

Better Buying Institute and Ulula joint report on Assessing Purchasing Practices Impacts on Suppliers and Workers



FEBRUARY 2021

INTRODUCTION

Business resilience in the face of COVID-19 relies strongly on the ability of suppliers and workers to overcome the consequences of this crisis on their businesses and livelihoods. Connecting the dots between brand and retailer purchasing practices and workers' labor conditions and wellbeing has never been more critical.

The purpose of this research was to understand the purchasing practices experienced by suppliers during COVID-19 and how these positively or negatively impacted workers' rights and wellbeing, within the context of one buyer's supply chain in Vietnam.

Even beyond the COVID-19 crisis, this type of research is highly relevant given the long history of challenging purchasing practices that have become common practice in global supply chains.

METHODS

Suppliers and workers completed surveys between November and December 2020. One buyer company invited 93 of its suppliers with factories located in Vietnam to participate in the survey, and Better Buying™ and Ulula provided the necessary materials to suppliers that indicated interest in participating. The supplier survey was available via Alchemer in English, Simplified Chinese, and Vietnamese. The worker surveys were deployed through the Ulula platform and were available through interactive voice response (IVR) and a web link (QR code) in Vietnamese and Mandarin. A total of 17 suppliers

completed the supplier survey (18.3% response rate) and 13 deployed the Ulula worker survey.

SUPPLIER SURVEY FINDINGS

Most of the 17 supplier respondents were single factory suppliers headquartered in Vietnam. While many buyer purchasing practices were problematic prior to COVID-19, the pandemic brought about a surge of poor practices as buyers scrambled to protect themselves from the crisis. Over half of the suppliers experienced more uncertainty about current and future orders, changes to forecasted orders and capacity reserved, shipping date extensions, and high-pressure cost negotiations. The amount of order cancelations, one of the practices that captured the industry's attention in 2020, favorably did not increase for about three-quarters of the suppliers.

