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Developing Freedom

The Sustainable Development Case
for Ending Modern Slavery, Forced
Labour and Human Trafficking

Key Findings

Q: How can fighting slavery contribute to sustainable development?

A: By protecting and maximizing people's economic agency.

**For a more comprehensive overview, please consult the Synopsis.
For the full study, see: www.developingfreedom.org**

James Cockayne, *Key Findings, Developing Freedom: The Sustainable Development Case for Ending Modern Slavery, Forced Labour and Human Trafficking*

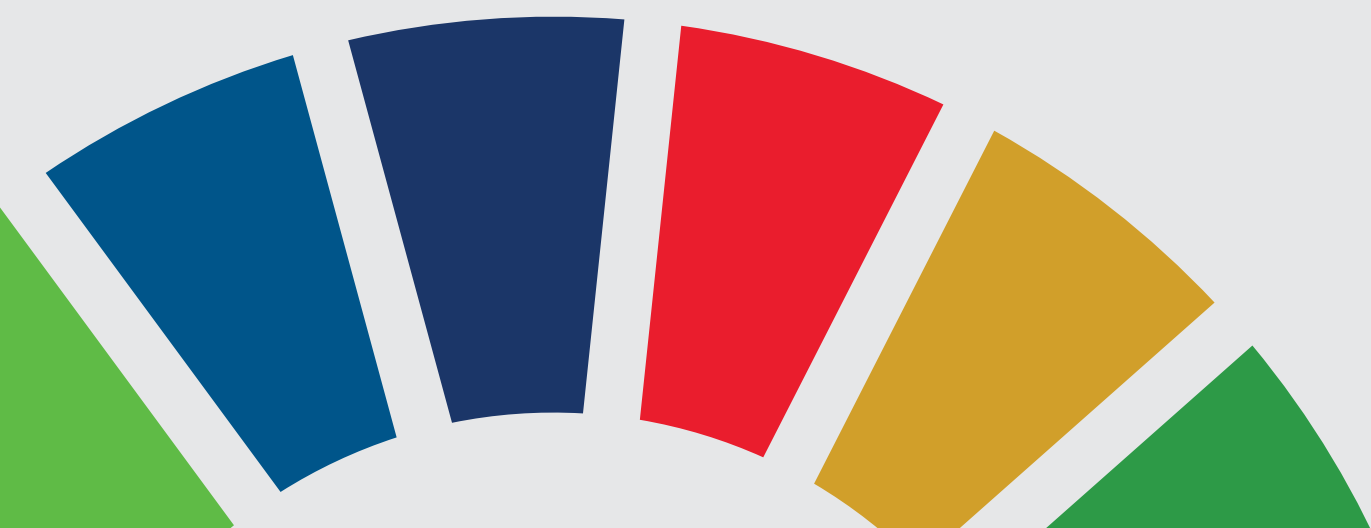
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Modern slavery denies people's economic agency

- There were an estimated 40.3 million people in modern slavery in 2016 – 1 in every 185 people.
- Modern slavery involves some people treating others as if they own them. This involves intentional denial or restriction of victims' economic agency, even as survivors assert agency in other ways.
- When one person enslaves another, they prevent them exercising outside labour options, and may control consumption, savings and investment choices.
- This control can be used to extract a rent, by coercing the victim to work below market wage.
- Sustainable development and human development have focused on developing people's capabilities but have assumed people control their own economic agency. That is not always so.
- Addressing slavery requires a different way of thinking, that seeks to protect and maximize agency.

Slavery impedes development

Denial of agency ripples through the economy, leaving everyone worse off in 10 ways:

