

How to address labour issues in your supply chain – tips and examples

A. Why does your company need to address labour issues?

- Because after 10 years of ethical trade programmes, serious labour issues continue to be found in the majority of factories and farms.
- Customers and shareholders expect companies to ensure labour standards are met.
- 60 per cent of the value of a brand is linked to its reputation.

B. What are effective methods for addressing labour issues?

1. Establish a good framework.

- Adopt a company policy based on International Labour Organisation standards, and implementation principles.
- Put a clause in your contract terms stating the supplier will work towards the policy standards.
- Develop a system for risk assessing suppliers so you can identify where in-depth assessments are needed. Oxfam looks at country, industry, replies on a self-assessment questionnaire,

and whether we sell the product or it carries our brand.

- Stress openness and continuous improvement and prioritise things which make a difference to workers.

Warning: Be aware that commercial audit techniques can miss significant labour issues, particularly in China. Relying on this process could place your business at risk of exposure.

Example – moulded plastic item

Getting a reliable assessment

Recently, a factory that Oxfam was considering sourcing from, presented a commercial audit of the site. It raised minor issues and found the site to be 'compliant'. Because of well-known concerns about the reliability of such audit techniques, a more forensic assessment was commissioned involving offsite worker interviews. This found a range of serious problems including child labour, wages below the legal minimum, faked records and protective equipment provided only during audits.

18. 工資裡面要扣除那些費用? (答: 扣保險費 xx 錢。如果沒有買保險的答: 不用扣; 如果工資超過 1600 元的則還需扣個人所得稅)

19. 拿工資時有無簽名? (答: 有)

20. 拿工資時有否工資條給你們? 可否給我們看?

(答: 有) (答: 出工資時看完就扔掉了)

21. 開工時間是否自由地去廁所或飲水? (答: 自由)

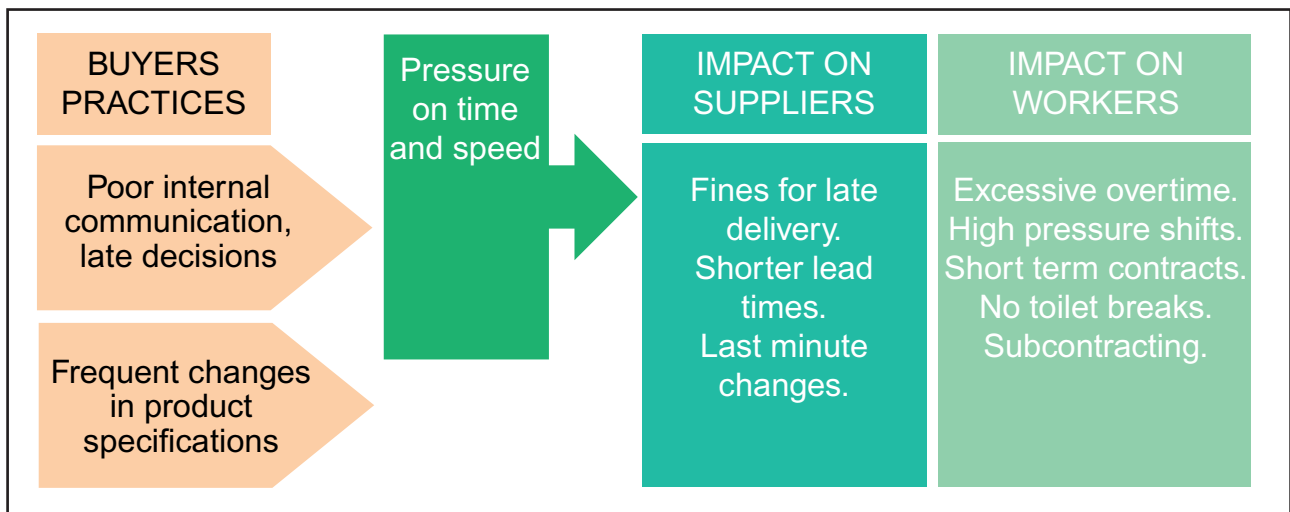
22. 門衛有否監視你的工作? (答: 沒有)

Coaching Materials found

Example: Q20: Does the factory provide wage slips? Could you show it to us?

Standard Answer – Yes we have wage slips, but we throw it away after we look at them.

Source: Impactt



Source: Impactt

2. Integrate ethics into your business

- Train your purchasers. They are the gatekeepers to an ethically sourced product range.
- Design incentives that reward purchasers for standards as well as commercial performance.
- Build ethical criteria into your supplier selection process. Assess their attitude, discuss your requirements, including contract terms and the assessment process, encourage openness and stress it's about continuous improvement not instant compliance.
- Develop longer-term relationships with fewer suppliers and minimise 'churn' between them where possible.
- Reward suppliers - and ask them to reward their supplier factories and farms - which are actively working towards the standards.

3. Work with others – competitors, suppliers, NGOs, trade unions, support networks

- Join an industry or multi-stakeholder group, such as the Ethical Trading Initiative. This is an area of business where it makes sense to collaborate rather than compete. If membership is not for you, use their training courses and tools, eg the ETI Base Code and Principles of Implementation, see www.ethicaltrade.org.uk
- Work with local NGOs, trades unions, to understand the context and best way forward.
- Get your suppliers onto a database such as SEDEX, see www.sedex.org.uk. Used effectively, it gives you visibility of your supply chain as well as reducing audit fatigue.
- Organise a Supplier Day. Do a workshop for your suppliers and get them to talk about problems and how they have tackled them.



Rice farmer, Vietnam.
Credit: Nguyen Quoc Thuan/Oxfam GB

Be part of the solution, not part of the problem

Tip: work with others to source high risk ‘bottleneck’ products, where you lack leverage and/or time. Maybe another company has checked a supply chain for the product you need.

Example 1 – branded promotional products Support a trusted supplier with ongoing business

Oxfam staff organising events or fundraising often need branded promotional products, often at short notice. The supply market is dominated by Chinese suppliers, a challenging environment for sourcing ethically. We invested time selecting a UK supply chain (Sandbag and ID&C) who understood our ethical requirements, and were willing to work over the long term with a carefully selected factory manufacturing a range of promotional products.

“Oxfam and Impactt have helped ID&C develop an ongoing, proactive ethical trading strategy. This productive partnership has and will continue to produce socio-economic benefits to all parties involved. Impactt balances ethical issues with commercial requirements that has led to clear and evident change to workers’ lives.”
(Matt Wilkey, ID&C, November 09).

Example 2 – plastic bags ‘Piggybacking’ another company’s supply chain

Oxfam has 750 shops across the UK, selling new and second-hand goods. We needed to source recyclable plastic bags but spend was insufficient to persuade a supplier to follow our assessment process. We talked to a UK supermarket (member of the Ethical Trading Initiative), and were able to ‘piggyback’ onto the contract they had with their supplier.

In summary,

1. Establish a good framework.
2. Integrate ethics into your business
3. Work with others.

Oxfam GB now provides advice service to business on Ethical Trade.

Contact Rachel Wilshaw, Ethical Trade Manager, for more information, rwilshaw@oxfam.org.uk.

Tel +44 185 473636. For more information go to www.oxfam.org.uk/business