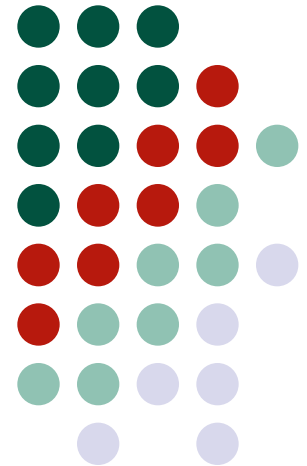


The Limits of Influence: the role of supply chain leverage in health and safety management



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What this presentation is about

- Financial incentives and improving OHS performance in modern economies
- The case of supply chain leverage and its drivers
- Two case studies of supply chains and their positive effects on health and safety
- Some reflections on the limits of influence

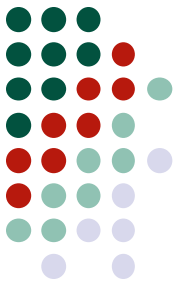


Background



- Growth in the importance of organisational outsourcing of production, service and labour
- Associated with the creation of more fragmented and ‘decentred’ patterns of employment
- Evidence that outsourcing has been driven by business rationales:
 - Improved attractiveness in terms of costs and risks
 - Avoidance of ‘internal constraints’
 - Access to external expertise
 - Enhanced quality and/or flexibility
 - Greater internal ‘business focus’
- Results pose challenges to conventional regulation of OHS management (and to insurance schemes)

In parallel — new approaches to new problems?



- ‘New governance’ and regulation? Emphasis on:
 - Soft law?
 - The business case and economic incentives?
 - Increased requirement to justify the economic case of regulation
 - Changes in the approach to seeking compliance – ‘cascading prevention messages’ – ‘reaching the hard to reach’ – ‘improving ‘stakeholder engagement’ etc.
 - Using supply chain relations to improve OHS standards

Why is a focus on supply chains appealing?



Solves several problems for regulation in the ‘new economy’:

- Promotes a ‘business case’ and economic arguments for good OHS practice
- Resonates well with the CSR agenda
- Fashionable - ‘ratcheting labour standards’ internationally
- Largely voluntary and market based means of achievement
- May reach the ‘hard to reach’ and address networks of production and services
- Relieves poorly resourced regulatory inspectorates of the need to inspect
- But what is the evidence that it works?

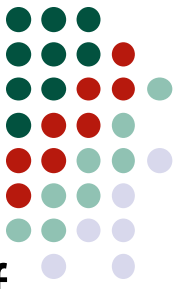




The IOSH studies

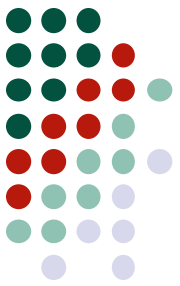
- Walters and James 2009 :
 - Wide-ranging review of the international research literature on the economic, social and regulatory relations of supply
 - Review of literature shedding more direct light on the way in which supply chains act to worsen or improve health and safety management
- Walters et al 2012
 - Case studies gathering empirical evidence on what drives the role of supply chain relationships in supporting good practice in OHS

Supply chains and health and safety: for better or worse?



- Most of the evidence points to increased role of ‘market logics’ leading to adverse outcomes for OHS
- These are largely the result of
 - Outsourcing work to smaller weaker organisations
 - The ability of powerful buyers to impose price and delivery demands on these weaker companies
 - Will and capacity to address OHS management weakened or sidestepped
 - Marginalised role for organised labour

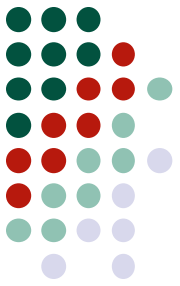




.....for better or worse? (cont.)

- But in certain cases, leverage in supply chain relationships is used to demand standards on health and safety from suppliers - Asymmetrical supply chain relationships afford opportunities for powerful 'buyers' to improve supplier health and safety practice
- Examples in construction, mining, transport, clothing and footwear and food, there are cases of such leverage.

