



# Human Trafficking, Modern Day Slavery, and Economic Exploitation

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# HUMAN TRAFFICKING, MODERN DAY SLAVERY, AND ECONOMIC EXPLOITATION

*A Discussion on Definitions, Prevalence, Relevance for Development,  
and Roles for the World Bank in the Fight Against Human Trafficking*

Johannes Koettl\*

**ABSTRACT:** Human trafficking, as it is defined by international law, subsumes all forms of nonconsensual exploitation. That is, whenever people are forced or lured into exploitation – no matter if movement of victims is involved – it is considered human trafficking. There is, though, a large overlap with consensual exploitation, namely when economic vulnerabilities force victims to accept exploitative work arrangements. Consensual exploitation is mostly addressed through social and labor law, which is also an area where the World Bank has ample experience, while nonconsensual exploitation is mainly addressed through criminal law. Both types of exploitation have adverse effects on equity and efficiency and are therefore obstacles to development. The World Bank could consider strengthening its efforts on nonconsensual exploitation, in particular in the area of access to justice for the poor and empowering vulnerable groups to demand justice and good governance. In addition, there is a need to enhance the knowledge on prevalence, causes, and consequences of nonconsensual exploitation. In doing so, the World Bank should seek partnerships to complement existing initiatives and expertise, but should also consider providing leadership in the fight against exploitation and human trafficking.

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The findings, interpretations, and conclusions expressed herein are mine and do not necessarily reflect the views of the World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank, or the governments they represent.



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## EXECUTIVE SUMMARY

The objective of the paper is to discuss the definition of human trafficking, calibrate its magnitude, argue about its relevance for development, and speculate about potential roles for the World Bank in the fight against human trafficking. The paper finds that human trafficking, as it is defined by international law, subsumes all forms of nonconsensual exploitation. That is, whenever people are forced or lured into exploitation – no matter if movement of victims is involved – it is considered human trafficking.

Data availability on nonconsensual exploitation is limited, yet at a minimum 12.5 million people can be assumed to be subject to nonconsensual exploitation annually. Of these, at a minimum 2.5 million are trafficked across international borders. There is, though, a large overlap with consensual exploitation, namely when economic vulnerabilities force victims to accept exploitative work arrangements. Consensual exploitation is mostly addressed through social and labor law, which is also an area where the World Bank has ample experience, while nonconsensual exploitation is mainly addressed through criminal justice law.

Both types of exploitation have adverse effects on equity and efficiency and are therefore obstacles to development. In the future, the World Bank might consider strengthening its efforts on nonconsensual exploitation, in particular in the area of access to justice for the poor and empowering vulnerable groups to demand justice and good governance. With regard to transnational human trafficking, regulating the labor market for migrants – that is, regulating middlemen and recruitment agencies – and pre-departure training for migrants might be important new areas of engagement for the World Bank. In addition, there is a need to enhance the knowledge on prevalence, causes, and consequences of nonconsensual exploitation. The World Bank could lead efforts to improve data and research on exploitation and evaluate projects that address nonconsensual exploitation. In doing so, the World Bank should seek partnerships to complement existing initiatives and expertise, but should also consider providing leadership in the fight against exploitation and human trafficking. It could do so through active and visible advocacy and by leveraging the privileged access it enjoys with world leaders in both its client and donor countries.



# 1 Introduction

Nobody knows the true numbers, but even conservative estimates suggest that at least 2.5 million children, women, and men are lured or forced across international borders every year – and many more are trafficked within their home countries – and put to work against their will, often under deplorable and unsafe conditions, held captive by physical, psychological, or financial threats.

This paper was conceived as an examination of how the World Bank might contribute to the fight against this modern form of slavery. What emerged from this examination, however, is the clear recognition that human trafficking is but one cruel face of the much larger problem of *exploitation*. While transnational human trafficking receives the bulk of attention from civil society, when exploitation is considered more broadly – to include child labor, forced labor, bonded labor, forced prostitution, and so forth – it becomes clear that exploitation impacts far more people than just the victims of trafficking. The International Labour Organization (ILO) estimates, for example, that at least 12.3 million people are subject to forced labor.<sup>1</sup>

Human trafficking, as it is defined by international law, subsumes all forms of nonconsensual exploitation. That is, whenever people are forced or lured into exploitation – no matter if movement of victims is involved – it is considered human trafficking. Since nonconsensual exploitation is usually illegal, fighting nonconsensual exploitation falls mostly in the arena of criminal justice. There is, however, a large overlap with consensual exploitation, namely when economic vulnerabilities force victims to accept exploitative work arrangements. Consensual exploitation is mostly addressed through social and labor law, which is also an area where the World Bank has ample experience. Both types of exploitation have adverse effects on equity and efficiency and are therefore obstacles to development. In the future, the World Bank might consider strengthening its efforts on nonconsensual exploitation, in particular in the area of access to justice for the poor and protection for migrants. In addition, there is a need to improve data, research, and project evaluation on nonconsensual exploitation. In doing so, the World Bank should seek partnerships to complement existing initiatives and expertise, but should also consider providing leadership in the fight against exploitation and human trafficking. It could do so through active and visible advocacy and by leveraging the privileged access it enjoys with world leaders in both its client and donor countries.

The remainder of this concept note is divided into five sections. **Section 2** establishes a common vocabulary. What is actually meant by human trafficking? How does it relate to the broader issue of exploitation? **Section 3** provides a summary of the data that is available on exploitation and human trafficking. In doing so, this section is intended to calibrate the magnitude of the problem – and to illuminate the need for better data. **Section 4** discusses how exploitation and human trafficking adversely affect economic development and explores what roles the World Bank could possibly play in the fight against exploitation and human trafficking. **Section 5** summarizes the key messages and examines what the World Bank might do next in the fight against exploitation.

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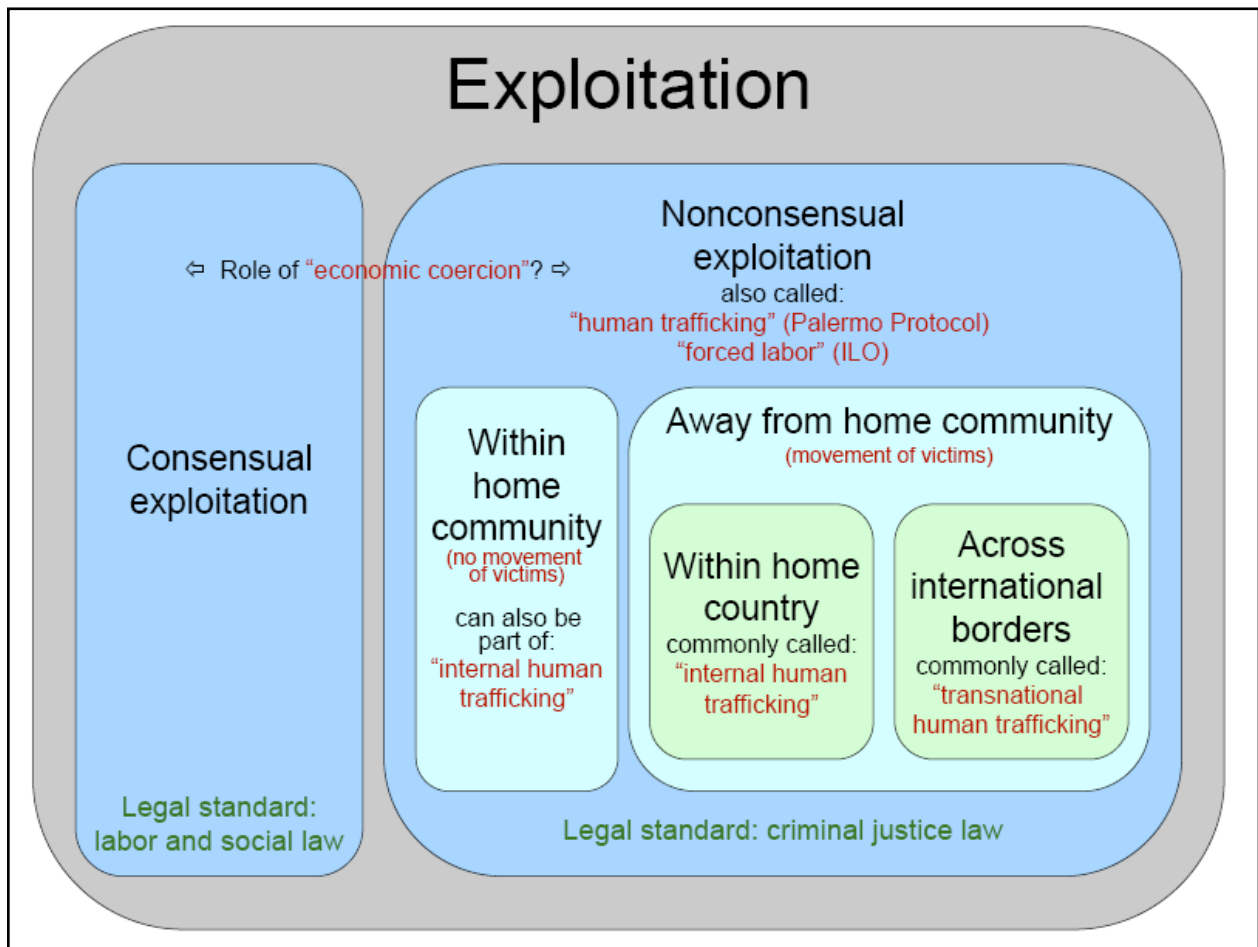
<sup>1</sup> See ILO (2005).



