

*Joint ILO-EU project to improve knowledge base
and safety and health in global supply chains to
support G20 work on safer workplaces*



International
Labour
Organization

Food and Agriculture Global Value Chains: drivers and constraints for Occupational Safety and Health improvement

Knowledge sharing event – Geneva - 10 November 2017

International Labour Organization
OSH Global Action for Prevention Flagship Programme

Reduction of
occupational
injuries and
diseases in global
value chains:

Global evidence on
drivers and
constraints



A person wearing a white long-sleeved shirt, a white wide-brimmed hat, and a yellow backpack is spraying a tea plantation. The person is holding a long-handled spray wand and is positioned in the middle ground, facing right. The tea plants are dense and green, filling the background and foreground. The overall scene is a tea plantation under a bright sky.

The perspective of research on global value chains

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Introduction: Global Value Chain as conduits for SME upgrading in developing countries

Expectations vs Reality: a Summary

- ◆ Early GVC literature (1990s) was concerned with manufacturing and with economic upgrading
 - The more competitive/able firms/clusters would join GVCs and the rest would follow or would benefit from the dissemination of good practices
 - When widespread economic upgrading proved uneven the role of governance by lead firms in GVCs took centre stage, particularly its relationship with different types of economic upgrading.
 - It was assumed that social upgrading (including labour practices) would follow economic upgrading.
- ◆ Later research (2000s) – spearheaded by Global Production Network scholars- analysed the issue of social upgrading in depth.
 - Differentiating types of employment contracts/conditions became key.

Placing OSH within **Economic Upgrading** in GVCs

Economic Upgrading (excluding Interchain upgrading)

Process

- Doing certain tasks better
- Indicators:
 - Investment in machinery
 - Workforce training
 - Changing layout
 - New management techniques
 - Introduction of total quality programmes
 - Socially and environmentally sound practices (inc. OSH)

Product

- Making a product that is of better quality, more sophisticated or simply carries a better price.
- Indicators:
 - New models
 - New lines
 - Higher prices
 - New materials

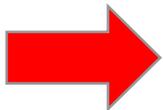
Functional

- Acquiring skills in a chain activity that the firm did not possess before
- Indicators:
 - For instance, a producer starting to design its own products
 - launching own brands
 - coordinating its own supply chain
 - Marketing activity
 - Entering new markets

Placing OSH within **Social Upgrading** in GVCs

Social Upgrading

- ◆ A broad definition sees social upgrading as ‘the process of improvement in the rights and entitlements of workers as social actors, that enhance the quality of their employment’ (Barrientos, Gereffi and Rossi, 2010:7)
 - **Measurable Standards** (type of employment, wages, working hours and social protection)
 - **Enabling Rights** (freedom of association, non-discrimination, voice and empowerment)
 - N.B. Achievements in the first type do not guarantee advancement in enabling rights (Lee, Gereffi and Barrientos, 2011).



OSH practices could be arguably embedded within the measurable standards’ component of social upgrading.

Addressing OSH risks: Drivers for Product Traceability and Process Traceability in Agrifood GVCs

Product Traceability

- Product Traceability: **having full visibility of the origin of all raw materials used in the end products and being able to trace them back to the farm / plantation level.**
- The quality and safety aspects of the product are more valued in Agrifood compared to other value chains which often emphasise how the product is made (garments).
- Strict food regulations in high-value markets offer a clear incentive to achieve near 100% product traceability.
- Organic food trends offer a premium for product traceability efforts.

Process Traceability

- Process Traceability: not limited to having a clear view of the origin of the product, but **also under what circumstances the materials used for the end products were grown / farmed / processed.**
- Labour practices and Human Rights tend to feature more prominently in published CSR reports (visibility of OSH commitments suffers when being subsumed within labour practices).
- Higher commitment shown by brands willing to pay higher prices to their suppliers and that feel confident they can charge higher prices to their customers.
- In highly fragmented Value Chains (Coffee, Cocoa) there's incentives for lead firms to use collective action in a top-down manner (**integration at the top**) as an alternative to direct ownership of suppliers.
- Lead firms are decreasing their exposure by making farmers collectively responsible for good practices in the region in which they source (**integration at the bottom**).

