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Survival at the expense of the weakest? Managing modern slavery risks in supply chains during COVID-19

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ABSTRACT

This paper reflects on the implications of the Coronavirus (COVID-19) pandemic on modern slavery risks in supply chains. We first reason that the global supply and demand shock resulting from COVID-19 exacerbates workers' vulnerability to modern slavery. Then, we discuss challenges firms face to detect, prevent, and mitigate increasing modern slavery risks in supply chains during COVID-19. We conclude our paper by arguing that proactive, value-oriented, and long-term supply chain management approaches increase firms' resilience to cope with highly volatile and extreme events, such as COVID 19.

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Introduction

An estimated 40 million people worldwide live in modern slavery¹; many of them work for products and services produced in global supply chains. Despite policy and law advancement over the past years, the G20 countries alone continue importing products at-risk of being made by slave labour worth 354 billion US dollars annually (Global Slavery Index (GSI) 2018).

The COVID-19 pandemic is increasing the vulnerability of workers to find themselves in exploitative conditions and in modern slavery as the most extreme form of exploitation. Within a highly dynamic environment with daily updates from different analyses, the latest economic forecasts draw a bleak picture. At the time of writing in early May 2020, the International Monetary Fund (2020) already assumes the pandemic to induce the worst economic recession since the Great Depression, resulting in world economy losses of 9 trillion dollars and additional unemployment of 305 million people globally. With labour in the informal economy hit even worse – around 1.6 billion workers are expected to lose their livelihoods (International Labour Organization 2020) – the most vulnerable workers are becoming susceptible to severe forms of exploitation including modern slavery.

Detecting, preventing, and mitigating modern slavery in supply chains has been a challenge even for more proactive businesses and it is recognised that modern slavery may be present in every supply chain. In response, most businesses have taken a risk-based approach, identifying where they are more exposed to modern slavery in their supply chains and where they have opportunities to reduce and mitigate this risk (Gold, Trautrim, and Trodd 2015). This article discusses the potential implications of the sudden shock of COVID-19 to supply chains, which has

caused extreme shifts in demand patterns, disrupted supply flows, and diminished the effectiveness of risk management and mitigation mechanisms while increasing workers' vulnerability to exploitation. Taking foremost a firm-level view, we also recognise the systemic forces that are impacting modern slavery exposure. We conclude by arguing that this pandemic could prove proactive, value-oriented, and long-term supply chain management to be a superior risk management approach than traditional approaches.

Impact of COVID-19 on operations and supply chain management

It has been widely acknowledged that the economic repercussions of the pandemic are twofold: the COVID-19 outbreak and subsequent mitigation policies, such as social distancing, have severed the flow of goods and people, resulting in a global supply and demand shock. Besides changing consumer behaviour, disrupted global supply chains have had the biggest impact on operations and the global economy in general. Whereas some firms were not able to meet surging demands for certain products from their existing supply base, other product lines suddenly carried significant obsolete stock, reverting power imbalances in some supply chains and amplifying the possibilities for abuse of these imbalances in others.

Sudden demand surges

Due to abrupt changes in consumer behaviour, and an obvious surge in demand for other products (e.g. from the pharmaceutical and medical industry), some supply chains faced insufficient supply availability. For example, the urgent need for personal protective equipment (PPE) meant a prioritisation of availability over the risk of due diligence for modern slavery that is well-documented in the manufacturing of medical gloves (Feinmann 2020) alongside the drop of essential procurement practices such as quality checks with the consequence of buying faulty and sometimes dangerous kits and face masks (BBC. 2020).

Other products experienced not necessarily an overall rise in demand, but a shift in demand patterns, including tendencies such as hoarding (e.g. toilet paper). For instance, when restaurants, cafes, and bars were closed, unsurprisingly cooking and baking at home increased and products such as flour – despite enough supply overall – were not available in supermarkets as consumer products have packaging and labelling requirements different from business customers. Diverting supply routes meant the need for rapid onboarding of suppliers that were never used before as most businesses and public institutions, such as the National Health Service in the UK, had opted for efficiencies through lean supply chain practices such as single sourcing as well as cutting buffer inventory and slack capacity (Hendricks, Singhal, and Zhang 2009; Mackay, Munoz, and Pepper 2019; Bryce et al. 2020). The need for an urgent extension of their supplier base left buyers without the opportunity for comprehensive modern slavery risk assessments.

