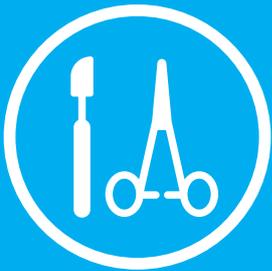
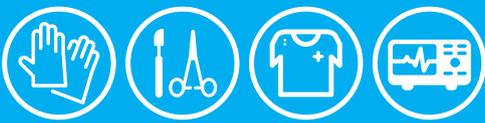


2

Exploitation in Medical Goods Supply chains





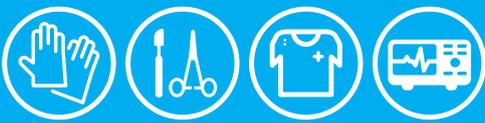
Exploitation in Medical Goods Supply Chains

Asia is a key actor in global supply chains because of its low-cost labour, while many African countries are important suppliers of precious metals, often used in the production of electronics. While export of manufactured goods and natural resources are important economic contributors, there are concerns about the conditions to which workers in these regions are subjected, which are often exploitative and infringe on their human rights.¹⁶

Apart from the use of low-cost labour, the growing cohort of migrant labourers exacerbates labour exploitation and human rights abuses. Asian manufacturing is highly reliant on migrant labourers, who arrive through government organised programs as well as illegally. For example, in Malaysia there are over 3 million migrant workers, while in Thailand there are estimated to be at least 1.8 million, mainly from neighbouring countries such as Myanmar, Cambodia and Laos.¹⁷

Because of their insecure status, migrant workers often perform work that domestic employees will not do because it is deemed dirty or hazardous. To their further detriment, migrant labourers are often recruited by third parties that charge high fees – which sometimes need to be repaid through bonded-labour – and are known to limit freedom of movement by confiscating passports. Migrant workers comprise a vulnerable group who are systematically marginalised, putting them at great risk of human rights abuses.

Free trade agreements and export zones also undermine decent work: labour provisions in trade agreements are often weak and have inadequate enforcement mechanisms¹⁸, while export zones often loosen regulation to attract investment and companies, thereby undermining workers' rights. This is despite the fact that recent research by the ILO shows that labour provisions in trade agreements do not lead to a reduction or diversion of trade flows, but actually increase the value of trade on average.¹⁹



Another aggravating factor is the increasing precariousness of employment in Asia: contract labour and fixed-term work are becoming increasingly common, putting workers in positions where they are more easily exploited.²⁰ Precarious work holds down wages by denying workers basic labour rights, for example by frustrating efforts to form or join unions and to bargain collectively.²¹ Workers are also less likely to raise concerns for fear of dismissal.

Freedom of Association is an important instrument to protect against exploitation. Yet, in addition to workers being undermined by precarious work, many governments in Asia are involved in anti-union activities: either by manipulating the industrial relations system and not allowing independent unions, or by not permitting groups such as migrants to join unions, or by failing to enforce labour regulations.²²

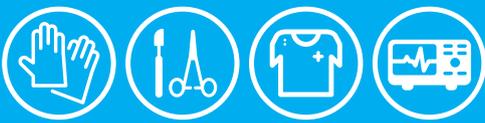
These developments have also impacted on medical goods supply chains. The production of gloves, surgical instruments, clothing and electronics, as well as the sourcing of rubber and metals, are linked to abuses such as extreme working hours, inadequate pay, forced overtime, excessive recruitment fees, confiscation of passports, anti-union activities, poor safety, below-standard accommodation, physical and mental abuse, and forced and child labour.²³

Gloves

The medical gloves industry produces 150 billion pairs of gloves each year, most of which are manufactured in Malaysia, Thailand and Sri Lanka, leading to \$US 5.2 billion in revenue annually.²⁴ The manufacturing of gloves is characterised by a number of risks, particularly (accidental) exposure to toxins²⁵, handling of chemicals without adequate training and equipment²⁶, as well as exposure to extreme temperatures and dangerous noise levels.²⁷

In addition to hazardous working conditions, workers' rights are also systematically violated. For example, at the production facilities of Australian company Ansell in Sri Lanka, severe production targets resulted in workers fainting and urinating in their work stations. In addition, workers were paid less than \$US 80 cents per hour without overtime pay, and the dormitories were found to be sub-standard.

