THE HIDDEN RISK OF FORCED LABOR

What the Data Reveals, Where the Risk Lies, and How to Respond

Executive Summary

Forced and child labor remain among the most urgent human rights challenges facing companies today. Despite growing awareness and corporate commitments to ethical practices, an estimated 28 million people are still trapped in forced labor, often under hazardous or exploitative conditions. These abuses aren't confined to distant or low-income regions; they are found across sectors and geographies, including within regulated industries in countries like the United States.

The regulatory landscape is shifting rapidly in response. New laws are raising the bar, requiring companies to demonstrate the absence of forced labor in their supply chains or risk facing legal, financial, and reputational consequences. For private equity firms, corporate leaders, and investors, these developments bring new levels of liability and scrutiny, making proactive risk management more essential than ever.

At the same time, technological advances are transforming how companies detect and respond to labor-related risks. Traditional audits and certifications, while still widely used, often fail to uncover issues hidden deep in subcontracted or informal labor arrangements. Emerging tools that monitor public data in real time offer a powerful supplement, helping firms surface potential risks earlier and respond before they escalate into full-blown controversies.

This whitepaper examines the issue through three lenses: the tightening global regulatory framework, insights from SESAMm's proprietary data on labor-related controversies, and two real-world case studies. Together, these perspectives offer a clear takeaway: forced labor is not only a humanitarian crisis, but a material and reputational risk that demands better visibility, earlier detection, and stronger, data-driven responses.

A Rising Tide of Regulations

How Governments Are Cracking Down on Forced Labor

As public pressure and documented abuses mount, governments around the world are responding with new and increasingly stringent regulations to combat forced and child labor in supply chains. These laws are reshaping the compliance landscape for businesses and investors alike, moving beyond voluntary disclosure toward mandatory due diligence, enforcement actions, and market restrictions.

Companies can no longer rely solely on supplier codes of conduct or third-party certifications. Today's legal frameworks demand that firms actively assess, address, and eliminate forced labor risks across their operations and extended value chains or face material consequences. But before exploring specific national laws, it's important to recognize the global standards that form the foundation of this regulatory shift.

The Global Benchmark

ILO Conventions and International Norms

The **International Labour Organization** (ILO) has long established the core legal and ethical standards for addressing forced labor and child exploitation. Three conventions, in particular, provide the backbone of most national legislation and are near-universally ratified:

- **ILO Convention No. 29 – Forced Labour Convention (1930)**: Requires the suppression of all forms of forced or compulsory labor.
- **ILO Convention No. 138 – Minimum Age Convention (1973)**: Establishes the minimum age for employment, aligned with the end of compulsory schooling.
- **ILO Convention No. 182 – Worst Forms of Child Labour (1999)**: Mandates the prohibition and elimination of hazardous or exploitative child labor, including slavery, trafficking, and sexual exploitation.

Together, these conventions shape how labor rights are defined, enforced, and evaluated globally. Nearly every country has ratified them, and they serve as the reference point for government inspections, investor standards, and corporate sourcing policies.

Their principles also underpin other international initiatives, such as:

- **UN Guiding Principles on Business and Human Rights (UNGPs)**: Outline corporate responsibility to respect human rights across value chains.
- **UN Sustainable Development Goals (SDG 8.7)**: Call for the global eradication of forced labor, modern slavery, and child labor by 2030.

Even in countries where national enforcement is weak, these frameworks act as a universal yardstick for acceptable business conduct and are increasingly being embedded into trade agreements, investor screening tools, and procurement requirements.

With these international norms as a foundation, national governments have moved toward more concrete and enforceable legal mechanisms. The following developments illustrate how key markets are operationalizing forced labor risk management and what that means for companies and investors.

United States:
From Transparency to Enforcement

The United States has emerged as a global leader in forced labor enforcement through its import laws. At the forefront is the **Uyghur Forced Labor Prevention Act** (UFLPA), which came into force in June 2022. Under UFLPA, any goods that are even partially manufactured in China's Xinjiang region are presumed to be made with forced labor and are automatically barred from entering U.S. markets unless the importer can prove otherwise. This represents a significant shift from previous frameworks, placing the burden of proof on businesses rather than enforcement agencies.

