Forced labour: addressing the costs to accelerate prevention.

How should the costs associated with preventing forced labour be addressed and managed, from the perspective of both businesses and investors?

30 September 2025
2.00 pm–5.00 pm

Disclaimer*: this document merely reflects the discussions that took place during the seminar on 30 September organised by FIR and RHSF. It summarises the key points and ideas shared, informed by RHSF's research and analysis. It does not constitute an exhaustive report on this subject.*

In 2021, more than 200 cartoonists from 65 countries responded to the challenge launched in March and April 2021 by the International Labour Organisation (ILO) and the NGO Human Resources Without Borders (RHSF): what if your pencil were a tool against forced labour? The aim was to raise awareness, spur action and highlight the urgency of eradicating this serious human rights violation. This report presents some of the cartoons produced as part of this competition.

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Part 1: Introduction and state of the art

I. About forced labour

The International Labour Organisation provides a definition of forced labour in its Convention No. 29, dating from 1930. This text defines the *'term "forced or compulsory labour" as any work or service exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily'.*

This definition contains four key elements:

- **Work or service** refers to any type of employment relationship, whether informal or formal, involving the production of goods or the provision of services for the use of others or oneself, regardless of the activity, industry or sector, including within the informal economy.
- **'Individual'** refers to any person, regardless of age, gender, nationality, legal status, etc.
- **The threat of any form of punishment** refers to a wide range of coercive measures used to force a person to work: legal sanctions, reprisals and violence. The punishment may exist merely as a threat and may apply to both workers and their family members.
- **Did not offer** themselves **voluntarily**: this expression serves as a reminder that a worker must consent to an employment relationship of their own free will and with full knowledge of the facts, and that they are free to leave their job at any time. This is not the case, for example, when an employer or recruiter makes false promises to persuade the worker to take a job that they would not otherwise have accepted.

To define a situation of forced labour, the ILO emphasises two inseparable elements:

- Firstly, there is **a lack of free and informed consent**: the worker has not chosen their job voluntarily, or wishes to leave but is unable to do so. This may be due to false promises made during recruitment, incomprehensible contracts, or dependence arising from debt or immigration status.
- Secondly, there is **the presence of some form of coercion**, that is to say, the specific means used to compel the person to remain in the job: threats, violence, withholding of wages, confiscation of documents, isolation or fear of reprisals. It is therefore the combination of these two dimensions – the absence of consent and the use of coercion – that enables a situation of forced labour to be identified.

Determining what constitutes forced labour remains a task as complex and ambiguous as the phenomenon itself. This is why, in any given context, the approach involves seeking out and cross-referencing indicators. RHSF has grouped the ILO's 11 indicators of forced labour into four categories of indicators that help to characterise the risks of forced labour.

- **Lack of consent:** this refers to the absence of a clear expression of willingness to enter into any form of employment contract. It also involves determining whether the worker fully understands the implications of the commitment, whether they have the necessary linguistic and educational resources to understand all the terms, and whether they have access to comprehensive information on recruitment, working conditions and living conditions.
- **Coercion:** this refers to any act – whether coercion, threats, manipulation or other means – used to compel a person to act against their will, either overtly or subtly, beyond legal obligations and company rules.
- **Isolation:** this refers to the deliberate separation of individuals from their community, their family and society in general, or from any person or group likely to provide them with help, assistance or support. This isolation may be physical, social, linguistic or cultural
- **Restriction of freedom of movement**: this refers to the control exercised by employers or recruiters, or both, or even by local authorities, to restrict or prevent an individual's freedom of movement both at and outside the workplace, as well as their ability to change or leave their job if they so wish.

According to the ILO's global estimates published in 2021, **27.6 million** people are in situations of forced labour. Of this number, **17.3 million** people are victims of forced labour in the private sector, excluding sexual exploitation[1] .
Forced labour has increased in recent years. A simple comparison with the 2016 global estimates reveals that the number of people in forced labour rose by 2.7 million between 2016 and 2021. The COVID-19 crisis has contributed to this increase. Indeed, the loss of income has led many workers to fall into debt, which has fuelled debt bondage, particularly for those without access to formal credit. Furthermore, the crisis has led to a deterioration in working conditions, sometimes resulting in forced labour.

