

Implications of Covid-19 for modern slavery challenges in supply chain management

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Research by:

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Introduction

This report shares the results of an empirical study of 489 UK-based practitioners that examines if, and how, the new Covid-19 business landscape affects commitments to tackle modern slavery in corporate supply chains. In response to the pandemic, waves of lockdowns and restrictions around the world stopped demand for some industries, whilst simultaneously, in other industries, huge surges for particular products and services exceeded supply capacity. As firms and national governments scrambled to source scarce materials, the scale and severity of the unprecedented disruption has had debilitating ripple effects on workers in supply chains.

Complex global supply chains are designed for efficiency, typically characterised by single sourcing with low-cost, geographically distant suppliers operating beyond tier one¹. In the midst of the pandemic, whilst firms sought supply chain visibility to secure continuity of supply, the UK Government relaxed firms' obligations to publish Transparency in Supply Chains (TiSC) statements², as mandated under Section 54 of the Modern Slavery Act 2015. Although official guidelines stress the importance of continuing modern slavery risk assessments, the temporary easing of regulatory requirements can signal lower government prioritisation, and/or reallocation of internal resources. Deprioritisation can create conditions that increase the risk of modern slavery occurring in a firm's supply chains.

It is against this backdrop of competing priorities, dynamic supply markets, and changing policy environments that this research was conducted. The study aimed to:

- Investigate the impact of Covid-19 on firms' prioritisation of addressing modern slavery in their supply chains.
- Identify effective methods for building commitment to addressing modern slavery when other commercial priorities dominate sourcing decisions.

The research outputs are targeted at policymakers, policy implementers within government, and practitioners. Managers surveyed in the study were drawn from supply-chain-related roles to ensure that insights gathered were more likely to reflect extant practice, rather than aspirational company policy.

Our project took a collaborative approach bringing together stakeholders from organisations representing firms, NGOs, trades unions and workers, as well as academics and commercial policy administration expertise, to explore how supply managers navigate commercial versus social-policy tensions in the light of Covid-19, and to discern their impacts on the prioritisation of tackling modern slavery. Insights from empirical data enabled the start of an evidence-based dialogue with a clear focus on developing practice and policy to tackle modern slavery in corporate supply chains.

The partner viewpoints ensured firstly, that the diverse impacts of Covid-19 on modern slavery in supply chains were considered from workers, firms and policy makers' perspectives, and secondly enabled the findings to be interpreted from the same multi-stakeholder viewpoints. The partner contributions helped to ensure that outputs are relevant to Government policy makers as well as a wide range of practitioners in supply-chain or modern slavery policy related roles.

1. Tier 1 suppliers are direct suppliers, tier 2 represents suppliers' suppliers and so on up the supply chain

2. In April, 2020 the Home Office issued guidance in response to the Covid-19 permitting a delay in the publication of a modern slavery statement of up to 6 months subject to inclusion of a justification

Method

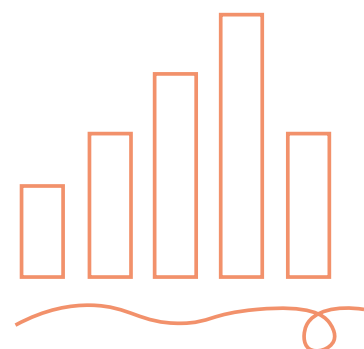
The research surveyed nearly 500 managers from UK-based firms falling within the reporting requirements of the Modern Slavery Act (2015). Surveyed managers needed to be in a procurement or supply-chain-related function, or be a senior manager responsible for one or more such functions.

The survey was designed to reveal supply chain disruptions experienced by firms as a result of the Covid-19 pandemic, and to assess consequent impacts on manager attitudes and practices relating to the management of modern slavery in supply chains. The surveyed population represents business functions that most need to be positively influenced if supply chain reporting practices are to be improved.

In the first phase of the project, two focus groups were held to inform the design of the research instrument. The purpose of these focus groups was to ensure a wide range of relevant issues were identified and included in the survey. One focus group was convened to reveal the experiences of supply chain practitioners, whilst the second engaged representatives from public and third sector organisations involved in modern slavery policy making, or policy influencing. The practitioner focus group was drawn from (partner organisation) ETI's membership and included four business leaders representing retail, fashion, and manufacturing sectors. The second group included seven contributors: policymakers, public policy administrators, and advocacy and non-governmental organisations (NGOs) working in the field of modern slavery. Focus group participants were selected through the research partner networks and all had roles with direct responsibility and experience of tackling modern slavery in supply chains, either through policy or practice. Unlike the subsequent survey, members of focus groups were purposively selected (non-randomised) for their knowledge and expertise and their views represent those of informed experts rather than those of general practitioners.

The main survey was conducted on-line by Qualtrics in April, 2021. Respondents were drawn from Qualtrics' extensive database of pre-registered contacts which ensured high response rates with a rapid turnaround from managers meeting the survey criteria. Qualtrics respondents constitute a randomised population of practitioners. Respondents are paid to complete responses and are therefore unlikely to have any positive ethical bias. Respondents are only invited to complete the full survey if their pre-registered details fit the survey criteria and are only paid where responses also pass quality control questions designed to screen random responses. A total of 489 valid questionnaires were received from a range of sectors and industries, including manufacturing, retail, transport, professional services, construction, energy, food, public administration, mining, agriculture, and entertainment. 58% of respondents represented firms listed on the FTSE All-Share index. 66% were senior managers/executives and 34% were managers.

Data were analysed by the team's research analysts and discussed with partner organisations to explore the implications for policy and practice.



Findings

Summary of findings

1. Covid-19 resulted in **substantial disruption to business supply chains** with two-thirds of surveyed managers reporting that their firms needed to take on new suppliers to address operational issues. Disruptions were manifest in customer demand, firms' operational capabilities, as well as in logistics and upstream suppliers' operations.
2. Through our survey of managers of supply-related functions, it is apparent that despite operational challenges that may be expected to deflect attention from social issues, managers reported a small increase in the priority they assigned to managing modern slavery supply chain risks. However, **modern slavery remains a lower priority compared with commercial and operational concerns.**
3. Modern slavery **priority was slightly higher for more senior managers from larger firms**, but no significant differences in findings were apparent for different sectors, suggesting that attitudes and approaches to modern slavery statement writing have become largely normalised (i.e. have converged toward an accepted, unwritten standard).
4. **Two-thirds of managers were aware of the UK Government's modern slavery statement 'reporting holiday**, which provided companies a six-month deadline extension to file their statement, of which half were intending to take advantage.

