Why modern slavery thrives in multinational corporations’ global value chains

Christina Stringer and Snejina Michailova
The University of Auckland, Auckland, New Zealand

Abstract

Purpose – Modern slavery, one of the most abhorrent crimes against humanity, is a profitable international business (IB). It often operates in a hidden form in the global value chains (GVCs) governed by multinational corporations (MNCs). The purpose of this paper is to examine why slavery exists in GVCs and what this means for MNCs.

Design/methodology/approach – The paper borrows insights from the GVC literature to conceptually link MNCs and modern slavery. Different from the IB literature that predominantly focusses on the MNC as a single firm, the paper emphasizes the importance of paying attention to the MNC value chains and their complexity and fragmentation.

Findings – Three factors which help explain modern slavery in GVCs are examined: the complexity of GVCs and the challenges this poses to their governance, the business case for slavery and the conditions that enable modern slavery. These factors, taken together, provide an explanation why modern slavery can creep into, persist and thrive in MNCs’ GVCs.

Research limitations/implications – The argument is put forward for the need for IB scholars to borrow from the GVC literature to help understand why slavery can exist in the GVCs of MNCs. This opens the opportunity for examining the MNC in ways not considered by IB scholars so far.

Originality/value – The paper addresses an issue long ignored in IB research and issues a call for IB scholars to study MNCs in a new way, namely, linking MNCs’ activities with modern slavery.

Keywords Global value chains, Multinational corporations, Modern slavery

Paper type Viewpoint

Since most businesses don’t want slavery in their products, the lies told to hide slavery cluster most thickly at the beginning of the supply chain (Bales, 2016, p. 52).

We’ve known about labor abuses in some factories for four years, and they’re still going on,” said one former Apple executive who, like others, spoke on the condition of anonymity because of confidentiality agreements. “Why? Because the system works for us. Suppliers would change everything tomorrow if Apple told them they didn’t have another choice (Cited in Duhigg and Barboza, 2012).

1. Introduction

Modern slavery, one of the most abhorrent crimes against humanity, is a profitable international business (IB) which is thriving on an unprecedented scale (Michailova and Stringer, 2018a, 2018b). It generates an estimated US$150bn in illegal profits annually [International Labour Organization (ILO), 2016]. Slavery operates in a hidden form in the complex global value chains (GVCs) governed by powerful multinational corporations (MNCs). GVCs link multiple countries, institutional settings and industries. They also link...
numerous supplier firms, labour contractors and global retailers across borders. Therefore, it is not surprising slavery is prevalent in both developed and developing countries.

Why is it that slavery not only exists but also thrives on such an unprecedented scale across industries and geographical borders? In this viewpoint paper, we argue that this is, in part, because of challenges associated with organizing and governing GVCs, coupled with a business case that strongly supports the use of slave labour and conditions that enable modern slavery. Extensive sub-contracting networks characterize the activities of many MNCs, and because slavery is mostly (although not always) concentrated in the nodes of the value chain where subcontracting prevails, the question is often raised as to whether MNCs have at all the capability of fully governing labour standards throughout their value chains. Even MNCs that are well known for behaving responsibly and that are conscious of potential unethical conduct, acknowledge their “inability to effectively monitor their entire supply chains” (Dunning and Lundan, 2008, p. 661). On the other hand, “this line of reasoning seeks to downplay the role of corporations in shaping the market conditions in which suppliers produce their goods” (LeBaron, 2014, p. 246). Notwithstanding, as the opening quote by a former Apple executive states, MNCs can be (and often are) fully aware that slavery not only exists in their supply chains but also persists and thrives because “it works for them”. Why and how is this possible?

To answer this question, we start by sketching the ugly portrait of modern slavery in Section 2. We then move to the heart of the paper, namely, explaining how modern slavery creeps into, persists and thrives in MNCs’ GVCs in Section 3. In Section 4, our explanation rests on arguments related to three particular considerations – the complexity of GVCs and their governance, the business case for slavery and the conditions enabling modern slavery. In Section 5, we summarize the key features of our argument and outline their implications for IB research.

