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Role of Business in Tackling Modern Slavery in Supply Chains

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Question

What academic literature is there around how business can tackle modern slavery and child labour in supply chains? What evidence is there for the role of business in this regard?

Contents

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1. Overview

This review of the role of business in tackling modern slavery in supply chains focuses on academic literature, though some reports by development organisations are included. Since the available academic literature is extremely limited (see point below), the report is not presented as a conventional evidence review, but rather is organised by aspects of the theme: prevalence of modern slavery in supply chains, pressures on firms to tackle this, challenges in doing so and different approaches, and evidence from initiatives to date. For each aspect, the main points made in the literature are given.

Key findings are as follows:

- **Not much research has been done on business supply chain management and modern slavery**: The available literature is extremely limited; this point is highlighted in the literature itself and was consistently made by the experts contacted for this report.

- **Increasing pressures on companies to tackle modern slavery in supply chains**: The literature identifies a number of factors forcing/incentivising companies to take action on slavery in their supply chains. These include growing consumer concerns about the issue, fears of reputational damage, the potential for companies to charge more for 'slave free' ethical products, and increasing government regulation (Quarshie & Salmi, 2014; Schroders, 2016; Lake et al, 2016).

- **Not easy to identify modern slavery in supply chains**: The first step in tackling modern slavery is detecting it in supply chains. The complexity of these chains, the different forms of modern slavery, its often transient nature, and active efforts by those involved to conceal it, make it hard to detect (Gold et al, 2015; New, 2015; Schroders, 2016). Standard certification mechanisms on social and environmental issues (e.g. Fairtrade) are not effective in picking it up (Quarshie & Salmi, 2014; New, 2015).

- **Companies can have vested interests in not tackling it and can even fuel it**: Companies benefit hugely from cost savings through use of modern slavery so could be unwilling to tackle it (Crane, 2013 cited in New, 2015). More worrying, the power asymmetry between large multinationals at the top of the supply chain and lower tier suppliers could create the conditions that lead to use of modern slavery by the latter (New, 2015). Based on this analysis, modern slavery is not an aberration but a normal part of the system (ibid).

- **Once detected, responding to modern slavery in supply chains is challenging for firms**: The literature is clear that withdrawing from a region/country would not solve the problem, but rather make the situation there worse (Gold et al, 2015). Companies can adopt a multi-stakeholder approach to address modern slavery, but working with a diverse range of unfamiliar actors, each with their own priorities and perspectives, could be difficult (Quarshie & Salmi, 2014). A second option is working at community level to improve local conditions, and a third is engaging with suppliers and supporting their development so they produce goods without using slave labour (Gold et al, 2015).

- **Focus in initiatives to date is on identification rather than on tackling modern slavery**: California's 2010 Transparency in Supply Chain Act and the 2015 UK Modern Slavery Act are examples of legislation to promote supply chain transparency (Aaronson & Wham, 2016). However, these only require firms to *report* on efforts to tackle slavery and do not mandate action to curb it (ibid; Townsend et al, 2016). The international Cocoa Initiative (ICI) in West Africa takes a multi-stakeholder approach to curbing

modern slavery in cocoa production (Gold et al, 2015), while IKEA is an example of a retailer promoting supplier development (Andersen & Skjoett-Larsen, 2009).

- **The bulk of initiatives to date have come from government rather than business**.
- **Need for more research**: The literature stresses the need for greater research on supply chain management and modern slavery, including on: supply chain mapping to identify forced labour; network dynamics in multi-stakeholder approaches to tackle it; effectiveness of approaches to tackle modern slavery; and the requisite capacities in firms and others (e.g. NGOs) for this (Allain et al, 2013; Gold et al, 2015; New, 2015).

2. Modern slavery in supply chains

Available research

A lot of research has been done on business management, business ethics and supply chain management; similarly, much work has been done looking at slavery in the context of different disciplines, e.g. law, sociology, geography, politics, literature, visual culture, international development, and history (Gold et al, 2015: 4). But there is consensus in the literature that very little research has been done on the links between business and supply management, and modern slavery, forced labour and human trafficking (Allain et al, 2013; New, 2015; Gold et al, 2015; experts' comments). 'Business research scholars have paid surprisingly little attention to human trafficking and forced labour as issues requiring academic research and managerial attention' (Quarshie & Salmi, 2014: 3).

