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Structure
New Models for an
Equitable Economy **Lab**

Worker Debt and Inequality

A collaboration between:



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*Gilder Lehrman Center for the Study
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The Center for Human Rights and International Justice at Stanford University equips a new generation of leaders with the knowledge and skills necessary to protect and promote human rights and dignity for all.
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About

This work is part of a series of Forced Labour Evidence Briefs that seek to bring academic research to bear on calls to address the root causes of the phenomenon in global supply chains and catalyse systemic change. To do so, the Briefs consolidate evidence from recent academic research across several disciplines, including political science, law, sociology, and business and management, identified through literature reviews in Web of Science and other academic databases.

At a critical moment when COVID-19 has led to an increased focus on conditions in global supply chains and growing calls for systemic change, these briefs seek to inject new knowledge from academic research into ongoing debates about how practical reforms can be achieved. They focus on six themes: mandatory human rights due diligence and transparency legislation; commercial contracts and sourcing; investment patterns and leverage; the labour share and value redistribution; ethical certification and social auditing; and worker debt. Each brief presents new ideas and examples of how business models and supply chains can be restructured to promote fair, equitable labour standards and worker rights.

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Executive Summary

Workers across global supply chains are susceptible to forced labour not simply through structural discrimination related to race, class, gender, age, or other forms of social marginalisation and exclusion, but through business and governmental practices that drive them into debt. These include low wages and underpayment, the imposition of fees and usurious interest rates by employers and intermediaries, and dominant modes of regulating migrant labour. Indeed, various forms of indebtedness have long been documented as cornerstones of business models configured around forced labour and human trafficking.¹ These dynamics occur across both product and labour supply chains.

In factories, farms, and other worksites within product supply chains, producers seek to generate revenue by driving workers into debt bondage, a common form of forced labour. They often do this through practices like charging workers predatory rates for services (e.g. the provision of accommodation) or even false provisions, making fraudulent deductions from pay, or extending credit at usurious interest rates.²

Exploitative business models reliant on debt as a tool of value extraction and worker coercion are also common within labour supply chains.³ Workers often arrive on jobsites already encumbered by debts incurred to labour market intermediaries, such as recruitment agents or labour providers. Once on their worksites, fraudulent wage deductions, exorbitant interest rates on advances and loans, or non-payment altogether can push net wages below legal minimums.⁴ Chronic underpayment, wage theft, and other forms of financial expropriation on the worksite often combine with debts incurred in the recruitment process to render work-related financial obligations (e.g. recruitment or accommodation fees) un-repayable.

Significantly, many workers in contemporary supply chains are burdened by debt acquired to meet basic necessities (e.g. food and healthcare). They tend to lack alternative credit or access to formal banks, which leaves them receptive to more informal sources of credit that appear

flexible initially, as in the case of wage advances or initial recruitment/transportation fees.⁵ However, these forms of credit and the dynamics of indebtedness that follow are a key element exploited by business actors that results in forced labour and human trafficking. Such dynamics are not new; rather, salary advances have long been, and continue to be, a critical part of the dynamics of forced labour.

While debt bondage is widely recognised as an issue attached to labour migration, dominant modes of such movement — that rarely prioritise and protect worker welfare⁶ — result in worker indebtedness closely associated with forced labour, even amongst non-migrant workers in both domestic and global supply chains.⁷ Fundamentally, debt is anchored in poverty, and overlapping inequities. This includes wealth inequities between individuals and between nations — and the global political economic dynamics that give rise to these⁸ — as well as other forms of socio-political marginalisation. It is a larger, more far-reaching problem than is typically acknowledged in business and policy efforts to tackle forced labour and human trafficking. And it is one poised to expand in tandem with inequities of wealth and power.

Fortunately, there are options to address these problems. Worker debt can be forgiven, usury laws enforced, and lending to low-wage workers expanded and carefully regulated. Furthermore, paying living wages and ensuring that companies — rather than workers — bear the costs of recruitment will vastly reduce the need for workers to take on debts in the future. Stronger regulation targeting the role of debt within business models of forced labour can be implemented to stop producers and intermediaries from engaging in debt bondage, whether unwittingly or consciously.

Along labour supply chains, worker debt can be tackled through adequate regulation focusing on recruitment practices, intermediaries, and shared liability. This should happen in a targeted way that responds to and reflects the risks of forced labour within supply chains. For instance, key indicators may include: the presence of a high number of labour intermediaries combined with low-waged work; low value capture segments of the supply chain; and the requirement for workers to purchase ancillary services.⁹ A new approach to liability within labour supply chains “realigns risk and responsibility for the harms that attend the global recruitment of low-wage workers.”¹⁰

Along product supply chains, corporations can support worker-driven initiatives to relieve financial pressures and avoid predatory lending by including new indicators related to debt, intermediaries, and pay as key metrics for forced labour risks. Furthermore, corporations can set fair payments for goods across the supply chain and ensure fair, living wages are paid at all nodes to reduce the risks of workers sliding into debt in the first place. Governments can support this by raising the wage floor, penalizing predatory lending to workers, and directing resources towards social security and protection measures specifically targeting low-wage and migrant workers who bear disproportionate vulnerability to forced labour. Crucially, governments must ensure labour regulations are enforced and offer due protections to workers regardless of their immigration status.

