

Profits and poverty: The Economics of Forced Labor

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Introduction:

The report by the International Labour Organization explores the economic aspects of forced labor, with a particular emphasis on the relationship between profits and poverty. It focuses on the illegal profits generated by different types of forced labor and recruitment practices, particularly concerning international migrants. The report highlights the ubiquitous nature of forced labor-whose overarching presence in all sectors of the private economy, implies that more and more people take part in illicit activities.

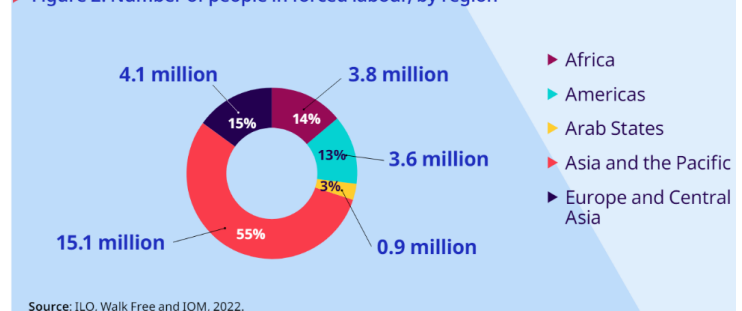
Methodology:

The analysis used the most recent worldwide estimates of forced labor, household-specific standardized survey datasets, and value-added data from several sectors. Wages and recruiting fees for forced laborers were approximated using surveys conducted by the Global Knowledge Partnership on Migration and Development. The technique incorporated advances in assessing profit components such as value contributed, labor income share, wages of those in forced labor, and foreign migrants' recruiting fees.

Key Findings:

- Total illegal profits from forced labor have significantly increased over the past decade due to a rise in the number of individuals in forced labor and higher profit levels per victim. The sector is estimated at US\$236 billion annually, which amounts to US\$10,000 profit per victim.
- Illegal earnings vary significantly by area. In Asia and the Pacific, where earnings per victim are generally modest, overall unlawful profits are mostly determined by the region's vast population of victims. In Europe, Central Asia, and the Americas, where the number of victims is fewer than in Asia and the Pacific, per-victim profit is a significant factor in overall unlawful income. In comparison to other locations, Africa has fewer total victims and a lower profit per victim.
- The majority of overall illicit gains come from forced commercial sexual exploitation. The large profits per victim of forced commercial sexual exploitation are due to the victims' low share of earnings, which disproportionately affect women and girls. In some

► Figure 2. Number of people in forced labour, by region



recorded situations, victims are refused reimbursement because they must repay a debt to their trafficker that was allegedly incurred as a result of being trafficked.

- The study highlights the widespread charging of recruitment fees across countries and sectors. This source generated US\$5.6 billion in annual illegal profits or 15 percent of total annual illegal profits from international migrants in forced labour.

Policy Recommendations

1. **Strengthening legal frameworks:** Enhance and enforce laws that criminalize forced labor and ensure that perpetrators are held accountable for their actions.
2. **Improving labor inspection and enforcement mechanisms:** Increase resources for labor inspections to detect and prevent forced labor practices in various sectors. Regulate recruitment agencies to prevent exploitative practices, such as charging excessive fees to workers.
3. **Augmenting victim support and access to justice:** Provide comprehensive support services for victims of forced labor, including access to legal assistance, counseling, and rehabilitation programs.
4. **Enhancing international cooperation and Raising Awareness:** Collaborate with other countries and international organizations to combat forced labor, share best practices, and coordinate efforts to address cross-border forced labor issues. Conduct awareness campaigns to educate the public, businesses, and government officials about the risks and consequences of forced labor, and provide training programs to build capacity for combating forced labor.
5. **Addressing root causes:** Tackle the underlying factors that contribute to forced labor, such as poverty, inequality, lack of decent work opportunities, and weak social protection systems.

Conclusion

Profits from the workers' underpayment amount to more than \$236 billion. The report speculates that illegal recruiting techniques against forced labor victims results in additional significant profits, according to the estimates from the study. Despite advances in methodology and data quality, quantifying earnings from forced labor remains difficult due to the covert and illegal nature of such operations. Through the aforesaid measures, governments, corporations, and civil society groups can come together to limit its economic effect, eliminate forced labor, and safeguard the rights and well-being of those who are vulnerable.

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