Obsolete stock

Whilst demand surged for some products, it collapsed for others and businesses were left with unsellable stock and idle capacity in their supply chains. Particularly in the garment industry with its global supply chains that predominately produce in countries with already high risks of labour exploitation, orders were cancelled and payments withheld, sometimes for products that were already on their way (The Guardian 2020). Power imbalances in global supply chains entail that suppliers have difficulties to resist such unfair practices, for remaining in the business (Schleper, Blome, and Wuttke 2017). They are expected to shoulder major parts of business risk; and they are often left alone by business partners in wealthy economies as well as the political system when trying to buffer detrimental consequences for workers as the weakest stakeholders. This may imply that garment workers as well as (midlevel) managers are left without income, which

jeopardises their livelihood and thus make workers and their families even more vulnerable for exploitative employment practices, in the same or other sectors.

Workforce

Although COVID-19 has been and will be causing serious job losses in global economies overall, the pandemic has also been leading to labour shortages in some sectors. Border closures have considerably affected the availability of migrant workers. One of the most affected sectors, especially in developed countries, is agriculture which heavily relies on seasonal migrant workers, raising fears of a looming food systems crisis if farmers cannot recruit workers. Despite much political noise around filling vacancies with workers who lost their jobs in other sectors, only 150 workers started harvesting jobs in UK agriculture as part of a scheme for which initially 50,000 UK workers had signed up (Financial Times 2020). Germany even allowed agriculture companies to fly in harvest workers from Eastern European countries despite its borders being officially closed (Time 2020). One major reason for this is that agricultural work indeed requires a combination of endurance and skill-set that is not abundant and cannot be easily acquired, although agricultural labour has often been labelled as "unskilled".

Other industries may find that workers who have been furloughed or left without income altogether during lockdowns are not available afterwards as they have found work in other sectors, increasing the pressure to bring in new contractors and hire new workers without thorough checks as pressure mounts to get businesses operating again and clear a backlog of work.

Disruption to usual modern slavery mitigation mechanisms

Apart from a rise in worker vulnerability and supply chains slavery risks, the COVID-19 outbreak also disrupts the usual mechanisms taken to prevent and tackle modern slavery in supply chains. Given that many firms struggle to survive and to secure their financial bottom line, this 'emergency mode' might have shifted priorities away from social and environmental considerations, at least temporarily.

Moreover, due to travel restrictions, physical audits of suppliers and their workforces are impossible and in many businesses staff across the organisations have been moved to other functions focussed on business continuity, such as filling shelves in stores and onboarding supplier, thus reducing organisational capacity to detect and remediate instances of labour exploitation. This means that some supply chains have become less transparent altogether, and that tracing risky supplier behaviour, such as unauthorised subcontracting of orders, has become more difficult due to resource constraints and policy-induced mobility restrictions.

Besides businesses, governments have also sporadically relaxed some modern slavery prevention measures. In the UK, for example, labour providers can temporarily provide workforce into sectors with high modern slavery risks without requiring the usual gangmasters licence to make workers more readily accessible (GLAA (Gangmaster and Labour Abuse Authority) 2020). In the US, an import ban on a large Malaysian manufacturer of medical gloves accused of using forced labour has been lifted to access additional supply (US Customs and Border Protection 2020).

With physical distancing and other lockdown measures in place, it became much more difficult for victims of modern slavery to access support and disclose their situation. They have fewer opportunities to visit faith and community organisations, attend in-person site instructions, speak to fellow workers, or call helplines that are essential infrastructure of modern slavery detection for many businesses.

Leading the way forward: benefits of proactive, value-oriented, and long-term supply chain management

Despite this gloomy diagnosis of the effects of the COVID-19 pandemic on working conditions and workers' rights in upstream supply chains, this crisis has certainly also disrupted "common wisdom" of doing business and human interaction in general, and may thus represent a window of opportunity to rethink current supply chain designs and trade relationships.

Increased mindfulness among consumers and customers might provide a silver lining that could uplift the weakest in the global workforce. Still, it remains to be seen if purchasing and consumption patterns will permanently change; exceeding selfishness and status-orientation towards more ethical purchasing and consumption. From a managerial perspective, this can be the time where sustainable supply chain management approaches demonstrate their benefits. Firms that have taken a proactive, value-oriented, and long-term supply chain management approach prior to COVID-19 may prove their superiority compared to arm-length, transactional, and oftentimes myopically economically incentivised approaches. Collaboration with external stakeholders is crucial for sustainable supply chain management, and beneficial in the response to volatile and extreme events, such as COVID-19. Finding and working with new suppliers at short notice can be more safely achieved if these are already supplying other businesses (e.g. competitors or supply chain actors in your own network) with similar sustainability standards (but also in regards to classical procurement KPIs, such as quality or lead time). Supply chain management approaches, in which buying firms participate in sustainability initiatives and industry consortia (e.g. Responsible Business Alliance, Roundtable for Sustainable Palm Oil) allow firms to indirectly manage lower tier suppliers through the implementation of industry-wide standards and guidelines or even to directly exchange auditing and assessment information (e.g. 'Together for Sustainability' in the chemical industry) (Meinlschmidt, Schleper, and Foerstl 2018). Furthermore, more intensive information exchange and collaboration with unions, NGOs, and other expert stakeholders increase supply chain transparency and allow for a proactive detection of early warning signals on deteriorating conditions even when physical audits are disrupted (Gold, Trautrim, and Trodd 2015).