2. Modern slavery

While the term “modern slavery” lacks a legal definition, in recent years it has gained considerable currency as a term encompassing forced labour, human trafficking, slavery and other forms of exploitation (Lake et al., 2016). Legal instruments are however in place for each of the main forms of exploitation. The Slavery Convention of 1926 defines slavery as “the status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised” (League of Nations, 1926 Convention to Suppress the Slave Trade and Slavery, Article 1.1). Forced labour, as defined by the International Labour Organization (ILO), occurs “under the menace of penalty and for which the said person has not offered himself voluntarily” [ILO, 1930 Forced Labour Convention, No. 29, Article 2.1]. A key difference between the two definitions is that, at the time, forced labour was viewed as being practiced by governments and slavery by private individuals – the former under the remit of the ILO and the latter under the remit of the United Nations. It was not until the 1980s that the ILO widened its remit to include private actors as facilitators of forced labour.

In this paper, we use the term “modern slavery” as an encompassing term because “the line between slavery and other highly exploitative labour relations is by no means consistent or transparent” (LeBaron and Ayers, 2013, p. 876). In particular, we use “modern slavery” because of its “relative technical accuracy and its explicit critical discourse” (Michailova and Stringer, 2018a, p. 7).

While globalization has created “complex new networks”, it also introduced “new forms of exploitation” (Gallagher, 2010, p. 2). In the 1990s, it was clear that despite the array of international legal frameworks in place, exploitation was flourishing. Under the auspice of the United Nations, attention was focussed on defining human trafficking under
international law (Gallagher, 2010). In 2000, the United Nations Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (hereafter Trafficking in Persons Protocol) was adopted (United Nations, 2000). The Trafficking in Persons Protocol contains three elements: the “act” (“recruitment, transportation, transfer, harbouring or receipt of persons”), the “purpose” (“whether for forced labour of other forms of exploitation”) and the “means”:

the threat or use of force or other forms of coercion, of abduction, of fraud, or deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person.

In contrast to historical slavery, modern slavery is usually contractual and temporal in nature. In some cases, individuals will voluntarily enter into an employment agreement and from this point onwards they become a slave; some for a short period, others for much longer. In 2016, an estimated 40.3 million people were victims of modern slavery, of whom 16 million were victims of forced labour in the private economy (ILO, Walk Free Foundation and IOM, 2017). According to the ILO, of the estimated US$150bn generated annually in illegal profits, US$51.2bn comes from forced labour exploitation. Slavery is not consigned to the global South or to countries practicing state-imposed slavery such as North Korea or Uzbekistan. The ILO estimates that annual profit per victim in developed countries and the European Union is US$34,800 compared to US$15,000 in the Middle East and US$7,500 in Latin America and the Caribbean (ILO, 2014). Notwithstanding, the largest number of victims of forced labour exploitation are in the Asia Pacific (ILO, Walk Free Foundation and IOM, 2017). Various industries are implicated – 18 per cent of victims are in the construction sector; 15 per cent in manufacturing; 11 per cent in agriculture; forestry and fisheries; and 9 per cent in wholesale trade (ILO, Walk Free Foundation and IOM, 2017); yet modern slavery also exists in information technology, high fashion and jewellery, just to mention but a few high-end industries.

Crane (2013) introduced a theory of modern slavery. The theory posits that there are industry, regulatory, geographic, cultural and socioeconomic factors that enable slavery, and when institutional forces are deflected, the latter can come into existence. Crane (2013, p. 58) also proposes that firms have specific “slavery management capabilities” that allow them to effect slavery while engaging in institutional deflection. He separates a firm’s slavery management capabilities into exploiting/insulating and sustaining/shaping capabilities. Through their exploiting and insulating capabilities, which are embedded in tactic knowledge, such as debt management, accounting opaqueness and labour and supply chain management, a firm can engage in institutional deflection. In turn, the sustaining and shaping capabilities include moral legitimization (the justification by the firm to use slaves) and domain maintenance (firms ensure their goals are met through, for example, the bribing of officials) (Crane, 2013).

