



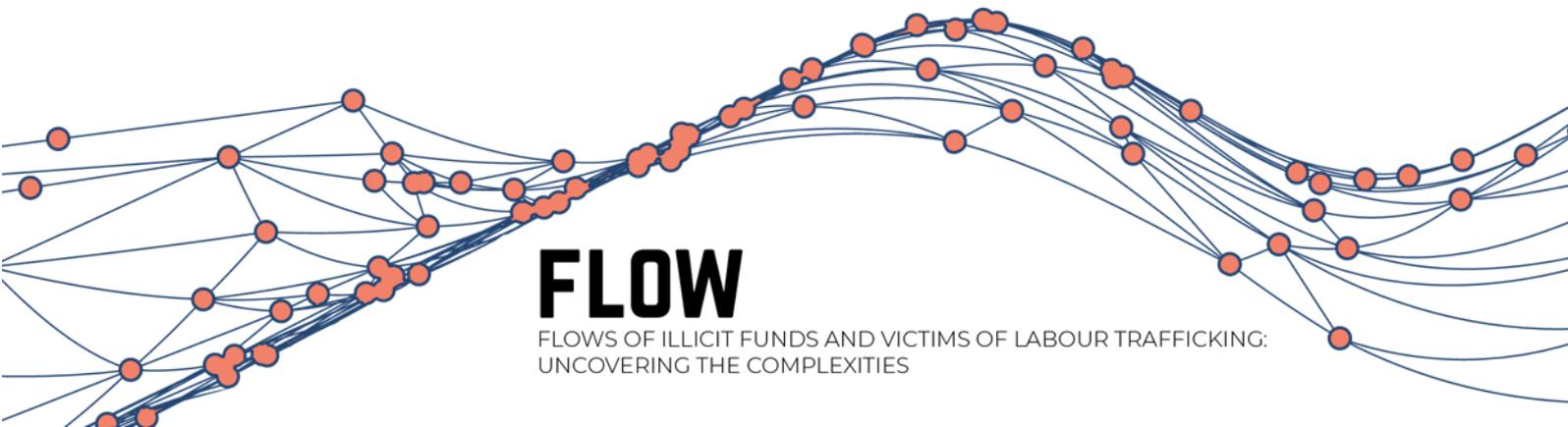
FLOW-PROJECT - GRANT AGREEMENT NUMBER 814791