“ Precarious work holds down wages by denying workers basic labour rights, for example by frustrating efforts to form or join unions and to bargain collectively. ”

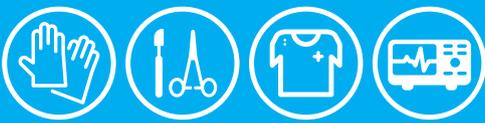


After concerns were raised, Ansell initially did not engage with workers and union representatives, and the local Sri Lankan trade union president was reportedly assaulted. The repercussion of a strike at the Sri Lankan Ansell factory in 2013, in sympathy with 11 dismissed workers, was the further dismissal of almost 300 workers.²⁸ After years of campaigning and dialogue, IndustriALL Global Union and its Sri Lankan affiliate have finalised a Memorandum of Understanding with Ansell that sees the majority of workers rehired.²⁹

Migrants working at the Malaysian Ansell factory were charged recruitment fees equivalent to three months' worth of wages by labour hire companies and while employed had their identity documents confiscated. In addition, following a strike ten worker representatives were dismissed. In response, Ansell hired audit company Goodpoint to inspect its Malaysian production facilities in early 2016. The audit found that identity documents had been returned to employees, while recruitment fees are now handled by the factory itself.³⁰

In January 2016 Ansell supplied the audit report to labour rights organisation Finnwatch. It found that workers are no longer contractually obliged to work overtime and passports were returned to migrant workers. Furthermore, the factory itself now pays the recruitment fees, while migrant workers are now also allowed to resign before the end of their contract. Ansell's employment contract also no longer prohibits migrant workers from joining trade unions.³¹

Ansell is not the only glove manufacturer that has been tainted by health and safety concerns and labour and human rights abuses. In March of 2016, a fire partially destroyed a facility of Malaysian company Comfort Glove.³² At another Malaysian company, Top Glove, allegedly the world's largest glove manufacturer, there have been reports of abuses that involve illegal detention of employees, being forced to hand over ATM cards and PIN codes while being physically threatened, and being beaten by security guards.³³



The Swedish NGO Swedwatch uncovered that workers at Kossan, a Malaysia-based glove manufacturer, laboured for 12 hours a day, seven days a week without receiving pay for overtime. Kossan mainly employs migrant workers whose employment is highly insecure, with tenure ranging from one year, day-to-day and even ad hoc employment. None of the workers received a contract.³⁴ In addition to passports being confiscated, not receiving a payslip, and wages being withheld without reason, workers were also physically harassed.³⁵

Thai-based glove company Sempermed also mainly employs migrant workers, who are subjected to harsh work regimes and the threat of dismissal if targets are not met. Workers routinely labour for 13 hours a day, being denied overtime pay, a contract, payslips, or leave entitlement. Migrant workers must pay excessive recruitment fees and a monthly fee for work permits, while being regularly asked to work 100 hours of overtime each month.³⁶

Although the contracts of migrant workers at Sempermed are now available in their native language, the Burmese version did not mention a salary of triple their normal pay for overtime on national holidays. The Burmese contract also stipulates that workers are not allowed to marry Malaysian citizens and that pregnant workers will be dismissed.³⁷

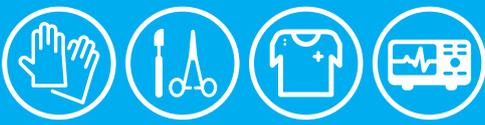
In summary, it can be seen that while some improvements have been made in these glove factories, there are a number of ongoing concerns such as: harsh production targets, high recruitment fees and wage deductions, identity document confiscation and under-aged workers, while migrant workers continue to be exploited and discriminated against.³⁸

Rubber

Apart from abuses in the production of healthcare goods, worker exploitation also occurs further up the supply chain, for instance when sourcing raw materials such as natural rubber. Since the cost of latex comprises about half of the total production cost of gloves³⁹, suppliers compete in a race to the bottom to deliver it as cheaply as they can.

Regrettably, this means that exploitation is also rife in the parts of gloves supply chains where natural rubber is harvested. Indeed, the United States Department of Labor, in its list of goods produced by child and forced labour, identifies Burma, Cambodia, Indonesia, Liberia and the Philippines as countries where these abuses are linked to the sourcing of rubber.⁴⁰

“ In addition to passports being confiscated, not receiving a payslip, and wages being withheld without reason, workers were also physically harassed. ”



The Scandinavian NGOs Danwatch and Finnwatch found labour abuses at rubber plantations in Malaysia and Indonesia: plantation workers typically laboured the entire week, were paid less than the living wage, used hazardous chemicals without proper equipment or training, and were employed as day labourers despite working on the plantation for a longer period of time, meaning that their employment and income is highly precarious.⁴¹

