



**BRITISH ACADEMY
OF MANAGEMENT**

BAM
CONFERENCE

3RD-5TH SEPTEMBER

ASTON UNIVERSITY BIRMINGHAM UNITED KINGDOM

This paper is from the BAM2019 Conference Proceedings

About BAM

The British Academy of Management (BAM) is the leading authority on the academic field of management in the UK, supporting and representing the community of scholars and engaging with international peers.

<http://www.bam.ac.uk/>

Getting on the right track: MNCs on the path to end forced labour in supply chains

Zahra Shirgholami

Surrey Business School
University of Surrey, Guildford, UK
z.shirgholami@surrey.ac.uk

Rosanna Cole

James Aitken

Surrey Business School
University of Surrey, Guildford, UK

Getting on the right track: MNCs on the path to end forced labour in supply chains

Summary (*developmental paper*)

Forced labour is a type of slavery which occurs in both domestic and global supply chains and includes the majority of people trapped in slavery today (ILO 2018). In current literature addressing forced labour within supply chains, there is a lack of understanding of both underlying reasons behind MNCs' attitudes towards forced labour and how they can contribute to end forced labour within global supply chains. Although research is advancing, few studies consider what MNCs are *not* doing. Hence, this paper aims to explore how MNCs can make a worthwhile contribution to eradicate forced labour in supply chains through answering the following questions; 1.) What prevents MNCs from taking the ethical path and actions that they profess to; 2.) How can MNCs find the most effective path into the needed actions?

Track: OLSCM

Word count: 1888

Introduction

Despite ‘abolishment’ and regulatory laws to make slavery illegal, there is much evidence in the media depicting forced labour. It is, perhaps, just more hidden today (Bales 2007). Forced labour, which happens in supply chains, includes the majority of people trapped in slavery. Studies addressing forced labour within supply chains are limited but do provide definitions of forced labour, indicators of forced labour, conditions enabling forced labour, and current responses to the issue, to some extent. For example, the ILO Forced Labour Convention (1930) defined forced labour as “*all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily*”. Indicators of Trafficking in Persons Protocol (Palermo Protocol) of ILO and European Commission (EC) which come under six dimensions of trafficking are comprehensive and can be used to identify whether a worker is a victim of slavery. Deceptive recruitment, coercive recruitment, recruitment by abuse of vulnerability, exploitation, coercion at destination, and abuse of vulnerability at destination are all dimensions. Combining these dimensions, workers can be considered as exploited; that is, they are victims of deception and trafficking (Stringer *et al.* 2016).

Conditions under which forced labour thrives

Conditions enabling forced labour include; a lack of coordination and inconsistency between labour and immigration law enforcement; lack of state-based inspections and enforcement, labour market intermediaries and informal economy; incoherence between MNCs’ purchasing practices and their codes of conduct and rigid prices and delivery imposed by MNCs along the supply chains; and slave holder capabilities - all of which have been considered to be causes of forced labour. It should be noted that personal characteristics of people do not make them vulnerable to forced labour but governance gaps in both developed and developing countries along with other conditions creates structural vulnerability (Fletcher *et al.* 2005; Allain *et al.* 2013; Barrientos 2013; Crane 2013; Crane *et al.* 2017; Benstead *et al.* 2018). For instance, Chantavanich *et al.* (2016), in their analysis of forced labour practices in the context of fishing industry in Thailand, associated emergence of forced labour in the fishing industry to (1) commodity-oriented global value chains (GVCs) which are dominated by lead firms who exert supply pressure along the value chains, and (2) use of labour brokers at the recruitment stage which involve lots of multiple layers of networks including informal and unregistered intermediaries accessing a cheap and ready source of labour in developing countries.

Addressing forced labour

Responses to addressing forced labour within supply chains include standard setting and risk avoidance, detection practices, and remediation practices (Stevenson and Cole 2018). Their study reviewed firms’ statements in response to the 2015 Modern Slavery Act and contributes to the literature emphasising detection and remediation practices, standard setting and risk avoidance (also see New, 2015; Gold *et al.* 2015). To respond to forced labour, some regulations have also been set by governments. For instance, ‘Dirty List’ and National Pact to Eradicate Slave Labour have been the most important tools to tackle slave labour in Brazil (Mcgrath 2013). The enactment of protective legislation to eliminate abuse from foreign charter fishing vessels (FVCs) was considered as a partly successful effort by Stringer *et al.* (2016) to govern labour standards within New Zealand fisheries’ GVC, and to protect migrant crew on board South Korean fishing vessels. In recent years, governments have also begun to pass regulations that require firms to publish a slavery and human trafficking statement, such as the California Transparency in Supply Chains

Act, 2015 UK Modern Slavery Act, French Due Diligence, Australia's Modern Slavery Act 2018 (UK Government 2015; Legifrance 2017; Australian Government 2018; Becerra 2019).

