

CORPORATE SOCIAL RESPONSIBILITY

## Modern Slavery in Global Supply Chains: The Impact of COVID-19

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*The COVID-19 pandemic has worsened already terrible working conditions in many supply chains.*

✔ **INSIGHT** | FRONTIER 15 Mar 2022

The International Labour Organization (ILO) estimates that there are over 40 million people worldwide in modern slavery.<sup>1</sup> Modern slavery is a contested, umbrella term with many definitions, but it fundamentally concerns the “severe exploitation of other people for personal or commercial gain.”<sup>2</sup> This can include forced labour, human trafficking, debt bondage, and forced marriage, among other terrible possibilities.

Governments, business, and civil society have all been increasing their efforts to identify and address modern slavery. For example, the California Transparency in Supply Chains Act 2010, the UK Modern Slavery Act 2015, and Australia’s Modern Slavery Act 2018 all require specific disclosures on modern slavery in a firm’s operations and supply chains.<sup>3</sup> Consequently, companies have enhanced their measures to trace their supply chains and audit facilities of their suppliers. They also often collaborate with a growing number of non-governmental organizations

(NGOs), who focus on identifying worker exploitation, supporting victims, improving audits, and convening multi-stakeholder initiatives. There is also a rapidly expanding market for technological solutions to collect and assess supplier performance to foster sustainable supply chains.<sup>4</sup> However, modern slavery remains a persistent and disturbing problem.

Modern slavery is difficult to identify in practice. Proxies are often needed, such as the ILO's indicators of forced labour.<sup>5</sup> Given its illegality in most jurisdictions, its prevalence is often actively concealed. The specificities of different industry sectors and the immense complexity of global supply chains, where firms might struggle to identify suppliers beyond the first or second tier, further complicate the challenge of confronting modern slavery. To make matters worse, the COVID-19 pandemic has exacerbated many of the drivers of modern slavery, such as underlying "poverty, inequality, and unemployment."<sup>6</sup> Anti-Slavery International has identified five major impacts of COVID-19 on modern slavery, namely "creating new risks and abuses, increasing vulnerability to slavery, worsening discrimination, increasing risk for migrant workers, and disrupting anti-slavery efforts."<sup>7</sup>

Identifying and eliminating modern slavery requires determined and sustained initiatives, yet the COVID-19 pandemic has disrupted those efforts for most of the last two years. To better understand the impact of COVID-19 on modern slavery, this past Fall we interviewed over 30 experts on modern slavery. These experts were drawn from NGOs, companies, accreditation bodies, technology providers, consultants, and auditing bodies around the world. Our goal was to seek empirical evidence on the increasing vulnerability to slavery and deteriorating working conditions under COVID-19, but also to explore the impacts on changes in technology use in supply chain auditing.

The experts we interviewed shared widespread concern about the increasing vulnerability to slavery and deteriorating working conditions, offering many illustrations. We also found that there have been several challenges in continuing audits of modern slavery practices in supply chains during the pandemic. Most obviously, there has been a widespread inability to conduct in-person audits. Such in-person audits are often considered necessary to provide confidence in the investigation process itself, as well as the veracity of the audit findings. The expert interviews revealed an increased use of technology in auditing (for example, labour voice technologies, ICT to conduct remote audits, and emerging evidence of remote sensing technology for monitoring of 'hot spots' in supply chains), though this was accompanied by strong caveats not to view technology as a panacea or a replacement for in-person audits. Our research also provides a basis for identifying several important implications for supply chain managers, including new insights into the challenges and opportunities of auditing in a pandemic and post-pandemic environment.

## The Impact of COVID-19 on Modern Slavery in Supply Chains

**Increasing vulnerability and deteriorating working conditions.** Several experts noted the pandemic had exacerbated the drivers of modern slavery. Unemployment was a key concern, a sentiment captured by an implementation manager at an NGO focused on supply chain transparency, who noted, "The last thing [exploited workers] needed was an inability to work." As one consultant experienced in international development noted,

school closures could lead to a greater number of children being expected or forced to work. Increased poverty was also a key concern. As a senior member of a major NGO focused on labour issues explained, the COVID-19 pandemic had:

*“... highly impacted the poverty level of people. So, poverty means more dependency [...] So, I am expecting [...] to see an increase of the forced labour cases as well as child labour. This is a high risk of poverty, probably because they have debts or have to borrow money or don't have much choice about leaving the job... The conditions may become more abusive.”*