# WP2

## Deliverable D2.3

### Report from Sofia workshop

Rapporteur's report from the Sofia workshop



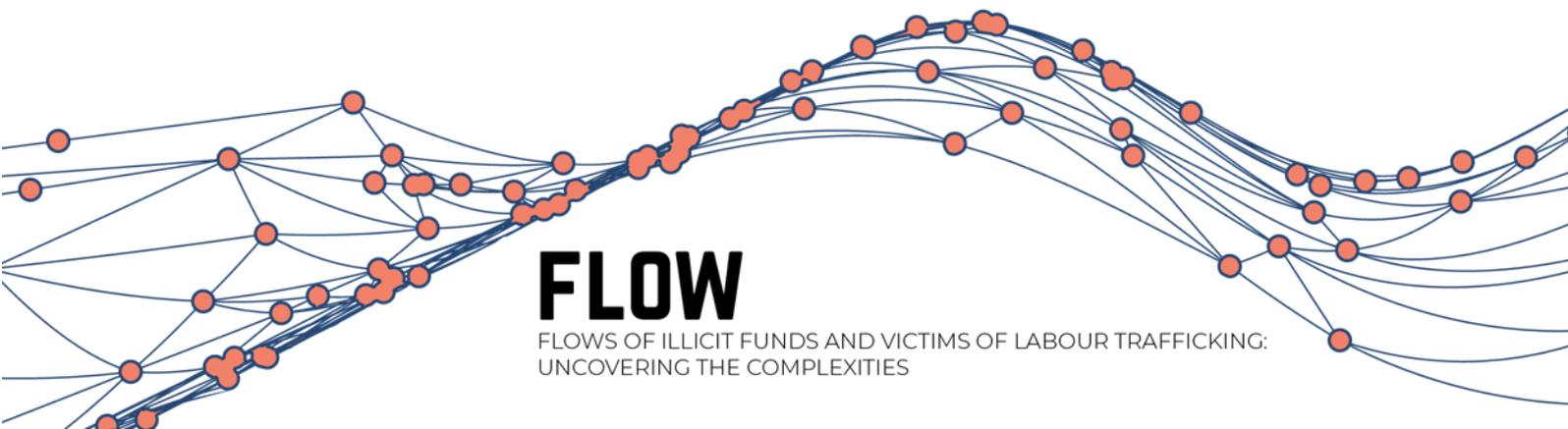
# FLOW

FLows OF ILlICIT FUNDS AND VICTIMS OF LABOUR TRAFFICKING:  
UNCOVERING THE COMPLEXITIES



# Introduction

This report summarises the discussions with FLOW project partners from Bulgaria, Estonia, Finland and Latvia as well as the representative of the Global Initiative against Transnational Organized Crime during FLOW workshop in Sofia on 11 June 2019. The second day of the workshop on 12 June 2019 was an internal project meeting and the agreed action points from that meeting are in a separate document not included here. The workshop was divided into several different segments and the conclusions of these discussions are reported below in separate sections.



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# Results of the mapping conducted in the four countries

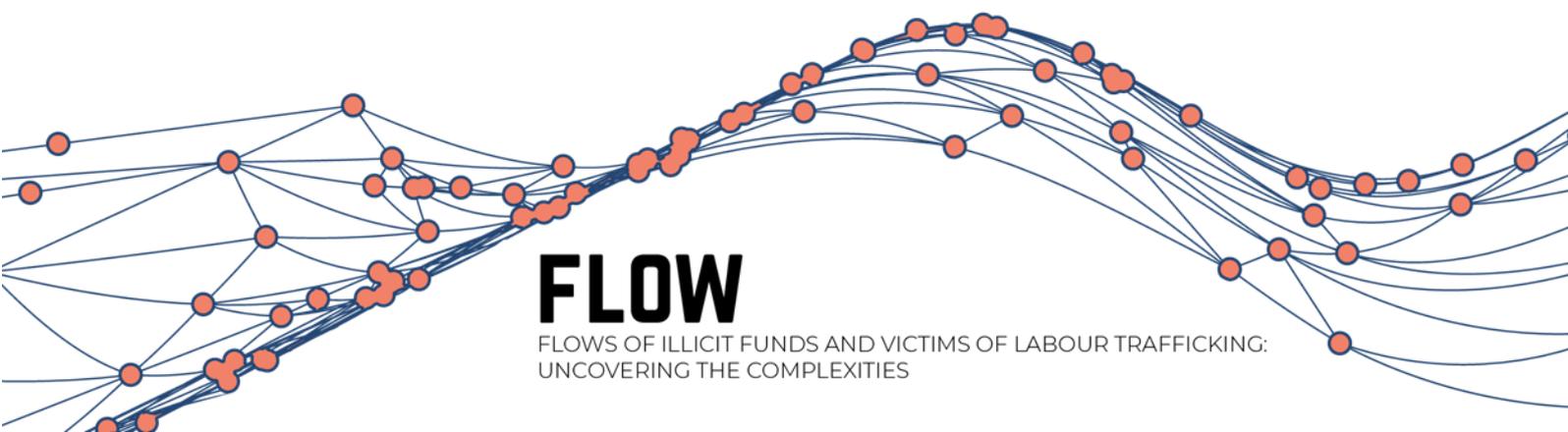
In the first segment of the workshop, the FLOW partners presented the findings of the mapping conducted in each of the four countries. The results were presented and discussed so as to better understand the model and methods of labour trafficking and exploitation and to find common ground to develop a network diagram on the phenomenon with links to other – mainly economic – crimes.

## Bulgaria

Trafficking for labour exploitation has remained under the radar of Bulgarian institutions for many years. Cases of labour trafficking accounted for roughly 10-20 percent of all registered victims and institutions largely acknowledge that this is due to the fact that it is often hard to distinguish trafficking cases from the common violations of labour rights. The explanation for the low levels of reporting could relate in the overall state of the Bulgarian labour market which is dominated by high levels of undeclared work, low wages and ineffective control exercised by the national authorities. These practices often go hand in hand with various infringements of labour law and violations of workers' rights which makes labour trafficking cases less recognizable to both victims and authorities.