It has also been argued that MNCs operate across national boundaries and cannot separately tackle forced labour that results from commercial involvement in wider socially embedded processes, and a 'joined-up' strategy is needed (Barrientos 2011, 2013; Stringer and Michailova 2018). For instance, Benstead et al. (2018), through the lens of relational theory, investigated how horizontal multi-stakeholder collaboration with business and non-business actors can help firms to gain competitive advantages to respond to modern slavery legislations. In the case of forced labour, they argued that a successful horizontal collaboration may depend on trust, commitment, knowledge and resources shared by non-business actors, shared goals, and effective governance (Benstead *et al.* 2018).

While current practices in addressing forced labour within global supply chains might seem promising, several limitations can be associated with these practices. First, hidden, criminal dimensions of forced labour along with involvements of third-party labour agencies, make many standard practices (i.e. compliance-based approaches) for social upgrading insufficient to eliminate forced labour in supply chains. The standard practices need to be tailored, but tailored practices like tailored codes of conduct might be resource intensive and collaboration actions might be needed for adopting such practices (Stevenson and Cole 2018). For collaboration, there is limited research investigating how widespread the idea of collaboration to tackle forced labour in supply chains is and how successful it can be considering huge numbers of suppliers of large MNCs. Moreover, Thomsen and Lindgreen (2014) argued that a cooperation paradigm cannot change the power relationships in global supply chains substantially and might not be able to improve working conditions in developing countries. Current regulations for protecting workers have also come under criticisms such as having no enforcement (Ruhmkorf 2018).

The role of MNCs

More importantly, there is growing evidence that current business models and purchasing practices (e.g. subcontracting and outsourcing) fuel forced labour in global supply chains and ending forced labour might need a shift in the business models of MNCs. Since the 1970s and 1980s, companies in developed countries started restructuring their production and outsourcing overseas to cut costs and to curtail accountability. As a result, many MNCs transitioned from actual manufacturers to big brands such as Gap, Apple, and Nike. Big brands are only responsible for the management of the logistics of delivery, shipment, and sale of goods produced in their supply chains without producing any actual goods. The big brand business models focus on cutting the cost and maximising lead firms' flexibility in ordering and logistics through subcontracting and outsourcing and so move unethical practices to the bottom of supply (Lebaron 2013).

However, reconsidering current business models as one of the roots of emergence and persistence of forced labour has not been the focus of practices developed to address forced labour within supply chains. For instance, self-regulations through audits and other compliance programs have been the most common responses to forced labour, but the cost of self-regulations even shifted to suppliers in some cases (Lebaron 2013). Stringer and Michailova (2018) argued that MNCs' profit driven motives lead to the existence and persistence of modern slavery in their supply chains. Moreover, Stevenson and Cole (2018) who conducted their research in the textile and clothing

industries, showed that the statements of some companies are just for meeting regulation requirements and these companies are (unknowingly) allowing forced labour to happen in their supply chains. There is also the possibility that MNCs are stopping short of doing all they *could* do, as research focuses on what they *do* do, not what they are *not* doing.

In fact, in current literature, there is a lack of understanding of how MNCs can make a worthwhile contribution to end forced labour given their complex and extreme distance from the actual violation in the supply chain, and what is the underlying reasons behind the attitudes of MNCs that while emergence and persistence of forced labour can also be associated to their business models, they have been reluctant to change their business models and purchasing strategies to reduce forced labour. Hence, this paper aims to understand how can MNCs make a worthwhile contribution to eradicate forced labour in supply chains by seeking responses to two questions: 1. What prevents MNCs from taking the ethical path and actions that they profess to; 2.) How can MNCs find the most effective path into the needed actions?

Methodology

The research questions will be answered by focusing on at least two MNCs and their direct network of business relationships in the UK. MNCs in the UK will be the focus of this research because the regulation such as Modern Slavery Act can provide sufficient data in this context. In addition, it is possible to identify comparable industries in the UK where forced labour had been documented in previous research. As mentioned in Introduction, the research addressing forced labour within global supply chains is still limited, thus, an inductive approach will be used in the research through following two main steps.

First, more investigation into a suitable industry must be established, to make comparisons between the two MNC networks. Existing data will be investigated to identify and analyse which industrial sector(s) can provide insight into attitudes of MNCs towards forced labour in the UK. When industry(s) are selected, the existing data will be used to better understand different attitudes of MNCs towards the existence or risk of forced labour in their supply chains to choose companies that can be compared. In other words, the available data will be analysed to identify firms which have tried to address forced labour within their supply chains and could be considered ethical leaders in contrast to companies whose statements are only published for compliance and the regulations requirements (this will be completed using the typology presented by Stevenson and Cole, 2018). Two companies will be selected as cases in the industry(s) for comparison. One company will be selected from organisations which could be considered as ethical, and the other company will be selected among companies which appear to be doing less.