Key observations (I)

- OSH expectations (and achievements) vary according to the requirements of final markets, the structure of the value chain and the presence of local institutional support.
- OSH seems to matter more to lead firms and producers in the VC than to consumers except in a handful of European markets.
- The Colombian Coffee case study shows the importance of having a diversified and sophisticated local system of support for ALL types of upgrading which helps reinforce the implementation of OSH.
- Lead firms (based in exacting markets) are willing to pay a premium for responsible sourcing of products, which makes investment in OSH part of their business strategy.

Key observations (II)

- The relative 'invisibility' of OSH and the additional costs of certifying any process upgrading in general seems to make funding of initiatives (by lead firms but also local agencies) difficult. However, there are OSH indicators that are easier to measure as a starting point.
- The case studies show that incremental tightening of regulations alongside marketing awareness (with the support of local and international NGOs) of these issues with final consumers can help ensure these OHS issues are taken seriously by the most powerful actors in the Value Chain.
- Monitoring (sanctions) and finance (incentives) plus stable orders seem to be key to support OSH implementation and it's supported by the GVC literature, particularly in the work of Anner et al, 2014 which stated that the best practice by lead firms would be to provide: 'the trinity of stable orders, fair prices and **safe factories**'.

A woman wearing a red headscarf and a green jacket is smiling and holding a small green plant in her hands. She is standing in a greenhouse filled with rows of similar plants. The background shows the structure of the greenhouse with blue and white panels.

The perspective of research on global food and agriculture supply chains

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Background

- Importance of standards has increased over the last decades
- Occupational safety and health (OSH) aspects increasingly gain attention
- Included in public and private standards
- Standards require:
 - Planning
 - Implementation
 - Verification
- Can only be achieved in increasingly vertically integrated value chains

Impact of trade on global value chains

- Vertical integration
 - Upstream suppliers become parts of the business of downstream manufacturers / retailers
 - These control most or all other stages of the chain
 - Enable the transmission of information and enforcement of compliance
- Supporting factors
 - Increasingly globally distributed production of commodities
 - Increasing volumes of international trade and decrease of transaction costs
 - Demand structure of importers of agricultural goods: regulations and standards
- Empirical evidence
 - The three ensuing case studies show tendencies towards a growing level of vertical integration

Product vs. process standards

- “[a]n International Standard provides rules, guidelines or characteristics for activities or for their results, aimed at achieving the optimum degree of order in a given context” (ISO, 2017b)
- Product standards
 - Characteristics which can be observed in the final products
- Process standards
 - Concern the way the products are made
 - Can (but do not need to) influence the characteristics of the end products
- Challenge of setting international standards due to diverse production environments
- Response: normative / generic standards to be used as a framework for local law makers
- OSH is affected by product and process standards

Public food safety regulations in importing countries

- US: Food Safety Modernisation Act (FSMA)
 - Purpose: to prevent food from being contaminated rather than ensuring occupational safety and health
- EU: European Food Safety Authority (EFSA)
 - Focus on the risk for the consumers by assessing process as well as product standards
- EU: Renewable Energy Directive and parliament resolution (2017)
 - Intend to introduce standards in order to decrease deforestation rates, protect biodiversity as well as human rights
- Multilateral agreements
 - WTO Technical Barriers to Trade, including Sanitary and Phytosanitary Measures
 - Target: reduce trade barriers while still protect consumers
 - Codex Alimentarius Commission
 - Consumer protection
 - ILO
 - ILO instruments are integrated into national public and private standards

Impact of public food safety regulations on OSH

- FSMA, EFSA, and Codex Alimentarius Commission focus on consumer safety
- OSH not explicitly mentioned in any of them
- However, as they concern maximum levels of pesticides, medicines, etc. they eventually also touch upon OSH issues
- Summary of effects on OSH
 - Growing awareness, but not put into practice in many legislative environments yet
 - ILO Code of Practice on Safety and Health in Agriculture (2011): not subject to ratification by Member States and thus non-binding
 - Ratified by 16 countries in 2017
 - The convention on Labour Inspection in Agriculture (from 1969) has a greater impact, being ratified by 53 members
 - Case studies: vertical integration might be beneficial for OSH