3. Why modern slavery can (and often does) creep into, persist and thrive in GVCs

Kevin Bales, a leading author and commentator on slavery whom we cited in the opening of the paper, views modern slavery as mimicking the world economy in that it is being transformed to “an emerging standardized or globalized form” (Bales, 2012, p. 25). In other words, modern slavery is becoming globalized. A range of actors, including, but not limited to, MNCs, intermediaries and local producers, play a key role in the globalization of slavery. Modern slavery comes into existence and persists because, by their very nature, institutions are inherently complex, and by their very existence MNCs are embedded in multiple
institutional environments that are often highly fragmented and continuously changing. Thus, actors may structure their activities within GVCs in such a way that they operate on the margins of institutions where they can bypass rules (Michailova and Stringer, 2018a). Actors involved in slavery develop a keen understanding of what is possible and what is not; they use this knowledge and develop a specific expertise that allows them to exploit the cracks in the institutional environments where they operate. In essence, globalized modern slavery is there because of the complexity of GVCs and their governance, the established business case for slavery and the conditions that allow and enable slavery. These are the three issues to which we attend next.

3.1 The complexity of global value chains and their governance

In part an outcome of globalization, in part in search of increased profitability, major elements of capital have been configured into GVCs. GVCs are interconnected networks of production, trade and investment orchestrated and controlled by MNCs as lead firms. An understanding of GVCs can “explain geographical patterns of value creation, retention and capture in the global economy” (Neilson et al., 2014, p. 1). The GVC literature focuses on links between firms and thus can provide important insights into the way in which activities are divided among different firms with an emphasis on value capture, creation and differentiation (Barrientos et al., 2011; De Marchi et al., 2014). The focus of the GVC literature is on value chains as such; this is in contrast to the IB literature which tends to focus more on single firms (De Marchi et al., 2014).

GVCs comprise four key dimensions: an input–output structure, territoriality, governance and institutions (Gereffi, 1994). As GVCs are “inclusive of the full range of possible chain activities and end products” (Gereffi et al., 2001, p. 3), their input–output structure includes the stages products and services go through from initial conception to final stages, a transformation that occurs in a value-adding sequence. The second dimension, governance, refers to how a value chain is organized and controlled. Territoriality, the third dimension of GVCs is associated with the spatial distribution of production activities. It refers to the way in which firms use different geographical locations to access location-specific advantages, such as low labour costs in developing countries or intangible activities related to marketing and design in developed countries. Finally, the institutional dimension relates to the broader regulatory factors, both formal and informal, in which value chains operate, and which in turn can (re)shape the geography and configuration of the value chain (Bair, 2005; Palpacuer et al., 2008). More recently, the governance (co-ordination of the value chain) and institutional dimensions (the role of non-firm actors) have been combined, with governance defined as:

[...] institutions that constrain or enable market actor behaviour – both in the public sphere, in the form of governmental policies, rules and regulations, and in the private sphere, in the form of social norms, codes of conduct adopted by businesses, consumer demand for social responsibility or other non-governmental institutions and social movements (Mayer and Pickles, 2014, p. 17).

At this point, let us return to the governance dimension in more depth, as the key to our understanding of GVCs is the role lead firms play in coordinating the economic functioning – the input–output structure of the chain. To-date, research into GVCs governance has largely focussed on powerful economic actors that shape the value chain. Private governance is the control exercised by lead firms in creating and capturing value through commercial sourcing activities beyond just that of arm-length transactions (or in a coordinated process of economic activity). A GVC is not a single linear strand, but instead comprises a multi-tiered input–output structure with layers of independent contractors and subcontractors. The governance
dimension is important as lead firms, through their power relationships and networks, influence how resources (financial, materials and labour) are allocated along the chain (Bair, 2008; Gereffi et al., 2005). As lead firms transmit commercial pressures along the chain, they have the ability to “create and mobilize significant asymmetries of market and political power in the interests of generating profit” (Phillips and Mieres, 2015, p. 251). Such market asymmetries are “endogenous to the formation and governance of some GVCs” (Milberg and Winkler, 2013, p. 124).

Governance also includes public and social actors. Public governance refers to the rules and requirements established by different governance actors, whether the actors be nation-states or international and multi-lateral organizations. Civil society actors such as NGOs and labour unions are key drivers of social governance. The tools at their disposal include codes of conduct and multi-stakeholder initiatives. However, social governance initiatives are rarely mandatory (Gereffi and Lee, 2016).