Problem

Worker debt is an endemic, albeit far too often overlooked, source of vulnerability to forced labour and overlapping forms of labour exploitation in supply chains. While much of the attention on sources of vulnerability to forced labour focuses on non-economic individual level traits such as gender or migration status, a growing body of research finds that financial indicators such as level of indebtedness, (in)formality of borrowing, and interest rates attached to loans are equally influential.¹¹ Importantly, most indebted workers who become vulnerable to forced labour do not face absolute poverty, but belong to the ‘working poor.’¹²

While it is tempting to see debt as an individual problem, it is both rooted in and reflective of a broader set of political and economic dynamics.¹³ Fundamentally, supply chain workers often end up in debt because they are poor and are paid illegally low wages. Unable to obtain the basic necessities of life or access decent work in their home market, workers are forced to borrow, often informally and at usurious interest rates. In other words, individual debts are entangled with inequalities related to wealth, access to financial institutions (especially around credit and lending), state-based provisioning of services like health care and food assistance, and the accessibility of decent work.¹⁴

Furthermore, in the face of falling labour standards enforcement across many jurisdictions over recent decades, growing power differentials between workers and businesses (including both producers and labour market intermediaries) has allowed business models configured to profit from worker indebtedness to flourish.¹⁵ This has transformed worker debt into a widespread vector of profitability and coercion for business actors who use it to generate revenue and minimise their production costs.¹⁶ Empirical studies of forced labour across several sectors and countries have linked business models reliant on worker debt to supply chain dynamics, especially sectors with low margins and low value share.¹⁷ This includes the booming industry in migrant worker recruitment and provision, which is too often a trade in debt-bonded workers.¹⁸

Outside of contexts wherein traditional debt bondage or ‘peonage’ constitutes forced labour’s primary modality, only rarely do the metrics and indicators used to assess supply chains’ risk of human trafficking encompass the level and nature of worker indebtedness, interest rates on worker loans, and overlapping financial relations as markers of vulnerability to forced labour. Neither measures like debt forgiveness or the adequate regulation of credit, lending, and financial institutions, nor rendering debt-based business models unviable and unprofitable figure centrally enough in dominant solutions to forced labour in supply chains.

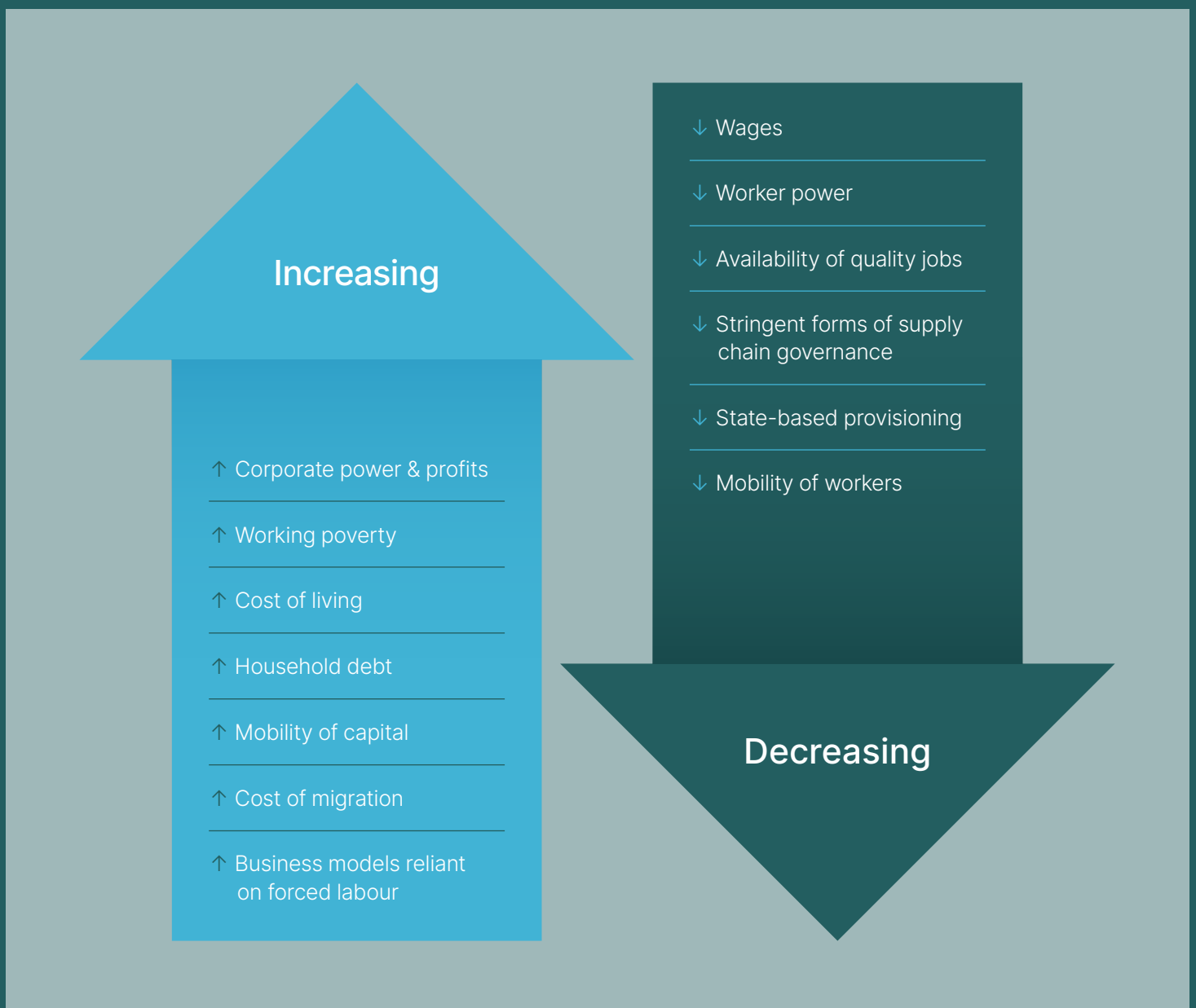
This brief draws from recent research to outline key dimensions of the problem of worker debt and inequality, underscoring that these cannot be understood in isolation but rather are mutually reinforcing and intertwined.