Prevalence

The 2016 Global Slavery Index estimates the number of people in modern slavery globally as 45.8 million (Walk Free Foundation, 2016) – up from 35.8 million in 2014 (Gold et al, 2015: 3). The ILO estimates that profits generated from forced labour amount to USD 150 billion globally (ILO, 2015: 9). Modern slavery and forced labour are highly prevalent in business supply chains. 'Slavery taints numerous of our raw materials, commodities and goods. As supply chains are internationally connected and highly outsourced today, the risk of using slave labour somewhere in the supply chain is present in almost all industries, from electronics, high-tech, automotive and steel to agriculture, seafood, mining, garment and textiles' (Gold et al, 2015: 3).

Schroders (2016) identified consumer sectors as most at risk of exposure to modern slavery: specifically, food producers, retailers, clothing, tobacco and consumer electronics firms. 'This is driven by the extent to which manufacturing is outsourced and the types of goods that these companies source' (Schroders, 2016: 4). High risk goods include rice, spices, tea, coffee and cotton (ibid). Moreover, it is the suppliers in the lowest tiers of the value chain - those most removed from focal companies (e.g. retailers) - that pose the greatest slavery risk (Schroders, 2016). Allain et al (2013) note that forced labour is almost always associated with some degree of informality.

Need for business to tackle modern slavery

There are moral and human rights imperatives for businesses to take action on modern slavery. Companies are also increasingly coming under *external* pressure to tackle it in their supply chains. Increased attention to the issue of human trafficking and forced labour is a factor in this. A number of NGOs have produced investigative reports highlighting the prevalence of forced

labour, child labour, bonded labour, etc. in different regions, industries and supply chains (Quarshie & Salmie, 2014: 3). One example is Amnesty International's 2013 report on forced labour and human trafficking among migrant workers in the construction sector in Qatar, working on infrastructure in preparation for the 2022 football World Cup. Amnesty found 'widespread exploitation' of migrant construction workers (Amnesty International, 2013). The increased access to information and dissemination of this through multimedia communication technology has made it much harder for companies to hide unethical practices at their suppliers: well-known examples of companies who have experienced this are Gap, Nike and Walmart (Andersen & Skjoett-Larsen, 2009: 77).

Modern slavery and forced labour is at odds with the increased emphasis on corporate social responsibility (CSR) which entails taking responsibility for a corporation's effects on economic and social well-being.[1] 'Companies – particularly those that supply consumer markets and have significant brand value – face new and growing expectations that production will comply with social and human rights criteria' (ILO, 2015: 1). IKEA's decision at the end of the 1990s to develop a code of conduct for its suppliers was prompted by increasing numbers of customers in its stores waning to know how a given product was produced, where and by whom (Andersen & Skjoett-Larsen, 2009: 79). In a recent study of corporate perspectives on modern slavery, which included 25 leading brands and retailers across the world, consumer-facing companies highlighted an expectation from customers that they provide a level of assurance that they have done everything possible to mitigate exploitation in the supply chains that serve their brand (Lake et al, 2016: 9). Business-to-business companies have also reported being under growing pressure from their business customers to provide such assurance (ibid).

Publicity about use of slavery and forced labour in a corporation's supply chains can seriously damage its brand reputation. In the same study of corporate perspectives, 97 percent of companies cited reputational risk resulting from public exposure to worker abuse found in the supply chain or company operations as the biggest driver for company action on modern slavery (Lake et al, 2016: 8). Brand name producers such as Levi Strauss and Nike and large retailers such as Walmart and Tesco are, as brand-owners of consumer goods, 'especially vulnerable to negative publicity about social or environmental conditions in their supply chain (Andersen & Skjoett-Larsen, 2009: 76).

