



Managing increased risk of
FORCED, CHILD LABOR
in your supply chain

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About Us

COMPLIANCE WEEK

Compliance Week, published by Wilmington plc, is a business intelligence and information service on corporate governance, risk, and compliance that features a daily e-mail newsletter, a bi-monthly print magazine, industry-leading events, and a variety of interactive features and forums.

Founded in 2002, Compliance Week has become the go-to resource for chief compliance officers and audit executives; Compliance Week now reaches more than 60,000 financial, legal, audit, risk, and compliance practitioners. www.complianceweek.com



Certa is a SaaS based workflow automation platform that makes it easy for businesses to manage the lifecycle of their third-parties. Certa's powerful workflow engine enables businesses to streamline processes, eliminate bottlenecks and inefficiencies, mitigate and remediate risks, and break down silos via interdepartmental and internal/external process participants. Certa's AI-enhanced, modular features allows clients to easily modify and personalize their workflows to keep up with their evolving business needs. Certa can stitch together 100+ enterprise systems and data sources along with an organization's legacy tech, creating a single point of intake and a single source of truth.

CBP stats show persistent problem areas under UFLPA



BY ADRIANNE APPEL AND AARON NICODEMUS, COMPLIANCE WEEK

It's been nearly two years since the Uyghur Forced Labor Prevention Act (UFLPA) took effect, and as enforcement statistics and recent reports demonstrate, many businesses are still not adequately vetting their supply chains.

The UFLPA, which has been enforced since June 2022, prohibits goods, including raw materials or finished products, from the Xinjiang region in northwestern China, where the forced labor of Uyghurs is endemic, from entering the United States.

Companies importing from Xinjiang or whose goods from elsewhere are suspected of being tainted by Uyghur forced labor must present detailed supply chain documentation to U.S. Customs and Border Protection (CBP) officials to prove the goods are clean.

The CBP flags suspicious shipments, detains them temporarily while the company gathers documentation, then decides to deny entry or release the goods.

As of April 1, the CBP checked 7,566 shipments since June 2022 and denied entry to 3,096, with a total value of nearly \$2.9 billion, according to the agency.

In fiscal year 2023—Oct. 1, 2022, through Sept. 30, 2023—alone, the total value of goods halted was approximately \$1.4 billion. Most of the suspected goods did not come directly from China but through Malaysia and other nations, according to the CBP.

Similarly, since Oct. 1, 2023, more halted products have come through Malaysia, Thailand, and Vietnam rather than directly from China.

Some Chinese companies are moving production to Malaysia, Vietnam, and other countries in southeast Asia in an attempt to obscure the connections to forced labor of a particular product, said David Stepp, partner at law firm Crowell & Moring.

Electronics and manufacturing materials were most fre-

quently halted by the CBP in FY2023. So far in FY2024, electronics and apparel have been most frequently halted.

If an importer has its shipment detained by the CBP, it can be difficult to pull together the required documentation in time if it has not already planned for such a possibility, said Tom Plotkin, special counsel at law firm Covington.

The documentation must rigorously demonstrate the source of every part, product, and material in that imported good, as well as the chain of custody along the way. The documents must be reliable, well organized, and translated into English.

"I have heard of 10,000-page submissions," Plotkin said.

It is incumbent on U.S.-based companies to diversify their supply chains so they can pivot in case connections to forced labor are found, Stepp said.

It's not just goods headed for the United States that need to be cleared of forced labor involvement. The German Supply Chain Due Diligence Act, enforced since Jan. 1, 2023, can impose fines equal to 2 percent of a company's global revenues on businesses that fail to identify and remedy areas of their supply chains impacted by forced and child labor.

The Canadian Forced and Child Labor in Supply Chains Act, which took effect Jan. 1, requires companies importing to Canada to file a report with the Minister of Public Safety by May 31 that details steps taken during the previous financial year to prevent and reduce the risk that forced labor or child labor is used by them or in their supply chains.

Volkswagen faces UFLPA scrutiny

Recently, the CBP halted thousands of Volkswagen brand cars at the border while it investigated whether certain parts were linked to forced labor in Xinjiang, according to a report from the Financial Times.

A Volkswagen spokesperson told the newspaper the cars had only “one tiny part” made with Uyghur forced labor.

The CBP has not released the results of its investigation.

The report prompted the U.S. House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party to seek answers from Volkswagen about its operations in China.

Upwards of 9 percent of the world’s aluminum, a product used in dozens of car parts, is produced from the Xinjiang region, according to a report from nongovernmental organization Human Rights Watch (HRW).

Some major car manufacturers, including Volkswagen, have joint manufacturing ventures in China and Xinjiang, where aluminum is produced, HRW said.