The governance of a GVC can span multiple territories and increasingly the power of lead firms, particularly vis-à-vis governments, is leading to a governance gap (Bair and Palpacuer, 2015; Gereffi and Mayer, 2004). The complexity of lead firms’ networks is undeniable and GVCs are not necessarily “constructed in institutional contexts but depend upon shaping these institutions” (Strauss and McGrath, 2017, p. 201, emphasis in original). Further, the way in which lead firms drive the value chain has implications for labour and can create the conditions for precarious labour standards to exist, or they can ignore such conditions already in place (Stringer, Hughes, Whittaker et al., 2016b). Through the lead firms’ “ruthless pursuit of flexibility, relentless downward pressure on wages and conditions” (Phillips and Mieres, 2015, p. 252), working conditions akin to modern slavery can be, and sadly are being, realized.

3.2 The business case for slavery

Allain et al. (2013) in a report prepared for the UK-based Joseph Rowntree Foundation identified four business models which gave rise to and facilitate the use of forced labour: cost-minimization by producers, provision of ancillary services by producers, cost-minimization by labour-market intermediaries and provision of ancillary services by labour-market intermediaries. Two of the business models are focussed on the minimization of operating costs and risks while the other two are revenue-generating models. They are underpinned by product and labour supply chains.

To minimize costs, a producer or intermediary will seek to reduce labour costs often through coercion:

Employers in the emerging private sector [in traditional economies] are desperate to capitalize on world market opportunities by exacting as much labour as possible from a cheap and often unprotected workforce (ILO, 2005, p. 63).

If labour costs can be reduced to lower than market rates through coercion, then there is an incentive for the use of slave labour to achieve a higher profit margin (Allain et al. 2013; Stringer et al., 2016a).

While being a victim of slavery does not mean that individuals are not paid – they can be paid a nominal amount – they are, however, denied employment benefits and are subjected to wage theft. To generate revenue, workers are often charged an excess amount, compared to market rates, for ancillary services such as accommodation, transportation and food. This, in turn, can lead to debt bondage beyond that which they enter into to obtain employment. For example, Bangladeshi workers in the Greek agriculture sector, living in squalid conditions on the farms, found themselves in debt because of inflated prices they
were charged for food. In one case, workers were locked in a room for four days because of the debt one friend owed (Horner, 2017).

Structural conditions, such as an individual’s temporary immigration status and labour market inequalities, encourage employers to exploit workers (Allain et al., 2013). And here lies part of the challenge – the connection between primary activities and the activities and consumers further along the chain are very strong, yet difficult to trace and often invisible. “[…] Forced labour in cocoa farms in the Ivory Coast can be conceptually linked to Western confectionary companies and their customers” (Allain et al., 2013, p. 40). Consider this example. Ouare Fatao Kwakou, from Burkina Faso, was sold to traffickers when he was 12 years old to work as a cocoa picker in Ghana. After a year of working he had not been paid. The cocoa beans were sold into the supply chains of major chocolate makers. This is a simple but clear illustration that traceability is difficult because of the numerous layers the beans go through from the source to their final destination (BBC Panorama, 2010), an issue that we pick up in the following subsection.

3.3 Conditions enabling slavery

Increasingly, MNCs are engaged in the outsourcing of non-core aspects of production and services activities (Dunning and Lundan, 2008). Further, in their efforts to minimize transaction costs, and to reduce risk and liability, MNCs externalize low-value or risky activities. This has led to an increase in the production and trade of intermediate goods. A key strength of the GVC approach is that it highlights the fragmented nature of production networks both between firms and in different geographical locations (Buckley and Strange, 2015; Gereffi et al., 2005). Fragmentation is “not an automatic or spontaneous process, but rather a business strategy to facilitate economic success” (LeBaron, 2014, p. 242). The fragmentation of production may facilitate an underside to IB, often referred to in the critical IB (and other) literature as a “race to the bottom”.

