NHS Supply Chain Briefing on Ethical Procurement and Labour Standards Assurance

To: Surgical Instruments Manufacturers and Trade Association in Sialkot, Pakistan

23rd October 2014

Background

The British Medical Association recently advised us of their planned forthcoming study trip to Sialkot in Pakistan in October 2014. They briefed us on their plan to meet with representatives from manufacturing associations as well as with suppliers and manufacturers of surgical instruments.

As well as following up on conditions highlighted in previous visits the BMA are also interested in whether there are tangible changes in ethical conditions or raised awareness of labour standards. They are interested in whether things are improving for workers in Sialkot especially with the increased interest and focus from the UK surgical instrument market.

NHS Supply Chain shares the BMA’s interest in whether there is a raised awareness of labour standards amongst manufacturers and suppliers in Sialkot particularly those dealing with UK business partners supplying into the NHS.

We welcome the opportunity to provide a briefing for the manufacturing associations and manufacturers of surgical instruments in Pakistan about ethical procurement and what it might mean for your dealings with your UK business partners.

What have NHS Supply Chain been doing to raise awareness of labour standards?

The manufacture of surgical instruments for the healthcare sector is an area that has attracted global and national media interest, campaigning activities and public interest due to the labour standards issues that have been highlighted. As public interest and documentary evidence increases, so does the need to provide greater due diligence on what is being done to manage these issues and drive improvement.

In response to this, NHS Supply Chain wanted to build consideration for labour standards into its contracts. NHS Supply Chain worked in collaboration with the Department of Health of the United Kingdom to develop an approach to embed ethical procurement in the procurement process for Surgical Instruments.

NHS Supply Chain also consulted with the ETI (Ethical Trading Initiative) and with UK suppliers and the UK Trade Association ABHI (Association of British Healthcare Industries) in developing this approach and in September 2012 introduced the Labour Standards Assurance System (LSAS) into the contract for Surgical Instruments.
What is the LSAS?

The LSAS represents a systematic approach to labour standards management covering the range of policies, procedures and practices that an organisation employs to identify labour standards issues, mitigate risk and drive improvement.

It places the responsibility on the contracted suppliers to demonstrate they have effective systems in place. It builds on principles of due diligence, extending this to routine consideration of labour standards. Suppliers procuring surgical instruments in Pakistan to sell onto the NHS through NHS Supply Chain now have obligations to start to engage with their business partners in Sialkot.

The LSAS provides an understanding and visibility of how suppliers identify, manage, and address labour standards issues and foster a culture of continual improvement for the long term. The LSAS also provides an enabling environment where NHS Supply Chain can work with suppliers to drive improvement. The LSAS enables organisations to develop effective systems over time hence spreading the burden of implementation.

Why are we doing this?

We are embedding this approach with our suppliers as we want to create confidence amongst our NHS customers that these issues are being addressed and managed.

With such a huge buying power, the NHS could have a real positive impact on labour standards within the supply chain of the goods it procures. Not only is this consistent with the values of the NHS as a healthcare organisation, it also means this buying power is being leveraged for good – delivering better labour standards and worker welfare throughout the supply chain.

In addition, ethical procurement of goods can help build resilience, developing a strong and stable supply chain, reducing the risk of supplier disruption and also contributing to improved quality and service.

We are now two years into this process and our contracted suppliers are demonstrating how they are started to embed ethical procurement in their organisations: through policies, improved procedures, supplier mapping and communications with lower tiers of the supply chain.

What does it mean for suppliers and manufacturers in Sialkot?

Many of NHS Supply Chain’s directly awarded suppliers for the Surgical Instruments contract report that they have business partners in Sialkot. Over the last two years, we hope you have noted an increased level of interest and engagement from the UK surgical instrument market. This may have come in various ways and some examples are below;

- Policies or codes of practice for you to sign up to
- Self-assessment questionnaires for you to complete
- Due diligence checks requesting evidence on the procedures you have in place to comply with local and international laws
- More requests for factory /manufacturing site visits from your UK business partners.
The aim of embedding this approach within our procurement process is to build a level of trust and develop the relationships within our supplier base at tier one or lower down through the supply chain such that potential issues can be discussed and worked on together to ultimately strengthen our overall relationship. It’s not about finding fault.

The important thing is for our suppliers to raise awareness of labour standards issues, initiate dialogue with their business partners and embed a culture of rectification and continuous improvement. It’s about working with suppliers to address these issues and helping them along the way. Supply chains can often be complex and varied and understanding what’s going on at lower tiers of the supply chain can be difficult to understand. It’s about fostering transparency and key to this is that suppliers engage with manufacturers in Sialkot on this issue to initiate dialogue and action plans.

**What does it mean for the future?**

Our awarded suppliers in the UK are demonstrating that they are committed to embedding ethical procurement with their business partners and to meeting their contractual requirements.

However we don’t want to be complacent. NHS Supply Chain is supporting its suppliers to mitigate risk and drive real improvement in their supply chains. We will continue to monitor suppliers to ensure they are delivering continuous improvement in labour standards management. The next tender for Surgical Instruments will be published in 2015 and continual improvement in labour standards management will be contractual.

What this means for the future is that communications from your UK business partners on the subject of ethical procurement and labour standards are likely to increase. Your business partners may start to ask for more evidence of how you are managing labour standards and worker welfare. You may even receive requests for more 3rd party audits of your manufacturing sites or for greater collaboration with your UK partners on these issues. NHS Supply Chain would urge you to use this opportunity and be open and transparent with your business partners.

Our contracted suppliers sourcing in this area of the world have often asked us for support in making this ‘live’ with the suppliers in Sialkot.

NHS Supply Chain are not involved in the trip however as part of our commitment to ethical procurement and to implementing labour standards assurance with our suppliers we thought it would be a good opportunity to produce a brief for the manufacturing associations in Sialkot to help you understand about the Labour Standards Assurance System and the expectations on the supply base to progress through these standards. Hopefully this has given some UK context about why organisations in Pakistan are being asked for information and what this might mean in terms of future engagement with suppliers in Sialkot.

If there are any questions relating to labour standards assurance or ethical procurement, please contact:

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