Since Bulgaria does not have a legal definition of forced labour, usually courts follow the definition from the ILO Forced Labour Convention and forced labour is understood to include deprivation of movement within a limited location, non-payment of wages, physical violence, including emotional violence. Therefore, in many cases Bulgarian prosecutors would rather pursue deceit or aggravated deceit charges instead of charges for trafficking in human beings for labour exploitation.

Bulgarian workers are most often exploited in Western European countries. Traffickers usually act as intermediaries and meet the demand for cheap workforce in various labour-intensive sectors such as construction, agriculture, cleaning and senior care. Their modus operandi involves false promises about employment, good working conditions and high remuneration. In many cases victims are offered a package, where the traffickers promise them to cover transportation, housing at the destination country, sorting out all administrative procedures and job placement. However, these tempting offers are usually a mere instrument



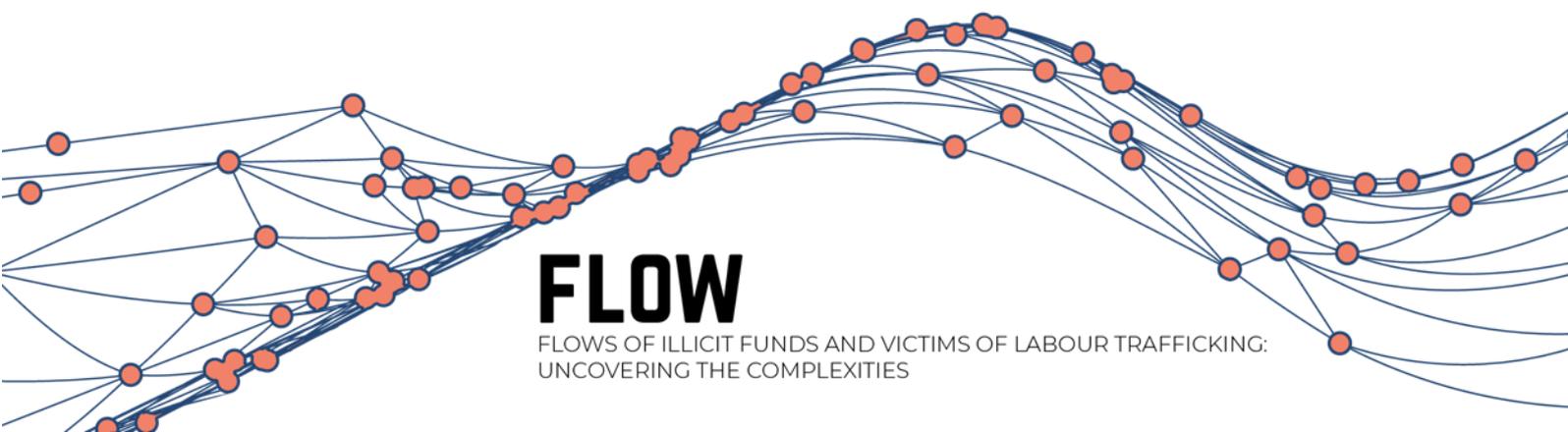
for debt bondage, since subsequently perpetrators impose extortionate prices for the provision of the aforementioned services. Victims are controlled through a variety of methods including debt bondage, confiscation of identification documents, the use of threat of violence toward victims and/or their families.

## Estonia

In Estonia, construction is the most problematic sector, but labour exploitation also occurs in the cleaning and agricultural sectors. The profile of the country has changed from country of origin to also country of transit and destination. Ukrainian workers have the highest risk of exploitation in Estonia based on current trends. There are 30,000 registered Ukrainian workers in Estonia – they are often posted workers by Polish or sometimes Lithuanian companies. A new trend is bogus temporary agency work → ten Ukrainians will come to the construction site, will be advised to organize their own company, and to rent themselves to the main contractor without knowing what it really means.

Among the registered cases in 2018, there were 4 cases THB, 9 labour inspectorate cases, while the national victim support identified 433 potential cases of THB (mostly labour exploitation). However, most cases do not proceed because of the modus operandi of the perpetrators, they do not use threats or violence, but rather subtle manipulation or complex schemes that are difficult to evidence. Unscrupulous activities are usually concealed as a legitimate business. In fact, two interviewed criminal entrepreneurs explained how they try to use social manipulation rather than force or threats, providing explanations why people don't get their money yet, reasons why they have to send people back to the home country saying more work coming in a month. By utilizing these methods and psychological tricks you avoid problems with the victims. The criminals are making use of the holes in the systems as they know how difficult it is for victims to claim their rights in court. In most cases nothing happens, victims have no means or ways to claim their rights.