The group said it reviewed reports showing clear links between the aluminum production industry in Xinjiang and forced labor.

Volkswagen told HRW it doesn’t source its aluminum from Xinjiang.

“Most companies have done too little to map their supply chains for aluminum parts,” the group said.

UFLPA compliance

The key to complying with the UFLPA is preparation, Plotkin said.

Long before having to prove to the CBP that their supply chain is free of any connections to forced labor or the Xinjiang region, importers should try to adequately map their supply chains back to the raw materials for all parts, Plotkin said. They should clearly lay out documentation obligations for suppliers in all contracts and perform adequate due diligence on those suppliers, he said.

“If any issues are identified that may create risk under the UFLPA, companies should respond as quickly as possible to assess and mitigate the problem,” Plotkin said. “It is much better to avoid detention in the first place.”

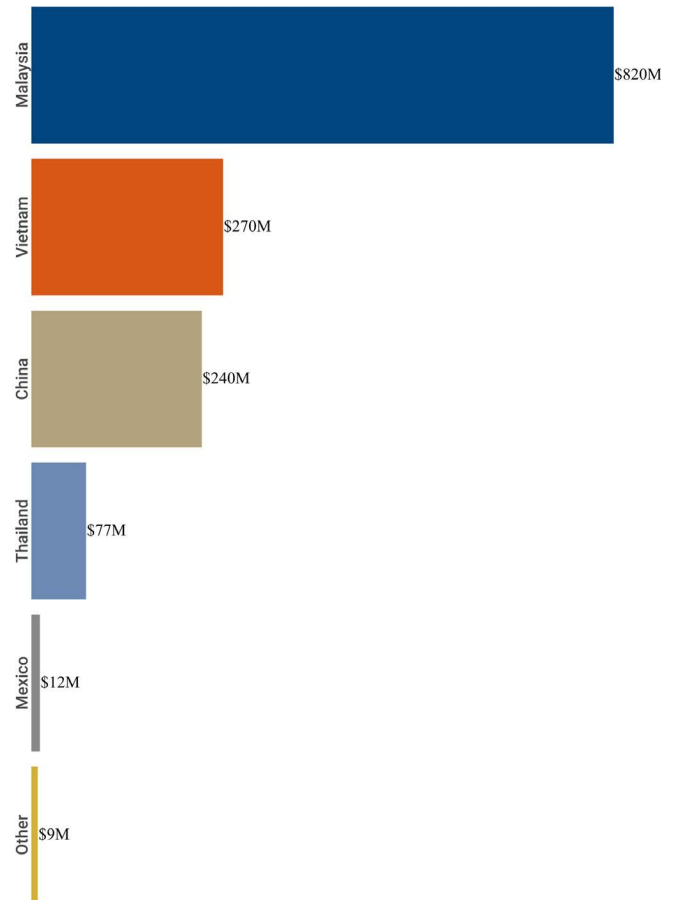
Evan Chuck, partner at Crowell & Moring, said vendors can conduct supply chain mapping. Firms should do their own due diligence, he said, which can include reviewing disclosures made by public Chinese companies.

“Sometimes they can suggest possible circumvention of U.S. law and that there is serious corresponding risk to shareholders,” he said. “It’s an instructive way to learn about red flags that could impact compliance by U.S. companies.”

Performing enhanced due diligence in China can be difficult, particularly if there is a potential national security threat analysis that needs to be performed, Chuck said.

Chinese suppliers are often not quick to act on requests for

Origin of goods stopped by CBP: Oct. 1, 2022, through Sept. 30, 2023



information, Chuck said. Some Chinese suppliers are owned in whole or in part by the state—or can be quickly mobilized by the Chinese Communist Party—which imposes restrictions on the amount of information they can reveal. Some Chinese companies are acting on insufficient or inaccurate information by their China-based advisors. A new Chinese state secrets law has also presented its own set of challenges to due diligence, he said.

Under Chinese law, Chinese companies must follow Chinese law, not foreign laws. So, if a U.S. company drops a Chinese supplier because the supplier violates the UFLPA, that supplier can sue the company in Chinese court for dropping them.

“It’s another reason to carefully consider how you de-risk your supply chain and how you communicate needed changes to Chinese parties,” Chuck said. ■

New DHS strategy sets textiles up for added UFLPA scrutiny



BY KYLE BRASSEUR, COMPLIANCE WEEK

The Department of Homeland Security (DHS) announced a new strategy set to help close a loophole that allows certain textile-related shipments from China to enter the United States without scrutiny under the Uyghur Forced Labor Prevention Act (UFLPA).

The agency's enforcement plan, announced April 5, will crack down on small-package apparel shipments by improving screening of packages claiming a de minimis exemption. Such exemptions are granted to shipments valued at \$800 or less and can help those imports avoid being flagged for UFLPA violations.