One example of businesses responding to such pressures was seen in the case of European and American supermarket chains (including Tesco, Walmart and Carrefour) selling prawns from Thailand produced with slave labour (Gold et al, 2015: 4). In 2014 the Thai supplier, Charoen Pokphand Foods, was accused of having fishing boats operated by slaves on their prawn farms: the resultant public pressure forced the supermarkets it supplied to withdraw its prawn products from their shelves (ibid). What is noteworthy in this case is how far down the supply chain forced labour was being used – in the fishing boats catching the small fish used to produce fishmeal which was then used to catch shrimp (Schroders, 2016). Despite slavery being discovered so far down the chain, many major retailers were affected and some (CostCo, Nestle) even faced litigation (ibid).

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[1] The ILO defines CSR as 'a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law' (ILO, 2015: 6-7).

There can also be positive incentives for companies to tackle modern slavery in their supply chains. Doing so would enable them to market 'slave-free', ethical products, in turn allowing them to charge more for them (Gold et al, 2015). Many certification standards, such as Fairtrade, include forced labour. Quarshie and Salmi (2014: 5) note that 'many of these certificates create attractive win-win situations in firms' eyes, as customers are often willing to pay slightly higher prices for ethical products, or because market demand may increase as a result of product labelling'. However, they warn that the contents, priorities and specific criteria of different certification standards vary greatly.

Companies are also facing increasing regulation from governments: Schroders (2016) believe this is part of a broader structural trend whereby governments are moving towards taking a more active and demanding role in regulating companies' behaviour. This in turn reflects a shift in public perceptions of the corporate sector that has accelerated since the 2008 global financial crisis (ibid). A number of countries have passed legislation calling for mandatory reporting of companies' efforts to curb slavery in their supply chains (see below). In some countries, trade regulations prohibit the import of goods that have been produced by forced or trafficked labour: such allegations can result in confiscation of imported goods or disruption to trade and production schedules (ILO, 2015: 1-2). Allegations of forced labour can also seriously threaten investor relations and jeopardise access to public funds such as export credits (ibid).

3. Issues and challenges

Identification of modern slavery

While modern slavery is widely prevalent in global supply chains, it is not always evident (Gold et al, 2015; Walk Free Foundation, 2014). Identifying modern slavery in a supply chain can be difficult because of a range of factors. One is the complexity (length and spread) of supply chains in global business. The number of direct suppliers reported by companies varies hugely depending on sub-sector and can range from tens of thousands to hundreds of thousands (Schroders, 2016: 2). The US tobacco company, Phillip Morris, for example, reported that it sourced its tobacco leaf from 450,000 farms (ibid). Most companies do have monitoring systems in place to communicate supplier policies and conduct audits, even at this scale, but they often only cover tier one suppliers at the top of the value chain. As noted, forced labour is more likely to be found at the bottom tiers.

Another factor is that forced labour can feature in the supply chain in an episodic or periodic manner, e.g. in agriculture during harvest season, and it can take many different forms. These too can make it difficult to identify (New, 2015: 2). A further issue, discussed below, is the active desire of those involved – both suppliers and workers - to hide it, which means standard certification processes don't pick it up. Opacity also stems from supply chains having a mixture of slave-made and non-slave made products which can be difficult to distinguish, and which anyway get merged higher up the chain (Gold et al, 2015: 2). The study of corporate perspectives on modern slavery identified a dilemma reported by most companies around the issue of greater transparency in their supply chains. 'Companies are extremely cautious about how much they should share publicly… or report on modern slavery cases found in their supply chains. They worry that campaigning NGOs and the media will exploit this to "name and shame" the company publicly' (Lake et al, 2016: 13).

Missed by standard certification mechanisms

Prohibition of forced labour is standard in codes of conduct and statements of ethical business practice: 'in general firms declare that they are against forced labour and forbid their suppliers from using it, and in many cases assert that this prohibition be cascaded down the chain of production' (New, 2015: 2). However, New notes that 'the firm is likely to encounter very significant levels of active deceit and denial from anyone involved in forced labour, and so normal use of auditing and certification mechanisms is likely to be problematic' (ibid: 5). Gold et al (2015: 8) echo this, noting that the strong incentives of slave-holders to actively hide the nature of their business, mean existing indicators for sustainable supply chain performance will not detect slavery in extended supply chains.