1. **Slavery reduces productivity.** It demotivates workers, and leads to inefficient labour allocation. This pushes capital towards rentier sectors, reducing overall economic productivity.
2. **Slavery creates intergenerational poverty.** The negative health, human capital formation (education) and income impacts of slavery spill over to victims' families and communities. They are transmitted through generations. Transatlantic slavery may account today for 72 per cent of income disparity between African nations and the rest of the world – and 99 per cent between these and other developing countries.
3. **Slavery institutionalizes inequality.** Rent-takers use their profits to entrench their power and institutionalize structural inequality. Addressing this later can be very expensive: it cost the UK a payment of 5 per cent of Gross Domestic Product (GDP), paid off over 180 years, to buy out British slavers in the 1830s.
4. **Slavery weakens multiplier effects.** Slaves lose control of their consumption, savings and investment choices, reducing economic multipliers. Consequently, emancipation leads to measurable jumps in economic activity.
5. **Slavery discourages innovation in production.** It demotivates both workers and exploiters to innovate, since workers will not enjoy the benefits, and exploiters may lose rents. This can lead slavery-based industries to become inefficient, uncompetitive and unsustainable.
6. **Slavery produces a capital market failure.** Capital markets tilt unfairly towards firms whose low costs rely on illegal labour practices. This is anti-competitive and inefficient.
7. **Slavery hits the public purse.** It reduces income and consumption tax receipts, and increases direct expenses to the public budget. UK Home Office researchers estimated domestic costs from modern slavery to be GBP 3.3 to 4.3 billion per year.

8. **Slavery weakens governance.** It corrodes trust, increases social stratification, ethnic fractionalization, violence and conflict. And it impedes State formation and investment in public goods and infrastructure. This generates negative economic impacts, as well as political ones.
9. **Slavery fuels corruption and illicit financial flows.** Slavers bribe and corrupt officials to protect the slavery system, further weakening governance. Exploitation of migrant workers may, in some cases, be an illicit transnational financial flow.
10. **Slavery harms the environment.** Slavery rests on illegal management practices that often also disregard environmental protections. It coincides with deforestation, illegal and over-fishing, unsustainable agricultural practices, and negative impacts on biodiversity and carbon capture.

So anti-slavery is a way to remove impediments to development

- Ending slavery may unleash significant economic growth. IMF researchers found that eliminating child marriage would offer growth of 1.05 per cent GDP per capita.
- Efforts to Achieve Sustainable Development Goals (SDG) Target 8.7 connect to 113 of 179 SDG Targets (63%) – especially those in SDGs 1 (poverty), 4 (education) 8 (decent work), 13 (climate) and 16 (peace, justice, institutions).

The development community has a blind-spot on slavery

- We surveyed practitioners from 16 countries and reviewed practice from: bilateral development agencies (US, UK, Norway, Australia), multilateral development banks (the World Bank, ADB, AfDB, EBRD, EIB, IDB), export credit agencies, development finance institutions, new lenders (AIIB, New Development Bank), and China.
- 67 per cent of respondents said their organization saw slavery as a social or criminal justice policy concern, not as an economic, trade or industrial policy concern.
- Only 21 per cent said that slavery reduction is an objective of investment and lending decisions.
- Slavery reduction is treated as a project safeguarding question, not an objective of spending, lending and advice.
- There are growing efforts from the Organisation for Economic Co-operation and Development (OECD), International Finance Corporation (IFC) and others to promote responsible business conduct (RBC) by beneficiaries. But these efforts may not reach the up-stream, informal sites of slavery, or address the intersection of programming with contextual factors in ways that increase risk.
- Privatizing and devolving risk management, rather than approaching slavery reduction as a public policy question, may lead to weak and unintended results.

UN development programming and anti-slavery are not integrated at the country level

- We reviewed 396 UN country-level development frameworks (2000-present).
- Most references to SDG Target 8.7 exploitation were contextual or to a single UN entity's programming.
- Only 1.3 per cent of the time was reduction of these risks treated as the kind of strategic development opportunity warranting joint programming. Most such references were in 2000–2005.
- What programming is rolled out and where depends on which UN entity is involved. Most work is criminal justice oriented, led by United Nations Office on Drugs and Crime (UNODC), or labour policy oriented, led by the International Labour Organization (ILO). Since there is no UN operational entity addressing 'modern slavery' or 'slavery', such programming is rare.
- There is a risk of anti-slavery efforts becoming disconnected from broader UN development system assistance at the country level.

ODA commitments are low and fragmented

- We analysed more than 2 million official aid project records from 2000 to 2017.
- On average, less than USD 12 per victim was committed in aggregate Official Development Assistance (ODA), globally, each year.
- Most commitments are small (median = USD 109,000 for bilateral projects, USD 18,000 for multilateral projects). ODA spending was spread increasingly thinly over time.
- The US contributed around 43 per cent, four times the EU commitment, 7 times the commitments of Norway, Germany, Canada, Australia, Spain, Sweden, UK and Switzerland.
- Most spending is in Asia-Pacific, followed by Africa. But spending is not based on need alone.
- Spending on forced labour and human trafficking outpaced forced marriage, modern slavery and child soldiering.

