

Accounting for modern slavery risk in the time of COVID-19: challenges and opportunities

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Abstract

Purpose – The purpose of this paper is to examine how the coronavirus disease 2019 (COVID-19) pandemic affects corporate modern slavery accounting, auditing and accountability, and how a business can take advantage of this situation to ensure a more robust and effective modern slavery response in the long-term.

Design/methodology/approach – Drawing on recent literature and available statistics about modern slavery in the context of COVID-19 comment is provided on the challenges and opportunities for researchers and business.

Findings – Given the additional invisibility of modern slavery in a COVID-19 environment as victims move into unemployment and back into vulnerable positions where they are exploited the challenge is how accounting, auditing and accountability can help business break this cycle. Capabilities for business to track and trace victims of modern slavery will be reduced because of the pandemic. Opportunities exist for gathering data and building internal awareness about the problem of modern slavery in supply chains and to reassess operational risk and investment in modern slavery reduction. With the pause in external reporting opportunity exists to obtain views of external stakeholders.

Research limitations/implications – Because of the relatively short period of the COVID-19 pandemic to date, numeric data on impacts are largely unavailable.

Originality/value – This is the first paper to consider the challenges and opportunities of COVID-19 on accounting for modern slavery in business. Directions for future research are also considered.

Keywords Modern slavery risk, COVID-19, Accounting, Auditing, Accountability, Challenges, Opportunities

Paper type Commentary paper

1. Introduction

Accounting for and reporting on modern slavery risk in corporate operations and supply chains has attracted attention from legislators and professional accountancy associations in recent years (Birkey *et al.*, 2018; Caruana *et al.*, 2020; Christ *et al.*, 2019). With an increasing number of legislative acts in jurisdictions, including Australia, the United Kingdom and California, this increased interest is unsurprising. The relatively new legislation requires large organisations to produce and publish annual Modern Slavery Statements demonstrating their actions to identify and manage the risk of modern slavery in their own operations and supply chains (Crane, 2013). It is hoped that by forcing organisations to account for their role in perpetuating this practice that some of the 20 million plus people trapped in various forms of forced labour in corporate supply chains might be liberated and decent work conditions become the norm for all (Walk Free Foundation, 2018). The major focus is currently on modern slavery in global supply chains located in developing countries and at-risk industries.

Despite high hopes and optimistic intentions for improved accountability and high-quality disclosure (Caruana *et al.*, 2020) the coronavirus disease 2019 (COVID-19) pandemic threatens to derail existing efforts. Best practice modern slavery reporting requires a concerted effort by business to engage with suppliers from around the world, to undertake due diligence and report on efforts to identify and eradicate modern slavery in their own



operations and supply chains. This often involves active engagement on the ground which is severely curtailed. With COVID-19 business will need to consider how to account for modern slavery and what modern slavery accounting and reporting looks like when best practice is not possible. At worst there is a risk modern slavery accounting and reporting will be put in the too hard basket with a tick the box approach taking precedence or at best reporting might be delayed ([Australian Border Force, 2020](#); [UK Government Home Office, 2020](#)), taking a back seat to more pressing and visible issues such as maintaining localised employment in home countries. This is even more problematic given the COVID-19 pandemic is expected to lead to an increased number of desperate and vulnerable people who have lost their livelihoods and require money and resources to support their families. History shows that desperation and exploitation are inherently connected ([United Nations Office on Drugs and Crime, 2016](#)) thereby increasing the number of people who ultimately become trapped in modern slavery.

In summary, COVID-19 increases the risks associated with reporting on modern slavery in direct operations and supply chains while making implementation of best practice extremely difficult. As a result, business needs to consider how they can best meet their legislative reporting obligations. However, given the newness of modern slavery risk management, accounting and reporting the current situation also presents an opportunity. The purpose of this discussion is to examine the ways in which COVID-19 has affected and exacerbated corporate modern slavery risk while addressing the challenges brought about by the pandemic which are now faced by organisations required to report on their efforts to combat this illegal and unethical practice. In doing so, the following research questions will be addressed:

How is the COVID-19 pandemic affecting corporate modern slavery accounting, auditing and accountability and how can business take advantage of this situation to ensure a stronger and more effective modern slavery response in the long-term?

This commentary seeks to make the following contribution. Although a selection of papers is starting to be published that deal with the connection between COVID-19 and modern slavery risk (for example, see [Fellows and Chong, 2020](#); [Trautrimis *et al.*, 2020](#)), to date none address this issue with a specific focus on accounting. Although an emphasis on heightened vulnerability of potential victims and supply chain disruptions are crucial, if modern slavery is to stay on the business agenda, a strong link needs to be established regarding how COVID-19 will impact business and how this will impact accounting, auditing and reporting for modern slavery in line with legislative developments and requirements. With the COVID-19 pandemic businesses have many conflicting priorities but in the case of modern slavery businesses also have an opportunity to strengthen their practices and response for the time when we move into a post-COVID-19 world.