When MNCs engage in subcontracting they often operate at arm’s-length contractual relationships. This can involve hundreds or even thousands of tier-one suppliers. MNCs impose conditions pertaining to tight delivery schedules and price on their suppliers. This pressure can result in tier-one suppliers outsourcing labour-intensive, lower-value activities to sub-tier suppliers. In turn, sub-tier suppliers outsource activities, the result being multi-tiered subcontracting networks. The bottom tiers can be unregulated “shadow factories” (LeBaron, 2014, p. 243) where there are no incentives to ensure decent working conditions and indeed “exploitative labour practices are a core part of the business model” (LeBaron, 2014, pp. 243-244). Therefore, the question “how far and in what ways the reorganization of production is fueling the use of forced labour by industry” (Crane et al., 2017, p. 1) is not only legitimate but also crucial.

When firms outsource production, they also outsource the labour used in that production. The decision by lead firms to subcontract value chain activities can have major impact on capital–labour relations, as MNCs “offload risk on to less powerful chain actors, including workers” (Phillips and Mieres, 2015, p. 251). This is particularly the case when value chain activities are outsourced to geographical locations where governance and monitoring capacities are weak and/or not enforced. Thus, decisions pertaining to labour supply and demand are often external to national labour markets (Barrientos, 2013). As a typical GVC touches down in several geographical locations, the question of jurisdiction arises, as a single nation-state may not have comprehensive regulatory “reach” across a GVC, thus making it difficult to ensure labour standards throughout the value chain (Coe et al., 2008) (the possible exception being recent initiatives such as the UK Modern Slavery Act).
The fragmented nature of the multi-tiered subcontracting model can exacerbate the implementation, monitoring and enforcement challenges of labour standards, with the potential for MNCs, as well as tier-one suppliers, to distance themselves from precarious labour practices. Mosley (2010) sees a relationship between subcontracting networks and deteriorating labour standards; though, of course, not all subcontracting networks use indefensible labour standards. LeBaron (2014, p. 243) goes as far as to point out that “the links between forced labour and subcontracting are not coincidences, but rather are grounded in key facets of the retail business model”.

As each stage of the value chain involves labour, the use of slave labour can potentially occur at any stage along the chain. However, slavery is typically prevalent in labour-intensive stages of production – the beginning stages of the value chain – in industries incorporated into GVCs, such as agriculture, fishing, minerals and computer components [Allain et al., 2013; United Nations Office on Drugs and Crime (UNODC), 2011]. The trajectory to forced labour begins with the recruitment process and the use of labour intermediaries. Labour intermediaries often operate through multiple layers of networks, referred to by Frances, Barrientos and Rogaly (as cited in Barrientos, 2013, p. 1067) as a “complex ‘cascade’ system” of subcontracting arrangements. The networks include registered (formal) or unregistered (informal) intermediaries with access to ready sources of migrant workers, particularly those from developing countries. The complexity of subcontracting arrangements can enhance the potential for exploitative practices ranging from non-contractual employment abuse through to slavery (Barrientos, 2013; Lerche, 2007; Rogaly, 2008; Strauss, 2013).

According to the social auditing organization Verité (2011, p. 4), “the use of labor brokers brings with it troubling issues of fragmented and opaque social accountability”. As Barrientos (2013, p. 1063) so aptly points out, the “cascade systems of labour subcontracting provides an opening for unscrupulous labour intermediaries, including those linked to the smuggling of undocumented migrant workers, to enter the system”. While it is widely acknowledged that the number and scope of labour intermediaries has increased in recent years, exact numbers are difficult (and often impossible) to obtain, particularly because of the number of unregulated or invisible contractors (Barrientos, 2013; Verité, 2011).

Those working in the beginning nodes of a GVC employed under a triangular employment arrangement can be subjected to “imperfect information” about their working conditions. Undocumented migrants, in particular, can be subject to illegal, insecure and exploitative labour practices; they are rarely employed on formal contracts and as such have few (if any) channels of complaint available to them (Phillips and Sakamoto, 2012). Individuals may voluntarily enter into an employment agreement only to find that they have been deceived and that they lack agency to freely exit the relationship (Skrivankova, 2010). They can be forced to remain in the employment relationship because of the non-payment of wages, debt bondage and/or the threat of runaway insurance being imposed if they leave their employment before the completion of their contract (Stringer et al., 2016a). Debt bondage which Bales (2012, p. 19) describes as “the most common form of slavery in the world” is prevalent especially in commodity industries (LeBaron, 2014). Consider another example. In Greece, supervisors began shooting at a group of migrant strawberry pickers – mostly undocumented workers from Bangladesh – who were asking for their wages. They had not been paid in six months. While they had freely entered the employment relationship, they were subsequently held by their employers under the threat of deportation (Chrysoloras and Penna, 2013; Smith, 2017).