Seems like every state agency has its own agenda when it comes to trafficking and labour exploitation. Based on the results of the mapping, cooperation has improved e.g. between migration authorities and the labour inspectorate as they do joint inspections on the spot. However, the tax authorities are not interested: if a person has been deceived or received no salary, the issue is not considered to be part of the mandate of the tax authority. The



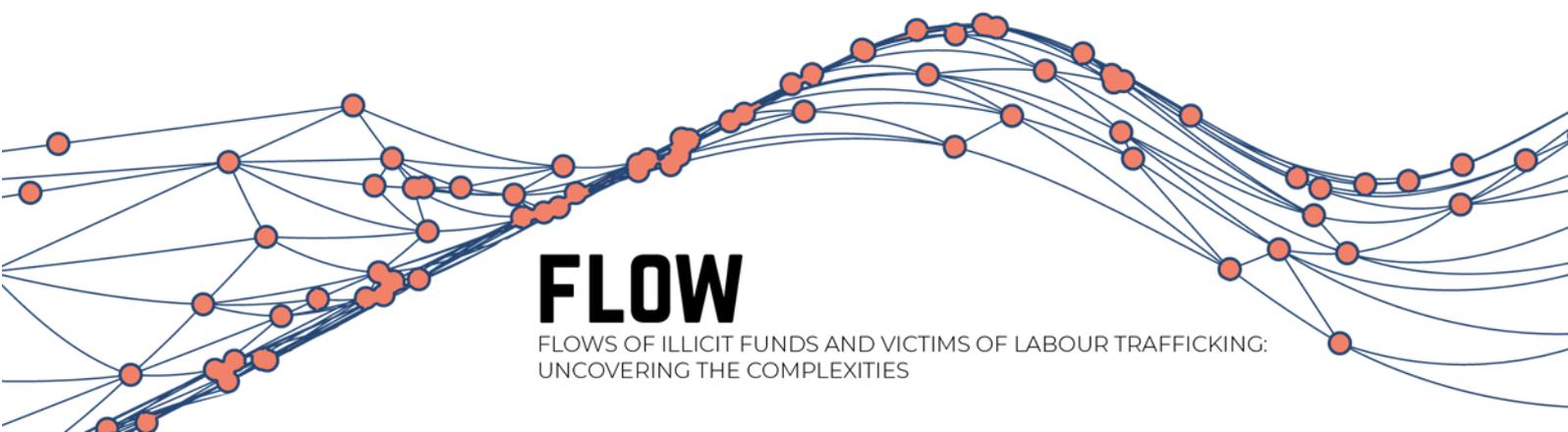
schemes are very difficult to prove because the paper trail looks ok and ultimately the exploited workers have to pay the price.

## Finland

In Finland, labour trafficking has received quite a lot of attention in the recent years. Finland is a destination and transit country for victims of trafficking and labour exploitation. There is a separate offence of extortionate work discrimination which is used in cases where migrant workers are exploited in addition to trafficking offences. The riskiest sectors for migrant labour exploitation are restaurant and cleaning sectors in addition to agriculture, berry picking and construction. In 2018, a total of 163 new clients were admitted into the national assistance system for victims of trafficking system. 63 of the clients were exploited for labour, 20 of them in Finland. Approximately 50 victims of human trafficking who are suspected of being exploited in Finland are referred to the Assistance system every year.

Awareness on the phenomenon has been increasing significantly in the 2010s among different authorities, NGOs and trade unions and the topic has been widely discussed in the media, most recently in the context of labour exploitation in Nepalese restaurants. The Finnish case examples focused on two cases of human trafficking in the context of ethnic restaurants where also economic crimes were investigated in connection with trafficking. Various methods are utilised to maximise the profits and to hide the unscrupulous business activities from the authorities e.g. by confiscating victims' bank cards, non-declaring restaurant sales, manipulating the till and bookkeeping and by non- or underpayment of wages. In addition, owners may sell their businesses to others via different schemes to avoid business bans or to go bankrupt to be able to start with a clear record.