Migrant workers were highlighted as being particularly vulnerable by multiple experts. One NGO expert noted in their ongoing research that:

*“We found those who hadn't migrated abroad yet, for example, who'd already paid recruitment fees can become stranded and indebted. Those who are in their country's employment, we found they could become stranded in those countries and unable to return home. And then we also found that there was this issue of mass layoffs in some sectors, and so you had workers who were laid off, and therefore desperate for employment.”*

Closely connected to the increased vulnerability to modern slavery, numerous examples of deteriorating working conditions were also identified. For example, several of our experts highlighted that many workers were at increased risk of catching COVID-19 due to living in confined spaces. One director of an NGO focused on litigation observed:

*“Because of quarantine, for the workers, they lock them all in, so their dorms and the work facility were all attached. So, they just lock them all in for weeks on end, and nobody inside of the facility is wearing masks. Managers are still coming and going, so there's still possibility of bringing COVID into the facility.”*

Making matters worse, one consultant noted that employees weren't always provided with personal protective equipment. There was “dismissal of migrant workers' [complaints] being poorly protected against the virus; they were forced to go to work in essential industries like the rubber glove industry in Malaysia, but they weren't given any protective equipment themselves.”

An ethical sourcing manager for a major retailer revealed the effects of labour shortages due to COVID-19. For example, employees who were able to physically attend the workplace were often subjected to forced overtime. Many of these problems were symptomatic of a larger breakdown in existing business structures, a point made by an applied researcher at a well-known NGO: “During COVID, all of these structures that were put in place sort of started to dissolve [...] So there was this economic necessity, but also these other kinds of structures disappeared.”

**Impacts on auditing.** One of the main mechanisms of identifying modern slavery in supply chains is auditing. Before the COVID-19 pandemic, most audits were conducted in-person, though technology was increasingly being used to support audits.<sup>8</sup> As expected, travel restrictions, temporary facility closures, and illnesses brought on by the pandemic limited the possibility of in-person audits. This development was deeply concerning to many of our

experts, particularly the loss of an on-the-ground perspective and the absence of informal and unplanned conversations which help inform many audit reports. As one manager of ethical sourcing at a major fashion company explained:

*“Pre-COVID, I had visited every single factory on our list. Now that is one of the other things that keeps me up at night, there’s some of the newer factories I have not seen [...] Previous to COVID-19 that was in line with me being in the factory and doing my own audit, which I mainly got from the people I spoke to in the factory. I have things that I will talk to people about informally, and I learned more from those conversations than any audit could give me.”*

Auditor training under COVID-19 has also been compromised. A sustainability manager for a major food company explained, “Some of the training we can’t conduct in person. You know, [it] needs to be moved online, or sometimes when those trainings really are not suitable for online training, we have to [...] delay the training.”

Many of our experts noted that the inability to conduct in-person audits precipitated an increased use of technology to support remote audits. This could include, for example, cameras, videoconferencing, or worker voice technologies accessed through mobile phone apps. While many experts were open to using more technology in modern slavery auditing, it was also clear that more time and planning is necessary to refine the *ad hoc* responses used in response to the pandemic.

Videoconferencing was frequently used to support remote audits. However, given the sensitive nature of the issues discussed in a potential modern slavery situation, privacy was a key concern. As a program director, and experienced auditor, at a major NGO explained,

*“We were able to bring computers in, for example, to private rooms that weren’t monitored, in order to enable that sort of face-to-face interaction between workers and auditors online. We didn’t want to use any company computers because those can be monitored.”*

Another example combined the use of videoconferencing with on-site cameras. A standards coordinator for a major NGO explained their remote auditing process as,

*“... where you have the auditor directing the audit from their office, and then they have somebody at the plant where you’re asking them to go around with a camera and inspect the whole plant. That whole process hasn’t been perfected yet, but we’re making progress. We find that the leadership qualities of the auditor are absolutely essential for a good remote audit. You do have to have somebody who’s experienced and is willing to give clear instructions to the auditor and operation operator.”*

One standards coordinator cautioned, however, that remote auditing of supply chains was “not as good” as having an in-person auditor on the ground. This was consistently noted as the main challenge of remote auditing during the pandemic by other interviewees. As the executive director of a major auditing association elaborated:

*“I think it’s really difficult to pick up a number of issues. It’s really difficult to be conducting worker interviews remotely. So, I think there are some roles that obviously technology can play and certainly during the COVID period when you couldn’t get out to a factory. Using technology to get any sort of information was better than no information, but social compliance is all about the workers; it’s all about talking to the workers. It’s about seeing their body language you know, seeing their faces being able to look around the manufacturing facility, and you can feel a lot when you walk into a facility. Is it a warm and caring environment, or is it a hostile environment? You can feel that by walking in.”*

**Silver linings.** It is most difficult to be positive about modern slavery, particularly during a global pandemic, but some of our respondents identified some optimism about the future. One consultant cautiously observed that the pandemic may be increasing awareness of working conditions in supply chains:

*“If there’s a silver lining to any of this, it might be that COVID would actually expose some of these drivers and some of these mechanisms and what it brings. For example, it has very clearly exposed in many parts of the world the poor working conditions migrant workers encounter and the vulnerabilities that they’re faced with. Not sure it’s going to make much of a difference. That’s a different thing that takes political commitment [...] but it certainly did expose just how vulnerable migrant workers are.”*

A project manager at a major NGO also noted the potential positive impacts of greater attention to working conditions in supply chains. She explained that her organization had increased its engagement with companies:

*“COVID-19 has kind of highlighted the humanity within supply chains. We’ve seen media articles about migrant workers. We’ve seen more of an increased focus on the kind of people side of business, and it seems that some organizations are engaging more with this topic than they have before. We’ve had more engagement. Our working groups have increased in size. We’re seeing engagement from more companies and more countries than ever before in our work. I’m kind of making an assumption here, but I think that might be linked to this kind of human focus on everybody as a result of COVID-19.”*

Finally, one positive outcome of the pandemic could be that company boards are now more aware of the risks in their supply chains. As an implementation manager explained:

*“After COVID, there isn’t any board room now that doesn’t need to know, right down to the source of their supply chain, because things can fall apart so easily. And [company] I work with, they said, ‘This is like a mini-test for what we’ll get with climate change, things will fall apart. So how are we going to handle it?’”*

Notwithstanding their remarks, our experts understood these “silver linings” must be weighed lightly against the many devastating impacts of modern slavery during the pandemic noted earlier.

## Implications

Our expert interviewees were clear that COVID-19 has made the already difficult problem of identifying modern slavery much worse. The pandemic is not yet over, and many companies, NGOs, and auditors are continuing to struggle to address modern slavery in supply chains. Our research offers several implications for supply chain managers:

- 1. Companies must be active in seeking out and eliminating modern slavery.** Modern slavery is difficult to define, recognize, and is often well-hidden in complex global supply chains. There is a moral imperative to address severe exploitation, and the discovery of modern slavery anywhere in a firm's supply chain can impose significant reputational damage. If you are new to social compliance and modern slavery accountability, mapping your suppliers and improving traceability in your supply chain is a necessary first step.
- 2. It's one thing to find a problem, it is another to address it.** Audits, whether supported by technology or not, focus on identifying problems rather than fixing them. Addressing the wide range of problems under the umbrella of modern slavery will require effort on multiple fronts. Companies should lobby governments for more relevant legislation, map their entire supply chain, work with competitors to improve working conditions amongst shared suppliers, and ensure that living wages are paid throughout their supply chains.
- 3. Creating partnerships can help companies remedy modern slavery.** NGOs, local communities, and application vendors for supplier sustainability,<sup>9</sup> for example, can all assist your business to increase its competence in identifying possible cases of modern slavery in your supply chain. Different partners are willing to assist companies to actively resolve any labour-related problems with their supply chains.
- 4. Technology is a complement to, not a replacement for, in-person auditing.** Emerging technologies present a wealth of options for supporting in-person auditing. Technology, however, must be viewed as a part of a well-rounded auditing system rather than an end in itself. Human intuition still plays an important role in detecting something as complex as modern slavery. Experience during the COVID-19 pandemic shows that technology is best applied in cases where its applications are planned and well-suited to the circumstances.<sup>10</sup> One broad lesson for supply chain managers is that firms need to incorporate modern slavery into their resilience and digitalization efforts.<sup>11</sup>

Modern slavery in supply chains is not acceptable. All companies seeking to positively contribute to society must work to eradicate it.

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