The use of slave labour in supply chains is a reality. Commodities and products tainted by slave labour can form part of the supply chains of MNCs. Take, for example, CP Foods, a
Thai seafood company supplying MNCs including Costco, Walmart and Tesco. CP Foods purchased fishmeal for their prawn farms from suppliers that owned, operated or brought from vessels crewed by slaves. The “workers”, mainly from Burma and Cambodia, were exposed to extreme violence, with little or no pay. Some were chained up, treated worse than animals and sold from captain to captain. The prawns were fed using fish-meal caught and processed by slaves. This is but one example where tainted items are subsequently blended with non-tainted items in supply chains of MNCs.

4. Where to from here?

4.1 A path forward for multinational corporations

The paper began with a quote by Bales (2016, p. 52) highlighting that the “lies told to hide slavery cluster most thickly at the beginning of the supply chain”. Indeed, it is at the beginning nodes of the chain, where slavery is most prevalent, and yet most often hidden. While the fragmented nature of GVCs can go some way to obscure slavery, this does not mean that MNCs are unaware of the use of slave labour in their supply chains. Undeniably, some can create the conditions for slavery to exist – either through deliberate business strategies or by turning a blind eye. Inherently, the very nature of the way in which MNCs govern their GVCs and shape market conditions can create the conditions for slavery to exist. “The profit driven motives of individuals and corporations is a powerful force in driving slavery” (Michailova and Stringer, 2018a, p. 4).

Seldom have MNCs publicly acknowledged the use, or the extent, of slave labour in their GVCs. One recent exception is that of Nestlé. In 2015, after a year-long investigation by Verité, a third-party auditing organization, Nestlé, announced that slavery was embedded in its fisheries supply chain. Nestlé was sourcing fish products from Thailand. The extent of slavery in Thailand’s fishing industry was such that many European and North American companies were exposed to endemic risk (Urbina, 2015). Conducting due diligence in investigating the extent to which slavery exists in supply chains is often seen as not without substantial cost, and so, avoiding this type of expenditure reduces overall cost of running business. Yet one businessman says otherwise. Andrew Forrest,[1] founder of Fortescue Metals Group one of the world’s largest iron ore companies, sent a letter and affidavit to 3,000 suppliers asking them to affirm they had investigated their supply chains for forced labour and modern slavery practices. About 50 suppliers did not respond, Forrest in turn investigated some of these suppliers, including one company supplying to hundreds of companies in the Fortune 500 index. Subsequently, horrendous slavery practices were identified in this company’s supply chain and by extension the Fortescue Metals Group’s own supply chain. According to Forrest, this effort “cost next to nothing”.[2]

The efforts of Nestlé and Fortescue Metals Group are in sharp contrast to those of the Sajo Oyang Corporation, a South Korean fishing company, which, following the identification of labour and human rights abuses on board its fishing vessels operating in New Zealand’s waters, sought to evade responsibility to pay outstanding wages to their Indonesian crew. A number of the crew had engaged lawyers to act on their behalf, and following their return to Indonesia, they were contacted by representatives of the Sajo Oyang Corporation and offered a cash settlement (a fraction of what they were owed in wages) to withdraw their legal claims and forego legal representation. Over time, the financial incentives increased with some crew members being intimidated into accepting the payment (Stringer and Kartikasari, 2017; Stringer et al., 2016a).