Suppliers survey data



RESPONSES

17

suppliers



SUPPLIER HQ

82.4%

Vietnam

5.9% each in
Hong Kong, Japan, US



COMPANY TYPE

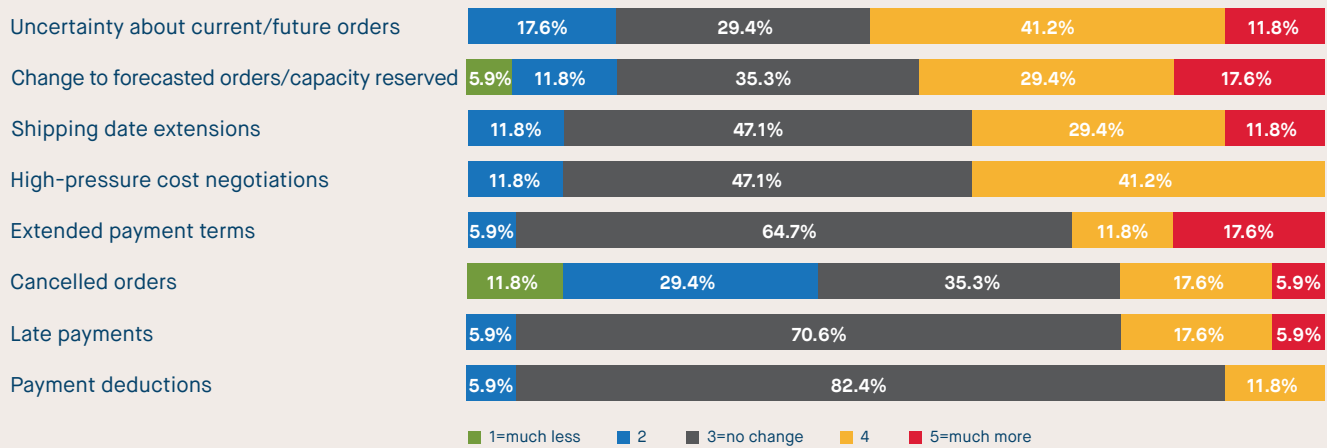
76.5%

single factory

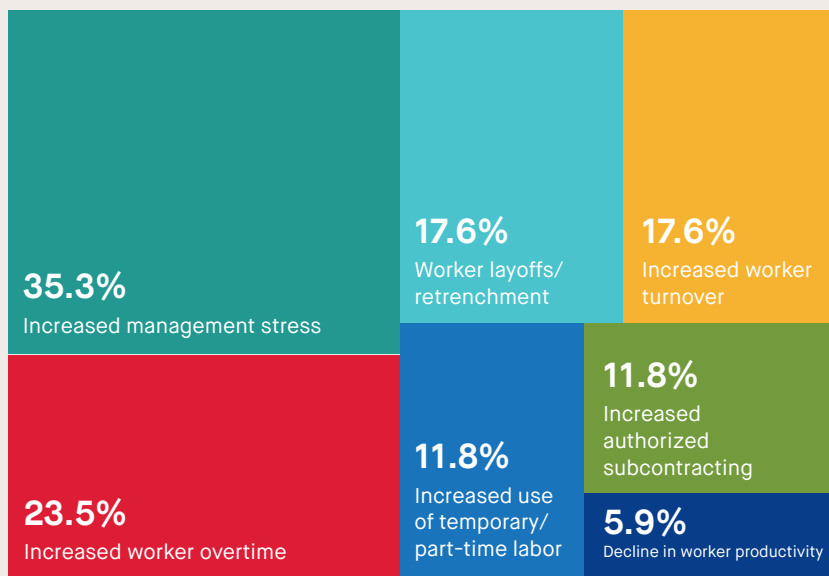
23.5% suppliers with
more than one factory

POOR PURCHASING PRACTICES EXPERIENCED BY SUPPLIERS

as compared to before COVID-19

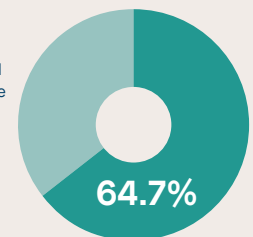


IMPACTS ON SUPPLIERS' SUSTAINABILITY



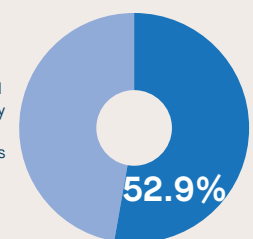
FINANCIAL

Suppliers reported increased pressure on their business profitability and economic sustainability



SOCIAL

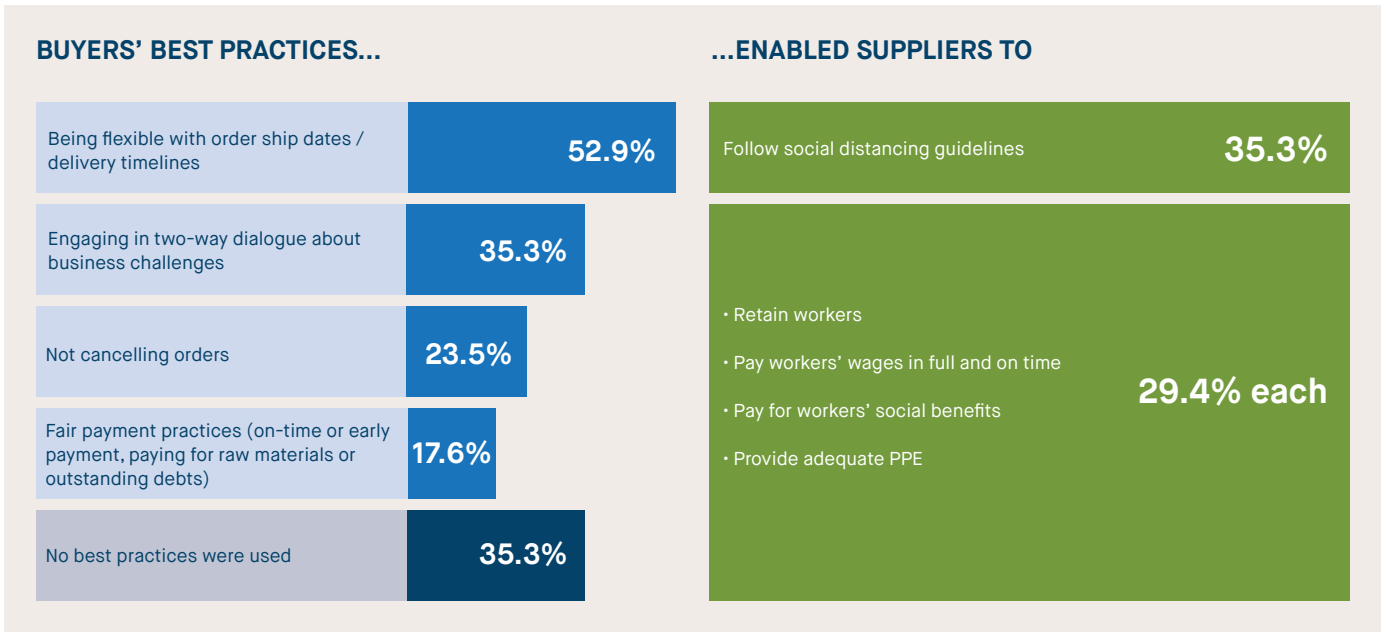
Suppliers reported increased difficulty in providing good working conditions and wages



