights, Harvard School of Public Health, January 28, 2014, https://fxb.harvard.edu/wp-content/uploads/sites/5/2014/01/Tainted-Carpets-Released-01-28-14.pdf, accessed April 12, 2014.
- US Department of Labor, "List of goods produced by child labor or forced labor," http://www.dol.gov/ilab/reports/child-labor/list-of-goods/, accessed April 12, 2014.
- Ian Urbina, "U.S. flouts its own advice in procuring overseas clothing," The New York Times, December 22, 2013, http://www.nytimes.com/2013/12/23/world/americas/buying-overseas-clothing-us-flouts-its-own-advice.html?_ r=0>, accessed April 12, 2014.
- Jens Hainmueller and Michael J. Hiscox, "The socially conscious consumer? Field experimental tests of consumer support for fair labor standards," MIT Political Science Department research paper no. 2012-15, May 18, 2012, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2062435.
- Stephanie Clifford, "Some retailers say more about their clothing's origins," *The New York Times*, May 8, 2013, http://www.nytimes.com/2013/05/09/business/global/fair-trade-movement-extends-to-clothing.html?pagewanted=all, accessed April 12, 2014.
- Sapna Maheshwari, "Everlane reveals its factories in push for 'radical' retail transparency," BuzzFeed Business,
 October 28, 2013, https://www.buzzfeed.com/sapna/everlane-reveals-its-factories-in-push-for-radical-retail-tr,
 accessed April 12, 2014.
- 8. Track My T website, http://www.trackmyt.com/, accessed April 12, 2014.
- Dowser, "New California law combats human slavery via supply chain transparency," January 23, 2012, http://dowser.org/new-california-law-combats-human-slavery-via-supply-chain-transparency/, accessed April 13, 2014.
- 10. Mark Lagon (ambassador, Georgetown University), interview with the authors, March 12, 2014.
- Lindsay Gellman and Rachel Feintzeig, "Social seal of approval lures talent: Employers tout their B Corp label as a credential to compete for young hires," *The Wall Street Journal*, November 12, 2013, http://online.wsj.com/news/articles/SB10001424052702304868404579193973525834320, accessed April 13, 2014.
- Ellen Policinksi, "A multi-faced approach to combatting human trafficking and exploitation in the staffing and employment industry," Manpower-Group, http://www.ungift.org/doc/knowledgehub/resource-centre/2013/Manpower-Group-Case-Study_-13-06-2013.pdf>, accessed April 13, 2014.
- 13. Andrew Wallis (CEO, Unseen), interview with the authors, November 27, 2013.
- 14. United Nations Human Rights, "Guiding principles on business and human rights: Implementing the United Nations 'Protect, respect and remedy' framework," 2011, http://www.ohchr.org/Documents/Publications/GuidingPrinciples-BusinessHR_EN.pdf, accessed April 13, 2014.
- UN Economic and Social Council, "Development and international economic cooperation: Transnational Corporations," 2nd session, agenda item 7(d), UN Doc. E/1990/94, 1990, p. 1.
- OECD, The OECD Declaration and Decisions on International Investment and Multinational Enterprises, 1991 Review (Paris: Organization for Economic Cooperation and Development, 1992), p. 39.
- ILO, Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, 2nd ed. (Geneva: International Labor Office, 1991).
- UK Parliament, "Transparency in UK Company Supply Chains (Eradication of Slavery) Bill 2012–13," http://services.parliament.uk/bills/2012-13/transparencyinukcompanysupplychainseradicationofslavery.html, accessed April 13, 2014.
- Andrew Sparrow, "Modern slavery bill to tighten laws on human trafficking," The Guardian, August 25, 2013, http://www.theguardian.com/law/2013/aug/25/modern-slavery-bill-human-trafficking, accessed April 13, 2014.
- Business Transparency on Trafficking and Slavery Act, H.R. 2759 (112th) (2011), https://www.govtrack.us/congress/bills/112/hr2759#overview, accessed April 13, 2014.
- Stephanie Clifford and Steven Greenhouse, "Fast and flawed inspections of factories abroad," *The New York Times*, September 1, 2013, , accessed April 13, 2014.
- Naren Karunakaran, "Retailers like Marks & Spencer, Walmart readies to address human-rights issues of workers,"
 Economic Times, December 10, 2013, http://www.one.in/economictimes/b-desh-factory-fires-retailers-put-ears-to-ground-862592.html, accessed April 13, 2014.
- Clifford and Greenhouse, "Fast and flawed inspections of factories abroad"; International Labor Rights Forum, "Still
 waiting: Six months after history's deadliest apparel industry disaster, workers continue to fight for compensation,"
 http://www.cleanclothes.org/resources/publications/still-waiting>, accessed April 13, 2014.
- 24. Johnson & Johnson, "Our credo values," http://www.jnj.com/about-jnj/jnj-credo, accessed April 13, 2014.
- International Programme on the Elimination of Child Labour website, http://www.ilo.org/ipec/lang--it/index.htm, accessed April 13, 2014.
- Coca-Cola, "Addressing global issues," http://www.coca-colacompany.com/our-company/addressing-global-issues, accessed April 13, 2014.

- Coca-Cola, "Our stance on child labor," http://www.coca-colacompany.com/stories/our-stance-on-child-labor, accessed April 13, 2014.