Victims are often hesitant to disclose their experiences, as they fear losing their jobs and ultimately their work permit should they complain about their terms of employment. While exploitation of migrant workers often occurs in the construction sector, especially in long supply chains, in comparison to e.g. restaurant sector, these cases are rarely reported to authorities. This is because migrants working in the construction sector are often in Finland on a temporary basis, e.g. as posted workers, and they may be content with the poor terms of employment, because their wages are still better than in the home country. Also in Finland, exploitation of Ukrainians via posted worker schemes as well as bogus self-employment has been identified by trade unions and labour inspectors.



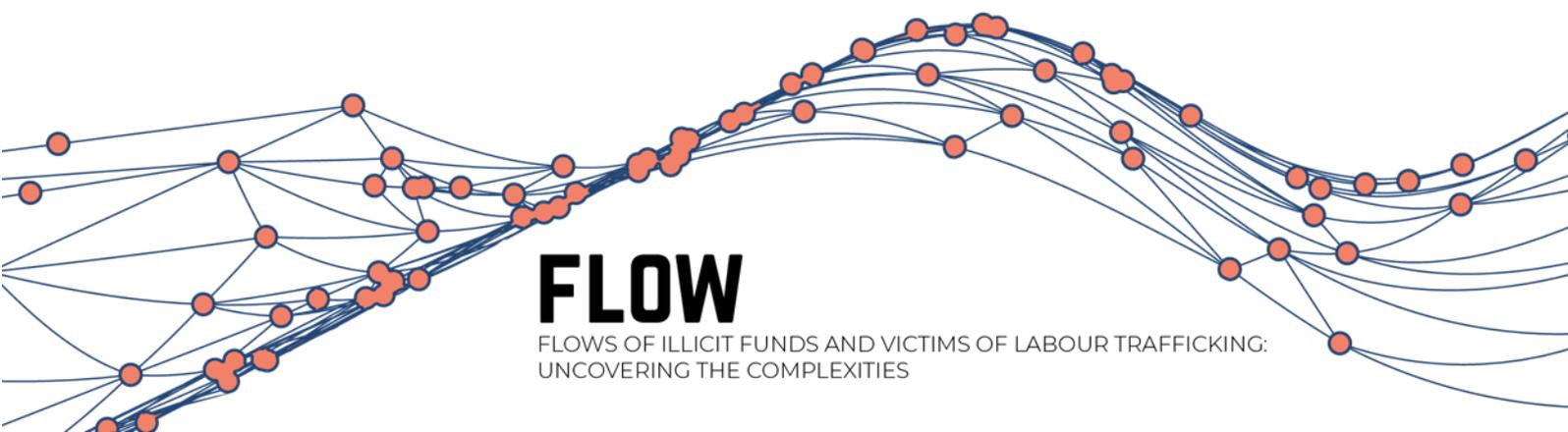
## Latvia

Latvia is nowadays both a country of origin as well as destination and transit for trafficking and labour exploitation. Latvians are exploited mainly in Western European countries e.g. in agriculture and construction, while for example Ukrainian workers are exploited in Latvia in the construction sector. This often happens in the context of complex supply chains that exist in construction sector via posting of worker's schemes where the workers are posted via Polish or Lithuanian companies to work in Latvia. Some workers may be exploited in several countries while working for the same contract, e.g. in Latvia as well as Sweden as happened in one case. Also bogus self-employment schemes have been identified. It is difficult for the authorities to identify and investigate such cases under the trafficking legislation, because the definition of forced labour is understood in a very narrow way.

In 2018, a total of 12 labour exploitation victims were formally registered, most concerned exploitation abroad, while no investigation on labour exploitation was initiated by police. There are two cases in court where prosecutors are using the constitution to argue exploitation. In one case a man (60-year-old) was exploited in the summer of 2016 and a woman (60-year-old) was exploited from December 2017 by April 2018 in a dairy farm in Latvia. Both victims in court claim unpaid salary and moral compensation (a man 1098 EUR + 1500 EUR, a woman 2500 EUR + 5000 EUR). Both victims have received the State compensation 1330 EUR each.

Moreover, there is a new case of forced sham marriage where three Latvian women were promised a job at vegetable sorting in the UK. However, they were separated after arrival, taken to different places, and forced to marry 3rd country nationals. Two Latvian perpetrators were convicted at the end of April, 5yrs and 2 months imprisonment for aggravated THB (OC group).

The role of businesses in prevention of labour exploitation in central and there are some good examples concerning Latvian companies who take their CSR policies very seriously and proactively work to tackle abusive employment.

