

Step 1: Know the price of forced labor in the supply chain

The first step in any serious effort to rid supply chains of forced labor and trafficking is recognizing WHY it needs to be done. In the most simplistic analysis, business success measures are found at the top of the income statement: revenues and expenses. So, where does forced labor fit in? Is there a "business case" for combatting forced labor in the supply chain?

Revenue impacts:

I could cite numerous US and European laws dealing specifically with the banning of imports of goods produced with forced labor in supply chains. These laws hold importing companies accountable for offenses not only in their own facilities, but also in the facilities of their suppliers. If you can't import the products, you can't sell them to US and European markets. A list of laws isn't necessarily as compelling as a sampling of recent news.

Just last week, the US Senate Finance Committee held a hearing, "Fighting Forced Labor: Closing Loopholes and Improving Customs Enforcement to Mandate Clean Supply Chains and Protect Workers." Also, this month, it was reported that UK-based fashion retailer, Boohoo, became the subject of investigations into forced labor in its supply chain, including an investigation by US Customs and Border Patrol which could ban imports of its products to the United States, where it earned nearly \$300 million dollars in revenue last year. (SkyNews, March 2, 2021).

Add to this a greater level of consumer awareness – over 60% of American consumers say they would not purchase from a brand if they learned its products were produced with forced labor – and the revenue case for combatting forced labor is clear.

Cost impacts:

Many of the laws referenced above carry stiff fines for violators. Litigation costs have the potential to run into the millions of dollars. On a more mundane level, if products are stopped at a border, logistics and storage costs are impacted. We could go on, but you get the point. Beyond these hard, monetary costs, the potential impact of reputational damage is difficult to predict. What about the fact that investors increasingly include human rights and forced labor protections among the criteria they include in making portfolio decisions?

As businesspeople, we care about the bottom line. The bottom line here is simple: Doing the morally right thing has never made better business sense.