

Supply chains' role in promoting safety and health in construction and agriculture: the LIFT-OSH project

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This report was commissioned by the European Agency for Safety and Health at Work (EU-OSHA). Its contents, including any opinions and/or conclusions expressed, are those of the authors alone and do not necessarily reflect the views of EU-OSHA.

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The influence of buyer–supplier or client–contractor relations¹ in supply chains on working conditions and occupational safety and health (OSH) is growing. Buyers set conditions for their purchase, which define conditions at the supplier workplaces. These conditions can constitute both a threat and provide an opportunity for improvement of OSH.

This report² presents the findings from eight in-depth case studies, looking at supply chain-based market leverage practices influencing OSH in the construction and agri-food sectors in Europe. The studies were conducted as part of the European Agency for Safety and Health at Work (EU-OSHA) project 'Leverage Instruments for Occupational Safety and Health – Lift-OSH (EU-OSHA, 2023)³. Market-based leverage practices is here understood as practices through economic relationships used as leverage to improve OSH within other companies in the supply chain. The aim of the case studies is to identify and assess the possibilities for market leverage practices with the purpose of improving conditions for workers employed by suppliers. Each case study covers the relationship between a focal firm (the buyer) and three to five suppliers. In each case, the focal firms selected for further analysis constitute firms with a reputation for providing good conditions for their own workers as well as their suppliers'. The cases identified in this study thus constitute some of the better market leverage practices found in the two sectors. The average buyer–supplier relations will probably have less focus on working conditions and OSH.

The researchers visited the focal firm and the suppliers, interviewed representatives from both management and workers, made observations, and collected and analysed documents.

Supply chain governance of working conditions and OSH

The common term 'supply chain' covers a network of organisations that collectively provide value to a customer or end user of a system. The metaphor of a chain makes it easier to visualise the flows of goods, information and money that move between members of the network on their way to provide value to the customer. Yet, within this network of organisations, the most fundamental unit of a supply chain is a dyad; the link between two organisations (typically a buyer/client and a supplier/contractor) tied together by a contract and the flow of goods, money and information. One of the critical issues faced by these dyads is governing the relationship, ensuring that one member — typically the supplier or contractor — provides what they promise the buyer/client, although buyers also make promises to suppliers, for instance in the form of long-term relationships or certain types of support. This is a complex topic since both parties profit from providing the end consumer with what they want. However, the totality of profit is limited and hence the organisations are often fighting over their share of these fixed profits. A dyad is therefore using various (market-based) governance practices to secure the most beneficial outcome of their relations.

Supply chain governance can be classified according to two main methods:

Contractual governance:

- A formal set of rules governing the relationship between a buyer/client and a supplier/contractor, such as the distribution of responsibilities and roles in a business relationship, monitoring practices and non-compliances as well as prescription of the desired outcomes and outputs that must be accomplished.

Relational governance:

- The relationship between a buyer/client and a supplier/contractor are governed by informal social relations and shared norms. Important elements include flexibility, solidarity (mutual benefits) and information sharing.

¹ Throughout this report, the term buyer–supplier relations is used.

² The full report is available at: <https://osha.europa.eu/en/publications/supply-chains-role-promoting-safety-and-health-construction-and-agriculture-lift-osh-project>

³ EU-OSHA – European Agency for Safety and Health at Work, Improving OSH through supply chains: market-based initiatives in the agri-food and construction industries, 2023. Available at: <https://osha.europa.eu/en/publications/improving-osh-through-supply-chains-market-based-initiatives-agri-food-and-construction-industries>

The actual governance practice will most often be in a mixed or hybrid form with elements of both contractual and relational governance. For working conditions and OSH, both contractual and relational governance are relevant. Supply chain management conditions in contracts can directly influence OSH, for instance in the form of Codes of Conduct stipulating compliance with certain conditions for OSH, but there will also be indirect influence through contractual conditions for delivery and payment. Relational governance can result in good social relations, which for instance can give the supplier the flexibility to organise work in a healthy manner without overtime, and the buyer may help the supplier in solving specific OSH problems.

