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“Companies have total control over their global supply chains” – true or false? Linda Kromjong explores the question in the first of her blogs on the topic of supply chains

As the pace of globalisation accelerates and new technologies allow companies to easily source products in various locations - assembling, transforming, adding value, distributing and selling them in yet others, it becomes clear that supply chains are increasingly complex webs of interaction, rather than the sequence of elements arranged in a neat line we may once have imagined.

These complex arrangements require highly skilled management and responsible governance if they are to meet the expectations of stakeholders and regulators alike. When these fall short, supply chains hit the headlines and are increasingly the focus of debate.

With the number of people employed in global supply chains estimated by the ILO to stand at more than 450 million (20.6 per cent of total employment, up from 16.4 per cent in 1995) this is an important social and labour policy issue, and, as such, is appropriate for the agenda of the International Labour Conference where it will be discussed in 2016. In the past year, the G7 and the Dutch presidency of the EU have also raised the matter of working conditions in supply chains and the extent to which companies can exert influence.

As employers, we welcome these discussions – companies have a clear role to play, not least in dispelling some of the myths and misconceptions that can confuse the debate and inhibit helpful outcomes.

Let’s take a closer look at the leeway and capacities companies really have to control their supply chains.

The UN Guiding Principles on Business and Human Rights acknowledge the difference between the activities of an enterprise and the activities of a business partner and distinguish between their respective obligations. UN Guiding Principle 13 states that the responsibility to respect human rights requires that business enterprises avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; and seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts. “Seek to” recognises the limits to what companies can realistically achieve.

Indeed, the extent to which companies can influence their supply chains depends on several factors: the number of suppliers, the structure and complexity of the supply chain and the market position of the companies. Depending on the nature of their business, many companies have tens of thousands of suppliers in different tiers. It is often impossible or impractical, either economically or logistically, to control all suppliers and subcontractors. The UN Guiding Principles fully recognize this challenge in UN Guiding Principles 17, which states that “where business enterprises have large numbers of entities in their value chains it may be unreasonably difficult to conduct due diligence for adverse human rights impacts across them all. If so, business enterprises should identify general areas where the risk of adverse human rights impacts is most significant, whether

due to certain suppliers' or clients' operating context, the particular operations, products or services involved, or other relevant considerations, and prioritize these for human rights due diligence."

In exercising due diligence, companies rely heavily on social audits. Audits give the buying company an overview of the situation in a supplier company at a given point in time. The situation might already be different the following day. Moreover, many tragic accidents in supplier companies have resulted from fatal decisions in specific situations that are not necessarily linked to issues that could have been identified in an audit. In short, even rigorous auditing cannot guarantee full control over a supplier's behaviour.

Furthermore, a buyer's ability to influence the business conduct of the supplier depends on market position. Not only do small and medium-sized companies often have little leverage over their suppliers, but large multinationals may also find themselves similarly constrained when they source only a marginal quantity of the supplier's production, or when the supplier has a monopoly. As is the case with some intermediaries, the supplier may just be a much bigger company.

The UN Guiding Principles proposes that companies increase their leverage to better influence the behaviour of their suppliers. This is happening: in many areas, consolidation is taking place in the supply chain, leading to a drastic reduction in suppliers. However, there are two sides to every coin: many companies will find it more difficult to join the global market and some economies will struggle to benefit from global trade. This raises a development issue - economic and social mobility will be impacted in affected countries, particularly in the least developed world.

Wages are an inevitable issue in this discussion. However, buyers are not in a position to dictate wages unilaterally, especially when rates relate to supplier companies in a second or a third tier position. Supply chains are not direct linear arrangements; as we have noted above, they are complex webs of interaction. It is naive to imagine that buyers can pour money in at one end and expect it to be directly distributed to supply chain workers through higher wages at the other. Experience tells us that wage setting is most effective when it takes place at national level with the full involvement of the representative social partners. Nevertheless, many companies are proactively engaged in promoting decent wages at their suppliers. Contrary to reports that international companies lobby for low minimum wages, joint efforts in Cambodia by international brands in the garment and the textile industry and IndustriALL Global Union have shown the opposite to be the case.

To conclude: do buyers confronted with these challenges turn a blind eye to their supply chains as some suggest? Our interactions with IOE members and their company affiliates reveal a high level of awareness of the responsibilities set out in the UN Guiding Principles, the OECD MNE Guidelines and other instruments governing responsible business conduct and have developed different, innovative approaches to promoting their core values and principles beyond their own businesses and organisations. The impressive number of initiatives, alliances and joint action bears witness to this commitment.

Current and upcoming debate should go further in identifying best practices in promoting decent working conditions through supply chain relationships, and outcomes should support companies in their daily struggle to meet expectations. Companies big and small, buyers, suppliers, workers and societies at large all have an interest in more and better jobs globally. We have a responsibility to work together constructively towards this common goal. Let's seize the opportunity of the 2016 ILC to show we can.