Given its role as a commentary, this paper draws evidence from the burgeoning publications regarding how the COVID-19 pandemic has impacted modern slavery with reference to mainstream media articles and sources which include publications from NGOs and charities with an interest in the area. The authors then use this evidence combined with their own extensive knowledge to develop a discussion through a process of deductive reasoning which considers both challenges and opportunities in line with the research questions. It is expected that as the pandemic progresses and resolves empirical evidence will emerge. This paper seeks to encourage accounting academics to engage in this space and assist business in an area that was previously poorly researched and understood yet made more complicated with the emergence of COVID-19.

The remainder of this paper is structured as follows: [Section 2](#) considers the issue for business brought about by the COVID-19 pandemic in relation to modern slavery. [Section 3](#) considers the main challenges of the current situation. [Section 4](#) addresses what business should do now to address the challenges. The paper concludes in [Section 5](#) which incorporates directions for future accounting research in the possible transformed landscape to come.

2. Modern slavery and COVID-19: a new issue for business

Modern slavery is an umbrella term used to define a collection of practices in which rights equivalent to ownership are exercised by one party over another. From a business perspective these practices include forced labour, debt-bonded labour, traditional slavery and the worst forms of child labour. Although many businesses believe they are immune from modern slavery evidence suggests myriad organisations are exposed via their supply chains through the unscrupulous practices of their suppliers and subcontractors to suppliers. Estimates suggest there are currently 40.3 million people enslaved worldwide with as many as 20 million in corporate supply chains (Walk Free Foundation, 2018). Thus, modern slavery is embedded in many of the products people use and consume every day. No country or industry can be considered untouched.

Given modern slavery is a business issue that transcends jurisdictional and national borders, recent years have seen the growth in legislation requiring large businesses to identify, manage and report on modern slavery risk in their supply chains. Further, countries, such as Canada, are also currently considering a similar approach (Christ *et al.*, 2020). The European Union also recently committed to legislating mandatory human rights due diligence for corporations as early as 2021 (Business and Human Rights Resource Centre, 2020). As the gatekeepers to accountability this has had an impact on the work undertaken by accountants and professional bodies, business organisations and academics who are all showing an interest in how businesses can be assisted in relation to addressing modern slavery risks.

Modern slavery risk accounting, auditing and accountability is new and is part of growing interest in clamping down or stamping out the practice (Christ *et al.*, 2020). The United Kingdom and Australia introduced reporting requirements for large companies in all industries. The UK Modern Slavery Act 2015 requires commercial organisations with a global group turnover of £36m or more to report on modern slavery in their operations and supply chains through publication of annual modern slavery statements, signed off by the senior management body.

Section 54 of the UK Modern Slavery Act 2015 suggests the contents for modern slavery statements may include description of:

- (1) The organisation's structure, its business and its supply chains;
- (2) Its policies in relation to slavery and human trafficking;
- (3) Its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- (4) The parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
- (5) Its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
- (6) The training about slavery and human trafficking available to its staff members (UK Government, 2015)

Up to five years of statements are now available for analysis and review of the UK Act suggests improvements are needed, such as turning the six areas of reporting currently recommended for inclusion in company modern slavery statements into mandatory requirements, requiring companies to name a designated board member accountable for the production of the statements and introducing penalties for non-compliance (Independent Review, 2019).

Australia's Modern Slavery Act 2018 came into force on 1 January 2019 and includes reporting requirements modelled on, but going further than, those contained in the UK Modern Slavery Act. It requires entities based or operating in Australia with an annual consolidated revenue of more than A\$100m to address the risks of modern slavery.

Section 16 of the Australian Modern Slavery Act 2018 identifies mandatory criteria that corporate entities, including the Commonwealth, must address within their modern slavery statements, as approved by the principal governing body. These criteria include:

- (1) Identify the reporting entity;
- (2) Describe the structure, operations and supply chains of the reporting entity;
- (3) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls;
- (4) Describe the actions taken by the reporting entity and any entity that it owns or controls, to assess and address those risks, including due diligence and remediation processes;
- (5) Describe how the reporting entity assesses the effectiveness of such actions;
- (6) Describe the process of consultation with:
 - any entities that the reporting entity owns or controls
 - in the case of a reporting entity covered by a statement – the entity giving the statement
- (7) Any other information that the reporting entity, or the entity giving the statement, considers relevant ([Australian Government, 2018](#)).

The entity must submit the modern slavery statement within six months after the end of the reporting period and must submit it to the relevant Minister so that it may be added to the Federal Modern Slavery Statements Register. While the Australian Act is set for review after three years pressure might be exerted by different States (e.g. NSW and Tasmania) to introduce tighter legislation with Anti-Slavery Commissioners, penalties for non-compliance and lower thresholds designed to capture the activities of more entities.

Many businesses are struggling to deal with accountability which extends beyond their direct operations. [Figure 1](#) demonstrates the complexity associated with the task of modern slavery accounting and reporting. In order to demonstrate accountability and due diligence as required by modern slavery regulation organisations need to find ways to collect and confirm the credibility of data about the labour practices adopted by their suppliers and, ultimately, the suppliers of their suppliers. For most MNEs and large organisations that meet the legislative reporting thresholds this will involve a network of individuals and companies from both developed and developing countries who in turn have supply networks that could be vast in terms of size, scope and location. This can quickly add up to thousands of potential modern slavery hot spots and finding ways to prioritise suppliers in terms of risk probabilities and consequences is a challenge that needs to be addressed in order to demonstrate accountability to stakeholders. Once supply chain hot spots are identified due diligence would usually require supplier visits and a process of audit and training. Given the newness of modern slavery legislation the approach business takes now will be taken on board by policymakers who may choose to adapt or strengthen the legislative approach over time as shown by the arrow on the right hand side of [Figure 1](#).

