

Forced labour in the Malaysian medical gloves supply chain during the Covid-19 pandemic

Research Summary

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Authors Mahmood Bhutta (University Hospitals Sussex NHS Foundation Trust and Brighton & Sussex Medical School), Ben Bostock (Impactt Limited), James Brown (Newcastle University), Emily Day (Impactt Limited), Alex Hughes (Newcastle University), Rosey Hurst (Impactt Limited), Alexander Trautrim (Rights Lab, University of Nottingham), Mei Trueba (Global Health Department, Brighton and Sussex Medical School and University of Sussex)



Research by



This is a Research Summary of *Forced Labour in the Malaysian Medical Gloves Supply Chain during the Covid-19 Pandemic: Evidence, Scale and Solutions*, a Modern Slavery and Human Rights Policy and Evidence Centre (the Modern Slavery PEC) research project, funded by the UK Arts and Humanities Research Council. The full report can be accessed at www.ncl.ac.uk.

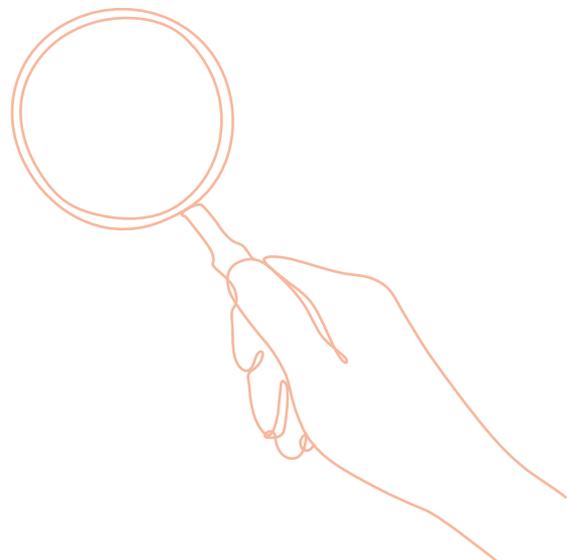
The views expressed in this report are those of the authors and not necessarily of the Modern Slavery PEC. This project was funded through an open call for proposals to examine the impacts of the Covid-19 pandemic on modern slavery.

Background

This research focused on labour issues and indicators of forced labour in the production of medical examination gloves in Malaysia, and supply to the UK's National Health Service (NHS), during the Covid-19 pandemic. Against the backdrop of an already challenging situation regarding working conditions in this sector, the pandemic placed further pressure on labour standards, due to significantly increased demand for gloves and risks associated with Covid-19 transmission among workers. Both before and during the pandemic, the US placed import bans on gloves produced by two major manufacturers in Malaysia due to findings of forced labour. The research sought to evidence the scale of forced labour in the Malaysian medical gloves supply chain during the pandemic and identify opportunities for positive change to prevent and remediate labour issues.

Methodology

This research was conducted between August 2020 and April 2021. It took a supply chain approach, including a survey of 1,491 (mainly migrant) workers in Malaysia, 11 interviews with migrant workers and 14 interviews with manufacturers in Malaysia and with government officials, suppliers, and procurement managers in the UK. Surveyed workers and interviewees were asked about their experiences prior to and during the pandemic.

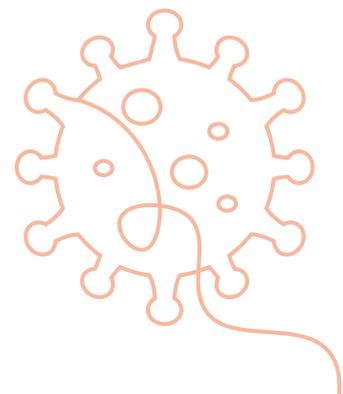


Key findings

- Increased demand for medical gloves during the Covid-19 pandemic led to a significant change in operation of the supply chain for medical gloves from Malaysia to the UK's NHS. There was a shift in power towards manufacturers with decisions about distribution, pricing, and payment terms more firmly in their hands, increased pressure on existing workers and reduced opportunities for ethical procurement.
- Labour issues in this supply chain are longstanding. Using the ILO's indicators of forced labour as a framework, our research found evidence of all forced labour indicators before and during the Covid-19 pandemic, with evidence that four of the 11 indicators worsened during the pandemic. In addition, there was a significant risk of transmission of Covid-19 among workers in glove factories.
- The ongoing presence of forced labour indicators demonstrates a need for existing legislative and policy measures to go further to address modern slavery, labour exploitation and poor working conditions in supply chains.