It is not just employers but workers who can have strong incentives to hide modern slavery: victims could be afraid of deportation, or retribution, or could be tied to their situation by more complex social and psychological ties (Bales cited in New, 2015: 5). Given this, New (2015) goes so far as to suggest that standard supply chain monitoring approaches, e.g. questionnaires, pre-notified audit visits, could be pointless for the investigation of forced labour. NGOs such as Anti-Slavery International have also expressed scepticism about the effectiveness of codes of conduct on forced labour and human trafficking in addressing these issues in the supply chain (Quarshie & Salmie, 2014: 5).

New (2015) critiques the Walk Free Foundation's 2014 handbook *Tackling Modern Slavery in Supply Chains: A Guide 1.0.* It is a collection of best practice suggestions for firms to avoid modern slavery in their supply chains. New (2015: 7) argues that, while it is difficult to fault the guide and improvements would come if firms followed it, it exemplifies 'a corporate approach to modern slavery that is based around routinized CSR best practice'. He lists the significant issues it does not address: the social or political conditions that give rise to vulnerable, precarious labour in the first place; how the actions of buying firms (e.g. relentless cost cutting) could stimulate supplying firms to engage in exploitative labour practices (discussed further below); and how victims of modern slavery could be empowered (New, 2015: 8).

Vested interests

Quarshie and Salmi (2014: 6) cite a number of sources to argue that, if companies were genuinely committed to CSR, this 'would be reflected in firms' purchasing policies and practices, including prices and lead times, as well as in incentives, rewards and other types of support provided to suppliers'. However, since these measures are costly to implement, 'they are not considered as particularly attractive CSR solutions by many global firms' (ibid). Crane (2013, cited in ibid) goes further by suggesting that firms benefit from under-priced labour in their supply chains, and hence could have incentives to insulate themselves from pressures to tackle slavery, and to attempt to sustain the macro-level conditions that allow slavery to continue in their sectors.

New's analysis takes this argument further still. Pointing to the asymmetrical power relationship between big global companies at the top of supply chains and lower tier suppliers, he makes the case that it is the conduct of the former which *drives* the latter to engage in modern slavery. He cites the example of the UK food retail sector and UK vegetable production: finding the commercial environment increasingly challenging, food suppliers have responded by 'the progressive substitution of UK domestic agricultural labour with cheaper and more compliant migrant labour' (2015: 9). New asserts that 'at least in part, it is the supermarkets' conduct which

gives rise to the desperate economic conditions that in turn provide a context of increased likelihood of modern slavery' (ibid). Put another way, 'large oligopolistic customers can drive suppliers to the point at which terrible labour practices become an operating necessity' (ibid). Crane (2013) made a similar argument, but applied it to distant suppliers in remote geographies with specific cultural conditions. New shows, through the example of UK vegetable production, that the same model can apply to local suppliers in developed economies. New's conclusion is that modern slavery in supply chains is not an aberration but rather 'something that is naturally generated by the normal system' (ibid: 9).

Viewed against this backdrop, firms' attempts at CSR (policy statements, certification, etc.) could be interpreted as allowing them to give the impression of taking action against slavery, while at the same time exercising brute commercial power (hard negotiations on prices and trading terms) and thereby generating the conditions in which forced labour emerges and is sustained (New, 2015). Indeed 'the standard initiatives of anti-modern slavery CSR are themselves, in some senses, part of the enabling mechanisms for modern slavery to persist (ibid: 9).

4. Approaches

Measures to promote transparency

Allain et al (2013) note that while it is common to talk of product supply chains, i.e. the stages of economic activity involved in transforming raw material into finished goods, it is far less common to talk of labour supply chains. 'A labour supply chain consists of the sequence of employment relationships that a worker goes through in order to be deployed in a productive capacity' (Allain et al, 2013: 42). Such chains can be short, e.g. in a direct employment relationship between producer and worker, where the worker has found the position independently, or can be extended when there are intermediaries involved. They stress the importance of understanding labour supply chains in order to identify where forced labour is involved – usually in the early stages such as agriculture, fishing, mining, brickmaking and charcoal production (ibid: 40). Looking at product and labour supply chains enables consideration of the connections between activities involving forced labour and the activities of companies and consumers further along the chain. Moreover, it enables design of interventions to curb forced labour.