The complexity of modern slavery accounting and reporting has been further complicated by the COVID-19 pandemic which has, to date, resulted in over 55 million infections, 1.3

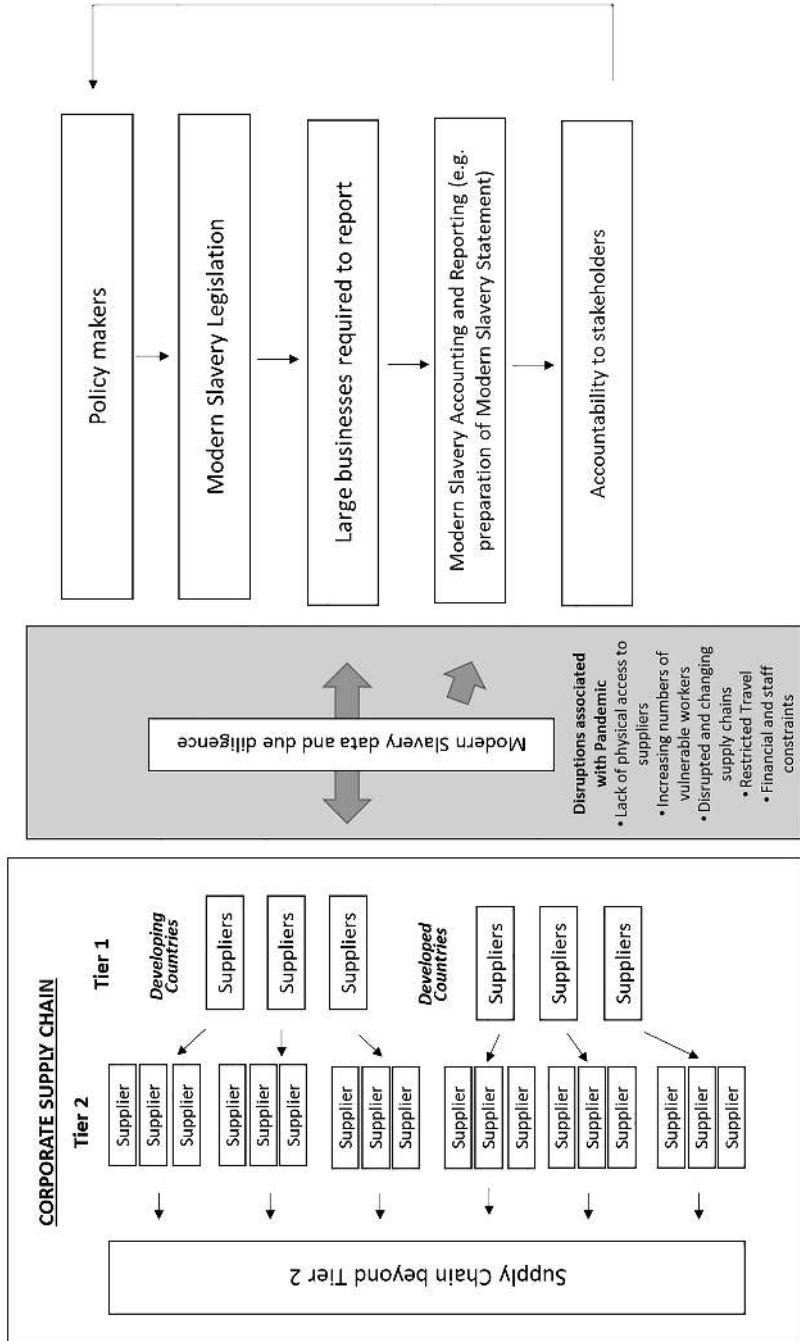


Figure 1.
How the modern slavery reporting process relates to the supply chain

million deaths and led to business shutdowns and extensive international and domestic travel restrictions (WHO, 2020). Some of the issues associated with the pandemic are shown in Figure 1 in the shaded rectangle. These challenges impact the collection of data about modern slavery which in turn impacts reporting and accountability. For example, the pandemic threatens the livelihoods of almost half the global workforce many of whom are based in developing countries with high percentages of informal employment and limited social security systems for the unemployed (ILO, 2020a). This is a double-edged sword as in these circumstances the number of people at risk of exploitation will increase while the ability to undertake the required due diligence and assurance on the part of companies required to report on modern slavery and produce an annual modern slavery statement will be severely curtailed.