Medical gloves supply chain shifts and implications for labour during the pandemic

- Annual consumption of medical examination gloves in the pandemic increased almost fourfold in England and Scotland. To meet this demand in England, a parallel supply chain to the centralised one coordinated by NHS Supply Chain was set up by the Department of Health and Social Care, involving swifter than normal due diligence checks on suppliers, often working through embassies and high commissions. Additional suppliers were also taken on by other home nations through their separate procurement systems.
- Increased global demand for medical gloves during the pandemic led the Malaysian gloves industry to grow rapidly, with prices estimated to have quadrupled. Production in Malaysia increased from some 187 billion pieces in 2019¹ to around 220 billion in 2020 and an estimated 280 billion in 2021 and Malaysia's earnings from the sector increased by 103% in 2020.²
- Power in the gloves supply chain shifted towards manufacturers, with decisions about distribution, pricing, and payment terms more firmly in their hands.



1. Harper J. Rubber glove shortage exposes migrant worker abuse in Malaysia. Deutsche Welle 27th April 2020 <https://www.dw.com/en/rubber-glove-shortage-exposes-migrant-worker-abuse-in-malaysia/a-53256054>.

2. Reuters (2021) Malaysian rubber glove group says demand to outstrip supply until 2023, 15 March: <https://www.reuters.com/article/us-malaysia-gloves-idUSKBN2B709W>.

'There is work pressure for a fast pace as the number of machines is the same and the output is also the same but the workforce is slowly decreasing as many workers have already returned home and new workers are not being recruited due to COVID so we need to cover for them'

Male Nepali worker

- The pandemic increased demand for workers to meet rising production needs. It also made it challenging to hire new workers due to the Malaysian government freezing foreign labour recruitment as part of mobility restrictions to contain the virus. Companies, who pre-pandemic mainly employed migrant workers, turned to hiring local workers, but persistent under-staffing effectively put additional pressures on workers. Covid-19 also increased risk to health both in the workplace and in their accommodation.
- In-person audits of factory labour standards had to stop at the height of the pandemic, and assurance had to be conducted remotely. This made ethical procurement even more distant and desk-based than it had been before the pandemic through the NHS's Labour Standards Assurance System. Modern Slavery statements and commitments to assure labour standards were included in contracts, but the means for auditing and verifying those statements and commitments have been limited.

Evidence of forced labour during the pandemic

Using the 11 ILO Forced Labour Indicators as reference points, our research finds the following evidence of labour issues in the sector during the pandemic.

Longstanding issues associated with six of the indicators – **abuse of vulnerability, deception, physical and sexual violence, intimidation and threats, retention of identity documents, and withholding of wages** – were shown to *remain constant during the pandemic*.

- Abuse of vulnerability is a forced labour indicator when employers take advantage of a person's vulnerable position. For example, in Malaysia, the restrictive conditions of work permits, incorrect work permit information, and the requirement for workers to serve three years of a contract (renewable) unless they pay their way out, serves to heighten vulnerability. In our survey 36% (540) of workers reported not having a work permit covering the place they currently work at, with reasons for incorrect permits including factories having multiple sites with a work permit only attached to one of them, or work permits being for the subcontractor and not the employing company.