Product certification & private compliance initiatives

- Goals of private compliance initiatives (PCI):
 1. Reduce asymmetric information along supply chains
 2. Signal food quality to consumers
 3. Decrease transaction costs and facilitate supply chain management

Main *multiple-commodity* PCIs including coffee, palm oil & lychee:

GlobalGAP, Fairtrade International, UTZ, IFOAM – organic, and Rainforest Alliance/SAN

Single-commodity PCIs for coffee and palm oil:

Nespresso AAA Sustainable Quality, Starbucks Coffee And Farmer Equity (C.A.F.E.) Practices and 4C – Global Coffee Platform (GCP)
Roundtable on Sustainable Palm Oil (RSPO)

Provisions on working conditions and OSH

- All PCIs include some elements of the social, environmental and economic dimension:
 - Lower performance by PCIs that are founded by a narrower scope of actors: main focus is on facilitating the supply chain management and reducing transaction cost

Most of the PCIs include provisions on working conditions and OSH, but not all cover these criteria comprehensively:

Labour-standards

- focus on ILO core workers' rights and on good employment conditions (i.e. minimum wage, written contracts, decent living or living wages and referring to national legislations)

Quasi-labour standards

- only mention the importance of e.g. health and safety trainings or worker's well-being (GlobalG.A.P. and IFOAM)

Impact of PCIs on working conditions and OSH

- Overall little impact evaluation on PCIs and few with focus on OSH

Direct effects on working conditions and OSH

- PCIs with comprehensive provisions on working conditions and OSH have a positive direct effect on those (Schuster and Maertens, 2016)

Indirect effects on working conditions and OSH

- *Price premia*: can indirectly lead to better working conditions if a share of it is reflected on workers' and farmers' remuneration
→ for Madagascan lychee farmers it holds with restrictions (Subervie and Vagneron, 2013)
- *Safety and health trainings and prohibition of synthetic inputs*: can lead to less incidences of acute illness of workers (Asfaw et al., 2010)

Limitations of PCIs on working conditions and OSH

- Indirect requirements:
 - Only few PCIs explicitly state labour requirements in their code of conduct, BUT indirect effects are less likely to occur (Schuster and Maertens, 2016)
- National labour legislations:
 - In developing countries institutions are often weak and face low enforceability
 - PCIs should not only refer to national labour regulations but could go beyond them (Raynolds, 2014)
- Structure and imperfections of local labour markets
- Monitoring:
 - Quality of audits is questionable, because of inadequate training of auditors and timing constraints

Summary

- Increasing consumer concerns for food safety:
 - Public and private bodies have reacted by introducing standards
- Global expansion of agricultural supply chains:
 - Standards to decrease asymmetric information, facilitate management and increase reliability
- Importers' and multilateral food safety regulations
 - Focus on consumer safety; producers OSH affected eventually by reduced pesticide use
- PCIs are more specific to context and product they apply to:
 - Most PCIs include provisions on OSH and working conditions, but only few comprehensively
 - Incomplete national legislations and inadequate monitoring limit impact of PCIs on OSH
- Food safety standards could become more effective by going beyond legislation and control and be accompanied by incentives, services and infrastructure
- Requires collaboration of private and public actors



The perspective of research on OSH management and standards

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What do we know?