When do supply chain relations work to better OHS? Propositions:



Attention to health and safety by supply chain buyers varies according to differences in:

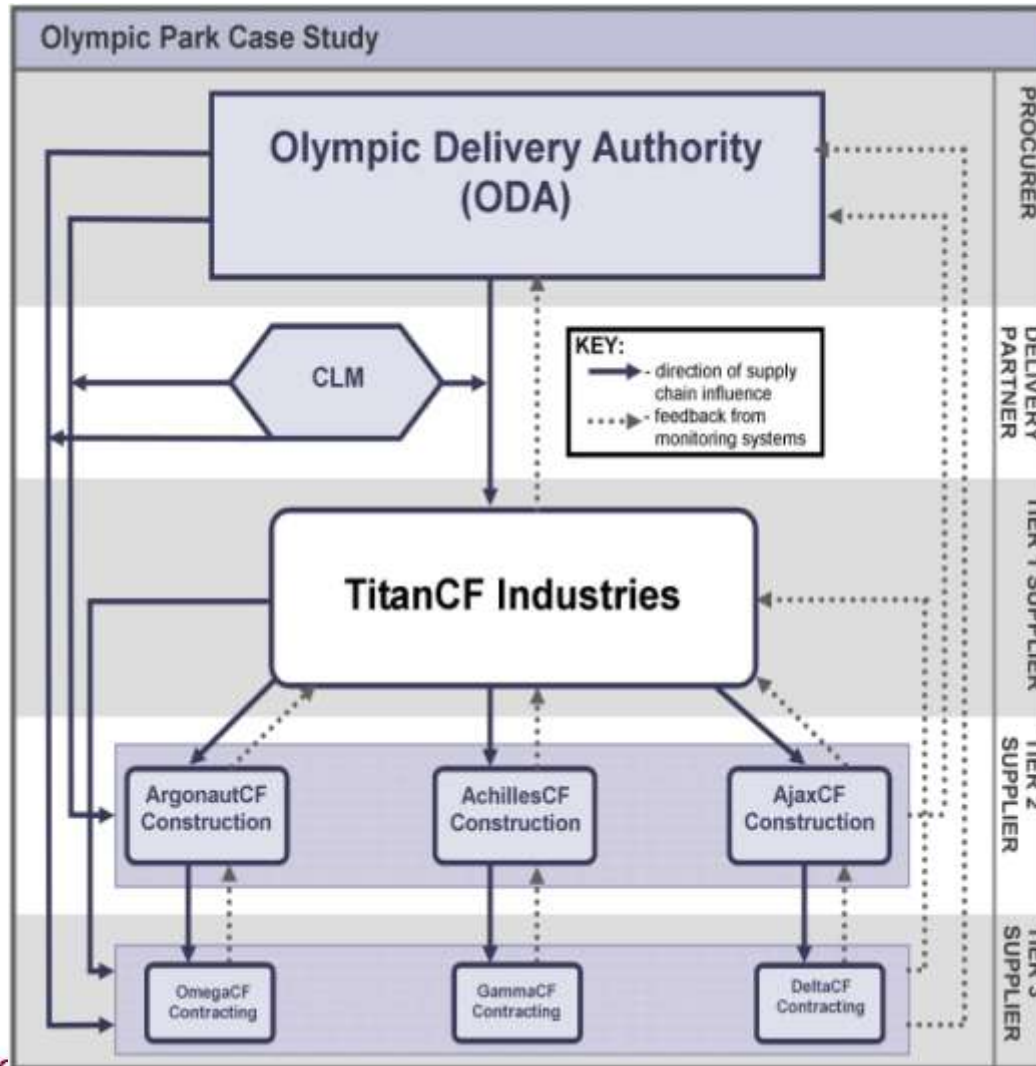
- how far the way in which health and safety is managed by suppliers has implications for the effective supply of required goods and services to buyers
- the extent to which pressures are exerted by private or public regulation.