Enhanced reviews will include physical inspections; country-of-origin, isotopic, and composition testing; and in-depth reviews of documentation, while DHS personnel will conduct audits and visits to high-risk foreign facilities.

Among the driving factors behind the DHS's planned change is its desire to better be able to inspect apparel shipments coming from China for forced labor. The agency said

the plan will "serve as the blueprint for future strengthened enforcement efforts through intensified targeting of small package shipments, joint trade special operations, increased customs audits and foreign verifications, and the expansion of the [UFLPA] Entity List."

So far in fiscal year 2024, electronics and apparel have been the most frequent types of shipments halted by Customs and Border Protection for suspicion of UFLPA violations.

"The textile industry, like others industries, suffers when competitors use forced labor, violate customs laws, and engage in other illegal practices to undercut U.S. businesses and drive prices unfairly low," said Alejandro Mayorkas, DHS secretary, in a press release announcing the enforcement plan. "Through strengthened enforcement measures, enhanced inspection and testing, and increased information sharing, this administration is protecting thousands of American workers and the U.S. textile industry." ■



Case Study

Uniqlo and the Wake-Up Call to Global Supply Chains

May 2021 - Uniqlo

- A shipment of seven stocks of Uniqlo shirts was blocked due to suspicions of being sourced from Xinjiang.
- Six of the seven shirt styles were not made from Xinjiang materials and therefore admissible, but U.S. customs officials took issue with the seventh style and seized those goods.
- Uniqlo failed to rebut, permanently forfeiting those assets, by producing an outdated code of conduct letter, illegible contracts, and suspicious customs declarations.

What We Learned

- The US Customs & Border Protection (CBP) Agency can be discerning of goods even within the same shipment.
- Documentation of the end-to-end supply chain is critical.
- Uniqlo was given **60 days** to remove these goods from the US before they would be disposed of by the CBP.

Impact

- Forfeiture of goods
- Huge reputational risk
 - [“Fashion Retailers Face Inquiry Over Suspected Ties to Forced Labor in China”](#) - New York Times
 - [Consumer boycotts, including celebrities and influencers](#)
- Operational disruption in supply chain

Striving for Zero-Tolerance on Modern Slavery

Over the last ~10 years, we've seen major policy adoption across the globe, particularly in western countries, to prevent and combat forced and child labor.

North America

- [2023] Canada Forced and Child Labour in Supply Chains Act
- [2022] Uyghur Forced Labor Prevention Act (UFLPA)
- [2010] California Transparency in Supply Chains Act (North America - California)
- [2009] Dodd Frank Act: Section 1502 on Conflict Minerals (US)

Europe

- [2024] EU Forced Labour Proposal (line to "Europe")
- [2023] Austrian Supply Chain Act
- Swiss Conflict Minerals Regime
- [2022] Swiss Supply Chain Act (VSoTr)
- [2021] German Supply Chain Act (LkSG)
- Belgian Vigilance Proposal
- Norwegian Supply Chain Transparency Act

- [2020] Dutch Child Labour Due Diligence Law (Netherlands)
- [2017] French Duty of Vigilance Law
- [2015] UK Modern Slavery Act

North America

Europe

Australia

Latin America

- [2016] National Action Plans on Business and Human Rights (Brazil, Chile, Colombia, Peru)

Asia

- [2022] Japan Human Rights Due Diligence Guidelines (Asia - Japan)
- [2015] Chinese Guidelines for Mineral Supply Chains (Asia - China)

Australia and New Zealand

- [2021] New Zealand Modern Slavery Act
- EU Conflict Minerals Regulation (line to "Europe")
- [2018] Australian Modern Slavery Act
- [2018] New South Wales Modern Slavery Act (Australia)

Scope and Urgency of Forced Labor

As the world moves towards wider adoption and stricter enforcement of forced labor policies, noncompliance anywhere in the supply chain poses **tremendous risk**.



Goal 8.7 of the 2030 UN Sustainable Development Goals (SDGs)

“Take immediate and effective measures to eradicate forced labour, end modern slavery... and by 2025 end child labour in all its forms.”

Did you know?

60%
of firms have
>1,000 vendors.

Most enterprises
have
> 10,000

Quick Figures

~**27.6 million** people are in forced labor, an increase of 3 million since 2016.

17.3M
exploited in
the private sector

15.1M
from Asia and
the Pacific region

\$193B USD
per year is generated
in the global private
economy from forced labor

12%
of forced laborers
are children

Sources: [International Labour Organization](#)
[UN SDGs 2030](#)

Risks and Penalties of Noncompliance

While each regulation has varying criteria, we can bucket into three consistent groupings:

Organization Size

Impact by organization size varies greatly, requiring as low as fifty employees in some jurisdictions up to thousands+ in other countries.