There were several areas of concern noted in the study:

5. Despite the overall increase, **a substantial minority of respondents reported decreases in priority attached to modern slavery.**
6. Over 80% of respondents admitted that due **diligence processes for new supplier take-on had been expedited** during the crisis.
7. The responses to supply chain mapping questions and the apparent reliance on third parties for audit and intelligence suggest that for many, **substantive supply chain management is occurring only at a tier-1 level.**
8. Awareness of the importance of good visibility of supply chain structure and risks increased during the crisis but more for **operational rather than ethical reasons.**

Two further findings are of particular interest to policy makers:

9. There were clear indications that **collaboration increased during the pandemic**, both vertically with supply chains and horizontally through peer associations. Whilst the drivers for these changes were predominantly related to assurance of supply, improvements in collaboration and supply chain knowledge also provide an opportunity for enhanced intelligence gathering and influence over modern slavery practices, provided that firms are suitably motivated.
10. Finally, the study found that **a very high proportion of practitioners believe that further legislation is needed.**

In the rest of the findings section, we expand on the nature of Covid-19 supply chain disruptions, drawing primarily on data from focus groups, and then present survey findings to evidence the impact on managers' attitudes and actions in identifying and managing modern slavery risks in their supply chains. Our research partners then reflect on the implications that the findings hold for firms, workers, policymakers and administrators.

Covid-19 resulted in substantial disruption to business supply chains

Pandemic related disruption pervaded all aspects of firms' supply chains. Volatility in consumer demand, and disruptions to firms' own operations as well as those of their suppliers and logistics providers destabilised many supply chains. Firms' ability to manage disruption was compromised by staff being furloughed and restrictions on travel. International logistics operations were heavily impacted by increased border controls, whilst maritime workers found themselves stranded between jurisdictions. Whilst socially conscious organisations recognised the potential impact that disruption might have on labour conditions in high-risk locations, businesses' own capacity to deal with social issues was disrupted by work-from-home directives, staff furloughing and operational challenges. As one focus group manager put it, the priority was "... *just trying to keep the ship afloat*". Heightened volatility during the pandemic increased modern slavery risks as existing suppliers reacted to fluctuations in demand whilst also being subject to reduced scrutiny, and new suppliers were taken on through expedited processes.

A complex set of interrelated risk factors acted to compound the overall risk of labour abuse (risk layering). Geographical issues arose as different countries and regions across the world entered lockdowns, creating localised labour shortages. In cases where demand increased, additional pressures were placed on key firms in supply chains. As 36% of survey respondents reported, they had limited scope to diversify in order to spread the demand load. Worker conditions were compromised by illness, alternative labour shortages, absence of sick pay, longer working hours, and fewer audits. Despite acknowledging the layering of risk factors for workers, a focus group participant stated that they "... *had to continue the production*". In these situations: "*MDs [managing directors] and the product directors had to phone every single supplier, literally, to discuss this*". The situation potentially added further pressure on suppliers to keep producing, regardless of risk.

Workers' conditions within firms' own operations changed as a result of the pandemic, driven largely by the need for some products to have "... *almost instant delivery*". Urgent requirements for personal protective equipment (PPE) and the expansion of online shopping, particularly in the run up to Christmas when non-essential shops were closed, brought into focus the additional risks faced by some workers. One focus group participant commented: "*We also know that there is, especially in warehouses, sometimes the struggle to actually find workers and also retain workers. And of course, that type of combination may, consciously or unconsciously lead to situations of forced labour*", whilst another stated: "*We knew there was additional risk from a fresh influx of workers. We had to push out lots more and multi-language communications and really ramp up our induction work around modern slavery and exploitation indicators and, more than anything, to get those new workers at ease with our process for reporting some of these issues and how to demonstrate to them that we can help them, even if it's not happening to them right now*".

Focus group participants reflected that health and safety concerns of workers in their supply chains became central considerations, prompted predominantly by specific Covid-19 related risks, for example the need for people to use PPE, the importance of access to adequate sanitation conditions, and the inability of migrant workers to travel home. New modern slavery risks emerged in areas where workers had previously never been considered. For example, participants in the focus groups discussed how they had discovered the risks to workers in maritime logistics services, where an estimated 400,000 seafarers were stranded on ships for months with no pay, and no access to medical assistance, and unable to dock or disembark, placing them in precarious situations³.

3. Figures estimated by the International Maritime Organization, as of December 2020, <https://www.imo.org/en/MediaCentre/HotTopics/Pages/Support-for-seafarers-during-Covid-19.aspx>

Priority attached to modern slavery increased during the pandemic but lagged operational concerns

Although supply chain disruptions may have been expected to deflect managers’ attention from social issues, **there was a small but significant increase in the priority and awareness of modern slavery during the pandemic**. Managers expected this increase to persist in the future (Figure 1). Of managers surveyed, only 53% reported that they had considered tackling modern slavery in supply chains as a high, or very high priority before the pandemic, but this increased to 62% during the pandemic, with a similar expectation for the future. This increase in priority was reported by 156 managers (32%), whilst 81 (17%) reported a decreased priority during the pandemic. Although no statistically-significant differences were apparent by sector, differences were apparent by company size, the seniority level of the participant, and whether tackling modern slavery was part of the participant’s role. **The priority attached to modern slavery was higher for more senior managers in larger firms**. The implication is that senior executives in larger firms are more aware of the strategic impact of modern slavery, but its importance has not fully percolated to all managerial roles, or equally to all firms.

Figure 1: Shifts in the priority of modern slavery



Despite the emergence of new modern slavery risks, the exacerbation of existing risks, and the increased awareness of modern slavery, **commercial considerations still took priority for survey respondents**. Securing competitive pricing (32%), ensuring consistent quality (29%), and meeting ordered quantities (12%) were the top priorities for managers, with only 14% reporting modern slavery as a top priority, and 40% placing this as the lowest priority.

