



# Ethical Procurement for Health: *Overview*



Working in partnership with the Department of Health





**Children employed in a workshop manufacturing surgical instruments for export. Sialkot, Pakistan**

# Ethical Procurement for Health



**Miguel threads by hand over 3000 surgical masks a week in Monterrey, Mexico to support a family of five. As a homeworker he is paid a piece rate, and receives no statutory health or social benefits.**

In the UK the National Health Service spends in excess of £30 billion per annum on the procurement of goods and services. The supply chains that provide these commodities are global, and employ millions of people worldwide. However there is a growing body of evidence that, in some cases, the basic employment rights of people in these supply chains are being infringed. In many cases the erosion of rights can directly affect the health of employees, for example as a result of unsafe working conditions or remuneration that falls below the living wage.

There is an uncomfortable paradox in providing healthcare in the NHS at the expense of workers' health in its supply chains. There is a risk to the reputation of the NHS through inaction, but conversely the importance and spending power of the NHS presents a real opportunity for it to take a lead in ethical procurement.

This document outlines the need for all NHS organisations to set out an ethical procurement strategy, and suggests the role that healthcare professionals can play within this. It is accompanied by a free online workbook: [www.ethicaltrade.org/ethical-procurement-for-health](http://www.ethicaltrade.org/ethical-procurement-for-health) which provides detailed practical guidance on how this can be implemented in your organisation.

## Why is this an issue?

Labour rights issues have been documented in the manufacture of several medical products:

- An estimated 10 million surgical instruments used in the UK each year are manufactured in northern Pakistan<sup>1</sup>. Most of the 50,000 manual labourers in this industry are paid less than US\$1 per day for 12 hours of work (well below the living wage<sup>2</sup>), with little job security and risk of serious injury from machinery<sup>3,4</sup>. Poor remuneration contributes to the proliferation of child labour, and several thousand children are employed full-time in this industry, some as young as seven<sup>5</sup>.
- An investigation in Malaysia of one of the largest global manufacturers of medical gloves reported that many employees were migrant workers who worked over 80 hours a week, and risked sexual and physical harassment<sup>6</sup>.
- A study of south Asian healthcare uniform manufacturers documented illegal working hours and a ban on unionisation<sup>4</sup>.
- A manufacturer of surgical masks in Mexico has sought cost reductions through the use of hundreds of home workers, but such workers received no employee benefits and only an insecure income<sup>7</sup>.

There have also been issues with the provision of services to the NHS:

- Migrant construction workers employed on an NHS site have been subject to illegal wage deductions from their employer<sup>8</sup>.
- Migrant nursing staff employed in care homes in the UK have been exploited, receiving earnings below the minimum wage and working excessive hours<sup>9</sup>.
- Cleaners on an NHS site employed through an agency were paid the minimum wage, whereas those who were employed 'in-house' for the same job received 16% higher pay<sup>10</sup>.

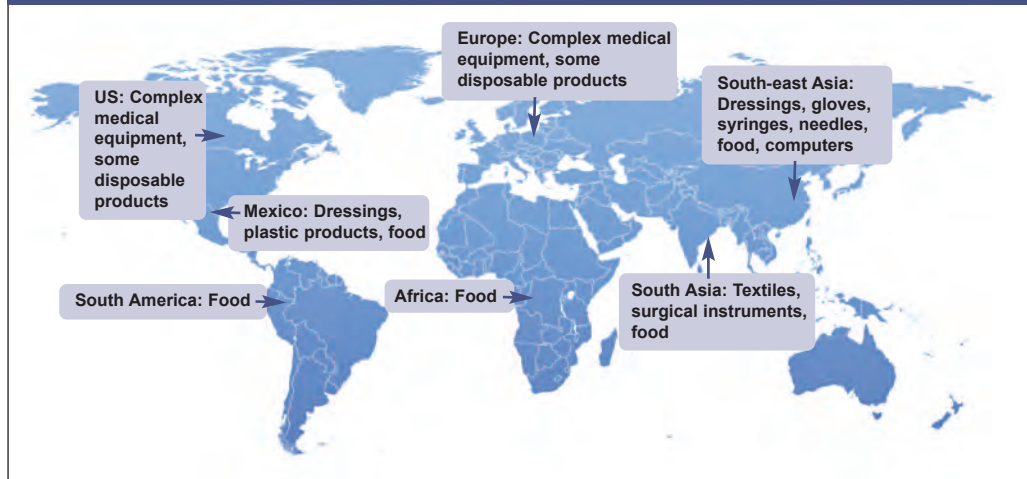
From experience in other sectors, the areas and level of spend suggest a significant risk exposure for the NHS with regard to abuses of labour standards in both goods and services supply chains<sup>11</sup>.



