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Modern Slavery in the Global Value Chains of Multinational Corporations

Modern forms of slavery generate an estimated US$150 billion in illegal profits annually from 40 million victims. About a third of the profits come from forced labour in the private economy (although state-run slavery also exists), mostly in the Asia-Pacific and/or involving migrants from Asian countries. Recent research explains how the complex global value chains (GVCs) of multinational corporations (MNCs) hide these practices.**

Though legally undefined, modern slavery encompasses forced labour, human trafficking and other exploitation – the line between exploitation and slavery being hard to draw. It is usually contractual and temporary. Grossly disempowered workers, often under deception, enter "voluntarily" into employment agreements for at most nominal wages, without legal protection. Slavery-like practices prevail in the labour-intensive bottom tiers of GVCs: construction, manufacturing, wholesale;,agriculture, and forestry and fisheries. For instance, one Thai seafood supplier to MNCs purchased fishmeal caught by vessels crewed mainly by Burmese and Cambodians, who suffered extreme violence, with little or no pay. Some were chained up and sold between captains.

Such practices exploit cracks in institutions such as formal national laws and informal industry norms. Three drivers are the complexity of GVCs and their governance; the "business case" for slavery; and other enabling conditions, especially subcontracting.

GVCs are networks of production, trade and investment orchestrated by MNCs. The heft of MNCs' private governance at least rivals public governance, namely the rules of nation states and international or multilateral organisations; while social governance initiatives by civil society actors like labour unions are seldom mandatory. Jurisdiction-spanning MNCs can reshape the very institutions meant to enable or constrain their "ruthless pursuit of flexibility" and "relentless downward pressure on wages and conditions".

The business case for slavery rests on minimising (labour) costs and risks and/or extracting revenue from ancillary services like accommodation, food and transport for workers. Wage theft, and gouging for employer-provided ancillary services, lead to debt bondage: in one example Bangladeshi workers in Greek agriculture were locked in a room for four days over a co-worker's debt.

Through subcontracting, MNCs increasingly outsource and externalise low-cost and risky activities. Unscrupulous labour intermediaries, then insert themselves. A GVC approach highlights deliberate fragmentation of supplier and place. Slavery-like exploitation clusters around GVC's lowest nodes, often in unregulated "shadow factories". Tainted items blend with non-tainted further up the chain. That MNC headquarters either cannot see the exploitation or can plausibly distance themselves from it, and consumers may be unaware, lets it thrive in darkness.

Public governance responses besides international conventions include the United Kingdom's Modern Slavery Act 2015 and Californian legislation. Both require MNCs to report on efforts to find and stop slavery in supply chains – perhaps a weak approach. The article also recommends international business scholars draw insights from scholarship on GVCs, pursue media leads and collate victims' video footage, and run textual analysis on MNC reporting.

** The full study results are available in an article authored by Christina Stringer and Snejina Michailova: "Why modern slavery thrives in multinational corporations' global value chains". Multinational Business Review 26(3), 194-206 (2018).

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