## 2 A Framework for Discussing the Problem

The fight against human trafficking has been hampered by the lack of a common vocabulary and framework for discussing the problem. In this paper, the term exploitation is used as the overarching theme that subsumes all forms of human trafficking, slavery, forced labor, bonded labor, child labor, forced prostitution, economic exploitation, and so on. Conceptually, exploitation can take two different forms, nonconsensual and consensual. Nonconsensual forms of exploitation involve an element of coercion, fraud, or deception, whereas consensual exploitation typically results from a lack of other economic opportunities and leads to the unfair treatment of the exploited.

**Figure 1: Terminology and conceptual relations of exploitation, human trafficking, and forced labor**



This paper uses the term human trafficking as it is defined by international law, namely as any form of nonconsensual exploitation, independent of where it takes place – in the victim’s home community, home country, or outside of it. This definition of human trafficking is different from the public perception of human trafficking, which is related to transnational movement of victims. Even governments and international organization sometimes use the term differently. A good example is the ILO, which uses the term “forced labor” for nonconsensual

exploitation/human trafficking. Adding to the confusion about terminology is the fact that in practice it is often hard to distinguish between nonconsensual and consensual exploitation. In the latter case, economic necessity and a lack of viable alternative income opportunities might “coerce” victims into accepting exploitative work arrangements. Also, economic theory does not distinguish between consensual and nonconsensual exploitation. Legal standards have to be applied to make this distinction, with nonconsensual exploitation being a matter of criminal justice law, while consensual exploitation is by and large a matter of labor and social law.

Figure 1 above illustrates the diverse terminology and conceptual relations of exploitation, human trafficking, and forced labor, and the following subsections elaborate.

## 2.1 Human Trafficking Defined

Unfortunately, even among governments and international organizations, there is no consistent use of the term *human trafficking* and no consensus on what the term comprises or how it relates to issues of forced labor, slavery, and exploitation. Many people associate human trafficking with forced prostitution in industrialized countries, and, in fact, the term was first used publicly in the early 1990s in media coverage on the prostitution of women from Eastern Europe in Western Europe. Simultaneously, cases of sex tourism and trafficked child prostitutes in South East Asia also became more visible. As civil society organizations took note and launched their own investigations, cases of migrant exploitation emerged in sectors other than the sex industry, such as agriculture, horticulture, manufacturing, and construction.

As governments struggled to address the issue of human trafficking, the meaning of the term migrated from specifically transnational sexual exploitation to exploitation in a much more general sense. Advocacy groups, religious groups, and other civil society organizations contributed to the discussion on human trafficking and broadened its definition to include other forms of exploitation such as slavery, forced labor, bonded labor, child labor, and so on. The definition was further expanded once it became clear that there was no reason to exclude forms of exploitation that do not involve movements across international borders. It has now been generally accepted that at the core of human trafficking is the exploitation of people. Accordingly, when national governments came together in Palermo in December of 2000 to address the issue of human trafficking, they adopted a comprehensive definition of the term. The United Nations Protocol to Prevent, Suppress, and Punish Trafficking in Persons (the Palermo Protocol) defines human trafficking as:

*“[...] the recruitment, transportation, transfer, harboring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labor or services, slavery or practices similar to slavery, servitude or the removal of organs.”<sup>2</sup>*

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<sup>2</sup> See United Nations Convention against Transnational Organized Crime (2001).

Put simply, international law states that human trafficking is the process of coercing or luring human beings into exploitation – in other words, it is the business of exploitation. Because human trafficking includes – but is not limited to – the movement of people for the sake of exploitation, human trafficking as defined by international law is the umbrella term for all forms of coerced or surreptitious – in other words, *nonconsensual* – exploitation, most notably slavery and forced labor.

Although this definition is widely accepted by many governments, international organizations, and civil society organizations, human trafficking is still associated with transportation of people across international borders and confusion about the meaning of the term persists. For example, the U.S. government understands human trafficking as the larger issue in its annual *Trafficking in Persons* report, in which forced labor and transnational human trafficking are characterized as subsets of human trafficking overall.<sup>3</sup> The U.S. government's use of the term is therefore consistent with the definition in international law. Conversely, the ILO, for example, views forced labor and slavery as the larger issue, with human trafficking as a smaller and purely transnational subset of forced labor. The ILO's use of the term is therefore less in line with the international definition and views human trafficking as exploitation that involves movement of victims. More importantly, though, the public perception seems also be in line with the ILO's view.

## 2.2 Exploitation Defined

How can these differing terminologies be reconciled? While it is clear that human trafficking, forced labor, and slavery all refer generally to forms of exploitation, nuances place varying emphasis on the environment in which it occurs. That environment can be more clearly characterized by four dimensions:

**Who are the exploiters?** While most exploitation is perpetrated by private agents, some forms of exploitation are state-enforced, such as prison work or forced military service.

**What do exploiters gain?** Most exploitation seems to involve exploiting labor or prostitution. Other forms include the removal of a victim's organs, forced marriages, psychological exploitation and abuse, and the abduction and adoption of children.

**Is the movement of persons involved?** Victims can be exploited within their own communities or trafficked to other regions within their own country, across borders to neighboring countries, or around the globe to countries where they cannot even speak the native language.

**To what degree is the exploitation consensual?** While many forms of exploitation involve coercion and deception, others do not, such as entering into prostitution for lack of other economic opportunities to provide care for a child or family member. Threats to coerce victims into exploitation can take a variety of forms, including “hard” threats against the lives, safety, or property of the victims or their families. Victims can also be lured into exploitation (surreptitious exploitation) by providing misleading information or by misinforming victims about their rights

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<sup>3</sup> See U.S. Department of State (2001-2007).

and privileges in order to keep them in a perpetual position of dependency. Such cases clearly lead to nonconsensual exploitation, but there can also be “softer” threats, such as the non-payment of wages or other financial inducements, threats of dismissal, imprisonment, and exclusion from current or future employment or from social activities. Softer threats can also include the denial of rights and privileges or denunciation to authorities, religious leaders, family members, or village elders. The lack of economic opportunity may make victims more likely to accept these softer threats as consensual exploitation, which is discussed further in the next subsection.

As should be clear from this discussion, there are many forms of exploitation – spanning everything from prostitution (of all forms) to child labor, slavery, indentured servitude, bonded labor (whereby workers are forced to work to pay off loans, often at interest rates which accrue faster than can be repaid), truck systems (where workers are paid in goods and services, rather than currency), forced labor, removal of organs for sale, forced marriages, and child abduction and adoption – and many mechanisms by which victims are coerced. The list could be extended almost indefinitely.

### 2.2.1 *Nonconsensual Versus Consensual Exploitation and the Role of Monopsonistic Labor Markets*

Conceptually, exploitation can take two different forms, nonconsensual and consensual.<sup>4</sup> Nonconsensual forms of exploitation involve an element of coercion, fraud, or deception, whereas consensual exploitation typically results from a lack of other economic opportunities and leads to the unfair treatment of the exploited.

In many cases, the cruelest forms of exploitation – slavery, forced labor, child labor, and forced prostitution – are nonconsensual where the victims are forced to work in deplorable and unsafe conditions or engage in sexual acts entirely against their will.<sup>5</sup> In legal terminology, nonconsensual exploitation requires *wicked consent*. Under contract law, wicked consent invalidates any contract, and various situations are recognized where consent is wicked, most notably in instances of coercion, deception or fraud.<sup>6</sup> Because these instances are, by and large, all punishable under criminal justice law, cases of human trafficking or nonconsensual exploitation fall under the area of criminal prosecution.

Not all exploitation is nonconsensual, however. Some victims of exploitation allow themselves to be exploited because they have no other viable options. In such cases, victims are not coerced by physical threats, fraud, or deception, but rather by a form of “economic coercion”. Victims are economically vulnerable, and without viable alternatives for earning a living become financially dependent on their exploiter. This can be the case in communities which rely on wages from only one – or perhaps very few – employers in poorly diversified regions. A similar phenomenon can sometimes be observed in socially isolated (or excluded) communities – such as ethnic minorities, inferior castes, indigenous groups, and the descendents of former slaves – where members may be unaware of the opportunities available and fall victim to economic

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<sup>4</sup> For a more in-depth discussion on consensual and nonconsensual exploitation, see Wertheimer (2005).

<sup>5</sup> *Nonconsensual exploitation* is essentially equivalent to the Palermo Protocol definition of human trafficking.

<sup>6</sup> See Perez Solla (Forthcoming).

exploitation. The consequences of consensual exploitation are low wages, long working hours, or inadequate benefits. This results from asymmetrical contracts in which most of the bargaining power is held by the employer (because the employee has no other choices).

