



Company Guidance: Supply Chain Working Conditions

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SCOPE OF ISSUE Supply chains

SDG ALIGNMENT

8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



17 PARTNERSHIPS
FOR THE GOALS



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What do we mean by supply chain working conditions?

Supply chain working conditions refers to the extent that supply chain workers' rights are respected, and the circumstances they work in are safe and fair. It covers areas including management of risks to workers' rights, freedom of association and collective bargaining, grievance mechanisms, and modern slavery, forced labour and human trafficking.

A full list of terms and their definitions can be found in the [WDI glossary](#).

What causes poor supply chain working conditions?

Country contexts

Production in supply chains often occurs in country contexts where labour rights policy may not be sufficiently evolved or enforced, and workers may not be able to freely negotiate improved working conditions with their employers.

Reduced access to safe work

Roles in supply chains are often poorly paid and have lower barriers to entry, meaning they are usually filled by workers that have reduced access to other forms of safe and reliable employment, such as migrant workers and base-skilled workers. These workers are at greater risk of exploitation, while also often being less able to combat poor working conditions.¹ In complex, multi-tiered global supply chains, there may also be little oversight of suppliers' practices, allowing harmful and exploitative working conditions to proliferate.

Companies' practices

Companies' practices can also directly or indirectly have a negative impact on supply chain working conditions. Companies that do not carry out effective human rights due diligence and have a limited understanding of their suppliers (particularly beyond tier one) are unable to effectively identify and remedy harmful working practices. Companies' buying practices can also impact suppliers' ability to improve working conditions. Suppliers can be forced to lower working standards in order to meet buyers' commercial requirements for reduced cost and increased efficiency.² The COVID-19 pandemic has exacerbated this: 34 per cent of suppliers reported that buyers had not given them the flexibility required around shipment dates to be able to make the necessary social distancing adjustments within factories.³

These practices not only facilitate poor working conditions in the first place but results in these conditions being reinforced:⁴





What are the consequences of poor supply chain working conditions for workers?

Workers in companies' supply chains face numerous rights infringements, including sexual, physical and verbal assaults, dangerous working conditions and workplace accidents, and gender or ethnicity-based discrimination. Often, the people that suffer the most significant rights abuses in supply chains are those who have the most limited ability to call attention to these practices, including workers who are women, children, migrants, or residents of rural or poor urban areas.⁵

Freedom of association

Supply chain workers may have their rights to freedom of association and collective bargaining restricted, limiting their ability to collectively push for better working conditions. This is not just an issue in developing countries. In the USA, employers are charged with making threats, engaging in surveillance activities, or harassing workers in nearly a third of all union election campaigns, and one out of five union election campaigns involves a charge that a worker was illegally fired for union activity.⁶

Other human rights abuses

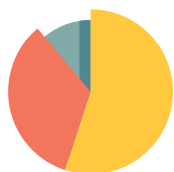
Supply chains are also often the site of the most severe human rights risks, such as forced labour, human trafficking and modern slavery. Victims of these practices can experience permanent physical and psychological harm, isolation from their families and communities, reduced opportunities for personal development, and restricted movement. In the most extreme cases, victims of these practices can die as a result of the working conditions or being killed by those exploiting them.⁷ Women and girls are at particular risk, making up 71 per cent of all victims of modern slavery worldwide.⁸

What are businesses doing about supply chain working conditions?

Poor working conditions in the supply chain are widespread, and most global companies have forced labour somewhere in their supply chains.⁹ It is estimated that 16 million victims of forced labour work in the private sector.¹⁰

Data from the [2019 cycle of the WDI](#) provides an insight into how companies are addressing supply chain working conditions:

Companies have a much lower understanding of the supply chain compared to the rest of their business: companies could provide less than half the amount of data on their supply chain structure than the average for the overall WDI survey.



Although the vast majority (89 per cent) of companies reported having a human rights due diligence process in place, only 55 per cent provided data on how they monitor the implementation of their commitment to respect supply chain workers' rights.



70 per cent of companies did not disclose any steps taken in response to identified risks to supply chain workers' rights.



Only 30 per cent of companies reported whether they had identified any risks to workers' rights in their tier-one supply chains, even to report that none were identified.

Positive steps

Some companies are taking action to address these issues through initiatives such as the [Ethical Trading Initiative](#), the [Leadership Group for Responsible Recruitment](#), and the [Social and Labour Convergence Program](#). Corporate efforts often focus on specific, high-risk sectors, such as the garment and textile industry, through initiatives such as [ACT](#), which focuses on living wages, and the [Bangladesh Accord](#), which addresses fire and building safety in garment factories.