In risk management in general, but especially in times of emergencies and crises, decision-makers benefit from trust, effective communication and information exchange, and close relationships (Balog-Way and McComas 2020). Highly volatile and extreme events in the past, such as the financial crisis, have put organisational resilience through its paces and the current COVID-19 pandemic will not be different (Bryce et al. 2020). Studies conducted after the 2008 financial crisis have shown that strategically formulated social and environmental practices that base on long-term relationships and commitments – rather than mere tick-box compliance exercises – can significantly increase organisational resilience and thus better prepare for these exceptional states (DesJardine, Bansal, and Yang 2019; Sajko, Boone, and Buyl 2020) that shock events such as the COVID-19 pandemic create. So far supply chain resilience has been taken largely a supply continuity view, but COVID-19 may show us that supply chain resilience goes hand in hand with environmental and social sustainability (Fahimnia and Jabbarzadeh 2016; Rajesh 2018). Recent supply chain risk management studies clearly emphasise relational approaches and proactiveness to gain transparency during turbulent times (e.g. Sodhi and Tang 2019), which is also essential for sustainability-related risks and for improving sustainability across supply chains overall (Foerstl et al. 2015).

Taking a more macroeconomic perspective on supply chain management and COVID-19, it may be noted that on the one hand, the COVID-19 pandemic may accelerate protectionist developments that have been on the political agenda already before, for example in the US, Russia, or the UK, which has led to ongoing frictions in global trade in recent years. Whether this reversion of globalisation helps improving the situation of workers hinges not the least on related legal framework conditions set by political systems. On the other hand, the COVID-19 pandemic and

its effects on societies and supply chains will likely reinforce already existing tendencies of reshoring production to industrialised countries, due to the experience of supply disruptions; the political aim of controlling production that is considered systemically important; and ethical concerns regarding new supply chains quickly set up during and after the COVID-19 crisis. This means that production and consumption is brought closer together, holding the potential of increasing transparency of value creation as well as closer scrutiny of labour supply chains and their intermediaries such as temporary employment agencies.

COVID-19 highlights the wicked problems that sustainable supply chain management faces and the assumed prioritisation of economic sustainability when confronted with disruptive shocks that threaten firm survival. Tightly coupled supply chains prioritising short-term efficiency goals are proven to be particularly weak for handling shock events, such as COVID-19 and cause firms to take untested measures with greater social risks, including modern slavery. Thus, despite the abovementioned concerns about the increase in modern slavery risks in supply chains as a consequence of COVID-19, future research will need to show if this pandemic and its expected economic repercussions will change the prioritisation of the different triple-bottom-line dimensions (i.e. economic, social, environmental). More precisely, an interesting avenue for future research will be whether the pandemic and the economic crisis will lead to a focus on financial survival and thereby a neglect of social and environmental concerns or, contrarily, we will see a shift in supply chain networks towards value-based supply chain management away from the short-term, arms-length cost focus.

Like disruptive crises in the past, the COVID-19 pandemic creates uncertainty and has the potential to challenge existent political and economic institutions as well as overall societal structures. Yet, besides this bleak outlook, this crisis also provides an opportunity to reflect on our attitudes towards supply chain management, external stakeholders and especially the weakest in the global society and production process. The time to prove that proactive, value-oriented, and long-term supply chain management is a superior risk management approach than traditional approaches is now.

Note

1. In absence of a globally agreed definition, we use modern slavery as an umbrella term encompassing slavery, servitude, forced or compulsory labour and human trafficking. Victims of modern slavery are unable to leave their situation of exploitation, controlled by threats, punishment, violence, coercion, and deception (see Nicholson, Dang, and Trodd 2018 for a comprehensive debate on modern slavery definitions).

Disclosure statement

No potential conflict of interest was reported by the author(s).

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