China's domestic practice and overseas lending is increasingly important to outcomes

- Chinese lending to States facing high modern slavery risks is significant. That lending is increasingly subject to legislative and industry-backed norms prohibiting links to forced and child labour. These have the potential, if enforced, to help ensure Chinese overseas lending contributes to slavery reductions.

- There are questions about connections between forced labour and China’s domestic development policy and lending for Xinjiang Uyghur Autonomous Region and Xinjiang-sourced labour. Both Chinese and international development actors may need to use leverage to address these risks and enable effective remedy.

Global value chain-based development models may need adjustment

- Incorporation into global value chains (GVCs) can be a powerful motor for poverty eradication, increase formal employment and create jobs for women.
- But GVCs encourage competition for access to capital through reduction of labour costs and protections and increased ‘flexibility’. This can sometimes increase modern slavery risks.
- GVCs work through economic unbundling of production but may also foster social unbundling: placing communities within the same country on different development pathways, depending on their skill and wage levels. This can heighten stratification, polarization and exploitation.
- Addressing modern slavery requires a developmental model that reaps the pro-growth and job-creating benefits of GVCs, while also protecting people’s economic agency.
- GVCs are the product of State choices, so State policies on trade, FDI, intellectual property, tax, competition law, labour regulation and land will all be involved in adjusting the GVC model to reduce modern slavery risks. The exact solution will depend on the dynamics of a particular GVC.

A systems approach to intervening to end modern slavery

- Modern slavery is a rent-taking system that arises where 1) institutional environments intersect with 2) people’s vulnerabilities in ways that allow for 3) profitable exploiter strategies to emerge.
- Interventions can seek to 1) transform the institutional environment, 2) empower people to make them more resistant to exploitation, or 3) disrupt exploiter strategies by changing their calculus.
- Rent-takers maintain the system through ‘domain maintenance’ (Crane) to protect their autonomy from anti-slavery norms: alliances with political power and use of corruption.
- Where development actors intervene, rent-takers often resist, pre-empting, counter-mobilizing or coopting interventions (Choi-Fitzpatrick).
- Development interventions must account for rent-takers’ political power. They must anticipate resistance, coordinate political capital and strategy to address it, and may need to work across multiple governance levels to achieve desired effects.

Case study: Cattle (Brazil)

- Brazil has the most sustained, sophisticated government anti-slavery efforts in the world. It has rescued 55,000 people from slavery-like conditions since 1995, a third in the cattle industry.
- Slavery in that sector is a product of: a development model, and government investment and policies, that encourage meat production in places where the State's power is weak; supply chain practices that foster competition on labour cost by primary producers; a pool of vulnerable, landless working poor; exploitation strategies combining traditional norms of social dependency with debt bondage.
- Corruption from the local level to the highest offices in the land has been used to protect business interests relying on slavery and slavery-like practices.
- Brazil has developed a powerful toolkit for disrupting slavery, including multi-stakeholder collaboration, labour inspections and the dirty list (*lista suja*) – which financial actors use to guide decisions.
- Brazil's intervention efforts have evolved from disruption, through counter-mobilization by agribusiness firms and their political allies, to a more transformational strategy based on business leadership and data-driven supply chain risk analysis. This model may have significant export potential.

Case study: Palm oil (Indonesia, Malaysia, Nigeria)

- Palm oil is a powerful driver of economic growth, but the gains can be distributed very unevenly.
- The industry has had connections with corruption, land-grabbing, deforestation and illegal burning.
- A pliable workforce is key to profit, but also connects the industry to modern slavery risks. Vulnerability to forced labour ties to political agency, especially migration status, and control of land.
- Sustainability efforts in the sector have become geopolitical questions, as different States ally with different economic actors in the value chain.
- Development actors have an important role to play in promoting coherence across the resulting regime complex, based on maximizing worker and smallholder economic agency.

Case study: Cotton (Uzbekistan)

- From 1992 to 2017 around one fifth of the adult population of Uzbekistan experienced forced labour in the cotton harvest each year, as a result of government coercion and social pressure. Yet the number of people in forced labour fell from 448,000 in 2014 to 102,000 in 2019 (ILO).
- This reduction was the result of a changed approach to the sector from the Uzbek Government after President Mirziyoyev took power in 2016.
- That change seems related to: 1) disruption pressure from a concerted international campaign; 2) falling rents from cotton due to the negative development impacts of forced labour; 3) effective

engagement by the World Bank, ILO and international donors (including EU and US) and bilateral partners to transform the value chain; and 4) civil society pressure.