New (2015) also identifies forcing firms to be more transparent and to provide greater levels of detail about the exact provenance of their products as a possible way forward. He notes that financial reporting by firms has already become more comprehensive; technological developments mean firms reveal relatively large amounts of data about their operations. A similar approach could be taken to shift supply chain provenance into the public domain. However, he adds the warning that, 'for this new openness to have any consequence…there needs to be a commensurate effort from citizens, academics and activists to actually engage with the data that is made available', e.g. by naming and shaming companies (2015: 10). Given that 'the odds are stacked in favour of powerful organisations' he says this will require work and courage. But he also expresses the (theoretical) hope that 'a developing interaction between consumer power and labour rights might work towards substantive change' (ibid).

Gold et al (2015) echo Allain et al (2013) in calling for increased supply chain transparency through supply chain mapping. They cite the conditions listed by Walk Free Foundation in their handbook (2014) as rough initial indicators for the existence of slavery. These include:

- Low worker protection due to inadequate laws, enforcement, and government accountability;

- High percentage of working poor;

- Lack of other employment opportunities and domination of labour market by one or a few employers;

- Agent-based recruitment of labourers;

- Widespread discrimination against certain groups of workers;

- High percentage of migrants or minorities in the workforce;

- High proportion of low skilled labour in industries such as raw material extracting and/or processing industries.

However, they stress that these can only serve as a general early warning system: to actually detect slave labour in supply chains different lenses are needed. One example is analysis of economic data at various levels (village, region, etc.) – absence of economic activity that would otherwise be generated by workers spending their wages could indicate slave labour. 'Effective tools and indicator systems for detecting slavery in a supply chain must therefore make use of a combination of monitoring of risk indicators, triangulation of various data sources, and inspections' (Gold et al, 2015: 10). They note that resources and capacity for this will vary greatly from region to region.

How to respond when modern slavery is identified?

Once a company does detect modern slavery in its supply chains, how should it respond? The literature makes it clear that the worst thing to do would be to withdraw its sourcing activities from the region or country, even though this could be the easiest course of action: 'in this age of fly-by-night capital, it is usually easier for multinational corporations to pack up and leave undesirable areas for greener pastures' (Toor cited in Gold et al, 2015: 11). Gold et al (ibid) argue that, even if slave labourers lack purchasing power and slave labour pulls down the regional wage level, 'a general withdrawal would substantially worsen the socioeconomic situation in the region'. It would also not necessarily solve the problem of modern slavery in the region, as other companies could make use of the same slave labour for their products. They argue that companies have to think beyond their own interests and risk minimisation (facing litigation, reputational damage) and work to eradicate slave labour in the regions where it has been found, along with the socioeconomic conditions that facilitate it (Gold et al, 2015). In brief, companies have a responsibility to the regions from which they source.

In the study of corporate perspectives on tackling modern slavery, all companies agreed that withdrawing from a supplier was a last resort (Lake et al, 2016: 13). But the study found that one of the key tensions for companies was how best and how long to work alongside suppliers to improve working conditions, while also having red lines in place when core standards were not met (ibid). If they did have to withdraw, they wanted to ensure they did so in a way that ensured their own reputation and didn't put workers at greater risk of abuse and exploitation.

Gold et al (2015: 12) identify three possible approaches to the reduction of slavery in the supply chain, categorised by their main levers of action:

a) Multi-stakeholder initiatives: address numerous stakeholders: buyers and suppliers of the product, government and local enforcement authorities, labour unions and others. Its key

idea is to get as many stakeholders as possible to buy into the reduction of slavery in order to gain legitimacy and effectiveness;

b) <u>Community-centred approaches:</u> aim to change the local institutional setting so as to immunise regions against slavery. Besides strategies for enhancing livelihood, this can for example involve education and the establishment of labour rights and civil rights groups to stimulate long-term cultural and economic changes;

c) <u>Supplier development:</u> focusses on working with the supply base and on developing suppliers, enabling them to perform productively in their business without the use of slave labour. Supplier development usually involves technology and knowledge transfer to suppliers, high levels of collaboration, and awareness-raising regarding product quality including the protection of human and labour rights during the production process.