Individual worker debts are rooted in, reflect, and reinforce the unequal integration of countries, and historically marginalised and dispossessed populations, into the global market and value chains.

- **As countries, and historically marginalised and dispossessed populations within them, have been integrated into the global market and value chains over recent decades, inequalities have surged.**¹⁹ Inequality has intensified between and within countries as the re-regulation of labour markets, business, and state provisioning during the neoliberal era has exacerbated and deepened the paucity of decent work, given businesses and capital significantly more power and mobility, and reduced social protection and provisioning.²⁰ Countries, including the populations within them who have suffered discrimination, colonial dispossession of land and resources, and historic wrongs including enslavement, have been thrust into labour markets on unequal and, in many cases, unfree terms.²¹ Contemporary discrimination along lines of indigeneity, race and ethnicity, ability, and gender further entrench these inequalities and affect social mobility.²²
- **Just as people have become more reliant on the market and money to obtain the necessities of life, the costs of healthcare, education, food, and housing have surged in many places.**²³ Across both global North and South contexts, there has been a dramatic expansion of the working poor; in other words, people who are working but whose incomes fall below the poverty line. In the absence of strong social protection, these workers often turn to private debt to fulfil their needs

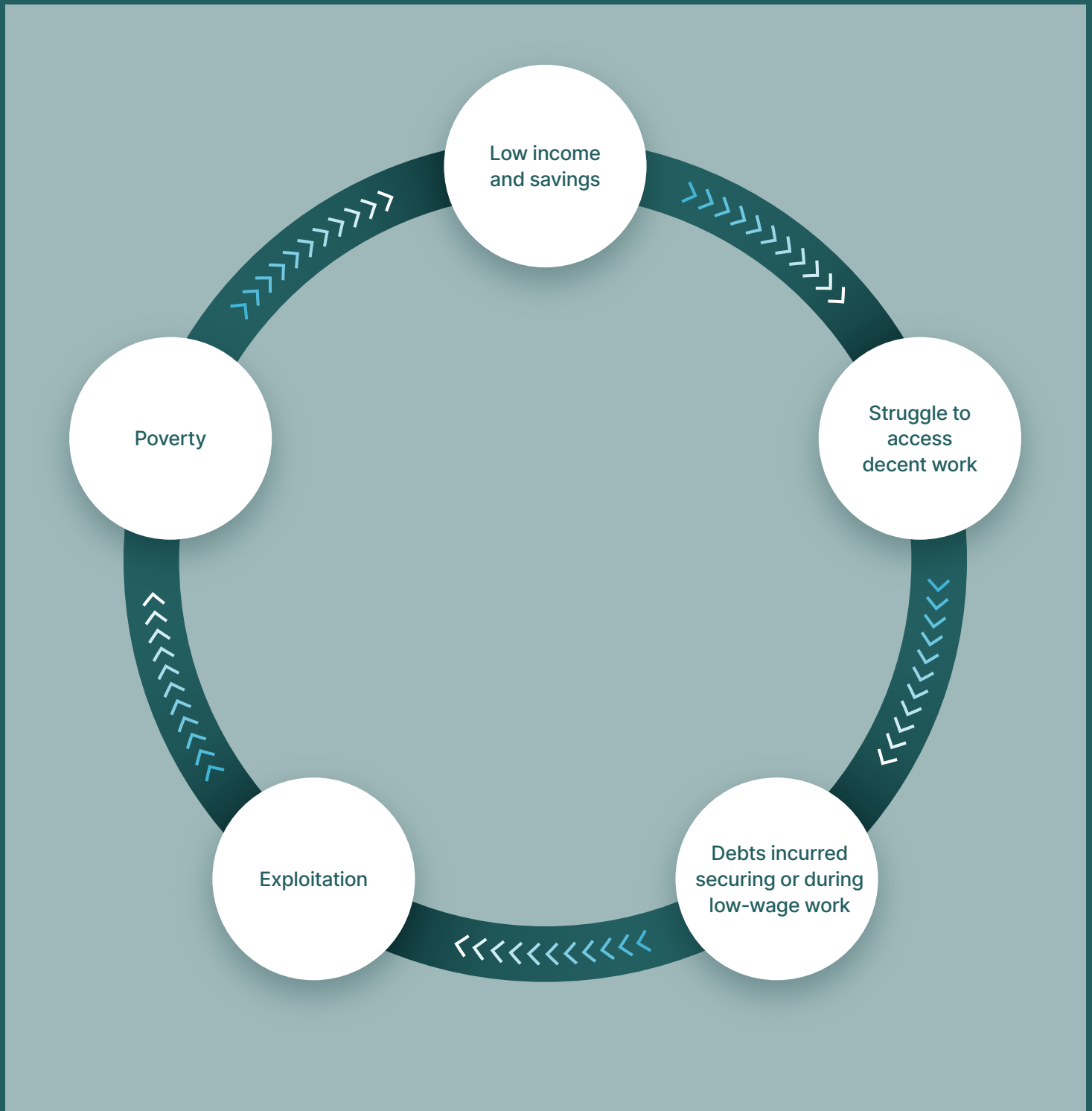
or to access more lucrative labour markets.²⁴ In many countries, household and individual debts have skyrocketed, and spending is often linked to essentials like food and medical care.²⁵

