

2.2: The root causes of labour exploitation in global supply chains

The chances are that you're reading this on a laptop. If so, you're sitting at the end of a long and winding global supply chain. The typical computer might contain a memory chip from Malaysia, a battery from Indonesia, a screen from South Korea, RAM from Germany, and a hard drive made in Thailand. This all before it was assembled in China and then bought off your shelf wherever you may be.

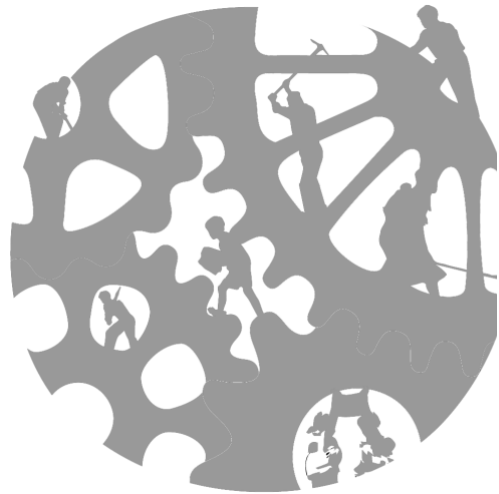
That is the reality of global supply chains. A major firm will design and sell you a product, but its contents will be built and assembled by multiple suppliers all over the world, each sourcing from another lower down the chain. Nowadays there's a lot of talk about modern slavery and about forced labour in supply chains, and it is the case that many workers are exploited in them. But the question is why? The media, politicians and businesses will often tell you that it's simply a case of bad apples – bad guys wanting to do bad things to innocent people.

That isn't enough. There are fundamental systems and structures in place which ensure the exploitation happens. These ensure, on the one hand, a supply of workers who are vulnerable enough to be exploited, and on the other a demand on the part of businesses for their exploitable labour. What are those structures? We argue that there are eight.

On the supply side there are four, which together work to create this pool of workers who don't really have any better alternative than to accept very exploitative work. These people lack what we call 'freedom as the power to say no', in that if they say no to exploitative work then life will be even worse for them. They don't really have the actionable freedom to resist this kind of exploitation.

The first of those four factors is poverty. Now I want to be clear that I am NOT talking about poverty as some abstract entity, as this thing that exists in the world or that pertains to particular people. Poverty is a term that we use to describe the fact that some people don't have many resources. They may also not have many rights, and they do not have control over the material or legal means to ensure a decent life for themselves. That fact is relational. The fact that some people are poor and that some other people are very very rich are two sides of the same coin. Poverty isn't just this abstract thing. It is a very real social relation. What it means in the case of supply chains is that those who are poor, those who lack control over the money they need to lead decent lives, are more vulnerable to exploitation because they are less able to say no to that exploitation. Sometimes the best jobs available for them are bad jobs at the very foot of global supply chains.

Another key structural factor is discrimination. Now, many people will tell you that modern slavery is colour-blind. That exploitation in supply chains doesn't discriminate and that everyone is equally vulnerable. This is not true. Research has shown that women are more likely to be exploited than men,



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and that non-white people are more likely to be exploited than white people. This happens because social systems of discrimination and categorisation construct some people as lesser than others, and therefore as more available for exploitation. This leads to things like lower wages, for example, and in general makes it less likely that socially discriminated people will achieve better or decent work within global supply chains. Discrimination matters critically for understanding severe exploitation in global business.

A third structural factor is the lack of labour protection. Think, for example, of inspectors going to a workplace to ensure that the employer is respecting his or her workers. Such inspectors are almost non-existent in the vast majority of countries, and over the last decades there has been a dramatic reduction in their numbers in the countries where they do exist. At the same time, labour law has had much of the bite taken out of it in many countries. So ultimately what we have here is a situation in which workers across the world are lacking legal protection, both on the books in terms of the laws that are written down, and in terms of enforcement in the global economy. This lack of labour protection opens up spaces in which people are more likely to be exploited.

Migration regimes are the final factor that creates this supply of workers who are exploitable. Migrants who are moving for a better life, to access better work opportunities, or whichever factor it may be that has taken them overseas, are more likely to end up in exploitation and more likely to end up in exploitative work relations at the foot of supply chains. This is because migrants lack the rights that citizens have. Take, for example, someone who has moved from South Africa to the United Kingdom. Particularly if they have done so illegally, they will find themselves outside the zone of legal protection and therefore more likely to have to accept very exploitative working relations. These migration regimes determine who is entitled to which rights, and who is entitled to none. They therefore provide this flow, if you like, of workers who are vulnerable enough to be exploited in global supply chains.

Those are the four factors which created a supply of exploitable workers. We also have four factors of demand. These create pressure within the global market for exploitative work or open up spaces where these workers can be exploited. The first of these structural factors that we identify as of critical importance is the concentration of corporate power and ownership. Global businesses are now massive, and they are bigger and more powerful than ever. Walmart, for example, brought in almost \$500 billion in sales revenue this year, which is 35 times the national revenue of a country like Jamaica.

These corporations are now so powerful that they are able to gobble up an ever bigger slice of the pie, which leaves less for the folks supplying them lower down the supply chain. For example, we know from research conducted by scholars at the Institute of Development Studies that cocoa farmers in Ghana receive just 4% of the final price of an average bar of milk chocolate sold in the UK. The lion's share of that price goes instead to the chocolate manufacturers and the retailers. This has consequences for those lower down on the chain, as the less the top firms pay the more the smaller players have to fight over what's left. This sometimes leads to serious exploitation.

Another factor also relating to the power and the size of the biggest firms is how they then go on to treat their suppliers. Big firms frequently change orders at late notice, demand delivery at extreme speed, and delay or refuse payment. Huge global firms can do this because they have the power to do so, and when they do this they put pressure on the smaller firms that supply them to exploit their workers, just in order to make ends meet.

A third factor related to this is outsourcing. As I mentioned, big global brands no longer really make the things that they sell. They instead get other firms in other countries to do it for them. These firms,

in turn, outsource to further firms ever lower down the supply chain and ever more under the radar of legal protection. This practice means that the people selling the goods at the top of the chain don't have legal responsibility for those who make the goods at the bottom of the chain, nor do they oversee the production to ensure that workers are being treated well. So the more outsourcing there is the more chance there is of exploitative work happening.

You may however have heard of things like company auditing or corporate social responsibility – businesses saying that they check their supply chains to make sure that no one is being exploited. The thing is, research shows that these things don't really work very well. It's like asking the lion to look after the gazelle. So the final factor here is that, under pressure from major corporations and their allies in the government, there has been a massive lack of legal regulation of global supply chains. There is very little policing to ensure that suppliers are respecting the rights of workers. Inspectors coming to check that employers are doing the right thing, or laws to punish corporations for doing the wrong thing – this stuff is absent. And what that means is that exploitation can take place without oversight.

Those are some of the root causes of exploitation of forced labour and supply chains. Next week we'll be looking at some of the things we can do about them.

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