In economic theory, these forms of consensual exploitation are best described by monopsonistic labor markets.<sup>7</sup> Monopsonistic labor markets occur when employers face an inelastic labor supply and, as a consequence, enjoy superior bargaining power vis-à-vis workers.<sup>8</sup> Theoretically, in a perfectly competitive labor market, the employer is a price taker on wages, so that the employer's decision to hire or not to hire workers has no effect on wages. If employers enjoy monopsony power, though, they can afford to take into account how the wage of the marginal worker – the “last” worker the employer hires – affects the wages paid to all other workers. The employer can do this because workers cannot easily find or accept job opportunities with alternative employers who offer higher wages. This can be due to a variety of reasons: because there simply are no alternative employers in the region; because employers collude on wage setting; because workers are not geographically mobile; because workers lack the skills to switch to other employers, industries, or segments of the labor market; because cultural, ethnical, or social stigma locks them out of other labor market segments; because workers have no access to job search facilities; and so on.

As with all market imperfections, monopsonistic labor markets lead to welfare losses for society – so-called “dead-weight losses” – and inefficient, sub-optimal labor market outcomes. In monopsonistic labor markets, wages are below the marginal value product of labor and marginal productivity of labor and total employment is below the socially optimal level. In other words, wages are too low and labor is under-utilized in production when compared to the social optimum.<sup>9</sup> This inefficiency is due to the difference between the marginal value product of labor – what the employer receives in additional revenues from hiring the “last”, marginal worker – and wages paid to workers. In a perfectly competitive labor market, this difference is zero, but in monopsonistic labor markets, the difference is strictly positive and goes to the employer as profit. Therefore, monopsonistic labor markets not only lead to inefficient outcomes, but – assuming that low-wage earners are the main victims of monopsonistic labor markets – also adversely affect equity. The extent of the employer's profit in relation to wages is used as a measure for the degree of monopsony power of employers and is sometimes also referred to as the “rate of exploitation.”<sup>10</sup>

It seems then that consensual, economic exploitation is due to monopsonistic labor markets while nonconsensual exploitation is due to coercion, deception, and fraud. In practice, though, the difference between the two might be difficult to assess. Economic theory itself just speaks of exploitation and cannot distinguish between consensual and nonconsensual exploitation – these are legal standards that cannot be captured by economic theory. Yet, also in practice the

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<sup>7</sup> A pure monopsony refers to a market with many sellers (workers), but only one buyer (employer).

<sup>8</sup> This definition is rooted in the seminal work by Pigou (1920) and Robinson (1933).

<sup>9</sup> This result assumes that lower wages lead to lower labor supply. That is, fewer workers are willing to supply labor at lower wages. This excludes the possibility of backward-bending labor supply curves. In the presence of large income effects – when workers have to increase labor supply at lower wage levels in order to generate sufficient income for subsistence consumption – this result might not be true.

<sup>10</sup> For a more formal discussion of monopsonistic labor markets and how to derive a measurement for the degree of monopsony power, see Boeri and van Ours (2008).

distinction is difficult: Can one speak of coercion when a threat to be laid off is used by employers to force workers to work overtime, to work for low wages, to work without benefits, to prevent them from organizing themselves? Or is it consensual exploitation, or maybe no exploitation at all?

Even the Palermo Protocol does not offer a clear legal standard that would allow separating consensual from nonconsensual exploitation. Its definition of human trafficking includes “the abuse of power or the position of vulnerability” as a means of coercion. Taken literally, this means that whenever an employer exploits the economic vulnerability of workers, it could be interpreted as nonconsensual exploitation, making it difficult to draw a clear line between nonconsensual and consensual exploitation.

Hence, only from a superficial point of view it seems straightforward to distinguish nonconsensual from consensual exploitation: nonconsensual exploitation involves a threat, fraud, or deception, all of which are illegal and can be prosecuted through the criminal justice system. Consensual exploitation, on other hand, leads to unfair outcomes as a result of monopsony power of employers. It could be addressed by creating fairness standards – such as core labor standards – or by providing a voice for (and facilitating the social inclusion of) its victims. In reality, however, it must be admitted that the distinction is less clear, and the two forms of exploitation are often inseparable.

Nevertheless, labor and social law can provide standards that could allow passing judgment on what constitutes “unfair” and hence define what constitutes consensual exploitation. Such judgments are not straightforward and what is perceived as unfair in one community may be viewed differently in another. International organizations such as the World Bank are in a difficult position to pass judgment on issues of fairness; indeed, the World Bank’s Articles of Agreement require it to refrain from political interference in its client countries. Nevertheless, international organization can rely on commonly agreed upon standards – as defined by international law – when pursuing a rights-based approach to fighting forms of consensual and nonconsensual exploitation.<sup>11</sup>

To summarize, it seems useful to see exploitation as the larger issue, to distinguish between nonconsensual and consensual exploitation, bearing in mind that international law defines human trafficking as any form of nonconsensual exploitation and that the distinction between consensual and nonconsensual exploitation might not be straightforward and requires a legal standard. By and large, this legal standard could define human trafficking and nonconsensual exploitation as exploitation that is prosecutable under criminal justice law, while consensual exploitation is prosecutable under labor and social law. There are many different forms of exploitation, and there is no common terminology to describe these. This paper will use the terminology as it is defined in international law and depicted in Figure 1. The terms human trafficking and nonconsensual exploitation are used synonymously, and the term transnational human trafficking for any form of human trafficking that involves the crossing of international borders.

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<sup>11</sup> Sources for such standards could be the U.N. Human Rights Convention, the Palermo Protocol, the ILO Conventions, and others. For a legal analysis, see also Perez Solla (Forthcoming).

Having defined a vocabulary and common framework for discussing the problem, the next question is what is known about the prevalence of human trafficking and exploitation.

### 3 The Scale of the Problem

The availability of data on exploitation is limited and therefore research on exploitation is challenging. Nevertheless, some promising initiatives have considerably improved the data available to assess the extent of human trafficking. Most notably, the ILO undertook a comprehensive data initiative on global forced labor and transnational human trafficking for its 2005 forced labor report.<sup>12</sup> In addition, the International Organization for Migration (IOM) and the United Nations Office on Drugs and Crime (UNODC) maintain databases on transnational and internal human trafficking, either based on administrative data (victim assistance provided by IOM and others) or open source publications (UNODC). Finally, there are various national and regional initiatives to collect data on human trafficking, but the differing methodologies make it difficult to analyze the data.<sup>13</sup>

Despite the scarcity of data and scattered initiatives to improve data collection, some stylized facts on the incidence of exploitation at both the global and regional levels can be established.

#### 3.1 ILO Estimates on Nonconsensual Exploitation

The International Labour Organization (ILO) so far has conducted the most comprehensive data collection and estimation of victims of nonconsensual exploitation in its report on *A Global Alliance against Forced Labour*.<sup>14</sup> The ILO report derived minimum estimates of victims of forced labor, using a double sampling method based on publications and reports between 1995 and 2004. This method is merely a first, incomplete step toward a sound methodology to measure exploitation, but it represents the best effort so far and also allows for disaggregation by region, gender, age, and type of exploitation (in particular transnational human trafficking).<sup>15</sup> The report also estimates the annual profits made by traffickers worldwide.

##### *3.1.1 Incidence and Categories of Activity*

The ILO estimates that at any point in time, *at least* 12.3 million people are victims of nonconsensual exploitation (“forced labor” in ILO terminology), including child labor, bonded labor, sexual servitude, and transnational human trafficking. Bonded labor, in particular in South Asia, is the most important form of forced labor. The Asia and Pacific region combined account for at least 9.5 million (77% of total) victims of forced labor, followed by Latin America and the Caribbean with at least 1.3 million (11%) victims (see Table 1).

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<sup>12</sup> See ILO (2005).

<sup>13</sup> For a detailed overview of current research and data availability on human trafficking, see Laczko and Gozdzik (2005).

<sup>14</sup> See ILO (2005).

<sup>15</sup> Individual scholars from academia and civil society organizations have also put forward various global estimates on the number of victims of exploitation and human trafficking. The most prominent estimate was published by Bales (1999), who estimated there were 27 million slaves worldwide.

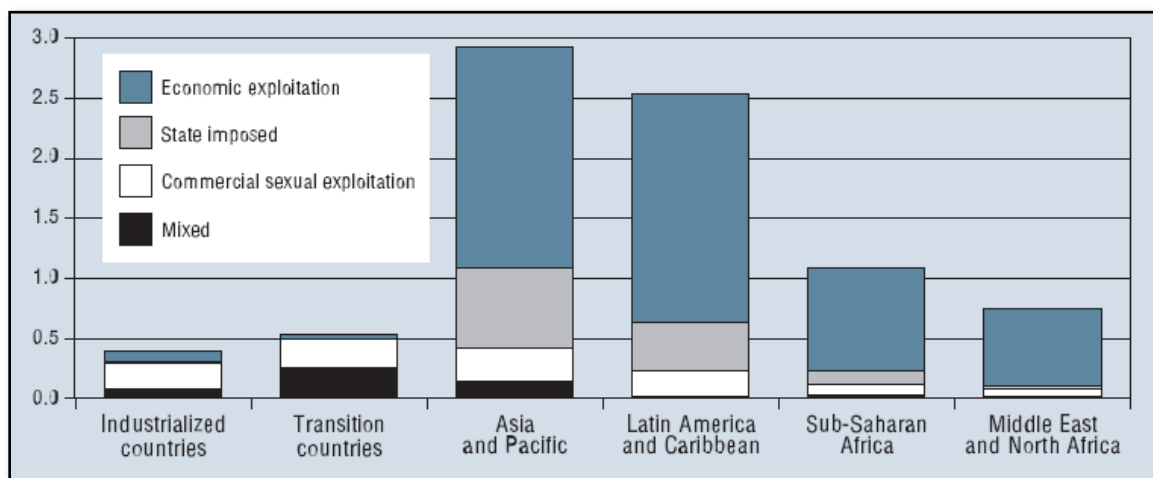
Even when correcting for total population, the Asia and Pacific region leads with almost 3 victims per 1,000 inhabitants, followed by Latin America and the Caribbean (2.5 victims per 1,000 inhabitants) and sub-Saharan Africa (1 victim per 1,000 inhabitants, see Figure 2).

