

Overview

HB19-1051 requires that the Division of Criminal Justice (DCJ) provide human trafficking training upon request to various professional and personal entities, including law enforcement agencies, organizations providing service to trafficking victims, school personnel, parents and guardians of students, and any other organization, agency, or group that would benefit from training. Services include train-the-trainer programs, direct training, and online training programs. Additionally, all such training must be developed in consultation with the Colorado Human Trafficking Council (CHTC). Priority for requests would be given to parts of the State with limited accessible resources.

There are numerous arguments to be made against human trafficking from an ethical perspective. Nonetheless, we feel that the language of public economics can illuminate a currently under-discussed justification for government intervention. First, we will explain why human trafficking is considered a market failure. Then, we will discuss the current situation in Colorado, including current funding, organizations, and areas for improvement.

Analysis

Human trafficking is a form of modern slavery, occurring when labor is forced through means of violence, deception, and coercion (“What Is Modern Slavery?”). It “represents a restriction in human freedom, a violation of human rights, and the exact opposite of ‘decent work’ or ‘human development’ as defined by the [International Labor Organization] and [United Nations Development Program], respectively” (Belser 2005). These factors represent a failure in the labor market, one which harms laborers while benefiting the employers that exploit them.

Therefore, on the grounds of market efficiency, the government has a duty to prevent human trafficking.

Laborers

Laborers bear the costs of this market failure in two primary ways. First, laborers are provided purposely misleading information regarding the nature of their work. Most often, laborers are misinformed about certain transportation and “service” fees which are levied upon recruitment. These fees act as debt bondage and are often grossly inflated or fabricated (Hepburn and Simon 2010, Korsell et al. 2011, Gallagher 2015). Trafficking victims are also deceived about the positions being offered (Jones et al. 2011), as well as the compensation and living standards they will receive (Frangez and Rucman 2017).

This constitutes informational asymmetry in the laborer-employer relationship. In public economics, asymmetric information is a justification for government intervention. In order for a market transaction to occur efficiently, actors must understand the rules and consequences of their interactions. In this case, traffickers understand their exploitive position, while laborers are left ignorant. The government must intervene in support of an efficient labor market.

The second way in which laborers are hurt is through artificially reduced wages and substandard working conditions. Under efficient circumstances, these factors are set by the market. If wages or working conditions in a position, industry, or location become unsuitable, laborers naturally migrate to higher-paying positions or better quality conditions. A reduced labor supply, combined with sustained demand, will then put upward pressure on wages and working conditions. The outcome is either a new equilibrium or the reentry of laborers into the market. In this way, suboptimal wages and conditions are eliminated by the free movement of laborers in the economy.

Large-scale human trafficking operations hinder the labor mobility necessary for efficiency. Instead, trafficked laborers are kept unwillingly in suboptimal positions. Even in situations where wages and working conditions are entirely unfavorable, laborers cannot exit the position or industry. They maintain no bargaining power. Thus, the market becomes inefficient. Wages and standards are no longer set at a naturally occurring market equilibrium. Instead, they are controlled by an entity with monopolistic power and an incentive for profit.

Employers

Conversely, employers illegally benefit from human trafficking. First, human trafficking stifles market competition. This is done by first suppressing the mobility of laborers through force and coercion. This creates artificially low wages and working conditions. Companies that employ such methods keep their cost of labor lower than the market equilibrium.

This illegal method of cost reduction then allows producers to reduce their price of goods and services. Consumers are driven to purchase these goods and services, as they cost less than the competition. These companies then take a wider share of the market and increase their profit margins. Through this method, companies who use forced labor gain market advantage over their law-abiding counterparts. Inefficiency occurs because advantage is gained through illegal means.

Finally, human trafficking constitutes a market failure by supporting and establishing a number of black markets. Black markets exist outside the purview of the government and traditional regulation. They appear for a number of reasons, including demand for illegal products and services as well as a desire to sidestep taxes and price controls. They produce economic inefficiency by undermining the lawful free market. For example, black markets are fraught with local monopolies, cartels, and price setting. In certain situations, illegal activity,

including the use of violence, spills over into everyday society, producing negative externalities (Williams 2009). Thus, the government has an interest in preventing black markets.

Human trafficking is itself a black market. It exists when vulnerable individuals are used to satisfy labor demand in illegal activities or at lower-than-equilibrium prices. There are also a number of black markets that operate in conjunction. For example, the demand for sex is not met by legal supply. Thus, procurement occurs through illegal means. Many victims of human trafficking, including children, become involved or are already involved in the sex market (Jones et al. 2011, Gilha 2018). Additionally, the market for human trafficking is supported by the drug trade. Trafficking victims are often recruited due to their addictions (Perkins 2017).

Colorado

Colorado has a number of laws that target human trafficking either directly or indirectly. Among them are Class 1 Public Nuisance (§16-13-303), Trafficking in Adults (§18-3-501), and Trafficking Defined as Racketeering (§18-17-103), as well as HB09-1123, SB10-140, SB11-085, and HB12-1151 (“Colorado Human Trafficking” 2013).

Additionally, a number of coalitions, task forces, working groups, and private entities already exist. These include the Denver Anti-Trafficking Alliance, the Human Trafficking Task Force of Southern Colorado, the Colorado Youth Leadership Council on Human Trafficking, the Northeastern Colorado Coalition Against Trafficking, the Colorado Human Trafficking Council, and the Laboratory to Combat Human Trafficking, among others (“Colorado: Efforts” 2017).

Finally, Colorado receives anti-trafficking funding from federal, local, and private sources. Between FY 2012 and 2017 Colorado received approximately \$2,800,000 from federal grants established specifically for human trafficking. In 2016 the Colorado Division of Criminal

Justice provided \$12,267,882 in state grant funding to victim service organizations. Finally, a number of private organizations provide consistent funding as well (“Annual Report 2017”).

Nonetheless, human trafficking still exists in Colorado. Between 2012 and 2016, there were 384 reported trafficking cases, with 774 people potentially trafficked. Laborers were forced into both sexual and non-sexual work, the former through brothels and hotel solicitations and the latter through sales crews, food service, agriculture, and construction (“Colorado” 2017).

Currently, the Laboratory to Combat Human Trafficking is one of the only major organizations providing trafficking prevention training in Colorado. They provide services to law enforcement, anti-trafficking coalitions, and victim service organizations, among others. Nonetheless, they are a 501(c)3 and not statutorily required to provide such training.

Additionally, training services are scaled based on the budget of the organization being trained. This means that entities with limited resources may not be able to access the best services.

HB19-1051, on the other hand, requires the DCJ to provide human trafficking training, especially to organizations with limited access to resources. By requiring consultation with the CHTC, the bill also ensures training quality. Previously, we suggested the bill’s appropriation was minor in comparison to current funding and that resources be diverted from other sources. The latest version of the bill makes no appropriation, instead relying on gifts, grants, and donations. Given the funding figures previously mentioned, we believe this is sustainable.

Recommendation

HB19-1051 would increase training provision to Colorado’s most in-need regions. This would work to mitigate the scope of human trafficking operations in our State, thus reducing market failure. For the sake of a freer labor market and economic efficiency, we recommend the General Assembly support this bill.

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