Figure 1:
Inequalities in the global economy and disempowerment of labour



- **Demand for private finance has been facilitated by the ‘business’ of poverty reduction and proliferation of credit, including to new and economically deprived households that lack social protection and have difficulty accessing decent waged work.**²⁶ Such debts become a key pressure that drive people to take on dangerous and risky work; this often becomes the only available way to escape vicious cycles of unsustainable debt that are otherwise challenging to repay.²⁷ More often than not, the terms and conditions of credit extended to low wage workers comes with high interest rates, unfavourable terms, and dire penalties for being unable to repay; these dynamics are often described as a ‘poor tax.’
- **The reconfiguration of large swathes of the world’s production, trade, and consumption in global supply chains has exacerbated existing inequalities between countries and along lines of social difference.**²⁸ Producer countries in global supply chains often capture a very low share of value and have limited opportunities for social upgrading.²⁹ The economic inequalities associated with global supply chains are also reflected in dynamics related to capital mobility and taxation. For instance, as corporations seek out low-tax and low-wage production environments, the chronic shrinkage of the tax base limits the resources that governments can use to strengthen safety nets and reduce poverty, just at the time when exploited workers and communities sorely need assistance.³⁰
- **The architecture and governance of global supply chains has bolstered the power of business vis-à-vis workers.**³¹ Research reveals that employers routinely engage in illegal practices with widespread impunity such as through wage theft and violations,³² which disproportionately impact already vulnerable low-wage workers, especially women, migrants, and those working within the informal sector.³³
- **Amidst wealth inequality, lacking access to decent work, and an underregulated private migration industry,³⁴ workers who most need credit are often the least able to access fair and reliable sources of credit.** Under the right conditions, access to credit can be a tool for economic development and can facilitate upward labour market and social mobility. However, where credit is under-regulated, and where lenders seek to take advantage of people’s poverty and desperation through predatory contracts and usurious interest rates, credit can easily entrap people and deepen their poverty rather than alleviating it.³⁵

Figure 2:
Poverty trap



→ These longstanding inequities were exacerbated by firm behaviour amidst the COVID-19 pandemic, as cancelled orders resulted in mass layoffs and spurred workers to take on high levels of debt for basic necessities like food and medical treatment.³⁶ Workers who accrued debt during the pandemic, especially from informal lenders, are more likely to end up in situations of forced labour.³⁷ Debt also creates vulnerability in other areas of social and personal life, such as poor mental and physical health as well as an increased sense of helplessness.³⁸

Figure 3:
Debt and forced labour amidst COVID-19

Reproduced with permission from LeBaron et al.'s 2021 study of COVID-19's impacts on forced labour in supply chains.



Research documents close links between the level, form, and terms of workers' indebtedness and their vulnerability to forced labour.