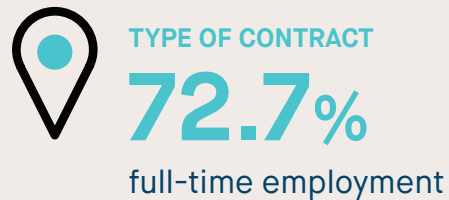
For over half of the suppliers, COVID-19 purchasing practices led to increased pressure on business profitability and economic sustainability, as well as increased difficulty in providing good working conditions and wages. Increased management stress, worker overtime, worker layoffs and retrenchment, and worker turnover topped the list of impacts resulting from these changing practices.

Even amidst the COVID-19 crisis, suppliers reported a number of best practices used by their buyers, including flexibility with order ship dates and delivery timelines, engaging in two-way dialogue about business challenges, not canceling orders, and fair payment practices such as on-time or early payment, or paying for raw materials or outstanding debts.

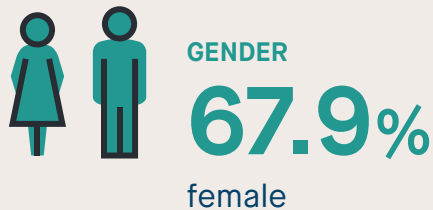
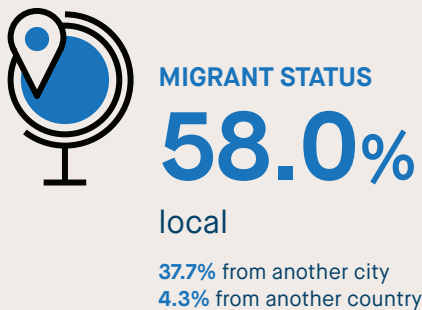
These practices yielded benefits for workers, such as enabling suppliers to follow social distancing guidelines, retain workers, pay workers' wages in full and on time, pay for workers' social benefits, and provide adequate personal protective equipment (PPE).



Worker survey data



11.0% part-time permanent
10.0% temporary or seasonal



WORKER SURVEY FINDINGS

Most workers were female, from the local area, and on full-time permanent contracts. The following sections

describe the impacts of COVID-19 on workers' job security and sick leave, wages and working hours, and physical safety and mental wellbeing.

Job Security & Sick Leave

Despite most workers feeling more fearful about losing their jobs, termination of colleagues due to the COVID-19 impact, union participation, or otherwise voicing complaints was limited. Workers' contracts largely stayed the same (some even changed for the better), and most of those that needed to quarantine or take sick leave were able to do so, receiving their wages on time and in full.

FEAR OF LOSING JOB



92.6%

of workers reported contracts stayed the same or changed for the better

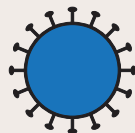
82.3%

of workers were able to take sick leave when needed

77.2%

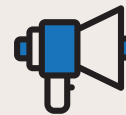
of workers received wages on time and in full when in quarantine or on sick leave

TERMINATION OF COLLEAGUES



Due to COVID-19 impact

reported by 14.4% of workers



Due to Union Participation or Voicing Complaints

reported by 3.0% of workers

Wages & Working Hours

Workers reported limited negative impacts related to wage payments and working hours. Half of the workers reported their salary was at least as sufficient for meeting their basic needs as compared to before COVID-19, and the vast majority of workers received their salary at least as regularly and felt satisfied with their current working hours. Despite these favorable findings, about one quarter of workers reported salary reductions and involuntary overtime.

SATISFACTION WITH WORKING HOURS



Satisfied

84.9%

workers



Not satisfied

6.7%

too few hours

5.4%

too many hours



25.3%

of workers reported involuntary overtime



23.8%

of workers reported salary reductions

COMPARED TO BEFORE COVID-19

95.3%

of workers received salary at least as regularly

64.6%

of workers received salary at least as sufficient to meet basic needs

Physical Safety & Mental Wellbeing

As far as workers' mental wellbeing, the majority of workers are experiencing more anxiety and stress compared to before COVID-19. Favorably, very few workers reported an increase in verbal harassment. About one-third of workers expressed feeling most concerned about safety at work, followed by family safety and personal finances. Personal protective equipment and workplace adjustments to allow for social distancing likely helped alleviate some of the concern workers felt regarding safety at work - most workers felt at least as safe in the workplace compared to before COVID-19. Furthermore, access to healthcare mostly stayed the same or improved.