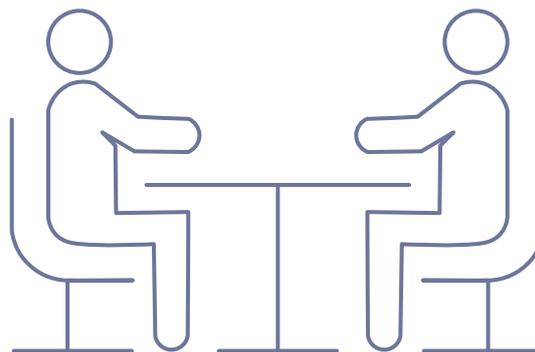
'I have brought to the management's attention to change my permit because it's for a different city but no one does anything (...) I am afraid what to do if I get stopped by police one day'

Male migrant worker

- Deception can be a forced labour indicator if workers do not have free and informed consent about work conditions they would not accept if they did. Indicators of deception were present in our data. For example, 9% (135) of surveyed workers reported a job or job location different from their contract, 39% (581) were unsure if their employment terms were as specified in their contract, and 13% (190) of workers reported receiving a lower salary than they were advised during recruitment. Deception often happens at the recruitment stage, which was not possible to measure during the pandemic because of the freeze on recruitment of migrant workers.
- 6% (90) of surveyed workers report that they have experienced or witnessed physical or sexual violence. However, subtle forms of violence were more common, in the form of intimidation, and verbal and psychological violence.
- Before migrating, 31% (455) of surveyed workers (and particularly those employed via subcontractors) reported that their recruitment agency had threatened or intimidated them to prevent them from speaking about recruitment fees. Post-migration, workplace intimidation is centred around ensuring productivity, impeding contract terminations, and inhibiting workers from raising individual and collective grievances.

‘The way for me to express my voice and concern within the company is [via] my supervisor in the workplace and [via] the warden in the hostel ... It doesn’t matter though because the company responds to nothing (...) so we don’t report any issues...’

Male Nepali worker



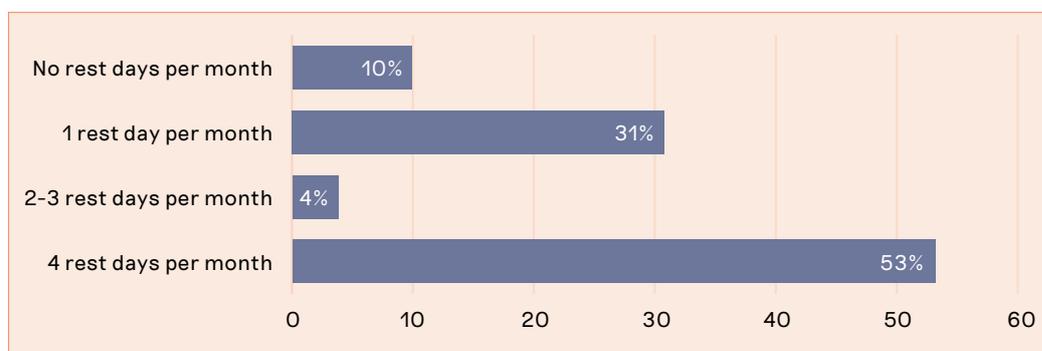
18% of workers are uncomfortable raising a grievance with HR.

- 57% (856) of surveyed workers reported that their recruitment agency and/or associated broker had kept their passports whilst processing their job applications. Once in Malaysia 8% (113) of workers surveyed had their passports kept by the company. Greater governmental scrutiny and employer awareness of passport retention as a forced labour risk has led to some companies in the sector returning passports to workers.
- Withholding of wages does not appear to be a major issue in the medical gloves industry, although some irregularities may occur.

Issues associated with the indicators of **restriction on movement, isolation, abusive working and living conditions, and excessive overtime**, are also entrenched but were *exacerbated by the pandemic*, through the direct health and safety risks of Covid-19 and from pressures placed on production by increased global demand for gloves.