**Table 1: ILO Estimates on Minimum Number of Victims of Forced Labor by Region**

	<b>Number of people in forced labor</b>	<b>Percentage of total</b>
Asia and Pacific	9,490,000	77.2%
Latin America and Caribbean	1,320,000	10.7%
Sub-Saharan Africa	660,000	5.4%
Industrialized countries	360,000	2.9%
Middle East and North Africa	260,000	2.1%
Eastern Europe and Central Asia	210,000	1.7%
<b>World</b>	<b>12,300,000</b>	<b>100.0%</b>

*Source: ILO (2005).*

**Figure 2: ILO Estimates on Minimum Incidence of Forced Labor per 1,000 Inhabitants (1995-2004)**



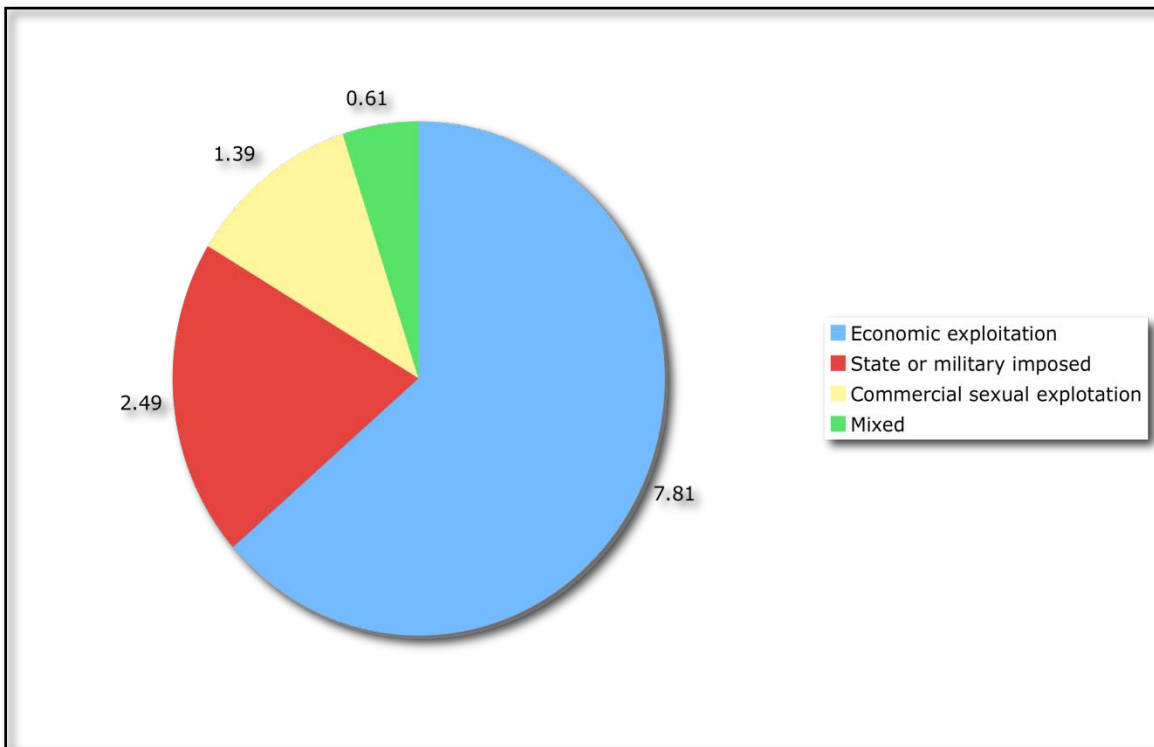
*Source: ILO (2005).*

Overall, forced labor victims are mainly exploited by private agents (9.8 million), and not by the state or the military (2.5 million). The majority of victims are exploited for economic reasons (7.8 million) and commercial prostitution (1.4 million, see Figure 3). Women and girls are the main targets of economic exploitation, representing 56% of victims of economic exploitation. With regard to commercial sexual exploitation, women and girls are the main victims (98%).<sup>16</sup>

<sup>16</sup> See ILO (2005).



**Figure 3: ILO Estimates on Forced Labor by Form (Millions)**



Source: ILO (2005).

### 3.1.2 Regional Assessments according to ILO

**Industrialized Countries:** Industrialized countries have at least 360,000 victims of forced labor. The large majority of them are victims of nonconsensual sexual exploitation (55%), although almost a quarter are subject to nonconsensual economic exploitation, in particular in labor extensive sectors like agriculture, garments, construction, packaging, and food processing. Three quarters of forced labor victims in industrialized countries have been trafficked across international borders (see Table 2). Denunciation to immigration authorities and removal of identity documents are widely used as threats to keep human trafficking victims in exploitative work arrangements. Restrictive immigration laws that make migrant workers' visas dependent on a single employer also favor exploitation. The U.S. H-2B visa has reportedly been abused to traffic semi-skilled workers into the United States.<sup>17</sup>

**Eastern Europe and Central Asia:** The transition countries of Eastern Europe and Central Asia have about 210,000 victims of forced labor. The region stands out in two ways: first, almost all victims have been trafficked across international borders (200,000, see Table 2); second, 46% of victims are exclusively subject to nonconsensual sexual exploitation.<sup>18</sup> In addition, there are

<sup>17</sup> See Beyerstein and Alexandrovna (2007) and U.S. Equal Employment Opportunity Commission (EEOC, 2006).

<sup>18</sup> See ILO (2005).

reports on significant numbers of minors being trafficked into Western Europe.<sup>19</sup> Not surprisingly, the research on nonconsensual exploitation in Eastern Europe and Central Asia has been focusing on (transnational) human trafficking. Clert et al. (2005) assess that Moldova, Albania, Romania, and Bulgaria are the main source countries of transnational human trafficking from Eastern Europe, with Western European countries, the U.S., Canada, Israel, Turkey and countries in the Middle East as the main receiving countries.<sup>20</sup> No Eastern European or Central Asian Countries have been placed in Tier 3 by the U.S. State Department, but Armenia, Kazakhstan, Moldova, Russia, and Ukraine have been placed on the Tier 2 Watch List.<sup>21</sup>

**East Asia and the Pacific:** Unfortunately the ILO report does not distinguish between the South Asia region and the East Asia and Pacific region. As already mentioned, the two regions combined host by far the largest numbers of victims of forced labor (9.5 million).<sup>22</sup> It seems safe to assume that most of this nonconsensual exploitation happens in South Asia (see below). Nonconsensual exploitation in East Asia and the Pacific seems to be concentrated on state-imposed exploitation in a limited number of countries (such as Myanmar). In addition, internal and transnational human trafficking of women and children, as well as forced prostitution, for the sex industry in Thailand seems to be a major source of nonconsensual exploitation in East Asia. There are also reports of nonconsensual exploitation of Burmese and Cambodian fisherman in the fishing industry and of foreign workers in the Thai shrimp export industry. The U.S. State Department placed Myanmar and Malaysia in Tier 3 (no compliance with minimum standards and no significant efforts to reach minimum standards) in its 2007 TIP report.<sup>23</sup>

**South Asia:** The South Asia region has by far the largest number of victims of nonconsensual exploitation. As already mentioned, the ILO estimates on forced labor do not distinguish between the South Asia region and the East Asia and Pacific region, but it seems safe to assume that the majority of the estimated 9.5 million victims of forced labor are in South Asia. This means that for South Asia, the estimated number of 3 forced labor victims per 1,000 inhabitants for Asia and Pacific (see Figure 2) could be significantly higher, especially when also including the number of victims from South Asia who work in the Middle East. Forced labor in South Asia takes place in agriculture, mining, brick making, fish processing, gem cutting, and carpet weaving. Labor contracts with substantial advances and high interest rates create indebtedness towards the employer or landlord, who then assumes control over the labor of the indebted family. Truck systems, over-charging for food and accommodation, underpayment of labor, and low financial and numerical literacy of victims sustain the dependency of victims on the exploiter.

