Paper submitted to the 30th IMP Conference, .3-6.9.2014, Bordeaux, France
Special track:
Corporate Social Responsibility, Ethics, and Sustainability in Business Networks

CSR and Ethics in Supply Networks: the case of human trafficking

Anne Quarshie & Asta Salmi

Aalto University School of Business

Correspondence: asta.salmi@aalto.fi, +358 50 383 2476

work-in-progress

ABSTRACT

This paper examines ethical (and CSR) issues in supply networks. Our earlier review of literatures in two streams: supply chain management (SCM) and business ethics (BE) revealed surprisingly limited synergy between the two disciplines. Furthermore, network studies in this area are still relatively rare. This leads us to conclude that network researchers, such as scholars working with the IMP frame, may have an important role in taking the field of sustainable (responsible and ethical) supply further. To concretize this point we focus in this paper on one largely neglected area of ethical supply: human trafficking and modern slavery. More attention to this area would have important conceptual and managerial implications. Current problems, such as modern slavery, and their solutions involve multiple actors and interdependences along complex supply chains and networks, and therefore, we see that different network perspectives, applied at organizational or individual levels, can be of assistance in examining these problems and finding solutions to them.

Keywords CSR, ethics, sustainability; supply chain management; supply networks, slavery, human trafficking

INTRODUCTION

We examine ethical (and CSR) issues in supply networks. The starting point for our analysis is formed by our earlier reviews of research published in two streams of literature: supply chain management (SCM) and business ethics (BE) – as one would expect close overlap of writings on sustainable or ethical supply chains in these streams. However, in our review (e.g. Quarshie and Salmi, 2012) we found several differences between the streams and surprisingly limited synergy and influence between the two disciplines. An interesting finding was that network studies in this area are still relatively rare. Our analysis of the existing studies leads us to conclude that network researchers, such as scholars working with the IMP frame, may have an important role in taking the field of sustainable (responsible and ethical) supply further.

To concretize our urge for further network studies, we focus in this paper on one largely neglected area of ethical supply: human trafficking. Despite the global prevalence of human trafficking and forced labor, and their links to mainstream business and supply chains, their treatment in academic business research in disciplines, including management, business ethics (BE) and supply chain management (SCM), is far from pronounced. A few notable exceptions include Crane's (2013) article building a theory of modern day slavery and Dahan and Gitten's (2010) empirical examination of the public discourse of slavery in the cocoa industry. The lag between business practice and management scholarship around human trafficking and related topics sparks curiosity, especially given regulatory efforts pushing firms to mitigate the risk of human trafficking in supply chains, OECD efforts to measure the economic impact of human trafficking, NGO and media scrutiny to labor rights violations in supply chains, and other pressures that may bear the risks of financial and reputational damage.

Network scholars have earlier tackled other contemporary issues (e.g. environmental problems, Ritvala & Salmi, 2011) by looking at network mobilizers (Mouzas and Naude, 2007) and issue nets (Brito, 1999). It has been acknowledged that solutions to problems that involve multiple different actors often call for cross-sectoral cooperation and network perspectives. These views may be applied also for tackling contemporary issues in sustainable supply, such as human trafficking and forced labor (or modern slavery) . As will be shown, these problems, while increasingly acknowledged, have not been addressed enough by business scholars or network analysts. We see that more attention to this area would have important conceptual and managerial implications.

Our aim in this paper is advance research on ethical supply networks by focusing on one concrete but neglected area in today's sustainable supply management and research. We focus on the issue of human trafficking. First, we introduce this current societal and ethical problem and briefly review the literature on this topic. We then discuss how firms in practice may tackle the issues, and what types of actors they may need to engage with in doing so. Our discussion section presents the need for more research in the area, by network scholars in particular. This is an on-going research project, and our next step will be to complete these initial ideas with a more extensive and in-depth literature review.