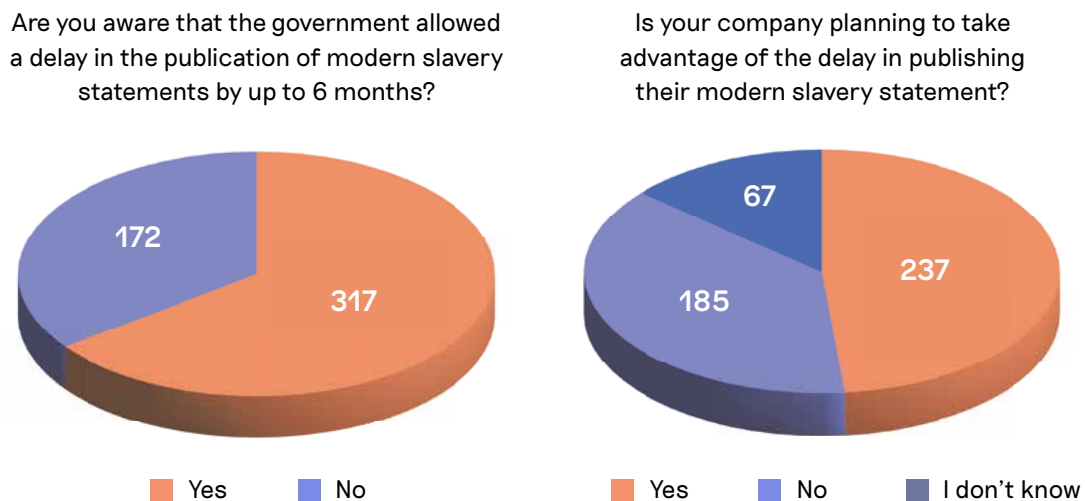
A participant in the policy focus group commented: “We’ve definitely heard from quite a few companies, [that are] having to change the priorities within the business and particularly human rights and modern slavery issues and environmental issues have had to take a back seat as a result.” The dominance of commercial factors is reflected in ongoing priorities with 51% of respondents identifying product shortages as an operational concern, and demand uncertainty identified by 40%. One focus participant described how “...the business looked inward immediately”, narrowing its consideration of supply chains disruptions to the effects on the business itself, above other stakeholders.

As a result of the pandemic, approximately three-quarters of respondents expected future supply priorities to shift from cost to resilience, and two-thirds expected supplier’s social responsibility indicators to have greater emphasis. However, whilst awareness of modern slavery is increasing, commercial priorities still dominate and there is a disconnect between recognition of the importance of modern slavery and substantive supply chain action.

Two-thirds of managers aware of modern slavery statement reporting extension

Approximately two-thirds of managers were aware of the six-month reporting extension for modern slavery statements, of which only half believed their firm was intending to take advantage (Figure 2). Firms in the FTSE were more likely to take advantage of this reporting extension.

Figure 2: Awareness of the modern slavery statement reporting extension



Internal resource constraints were a factor in taking advantage of the reporting extension. As discussed by a focus group participant: “I think just generally across the board without suppliers or not, businesses have taken advantage of the opportunity to delay publication of their statement ... a lot of people, like the human rights leads, [were] redeployed into other functions.” What is unknown from the data is whether there are causal relationships. While some firms may have taken advantage of the reporting extension because of reduced staff capacity, others are likely to have used the extension to reallocate staff onto more commercial priorities. In either scenario there is likely to have been a downturn in active work to identify and tackle modern slavery.

Covid-19 changed the way firms interact with their supply chains

Due diligence expedited by many firms during the pandemic

The disruptions from the pandemic have led to shifts in action by large firms within their supply chains. Notably, nearly two-thirds of respondents had to take on new suppliers, and of that set, a very high proportion (82%) admitted that the modern slavery due diligence process had been expedited. We interpret this to indicate a heightened likelihood that modern slavery risks will not be adequately investigated through an expedited process.

This finding is supported by a focus group member who explained the impact of furlough on modern slavery due diligence processes: “...we’ve definitely seen that a number of different projects that companies have had underway pre-Covid-19 have had to slow down, or in some cases have been cancelled in terms of some of their efforts around due diligence... Also as those staff members that returned from furlough they’ve perhaps had other priorities coming back”. The indication from the focus groups was that managers are aware that the expedited due diligence process heightened modern slavery risks, but accepted this risk to ensure survival of their firms.

Due diligence assessments for modern slavery risk are important but the **lack of ownership for this activity presents further cause for concern**. Only 4% of respondents stated that responsibility for this lay wholly with their firm, and only 7% stated it was mainly with their firm. Around half of the participants think their companies and suppliers are equally responsible for conducting due diligence assessments for modern slavery risk, which may be suggestive of positive collaborative action and ownership, but 38% transfer responsibility to their suppliers.

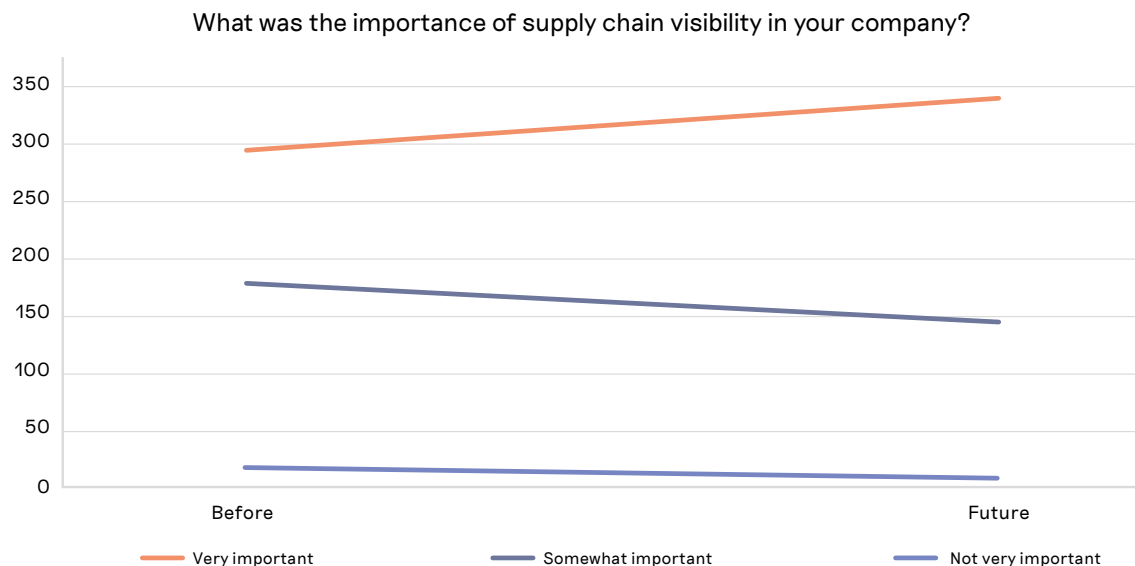
Perceived importance of supply chain visibility increases

An exceptionally high number of survey respondents (92%) **agreed that it is important to remain alert to modern slavery implications arising from supply chain disruptions**. However, the lack of end-to-end transparency can prevent firms from seeing the effect on workers in more fragile contexts.