**Middle East and North Africa:** The Middle East and North Africa region is a major destination and transit area for nonconsensual exploitation. The ILO estimates that at least 260,000 people are victims of forced labor in the region. The majority (88%) are victims of private-imposed

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<sup>19</sup> Reportedly, at least 1,200 Albanian minors have been trafficked to Italy and Greece for forced begging and labor. See Regional Clearing Point (RCP, 2003).

<sup>20</sup> More of their findings will be presented below in the subsection on human trafficking.

<sup>21</sup> Tier 2 Watch List are countries that do not fully comply with minimum standards, but are making significant efforts and either have a significant number of victims, or have failed to provide evidence for significant efforts, or have committed themselves to significant efforts. See U.S. State Department (2007).

<sup>22</sup> See ILO (2005).

<sup>23</sup> See U.S. Department of State (2007).

economic exploitation and nonconsensual sexual exploitation (10%). The large number of transnational trafficking victims (at least 230,000 or 89% of the total, see Table 2) suggests that the majority of nonconsensual exploitation takes place among the many migrant workers – in particular domestic workers from South Asia – that live in the region. There is also anecdotal evidence of nonconsensual exploitation among migrant workers in the export zones of the apparel industry and in the booming construction industry. The region also serves as a transit zone to Europe.

**Sub-Saharan Africa:** In sub-Saharan Africa, the ILO estimates that there are at least 660,000 victims of forced labor. Most of the exploitation takes place in the form of nonconsensual economic exploitation (80%), followed by state-imposed exploitation (11%) and nonconsensual sexual exploitation (8%). Throughout the continent, there is a high incidence of child labor, driven by high rates of extreme poverty and civil conflicts. Weak rule of law in Africa has facilitated the abduction and forced recruitment of labor, particularly children. According to the ILO, Africa also has 120,000 child soldiers. The plight of children working under terrible conditions in the cocoa industry of West Africa has been widely publicized, but there are many others working on farms, on fishing vessels, or as domestic workers. Africa is also challenged by the residual practice of slavery and exploitation of descendants of slaves. Many of these descendants experience considerable discrimination. Tradition, kinship relations, and religion may prevent these victims of forced labor from seeking to change their status, as they accept their exploitation as a cultural norm.

**Latin America and the Caribbean:** The Latin America and Caribbean region has at least 1.3 million victims of forced labor according to the ILO. The majority (75%) are victims of private-imposed economic exploitation, but there is also a relatively large share of state-imposed forced labor (16%). Debt bondage of indigenous people who are lured into exploitative work arrangements are one major concern in the Latin America and Caribbean region. The other main issue is the impact of restrictive immigration laws in industrialized countries, which creates opportunities for recruiters and traffickers in the region.

## 3.2 Transnational Human Trafficking

Having discussed some stylized facts on nonconsensual exploitation by region, this section concludes by considering the available data on transnational human trafficking – that is, nonconsensual exploitation of people outside their country of origin. As already mentioned, transnational human trafficking attracts considerable attention by governments, international organizations, and civil society, and not surprisingly, data availability and research on human trafficking is slightly better than on exploitation in general.

### 3.2.1 Sources of Data

The International Organization for Migration (IOM) maintains the *Counter-Trafficking Module* (CTM) database which collects data on internal and transnational human trafficking victims who receive assistance from IOM. The collected information includes the country of origin, age, travel routes, and sometimes nationality and methods used by traffickers. By the end of May 2006, the database contained 9,376 registered cases, 34% of which were cases of internal trafficking, and 66% of cases of transnational trafficking. The database includes women and men

(respectively 82 and 18%) and encompasses all age groups (with 16% below the age of 18). The registered victims of trafficking in the database concern 77 different nationalities traveling to 99 destination countries.

The United Nations Office on Drugs and Crime (UNODC) collected and coded data on internal and transnational human trafficking cases as reported by 113 selected source institutions in the period from 1996 to 2003. The report, published in 2006, analyzes this data collected from government statistics, reports of international organizations and NGOs, academic research, and media reports on over 5,000 episodes of trafficking.<sup>24</sup> The report contains detailed information on 161 countries, including information on persons trafficked from, through, to, and within a country; trafficking routes; trafficking for sexual exploitation versus forced labor; and the nationality, sex, and age of victims and offenders. However, since the data is mainly administrative, and no efforts have been undertaken to correct for any selection bias, the report refrains from making global or regional estimates on the prevalence of transnational human trafficking. Instead, the report is limited to describing some of the patterns of transnational human trafficking emerging from the data.

The U.S. Department of State publishes an annual *Trafficking in Persons* (TIP) report.<sup>25</sup> The report, which monitors anti-trafficking legislation and prosecution of traffickers worldwide, originally focused on transnational human trafficking, but over time this focus has shifted to address nonconsensual exploitation in general. Countries are classified annually into various tiers according to their legal and criminal justice efforts to fight trafficking and nonconsensual exploitation. The report also highlights successful policies and projects concerning counter-trafficking efforts. The report puts the number of global victims of transnational human trafficking at 600,000 to 800,000. This estimate, however, has been criticized given the unclear methodology used to reach this figure and uncertainty about the extent to which the methodology could be reproduced.<sup>26</sup>

For South Eastern Europe, the Stability Pact for South Eastern Europe, in collaboration with IOM and the International Catholic Migration Commission (ICMC), has maintained the *Regional Clearing Point* (RCP) which registered over 6,000 human trafficking victims who received assistance from international organizations, governments, and NGOs in the region between 2000 and 2004. RCP published two reports from this data so far, describing patterns of internal and transnational human trafficking in South Eastern Europe and characteristics of assisted victims, but no efforts were undertaken to provide comprehensive estimates on the prevalence of transnational human trafficking in the region.<sup>27</sup>

### 3.2.2 Incidence

According to the ILO, there are at least 2.5 million transnational human trafficking victims at any given time. This means that worldwide about 20% of all victims of forced labor are also victims of transnational human trafficking, but there are important regional differences. While in

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<sup>24</sup> See UNODC (2006).

<sup>25</sup> See U.S. Department of State (2001 to 2007).

<sup>26</sup> See U.S. Government Accountability Office (GAO, 2006).

<sup>27</sup> See RCP (2003) and Surtees (2005).

Asia, the Pacific, Latin America, and sub-Saharan Africa the share of transnational human trafficking out of total forced labor is well below 20%, it is above 75% for the industrialized countries, Eastern Europe and Central Asia, and the Middle East and North Africa (see Table 2 and compare with Table 1).

**Table 2. ILO Estimates on Regional Distribution of Transnational Human Trafficking Victims**

	<b>Number of transnationally trafficked people in forced labor</b>	<b>Percentage of total</b>
Asia and Pacific	1,360,000	55.5%
Industrialized countries	270,000	11.0%
Latin America and Caribbean	250,000	10.2%
Middle East and North Africa	230,000	9.4%
Eastern Europe and Central Asia	200,000	8.2%
Sub-Saharan Africa	130,000	5.3%
<b>World</b>	<b>2,450,000</b>	<b>100.0%</b>

*Note: Figures do not add up to total due to rounding.*

*Source: ILO (2005).*

The majority of transnational human trafficking victims are women. Most transnational human trafficking victims end up in nonconsensual sexual exploitation (43%), followed by nonconsensual economic exploitation (32%) and mixed forms of nonconsensual exploitation (25%). Of those who are subject to nonconsensual sexual exploitation, 98% are women. Nonconsensual economic exploitation of transnational trafficking victims usually takes place in the informal sector, as many of them are undocumented and particularly vulnerable. Weak legal protection in destination countries provides victims with few incentives to cooperate with authorities.<sup>28</sup>

### ***3.2.3 Trafficking as a Business***

The total annual profit of transnational human trafficking is estimated at US\$32 billion.<sup>29</sup> Half of this illicit profit is realized in industrialized countries and about a third is realized in Asia and the Pacific. In the United States, traffickers make on average US\$67,200 annually per victim of nonconsensual sexual exploitation.<sup>30</sup> The lack of verified employment information and the use of middlemen are the driving force behind transnational human trafficking. A survey among 644 returned migrants from Albania, Republic of Moldova, Romania, and Ukraine showed that 35% of trafficking victims were recruited through middlemen (as compared to 10% of successful migrants, see Figure 4), while 19% of successful migrants found employment through family members (compared to only 5% of trafficking victims).<sup>31</sup>