THE PHENOMENON AND EXISTING LITERATURE ON HUMAN TRAFFICKING AND FORCED LABOUR

Human trafficking and forced labor (or modern slavery) are examples of ethical and social problems in supply chains. These problems exist, but we find relatively little discussion on them, nor on how they can be solved. While accurate estimates of the number of trafficked persons are hard to come by, the latest ILO (2012) estimate of the number of persons in forced labor is 20.9 million, which is labeled a 'conservative' estimate. About 90 percent of them are exploited by private organizations and individuals – 68 percent in labor exploitation and 22 percent in sexual exploitation – while only 10 percent are in forced-labor situations imposed by the state. The U.S. Department of Labor (http://www.dol.gov/ilab/child-forced-labor/What-are-Child-Labor-and-Forced-Labor.htm) describes human trafficking and forced labor as "similar and overlapping phenomena".

Despite the burgeoning amount of research on slavery and slave trade in other academic disciplines, business research scholars have paid surprisingly little attention to human trafficking and forced labor as issues requiring academic research and managerial attention. Among the few exceptions, Crane (2013) develops a theory of modern day slavery as a management practice, consisting of macro-level conditions and firm-level capabilities that enable human exploitation. (However, Crane views human trafficking mainly as the transport stage in the slavery business, and, hence, he explicitly excludes trafficking from his definition of modern slavery.) In another relevant example, Dahan and Gittens (2010) empirically examine the emergence of the public discourse of slavery in the cocoa industry and how various actors, including chocolate manufacturers, NGOs, governments, and the media, shape and frame the issues.

Given the near absence of literature on human trafficking as a management issue, we will bring in perspectives from broader management, BE and SCM literatures, as well as NGO reports. In business ethics journals we may find articles on broader labor rights and sweatshops topics, which do not specifically focus on human trafficking or forced labor. For instance, the article by Ip (2009) mentions trafficking and describes the slavery-like working conditions among Chinese workers who have migrated from rural villages to work in the country's export industries. Further, a small number of business ethics and management articles discuss other closely-related topics, such as child labor (e.g. Lund-Thomsen & Nadvi, 2010; French, 2010; Crane & Kazmi, 2010; French & Wokutch, 2005; Kolk & van Tulder, 2002; Winstanley, Clark, & Leeson, 2002).

While so far neglected by academics, the issue of human trafficking has been recently brought up in other forums. Various non-governmental organizations (NGOs) have produced investigative reports on the prevalence of forced labor and related forms of exploitation in different regions, industries and supply chains. These reports highlight that the circumstances surrounding forced laborers, as well as the root causes for the problems, vary widely.

For example, a report by Amnesty International (2013) reports on forced labor and human trafficking among migrant workers (of primarily Asian origin) in Qatar's male-dominated construction sector ahead of the 2022 soccer World Cup. Their investigation found 'widespread exploitation' of migrant construction workers during the construction boom. The forms of exploitation included workers being deceived about the type of work and working conditions, confiscation of documents and passports, and not being paid salary for several months. Many

informants ended up being held almost as hostage in a foreign country, while their families at home ended up in debt. Amnesty International concludes that in this instance, significant challenges stemmed from 'systemic problems' in host country government regulation and enforcement of relevant employment laws and in home country governments' inability to protect and support individuals encountering problems. Further, construction firms' cash-flow problems and large contractors' lack of human rights due diligence practices in awarding contracts were seen as the immediate causes of the problems.

In another recent report, Anti-Slavery International (2012) describes slavery-like practices in the international textile industry: the deceitful recruitment, forced labor and prison-like housing of young women and girls at spinning mills, and child labor in the finishing of garments in India. In addition to Indian manufacturers and global textile brands and retailers, the investigation found partial fault in young women's parents' attitudes, other cultural and social pressures, as well as in environmental circumstances, such as rural poverty. Factors such as these made low-wage employment at confined factory compounds seem like a safe and attractive option for unmarried young women.

The U.S. Department of Labor's (2011a: 296-297) report on the worst form of child labor presents similar finding in its India country report: forced child labor prevails in the production of garments and embroidered textiles, for example, and in addition to the country lacking a minimum age for work, it "fails to shield young people ages 14 to 17 from hazardous work".

