

25. Responsible business conduct: Leaving no one behind in global supply chains

By Tyler Gillard, Head of Sector Projects and Legal Advisor, Responsible Business Conduct Unit, OECD

Informal workers risk exclusion in supply chain reform

Around the world, the poorest and most vulnerable workers often earn their livelihoods in those industries with the most severe risks (OECD, 2015^[1]). Workers in the informal sector face particularly high risks to their human and labour rights, often having to accept low wages, unsafe working conditions, and other disadvantages. On the other hand, efforts to reform supply chains and eliminate these risks may have the end result of excluding these workers altogether. Constructive engagement with the informal sector requires a multi-pronged approach that promotes the formalisation of informal workers alongside skills upgrading, access to social services, and social dialogue.

Promoting responsible supply chains that include informal workers

The *OECD Guidelines for Multinational Enterprises* are recommendations addressed to enterprises, on responsible business conduct, developed by governments (OECD, 2011^[2]). The Guidelines acknowledge the positive contributions that business can make to economic, environmental and social progress, but also recognise that business activities can have adverse impact related to labour rights, human rights, the environment, consumers and governance. They recommend that businesses carry out risk-based due diligence in their supply chains to avoid and mitigate such adverse impacts associated with their operations, their supply chains and other business relationships.

The Guidelines warn, however, that observing these recommendations without appropriate safeguards could exclude informal workers and suppliers from global supply chains, as the informal sector lacks capacity and resources to meet high social and environmental standards. They thus encourage enterprises to consider the social and economic impacts of responsible supply chain management, pairing due diligence with support for local capacity, human capital, and the transfer of technologies and know-how (OECD, 2015^[3]).

Specific guidance on due diligence, industry by industry

The OECD has worked with governments, businesses, workers and civil society to support the implementation of supply chain due diligence for responsible business conduct in specific industries. As part of these activities, the OECD promotes the formalisation of informal workers in various sectors, including the extractives, garment and footwear and agricultural sectors. When engaging with high-risk sectors, due diligence is undertaken with a view to progressive improvement, constructive engagement with suppliers, and building partnerships with financial institutions to

improve suppliers' access to finance and technology. Such diligence is critical to ensure that vulnerable communities can respond to expectations and not be marginalised from global supply chains.

Avoiding disengagement: artisanal and small-scale miners in high-risk areas

The implementation programme of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas* aims to create the right conditions for the development, formalisation and legalisation of artisanal and small-scale miners. The Minerals Due Diligence Guidance only recommends disengagement except in the most harmful circumstances and instead focuses on providing strategies to create economic and development opportunities for informal miners in conflict-affected and high-risk contexts (OECD, 2016_[4]). Over the course of eight years of implementing the programme, market access for artisanal miners has been improved with better prices, better conditions, and more secure long-term commercial opportunities. One industry initiative in 3Ts (tin, tungsten and tantalum) estimates that on-the-ground responsible sourcing programmes are providing market access to 80 000 miners, in turn providing support for as many as 400 000 dependents (ITRI, 2016_[5]). In 2018, the OECD actively contributed to the development of the CRAFT Code, which aims at enabling informal workers to access formal supply chains (ARM, 2018_[6]).

Promoting inclusive business models for smallholder farmers

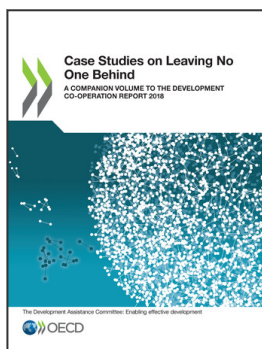
The *OECD-FAO Guidance for Responsible Agricultural Supply Chains* aims to enable investors and enterprises in the agricultural supply chain to effectively and positively engage with smallholder farmers (OECD and FAO, 2017_[7]). For example, it recommends that enterprises consider feasible alternative investments to avoid or, when avoidance is not possible, minimise the physical and/or economic displacement of legitimate tenure right holders. The guidance recognises that large enterprises can develop inclusive business models involving smallholder farmers, such as contract farming, management schemes, out-grower schemes or joint ventures. Smallholder farmers and local communities benefit from such schemes by having more stable livelihood options and a fairer distribution of the business-linked benefits, which include tailored know-how and technology transfer, local capacity building, and more inclusive decision processes.

Protecting homeworkers in the garment and footwear supply chains

In many countries, homeworkers are an integral component of the garment and footwear supply chain. However, homeworkers are particularly vulnerable to low wages and poor working conditions. The *OECD Guidance for Responsible Garment and Footwear Supply Chains* provides recommendations for applying due diligence to homeworkers working in the garment and footwear sector (OECD, 2018_[8]). These include identifying local initiatives that promote the formalisation of homeworkers and protect them against exploitation; supporting the establishment and accessibility of a grievance mechanism that alerts enterprise and/or government authorities of adverse impacts; and engaging with local and national governments to extend laws to informal workers, address underlying causes of informality, and improve access to health care and education for informal workers, including homeworkers (ILO, 2014_[9]).

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