Attempts by buyers to influence supplier health and safety management positively will work better where:

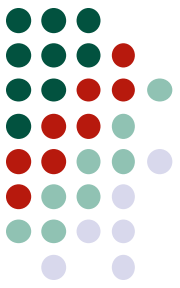
- they are supported by adequate monitoring and penalty regimes
- they occur within a supply relationship which is relatively collaborative and trust-based.

Sector based case studies to test these propositions

Construction – The Olympic Park — ‘a success story in accident prevention through the supply chain’



Findings from Construction – The Olympic Park



- Achieving OHS standards from suppliers
 - Procurement strategies
 - Pre-tender vetting
 - Contract specifications
 - Certification schemes
 - Monitoring compliance
 - Communication and co-ordination strategies
 - Systematic communication and feedback systems linked to core management strategies
 - Regular meetings at all levels
 - Trade union and worker engagement
 - Training
 - Conspicuous presence of monitoring and threat of exclusion
 - A changed role for the regulator?



Perspectives on how it works



- The client:

‘... the client leadership issue is very important; the difference between us and a lot of public sector organisations is that we are incredibly intrusive... So we have been really clear about that, we are incredibly intrusive into the supply chain for all sorts of reasons...’
(Director of Construction, ODA)

- The Principal Contractor

‘... they may be the greatest company, they might be potentially the cheapest but if they have got a dismal health and safety record (and these are questions that we specifically ask.... I’m sorry but they don’t go forward.’ (Tier 1 Procurement manager)

Perspectives on how it works (Cont)



Workers

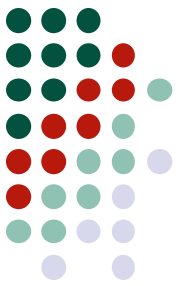
'Ah, it's about a million times better, I can tell you that. Everything is more exaggerated so you've got to pay more attention, so it is better'. (Tier 3 worker)

'

'... like you walk around here without your glasses on, yellow card! What happens is, if you get two yellow cards, then you are issued with a straight red and that's you off!. (Worker, Tier 3)



Perspectives on how it works (Cont)



- Tier 2 contractor

‘At the end of the day we have got the contract; if we want more work then the incentive is to get it right in the first place... so everything for them really. We have got to do it otherwise no work’.

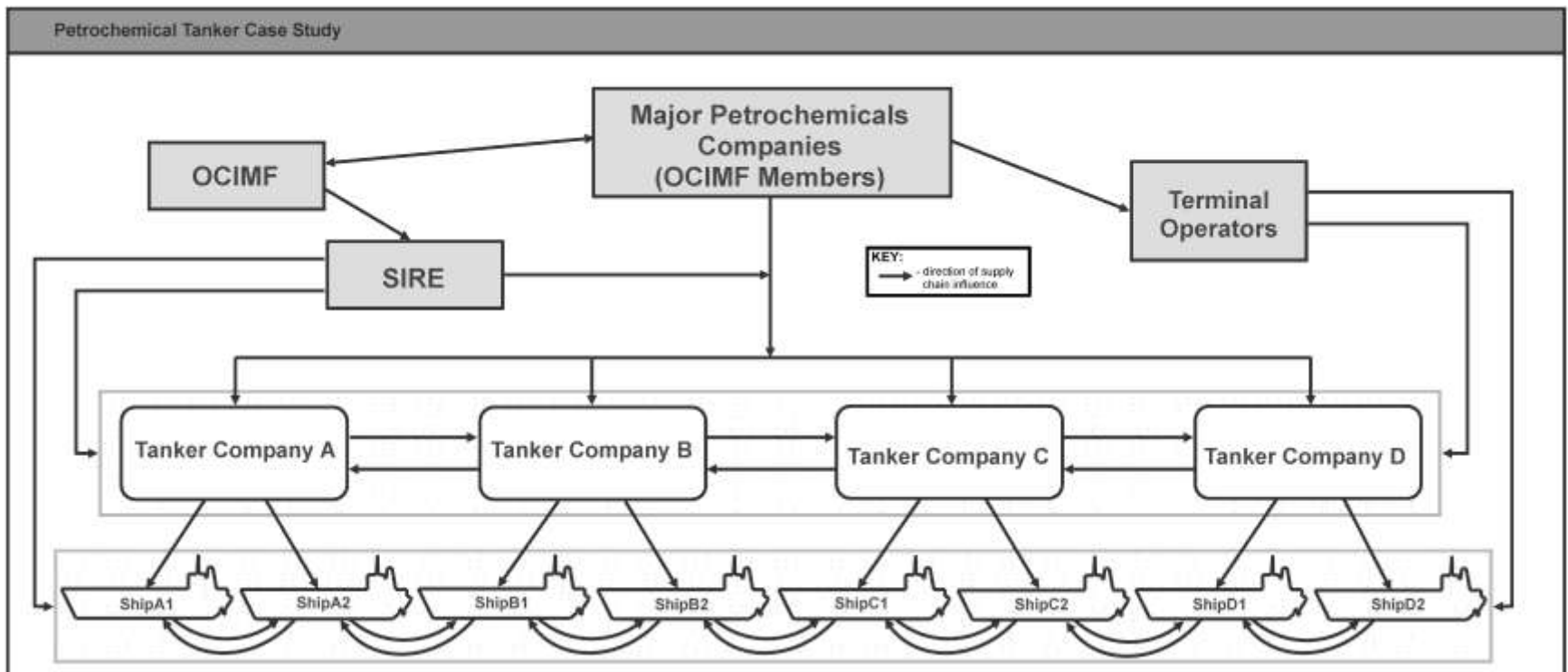
(Procurement manager and OSH adviser, Tier 2)

