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# Supply Chains: Present and Future Implications for OSH

David Walters  
and  
Phil James



# Structure of Presentation

- The nature of supply chain relations and the factors that influence them
- The OSH effects of supply chains
- The impact of voluntary based supply chain initiatives
- Options to improve OSH dynamics within supply chains



# The nature of supply chain relations

- **The increasing reliance placed internationally on the provision of goods and services by external suppliers has been driven by business logics. It follows that such logics fundamentally shape the nature of supply relations**
- **Research indicates that such relations are influenced by a mix of business and environmental considerations, including :**
  - Complexity of products and difficulties of ensuring their quality
  - Relative importance of product cost
  - Relevance of health and safety to supply reliability and reputation
  - Vulnerability to supply failure
  - Supplier interests and power
- **The variety of such considerations mean that the nature of supply relations vary considerably, ranging from close partnership-style relationships to more arms-length transactional ones.**

# OSH effects of supply chains (1)

- **Given the varying nature of supply chain relations, their OSH effects can also be expected to vary considerably.**
- **This is particularly so given that supply chains operate against the backcloth of varying non-market external pressures, such as regulatory requirements and inspections, the actions of civil society groups and agencies, trade unions and reputational threats to large, well known, purchasing organisations**
- **Care must be taken therefore not to reach simplistic conclusions about the way in which the dynamics within supply chains impact OSH and how these dynamics might be made more supportive of worker protection**

## OSH effects of supply chains (2)

- **There is nevertheless substantial evidence of OSH outcomes among supplier firms being adversely affected by the indirect effects of buyer price and delivery business strategies**
- **In contrast, there is a much smaller literature containing examples of positive direct effects of buyers stimulating improvements in supplier OSH management**
- **These conclusions apply whether the focus is on the effects of domestic or global supply chain relations**
- **But graphic examples of adverse effects at the end of global chains e.g Rana Plaza**

## OSH effects of supply chains (3)

- **Examples of disasters occurring at the end of global supply chains graphically illustrate the way in which they can generate adverse OSH outcomes e.g Tazreen Fashions, Rana Plaza, Ali Enterprises**
- **Other evidence meanwhile highlights that such outcomes are not rare, exceptional or limited to global chains**
- **Numerous studies have shown how subcontracting and outsourcing can support the creation of work environments that increase risks to worker health and safety**
- **In fact, the consistency of findings in this regard is remarkable**



## OSH effects of supply chains (4)

- Available evidence indicates that only in relatively narrowly defined circumstances will market-based business motivations *alone* encourage the utilisation of supply chain relations to improve OSH arrangements and performance
- Yet, the asymmetrical distribution of power and expertise within such relations points to a potentially positive OSH role
- It is this potential that has prompted a range of voluntary initiatives, both at the domestic and global levels to use supply chains to advance labour standards
- Globally, these initiatives have encompassed corporate codes of conduct, and multi-stakeholder initiatives, including international framework agreements concluded by multinationals and global union federations

# Impact of voluntary supply chain initiatives (1)

- **There is evidence to indicate that supply chain dynamics can be productively harnessed to improve labour standards, including OSH, both domestically and globally:**
  - Construction industry as exemplified by the impressive safety performance on major projects
  - Role of oil majors in the maritime industry
- **However, external pressures have invariably played an important role in influencing the development and success of such cases**
- **More generally, existing evidence paints a disappointing picture regarding the effectiveness of voluntary supply chain initiatives in improving labour standards within global supply chains**



## Impact of voluntary supply chain initiatives (2)

- **This disappointing picture reflects a number of factors, including:**
  - Unwillingness of multinationals to adequately support their implementation, through, for example, adequately resourced auditing arrangements
  - Superficiality and inadequacy of the audit systems in place
  - Lack of supportive legal regulation in many developing countries
  - Failure to constrain the price-based competition driving poor labour standards
- **The second of these points is demonstrated by how major disasters in garment factories over the last decade have occurred notwithstanding their being subject to audits**
- **The last by how CSR programmes are poorly embedded in wider systems of business decision-making**

# Improving OSH in supply chains (1)

- **It follows that improvements in the OSH associated dynamics within supply chains will not generally flow from voluntary action on the part of powerful purchasers**
- **CSR initiatives in other words do not alone provide a solution**
- **Rather, action needs to address and counter:**
  - The lack of meaningful regulatory obligations on purchasers, both domestically and, more particularly, globally
  - The business logics that drive both the creation of supply chains and the dynamics that occur within them

## Improving OSH in supply chains (2)

- **On the basis of available evidence, the effectiveness of initiatives to improve OSH within supply chains would therefore be enhanced by incorporating the following elements:**
  - The placing of legal obligations on buyers at the head of supply chains
  - Creation of more independent (and better resourced) arrangements for monitoring compliance with those obligations
  - Provisions aimed at ameliorating market dynamics that undermine the establishment of decent labour conditions
  - Establishment of independent trade union involvement in the drafting and oversight of initiatives

## Improving OSH in supply chains (3)

- **The challenges involved in establishing arrangements of this type clearly cannot be over-stated.**
- **Some positive developments can though be noted:**
  - Australia's 2010 model Work Health and Safety Act effectively heralded the introduction of a framework of economy-wide supply chain regulation
  - 2010 French law requires large organisations to exercise due diligence with regard to possible abuses to workers in their global supply chains
  - Modern Slavery legislation introduced in the UK
  - Growing international interest in the potential value of supply chain regulation at the domestic level

## Improving OSH in supply chains (4)

- **The Accord on Fire and Building Safety concluded between global brands and union federation following the Rana Plaza disaster also provides a positive example in terms of:**
  - The apparent impact of its inspection programme
  - The way in which it:
    - Regulated to some degree the purchasing practices of buyers
    - Further limited competitive pressures by operating at a sector, rather than individual company, level
    - Included provisions on safety committees, union inputs into training and the transparency of inspection reports
    - Was contractually binding and hence gave rise to potential legal liabilities

# Concluding observations (1)

- **Research points to the fact that dynamics within supply chains often generate adverse OSH effects**
- **Logic suggests that the power and expertise of major buyers could be utilised to counter these and enhance OSH standards**
- **There are examples to support this logic, but the development and success of these cannot be separated from the role played by external legal and wider social pressures**
- **Initiatives to improve labour conditions in global supply chains have, for a number of reasons, generally yielded disappointing results**

## Concluding observations (2)

- **There is a strong case to focus much more regulatory attention on harnessing the potential to use the dynamics within supply chains to protect and enhance OSH standards**
- **It is argued that future policy initiatives need to crucially embody:**
  - Co-ordinated engagement of a multiplicity of actors on both a vertical and horizontal level
  - Meaningful legal obligations and liabilities
- **At the same time, it is recognised that the nature of supply chains, and hence the dynamics they incorporate, vary considerably**

## Concluding observations (3)

- **Consequently, the design of sector-based initiatives should be undertaken on the basis of detailed understandings of the nature of the dynamics involved and hence, for example:**
  - The forms of OSH interventions most relevant to the context
  - The main influences at play that impact OSH outcomes at each level of supply chains
  - The OSH problems that need to be addressed and the factors driving them
  - The leverage points and channels for action that can be utilised to positively influence OSH outcomes