In recent years, public governance initiatives have been introduced in an effort to bring about greater corporate accountability and transparency in supply chains. New models of legislation include the California Transparency in Supply Chains Act (CTSCA) and the UK
Modern Slavery Act. Both pieces of legislation require companies to report on their efforts to identify and address slavery in their supply chains. However, the CTSCA has been criticized as “having no teeth” (LexisNexis, 2016, p. 2), while the UK legislation has been described as “weak” (UK House of Lords and House of Commons Joint Committee on Human Rights, 2017, p. 42), as they lack enforcement mechanisms. These new models of legislation are reliant on private governance mechanisms. Modern slavery legislation also includes the French duty of vigilance[^3] (devoir de vigilance) law, which strengthens the responsibility MNCs have vis-à-vis subcontractors, suppliers and subsidiaries requiring companies to implement a vigilance plan to prevent human rights violations in their supply chain. More recently, California state legislators are proposing that retailers be held responsible for labour abuses in the trucking companies they use (Murphy, 2018). MNCs are, and will be, increasingly confronted by obligations that require them to acknowledge and tackle abuses in their supply chains.

4.2 Ways forward for international business scholars

The firm in general and the MNC in particular has been and remains a central unit of analysis in IB research. To understand modern slavery in the context of MNCs’ GVCs, we need to shift the focus, whenever appropriate, from the single firm to its value chain. This would bring us closer to a more nuanced understanding of the phenomenon of modern slavery – from its causes through to practices and onto its consequences. Emphasizing the single firm and keeping the attention within the firm does not allow an examination of the complex and multilayered links (and the cracks between them) that seems to provide a fertile breeding ground for slavery. Therefore, we need to shift from a narrow understanding of the MNC to borrow and learn from other literatures such as the GVC literature. For example, what principles govern MNCs and their GVCs that allow modern slavery to persist and thrive? Are MNCs powerless in controlling their GVCs to the extent that slavery not only exists but also flourishes? Alternatively, how can MNCs eradicate slavery from their GVCs? What impact do emerging public governance initiatives have on the way MNCs currently shape, or are likely to shape in the future, their supply chains? How can MNCs move beyond an auditing approach? All these questions[^4] link together MNCs with their GVCs rather than highlighting issues solely related to the MNC.

There are a number of IB theories (e.g. internalization theory, real options theory) that can be used as powerful tools to understand why and how GVCs can (come) breeding ground for modern slavery.[^5] For instance, if one sets the rights of one transactor to zero, slavery becomes an economically rational governance mode. Following the logic of real options theory, one would argue that production using slavery is the least expensive option to switch off if one is caught. Alternatively, a more promising location to engage in production (which might mean better slaves) becomes an option. Consider another indicative theoretical possibility – Forsgren’s (2017) six tales of the MNC. Each tale/theory can explain the existence of slavery in the MNCs’ GVCs in its own way, but there is particular potential in the market power, cost efficiency, business relationships and power tales as well as in the idea of the governing influence of MNCs and their increasing impact on society.

We see merit not only in conceptual and theoretical work but also in empirical investigations of the link between modern slavery and MNCs’ GVCs. As a start, and bearing in mind the sensitivity of the topic associated with difficulties in collecting primary data, it would be meaningful to work with secondary data that are available but largely scattered in both the popular and the business media. The news is filled with stories, examples and commentaries on modern slavery that, if looked at with the help of theoretical tools, can result in sound analyses. In addition, some MNCs are required to report on what they are
doing to try to monitor and govern their GVCs to ensure those are clean of slavery, for example, under the UK Modern Slavery Act. Textual analysis and content analysis would be appropriate methods to use to make sense of the phenomenon we address. In addition, IB scholars can systematically collect countless video films recorded in different parts of the world and apply various techniques to analyze them. Recent statistical breakthroughs have been used to estimate far more precisely than earlier the slavery victim population size. We imagine there are statistical techniques that can help trace slavery in GVCs.

These (and related) topics, research questions, theories and methods are more than worth pursuing, as they can help IB scholars become important players in the cause to eliminate one of the most inhuman practices in our world, modern slavery.

Notes
1. Andrew Forrest and his family are the founders of the Walk Free Foundation, an organisation dedicated to ending slavery.
2. available at: www.youtube.com/watch?v=nBkuaeYmPaE
4. While here we focus on MNC’s GVCs and modern slavery, in a recent call for papers (Michailova and Stringer, 2018c) we put forward more general topics and research questions that, we suggest, IB scholars should address.
5. We appreciate the discussions we had with Brent Burmester on this matter.

References


**Corresponding author**
Snejina Michailova can be contacted at: s.michailova@auckland.ac.nz