- Problems of poor OSH in global supply chains are among the paradoxes of development—
 - Poverty, limited regulation and regulatory administration, weakly organised labour, a substantial informal economy, poorly developed and immature institutions and procedures for labour relations and so on, all contribute to poor application of OSH standards, and consequent poor arrangement and outcomes
 - So do the price and delivery demands of international buyers
- At the same time, the relations within such global supply chains may provide opportunities (drivers) to support improvement in OHS arrangements and their outcomes

What do we know? Addressing the problem

- There are limits to conventional means of regulating OSH in the globalised economy
- Leading to ideas concerning regulatory mixes, smart regulation and so on....
- Within this frame attention has been paid to various means of applying leverage within supply chains to improve working conditions at the point of production.
- Similar approaches have been applied to improve, with evidence pointing to the presence of a set of determinants within and surrounding business relations and workplace practices that may influence outcomes.
- Understanding these influences is necessary if leverage aimed at improving health and safety arrangements is to be effective.
- But it is also necessary to appreciate the particularities of OSH.

What do we know, in general and in relation to OSH in particular?

- Initiatives utilising supply chains to support improvements usually act to shape the nature of the relations between buyers and suppliers and the motivation of one to influence the other's arrangements for OSH
- They have been shown to have potential to generate positive preventive benefits.
- They indicate that supply relations and the concern for OSH embodied within them are related to 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
- Studies show that the nature of the supply relationship can be important, with close partnership-style relations being more likely to result in such motivations than more arms-length transactional ones
- In other words – more or less the same situation for OSH as for supply chain influences on other aspects of work and working conditions

But...

- Such conclusions are over-simplistic and seldom reach beyond first tier supply relations anyway — further studies show a more complex mix of influences.
- Only in narrowly defined circumstances will market-based business motivations *alone* encourage the utilisation supply chain relations to improve OSH.
- Supply chain initiatives take place within mixes of non-market external pressures, such as legislative requirements and meaningful inspection, labour relations, or actions from civil society groups and agencies and threats to reputational damage on large, well known, purchasing organisations.
- The nature of this mix is likely to determine favourable (or not) outcomes.
- And for OSH – there is the same need to research relations within and around supply chains as for other aspects of working conditions, and to relatedly appreciate that ‘what works’ in relation to large sophisticated organisations may not work at the ends of supply chains.

What's special about OSH? — mapping workplace risks and prevention measures

- What do we need to know?
 - What are the OSH risks?
 - Who is at risk?
 - What are the existing measures of outcomes (what do they measure)?
 - What are the main means of prevention and are these the most appropriate ones?
- What works? For whom and in which contexts?

Successful supply chain interventions on OSH will require understanding of —

- What forms of OSH intervention are most relevant to the situation?
- What are the main influences at play that impact OSH outcomes at each level of the chain?
- What are the OSH deficits in the chain and what are their linkages to the employment patterns created by the business model underlying it (who is vulnerable, how and why)?
- Where are the leverage points and possible channels for action to improve OSH in the supply chain —
 - Who are the players in and around the supply chain and what is their level of influence on OSH?
 - What is the significance of inter-relations between these players?

This might require knowing, for example, how effective are:

- Suppliers' OSH knowledge and understandings;
- Suppliers' health and safety policies/plans;
- Presence of qualified persons responsible for the development, day to day monitoring and oversight of OSH arrangements and for providing specialist advice and guidance;
- Arrangements for monitoring and reporting OSH practice and outcomes, including accidents, incidents and emergencies
- Provision of information and training;
- Joint consultative arrangements;
- Rights to refuse work;
- PPE provision, adequacy and renewal;
- Formalised OSH management systems

Social, economic relations and contexts in which OSH is experienced—

- Employment arrangements in the supply chain — e.g forms of employment (e.g. permanent, casual, agency), social security provision; working time; wages; freedom of association etc
- Nature of inter-firm relationships — e.g identity of buyers, the purposes for which they purchase; the extent to which they seek to influence OSH; use made of auditing; handling of supplier non-compliance; nature of trading relations; incentives for, and resistance to, compliance
- Price and cost structures
 - Linkages between financial context, performance and how OSH is managed
 - business success and the influence of/on investment in OSH?
 - Are resources sufficient to implement an OSH plan/policy? Is attention paid to linkage between productivity enhancement and improved OSH?
 - Is there a relationship between these and the OSH risks?