Supply chain governance of working conditions and OSH in the construction sector

Construction is one of the most important sectors in the European economy, and at the same time it is a high-risk sector characterised by high numbers of accidents, occupational diseases and precarious work. The building site is the key meeting place for buyer–supplier interactions in the construction sector, where both buyers and suppliers work together on one project and must control working conditions and OSH, which continuously change along with the progress of the construction process.

In the case studies, we identified a series of governance practices, which could help to improve OSH in the sector. Most practices are in hybrid forms with both contractual and relational elements.

Table 1: Market leverage of working conditions and OSH in construction

	Practice	Description
Client-led OSH management	Contractual	OSH management systems required in the contract between clients and main contractors. The contract describes roles and responsibilities.
	Relational	Actual roles and practices are relational in nature. They all hinge on the relations between client organisations and main- and subcontractors on site. Clients and main contractors follow up daily on OSH. Main contractors and subcontractors develop long-term relationships continuing from one construction site to the next.
Safety culture	Contractual	Clear and detailed rules and agreements on OSH, which are contractually enforceable, policed regularly and agreed on before the start of the project. Contracts stipulating a balanced division of financial and time pressures between the different actors on a building site.
	Relational	Key elements are relational: creating an open atmosphere when talking about OSH – both on good practices and mistakes – becomes possible on all levels at the building site. Knowledge sharing both top-down (education, awareness raising) and bottom-up (worker involvement, valorisation of their expertise and concerns).
Subcontractor assessment	Contractual	The subcontractors are formally assessed by the focal firm before signing the contract, as well as during the project delivery.
	Relational	The evaluation of subcontractors who have previously worked for the focal firm tend to be informal, where trust plays a more significant role, and positive evaluation secures new orders.

Incentives and penalties	Contractual	Signalling OSH priority with red, yellow and green cards and consequences in the form of awards and penalties included in the contract.
	Relational	The good relations secure future business and prompt payments.
Training	Contractual	Requirements for certain training to enter a construction site.
	Relational	Client/main contractor provides training before and during construction.
Communication	Contractual	Contractually stipulated occasions for communication and coordination (e.g. monthly safety meetings and coordination meetings).
	Relational	Open-style communication between various levels active on the building site, trust, constructive personal relations between key figures.

As indicated in Table 1, the case studies show a variety of governance practices. They both use contractual and relational elements — often applied in combination. To support the dissemination of these practices we suggest a few policy pointers targeting policymakers and practitioners:

For policymakers:

- Public and other professional building clients can lead the way to a more safe and healthy construction site by playing an active role from tendering, procurement and throughout the construction process.
- Labour inspectors can support the coordination and collaboration at construction sites by not only giving injunctions for the tangible infringements but also by including OSH management and coordination in the injunctions.
- Advisory services can help clients, main contractors and subcontractors develop coordination and collaboration by suggesting collaborative practices and application of coordination tools. Construction safety coordinators play a leading role here, as they are mandatory on all European construction sites with several contractors on the same site, and can function as the links between external advisory services and the workers on the site.
- Policies and requirements on safety trainings and certificates for construction workers could be harmonised across the EU, thus avoiding repetition and creating room for more in-depth and specialised training.
- Micro and small contractors face challenges due to the increase in formal requirements for documented OSH management procedures, and targeted programmes for these contractors are important to ensure that they can also develop more healthy and safe workplaces.

For practitioners:

- The active client role shows how important it is to not only ask for OSH management in the tender and include provisions in the contract, but also to follow up on a daily basis on the construction site.
- Development of good collaborative social relations is key to safety and health at the construction site. Positive awards and recognition of good practices constitute stronger promoters for safety than sanctions – although the possibility of sanctions is important as a foundation for the positive approach.
- Orchestration of several practices creates synergies: examples can be incentives and awards, (interactive) toolbox meeting, shared safety walks and tailored training.