- Dermot Doherty and Stanley James, "Nestle audit finds child labor violations in cocoa supply," Bloomberg Businessweek, June 29, 2012, https://www.businessweek.com/news/2012-06-29/nestle-must-address-child-labor-in-cocoasupply-fla-says, accessed April 13, 2014.
- 29 Ibio
- Fair Labor Association, "Nestlé gives progress update, consults stakeholders on Ivory Coast action plan," January17, 2013, http://www.fairlabor.org/blog/entry/nestle-gives-progress-update-consults-stakeholders, accessed April 13, 2014
- 31. Nestlé, "Nestlé sets out actions to address child labour," http://www.nestlecocoaplan.com/nestle-sets-out-actions-to-address-child-labour/, accessed April 13, 2014.
- 32. According to a UN study released in March 2013, "Out of the world's estimated 7 billion people, 6 billion have access to mobile phones. Far fewer—only 4.5 billion people—have access to working toilets. Of the 2.5 billion who don't have proper sanitation, 1.1 billion defecate in the open." See Yue Wang, "More people have cell phones than toilets, UN study shows," *Time*, March 25, 2013, ; Tim Worstall, "More people have mobile phones than toilets," *Forbes*, March 23, 2013, http://www.forbes.com/sites/timworstall/2013/03/23/more-people-have-mobile-phones-than-toilets/, accessed April 13, 2014; United Nations, "Deputy UN chief calls for urgent action to tackle global sanitation crisis," http://www.un.org/apps/news/story.asp?NewsID=44452&Cr=sanitation&Cr1, accessed April 13, 2014.
- 33. Ushahidi, "About us," http://www.ushahidi.com/about-us, accessed April 13, 2014.
- 34. Chris Miller (Free the Slaves), interview with authors, February 19, 2014.
- 35. Good World Solutions, "About us," http://goodworldsolutions.org/about-us/, accessed April 13, 2014.
- 36. Labor Voices website, http://www.laborvoices.com/, accessed April 13, 2014.
- Nick Leiber, "Labor Voices, Labor Link help workers report sweatshop factor conditions," Bloomberg Businessweek, May 16, 2013, http://www.businessweek.com/articles/2013-05-16/laborvoices-labor-link-help-workers-report-sweatshop-factory-conditions, accessed April 14, 2014.
- 38. University of Louisville, "Chapter V: What publicity can do," http://www.law.louisville.edu/library/collections/brandeis/node/196>, accessed April 13, 2014. A perspective on Brandeis and the history of transparency came be found at Sunlight Foundation, "Brandeis and the history of transparency," May 26, 2009, https://sunlightfoundation.com/blog/2009/05/26/brandeis-and-the-history-of-transparency/, last accessed April 13, 2014.
- Wallis interview
- 40. Nike Inc., "Manufacturing," http://nikeinc.com/pages/manufacturing, accessed April 13, 2014.
- 41. Everlane, "Our factories," https://www.everlane.com/factories, accessed April 13, 2014.
- 42. Sourcemap website, http://sourcemap.com/>, accessed April 13, 2014.
- 43. Ben Dipietro, "Q&A, Leonardo Bonanni, CEO, Sourcemap," *The Wall Street Journal*, December 11, 2013, http://blogs.wsj.com/riskandcompliance/2013/12/11/qa-leonardo-bonnani-ceo-sourcemap/, accessed April 13, 2014.
- 44. Leonardo Bonanni (CEO, Sourcemap), interview with the authors, November 4, 2013.
- 45. Joanne Bauer (CSRWire), interview with authors, November 1, 2013.
- 46. gBCAT website, http://gbcat.org/, accessed April 13, 2014.
- 47. Better Work, "About us," http://betterwork.org/global/?page_id=300, accessed April 13, 2014.
- Pacto Nacional, "Brazilian pact to eradicate slave labor," http://www.reporterbrasil.com.br/pacto/conteudo/view/9, accessed April 13, 2014.
- Nike Inc., "Labor," 2012, http://www.nikeresponsibility.com/report/content/chapter/labor, accessed April 13, 2014
- 50. Nike, "Manufacturing."
- Alan Boyle, "SpaceShipOne wins \$10 million X Prize," NBC News.com, October 5, 2004, http://www.nbcnews.com/id/6167761/ns/technology_and_science-space/t/spaceshipone-wins-million-x-prize, accessed April 13, 2014.
- 52. Alan MacCormack, Fiona Murray, and Erika Wagner, "Spurring innovation through competitions," MIT Sloan Management Review, Fall 2013, https://sloanreview.mit.edu/article/spurring-innovation-through-competitions/, accessed April 13, 2014; Pam Belluck, "Condom contest produces 812 ideas for improvement," The New York Times, November 20, 2013, https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html?_r=0">https://www.nytimes.com/2013/11/21/health/condom-contest-produces-812-ideas-for-improvement.html
- 53. MacCormack, Murray, and Wagner, "Spurring innovation through competitions."
- Ungift, "Winners of the Challenge Slavery Tech Contest announced," http://www.ungift.org/knowledgehub/stories/May2013/winners-of-the-challenge-slavery-tech-contest-announced.html, accessed April 13, 2014.
- Partnership for Freedom, "Reimagine: Opportunity," http://www.partnershipforfreedom.org/, accessed April 13, 2014.