Modern slavery is associated with vulnerability and extreme exploitation. Desperate people are open to manipulation, deceptive recruitment and illegal work. Australian Border Force (2020) notes in its guidance document for Australian business dealing with modern slavery in the time of COVID-19 that the risk of exploitation emanates from loss of income or fear of loss of income, changes in demand and supply for labour brought about by changing needs as buyers respond to the crisis (e.g. the immediate need for PPE masks, hand sanitiser and gloves or shutdowns of factories affected by COVID-19) and border closures that prevent migrant workers returning to their home countries (see Wiggins, 2020). Measures to cut cash flows by suppliers around the world at a time when demand for some products is increasing also exacerbates worker vulnerability (Robinson *et al.*, 2020). This means that modern slavery hot spots will increase, business must remain abreast of changes to the modern slavery landscape and supply chain mapping will become a more dynamic, as opposed to static, process.

The result is that from a corporate perspective business will face an increased risk of exposure to modern slavery within their supply chains, both now and in the immediate future, and will need to rethink in this moment of crisis. In addition, COVID-19 discourages due diligence audits which are required for effective modern slavery risk management and accountability. As noted by Abigail McGregor, a partner at Norton Rose Fulbright, quoted in Wiggins (2020) “The checks on those, what you would ordinarily expect in a supply chain ‘Know your supplier’ program, I think by and large have gone out the window while people are just desperately trying to get face masks”. Further, in situations where work has been able to continue, border restrictions mean it is not possible for overseas buyers to conduct the expected social audit checks considered an essential part of modern slavery related due diligence.

In recognition of these issues Australia and the United Kingdom, two leading countries in the fight against modern slavery via mandated corporate reporting in Modern Slavery Statements, have extended the deadline by which statements must be produced. Both countries have also released guidance to help business adapt modern slavery management to the COVID-19 crisis. Nonetheless, good intentions aside, more detail is needed. Businesses face a difficult time ahead in mainstreaming modern slavery accounting, auditing and accountability practices, given the impact on worker vulnerability and associated business risk is unlikely to be resolved quickly.

3. Challenges

Apart from mandated delays in reporting requirements there are new challenges with addressing modern slavery in the COVID-19 pandemic. Assessing the scale of the pandemic on victims is a primary concern as information is still hard to come by.

The International Labour Organization predicts the equivalent of 400 million full-time jobs lost in the first six months of 2020, or 14% of formal working hours (ILO, 2020a), which means

an estimated 85–420 million people are being pushed into extreme poverty, needing to move into informal or exploitative work resulting in millions more in forced and child labour (ILO, 2020b; ILO, 2020c). Examples of specific data for industries with a high incidence of modern slavery are trickling out. For example, 25,000 workers are reported stranded in fishing boats off the Indian coast, 30,000 workers in the garment industry in Cambodia have their jobs suspended as orders were cancelled (Walk Free/Mindaroo Foundation, 2020). Somewhere between these micro and macro extreme predictions lie the numbers of additional hidden victims.

A challenge for business arises because people working either as migrant workers on short-term visas or illegally are losing their livelihoods. These unidentified victims may be required to return to the homes in countries from which they have migrated. There they are unable to obtain local employment, leaving their families in desperate situations. Invisibility as potential victims of modern slavery is thereby transformed into invisibility as both vulnerable and unemployed. Some governments in developed countries pay businesses to keep employees on their books, even if trade has ceased, but victims of modern slavery, who are often illegally employed in the informal economy, do not benefit from such formal supporting scaffolds. This makes their already desperate situations even easier to exploit. To the business these victims remain as untold stories in modern slavery statements as, first, the victims are never discovered, recorded and assisted and, second, they are even more open to future abuse in the informal economies and new circumstances in which they seek work.

COVID-19 accompanied by greater unemployment means some will move from poor working conditions which, while abhorrent, still incorporate an element of self-determination and be unwittingly tempted into situations that result in modern slavery. They might be drawn into payment of recruitment fees, use of informal/dangerous transport options to cross borders illicitly and trafficked into newly expanding sectors such as healthcare, retail, logistics and food processing as gangs and traffickers look to build up their activities in the new setting (Responsible Recruitment Toolkit and Stronger Together, 2020). For example, while Anner (2020) estimates that in Bangladesh over 1 million people working in the fast fashion industry with poor health and safety conditions are now unemployed because of a lack of access to raw materials, late payments and cancellation of orders, modern slavery is being encouraged there by brands buying instead from forced labour of millions of Uyghurs in China (Kelly, 2020). Where labour is free it is difficult for alternatives to prevail in these times of tough economic cost-benefit analysis.

A further challenge is that the pandemic could lead to less time being available to track and trace modern slavery occurrences because of the COVID-19 virus and the need to reprioritise use of resources for the business to survive. As seen in Figure 1, the process of mapping and accounting for a supply chain can quickly become complicated and complex requiring time, technical, personnel and monetary resources even if only Tier 1 and Tier 2 are considered. Reduction of available corporate management accounting capacity might occur because of the need for businesses to focus more on switching resources towards assessing core financial aspects associated with economic survival during and after the pandemic. This could mean a switch in resources towards traditional financial accounting activities. Thus the data needed for comprehensive modern slavery risk management and reporting may be lacking in quality and quantity.

Likewise, there could be a reduction in purchasing staff time available to consider physical aspects of modern slavery in operations and global supply chains, because their time is needed to focus on issues associated with greater recognition of the fragility of global supply chains and necessary changes to existing supply arrangements. As international supplies become subject to hot spot occurrences of COVID-19 risk, purchasing staff members might be required to use their time to assess and direct procurement activities towards changing their

supplier mix rather than to focus on modern slavery victims as this is not going to be the main short-term concern when striving for business survival.