We've also seen regulations lower the size requirement in later amendments. e.g. German Supply Chain Act lowered from 3000 to 1000 employees this year.

Norwegian Supply Chain Act

> 50 employees

Canada's Forced and Child Labour Act

≥ 250 employees

German Supply Chain Act

> 1K
employees lowered from 3000 as of Jan'24

French Duty of Vigilance Act

> 5K or > 10K
employees depending on location of subsidiaries

Revenue and Assets (annual)

Based on current parameters, nearly all enterprises and even some SMBs are impacted if they operate in these anti-forced labor regions.

UK Modern Slavery Act

> £36M

Australian Slavery Act

> \$100M AUD

Canada's Forced and Child Labour Act

≥ \$20M CAD in assets
or
≥ \$40M CAD in revenue

Norwegian Supply Chain Act

≥ 70M NOK
or
≥ 35M NOK on balance sheet

Region

While the **UFLPA** is the most prominent region-based forced labor policy, other countries and regulations are also following suit and urging their regulatory bodies to place stricter lenses on Xinjiang and other sanctioned regions. For example, this is an active topic of discussion in the UK with representatives calling to amend the UK Modern Slavery act to include XUAR.

Risks and Penalties of Noncompliance



Seizure and Losses of Goods

~\$2.9B of goods have been seized under the UFLPA since June '22



Reputational Risk

Non-compliance can erode consumer trust and tarnish brand image, leading to potential boycotts.



Significant Monetary Fines

Example: Under the German Supply Chain Act, companies may be fined **€400M+** or up to **2%** of average annual revenue.

In addition to corporate fines, individuals may also be pursued for **civil liability** under certain regulations e.g. Norwegian Supply Chain Act up to **\$800,000 NOK** per person.



Operational

Risk operational delays, affecting delivery and profitability.

Best Practices to Identify and Mitigate Forced Labor Risk



Supply Chain Mapping

Ensure end-to-end traceability from raw materials to final products, illuminating every supply chain layer.



Compliance as Culture

Educate teams on compliance, keep updated on regulations and deadlines.



Risk-Based Due Diligence

Self-attestations and corroboration via 3P data sources, online due diligence, and boots on the ground.



Swift Remediation

Amend contracts or sever ties with suppliers violating human rights, documenting all steps.



Audit-Ready Documentation

Maintain records of sourcing, audits, and remediation actions for verification.



Continuous Monitoring

Continuously monitor, weed out false positives and noise, and explicitly assign high-risk signals for additional due diligence.



Rigorous Contract Compliance

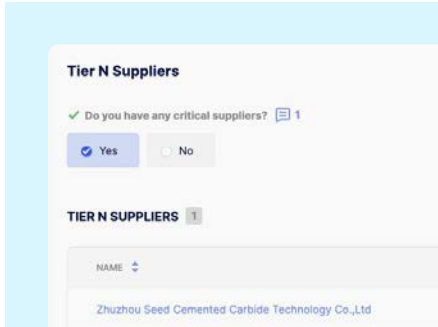
Mandate anti-forced labor standards in contracts; enforce through audits.



Technology for Transparency

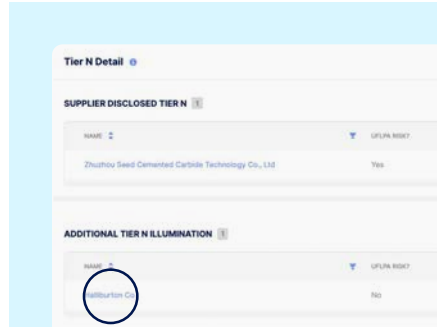
Employ technology for enhanced visibility, risk assessment and compliance management.

6-Step Guide for Compliance Automation



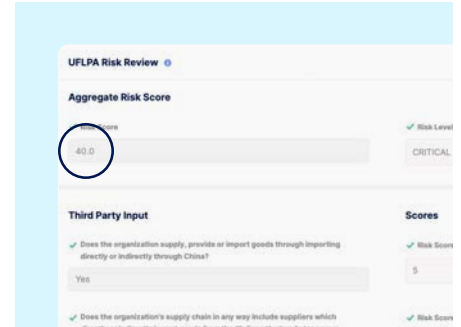
STEP 1

Survey third parties for critical supplier names



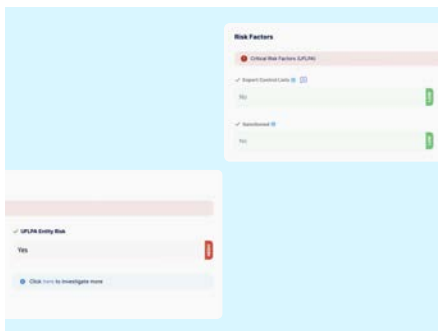
STEP 2

Additional Tier N illumination based on sources like bill of lading and shipping data