Five sectors account for the majority of total forced labour (87 per cent): services, manufacturing, construction, agriculture and domestic work. Other sectors account for smaller shares but nevertheless involve hundreds of thousands of people (mining and quarrying, forced labour on fishing vessels, street begging, and illicit activities).

Forced labour knows no borders: no region of the world is immune. For businesses, the risk of being directly or indirectly linked to situations of forced labour is therefore ever-present. Contrary to popular belief, this phenomenon

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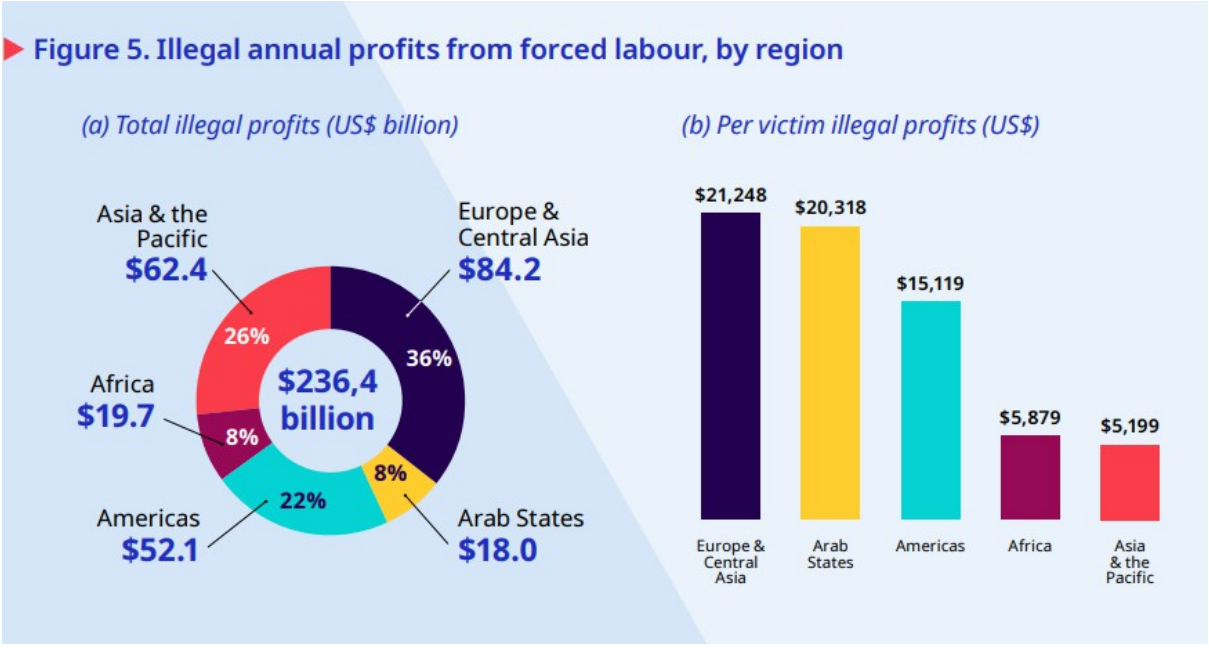
[1] *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, International Labour Organisation (ILO), Walk Free, and International Organisation for Migration (IOM), Geneva, 2022*

is not limited to the least developed countries. Indeed, it is particularly widespread in middle-income countries, which play a central role in global supply chains. These countries account for a large proportion of the production of goods exported to international markets, including Europe. Europe, moreover, is not spared. Not only is it exposed through its imports, but it is also seeing an increase within its own borders : between 2016 and 2021, this was the region of the world where the risk of forced labour increased the most. Migrant workers are the main group affected: 15 per cent of victims of forced labour are migrant workers, even though they account for only 4.2 per cent of the global workforce.