Apart from possible reductions in internal accounting staff members with expertise in sustainability and sustainability-orientated procurement staff members, risk managers find their time at a premium in the COVID-19 pandemic. Assessment of the economic risks facing the business and its suppliers is likely to be the primary concern when businesses are required by governments to become dormant, when certain asset values become negligible or significantly reduced (e.g. aircraft, hotels, cafes), when supply chains can no longer physically supply, and when decisions are made as to when and how many and what types of employees to make redundant. Furthermore, critical skilled staff members might simply catch the virus and be unable to work, or in the worst case die, leading to a diminished supply of available expertise.

Another challenge, given the urgency of responses needed to COVID-19, is to ensure that businesses starting up their response to new demands do not tacitly lend support to modern slavery in their workforces or suppliers. The rush to secure supplies of Personal Protective Equipment (PPE) presents a case in point. Larbi (2020) acknowledges that in the rush to secure PPE some governments have lifted bans on buying from countries known to use slave labour. Here, the question of deciding upon priorities emerges again.

Nevertheless, if the available time of personnel is not reduced because of dire economic circumstances for business leading to closures triggered by the virus, there are potential operational and investment benefits to be gained from taking the opportunity to develop strategy and prepare for better management of modern slavery risk and the accounting systems needed to support it.

4. What can business do now to ensure future modern slavery risk management and reports are effective at minimising modern slavery?

Recent research from Christ and Burritt (2020) combined with guidance documents from NGOs, government bodies and various professional associations suggest that it is possible for the challenges currently faced by business to be converted to opportunities in the fight against modern slavery. This is especially pertinent given many organisations remain unfamiliar with modern slavery risk management processes and will be learning as they go in terms of accounting for their management of people touched by their operations and supply chains, reporting and providing assurance of legal and ethical behaviour to management and external stakeholders.

Government imperatives for business engagement with modern slavery reduction and eradication has largely been through movements towards improving external accountability through the production and distribution of annual modern slavery statements as seen in Figure 1. Businesses need to collect data about their modern slavery risk and conduct supply chain due diligence which will then feed back into their reports and associated disclosures. Reactions to the COVID-19 pandemic have provided businesses expecting to produce modern slavery statements with breathing space in the face of staff disruptions caused by the virus. They can consider for a first time and in depth the benefits for reducing relative and absolute risks from modern slavery. In the UK, businesses affected can delay publishing their statements by up to six months without penalty (UK Government Home Office, 2020). Many businesses shaken by the virus have already developed a history of modern slavery reporting and may need the time to switch focus to the relative risks of lockdown of business on employees in general rather than victims of modern slavery, and recommencing their operations, rather than on modern slavery statements.

In contrast, in Australia mandated reporting under the Modern Slavery Act (Cth) 2018 is only about to commence. The Australian Government has temporarily extended the

legislated deadline by an additional three months for all entities whose reporting periods end on or before 30 June 2020 (Australian Border Force, 2020). Entities now have up to nine months to submit their statements after the end of their reporting periods, instead of six. Extended time is available for reporters to identify and address their absolute modern slavery risks by developing policies, conducting desktop audits, discovering any modern slavery in their operations and supply chains, and to take action to reduce any risks discovered. Tools such as the CPA Australia Modern Slavery Compass and Global Slavery Index are available to assist (Christ and Burritt, 2020). There is also an opportunity to collaborate and work with other businesses for mutual benefit in these challenging times.

The accounting profession has identified several opportunities presented by the COVID-19 virus and which can impact on reporting (PwC, 2020). These include: performing an operational risk assessment on critical business functions; accessing critical supply chain data across all tiers to assess the potential damage of the pandemic more fully; conducting scenario planning exercises to understand the operational implications – financial and non-financial; and communicating with key supply chain stakeholders on supply volume and changes to demand volume for the next few quarters.

4.1 Operational risk assessment

Direct operations provide the easiest area for organisations to begin assessing their modern slavery risk. As mentioned, with the pandemic many organisations could find themselves with slack not previously experienced. This means resources become available that can be directed to providing a detailed assessment of existing operations including areas where risk is greatest including directly owned operations conducted offshore in locations considered high risk. Thus it should be possible to evaluate all directly controlled operations in terms of risk or even using a traffic light system divided into “green” for low or minimal risk, “orange” for medium risk and “red” for high risk areas that require additional attention. Procedures and staff knowledge about modern slavery need to be checked. This will permit educational programs to be developed and rolled out to staff members. Codes of conduct need to include specific modern slavery provisions and, if not already available, anonymous whistle blowing and reporting channels need to be developed. For organisations with more experience in modern slavery risk management and reporting the pandemic provides a perfect opportunity to take stock of existing procedures and to assess them in terms of efficiency and effectiveness. In this way, progress towards modern slavery identification and eradication will be different, but not completely stalled.

In essence, because of the pandemic, resources might become available to provide an opportunity for accessing and applying accounting data to support actions that can lay the groundwork for long-term solutions towards reducing modern slavery risk in operations and supply chains.