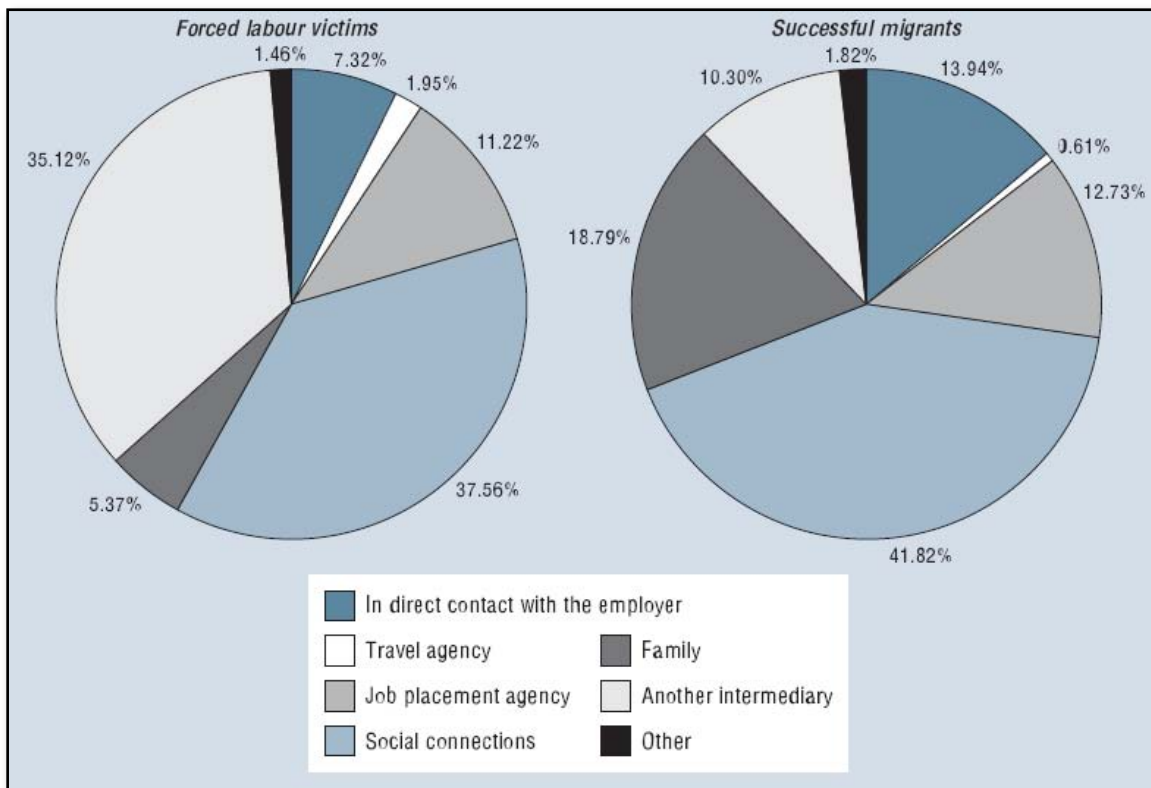
<sup>28</sup> See ILO (2005).

<sup>29</sup> See ILO (2005).

<sup>30</sup> See ILO (2005).

<sup>31</sup> See ILO (2005).

**Figure 4: Finding Employment Abroad:  
Trafficked Forced Labor Victims Versus Successful Migrants**



Source: ILO (2005).

### 3.2.4 Risk Factors

According to a study by Clert et al. (2005) – based on data by RCP – the main *individual risk factors* for becoming a victim of transnational human trafficking are age and gender (the majority of trafficked victims are female teenagers and young adults), being a member of a minority group (for example, Roma), and having a low level of education. Unemployment, alone, is not necessarily the driving element. Rather, it is the false promise of a significantly better economic opportunity that is instrumental in luring victims into human trafficking.

Regarding *household risk factors*, Clert et al. (2005) find that poverty is an important factor, especially for child victims of human trafficking. Also the ILO survey among returned migrants finds that about 50% of trafficking victims come from poor households, as compared to only 27% of successful migrants (see Figure 5). Nevertheless, poverty is not the only factor. Alcoholism, violence, and family instability within the household also seem to play important roles. In addition, spatial factors appear to have a significant impact, with trafficking victims typically coming from geographically isolated, poor rural areas. Finally, given that the majority of trafficking victims are women, gender inequality is a vital macro-risk factor, with female

trafficking victims typically coming from areas where women's political and socio-economic position has declined and patriarchal traditions remain entrenched.<sup>32</sup>

**Figure 5: Assessment of Pre-Migration Situation of Household: Trafficking Forced Labor Victims Versus Successful Migrants**



Source: ILO (2005).

#### 4 Human Trafficking and Development: Is there A Role for the World Bank?

After considering the limited data that is currently available and discussing some stylized facts, this section addresses the significance of nonconsensual exploitation/human trafficking for development in general and the World Bank in particular. Nonconsensual exploitation matters to development because of their adverse effects on efficiency and equity. Both consensual and nonconsensual exploitation lead to low or no wages, low employment levels, and therefore have a negative impact on poverty. The development community, including the World Bank, recognizes these negative impacts through interventions in the areas of labor markets, social protection, social development, and rule of law reform. Most of these interventions have an indirect, preventive impact, mostly in consensual exploitation. Rule of law reform and victim assistance, on the other hand, have a more direct impact on nonconsensual exploitation.

For the World Bank, a more active engagement in the fight against nonconsensual exploitation might require a re-interpretation of its mandate, in particular with regard to interventions in the criminal justice arena. Another question is where the World Bank has a comparative advantage in engaging more actively in the fight against nonconsensual exploitation. Some potential areas are (i) broadening the scale and scope of its *projects and programs* that directly tackle issues

<sup>32</sup> Clert et al. (2005).

relating to nonconsensual exploitation; (ii) applying its expertise as a *knowledge bank* (that is, by collecting data and improving upon data-gathering methodologies, conducting critical research, and launching impact evaluations with the objective of identifying best practices); (iii) participating in *partnerships* with governments, other international organizations, NGOs and other civil society organizations; and (iv) maybe *providing leadership* through advocacy and the privileged access the World Bank enjoys to world leaders.

## 4.1 Exploitation Is a Developmental Issue

From a theoretical point of view, exploitation matters to development because of its adverse effects on efficiency and equity. As already mentioned above, economic theory defines exploitation of labor – may it be consensual or nonconsensual – as situations in which wages are below the marginal value product of labor due to monopsony power of employers. This results in an economic inefficiency, namely an inefficient resource allocation in the production of goods and services and an under-utilization of labor when compared to the social optimum.<sup>33</sup> This has potentially not only adverse effects on efficiency, but also on equity and poverty. The factor of production that is mostly affected by exploitation is arguably unskilled labor. In other words, wages and employment levels for unskilled labor are inefficiently low, resulting in high levels of poverty.

Also from a more practical point of view, it seems clear that exploitation is a cause for poverty and therefore is an obstacle to development. The elements of an employment relationship that make it exploitative, such as low or no wages, withholding of wages, lack of cash wages (as in the case of truck systems, in which workers are paid in vouchers or in-kind instead of cash), or denying children access to education (as in the case of severe forms of child labor), deprive those laborers of the very means to invest in their livelihoods, their human capital, or in their and their children's future. Very often, as in the case of bonded labor, exploitation is linked to indebtedness, and by not allowing debtors to repay debts in cash, but in labor, exploiters control the amount of debt that is being repaid. Taking advantage of low financial literacy and numeracy levels of victims, exploitation can extend for a long time or even carry over from one generation to the next. These labor practices ensnare the exploited in a vicious cycle of poverty, making exploitation a critical obstacle to development.

The development community, including the World Bank, recognizes the impact of exploitation on poverty through its work on social protection, labor markets, and rule of law reform. With regard to social protection and labor markets, these policy areas aim, among others, at overcoming some of the inefficiencies created by monopsonistic labor markets and increasing the efficiency of labor markets. Social safety nets and passive labor market policies – like unemployment benefits and severance payments – decrease vulnerabilities of workers during unemployment spells. They increase the bargaining power of workers by decreasing the opportunity costs of unemployment and ideally give the unemployed – subject to conditionality –

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<sup>33</sup> Technically speaking, it could also result in an inefficient over-utilization of labor in cases of backward-bending labor supply curves. This could be the case in the presence of large income effects at low wage levels, so that lower wages result in higher labor supply as poor workers are supplying more labor at low wage levels to reach sufficient income for subsistence consumption.



sufficient time to find a job that matches the worker's skills and that provides adequate pay. Active labor market policies – like, for example, the retraining of unemployed workers, providing tools to improve job search, public works, and other direct employment creation – directly aim at improving employment opportunities and encourage labor market mobility of workers. Employment protection legislation (EPL) directly aims at strengthening the bargaining power of workers by increasing the costs for employers to lay off workers. Mandated benefits, finally, also strengthen the bargaining power of workers by obliging employers to provide and (co-)finance certain benefits for workers, like social security, health care, and unemployment insurance.

Similarly, labor standards are an important tool to counteract exploitation and the development community and international organizations – most notably the ILO – have long been engaged in the formulation and implementation of such standards. Labor standards set forth regulations on minimum wages, working hours and overtime pay, working conditions and occupational safety, record keeping obligations by employers, specialized legislation on vulnerable groups like children and youth, and legislation with regard to discrimination in employment and occupation. The ILO, in various legal conventions, has defined the so-called core labor standards, which define minimum standards for decent work. These are binding for all member states of the ILO and guarantee certain rights – like the freedom of association and the right to collective bargaining – to all workers. Such regulations directly strengthen the bargaining power of workers and could in situations of monopsonistic labor markets help to overcome imperfect labor markets.

Equally important is the implementation of these policies and standards. Labor inspections play an important role in enforcing policies and legislation on labor standards, EPL, and social protection, and organizations like the ILO and the World Bank actively conduct research and provide development assistance on labor inspections. For many developing countries, though, available resources and capacities are not sufficient to actively monitor the implementation of existing legislation. In addition, the worst forms of nonconsensual exploitation and human trafficking are unlikely to be detected by labor force inspections. Many forms of human trafficking occur in the shaded area of informality and illegality – like servitude, slavery, forced prostitution, or forced labor, including forced labor of undocumented migrants. These forms of exploitation happen precisely to circumvent labor standards or other legal restrictions. Even well funded labor inspection institutions in developed countries fail to detect these kinds of exploitation.