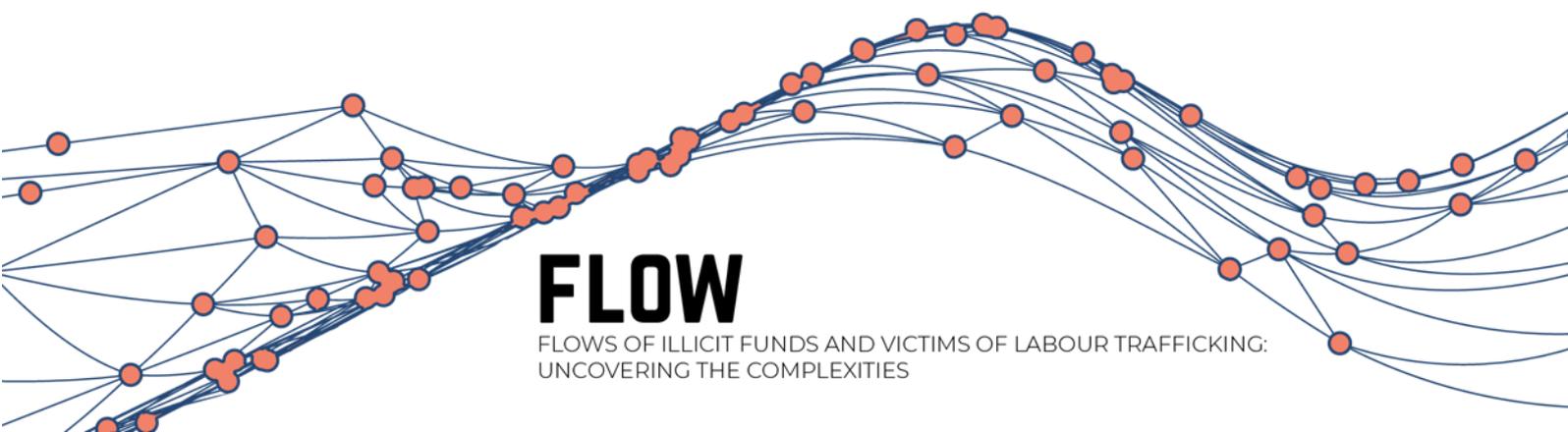


## Presentation by the Global Initiative

Ms Livia Wagner who works as a Network Coordinator and Senior Expert at the Global Initiative against Transnational Organized Crime presented their work in relation to trafficking for forced labour in a more global context. Ms Wagner also coordinates the Responsible & Ethical Business Coalition against Trafficking (RESPECT) Initiative, which serves as a platform for thought leaders, practitioners, and policy makers and to mobilize the business community as a strategic partner to tackle human trafficking. The organisation has developed some business models of labour trafficking and outlined links to other forms of criminality such as corruption and drug trafficking.

Ms. Wagner presented examples of trafficking and labour exploitation mainly from Latin America, Africa and Asia. For example, in Mexico, labour exploitation is connected to the presence of organised crime. High level of corruption facilitates exploitation and therefore governance is a big problem as government officials are actively involved in facilitating trafficking and exploitation. The level of corruption is also relevant when it comes to the role of the state and how much it is willing and interested in acting against labour exploitation.

In the discussion, the links between labour trafficking and organized crime were outlined. In the trafficking context we sometimes mix up labour exploitation, we do not sufficiently define if it is done in the informal sector or in the formal sector and miss the bigger organized crime dynamic. Often there is a fine line between labour exploitation in informal vs. corporate structures, which makes it very challenging for the authorities to identify and disrupt. Sometimes also fraudulent recruitment practices can constitute OC and recruiters may act as traffickers. It is important to see how strong the connections between the different actors are and how they are involved with each other to be able to estimate whether it is indeed a joint profit exercise or rather a loose network of actors.