All three approaches may contribute towards mitigating the use of slave-labour, but they address the problem through different routes and use different levers. In practice all three approaches are often found to work together.

Quarshie and Salmi (2014) point out the challenges involved in corporations trying to take a multi-stakeholder approach, even though this can be particularly relevant in tackling broad issues such as modern slavery, child labour and so on. 'Achieving a shared understanding over the objectives and means of the work can be challenging. There may be considerable discord over who should be held accountable to respond; what the most important priorities and objectives should be; which claims to consider legitimate; what counts as right behaviour, values, expectations and norms; how to define and tackle the issues; and who should pick up the tab…..even different civil society actors may not have a united front about the issues at hand' (Quarshie & Salmi, 2014: 6). Overall, they note that tackling modern slavery in global business and supply chains involves both direct and indirect investments of time and money.

Lack of resources was also identified as a barrier to tackling slavery in the study by Lake et al (2016: 13): 51 percent of companies cited insufficient resources both to conduct due diligence on modern slavery, and to support supplier improvements where this was found. 'Commercial and cost pressures mean companies have to manage the tension between public concern and the corporate responsibility to prevent slavery on the one hand, and pressure for buyers to secure the lowest price with their suppliers on the other' (ibid).

Areas for more research

The literature – not surprisingly, given the dearth of research on business supply chain management and modern slavery – calls for greater research, and identifies specific aspects for investigation. Quarshie and Salmi (2014: 7) call for network analysis to 'focus on tracing the supply chain, charting the magnitude of the human trafficking problem and mapping the involved actors in the complex supply chain/network'. Noting that efforts to tackle modern slavery and promote sustainable supply management will bring together many different actors who would not necessarily interact or cooperate with each other otherwise, they also suggest an alternative research focus on 'network dynamics'.

New (2015: 11) calls for researchers to take a broader perspective than that of the company when considering supply chain issues and to examine the wider 'system of provision'. He explains that this will entail engaging with the wider social and ethical context of modern slavery, which in turn will require more and different data than that typically collected in supply chain

management research. Thus empirical research will not be drawn solely from information provided by companies - implying a 'grittier, more complex' interaction between researchers and firms. Referring to his analysis of modern slavery as often generated by the actions of powerful corporations at the top of the value chain, New lays out the implications of this for researchers: 'the data is harder to collect, the questions are harder to frame, and firms are less likely to be enthusiastic to collaborate with or fund the work' (2015: 11). He urges researchers to focus less on corporations' espoused policies and more on enacted practice.

Gold et al (2015: 13) stress the importance of 'fully understanding the problem of slavery: its appearances, its financial and socio-cultural rationale and its stakes'. They also call for further empirical investigation of the effectiveness of various approaches to detect slavery in supply chains and respond to it: such research could also help identify potential approaches. An important area for research identified by Gold et al is 'the question of which resources and capabilities need to be developed within individual companies, through collaboration along the supply chain and with further non-economic actors – such as NGOs and governmental bodies – for implementing the various approaches for slavery detection and remediation' (ibid: 14).

5. Initiatives to tackle modern slavery in supply chains

California Transparency in Supply Chains Act (SB 657) 2010[2]

The California Transparency in Supply Chains Act was signed into law in 2010 and came into effect in 2012. It requires companies to report on their actions to eradicate slavery and human trafficking in their supply chains. In passing the law California wanted to: ensure that retailers and manufacturers provided this information for consumers; educate consumers on purchasing goods from companies that managed their supply chains responsibly; and thereby improve the lives of those affected by modern slavery (Aaronson & Wham, 2016: 14). The law applies to large multinationals and traders with annual gross revenue of over USD 100 million.