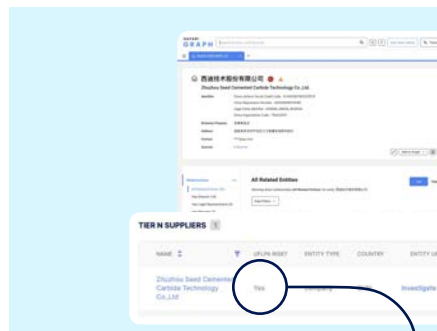
STEP 3

Send UFLPA questionnaires to supplier and automatically risk rank based on responses



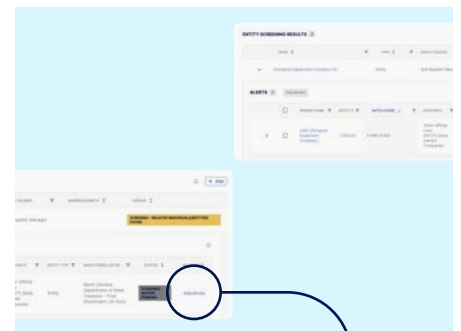
STEP 4

Screen all disclosed and undisclosed names for UFLPA risk and other compliance risk factors



STEP 5

Perform investigative due diligence on any red flags



STEP 6

Adjudicate hits, escalate for approval and manage any remediation efforts in a unified platform

Trends: Global Forced Labor Regulations is the new GDPR



Continued proliferation of regulations across countries / regions

Multiple flavors of regulations across most countries ⇒ added complexity.



Consumer-driven transparency

Reputational impact (driven by consumers) will greatly exceed the impact from regulatory fines.



Stricter enforcement

Bipartisan lawmakers push for stricter enforcement with fewer loopholes and more liability.

E.g. the number of child labor violations increased by ~14%, and fines nearly doubled.



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Sources:

[US Department of State | 2023 Trafficking in Persons Report](#)

[US Department of Labor | Emerging Hot Spots for Forced Labor](#)

[US Department of Labor | List of Forced Labor Goods](#)



Unified third party risk & compliance management, powered by AI.

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Evolve with Your Needs & Global Regulations

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- Tier N Illumination
- Risk-Based Due Diligence
- Automated Supplier Questionnaires
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Increase in efficiency

50%

Savings in operational costs



Child labor violations are on the rise in U.S. Are they in your supply chain?



BY AARON NICODEMUS, COMPLIANCE WEEK

The first step is admitting there is a problem, and child labor is a growing one in the United States.

In the past, child labor violations might have appeared as a distant concern—something that happens overseas, elsewhere, away. Or, it was considered to be at low risk of occurring in the United States.

As a result, U.S. compliance officers have not been accounting for the possibility of child labor violations in their risk assessments. They weren't considering how and where child labor violations might be occurring. They weren't taking into account the potential blowback on their company's reputation if abuses were found within the labor pool used to develop their company's product or service.

In short, the U.S. compliance community has not been spending time addressing a problem mistakenly thought to be a rarity.

What's changed? The driving force is the rising flow of underage migrants coming to the United States.

In December, U.S. Customs and Border Protection recorded more than 370,000 encounters with people entering the United States without authorization, a spike that had been building over months, according to the agency's nationwide encounters data.

A percentage of those encounters involved unaccompanied minors. In fiscal year 2023, which ran from to July 1, 2022, to June 30, 2023, nearly 138,000 unaccompanied minors entered the United States, according to the agency's data. This represented a drop in total minors entering the country compared to FY2022 (approximately 153,000 minors) and FY2021 (about 148,000).

Unaccompanied minors flowing into the United States are finding "dangerous, illegal jobs in every state, including in factories, slaughterhouses, and industrial dairy farms," according

to a series of articles by the New York Times. There have been numerous instances of children being killed or seriously injured performing these jobs, the newspaper reported.

Penalties are also rising for child labor violations. In FY2023, Department of Labor investigators identified child labor violations in 955 cases and fined employers more than \$8 million, compared to 835 cases and \$4.4 million in FY2022.

One of the biggest obstacles Americans face in tackling the issue of illegal child labor is acknowledging it exists, said Matthew Friedman, chief executive officer of the Mekong Club, a Hong-Kong based consultancy that works with the private sector to bring about sustainable practices against modern slavery.

"Raising this awareness that any company can be vulnerable is the first step," he said.

Major U.S. companies like McDonalds, Ford Motor Co., Costco, Starbucks, Whole Foods, and PepsiCo have taken steps to eliminate child labor in their U.S. supply chains, according to a New York Times report published in February.