II. Illegal profits from forced labour and the necessary investment *(summary of ILO analyses)*

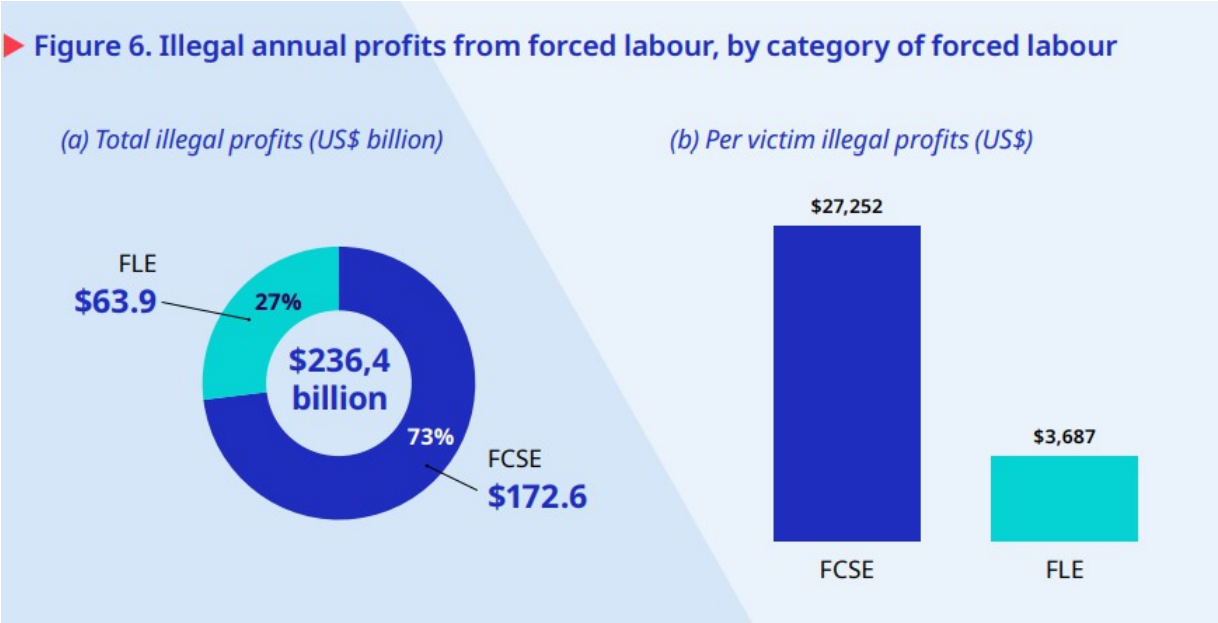
From an economic perspective, the latest 'Profits and Poverty' report by the International Labour Organisation (2024)[2] estimates that the annual illicit profits generated by forced labour in the private sector will amount to US$236 billion in 2024, a significant increase from the estimated US$172 billion in 2014[3] . These illegal financial gains represent the difference between what employers actually pay workers and what they would pay them in the absence of forced labour under normal circumstances.

Europe and Central Asia alone account for US$84.2 billion (≈ 36 per cent of the total), the Asia-Pacific region for US$62.4 billion (26 per cent), the Americas for US$52.1 billion (22 per cent),
Africa US$19.7 billion (8 per cent) and the Arab States US$18.0 billion (8 per cent).



[2] *ILO, Profits and poverty: The economics of forced labour. Second edition, Geneva: International Labour Office, 2024. © ILO*
[3] *ILO, Acting against forced labour: An assessment of investment requirements and economic benefits, Discussion paper on the economics of forced labour, Geneva: International Labour Office, 2024. © ILO.*

In terms of sectors, nearly 73 per cent of annual profits come from forced sexual exploitation (≈ US$172.6 billion), compared with 27 per cent for other forms of forced labour. In other words, the financial gain per person is very high in sex trafficking networks (≈US$27,252 per victim), compared with ≈US$3,687 for other forms of abuse.