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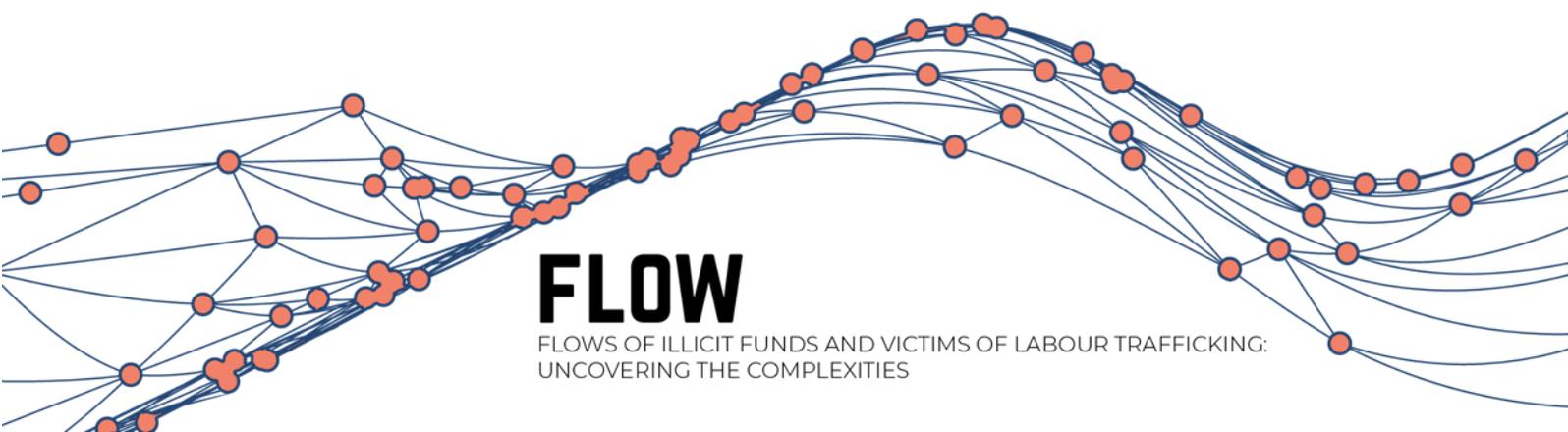
## Network diagrams and business model

Based on the results of the data collection and case analysis in the four countries, several network diagrams were drafted during the afternoon session of the workshop to better understand the connections and intersections between labour exploitation and related crimes, the structures within which exploitation takes place, and the actors who exploit labour for financial profit. CSD led the discussion by introducing some preliminary models they had drafted based on selected case examples from the country mappings.

The findings from the four countries identified several schemes in which legitimate business entities may be used to disguise labour exploitation. These related to posted work fraud, bogus self-employment, cascade sub-contracting and use of letterbox companies. Payments are made predominantly in cash or in bank transfers, when legitimate business structures are used. Profits are made through revenue generation through imposition of fees and inflated prices for ancillary services (debt entrapment) as well as cost reduction through payment of lower wages, cutting cost on health and safety, evasion of taxes and social contributions.

Several different types of financial models were identified from the case examples collected in the four countries. Labour trafficking operations appear to require less initial investment and lower running costs when compared to trafficking for sexual exploitation and at the same time generate comparable revenues especially when several victims are exploited. In most cases, the illicit flows are rather direct, while the structure of the operation itself is often quite elaborate to better hide or disguise the illicit activities behind the front of legality e.g. in the lower levels of a supply chain.

The results of the discussion are reported in deliverable D2.2 Network diagram on the linkages between different offences, actors and phenomena based on the results of the data collection, including real case examples. The final outcome is envisioned to include elements of the different aspects of the individual networks presented below into one or two visual maps and/or infographs. Each of the project partners will work on drawing one of their case examples which will be then generalised into one or two separate models and ultimately the visual map which will be part of deliverable D2.4. Analytical tool & map.



## Conclusions

Based on the discussion with the FLOW partners and the results of the mapping and case examples collected in Bulgaria, Estonia, Finland and Latvia it is evident that the phenomenon of labour exploitation has similar features in all the four countries. The recruitment and subsequent exploitation utilise similar modus operandi and similar methods are used to keep victims under control and to deceive authorities.

Simply following the money is not enough when exploring the links between labour trafficking, economic crimes and illicit flows, because everything looks normal business activity from the outside. In the consequent FLOW deliverables and products, we must find ways to showcase the whole complexity of the problem, not just the trafficking aspect, but also the ways in which legitimate business structures and different schemes maybe utilised to facilitate and enable labour exploitation.

It is also very important to further highlight and develop cooperation between labour and tax authority and police and to increase understanding of trafficking for forced labour and labour exploitation among the authorities, in particularly among the investigative authorities to make sure that relevant and potential cases would be investigated and to ensure access to justice for the exploited workers.