Also other types of publications by nongovernmental and governmental organizations provide evidence of severe social (and environmental) risks in the production of many agricultural commodities, such as sugar cane, cotton, cocoa, rice and palm oil (WWF, 2012; U.S. Department of Labor, 2011a; U.S. Department of Labor, 2011b). Leading environmental groups, such as the WWF, recognize the importance of addressing social issues related to farm workers and local communities, such as forced and child labor, debt bondage, exposure to chemicals and hazardous working conditions, and community displacement, when tackling environmental problems related to the production of such commodities. Another more radical environmental group, the Rainforest Action Network [RAN] (2013:15), even explicitly describes that palm oil production not only exacerbates climate change and threatens engendered species, such as orangutans, and but plantation workers are also "frequently victims of serious exploitation, including being trafficked into bonded labor, being forced to live and work under extreme conditions, with limited legal recourse, and suffering from abuse or the threat of abuse. Child labor is also known to be rampant throughout palm oil plantations."

Overall, business research scholars could play a much more fundamental role than they do today in contributing to discussions about human trafficking, forced labor and related topics, and – perhaps most importantly – about possible courses of action by firms and managers to address these issues in global business and supply chains. We will next discuss how firms may in reality tackle human trafficking in their supply chains, and then turn our focus to future research opportunities in this area.

HOW FIRMS MAY ADDRESS HUMAN TRAFFICKING IN SUPPLY CHAINS?

Before proposing fruitful avenues for future research in this area, we briefly discuss how firms *in practice* may tackle human trafficking in their supply chains. Overall, common ways for firms to start addressing CSR issues, such as labor or human rights issues, include making a public commitment to CSR, adopting or developing a code of conduct (Preuss, 2009), and setting up a monitoring system. Many types of codes exist: policies focusing on certain CSR issues or a specific function, such as purchasing; organizational-level codes; and supra-organizational codes, such as industry codes or intergovernmental organization codes, for example (Preuss, 2010). Also the breadth of these codes can vary widely. However, although codes of conduct and auditing have been found to improve certain conditions in supply chains, such as occupational health and safety issues, they are rarely seen as sufficient means of tackling more fundamental problems, such as low wages or excessive working hours in textile or toy factories (Yu, 2008; Egels-Zandén, 2007). NGOs are also skeptical of their effectiveness in addressing forced labor and exploitation in supply chains (Anti-Slavery International, 2012). Many other changes in sourcing and SCM practices, such as adding social and environmental criteria into supplier selection and evaluation processes, and engaging in sustainable supplier development efforts, can be expected to help mitigate risks and to lead to other positive performance implications (e.g. Reuter, Foerstl, Hartmann & Blome, 2010).

As a positive addition to the CSR 'tool box' of firms, many certification standards, such as Fairtrade, or roundtables and multi-stakeholder initiatives cover social issues, including forced labor. Many of these certificates create attractive win-win situations in firms' eyes, as customers are often willing to pay slightly higher prices for ethical products, or because market demand may increase as a result of product labeling. However, the contents, priorities and specific certification criteria of different standards vary widely. Hence, it may not always be straight-forward for various actors to determine what level of sustainability is sufficient, which criteria are the most important or relevant, which certificates or initiatives to endorse, or which actors to engage with and how. As one example, the WWF (2012) is actively involved in and promotes the Roundtable on Sustainable Palm Oil (RSPO) initiative, but more radical environmentalists criticize the certificate for having weak standards and are especially critical of the fact that firms using the GreenPalm logo on their products may offset also for 'unsustainable' palm oil use by paying fees that are used to support farmers that follow RSPO standards (RAN, 2013). Despite these shortcomings, or more likely because pragmatic solutions to industry issues are sought, the initiative has been successful in engaging many of the industry's largest actors. Among the commitments made by large palm oil traders to the roundtable is Cargill's decision to trade 100 percent RSPO-certified palm oil in North America and Europe by 2015 and globally by 2020 (WWF, 2012).