The report notes that the illegal recruitment fees borne by workers amount to US$2.5 billion for migrant workers in situations of forced labour. It should be noted that these figures relate solely to international migrant workers and exclude internal migration. Furthermore, they relate specifically to situations of forced labour, although workers may pay recruitment fees without being considered to be in a situation of forced labour. Finally, in some countries, it is legal for workers to bear all or part of these costs. For example, Vietnam permits service charges to be levied on workers up to a limit of three months' wages.

An ILO working paper from 2024 explores the investments required to eliminate forced labour, as well as the economic implications[4] . This estimate is based on two key ILO instruments: the 2014 Protocol to the Forced Labour Convention, 1930, and the Recommendation on Forced Labour (Supplementary Measures), 2014 (No. 203). These two instruments reflect a broad consensus on the general strategies and priority areas for action as part of the global effort to combat forced labour. The Protocol sets out the obligations to **prevent** forced labour, to **protect** those subjected to it and to provide them with access **to remedies.**

The package of measures is structured around five strategic pillars:

- **Prevention:** awareness-raising campaigns targeting the general public, at-risk groups and employers, as well as information seminars for migrant workers.
- **Protection:** complaint mechanisms, training for frontline service providers (healthcare staff, teachers) and direct services for victims (accommodation, material support, healthcare, vocational training and educational support for children).
- **Redress**: legal aid and representation for victims to help them obtain redress.
- **Law enforcement:** specialised training for labour inspectors, the police and judicial officials.
- **Planning and statistics:** development of national action plans and data collection to inform policy.

The total investment required to implement this set of measures globally is estimated at **US$212 billion**. This amount represents approximately **0.14 per cent of global GDP**, which highlights the financial feasibility of this action. The majority of the costs (nearly half) are allocated to measures aimed at protecting victims.

The report also highlights that **delaying action increases costs**. Phased implementation up to 2030 would cost US$222 billion, whilst postponing action until 2045 would increase the investment to US$246 billion, due to the rise in the number of victims.

In return, government investment in measures to eradicate forced labour would lead to an increase in global GDP of **US$611 billion**, or **0.41 per cent of global GDP.** This rise in GDP would also generate an estimated US$114 billion in additional tax revenue, freeing up public resources for other investments. This economic gain also represents a transfer of illegal profits (estimated at US$236 billion per year) to the freed workers and the formal economy.
The report states that these figures are a conservative estimate. They do not take into account other positive 'growth effects', such as:

- Improved **health** and productivity among workers.
- Incentives to invest in **skills** and human capital.
- A boost to **innovation**, as businesses would no longer be able to rely on a cheap and exploited workforce.
- The creation of a **more level playing** field for law-abiding businesses.

In this first part, the focus has been on government action. However, eliminating forced labour also entails costs for other stakeholders: businesses, investors and consumers. The second part examines these cost issues in relation to preventing forced labour through three key areas: what the costs are and how they should be allocated, how they can be treated as an investment, and what the potential funding mechanisms might be.

Part 2: Feedback on the breakout group discussions

I. The costs of preventing forced labour

The first step involved participants drawing up a non-exhaustive list of the various costs that come into play when discussing the prevention of forced labour. These costs can be classified into three main categories.

Prevention and compliance costs — proactive investments: this category covers expenditure incurred in setting up systems designed to identify, prevent and mitigate the risks of forced labour.

- **Time and salaries of experts dealing with the duty of care:** human resources within companies dedicated to risk prevention management, risk mapping, etc.
- **Compliance costs:** all expenditure incurred to comply with international standards, laws and local regulations.
- **Risk mapping and assessment tools:** the purchase or development of software and methodologies to map and analyse risks.
- **On-site audits:** costs of inspections and checks at suppliers' and subcontractors' premises to ensure compliance with standards.
- • **Certification/scheme:** costs of obtaining and maintaining certifications that attest to good practices.
- **Artificial intelligence/blockchain:** investment in technologies to improve supply chain traceability and transparency.
- **Internal and external training costs:** raising awareness and building the skills of employees and partners on issues relating to forced labour.
- **Internal and external communication costs:** expenditure related to transparency, reporting and stakeholder awareness-raising.
- **Complaints and whistleblowing mechanisms:** establishing secure channels for workers to report abuses.