- **Simply put, being indebted is one of the most important markers of vulnerability to labour exploitation.**³⁹ The risk of forced labour is particularly acute where debt is incurred to a business actor within a supply chain (both labour and product), where the loan is from someone other than a formal and regulated lender, where there is a high interest rate, and/or where the debt is being paid to someone with direct control over working conditions.⁴⁰
- **Across several recent studies of varied supply chains, worker debt has been found to be widespread.** The precise dynamics of debt differ across supply chains and parts of the world. For instance, a recent study of tea production, amidst employers falling short of their legal responsibility to provide essential services like medical care for tea workers and in the face of endemic underpayment, employers seek to generate revenue by lending money to workers with high interest rates on debts, leading to situations of debt bondage. Over 54% of the tea workers in this study had gone into debt, 59% had no savings, and many faced usurious interest rates on their loans; as these were often deducted from wages, take home pay was minimal.⁴¹ Similarly, a 2020 survey of garment supply chain workers found that over 60% of surveyed workers had borrowed money, with the average level of debt per garment worker household increasing during the COVID-19 pandemic from a mean of US\$1835.23 pre-pandemic to US\$2125.48, an increase of 16%.
- **Worker debt does not always translate into forced labour. However, it often does.** This has been documented across a wide range of supply chains and countries ranging from fishing vessels in New Zealand's waters,⁴² the construction sector in the Gulf,⁴³ rice processing in India, to agricultural workplaces in the United States and Europe.⁴⁴
- **There is a need for deeper comparative research of the precise circumstances under which debt translates into forced labour for workers, and how such dynamics differ from instances where access to credit can be positive and transformative.** Workers are not always 'tricked and trapped' into debt bondage. Rather, they may decide to proceed with debt or indentured work when they feel they have no other option. Therefore, the vulnerability of workers to debt-bondage in

modern economic systems must be understood in the context of difficult and badly remunerated labour markets; lack of access to scarce public services; restrictive migration systems which fail to protect workers; predatory financial services; and overall, structural inequalities across global supply chains. All these aspects contribute to foster an environment where debt-influenced forced labour can flourish within the global economy.

Migrant worker debt is a profitable, thriving, yet often exploitative industry.

- **While debt-based compulsion and entrapment into forced labour can impact both migrant and non-migrant workers, it is important to note the particular challenges associated with low-wage migrant worker debt.**
- **Though it can take the form of a direct debt to an employer, migrant worker debt is often structured in more complex ways.** For instance, workers are often required to pay placement fees (often exceeding legal limits); labour market intermediaries label these fees ‘loans’ and instruct employers to repay the loans by sending a worker’s salary to another intermediary, leaving them with little to no take-home pay for months at a time.⁴⁵
- **Indeed, while the international market for recruitment and migration services is indispensable to enabling workers to access more lucrative labour markets and decent work, the business model of intermediaries often lies in compressing labour costs below legal minimums.** The recruitment industry is virtually unregulated.⁴⁶
- **Migrant workers often face additional barriers in negotiating the terms of their loans and employment.** For instance, as one large-scale study of women migrant workers describes these barriers: “Exercising their rights became even more problematic when women needed to negotiate with labour brokers and nearly impossible with employers once they arrived in the destination, not least because work conditions are rarely negotiable and rights related to foreign workers are not enforced even if they exist on paper.”⁴⁷ Whether on a formal work-based immigration program or having migrated informally, workers who do not hold citizenship in the destination country are often poorly protected by governments when they suffer abuse;

especially in temporary foreign migrant or 'guestworker' programs, responsibility for employment conditions is often devolved from government to employers.⁴⁸ Workers face barriers to collective action and to exiting exploitation. Fear of deportation acts as a deterrent to reporting problems and denouncing exploitative work conditions.⁴⁹

→ **In this context, it is unsurprising that migrant workers are disproportionately vulnerable to labour exploitation;** indeed, "many migrant workers throughout the world labor under conditions that do not qualify as trafficking yet suffer significant rights violations for which access to protection and redress is limited."⁵⁰

The vulnerability of workers to debt-bondage in modern economic systems must be understood in the context of difficult and badly remunerated labour markets; lack of access to scarce public services; restrictive migration systems which fail to protect workers; predatory financial services; and overall, structural inequalities across global supply chains.

Solutions

Prevailing solutions to worker debt are highly limited in efficacy. Interventions focus overwhelmingly on refunding international migrant workers' debts incurred during recruitment. This downstream approach ignores the reality that the problem of worker debt cannot be addressed by starting at the point of recruitment, during travel, or in workers' time on a jobsite. Rather, it must be seen in context. So too, issues of debt — which might be brought by workers to a site rather than offered or controlled by the employer — are appropriately understood as responsibilities of governments and banking systems as well as firms. Addressing the problem of indebtedness — and the inequality and poverty that drives it — will require the cooperation of firms, governments, unions, and other relevant stakeholders. Solutions must address both the root causes that give rise to worker indebtedness and the predatory business models that seek to profit from them.

Addressing the root causes of worker debt and inequality

Profound political and economic change is required to address the root causes of worker debt and inequality.⁵¹ Fundamentally, the economy needs to be reconfigured to address the balance of power between workers and employers, wealth inequality and oppression, and the paucity of quality jobs. Some key contours of this transformation will include:

- **Ensure workers earn enough to cover necessities and avoid debts incurred due to insufficient earnings.** Living wages reduce workers' vulnerability to forced labour and reduces the ranks of the living poor.⁵² If workers are taking home living wages that cover basic necessities for themselves and their families, they are far less likely to end up chronically indebted to employers or labour market intermediaries.⁵³ Unions and worker coalitions deserve support as they can play a key counterbalance role for the promotion and protection of standardised wages across industries.⁵⁴ Just as increased wage competition in the

labour market fosters precarious work, raising the floor on wages can reduce workplace vulnerability.⁵⁵