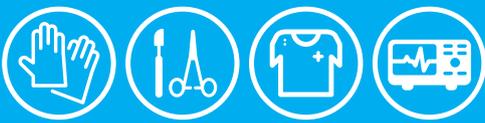
Surgical Instruments

In addition to gloves, the production of surgical instruments is also linked to labour and human rights abuses. Pakistan produces a large proportion of the world's surgical instruments such as scissors, forceps, scalpels and suture needles. This production specifically occurs in the city of Sialkot, which produces around 80% of the world's supplies.⁴² The United States Department of Labour has linked the production of these goods to the use of child labour.⁴³

In 2008, the British Medical Association uncovered that British hospitals buy surgical tools that are produced in dangerous conditions in Pakistan, where workers are exposed to carcinogenic chemicals, metal dust and high noise levels, while manufacturers employ child labourers.⁴⁴ Although the National Health Service (NHS) spends £20 billion on procurement annually, workers producing healthcare goods get paid as little as £1.40 a day.⁴⁵

An investigation by Swedwatch found children as young as seven labouring in dangerous workshops that lacked any health and safety measures.⁴⁶ While the ILO child labour conventions recognise that families rely on income earned through their children, no children younger than 13 are allowed to work, work should not interfere with their schooling, and it should not be dangerous.⁴⁷ Because of the hazardous conditions, under-aged children should not work in the production of surgical tools.

A complicating factor is that companies typically sub-contract parts of the production process to smaller workshops that frequently subject workers to appalling sweatshop conditions. Even in instances where circumstances in larger factories improve, sub-contracting continues to pose a real threat to labour and human rights. It is estimated that two-thirds of all the work in the surgical tools industry is contracted out to small and unregulated workshops.⁴⁸



The demand for cheap goods has led to cut-throat competition that undermines labour standards. Because the prices suppliers receive are low, it is difficult for them to invest in appropriate health and safety.⁴⁹ As such, pricing is a critical issue and has resulted in a race to the bottom: in some instances, prices at Pakistani manufacturers of surgical tools are the same today as they were in 2007, regardless of higher production costs and energy prices.⁵⁰

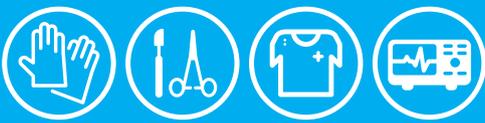
A 2015 follow-up investigation by Swedwatch found that manufacturers had made some progress, such as payment of minimum wages, limits to overtime, written contracts and adoption of child labour policies. Yet, Swedwatch also uncovered continuing violations such as the lack of health and safety, and workers not becoming permanent employees after a year, as required by Pakistani law, as well the continuing use of child labour in backstreet workshops.⁵¹

Metal

Because of the emphasis on low-cost production of surgical tools, margins are also cut at the source of the production process where raw materials are processed. Steel for the surgical instruments that are manufactured in Sialkot is sourced from the nearby cities of Daska and Gujranwala. At large forges there is a lack of adequate health and safety and no union representation. Child labour is prevalent in smaller backstreet forges and workshops.⁵²

The work that the children perform in these workshops, often six days a week up to 12 hours a day, in environments with poor ventilation and lighting, takes a high toll. A survey of 104 children working in surgical instrument production in Pakistan, compared to 75 non-working school children from the same region, found that working children had higher average urinary concentrations of steel-related metals, with values typically exceeding the adult upper limits, while working children also reported more respiratory issues and asthma.⁵³

“ The demand for cheap goods has led to cut-throat competition that undermines labour standards. ”



Garments

The clothing and footwear sector is well-known for widespread labour exploitation. Tragedies such as the Rana Plaza factory collapse have highlighted exploitative practices in the clothing and footwear industry. A number of initiatives have been taken since to address labour and human rights abuses, yet many reports by NGOs show that progress is slow and many companies lag behind.⁵⁴

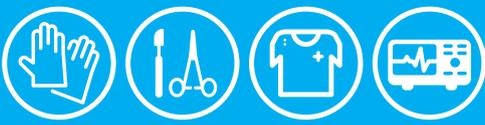
Many of the initiatives to improve labour conditions have focused on the suppliers of well-known fashion brands, and have largely ignored manufacturers that produce workwear not intended for general consumers. For example, labour rights organisation Swedwatch has criticised how manufacturers of theatre and patient gowns treat their workers.⁵⁵

In Southern India, factories that dye textiles for the health sector have produced copious amounts of waste, contaminating the local environment. Another large factory in India that produces patient clothing and medical workwear has its workers, mostly women, labouring for 90 hours a week. This is much higher than the legal maximum of 60 hours. Refusal of overtime results in dismissal, as do efforts to establish a union.⁵⁶