Operational and supply chain costs: these costs are directly linked to commercial activities and relationships with suppliers.

- **Purchase prices:** potential increase in the price of goods and services to avoid placing excessive pressure on suppliers.
- **Worker recruitment costs:** investment to ensure ethical recruitment practices (the 'zero recruitment costs for workers' policy).
- **Wages for affected workers:** ensuring fair and decent pay, which may involve higher costs than local practices.
- **Social protection:** costs associated with providing social security cover (health, pensions, accident insurance) for workers across the supply chain.

Penalty costs and negative consequences (materialised risks): this category includes costs incurred when cases of forced labour are confirmed, representing the failure of preventive measures.

- **Remediation:** costs incurred to rectify identified violations (e.g. reimbursement of recruitment costs, improvement of housing conditions).
- **Fines and litigation:** financial penalties imposed by the authorities and legal costs associated with legal proceedings.
- **Reputational costs:** loss of brand value, consumer boycotts and loss of investor confidence. This is often the highest cost and the most difficult to quantify.
- **Loss of key partners:** severing of business relationships with customers, distributors or partners who do not wish to be associated with such practices.
- **Cost of disengagement:** loss of the investment made in building a relationship with a supplier, and costs associated with finding and vetting a new partner.
- **Loss of competitiveness:** may result from increased production costs or damage to the brand's image.
- **Product destruction:** direct financial loss if products manufactured under conditions of forced labour have to be withdrawn from the market and destroyed (future European directive).
- **Increased cost of capital:** more difficult or more expensive access to funding from investors and banks that incorporate ESG criteria.
- **Loss of access to certain markets:** exclusion from public tenders or from clients with strict ESG requirements.

Investors say they are more concerned about the costs associated with expert advice and the time spent dealing with these issues, as well as the reputational cost in the event of problems or controversies.

Possible courses of action need to be explored in greater depth to promote a fair sharing of costs amongst the various stakeholders. A next step with the participants is to quantify these costs so that the sharing of costs amongst stakeholders – including, in particular, public authorities – can be considered. In this regard, the participants also mentioned an **increased role for public authorities** as a way of pooling the costs associated with the prevention of forced labour. This did not merely involve creating shared audit platforms or subsidising certain certifications, but above all considering the possibility that audits could be carried out directly by the competent authorities (for example, the labour inspectorate). Such an approach would ease the financial burden on companies and their suppliers whilst guaranteeing the neutrality and credibility of the monitoring process.

More broadly, the discussions highlighted the need for enhanced cooperation between all stakeholders — public authorities, civil society (NGOs), businesses, suppliers and, where relevant, local communities. Participants expressed the need to establish a multi-stakeholder dialogue forum

designed to optimise overall risk management: clarifying each party's role, defining a fair distribution of responsibilities and financial contributions, and ensuring more effective coordination of the actions undertaken.

II. Costs as investment

One key point raised by participants was the need to shift from **recurring expenditure to sustainable investment.** The traditional compliance model relies on social audits. However, these audits are not only costly but often insufficient. They treat the symptoms without tackling the root causes of forced labour. As a result, the problems persist, requiring further audits and expenditure, creating a costly and inefficient cycle.

Investment involves shifting resources from repetitive audits to targeted on-the-ground actions, in collaboration with local stakeholders. By tackling the problem at its source, the company **contributes to long-term stability**, reduces the need for future audits and secures its supply chain.

Another challenge is **anticipating legal risks**. The regulatory framework is becoming stricter (duty of care, the CSDDD in Europe, the directive banning products derived from forced labour), including financial penalties for non-compliance. Although fines may be perceived as light and are currently rarely imposed, one participant highlighted the example of the GDPR, which forced companies to adapt following the first fines and to take this regulation more seriously. Investing today therefore means **anticipating future obligations** and avoiding financial penalties down the line.