The law builds on Section 307 of the U.S. Tariff Act of 1930, which prohibits the importation of any goods made with forced labor. In combination, these rules have enabled U.S. Customs and Border Protection (CBP) to detain thousands of shipments across industries such as electronics, apparel, agriculture, and automotive due to suspected forced labor links.

Key implications for businesses:

- Companies must ensure traceability down to raw materials and sub-tier suppliers.
- Inadequate documentation can lead to goods being seized at the border.
- Private equity firms acquiring businesses with opaque supply chains may unknowingly inherit compliance liabilities.

European Union

Market Bans and Mandatory Due Diligence

In 2024, the European Union took a major step by adopting its Forced Labor Regulation, which will ban the placing and sale of products made with forced labor on the EU market. Unlike the UFLPA, this regulation is global in scope. It applies to goods from any country and targets all stages of production. National authorities will be empowered to investigate companies and withdraw non-compliant products from circulation.

Separately, the EU is finalizing the **Corporate Sustainability Due Diligence Directive** (CSDDD), which will require large companies operating in the EU to conduct formal human rights and environmental due diligence across their global value chains. While the directive is still under negotiation, its core expectation is clear: companies must actively identify and mitigate labor rights violations, including forced and child labor, or face legal and financial penalties.

Key implications for businesses:

- Firms must integrate due diligence into procurement and governance processes, not just issue supplier questionnaires.
- Both direct operations and upstream/downstream value chains are covered.

United Kingdom and Australia

Transparency Regimes Under Pressure to Evolve

The UK and Australia were early adopters of forced labor transparency laws through their **Modern Slavery Acts** (2015 and 2018, respectively). These laws require companies above certain size thresholds to publish annual statements outlining the steps taken to prevent modern slavery in their operations and supply chains.

While these frameworks have raised awareness, they have faced criticism for being too reliant on disclosure and lacking enforcement. In both countries, reform efforts are underway.

Key implications for businesses:

- Public reporting alone is no longer sufficient, expect more prescriptive requirements and stricter audits.
- Disclosure gaps may expose companies to reputational risks, shareholder activism, or procurement exclusion.

- **1930** ILO Convention No. 29 – Forced Labour Convention
- **1973** ILO Convention No. 138 – Minimum Age Convention
- **1999** ILO Convention No. 182 – Worst Forms of Child Labour Convention
- **2015** UN Sustainable Development Goal 8.7
  UK Modern Slavery Act
- **2017** France Duty of Vigilance Law
- **2018** Australia Modern Slavery Act
- **2022** US increases Section 307 enforcement
  Uyghur Forced Labor Prevention Act (UFLPA)
- **2023** Germany Supply Chain Due Diligence Act (LkSG)
- **2024** EU Forced Labor Regulation
  Canada's Forced Labour and Child Labour Act
  UK Modern Slavery Act Reforms
- **2025** EU Corporate Sustainability Due Diligence Directive (CSDDD) – Expected Finalization

Other Global Developments

A Converging Trend

Many other jurisdictions are following suit. Germany's **Supply Chain Due Diligence Act** (in force since 2023) requires large companies to assess and address human rights risks across their supply chains, including forced labor. France's **Duty of Vigilance Law**, enacted earlier, imposes similar requirements on large multinationals headquartered in France. Canada's **Fighting Against Forced Labour** and **Child Labour in Supply Chains Act**, which took effect in 2024, adds further momentum to this global regulatory convergence.

Even outside formal legislation, investors, customers, and business partners are increasingly expecting robust labor rights safeguards, especially in sectors known for high-risk practices such as agriculture, mining, manufacturing, and logistics.

Taken together, these developments mark a clear shift: what was once encouraged is now expected and, in many jurisdictions, legally required. For firms operating globally or managing international supply chains, understanding and complying with this evolving patchwork of regulations is no longer optional.

In the next section, we examine how data can help companies meet these expectations, starting with insights from SESAMm's AI-driven analysis of public controversies related to forced and child labor.