Friedman said while companies might feel confident their facilities do not hire underage workers, the vulnerabilities lie in areas where work is outsourced, where workers are hired by third parties, and for dangerous work performed on overnight shifts.

Third-shift workers, security guards, cleaners, and other types of jobs performed out of sight, with no public-facing responsibilities, are potentially being filled by underaged workers, Friedman said.

"We're talking about young people, who, because of their age and perhaps their migratory status, who come from poverty and so forth, are exploited, and as a result, they end up in these so-called 'dirty jobs' that happen late at night," he said.

How should compliance officers address potential child labor violations within their organizations and supply chains?

Start with a fulsome risk assessment, suggested Gwen Hassan, deputy chief compliance officer at Unisys, but a risk assessment alone is not enough. Compliance officers must also obtain the support of the board to mitigate those child labor abuse risks once they are found. That can be tricky business, she said. Anyone putting together such a risk assessment doesn't want the results to sit, unread, in a file somewhere.

"I recommend a dual-tracking approach, where you conduct your own desktop assessment using available resources, like media reports, using indexes of industries and of geographies that have high levels of child labor and forced labor and map that against your organization," Hassan said. "You take that high-level inherent risk business case to your management and/or your board and say, 'Hey, based on my back-of-the-napkin calculations, here are the areas where we have a high risk.'"

What if you present your risk assessment and the board or executive committee says it has other priorities than looking for child labor violations?

"I like to call it the 'death-by-a-thousand-cuts strategy,' which is the idea that it may take a while to get buy in from the management team, and that is OK," she said. "They could have a very real risk of child labor but also be facing an inquiry from the Department of Labor, in the midst of a merger, or at risk of being acquired. There can be other priorities, so my point would be to the practitioners in this space that you need to build your business case slowly, over time, by educating them about the risk and building consensus."

Let's talk about zero tolerance

Businesses should also consider their goal regarding the removal of child labor from their organizational footprint.

Is it zero tolerance for any child labor, anywhere in the business and supply chain? Will they cease to do business with any supplier or vendor that has used child labor? Is halting all future violations while also obtaining assurance from the vendor they have changed their business practice? Is the business ready to handle potential disruptions in order to meet a zero-tolerance goal?

Friedman said zero tolerance for child labor could be as simple as updating policies and procedures to say any employee of the business, or anyone employed on behalf of the business, must be of a certain age.

But the zero-tolerance policies can't be boilerplate language in contracts, Friedman said. Such provisions must be enforced for them to mean anything. There must be consequences for businesses that violate the contract language.

The United Nations, in a policy statement, made a point of differentiating between child work and child labor.

"Not all work done by children should be classified as child labor that is to be targeted for elimination," it said, suggesting that working around the home, assisting in a family business, and working for pocket money during vacations and school holidays are all beneficial, not harmful, to a child's development.

"Child labor is work carried out to the detriment and endangerment of a child, in violation of international law and national legislation," the statement said. "It either deprives children of schooling or requires them to assume the dual burden of schooling and work. Child labor to be eliminated is a subset of children in employment.

Is it the goal of the business to have zero tolerance for child labor abuse? For child labor violations? Because that is something different than zero tolerance for any child labor. That process asks, "What is best for the business?" But it also asks, "What is best for the children working for the benefit of our business and in our supply chain?"

"The real issue here is not just abandoning your supply chain and kicking out suppliers but working with them to figure out how to mitigate risk," Hassan said. "You're not just asking if there is child trafficking or not trafficking in your supply chain, but if there is, how should you address it in a way that is truly human-focused and child-focused?"

Hassan suggested if child labor is identified in a company's supply chain, a business should work to end future violations but also to bolster support for those child workers. For some child workers, their families depend on the money they earn working.

So, some firms might allow child workers to continue as part of their supply chain but would take steps to ensure all work by children follows the relevant laws in that jurisdiction regarding working conditions, working hours, etc. Consider accommodations, like busing the child workers from their home to work, to school, and home again. Make sure they have a meal before and after their shift. There are dozens of ways to provide beneficial work for children, legally and ethically, Hassan said.

It also might be in the best interest to continue working with a partner, even after an issue with child labor is identified.

"To say, 'Children are working for you; therefore, we can't work with you anymore,' I think is shortsighted," Hassan said. "Immediately walking away can result in effectively abandoning those child workers, making them even more vulnerable to manipulation and trafficking. Consider, instead, looking at the issue more holistically and seeking solutions that empower child workers to make their lives safer and better." ■

DOL seeking more authority in crackdown on child labor violations



BY ADRIANNE APPEL, COMPLIANCE WEEK

The Department of Labor (DOL) has stepped up its enforcement of child labor law amid a concerning rise in child labor exploitation.