Finally, consideration is given to **strengthening a company's reputation**. In this regard, a proactive and transparent approach can become an asset. For a company, discussing these issues may lead to a loss of customers. In the short term, transparency can be a risk: some customers may turn away from companies that acknowledge their risks, whilst others may be accused of 'social washing'. However, as some participants point out, in the long run, this commitment can build customer loyalty and attract talent.

III. Investment mechanisms

To ensure that the prevention of forced labour is not perceived merely as a cost centre but as a strategic investment, as discussed above, it is essential to put in place innovative financial mechanisms. These approaches aim to share the financial burden and create positive incentives for all stakeholders. The workshop highlighted three main levers.

The isolated efforts of a single company, however committed it may be, quickly reach their limits when faced with a problem as systemic as forced labour. **Pooling resources** therefore emerges as a possible strategy for moving beyond individual compliance and generating a collective impact. In practical terms, pooling resources can cover several aspects:

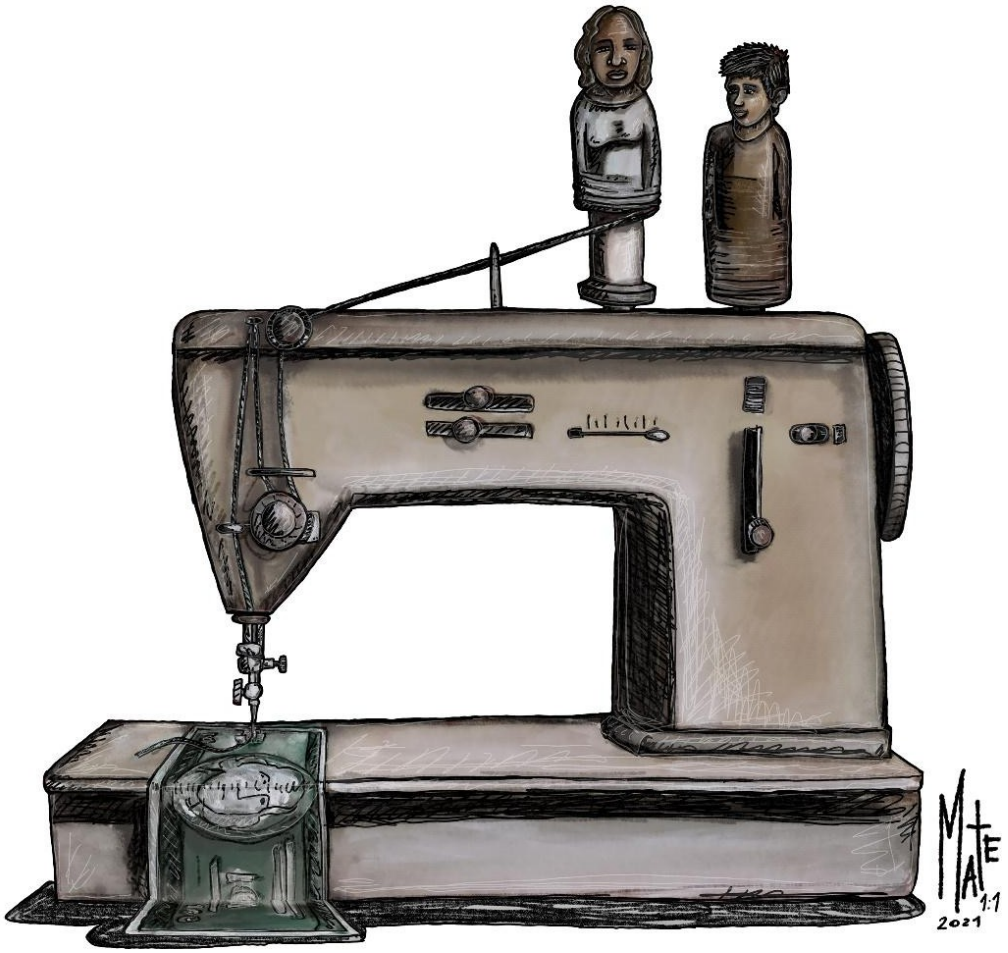
- **Risk identification and data collection:** rather than each company conducting its own costly and repetitive audits, a sectoral consortium can fund in-depth risk assessments in specific regions or supply chains. The data collected is then shared, providing a clearer and more reliable picture of areas at risk.
- **Development of common tools and methodologies:** stakeholders can co-fund the creation of standards, tools or technological platforms that benefit everyone.
- **Co-ordinated remedial action:** when a case of forced labour is identified at a subcontractor shared by several companies, collective remedial action (for example, reimbursement of recruitment costs) is not only more effective but also less of a financial burden for each participant.