Focus group discussions revealed a lack of visibility, particularly beyond tier-one suppliers, that led to crisis-level activity in an attempt to “*understand supply chains better to understand what some of those knock-on impacts are*”. Participants spoke of “*mixed messages around the traceability and transparency*” and the tendency to conflate the lack of supply chain visibility with the pandemic. One participant stated that “*I’m not sure that that’s [transparency] really related to Covid-19 so much. I think that’s more just the stage that supply chain traceability and transparency is at*”.

Whilst 60% of survey respondents state that supply chain visibility was already ‘very important’ for their firms pre-pandemic, 67% think it will be ‘very important’ in the future (Figure 3). However, this means that one-third of managers still rate visibility as less than very important, and managers who rated supply chain visibility as only somewhat important, or not very important, also perceived that the future importance of supply chain visibility will reduce. These changes in perceived importance are statistically significant, meaning that they are unlikely to occur by chance. Almost all of the participants (98%) state their companies are currently working or planning to work with their suppliers to create more visibility within their supply chains.

Figure 3: Perceived importance of supply chain visibility increased during the pandemic



When asked to identify the drivers for increasing supply chain visibility, issues relating to supply chain disruptions were identified by more than twice as many respondents compared with ethical risks (Table 1). Interestingly, almost half the respondents identified regulatory compliance as a driver for supply chain visibility, yet only 28% identified modern slavery risks as a driver. The difference between the responses for these two drivers is surprising as it suggests that the TiSC legislation is not effective in prompting firms to undertake supply chain mapping. As previously noted, 38% of respondents report that their firms are transferring responsibility for due diligence assessments for modern slavery risk to their suppliers, so it may be that firms are not associating drivers for supply chain visibility with the TiSC legislation.

The finding that considerably more managers identified company reputation as a visibility driver compared with ethical risk, indicates that respondents are linking reputation only with operational performance rather than with ethical risk. This somewhat unexpected finding has implications for policymakers for whom reputational risk associated with modern slavery is key policy tenet.

Table 1: Drivers for increasing supply chain visibility

| Action | Percentage |
|---|------------|
| To identify, mitigate and remedy the risks of supply chains disruption | 65% |
| To synchronize supply and demand both at the point of sale and at the required time of delivery | 51% |
| To comply with regulations | 49% |
| To reduce the cost of material and production | 44% |
| To improve the company reputation | 41% |
| To be able to identify, mitigate and remedy labour, human rights, and modern slavery risk | 28% |

Firms map more supply chains but extent remains unclear

Mapping of supply chains has increased during the pandemic, with 67% of respondents having undertaken additional mapping activities, although 26% have not undertaken any additional mapping. Mapping is an activity through which the structural composition of supply chains is made visible, and which allows firms to identify suppliers that may pose commercial, operational, or modern slavery risks. Firms typically will select the chains they map according to strategic priorities.

A very high proportion of respondents (86%) claim to have undertaken mapping of strategic supplier supply chains, but caution is needed in interpreting this as **only 80% claim to have fully mapped any one chain**. One possible interpretation is that respondents are considering the question at the single next tier only (i.e. their strategic suppliers' tier 1 suppliers). One focus group participant stressed the difficulties that can arise if supply chain mapping is delayed until issues are suspected: *"... we had to look at our upstream supply chain and distributions and you know frantically going to map an area of our supply chains that we didn't know anything about where suddenly we had this huge risk of modern slavery"*.

Further research needs to clarify managers' conceptions of supply chains and the difference between supplier management and supply chain management and to establish expectations for the number of chains that a firm might reasonably be expected to map.

The pandemic compromised firms' ability to undertake ethical audits of supply chains

Audits of supply chain members provide a mechanism through which indicators of modern slavery risk may be established. Prior to the pandemic, firms adopting modern slavery in supply chains best practice employed a combination of in-country auditors together with their own teams, rather than solely outsourcing audits. Factory closures and health and safety protocols severely restricted the ability of firms to complete modern slavery audits on suppliers increasing reliance on third-party reports. Focus group participants stressed that: *"worker voices are invaluable when you're trying to ascertain experiences in the place and identify vulnerabilities. And essentially since March last year, I have not gone to a single site and had those conversations nor have any of my colleagues"*.

Transactional sourcing arrangements without longer term supplier relationships were considered to have been more negatively impacted by the restrictions on audits, as they miss subtle indicators of risk. In the survey, 62% of respondents said their firms intend to take advantage of digital solutions, such as on-line audits, to improve due diligence and supply chain visibility. Some large firms have already moved to digital social audits during the pandemic. Online video conferencing platforms allowed firms to speak to workers in their supply chains, although the additional barriers to vulnerable workers were acknowledged: *"...the ultimate goal [of auditing] is trying to get workers to feel confident and transparent about reporting exploitation. And so when you introduce barriers that would make it more difficult for them to express those risks or exploitation they are facing, I imagine that would cause businesses to have less assurance of the kind of processes that they've got in place"*.

Operational-level collaboration valued by practitioners

Surveyed managers perceived supply-focused interaction to be more important than strategic action. We examined which actions had become more, or less, important in tackling modern slavery since the onset of the pandemic. Despite 58% of survey respondents agreeing that their firm has concerns about modern slavery in its supply chains, the pandemic affected their prioritisation of actions to address it (Table 2). Statistically significant differences were found based on respondents' seniority. Executive and senior managers rated more action options as "more important" than their less senior managers. 'Working with suppliers...' options were identified as more important than collaboration with government, industry peers, trade unions, and NGOs (Table 2). 42% of respondents considered that working with suppliers to identify risks had increased in importance during the pandemic, but 25% reported a decrease in importance, pointing again perhaps to the increased prioritisation of commercial issues, at the expense of social responsibilities. The 6% difference between the two "Working with suppliers..." options indicates that more managers are prioritising risk assessment rather than solutions, or at least are deferring action.

Table 2: The effect of the pandemic on the importance of actions to tackle modern slavery

| Action | Rated as more important | Rated as less important |
|--|-------------------------|-------------------------|
| Working with suppliers to identify new/changed risks of modern slavery | 42% | 25% |
| Working with suppliers to find solutions to modern slavery practices | 36% | 23% |
| Management training on modern slavery | 36% | 30% |
| Working with governments to bring in legislation, or enhance enforcement of existing regulations | 35% | 28% |
| Extending visibility in the supply chains beyond tier one (direct suppliers) | 35% | 27% |
| Collaboration with stakeholders (Industry peers, NGOs and trade unions) | 30% | 30% |

More firms appear to be considering conventional vertical supply chain collaboration methods compared with those considering peer-to-peer, horizontal interaction to share information and best practice. 66% of respondents claim their firms plan to increase communication with suppliers with 62% planning to request information on suppliers' modern slavery risk management processes. The corollary however, is that 34% and 38% respectively are not planning additional vertical collaboration and 70% are not considering horizontal interaction.