4.2 Accessing critical supply chain data

Evidence suggests many organisations do not know their supply chains and certainly not beyond Tier 1 (Christ *et al.*, 2019). In addition, most do not have an accurate list or number of suppliers that can be easily accessed and assessed for risk management purposes. This is concerning given it is often suppliers in the lower tiers in which labour demands are high and profit margins are low where modern slavery is likely to be located. Thus, organisations have an opportunity to set up control systems to not know their suppliers *per se* but know their supply chains. Suppliers should be categorised in terms of location, length of relationship, importance to the business in both monetary and strategic terms, type of work involved and the nature of the product or material being sourced. High risk suppliers can be identified and the business can begin a conversation about requirements and expectations while providing

appropriate support. Supply chain mapping can be complicated and [Figure 2](#) highlights how the number of workers implicated when two direct suppliers are identified as being of moderate risk (highlighted in grey) can quickly grow exponentially once operations beyond Tier 1 are considered. Even in cases where suppliers are categorised as low risk, due diligence and education is required to ensure they are not inadvertently supporting modern slavery via their suppliers, also shown in [Figure 2](#). It is this type of information that is required to feed back into modern slavery accounting and reporting and which might be delayed by the pandemic.

Access to supply chain data about labour conditions of purchases of products, which might have been produced using victims of modern slavery, requires adjustments to management control systems in large businesses which must produce modern slavery reports. Sustainability management accounting strives towards the provision of accounting data to enable discourses by and decisions of by managers to address social concerns such as poor working conditions ([Busco et al., 2018](#)). Nevertheless, such systems are yet to include the foundations for identifying and controlling modern slavery and adjustments need to be made to information-based routines and procedures that managers use.

Organisations also need to ensure that their response to the pandemic is not increasing risk in existing supply chains. Changed business conditions have flow on effects that can impact those involved with labour intensive, low value activities upstream in many corporate supply chains. In the spirit of sharing the burden and being in this situation together businesses need to consider how contract variations and cancellations impact vulnerable workers who will be needed again once the pandemic is over or the economy reopens. Thus, risk management must be considered on two different levels: from the business perspective and the worker perspective. In relation to the latter, communication with stakeholders is key as will be discussed shortly.

4.3 Scenario planning

Scenario planning in terms of future modern slavery risk management becomes crucial in deciding the new normal for business. In these circumstances one possible scenario is that businesses strive to get back to normal, they react against the lack of preparation by governments which leads to a lack of trust developing and regulations getting watered down ([Brammer et al., 2020](#)). In this scenario, modern slavery regulation would be a casualty of the uncertainty and desire by government to ease regulations in order to get businesses open and employing once again, as well as the push from traffickers to reinstate themselves following easing of restrictions on international and national movement. Businesses are likely to regard modern slavery as a low priority, relative to recommencing their activities and employing people from the vast reserves of unemployed.

A second scenario is that it is recognised there is no going back to business as previously practiced in a pre-COVID-19 world. In these circumstances, government regulation in relation to social issues is strengthened and responsibilities shift from the private to the public sphere, with production moving away from distant low wage/low cost economies to local markets, in the name of securing supply. Modern slavery remains a key elimination target with a change in emphasis towards generating new jobs in industries where opportunities grow, such as medical provisions. Proactive businesses will look to establish safe and secure decent work conditions through transparency as agencies and traffickers try to reassert themselves.

A third scenario is that businesses and their associations decide to strive for a new and better normal ([Brammer et al., 2020](#)), encouraged by the realisation that addressing COVID-19 requires a global approach if perpetual vulnerability is to be overcome and SDG 8.7 achieved.