The costs associated with preventing forced labour could be **distributed fairly throughout the supply chain**. This marks a break with the model in which clients impose ethical requirements on their suppliers whilst continuing to exert maximum pressure on prices, trapping them in a vice of conflicting demands. Consideration should be given to the percentage of these costs borne by each economic actor.

An **incentive-based financial** approach could link financial performance to social performance via key performance indicators (KPIs). These KPIs can be developed both by investors in relation to the companies in which they invest, and by companies in relation to their own suppliers and subcontractors. A bonus/penalty mechanism could be put in place. A supplier that meets or exceeds its social KPIs may benefit from tangible financial incentives. Conversely, a supplier that makes no progress or regresses on these indicators could face stricter terms and conditions, within the limits of contractual and legal obligations. Certain *'Sustainable Supply Chain Finance'* programmes developed by financial institutions already exist. These encourage suppliers to adopt more sustainable practices by offering them financial incentives. Financing rates are linked to their sustainability performance, assessed on the basis of environmental, social and governance (ESG) criteria. The more sustainable a supplier is, the better the

financial terms they receive, which helps to improve the sustainability of the entire supply chain.

However, participants see some limitations to the implementation of these mechanisms. **Competition** between stakeholders can dampen the willingness to collaborate on issues perceived as a competitive advantage. **Data confidentiality** may make companies reluctant to share information about their supply chain. **Regulatory frameworks**, particularly competition law, can sometimes act as a barrier to such initiatives if they are not properly regulated.



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Part 3: RHSF's experience

When a company incorporates its commitment to vigilance regarding the risks of forced labour into its general and operational policies, it faces a predictable increase in costs, linked to the gradual rise in labour costs throughout its supply chains. In areas where communities are particularly exposed to these risks, current labour costs do not, or only very inadequately, reflect the expenditure required to ensure genuine protection for workers and their families.

I. The investment in the prevention is it cost-effective?

As demonstrated by the ILO report on the investment required to eliminate forced labour (see Part II), every dollar invested generates nearly three dollars in benefits for the global economy. This macroeconomic analysis, which focuses on government action, highlights a key reality: the cost incurred today represents a gain for tomorrow.

History also reminds us that any transition towards fairer models requires an initial investment. In the 19th century, when slavery was abolished in the colonies, France and the United Kingdom had to mobilise considerable financial resources to ensure their legislative reforms were effectively implemented. Similarly, the contemporary fight against forced labour requires a comparable commitment to investment, based on the conviction that social justice and economic performance go hand in hand.

Logic dictates that this macroeconomic return *must be translated* to the microeconomic level of the company and the investor in order to assess, in concrete terms, the impact and profitability of the efforts made by companies to prevent forced labour. This ensures that the investment benefits everyone, and first and foremost the workers concerned.