72.8%

of workers experienced more **anxiety and stress**



6.1%

of workers reported an increase in **verbal harassment**

WORKERS FELT MOST CONCERNED ABOUT

35.9%

Safety at work

25.0%

Family safety

23.8%

Personal finances

BETTER WORKPLACE CONDITIONS REPORTED BY A MAJORITY OF WORKERS

96.5%

received some or all **PPE** free of cost

80.4%

reported for **social distancing**

82.8%

reported feeling as safe or more **safe**

89.7%

reported same or improved **access to healthcare**

Impacts on Vulnerable Groups

The negative impacts of COVID-19 fell disproportionately on the most vulnerable. Of the overall sample, 35.4% of workers reported their salary was less sufficient compared to before COVID-19 for fulfilling their basic needs and 23.6% reported salary reductions even when they worked their normal hours. However, when broken out by gender, a larger proportion of women reported these impacts compared to men. This was also the case when it came to workers' fear of losing their jobs due to COVID-19 - a slightly larger percent of women reported feeling fearful compared to men - but the difference between women and men was smaller.

Despite expecting similar results for migrant workers, the data show that international migrant workers fared better on these indicators compared to workers from Vietnam. A smaller proportion of international migrants reported salary reductions and less sufficient salaries compared to the overall sample of workers. There was also a marginally significant finding

related to workers' fear of losing their jobs, with 13% fewer international migrants reporting they felt more fearful. However, the overall sample of international migrant workers was small (4.0%). Most of the international migrant workers in the sample (85.5%) completed the survey in Chinese, suggesting that many of these surveys were completed by expatriate middle management that would logically have different fears and concerns than those they supervise. The results also demonstrated that local workers and international migrant workers were more likely to have full-time permanent employment contracts (74.3% and 69.1%, respectively) when compared to interprovincial migrant workers (63.1%). Part-time, temporary, or seasonal employment is often associated with greater worker vulnerability to both financial and workplace pressures.

COMPARED TO MEN...

9%

more women reported **less sufficient salary**

11%

more women reported **salary reductions**

CONNECTING PURCHASING PRACTICES AND WORKER IMPACTS

With a clear picture of both suppliers' and workers' experiences during COVID-19, tests were conducted to identify whether there were relationships between the purchasing practices reported by suppliers and the impacts reported by workers. These tests rely on data from the 13 suppliers that also deployed the worker surveys within their factories.

Negative Impacts

When looking at those workers employed by suppliers reporting more pressure on their business profitability and economic sustainability, the percent of workers reporting their colleagues had been terminated because of the COVID-19 impact increased 5% compared to the overall sample (14.4%).

There were other significant findings, though with less pervasive worker impact. For example, working for a supplier that reported more pressure on their business profitability and economic sustainability was linked with more workers reporting their contracts

changed for the worse and feeling most concerned about possible termination of their employment. Furthermore, working for a supplier that reported more difficulty in providing good working conditions and wages was related to an increase in the percent of workers reporting they felt most concerned about safety at work and in the percent of workers reporting their employer did not provide PPE. However, the percent of workers reporting such negative impacts in the overall sample was low to begin with, and only slightly more pronounced when workers were employed by a supplier reporting more pressure or difficulty.

Positive Impacts

Several significant findings showed buyer best practices were connected with better conditions for workers when compared with the percent of all workers reporting such conditions. When a supplier reported fair payment practices, compared to the overall sample fewer workers reported salary reductions and that they felt most concerned about personal finances, while more workers reported being paid on time while they were in quarantine or on sick leave.

Furthermore, when employed by a supplier whose buyer had fair payment practices, workers reported their salary was about as sufficient for fulfilling their basic needs as compared to pre-COVID. Though their salary still was not enough, it was significantly better than for workers employed by suppliers who did not report fair payment practices were used by their buyers.

There were other significant findings about the link between buyers not canceling orders and improved conditions for workers, but again, the percent of workers reporting the condition in the overall sample was low, and only slightly better when workers were employed by a supplier reporting this best practice. For example, more workers reported they were satisfied with their current working hours, and fewer workers reported feeling most concerned about possible termination of their employment and that their contract had changed for the worse.