National and local environmental contexts for OSH in the chain

Supporting social welfare and regulatory systems, including regulatory arrangements and their supervision, OSH prevention and treatment services, insurance based services and others including:

- Government Ministries and Departments, local labour inspectorates, OH services, local health services, social insurance associations etc
- NGOs active at national levels and in the field
- Private certification schemes and auditing companies
- Representatives of global buyers, including agro-food/cosmetic companies, commodity traders that supply them, and local buyers
- National and local level trade unions and employers' organisations

Challenges

- **Availability of information** — Information on risks processes and outcomes likely to be incompletely documented. Information on regulatory compliance and the strategies to achieve it may also be incomplete or absent
- **Global actors may be unwilling to talk or those who are willing may not know the information sought**
- **Informants and information (including companies and workplaces)** increasingly difficult to access at the lower points in chain – problem of inverse relationship between access and severity
- **Hard to reach scenarios also in relation to contextual determinants** — Influential actors and processes both difficult to determine and difficult to reach.

Conclusions

- Research on ‘what works, for whom and in what contexts’ in global supply chains is necessary. As well as studying OSH arrangements and their outcomes, it needs to:
 - Identify business relations and processes that support improved OSH outcomes within enterprises in the supply chain
 - Identify underlying contextual constraints within and around supply chains that prevent improvement / compliance on OSH within the supply chain (systemic constraints);
 - Identify scenarios leading to incentives and capacities for private and public actors to contribute to improvements/compliance on OSH (successful experiences / possible points of entry for change);
- This will inform the identification of what is possible in future pathways for sustainably improving OSH in targeted supply chains (possible intervention models).



Approaching OSH in global supply chains and beyond

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OSH GAP flagship programme: building a culture of prevention

- The OSH GAP Flagship programme
 - A contribution to the Sustainable Development Agenda.
 - A response to global calls for action, in particular from the G20 which recognized over recent years the need to address prevention of occupation diseases and accidents as a priority.
- OSH in GSCs
 - OSH mentioned as a priority within the work to be done on Global Supply Chains during the ILC 2016 discussion.
 - OSH part of the ILO Programme of Action 2017-2021 on Decent Work in GSCs.
 - Vision Zero Fund Initiative on OSH in GSCs.
- Safety and health: a factor affecting competitiveness
 - Costs and impact on productivity and development.
 - A new requirement within trade agreements.
 - GSCs: an opportunity to promote OSH.



OSH and Global Supply Chains

Existing evidence

- Focus:
 - Only a small part of the literature on Global Supply Chains addresses specific decent work issues such as OSH.
 - A top-down approach is prevalent and does not allow to gather substantial information on suppliers, especially below tier 1.
 - Strong focus is placed on manufacturing (especially garment / electronics) and sub-contracting of labour (especially construction and services provided on-site).
- Findings indicate a double and somewhat contradictory impact on OSH outcomes down the chain:
 - Outsourcing and sub-contracting tend to create uncertainties on the requirements, responsibilities and arrangements for safety and health at the workplace.
 - At the same time, global supply chains usually have more internal resources (both financial and in terms of capacities) and create requirements for OSH that may be higher than local legislation in sourcing countries.