In fiscal year 2023, the DOL investigated 955 cases that resulted in violations of the Fair Labor Standards Act (FLSA) regarding child labor, a 14 percent increase from FY2022. The cases involved nearly 5,800 children illegally employed, an 88 percent increase since 2019.

The agency assessed more than \$8 million in child labor civil penalties during FY23.

Many violations related to children who, while legal to work, were working too many hours or too late into the evening. But the sharpest rise was among children working in dangerous conditions, including meat processing plants and sawmills. Under the FLSA, it is illegal for anyone younger than 18 to work in a dangerous environment.

In February, the DOL sought a nationwide restraining order against Fayette Janitorial Services, which cleans meat and poultry plants in about 30 states, in the wake of an investigation that the Tennessee-based company employed young children to clean a Purdue Farms plant in Virginia and a Seaboard Triumph Foods plant in Iowa. The case was one of more than 800 child labor investigations underway at the DOL.

“Federal laws were established decades ago to prevent employers from profiting from the employment of children in dangerous jobs, yet we continue to find employers exploiting children,” said Wage and Hour Division Administrator Jessica Looman in announcing the injunction request.

Most kids who work do so legally, at restaurants, retailers, amusement parks, and summer jobs. The DOL backs this practice as a great opportunity for kids to learn and make extra money, an agency spokesperson told Compliance Week.

The problem is when employers take advantage of cheaper labor by having kids work long hours or late nights, as was allegedly the case at the Hwy 55 Burgers, Shakes & Fries chain, which entered into a compliance agreement with the DOL in March to improve working conditions for the teens it employs at 20 locations.

“Trying to weaken protections when we see the disastrous and shameful consequences of child labor shows a blatant disregard for the health, education, and welfare of teen workers.”

Reid Maki, Coordinator, Child Labor Coalition

The reasons why companies are turning to illegal child labor are complex.

The penalties allowed for FLSA violations are “not high enough to be a deterrent for major profitable companies,” according to the DOL, which has asked Congress for tougher enforcement tools.

Recent market forces have encouraged employers to turn to children to fill open positions in a tough labor market of low unemployment.

It is unacceptable when labor laws aren’t followed, said Reid Maki, coordinator of the Child Labor Coalition and di-

rector of child labor advocacy for the National Consumers League.

“You can’t balance a worker shortage by hiring vulnerable teens if the jobs are dangerous. You also can’t increase the allowable hours of work and damage teens educationally,” Maki said. Too many of the children being hired are unaccompanied minors from Central America, he added.

“These kids are super vulnerable and desperate for money. They are the kids often ending up in the most dangerous jobs in meatpacking and auto supply factories,” he said.

Staffing agencies working on behalf of companies have hired teens with obvious fake identification, while the factories and other businesses haven’t done their due diligence, Maki said.

The common practice today of businesses relying on contract labor and third parties, such as cleaning crews, is also a driver in the spike in child exploitation, the DOL spokesperson said.

Whether the agency can enforce against a hiring company for the conduct of a contractor depends on the specific situation and relationship between the parties and often requires an involved investigation.

DOL enforcement efforts

Businesses should be aware they need to comply with both federal and state labor laws and that the higher standard prevails. Efforts by the Chamber of Commerce and other industry groups to loosen labor laws in states will not get business-

es off the hook for complying with federal labor laws.

“Trying to weaken protections when we see the disastrous and shameful consequences of child labor shows a blatant disregard for the health, education, and welfare of teen workers,” Maki said.

The DOL has taken steps to enforce the child labor provisions of the FLSA.

It’s been strategically targeting enforcement in industries where child labor violations are most common and reviving tools available through the FLSA, like stopping the movement of goods made with child labor. The agency is currently taking aim at agricultural goods involving child labor and has reminded big grocery store brands they need to ensure their suppliers are in compliance with labor and safety laws.

The DOL wants companies to know that, as with other federal regulators, it’s better to self-report than for the agency to find violations following a tip or investigation. The department will work with employers and often not pursue enforcement, the spokesperson said. Businesses also can call the DOL confidentially for assistance.

The agency has created compliance assistance resources, including outreach officers in all of its 54 offices, whose role is to educate and inform employers about labor laws.

The DOL also created employer self-assessment tools, to help companies stay in compliance with labor laws. It offers thousands of events each year, including webinars, about how to comply with its rules and laws. ■

Policy changes underscore need for enhanced child labor due diligence



BY ADRIANNE APPEL AND AARON NICODEMUS, COMPLIANCE WEEK

Rooting out potential child labor violations in your company's supply chain can have benefits beyond protecting reputation and being ethically sound.

The process can also help your firm comply with pending child labor laws in other jurisdictions.