- Covid-19 and the worker shortage has hampered the ability of some workers to take leave. Workers also reported confinement to accommodation stricter than that required by government Covid-19 restrictions. Although there are a small number of cases where migrant workers live off site in accommodation of their choosing, over 99% of the migrant workers surveyed lived in accommodation provided by their employers. Most of this accommodation is built, owned, and managed by the employers on the factory sites.
- Both factories and workers' accommodation are often located in difficult to reach zones, in industrial estate areas located relatively far from the city. This physical isolation, which worsened during the pandemic, generates social isolation in that workers do not interact with the general population in Malaysia.
- Accommodation was a key issue of concern, with more than half of surveyed workers reporting it to be congested, leading to a lack of privacy, insufficient toilets, and overheating. For a section of the workforce, there were also concerns over safety within accommodation. In late 2020 the situation worsened when the industry was hit by a series of Covid-19 outbreaks affecting factories across the sector, with thousands of cases among workers. The Malaysian government identified overcrowded and substandard dormitories as a key reason for the outbreaks.
- Our research confirmed long working hours. Surveyed workers worked a mean average of 12.02 hours a day. 12 hours is the longest working time (exclusive of breaks) permissible under Malaysian law. Workers report that overtime is mandatory and they often viewed it as an opportunity to increase earnings. However, a small number of workers were pushed over these limits. Many workers reported not receiving their statutory entitlement of a rest day per week. This appears to have worsened during the pandemic in the context of demands on the industry.

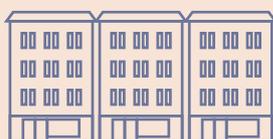
Rest days reported by surveyed workers (%)



'Since Covid-19 started there were huge working hours. Even I worked 15 hours a day and as there was no weekly day off since before Covid, continuously I worked 29 days a month. And additional hours are paid as overtime calculation... I feel pressured to work overtime as managers always say there is a lot of glove demand and less workforce... but I will need to work at fast pace because even though there is less workforce we need to finish certain targets every day anyway'

Male Nepali worker

Multiple, pervasive issues with living conditions reported by surveyed workers:



51% reported congested accommodation



32% reported privacy issues



24% reported insufficient number of toilets



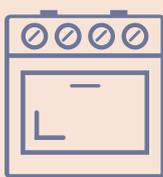
30% reported insufficient or lack of fans



35% reported issues with recreational facilities



48% reported dissatisfaction with the quality of food



45% reported an issue with hostel kitchens



18% of workers feel unsafe at their accommodation

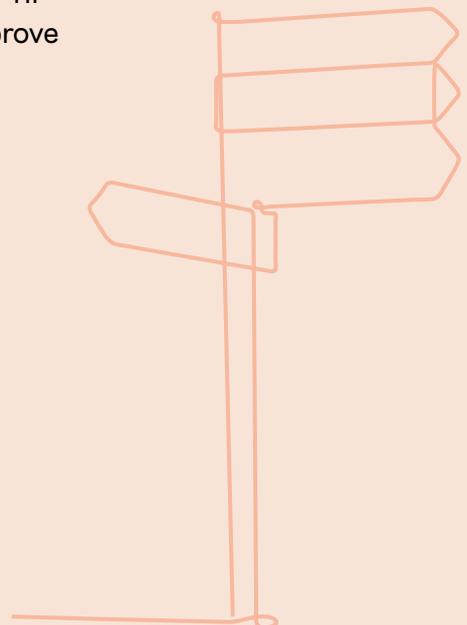


6% reported a problem with fire safety

Issues connected with one indicator – **debt bondage** – have *improved during the pandemic*. High recruitment fees and associated loans mean that workers are tied to employers at least until debt is repaid. Particularly in the first year of their employment, many workers in the medical gloves industry are at high risk of debt bondage. There has been some improvement during the pandemic with movement in the sector towards reimbursing recruitment fees. US import bans in 2019 and 2020 on two Malaysian manufacturers on grounds of forced labour appear to have been influential in promoting wider commitment in the sector to reimbursement. A quarter of surveyed workers reported receiving some reimbursement of fee from their employer.

