

European Agency for Safety and Health at Work

Improving OSH through supply chains: market-based initiatives in the agri-food and construction industries

Summary

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Executive summary

This summary presents the results of a literature review carried out as part of a project on market leverage of occupational safety and health (OSH) in supply chains (Lift-OSH¹) commissioned by the European Agency for Safety and Health at Work (EU-OSHA). Researchers from a consortium of six research organisations in five European countries are responsible for the review.

Economic and technological developments have amplified the importance of the extended supplier networks of European companies. These developments are increasingly significant for OSH and working conditions; a wide array of public and private initiatives and instruments have evolved, aimed at control of OSH in the supply chain. This review focuses on market-based leverage practices and instruments which can help improve OSH and working conditions. We define market leverage as **instruments and practices applied in buyer-supplier relations through market signals, that encourage specific behaviour**. This review presents the available knowledge about the application of market leverage instruments and practices in two key European sectors: agri-food and construction.

Types of supply chain leverage practices

Broadly speaking, there are two forms of leverage practice:

- **Contractual governance**, the various forms of formal tendering and contracting as well as formal auditing and monitoring of suppliers' actual work processes and performance;
- **Relational governance**, the various forms of informal engagement between buyers, suppliers and their employees, aimed at increasing competence or the quality of specific processes as well as improving OSH and working conditions.

Often the two are integrated in supply relationships, appearing as a **hybrid governance** form.

The concrete forms of leverage practices are further influenced by the institutional environment and market in which the involved companies are situated. Such contextual aspects include, but are not limited to:

- national legislation and regulation related to supply chains (for example, buyer or main contractor responsibility for suppliers and subcontractors, and requirements for due diligence or public reporting);
- international legislation, regulation and guidelines (for example, European Union (EU) directives, United Nations (UN) and other international standards and conventions, and public monitoring of such sustainability indices);
- collective agreements (for example, regulation of conditions for precarious work);
- public pressure (for example, the media and non-governmental organisations (NGOs));
- not least, the context of the specific sectors (distinct physical attributes, market structure and institutional norms).

Leverage instruments in the agri-food sector

The agri-food sector comprises primary producers, processors, distributors and retailers. Additionally, traders, brokers and labour contractors play important roles in the business structure of the sector, even though they do not handle products directly. The OSH conditions are characterised by the following main issues:

- **Farming and fishing:** heavy lifting, high accident risk, dangerous substances such as pesticides and organic solvents, biological agents and long working days with unhealthy rosters. Additionally, the widespread use of seasonal workers increases the risks related to precarious work.
- **Processors:** repetitive work, awkward work postures, heavy lifting and high accident risk.

¹ Leverage Instruments for Occupational Safety and Health.

- **Distributors:** atypical working times and heavy lifting. Technology is helping reduce these risks, but often entails an increase in repetitive work and high work speed in packing. In addition, new problems have arisen, such as the strict surveillance of workers.
- **Retailers:** accidents, heavy lifting, repetitive work, long working hours and high psychosocial risks caused by elevated pressure, stress and monotony (especially in hotels and restaurants).

The sector is subject to extensive regulation, particularly regarding consumer food safety and the environment. There are many multi-stakeholder partnerships associated with these issues that influence the supply chain relationships. The regulation of OSH and working conditions is less extensive, but the literature describes several contractual leverage practices which influence OSH:

- **Sustainable procurement practices.** These are most often initiated in areas other than OSH such as food safety, climate or the environment, but increasingly, social sustainability including OSH for workers is also being covered by procurement practices, especially in the form of the Buyer Code of Conduct, which buyers require suppliers to follow. The result of this development is that buyers are considering sustainability as a factor in their purchasing decisions alongside customary factors like price, quality and delivery. In concrete terms, sustainable purchasing practices normally include various instruments (such as certifications, questionnaires, supplier assessments and audits) to gauge the sustainability performance of the potential supplier.
- **Audit and certification schemes** specifically aimed at the agri-food sector. These set out a standard which forms the basis for certification and a third-party audit scheme. They build on international conventions such as the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights (UNGPs), the International Labour Organisation (ILO) conventions and national laws. They are concerned with topics such as child labour, forced labour, discrimination, freedom of association, the right to collective bargaining and OSH. Some of the most important schemes are:
 - the Amfori Business Social Compliance Initiative (BSCI);
 - the Global Good Agriculture Practices (GlobalGAP), whose branch for social compliance is the Risk Assessment on Social Practices (GRASP);
 - Social Accountability 8000 (the SA8000);
 - a special audit standard developed by the Supplier Ethical Data Exchange (SEDEX), known as the SEDEX Members Ethical Trade Audit (SMETA).

Various relational governance practices prevail in the agri-food sector. Many focus on the development of personal relations and a trust-based culture, which are considered important for relations as well as OSH and working conditions. Thanks to a high degree of trust, suppliers are less likely to hide challenges and risks and more likely to cooperate with buyers to solve problems. The most prevalent practices include:

- **Supplier support.** Supportive relationships with suppliers upstream in the supply chains (for example, from larger processors to farmers) can take the form of advanced payments and economic development support. These relationships are found to improve suppliers' sustainability practices.
- **Visits and dialogue.** These can be used to develop mutual understanding between buyers and suppliers as well as reduce uncertainties for suppliers and buyers seeking to promote social sustainability priorities.
- **Supplier development.** Practices such as awareness-raising workshops or training courses aimed at suppliers and sub-suppliers, to increase their awareness and/or competence to act in a sustainable manner.