A field trial conducted by RHSF at a pilot factory in Malaysia has shown that it is possible to shift from a cost-based approach to a genuine sustainable investment approach. The company involved chose to increase its operational expenditure to strengthen the protection and well-being of its workers: it improved housing conditions, extended social security cover, enhanced workplace safety, reviewed its recruitment practices and invested in training and social dialogue. These efforts, initially perceived as an additional cost, proved profitable in the medium term. The company's productivity rose by 17 per cent and staff turnover fell by 56 per cent. Beyond these quantifiable results, the company has consolidated its stability and reputation, placing itself in a favourable position to meet its customers' growing expectations regarding due diligence and worker protection. The reduction in staff turnover also illustrates a deeper shift: workers, who are treated with greater respect and whose views are taken more seriously, are making a lasting commitment to collective success. By adopting an approach

focused on prevention and investment in people, the company has laid the foundations for a socially responsible and economically sound model. This experience confirms that the prevention of forced labour should not be seen as a cost to be absorbed, but as a driver of long-term performance and resilience.

II. What are the real costs of prevention?

These economic arguments, both macro and micro, are somewhat undermined by the lack of precise figures at company level.

Thus, the sustainability of the system depends first and foremost on accurately identifying the true cost of the necessary investments. Once a list of costs has been drawn up, the next step is to quantify these associated costs. For example, implementing fair recruitment requires, amongst other measures, the establishment of a business model that ensures the recruitment agency can cover its costs and generate reasonable margins. The transition to a *'zero fees for workers'* model inevitably entails additional costs, which raises the crucial question of how these costs should be shared amongst the various stakeholders. Some companies have sufficient resources and bargaining power to absorb these costs or pass them on to their clients, whilst others have far less capacity to do so. One of the main challenges will therefore be to support SMEs and recruitment agencies – which are often constrained by limited cash flow – in managing these additional costs and their liquidity needs. Without such support, these stakeholders may be unable to make the transition to a model that genuinely protects workers and prevents the risks of forced labour. This discussion raises two crucial issues: the quantification of costs and their sharing amongst stakeholders, a point that was discussed at length during the seminar.

III. Penalties and avoided costs: a sufficient deterrent?

Two main categories of costs can be distinguished: on the one hand, costs incurred, comprising prevention expenditure and associated operational costs; on the other hand, costs avoided, such as penalties or expenditure related to remedial measures. The main challenge is therefore to determine whether the level of risk and the potential associated penalties are sufficiently dissuasive to encourage economic actors to allocate resources to prevention.

In some cases, low fines may limit their deterrent effect. For example, a plastics company was investigated and fined 250,000 ringgit (approximately 52,000 euros) for housing 325 workers in a dormitory designed to accommodate a maximum of 30 people. This example highlights a fundamental question: **is the level of financial risk involved really sufficient to encourage companies to invest sustainably in improving workers' accommodation conditions**? In the absence of additional sanctions – such as restrictions on business operations, licence suspensions or damage to reputation – **the amount of the fine appears limited**

compared to the savings generated by non-compliance. This disproportion tends to reduce the deterrent effect of the system and, de facto, to weaken its preventive effectiveness[5]. If the cost of the penalty (or avoided cost) is lower than the investment in prevention (incurred cost), rational economic calculation encourages violation or inaction.

The coexistence of a positive return on investment (as in the RHSF pilot scheme) and sanctions that remain limited (as in the case of the plastics company) highlights a complex reality. Furthermore, the fundamental **contradictory demands** must be addressed: clients can no longer demand ever-lower prices whilst at the same time demanding perfect ethical compliance.

For companies' financial calculations to shift in favour of prevention, two mechanisms could be activated in tandem. On the one hand, the market lever – or the 'carrot' – involves demonstrating that investment in risk prevention generates positive added value. On the other hand, the legal or financial lever – or the
'stick', aims to make non-compliance financially unsustainable. This is precisely the aim, for example, of new European regulations, such as the CSDDD and the regulation on the prohibition of the placing on the market of products derived from forced labour, which are not limited to fines but provide for structural sanctions such as exclusion from the market and the destruction of products — a cost which, by its very nature, exceeds any investment in prevention.

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[5] *Malay Mail. "HR Ministry: Plastics Manufacturer in Johor Under Probe for Unfit Accommodation for 325 Foreigners." Malay Mail, 25 September 2023.*