Then, the research questions will be answered through a combination of secondary data analysis and primary data. Secondary data includes reports that MNCs publish voluntarily or as a result of disclosure laws (e.g. code of conducts, Modern slavery Act statements). The primary data will be gathered through semi-structured interviews with key informants as well as experts in the chosen companies. It should also be noted that to answer the first question and to understand the underlying reasons behind the attitudes of MNCs, the focus is on different areas including but not limited to: shareholders, competitors, sub-contracting and out-sourcing, institutional enforcement, public attitudes, institutional, economic, financial, and culture context, administrative context, and corruption.

Before the conference, the paper will be further developed by tailoring the methodology and beginning data collection. As a developmental paper, these results will be discussed for feedback and development opportunities.

References

- Allain, J., Crane, A., Lebaron, G. and Behbahani, L. (2013) *Forced labour's business models and supply chains*.
- Australian Government (2018) *Modern Slavery Act 2018, Federal Register of Legislation*.
- Bales, K. (2007) *Ending slavery: How we free today's slave*. University of California Press.
- Barrientos, S. (2011) 'Labour chains': *analysing the role of labour contractors in global production networks*.
- Barrientos, S. (2013) 'Corporate purchasing practices in global production networks: A socially contested terrain', *Geoforum*, 44, pp. 44–51.
- Becerra, X. (2019) *The California Transparency in Supply Chains Act, State of California Department of Justice*.
- Benstead, A. V., Hendry, L. C. and Stevenson, M. (2018) 'Horizontal collaboration in response to modern slavery legislation: An action research project', *International Journal of Operations and Production Management*. doi: 10.1108/IJOPM-10-2017-0611.
- Chantavanich, S., Laodumrongchai, S. and Stringer, C. (2016) 'Under the shadow: Forced labour among sea fishers in Thailand', *Marine Policy*, 68, pp. 1–7. doi: 10.1016/j.marpol.2015.12.015.
- Crane, A. (2013) 'Modern slavery as a management practice: Exploring the conditions and capabilities for human exploitation', *Academy of Management Review*, 38(1), pp. 49–69. doi: 10.5465/amr.2011.0145.
- Crane, A., Lebaron, G., Allain, J. and Behbahani, L. (2017) 'Governance gaps in eradicating forced labor: From global to domestic supply chains', *Regulation and Governance*, (May). doi: 10.1111/rego.12162.
- Fletcher, L. E., Bales, K. and Stover, E. (2005) 'Hidden Slaves Forced Labor in the United States', *Berkeley Journal of International Law*, 23(1).
- Gold, S., Trautrim, A., & Trodd, Z. (2015). Modern slavery challenges to supply chain management. *Supply Chain Management: An International Journal*, 20(5), 485-494.
- ILO (2018) *Forced labour, modern slavery and human trafficking, Forced labour and Modern Human Trafficking*.
- Lebaron, G. (2013) 'Subcontracting Is Not Illegal, But Is It Unethical: Business Ethics, forced Labour, and Economic Success', *Brown Journal of World Affairs*, 20.
- Legifrance (2017) *LAW n ° 2017-399 of March 27, 2017 relating to the duty of care of parent companies and contractors (1), Legifrance*.
- Lund-Thomsen, P. and Lindgreen, A. (2014) 'Corporate Social Responsibility in Global Value Chains: Where Are We Now and Where Are We Going?', *Journal of Business Ethics*, 123, pp. 11–22.
- Mcgrath, S. (2013) 'Many chains to break: The multi-dimensional concept of slave labour in Brazil', *Antipode*, 45(4), pp. 1005–1028. doi: 10.1111/j.1467-8330.2012.01024.x.
- New, S. J. (2015). Modern slavery and the supply chain: the limits of corporate social responsibility?. *Supply Chain Management: An International Journal*, 20(6), pp. 697-707.
- Ruhmkorf, A. (2018) 'Transparent Companies? Legal Research Strategies to Understand Forced Labour in Global Supply Chains', in *Understanding the Global Business of Forced Labour: An*

- Introduction*. Published for The British Academy by Oxford University Press, pp. 148–166.
- Stevenson, M. and Cole, R. (2018) ‘Modern slavery in supply chains: a secondary data analysis of detection, remediation and disclosure’, *Supply Chain Management*, 12(3), pp. 81–99. doi: 10.1108/SCM-11-2017-0382.
- Stringer, C., Hughes, S., Whittaker, D. H., Haworth, N. and Simmons, G. (2016) ‘Labour standards and regulation in global value chains: The case of the New Zealand Fishing Industry’, *Environment and Planning A: Economy and Space*. doi: 10.1177/0308518X16652397.
- Stringer, C. and Michailova, S. (2018) ‘Why modern slavery thrives in multinational corporations’ global value chains’, *Multinational Business Review*, 26(3), pp. 194–206. doi: 10.1108/MBR-04-2018-0032.
- Stringer, C., Whittaker, D. H. and Simmons, G. (2016) ‘New Zealand’s turbulent waters: The use of forced labour in the fishing industry’, *Global Networks*, 16(1), pp. 3–24. doi: 10.1111/glob.12077.
- UK Government (2015) *Modern Slavery Act 2015*, *The National Archives*.