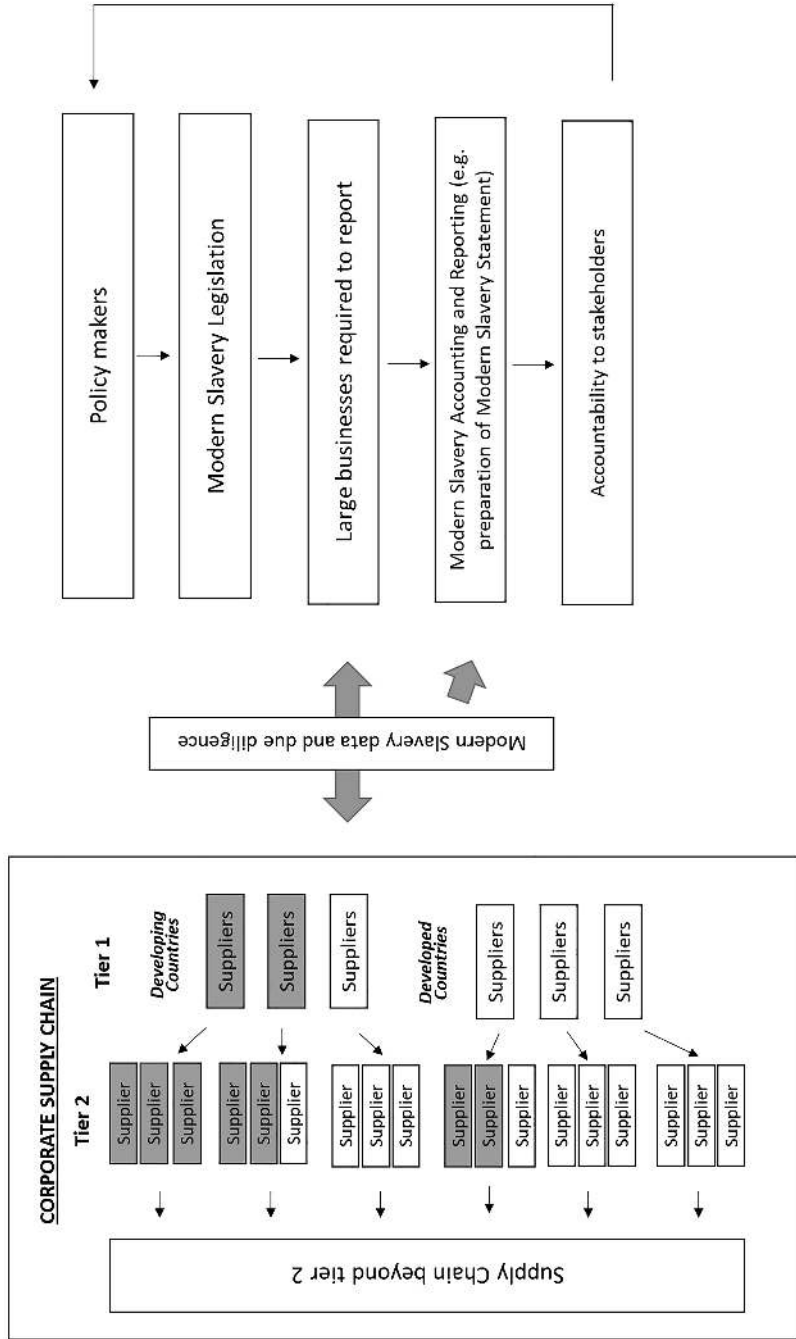


Figure 2.
Supply chain mapping
for modern slavery

Note(s): **Modern slavery hot spots are shown in grey

4.4 Communication with key stakeholders

The pandemic provides an opportunity to communicate with stakeholders about what they envisage in terms of modern slavery risk management and accounting and how they might be able to assist. This allows expectations to be established. Thus, there is potential to move from mere collaboration towards co-operation. Such co-operation could involve NGOs with extensive knowledge of modern slavery risk in the countries in which the business has operations, unions who exist to promote worker rights, intergovernmental organisations like the UN which form a base of extensive resources which can assist business and even competitors. While surprising, collaborating with competitors could provide a useful way for business to minimise the costs and maximise the benefits of modern slavery risk management. To borrow a phrase from the COVID-19 dialogue in the fight against modern slavery, we are after all “all in this together”.

5. Implications for accounting research and conclusion

Consequences for accounting research associated with the impact of COVID-19 on modern slavery relate to the changed labour demand and supply settings within which past and future initiatives will need to be managed.

At the international, regional and national levels, supply pressures from a larger and growing number of unemployed people looking for work suggest that an integrated approach to obtaining accounting information across the full spectrum of working conditions needs to be developed (Figure 3) as economies open up again. Many millions more people can be expected to be driven towards accepting poor working conditions and, in the extreme, modern slavery in the next few years while world economies adjust. Aggregate estimated accounting data about increases in modern slavery is needed at the international level, for countries and regions in a standardised format and research is needed to explore the scenarios and institutions that might develop. Aggregate accounting information will also be needed to reveal the extent of any shift in demand towards modern slavery in new growth industries emerging in the pandemic, such as medical provisions and delivery services. Research providing this information could help change perceptions of the location of potential hot spots modern slavery activities.

The implication is that modern slavery accounting research will need to extend further into the macro levels of data gathering, as a foundation for awareness building, policy development and action by governments. Table A1 lists some indicative problem areas and potential current and future (once empirical data are available) research questions to gain a fuller understanding of the impact of COVID-19 on modern slavery accounting, auditing and accountability.

Equally important is to reconsider the need for accounting data about modern slavery at the organisational level. Research into sustainability management accounting needs to take the opportunity presented by a delay in reporting to consider development of data about number and tiers of suppliers and successful conversion and turnover of suppliers who have

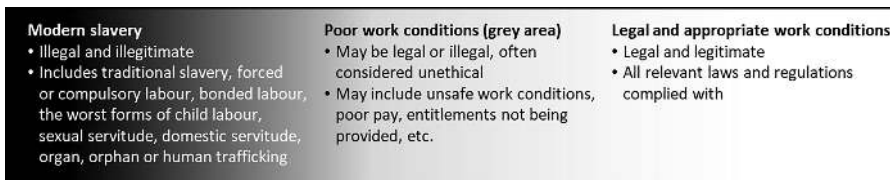


Figure 3. Continuum of work practices

Source(s): Christ *et al.* (2020)

located modern slavery in their supply chains. Such data are an essential prerequisite for managing modern slavery as well as communicating outcomes of corporate policy and action to management, employees and other stakeholders. Provision of accounting data for management of suppliers in a globalised world, where home-sourcing is encouraged by economic and political considerations as borders become less permeable, becomes as important as accounting for profitability and satisfaction of customers. Supplier mix, price and quality decisions should all be reviewed in the light of the scenario adopted by management.