- The case provides insights about what works to dismantle systematic forced labour, how legacy systems may continue to operate even after the State turns away, and the need to consider remedy.

Case study: Fisheries (Bangladesh, India, Philippines, Thailand)

- Modern slavery risks in fisheries and aquaculture vary significantly by context.
- The Thai sector has attracted significant attention, including investigations by the EU and US and divestment by major buyers and investors.
- 2015 investigations discovered hundreds of men in iron cages on remote bases, while a 2008 UN study found 59 per cent of migrant workers had seen peers murdered.
- Such concerns led the Thai government to undertake significant reforms, but ILO analysis suggests 10 per cent of workers (tens of thousands) in the sector are still in forced labour.
- India, the Philippines and Bangladesh all face modern slavery risks for women and children in fish processing, and male migrant workers on foreign vessels. Smallholders encouraged to incorporate into more industrialized and market-oriented value chains can also face increased precarity.
- Fisheries governance is highly fragmented. There is a lack of strategic coordination to promote an economic agency agenda across different governance forums and schemes, including in key venues such as the regional fisheries management organizations (RFMOs). Development actors can help.
- Regional Fishery Management Organizations (RFMOs) could use their Illegal, Unreported, and Unregulated (IUU) fishing registers to underpin exclusion from procurement, financing and insurance of vessels and supply chains connected to modern slavery.

Case study: Garments and apparel (Bangladesh, Ethiopia, India, UK)

- Garment production can drive growth, industrialization and poverty-reduction (including for women), but competition for foreign investment can leave workers vulnerable to exploitation.
- Global garments and apparel production moves to capture marginal gains created by changing trade, investment and labour migration rules. Labour cost and ‘flexibility’ are key to the model.
- Supply chain buying and management practices, including late payments and unrealistic pricing, reward contractor responsiveness and labour cost reductions.
- In settings from Leicester to Tamil Nadu, the garment production business model relies on access to a ‘captive’ workforce: vulnerable to exploitation due to migration status, language skills, indebtedness and social marginalization. Workforces are atomized and casualized.

- Sustainability interventions in Bangladesh, India and Ethiopia have had varying impacts. Strategic coordination of stakeholders, worker inclusion, exit options, and the role of the State seem key.
- States have taken a hands-off approach. Active industrial policies can promote economic agency.
- Development actors may have roles to play in mobilizing system transformation through: supply chain transparency; modelling trade and investment rule changes; financing for resilience and sustainability upgrading; facilitating local market and firm reorganization to protect agency; and engaging global unions.

Case study: Construction and infrastructure (India, Myanmar, Qatar)

- Construction employs 7 per cent of the world workforce, but accounts for 18 per cent of forced labour.
- The sector differs from others because it fixes capital to a certain spot. This has several impacts.
- First, labour must come to the construction site, rather than production moving to cheap labour. The industry deals with this by externalizing recruitment costs onto workers. Workers subsidize construction. This leads both to debt bondage and to a USD 4 billion drag on development.
- Second, because control of buildings and built infrastructure gives access to rents, forced labour becomes a way to assert political and even military control over those assets' locations.
- Third, much value add from construction is largely consumed domestically, restricting foreign actors' leverage.
- Reform efforts in both Qatar and Myanmar were the product of effective international engagement through the ILO and shifts in those countries' engagement with global markets.
- Qatar, prompted by the FIFA World Cup 2022 spotlight and liberated from its peers by their 2017 blockade, has turned substantially towards free labour market arrangements.
- In Myanmar, after a turn towards a more commercial logic, the military logic of forced labour in construction has resurfaced in the context of armed conflict in Rakhine, Kachin and Shan states.
- World Bank plans to invest USD 100 million in Rakhine raise difficult due diligence questions about how development actors can help prevent modern slavery without increasing those risks in the short term.
- Effective constructive engagement requires careful strategic coordination amongst external actors around a substantive reform agenda aimed at maximizing economic agency.
- Mega sports events may offer unique disruptive opportunities to advance such agendas.
- Development actors can help improve industry practices: on recruitment fees (through market transparency, financing public recruiting options, supporting low-cost borrowing and promoting Employer Pays) and late payment (through worker insurance or Project Bank Accounts).
- Social bonds can help tie the costs of project financing to good anti-slavery practice, as we see in an instrument being rolled out in the Indian construction sector.
- Joint liability schemes may be necessary for shared responsibility to address modern slavery risks.