MORE BUSINESS PRESSURE ON SUPPLIERS WAS LINKED WITH...

5% more

workers reporting their colleagues had been terminated because of the COVID-19 impact

WHEN A SUPPLIER REPORTED FAIR PAYMENT PRACTICES...

16%

fewer workers reported salary reductions

8%

fewer workers felt most concerned about personal finances

7%

more workers were paid on time when in quarantine or on sick leave

CONCLUSIONS

- 1** Suppliers are tasked with managing sustained increases in pressure, difficulty, and uncertainty in their business operations. Buyers' practices in the midst of this crisis matter: suppliers directly bear the consequences of poor practices and stand to benefit from best practices.
- 2** The outcomes for workers were not as bad as they might have been, but the data only communicate one moment in time during the COVID-19 crisis. It is also important to keep in mind that there is nuance beyond the aggregate findings - not all suppliers or workers fared as well as the average. Furthermore, long-term impacts from increased stress and fear are yet unknown, and suppliers might not be able to maintain good conditions for workers if they face continued pressure on their businesses.
- 3** Purchasing practices have far-reaching impacts beyond the direct buyer-supplier relationship. As long as demand for their products continues, suppliers might be able to absorb the negative impacts of poor purchasing practices for a period of time. However, there is substantial value to be derived from best practices - especially when it comes to supporting worker wellbeing.
- 4** The value of research connecting purchasing practices to both supplier and worker experiences within one buyer's supply chain cannot be understated. While these experiences are influenced by other buyers working in the same factories, this research enables buyers to better understand and address the challenges faced by those suppliers and workers within their sphere of influence. The long-lasting impacts of the pandemic on global supply chains justify a continued focus on these connections.

This research was carried out collaboratively by Better Buying Institute and Ulula.

About Better Buying™

Better Buying Institute reimagines supply chain sustainability, leveraging data to strengthen supplier-buyer relationships and improve purchasing practices that drive profitability while protecting workers and the environment. Better Buying's programs provide retailers, brands, suppliers, and industry with data-driven insights to help drive lasting improvements in global purchasing practices. Our activities fall into three main areas: conducting independent research; operating a ratings and evaluation platform that provides buyers and the public with information about buyer purchasing practices; and conducting projects and training on supply chain industry practices to support innovation and promote change. Through Better Buying's secure cloud-based platform, suppliers can safely and anonymously provide feedback about their buyers' purchasing practices. More at www.betterbuying.org.

About Ulula

Ulula is a software and analytics platform that equips organizations with digital tools to monitor risks of human rights abuses and create more responsible global supply chains. Ulula is a social enterprise with a mandate to improve working conditions across the globe by sourcing and analyzing accurate, timely and honest insight directly from workers. The platform is multilingual and integrates across communication channels (SMS, IVR, web, app), making anonymous and automated high-frequency surveys, grievances, direct reporting, and mass broadcasting simple, scalable and cost-effective. Ulula's analytics dashboard allows organizations to monitor reports, assess the level of risk, and qualify risk under cluster categories such as human trafficking, child labour, forced labour, health and safety of workplaces, etc. For more information, visit: <https://ulula.com/>.

APPENDIX

Detailed Methods

Suppliers and workers completed surveys between November and December 2020. The process for engaging suppliers and their workers began with an emailed invitation from one buyer company to all of its suppliers with factories located in Vietnam. Suppliers that were interested in taking part in the research were asked to reply back to the invitation - this step enabled Better Buying™ and Ulula to only create the necessary materials for suppliers that intended to participate in the research.

When a supplier indicated their interest, Better Buying™ replied (removing all buyer company contacts from the email) with a unique link for the supplier survey as well as the Ulula onboarding materials needed to implement the worker surveys. The supplier then announced the survey opportunity to workers at its factory, displaying the posters and flyers