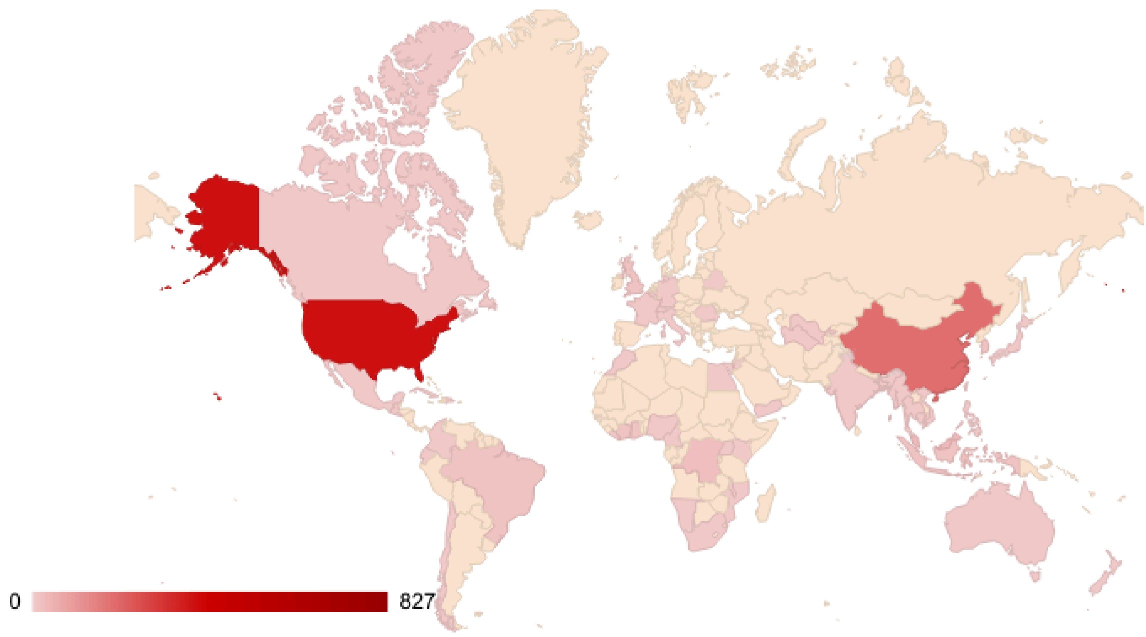
Data Insights:

SESAMm’s Controversy Monitoring on Forced Labor

As global scrutiny of labor practices increases, traditional audits and certifications are proving insufficient to capture the full scope of risk. Real-time monitoring of public information has emerged as a vital complement, helping companies and investors detect early signs of controversy before they escalate into formal investigations or reputational damage.

SESAMm’s platform continuously analyzes a vast universe of public data, over 30 billion articles from 4 million sources in more than 100 languages, including news coverage, NGO reports, press releases, blogs, and more. This approach provides visibility into controversies as they emerge across regions and sectors.

As the accompanying graph from SESAMm’s data shows, labor violations are a truly global issue. While many reports originate from high-risk sourcing regions such as South Asia or Sub-Saharan Africa, a significant share also involves companies operating in developed markets. Forced and child labor risks can surface anywhere in the value chain.



In the next section, we explore two real-world examples drawn from SESAMm’s data: one in the United States and another involving a global supply chain. Together, these cases illustrate how labor abuses can become material and reputational risks - and why early detection is critical to managing them effectively.

Packers Sanitation Services Inc.

Systemic Child Labor Violations

Context

Packers Sanitation Services Inc. (PSSI), a leading U.S.-based industrial cleaning contractor, services some of the largest meatpacking plants in the country. Between 2022 and 2024, the company became the focus of one of the most significant child labor scandals in recent U.S. history. The case illustrates how forced labor and illegal employment practices can occur in high-income countries, even in regulated industries like food processing. It also triggered scrutiny of PSSI's private equity owner, Blackstone, drawing criticism from major pension funds [1] and prompting calls for greater accountability.

> "Forced labor and illegal employment practices can occur in high-income countries, even in regulated industries."