COVID-19 and the Developing Freedom agenda

- **Vulnerability dimension:** The pandemic puts people's health, livelihoods and income at risk. All of these factors restrict their economic agency and make them more vulnerable to modern slavery.
- The pandemic is regressive: those most marginalized have their risk most greatly increased.
- Women and girls are at heightened risk, through isolation during lockdown, reduced educational and workforce participation, and reduced food security.
- Child labour risks are rising due to impoverishment, parental ill-health and morbidity, and reduced access to schools.
- Stranded migrant workers' access to jobs, visas and social assistance may be jeopardized.
- COVID pushes people into informal work, more insecure and less remunerative than formal work.
- The pandemic threatens a microfinance insolvency crisis, removing income support.
- **Exploiter strategies dimension:** business models are disrupted, leading to innovation and adaptation.
- Collapses in demand in some sectors force producers to compete on labour costs.
- Surges in demand, but on tight turnarounds, as in Personal Protective Equipment (PPE), may lead to forced work.
- **Institutional dimension:** government policy choices such as school lockdowns, decisions on social protection and income support coverage, can influence vulnerability.
- Some government responses may risk increased modern slavery vulnerability as governments reduce worker protections in a competition to attract scarce investment and demand.
- Development finance may have less ODA to work with. But environmental, social and governance (ESG) investing may be increasing.

Lessons from transatlantic slavery on the risks involved in financialized development

- Growing emphasis on blended finance raises questions about how to balance financialized treatment of development projects as future income streams with their broader social purpose.
- Some commentators raise concerns about use of the SDGs for 'rainbow-washing' of investments. Others note weaknesses in private capital markets' assessment of social risk.
- An episode in the history of transatlantic slavery holds important lessons. The development of the Mississippi Valley and American south-west in the 1830s was significantly financed by sale on European capital markets of securitized mortgages of plantations, and of slaves themselves. This has similarities both to the 2008 Global Financial Crisis, and to current efforts to create tradeable classes of assets backed by development projects.

- The absence of a central risk monitor and the inability of private actors to assess both financial and social risks associated with these investments, led to a boom, a financial panic, the deepest economic downturn until the Great Depression, and fed polarization that led to the US Civil War.
- The episode points to the importance of monitoring social risks, such as modern slavery risk, not just at project level, but at systemic level. Without central monitoring, risk can build up to toxic levels, endangering the system. De-risking can become risk reallocation – to society as a whole.
- The episode also points to the possibility of innovation to address a lack of reliable risk information; a young Abraham Lincoln was amongst the abolitionist merchants that invented the commercial credit ratings systems as a response to the Panic of 1837.
- Given their growing reliance on private capital to finance development, public and multilateral development actors, including Multilateral Development Banks (MDBs), have a growing stake in ensuring global capital markets accurately price ESG risks, including modern slavery risks. They should play a role in ensuring effective systemic risk monitoring, and coherence in delegated risk management approaches.

An Agenda for Developing Freedom – Development actors should:

1. **Commit to develop freedom:** make maximizing economic agency a development goal, alongside economic growth and poverty alleviation, shaping lending, spending and policy advice.
2. **Slavery-proof development pathways:** harness the increased State presence in the economy resulting from COVID-19 responses to promote a more equal, entrepreneurial and educational growth model through: i) emphasizing human capital formation; ii) promoting entrepreneurialism and wealth pre-distribution; iii) providing safety nets; iv) promoting high-skilled growth; and v) reducing inequality of economic agency.
3. **Supply freedom:** use the pandemic to turn GVC practices towards responsible business conduct.
4. **Finance freedom - keep people afloat:** then use collective leverage to ensure markets price modern slavery risks accurately, through exclusions, risk metrics, systemic risk monitoring, and action on illicit financial flows.
5. **Organize communities for freedom:** create a Developing Freedom Forum for information-sharing, learning and strategic coordination around substantive reform agendas for specific value chains. Use this forum to coordinate leverage to effectively mobilize disruption, transformation and empowerment strategies to end modern slavery, forced labour and human trafficking, at scale.



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