

SUBMISSION ON

Modern Slavery & Worker Exploitation

SUBMITTED TO:

International Labour Policy
Workplace Relations and Safety Policy
Ministry of Business, Innovation & Employment
PO Box 1473
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About Us

The Business Central Group, which includes members of Business Central, Wellington Chamber of Commerce, Porirua Chamber of Commerce, and Export NZ Central (Business Central) is a business membership association, representing around 3,600 members across Central New Zealand (Gisborne to Taranaki and down to Nelson). We have represented business in the Wellington Region for 165 years, and advocate for the interest of business, and the development of our region's economy.

Overview

Business Central welcomes attempts by the government to reduce modern slavery throughout global supply chains. This is an important issue, and participation is a moral imperative for New Zealand.

To achieve a more streamlined, equitable system to combat modern slavery, Business Central makes several recommendations:

- 1) We urge alignment with Australia by focusing reporting and due diligence requirements on large businesses, with over \$100 million in revenue.
- 2) We recommend an education-based approach to help small businesses and consumers adjust.
- 3) We advise criteria that is narrow in scope, to ensure the requirements are workable and achievable. We recommend an education-based approach to help small businesses and consumers adjust.



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Legislation to curtail modern slavery through monitoring of supply chains is commonplace in developed countries and it is reasonable for New Zealand to follow this model. New Zealand businesses have called for laws to curtail modern slavery and we support this.

Business Central recommends New Zealand align our modern slavery regulations with those of Australia – requiring reporting standards for businesses with over \$100 million in annual revenue, or a revenue amount determined to be proportionate to the New Zealand economy.

We urge the government to consider legislation that is clear in its goal of ensuring New Zealand economy has the correct compliance to minimise or eradicate risk, rather than sliding into mission creep to attempt too broad a scope.

We also recommend that the requirements on reporting from smaller firms be limited and considered in terms of relative compliance and reporting obligations as imposing high standards on small and medium low-risk entities would place disproportionate costs for limited gain.

Addressing the role and obligations of the larger players in the marketplace will act as a demonstrable standard for all, and small enterprises contracting to or supplying to companies under the strongest obligations would inevitably be drawn into compliance with the rules.

Alignment with Australia

Australia's Modern Slavery Act 2018 has been successful, efficient, and easy to implement. We urge the Government to take lessons from our closest economic partners and align our modern slavery approach to theirs.

Australia has been able to achieve impressive results in ridding its supply chains from modern slavery by focusing due diligence and reporting requirements on the companies that can afford to undertake them.

Focusing on companies that can best afford to implement the requirements is the most efficient option. It focuses enforcement on fewer, but larger, companies whose compliance can be carefully monitored. It is most cost-effective to the New Zealand economy – as businesses with over \$100 million or more in revenue will find the reporting costs less significant.

Focusing on entities with \$100 million or more will have flow-on effects throughout the New Zealand economy – as larger businesses with the significant share of New Zealand imports will set the standard for the wider economy, and smaller companies will benefit from the change.

Due to our close geographical and trading relationship with Australia, New Zealand will already benefit from much of the enforcement taking place in Australia. We advise that the legislation pursues alignment.

An Education-Based Approach

As outlined in the prior section, SMEs do not have the capacity to fund and monitor compliance of their supply chains in accordance with the legislation, certainly relative to larger market participants. Nor do they – as relatively small importers of products - have the market power to materially change our effects on international supply chains. Diverting resources to enforcement would be inefficient and adding significant monitoring costs would be economically damaging.

But SMEs in our membership have been clear that they wish to do the right thing with the resources they have and share our desire to see the government act against modern slavery.

We advise an education-based approach for smaller entities to help divert our economy further away from the inputs of modern slavery.



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Where smaller firms are found to have modern slavery inputs in their supply chains, the Government should help educate and assist them in diverting their supply chains to help.

As the monitoring from larger firms unveils where slavery is entering New Zealand's supply chains, this would provide further information to smaller firms to help them divert themselves, without having to cover the monitoring costs.



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A Narrow and Effective Scope

Exploitation and modern slavery are both worth fighting against, yet they are different things. Exploitation – especially by the standards of New Zealand's labour laws – is significantly more common throughout the world than modern slavery. Reducing exploitation in the world economy will require a much broader and globally coordinated policy approach.

We caution against treating exploitation as synonymous with slavery. Slavery is much easier to define, identify and remove from our supply chains. To encourage compliance, accuracy, and effectiveness, the legislation should narrowly define modern slavery, giving businesses clear criteria of what constitutes modern slavery, and when to take action.

We appreciate that the discussion document highlights the importance of not applying New Zealand's standards globally. We encourage this principle to be expanded throughout the document – making clear the precise definition of modern slavery that business should be following.

Conclusion

Taking action against modern slavery is the right thing to do. Our global partners are already moving to reduce the footprint of slavery on their economies, and New Zealand risks being left behind if we do not do the same. Legislation to prevent this is welcome.

We urge legislation that is targeted at large businesses that have the most capacity to monitor their supply chains, and whose changes will have the most impact.

Australia has shown us the model - with a focus on due diligence and reporting requirements for businesses with over \$100 million in revenue.

Australia's regulations are workable, easy to implement, and have helped reduce dependence on the products of modern slavery. New Zealand should look to align with its laws.

Change will come from the large businesses making alterations to their supply chains, not small businesses struggling to keep up. We advise a narrow and specific definition of modern slavery, targeted at large businesses so that all resources available can go towards ending modern slavery and making our world a better place.

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Ngā mihi nui,



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