Ulula provided and encouraging workers to participate. A total of 93 suppliers were invited to participate: 17 completed the supplier survey (18.3% response rate) and 13 deployed the Ulula worker survey. Ulula sent reminders to each company to achieve the completion of the supplier survey and encourage supplier management to keep promoting the worker survey and reach the desired sample size given the number of workers employed by each factory (95% confidence level and +/-5% margin of error). Of the 13 factories that deployed the worker survey, 8 reached the desired sample size and received unique factory-based reports from Ulula outlining their individual performance on each indicator, with a short summary of results. In addition, 3 suppliers from Ho Chi Minh requested a visit from an Ulula local worker engagement specialist who was able to go on-site and support supplier management in survey deployment. The factories and worker engagement specialist abided by strict public health guidelines to conduct the visit in a safe manner, adhering to

physical distancing protocols. The supplier survey was available via Alchemer in English, Simplified Chinese, and Vietnamese. The worker surveys were deployed through the Ulula platform and were available through interactive voice response (IVR) and a web link (QR code) in Vietnamese and Mandarin. Incorporating both an online and offline channel for worker participation ensures an inclusive process for workers with low literacy or those without smartphones. Workers could select their preferred language, provide consent, were instructed how to repeat a question if needed, and skip questions they did not want to answer (these “Skip” responses were treated as missing data during the analysis). The system enabled workers who drop off by accident to be able to pick up where they left off, as well as barred workers from participating multiple times to ensure data integrity.

1. NEGATIVE WORKER IMPACTS DUE TO BUYERS' PURCHASING PRACTICES

WHEN SUPPLIERS EXPERIENCED MORE PRESSURE ON THEIR BUSINESS PROFITABILITY/ECONOMIC SUSTAINABILITY			
Workers reported	% of total workers	% of workers whose suppliers experienced more pressure on their business profitability/economic sustainability	Pearson Chi-square
that their colleagues have been terminated because of the COVID-19 impact	14.4%	19.4%	72.67*
that their contract changed for the worse	7.4%	9.6%	20.00*
that they are most concerned about possible termination of their employment or contract	5.2%	6.5%	9.51*

* $p < .05$

WHEN SUPPLIERS EXPERIENCED MORE DIFFICULTY IN PROVIDING GOOD WORKING CONDITIONS AND WAGES

Workers reported	% of total workers	% of workers whose suppliers experienced more difficulty in providing good working conditions and wages	Pearson Chi-square
that they are most concerned about safety at work	33.8%	35.7%	4.13*
that their employer did not provide PPE	2.4%	3.5%	12.12*

*p < .05

2. POSITIVE WORKER IMPACTS DUE TO BUYERS' BEST PRACTICES

WHEN SUPPLIERS REPORTED THAT THEIR BUYERS HAD FAIR PAYMENT PRACTICES...

Workers reported	% of total workers	% of workers whose suppliers reported their buyers' fair payment practices	Pearson Chi-square
that their salary has been reduced	23.8%	7.6%	50.63*
that they are most concerned about personal finances	22.4%	14.4%	14.23*
that they were paid on time when in quarantine or on sick leave	27.8%	34.9%	32.62*

*p < .05

WHEN SUPPLIERS REPORTED THAT THEIR BUYERS DID NOT CANCEL ORDERS...

Workers reported	% of total workers	% of workers whose suppliers reported their buyers did not cancel orders	Pearson Chi-square
that their contract changed for the worse	7.4%	4.8%	28.45*
that they are most concerned about possible termination of their employment or contract	5.2%	3.2%	4.54*
that they are unsatisfied with their current working hours	12.1%	9.7%	13.00*

*p < .05

3. IMPACTS ON VULNERABLE GROUPS

DIFFERENCES IN WORK PRESSURE BY GENDER				
Worker pressure	% of total workers	% of women	% of men	Pearson Chi-square
Since COVID-19 started, has your salary been sufficient to fulfill your basic needs (e.g. food, accommodation, bills)? (% within "less" and "much less")	35.4%	38.3%	29.5%	9.08*
Since COVID-19 began, has your salary been reduced even when you worked your regular hours? (% within "reduced a little" and "reduced a lot")	23.6%	27.2%	16.1%	18.41*
Do you fear that you will lose your job due to the effects of COVID-19? (% within "more" and "much more")	56.9%	59.0%	52.3%	5.15*

* $p < .05$

DIFFERENCES IN WORK PRESSURE BY WORKERS MIGRATION STATUS				
Worker pressure	% of total workers	% of local and interprovincial workers	% of international workers	Pearson Chi-square
Since COVID-19 started, has your salary been sufficient to fulfill your basic needs (e.g. food, accommodation, bills)? (% within "less" and "much less")	35.2%	36.2%	14.0%	10.31*
Since COVID-19 began, has your salary been reduced even when you worked your regular hours? (% within "reduced a little" and "reduced a lot")	23.7%	24.4%	7.7%	7.90*
Do you fear that you will lose your job due to the effects of COVID-19? (% within "more" and "much more")	57.1%	57.7%	44.0%	3.66 ^

* $p < .05$; ^ $p = .056$