This leads to another area within which the development community is actively contributing to the fight against human trafficking and exploitation, namely rule of law reform and social development. At the core of these efforts is the struggle to guarantee access to justice, especially for the poor. The rationale for these efforts is to empower citizens – with a focus on the poor, the underprivileged, and the exploited – to succeed in seeking justice from rule of law institutions. This entails not only judicial reform and reforms of law enforcement, policing, and prosecution, but also legal literacy programs, legal assistance programs, and paralegal programs. Good examples for the latter are community-based paralegals, who combine legal advice with a grass-roots presence and empowerment-oriented tools like advocacy and legal training.

Interventions with the most direct impact on human trafficking and exploitation are related to victim rescue, assistance, and integration, but they are also the most costly. NGOs as well as international organizations like IOM run programs that help to identify and rescue victims of exploitation and human trafficking, support them during their recovery and assist them in legal matters, and help them to either return to their home community or to find a new home. Although these interventions are most effective in fighting exploitation and human trafficking because they target victims directly, their overall impact and relevance for economic development has to be further researched. The question is whether – despite the effectiveness and importance of these interventions – their resource requirements are sustainable in the long run, and – given the costs – how these interventions compare to the effectiveness of preventive measures. For example, research for a World Bank project in Senegal indicated that providing assistance to victims of child trafficking costs up to US\$1,000 per year per victim, which does not seem to be sustainable in the long-run.

In conclusion, from a theoretical and practical point of view there are compelling reasons to believe that exploitation and human trafficking are important causes for poverty and obstacles to development. The international development community recognizes this by a series of interventions in the areas of labor markets, social protection, rule of law reform, social development, and victim assistance. Some of these interventions – like labor market and social protection policies – are more preventive in nature by aiming at decreasing vulnerabilities and strengthening the bargaining power of workers. Others, like rule of law reforms, address exploitation more directly by empowering victims to seek justice from their exploiters and expose the illegality of their exploitation. While requiring considerably more research on root causes of exploitation and resources placed to address them, preventive measures are the only sustainable approach in the long run. Short-term interventions, such as mitigation of exploitation and victim assistance, tend to be costly.

Given these findings, the next question is what role a development organization like the World Bank could play in the fight against exploitation and human trafficking.

## 4.2 Roles for the World Bank

Currently, the World Bank's activities on human trafficking and exploitation are mainly of a preventive nature, with an indirect impact on economic, consensual exploitation. As discussed above, the World Bank is engaged in a number of research activities and projects contributing to the fight against human trafficking and exploitation. Most of this work is related to labor markets, social protection, and social inclusion. Arguably, these interventions aim at decreasing vulnerabilities, creating economic opportunities, and empowering the poor to participate in political and judicial processes. By and large, these interventions support workers by decreasing their vulnerability and strengthening their bargaining position vis-à-vis employers. Hence, these interventions have mostly an indirect, preventive impact on exploitation.

Should, though, the World Bank engage more directly in fighting human trafficking and nonconsensual exploitation? This would require the World Bank to broaden and reinforce interventions in such areas as law enforcement and victim rescue, assistance, and integration.

The two questions of interest, then, are if the World Bank has a mandate and if the World Bank has a comparative advantage in these areas.

With regard to the World Bank's mandate, its Articles of Agreement set clear limitations to the World Bank's ability to engage in the area of criminal justice. The World Bank's member states reserve the right for interventions in the field of investigation, prosecution, and punishment to themselves – that is, these areas fall squarely into the domestic jurisdiction of member states. In light of the non-political character of the World Bank's interventions, it seems difficult to argue for a substantial change in the interpretation of the mandate to allow for interventions in these areas. Nevertheless, the World Bank's mandate is subject to re-interpretation, as has been shown in the case of governance and anti-corruption. If it can be shown that an area like nonconsensual exploitation has negative consequences for economic development – as argued above – then the World Bank's mandate could be re-interpreted to also allow it to more actively engage in contentious areas like criminal justice.<sup>34</sup>

With regard to the World Bank's comparative advantages, the subsequent sections below identify some opportunities for more active engagement. There are four primary areas of opportunity where the World Bank could do so. These are (i) broadening the scale and scope of its *projects and programs* that directly tackle issues relating to nonconsensual exploitation; (ii) applying its expertise as a *knowledge bank* (that is, by collecting data and improving upon data-gathering methodologies, conducting critical research, and launching impact evaluations with the objective of identifying best practices); (iii) participating in *partnerships* with governments, other international organizations, NGOs and other civil society organizations; and (iv) maybe *providing leadership* through advocacy and the privileged access the World Bank enjoys to world leaders.

### 4.3 Projects and Programs

With regard to the first of these four areas of opportunity – broadening the scale and scope of projects and programs that directly tackle issues relating to exploitation – the World Bank has considerable experience with (i) strengthening protection for vulnerable groups and communities, (ii) employment and labor market reforms, and (iii) governance and judicial reforms. The scale and scope of this work can be expanded, perhaps by first launching pilot projects intended to help develop a set of good practices in each area.

In terms of *protection for vulnerable groups*, work could focus on child labor, empowerment, systems of protection for women and children, trafficking, and awareness campaigns to inform vulnerable groups about specific types of exploitation and abuse – either within their home, their home community, or outside their home community. Closely related to these issues are social development projects to empower vulnerable groups who are at risk of exploitation, particularly women and children. Empowerment of vulnerable groups may prove crucial in battling traditions of bonded labor and sex trafficking and to improving criminal justice systems. In this regard,

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<sup>34</sup> For a detailed legal analysis of the Bank's mandate in the fight against human trafficking and exploitation, see Perez Solla (Forthcoming).

NGOs and other civil society organizations might have to be strengthened to increase their effectiveness as monitors in the fight against exploitation.

*Employment and labor market reform* projects, including projects that support on-site inspections, could be useful to increase transparency in the labor market, overcome informational asymmetries and dependencies between employers and employees, and ensure compliance with labor regulations that meet international standards. Tighter recruitment regulations and pre-departure orientation seminars to inform migrants about their rights could help to fight transnational trafficking. While some of these areas are relatively new to the World Bank, they point to areas where the Bank might partner with other organizations.

Finally, because weak rule of law facilitates the business of exploitation, *good governance and access to justice* are crucially needed. The World Bank's work in this area may require a broader perspective. NGOs such as the International Justice Mission (IJM) suggest that rule of law reform must be seen as a holistic project, arguing that it is insufficient to strengthen one aspect of the judicial system – for example, the court system – without taking into account related areas, such as the broader system of criminal justice, practices of prosecution, and the police.<sup>35</sup> Recently, the World Bank started to engage more in the area of access to justice through its Justice for the Poor program. These efforts focus on community-based programs that combine paralegals with legal literacy and assistance programs. Given the World Bank's Articles of Agreement, some aspects of judicial reform may require revisiting the organization's mandate – as it has done previously in areas such as anticorruption and governance – or partnering with other organizations.

#### 4.4 Knowledge Management

With regard to the second of these four areas of opportunity – applying the World Bank's expertise as a knowledge bank – the Bank is a clear leader in (i) data generation, (ii) developmental research, and (iii) the evaluation of existing initiatives and programs.

The *lack of data* on exploitation is a serious impediment, but the methodologies currently used to gather data are also part of the problem. The World Bank could partner with the ILO to open the methodological blackbox of estimating specific aspects of exploitation and develop alternative survey methods to capture data on forced labor, slavery, child labor, bonded labor, and so forth from Labor Force Surveys (LFS) and Living Standard Measurement Surveys (LSMS). The World Bank can also build upon its experience to gather data on child labor in order to derive country level – and later, global – estimates of different forms of exploitation based on micro-surveys and rapid assessments. In doing so, the World Bank and its partners should consider how to leverage existing data collection, particularly administrative data collection (national criminal statistics, victims' assistance databases, and so on).

*With regard to research, a comprehensive framework* on the supply of, and demand for, exploitation is needed to analyze the root causes of exploitation and develop appropriate policy responses. Clert et al. (2005) have already developed a framework for human trafficking,

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<sup>35</sup> Presentation by Gary Haugan, President of IJM, on “Forced Labor, Human Trafficking, and the Rule of Law for the Poor” at the World Bank on November 6, 2007.

presenting a dynamic model of pre-movement, movement, exploitation, and post-exploitation, and identifying the key issues and policy responses at each stage. Such a model could be extended to other forms of exploitation, linking exploitation to the demand side of exploitation and to the larger policy context. For example, such a model could link human trafficking to immigration policies, but could also (i) explore information asymmetries at the individual and community level, (ii) analyze shifts in community risk management to allow or respond to exploitation, (iii) identify areas of focus on the demand side of exploitation.