Aaronson and Wham (2016) highlight a number of shortcomings in implementation of the California Transparency Act: the law came into effect in 2012 but guidance on how to comply with it was only provided in April 2015; and since the law was vague, companies did not know how far down the supply line they needed to go. More critically, the law does not mandate companies to take action to eradicate modern slavery, only to report on the measures they have taken – even if this is nothing. NGOs have called for more targeted legislation focused on eliminating forced labour from all corporate supply chains (ibid). Key findings on the law's impact are given below.

UK Modern Slavery Act 2015[3]

The UK Modern Slavery Act 2015 is more wide-ranging in scope than the California Act, consolidating existing legislation on slavery and human trafficking and increasing maximum prison sentences for these offences. It is the Transparency in Supply Chains (TiSC) obligation which is perhaps most significant from the perspective of companies. Applicable to any company

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[2] http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0651-0700/sb_657_bill_20100930_chaptered.pdf

[3] http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted

operating in the UK with a global turnover in excess of GBP 36 million, it requires them to prepare an annual slavery and human trafficking statement on the steps taken to prevent these offences in the company and in any part of its supply chains (Townsend et al, 2016: 11). The guidance clarifies that businesses are not required to guarantee that there is no slavery in a supply chain but, instead, to report accurately on steps taken or begun in relation to the supply chains or parts of them (ibid). While critics of the Act argue that it does not go far enough in tackling modern slavery – for example, it fails to guarantee minimum standards of protection of victims' rights – Townsend et al (2016) argue that the legislation does have important reputational impacts for companies. 'Complying with the requirements may call for more than a 'box ticking' exercise for organisations. Another consequence of TiSC is that organisations below the qualification threshold may also wish to comply in order to demonstrate their ethical standards' (Townsend et al, 2016: 14).

Effectiveness of supply chain transparency legislation

Aaronson and Wham (2016) studied implementation and impact of both the California Transparency in Slave Chains Act and the UK Modern Slavery Act. They concluded that these initiatives (Aaronson & Wham, 2016: 2 and 18):

- are expensive for firms to implement;
- have not led the bulk of firms to report, and the ones that do make broad statements and general commitments;
- require transparency about supply chain practices but say little about how firms should behave when they find slave or trafficked labour;
- do not yet appear to have changed corporate behaviour, although they have led firms to discuss how to address supply chain problems;
- have disappointed many of the activists who called for them;
- can help governments and activists monitor those firms that do report but firms are not providing the right kind or sufficient information to facilitate effective monitoring;
- can do little to empower workers.

Promising initiatives for supply chain transparency

While the California Transparency Act and UK Modern Slavery Act have had a limited impact to date, Aaronson and Wham (2016: 19) describe a promising initiative in France which could address their shortcomings. A private bill (501)[4] passed by the Senate in March 2016 and awaiting presidential approval, would require all French companies with over 5,000 employees based in the country, or 10,000 employees under its direct control globally, to prepare and make public a 'plan de vigilance' regarding risks such as human rights and environmental regulations. The bill applies to French companies' subsidiaries, sub-contractors and suppliers.

The other approach they suggest for enhancing supply chain transparency is use of technology. This would enable companies to more effectively monitor even distant supply chains. Noting that companies can already track compliance or employment data using mobile technology –

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[4] https://business-humanrights.org/sites/default/files/documents/Texte%20PPL_EN-US.docx

Unilever, for example, uses an app to track in real time how effectively its agricultural suppliers are complying with the company's Sustainable Agriculture Code – they identify a number of apps (e.g. LaborLink, LaborVoices) that could be used for supply chain monitoring. 'The technology is easy to use, happens in real time, and offers both confidentiality and low cost' (Aaronson & Wham, 2016: 20). With technology making monitoring easier, 'it will be harder for firms to argue that they can't conduct such monitoring without high costs' (ibid).