Areas for improvement

There are numerous examples of failure by businesses to effectively address supply chain working conditions. In the UK, 40 per cent of companies are failing to comply with the Modern Slavery Act.¹¹ Over 98 per cent of buyers refused to contribute to the cost of paying the partial wages to furloughed workers in Bangladesh during the COVID-19 pandemic, as was required under national law.¹² Additionally, the focus on 'high-risk' sectors, often at the expense of considering other sectors, means that progress has been incredibly uneven. While industries such as the apparel industry have received significant attention, others such as call centres¹³ and security services¹⁴ have received less publicity, despite documented cases of poor working conditions, meaning progress on working conditions in these sectors has been much slower.

What is the legal framework for supply chain working conditions?

International law

- ▶ Articles 4, 20, 23, 24 of the [Universal Declaration of Human Rights](#)
- ▶ Articles 8, 22 of the [International Covenant on Civil and Political Rights](#)
- ▶ Articles 6, 7, 8 of the [International Covenant on Economic, Social and Cultural Rights](#)
- ▶ [ILO Convention 29 on Forced Labour](#)
- ▶ [ILO Convention 105 on the Abolition of Forced Labour](#)
- ▶ [ILO Convention 87 on Freedom of Association and Protection of the Right to Organise](#)
- ▶ [ILO Convention 98 on the Right to Organise and Collective Bargaining](#)

Key developments in national law

2015



The UK [Modern Slavery Act](#) requires commercial organisations doing business in the UK that have an annual turnover of more than £36 million to report annually on the steps, if any, taken to ensure that modern slavery is not taking place in their direct operations and supply chains.

2017



In France, [The Corporate Duty of Vigilance Law](#) establishes a legally binding obligation for parent companies to identify and prevent adverse human rights and environmental impacts resulting from their own activities, from activities of the companies they control, and from the activities of their subcontractors and suppliers.

2018



In Australia, [The Modern Slavery Act](#) requires large Australian entities and foreign entities carrying out business in Australia to report annually on the risks of modern slavery in their operations and supply chains, and the actions taken to address those risks.

2019



In the Netherlands, [The Child Labour Due Diligence Law](#) requires companies selling goods or services to Dutch consumers to identify and prevent child labour in their supply chains.

Does your company have sufficient data?

The following questions, based on the indicators in the WDI, provide a basis for companies when considering if they have sufficient data to respond to challenges relating to supply chain working conditions.

Getting started

The essential foundations companies need to begin tackling these issues

Can your company describe its supply chain and explain its role in your company's business model?

Yes Somewhat No

Can your company provide details on its efforts to map its supply chain, including beyond the first tier, and state the percentage of your company's supply chain mapped to date?

Yes Somewhat No

Next steps

Providing the insights required to make more substantial progress

Can your company describe any steps or initiatives it is taking part in to improve the working conditions of supply chain workers?

Yes Somewhat No

Can your company set out if it has identified any instances of forced labour, human trafficking or modern slavery in its supply chain? If not, can it explain why not?

Yes Somewhat No

Can your company explain how it is working to ensure supply chain workers can exercise their rights to freedom of association, including the right to unionise, and collective bargaining?

Yes Somewhat No

Leading practice

Demonstrating leadership and providing the tools for innovative, comprehensive responses

Can your company provide data on whether supply chain workers have access to a grievance mechanism?

Yes Somewhat No

Can your company explain what action it has taken to build the capacity of its suppliers to mitigate and manage risks to workers' rights, including in their own supply chain (e.g. through supplier training)?

Yes Somewhat No

How can the WDI help your company with supply chain working conditions?



The WDI survey

The first step to being able to meaningfully address supply chain working conditions is understanding how and where these issues are impacting your company's workforce. Taking part in the WDI can help your company identify where there are gaps in your data and provides a framework to address this, as well as allowing you to benchmark your data collection against peers. Companies that disclose to the WDI can provide more comprehensive data on their supply chain working conditions, moving from being able to complete an average of 28 per cent of this section of the survey in the first year, to 33 per cent in the second year, to 45 per cent in the third year.

WDI Engagement Programme

The WDI offers a year-round engagement programme that gives companies the opportunity to hear about best practice, share challenges, and learn from investors and their peers. Based on expert input and constructive discussion, this range of sessions enables companies to take the insights they gained from participating in the WDI and use them to identify innovative solutions to challenges they may be facing. Beyond that, it prepares companies for any legislative changes that may develop in the markets they operate in.

Resources



[2019 Findings - Workforce Disclosure Initiative](#)

The findings from 118 companies that took part in the third annual cycle of the Workforce Disclosure Initiative.



[2020 Trafficking in Persons Report - US Department of State](#)

This report outlines the situation of human trafficking in countries across the world.



[Responsible Sourcing Tools](#)

A range of tools relating to responsible sourcing across multiple sectors and themes.



[Verité resources](#)

A list of research, tools and initiatives to educate and support improvements in labour conditions.



[Interactive Map for Business on Anti-Human Trafficking Organisations](#)

An interactive map of initiatives and organisations engaging with the private sector to combat human trafficking, forced labour, child labour and modern slavery.



Endnotes

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