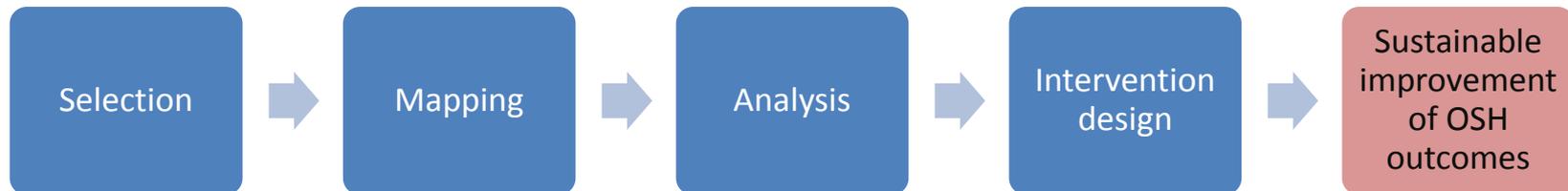
Gaps

Food and agriculture
Interventions below tier one

OSH and Global Supply Chains

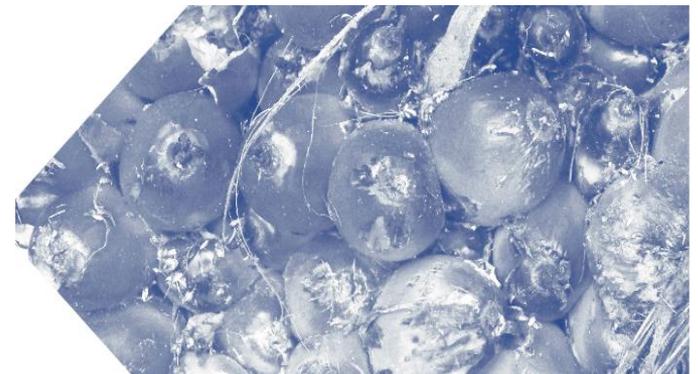
Adopted approach

- The diagnostic tool developed by the project, which adapted the Market Systems Development for Decent Work approach and benefited from the expertise of CWERC, identifies:
 - Main risks and vulnerabilities at different tiers of supply chains;
 - Commercial practices and institutional gaps in which vulnerabilities are rooted;
 - Actors, incentives and capacities;
 - A mix of public and private interventions that can foster OSH.



Reduction of occupational injuries and diseases in food and agriculture global value chains:

Sourcing countries' experiences on drivers and constraints





Drivers and Constraints for OSH Improvement in Three Food and Agriculture Supply Chains

Lou Tessier

Project coordinator

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Approach



Transformed product

Fresh product

Dry product

Diversity of countries



Diversity of crops



Diversity of OSH in food and agriculture
Global Value Chains

Finding no. 1 – Context matters



Coffee from Colombia



Palm oil from Indonesia



Lychee from Madagascar



Main markets

Canada, EU, Switzerland, US, Japan

China, India, EU

EU, Switzerland

Value chain structure

Supply base: smallholders
Mills and export: medium and large companies, some FDI
Importers: commodity traders, roasters.

Supply base: plantations & smallholders
Mills/refineries: independent / vertically integrated
Importers/buyers: commodity trader, agro food and cosmetics companies

Supply base: smallholders and collectors
Exporters: medium size companies, locally owned
Importers: specialized traders and supermarkets

Employment

About 1 million workers

Over 5 million workers

Over 70,000 workers during harvest

Example of drivers and constraints for OSH

Institutionalization
Delegation of support service provision

Vertical integration
Consumer pressure

Food safety standards
Market incentives

Example of employment patterns linked to OSH vulnerabilities

Informality

Contracting relationships

Seasonality

Finding no. 2 – A mix of intervention is needed



No single intervention or player can improve compliance and OSH outcome on their own.



Solutions involve several interventions by various stakeholders, including multi-layered interventions



Private and public actors must be mobilized



- In the value chain;
- In its market and institutional environment => to ensure positive spill overs.



Law enforcement needs to be accompanied by support functions



- Thinking about compliance in a strategic manner;
- Thinking about prevention, promotion, protection and compensation in an integrated fashion.



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Estándares mínimos del
Sistema de Gestión de
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LAS MARGARITAS

Nivel	Categoría	Código	Descripción	Valor	Clasificación
1	1	1.1.1	1.1.1.1	1.1.1.1	4
1	1	1.1.2	1.1.2.1	1.1.2.1	6
1	1	1.1.3	1.1.3.1	1.1.3.1	9
1	1	1.1.4	1.1.4.1	1.1.4.1	5
1	1	1.1.5	1.1.5.1	1.1.5.1	6
1	1	1.1.6	1.1.6.1	1.1.6.1	15
1	1	1.1.7	1.1.7.1	1.1.7.1	15
1	1	1.1.8	1.1.8.1	1.1.8.1	10
1	1	1.1.9	1.1.9.1	1.1.9.1	5
1	1	1.1.10	1.1.10.1	1.1.10.1	10