IKEA initiatives for supplier development

In their paper on corporate social responsibility in global supply chains, Andersen and Skjoett-Larsen (2009) focus on IKEA, a leader in CSR. They describe IKEA's shift from engaging in short-term relationships with many smaller suppliers, where the focus is on buying articles, to increasingly engaging in long-term relationships with fewer suppliers, where the focus is on buying capacities. The other major difference is in the way IKEA relates to suppliers: 'Where IKEA previously demanded a certain level of quality, service, price and environmental and social responsibility of its supplies, the company is now developing these issues with the suppliers' (ibid: 78). IKEA thus works with suppliers in a continuous development process to ensure they have the capacity to be socially and environmentally responsible. While IKEA's supplier development approach is not confined to tackling modern slavery in supply chains – it is far broader in scope – it could serve as a model for companies doing so.

Brazil National Pact for Eradication of Slave Labour[5]

In 2005 the Brazilian government launched a voluntary multi-stakeholder initiative called the National Pact for the Eradication of Slave Labour (2005) in collaboration with the ILO. It engages signatory companies in attempts to eradicate slave labour from their supply chains: they must cut ties with businesses that make use of slavery, incorporate contractual clauses associated with practices that characterise slavery and implement mechanisms to track products. The Pact's committee also offers free training on slavery to employees of signatory companies and their suppliers. More than 400 companies have joined so far (as of 2015), with supply chain studies undertaken every three years at the government's request by the ILO, NGOs and trade unions. Brazil's Ministry of Labour also publishes a "dirty list" (Lisa Suja do Trabalho Escravo) that it updates every six months, listing the names of individuals and corporations deemed responsible for situations of slavery, subjecting them to sanctions (such as preventing them from accessing public funds). The list goes to public service agencies and banks so that they can deny finance, grants and public credit to those listed.

International Cocoa Initiative (ICI)[6]

When a BBC documentary exposed the degree of slave and child labour on West African cocoa farms in 2000, both politics and business strived for adequate responses. In 2001, a voluntary agreement known as Harkin-Engel Protocol was signed that aimed at ending the worst forms of child labour in cocoa production. This agreement brought together governments, cocoa industry and producers, cocoa labourers, and civil society organisations. It was confirmed and reinforced by the Joint Declaration and accompanying Framework of Action to Support the Implementation

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[5] This section taken from Gold et al, 2015: 4.

[6] This section taken from Gold et al, 2015: 11.

of the Harkin-Engel Protocol in 2010. The Harkin-Engel Protocol stipulated the formation of the International Cocoa Initiative (ICI) founded in 2002 as a clearing house on best practice and a driver for tackling child and slave labour through a community-centred approach in Ghana and Côte d'Ivoire, working in the fields of education, health, water and sanitation, child protection and livelihood diversification.

The ICI is funded by individual chocolate and cocoa companies and is led by a joint industry-civil society board, with the ILO in an advisory function. ICI leverages knowledge and resources in various sustainable cocoa programmes run by its member companies such as Barry Callebaut's Quality Partner Programme, Cargill's Cocoa Promise Programme, and Mondelez International's Cocoa Life Programme. It collaborates closely with the governments of cocoa-producing developing countries. While there is still a long way to go before slavery is eliminated from chocolate, the community-centred approach based on technological and social innovations, dissemination of good practice, and partnerships with a variety of actors has improved the current situation in Ghana and Côte d'Ivoire. Determination and substantial funding from governments and/or business, an industry structure dominated by big players, and the geographic concentration of efforts are important factors in the cocoa industry's progress so far.

Work of NGOs and pressure groups

There is a growing body of practical, on the ground experience and evidence of the role that business can and have played in addressing modern slavery in the past decade, in particular through engagement with civil society. A number of CSOs and NGOs have emerged that seek to draw attention to issues of modern slavery and have an explicit focus on holding businesses to account (as well as supporting them to tackle it). These include: Know the Chain - https://knowthechain.org; Sustainalytics - http://www.sustainalytics.com; Stronger Together - http://stronger2gether.org; Anti-Slavery International - https://www.antislavery.org; Slave Free Trade – www.slavefreetrade.org; and the Walk Free Foundation who produce the Global Slavery Index and have developed a handbook to guide firms (Walk Free Foundation, 2014).

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Key websites

Acknowledgements

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