- The regulator:

‘... we took things to another level... how they could facilitate health and safety... actually how you then co-ordinate and communicate the issues to be managed by the suppliers... A lot of this comes back to the issue of, dare I say it, collaborative working....’ (HSE Chief inspector of Construction)



Tankers and the oil majors —supply chain relations on health and safety



Tankers and the oil majors — supply chain relations on health and safety



- Oil and chemical tanker trade is among the safer of trades in merchant shipping
- Oil majors are important buyers. Small number of powerful large players. Also influential in berths and refineries and terminals
- SIRE (ship inspection report programme)
- Exert powerful influence through procurement, monitoring and sanctions —
 - TMSA (tanker management and Self Assessment Programme)
 - Vetting and inspections
 - Denied business



How? What the tanker companies said



On business dependence –

‘When we go to any terminal [non-oil major] or even charter our ships to non-oil majors, we still need to be inspected and passed by them. Such is their reach in this sector. The whole industry is run by them – you can’t do business without their approval’. (Tanker company manager)

On OSH management –

‘Since TMSA they now have control even over us in the office. They can say how to run our ships, how to manage store supply, which courses we should conduct in-house, how many additional safety equipments should be placed on our ships and so on...’ (Tanker company manager)



Seafarers



On inspection

We expect those oil majors' inspection.....The inspection was very strict... as seafarers, we also feared, since their inspection included hundreds of items. The inspection was very much detailed. (TSEA 1)

On the regulator

We didn't feel special in the [Port State Control] inspection. After the oil major's inspection we felt that it was simple to deal with the [Port State Control] inspection. (TSEA 15)



Reflections: Case studies in construction and shipping largely confirm propositions



- Highly interventionist buyers in construction and tanker trade case studies (not always so)
- High–end companies
- Substantial horizontal as well as vertical communication
- Buyers and suppliers sufficiently incentivised in relation to:
 - reputational risks
 - high costs of failure
 - Market position
- Important role of surveillance
- No evidence to indicate that any of this works in the absence of a regulatory framework



Reflections

How typical are these situations?

Are they transferable – can they be extended to other sectors/situations?

External drivers promoting financial/business incentives are important.....but:

What are their implications for the role of regulation and regulatory inspection?

How can organised labour best engage with leverage in supply chains?