While the U.S. Department of Labor (DOL) is seeking tougher enforcement powers from Congress, other nations are moving ahead against child labor and forced labor.

The European Union has agreed to enact a ban on products made with forced labor.

Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act, which took effect in January, will require businesses to begin reporting the steps they took during the previous financial year to "prevent and reduce the risk that forced labor or child labor is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada."

Companies that want to ensure they aren't using child labor in their supply chains need to know who their suppliers are and take additional steps if in an industry at higher risk for child labor exploitation.

Gwen Hassan, deputy chief compliance officer at Unisys, suggested finding child labor violations in a supply chain should begin by narrowing the search. Many companies have thousands of vendors, even tens of thousands, and it would be an impossible task to evaluate child labor abuse risks posed by each one, she said.

Use variables to narrow the funnel. This includes asking, "Is there a high level of hourly workforce in this particular

area of the supply chain?" Another question to consider is, "Is this vendor located in a region known to have a high level of child trafficking?"

"If you use some of the variables to narrow down that funnel, you can get to a place where you're targeting a handful of suppliers and come up with a transition plan," Hassan said.

Child labor tends to go hand in hand with other risks, like bribery and corruption. Companies already using a third-party management platform to search for bribery and corruption risks can add new risks, including child and forced labor, to those platforms. Risks might increase or decrease depending on the country, the type of supplier, and their connections to government entities.

For companies operating within the United States that want to reduce their risk of involvement with child labor exploitation, the DOL has created employer self-assessment tools, which are online questionnaires for businesses to check if they are in violation of child labor laws or at risk of violation.

Opportunities for AI

Only 1 percent of cargo is properly vetted by government agencies globally, which allows many products made with child and slave labor to enter legitimate markets, said Ram Ben Tzion, co-founder and chief executive officer of Publican, a platform used by customs and tax authorities to vet shipments for fraud.

The rise in artificial intelligence (AI) systems and digital tools in the supply chain risk mitigation space is an oppor-

tunity to make a significant dent in child and forced labor.

As it stands, “Large brands ... are working hard to prevent sourcing goods made with forced labor ties, but it can be a difficult task,” especially when only manual tools are used, Ben Tzion said.

By using AI, every transaction can be automatically analyzed, rather than relying on the limited, manual inspection of shipments, Ben Tzion said.

This automation makes it harder for companies to conceal noncompliance with sanctions, for example, and moves inspections closer to 100 percent accuracy.

At the business level, Ben Tzion recommended companies turn to AI and digital tools to gain transparency and visibility into their supply chains to identify unethical suppliers that can possibly put them in danger of being noncompliant.

Hassan said vendors have developed sophisticated supply chain mapping models using AI tools that incorporate information from public information sources like government registries and media reports, to create a visual map that shows potential links to companies at higher risk for using child labor. Some of these companies include employment and recruiting agencies that have been previously identified as having connections to human trafficking and child labor.

Other resources

Hassan also suggested that businesses refer to a U.S. Customs and Border Protection (CBP) program called the “Customs Trade Partnership Against Terrorism” (CTPAT) for guidance about what the CBP and DOL recommend in terms of mitigating the risk of child and forced labor in supply chains.

The CTPAT program is a voluntary program open to businesses that agree to meet CBP security requirements in exchange for certain benefits, like being able to move to the front of an inspection line and be subject to a reduced number of inspections.

Since Jan. 1, 2023, one of the CTPAT requirements is for companies to have documented criteria in place to show how they prevent goods with forced or child labor from being imported into the United States, something the DOL calls “the comply chain.”

The threat of forced labor must be addressed in the company’s risk management program. At a minimum, this includes assessing your risks and impacts, training your employees, stakeholders, and partners about the risks and how your company will communicate about them, mitigate them, and report.

Suppliers must be required to have in place a code of conduct to prevent forced labor. It must include monitoring compliance with policies and procedures and an independent review.

Companies must be able to show the steps they take to mitigate the risk of forced labor in their supply chains. The CBP attributes a global increase in child and forced labor to outsourcing: a common practice when manual labor is sought to perform jobs like cleaning, mining, fishing, and harvesting fruit. The agency’s guidance urges companies to apply due diligence to contractors.

When assessing risks, CTPAT companies must use certain reliable and credible tools, including the International Labor Organization’s indicators of forced labor; the DOL’s list of goods produced by child labor or forced labor, the DOL’s better trade tool, and others.

“Companies with responsible supply chain practices not only attempt to protect vulnerable workers, but they also guard against legal, reputational, and financial risks,” the CBP said. “The more companies proactively engage in responsible supply chain management, the better equipped they will be to respond when a disruption occurs. Those that do not could face financial and legal risks, in addition to the tarnished perception of their brand and image.” ■