For some respondents, the constraints imposed by the pandemic, and its effects, brought welfare issues into sharp focus. As a result, a number of ETI members adopted new methods of collaboration to alleviate or prevent labour issues in their supply chains. There were examples of supplier collaboration on how to repurpose planned spend to avoid loss of revenue for suppliers. One focus group respondent explained how they used peer-to-peer collaboration: *“It [the pandemic] had an enormous strain on resources and really pushed our creativity, in trying to resolve these problems, to the limits. I think what was really helpful is to have platforms like the ETI and other platforms so that we collaborate with our peers to really try to join forces and share intelligence where we have shared suppliers that we couldn’t necessarily reach on our own.”*

In one focus group, the effects of the pandemic were likened to a journey, in which firms were becoming aware that conventional supply chain actions could create additional labour risk factors for suppliers. There was a recognition that **companies should not deploy their commercial power without due regard for the ethical outcomes**: *“...pushing any of our influence further down the supply chain in terms of ‘this is what we expect’”*. In these discussions there was a recognition that commercial pressure on already fragile supply chains may have repercussions on workers’ conditions. In one example the participant described a balanced approach in which the firm decided to ‘keep buying’, even when demand had stopped, to minimise the impacts of demand volatility and to maintain cash flow to suppliers. Decisions to balance commercial and social outcomes were evaluated based on buyers’ longer-term demand for products, and buying firms’ abilities to absorb the risks and costs, relative to their suppliers’ abilities.

In the following sections, our research partners reflect on the implications that the findings hold for firms, workers, policy makers and administrators.

Partner Perspectives

Ethical Trading Initiative (ETI): the perspective of corporate members

(Kate Robinson, Clare Fitton)

The ETI is an alliance of companies, trade unions, and NGOs working together to advance workers' rights in global supply chains. Its 90+ corporate members, with a combined turnover of £166bn, adopt the ETI Base Code of labour practice,⁴ which is based on the standards of the International Labour Organisation (ILO). Members collaborate to work out effective ways to implement the Base Code in their supply chains.

When the crisis hit in March 2020, ETI corporate members, including high street retail, supermarkets and suppliers, suffered dramatically different impacts. With a UK lockdown, the high street retailers were immediately faced with a collapse in demand and a crisis of payment for goods manufactured. Many clothing suppliers struggled to keep workers on their books and unemployment in countries like Bangladesh surged. Supermarkets meanwhile saw a surge in demand and contacted ETI with questions about working hours and overtime, as well as the basics of occupational health and safety linked to the pandemic.

In October 2020, ETI surveyed its corporate members about the impact of Covid-19 on their sourcing experiences and the potential impact on workers. This research, in addition to anecdotal evidence gathered throughout the pandemic, illustrated how UK companies intensified their communications with suppliers, sending out guidance on the most appropriate response and seeking to keep the flow of goods moving. Buyers wanted more visibility of what was happening at factory or farm level.

However, the need for enhanced visibility came at a time when firms' ability to conduct validation of suppliers through audits, site visits or other means, had decreased. This meant in turn that buyers relied more on suppliers' own information, and their own unvalidated-perception of salient risks.

ETI's experience before the pandemic was that the most protracted labour rights abuses, such as modern slavery, are often more challenging to identify even with a robust and externally validated due diligence approach. Expedited processes witnessed during the crisis and a reliance on single sources of information increase the risk that labour-related issues will not be picked up.

The research undertaken in this study finds that firms' engagement with suppliers increased during the pandemic, which correlates with ETI's own research and understanding from our membership during this time.

The pandemic led to a real business need to understand the supplier context, primarily driven by a need to keep the supply chain moving (given so many sites either closed during lockdowns or were at capacity with people working overtime). Consequently, ETI saw an increased need for supply chain visibility, with enhanced communication with suppliers, and a sharing of materials and guidance on reacting to the pandemic. The focus of the guidance was largely around health and safety and supplier capacity.

4. <https://www.ethicaltrade.org/resources/eti-base-code>

Expedited due diligence processes identified in this study, suggest weaknesses in full and complete checks and balances on the impact on workers. Expedited process and reliance on unvalidated supplier data, also might significantly increase the risk of labour abuses, including modern slavery.

ETI's own research found that modern slavery fell behind health and safety, reduced livelihoods and withheld wages as salient issues during the pandemic. The implications of the above are significant for ETI members and beyond. They include:

- The need for firms to build trusting long-term relationships with suppliers to ensure that communication exchange is easier in times of crisis
- The need for firms to prioritise timely payments and the provision of financial support to enable suppliers to stay safely in business, to minimise risks of outsourcing and subcontracting to sites not visible in the due diligence process
- The need to build alternative routes of data validation, both beyond audits and when audits are not possible, through partnerships with local organisations and the long-term investment in building sound relationships with trade unions
- The need for expedited due diligence process to address fully, Base Code violations and less visible issues of discrimination and abuse

Fifty Eight the perspective of workers in high-risk countries

(Quintin Lake)

Fifty Eight are a certified B-Corporation service provider. They partner with organisations to address the challenges of modern slavery and improve working conditions in global supply chains. Fifty Eight works to bring together insights, research and technology from grassroots communities to boardrooms, to ensure good work for people, free from exploitation.

By the beginning of 2021, the International Labour Organization (ILO) estimated that 93% of the world's workforce were living in countries with some form of Covid-19 related restriction, with working-hour losses adding up to 255 million FTE⁵. The most extreme impacts were experienced in more fragile contexts and countries with higher risks of modern slavery and child labour. For example, the agricultural sector provides livelihoods for more than 1 billion people globally and 60% of this workforce are in developing and low-income countries⁶. Approximately 108 million of the 152 million in child labour globally are engaged in agricultural work. Covid-19 has exacerbated the use of child labour in agriculture, mining and other sectors and has pushed more children into the worst forms of child labour as a result of school closures, economic insecurity and restrictions on trade and movement. Migrant workers globally found themselves stranded or forced to return home, many with outstanding wages unpaid and no certainty of return. In the Gulf, many migrant workers faced long periods of isolation and separation from families, as worker camps were locked-down. Garment sector workers went unpaid in South East Asia, as orders were cancelled or changed with little or no notice.

The likelihood of modern slavery increased in fragile contexts, as long established markets for agricultural outputs evaporated due to mass closures of hotels, restaurants and other industries. Countries dominated by small-holder farms and informal agricultural work have experienced even greater paralysis in getting products to market. Economic safety nets are often threadbare or non-existent, with seasonal and temporary work increasing vulnerability for workers, smallholder farmers and children alike.