Amir has worked in surgical instrument manufacturing in Sialkot, Pakistan since the age of 8. He is unable to go to school as he must work full-time to pay off family debt. He has suffered several injuries from machinery, including the partial loss of his right thumb.

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## Many suppliers to the NHS outsource the manufacture of their products to factories around the world



## What is ethical trade?

Ethical trade refers to the steps that purchasing organisations, such as NHS providers, take to improve the pay and conditions of people involved in the supply of goods and services. This includes working with supplier companies throughout the supply chain to help their workers to access fundamental rights such as the right to safe and decent working conditions, to be paid at least the legal minimum wage, and to join and form unions so they can bargain collectively for their rights. It also includes working with suppliers to eliminate child labour.

Ethical trade takes a top-down approach by asking organisations procuring on behalf of the NHS, as well as Trusts themselves, to systematically assess the risk of labour rights abuses in the goods and services they procure, and to instigate processes that support improvement where necessary. Given the complexities of supply chains this tends to be a process of continuous improvement. Simple boycotting is not the answer. Loss of a contract further reduces the money going to a supplier, and tends to make working conditions even worse.

Ethical trade is not the same as Fairtrade, although their approaches are complementary: both focus on helping make international trade work better for poor and otherwise disadvantaged people.

### Key differences are:

#### Ethical trade:

- Focuses on protecting workers' rights throughout the supply chain
- Is about the overall sourcing practices of organisations and the steps they take to ensure suppliers of goods and services respect workers' rights
- Does not depend on consumer awareness – that is why there is no recognised 'ethically traded' label

#### Fairtrade<sup>12</sup>:

- Focuses on helping disadvantaged producers and workers in the developing world (e.g. cotton, banana, cocoa and coffee farmers) to take more control over their lives
- Applies specifically to products, not companies
- Has widespread consumer appeal.



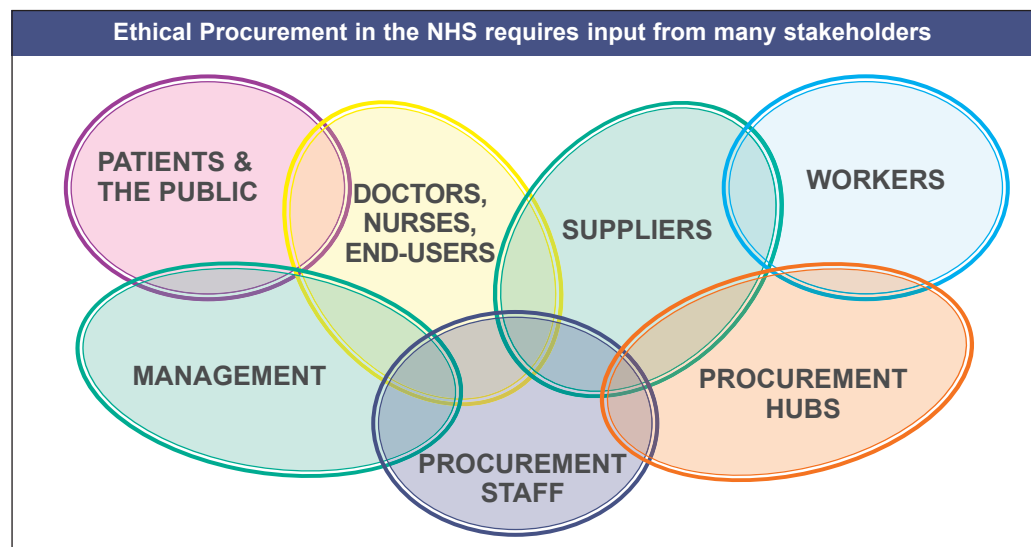
This factory in Mexico City makes gauze swabs, bandages and orthopaedic supports for several global suppliers. Workers are paid at least the minimum legal wage, have open dialogue with management, and receive regular training in health and safety.