- **Eliminate wage theft and fraudulent deductions.** Governments should end the status quo whereby employers can perpetrate wage theft, enact fraudulent deductions from worker wages, and enact usurious interest rates with impunity. Innovative enforcement models that target high-risk sectors and portions of the supply chain can end these practices.⁵⁶ For instance, labour inspectorates can identify industries that have systemic violations and conduct unannounced, periodic inspections reviewing payment methods and salary records to detect the use of worker debt as a cost minimisation or revenue maximisation strategy by employers. Unions, community groups, and other relevant stakeholders who can identify the workplaces where violations occur can be key partners to monitoring and help labour inspectorates with the enforcement of local labour regulations.
- **Rebalance power between corporations, government, and workers.** A major challenge of enforcement is the lack of funding and staffing for government enforcement agencies⁵⁷ — a situation that often results in multinational companies having more political power or funding than the labour inspectors or local police who might otherwise attempt to regulate them or investigate abuses.⁵⁸ That imbalance is not accidental; companies seek out countries with weak regulatory and enforcement structures, and pressure governments to dismantle protections under the guise of competitiveness or creating a favourable business climate. Companies that are serious about their public claims to oppose modern slavery, forced labour, gender inequality, human rights violations, or poverty should take action to meaningfully integrate workers into the governance of global supply chains.⁵⁹
- **Strengthen social protections.** Public investment in social protection programmes reduces workers' need to take on debts for basic necessities, like medical care or as a strategy to cope with shocks and economic crises. As such, social protection is also protection from debt bondage. The scope of social security measures ranges from promotional measures aimed at tackling poverty (through universal provisions such as healthcare and labour protections) to protective measures which provide the chronically poor relief from deprivation. Public investment decisions often consider economic growth as the primary incentive, but investing in social support and poverty alleviation reduces inequality and strengthens access to opportunity for the most vulnerable sectors of society.⁶⁰

→ **End the vulnerability to predatory debt that is currently hard wired into migration for low-waged work.**⁶¹ Due to the dynamics outlined above, migrant workers are especially vulnerable to debt-based exploitation, often incurring debts in their home villages or cities long before officially becoming part of the labour supply chain. As a wide body of legal scholarship makes clear, there is a need both to reform the legal architecture surrounding the international recruitment industry and international migration more broadly, as well as domestic temporary foreign migrant work programs that leave workers highly vulnerable to abuse. A jurisdiction that maintains a subset of workers who are unable to access legal protections because of their particular immigration status is a jurisdiction that is effectively facilitating fraud and abuse by employers who manipulate programs intended to address local labour shortages so that they can bring in compliant and controllable categories of employees. Efficiently tackling those issues will require unbiased migration policy and necessitate flexible paths of migration that prioritise worker welfare.⁶²