Violations

The scandal first came to light in November 2022, when the U.S. Department of Labor (DOL) filed for an injunction against PSSI after discovering that the company had illegally employed minors, some as young as 13, in hazardous sanitation roles across multiple meatpacking plants. The jobs involved dangerous equipment and chemicals, violating both child labor laws and workplace safety standards.

A federal investigation soon confirmed the scope of the abuse:

- 102 children were employed illegally across 13 locations in eight states.
- Many worked overnight shifts, cleaning sharp machinery and handling caustic substances.
- Some minors sustained injuries, including chemical burns. [2]

The use of stolen or fraudulent identification documents further pointed to systemic failures in hiring and compliance. PSSI had previously faced labor-related lawsuits, including one in 2019 over wage theft and denial of rest breaks, but the child labor revelations triggered national outrage.

Consequences

The consequences for PSSI were immediate and significant:

- Fines: In February 2023, the DOL fined PSSI $1.5 million, the maximum civil penalty allowed under federal law at the time.[3]
- Contract terminations: Major clients, including Cargill and JBS, publicly severed ties with PSSI within months of the findings.
- Layoffs and closures: Following contract losses, PSSI laid off staff at multiple facilities and announced the closure of its corporate office in Wisconsin in late 2024.
- Leadership pressure: Public backlash and investor scrutiny led to significant internal shake-ups, including the replacement of the company's CEO.

The incident also triggered wider concerns about labor trafficking. In early 2023, the Department of Homeland Security (DHS) opened a probe into whether some of the minors were trafficked into these jobs.

Responses

In response to the scandal and escalating public scrutiny, PSSI undertook a series of remedial actions:

- Leadership overhaul: In April 2023, the company appointed a new CEO and launched a broader internal compliance review.
- $10 million child labor prevention Fund: PSSI created a fund dedicated to improving hiring practices, increasing training, and implementing new compliance systems.
- Creation of a Chief Compliance Officer role: A new executive position was established to oversee labor compliance and rebuild trust with regulators and clients.
- Union engagement: PSSI began working with the United Food and Commercial Workers (UFCW) union to increase labor protections. UFCW and JBS also jointly announced the creation of a new sanitation subsidiary focused on safer, in-house practices.

Despite these efforts, ongoing investigations and FOIA disclosures in 2024 revealed continued safety violations and poor oversight. The company struggled to rebuild trust, and investor criticism persisted.

Key Takeaways

This case reinforces a critical point: forced labor and illegal child employment are not limited to low-income countries or obscure supply chains. They can occur at scale, even in the United States, in industries considered essential, and within companies backed by sophisticated investors.

- Risk visibility matters. PSSI's violations weren't isolated incidents; they reflected systemic governance failures that investors and clients failed to catch early.
- Reputational fallout is real. Clients like JBS and Cargill acted swiftly to distance themselves, underscoring how fast a company can become a liability.
- Private equity exposure is direct. With PSSI owned by a leading global investment firm, the scandal showed that labor violations can generate scrutiny not just for portfolio companies, but for their investors as well.

Proactive monitoring could have made a difference. Many of the early warning signs, such as wage lawsuits, labor complaints, and media coverage, were visible in the public domain. This highlights the value of real-time controversy tracking tools, such as SESAMm, to detect risk signals early and prevent escalation.

While the PSSI case underscores how illegal child labor can occur within U.S. borders - even in companies backed by institutional investors - the next case reveals how similar risks can be deeply embedded in multinational supply chains, particularly in regions where oversight is weaker and exploitation can go undetected for years.

Timeline of Events

A full view of how SESAMm's data can capture reputational and labor-related incidents over time.

NOV 15, 2019
PSSI sued for wage violations, including illegal rounding and denied rest breaks.

NOV 09, 2022
DOL seeks injunction after discovering 31 minors employed in hazardous roles.

DEC 15, 2022
PSSI announces layoffs of 121 employees following JBS contract termination.

JAN 22, 2023
DHS begins labor trafficking investigation after 50 minors found working.

FEB 17, 2023
PSSI fined $1.5 million by DOL after confirming employment of 102 minors.

APR 05, 2023
CEO replaced; $10 million child labor prevention fund announced.

APR 13, 2023
ID Fraud: Workers for PSSI repeatedly used stolen identities to get jobs.