Research into lobbying processes of companies affected by modern slavery audit and reporting requirements to lobby regulators in relation to the future direction of legislation which is set for regular review, and to gain reputational advantages from firewalling future business against the circumstances where modern slavery emerges.

COVID-19, accompanied by a change in attitude by many towards tracking and tracing devices, may provide a beneficial crisis for companies having to address modern slavery reporting in the future through consideration of new systems for data gathering from distant operations (e.g. fisheries, mining). Research can examine the impact of these possible behavioural changes to guard against modern slavery by suppliers, especially in the lower tiers. This may be negotiated in future as part of contracted work arrangements and codes where suppliers operate from high risk countries and in high risk industries. Research is needed into management control systems which can be designed to provide checks on agents in the virtual employment environment at a distance.

The COVID-19 pandemic is without doubt a global catastrophe of unprecedented scale, yet where any good can emerge it should be encouraged. This involves accepting what can and cannot be controlled, having the courage to imagine the world anew and change the things we can.

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Level	Research required	Research questions
Policy	<p>There is a need to understand how international disruptions, such as the COVID-19 pandemic, impact the implementation of legislation and policy in the modern slavery space</p> <p>There is a need to understand how professional accounting associations and bodies have adapted their advice in relation to modern slavery accounting and reporting in light of the pandemic</p>	<p>What is the involvement of government departments and agencies (e.g. the UK's Home Office and the Australian Border Force) that would not normally be associated with corporate reporting?</p> <p>How has government involvement in reporting processes changed in the light of the COVID-19 pandemic?</p> <p>How in a pandemic are potential conflictual processes managed in which governments act both to establish modern slavery reporting regulation as well as being the target of regulation?</p> <p>How have professional accounting associations reacted to modern slavery reporting by business in the light of the COVID-19 pandemic?</p> <p>What changes have been made to specialised skills to address modern slavery of professional accounting association bodies as a result of the pandemic?</p>
Industry	<p>There is a need to understand how different industries have adjusted their approach and recommendations to modern slavery accounting and reporting in light of the pandemic</p>	<p>How might big data be used to assess the inter- and intra-industry effects of the COVID-19 pandemic on accounting, reporting and auditing of modern slavery risks and practices?</p> <p>What is the impact of COVID-19 on the estimation of modern slavery numbers and risks in global supply chains across different industries?</p> <p>What changes in composition of victims of modern slavery are reported in modern slavery statements in relation to the COVID-19 pandemic?</p> <p>How has industry best practice in relation to modern slavery risk management changed as a result of the pandemic effects on employment?</p> <p>How can the lessons learnt about modern slavery accounting and reporting during the COVID-19 pandemic be used to develop resilience in the face of future international and business disruptions?</p>

(continued)

Table A1.
Directions for
contemporary and
future research

Level	Research required	Research questions
Business	There is a need to understand how the change in business conditions resulting from the COVID-19 pandemic has impacted modern slavery risk management and reporting at the level of individual businesses	<p>How have entities in the UK and Australia reacted to the opportunity to extend the period available in which to produce their modern slavery statements considering the pandemic? What reasons are provided? What has been the effect on victims of modern slavery?</p> <p>What temporary and expected permanent changes have there been in business management, accounting, auditing and accountability following the COVID-19 pandemic?</p> <p>How have modern slavery risks in supply chains as reported in modern slavery statements been affected by the COVID-19 pandemic?</p> <p>In what ways have modern slavery auditing processes been affected by the COVID-19 pandemic?</p> <p>How has the pandemic affected management accounting, financial accounting and reporting and sustainability accounting for modern slavery?</p> <p>How has the process of supply chain risk assessment and due diligence changed as a result of the COVID-19 pandemic?</p> <p>To what extent is supply chain due diligence for modern slavery possible when international travel is restricted?</p> <p>To what extent has the COVID-19 pandemic affected the willingness of business organisations to collaborate with other organisations with regard to their modern slavery risk management and reporting approach?</p>

Table A1.

(continued)

Table A1.

Level	Research required	Research questions
Stakeholders and Society	COVID-19 might lead to a reassessment of the relative importance of modern slavery by different stakeholders. Also, additional views of stakeholders and their networks might be sought in the pause in modern slavery statement reporting	<p>How has the COVID-19 pandemic affected stakeholder expectations of business with regard to modern slavery accounting and reporting?</p> <p>How have resources for modern slavery risk management control, auditing and accountability changed in the light of the COVID-19 pandemic? What are the short and long run reasons for any changes?</p> <p>How has the pandemic affected perceptions of the relative importance of different stakeholders (e.g. workers) in modern slavery accounting, auditing and accountability?</p> <p>What is the overall effect of the pandemic on accounting, auditing and accountability for modern slavery risk, including modern slavery statements?</p> <p>What is the effect of the pandemic on business development of knowledge of modern slavery in suppliers and supply chains?</p> <p>How has the COVID-19 pandemic impacted remediation activities and outcomes for victims of modern slavery saved from activities related to corporate supply chains?</p>

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