Leverage instruments in the construction sector

The business structure in the construction sector involves the client, the main contractor, various subcontractors, manufacturers of construction materials, labour agencies, engineering consultancies, architectural firms and many other actors. The sector is characterised by the main supply chain actors working simultaneously on the same construction site, which again leads to increased complexity in terms of supply chain governance and the use of leverage instruments.

The main OSH issues in the construction sector are:

- **High accident risk.** The sector has one of the highest occurrences of fatal and non-fatal accidents.
- **Musculoskeletal disorders (MSDs).** Construction is one of the three sectors in which workers are most likely to report MSDs.
- **Precarious work.** The sector relies heavily on migrant labour, and migrant workers are often in precarious positions with poor working conditions.

In the construction sector, we found the following examples of contractual leverage instruments:

- **Tendering and contracting.** Clients select main contractors and subcontractors according to their OSH capabilities, competency and track record including key performance indicators (KPIs) on issues such as safety training, accident statistics and assessment records.
- **Monitoring and auditing.** Contractors are often contractually bound to be audited by representatives from the client organisation, or to set up various forms of monitoring systems to document safety performance.
- **Client or main contractor representatives on building sites.** Professional clients or main contractor OSH staff are permanently stationed at the building site to assist in safety efforts and ensure that the safety brief of the client is met.

The third-party audit and certification schemes are:

- **OSH management certificates.** Many contractors hold ISO 45001/OHSAS 18001 certification to prove the capability of the OSH management system. However, it was not possible to identify any specific studies of such certificates in construction.
- **National voluntary initiatives for certification and auditing.** Several audits and certifications targeting construction companies exist in European countries (for example, the Safety Checklist for Contractors (Veiligheid Checklist Aannemers or VCA) in Belgium and the Netherlands, and the Safety Certificate Contractors (Sicherheits-Certifikat-Contractoren or SCC) in Austria, Germany and Switzerland).
- **Safety passports.** Only workers with the required documented OSH competence can access the work sites. Often, these individual safety passports are incorporated into the company-centred certification and auditing schemes.

Relational practices in construction are focused on developing a trust-based culture. Trust between contractors and clients is important for the selection of leverage mechanisms and the likelihood of their success. Trust may be lost in large-scale complex projects or when actors in the supplier relationship have not cooperated before. Factors that tend to increase trust include companies sharing a close geographical vicinity, and the existence of personal bonds between key individuals in each actor in the supply. Development of trust can facilitate a culture of cooperation and knowledge-sharing, which is an efficient way to increase safety and health knowledge in the supply chain. Examples of relational leverage practices in the construction sector include:

- **Supplier development.** Various forms of supplier development activities are efficient in developing suppliers' OSH competence. Examples are workshops, awareness programmes and training courses. Research shows that activities of this type can foster trust between actors in the supply chain.
- **Professional resources.** Research shows that companies with more OSH professionals are better at managing and transferring OSH knowledge to contractors and subcontractors.
- **Transparent communication.** Sharing information about construction progress and ongoing tasks at joint workshops across contractors and subcontractors.

Policy pointers

Research in market leverage of OSH in the agri-food and construction supply chain is sparse, limiting the potential to identify evidence-based policy pointers. However, there is scope for some suggestions:

The prioritisation of social sustainability including OSH as a systematic element in procurement and tendering is growing; policy-makers and other stakeholders can support this development by:

- integrating OSH and working conditions requirements in procurement by public sector actors;
- developing standards and guidelines for procurement with integrated OSH to be applied on a broader scale in the private sector too, thereby expanding the application and creating a more level playing ground for competition;
- developing complete and workable criteria for OSH themes in procurement and tendering, including process and outcome criteria.

A wide variety of standards exists in both sectors: suppliers and subcontractors often have to comply with several co-existing standards simultaneously, resulting in audit fatigue. There is therefore a need for policy-makers and stakeholders to:

- merge existing standards or develop a new standard encompassing the different systems, so that suppliers and subcontractors only have to comply with one standard;
- make the certification and audit schemes transparent, to allow stakeholders and end consumers to gain insight into outcomes and so make informed choices in their purchase of goods and services.

Relational governance is a new subject of interest, with limited evidence for specific practices; however, it is evident that trustful relations and fair treatment support good OSH and working conditions. Policy-makers and stakeholders can support this development by:

- developing guidelines for day-to-day relational procurement practices where examples already exist in agri-food;
- developing training schemes for procurement officers on social sustainability, as they have daily contact with suppliers.

A key outcome of the review highlights the limited research in market leverage of OSH and working conditions in supply chains on the one hand, and the promising examples of existing measures prioritising OSH in supply chain relations, on the other. There is therefore a need for policy-makers and stakeholders to:

- Initiate further research of market leverage of OSH in supply chains. The research should cover quantitative studies of the effects on OSH and working conditions of market leverage as well as qualitative case studies of the mechanisms, showing how the wide variety of instruments and practices work.

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