Apart from India, patient clothing and uniforms of healthcare professionals, as well as sheets, towels, and other textiles are also produced in Pakistan. Workers at Pakistan's textile companies are often forbidden to form trade unions at the threat of dismissal. Many work 12 hours a day, six days a week, which is more than the legal maximum, while there is no overtime pay for recently hired workers. Toxic chemicals are used when dyeing and bleaching the textiles, while workers lack protective clothing and have not received safety training.⁵⁷

Cotton

Workers at Pakistan's large textiles companies are often paid wages lower than the minimum wage. Even if workers in garment production get paid the minimum wage – about US\$ 70 a month, many families cannot get by on this limited income, and are therefore forced to send their children to work at factories in activities such as cleaning cotton.⁵⁸



Cotton is closely associated with the use of child and forced labour. The majority of child labour in the world is found in agriculture, where 59% of child labourers between four and 17 years old are found.⁵⁹ Both cotton and garments top the United States Department of Labor's list of goods with most forced labour listings by number of countries and sectors.⁶⁰

Because cotton production is very labour intensive, frequently entire families migrate to work on farms, including children. State-initiated child and forced labour is a significant problem as well: the largest cotton producer in the world, Uzbekistan, forces adults and children – some as young as ten – to pick cotton under threat of punishment.⁶¹

Electronics

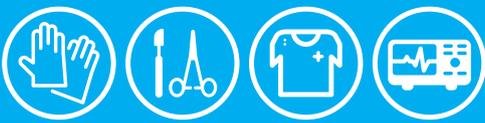
Apart from non-technical commodities such as gloves, surgical instruments and garments, other medical goods are more advanced in nature, such as electronic healthcare equipment. The vast majority of electronics manufacturing takes place in Asia, which produces both consumer electronics and specialised goods such as electronic healthcare equipment.

The Asian electronics manufacturing industry is characterised by a range of labour and human rights abuses. According to the United States Department of Labour, types of exploitation that are associated with electronics produced in Asia are child and forced labour.⁶² Prominent examples of labour exploitation connected to consumer electronics involve Apple and its supplier Foxconn⁶³, and more recently the South-Korean company Samsung.⁶⁴

Following pressure from civil society organisations, the majority of consumer electronics brands now have supply chain and sourcing policies in place that describe the minimum labour standards required from suppliers. Consumer electronics brands have been a logical target of civil society campaigns because of the threat of brand damage. However, little is known about the producers of specialised goods such as electronic healthcare equipment.

It would be naïve to assume that labour exploitation does not occur in these parts of the electronic manufacturing industry. On the contrary, it is reasonable to suggest that because of the reduced visibility in the public eye, exploitation has simply not yet been brought to light,

“ The majority of child labour in the world is found in agriculture, where 59% of child labourers between four and 17 years old are found. ”



while the push for better working conditions has not spread throughout the entire industry. In any case, every single company that produces or sources electronics or components from Asia can be expected to undertake a labour and human risk analysis.

Metals and minerals

Apart from manufacturing electronics, the sourcing of raw materials used in the production of electronics, such as tin, copper, gold, tantalum and tungsten are important raw materials for the electronics manufacturing industry, and pose a risk of labour exploitation and human rights abuses: the US Department of Labour identified 28 mined goods that are associated with forced labour, and 12 that are connected to child labour.⁶⁵

An important contributing factor is that a significant share of these resources is located in conflict-affected areas, where they may contribute, directly or indirectly, to armed conflict, including terrorist financing, human rights violations and hindering economic and social development.⁶⁶ Metals and minerals are labelled as ‘conflict minerals’ when they are sourced from the Democratic Republic of Congo (DRC) and adjoining countries. Since armed militias seized mines in 2009, working conditions have deteriorated into slavery-like circumstances.⁶⁷

Encouragingly, in the United States companies are required to undertake due diligence and make public disclosures about conflict minerals in their supply chains when those minerals originate from the DRC or adjacent countries.”⁶⁸ Yet, companies from other jurisdictions have no such requirement. China is the number one mining nation in the world, and has increased its investment in African mining by 25 times in less than ten years. A project that has attracted half a billion dollars of Chinese investment is the Kamoanga copper deposit, recognised as the world’s largest undeveloped copper deposit, located in the DRC.⁶⁹

Thus it is clear that any Australian company that sources minerals from Africa or manufactures electronics in Asia is at risk of being implicated in labour and human rights abuses. Furthermore, these materials do not have to be sourced from conflict regions to be linked to labour exploitation and human rights abuses. For example, the BBC exposed the sourcing of tin from artisanal mines in Indonesia using child labour, which ultimately ended up in Apple’s supply chain.⁷⁰