Price hikes and trade limitations induced by Covid-19 have placed further economic strain and risk on food security and farming in many agricultural contexts, especially for countries where a significant proportion of basic foods are imported. Fifty Eight's research in Ethiopia⁷ found that agricultural concentration on export commodities such as coffee and sesame increased vulnerability to food shortages. In addition, imports which directly assist with economic growth and productivity, such as fertilizers from Saudi Arabia, became increasingly inaccessible or unaffordable; resulting in further drops in yield for farmers, creating a downward spiral of livelihood loss and economic vulnerability - all underlying contributors to modern slavery.

The research in this study has highlighted that companies see supply chain visibility or transparency as increasingly important in the midst of the disruptions brought on by the pandemic. More companies are mapping their supply chains, and particularly mapping further upstream, where they believe modern slavery is more likely to exist. Though mapping and the need to increase visibility has increased, due diligence and auditing of the supply chain have had to reduce dramatically, with new suppliers urgently being brought onboard and physical visits were severely restricted as a result of the pandemic. There are a number of significant implications in this for companies, NGOs and others who are trying to understand, identify, fix and prevent modern slavery occurring in supply chains and in communities globally.

5. https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_767028.pdf

6. https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/briefingnote/wcms_742023.pdf

7. <https://www.pace-consortium.org/en/resources/sesame-supply-value-chain-assessment-NW-Ethiopia>

Firstly, **long-term relationships and partnerships with suppliers** are critical to understanding risks and vulnerability across a range of factors such as quality, health and safety, productivity, environmental impacts, working conditions and modern slavery. This becomes even more important when trying to map and address risks for lower tiers of supply chains⁸. The lack of visibility and physical presence has increased vulnerability to modern slavery risks for companies who can no longer rely on established models of supplier visits and auditing to see and verify supplier claims.

As the research highlights, **direct insight from workers on their recruitment and workplace experiences** is a crucial factor to both identify potential modern slavery risks, and understand the effectiveness of interventions. With the lack of physical audit visits to speak with and hear from workers, it is mainly companies who have had digital recruitment or worker voice programmes already in place and those who have strong established working relationships, either with suppliers or external support services in the area, who have been able to maintain meaningful contact and benefit from more reliable insights.

These relational approaches are particularly important to consider in light of the research findings of a move towards building supply chain resilience through flexible sourcing and increasingly rapid enlistment of new suppliers, which all impact modern slavery risks.

Covid-19 has highlighted the vulnerabilities of workers throughout supply chains, for example those who rely heavily on migrant workers, temporary or agency workers, or where suppliers have to utilise sub-contracting to meet fast changing and fluctuating demands. However, the pandemic has more urgently brought to light the precarious livelihoods of communities working at the furthest upstream reaches of supply chains i.e. in agriculture and artisanal mining, and the greater risks and realities of modern slavery faced by both adults and children in these contexts. The prolonged nature and scale of Covid-19 has shown how supply chain disruptions can further exacerbate modern slavery.

The complexity and length of global supply chains can mean that even pre-Covid-19 due diligence and traceability schemes have relatively little impact on tackling modern slavery and other working conditions. For example, while recent studies into the impact of due diligence in artisanal mining in Eastern DRC have found some areas of progress i.e. reducing interference of armed groups, little material improvement in livelihoods, health and safety, or reduction of child labour at mining sites was found.⁹

Further to this, upstream participation in due diligence and traceability schemes has had a number of unintended consequences for adults and children who are most vulnerable to modern slavery. Mineral prices, and incomes for miners and other actors in the local value chain have collapsed over recent years as due diligence fees (which sometimes exceed the total of existing formal/informal taxes) are disproportionately borne by miners who already receive very low pay for their efforts. In addition, recently published OECD research shows that most investment and effort in mining due diligence takes place downstream in the supply chain - a significant distance from where the greatest modern slavery risks lie.¹⁰

This research demonstrates that supply chain mapping and efforts to improve visibility are already increasing, and this is only likely to accelerate as investors and consumers seek more insight and transparency from companies. These schemes are essential for providing access to markets for vulnerable communities, and access to commodities for industries. However, Covid-19 has further accentuated their limitations.

8. https://www.ethicaltrade.org/sites/default/files/shared_resources/corporate_leadership_on_modern_slavery_summary_0.pdf

9. <https://ipisresearch.be/publication/evaluating-due-diligence-programs-for-conflict-minerals/>

10. https://mneguidelines.oecd.org/costs-and-value-of-due-diligence-in-mineral-supply-chains.pdf?_ga=2.100875716.415343382.1620903284-492042189.1619176786

To address upstream modern slavery risks effectively, new models of due diligence and action are required. For example, a re-framing of child labour due diligence requirements from investors and industry bodies could help focus resources and actions to where the modern slavery risks are greatest. For example, focusing on mitigating the risk to the child, rather than mitigating risk to the business, will ultimately reduce risks for both.

Investment and initiatives need to primarily focus on regional and industry-wide efforts to directly address the contextual factors which enable child labour to exist. These approaches will require more joined-up thinking and collective action from a wide range of stakeholders to effectively facilitate the systemic changes required to remove children from hazardous work.

In the wake of Covid-19, as supply chain management approaches are evolving, companies and NGOs have an opportunity to work closely together to understand the nuances of modern slavery at a local level, and develop more integrated insights and solutions which are driven by a child or worker's perspective. These approaches can lead to faster targeting, mitigating risks to businesses and investors, and building resilience and efficiency in supply chains.

Public Policy Implementation

(David Gigg, formerly of the Crown Commercial Service)

In addition to fulfilling a policy making role, Government departments and agencies also fulfil important roles in policy implementation. In the case of the Modern Slavery Act 2015 and Section 54 specifically:

- The UK Government published detailed guidance in Sept 2019 setting out the steps central government departments must take to address modern slavery.
- The UK Government was the first to publish a detailed modern slavery statement (March 2020) setting out the steps that have already been taken to address the issue and to explain what will happen in the future.
- Individual central government departments will be required to publish their own statements from 2021 describing the specific steps they have taken, and plan to take, to address modern slavery.
- The Government has introduced a new online Modern Slavery Assessment Tool (MSAT) to help all businesses assess their own approaches to addressing modern slavery and suggest areas for improvement.

