Commentary on modern slavery in business

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One hundred eighty seven years after slavery was abolished in the United Kingdom, there are now more slaves in the world than when slavery was legal: a 2016 International Labour Office (ILO, 2017) report estimates there are 40.3 million (a “very conservative” estimate according to the report) vic- tims of modern slavery. The same report suggests that 71% of modern slaves are women and one in four victims of modern slavery are children. This spe- cial section on modern slavery in business is thus both timely and relevant given the paucity of research on the topic in our field, which is worrying given that it is business that exploits much of slave labor. For instance, the construction, manufacturing, agricultural, and fishing industries accounted for 44% of all forced labor, according to the ILO (2017). Slavery is also a very profitable business: Profits per slave can range from a few thousand dol- lars a year to a few hundred thousand dollars a year, with total annual slavery profits estimated to be as high as US$150 billion (ILO, 2014).

Slavery is an abhorrent practice and while it is technically a crime under international law, it is important to realize that it remains a viable and profit- able management practice for business. Modern slavery, far from being an aberration, is a logical outcome of the way our political economic system is organized and its historical origins in the colonial enterprise. For example, colonial expansionist practices of the British Empire in the 1800s involved both land and resource appropriation as well as permanent destruction of manufacturing capacities in the colonies. The “technological superiority” of the British textile industry was established as much by technological advances as by a systematic destruction of India’s indigenous industry involving inno- vative competitive strategies such as the severing of the thumbs of master weavers in Bengal, forced cultivation of indigo by Bihar’s peasants, and the slave trade from Africa that supplied cotton plantations in the United States with free labor (Banerjee, 2008). Just as historical slavery was an enabling condition of industrial capitalism (Cooke, 2003), modern slavery is an enabling condition of global neoliberal capitalism. The market for forced labor is vast both in terms of supply and demand, and it dwarfs any market for virtue that may exist for “slave-free” products. However, as Caruana et al. (in press) show in their introductory article, the topic remains relatively invisible in our canons of business and management scholarship—whether in Porter’s classic “five forces” model of competition or more recent descriptions of distinctive competencies, the gig economy, the sharing economy, or digital transformation.

So what are corporations as “responsible citizens”[1] doing to eliminate modern slavery? Most corporations do very little apart from issuing public statements and commitments to eradicate forced labor. One thing is clear based on decades of

[1] It is worth pointing out the perverse irony of the 1886 legal ruling that granted corporations “personhood” was based on the 14th Amendment of the United States Constitution, the same law that was passed in 1868 to abolish slavery in the United States.

research that has examined how corporations address negative social and environmental impacts of their activities: self-regulation through voluntary initiatives like corporate social responsibility (CSR), codes of conduct, and multistakeholder initiatives do not work. These measures give the appearance that firms and suppliers are working to address problems with little evidence of outcomes. Naming and shaming companies and pres- sure from customers are unlikely to force companies to act either: There are plenty of shameless companies around that deploy CSR strategically to man- age their reputations and the ethical consumer is a myth, apart from a small group of activist consumers and niche products (Devinney et al., 2010). Widespread and dispersed subcontracting practices in many sectors make it difficult if not impossible to identify individual contractors who may be five or six or more tiers down the supply chain, as is the norm in the ready-made garment industry for example. A survey conducted in the aftermath of the Rana Plaza factory collapse in Bangladesh that killed 1,113 garment workers found that 91% of consumers did not know where their favorite brand of clothing was manufactured (Kim & Davis, 2016).

Multistakeholder initiatives in other sectors have largely proved ineffec- tive and there is no reason to believe that they will eradicate slavery. The assumption is these initiatives increase transparency. Perhaps they do but it is a strategic transparency that actually reveals very little information while conferring legitimacy on multinational corporations and their certification schemes, as discussed in Monciardini et al.'s. (2019) article in this special section that examines business compliance with the U.K. Modern Slavery Act. Other legislative measures to address exploitative labor practices have not proved particularly effective. Following the outcry over blood diamonds and conflict minerals, the Dodd–Frank Act was passed in 2010 requiring companies listed on U.S. stock markets to report on their use of conflict min- erals originating from the Democratic Republic of Congo and adjoining countries. Nearly 80% of companies were unable to identify with certainty the country of origin of their materials and only 1% were able to determine with certainty that their products were conflict mineral free (Kim & Davis, 2016). At the end of the supply chain for the materials that make up our smart phones is probably some 11-year-old child with a pickaxe whose picture will not appear in any of the glossy CSR and human rights reports produced by the corporations involved.

There is also the issue of what happens when there is noncompliance with legislation. As Monciardini et al. (in press) in this special section mention, noncompliance with the Modern Slavery Act is a “common occurrence,” apparently with impunity. If the primary effect of the Act was to create a “modern slavery transnational community” (which one assumes excludes enslaved workers), then it should be the task of this community to impose sanctions on violators within an enforceable legal framework, rather than describe an audit trail of (non)compliance. Again, the evidence based on past noncompliance with international legislation is not encouraging: the Kyoto Protocol, the first “binding international treaty” among industrialized nations to reduce greenhouse gas emissions has been significantly weakened and could very well cease to exist in the near future. Apart from the United States, which never ratified the treaty, Japan, and Russia refused to renew their com- mitments while

Canada simply withdrew from the treaty in 2011 when they could not meet their emissions reduction targets (The Guardian, 2011).

If both market and nonmarket measures have proved to be ineffective in combating modern slavery, this does not bode well for the future. Despite the normative legitimacy of a “holistic” response to modern slavery by business, as argued by Van Buren et al. (2019) in this special section, it is difficult to see how and why business will contribute to any “structural reform” that can eliminate forced labor. Reputation and image management through CSR is a far more effective corporate strategy, especially when the current structures of the global labor market in terms of wage differentials, lack of worker bar- gaining power, weak labor protection legislation, and market power of global brands are sources of competitive advantage that allow corporations to ben- efit from global labor arbitrage. There is also a real danger that corporations involved in modern slavery can use the Modern Slavery Act to bolster their CSR credentials, which then serve as a smokescreen to conceal practices of modern slavery.

Certainly, the story of the Coalition of Immokalee Workers, as described in one of the papers in this issue (Rosile et al., in press), must be celebrated as a success in overcoming exploitative labor practices—but this particular supply chain was not globally dispersed and did not involve multiple tiers of subcon- tracting. The challenge here is less about scaling up than scaling sideways.

Following the Rana Plaza disaster in Bangladesh a multistakeholder initiative, the Accord for Fire and Building Safety was implemented with signatories from than 200 international brands, global and local unions. The problem is that contribution margins and procurement prices continue to determine what can be spent on worker safety, which means that the Accord becomes merely a CSR compliance initiative. All evidence post–Rana Plaza suggests there has been no increase in the procurement price for factory owners. In fact, the price of Bangladesh’s major clothing export to the United States has dropped 46% since 2000 (Alamgir & Banerjee, 2019).

So, while our research on CSR, codes of conduct, business ethics, trans- parency, self-regulation, and multistakeholder initiatives will continue to flourish in the future, none of these initiatives will address the real problem of modern slavery: the relentless pursuit of low cost manufacturing to maxi- mize profits and the pressure on suppliers to deliver their products as cheaply as possible. If modern slavery has to be eradicated, that business model has to be changed. But I for one will not be holding my breath.

References

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