Sustainable supply chain management (SSCM) practices (which are likely to be of crucial importance for tackling human trafficking) include improving traceability, transparency, and risk management with respect to sustainability in supply chains (Carter & Rogers, 2008; Pagell &Wu, 2009). For example, textile supply chains can involve trafficking, forced labor and subcontracted work at many different tiers of the chain starting from cotton production all the way to the various manufacturing stages. Without visibility into their supply chains, retailers and textile manufacturers will have few means of addressing these issues. Where subcontracting takes place in global business, large firms should, according to NGOs, also put in place better human rights

due diligence processes when choosing subcontractors and add stipulations to contracts that regulate conditions at subcontractors (Amnesty International, 2013).

Broader SSCM actions, such as aligning firms' corporate and sustainability strategies, and integrating sustainability and ethical issues into firms' organizational culture and values (Carter & Rogers, 2008), will clearly be helpful for all firms that strive for sustainable supply chains. Further, in instances where distant-tier suppliers are under heavy price and other competitive pressures, more firms could follow the example of SSCM forerunners and pay attention to the continuity and economic survival of the entire chain (Pagell & Wu, 2009). In fact, many NGOs and BE researchers argue that in an ideal world, CSR considerations would be reflected in firms' purchasing policies and practices, including prices and lead times, as well as in incentives, rewards and other types of support provided to suppliers (Yu, 2008; Anti-Slavery International, 2012; RAN, 2013). However, in practice, many of these measures are costly, and hence they are not considered as particularly attractive CSR solutions by many global firms. Worse yet, as Crane's (2013) article suggests, firms benefit from having under-priced labor in their supply chains, and hence they may even have incentives to try to insulate themselves from pressures against slavery and to attempt to sustain those macrolevel conditions that allow slavery to continue in their industries.

Overall, global firms can be expected to increasingly find themselves in negotiations with a variety of actors who have a mutual concern over – or a stake in – an issue. In essence, managers of sustainable chains will, as new behavior, need to re-conceptualize who is in their supply chain (Pagell & Wu, 2009). This is particularly relevant when broader transformation and change is needed. Actors that may be needed 'around the table' to tackle complex issues, such as trafficking and forced labor, may include not only immediate and more distant tier suppliers, but also industry and multi-stakeholder initiatives, governments, trade unions, NGOs and other civil society actors. Collaborations with governmental and civil society actors can be especially helpful when firms face complex social issues requiring changes to legislation or societal change involving the tackling of the roots causes of the problems (Selsky & Parker, 2005, 2010). One example of these types of efforts is addressing child labor through making education more widely available, transferring child workers into school (Lund-Thomsen & Nadvi, 2010; Anti-Slavery International, 2012) or keeping children in school during harvest periods (U.S. Department of Labor, 2011: xxxiv).

However, cross-sectoral collaborations and interactions also have their downsides. First, the fact that social concerns span industry and geographic boundaries (Selsky & Parker, 2005, 2010) may cause for traditional roles and functions to blur, which may lead CSR to become 'politicized' and for firms to take on political roles (see Scherer & Palazzo 2011 for a review of the debate). Second, achieving a shared understanding over the objectives and means of the work can be challenging. There may be considerable discord over who should be held accountable to respond; what the most important priorities and objectives should be; which claims to consider legitimate; what counts as right behavior, values, expectations and norms; how to define and tackle the issues; and who should pick up the tab (Baur & Palazzo, 2011; Dahan & Gittens, 2010; Egels-Zandén & Wahlqvist, 2007). In practice, many firms may be reluctant to even admit the risk of slavery-like practices in their supply chains, let alone start engaging with other actors to address them (Anti-Slavery International, 2012). Further, even different civil society actors may not have a united front about the issues at hand (Dahan & Gittens, 2010; Egels-Zandén & Wahlqvist,

2007), which may make firms view cross-sectoral partnerships as inefficient and unproductive and lead them to marginalize their nonprofit partners or move back to corporate-driven partnerships (Egels-Zandén & Wahlqvist, 2007).

