TEACHING GUIDE

Module 5: Using benchmarking to address labor issues in global supply chains

Introduction
This module on benchmarking to address labor rights issues in supply chains is a valuable resource for faculty and lecturers interested in enhancing their syllabi with this information. This module is useful for those at the Haas Business School, the Labor Center, and the Information School.

Learning objective
To understand the role and effectiveness of benchmarking to address labor rights issues in global supply chains

Speaker video
(17.36 minutes video clip)

Speaker Bio: Rosie Monaghan, Know the Chain Researcher and Representative

Rosie joined the Research Centre as KnowTheChain Research Assistant in June 2017. She supports the research methodology for KnowTheChain and carries out research and analysis of Modern Slavery Statements, corporate disclosure, and allegations of forced labour. She holds an LLM in International Human Rights Law from the Irish Centre for Human Rights and a law degree from Oxford Brookes University. Her academic research has focused on legal protection for victims of human trafficking, and human rights due diligence as a tool for addressing slavery in supply chains. Rosie has previously undertaken internships at the Equal Rights Trust, supporting the Trust's litigation and advocacy programmes; the Joint Council for the Welfare of Immigrants; and volunteered as a researcher with the Sophie Hayes Foundation. Rosie is a national of UK.

Readings
• Review https://knowthechain.org

Possible assignments
• (Class discussion - 20 minutes): What are some of the advantages for this kind of benchmarking for corporations? For investors? What are some of the disadvantages?
• (Take home assignment): Research knowthechain.org. What are some of the gaps that you identify? What are some changes you might make to the methodology? How might these changes fill in some of these gaps?
Key teaching points

○ What is Know the Chain?: Know the Chain as a resource for companies and investors to understand and address forced labor within their global supply chains.

○ They focus on three high-risk sectors- ICT, food and beverage, and apparel and footwear. All of these sectors have a high risk for forced labor and are based in high risk locations.

○ Know the Chain produces a ranking of companies in each of these three sectors and then provides accompanying analysis in the form of a comprehensive report which sort of explains the trends in each sector and where the gaps and corporate practices are and makes recommendations. They produce similar briefs for investors as well.

○ Factors which are common across all three sectors: these sectors rely on migrant workers, who are more vulnerable and subject to abusive working and living conditions.

○ There is a lack of freedom of association and collective bargaining which makes it very difficult for workers to challenge their conditions since they lack access to unions or work representatives. Also if workers are based in remote locations like coffee farms or fishing vessels, that can make it even more challenging to report and detect labor abuse.

○ Benchmarking methodology: Know the Chain started producing benchmarks in 2016 and they began with 20 companies per sector. They carry out this benchmarking survey every two years and they have expanded each time, so in 2018 they moved on to 40 companies in each sector.

○ Because some of the companies are benchmarks on repeat, this allows them to measure progress over time.

○ The research for the benchmarks is based only on publicly available information, so they don't take into account anything, which has been publicly disclosed. And they look at what companies disclose on their websites, like modern slavery statements, sustainability reports policies and so on.

○ The methodology also takes into account whether there are allegations of forced labor linked to a company in the public domain and assesses how they respond to those, essentially whether they provide remedy.

○ Companies have an opportunity to review their initial research and if there's additional information they want to disclose and make public, and they can do that.

○ The methodology is based purely on the UN guiding principles of business and human rights.

○ Reality of company performance: Companies tend to score best on the theme of commitment and governance and disclosing policies, but they are persistently low scoring on purchasing practices, recruitment and worker voice which areas which are particularly meaningful for workers.

○ Benchmarking is a good opportunity to be in direct dialogue with companies about possible risks and what they're doing about it.
Companies may not always respond, but they do have quite high engagement rates and they're often speaking with supply chain sustainability or corporate responsibility staff who really have an interest in using the benchmark data as internal leverage to make changes.

The data can be used by numerous stakeholders to understand what companies currently are not doing, and what they need to do in order to drive change.

The idea is to try to drive a race to the top so companies seem to be genuinely incentivized to make improvements.

Companies are in competition with their peers and this motivates them to engage with Know the Chain and the benchmark data provides something for investors to use in their engagements with companies as well.

They can hone in on certain numbers or pick up on red flags that they might highlight.

Know the Chain is trying to bridge the gap between policy and practice because the average company is well practiced at disclosing its policies and practices, but they're not demonstrating that this translates to practical changes for workers on the ground.

For example, 43% of companies disclosed a policy that prohibited the payment of recruitment fees in their supply chains by workers, but only 22% reported that they then repaid any fees so this implementation and remedy aspect of the policy was missing.

So, this would suggest that companies are taking quite a piecemeal approach to addressing risks, rather than a rigorous approach across the supply chain.