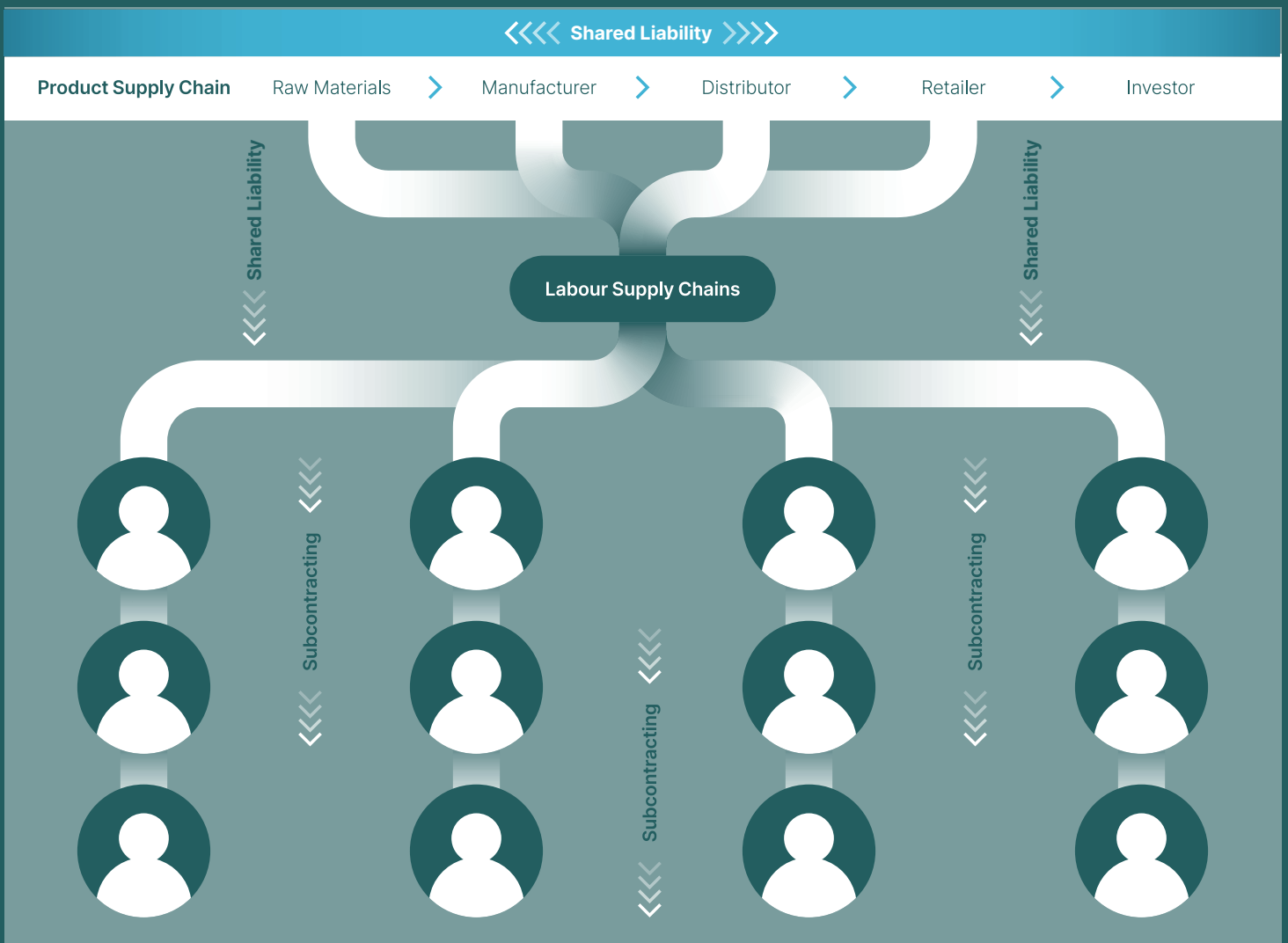
Tackling debt-based business models

As governments work to address the root causes of worker debt and the inequalities that give rise to this (with resources accrued through stronger taxation regimes), there is a need to also tackle debt-based business models head on. This could include:

→ **Enact new forms of supply chain liability.** Responsibility for debt-based business models can be apportioned across the supply chain through traditional legal notions of joint liability⁶³ (in criminal cases, accomplice or conspiracy liability) with knowledge requirements that make clear a duty of care (for instance, the ‘knowing or in reckless disregard’ standard in U.S. law for those who profit from a trafficking venture). Shared liability for bad recruitment practices along the supply chain should work as a complement to direct domestic regulation and licensing of recruiters and their practices. Some legal experts advocate for strict liability, requiring lead firms to bear responsibility for recruiters’ actions in their supply chains. Such an approach reflects: **1)** the firm’s decision to recruit externally to benefit from cost savings beyond the options enabled by law; **2)** the foreseeable risk of harm (to which consequences should correspond), attributable to firms given industrial knowledge of the risks associated with engaging third party recruitments; and **3)** companies’ ability to incentivise good practices, given their market dominance, ability to dictate terms around employees’ debt loads, and their power to select lawful and ethical recruiters.⁶⁴

Fraud in foreign labour recruitment statutes are an important supplement, allowing enforcement in worker exploitation cases where forced labour or debt bondage elements cannot be conclusively established but dodgy recruitment is clearly linked to historical marginalisation and a debt/poverty trap. In such cases, social services available to trafficked victims should be extended to workers caught up through fraudulent recruitment schemes, even if the formal 'victim' in the legal action might be the state.

Figure 4:
Example of Shared Liability Along Labour and Product Supply Chains



- **Enact worker-driven monitoring programs to detect and address debt-based forced labour business models.** A fundamental aspect of addressing workplace violations and supporting mandatory human rights due diligence as well as human supply chain employer liability is the ability of workers to collectively express grievances and to subsequently receive not only information, but actual remedy. Creating collaborations among, and empowering community organisations, unions, immigrant rights groups, and other relevant stakeholders can provide a safe channel of communications between workers who are in a vulnerable position, labour agencies, and labour inspectorates — valuable information that firms could use to address the risks of forced labour in their supply chains.⁶⁵ Workers' cooperation with authorities on criminal debt bondage enforcement actions can open space for other forms of organising, such as worker-driven social responsibility. For example, in the agricultural sector, the Coalition for Immokalee Workers worked with relevant authorities to prosecute cases of forced labour.⁶⁶

- **Ensure firewalls between immigration and labour law.** A key barrier that prevents employers and intermediaries from being held accountable for forced labour-based business models is the lack of protections and support for workers reporting problems and assisting with prosecution. Fear of deportation due to illegal or precarious administrative status prevents migrant workers from reporting labour violations. Therefore, a *firewall* between immigration law and labour law can provide an environment where workers can safely denounce workplace violations.⁶⁷ To effectively address forced labour, it is necessary to enact territorial labour protections where workers are not discriminated against based on their immigration status. Employment visas should not tie workers to their employers, but provide the flexibility to find alternative employment when workers suffer exploitative working conditions, fraud, wage theft, or overt physical abuse.⁶⁸ Employers who do not comply with fair labour standards should be held criminally or civilly liable, or face administrative debarment from employment-based visa programs. Recruiters or sponsors could be made to submit a contract that contains debt limitations, stipulates electronic fund transfers as the means of payment, and guarantees other wage-related safeguards in such a way that the resulting visa can be characterised as fraudulently obtained if there is evidence of debt bondage, wage theft, contract substitution after debts have been taken out.