Supply chain governance of working conditions and OSH in the agri-food sector

The agri-food sector is different from construction as the buyers and suppliers are placed in different — often far from each other — geographical locations. The buyers cannot influence suppliers in a direct and collaborative manner as the buyer — even in cases where personal meetings get priority — only rarely can be present at the supplier production site. The market leverage practice in agri-food is therefore far more indirect compared to construction. The most direct practice aimed at OSH is the use of Codes of Conduct and certifications with subsequent audits. The other relevant practices identified in the case studies are related to creating good buyer–supplier relations conducive to the suppliers' motivation and possibility to create stable and good working conditions.

Table 2: Market leverage of working conditions and OSH in agri-food

	Practice	Description
Contractual	Stable volumes and conditions	Volumes and prices predefined and agreed in a formal contract enable more stable work planning.
	Transparent product quality and delivery requirements	Sufficient notice about delivery/definition of delivery time avoids pressure and allows better working time planning.
	Certifications and audits including OSH requirements	Third-party auditors, buyers and suppliers have different understandings of the certification requirements, but they might help to set a minimum standard and stimulate a safety culture.
Relational	Long-term relationship	Many years of trading beyond contracts might provide more stable relationships and therefore better work planning.
	Buyer–supplier collaboration	Joint new product development, new packaging and production planning help to share goals and plan jointly.
	Informal buyer–supplier communications	Person-to-person relationships and informal communication to develop a shared understanding.
	Supply chain flexibility	Mutual understanding in response to supply disruptions (e.g. accept late delivery, reduced product variety) to alleviate pressure at work.
	Training and technical assistance	Buyer firms help small suppliers with technical and managerial knowledge and expertise, seeds and machinery, which provide better planned and more stable work processes.

The market leverage practices in agri-food having direct impact on OSH are of a more limited scale compared to construction and they mainly have an indirect effect. It would therefore be important to strengthen the buyer–supplier relations and the OSH content more explicitly. Both policymakers and practitioners can help in facilitating such a development.

For policymakers:

- Upcoming regulation under the European Green Deal on mandatory due diligence practices and reporting on value chain sustainability (Corporate Sustainability Reporting Due Diligence Directive (CSRDDD)) has the potential to be a key instrument for OSH and agri-food. However, as with the practice with certificates and audits, there is a risk of developing a paper tiger with

little influence on practice. Tailoring the due diligence regulation to agri-food with the many small suppliers with limited managerial capacity is crucial.

- One possibility could be to integrate due diligence with the existing certificates, as the application of many parallel certificates constitutes a burden for the small suppliers. Integration of the different certificates is therefore a priority. A model could be the Norwegian integrated certificate for food safety and OSH.⁴

For practitioners:

- Buyers give advice and make their own audits of food safety and environment but leave OSH to third-party certifying agencies. A stronger integration between the procurement units and CSR/social sustainability units in the buyer organisation would signal a stronger priority on OSH, as well as create advantages and synergies for the buyer organisation in their supplier management.
- Formal contracts of a longer duration – preferably several years – are important for suppliers. They can create stable conditions and open possibilities for longer-term investments.
- Personal trusting relationships help suppliers to plan their production and may facilitate more stable employment. Physical buyer visits to suppliers can help in building personal relations. During visits it would be an advantage to open up dialogue on all topics of interest for both buyer and supplier – including OSH.
- Delivery terms are normally determined in the contract – sometimes with fines for violating the terms. Yet, it is important to develop a trusting relationship where both parties are flexible and try to help each other in case of problems such as the supplier having difficulties delivering due to, for instance, adverse weather conditions.

Cross-sectoral comparison and conclusion

Our study of market leverage practices in construction and agri-food shows two sectors with quite different and distinct features. **Construction** is marked by the stakeholders, including the main contractor, subcontractors and often also the client, working together at a shared physical site. The close proximity opens possibilities for close relational governance and for the application of several direct OSH measures. **Agri-food** is quite different. Buyers and suppliers are physically separated — often operating in other countries and with long distances between the parties.

Despite these differences, market leverage in the supply chain can play a significant role for the improvement of working conditions and OSH in both sectors. However, market leverage cannot replace government regulation. Rather, market leverage builds on a platform of regulations requiring the actors in the sector to take care of health and safety. Stronger regulation will therefore also support stronger application of market leverage practices. The many direct OSH measures we identified in construction build on government regulation.