APR 15, 2023
Cargill terminates contracts with PSSI citing zero tolerance for child labor.

APR 25, 2023
JBS announces it will end contracts with PSSI.

JUN 26, 2023
UFCW union begins formal representation of PSSI employees.

SEP 27, 2023
PSSI creates Chief Compliance Officer role.

JAN-MAR 2024
Layoffs announced in Friona and Greeley, Colorado.

APRIL 6, 2024
FOIA documents reveal continued safety violations, limited regulatory inspections.

NOV 10, 2024
Closure of corporate office in Wisconsin; 83 employees affected.

Lipton Teas & Infusions

Labor Abuses in the Global Supply Chain

Context

Lipton Teas & Infusions (formerly part of Unilever and later owned by private equity firm CVC Capital Partners under the name Ekaterra) is one of the world's largest tea brands. Its supply chain spans dozens of countries, with sourcing from plantations across Africa, South Asia, and Latin America.

Between 2019 and 2025, the company came under sustained scrutiny for serious labor rights violations on supplier plantations, including allegations of forced labor, child labor, wage theft, sexual exploitation, and unsafe working conditions. Many of these plantations were certified by major sustainability labels like Rainforest Alliance or Fairtrade, which raised questions about the reliability of traditional oversight mechanisms.

> "Many of these plantations were certified by major sustainability labels, raising questions about the reliability of traditional oversight mechanisms."

The case exemplifies how severe labor abuses can persist even in certified "sustainable" supply chains, particularly when certification is used as a substitute for direct accountability.

Violations

Across multiple investigations and lawsuits, Lipton's supply chain was linked to widespread abuses in at least five countries, including:

- Forced labor and poverty wages in India and Sri Lanka.
- Child labor and exploitative working conditions in Kenya.
- Sexual abuse and gender-based violence on plantations in Malawi and Kenya.
- Unlawful wage deductions, lack of healthcare, and hazardous environments.

Notably, many implicated estates were still certified as slavery-free or sustainable at the time the violations were reported. In several cases, labor rights organizations found that living conditions for tea workers were inhumane, with families living in overcrowded, unsanitary housing and earning below a living wage.

In 2023, a BBC undercover investigation revealed a widespread pattern of sexual abuse and coercion on Kenyan tea plantations supplying Lipton, resulting in lawsuits from dozens of survivors.

Consequences

While Lipton's direct legal exposure was limited due to the violations occurring on third-party estates, the reputational consequences were notable:

- Loss of certification: A Lipton supplier in Kenya lost its Rainforest Alliance certification after evidence of abuse emerged.
- Global lawsuits: Lipton and associated entities were named in multiple lawsuits in Kenya, Malawi, and the UK.
- Public protests and media scrutiny: Reports sparked protests by tea workers in Bangladesh, India, and Kenya, and intensified pressure from investors and human rights groups.
- Supply chain disruption: In 2024, Lipton and Finlays terminated their relationship with the Toror Tea Factory after one of the accused abusers was elected to a leadership role.

These incidents fueled public debates about the ethics of global tea supply chains and the failure of large brands to uphold their own labor standards. In Kenya, community groups moved to block the sale of Lipton's tea estates to a Sri Lankan conglomerate, citing historical land rights violations and a lack of local consultation.

Responses

Lipton Teas & Infusions and its former parent entities (Unilever and later Ekaterra under CVC Capital Partners) issued a series of public responses:

- Suspension of suppliers: The company announced that it had severed ties with certain plantations and launched internal investigations.
- Commitments to improve oversight: Lipton pledged to strengthen its supplier screening processes and work more closely with certification bodies to ensure enforcement.
- Public statements: In response to the BBC exposé and subsequent lawsuits, Lipton expressed concern and a commitment to protecting workers' rights.

Despite these responses, many critics argued that the actions were reactive and insufficient. Workers and community advocates continued to call for meaningful accountability, including compensation for victims and systemic reform of the tea industry's labor practices.