*Impact evaluation* is a third area where the World Bank has substantial experience and a strong comparative advantage. Many interventions launched by NGOs and other organizations lack established evaluation programs and methods – a gap which the World Bank can fill. Impact evaluation could also serve as an entry point for the World Bank to explore its participation in co-financed projects. For example, much of the preventive work on human trafficking involves the use of awareness campaigns, but little evaluation has been done to ascertain the effectiveness of such campaigns – and to codify good practices for use elsewhere.

## 4.5 Partnerships

With regard to the third of these four areas of opportunity – participating in partnerships with governments, other international organizations, NGOs and other civil society organizations – the World Bank can bring considerable expertise to the table both in project management (including its direct work on issues relating to exploitation) and in knowledge management. In addition to NGOs and other civil society organizations, a variety of international organizations are already working on issues relating to exploitation and human trafficking, each with different expertise and comparative advantages. The works of the ILO, IOM, and UNODC have already been mentioned, but other international organizations are also engaged, including the United Nations Children’s Fund (UNICEF) on issues relating to child labor and the United Nations Development Fund for Women (UNIFEM) on issues relating to human trafficking. Finally, many bilateral development organizations such as the United Kingdom’s Department for International Development (DfID) and the United States Agency for International Development (USAID) have programs in this area. The World Bank should *not* compete with these organizations, as some have considerable experience and expertise in dealing with issues that have historically been beyond the Bank’s mandate; rather, the Bank should seek to complement their mandates, initiatives, and expertise. IOM, for example, provides assistance to trafficking victims and, over the course of many years, has developed rich operational knowledge on the issue of victim’s assistance. Similarly, ILO has already undertaken extensive research on the issue of forced labor. Moreover, even if the World Bank were so inclined, it is not clear that the Articles of Agreement would allow the Bank to engage in certain areas – such as criminal justice.

## 4.6 Leadership

The final area of opportunity for the World Bank to contribute to the fight against exploitation is by helping to lead particular aspects of the fight. This can be accomplished by elevating the importance of exploitation in the World Bank’s core operations by mainstreaming exploitation issues into vulnerability and poverty assessments. In cases where exploitation represents a serious threat to development, the World Bank could include fighting exploitation into its

development strategy. In some cases, this might take the form of upstream work (that is, work focused on preventing the conditions that contribute to exploitation). In others, it might take the form of downstream work (that is, work focused directly on exploitation). The World Bank could also position itself as a leader in the fight against exploitation through active and visible advocacy and by leveraging the privileged access it enjoys with world leaders in both its client and donor countries. This could take the form of engaging in a policy dialogue on exploitation and human trafficking and joining other organizations in their advocacy efforts. This could be done at the global level – for example, by advocating core labor standards to fight consensual exploitation – or at the project level.

## 5 Conclusions

International law defines human trafficking as nonconsensual exploitation, subsuming all forms of exploitation that involve threats, coercion, fraud, or deception. In practice, though, the boundaries between coercion and economic necessity – or economic coercion – are vague. For this reason, this paper introduces the concept of *consensual exploitation*. When people have no choices, they may have no alternative but to subjugate themselves to exploitation. Because the appropriate policy response for incidents of consensual exploitation will differ from that for nonconsensual exploitation, the distinction in terminology is necessary. In particular, fighting consensual exploitation might require passing judgment on what constitutes *unfairness* in circumstances where employers possess disproportionate bargaining power. The adequate legal remedies to fight consensual exploitation can be found in social and labor law. In fighting nonconsensual exploitation, however, the primary focus must be on removing the elements of coercion, deception, or fraud. The legal remedies for nonconsensual exploitation and human trafficking can therefore be found in criminal justice law.

Exploitation of any kind is an obstacle to economic development because of its adverse effects on efficiency and equity. The international development community recognizes this through its work in the areas of labor markets, social protection, social development, and rule of law reform. Most of these interventions have an indirect, preventive effect on fighting exploitation by decreasing vulnerabilities, enhancing economic opportunities for the poor, and strengthening the bargaining power of workers in monopsonistic labor markets. Rule of law reforms and interventions in the area of access to justice, on the other hand, have a more direct impact on nonconsensual exploitation by empowering the exploited to seek justice from rule of law institutions.

The World Bank clearly focuses on interventions with an indirect effect on exploitation, in particular consensual exploitation; yet, given the magnitude of nonconsensual exploitation and its adverse effects on equity and efficiency, the World Bank might have to consider increasing its contributions to the fight against nonconsensual exploitation. This could be achieved through various avenues. The World Bank may need to broaden the scale and scope of its projects and programs that directly tackle issues relating to nonconsensual exploitation. This could mean to increase efforts to empower vulnerable groups, to improve access to justice for the poor, and – with regard to transnational human trafficking – to regulate recruitment agencies and to provide pre-departure support for migrants. Another important focus for the World Bank should be on data generation, research, and the evaluation of existing initiatives and programs to fight

nonconsensual exploitation, thus positioning itself as a knowledge bank. These could be done in isolation, but more effectively in partnerships with other organizations. Finally, and perhaps most importantly, the World Bank should consider whether to position itself as a leader in the fight against nonconsensual exploitation through active and visible advocacy and by leveraging the privileged access it enjoys with world leaders in both its client and donor countries.

Identifying the way forward cannot be accomplished without a vigorous debate within the World Bank, both at the operational level and at the strategic level. Hopefully, this paper will help to facilitate those discussions. Already, this note has led to a series of seminars to discuss exploitation and human trafficking and the World Bank's role in the fight against them. These efforts will continue – perhaps facilitated by the formation of a thematic group. These discussions should eventually be expanded to include external partners, to help define the World Bank's comparative advantages and to identify opportunities for complementing the mandates, expertise, and programs of other organizations. Such discussions would enable the World Bank to define a cross-sector program of work formed around the work of others. To this end, it will be necessary to invite representatives of the various sectors and regions of the World Bank to reflect on how to best contribute – in line with their own work programs and priorities – to the organization's emerging agenda for fighting exploitation and human trafficking.

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## 7 APPENDIX I: SELECTED WORLD BANK PROJECTS ON EXPLOITATION

**In Senegal**, the World Bank is involved in a project financed by the Japanese Social Development Fund (JSDF) regarding child trafficking. This project educates parents about the risks associated with certain Quranic teachers who take advantage of children left with them by sending them to the streets for begging.

**In Moldova**, the World Bank is involved in a youth social development project which both offers economic opportunities for small business development to potential youth migrants and raises awareness of the risks of migration and human trafficking at the community level. The World Bank is also involved in a circular migration pilot project in Moldova to offer legal migration channels to Italy for young undocumented migrants, particularly the young women who are at high risk for exploitation as sex workers and trafficking victims.

**In South East Asia**, the World Bank carried out an extensive consultation process with governments, NGOs, and other partners to clarify the Bank's potential contribution to the fight against human trafficking. The result was that the Bank's comparative advantage was in data gathering, contributing to the policy dialogue on international migration, and mainstreaming empowering migrants into the Bank's social development work. In Indonesia, the Bank is implementing various cross-sector projects to improve the situation of the almost 700,000 migrant workers (80% of whom are female) who emigrate each year to work in the informal sector overseas. The program works on three levels: supporting policy reforms to make migration safer and more secure; empowering migrants legally and with information to decrease vulnerability to exploitation and human trafficking; and helping to develop accessible financial services and financial literacy training to decrease risks of indebtedness and increase financial independence.

**In the Middle East and North Africa**, the World Bank assisted at two awareness-raising events for the private sector on human trafficking by the Suzanne Mubarak Peace Initiative. These events resulted in the development of ethical principles with regard to human trafficking for the private sector. The Bank's contribution brought a perspective of economic development to the events and drew attention to the roles of poverty and vulnerability in human trafficking.

**In Bangladesh**, the World Bank is collaborating with IOM to prepare a pilot project for safe migration of low-skilled workers to the GCC countries and South East Asia (Malaysia and Singapore). The pilot project will focus on awareness-raising, the recruitment process for migrants, and pre-departure training; specifically (i) to inform about the costs, benefits, and risks of migration before the decision to migrate is made, (ii) to ensure that those who have made the decision are not victims of fraud and deception at recruitment, and (iii) to empower migrants before their departure by providing education on human and social rights and by increasing their cultural, language, and financial literacy skills.



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### Summary Findings

Human trafficking, as it is defined by international law, subsumes all forms of nonconsensual exploitation. That is, whenever people are forced or lured into exploitation – no matter if movement of victims is involved – it is considered human trafficking. There is, though, a large overlap with consensual exploitation, namely when economic vulnerabilities force victims to accept exploitative work arrangements. Consensual exploitation is mostly addressed through social and labor law, which is also an area where the World Bank has ample experience, while nonconsensual exploitation is mainly addressed through criminal law. Both types of exploitation have adverse effects on equity and efficiency and are therefore obstacles to development. The World Bank could consider strengthening its efforts on nonconsensual exploitation, in particular in the area of access to justice for the poor and empowering vulnerable groups to demand justice and good governance. In addition, there is a need to enhance the knowledge on prevalence, causes, and consequences of nonconsensual exploitation. In doing so, the World Bank should seek partnerships to complement existing initiatives and expertise, but should also consider providing leadership in the fight against exploitation and human trafficking.

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