Overall, tackling human trafficking and forced labor in global business and supply chains clearly involves both direct and indirect investments of money and time, in the forms of new CSR and SSCM actions and practices, and possibly even in the form of lost cost advantages associated with eliminating flexible, under-priced labor from supply chains. In striving to address human trafficking, most global firms will likely – not only find themselves in the unexpected company of many new actors – but also in uncharted territories trying to solve extremely complex and messy issues. These interactions may at times be uneasy processes, as the actors may not share a common language or culture, they may have differing constituents, interests, power relations, and operational and strategic realities, and they may be unfamiliar with or even distrustful of each other (see e.g. Selsky & Parker, 2005, 2010; Jamali & Keshishian, 2009; Seitanidi & Crane, 2009; Teegen, Doh, & Vachani, 2004).

DISCUSSION: WHAT NEEDS TO BE DONE

Business scholars have been almost silent about the issues of human trafficking and slavery; and the same applies to (business) network researchers. Still, for instance, the question by Pagell and Wu (2009) of who is in the supply chain, and the analysis by Dahan and Gittens (2010) on cocoa industry show how many different actors may be involved in the issue of trafficking and how different their perspectives may be. Hence, it seems that further investigation of the actors, interactions and networks around this issue is needed. Such a network analysis could focus on tracing the supply chain, charting the magnitude of the human trafficking problem and mapping the involved actors in the complex supply chain/network. Network researchers could clearly contribute to a better understanding of both sides: the actors and interactions on the problem-side, as well as the solutions side of the equation.

Alternatively, research on these social issues may follow the example of earlier studies on environmental issues (Ritvala and Salmi, 2011), which have focused on the dynamics relating to emerging 'issue networks'. These studies have shown on the one hand the crucial role of e.g. NGOs in raising awareness of the contemporary issues and mobilizing other actors, and on the other, the importance of cross-sectoral cooperation in finding solutions to the issues. As our earlier discussion shows, sustainable supply management brings together actors who are not necessarily interacting or cooperating for other reasons. Therefore, emerging activity patterns and new ways of cooperating are not easy to adopt, but may bring about innovative ways of tackling the problems. Furthermore, we see that such new ways of thinking and acting will involve actors in broader networks with directly and indirectly connected actors, thus broadening the scope from supply chains to supply networks. For future studies, the dynamics of such networks would be interesting topical areas.

IN CONCLUSION

Research in the area of ethical and sustainable supply networks has only recently started to mature. Therefore opportunities still exist for plenty of exploratory research and theory development. In this paper we have focused on one topic – human trafficking and forced labour – which deservers further empirical analysis. In addition, we see that investigations of such difficult, and even extreme, situations may help theory development as comes to network management and network dynamics more generally. For addressing the current issues in supply networks, our suggested methodologies include in-depth qualitative research methods; for example case studies involving the interviewing of multiple types of actors, field visits, and extensive periods of observation, which could provide new understanding of complex phenomena. As we have discussed, ethical issues are increasingly affecting (global) companies as well, and we expect that analysis of human trafficking within networks would bring about important managerial implications.

REFERENCES

Amnesty International. 2013. ***The dark side of migration: Spotlight on Qatar's construction sector ahead of the World Cup.*** London: Amnesty International.

Anti-Slavery International. 2012. ***Slavery on the high street: Forced labour in the manufacture of garments for international brands.*** London: Anti-Slavery International.

Baur, D., & Palazzo, G. 2011. The moral legitimacy of NGOs as partners of corporations. ***Business Ethics Quarterly,*** 21: 579-604.

Brito, C. (1999). Issue-based nets: A methodological approach to the sampling issue in industrial network research. ***Qualitative Market Research: An International Journal***, 2(2), 92–102

Carter, C.R., & Rogers, D.S. 2008. A framework of sustainable supply chain management: Moving toward new theory. ***International Journal of Physical Distribution & Logistics Management***, 38: 360-387.

Crane, A. 2013. Modern slavery as a management practice: Exploring the conditions and capabilities for human exploitation. ***Academy of Management Review***, 38: 49-69.

Crane, A., & Kazmi, B.A. 2010. Business and children: Mapping impacts, managing responsibilities. ***Journal of Business Ethics,*** 91: 567-586.

Dahan, N.M., & Gittens, M. 2010. Business and the public affairs of slavery: A discursive approach of an ethical public issue. ***Journal of Business Ethics,*** 92: 227-249.

