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Transparency Combats Human Trafficking & Slavery in the Supply Chain

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While human trafficking and slavery are criminal offenses, they still persist. In fact, our global economy tends to foster these crimes by keeping that labor component within the supply chain out of sight from the consumers of the final products. Now, lawmakers are betting that transparency, first on a state level, and, possibly, on a federal level, may help solve the problem.

On September 30, 2010, Governor Arnold Schwarzenegger signed the California Senate Bill 657, the California Transparency in Supply Chains Act of 2010 (S.B. 657). It requires businesses that operate in California to disclose what efforts they take to purge their supply chains of human trafficking and slavery. For the electronics industry, with its deep roots in the Silicon Valley, this is significant news, and it may be the seed of a bigger change.

The intention of the law is to diminish the market for the products of slavery and human trafficking by compelling companies to be transparent about the labor involved so that consumers can make an informed decision not to support such practices. As the law states, "Consumers and businesses are inadvertently promoting and sanctioning these crimes through the purchase of goods and products that have been tainted in the supply chain." Its assumption is that the truth will set people free.

The law calls businesses to respond to reveal "to what extent if any" they engage in preventing human trafficking and slavery with respect to verification, audits, certification, internal accountability and training. They do so by answering five questions:

1. Are they verifying that their suppliers comply with human trafficking and slavery laws?
2. Do they check on that compliance with audits of their suppliers? They are supposed to also clarify that the suppliers are not forewarned of the audits.
3. Do they demand suppliers certify that materials they incorporate into products are in compliance?
4. Do they uphold accountability standards and procedures for their workforce and contractors who do fail to meet the standards set for slavery and trafficking?
5. Do they train the people responsible for supply chain management in recognizing and mitigating the risks of trafficking and slavery?

The businesses subject to the law are manufacturers or sellers defined as California-based by the tax code with at least $100 million in annual gross receipts. The reporting requirements kicked in on January 1, 2012, and hundreds of companies have issued reports. But not all.

Though they had over three years to put the information out, a significant number of companies still have not done so. Know the Chain, a business and human rights resource center committed to ethical and transparent supply chains, lists them here. Those are the companies that would have received a letter from California's Attorney General's office at the beginning of April, telling them that if they fell under the law's jurisdiction, they must post the S.B. 657 information on their websites within 30 days. We shall see if such gentle persuasion suffices as it may then serve as a model future legislation.

While California remains the only state to have a law on human trafficking and slavery transparency on the books, there is a possibility for a similar law to go into effect on the national level. That is H.R.4842 - Business Supply Chain Transparency on Trafficking and Slavery Act of 2014, which, despite the name, has yet to go into effect even in 2015. According to the analysis of What Companies Need to Know About the U.S. Business Supply Chain Transparency Act, it does follow in the footsteps of SB 657, though it extends "coverage, scope, and specific reporting requirements."

Like the California law, it only applies to companies with over $100 million in gross receipts, though, as it extends to all the stats, a lot more companies would be affected. The proposed federal law also adds an additional reporting requirement, calling for the submission of annual reports to the SEC and for the SEC to share them on its website. That last clause would introduce quite a paperwork headache for companies.

Perhaps, though, the law can scale back a bit to become more acceptable and more likely to be signed into law. It would be better to expedite the spread of transparency sooner rather than later to stem the tide of human trafficking and slavery.