Market leverage in both sectors uses contractual and relational governance resulting in hybrid practices with elements of both. The sectors share one important feature of many examples of long-lasting relationships. In construction, for example, subcontractors and suppliers can usually look forward to continued business on future projects. This gives the buyers leverage to motivate suppliers to fulfil buyer expectations also for OSH. The same holds for suppliers in agri-food, who can expect new orders beyond the present contract.

Yet, beyond the long-lasting relationships, the market leverage is quite different for the two sectors. The construction sector has extensive tendering and contracting practices, which include demands for OSH performance. Although the contract is important as the foundation for the practices at the construction site, the relational governance constitutes the key part for OSH. The stakeholders collaborate during the construction process on a day-to-day basis and apply direct measures aimed at OSH. The contracts are rarely used in practice, as reference to contractual elements and possible dismissal of a subcontractor

⁴ See: <https://www.ksl.no/no/om-ksl-2/information-in-english>

creates conflicts and delays production, and the stakeholders prefer to find pragmatic solutions to emerging problems.

For the agri-food sector contracts play a different role. They form the basis for stable conditions at the suppliers, indirectly giving them the possibility to promote OSH. The contracts also provide the basis for the only direct OSH measure in the form of a requirement to comply with the buyers' Code of Conduct. Compliance is most often indicated by certificates with audits to verify the certificate conditions. GLOBALG.A.P. is the most common certificate, but the many parallel certificates required by different buyers hamper the effect. Suppliers use extensive resources to maintain certificates with the risk of focusing more on the paperwork and less on the tangible OSH measures in the certificate. The agri-food sector does not have the same kind of day-to-day personal relations as in construction, but relational governance is still important for both buyer and supplier to secure flexibility and mutual help to solve problems, which can avoid suppliers using overtime and help stabilise their working conditions.

The two most important general policy pointers from this cross-sectoral analysis are:

- The coming EU regulation under the so-called Green Deal of due diligence and environmental, social and governance, or ESG, reporting will be an important facilitator for OSH – for the agri-food sector. The CSRD is set to become mandatory in 2025, with the rules of the directive on Corporate Sustainability Due Diligence expected to take effect no sooner than 2026. However, it is important to tailor the enforcement of the regulation to the sector — especially for the many small suppliers — to avoid a large paper burden with negligible effect.
- Development of regulation and standards for tendering and procurement. Clear and transparent criteria for inclusion of OSH are missing but establishing these can help buyers to achieve what they ask for, make it easier for suppliers to fulfil requirements and give end consumers the possibility to assess OSH performance. A lot of knowledge already exists, and there are initiatives seeking to improve OSH in supply chains (e.g. 'Vision Zero Fund' created by the International Labour Organisation (ILO) to help disseminate knowledge through training and publications. The EU's Action Plan on Public Procurement is another example).

For managers there are three general learning points:

- **Using a positive approach**
Regulation traditionally focuses on infringements and fines (as contracts often do) as penalties for violations. Yet, our case studies suggest that much can be gained from a more positive approach, building on respect, positive feedback, rewards and recognition. Such an approach will also support a shared engagement in performance and thus lead to higher productivity.
- **Certificates and audits with reservations**
Certifications can be a useful tool for working conditions and OSH, but buyers tend to place too much faith in the certificates. They do not by themselves secure a safe and healthy workplace – active follow-up is necessary to indicate a tangible priority of OSH.
- **Building long-lasting relationships**

The case studies in both sectors show relationships stretching years beyond the formal contracts. The trust and mutual understanding built by such long relationships can benefit both parties' businesses and well as OSH performance. We acknowledge that this can pose difficulties for the public sector with tendering requirements made to protect against fraud. In public procurement, this may imply to opt for longer contracts, as short contracts make it difficult for the contractor/supplier to invest in and deliver social outcomes.⁵

⁵ See: <https://op.europa.eu/en/publication-detail/-/publication/cb70c481-0e29-4040-9be2-c408cddf081f>

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