Key Takeaways

This case reveals the limits of supplier certifications and traditional ESG assurance mechanisms. It also reinforces several key lessons:

- Ethical certifications are not guarantees. The fact that abuses occurred on certified plantations illustrates the need for independent verification, grievance mechanisms, and third-party intelligence.
- Third-party risk is real risk. Even when abuses happen at the supplier level, companies can still face reputational damage, litigation, and disruption to their operations.
- Public scrutiny travels fast. International media coverage and digital advocacy campaigns quickly turned local labor issues into global controversies, highlighting the value of proactive monitoring.
- Private equity firms face indirect exposure. CVC Capital Partners' ownership of Ekaterra drew attention from civil society groups and labor rights organizations, showing that investor stewardship matters even at one step removed from operations.
- Real-time monitoring is essential. Many of the early warning signs, i.e., lawsuits, wage protests, and NGO reports, were publicly visible. Tools like SESAMm, which detect and contextualize such events in real time, offer a strategic advantage in identifying reputational and regulatory risks before they escalate.

Timeline of Events

A full view of how SESAMm's data can capture reputational and labor-related incidents over time.

MAR 17, 2019
Reports surface of illegal wage deductions on Sri Lankan plantations supplying "slavery-free" tea to global companies.

JAN 25, 2020
Investigations in India document poverty wages and poor housing on tea plantations.

AUG 01, 2020
Kenyan tea workers file UN complaint against Unilever for failure to protect workers during 2007 ethnic violence.

MAR 28, 2021
Lujeri Tea Estates in Malawi sued over systemic sexual violence against female workers.

FEB 13, 2023
BBC undercover investigation reveals widespread sexual abuse on Kenyan plantations linked to Lipton.

MAR 08, 2023
Dozens of victims file lawsuits against Kenyan tea suppliers, including Lipton-linked estates.

MAY 12, 2023
Kenyan supplier loses Rainforest Alliance certification following abuse allegations.

MAY 23, 2023
Sri Lankan workers report hunger, poverty, and squalid conditions on Lipton-supplying plantations.

JULY 10, 2023
Kenyan workers sue over injuries and physical strain from exploitative labor conditions.

SEP 20, 2023
Protests erupt in Bangladesh and India over unpaid wages and safety concerns

APR 19, 2024
Community groups in Kenya contest the sale of Lipton tea estates, citing historical injustices.

JULY 03, 2024
Lipton and Finlays cut ties with Toror Factory after accused abuser elected as director.

DEC 04, 2024
Land rights dispute escalates over planned sale of Lipton tea estates to Sri Lankan buyer.

MAR 06, 2025
Investigations in Sri Lanka uncover poor labor and living conditions on certified tea estates.

Managing Risk in a New Era of Accountability

As the data and case studies show, forced and child labor are not limited to low-cost sourcing regions or informal economies. These risks surface across industries, including in highly regulated markets and companies backed by major investors. From U.S.-based contractors to global consumer brands, labor violations can emerge anywhere in the value chain.

For businesses, this underscores the need to extend due diligence beyond obvious high-risk areas. For investors, particularly in private markets, labor issues can quickly translate into reputational harm, regulatory exposure, and financial loss.

To manage these risks more effectively, companies should enhance their portfolio monitoring and due diligence processes by mapping supply chains, identifying red flags, and going beyond certifications. Labor practices should be considered in pre-investment reviews, supplier onboarding, and ongoing monitoring.

Real-time tools like SESAMm's platform can support these efforts by continuously analyzing global online content to detect early signs of labor-related controversy. These insights help companies respond proactively, before issues escalate or trigger regulatory consequences.

Forced labor remains a persistent challenge, but with the right data, vigilance, and early detection, businesses can act sooner, protect stakeholders, and safeguard long-term performance.

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About SESAMm

SESAMm is a global leader in controversy data, leveraging advanced large language models and generative AI to uncover ESG, reputational, and supplier risks in seconds. Our AI-powered platform surfaces real-time insights, even in low-disclosure markets, on millions of companies and infrastructure projects, supporting more informed decisions, enhanced due diligence, and regulatory alignment at scale. We work with leading firms, including Carlyle, Warburg, Natixis, RBI, Sustainable Fitch, Oddo, and others. SESAMm has raised $50M from renowned investors and operates across four continents.

Learn more and see SESAMm in action here.