## Who can play a role?

Effective ethical procurement is not easy and needs commitment from many levels. The establishment of a specific multi-stakeholder team at your organisation may be the best means for assessing and driving improvement.

Staff directly involved in procurement will play a pivotal role, as it is their purchasing decisions that ultimately can achieve change. End users of medical products are also important. Research suggests that the voice of doctors, nurses or other healthcare professionals can be very powerful for integrating consideration of labour standards into procurement decisions in the NHS<sup>13</sup>. Indeed, some end users may choose to adopt the role of 'ethical champion', taking the lead on ethical procurement in their institution. Buy-in and commitment from senior level management is also essential, for example from the hospital chief executive or GP practice manager.

Suppliers to the NHS form the other part of the picture. They need to develop greater visibility of their supply chain, and the labour conditions within them, as a means of driving improvements. This applies equally to large multi-nationals and small companies who may supply direct to the NHS, as well as national and collaborative purchasing organisations. Some NHS organisations have already taken some steps to improve their understanding of specific supply chains<sup>14</sup>, but if purchasers increasingly demand such information it can drive this agenda to the fore.



## Is there any guidance or training available?

An extensive online workbook is available: [www.ethicaltrade.org/ethical-procurement-for-health](http://www.ethicaltrade.org/ethical-procurement-for-health) to accompany this document. This provides detailed guidance on how you can incorporate consideration of labour standards throughout the procurement and market engagement processes. The workbook sets out a framework that indicates the practices and process you should look to put in place, from first principles through to demonstrating leadership in ethical procurement. It includes a number of practical case studies for learning, and templates for reporting and benchmarking progress. E-learning materials are freely available to all NHS staff to develop initial awareness and more advanced courses and workshops are available through the Ethical Trading Initiative (ETI): [www.ethicaltrade.org/training](http://www.ethicaltrade.org/training)

ETI train staff at all levels, from introductory workshops, to specific buyer training, to briefings for senior executives. Trainers can craft a bespoke in-house course for NHS organisations.

## Does ethical trade cost more?

There is an increasing drive for efficiency savings in the provision of healthcare, and this is understandable. However the social and environmental consequences of our purchasing decisions and subsequent risks to reputation and security of supply must not be overlooked. A purchasing strategy focused entirely on costs can propagate the exploitation of vulnerable people within the supply chain, and the erosion of basic labour rights.

Ethical trade does not have to be more expensive, nor does it mean compromising on quality. Providing decent working conditions for workers often leads to improved productivity and better quality, as a result of boosted morale and better worker retention<sup>15,16</sup>.

## Can ethical procurement make a difference?

At a policy level, free and fairer trade is recognised as key to global development; it lifts people out of poverty and improves their long-term wellbeing<sup>17</sup>. The 2008 UK Government strategy Health is Global<sup>18</sup> recognised this, and supported an aspiration for the NHS to procure in an ethical manner.

Day-to-day procurement decisions can have a real impact. Procurement directors from Sweden recently instituted labour rights clauses into a regional contract for healthcare uniforms. With appropriate support the manufacturing facility in India was able to demonstrate better pay and reduced working hours for its employees within a matter of months<sup>19</sup>.

The NHS can do the same. You too can have real impact on people's lives.

## Further information

[www.fairmedtrade.org.uk](http://www.fairmedtrade.org.uk)

[www.ethicaltrade.org](http://www.ethicaltrade.org)

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*Please note that the names in the case studies have been changed.*



Deepa grows cotton on a Fairtrade certified farm in Gujarat, India. Sourcing Fairtrade cotton healthcare textiles is one way of demonstrating sustainability and can improve the lives of small-scale cotton farmers.

This document is produced in partnership between the BMA Medical Fair and Ethical Trade Group, Ethical Trading Initiative (ETI), and Department of Health.

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