Egels-Zandén, N. 2007. Suppliers' compliance with MNCs' codes of conduct: Behind the scenes at Chinese toy suppliers. ***Journal of Business Ethics,*** 75: 45-62.

Egels-Zandén, N. & Wahlqvist, E. 2007. Post-partnership strategies for defining corporate responsibility: The Business Social Compliance Initiative. ***Journal of Business Ethics,*** 70: 175-189.

French, J.L. 2010. Children's labor market involvement, household work, and welfare: A Brazilian case study. ***Journal of Business Ethics,*** 92: 63-78.

French, J.L. & Wokutch, R.E. 2005. Child workers, globalization, and international business ethics: A case study in Brazil's export-oriented shoe industry. ***Business Ethics Quarterly,*** 15: 615-640.

International Labour Organisation. 2012. ***ILO global estimate of forced labour: Results and methodology.*** Geneva: International Labour Office, Special Action Programme to Combat Forced Labour (SAP-FL).

Ip, P.K. 2009. The challenge of developing a business ethics in China. ***Journal of Business Ethics,*** 88: 211-224.

Kolk, A. & van Tulder, R. 2002. The effectiveness of self-regulation: Corporate codes of conduct and child labour. ***European Management Journal,*** 20: 260-271.

Lund-Thomsen, P. & Nadvi, K. 2010. Clusters, chains and compliance: Corporate social responsibility and governance in football manufacturing in South Asia. ***Journal of Business Ethics,*** 93: 201-222.

Mouzas, S., & Naudé, P. (2007). Network mobilizer. ***Journal of Business & Industrial Marketing***, 22(1), 62–71.

Pagell, M. & Wu, Z. 2009. Building a more complete theory of sustainable supply chain management using case studies of 10 exemplars. ***Journal of Supply Chain Management***, 45(2): 37-56.

Preuss, L. 2009. Ethical sourcing codes of large UK-based corporations: Prevalence, content, limitations. ***Journal of Business Ethics,*** 88: 735-747.

Preuss, L. 2010. Codes of conduct in organisational context: From cascade to lattice-work of codes. ***Journal of Business Ethics,*** 94: 471-487.

Quarshie, A. – Salmi, A. (2012) "Sustainability in purchasing and supply chain management: A systematic literature review", IPSERA conference: Purchasing & Supply Management in a Changing World, Naples, Italy, April, 1-4, 2012

Rainforest Action Network. 2013. ***Conflict palm oil: How U.S. snack food brands are contributing to orangutan extinction, climate change and human rights violations.*** San Francisco, CA: Rainforest Action Network.

Ritvala T. - Salmi, A. (2011) "Network mobilizers and target firms: The case of saving the Baltic Sea", ***Industrial Marketing Management***, 40 (6), 887-898.

Reuter, C., Foerstl, K., Hartmann, E., & Blome, C. 2010. Sustainable global supplier management: The role of dynamic capabilities in achieving competitive advantage. ***Journal of Supply Chain Management,*** 46(2): 45-63.

Selsky, J.W., & Parker, B. 2005. Cross-sector partnerships to address social issues: Challenges to theory and practice. ***Journal of Management,*** 31: 849-873.

U.S. Department of Labor. 2011a. ***U.S. Department of Labor's 2011 findings on the worst forms of child labor.*** Washington, DC: U.S. Department of Labor's Bureau of International Labor Affairs.

U.S. Department of Labor. 2011b. ***U.S. Department of Labor's list of goods produced by child labor or forced labor.*** Washington, DC: U.S. Department of Labor's Bureau of International Labor Affairs Office of Child Labor, Forced Labor, and Human Trafficking.

Winstanley, D., Clark, J., & Leeson, H. 2002. Approaches to child labour in the supply chain. ***Business Ethics: A European Review,*** 11: 210-223.

World Wildlife Fund. 2012. ***The 2050 criteria: Guide to responsible investment in agricultural, forest, and seafood commodities.*** Washington, DC: World Wildlife Fund.

Yu, X. 2008. Impacts of corporate code of conduct on labor standards: A case study of Reebok's athletic footwear supplier factory in China. ***Journal of Business Ethics***, 81: 513-529.