→ **Alternatives to unlicensed labour market intermediaries.** In addition to more stringent transnational and domestic recruitment regulation, alternative recruitment models promoting decent and stable employment need to be implemented. Alternatives to labour recruitment include industry-wide sponsorship models, where a sector is responsible for organising and processing visas, as well as arranging accommodation and transport. In these models, the risks of dependency on particular migration brokers and recruitment agencies are reduced. However, ensuring adequate labour conditions within these types of initiatives requires external oversight from key government departments, unions, and other relevant stakeholders.⁶⁹ For example, in Australia, the Fair Work Act was developed to address wage theft within temporary migrant worker programs. The strategies undertaken included enhanced communication with workers, anonymous reporting tools, cross-departmental data sharing, and mandatory provision of salary and benefits statements for employees.⁷⁰

The economy needs to be reconfigured to address the balance of power between workers and employers, wealth inequality and oppression, and the paucity of quality jobs.

Recommendations

Recommendations for Governments

- **Public resources should be directed towards enforcement of labour regulations, wage standards, and criminal prohibitions of usury, debt bondage, and forced labour.** Statutory protections must be coupled with proactive and targeted labour inspections to ensure enforcement will have a substantial impact. States should therefore increase the mandate, scope, and resources of labour inspectorates to prevent illegal employer behaviour and protect collective action, particularly with input from workers. This can be part of their efforts towards mandatory human rights due diligence.⁷¹
- **Introduce costly penalties for wage violations.** To meaningfully deter wage theft, the financial risk of committing wage violations must be greater than the violation itself.
- **States should increase the provision of public goods and offer better social protections, including by considering basic / guaranteed income models.** Economic precarity severely constrains workers' ability to protect themselves from coercive work arrangements; more extensive provision of public and basic goods and more equal distribution of wealth can help to reverse this trend. Strengthening the tax base is essential for the provision of social safety nets, thus governments should implement fiscal policies that enforce progressive taxation rates.
- **Improve and reform immigration policies to provide safe and debt-free migration corridors.** Better immigration policies go hand-in-hand with strengthened labour standards enforcement, as does enacting regulations governing the recruitment industry that prioritise worker's welfare. The services undertaken by the recruitment industry, such as training, visas, and travelling, should not be charged to the worker. Such provisions could be guaranteed via alternative recruitment models such as licensing schemes and joint employer liability.

Recommendations for Lead Firms

- **Establish a progressive approach to corporate taxation.** Public safety nets rely on a strong tax base. By reducing lobbying for tax reduction purposes and eliminating tax avoidance, lead firms can contribute to the reduction of inequality and working poverty.
- **Implement payments above the cost of production.** Ensure that the prices established during the sourcing of products enable suppliers across the supply chain to pay decent wages so that workers can repay existing debts or avoid taking debt on in the first place.
- **Implement due diligence processes for engaging with recruiting agents,** in addition to considering specialised recruitment mechanisms for given sectors and geographies that strengthen worker protections both in transit to and within the receiving community and worksite.
- **Develop partnerships with local governments.** Local authorities have lower barriers of access and might be receptive to policy recommendations. Unions and civil society can also provide valuable information to governments of the common locations and modalities of violations.
- **Identify opportunities for and implement worker-driven monitoring programs across supply chains** to ensure that standard business operations are not exploiting or giving rise to worker debt.

Notes

¹ See, for instance: Andrew Crane, Genevieve LeBaron, Kam Phung, Laya Behbahani, and Jean Allain, “Confronting the Business Models of Modern Slavery,” *Journal of Management Inquiry*, (2021): 1-22.

² Genevieve LeBaron, *The Global Business of Forced Labour: Report of Findings* (Sheffield: SPERI, 2018); Genevieve LeBaron, Penelope Kyritsis, Perla Polanco Leal, and Michael Marshall, *The Unequal Impacts of Covid-19 on Global Garment Supply Chains: Evidence from Ethiopia, Honduras, India, and Myanmar* (Sheffield: University of Sheffield, 2021); Crane et al., “Confronting the Business Models,” 1-22.

³ See, for instance: Crane et al., “Confronting the Business Models,” 1-22; Jennifer Gordon, “Regulating the Human Supply Chain,” *Iowa Law Review* 102, no. 2 (2017): 445-504.

⁴ Ruth Milkman, Ana Luz González, and Peter Ikeler, “Wage and Hour Violations in Urban Labour Markets: A Comparison of Los Angeles, New York and Chicago,” *Industrial Relations Journal* 43, no. 5 (2012): 378-98; Miruna Petrescu-Prahova and Michael W. Spiller, “Women’s Wage Theft: Explaining Gender Differences in Violations of Wage and Hour Laws,” *Work and Occupations* 43, no. 4 (2016): 371-400.

⁵ Philip Martin, *Merchants of Labor: Recruiters and International Labor Migration* (Oxford: Oxford University Press, 2017); Nicola Phillips and Leonardo Sakamoto, “Global Production Networks, Chronic Poverty and ‘Slave Labour’ in Brazil,” *Studies in Comparative International Development* 47, no.3 (2012): 287–315.

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