Opportunities for addressing forced labour

- Evidence of endemic forced labour in the medical gloves sector shows that current systems for addressing labour standards have limited effectiveness. The shift in the balance of power from the supplying intermediaries and buyers to the manufacturers, and the ability of manufacturers to charge higher prices for gloves, has not translated sufficiently into remediation of forced labour, despite some attempts at redress.
- Organisations at all stages in the supply chain, as well as governments in producing and consuming countries, are involved in initiatives to tackle forced labour, but there remains an unclear distribution of responsibility for labour standards through a long and fragmented supply chain.
- In the UK's NHS, a process is underway to improve upon the current Labour Standards Assurance System, and a training programme in ethical public procurement has been initiated by the UK government.
- The UK government's Transforming Public Procurement Green Paper was published in 2020 to propose changes to public procurement following EU exit. It indicates potential changes in approach to social factors, which can include forced labour, in public sector supply chains. The UK government's Procurement Bill also promises change.
- The Malaysian government has tackled forced labour under the National Action Plan on Anti-Trafficking in Persons 2016-2020, however the ILO stated that the Plan's activities were insufficient. In March 2021 the Ministry of Home Affairs launched the National Action Plan on Anti-Trafficking in Persons 2021-2025 (NAPTIP 3.0), and it remains to be seen whether this will improve on its predecessor.
- In parts of the Malaysian medical gloves industry there was recognition of labour standards issues and willingness and efforts to reform employment practices. However, engagement has been uneven across the industry, with variable employment practices and attitudes to labour management across companies.



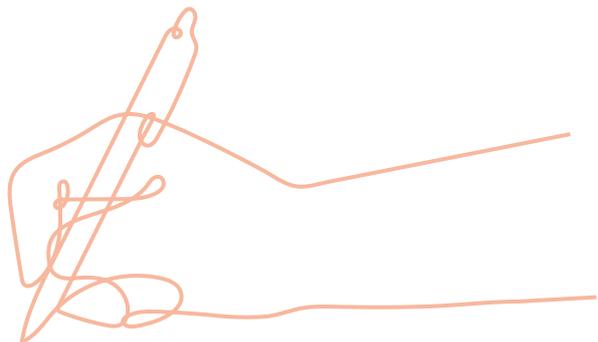
Priority recommendations

The full research report identifies a comprehensive set of recommendations that address the issues identified by the evidence. Priority recommendations are:

- Purchasing power of governments must be leveraged in ways that mandate greater transparency in supply chains and more meaningfully address labour and working conditions. They should ensure that social values, decent work, and specifically the prevention and remediation of modern slavery and forced labour, are firmly embedded in procurement legislation (for example, through the planned Procurement Bill in the UK). Government procurement should positively incentivise decent work assurance and avoid short-term transactional purchasing behaviour where possible.
- Procurement organisations, as well as intermediary suppliers sourcing gloves from either their own manufacturing facilities or separate producers and supplying them to the NHS, should require evidence of forced labour diagnosis and remedy as a condition of contract.
- Manufacturers should provide functioning, confidential external grievance mechanisms (e.g. helplines) operated by independent third parties for workers and those being recruited.
- Manufacturers should also engage with third-party expert support to diagnose forced labour indicators and develop robust corrective action plans.
- Workers should engage with the third-party grievance mechanisms and also with worker representatives where these exist, to report issues whenever possible.
- Manufacturers, the Malaysian government, and governments and recruitment agencies in migrant workers' countries of origin should work together to monitor and improve labour recruitment processes, especially to eliminate fee payment, and provide workers with accessible and accurate information about available jobs. Due diligence in procurement should include prevention, mitigation, and remediation of debt bondage connected to recruitment fees.

Areas for further research

The shift in power to the manufacturers witnessed during the Covid-19 pandemic is unlikely to be permanent, and it is important for improvements in labour standards to be part of future supply chain resilience strategies. One area for further research is to evaluate how UK public procurement performs in relation to issues of social value and the remediation of modern slavery through revisions to UK procurement legislation following EU exit. Evaluation of NHS Supply Chain's evolving systems for labour standards assurance and the UK government's training modules for ethical public procurement are other important research areas. We also recommend research into the labour recruitment chains operating between migrant workers' countries of origin and their country of employment, and to logistics workers in supply chains.



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Modern Slavery and Human Rights Policy and Evidence Centre
c/o British Institute of International and Comparative Law
Charles Clore House, 17 Russell Square, London, WC1B 5JP

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office@modernslaverypec.org

www.modernslaverypec.org