As has been reported extensively elsewhere, Covid-19 placed enormous pressures on aspects of government commercial activity. Difficulties in obtaining adequate supplies of PPE and other essential goods and services have been well documented and discussed. Commercial policy makers in central government recognised that the need to address these supply issues could potentially lead to an increase in the risk of modern slavery in its supply chains. In an attempt to mitigate this risk, internal guidance reminded commercial staff of these increased risks and of the need to ensure that appropriate checks continued to be made.

The research for this report has thrown into focus a clear need for better quality supplier engagement. It's encouraging to see that businesses appear to have made efforts to increase levels of communications with their suppliers but the emphasis, understandably, has been on ensuring that supply disruptions are avoided. Government has recognised that concentrating on traditional contract management techniques, i.e. ensuring that the goods and services are delivered in a timely manner and to specification, is of limited value when it comes to encouraging businesses to address broader issues such as modern slavery. The result of effective supplier relationship management (SRM) techniques is that suppliers can be motivated to go beyond the letter of the contract if they can see the value in doing so.

The UK Government has already recognised the need for more effective supplier engagement and has made efforts to encourage commercial managers across government to build on and use existing supplier relationship management processes to address modern slavery. The government's guidance published in September 2019 required departments to use a new free online tool developed by the Cabinet Office to assess and report on the actions taken by suppliers to tackle modern slavery. The Modern Slavery Assessment Tool (MSAT) generates a confidential report that suppliers can use to help them make suggested improvements.

Crown Representatives and the strategic suppliers to Government

A small team of senior commercial professionals drawn from both private and public sectors (Crown Representatives) have been appointed to work on a cross-government basis with those suppliers considered strategically important to the Government (38 on the current list)¹¹.

The Crown Representatives are based in the Cabinet Office and help the Government to act as a single customer. They work across departments to ensure a single and strategic view of the Government's needs is communicated to the market. There is a real opportunity for Government to demonstrate leadership in showcasing those businesses that take practical steps to eliminate modern slavery. The Crown Representatives are ideally placed to work with the strategic suppliers to identify and publicise examples of best practice.

Wider use of MSAT

MSAT is already providing insights into the extent to which public sector suppliers are addressing modern slavery in their supply chains. The tool is also being used by a number of other businesses who want to understand more about how they can improve their anti-slavery strategies. Encouraging the wider use of MSAT across UK businesses will help develop an awareness of the strengths and weaknesses of their current approaches to modern slavery both in their own organisations and in their supply chains.

Contract award

Under existing legislation it is still possible for UK based businesses to win government contracts even though they do not fully comply with the requirements of the Modern Slavery Act 2015. Government should consider adjusting its scoring systems for awarding contracts to ensure that businesses that do not comply with the requirements of the Modern Slavery Act cannot be awarded Government contracts.

Working with businesses

Although government has made progress in engaging with business, we need to move towards establishing a culture where business and Government are seen as partners working together to explore options and challenging each other to eliminate modern slavery. Businesses are often reluctant to admit that they have discovered modern slavery issues in their supply chains because they are concerned about reputational risks. Businesses that discover and take action to address modern slavery should be lauded as exemplars.

The Home Office's Modern Slavery Unit already has established mechanisms for engaging with businesses. Those mechanisms should be reviewed to explore whether a more collaborative approach might deliver benefits. For example, one or more leading UK companies could be invited to take a lead in creating a business-led network to promote best practice and showcase successes.

11. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955392/2021-01-19-strategic-suppliers-crown-reps-draft.pdf

Conclusions

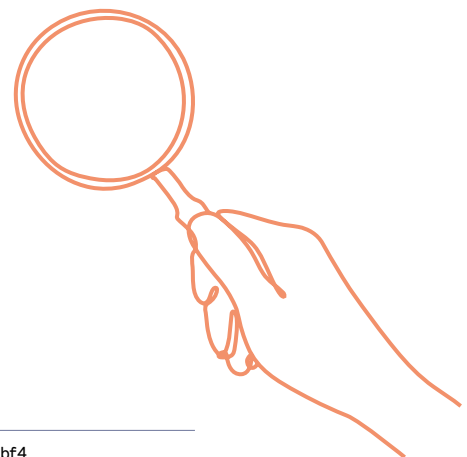
Perhaps surprisingly, a high percentage (80%) of respondents consider that stronger legislation is needed to ensure better conformance with Modern Slavery Act's reporting requirements. Firms' typically would not be expected to support additional statutes or regulation, but their managers clearly believe this to be a necessity.

This may suggest that managers view modern slavery reporting solely as a cost that they are reluctant to incur, unless competitors are similarly obliged. Practitioners therefore may be awaiting stronger legislation before undertaking substantive action, but the findings also indicate a more complex situation where practitioners seem willing to take more substantive action on modern slavery risks in their supply chains, but need stronger commercial drivers internally (such as stronger legislation) to justify such action.

Although managers rate modern slavery as a high and increasingly important priority, when discussed in isolation, it lagged behind commercial and operational issues when a wider set of priorities were considered. The surveyed managers were in procurement and supply chain roles, rather than modern slavery specific roles, so are likely to be representative of a general increase in awareness and perhaps a willingness to act, but at present, there is insufficient commercial motivation for companies to invest more heavily in modern slavery initiatives. This motivation could come from a combination of regulatory requirements (such as further legislation) and/or rewards (such as government tendering processes and public recognition).

Covid-19 disruptions have increased awareness of the importance of supply chain visibility and the benefits of structural mapping of supply chains, but again the drivers for increasing supply chain interaction are predominantly commercial and operational. This does, however, also present an opportunity for improving modern slavery risk management in supply chains. Firms have demonstrated that they can quickly investigate their supply chain structures when there is an operational imperative to ensure supply continuity. If firms better understand the operational benefits arising from improved supply chain visibility then the associated supply chain analyses can also be readily leveraged for ethical risk analyses. There is some evidence that modern slavery awareness has increased during the pandemic and this may be a consequence of firms having to engage closely with their supply chains for other operational reasons.

Due diligence is an area of particular concern. Findings relating to supply chain mapping and due diligence practices, echo findings from several recent academic studies of firms modern slavery statements, and suggest that supply chain discovery and reporting practices are under-developed. The combination of weak processes and the expedited due diligence processes reported in our findings, suggests increasing risks of unidentified modern slavery and a widening gap between practice and emerging policy. Whilst due diligence reporting under the UK Act is not mandatory, many firms reporting under this act may soon be subject to mandatory requirements in Europe. Within 2021, the EU reportedly will propose a European Directive on mandatory due diligence that member states would then need to transpose into national law¹².



12. <https://www.lexology.com/library/detail.aspx?g=ab945361-e236-405d-8193-4d4088373bf4>

Recommendations

Policy recommendations

(Linked to overall interpretation that both legislation and procurement policy need to be used to increase firms' investment in modern slavery actions relating to their supply chains)

1. Potential suppliers to government will have greater internal incentives to invest in anti-slavery initiatives where government tender evaluations include a weighting for modern slavery reporting and action as part of social value evaluations. The UK Government should build these incentives into the forthcoming Procurement Bill, announced in the Queen's Speech 2021.¹³
 - a. To be of commercial value to firms, this assessment weighting needs to be of order winning potential (a scored element) and not an order qualifier (gating element).
 - b. To be effective and consistent, the Cabinet Office should build on existing social value evaluation guidance to tender designers, with specific scoring advice pertaining to modern slavery along with guidance on weighting levels (% scores) and the effective use of the full range of assigned scores.

(Linked to the focus group findings, and partner reported field impacts – practitioners should be encouraged to minimise volatility and demand amplification in supply chains)

2. Demand volatility acts as a driver of modern slavery and its effects are felt more sharply by firms furthest away from the end customer. Firms' commercial managers can take active steps to stabilise orders and inhibit the demand amplification (bullwhip) effect by extending their inventory planning cycles, taking into account longer-term demand.
 - a. The UK Government has announced plans to mandate specific areas on which companies in scope of section 54 must report. Based on the findings of this study, the mandated requirements should be extended to require firms to report on steps taken to reduce the impacts of demand volatility on modern slavery
 - b. Firms should plan inventory and ordering cycles in collaboration with their wider supply chain to acknowledge, and minimise, the bullwhip effect.

(Linked to findings indicating that practitioners value ongoing collaboration but expedited due diligence processes and reduced monitoring during the pandemic have increased modern slavery risk)

3. Modern slavery risks emerge and change throughout a contract's lifecycle. Due diligence should not be constrained solely to the sourcing phase. Risk and structural data should be regularly updated and assessed through collaborative supplier relationship practices. The benefits of supply chain due diligence will be maximised, and the negative impacts of supply chain volatility on business operations will be minimised where collaborative supply chain management practices are adopted throughout the term of a contract.
 - a. The ongoing probity of Government supply chains will only be ensured where collaborative supplier relationship management practices are adopted throughout the lifetime of all significant contracts.
 - b. More effective peer-to-peer practitioner collaboration will occur where Government encourages its strategic suppliers to act as collaboration exemplars.
 - c. The UK Government should monitor the effectiveness of the Modern Slavery Assessment Tool as a mechanism for engaging suppliers through contract lifetime.

13. <https://www.gov.uk/government/publications/queens-speech-2021-background-briefing-notes>

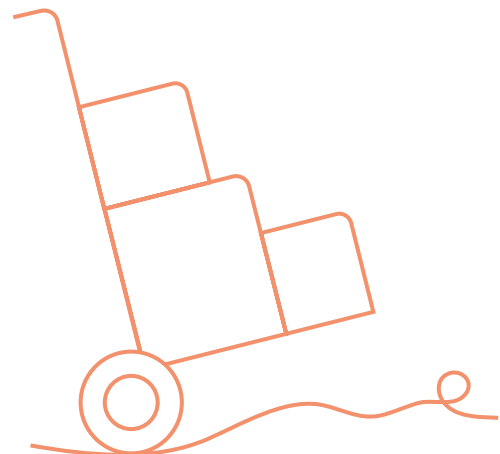
Practitioner recommendations

(Linked to findings showing an increase in supply chain visibility provided multiple commercial and operational benefits)

4. Firms will benefit from increased operational stability and efficiency in addition to the potential benefits associated with their modern slavery reporting obligations and therefore should commit more resources to improving supply chain visibility.

(Linked to findings on most effective interaction activities and focus group anecdotal evidence)

5. Firms will gain the greatest improvements in the effectiveness and efficiency of their modern slavery prevention activities where, in addition to their supply chain interactions, they collaborate widely with peers, either directly, or through third-party facilitating bodies.
 - a. Firms should pursue opportunities for peer collaboration on modern slavery best practice, particularly those provided by commercially independent third-parties such as trade bodies, professional institutes and NGOs.
6. Firms will be better able manage operational and ethical risks where they assume responsibility for their supply chains by extending supplier management practices beyond tier-1 to encompass upstream supply chains.



Areas for future research

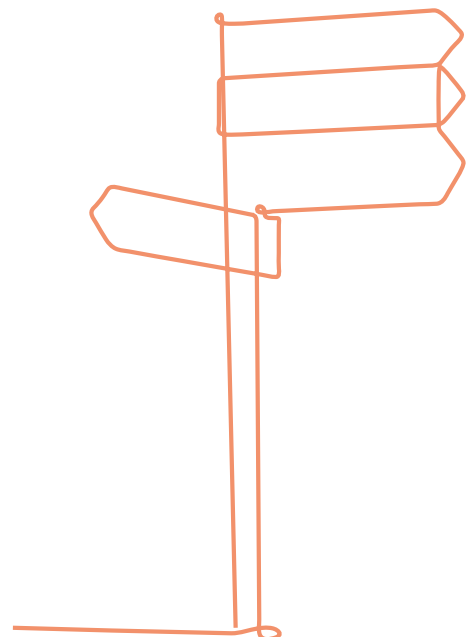
As more jurisdictions adopt stricter legislation, especially in relation to due diligence obligations, further research is needed to investigate the effect of different legislative approaches on businesses' policies and practices in managing modern slavery in supply chains.

In response to indications that further legislation is expected and the possibility that businesses may be adopting a wait-and-see approach before investing more heavily in substantive modern slavery reporting processes, further research should now be undertaken to establish industry expectations and perceptions of appropriate legislative changes. Specifically, further research should explore professionals' perceptions of measures needed to achieve specific policy objectives, rather than general reporting aims.

Crucially, a majority of respondents prioritised commercial considerations significantly higher than modern slavery actions. More research is needed to understand what combination of legislative and regulatory changes would be needed to incentivise businesses to invest more heavily in actions to tackle modern slavery in supply chains.

The somewhat contradictory findings on supply chain mapping suggest that at least some managers have differing cognitive models with respect to these activities. Further research needs to clarify managers' conceptions of supply chains and the difference between supplier (tier-1) management and full supply chain management.

Finally, our survey of supply chain related practitioners suggested that managers' attitudes and perceptions of modern slavery may differ from strategic positions and policies. Future research should clearly differentiate between the views of businesses and business practitioners. Furthermore, the views and knowledge of supply chain practitioners should be researched as a priority, to identify levers that lead to meaningful action in supply chains.



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